

Precot Meridian Limited



ANNUAL REPORT 2011

Directors	Jairam Varadaraj A Ramkrishna C N Srivatsan M V Subaraman Sumanth Ramamurthi Suresh Jagannathan Vijay Mohan Vijay Venkataswamy K Ajit Kumar (Nominee of EXIM Bank)
Chairman	D Sarath Chandran
Managing Director	Ashwin Chandran
Executive Director	Prashanth Chandran
Head - Finance & Accounts	M R Siva Shankar
Company Secretary	C Murugesh
Auditors	M/s Haribhakti & 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

Contents	Page
Notice to Members	2
Directors Report	9
Corporate Governance	13
Balance Sheet	23
Profit and Loss Account	24
Schedules	25
Notes forming part of Accounts	31
Cash Flow Statement	40
Auditors Reports	41
Consolidated Financial Statements	44

Notice is hereby given that the 49th Annual General Meeting of the Shareholders of the Company will be held on 19th August 2011 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 2011.
 - b) The audited Balance sheet as at 31st March 2011.
 - c) The reports of the Directors and the Auditors.
2. To declare a dividend.
3. To appoint a Director in the place of Mr A Ramkrishna who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr Suresh Jagannathan who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in the place of Dr Jairam Varadaraj 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 a Special Resolution.

Resolved that pursuant to provisions of Sections 198, 269, 309 & 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, Mr D Sarath Chandran, be and is hereby appointed as the Chairman of the Company for a period of 3 years effective from 1st April 2011 to 31st March 2014 on the following terms and conditions :

I. Salary : Rs. 1,00,000 per month with an annual increment of 10 % of the salary

II. Commission : up to 1.50% of the net profit of the company in each financial year computed in accordance with Section 349 of the Companies Act, 1956.

III. Allowances & Perquisites:

1. House Rent Allowance - 60% of the salary
2. Perquisites:

The following perquisites shall be allowed subject to a maximum of 40% of the salary.

- i. Reimbursement of medical expenses incurred for self and his family.

- ii. Leave travel concession for self and his family.
In any year, if the perquisites specified in Part III, sub-clause(2) are not availed in full, the unutilised portion of the limit shall be either carried over till the end of the term or encashed at the end of every year.
3. Provision of telephone and car with driver at his residence.

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 or such other limits as may be notified by the Government from time to time.

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.

8. 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 Sections 198, 269, 309, 310 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, Mr Ashwin Chandran be and is hereby appointed as the Managing Director of the company for a period of 3 years effective from 1st April 2011 to 31st March 2014 on the following terms and conditions:

I. Salary : Rs. 1,50,000 per month with an annual increment of 10 % of the salary.

II. Commission : up to 1.50% of the net profit of the company in each financial year computed in accordance with Section 349 of the Companies Act, 1956.

III. Allowances & Perquisites:

1. House Rent Allowance - 60% of the salary
2. Perquisites:

The following perquisites shall be allowed subject to a maximum of 40% of the salary.

- i. Reimbursement of medical expenses incurred for self and his family.
- ii. Leave travel concession for self and his family. In any year, if the perquisites specified in Part III, sub-clause(2) are not availed in full, the unutilised portion of the limit shall be either carried over till the end of the term or encashed at the end of every year.
3. Provision of telephone and car with driver at his residence.

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 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 Ashwin Chandran shall not exceed the limits specified in Section II of Part II of Schedule XIII of the Companies Act, 1956 or such other limits as may be notified by the Government from time to time.

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.

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

Resolved that in supersession of the earlier resolution no. 8 passed at the Annual General Meeting held on 06th August 2010, pursuant to the provisions of Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII, Mr Prashanth Chandran be and is hereby appointed as the Executive Director of the Company for a period of 3 years effective from 1st April 2011 to 31st March 2014 on the following terms and conditions:

I. Salary : Rs. 1,00,000 per month with an annual increment of 10 % of the salary

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. Allowances & Perquisites:

1. House Rent Allowance - 60%
2. Perquisites:

The following perquisites shall be allowed subject to a maximum of 40% of the salary.

- i. Reimbursement of medical expenses incurred for self and his family.
- ii. Leave travel concession for self and his family.

In any year, if the perquisites specified in Part III, sub-clause(2) are not availed in full, the unutilised portion of the limit shall be either carried over till the end of the term or encashed at the end of every year.

3. Provision of telephone and car with driver at his residence.

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 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 Prashanth Chandran shall not exceed the limits specified in Section II of Part II of Schedule XIII of the Companies Act, 1956 or such other limits as may be notified by the Government from time to time.

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.

Coimbatore
27th May 2011

By the Order of the Board
D Sarath Chandran
Chairman

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 10th August 2011 to 19th August 2011 (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 payment are required to be transferred to the 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, 06th 2004 for the financial year 2003-04, is due for transfer to IEPF on August 5th 2011. Members who have not encashed their dividend warrants pertaining to the year 2003-04 and/or any subsequent years that still remains outstanding should approach either the 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 the 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 transferred unclaimed dividend for the financial year 2002-03 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 A Ramkrishna**
 Age : 67 Years
 Qualifications : B Sc, FCA
 Expertise : Chartered Accountant
 Number of Shares held : 800
 Director of Company since : 1998
 Relationship with other directors : He is not related to any director

Directorships

Name of Company	Member of Committees
1. Precot Meridian Limited	Audit & Investors Relations Committee
2. Suprem Textiles Processing Limited	-
3. Multiflora Processing (Cbe) Limited	-
4. Precot Meridian Energy Limited	-

II

Name : **Mr Suresh Jagannathan**
 Age : 54 years
 Qualifications : B S (USA)
 Expertise : Industrialist
 Number of Shares held : -
 Director of Company since : 2006
 Relationship with other directors : He is not related to any director

Name of Company	Member of Committees
1. Precot Meridian Limited	-
2. KLR Limited	Shareholders Committee
3. Pricol Limited	-
4. Elgi Rubber Company Limited	Audit Committee

III

Name : **Dr Jairam Varadaraj**
 Age : 50 years
 Qualifications : MBA, Doctorate in Business Administration
 Expertise : Industrialist
 Number of Shares held : 50
 Director of Company since : 2002
 Relationship with other directors : He is not related to any director
 Directorships

Name of Company Member of Committees

1. Elgi Equipments Limited	Investors Relations Committee
2. Precot Meridian Limited	Audit Committee
3. Elgi Ultra Industries Limited	Investors Relations Committee
4. Thermax Limited	Audit Committee
5. Adisons Precision Instruments Manufacturing Company Limited	-
6. Magna Electro Castings Limited	-
7. Executive and Business Coaching Foundation India Limited	-
8. ATS Elgi Limited	-
9. Elgi Sauer Compressor Limited	-
10. Elgi Rubber Company Limited	-

IV

Name : **Mr D Sarath Chandran**
 Age : 65 years
 Qualifications : B.Sc (Hons), MBA
 Expertise : 39 years of experience in the Textile Industry
 Number of Shares held : 1443080
 Director of Company since : 1974
 Relationship with other directors : Mr D Sarath Chandran is the father of Mr Ashwin Chandran and Mr Prashanth Chandran and brother of Mr Vijay Mohan
 Directorships

Name of Company Member of Committees

1. Precot Meridian Limited	Investor Relations Committee
2. Super Spinning Mills Limited	Shareholders committee

3. Pricol Limited	Shareholders/ Investor relations
4. Vantex Limited	-
5. Precot Meridian Energy Limited	-
6. Multiflora Processing (Cbe) Limited	-
7. Suprem Textiles Processing Limited	-

V

Name : **Mr Ashwin Chandran**
 Age : 35 years
 Qualifications : B.Sc (Hons), MBA
 Expertise : 13 years of experience in the Textile Industry
 Number of Shares held : 1238305
 Director of Company since : 2003
 Relationship with other directors : Mr Ashwin Chandran is the son of Mr D Sarath Chandran and brother of Mr Prashanth Chandran
 Directorships

Name of Company Member of Committees

1. Precot Meridian Limited	Investor Relations Committee
2. Precot Meridian Energy Limited	-
3. Multiflora Processing (Cbe) Limited	-
4. Suprem Textiles Processing Limited	-

VI

Name : **Mr Prashanth Chandran**
 Age : 30 years
 Qualifications : B. Engg
 Expertise : 6 years of experience in the Textile Industry
 Number of Shares held : 1014595
 Relationship with other directors : Mr Prashanth Chandran is the son of Mr D Sarath Chandran and brother of Mr Ashwin Chandran
 Directorships

Name of Company Member of Committees

Precot Meridian Limited	-
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Coimbatore
 27th May 2011
 By Order of the Board
 D Sarath Chandran
 Chairman

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

Item 7

Mr D Sarath Chandran's term of office as Chairman and Managing Director had expired on 31st March 2011. He expressed his intention to relinquish the post of Managing Director. The Remuneration Committee, at its meeting held on 24th January 2011, and the Board of Directors at their meeting held on 29th January 2011 proposed to appoint Mr D Sarath Chandran as the Chairman for a period of 3 years with effect from 01st April 2011 to 31st March 2014 and also to pay him remuneration in accordance with the provisions of 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 Board of Directors and the remuneration committee recommends passing of the resolution.

The profile of Mr D Sarath Chandran is given elsewhere in this notice.

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

Item 8

Mr Ashwin Chandran's term of office as Joint Managing Director had expired on 31st March 2011. He submitted his willingness under section 269 of the Companies Act, 1956 to be appointed as the Managing Director of the company. The Remuneration Committee, at its meeting held on 24th January 2011, and Board of Directors at their meeting held on 29th January 2011 proposed to appoint Mr Ashwin Chandran as the Managing Director for a period of 3 years with effect from 01st April 2011 to 31st March 2014 and also to pay him remuneration in accordance with the provisions of 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 Board of Directors and the remuneration committee recommends passing of the resolution.

The profile of Mr Ashwin Chandran is given elsewhere in this notice.

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

Item 9

In supersession of the earlier resolution passed at the Board meeting held on 29th January 2010 and the Annual General Meeting held on 06th August 2010 with regard to the appointment of Mr Prashanth Chandran, the Remuneration Committee, at its meeting held on 24th January 2011, and the Board of Directors at their meeting held on 29th January 2011 proposed to appoint Mr Prashanth Chandran as the Executive Director for a period of 3 years with effect from 01st April 2011 to 31st March 2014 and also to pay him remuneration in accordance with the provisions of 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 Board of Directors and the remuneration committee recommends passing of the resolution.

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

None of the Directors except Mr Prashanth Chandran, Mr D Sarath Chandran and Mr Ashwin 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	2010-2011 Amount Rs. in Lacs	2009-2010 Amount Rs. in Lacs
Sales and other Income	57997	43998
Profit before Tax and depreciation	7097	5559
Profit after Tax	3260	1572
Paid up Equity Capital	695	695
Reserves and Surplus	15855	13904
Basic Earnings per share	46.91	22.62

5. Export performance and net foreign exchange :

Export performance (FOB Value)	Rs. 11737 lacs
Dividend Receipts	Rs. 18 lacs
Foreign Currency expenditure	Rs. 740 lacs
Net Foreign Exchange earnings	Rs. 11513 lacs

6. Foreign investments and collaborators, if any: Benwood corp in Malaysia, Subsidiary of Precot Meridian Limited

II. Information about the Appointee:

Mr D Sarath Chandran

1. Back ground details: Mr D Sarath Chandran, aged 65, is an industrialist, having 39 years experience in the Textile industry and is a Director in seven Public limited companies
2. Past remuneration: Rs.108000 per month and commission up to 1.5% of Net Profit plus Allowances and Perquisites
3. Recognition or awards: B.Sc (Hons), M B A
4. Job profile and his suitability: Mr D Sarath Chandran is the Chairman of the company and he had been the Managing Director of the company from 1975 to 2011. 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.7.

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: Mr D Sarath Chandran is related to Mr Vijay Mohan, Mr Ashwin Chandran and Mr Prashanth Chandran.

