

Precot Meridian Limited



ANNUAL REPORT 2013

Chairman's Statement

Dear Shareholders,

Your Company was promoted by my father Shri N. Damotharan and his elder brother late Shri V.N. Ramachandran. It was their vision which enabled the Company to commence its production of cotton yarn in the year 1964. Completing 50 years is an important milestone in the history of any organisation. Besides the satisfaction, it also affords an excellent opportunity, not only to look back dispassionately on the growth and progress of the Company, but also to chart out a road map for the future.



The license era and liberalisation in 1990s

The structure of the Indian Economy has been transformed beyond recognition compared to 1960s. When your company was incorporated in 1962, the Indian economy was going through one of its toughest periods with the Chinese war taking its toll on the country's resources and the Third five year plan postponed temporarily. The License era restricted industrial production of most commodities and industrial products. In particular the textile industry was subjected to production, distribution and price controls. In an era of shortages, supply was always lower than demand and marketing was unheard of especially in the spinning industry. The term 'allotment of yarn' coined in the 60s and 70s signified this trend.

After the decontrol of the Spinning Industry in 1980, the Company expanded steadily by setting up units in Andhra and Kerala besides starting Meridian Industries in Tamil Nadu in the year 1994. The economic liberalisation of the 1990s opened up opportunities for growth. It also invited competition and the need for improving efficiency and cost controls. Merging Meridian with your Company in the year 2006 enabled optimisation of resources and economies of scale.

Forward Integration

In the year 2000, the Company set up a yarn dyed fabric division in Tamil Nadu. Though liberalisation dismantled the license system, the fragmented nature of the textile industry did not undergo any significant change. Even today, more than 90% of the fabrics produced in the country are from small and fragmented power loom and hand loom sectors. In this scenario, the cost structure of the division was not competitive. Hence the company took a decision to exit the fabric business in 2012.

Technical Textiles - Value added niche products

In the year 2011, we decided to de risk our operations by moving away from traditional commodity products like yarn and fabrics. The Company has set up a new Technical textiles unit in the Special Economic Zone in Hassan, Karnataka for the manufacture of niche products in the hygiene field for export. Commercial production was started in June 2013. We are confident that this unit will contribute significantly to the revenues and profits of the Company in the years to come.

Bonus Issue

Even though 2011-12 was a difficult year with abnormal cotton prices and low yarn prices, 2012-13 was a reasonably good year with the corrective measures taken by the company to improve our efficiency and cost control. The last two years has seen sluggish growth in the Indian economy. However, one hopes that we are at the bottom of the economic cycle and the only way forward is to be positive. With the technical textiles unit showing promise and the spinning sector reviving, we are looking ahead with confidence and hope to restore our growth, which was the hallmark of the Company during the 1980s and 1990s.

Therefore on the occasion of completion of 50 years, your company has proposed issue of bonus shares in the ratio of **1 share** for every **2 shares** held, subject to the approval of the shareholders in the forthcoming AGM in September 2013.

I would like to thank all of you for the continued support and patronage.

Best Regards.

A handwritten signature in green ink, appearing to read 'D. Sarath Chandran'.

D. Sarath Chandran

14th August 2013

Directors

Jairam Varadaraj
A Ramkrishna
C N Srivatsan
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.
E-mail : coimbatore@linkintime.co.in

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Notice is hereby given that the 51st Annual General Meeting of the shareholders of the company will be held on Friday, 20th September 2013 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, 2013
 - b) The audited balance sheet as at 31st March, 2013
 - c) The reports of the directors and the auditors
2. To declare a dividend.
3. To appoint a director in the place of Mr C N Srivatsan who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in the place of Mr Vijay Mohan who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a director in the place of Mr A Rama Krishna who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint auditors and fix their remuneration.

Special business :

7. Alteration of the Articles of Association

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

Resolved that subject to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered by inserting the following new Articles 39 & 40 after the existing Article 38.

