

Precot Meridian Limited



Annual Report **2012**

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

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Notice is hereby given that the 50th Annual General Meeting of the shareholders of the company will be held on Friday, 14th September 2012 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, 2012.
 - b) The audited balance sheet as at 31st March, 2012.
 - c) The reports of the directors and the auditors.
2. To appoint a director in the place of Mr Sumanth Ramamurthi who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in the place of Mr Vijay Venkataswamy who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint auditors and fix their remuneration.

Coimbatore
30th May 2012

By the order of the board
D Sarath Chandran
Chairman

NOTES :

1. **A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the company. 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 31st August 2012 to 7th September 2012 (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 is 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, 10th 2005 for the financial year 2004-05, is due for transfer to IEPF on August 9th 2012. Members who have not encashed their dividend warrants pertaining to the year 2004-05 and/or any subsequent years that still remain 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 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 2003-04 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 Sumanth Ramamurthi
Age	53 years
Qualifications	BS Electrical Engineer
Experience	Industrialist
Number of Shares held	900
Director of Company since	1 992
Relationship with other directors	He is not related to any director
Directorships	
Name of company	Member of committees
Precot Meridian Ltd	Nil
Super spinning Mills Ltd	Shareholders committee
Elgi Electric and Industries Limited	Nil
Elgi Ultra Industries Ltd	Nil
Elgi Software and Technologies Ltd	Nil
Super Farm Products Ltd	Nil
Elgi Building Products Ltd	Nil
Sara Elgi Industrial Research and Development Ltd	Nil
Sara Elgi Insurance Advisory Services Pvt Ltd	Nil

Kakatiya Textiles Ltd	Shareholders committee
Super Sara Textiles Ltd	Nil
Sara Trading and Industrial Services Ltd	Nil
Sara Elgi Envirotech Ltd	Nil
Sara Elgi Arteriors Ltd	Nil

II

Name	: Mr Vijay Venkataswamy
Age	: 65 years
Qualifications	: MBA
Experience	: 38 years in the Textile Industry
Number of Shares held	: 550
Director of Company since	: 2004
Relationship with other directors	: He is not related to any director
Directorships	
Name of company	Member of committees
Precot Meridian Limited	Audit committee
Super Spinning Mills Limited	Audit committee
Coimbatore Pioneer Fertilizers Limited	-
Vantex Limited	-
Super Sara Textiles Limited	

Coimbatore
30th May 2012

By order of the board
D Sarath Chandran
Chairman

Dear Shareholders,

Your Directors are pleased to present the 50th Annual Report along with the audited accounts for the year ended 31st March 2012.

Financial Results	(₹ Lacs)	
	2011-12	2010-11
Revenue from operations	59404	57784
PBIDT	(2257)	8235
Less : Finance cost	2872	1456
Profit from Operations	(5129)	6779
Other income	862	318
PBDT	(4267)	7097
Less : Depreciation and Amortization	2991	2696
PBT	(7258)	4401
Less : Provision for Income Tax	-	872
: MAT Credit	-	(19)
: Deferred Tax	(2225)	288
: Tax provision for previous year	250	-
PAT	(5283)	3260
Add : Balance brought forward	537	85
Profit available for appropriation	(4746)	3345

Dividend and appropriations

Considering the fact that the Company has incurred a loss during the year under review, your directors have decided not to declare any dividend for the year ended 31st March 2012.

	2011-12	2010-11
	(₹ Laos)	(₹ Lacs)
Proposed Dividend	-	695
Tax on Dividend	-	113
General Reserve	(4746)	2000
Balance carried forward	-	537

Economic overview and Industry review

The Indian economy grew steadily in the preceding years, averaging 8.0% growth from 2007 to 2011. GDP, after a healthy growth of 7.7% during Apr to Jun 2011, fell sharply in subsequent quarters with the growth slowing down to 6.5% in 2011-12. High inflation, lower industrial growth rate, low government spending and an uncertain global outlook, especially in the Euro zone, have been the major contributory factors impacting the GDP growth. Industrial growth took the biggest hit, mainly due to poor performance of the manufacturing and mining sectors. Total business spending on fixed assets and capital formation

contracted due to high input costs, high interest rates and lack of policy reforms. Domestic fuel price hikes, which are expected to continue, exerted additional upward pressure on inflation which hovered above 9% for 2011-12.

For the Textile Industry, 2011-12 was a very difficult year. The year started with uncertainty over yarn exports amid record highs in cotton prices. Global yarn prices were also ruling high due to the shortage created by the restriction on Indian exports since December 2010. Once yarn exports were opened up in April 2011, the huge stock of yarn that had piled up with Indian mills in the preceding months started to flow into the market. This had an adverse effect on yarn prices as supply was far higher than demand. Coupled with poor demand for fabric and garments in both the domestic and export markets, cotton and yarn prices crashed in the next two months.

As a result, spinning mills that were carrying inventories of cotton were burdened with huge write-downs in the value of their cotton stock. In addition, the sudden and sharp drop in domestic and export yarn prices put the textile mills in a situation where cash loss was inevitable. Further, as cotton and yarn prices continued to drop month on month, confidence and sentiment were severely dented and purchasing reduced drastically. This led to high stock holding and reduced capacity utilization for your company until November 2011.

Review of operations

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

The market for fabrics did not maintain the momentum it had during the first quarter of the financial year. During the rest of the period, sales volumes dropped leading to slowing down of production and lower utilization of installed capacity. Your company hopes that during current year market conditions for the fabric would improve.

Though the turnover of your company has shown a marginal improvement of around 2% over the previous year in terms of value, the increased input costs in the form of raw material, labour, power and interest have contributed to an operating loss of ₹ 51 crores as against an operating profit of ₹ 66 crores in the previous year.

Technical Textiles

Technical textiles have gained global importance over the past few years and the sector is set to grow at a fast pace in the immediate future. With a view to gain a foothold in this sector, your company is setting up a greenfield technical textile plant with state-of-the-art technology in the Textile Special Economic Zone at Hassan in the state of Karnataka. Your company, which has been hitherto in the traditional textile products like yarn and fabric, will venture into these value added products, which we consider as an emerging area of opportunity. The plant will produce non-woven products for medical and hygiene care applications.

Necessary statutory approvals have been obtained. Civil work has commenced and the plant is expected to start commercial production from April 2013. The project cost is estimated to be ₹ 165 crores out of which ₹ 125 crores is to be funded through a term loan from ICICI Bank.

Preferential allotment of Equity shares and Convertible share warrants

During the year, the company allotted 525000 equity shares and 525000 convertible warrants at a price of ₹ 98 per share / warrant on a preferential basis to the promoters of the company. The company has raised ₹ 6.43 crores and would further receive ₹ 3.86 crores once the rights on the warrants is exercised by the promoters.

Outlook for the current year

Cotton prices at the commencement of the cotton season 2011-12 stood at ₹ 39000 per candy and as the season progressed it moderated to ₹ 35000 in January 2012 and further decreased to ₹ 33000 in March 2012. The government's wavering stand on cotton exports resulted in an uncertainty and increased volatility in cotton prices since then. Yarn prices have gradually improved since December and most counts are profitable at an operating level currently.

The overall demand for yarns and fabrics in both the export and domestic markets are muted and there is a lack of confidence in the entire supply chain. With the financial turmoil in the Euro zone continuing and the US economy limping back to recovery, a quick turnaround in export demand looks remote. Our domestic economy continues to struggle with high inflation and slowing growth, factors which are strongly affecting demand for textiles and other consumer goods.

Given this scenario, your company will attempt to cut spending and concentrate on maximising capacity utilization in the coming quarters.

Opportunities, Risks and Concerns

Continued acute power shortage in Tamilnadu, the economic situation in the Euro Zone and high domestic inflation are going to be the major concerns and challenges in the coming period. The high volatility in price and demand for Cotton and Yarn in the domestic and international markets is another major concern which could adversely affect your company's financial performance.

Personnel

Labour relations continued to be cordial throughout the year in all the units of the company. There is an acute shortage of labour in Tamil Nadu but your company is continuing to strive to overcome the shortage.

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.

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

Directors

Mr Sumanth Ramamurthi and Mr Vijay Venkataswamy retire by rotation at the ensuing Annual General Meeting. They are eligible for reappointment.

In accordance with the retirement policy for the company's Board of Directors, M V Subaraman, independent director, retiring at the ensuing annual general meeting, expressed his intention not to seek re-appointment.

The directors would like to place on record the valuable contributions made by Mr M V Subaraman as a member of the board and the audit committee since 2002.

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 ₹ 11 crores for the year ended 31st March 2012 with a Net Profit of ₹ 0.07 crores. The operations of the other subsidiaries are not significant.

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

The Ministry of Corporate Affairs, Government of India, vide its circular dated 8th February 2011 has exempted companies from attaching the Annual reports and some particulars of its subsidiary companies along with the Annual report of the company required under section 212 of the Companies Act 1956. Therefore, the Annual reports of the subsidiary companies viz 1. Benwood Corporation Sdn Bhd 2. Suprem Textile Processing Limited 3. Multiflora Processing (CBE) Limited and 4. Precot Meridian Energy Limited are not attached with this Annual report. A statement giving certain information as required vide aforesaid circular dated 08th February 2011 is placed along with the consolidated accounts.

The Annual accounts of the subsidiary companies are kept for inspection by the shareholders at the registered office of the company. The company shall provide free of cost, the copy of the annual accounts of subsidiary companies to the shareholders upon their request.

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 their 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.

Cost Auditors

Pursuant to section 233B(2) of the Companies Act 1956, the Board of Directors on the recommendation of the Audit committee appointed M/s K R S & Associates, Cost Accountants, as the cost Auditor of the company for the financial year 2012-13. The company has filed the Cost audit report for the financial year 2010-11 on 17.09.2011.

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 2012.

Particulars of Employees

In terms of the provisions of section 217(2A) of the companies act 1956, read with the companies (particulars of employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the annexure to the directors' report. Having regard to the provisions of section 219(1)(b)(iv) of the said act, the annual report excluding the aforesaid information is being sent to all the members of the company and others entitled thereto. The annexure is available for inspection by the members at the registered office of the company during business hours on working days upto the date of ensuing annual general meeting. Any member who is interested in obtaining such particulars may write to the company secretary at the registered office of the company, whereupon a copy would be sent.

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 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 ₹ 152 crores. Outflow on account of import of raw materials, machinery and spares amounted to ₹ 27 crores resulting in a net foreign exchange earnings of ₹ 125 crores.

b. Technology Absorption, Adaptation and innovation Research and Development

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

c. Conservation of Energy

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

FORMA

Conservation of Energy (Consolidated for all units)

A. Power & fuel consumption	31.03.2012	231.03.2011
1) Electricity From EB		
a) Purchased		
Units in Lacs	735.61	737.75
Amt in ₹ Lacs	3123.83	3028.08
Cost per unit in ₹	4.25	4.10
2) Electricity From Gas power		
a) Purchased		
Units in Lacs	341.24	443.91
Amt in ₹ Lacs	1301.87	1511.70
Cost per unit in ₹	3.82	3.41
3) Own Generation through		
a) Diesel Generator		
Units in lacs	66.42	77.30
Amt in ₹ Lacs	740.11	782.91
Cost per Unit in ₹	11.14	10.13
Units per Ltr of Diesel	3.46	3.53
b) Wind Mill Power		
Units in lacs	211.58	176.76
Amt in ₹ Lacs	571.26	477.26
Cost per Unit in ₹	2.70	2.70
B. Consumption of electricity (units)		
Yarn per Kg	4.67	4.40
Fabric per metre	1.83	1.77

Coimbatore
30th May 2012

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

As on 31st March 2012, the company has a very balanced structure of the board of directors, which primarily 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 executives and nine non-executive directors.