Mr Ashwin Chandran

1. Back ground details: Mr Ashwin Chandran, aged 35, is an industrialist, having 13 years experience in the Textile industry.

2. Past remuneration: Rs.81000 per month and commission up to 1% of Net Profit plus Allowances and Perquisites.

3. Recognition or awards: B.Sc (Hons), M B A

4. Job profile and his suitability: Mr Ashwin Chandran is the Managing Director of the company.

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: Mr Ashwin Chandran is related to Mr D Sarath Chandran and Mr Prashanth Chandran.

Mr Prashanth Chandran

1. Back ground details: Mr Prashanth Chandran, aged 30, is an industrialist, having 6 years experience in the Textile industry.
2. Past remuneration: Rs.60000 per month and commission up to 1% of Net Profit plus Allowances and Perquisites.
3. Recognition or awards: B.Engg
4. Job profile and his suitability: Mr Prashanth Chandran is the Executive Director of the company.
5. Remuneration Proposed: Refer resolution No.9.
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: Mr Prashanth Chandran is related to Mr D Sarath Chandran and Mr Ashwin Chandran.

III. Other Information :

1. Reasons for 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: Considering the prevalent volatile conditions in the textile industry, the turnover and profitability are not predictable.

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 Directors' 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
27th May 2011

By Order of the Board
D Sarath Chandran
Chairman

Dear Shareholders,

Your Directors hereby present the 49th Annual Report along with the financial results for the year ended 31st March 2011.

	Rs. in Lacs	
	2010-11	2009-10
Sales - Domestic	45543	34044
- Exports	11929	9618
	57472	43662
Profit Before Interest, Depreciation & Taxes	8031	6443
Less : Interest	1459	1220
Profit from Operations	6572	5223
Other income	525	336
Profit before Depreciation and Tax	7097	5559
Less : Depreciation and Amortization	2696	2792
Profit Before Tax	4401	2767
Less : Provision for Income Tax	872	470
MAT Credit	(19)	(49)
Deferred Tax	288	(225)
Tax provision for earlier years	-	1000
Profit After Tax	3260	1571
Add : Balance brought forward	85	(81)
Profit available for appropriation	3345	1490

Dividend and appropriations

In view of the improved performance, your directors recommend a dividend of Rs.10 per share (100%), absorbing a sum of Rs. 808 lacs including the tax payable by the company. The amount of Rs.3345 lacs is proposed to be appropriated as under:

	2010-11	2009-10
	Rs. in Lacs	Rs. in Lacs
Proposed Dividend	695	348
Tax on Dividend	113	58
General Reserve	2000	1000
Balance carried forward	537	85

Economic overview and Industry review

The year under review began with a distinctively positive industrial climate, which was a welcome relief after the set backs in previous years due to the global meltdown. Flow of credit from institutions both internally and externally had picked up and overall business sentiments remained positive. However, in view of the rising food inflation and the risk of broader inflationary expectations, the Reserve Bank of India hiked interest rates on several occasions. So finance costs has been dearer and the abundance of liquidity in the system has been curtailed. Inflation remains one of the biggest challenges for the government on the economic front. Oil and coal prices rose sharply and the trend does not seem to be reversing.

During the year, the Indian economy grew at 8.6% and that growth rate is expected to continue in the coming years. So, the outlook for the current year remains broadly positive, subject to the assumption of normal monsoon and robust growth in manufacturing and service sectors. On the downside, global commodity and energy prices remain volatile and could adversely impact growth.

The year 2010-11 for the Textile Industry was a year of opportunities as well as challenges. The increase in the prices of cotton were extraordinary and contradictory to estimates. The opening cotton prices were lower for certain medium and long staple varieties when compared to the prices of the previous year. However, from December 2010, in the wake of a sudden surge in global demand, the domestic cotton prices started rising. The cotton prices peaked during the months of February & March 2011 and were higher by around 100% as compared to the previous year. The volatility and strong international demand directly influenced domestic cotton prices.

To curb the rising cotton price and to ensure sufficient raw material availability to Indian spinners, the Government banned further exports of cotton for the 2009/10 season in April 2010. However, for the 2010/11 season, the Government decided to allow the exports of cotton under OGL without duty effective from 01st October 2010. This was however capped at 55 lacs bales for the season.

Yarn prices had also increased significantly during the period under review. To curb the increasing prices of cotton yarn, the Government restricted the export of yarn to 720 Million Kgs for the year 2010-11. This limit was reached by the end of November 2010, and further exports of yarn was stopped until March 2011. The export incentive schemes, DEPB and Duty draw back for cotton yarn were withdrawn in April 2010.

The TUF (Technology Upgradation Fund) scheme has been extended up to March 2012 and the scope of the scheme has been modified by the Ministry of Textiles to meet the needs of the industry. The Government has imposed Central excise duty on branded garments in March 2011. The Hon'ble Madras High court issued a closure order to all dyeing units in Tirupur due to concerns over environmental pollution. Around 750 dyeing units were shutdown after this order.

Review of operations

The remunerative prices and good demand for yarn, both in the domestic and international markets for most of the year under review enabled the company to maintain the profit margins despite the steep rise in raw material costs. However the ban on exports of cotton yarn from December 2010 resulted in the company having to hold high stocks of export yarn by the end of the financial year.

On the power front, in Kerala, Andhra Pradesh and Karnataka the situation improved compared to previous years, which facilitated the increase in the Company's capacity utilisation. However, the continued shortage of power in Tamil Nadu has

affected utilisation levels and increased energy costs. The prevalent acute shortage of labour has also affected the performance of our Tamil Nadu units. Notwithstanding these external factors your company's performance in the year 2010-11 was commendable and your company achieved the highest profit figures in the company's history.

During the year under review, your company had taken measures to improve the performance of the weaving division, as a result of which, there were significant improvement in the division's efficiency. The turnover of the division increased, however the higher yarn costs negated the effects of improved efficiency levels. Your company is optimistic of improved performance of this division during the current financial year.

Your company's turnover of Rs.575 crores during the year under review, registered a significant growth of 32% over the previous year due to better capacity utilisation and increased sales realisation. This coupled with improved operational efficiencies enhanced the Operating Profit to Rs.66 Crores for the year, as against the corresponding figure of Rs.52 Crores in the previous year.

Outlook for the current year

There was a lot of optimism at the start of the year about the growth prospects for the textile industry. As the Government opened up exports of cotton yarn from April 2011 there were expectations of maintaining the healthy margins seen during 2010/11. However, the huge stocks of cotton yarn that was held by exporters coupled with a slow down in demand saw domestic and international yarn prices fall steadily from the second half of April onward. During the same period, domestic and international cotton prices fell sharply by over 25% from the peak levels seen during March 2011. As a result of this, the prices of cotton stocks held by the company are higher than current market prices. If this trend were to continue, it will adversely affect the operating margins in cotton yarn. Since the closure of dyeing units in Tirupur, the demand for yarn in that region has been affected. Similarly the imposition of central excise duty on branded garments has also affected the hosiery cotton yarn market.

The predictions of a normal monsoon point towards improved power availability in Kerala and Andhra Pradesh, but the acute shortage of power is anticipated to continue in Tamil Nadu.

In order to mitigate the impact of acute labour and power shortages and to take advantage of technology advancements, your company continues its modernisation programme. Your company augmented the windmill generation capacity by 3 MW during the year under review and total capacity grew to 13.25 MW, which caters to 50% of the power requirement of the Tamil Nadu units.

Opportunities, Risks and Concern

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

The high volatility in price and demand of Cotton and Yarn in the domestic and international market is a major concern which could adversely affect your company's top line performance. The shortages of power and labour continue to hinder the operations of your company and increase costs in these areas.

Personnel

Labour relations continued to be cordial throughout the year in all the units of the company.

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 report periodically.

Directors

Mr A Ramkrishna, Mr Suresh Jagannathan and Dr Jairam Varadaraj retire by rotation at the ensuing Annual General Meeting. They are eligible for reappointment.

The term of office of Mr D Sarath Chandran, Chairman and Managing Director came to an end on 31st March 2011. He expressed his intention to relinquish the post of Managing Director. The Remuneration committee, at its meeting held on 24th January 2011 and the Board of Directors, at their meeting held on 29th January 2011, appointed him as the Chairman for a period of three years effective from 1st April 2011. His appointment and remuneration are being placed before you at the ensuing Annual General meeting for consideration and approval.

The term of office of Mr Ashwin Chandran, Joint Managing Director came to end on 31st March 2011. He submitted his willingness under section 269 of the Companies act 1956 to be appointed as the Managing Director. The Remuneration

committee, at its meeting held on 24th January 2011 and the Board of Directors, at their meeting held on 29th January 2011, appointed him as the Managing Director for a period of three years effective from 1st April 2011. His appointment and remuneration are being placed before you at the ensuing Annual General meeting for consideration and approval.

In supersession of earlier resolutions passed at the Board of Directors meeting held on 29th January 2010 and the Annual General meeting held on 06th August 2010 regarding the appointment of Mr Prashanth Chandran as the Executive Director, the Remuneration committee, at its meeting held on 24th January 2011 and the Board of Directors, at their meeting held on 29th January 2011, appointed him as the Executive Director for a period of three years effective from 1st April 2011. His appointment and remuneration are being placed before you at the ensuing Annual General meeting for consideration and approval.

EXIM Bank has appointed Mr K Ajit Kumar as its Nominee Director in place of Mr K Muthukumaran with effect from 29th April 2011.

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.22 crores for the year ended 31st March 2011 with a Net Profit of Rs. 2 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: 47/101/2011-CL-III dated 09/02/2011, in terms of Sec 212(8) of the Companies Act, 1956 exempting it from attaching its subsidiaries 'Balance Sheet, Profit and Loss Account, Auditors' and Directors' Report thereon alongwith the Company's accounts for the year ended 31st March 2011. As per the terms of the exemption order the brief financial statement of subsidiaries is included in the Annual report.

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 Haribhakti & Co and KSG Subramanyam & Co, auditors of the company retire at the ensuing Annual General Meeting. They have given their consent for re-appointment. The company has received confirmation from them that, if appointed, it would be within the limits under section 224(1B) of the Companies Act, 1956. The Audit committee and the Board of Directors of the company propose the re-appointment of the auditors.

Fixed Deposits

During the year the Company did not accept or renew any fixed deposits and no fixed deposits remained unclaimed with the company as on 31st March 2011.

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. 117 crores. Outflow on account of import of raw materials, machinery and spares amounted to Rs. 7 crores resulting in a net foreign exchange earnings of Rs. 110 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 the 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.

FORM A

Conservation of Energy (Consolidated for all units)

A. Power & fuel consumption 31.03.2011 31.03.2010

	Total	Total
1) Electricity From EB		
Units purchased (lacs)	737.75	605.56
Total cost (Rs. lacs)	3028.08	2361.02
Cost per unit (Rs.)	4.10	3.90
2) Electricity From Gas power		
Units purchased (lacs)	443.91	458.77
Total cost (Rs. lacs)	1511.70	1144.14
Cost per unit (Rs.)	3.41	2.49
3) Own Generation through		
a) Diesel Generator		
Units generated (lacs)	77.30	92.61
Total cost (Rs. lacs)	782.91	820.15
Cost per unit (Rs.)	10.13	8.86
Units per Ltr of Diesel	3.53	3.68
b) Wind Mill Power		
Units generated (lacs)	176.76	166.00
Total cost (Rs. lacs)	477.26	447.40
Cost per unit (Rs.)	2.70	2.70
B. Consumption of electricity (units)		
Per Kg of Yarn	4.40	4.26
Per meter of Fabric	1.77	1.91

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

I

Name : D Sarath Chandran
 Age : 65 years
 Qualification : B Sc (Hons), MBA
 Experience : 39 years
 Designation : Chairman & Managing Director
 Nature of duties : Management of the Company
 Gross remuneration : Rs 98.23 lacs
 Date of commencement of employment : 01st April 1975
 Previous employment : Premier Mills Limited

Notes:

- The Chairman & Managing Director was appointed for a period of 3 years with effect from 01st April 2008.
- 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 : 36 years
 Experience : 14 years
 Qualification : B Sc (Hons), MBA
 Designation : Joint Managing Director
 Nature of duties : Management of the Company
 Gross remuneration : Rs 67.94 lacs
 Date of commencement of employment : 19th September 2002
 Previous employment : -

Notes:

- The Joint Managing Director was appointed for a period of 3 years with effect from 01st April 2008.
- 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 : Prashanth Chandran
 Age : 30 years
 Experience : 6 years
 Qualification : B.Engg
 Designation : Executive Director
 Nature of duties : Operations of the company
 Gross remuneration : Rs 61.13 lacs
 Date of commencement of employment : 01st October 2005
 Previous employment : -

Notes:

- The Executive Director was appointed for a period of 3 years with effect from 01st April 2010.
- Gross remuneration includes salary, allowances, Commission and Company's contribution to Provident and Superannuation Funds.
- Mr Prashanth Chandran is the son of Mr D Sarath Chandran and brother of Mr Ashwin Chandran.