39. Any General Meeting may resolve that any moneys, investments, or other assets forming part of the undivided profits of the Company standing to the credit of the Reserves or any Capital Redemption Reserve Account or in the hands of the Company and available for dividends or representing premiums received on the issue of shares and standing to the credit of securities premium account be capitalized and distributed amongst such of the shareholders as bonus shares, which shall rank pari passu with the existing equity shares.

40. Subject to the provisions of Section 81(1A) and other applicable provisions, if any, of the Act and subject to the Articles of Association, the Board or a committee of the Board may, from time to time, create, offer and issue to or for the benefit of the employees including Directors and Whole-time directors of the Company and its subsidiaries such number of equity shares / bonds / equity warrants / options / any other security convertible or non-convertible of the Company, for subscription on such terms and conditions and at such price as may be determined by the Board or a Committee of the Board prior to the issue and offer, in consultation with the authorities concerned and in accordance with such guidelines or other provisions of law as may be prevalent at that time but ranking pari passu with the existing equity shares of the Company. All such issue as above are to be made in pursuance of Employees' Stock Option Scheme (ESOP) or Employees Stock Purchase Scheme (ESPS) to be drawn up and approved by the Board or a committee thereof.

8. Increase in Authorised share capital

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

Resolved that pursuant to section 16, 94 and other applicable provisions if any, of the Companies Act, 1956 and pursuant to provision of the Articles of Association of the company, the consent of the company be and is hereby accorded to increase the Authorised capital of the Company from existing **Rupees Nine crores** divided into Ninety lacs equity Shares of Rs. 10/- each to **Rupees Twenty crores** divided into Two crores lacs equity shares of Rs. 10/- each by creation of further Rupees Eleven crores divided into One crore and Ten lacs equity shares of Rs 10/- each, and such new equity shares shall rank pari passu in all respects with the existing equity shares of the Company .

9. Alteration of the Memorandum of Association

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

Resolved that the existing clause V of the Memorandum of Association of the Company be altered by substituting the same with the following clause V and the existing clause V shall always be deemed to have been substituted by the following :

"The Authorised Share Capital of the company is **Rupees Twenty crores** divided into Two crores equity Shares of Rs. 10/- each.

The company has power to increase or reduce the capital and with liberty to divide the capital into several classes and to attach there to respectively such preferential rights, privileges, or conditions in such manner as may be permitted by the Companies Act and as the company deems fit and necessary."

10. Issue of Bonus shares

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

Resolved that in accordance with the provisions of the Companies act 1956 and the Memorandum and Articles of Association of the Company and subject to such consents and approvals as may be required and subject to the compliance with relevant guidelines issued by the Securities and Exchange Board of India (SEBI), the Companies Act 1956 and the Foreign Exchange Management Act, 1999, consent be and is hereby accorded to the Board of directors of the company ("the Board" which term shall be deemed to include any committee of the Board there of) for capitalization of Rupees Four crores out of the amount standing to the credit of Securities Premium Account or any other permitted reserves / surplus of the company as on 31st March 2013, by issue of Forty lacs fully paid equity shares of the face value of Rs 10/- each as bonus shares to the holders of the existing equity shares of the Company, whose names appear on the Register of Members of the Company or whose names appear as the beneficial owners of the equity shares of the Company on the records of the Depositories as on 04th October 2013 (hereinafter referred to as the "Record Date") in **the proportion of One new equity share for every Two existing equity shares (1:2)** of the Company held by them, on the following terms and conditions:

1. That the new equity shares so allotted shall be treated as an increase in the nominal amount of the paid up capital of the Company held by each member and not as income.
2. That the new equity shares to be allotted as bonus shares will be allotted subject to the terms of the Memorandum and Articles of

Association of the Company, and shall rank pari passu in all respects with and carry the same rights as the existing fully paid-up equity shares of the company and notwithstanding the date or dates of allotment thereof shall be entitled to participate in full in any dividend to be declared in respect of the financial year in which the allotment of the new equity shares pursuant to this resolution is made.