During the year 2011- 2012, four board of directors meeting were held at the registered office on 27th May 2011, 28th July 2011, 31st October 2011 and 27th January 2012.

The last Annual General Meeting (AGM) was held on 19th August, 2011.

Composition of directors and their attendance:

Name of the director	Category	Attendance particulars		Directorships in other companies*	No of committees	
		Board meetings	Last AGM		Member	Chairman
D Sarath Chandran	Executive Chairman - Promoter	3	Yes	6	3	-
Ashwin Chandran	Managing Director - Promoter	4	Yes	3	1	-
Prashanth Chandran	Executive Director - Promoter	4	Yes	-	-	-
Vijay Mohan	Non Executive - Promoter	2	No	9	1	-
A Ramkrishna	Non Executive - Independent	4	No	3	2	-
Sumanth Ramamurthi	Non Executive - Independent	2	No	12	2	-
Jairam Varadaraj	Non Executive - Independent	3	No	9	4	-
Vijay Venkataswamy	Non Executive - Independent	3	Yes	4	2	1
C N Srivatsan	Non Executive - Independent	4	No	3	3	-
M V Subaraman	Non Executive - Independent	4	No	-	1	-
Suresh Jagannathan	Non Executive - Independent	2	No	3	2	-
K Ajit Kumar	Nominee Director (EXIM Bank)	3	No	2	-	-

*Excluding directorships in private companies and foreign companies.

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 20th May 2011, 28th July 2011, 31st October 2011 and 27th January 2012. 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 Venkataswamy - Chairman	Non Executive - Independent	3
Jairam Varadaraj	Non Executive - Independent	2
C N Srivatsan	Non Executive - Independent	4
M V Subaraman	Non Executive - Independent	4
A Ramkrishna	Non Executive - Independent	4

The statutory auditors, internal auditor 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 is given below:

Name	Category
A Ramkrishna - Chairman	Non executive - Independent
Jairam Varadaraj	Non executive - Independent
Vijay Venkataswamy	Non executive - Independent
K Ajit Kumar	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 wholtime 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 wholtime directors.

During the year, the company paid a sitting fee of ₹ 10,000 per meeting to its non-executive directors for attending meetings of the board of directors and the audit committee and ₹ 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 2012, are as under:

(₹ in Lacs)

Name of the director	Salary and perks	Commission	Total	Service contract
D Sarath Chandran Chairman	25.44	-	25.44	01.04.2011 to 31.03.2014
Ashwin Chandran Managing Director	38.16	-	38.16	01.04.2011 to 31.03.2014
Prashanth Chandran Executive Director	25.44	-	25.44	01.04.2011 to 31.03.2014

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 (₹)	No. of shares held
A Ramkrishna	88000	800
Vijay Mohan	20000	1300
Sumanth Ramamurthi	20000	900
Jairam Varadaraj	50000	50
Vijay Venkatasamy	60000	550
C N Srivatsan	80000	-
M V Subaraman	80000	-
Suresh Jagannathan	20000	-
K Ajit Kumar (EXIM Nominee)*	30000	-

* 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)	8
D Sarath Chandran	15
Ashwin Chandran	15

Fifteen meetings of the shareholders' / investors' grievances committee were held during the previous year i.e, 31st May 2011, 15th June 2011, 30th June 2011, 15th July 2011, 30th July 2011, 09th August 2011, 30th September 2011, 15th October 2011, 31st October 2011, 15th November 2011, 2nd December 2011, 31st December 2011, 17th January 2012, 29th February 2012 and 31st March 2012

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
Nil	15	15	Nil

There were no outstanding complaints as on 31st March 2012.

Management analysis report:

The management analysis report forms part of this annual report.

General Body Meetings:

The general body meetings of the company, during the preceding three years were held at Chamber towers, Avinashi Road, Coimbatore - 641018

Details of the meetings	Date of the Meeting and Time	Special Resolutions
2009, 47th AGM	<21.08.2009 at 4.30PM	-
2010, 48th AGM	06.08.2010 at 4.30PM	Revision in the remuneration of Mr D Sarath Chandran
2011, 49th AGM	19.08.2011 at 4.30PM	1. Appointment of Mr D Sarath Chandran as Chairman 2. Appointment of Mr Ashwin Chandran as Managing Director 3. Appointment of Mr Prashanth Chandran as Executive Director
Extra Ordinary General Meeting	07.03.2012 at 4.30PM	Preferential allotment of equity shares and convertible shares warrants under section 81(1A) of the companies Act 1956

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. 2.35 to notes forming part of the accounts in accordance with the provision of Accounting Standard 18. There is no materially significant related party transaction that may have potential conflict with the interest of the company at large.
- The company has prepared a risk management framework to identify, minimize and mitigate business and process related risk at predefined intervals.
- During the last 3 years, there were no strictures or penalties imposed on the company by either stock exchanges or SEBI or any statutory authority for non compliance on any matter relating to the capital markets.
- The company does **not have** 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 CEO and CFO has been placed at all board meetings.

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

The company has set up a remuneration committee.

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

Code of conduct

The board of directors has laid down a code of conduct for all the board members and senior management of the company. The same has been posted on the website of the company.

All board members and senior management personnel have affirmed their compliance with the code of conduct for the year under review. 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 exchange immediately after these are approved by the board. These are widely published in Business line (national issue) and Malai malar (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.

Official news releases are made whenever it is considered necessary.

General shareholder information:

Annual general meeting	: 14 th September 2012
Venue	: Chamber hall, Chamber towers, 8/732, Avinashi road, Coimbatore 641 018
Financial Year	: 1 st April to 31 st March
Date of Book Closure	: 31 st August 2012 to 7 th September 2012.
Dividend payment date	: Within seven working days from the date of annual general meeting, if any.
Listing on Stock Exchanges	: National Stock Exchange of India Limited (NSE)
Stock Code: PRECOT, ISIN	: INE283A01014

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

Month	Prices (₹)		S & P Nifty	
	Low	High	Low	High
April 2011	166.05	214.90	5693.25	5944.45
May 2011	146.10	203.00	5328.70	5775.25
June 2011	130.15	189.00	5195.90	5657.90
July 2011	136.10	164.75	5453.95	5740.40
August 2011	101.35	164.00	4720.00	5551.90
September 2011	105.00	127.80	4758.85	5169.25
October 2011	101.30	114.00	4728.30	5399.70
November 2011	72.00	112.00	4639.10	5326.45
December 2011	70.00	87.90	4531.15	5099.25
January 2012	77.00	100.20	4588.05	5217.00
February 2012	84.10	94.90	5159.00	5629.95
March 2012	83.90	98.50	5135.95	5499.40

Annual listing fee for the year 2012-13 was paid to the National Stock Exchange of India Limited.

Custodial fees: The Company has paid custodial fees for the year 2012-13 to National Securities Depository Limited and Central Depository Services (India) Limited.

Registrar and share transfer agent

(for both physical and demat segments)

 M/s Link Intime India Pvt Limited,
 Surya, 35 Mayflower avenue, Senthil nagar,
 Sowripalayam road, Coimbatore- 641028.

Email: coimbatore@linkintime.co.in

Head office:

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

Share transfer process:

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

The share transfers are registered and returned 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 31.03.2012: Distribution of shareholding as on 31.03.2012:

Category	No. of shares held	Percentage of holding	Shareholding range	No. of holders	Percentage of holding	No. of shares	Percentage of holding
Promoters and Promoters Group			1-500	5692	87.10	815434	10.91
Indian	4362101	58.36	501-1000	415	6.35	310310	4.15
Public			1001-2000	231	3.54	328356	4.39
Mutual funds/UTI	158592	2.12	2001-3000	83	1.27	206169	2.76
Financial Inst/ Banks	750	0.01	3001-4000	24	0.37	84640	1.13
Bodies Corporate	349519	4.67	4001-5000	28	0.43	126524	1.69
Public and others	2604038	34.84	5001-10000	33	0.50	221993	2.97
			10001 & Above	29	0.44	5381574	72.00
Total	7475000	100.00	Total	6535	100.00	7475000	100.00

Dematerialization status of shares as on 31.03.2012:

Particulars	No. of Shares	% to Share capital
National Securities Depository Limited	6232669	83.38
Central Depository Services (India) Limited	604206	8.08
Total	6836875	91.46

Outstanding GDRs/ADRs/Warrants or any Convertible instruments as on 31.03.2012:

Warrants: Outstanding warrants as on March 31st, 2012 is 525000. Each warrant shall be converted into one equity share of face value of ₹ 10 each. The warrants will be exercised before 15th September 2013 i.e before 18 months from the date of allotment.

GDR/ADR outstanding: Nil

Plant locations:

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

Address for correspondence:

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

Coimbatore
30th May 2012

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 2012.

Coimbatore
30th May 2012

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 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges. The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

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

Coimbatore
30th May 2012

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

	2007	2008	2009	2010	2011	2012
						₹ Lacs
Total Revenue	33649	36947	38973	43997	57997	60266
PBIDT	5852	4527	3629	6779	8556	(1395)
Interest	915	1103	1302	1220	1459	2872
PBDT	4938	3425	2327	5559	7097	(4267)
Depreciation	2415	2715	2992	2792	2696	2991
Income Tax	560	179	-	470	872	250
Other Taxes	74	18	206	725	269	(2225)
PAT	1889	512	(871)	1572	3260	(5283)
Dividend & Dividend Tax	407	163	-	405	808	-
Retained Earnings	3971	3082	2327	4684	5417	(5283)
Net Fixed Assets (WDV)	22792	24135	23442	20656	22081	24321
Share Capital	695	695	695	695	695	748
Free Reserves	13047	13019	10826	11992	14445	9623
Net worth	13742	13714	11521	12687	15140	10371
Long Term Borrowings	16038	16659	16051	13859	13234	16435
Debt:Equity	1.2	1.2	1.4	1.1	0.9	1.6
Dividend (%)	50	20	-	50	100	-
Earnings per share (₹)	27	7	(13)	23	47	(76)