 Coimbatore
 27th May 2011

 By Order of the Board
 D Sarath Chandran
 Chairman

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 discharges 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 and suppliers.

Board of Directors – Composition, Category and Attendance

The Company has a very balanced Board of Directors, that takes care of the business needs and stakeholders' interest. The composition of the Board also complies with the provisions of the Companies Act, 1956 and the Listing Agreement.

The Board comprises of twelve Directors including three Executive and nine Non-Executive Directors.

During the year 2010- 2011, four Board of Directors meetings were held at the Registered office on 29th May 2010, 29th July 2010, 29th October 2010 and 29th January 2011.

The last Annual General Meeting (AGM) was held on 06th August 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	Executive - Promoter	4	Yes	6	3	-
Ashwin Chandran Managing Director	Executive - Promoter	4	Yes	3	1	-
Prashanth Chandran Executive Director	Executive - Promoter	4	No	-	-	-
Vijay Mohan	Non Executive - Promoter	4	No	9	2	-
A Ramkrishna	Non Executive - Independent	4	No	3	2	-
Sumanth Ramamurthi	Non Executive - Independent	4	No	12	2	-
Jairam Varadaraj	Non Executive - Independent	-	No	9	4	-
Vijay Venkatasamy	Non Executive - Independent	4	Yes	4	1	1
C N Srivatsan	Non Executive - Independent	3	No	4	3	1
M V Subaraman	Non Executive - Independent	4	No	1	2	-
Suresh Jagannathan	Non Executive - Independent	3	No	3	2	-
K Muthukumar**	Nominee Director (EXIM Bank)	3	No	3	2	-
K Ajit Kumar**	Nominee Director (EXIM Bank)	-	-	2	-	-

Mr D Sarath Chandran resigned from the post of Managing Director with effect from 31st March 2011 and continues as Chairman with effect from 01st April 2011.

Mr Ashwin Chandran's tenure of Joint Managing Director expired on 31st March 2011. He has been appointed as Managing Director with effect from 01st April 2011.

*Excluding directorships in Private companies and Foreign Companies.

** EXIM Bank has appointed Mr K Ajit Kumar as its Nominee Director in place of Mr K Muthukumar with effect from 29th April 2011.

Audit Committee

The Audit Committee of the Company is constituted in compliance 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 they possess sound knowledge of finance, accounts and the textile industry. The quorum for audit committee meeting is two independent directors.

The Chairman of the Audit Committee, Mr Vijay Venkataswamy was present at the last Annual General Meeting.

The Audit Committee meetings were held at the Registered Office of the Company and during the year the committee met four times on 26th May 2010, 23rd July 2010, 22nd October 2010 and 29th January 2011. 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	1
C N Srivatsan	Non Executive - Independent	4
M V Subaraman	Non Executive - Independent	4
A Ramkrishna	Non Executive - Independent	4

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 are given below :

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
K Muthukumaran	Nominee Director (EXIM Bank)	-

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

The Remuneration Committee meeting was held on 24th January 2011. The committee recommended the appointment of Mr D Sarath Chandran as Chairman, Mr Ashwin Chandran as Managing Director and Mr Prashanth Chandran as Executive Director and also recommended their remuneration.

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 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 the Audit Committee and Rs.1,000 per meeting for attending meetings of other Committees of the Board.

The remuneration paid/payable to the Executive Directors of the Company for the year ended 31st March 2011, are as under

(Rs in Lacs)

Name of the Director	Salary and perks	Commission	Total	Service Contract
D Sarath Chandran Chairman and Managing Director	29.42	68.81	98.23	01 st April 2008 to 31 st March 2011
Ashwin Chandran Joint Managing Director	22.07	45.87	67.94	01 st April 2008 to 31 st March 2011
Prashanth Chandran Executive Director	15.26	45.87	61.13	01 st April 2010 to 31 st March 2013

The company does not pay remuneration to any of its Non-Executive Directors barring sitting fees for attending 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	94,000	800
Vijay Mohan	40,000	1300
Sumanth Ramamurthi	40,000	900
Jairam Varadaraj	11,000	50
Vijay Venkatasamy	81,000	550
C N Srivatsan	70,000	-
M V Subaraman	80,000	50
Suresh Jagannathan	30,000	-
K Muthukumar (EXIM Nominee)*	30,000	-

* Paid 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 committee 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 are as follows :

Name	No. of Meetings attended
A Ramkrishna - Chairman (Non Executive)	15
D Sarath Chandran	18
Ashwin Chandran	18

Eighteen meetings of the Shareholders' / Investors' Grievances Committee were held during the previous year i.e, on 15th April 2010, 30th April 2010, 15th May 2010, 15th June 2010, 30th June 2010, 15th July 2010, 29th July 2010, 16th August 2010, 31st August 2010, 30th September 2010, 30th October 2010, 15th November 2010, 31st December 2010, 31st January 2011, 15th February 2011, 28th February 2011, 15th March 2011 and 31st March 2011.

Compliance Officer details :

C Murugesh
 Company Secretary and Compliance Officer
 Precot Meridian Limited
 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
-	10	10	-

There were no outstanding complaints as on 31st March 2011

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
2008,46 th AGM	22 nd August 2008 at 5.00PM	Chamber towers Avinashi Road Coimbatore - 641 018	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 st August 2009 at 4.30PM	Chamber towers Avinashi Road Coimbatore - 641 018	-
2010,48 th AGM	06 th August 2010 at 4.30PM	Chamber towers Avinashi Road Coimbatore - 641 018	Revision in the remuneration of Mr D Sarath Chandran

No Extra-Ordinary General Meeting was held during the year

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 provisions 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 any 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 had 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 during the year.

- 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. A declaration to that effect signed by the Managing Director is attached and forms part of the Annual Report of the Company.

Code of Conduct for Insider Trading

As per SEBI (Prevention of Insider Trading) Regulation, 1992, the Company has adopted a Code of conduct for Prevention of Insider Trading. All the directors, employees at senior management level and other employees who could have access to the unpublished price sensitive information of the Company are governed by this code. During the year under review there has been due compliance with the said code.

Means of Communication

The quarterly, half-yearly and yearly financial results of the Company are sent to the Stock Exchanges immediately after these are approved by the Board. These are widely published in Business Line (National Issue) and Dinakaran (Tamil daily). These results are simultaneously posted on the website of the Company at www.precot.com

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

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

General Shareholder information :

Annual General Meeting : Friday, 19th August 2011 at 4.30 PM
 Venue : Chamber Hall, Chamber Towers, 8/732, Avinashi Road, Coimbatore - 641 018
 Financial Year : 1st April 2011 to 31st March 2012
 Date of Book Closure : 10th August 2011 to 19th August 2011 for the purpose of dividend
 Dividend payment date : Within 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 (2010-2011)	Prices (Rs)		S & P Nifty	
	Low	High	Low	High
April	162.45	181.10	6467.49	6677.56
May	164.45	181.20	6119.53	6491.43
June	170.29	218.26	6186.03	6684.61
July	205.00	237.65	6541.23	6812.99
August	231.05	260.00	6762.76	6937.50
September	235.05	252.65	6850.39	7554.94
October	238.95	274.75	7495.03	7751.06
November	204.35	260.55	7312.38	7917.48
December	202.20	243.20	7232.70	7698.29
January	181.00	225.00	6910.76	7727.31
February	157.30	181.05	6560.54	6936.95
March	154.95	172.00	6738.10	7327.83

Annual listing fees for the year 2011-12 was paid to the National Stock Exchange of India Limited.

Custodial fees: The Company has paid custodial fees for the year 2011-12 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 - 641 028.
 E-mail: 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. The shares in physical form are processed by the Registrar and transfer agents M/s Link Intime India Pvt Limited after getting approval from shareholders committee.

The share transfers are registered and returned within a 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 31st March 2011 : Distribution of Shareholding as on 31st March 2011 :

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	2744	42.39	148656	2.14
Financial Inst/ Banks	750	0.01	101-500	2918	45.09	660892	9.51
FI's	26275	0.38	501-1000	391	6.05	292419	4.21
Mutual Funds	164546	2.37	1001-2000	215	3.32	302523	4.36
Bodies Corporate	400959	5.77	2001-3000	80	1.24	199545	2.87
Non-Resident Indians	31124	0.44	3001-4000	25	0.38	87773	1.26
Public	2489245	35.82	4001-5000	29	0.45	130219	1.87
			5001-10000	40	0.62	276863	3.98
			10001&Above	30	0.46	4851110	69.80
Total	6950000	100.00	Total	6472	100.00	6950000	100.00

Dematerialization status of shares as on 31st March 2011 :

Particulars	No. of Shares	% to Share capital
National Securities Depository Limited	3816995	54.92
Central Depository Services (India) Limited	569964	8.20
Total	4386959	63.12

There are no outstanding GDRs/ADRs/Warrants or any Convertible instruments as on 31st March 2011.



Plant Locations :

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

Address for Correspondence :

Precot Meridian Limited
Secretarial Department
Regd Office: "SUPREM"
PB 7161, 737, Puliakulam Road
Coimbatore – 641 045
E-mail : secretary@precot.com

Coimbatore
27th May 2011

D Sarath Chandran
Chairman

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 2011.

Coimbatore
27th May 2011

D Sarath Chandran
Chairman

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 31st March 2011, 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.

For Haribhakti & Co
Chartered Accountants
Firm Reg.No.: 103523W
C S Sathyanarayanan
Partner
M.No.: 028328

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

Coimbatore
27th May 2011

Rs.in Lacs

	2006	2007	2008	2009	2010	2011
Total Revenue	23693	33649	36947	38973	43997	57997
PBIDT	4165	5852	4527	3629	6779	8556
Interest	179	915	1103	1302	1220	1459
PBDT	3985	4938	3424	2327	5559	7097
Depreciation	1863	2415	2715	2992	2792	2696
Income Tax	328	560	179	-	470	872
Other Taxes	292	74	18	206	725	269
PAT	1502	1889	512	(871)	1572	3260
Dividend & Tax	373	407	163	-	405	808
Retained Earnings	3284	3971	3082	2327	4684	5417
Net Fixed Assets (WDV)	13851	22792	24135	23442	20656	22081
Share Capital	545	695	695	695	695	695
Free Reserves	10772	13047	13019	10826	11992	14445
Net Worth	11317	13742	13714	11521	12687	15140
Long Term Borrowings	8442	16038	16659	16051	13859	13234
Debt:Equity	0.7	1.2	1.2	1.4	1.1	0.9
Dividend (%)	60	50	20	-	50	100
Earnings per share (Rs.)	28	27	7	(13)	23	47

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 AS 30 "Financial instruments - Recognition and Measurement" the company has 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, required of impairment loss recognised in previous periods, if any.

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.