3. That the issue and allotment of the bonus shares in favour of non resident members of the Company shall be made in accordance with the guidelines issued by the Reserve Bank of India from time to time.
4. That in the case of shares held in dematerialized form, the intimation of allotment of the bonus shares shall be sent, while in case of shares held in physical form, share certificates shall be issued directly instead of allotment letter within the statutory time limit.

Resolved further that the Board be and is hereby authorized:

1. To apply, for listing of the new equity shares issued as bonus shares along with the existing share capital of the Company to the National Stock Exchange where the Company's shares are listed / traded and to make an application to the depositories for crediting the Bonus shares to the individual depository accounts of the allottees;
2. To modify the terms and conditions, quantum and amount to be capitalized, and number of new equity shares to be allotted, relating to the aforesaid issue of bonus shares, if the circumstances so arise as would necessitate these and to settle all questions or difficulties that may arise with regard to the allotment and issue of the said new bonus equity shares in such manner as they shall determine in their absolute discretion.

Resolved further that as a result of implementation of this resolution, any member becoming entitled to any fraction of new equity shares to be allotted as Bonus shares, the company shall not issue any certificate or coupon in respect of such fractional shares, but the total number of such new equity shares representing such fractions shall be allotted by the Board to

nominee to be selected by the Board, who would hold them as trustee for the equity share holders and such nominee will as soon as possible, sell such equity shares allotted to him at the prevailing market rate and the net proceeds of such shares after adjusting the cost and expenses in respect thereof be distributed among such members who are entitled to such fractions in the proportion of their respective holding and allotment of fractions thereof.

Resolved further that no allotment of bonus shares or distribution of proceeds in respect of fractions to non-resident Indian members will be made till requisite approval from the Reserve Bank of India is obtained by the Company.

Resolved further that the Board be and is hereby authorized to prepare and file the necessary forms, documents, with Registrar of Companies and other authorities and to do all such acts, deeds and things as may be required or deemed necessary in this regard.

Coimbatore
14th August, 2013

By 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 30th August 2013 to 2nd September 2013 (both days inclusive).
3. The Record date for Bonus shares shall be 4th October 2013, if approved by the members.
4. Pursuant to the provisions of section 205A(5) of the companies act,1956 ("the Act"), dividend remaining unclaimed for a period of seven years from the date they became due for the payment are required to be transferred to the Investor Education and Protection Fund (the 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 up to the financial year 2005-06 have been transferred by the company to the IEPF. The members who have not encashed their dividend warrants pertaining to the year 2006-07 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, the 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.

5. Members holding shares in physical form 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.
6. Members who are holding shares in electronic form are requested to intimate immediately their change of bank account, if any, to their respective depository participant.
7. 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.

8. 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 C N Srivatsan
Age	:	56 years
Qualifications	:	Chartered Accountant
Expertise	:	25 years as management consultant
Number of Shares held	:	-

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 Ltd : Audit committee
 Kar Mobiles Ltd : Audit committee
 Rane Engine Valve Ltd : Audit committee and Investors committee

II

Name : **Mr Vijay Mohan**
 Age : 65 years
 Qualifications : B E (Mech), M M S
 Expertise : 38 years in the automobile industry
 Number of Shares held : 1300
 Director of Company since : 1989
 Relationship with other directors : Mr Vijay Mohan is the brother of Mr D Sarath Chandran.

Directorships

Name of company : Member of committees
 Pricol Limited : Shareholder / Investor relations
 Precot Meridian Limited : -
 Pricol Castings Limited : -
 Pricol Holdings Limited : -
 Pricol Packaging Limited : -
 Pricol Properties Limited : -
 Pricol Technologies Limited : Audit committee
 Xenos Automotive Limited : -
 Pricol Medical Systems Limited : -
 Pricol Components Limited

III

Name : **Mr A Ramkrishna**
 Age : 69 Years
 Qualifications : B Sc, FCA
 Expertise : Chartered Accountant
 Number of Shares held : 800
 Director of Company since: : 1998
 Relationship with other directors : He is not related to any director.