	Note	As at 31032012 ₹ Lacs	As at 31.03.2011 ₹ Lacs
Equity and Liabilities			
Shareholders' funds			
Share Capital	2.1	747.50	695.00
Reserves and Surplus	2.2	11,036.03	15,854.66
Money received against share warrants	2.3	128.63	-
		<u>11,912.16</u>	<u>16,549.66</u>
Non-current liabilities			
Long Term Borrowings	2.4	13,446.53	10,150.81
Deferred tax liabilities (Net)	2.5	-	1,949.32
		<u>13,446.53</u>	<u>12,100.13</u>
Current Liabilities			
Short Term Borrowings	2.6	13,134.06	25,412.30
Trade Payables	2.7	2,888.10	3,245.20
Other Current Liabilities	2.8	4,873.69	5,152.35
Short Term Provisions	2.9	704.80	1,522.87
		<u>21,600.65</u>	<u>35,332.72</u>
		<u>46,959.34</u>	<u>63,982.51</u>
Assets			
Non-current Assets			
Fixed Assets			
Tangible Assets	2.10	23,053.85	21,744.03
Intangible Assets		51.03	68.54
Capital Work-in-progress		1,216.19	267.99
Non-current Investments	2.11	3,091.98	3,364.85
Deferred tax assets (Net)	2.5	275.80	-
Long Term loans and advances	2.12	1,122.36	799.44
		<u>28,811.21</u>	<u>26,244.85</u>
Current Assets			
Current Investments	2.13	-	100.02
Inventories	2.14	13,217.41	31,539.01
Trade receivables	2.15	3,078.40	3,905.70
Cash and cash equivalents	2.16	555.93	713.01
Short Term loans and advances	2.17	547.20	1,042.68
Other current assets	2.18	749.19	437.24
		<u>18,148.13</u>	<u>37,737.66</u>
		<u>46,959.34</u>	<u>63,982.51</u>

Significant Accounting Policies and Notes on Financial Statements 1 & 2

Vide our report of even date attached

For Haribhakti & Co.,
 Chartered Accountants
 Firm Reg.No.: 103523W
C S Sathyanarayanan
 Partner
 M.No.: 028328
 Place : Coimbatore
 Date : 30th May 2012

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 Murugesu
 Company Secretary

	Note	2011-12 ₹ Lacs	2010-11 ₹ Lacs
Revenue From Operations	2.19	59,404.04	57,784.60
Other income	2.20	861.76	317.81
Total Revenue		<u>60,265.80</u>	<u>58,102.41</u>
Expenses			
Cost of materials consumed	2.21	39,457.39	34,391.05
Changes in inventories of finished goods and work-in-progress	2.22	2,659.99	(4,561.72)
Employee benefits expense	2.23	5,423.09	5,161.72
Finance costs	2.24	2,871.86	1,456.14
Depreciation and amortization expense	2.25	2,990.91	2,695.65
Other expenses	2.26	14,121.03	14,558.64
Total Expenses		<u>67,524.27</u>	<u>53,701.48</u>
Profit / (Loss) before tax		(7,258.47)	4,400.93
Tax expense:			
Current tax		-	872.00
MAT Credit		-	(19.00)
Deferred tax		(2,225.13)	287.75
For Earlier Years		250.00	-
Profit / (Loss) for the year		<u>(5,283.34)</u>	<u>3,260.18</u>
Earnings per equity share of face value of ₹ 10 each			
Basic and Diluted (in ₹)	2.27	(75.76)	46.91
Significant Accounting Policies and Notes on Financial Statements	1 & 2		

Vide our report of even date attached

For Haribhakti & Co.,
Chartered Accountants
Firm Reg.No.: 103523W
C S Sathyanarayanan
Partner
M.No.: 028328
Place : Coimbatore
Date : 30th May 2012

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 2012 ₹ Lacs	31.03.2011 ₹ Lacs
A. Cash Flow from Operating Activities		
Net Profit Before Tax and Extraordinary Items	(7258.47)	4400.93
Adjustments for :		
Depreciation	2990.91	2695.65
(Profit) / Loss on Sale of Assets	(316.01)	(129.65)
Investment Income - Dividend	(418.52)	(50.15)
Interest Income	(46.78)	(30.14)
Diminution in the value of Investment	275.58	-
Interest Payment	2871.86	1456.14
	<u>5357.04</u>	<u>3941.85</u>
Operating Profit before Working Capital changes	(1901.43)	8342.78
Adjustments for :		
Trade Receivables	827.30	(1001.15)
Other Receivables	(126.63)	113.61
Inventories	18321.60	(17956.76)
Trade & Other Payables	(399.44)	1294.90
	<u>18622.83</u>	<u>(17549.40)</u>
Cash generated from Operations	16721.40	(9206.62)
Direct Taxes paid	(402.52)	(987.36)
Net Cash Flow from Operating Activities	16318.88	(10193.98)
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets (Including WIP)	(5365.72)	(4215.26)
Sale of Fixed Assets	450.31	224.96
(Purchase) / Sale of Investments	100.02	(100.02)
Interest Received	34.02	30.14
Dividend Received	418.52	50.15
Net Cash flow from Investing Activities	(4362.85)	(4010.03)
C. Cash Flow From Financing Activities		
Proceeds from Issue of Shares / Share warrants	643.13	-
Dividends Paid (Including Dividend Tax)	(802.14)	(402.37)
Interests Paid	(2808.39)	(1456.14)
Proceeds from Long Term Borrowings	3132.53	(625.70)
Proceeds from Unsecured Loan	730.54	3210.71
Proceeds from Working Capital Borrowings	(13008.78)	13671.94
Net Cash Flow from Financing Activities	(12113.11)	14398.44
Net Increase / Decrease in Cash and Cash Equivalent	(157.08)	194.43
Cash and Cash Equivalents as at 01.04.2011 and 01.04.2010 (Opening Balance)	713.01	518.58
Cash and Cash Equivalents as at 31.03.2012 and 31.3.2011 (Closing Balance)	555.93	713.01

For Haribhakti & Co.,
Chartered Accountants
Firm Reg.No.: 103523W
C S Sathyanarayanan
Partner
M.No.: 028328
Place : Coimbatore
Date : 30th May 2012

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

Notes on financial statement

1. Significant Accounting Policies

a. 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.

b. 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.

c. Leases :

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

d. 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.

e. 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.

f. 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.

g. 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.

h. 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.

i. 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.

j. Revenue Recognition:

- a) The company follows the mercantile system of accounting and recognises income and expenditure on 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.

k. 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.

l. 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.

2. As notified by Ministry of Corporate Affairs, Revised Schedule VI under the Companies Act 1956 is applicable to the Financial Statements for the financial year commencing on or after 1st April, 2011. Accordingly the financial statements for the year ended March 31st, 2012 are prepared in accordance with the Revised Schedule VI. The amounts and disclosures included in the financial statements of the previous year have been reclassified to conform to the requirements of revised Schedule VI.

	31.03.2012 ₹ Lacs	31.03.2011 ₹ Lacs
2.1 Share Capital		
Authorised		
90,00,000 Equity Shares of ₹ 10 each	<u>900.00</u>	<u>900.00</u>
Issued		
80,25,000 Equity Shares of ₹ 10 each	<u>802.50</u>	<u>750.00</u>
(31 st March 2011 : 75,00,000 equity shares of ₹ 10 each)		
Subscribed & fully Paid up		
74,75,000 Equity Shares of ₹ 10 each fully paid up	<u>747.50</u>	<u>695.00</u>
(31 st March 2011 : 69,50,000 equity shares of ₹ 10 each)	<u>747.50</u>	<u>695.00</u>

- i) Terms/rights attached to equity shares:

The company has only one class of issued shares referred to as equity shares having a par value of ₹ 10 each. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors, if any, is subject to the approval of shareholders in the Annual General Meeting.

- ii) The reconciliation of the number of shares outstanding is set out below:

	Equity Shares			
	As at 31.03.2012		As at 31.03. 2011	
	Number	₹ Lacs	Number	₹ Lacs
Equity Shares at the beginning of the year	6,950,000	695.00	6,950,000	695.00
Add: Shares Issued during the year	525,000	52.50	-	-
Equity Shares at the end of the year	<u>7,475,000</u>	<u>747.50</u>	<u>6,950,000</u>	<u>695.00</u>

During the year the company has allotted 5,25,000 Equity Shares of ₹ 10 each as fully paid up at a premium of ₹ 88 per share on preferential basis to its promoter Directors in accordance with the provision of Section 81 (1 A) of the Companies Act, 1956 and SEBI (ICDR) Regulations, 2009.

- iii) The details of Shareholders holding more than 5% of Shares:

	Equity Shares				
	As at 31.03. 2012		As at 31.03.2011		
S.No.	Name of Shareholder	No. of Shares held	% of holding	No. of Shares held	% of holding
1	D Sarath Chandran	1,668,080	22.32%	1,443,080	20.76%
2	Ashwin Chandran	1,388,305	18.57%	1,238,305	17.82%
3	Prashanth Chandran	1,164,595	15.58%	1,014,595	14.60%

2.2 Reserves and Surplus

	Balance as at 1st April 2011	Additions during the year	Deductions/ Adjustments during the year	₹ Lacs Balance as at 31st March 2012
Capital Reserve	48.19	-	-	48.19
Capital Investment Subsidy	28.71	-	-	28.71
Capital Redemption Reserve	355.00	-	-	355.00
Securities Premium Reserve	2,212.46	462.00	-	2,674.46
Investment Fair Value Reserve	978.08	2.71	-	980.79
General Reserve	11,694.64	-	-	11,694.64
Surplus/(deficit) in profit and loss account	537.58		5,283.34	(4,745.76)
	<u>15,854.66</u>	<u>464.71</u>	<u>5,283.34</u>	<u>11,036.03</u>
			31 03.2012 ₹ Lacs	31.03.2011 ₹ Lacs

2.3 Money received against Share warrants

5,25,000 Convertible Share Warrants of ₹ 98 each, of which ₹ 24.50 paid up (31 st March 2011 - Nil)	128.63	-
	<u>128.63</u>	<u>-</u>

The Company has allotted 5,25,000 Convertible Share Warrants of ₹ 98 each on 16.03.2012 to its Directors on a preferential basis. As per the terms of issue, the warrant holders shall, on the date of allotment of warrants (which shall be in one or more tranches after 1st April 2012 but not later than 18 months from the date of issue of the warrants) pay an amount equivalent to atleast 25% of the total consideration. In case the warrant holders do not exercise the option to take equity shares against any of the warrants held by them, consideration paid in respect of such warrants shall be forfeited by the Company. The lock-in of shares acquired by exercise of warrants shall be subject to SEBI (ICDR) Regulations 2009.

2.4 Long Term Borrowings

	Non Current portion		Current maturities	
	As at 31.03.2012	As at 31.03.2011	As at 31.03. 2012	As at 31.03. 2011
Secured				
Term loans from Banks				
Rupee Loan	11,143.84	7,159.10	1,931.22	2,122.63
Foreign Currency Loan	2,208.30	2,835.05	1,151.45	1,116.99
Unsecured				
Deferred payment liabilities				
Sales Tax Deferral loan	94.39	156.66	62.27	68.51
	<u>13,446.53</u>	<u>10,150.81</u>	<u>3,144.94</u>	<u>3,308.13</u>

1. a) Term loan from SBI, ICICI, Andhra Bank, Export Import Bank of India and IDBI Bank are secured by way of pari passu first charge on entire movable and immovable assets of the company and pan 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) Term loan from IDBI Bank, Dubai Branch is secured by way of exclusive first charge on the windmills and related equipments, systems and assets located at Eragampatti and Manurpalayam Village in Tirupur district.
2. The loans are repayable in monthly / quarterly / half-yearly installments.
3. In respect of the above, Rupee Term Loans carry interest ranging from 7.5% p.a. to 14% p.a. and Foreign Currency Term Loans carry interest ranging from 1.6% p.a. to 3% p.a. plus applicable LIBOR.