	Schedule	As At 31.03.2011 Rs. in Lacs	AsAt 31.03.2010 Rs. in Lacs
Sources of Funds			
Shareholders' Funds			
Share Capital	1	695.00	695.00
Reserves & Surplus	2	15854.66	13903.54
		<u>16549.66</u>	<u>14598.54</u>
Loan Funds			
Secured Loans	3	35376.60	22330.35
Unsecured Loans	4	3494.64	283.93
		<u>38871.24</u>	<u>22614.28</u>
Deferred Tax Liability		<u>1949.32</u>	<u>1661.57</u>
Total Funds Employed		<u>57370.22</u>	<u>38874.39</u>
Application of Funds			
Fixed Assets			
Gross Block	5	52891.21	49734.42
Less : Accumulated Depreciation		31078.64	29303.43
		<u>21812.57</u>	<u>20430.99</u>
Capital Work-in-progress		267.99	225.27
Net Block		<u>22080.56</u>	20656.26
Investments	6	3464.87	3866.16
Current Assets, Loans & Advances			
A. Current Assets			
a) Inventories	7	31539.01	13582.25
b) Sundry Debtors		3905.70	2904.55
c) Cash & Bank Balances		713.01	518.58
d) Other Current Assets		437.24	881.06
		<u>36594.96</u>	<u>17886.44</u>
B. Loans & Advances			
		<u>2106.79</u>	<u>1685.03</u>
		<u>38701.75</u>	<u>19571.47</u>
Less : Current liabilities and provisions	8	6876.96	5219.50
Net Current Assets		<u>31824.79</u>	<u>14351.97</u>
Total Funds Deployed		<u>57370.22</u>	<u>38874.39</u>

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

For Haribhakti & Co., Chartered Accountants Firm Reg.No.: 103523W C S Sathyanarayanan Partner M.No.: 028328 Place : Coimbatore Date : 27 th May 2011	For K S G Subramanyam & Co., Chartered Accountants Firm Reg.No.: 004151S K Baskaran Partner M.No.: 022883	D Sarath Chandran Chairman Ashwin Chandran Managing Director M R Siva Shankar Head - Finance & Accounts C Murugesh Company Secretary
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	Schedule	Year Ended 31.03.2011 Rs. in Lacs	Year Ended 31.03.2010 Rs. in Lacs
Income			
Sales - Domestic	9	45543.20	34043.78
- Exports		<u>11928.52</u>	<u>9617.51</u>
		57471.72	43661.29
Other Income	10	<u>525.39</u>	<u>335.93</u>
		<u>57997.11</u>	<u>43997.22</u>
Expenditure			
(Increase) / Decrease in Stock	11	(4561.72)	(314.03)
Raw Materials Consumed	12	34316.09	21880.43
Salaries & Wages	13	5161.72	4247.78
Power & Fuel		6072.39	4706.90
Stores		2227.54	1830.43
Repairs & Maintenance	14	2908.57	2390.36
Processing Charges		722.39	259.99
Selling Expenses	15	2089.77	1790.63
Administrative Expenses	16	504.36	425.72
Interest and Finance Charges	17	<u>1459.42</u>	<u>1219.99</u>
		<u>50900.53</u>	<u>38438.20</u>
Profit Before Depreciation and Tax		7096.58	5559.02
Less : Depreciation	5	2682.40	2785.63
Amortisation of intangible assets		<u>13.25</u>	<u>6.03</u>
		<u>2695.65</u>	<u>2791.66</u>
Profit Before Tax		4400.93	2767.36
Less: a) Provision for Taxation		872.00	470.00
b) Deferred Tax		287.75	(225.42)
c) MAT credit		(19.00)	(49.00)
d) Provision for Taxation-Prior years		-	1000.00
		<u>1140.75</u>	<u>1195.58</u>
Net Profit		3260.18	1571.78
Add: Balance brought forward		85.15	(81.41)
Profit available for Appropriation		3345.33	1490.37
Proposed Dividend		695.00	347.50
Tax on Proposed Dividend		112.75	57.72
Transfer to General Reserve		2000.00	1000.00
Balance Carried Forward		<u>537.58</u>	<u>85.15</u>
		<u>3345.33</u>	<u>1490.37</u>
Basic & Diluted Earning Per Share-refer Note No:16 (Face value Rs. 10/-per share)		46.91	22.62

Schedules 5 & 9 to 17, Significant Accounting Policies and Notes on Accounts form part of this P & L Account.

For Haribhakti & Co.,
Chartered Accountants
Firm Reg.No:103523W
C S Sathyanarayanan
Partner
M.No. : 028328
Place : Coimbatore
Date : 27th May 2011

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

D Sarath Chandran
Chairman
Ashwin Chandran
Managing Director
M R Siva Shankar
Head - Finance & Accounts
C Murugesh
Company Secretary

	31.03.2011 Rs. in Lacs	31.03.2010 Rs. in Lacs
Schedule 1		
Share Capital		
Authorised		
9000000 Equity Shares of Rs.10 each	<u>900.00</u>	<u>900.00</u>
Issued & Subscribed		
7500000 Equity Shares of Rs.10 each	<u>750.00</u>	<u>750.00</u>
Paid-up		
6950000 Equity Shares of Rs.10 each	<u>695.00</u>	<u>695.00</u>

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 2002
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	1479.39	-	501.31	978.08	1479.39
General Reserve	9694.64	2000.00	-	11694.64	9694.64
Surplus in P&L account	85.15	3260.18	2807.75	537.58	85.15
	<u>13903.54</u>	<u>5260.18</u>	<u>3309.06</u>	<u>15854.66</u>	<u>13903.54</u>

An Amount of Rs. 55 Lacs was transferred to capital redemption reserve consequent to buy back of 550000 equity shares in July 2002.

Schedule 3

Secured Loans*

A) Term Loans from Banks		
1) In Rupee	9281.72	10553.92
2) In Foreign Currency	3952.04	3305.54
B) Working Capital Facilities from Banks		
1) In Rupee	19882.16	6186.45
2) In Foreign Currency	2260.68	2284.44
	<u>35376.60</u>	<u>22330.35</u>

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

Schedule 4

Unsecured Loans

From others

Sales tax Deferral Loan	225.17	283.93
Short Term Loan from Bank	3269.47	-
	<u>3494.64</u>	<u>283.93</u>

**Schedule 5
Fixed Assets**

Rs. in Lacs

	Gross Block			Depreciation				Net Block		
	As on 01.04.2010	During the year Additions	Sales/ Transfers	As on 31.03.2011	Upto 31.03.2010	For the year	Withdrawals during the year	Upto 31.03.2011	As on 31.03.2011	As on 31.03.2010
A. Tangible Assets										
Land	432.53	55.22	-	487.75	-	-	-	-	487.75	432.53
Buildings	6379.95	362.22	9.99	6732.18	1513.03	185.21	7.34	1690.90	5041.28	4866.92
Plant & Machinery	42171.50	3634.24	962.45	44843.29	27334.76	2460.08	886.83	28908.01	15935.28	14836.74
Office Furniture	205.05	5.60	4.51	206.14	88.90	11.21	3.77	96.34	109.80	116.15
Motor Vehicles	253.04	81.63	38.80	295.87	122.55	25.90	22.50	125.95	169.92	130.49
	49442.07	4138.91	1015.75	52565.23	29059.24	2682.40	920.44	30821.20	21744.03	20382.83
B. Intangible Assets										
ERP Expenditure & Software	292.35	33.63	-	325.98	244.19	13.25	-	257.44	68.54	48.16
	49734.42	4172.54	1015.75	52891.21	29303.43	2695.65	920.44	31078.64	21812.57	20430.99
Capital WIP	225.27	268.00	225.28	267.99	-	-	-	-	267.99	225.27
Total	49959.69	4440.54	1241.03	53159.20	29303.43	2695.65	920.44	31078.64	22080.56	20656.26
Previous Year	49978.45	16.53	35.29	49959.69	26536.12	2791.66	24.35	29303.43	20656.26	23442.33

**Schedule 6
Investments**

Particulars	Face Value Rs.	Quantity as on		Book Value as on	
		31.03.2011 in Nos.	31.03.2010 in Nos.	31.03.2011 Rs.in Lacs	31.03.2010 Rs.in Lacs
A. Equity Shares (Fully paid up) - Long Term					
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	10	100	100	0.01	0.01
Subsidiaries					
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*		666667	666667	41.61	41.61

Particulars	Face	Quantity as on		Book Value as on	
	Value Rs.	31.03.2011 in Nos.	31.03.2010 in Nos.	31.03.2011 Rs.in Lacs	31.03.2010 Rs.in Lacs
B. Investment in Partnership Firm				9.90	9.90
C. Current Investment					
SBI Mutual Fund-Magnum Insta Cash Daily Dividend	597128		-	100.02	-
Investment Fair Value adjustments as per - Accounting Standard - 30				978.08	1479.39
A + B + C				3464.87	3866.16
Quoted investments - Cost				197.47	197.47
- Market Value				887.62	1340.98
Current Investments - Cost				100.02	-
- Market Value				100.02	-
Unquoted investment - Cost				2189.30	2189.30
* Malaysian Company, Face Value of each share - RM 1 each.					
Schedule 7 - Current Assets, Loans & Advances					
A. Current Assets:					
Inventories					
Raw materials				24537.63	11231.03
Stock-in-process				2025.92	1250.00
Waste Cotton				148.23	54.05
Finished Goods				4553.67	767.87
Stock of Stores				273.56	279.30
				31539.01	13582.25
Sundry Debtors					
Unsecured and considered good					
Outstanding for a period exceeding six months				3.89	3.68
Other debts				3901.81	2900.87
				3905.70	2904.55
Cash and Balances with Scheduled Banks					
Balances with scheduled Banks					
In Current Account				674.62	485.62
In Unpaid Dividend Account				29.12	26.27
Cash, Cheques and Stamps on hand				9.27	6.69
				713.01	518.58
Other Current Assets					
Income accrued and receivable				437.24	881.06
				437.24	881.06

	31.03.2011 Rs. in Lacs	31.03.2010 Rs. in Lacs
B. Loans and Advances		
Unsecured, considered good recoverable in cash or in kind or for value to be received:		
Prepaid Expenses	68.64	46.47
Balance Recoverable from Govt. authorities	45.59	14.57
Tax payment pending adjustments	264.68	192.14
MAT Credit Receivable	68.00	49.00
Advance to others/suppliers	862.11	638.12
Deposits with Government Authorities	215.19	105.86
Other Deposits	582.58	638.87
	2106.79	1685.03
Schedule 8 - Current Liabilities and Provisions		
A. Current Liabilities		
Sundry Creditors		
a) Dues to Micro, Small and Medium enterprises	-	-
b) Others	3245.20	1961.98
Trade Deposits	53.09	54.15
Investor Education and Protection Fund items not due		
a) Unclaimed dividends	29.12	26.27
b) Matured unclaimed Fixed Deposits	-	0.15
c) Interest accrued and due on (b)	-	0.02
Other Liabilities	1762.00	1556.02
B. Provisions		
Provision for Taxation	967.70	1010.52
Provision for Gratuity	12.10	205.17
Proposed Dividend	695.00	347.50
Tax on Dividend	112.75	57.72
	6876.96	5219.50
Schedule 9 - Sales		
Gross Sales Domestic - Yarn	38106.81	27787.78
- Fabric	7132.39	6107.10
- Garment	304.00	148.90
	45543.20	34043.78
Direct Sales Exports - Yarn	11928.52	9605.30
- Garments	-	12.21
	11928.52	9617.51
	57471.72	43661.29