Directorships

Name of Company : Member of Committees
 Precot Meridian Limited : Audit & Investors Relations Committee
 Suprem Textiles Processing Limited : -
 Multiflora Processing (Cbe) Limited : -
 Precot Meridian Energy Limited : -
 Cotton Sourcing Company Limited : -

Coimbatore
 14th August, 2013

By order of the Board
D Sarath Chandran
 Chairman

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

Item 7

The Board of Directors at their meeting held on 14th August 2013 have recommended amendment of Articles of Association of the Company providing for issue of Bonus shares and for issue of shares to employees of the Company under the Employees Stock Option Scheme (ESOP) or under the Employees Share Purchase Scheme (ESPS). Accordingly necessary Articles Nos. 39 and 40 are proposed to be inserted in the Articles of Association of the Company as setout in Item No. 7 of the Notice.

A copy of the Articles of Association together with the proposed amendments will be available for inspection by the members during office hours on any working day.

The consent of the Members by way of special resolution is required to alter to the Articles of Association of the Company.

The Directors recommend this Resolution for approval of the members.

None of the directors are concerned or interested in this resolution.

Item 8 & 9

Presently, the Authorised share capital of the Company is Rupees Nine crores divided into Ninety lacs equity shares of Rs 10/- each. In view of the proposed bonus issue and to meet future growth objectives it is necessary to increase the Authorised share capital to Rupees Twenty crores divided into Two crores equity shares of Rs 10/- each by addition of Rupees Eleven crores divided into One crore and ten lacs equity shares of Rs 10/- each. The alteration to the Capital clause of Memorandum of Association of the Company is consequent upon increase in the Authorised Share Capital.

The consent of the Members by way of Ordinary Resolution is required to increase the Authorised Share Capital and consequent alteration to the Capital clause of Memorandum of Association of the Company.

A copy of the Memorandum and Articles of Association together with proposed alterations is available for inspection at the registered office of the Company on any working day during the usual business hours.

The Directors recommend this Resolution for approval of the members.

None of the Directors is interested or concerned in this resolution.

Item 10

To commemorate the occasion of 50 years of successful operations of the company, the Board recommends issuance of bonus shares. The company has to its credit Rs 3136 lacs in the securities premium account and the present paid up capital of the company is Rupees Eight crores divided into Eighty lacs equity shares of Rs 10/- each. The Board of directors of the company in its meeting held on 14th August 2013, considered that it will be advantageous to the company and share holders if a portion of the securities premium account is capitalized by issue of bonus shares. The Board of directors has recommended for approval of the shareholders, issue of bonus shares to the holders of equity shares of the company in the ratio 1:2 (i.e One bonus equity share of Rs 10/- each for every Two equity shares held) by increasing issued, subscribed and paid up share capital of the company by Rupees Four crores.

The fully paid up Bonus shares shall be distributed to the Members of the company, whose names appear on its register of members on the Record date 04th October 2013 for the purpose of issue of bonus shares, in proportion of one equity share of Rs 10/- each for every two equity share of Rs 10/- each held by them.

The Bonus shares so allotted shall rank pari passu in all respects with the fully paid-up equity shares of the company as existing on the Record date, save and except that they shall not participate in any dividend that may be declared before the Record date.

Directors of your company are interested in this resolution to the extent of their respective share holding in the company.

The board of directors of your company recommends this resolution for your approval.

Coimbatore
14th August, 2013

By order of the Board
D Sarath Chandran
Chairman

Dear Shareholders,

Your Directors are pleased to present the 51st Annual Report along with the financial results for the year ended 31st March 2013.