	As at 31.03.2012 ₹ Lacs	As at 31.03.2011 ₹ Lacs
2.5 Deferred Taxes		
Deferred Tax Liabilities		
Fixed assets	2,180.94	2,118.65
	<u>2,180.94</u>	<u>2,118.65</u>
Deferred Tax Assets		
Employee benefit expenses	145.05	169.33
Unabsorbed Depreciation/ Business Loss	2,311.69	-
	<u>2,456.74</u>	<u>169.33</u>
Deferred Tax (Asset) / Liabilities (NET)	<u>(275.80)</u>	<u>1,949.32</u>

2.6 Short Term Borrowings
Secured
Working Capital Loans
From Banks

Rupee Loan	6,139.98	19,882.16
Foreign Currency Loan	2,994.08	2,260.68

Unsecured
From Bank

Rupee Loan	4,000.00	3,269.46
	<u>13,134.06</u>	<u>25,412.30</u>

1. Working capital loans from SBI, Andhra Bank, Corporation Bank, IDBI, ICICI, Yesbank 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.
2. In respect of the above, working capital rupee loans carry interest ranging from 11.25% p.a. to 15.25% p.a. and working capital foreign currency loan and buyer's credit foreign currency loans carry interest ranging from 1.4% p.a. to 3.5% p.a. plus applicable LIBOR.
3. Unsecured short term loan from Axis Bank carries interest at 11% p.a. for which the company has extended a corporate guarantee.

	As at 31.03.2012 ₹ Lacs	As at 31.03.2011 ₹ Lacs
2.7 Trade Payables		
Trade Payables	2,888.10	3,245.20
	<u>2,888.10</u>	<u>3,245.20</u>

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, 2012 (31st March 2011 : Nil)

2.8 Other Current Liabilities

Current maturities of long-term debt (Refer to Note 2.4)	3,144.94	3,308.13
Interest accrued but not due on borrowings	98.32	48.89
Interest accrued and due on borrowings	14.03	-
Unclaimed dividends	34.73	29.12
Accrued Employee benefits	294.57	514.21
Dues to subsidiaries	56.17	85.63
Other Payables *	1,230.93	1,166.37
	<u>4,873.69</u>	<u>5,152.35</u>

* Other Payables include statutory dues, security deposits and advances from customers

2.9 Short Term Provisions

Provision for Gratuity	154.30	12.10
Provision for Taxation (Net of advance tax)	550.50	703.02
Proposed Dividend	-	695.00
Provision for Tax on Dividend	-	112.75
	<u>704.80</u>	<u>1,522.87</u>

2.10 Fixed Assets

	Gross Block			Depreciation and Amortization				Net Block		
	As at 01.04.2011	Additions	Deductions	As at 31.03.2012	Upto 31.03.2011	For the year	Deductions	As at 31.03.2012	As at 31.03.2012	As at 31.03.2011
Tangible Assets										
Land	487.75	-	-	487.75	-	-	-	-	487.75	487.75
Building	6,732.18	176.84	-	6,909.02	1,690.90	188.75	-	1,879.65	5,029.37	5,041.28
Plant and Equipment	44,427.24	4,203.33	860.25	47,770.32	28,570.73	2,727.13	728.94	30,568.92	17,201.40	15,856.51
Vehicles	295.87	15.17	10.68	300.36	125.95	27.02	7.81	145.16	155.20	169.92
Office Furniture	206.20	9.63	-	215.83	96.34	11.10	-	107.44	108.39	109.86
Computer	415.99	12.55	2.32	426.22	337.28	19.40	2.20	354.48	71.74	78.71
TOTAL (A)	52,565.23	4,417.52	873.25	56,109.50	30,821.20	2,973.40	738.95	33,055.65	23,053.85	21,744.03
Intangible Assets										
ERP Expenditure & software	325.98	-	-	325.98	257.44	17.51	-	274.95	51.03	68.54
TOTAL (B)	325.98	-	-	325.98	257.44	17.51	-	274.95	51.03	68.54
TOTAL (A) + (B)	52,891.21	4,417.52	873.25	56,435.48	31,078.64	2,990.91	738.95	33,330.60	23,104.88	21,812.57
Previous Year	49,734.42	4,172.54	1,015.75	52,891.21	29,303.43	2,695.65	920.44	31,078.64	21,812.57	20,430.99
Capital Work-in-progress									1,216.19	267.99
Total									<u>24,321.07</u>	<u>22,080.56</u>
Previous Year									22,080.56	20,656.26

Capital Work In Progress includes lease-hold land for Hassan Plant and Pre-Operative expenses aggregating to ₹ 1087.78 lacs

	31.03.2012 ₹ Lacs	31.03.2011 ₹ Lacs
2.11 Non Current Investments		
Trade Investments		
In Equity Shares - Unquoted, fully paid up		
1,00,000 Vantex Limited of ₹ 10 each	19.00	19.00
12,06,000 A.P. Gas Power Corporation Limited of ₹ 10 each	1,964.87	1,964.87
2,25,000 Sai Regency Power Corporaion Private limited of ₹ 10 each	22.50	22.50
14,000 OPG Energy Private Limited of ₹ 10 each	1.40	1.40
	<u>2,007.77</u>	<u>2,007.77</u>
Less: Diminution in the Value of Investment	275.58	-
	1,732.19	<u>2,007.77</u>
Others Investments		
In Equity Shares - Quoted, fully paid up		
54,62,250 Pricol Limited of ₹ 1 each	197.47	197.47
Market value - ₹ 923.12 lacs (Previous Year ₹ 987.63 lacs)		
In Equity Shares of Subsidiary Companies - Unquoted, fully paid up		
2,50,000 Multiflora Processing (Cbe) Limited of ₹ 10 each	25.00	25.00
1,00,000 Suprem Textiles Processing Limited of ₹ 100 each	100.00	100.00
50,000 Precot Meridian Energy Limited of ₹ 10 each	5.00	5.00
6,66,667 Benwood Corporation Sdn Bhd of RM.1 each	41.61	41.61
In Equity Shares - Unquoted, fully paid up		
100 Precot Mills Employees Cooperative Credit Society of ₹ 10 each	0.01	0.01
100 Precot Mills Multi purpose stores of ₹ 10 each	0.01	0.01
In Partnership Firm	9.90	9.90
Investment Fair Value Adjustments	<u>980.79</u>	<u>978.08</u>
	3,091.98	3,364.85
Aggregate amount of quoted investments	197.47	197.47
Market value of Quoted Investments	923.12	987.63
Aggregate amount of unquoted investments	1,913.72	2,189.30
Investment in Partnership Firm - Suprem Associates		
Total Capital of the Firm	10.00	10.00
Share in the capital of the firm	9.90	9.90
Share of each partner in the profits of the Firm		
Precot Meridian Limited	99%	
Suprem Textile Processing Limited	1%	
2.12 Long Term Loans and Advances		
Unsecured, considered good		
Capital Advances	548.98	148.86
Security Deposits	505.38	582.58
MAT Credit Receivable	68.00	68.00
	<u>1,122.36</u>	<u>799.44</u>
2.13 Current Investments		
Investment in Mutual Funds - Quoted , Fully paid up		
5,97,128 units in SBI Mutual fund - Magnum	-	100.02
Insta Cash Daily Dividend	-	100.02

	As at 31 03 2012 ₹ Lacs	As at 31.03.2011 ₹ Lacs
2.14 Inventories		
Raw Materials and components	8,831.92	24,537.63
Work-in-progress	1,738.95	2,025.92
Finished goods	2,180.65	4,553.67
Waste Cotton	134.79	148.23
Stores and spares	331.10	273.56
	<u>13,217.41</u>	<u>31,539.01</u>
2.15 Trade receivables		
Unsecured, considered good		
Over six months	9.93	3.39
Others	3,068.47	3,902.31
	<u>3,078.40</u>	<u>3,905.70</u>
2.16 Cash and Cash Equivalents		
a) Cash on hand	4.69	9.27
b) Balances with banks		
In current accounts	516.51	674.62
In unclaimed dividend account	34.73	29.12
	<u>555.93</u>	<u>713.01</u>
2.17 Short term loans and advances		
Unsecured, considered good		
Loans and Advances to related parties (Refer to note 2.34)	92.40	92.27
Balance with Government authorities	243.77	260.79
Advance to Trade Suppliers	95.36	581.69
Prepaid expenses	75.33	68.64
Staff advances	40.34	39.29
	<u>547.20</u>	<u>1,042.68</u>
2.18 Other Current Assets		
Export Incentives Receivable	355.79	90.66
Interest accrued	51.82	39.06
Subsidy receivable from Government	341.58	307.52
	<u>749.19</u>	<u>437.24</u>
2.19 Revenue from Operations		
Revenue from operations		
Sale of Yarn	51,059.49	50,035.71
Sale of Fabrics	7,012.61	7,132.38
Sale of Garments	514.03	303.63
	<u>58,586.13</u>	<u>57,471.72</u>
Other operating revenue		
Scrap Sales	53.22	59.78
DEPB Income	642.39	75.50
Wind power Income	12.46	102.82
Others	109.84	74.78
	<u>817.91</u>	<u>312.88</u>
	<u>59,404.04</u>	<u>57,784.60</u>

	2011-12 ₹ Lacs	2010-11 ₹ Lacs		
2.20 Other Income				
Interest Income	46.78	30.14		
Dividend				
- From Subsidiaries	378.57	24.15		
- From Long term Investments	32.77	21.85		
- From Current Investments	7.18	4.15		
Profit on sale of assets	316.01	129.65		
Rent receipts	55.20	70.94		
Foreign Exchange Gain (Net)	-	24.39		
Insurance claim receipts	20.68	5.70		
Miscellaneous Income	4.57	6.84		
	<u>861.76</u>	<u>317.81</u>		
2.21 Cost of materials consumed :				
Fabric	3,125.74	2,937.54		
Yarn	36,331.65	31,453.51		
	<u>39,457.39</u>	<u>34,391.05</u>		
Details of Consumption				
	2011-2012		2010-2011	
	% of consumption	₹ Lacs	% of consumption	₹ Lacs
Imported	0.12	49.09	0.55	189.15
Indigenous	99.88	39,408.30	99.45	34,201.90
	<u>100.00</u>	<u>39,457.39</u>	<u>100.00</u>	<u>34,391.05</u>
2.22 Changes in inventories of finished goods and work-in-progress				₹ Lacs
Inventory at the end of the year	2011-2012	2010-2011		Increase / (Decrease)
Work in Progress	1,738.95	2,025.92		286.97
Finished Goods	2,180.65	4,553.67		2,373.02
	<u>3,919.60</u>	<u>6,579.59</u>		<u>2,659.99</u>
Inventory at the beginning of the year				
Work in Progress	2,025.92	1,250.00		(775.92)
Finished Goods	4,553.67	767.87		(3,785.80)
Total	<u>6,579.59</u>	<u>2,017.87</u>		
(Increase)/decrease in Inventories	<u>2,659.99</u>	<u>(4,561.72)</u>		<u>(4,561.72)</u>