	31.03.2011 Rs. in Lacs	31.03.2010 Rs. in Lacs
Schedule 10 - Other Income		
Income from Trade Investments		
Dividends from subsidiaries	24.15	7.92
Income from Non-Trade Investments		
Dividends from other than subsidiaries	26.01	0.64
Profit on Sale of Investments (net)	-	5.27
Profit on Sale of Assets (net)	129.65	13.77
Foreign Exchange Gain (net)	24.39	83.79
Rent Receipts	70.94	65.31
Insurance Claim Receipts	5.70	11.12
Scrap-sales	59.78	43.17
Waste Packing Receipts	17.37	12.95
Miscellaneous Income	167.40	91.99
	<u>525.39</u>	<u>335.93</u>
Schedule 11 - (Increase) / Decrease in Stock		
Opening Stock		
Stock in process	1250.00	926.49
Finished Goods	767.87	777.35
	<u>2017.87</u>	<u>1703.84</u>
Less : Closing Stock		
Stock in Process	2025.92	1250.00
Finished Goods	4553.67	767.87
	<u>6579.59</u>	<u>2017.87</u>
(Increase) / Decrease in Stock	<u>(4561.72)</u>	<u>(314.03)</u>
Schedule 12 - Raw Materials Consumed		
Opening Stock		
Raw Material	11231.04	4503.06
Waste Cotton	54.05	62.56
	<u>11285.09</u>	4565.62
Add : Purchases	48521.98	29030.39
Less: Saie of Waste	805.11	430.49
	<u>47716.87</u>	<u>28599.90</u>
	<u>59001.96</u>	<u>33165.52</u>
Less: Closing Stock		
Raw Material	24537.63	11231.04
Waste Cotton	148.24	54.05
	<u>24685.87</u>	<u>11285.09</u>
	<u>34316.09</u>	<u>21880.43</u>

	31.03.2011	31.03.2010
	Rs. in Lacs	Rs. in Lacs
Schedule 13 - Salaries and Wages		
Salaries, Wages and Bonus	4128.94	3574.46
Contribution to Provident Fund and ESI	342.73	313.62
Gratuity & Superannuation Fund	157.00	28.88
Welfare expenses	305.75	193.63
Remuneration to Whole Time Directors	227.30	137.19
	<u>5161.72</u>	<u>4247.78</u>
Schedule 14 - Repairs and Maintenance		
Building	327.24	484.25
Machinery	2429.50	1774.82
Others	151.83	131.29
	<u>2908.57</u>	<u>2390.36</u>
Schedule 15 - Selling Expenses		
Yarn Brokerage and Commission	873.97	655.40
Export-Freight and handling & Commission	594.65	503.93
Transport charges from Mills to Depots	397.57	368.54
Quality / Delivery claims	27.38	37.39
Fabric / Garment Selling Expenses	4.56	6.90
Other selling expenses	191.64	218.47
	<u>2089.77</u>	<u>1790.63</u>
Schedule 16 - Administrative Expenses		
Insurance	29.72	22.40
Postage and Telegram	41.36	36.91
Printing and Stationery	42.93	42.33
Travelling Expenses	66.37	66.39
Taxes and Licence	37.37	34.61
Professional Charges	78.62	79.19
Directors sitting fees	4.76	5.29
Books, periodicals & subscriptions	6.84	6.01
Establishment Charges	66.49	45.00
ISO Expenses	7.90	6.67
Rent	6.37	9.05
Security Charges	58.88	53.99
Advertisement Charges	4.62	3.91
Gardening/Agricultural Expenses (Net)	4.86	10.04
Assets discarded written off	31.30	-
Others	15.97	3.93
	<u>504.36</u>	<u>425.72</u>
Schedule 17 - Interest and Finance Charges		
Fixed Loans	1255.57	1106.36
Others	113.82	63.13
Bank Charges and Commissions	120.18	85.93
Less : Interest receipts (TDS - Rs. 2.46 Lacs)	30.15	35.43
	<u>1459.42</u>	<u>1219.99</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 are secured by way of pari passu first charge on entire movable and immovable fixed assets of the company and pari passu second charge on current assets of the company.		
b	Term Loan from YES Bank is secured by way of pari passu first charge on entire movable fixed assets.		
c	Working capital loans / Short Term Loans from State Bank of India, Andhra Bank, Corporation Bank, ICICI Bank, IDBI Bank, YES Bank and The South Indian Bank are secured by way of pari passu first charge on current assets of the company and pari passu second charge on entire immovable assets of the company.		
d	Term loan to an extent of Rs.14.23 crores from IDBI Bank, Dubai branch is secured by way of Exclusive First charge on the Windmills and related equipments, systems and accessories located at Eragampatti and Manurpalayam villages in Tirupur district.		
2	a Loans and advances 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.20.65 lacs due from subsidiaries.		
	c Other Liabilities include an amount of Rs.85.63 lacs due to subsidiaries.		
3	Income Tax assessments have been completed upto Assessment Year 2008-2009.		
4	Provisions as on the closing date are as follows:	01.04.2010	31.03.2011
		Additions	Reversal
			Rs. in Lacs
	Central Sales tax	20.00	20.00
		-	-
		31.03.2011	31.03.2010
		Rs. in Lacs	Rs. in Lacs
5	Estimated amount of contracts remaining to be executed on capital account and not provided for	37.63	-
6	Contingent liabilities in respect of :		
	Bills discounted	1692.92	1750.84
	Guarantees	122.38	209.68
	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]		
7	a Disputed Statutory Liabilities not provided for	1244.82	1139.72
	b Disputed Other Liabilities not provided for	264.14	355.54
8	a Managerial Remuneration and Computation of Net Profit		
	Profit Before Tax	4400.93	2767.36
	Add		
	Remuneration to Whole Time Directors	227.30	137.19
	Sitting Fees	4.76	5.29
		232.06	142.48
		4632.99	2909.84
	Less:		
	Capital profit on sale of assets	46.28	15.84
	Profit on sale of Investments	-	5.27
		46.28	21.11
		4586.71	2888.73
	Maximum Remuneration Payable to Directors 10% of the above	458.67	288.87
	Commission - Managing Director	68.81	43.23
	- Joint Managing Director	45.87	28.82
	- Executive Director	45.87	-
	- President	-	7.50
		160.55	79.55

	31.03.2011 Rs. in Lacs	31.03.2010 Rs.in Lacs
b Remuneration to Chairman and Managing Director		
i) Salaries, Allowances etc	27.86	20.79
ii) Contribution to Provident & Other Funds	1.56	3.24
iii) Commission	68.81	43.23
	98.23	67.26
c Remuneration to Joint Managing Director & Executive Director		
i) Salaries, Allowances etc	35.30	30.59
ii) Contribution to Provident & Other Funds	2.03	3.02
iii) Commission	91.74	36.32
	129.07	69.93
d Sundry Creditors includes a sum of Rs.113.99 lacs payable to Directors		
9 a. Earnings in Foreign Exchange - Export of Goods - FOB Value	11736.71	9496.09
b. Dividend from Foreign Subsidiary	18.11	7.92
	11754.82	9504.01
10 Expenditure in Foreign Currency (Payment Basis)		
a CIF Value of Imports:		
i Raw Materials	31.30	191.99
ii Components and Spares	370.93	48.12
iii Capital Goods	71.00	-
b Export Commission	134.18	104.42
c Travelling Expenses	0.90	1.44
d Quality Claim	2.75	0.47
e Interest	124.89	116.57
f Others	4.61	1.98
	740.56	464.99
11 Auditors' remuneration		
i) Statutory Audit	6.00	5.25
ii) Tax Audit	1.00	0.97
iii) Certification and Other Services	1.46	1.63
iv) Service Tax thereon	0.91	0.54
v) Reimbursement of expenses	0.56	0.41
	9.93	8.80
12 Licensed, installed capacity and actual production		
a Licensed Capacity - Not applicable since the industry is delicensed		
b Installed Capacity		
Spindles	Nos. 218208	217632
Rotors	Nos. 1632	1632
Looms	Nos. 117	117

	31.03.2011		31.03.2010	
	Quantity	Value	Quantity	Value
(in Lacs)				
C Yarn (Kgs)				
Opening Stock	5.05	676.30	5.52	634.99
Production	298.19		282.21	
Sales	268.30	50034.25	271.49	37393.10
Captive Consumption	15.07		11.19	
Closing Stock	19.87	4176.86	5.05	676.30
D Fabrics (Mtrs)				
Opening Stock	1.08	91.54	1.42	113.13
Production	66.14		64.22	
Sales	63.67	7134.10	63.47	6107.10
Captive Consumption	-		1.09	
Closing Stock	3.55	371.27	1.08	91.54
E Garments (Nos.)				
Opening Stock	13.00	0.03	17587.00	29.00
Production	102554.00		44487.00	
Sales	99747.00	303.63	62061.00	161.10
Closing Stock	2820.00	5.54	13.00	0.03
F Waste (Kgs)				
Opening Stock	2.01	54.05	1.69	62.56
Production	127.76		116.09	
Sales	36.39	805.11	27.44	430.49
Captive Consumption	90.70		88.33	
Closing Stock	2.68	148.23	2.01	54.05
G Wind Energy(units)				
Production	181.47		199.07	
Own Consumption	176.87		165.98	
Banking	4.60		33.09	
13 Consumption	Value	%	Value	%
Raw Materials	Rs. in Lacs		Rs. in Lacs	
Imported	190.17	0.55	249.16	1.14
Indigenous	34125.92	99.45	21631.27	98.86
	<u>34316.09</u>	<u>100.00</u>	<u>21880.43</u>	<u>100.00</u>
Stores & Spares				
Imported	340.05	15.27	226.48	12.37
Indigenous	1887.49	84.73	1603.95	87.63
	<u>2227.54</u>	<u>100.00</u>	<u>1830.43</u>	<u>100.00</u>

14 Particulars regarding investment in the capital of a Partnership Firm

Name of the Firm :	Suprem Associates	31.03.2011		31.03.2010	
Name of the Partners		Capital Contribution Rs. in Lacs	Sharing Ratio %	Capital Contribution Rs. in Lacs	Sharing Ratio %
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>

15 Investments in Mutual Funds :

	Purchased		Redeemed/Transfer	
	Units	Value	Units	Value
Purchased and Redeemed during the year				
SBI Mutual Fund-Magnum Insta Cash fund Daily Dividend	188	3150	182	3050
SBI-SHF Ultra Short term fund-Institutional plan	65	652	65	652
HSBC Cash Fund-Institutional Plan-Daily Dividend	5	50	5	50
DSP Black Rock Liquidity Fund-Institutional Plan	100	450	100	450
Reliance Floating Rate Fund-Short Term Plan	17	175	17	175
Reliance Liquid Fund-Treasury plan Retail Option	3	50	3	50
DSP Black Rock Liquidity Fund -Institutional Plan	49	800	49	800
Reliance Money Manager Fund-Institutional plan	1	675	1	675
	<u>428</u>	<u>6002</u>	<u>422</u>	<u>5902</u>

16 Earnings Per Share (Basic & Diluted)

	31.03.2011 Rs.in Lacs	31.03.2010 Rs.in Lacs
a) Net Profit available for Equity Shareholders (A)	3260.18	1571.78
b) Weighted Average number of equity shares (B)	6950000	6950000
c) Earnings per Share (A)/(B) (Rs.)	46.91	22.62
d) Face Value per share (Rs.)	10.00	10.00

17 Deferred Tax Liability

a. Deferred Tax Liability on account of:

(i) Fixed Assets	2118.65	1925.78
	<u>2118.65</u>	<u>1925.78</u>

b. Deferred Tax Asset on account of :

(i) Bonus & VRS	(36.29)	(103.58)
(ii) Gratuity and Others	(133.04)	(160.63)
	<u>(169.33)</u>	<u>(264.21)</u>

Net Liability	<u>1949.32</u>	<u>1661.57</u>
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- 18 Previous year's figures have been regrouped wherever necessary to conform 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.17.97 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	
	31.03.2011	31.03.2010
a. Exchange difference capitalized during the year	(28.27)	(480.97)
b. Depreciation provision charged to Profit & loss a/c thereon	50.35	65.45
c. Remaining amount to be amortized	300.66	379.28

- 22 The company having adopted AS 30 "Financial Instruments - Recognition and Measurement" with effect from 1st April 2008, continues to comply with its requirements. The outstanding amount of forward contracts not recognised in the books of accounts as on the balance sheet date is Rs.1724.88 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 31st March 2011.
- 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]	31.03.2011	31.03.2010	31.03.2009
Discount Rate	8.30%	8.40%	8.00%
Salary escalation rate	5.50%	5.00%	3.75%
Attrition rate	2.00%	2.00%	1.00%
Expected rate of return on plan Assets	9.00%	10.00%	9.00%