Financial Results	(₹ Lacs)	
	31.03.2013	31.03.2012
Revenue from operations	66717	59404
PBIDT	7606	(2257)
Less : Finance cost	2612	2872
Profit from Operations	4994	(5129)
Other income	755	862
PBDT	5749	(4267)
Less: Depreciation and Amortization	3032	2991
PBT	2717	(7258)
Less : Tax expenses	1226	(1975)
Add : Extraordinary Item (net of tax)	578	-
PAT	2069	(5283)
Add: Balance brought forward	(4746)	537
Add: Withdrawn from General Reserve	94	-
Less: Provision for proposed dividend (including dividend tax)	(94)	-
Balance carried forward	(2677)	(4746)

Dividend

While the company has posted a profit in the year under review, it is not adequate to absorb the loss of the previous year. Your Directors have therefore proposed to declare a dividend in line with the provisions of The Companies (Declaration of dividend out of reserves) Rules, 1975. Accordingly, a dividend of 10% (ie., Re 1 per share) is recommended and a sum of ₹ 94 lacs is being withdrawn from the General Reserve for this purpose.

Economic overview and Industry review

During the fiscal year our country could not achieve the targeted economic growth of 7.6%. Global economic slowdown, high inflation, rising interest rates, lack of satisfactory capital inflows have cumulatively led to a decline in the growth rate to 5 %. High inflation was a cause of worry with wholesale price index hovering over 7%.

For the textile industry, it was a year of recovery and consolidation after the huge losses it had suffered in the previous year on account of highly volatile cotton prices. Raw Material prices remained relatively stable

during the year and the demand for textile products improved from the second quarter and continued through the third and fourth quarters. Chinese demand for yarn was strong throughout the year which resulted in yarn exports from India crossing 1000 million kgs during the financial year. Despite pricing pressure, demand for fabrics, apparels and made-ups also remained stable in both, the export and domestic markets.

Review of operations

In line with the industry trend, the financial performance of the company saw considerable improvement in the year under review compared to the historic loss during the previous year. Power shortage in Tamil Nadu continued to affect the company resulting in a higher reliance on self generated power at a very high cost. Andhra Pradesh and Kerala also faced power shortages which forced the company to procure traded power at rates higher than the Electricity Board rates. Apart from power, other input costs such as salaries and wages, spares, consumables and freight went up significantly. Financial costs were also high as the RBI continued its policy of increasing interest rates. The company was able to partly offset these cost increases through higher realization in yarn prices and improved operational efficiencies.

As the shareholders are aware, the performance of the yarn dyed shirting fabrics business has continued to be unsatisfactory. The Board therefore took a decision to exit this business and sought the approval of the shareholders. The shareholders gave their approval through a postal ballot and accordingly the company is in the process of exiting this business. This will be completed in the FY 2013-14.

The turnover of the company has increased by around 12% over the previous year in value terms, resulting in a profit from operations of ₹ 50 crores as against a loss of ₹ 51 crores in the previous year.

During the year the company has incurred ₹ 11 crores as capital expenditure towards modernisation of existing plant and machinery.

Technical Textiles

As mentioned in the previous Directors report, the 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. Trial production was taken in May 2013 and commercial production will commence in July 2013. The plant is anticipated to attain its full capacity utilization by the end of the current fiscal year and the products manufactured will be in compliance with international health standards. The total capital expenditure for the project is expected to be ₹ 175 crores.

Preferential allotment of equity shares and convertible share warrants

During the year, the company has received ₹ 3.86 crores from the promoters towards the balance payment of convertible share warrants and they have exercised their rights to convert 525000 convertible share warrants to 525000 equity shares at a price of ₹ 98 per share. The company has raised totally ₹ 10.29 crores from the preferential issue. The funds have been utilized for working capital requirements. There is no outstanding warrant as on 31.03.2013.

Postal ballot

During the year, two ordinary resolutions were passed through postal ballot under section 293(1)(a) of the companies act, 1956 with requisite majority to dispose of the two undertakings engaged in manufacture of yarn dyed shirting fabrics.

Outlook for the current year

The cotton season 2012-13 opened with prices at around ₹ 34,000 per candy, and as the season progressed it increased to ₹ 39,000 in March 2013. Since then cotton prices have been stable around this level. Yarn prices which peaked in March 2013 have since then shown signs of weakness. The overall demand for yarns and fabrics, in both, export and domestic markets, are currently sluggish 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 unlikely. Our domestic economy continues to struggle with high inflation and slow growth, factors which are strongly affecting demand for textiles and other consumer goods.