	2011-12 ₹ Lacs	2010-11 ₹ Lacs
2.23 Employee benefits expense		
Salaries, Wages and Bonus	4,494.25	4,356.24
Contributions to Provident fund and other funds	503.87	499.73
Staff welfare expenses	424.97	305.75
	<u>5,423.09</u>	<u>5,161.72</u>
2.24 Finance Cost		
Interest expense	2,787.43	1,369.39
Other borrowing costs	84.43	86.75
	<u>2,871.86</u>	<u>1,456.14</u>
2.25 Depreciation and Amortization		
Depreciation	2,973.40	2,682.40
Amortization of Intangible asset	17.51	13.25
	<u>2,990.91</u>	<u>2,695.65</u>
2.26 Other Expenses		
Consumption of Stores & Spares	2,165.12	2,227.55
Power & Utilities	5,765.52	6,072.39
Processing Charges	462.46	722.39
Repairs and maintenance		
Machinery	1,896.05	2,429.95
Building	271.88	327.25
Others	149.10	151.58
Rent	7.54	6.37
Rates and Taxes	32.12	38.16
Insurance Premium	47.88	29.72
Foreign Exchange loss (net)	277.45	-
Selling & Distribution expenses	2,262.46	2,089.77
Bank Charges	84.51	33.42
Communication Expenses	42.96	41.36
Printing & Stationery	43.64	42.93
Travelling Expenses	85.69	66.38
Director's Sitting fees	4.48	4.76
Professional Charges	48.38	62.47
Legal Charges	4.96	6.22
Auditor's Remuneration	10.40	9.93
Miscellaneous expenses	179.53	194.36
Provision for diminution in the value of investment	275.58	-
Bad debts written off	3.32	1.68
	<u>14,121.03</u>	<u>14,558.64</u>

	2011-12 ₹ Lacs	2010-11 ₹ Lacs
Payments to the auditor		
(a) As Auditor		
- For Statutory Audit	6.00	6.00
- For Tax Audit	1.00	1.00
(b) For Certification services	1.91	1.46
(c) For reimbursement of expenses	0.41	0.56
(d) Service Tax	1.08	0.91
	<u>10.40</u>	<u>9.93</u>
2.27 Earnings per share		
Net Profit / (Loss) after tax as per Statement of Profit and Loss attributable to Equity Shareholders	(5,283.34)	3,260.18
Weighted Average number of equity shares used as denominator for calculating EPS (Nos.)	6,972,950	6,950,000
Basic & Diluted Earnings per share (in ₹)	(75.76)	46.91
Face Value per equity share (in ₹)	10.00	10.00
2.28 Provisions as on the closing date are as follows:		
Central Sales tax	Nil	20.00
2.29 Contingent liabilities in respect of :		
i) Claims against the company not acknowledged as debts:		
Disputed Statutory Liabilities not provided for	2,663.59	1,244.82
Disputed Other Liabilities not provided for	285.96	265.14
Guarantees	123.39	122.38
Bills discounted	2,904.13	1,692.92
Letters of credit outstanding	9,389.31	Nil
ii) Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for	1,456.55	37.63
2.30 Earnings in Foreign Exchange :		
Export of Goods - FOB Value	14,806.46	11,736.71
Dividend from Foreign Subsidiary	378.57	24.14
	<u>15,185.03</u>	<u>11,760.85</u>

	31.03.2012 ₹ Lacs	31.03.2011 ₹ Lacs
2.31 Expenditure in Foreign Currency		
CIF Value of Imports:		
Raw Materials	141.96	31.30
Components and Spares	235.45	370.93
Capital Goods	1,866.41	71.00
Export Commission	218.31	134.18
Travelling Expenses	28.02	0.90
Quality Claim	21.77	2.75
Interest	165.80	124.89
Others	-	4.61
	2,677.72	740.56

2.32 The Company has opted out of levy of Excise duty from July 2004

2.33 The Ministry of Corporate Affairs, through its notification dated March 31st, 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 Statement of Profit & Loss 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.

	2011-12 ₹ Lacs	2010-11 ₹ Lacs
a. Exchange difference capitalized during the year	524.71	(28.27)
b. Depreciation provision charged to Profit & loss a/c thereon	124.66	50.35
c. Remaining amount to be amortized	700.71	300.66

2.34 The company, having adopted AS30 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 ₹ 93.53 lacs.

2.35 Related Party Disclosure :

List of related parties with whom transactions have taken place

Holding Company : Nil, Subsidiary Companies : Suprem Textiles Processing Ltd, Multiflora Processing (CBE) Ltd, Precot Meridian Energy Ltd., Benwood Corporation Sdn Bhd; Key Management Personnel (KMP):

Mr D Sarath Chandran, Mr Ashwin Chandran and Mr Prashanth Chandran.

Others: Suprem Associates (Partnership firm)

? Lacs

Nature of Transactions	2011-12			2010-11		
	Subsidiary company	KMP	Others	Subsidiary company	KMP	Others
Sale of Yarn	184.35	-	-	82.22	-	-
Commission on Exports	19.23	-	-	6.73	-	-
Dividend Received	366.16	-	-	24.15	-	-
Remuneration	-	89.04	-	-	227.30	-
Amount Outstanding as at year end - Dr	20.78	-	71.62	20.65	-	71.62
Amount Outstanding as at year end - Cr	56.17	-	-	85.63	113.99	-

2.36 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)

₹ Lacs

I. Principal Actuarial Assumptions [Expressed as weighted averages]	31.03.2012	31.03.2011	31.03.2010	31.03.2009	31.03.2008
Discount Rate	8.70%	8.30%	8.40%	8.00%	8.00%
Salary escalation rate	5.50%	5.50%	5.00%	3.75%	3.75%
Attrition rate	2.00%	2.00%	2.00%	1.00%	1.00%
Expected rate of return on plan Assets	9.00%	9.00%	9.00%	9.00%	9.00%
II. Changes in the present value of the obligation (PVO)- Reconciliation of opening and closing balances:	31.03.2012	31.03.2011	31.03.2010	31.03.2009	31.03.2008
PVO as at the beginning of the period	918.92	781.32	609.61	580.25	530.28
Interest cost	74.15	63.06	46.27	45.69	40.91
Current service cost	47.73	40.28	31.60	29.01	25.15
Past service cost - (vested benefits)	-	12.29	-	-	-
Benefits paid	(51.02)	(61.18)	(62.42)	(18.38)	(37.85)
Actuarial loss / (gain) on obligation (balancing figure)	52.46	83.14	156.25	(26.96)	21.76
PVO as at the end of the period	1042.24	918.92	781.32	609.61	580.25
III. Changes in the fair value of plan assets - Reconciliation of opening and closing balances:	31.03.2012	31.03.2011	31.03.2010	31.03.2009	31.03.2008
Fair value of plan assets as at the beginning of the period	906.82	576.15	420.12	530.93	491.96
Expected return on plan assets	79.32	64.85	35.00	41.74	37.89
Contributions	-	350.00	-	-	1.24
Benefits paid	(51.02)	(61.18)	(62.42)	(18.38)	(37.85)
Actuarial gain / (loss) on plan assets (balancing figure)	(47.18)	(23.01)	183.44	(134.17)	37.69
Fair value of plan assets as at the end of the period	887.94	906.82	576.15	420.11	530.93
IV. Amounts recognised in the balance sheet and related analysis	31.03.2012	31.03.2011	31.03.2010	31.03.2009	31.03.2008
Present value of the obligation	1042.24	918.92	781.32	609.61	580.25
Fair value of plan assets	887.94	906.82	576.15	420.12	530.93
Difference	154.30	12.10	205.17	189.49	49.32
Liability recognised in the balance sheet	154.30	12.10	205.17	189.49	49.32

₹ Lacs

V. Expense recognised in the statement of profit and loss	31.03.2012	31.03.2011	31.03.2010	31.03.2009	31.03.2008
Current service cost	47.73	40.28	31.60	29.01	25.15
Interest cost	74.15	63.06	46.27	45.69	40.91
Expected return on plan assets	(79.32)	(64.85)	(35.00)	(41.74)	(37.89)
Net actuarial (gain)/ loss recognised in the year	99.64	106.14	(27.19)	107.22	(15.93)
Past service cost-vested benefits	-	12.29	-	-	-
Expenses recognised in the statement of profit and loss	142.20	156.92	15.68	140.17	12.24

VI. Movements in the liability recognized in the balance sheet	31.03.2012	31.03.2011	31.03.2010	31.03.2009	31.03.2008
Opening net liability	12.10	205.17	189.49	49.32	38.32
Expense as above	142.20	156.92	15.68	140.17	12.24
Contribution paid	-	(350.00)	-	-	(1.24)
Closing net liability	154.30	12.10	205.17	189.49	49.32

VII. Amount for the Current Period	31.03.2012	31.03.2011	31.03.2010	31.03.2009	31.03.2008
Present Value of obligation	1042.24	918.92	781.32	609.61	580.25
Plan Assets	887.94	906.82	576.15	420.12	530.93
Surplus(Deficit)	(154.30)	(12.10)	(205.17)	(189.49)	(49.32)
Experience adjustments on plan liabilities	(91.01)	(32.22)	(64.68)	10.17	(89.66)
Experience adjustments on plan assets	(47.18)	(23.01)	183.44	(134.17)	37.69

VIII. Major categories of plan assets (as percentage of total plan assets)	31.03.2012	31.03.2011	31.03.2010	31.03.2009	31.03.2008
Fund managed by Insurer	100.00%	100.00%	100.00%	100.00%	100.00%

IX. Enterprise's Best Estimate of Contribution during Next Year	10.00	NA	NA	NA	75.00
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For Haribhakti & Co.,
Chartered Accountants
Firm Reg.No.: 103523W
C S Sathyanarayanan
Partner
M.No.: 028328
Place : Coimbatore
Date : 30th May 2012

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 :

1. We have audited the attached Balance Sheet of Precot Meridian Limited (the Company) as at March 31st, 2012, the Statement of Profit and Loss 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.
2. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, (as amended), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of The Companies Act, 1956 (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the paragraph 3 above, we report that:
 - i. 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;
 - ii. 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;
 - iii. The balance sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet, statement of profit and loss 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.
 - v. On the basis of the written representations received from the directors, as on March 31st, 2012, and taken on record by the Board of

Directors, we report that none of the directors is disqualified as on March 31st, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

- vi. 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 March 31st, 2012;
 - b) in the case of the statement of profit and loss account, of the loss 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 : 30 th May 2012	For K S G Subramanyam & Co., Chartered Accountants Firm Reg.No.: 004151S K Baskaran Partner M.No.: 022883
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Annexure to Auditors' Report