II. Changes in the present value of the obligation (PVO)- Reconciliation of opening and closing balances:	31.03.2011 Rs.in lacs	31.03.2010 Rs.in lacs	31.03.2009 Rs.in lacs
PVO as at the beginning of the period	781.31	609.61	580.25
Interest cost	63.06	46.27	45.69
Current service cost	40.28	31.60	29.01
Past service cost - (non vested benefits)	-	-	-
Past service cost - (vested benefits)	12.29	-	-
Benefits paid	(61.18)	(62.42)	(18.38)
Actuarial loss / (gain) on obligation (balancing figure)	83.14	156.25	(26.96)
PVO as at the end of the period	918.90	781.31	609.61
III. Changes in the fair value of plan assets - Reconciliation of opening and closing balances:	31.03.2011 Rs.in lacs	31.03.2010 Rs.in lacs	31.03.2009 Rs.in lacs
Fair value of plan assets as at the beginning of the period	576.14	420.12	530.93
Expected return on plan assets	64.85	35.00	41.74
Contributions	350.00	-	-
Benefits paid	(61.18)	(62.42)	(18.38)
Actuarial gain / (loss) on plan assets (balancing figure)	(23.01)	183.44	(134.17)
Fair value of plan assets as at the end of the period	906.80	576.14	420.12
IV. Actual return on plan assets	31.03.2011 Rs.in lacs	31.03.2010 Rs.in lacs	31.03.2009 Rs.in lacs
Expected return on plan assets	64.85	35.00	41.74
Actuarial gain (loss) on plan assets	(23.01)	183.44	(134.17)
Actual return on plan assets	41.84	218.44	(92.43)
V. Actuarial gain / Loss recognized	31.03.2011 Rs.in lacs	31.03.2010 Rs.in lacs	31.03.2009 Rs.in lacs
Actuarial gain / (loss) for the period - Obligation	(83.14)	(156.25)	26.96
Actuarial gain / (loss) for the period - plan assets	(23.01)	183.44	(134.17)
Total (gain) / loss for the period	106.15	(27.19)	107.21
Actuarial (gain)/loss recognised in the period	106.15	(27.19)	107.21
Unrecognized actuarial (gain) / loss at the end of the year	-	-	-
VI. Amounts recognised in the balance sheet and related analysis	31.03.2011 Rs.in lacs	31.03.2010 Rs.in lacs	31.03.2009 Rs.in lacs
Present value of the obligation	918.90	781.32	609.61
Fair value of plan assets	906.80	576.15	420.12
Difference	12.10	205.17	189.49
Unrecognised transitional liability	-	-	-
Unrecognised past service cost -non vested benefits	-	-	-
Liability recognised in the balance sheet	12.10	205.17	189.49

VII. Expense recognised in the statement of profit and loss	31.03.2011 Rs.in lacs	31.03.2010 Rs.in lacs	31.03.2009 Rs.in lacs
Current service cost	40.28	31.60	29.01
Interest cost	63.06	46.27	45.69
Expected return on plan assets	(64.85)	(35.00)	(41.74)
Net actuarial gain / (loss) recognised in the year	106.15	(27.19)	107.22
Past service cost-vested benefits	12.29	-	-
Expenses recognised in the statement of profit and loss	156.93	15.68	140.18

VIII. Movements in the liability recognized in the balance sheet	31.03.2011 Rs.in lacs	31.03.2010 Rs.in lacs	31.03.2009 Rs.in lacs
Opening net liability	205.17	189.49	49.32
Expense as above	156.93	15.68	140.17
Contribution paid	(350.00)	-	-
Closing net liability	12.10	205.17	189.49

IX. Amount for the Current Period	31.03.2011 Rs.in lacs	31.03.2010 Rs.in lacs	31.03.2009 Rs.in lacs
Present Value of obligation	918.90	781.32	609.61
Plan Assets	906.80	576.15	420.12
Surplus(Deficit)	(12.10)	(205.17)	(189.49)
Experience adjustments on plan liabilities - (Loss)/gain	83.14	156.25	(26.96)
Experience adjustments on plan assets - (Loss)/gain	(23.01)	183.44	(134.17)

X. Major categories of plan assets (as percentage of total plan assets)	31.03.2011 Rs.in lacs	31.03.2010 Rs.in lacs	31.03.2009 Rs.in lacs
Fund managed by Insurer	100.00%	100.00%	100.00%

XI. Enterprise's Best Estimate of Contribution during Next Year	100.00	NA	NA

25 Related Party Disclosure :

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, 4. Benwood Corporation Sdn Bhd

Key Management Personnel : 1. Mr D Sarath Chandran, 2. Mr Ashwin Chandran and 3. Mr Prashanth Chandran.

Others : Suprem Associates.

Nature of Transactions	Rs in Lacs 2010-11			Rs in Lacs 2009-10		
	Subsidiary Company	Key Mgt Personnel	Others	Subsidiary Company	Key Mgt Personnel	Others
Sale of Yarn	82.22	-	-	386.23	-	-
Commission on Exports	6.61	-	-	11.81	-	-
Dividend Received	24.15	-	-	7.92	-	-
Remuneration	-	227.30	-	-	137.19	-
Amount Outstanding as at year end-Dr	20.65	-	71.62	47.11	0.21	71.62
Amount Outstanding as at year end-Cr	85.63	113.99	-	95.89	58.08	-

Balance Sheet Abstract and Company's General Business Profile

I Registration Details

Registration No. : 1183 State Code : 18
Balance Sheet Date : 31.03.2011

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

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

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

Total Liabilities : 5737022 Total Assets : 5737022

Sources of Funds

Paid-up Capital : 69500 Reserves & Surplus : 1585467
Secured Loans : 3537660 Unsecured Loans : 349463
Deferred Tax Liability : 194932

Application Funds

Net Fixed Assets : 2208056 Investments : 346487
Net Current Assets : 3182479 Misc. Expenditure : -
Accumulated Losses : -

IV Performance of Company (Rs. in Thousands)

Total Income : 5799711 Total Expenditure : 5359618
Profit Before Tax : 440093 Profit After Tax : 326018
Earning Per Share : 46.91 Dividend % : 100%

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 Haribhakti & Co.,
Chartered Accountants
Firm Reg.No.:103523W
C S Sathyanarayanan
Partner
M.No. : 028328
Place : Coimbatore
Date : 27th May 2011

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

D Sarath Chandran
Chairman
Ashwin Chandran
Managing Director
M R Siva Shankar
Head - Finance & Accounts
C Murugesh
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	31.03.2011	31.03.2011	31.03.2011	31.03.2011
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, 2011	(950167)	(22928)	(16305)	15124000
	ii. for the previous financial years	(3220689)	906416	(2549195)	35324000
	b) dealt with in the accounts of the Company				
	i. for the year ended 31st March, 2011	-	-	-	2415000
	ii. for the previous financial year	-	-	-	11028000
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	NA
	ii) its investments	NA	NA	NA	NA
	iii) the money lent by it	NA	NA	NA	NA
	iv) the money borrowed by it for any purpose other than that of meeting current liabilities	NA	NA	NA	NA

For Haribhakti & Co.,
Chartered Accountants
Firm Reg.No.:103523W
C S Sathyanarayanan
Partner
M.No. : 028328
Place : Coimbatore
Date : 27th May 2011

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

D Sarath Chandran
Chairman
Ashwin Chandran
Managing Director
M R Siva Shankar
Head - Finance & Accounts
C Muruges
Company Secretary

	31.03.2011 Rs. in Lacs	31.03.2010 Rs. in Lacs
A. Cash Flow from Operating Activities		
Net Profit Before Tax and Extraordinary Items	4400.93	2767.36
Adjustments for :		
Depreciation and Amortisation	2695.65	2791.66
(Profit)/Loss on Sale of Assets	(129.65)	(13.77)
Investment Income - Dividend	(50.16)	(8.56)
Interest Income	(30.15)	(35.43)
(Profit)/Loss on Sale of Investments	-	(5.27)
Interest Payment	1489.57	1255.42
	<u>3975.26</u>	<u>3984.05</u>
Operating Profit before Working Capital changes	8376.19	6751.41
Adjustments for :		
Trade Receivables	(1001.15)	(414.13)
Other Receivables	113.61	(142.21)
Inventories	(17956.76)	(7072.64)
Trade Payables	1294.90	1857.35
	<u>(17549.40)</u>	<u>(5771.63)</u>
Cash generated from Operations	(9173.21)	979.78
Direct Taxes paid	(987.36)	(440.75)
Net Cash Flow from Operating Activities	(10160.57)	539.03
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(4215.26)	(497.52)
Sale of Fixed Assets	224.96	24.70
(Purchase) / Sale of Investments	(100.02)	105.27
Interest Received	30.15	35.43
Dividend Received	50.16	8.56
Net Cash flow from Investing Activities	(4010.01)	(323.56)
C. Cash Flow from Financing Activities		
Dividends Paid (Including Dividend Tax)	(402.37)	(2.49)
Interests Paid	(1489.57)	(1255.42)
Proceeds from Long Term Borrowings	(625.70)	(1710.17)
Proceeds from Unsecured Loan/Deposits	3210.71	(18.91)
Proceeds from Working Capital Borrowings	13671.94	2818.00
Net Cash Flow from Financing Activities	14365.01	(168.99)
Net Increase/Decrease in Cash and Cash Equivalent	194.43	46.48
Cash and Cash Equivalents as at 01.04.2010 and 01.04.2009 (Opening Balance)	518.58	472.10
Cash and Cash Equivalents as at 31.03.2011 and 31.3.2010 (Closing balance)	713.01	518.58

For Haribhakti & Co.,
Chartered Accountants
Firm Reg.No.:103523W
C S Sathyanarayanan
Partner
M.No. : 028328
Place : Coimbatore
Date : 27th May 2011

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

D Sarath Chandran
Chairman
Ashwin Chandran
Managing Director
M R Siva Shankar
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 as at March 31, 2011 and also the Profit and Loss account and the cash flow statement for the year ended on that date annexed thereto. 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. Those 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, (as amended), issued by the Central Government of India in terms of subsection (4A) of section 227 of 'The Companies Act, 1956', we give in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.

Further to our comments in the paragraph 3 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 and cash flow statement 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 and cash flow statement 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, 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2011 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 accounts give the information required by the Companies Act, 1956, in the manner so required and give 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 2011,
 - 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 Haribhakti & Co.,
Chartered Accountants
Firm Reg.No.: 103523W
C S Sathyanarayanan
Partner
M.No. : 028328
Place : Coimbatore
Date : 27th May 2011

For K S G Subramanyam & Co.,
Chartered Accountants
Firm 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. In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.