The Government anticipates that our country's economy would improve from the second half of 2013

through its proposed economic reforms and RBI's supportive interest rate cuts.

The company's exit from the fabric business will see an improvement in the bottom line. As has been the practice of the company, it continues to be prudent in its expenditure and will focus on maximizing its capacity utilization and efficiency.

Opportunities, Risks and Concerns

While the power scenario in Tamil Nadu continues to be acute, Kerala and Andhra Pradesh are also suffering shortages of power. The forthcoming monsoon will dictate whether this situation will continue beyond June 2013. Unless domestic inflation is contained, all input costs will continue to rise, impacting the profitability in the years ahead. The economic situation in the Euro Zone continuing to be uncertain could be a cause of worry in the export front. Cotton and yarn prices need to stabilize so as to improve confidence levels and boost market sentiments which could lead to a positive bearing on the profitability of the company.

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 the 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 constantly 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 and recommendations made for corrective action through the internal audit reports. The committee reviews the statutory auditors' report, 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 A Ramkrishna, Mr Vijay Mohan and Mr C N Srivatsan retire by rotation at the ensuing Annual General Meeting. They are eligible for re-appointment.

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.

During the year under review Benwood Corporation Sdn Bhd, a subsidiary incorporated in Malaysia, has ceased its operations and going ahead with the winding up process which is anticipated to be completed in FY 2013-14.

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 M/s KSG Subramanyam & Co, auditors of the company, retire at the ensuing annual general meeting. While M/s Haribhakti & Co have given their consent for re-appointment, M/s KSG Subramanyam & Co have not opted for re-appointment. The audit committee and the board of directors of the company propose the re-appointment of M/s Haribhakti & Co as statutory auditors of the company subject to approval from the members at the forthcoming annual general meeting. The company has received confirmation from M/s Haribhakti & Co that, if appointed, it would be within the limits under section 224(1B) of the companies act 1956.

The Board would like to place on record their appreciation of the valuable service rendered by M/s KSG Subramanyam & Co for the past 20 years.

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 2013-14. The company has filed the cost audit report for the financial year 2011-12 on 02.04.2013.

Fixed Deposits

During the year the company did not accept or renew

any fixed deposit and no fixed deposit remained unclaimed with the company as on 31st March 2013.

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 up to 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 ₹ 170 crores. Outflow on account of import of raw materials, machinery and spares amounted to ₹104 crores resulting in a net foreign exchange earnings of ₹ 66 crores.

b. Technology Absorption, Adaptation and innovation Research and Development

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

c. Conservation of Energy

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

FORM A

Conservation of Energy (Consolidated for all units)

A. Power & fuel consumption	31.03.2013	31.03.2012
1) Electricity from EB		
a) Purchased		
Units in lacs	713.22	735.61
Amount in ₹ lacs	4115.54	3123.83
Cost per unit in ₹	5.77	4.25
2) Electricity from gas power		
a) Purchased		
Units in lacs	314.90	341.24
Amount in ₹ lacs	1248.31	1304.81
Cost per unit in ₹	3.96	3.82
3) Own generation through		
a) Diesel generator		
Units in lacs	169.58	66.42
Amount in ₹ lacs	2285.97	740.11
Cost per unit in ₹	13.48	11.14
Units per litre of diesel	3.12	3.46
b) Wind mill power		
Units in lacs	224.10	211.58
Amount in ₹ lacs	605.07	571.26
Cost per unit in ₹	2.70	2.70
B. Consumption of electricity (units)		
Yarn per Kg	4.64	4.67
Fabric per metre	1.83	1.83

Coimbatore
23rd May 2013

By order of the Board
D Sarath Chandran
Chairman

REPORT ON CORPORATE GOVERNANCE
Company's philosophy on code of governance

The company adopts a self governing corporate governance model to adhere to all the rules and regulations of the statutory authorities. It also discharges its duties and obligations in a fair and transparent manner with the object of maximizing the value of the stakeholders namely shareholders, employees, financial institutions, customers and suppliers.