[Referred to in paragraph 3 of the Auditors Report of even date to the members of Precot Meridian Limited on the financial Statement for the year ended 31st March, 2012]

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets of the company have been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
- (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 the size and 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.
- (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 (₹ lacs)	Amount of demand (₹ lacs)	Period to which amount relates	Forum where dispute is pending
Central Excise Act 1944	Excise Duty and Penalties	432.74	2000-01; 2001-02	Supreme Court
Central Excise Act 1944	Excise Duty and Penalties	121.48	2001-02; 2008-10	Madras High Court
Tamil Nadu General Sales tax 1959	Sales Tax	12.61	1994-95; 1998-99	Madras High Court
Central Excise Act 1944	Excise Duty and Penalties	24.63	2007-08; 2008-09	Commissioner appeals, Kochi
Central Excise Act 1944	Excise Duty and Penalties	29.78	2000-01; 2002-03	CESTAT, Bangalore
Service Tax	Service Tax	2.07	1997-98	Commissioner appeals, Kochi
APVAT 2005	Sales Tax	24.77	1999-00; 2004-05	AP Sales tax Appellate Tribunal
Central Sales Tax 1956	Central Sales Tax	648.18	1998-99; 1999-00	Assessing Officer, Stay obtained from Chennai High Court
Service Tax	Service Tax	7.38	2006-07	CESTAT
Service Tax	Service Tax and Penalties	13.38	2003-04; 2004-05	Additional Commissioner of Central Excise (Appeals)
Service Tax	Service Tax	1.36	2009-10	Commissioner
Income Tax Act, 1961	Income Tax	1418.00	1992 to 2009	Commissioner

10. In our opinion, the accumulated losses of the company are not more than fifty percent of its net worth. The company has incurred cash losses during the financial year covered by our audit and there were no cash loss 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 financial institutions or banks.
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 loans & 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 a nidhi / mutual benefit fund / society. Therefore, the provisions of clause (xiii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause (xiv) of paragraph 4 of the Companies

(Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

15. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the company, for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the company.
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 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 explanations given to us, the company has made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act. In our opinion, the price at which shares have been issued is not prejudicial to the interest of the company.
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 Sathyanarayanan
Partner
M.No.: 028328
Place : Coimbatore
Date : 30th May 2012

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

	Note	As at 31.03.2012 ₹ Lacs	As at 31.03.2011 ₹ Lacs
Equity and Liabilities			
Shareholders' funds			
Share Capital	2.1	747.50	695.00
Reserves and Surplus	2.2	10,944.64	16,093.04
Money received against share warrants	2.3	128.63	-
		11,820.77	16,788.04
Minority Interest			
		152.32	292.57
Non-current liabilities			
Long Term Borrowings	2.4	13,459.90	10,167.25
Deferred tax liabilities (Net)	2.5	-	1,950.43
		13,459.90	12,117.68
Current Liabilities,			
Short Term Borrowings	2.6	13,138.25	25,414.90
Trade Payables	2.7	3,030.90	3,304.75
Other Current Liabilities	2.8	4,817.52	5,066.81
Short Term Provisions	2.9	704.80	1,556.97
		21,691.47	35,343.43
		47,124.46	64,541.72
Assets			
Non-current Assets			
Fixed Assets			
	2.10		
Tangible Assets		23,159.80	21,851.81
Intangible Assets		51.03	68.54
Capital Work-in-progress		1,216.19	267.99
Non-current Investments	2.11	2,649.79	2,887.03
Deferred tax assets (Net)	2.5	275.16	-
Long Term loans and advances	2.12	1,122.36	799.44
		28,474.33	25,874.81
Current Assets			
Current Investments	2.11	33.22	129.52
Inventories	2.13	13,366.32	31,838.68
Trade receivables	2.14	3,180.11	4,235.82
Cash and cash equivalents	2.15	836.92	1,068.53
Short Term loans and advances	2.16	484.37	957.13
Other current assets	2.17	749.19	437.23
		18,650.13	38,666.91
		47,124.46	64,541.72

Significant Accounting Policies and Notes on Financial Statements 1 & 2

For Haribhakti & Co.,
Chartered Accountants
Firm Reg.No.: 103523W
C S Sathyanarayanan
Partner
M.No.: 028328
Place : Coimbatore
Date : 30th May 2012

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

	Note	2011-12 ₹ Lacs	2010-11 ₹ Lacs
Revenue From Operations	2.18	60,326.24	59,829.11
Other income	2.19	492.86	297.74
Total Revenue		60,819.10	60,126.85
Expenses			
Cost of materials consumed	2.20	40,139.68	36,224.83
Changes in inventories of finished goods and work-in-progress	2.21	2,810.75	(4,844.32)
Employee benefits expense	2.22	5,474.56	5,197.25
Finance costs	2.23	2,873.12	1,460.06
Depreciation and amortization expense	2.24	2,999.05	2,703.19
Other expenses	2.25	14,178.30	14,737.99
Total Expenses		68,475.46	55,479.00
Profit / (Loss) before tax		(7,656.36)	4,647.85
Tax expense:			
Current tax		3.26	925.84
MAT Credit		-	(19.00)
Deferred tax		(2,225.59)	287.97
Provision for Earlier Years		250.00	-
Profit Transferred to Minority Interest		2.43	75.61
Profit / (Loss) for the year		(5,686.46)	3,377.43
Earnings per equity share of face value of ₹ 10 each			
Basic and Diluted (in ₹)	2.26	(81.55)	48.60

Significant Accounting Policies and Notes on Financial Statements 1 & 2

Vide our report of even date attached

For Haribhakti & Co.,
Chartered Accountants
Firm Reg.No.: 103523W
C S Sathyanarayanan
Partner
M.No.: 028328
Place : Coimbatore
Date : 30th May 2012

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

	31.03.2012 ₹ Lacs	31.03.2011 ₹ Lacs
A. Cash Flow From Operating Activities		
Net Profit Before Tax and Extraordinary Items	(7656.36)	4647.85
Adjustments for :		
Depreciation	2999.05	2703.19
(Profit)/Loss on Sale of Assets	(316.01)	(129.65)
Investment Income - Dividend	(41.21)	(26.01)
Interest Income	(53.57)	(33.39)
Diminution in value of investments	275.58	0.00
Interest Payment	2873.12	1460.06
Foreign currency translation reserve	34.29	61.60
Minority interest	(142.69)	(9.01)
Operating Profit before Working Capital changes	(2027.80)	8674.64
Adjustments for :		
Trade Receivables	1055.72	(1115.11)
Other Receivables	(149.36)	39.37
Inventories	18472.36	(18239.35)
Trade and Other Payables	(286.82)	19091.90
Cash generated from Operations	17064.10	(9237.49)
Direct Taxes paid	(439.88)	(1019.01)
Net Cash Flow from Operating Activities	16624.22	(10256.50)
B. Cash Flow From Investing Activities		
Purchase of Fixed Assets	(5368.70)	(4240.31)
Sale of Fixed Assets	450.41	225.16
(Purchase) / Sale of Investments	96.30	(129.52)
Interest Received	40.81	33.39
Dividend Received	41.21	26.01
Net Cash flow from Investing Activities	(4739.97)	(4085.27)
C. Cash Flow From Financing Activities		
Proceeds from Issue of Shares / Share warrants	643.13	-
Dividends Paid	(802.13)	(402.37)
Interests Paid	(2809.66)	(1460.06)
Repayment of Long Term Borrowings	3129.46	(609.25)
Proceeds from Unsecured Loan	730.53	3210.70
Proceeds from Working Capital Borrowings	(13007.19)	13671.95
Net Cash Flow from Financing Activities	(12115.86)	14410.97
Net Increase / Decrease in Cash and Cash Equivalent	(231.61)	69.20
Cash and Cash Equivalents as at 01.04.2011 and 01.04.2010 (Opening Balance)	1068.53	999.33
Cash and Cash Equivalents as at 31.03.2012 and 31.3.2011 (Closing Balance)	836.92	1068.53

Vide our report of even date attached

For Haribhakti & Co.,
Chartered Accountants
Firm Reg.No.: 103523W
C S Sathyanarayanan
Partner
M.No.: 028328
Place : Coimbatore
Date : 30th May 2012

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

Notes forming part of financial statements
1 Significant Accounting Policies to the Consolidated Financial Statement
1.1 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 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 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.

1.2 Investments other than in subsidiaries and associates have been accounted as per Accounting Standard (AS) 13 on "Accounting for investments."

1.3 Other Significant Accounting Policies:

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

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

Name of Subsidiary	Country of Incorporation	% of ownership
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. As notified by Ministry of Corporate Affairs, Revised Schedule VI under the Companies Act 1956 is applicable to the Financial Statements for the financial year commencing on or after 1st April, 2011. Accordingly the financial statements for the year ended March 31st, 2012 are prepared in accordance with the Revised Schedule VI. The amounts and disclosures included in the financial statements of the previous year have been reclassified to conform to the requirements of revised Schedule VI.

	As at 31.03.2012 ₹ Lacs	As at 31.03.2011 ₹ Lacs
2.1 Share Capital		
Authorised		
90,00,000 Equity Shares of ₹ 10 each	900.00	900.00
Issued		
80,25,000 Equity Shares of ₹ 10 each	802.50	750.00
31 st March 2011 : 75,00,000 equity shares of ₹ 10 each)		
Subscribed & fully Paid up		
74,75,000 Equity Shares of ₹ 10 each fully paid up	747.50	<u>695.00</u>
(31 st March 2011 : 69,50,000 equity shares of ₹ 10 each)	747.50	<u>695.00</u>

i) Terms/rights attached to equity shares:

The company has only one class of issued shares referred to as equity shares having a par value of ₹ 10 each. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors, if any, is subject to the approval of shareholders in the Annual General Meeting.

ii) The reconciliation of the number of shares outstanding is set out below:

	As at 31.03.2012		As at 31.03.2011	
	Number	₹ Lacs	Number	₹ Lacs
Equity Shares at the beginning of the year	6,950,000	695.00	6,950,000	695.00
Add: Shares Issued during the year	525,000	52.50	-	-
Equity Shares at the end of the year	<u>7,475,000</u>	<u>747.50</u>	<u>6,950,000</u>	<u>695.00</u>

During the year the company has allotted 5,25,000 Equity Shares of ₹ 10 each as fully paid up at a premium of ₹ 88 per share, on preferential basis to its Promoter Directors in accordance with the provision of Section 81 (1 A) of the Companies Act, 1956 and SEBI (ICDR) Regulations, 2009.

iii) The details of Shareholders holding more than 5% of Shares:

S.No.	Name of Shareholders	As at 31.03.2012		As at 31.03.2011	
		No. of Shares held	% of Holding	No. of Shares held	% of Holding
1	D Sarath Chandran	1,668,080	22.32%	1,443,080	20.76%
2	Ashwin Chandran	1,388,305	18.57%	1,238,305	17.82%
3	Prashanth Chandran	1,164,595	15.58%	1,014,595	14.60%