2. a. The inventory has been physically verified by the management during the year. 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 is maintaining proper records of inventory and no material discrepancies were noticed on physical verification carried out at the end of the year.
3. a. As informed, 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, 1956. Accordingly, the provisions stated in paragraph 4 (iii)(b),(c) and (d) of the order are not applicable.
- b. As informed, 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, 1956. Accordingly, the provisions stated in paragraph 4 (iii)(f) and (g) of the order are not applicable.
4. In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct weakness in internal control system of the company.
5. a. According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.
- b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, 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 in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and we 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 appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it. Further, since the Central Government has till date not prescribed the amount of cess payable under section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.
- b. According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- c. According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

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	Madras 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	5.58	-	2008-09 to 2009-10	Madras High court
Central Excise Act, 1944	Excise Duty and Penalties	16.54	-	2007-08 to 2008-09	Commissioner appeals, Kochi
Central Excise Act, 1944	Excise Duty and Penalties	0.70	-	2007-08 to 2008-09	Commissioner appeals, Kochi
Central Excise Act, 1944	Excise Duty and Penalties	29.78	-	2000-01 to 2002-03	CESTAT, Bangalore
Central Excise Act, 1944	Excise Duty and Penalties	6.52	-	2008-09	Commissioner appeals, Kochi
Service Tax	Service Tax and Penalties	13.38	-	2003-04 and 2004-05	Additional Commissioner of Central Excise (Appeals)
Service Tax	Service Tax	1.36	-	2009-10	Commissioner
Service Tax	Service Tax	7.38	7.38	2006-07	CESTAT
Service Tax	Service Tax	4.04	-	1997-98	Commissioner appeals, Kochi
Central Sales Tax, 1956	Central Sales Tax	20.00	-	2002-03 to 2003-04	Kerala High Court
Central Sales Tax, 1956	Central Sales Tax	648.18	-	1998-99 to 1999-00	Assessing Officer, Stay obtained from Chennai High Court
Tamil Nadu General Sales tax 1959	Sales tax	12.61	12.61	1994-95 to 1998-99	Madras High court
AP VAT 2005	Sales Tax	24.73	24.73	1999-00 to 2004-05	AP Sales Tax Appellate Tribunal

10. The company does not have any accumulated losses as at 31.03.2011. The company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank.
12. According to the information and explanations given to us and based on the documents and records produced to us, 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. In our opinion, 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 (as amended) 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. In our opinion and according to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks or financial institutions during the year.
16. In our opinion, the term loans have been applied for the purpose for which the loans were raised.
17. According to the information and the explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
18. According to the information and explanation given to us, 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. According to the information and explanations given to us, no debentures have been issued by the company during the year.
20. The Company has not raised money by way of public issue during the year.
21. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

For Haribhakti & Co.,
Chartered Accountants
Firm Reg.No.: 103523W
C.S.Sathyannarayanan
Partner
M.No. : 028328
Place : Coimbatore
Date : 27th May 2011

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

	Schedule	As At 31.03.2011 Rs. in Lacs	As At 31.03.2010 Rs.in Lacs
Sources of Funds			
Shareholder's Funds			
Share Capital	1	695.00	695.00
Reserves & Surplus	2	16093.04	13963.07
		<u>16788.04</u>	<u>14658.07</u>
Loan Funds			
Secured Loans	3	35376.60	22330.35
Unsecured Loans	4	3511.08	283.93
		<u>38887.68</u>	<u>22614.28</u>
Deferred Tax Liability		1950.43	1662.46
Minority Interest		292.57	225.97
Total Funds Employed		<u>57918.73</u>	<u>39160.78</u>
Application of Funds			
Fixed Assets			
Gross Block	5	53026.23	49844.90
Less : Depreciation		31105.88	29323.43
		<u>21920.35</u>	<u>20521.47</u>
Capital Work-in-progress		267.99	225.27
Net Block		<u>22188.34</u>	20746.74
Investments	6	3016.55	3388.34
Current Assets, Loans & Advances			
A. Current Assets			
a) Inventories	7	31838.68	13599.33
b) Sundry Debtors		4160.94	3045.83
c) Cash & Bank Balances		1068.53	999.33
d) Other Current Assets		440.51	881.59
B. Loans & Advances		<u>2095.21</u>	1593.03
		<u>39603.87</u>	20119.11
Less : Current liabilities and provisions	8	6890.03	5093.41
Net Current Assets		<u>32713.84</u>	15025.70
Total Funds Deployed		<u>57918.73</u>	<u>39160.78</u>

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

For Haribhakti & Co.,
Chartered Accountants
Firm Reg.No.:103523W
C S Sathyanarayanan
Partner
M.No. : 028328
Place : Coimbatore
Date : 27th May 2011

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

D Sarath Chandran
Chairman
Ashwin Chandran
Managing Director
M R Siva Shankar
Head - Finance & Accounts
C Murugesh
Company Secretary

	Schedule	Year Ended 31.03.2011 Rs. in Lacs	Year Ended 31.03.2010 Rs.in Lacs
Income			
Sales - Domestic	9	47555.58	35369.25
- Exports		11928.52	9231.28
Other Income	10	537.45	349.03
		<u>60021.55</u>	<u>44949.56</u>
Expenditure			
Increase / (Decrease) In Stock	11	(4844.32)	(174.09)
Raw Materials Consumed	12	36149.92	22528.59
Salaries & Wages	13	5197.25	4267.93
Power & Fuel		6072.39	4706.88
Stores		2227.54	1830.43
Repairs & Maintenance	14	2908.56	2390.36
Processing Charges		722.39	260.00
Selling Expenses	15	2207.89	1818.41
Administrative Expenses	16	565.56	452.08
Interest and Finance Charges	17	1463.33	1221.53
		<u>52670.51</u>	<u>39302.12</u>
Profit Before Depreciation and Tax		7351.04	5647.44
Less : Depreciation	5	2689.94	2788.71
Amortisation of intangible assets		13.25	6.03
Profit Before Tax		4647.85	2852.70
Less: a) Provision for Taxation		925.84	489.12
b) Deferred Tax		287.97	(225.36)
c) Profit transfer to minority interest		75.61	21.60
d) MAT credit		(19.00)	(49.00)
e) Provision for Taxation-Prior years		-	1021.57
Net Profit		3377.43	1594.77
Add: Balance brought forward		385.78	196.23
Profit available for Appropriation		3763.21	1791.00
Proposed Dividend		695.00	347.50
Tax on Proposed Dividend		112.75	57.72
Transfer to General Reserve		2000.00	1000.00
Balance Carried Forward		955.46	385.78
		<u>3763.21</u>	<u>1791.00</u>
Basic & Diluted Earning Per Share - refer note no:6 (Face value Rs.10/-per share)		48.60	22.95

Schedules 5 & 9 to 17, Significant Accounting Policies and the Notes on Accounts form part of this Profit & Loss Account.

For Haribhakti & Co.,
Chartered Accountants
Firm Reg.No.:103523W
C S Sathyanarayanan
Partner
M.No. : 028328
Place : Coimbatore
Date : 27th May 2011

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

D Sarath Chandran
Chairman
Ashwin Chandran
Managing Director
M R Siva Shankar
Head - Finance & Accounts
C Murugesh
Company Secretary

	As at 31.03.2011 Rs.in Lacs	As at 31.03.2010 Rs. in Lacs
Schedule 1 - Share Capital		
Authorised		
9000000 Equity Shares of Rs.10 each	900.00	900.00
Issued & Subscribed		
7500000 Equity Shares of Rs.10 each	750.00	750.00
Paid-up		
6950000 Equity Shares of Rs.10 each	695.00	695.0

Note: a) 2625000 equity shares of Rs.10 each have been issued as fully paid-up bonus shares by capitalisation of reserve
b) 550000 equity shares of Rs. 10 each were bought back in July 2002
c) 1500000 Equity shares of Rs.10 were issued consequent to merger of Meridian Industries Ltd with the company

	As at 01.04.2010	Additions	Deletions	As at 31.03.2011 Rs.in Lacs	As at 31.03.2010
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	1181.21	-	501.31	679.90	1181.21
Foreign currency translation reserve	57.08	61.60	-	118.68	57.08
General Reserve	9694.64	2000.00	-	11694.64	9694.64
Surplus in P&L account	385.78	3377.43	2807.75	955.46	385.78
	<u>13963.07</u>	<u>5439.03</u>	<u>3309.06</u>	<u>16093.04</u>	<u>13963.07</u>

a) Refer Note No.10(b) of Notes on Consolidated Accounts
b) An Amount of Rs.55 Lacs was transferred to capital redemption reserve consequent to buyback of 5,50,000 equity shares in July 2002.

	31.03.2011 Rs.in Lacs	31.03.2010 Rs. in Lacs
Schedule 3 - Secured Loans*		
A) Term Loans from Banks		
1) In Rupee	9281.72	10553.92
2) In Foreign Currency	3952.04	3305.54
B) Working Capital Facilities from Banks		
1) In Rupee	19882.16	6186.45
2) In Foreign Currency	2260.68	2284.44
* For securities refer Note no. 2 of notes of consolidated accounts	<u>35376.60</u>	<u>22330.35</u>

	31.03.2011 Rs.in Lacs	31.03.2010 Rs. in Lacs
Schedule 4 - Unsecured Loans		
From Others		
Long Term Loans	16.45	-
Short term Loan	3269.46	-
Sales tax Deferral Loan	225.17	283.93
	<u>3511.08</u>	<u>283.93</u>

Schedule 5 - Fixed Assets

	Gross Block			As at 31.03.2011	Upto 31.03.2010	Depreciation		Net Block		
	As at 01.04.2010	During the year Additions	Sales Transfers			For the year	Withdrawals during the year	Upto 31.03.2011	As at 31.03.2011	As at 31.03.2010
A. Tangible Assets										
Land	513.93	55.22	-	569.15	-	-	-	-	569.15	513.93
Building	6379.95	362.22	9.99	6732.18	1513.03	185.20	7.34	1690.90	5041.28	4866.92
Plant & Machinery	42185.04	3636.57	962.96	44858.65	27345.25	2461.16	886.83	28919.58	15939.07	14839.79
Office Furniture	210.58	5.62	4.51	211.69	93.13	11.70	4.08	100.75	110.94	117.45
Motor Vehicles	263.05	104.33	38.80	328.58	127.83	31.88	22.50	137.21	191.37	135.22
B. Intangible Assets										
ERP Expenditure & Software										
Software	292.35	33.63	-	325.98	244.19	13.25	-	257.44	68.54	48.16
	49844.90	4197.59	1016.26	53026.23	29323.43	2703.19	920.75	31105.88	21920.35	20521.47
Capital WIP	225.27	268.00	225.28	267.99					267.99	225.27
Total	50070.17	4465.59	1241.54	53294.22	29323.43	2703.19	920.75	31105.88	22188.34	20746.74
Previous Year	49901.49	18.14	36.32	49883.31	26541.24	2794.74	24.35	29311.63	20571.68	23360.25

Schedule 6 - Investments

Particulars	Face Value Rs.	Quantity as on		Book Value as on	
		31.03.2011 in Nos.	31.03.2010 in Nos.	31.03.2011 Rs.in Lacs	31.03.2010 Rs.in Lacs
A. Equity Shares (Fully paid up) - Long Term					
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
National Saving Certificate				0.02	0.02
B. Mutual Funds - Current					
SBI - Mutual Fund Investment		597128		100.02	-
Malayan Banking Berhad - Amcons 3 cash		194647		29.50	-
AS 30 Investment fair value Adjustment				679.89	1181.20
				3016.55	3388.34
Aggregate value of quoted investments					
Cost				199.33	199.33
Market value				1401.75	1401.75
Aggregate value of unquoted investment					
Cost				2137.33	2007.81

	31.03.2011 Rs.in Lacs	31.03.2010 Rs.in Lacs
Schedule 14 - Repairs and Maintenance		
Building	327.24	484.25
Machinery	2429.50	1774.82
Others	151.82	131.29
	2908.56	2390.36
Schedule 15 - Selling Expenses		
Yam Brokerage and Commission	917.96	672.84
Export-Freight and handling & Commission	588.04	503.93
Transport charges from Mills to Depots	397.57	378.88
Quality / Delivery Claims	27.38	37.39
Fabric / Garment Selling Expenses	4.56	6.90
Other selling expenses	272.38	218.47
	2207.89	1818.41
Schedule 16 - Administrative Expenses		
Insurance	30.16	22.83
Postage, Telephone and Telegram	44.76	39.24
Printing and Stationery	43.51	42.78
Travelling and Transport charges	78.96	71.47
Taxes and Licence	37.60	35.46
Professional Charges	83.58	82.18
Directors' sitting fees	5.29	5.70
Books,Periodicals and subscriptions	6.84	6.29
Establishment Charges	68.11	45.00
ISO Expenses	7.90	6.67
Rent	18.49	18.24
Security Charges	60.58	55.28
Advertisement Charges	4.62	3.91
Gardening / Agricultural Expenses	4.86	10.04
Assets Discarded Written off	31.30	-
Others	39.00	6.99
	565.56	452.08
Schedule 17 - Interest and Finance charges		
Fixed Loans	1255.57	1106.36
Others	116.60	63.13
Bank Charges and Commissions	121.31	87.47
Less : Interest receipts	30.15	35.43
	1463.33	1221.53

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:

- i) 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.

ii) 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.

iii) 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.