Board of directors – composition, category and attendance

The company has a very balanced 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 eleven directors including three executives and eight non-executive directors.

During the year 2012-13, four board of directors meeting were held at the registered office on 30th May 2012, 02nd August 2012, 31st October 2012 and 6th February 2013.

The last annual general meeting (AGM) was held on 14th September 2012.

Name of the director	Category	Attendance particulars		Directorships in other companies*	No of committees	
		Board meetings	Last AGM		Member	Chairman
D Sarath Chandran	Chairman - Promoter	4	Yes	6	3	-
Ashwin Chandran	Managing Director - Promoter	4	Yes	3	1	-
Prashanth Chandran	Executive Director - Promoter	4	No	-	-	-
Vijay Mohan	Non Executive - Promoter	3	No	9	2	-
A Ramkrishna	Non Executive - Independent	3	No	3	2	1
Sumanth Ramamurthi	Non Executive - Independent	4	No	12	2	-
Jairam Varadaraj	Non Executive - Independent	2	No	8	4	-
Vijay Venkataswamy	Non Executive - Independent	4	Yes	4	2	1
C N Srivatsan	Non Executive - Independent	4	No	2	4	2
M V Subaraman**	Non Executive - Independent	1	No	-	-	-
Suresh Jagannathan	Non Executive - Independent	2	No	3	2	-
K Ajit Kumar	Nominee Director (EXIM Bank)	4	No	2	-	-

*Excluding directorships in private companies and foreign companies.

** Upto 14.09.2012

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 five times on 27th April 2012, 23rd May 2012, 26th July 2012, 26th October 2012 and 29th January 2013. The composition of the audit committee and particulars of meetings attended by the members are given below :

Name	Category	No. of Meetings Attended
Vijay Venkatasamy- Chairman	Non Executive – Independent	5
Jairam Varadaraj	Non Executive – Independent	1
C N Srivatsan	Non Executive – Independent	4
M V Subaraman*	Non Executive – Independent	1
A Ramkrishna	Non Executive – Independent	4

* Upto 14.09.2012

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 meetings. 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 whole time 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 whole time 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.

(₹ in Lacs)

Name of the director	Salary and perks	Commission	Total	Service contract
D Sarath Chandran Chairman	27.98	56.61	84.59	01.04.2011 to 31.03.2014
Ashwin Chandran Managing Director	41.98	56.61	98.59	01.04.2011 to 31.03.2014
Prashanth Chandran Executive Director	27.98	37.74	65.72	01.04.2011 to 31.03.2014

The remuneration paid/payable to the whole time directors of the company for the year ended 31st March 2013, are as under

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	78000	800
Vijay Mohan	30000	1300
Sumanth Ramamurthi	40000	900
Jairam Varadaraj	30000	50
Vijay Venkatasamy	90000	550
C N Srivatsan	80000	-
M V Subaraman	20000	-
Suresh Jagannathan	20000	-
KAjit Kumar (EXIM Nominee)*	40000	-

* 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	18
Ashwin Chandran	18

Eighteen meetings of the shareholders / investors grievances committee were held during the previous year i.e, 16th April 2012, 31st May 2012, 30th June 2012, 16th July 2012, 30th August, 2012, 29th September 2012, 5th October 2012, 19th October 2012, 2nd November 2012, 14th December 2012, 28th December 2012, 4th January 2013, 1st February 2013, 8th February 2013, 15th February 2013, 11th March 2013, 22nd March 2013 and 29th March 2013.

Compliance officer

C Murugesh
 Company Secretary and Compliance Officer
 Precot Meridian Limited,
 Regd Office: "SUPREM"
 PB 7161,737, Puliakulam Road, Coimbatore – 641045
 Phone : 0422 - 4321100
 Email: secretary@precot.com

Details of complaints received and redressed:

Opening Balance	Received during the year	Redressed during the Year	Closing balance
Nil	3	3	Nil

There were no outstanding complaints as on 31st March 2013.