2.2 Reserves and Surplus

	Balance as at 1st April 2011	Additions during the year	Deductions/ Adjustments during the year	₹ Lacs Balance as at 31st March 2012
Capital Reserve	48.19	-	-	48.19
Capital Investment Subsidy	28.71	-	-	28.71
Capital Redemption Reserve	355.00	-	-	355.00
Securities Premium Reserve	2,212.46	462.00	-	2,674.46
Investment Fair Value Reserve	679.90	38.34	-	718.24
Foreign Currency Translation Reserve	118.68	37.72	-	156.40
General Reserve	11,694.64	-	-	11,694.64
Surplus/(deficit) in profit and loss account	955.46	-	5,686.46	(4,731.00)
	<u>16,093.04</u>	<u>538.06</u>	<u>5,686.46</u>	<u>10,944.64</u>

2.3 Money received against Share warrants

	As at 31.03.2012	As at 31.3.2011
5,25,000 Convertible Share Warrants of ₹ 98 each, of which ₹ 24.50 paid up	128.63	-
(31 st March 2011 - Nil)	<u>128.63</u>	<u>-</u>

The Company has allotted 5,25,000 Convertible Share Warrants of ₹ 98 each on 16.03.2012 to its Directors on a preferential basis. As per the terms of issue, the warrant holders shall, on the date of allotment of warrants (which shall be in one or more tranches after 1st April 2012 but not later than 18 months from the date of issue of the warrants) pay an amount equivalent to at least 25% of the total consideration. In case the warrant holders do not exercise the option to take equity shares against any of the warrants held by them, consideration paid in respect of such warrants shall be forfeited by the Company. The lock-in of shares acquired by exercise of warrants shall be subject to SEBI (ICDR) Regulations 2009.

₹ Lacs

2.4 Long Term Borrowings

	Non Current portion		Current maturities	
	As at 31.03.2012	As at 31.03.2011	As at 31.03. 2012	As at 31.03. 2011
Secured				
Term loans from Banks				
Rupee Loan	11,157.21	7,175.55	1,931.22	2,122.63
Foreign Currency Loan	2,208.30	2,835.04	1,151.45	1,116.99
Unsecured				
Deferred payment liabilities				
Sales Tax Deferral loan	94.39	156.66	62.27	68.51
	<u>13,459.90</u>	<u>10,167.25</u>	<u>3,144.94</u>	<u>3,308.13</u>

1. a) Term loan from SBI, ICICI, Andhra Bank, Export Import Bank of India and IDBI Bank are secured by way of pari passu first charge on entire movable and immovable 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) Term loan from IDBI Bank, Dubai Branch amounting to ₹ 95.94 lakhs is secured by way of exclusive first charge on the windmills and related equipments, systems and assets located at Eragampatti and Manurpalayam Village in Tirupur district.
2. The loans are repayable in monthly/quarterly/ half-yearly installments.
3. In respect of the above, rupee term loans carry interest ranging from 7.5% p.a. to 14% p.a. and foreign currency term loans carry interest ranging from 1.6% p.a. to 3% p.a. plus applicable LIBOR.

2.5 Deferred Taxes
Deferred Tax Liabilities

Fixed assets	2,181.58	2,119.76
	<u>2,181.58</u>	<u>2,119.76</u>

Deferred Tax Assets

Employee benefit expenses	145.05	169.33
Unabsorbed Depreciation/ Business Loss	2,311.69	-
	<u>2,456.74</u>	<u>169.33</u>

Deferred Tax (Asset) / Liabilities (NET)	<u>(275.16)</u>	<u>1,950.43</u>
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	31.03.2012 ₹ Lacs	31.03.2011 ₹ Lacs
2.6 Short Term Borrowings		
Secured		
Working Capital Loans		
From Banks		
Rupee Loan	6,144.17	19,884.75
Foreign Currency Loan	2,994.08	2,260.69
Unsecured		
From Bank		
Rupee Loan	4,000.00	3,269.46
	<u>13,138.25</u>	<u>25,414.90</u>
1. Working capital loans from SBI, Andhra Bank, Corporation Bank, IDBI, ICICI, 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.		
2. In respect of the above, working capital rupee loans carry interest ranging from 11.25% p.a. to 15.25% p.a. and working capital foreign currency loan and buyer's credit foreign currency loans carry interest ranging from 1.4% p.a. to 3.5% p.a. plus applicable LIBOR.		
3. Unsecured short term loan from Axis Bank carry interest at 11% p.a. for which the company has extended a corporate guarantee.		
2.7 Trade Payables		
Trade Payables	<u>3,030.90</u>	<u>3,304.75</u>
	3,030.90	3,304.75
<p>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, 2012 (31st March 2011 : Nil)</p>		
2.8 Other Current Liabilities		
Current maturities of long-term debt (Refer to Note 2.4)	3,144.94	3,308.13
Interest accrued but not due on borrowings	98.32	48.89
Interest accrued and due on borrowings	14.03	-
Unclaimed dividends	34.73	29.12
Accrued Employee benefits	294.57	514.22
Other Payables *	<u>1,230.93</u>	<u>1,166.45</u>
	<u>4,817.52</u>	<u>5,066.81</u>
<p>* Other Payables include statutory dues, security deposits and advances from customers</p>		
2.9 Short Term Provisions		
Provision for Gratuity	154.30	12.10
Provision for Taxation (Net of advance tax)	550.50	737.12
Proposed Dividend	-	695.00
Provision for Tax on Dividend	-	112.75
	<u>704.80</u>	<u>1,556.97</u>

2.10 Fixed Assets

₹ Lacs

	Gross Block					Depreciation and Amortization					Net Block	
	As at 01.04.2011	Additions	Deductions	Translation Adjustments	As at 31.03.2012	Upto 31.03.2011	For the year	Deductions	Translation Adjustments	As at 31.03.2012	As at 31.03.2012	As at 31.03.2011
Tangible Assets												
Land	569.15	-	-	-	569.15	-	-	-	-	-	569.15	569.15
Building	6,732.18	176.84	-	-	6,909.02	1,690.90	188.75	-	-	1,879.65	5,029.37	5,041.28
Plant and Equipment	44,425.71	4,203.35	860.25	0.03	47,768.84	28,569.21	2,725.91	728.83	0.03	30,566.32	17,202.52	15,856.50
Vehicles	329.48	15.17	10.68	4.24	338.21	137.69	34.60	7.95	1.48	165.82	172.39	191.79
Office Furnitures	227.74	12.59	11.57	2.81	231.57	113.36	12.88	11.43	2.14	116.95	114.62	114.38
Computer	415.99	12.55	2.32	-	426.22	337.28	19.40	2.21	-	354.47	71.75	78.71
TOTAL (A)	52,700.25	4,420.50	884.82	7.08	56,243.01	30,848.44	2,981.54	750.42	3.65	33,083.21	23,159.80	21,851.81
Intangible Assets												
ERP Expenditure & software	325.98	-	-	-	325.98	257.44	17.51	-	-	274.95	51.03	68.54
TOTAL (B)	325.98	-	-	-	325.98	257.44	17.51	-	-	274.95	51.03	68.54
TOTAL (A + B)	53,026.23	4,420.50	884.82	7.08	56,568.99	31,105.88	2,999.05	750.42	3.65	33,358.16	23,210.83	21,920.35
Previous Year	49,844.90	4,197.59	1,016.26	-	53,026.23	29,323.44	2,703.19	920.75	-	31,105.88	21,920.35	20,521.47
Capital Work-in-progress											1,216.19	267.99
Total											24,427.02	22,188.34
Previous Year											22,188.34	20,746.74

Capital Work In Progress includes lease-hold land for Hassan Plant and Pre-Operative expenses aggregating to ₹ 1087.78 lacs

	31.03.2012 ₹ Lacs	31.03.2011 ₹ Lacs		31.03.2012 ₹ Lacs	31.03.2011 ₹ Lacs
2.11 Non Current Investments			2.12 Long Term Loans and Advances		
Trade Investments			Unsecured, considered good		
In Equity Shares - Unquoted, fully paid up			Capital Advances	548.98	148.86
1,00,000 Vantex Limited of ₹10 each	1900	19.00	Security Deposits	505.38	582.58
12,06,000 A.P. Gas Power Corporation Limited of ₹ 10 each	1,964.87	1,964.87	MAT Credit Receivable	68.00	68.00
2,25,000 Sai Regency Power Corporation Private limited of ₹ 10 each	22.50	22.50		<u>1,122.36</u>	<u>799.44</u>
14,000 OPG Energy Private Limited of ? 10 each	140	140	2.13 Inventories		
	<u>2,007.77</u>	<u>2,007.77</u>	Raw Materials and components	8,831.92	24,537.63
Less: Diminution in the Value of Investment	(275.58)	-	Work-in-progress	1,738.95	2,025.92
	<u>1,732.19</u>	<u>2,007.77</u>	Finished goods	2,329.56	4,853.34
Others Investments			Waste Colton	134.79	148.23
In Equity Shares - Quoted, fully paid up			Stores and spares	331.10	273.56
56,72,250 Pricol Limited of ₹ 1 each	199.32	199.32		<u>13,366.32</u>	<u>31,838.68</u>
In Equity Shares - Unquoted, fully paid up			2.14 Trade Receivables		
100 Precot Mills Employees Cooperative Credit Society of ₹ 10 each	0.01	0.01	Unsecured, considered good		
100 Precot Mills Multi purpose stores of ? 10 each	0.01	0.01	Over six months	993	3.39
In Government Securities	0.02	0.02	Others	3,170.18	4,232.43
	<u>1,931.55</u>	<u>2,207.13</u>		<u>3,180.11</u>	<u>4,235.82</u>
Investment Fair Value Adjustments	718.24	679.90	2.15 Cash and Cash Equivalents		
	<u>2,649.79</u>	<u>2,887.03</u>	a) Cash on hand	195.24	173.08
Current Investments			b) Balances with banks In current accounts	606.95	866.33
Investment in Mutual Funds - Quoted, Fully paid up	-	100.02	In unclaimed dividend account	34.73	29.12
5,97,128 units in SBI Mutual fund - Magnum Insta Cash Daily Dividend				<u>836.92</u>	<u>1,068.53</u>
Investment in Malaysian Banking Berhad - Amcons 3 Cas	33.22	29.50			
	<u>33.22</u>	<u>129.52</u>			