Notes forming part of accounts

- 1 The subsidiary companies firms considered in the consolidated financial statements are :

Name of the Subsidiary	Country of Incorporation	% of Ownership Interest
a Suprem Textiles Processing Ltd.,	India	100
b Multiflora Processing (Coimbatore) Ltd.,	India	100
c Precot Meridian Energy Ltd.,	India	100
d Benwood Corporation Sdn Bhd	Malaysia	67
e Suprem Associates - Firm	India	99

2 Security for Borrowings:

- a. Term Loans from ICICI bank, Andhra Bank, State Bank of India, Export Import Bank of India and IDBI Bank 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.
- 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.

	31.03.2011 Rs. in Lacs	31.03.2010 Rs.in Lacs
3 Contingent liabilities in respect of Bills discounted	1692.92	1750.84
Guarantees	122.38	209.68
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 not provided for	1244.82	1139.72
b Disputed Other Liabilities not provided for	264.14	355.54
5 Provisions as on the closing date are as follows:		
	01.04.2010	Additions
		Reversal
		31.03.2011 Rs. In Lacs
Central Sales tax	20.00	-
		-
		20.00

<p>6 Earnings Per Share</p> <p>a Net Profit available for Equity Shareholders (A)</p> <p>b Weighted Average number of equity shares (B)</p> <p>c Basic and Diluted Earnings per Share (A) / (B) (Rs.)</p> <p>d Face Value per share (Rs.)</p> <p>7 The Deferred Tax Liability</p> <p>a Deferred Tax Liability on account of :</p> <p>(i) Related to Fixed Assets</p> <p>b Deferred Tax Asset on account of :</p> <p>(i) Bonus and VRS</p> <p>(ii) Gratuity and Others</p> <p>Net Liability</p> <p>8 Previous year's figures have been regrouped wherever necessary to conform to current year's classification.</p> <p>9 In the Consolidated Financial Statements, financial figure of Benwood Corporation Sdn Bhd is for 15 Months.</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 2011", as given in the separate financial statements of Precot Meridian Ltd and its subsidiaries.</p> <p>10 Related Party Disclosure</p> <p>Nature of Transactions</p> <p>Remuneration</p> <p>Amount Outstanding as at year end - Dr</p> <p>Amount Outstanding as at year end - Cr</p> <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>	<p>31.03.2011</p> <p>Rs. in Lacs</p> <p>3377.43</p> <p>6950000</p> <p>48.60</p> <p>10.00</p> <p>2119.77</p> <p>2119.77</p> <p>(36.29)</p> <p>(133.04)</p> <p>(169.33)</p> <p>1950.43</p> <p>2010-11</p> <p>2009-10</p> <p>Key Mgt</p> <p>Personnel</p> <p>227.30</p> <p>-</p> <p>113.99</p> <p>31.03.2011</p> <p>Rs. in Lacs</p> <p>(28.27)</p> <p>50.35</p> <p>300.66</p> <p>31.03.2010</p> <p>Rs. in Lacs</p> <p>1594.77</p> <p>6950000</p> <p>22.94</p> <p>10.00</p> <p>1926.67</p> <p>1926.67</p> <p>(103.58)</p> <p>(160.63)</p> <p>(264.21)</p> <p>1662.46</p> <p>2009-10</p> <p>Key Mgt</p> <p>Personnel</p> <p>142.81</p> <p>0.21</p> <p>58.08</p> <p>480.97</p> <p>(65.45)</p> <p>379.28</p>	<p>12 The company having early adopted AS 30 with effect from 1st April 2008, continues to comply with its requirements. The outstanding amount of forward contracts not recognised in the books of accounts as on the balance sheet date is Rs.1724.88 Lacs</p> <p>13 Geographical Segment</p> <p>2010-11</p> <p>2009-10</p> <p>1 Segment Revenue</p> <p>- Domestic Sales</p> <p>- Export Sales</p> <p>Total Revenue</p> <p>2 Segment Results</p> <p>- Domestic</p> <p>- Export</p> <p>Less: Depreciation & Amortisation</p> <p>- Unallocated</p> <p>Total Operating Profit</p> <p>Add : Other Income</p> <p>Less : Interest</p> <p>Less : Provision for Tax</p> <p>Provision for taxation prior years</p> <p>Add : MAT Credit</p> <p>Less : Minority Interest</p> <p>Net Profit/(Loss)</p> <p>3 Segment Assets</p> <p>- Domestic</p> <p>- Export</p> <p>- Unallocated</p> <p>Total Assets</p> <p>4 Segment Liabilities</p> <p>- Domestic</p> <p>- Export</p> <p>- Unallocated</p> <p>Total Liabilities</p> <p>5 Capital Expenditure</p> <p>Unallocated</p> <p>6 Depreciation & Amortisation</p> <p>- Unallocated</p>	<p>Rs. in Lacs</p> <p>2009-10</p> <p>35369.25</p> <p>9231.28</p> <p>44600.53</p> <p>5092.12</p> <p>1427.85</p> <p>2794.74</p> <p>3725.23</p> <p>349.03</p> <p>1221.57</p> <p>263.76</p> <p>1021.82</p> <p>49.00</p> <p>21.60</p> <p>1594.51</p> <p>12831.66</p> <p>3823.05</p> <p>27722.07</p> <p>44376.78</p> <p>2383.93</p> <p>6655.71</p> <p>20556.48</p> <p>29596.12</p> <p>18.14</p> <p>2794.74</p>
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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.

For Haribhakti & Co.,
Chartered Accountants
Firm Reg.No.:103523W
C S Sathyanarayanan
Partner
M.No. : 028328
Place : Coimbatore
Date : 27th May 2011

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

D Sarath Chandran
Chairman
Ashwin Chandran
Managing Director
M R Siva Shankar
Head - Finance & Accounts
C Murugesh
Company Secretary

	31.03.2011 Rs.in Lacs	31.03.2010 Rs.in Lacs
A. Cash Flow from Operating Activities		
Net Profit Before Tax and Extraordinary Items	4647.85	2852.70
Adjustments for :		
Depreciation	2703.19	2794.74
(Profit)/Loss on Sale of Assets	(129.65)	(13.77)
Investment Income - Dividend	(26.01)	(8.56)
Interest Income	(30.15)	(35.43)
(Profit)/Loss on Sale of Investments	-	(5.27)
Interest payment	1493.48	1256.96
Foreign currency Translation Reserve	61.60	-
Minority Interest	(9.01)	-
	<u>4063.45</u>	<u>3988.67</u>
Operating Profit before Working Capital changes	8711.30	6841.37
Adjustments for :		
Trade Receivables	(1115.11)	(363.13)
Other Receivables	39.37	752.32
Inventories	(18239.35)	(6932.76)
Trade Payables	1402.96	811.92
	<u>(17912.13)</u>	<u>(5731.65)</u>
Cash generated from Operations	(9200.83)	1109.72
Direct Taxes paid	(1019.01)	(445.35)
Net Cash Flow from Operating Activities	(10219.84)	664.37
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(4240.31)	(499.11)
Sale of Fixed Assets	225.16	24.71
(Purchase) Sale of Investments	(129.52)	105.28
Interest Received	30.15	35.43
Dividend Received	26.01	8.56
Net Cash flow from Investing Activities	(4088.51)	(325.13)
C. Cash Flow from Financing Activities		
Dividends Paid (Including Tax on Dividend)	(402.37)	(2.49)
Interests Paid	(1493.48)	(1256.96)
Repayment of Long Term Borrowings	(609.25)	(1710.17)
Unsecured Loan / Deposits	3210.70	(18.91)
Working Capital Borrowings	13671.95	2817.99
Net Cash Flow from Financing Activities	14377.55	(170.54)
Net Increase/(Decrease) in Cash and Cash Equivalent	69.20	168.70
Cash and Cash Equivalents as at 01.04.2010 and 01.04.2009 (Opening Balance)	999.33	830.63
Cash and Cash Equivalents as at 31.03.2011 and 31.3.2010 (Closing balance)	1068.53	999.33

For Haribhakti & Co.,
Chartered Accountants
Firm Reg.No.:103523W
C S Sathyanarayanan
Partner
M.No. : 028328
Place : Coimbatore
Date : 27th May 2011

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

D Sarath Chandran
Chairman
Ashwin Chandran
Managing Director
M R Siva Shankar
Head - Finance & Accounts
C Murugesh
Company Secretary

Auditor's Report to the Board of Directors and 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, 2011, 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 31st March 2011.

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 2011;
- 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.

	For Haribhakti & Co., Chartered Accountants Firm Reg.No:103523W C S Sathyanarayanan Partner M.No: 028328	For K S G Subramanyam & Co., Chartered Accountants Firm Reg.No:004151S K Baskaran Partner M.No: 022883
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Place : Coimbatore
Date : 27th May 2011

Disclosure of Information relating to the subsidiary companies as required by the Minsitry of Corporate Affairs, Government of India vide their approval letter no:47/101/2011-CL-III dated 09.02.2011

Rs. in Lacs

Particluars	Suprem Textiles Processing Limited	Precot Meridian Engery Limited	Multiflora Processing (Cbe) Limited	Benwood Corporation Sdn.Bhd.
a) Share Capital	100	5	25	147.40
b) Reserves & Surplus	(41.71)	(25.66)	4.83	785.99
c) Total Assets	100.00	5.00	29.83	950.95
d) Total Liabilities	100.00	5.00	29.83	950.95
e) Details of Investments	1.98	-	-	29.48
f) Net Sales & Service including other Income	0.84	-	-	2223.86
g) Profit / (Loss) before Tax	(9.50)	(0.16)	(0.23)	293.16
h) Provision for Taxation	-	-	-	56.35
i) Profit / (Loss) after Tax	(9.50)	(0.16)	(0.23)	236.81
j) Proposed Dividend	-	-	-	27.63

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, 737, Green Fields, Puliakulam Road, Coimbatore 641 045

Dear Shareholders,

Sub : GREEN INITIATIVE IN CORPORATE GOVERNANCE

We wish to inform you that the Ministry of Corporate Affairs, New Delhi (MCA) has taken "Green Initiative" in the Corporate Governance by permitting paperless compliances by Companies vide its Circular No. 17/2011 dated 21.04.2011 and Circular No. 18/2011 dated 29.04.2011 after considering certain provisions of the Information Technology Act, 2000 which provides the validity of sending documents through electronic mode and clarified that the service of documents by a Company can be made through electronic mode instead of physical copy of document(s).

We propose to send all communications / documents including Notices calling General Meeting, Audited Financial Statement, Directors' Report, Auditors' Report in **Electronic form to the e-mail address provided / updated by you and made available to us by the Depositories.**

In order to avail the benefits in receiving the documents in electronic form kindly comply with the following:

For Shareholders holding shares in Demat form :

Kindly update your E-mail ID in the demat account by contacting your Depository Participant. e-mail updated in the demat account would be used to send documents through electronic mode.

For Shareholders holding shares in Physical Form

Kindly update your e-mail ID with our Registrar and Share Transfer Agent, Link Intime India Private Limited, "Surya" 35, May Flower Avenue, Behind Senthil Nagar, Sowripalayam Road, Coimbatore - 641 028 or the Company, with the following details.

1.	Name of the Shareholder	
2.	Folio No.	
3.	Address	
4.	E-mail ID to which Documents / notices etc., can be served electronically	
5.	Mobile / Land line Number	

Signature of the Shareholder(s)

The Annual Report and other communications / documents would also be displayed on the Company's website : www.precot.com

The members who have not dematerialized their shares so far, please get them dematerialized.

We are sure you would appreciate the "Green Initiative" taken by MCA and your Company's desire to participate in such initiatives.

Thanking you

yours faithfully

For **PRECOT MERIDIAN LIMITED**
D Sarath Chandran
Chairman

Precot Meridian Limited

SUPREM, P.B 7161, 737, 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 49th Annual General Meeting of the Company held on Friday, the 19th August 2011 at 4.30 pm at Chamber Hall, Chamber towers, 8/732, Avanashi Road, Coimbatore

Signature of Member(s) / 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 49th Annual General Meeting of the Company to be held on

..... and any adjournment thereof.

Signed this day of 2011

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.



Precot Meridian Limited

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

www.precot.com