	31.03.2012	31.03.2011				₹ Lacs
	₹ Lacs	₹ Lacs				Increase / (Decrease)
2.16 Short term loans and advances			Inventory at the beginning of the year	2011-2012	2010-2011	
Unsecured, considered good			Work in Progress	2,025.92	1,250.00	(775.92)
Balance with Government authorities	258.30	267.51	Finished Goods	4,853.34	784.94	(4,068.40)
Advance to Trade Suppliers	110.40	581.69	Total	6,879.26	2,034.94	
Prepaid expenses	75.33	68.64	(Increase)/decrease in Inventories	2,810.75	(4,844.32)	(4,844.32)
Staff advances	40.34	39.29			2011-12	2010-11
	<u>484.37</u>	<u>957.13</u>			₹ Lacs	₹ Lacs
2.17 Other Current Assets			2.22 Employee benefits expense			
Export Incentives Receivable	355.79	90.66	Salaries, Wages and Bonus	4,542.04	4,387.95	
Interest accrued	51.82	39.06	Contributions to Provident fund and other funds	506.35	502.25	
Subsidy receivable from Government	341.58	307.51	Staff welfare expenses	426.17	307.05	
	<u>749.19</u>	<u>437.23</u>		<u>5,474.56</u>	<u>5,197.25</u>	
2.18 Revenue from Operations			2.23 Finance Cost			
Revenue from operations			Interest expense	2,788.69	1,373.31	
Sale of Yarn	52,000.92	52,048.08	Other borrowing costs	84.43	86.75	
Sale of Fabrics	7,012.61	7,132.38		<u>2,873.12</u>	<u>1,460.06</u>	
Sale of Garments	514.03	303.64	2.24 Depreciation and Amortization			
	<u>59,527.56</u>	<u>59,484.10</u>	Depreciation	2,981.54	2,689.94	
Other operating revenue			Amortization of Intangible asset	17.51	13.25	
Scrap Sales	53.22	59.78		<u>2,999.05</u>	<u>2,703.19</u>	
DEPB Income	642.39	75.50	2.25 Other Expenses			
Wind power Income	12.46	102.82	Consumption of Stores & Spares	2,165.12	2,227.54	
Others	90.61	106.91	Power & Utilities	5,765.52	6,072.39	
	<u>798.68</u>	<u>345.01</u>	Processing Charges	462.46	722.39	
	<u>60,326.24</u>	<u>59,829.11</u>	Repairs and maintenance	-	-	
2.19 Other Income			Machinery	1,896.05	2,430.36	
Interest Income	53.57	33.39	Building	271.88	327.24	
Dividend			Others	156.85	157.18	
- From Long term Investments	34.03	22.69	Rent	1601	18.50	
- From Current Investments	7.18	4.16	Rates and Taxes	34.70	113.27	
Profit on sale of assets	316.01	129.65	Insurance Premium	47.88	30.80	
Rent receipts	55.20	70.94	Foreign Exchange loss (net)	280.59	-	
Foreign Exchange Gain (Net)	-	24.39	Selling & Distribution expenses	2,310.32	2,089.77	
Insurance claim receipts	22.29	5.70	Bank Charges	85.38	33.42	
Miscellaneous Income	4.58	6.82	Communication Expenses	45.31	44.24	
	<u>492.86</u>	<u>297.74</u>	Printing & Stationery	43.64	42.93	
2.20 Cost of materials consumed :			Travelling Expenses	90.69	67.88	
			Director's Sitting fees	4.48	4.76	
	2011-2012	2010-2011	Professional Charges	49.88	62.99	
	% of consumption	% of consumption	Legal Charges	4.96	7.54	
Imported	0.12	0.55	Auditor's Remuneration	12.86	12.14	
Indigenous	99.88	99.45	Miscellaneous expenses	154.82	270.97	
	₹ Lacs	₹ Lacs	Provision for diminution in the value of investment	275.58	-	
			Bad debts written off	3.32	1.68	
	<u>100.00</u>	<u>100.00</u>		<u>14,178.30</u>	<u>14,737.99</u>	
	40,139.68	36,224.83	2.26 Earnings per share			
			Net Profit/(Loss) after tax as per Statement of Profit and Loss attributable to Equity Shareholders	(5,686.46)	3,377.43	
2.21 Changes in inventories of finished goods and work-in-progress			Weighted Average number of equity shares used as denominator for calculating EPS (Nos)	6,972,500	6,950,000	
Inventory at the end of the year	2011-2012	2010-2011	Basic & Diluted Earnings / (Loss) per share (in ₹)	(81.55)	48.60	
Work in Progress	1,738.95	2,025.92	Face Value per equity share (in ₹)	10.00	10.00	
Finished Goods	2,329.56	4,853.34				
	<u>4,068.51</u>	<u>6,879.26</u>				

	31.03.2012 ₹ Lacs	31.03.2011 ₹ Lacs	Others: Suprem Associates (Partnership firm)	2011-12 KMP	2010-11 KMP
2.27 Provisions as on the closing date are as follows:					
Central Sales tax	Nil	20.00			
Contingent liabilities in respect of:					
i) Claims against the company not acknowledged as debts:					
Disputed Statutory Liabilities not provided for	2,663.59	1,244.82		89.04	227.30
Disputed Other Liabilities not provided for	285.96	265.14		-	-
Guarantees	123.39	122.38		-	113.99
Bills discounted	2,904.13	1,692.92			
Letters of credit outstanding	9,388.31	Nil			
Export Obligation under EPCG Scheme	Nil	1,293.37			
ii) Commitments					
Estimated amount of contracts remaining to be executed on capital account and not provided for	1,456.55	37.63			
2.28 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 Statement of Profit & Loss 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.					
	2011-12	2010-11			
a. Exchange difference capitalized during the year	524.71	(28.27)			
b. Depreciation provision charged to Profit & loss a/c thereon	124.66	50.35			
c. Remaining amount to be amortized	700.71	300.66			
2.29 The company, having adopted AS30 with effect from 1 st 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 ₹ 93.53 lacs.					
2.30 Related Party Disclosure :					
List of related parties with whom transactions have taken place					
Holding Company	: Nil,				
Subsidiary Company	: Suprem Textiles Processing Ltd, Multiflora Processing (CBE) Ltd, Precot Meridian Energy Ltd., Benwood Corporation Sdn Bhd;				
Key Management Personnel (KMP)	: Mr D Sarath Chandran, Mr Ashwin Chandran and Mr Prashanth Chandran.				
			2.31. Geographical Segment	2011-12 ₹ lacs	2010-11 ₹ lacs
			1 Segment Revenue		
			- Domestic Sales	44,914.70	47,900.59
			- Export Sales	15,411.54	11,928.52
			Total Revenue	60,326.24	59,829.11
			2 Segment Results		
			- Domestic	(1,695.33)	6,816.00
			- Export	(581.72)	1,697.36
			Less : Depreciation & Amortisation		
			- Unallocated	2,999.05	2,703.19
			Total Operating Profit	(5,276.10)	5,810.17
			Add : Other Income	492.86	297.74
			Less : Interest	2,873.12	1,460.06
			Less : Provision for Tax	(2,222.33)	1,213.81
			Provision for Earlier years	250.00	0.00
			Add : MAT Credit	0.00	19.00
			Less : Minority Interest	2.43	75.61
			Net Profit / (Loss)	(5,686.46)	3,377.43
			3 Segment Assets		
			- Domestic	9,320.24	14,995.10
			- Export	2,848.62	4,082.93
			- Unallocated	34,955.60	45,463.69
			Total Assets	47,124.46	64,541.72
			4 Segment Liabilities		
			- Domestic	23,232.60	32,452.34
			- Export	6,820.90	6,489.22
			- Unallocated	5,250.19	8,812.12
			Total Liabilities	35,303.69	47,753.68
			5 Capital Expenditure		
			- Unallocated	4,420.50	4,197.59
			6 Depreciation & Amortisation		
			- Unallocated	2,999.05	2,703.19
			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.		

Vide our report of even date attached

For Haribhakti & Co.,
Chartered Accountants
Firm Reg.No.: 103523W
C S Sathyanarayanan
Partner
M.No.: 028328
Place : Coimbalore
Date : 30th May 2012

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	31.03.2012	31.03.2012	31.03.2012	31.03.2012
3	No. of Shares (fully paid up) held by the Company on the above dates	100000 Equity Shares of ₹ 100 each	250000 Equity Shares of ₹ 10 each	50000 Equity Shares of ₹ 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) (₹ lacs)				
	a) not dealt with in the accounts of the Company				
	i. for the year ended 31 st March, 2012	(29.05)	(0.22)	(0.14)	4.87
	ii. for the previous financial years	(41.71)	4.83	(25.65)	-
	b) dealt with in the accounts of the Company				
	i. for the year ended 31 st March, 2012	-	-	-	366.16
	ii. for the previous financial years	-	-	-	24.15
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	NIL
	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

Vide our report of even date attached

For Haribhakti & Co.,
Chartered Accountants
Firm Reg.No.: 103523W
C S Sathyanarayanan
Partner
M.No.: 028328
Place : Coimbatore
Date : 30th May 2012

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 on the Consolidated Financial Statements

To the Board of Directors and Members of Precot Meridian Limited

1. We have audited the attached Consolidated Balance Sheet of Precot Meridian Limited ("the Company") and its Subsidiaries (collectively referred to as "the group") as at 31st March, 2012 and also the consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of Benwood Corporation Sdn Bhd and Suprem Associates, whose unaudited financial statements as at 31st March, 2012 reflect total assets of ₹ 699.64 lakhs, total net revenue of ₹ 1124.09 lakhs, and net cash outflows amount to ₹ 72.47 lakhs for the year then ended. These financial statements and other financial information have been certified by the management, and our opinion is based solely on such financial statements.
4. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standards (AS) 21, "Consolidated financial statements", as notified pursuant to the Companies (Accounting Standards) Rules, 2006 and on the basis of the separate financial statements of Precot Meridian Limited and its subsidiaries.
5. Based on our audit of separate financial statements and on consideration of unaudited financial statements as referred above and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements 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 state of affairs of the Group as at 31st March 2012;
 - (b) In the case of the Consolidated Statement of Profit and Loss Account, of the loss of the Group for the year ended on that date; and
 - (c) In the case of the consolidated cash flow statement, of the cash flows of the Group 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

Place : Coimbatore
Date : 30th May 2012

Disclosure of Information relating to the subsidiary companies as required by the Ministry of Corporate Affairs, Government of India vide Circular no:2/2011 dated 8th February, 2011

₹ in Lacs

Particulars	Suprem Textiles Processing Limited	Precot Meridian Energy Limited	Multiflora Processing (Cbe) Limited	Benwood Corporation Sdn.Bhd.
a) Share Capital	100	5	25	96.97
b) Reserves & Surplus	(71.75)	(25.79)	4.61	360.04
c) Total Assets	29.31	0.06	29.69	618.02
d) Total Liabilities	29.31	0.06	29.69	618.02
e) Details of Investments	1.98	-	-	33.22
f) Net Sales & Service including other Income	0.26	-	-	1134.19
g) Profit / (Loss) before Tax	(29.05)	(0.14)	(0.22)	10.10
h) Provision for Taxation	-	-	-	2.80
i) Profit / (Loss) after Tax	(29.05)	(0.14)	(0.232)	7.30
j) Proposed Dividend	-	-	-	56.06

Note: The financial statement 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

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 50th Annual General Meeting of the Company held on Friday, the 14th September 2012 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
appointofor
or failing himof.....
.....as my / our proxy to attend and vote for me/us on my/our
behalf, at the 50th Annual General Meeting of the Company to be held on.....
.....andany adjournment thereof.

Signed this day of 2012

Folio No :

No. of Shares :

Signature :

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.

If undelivered please return to :



Precot Meridian Limited

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