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
2010, 48 th AGM	06.08.2010 at 4.30PM	Revision in the remuneration of Mr D Sarath Chandran.
2011, 49 th 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
EGM	07.03.2012 at 4.30 PM	Preferential allotment of equity shares and convertible shares warrants under section 81(1A) of the companies act 1956
2012, 50 th AGM	14.09.2012 at 4.30 PM	-

No court convened meeting of members was held during the year.

Postal ballot

During the year, postal ballot was conducted. Two ordinary resolutions were passed under section 293(1)(a) of the companies act 1956. 1. To transfer on a slump sale basis as a going concern or to sell or otherwise dispose of the company's yarn dyeing undertaking situated at Sipcot industrial estate, Perundurai 2. To transfer on a slump sale basis as a going concern or to sell or otherwise dispose of the company's weaving and fabric processing undertaking situated at Pollachi. Mr G Vasudevan, practicing company secretary was appointed as scrutinizer. Both the resolutions were passed with requisite majority. The results of the postal ballot as follows:

Total number of postal ballots received	369		
Valid postal ballots	305	No of votes: 4929795	
Invalid postal ballots	64		
Item no 1 - Ordinary resolution To transfer on a slump sale basis as a going concern or to sell or otherwise dispose of company's yarn dyeing undertaking situated at Sipcot industrial estate, Perundurai.		In favour of resolution	Against resolution
	No of ballots	295	10
	No of votes	4926925	2870
	Percentage	99.94%	0.06%
Item no 2 - Ordinary resolution To transfer on a slump sale basis as a going concern or to sell or otherwise dispose of company's weaving and fabric processing undertaking situated at Pollachi.	No of ballots	292	13
	No of votes	4926490	3305
	Percentage	99.93%	0.07%

Procedures specified in the section 192A of the companies act 1956 and the companies (passing of resolutions by postal ballot) rules were duly complied with.

No special resolutions were passed through postal ballot.

Disclosures

- Details of transactions with related parties are provided in note no. 2.40 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 chairman 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	:	20 th September 2013
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 for dividend	:	30 th August 2013 to 2 nd September 2013
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 2012	83.65	98.80	5154	5378
May 2012	75.25	93.00	4788	5279
June 2012	76.10	86.80	4770	5286
July 2012	80.15	99.00	5032	5348
August 2012	80.60	110.00	5164	5448
September 2012	82.00	99.00	5215	5735
October 2012	87.75	98.30	4888	5815
November 2012	81.60	114.00	5548	5885
December 2012	86.70	99.75	5823	5965
January 2013	87.95	116.35	5935	6111
February 2013	85.00	107.50	5671	6052
March 2013	81.00	100.90	5604	5971

Annual listing fee for the year 2013-14 was paid to the National Stock Exchange of India Limited.

The Company has paid custodial fees for the year 2013-14 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
Phone : 0422 - 2314792

Head office:

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

Share transfer process:

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

The share transfers are registered and returned with in period of 15 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 intact with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

Share holding pattern as on 31st March 2013:

Category	No. of shares held	Percentage of holding
Promoters and Promoters group		
Indian	4887101	61.09
Public		
Mutual funds/UTI	158592	1.98
Financial Inst/ Banks	750	0.01
Bodies corporate	341931	4.27
Public and others	2611626	32.65
Total	8000000	100.00

Distribution of shareholding as on 31st March 2013:

Shareholding range	No. of holders	Percentage of holders	No. of shares	Percentage of shares
1-500	5443	86.98	785353	9.82
501-1000	393	6.28	292586	3.66
1001-2000	216	3.45	309758	3.87
2001-3000	81	1.30	200253	2.50
3001-4000	25	0.40	88735	1.11
4001-5000	29	0.46	132414	1.65
5001-10000	39	0.62	267636	3.35
10001&Above	32	0.51	5923265	74.04
Total	6258	100.00	8000000	100.00

Dematerialization status of shares as on 31st March 2013:

Particulars	No. of Shares	% to Share capital
National Securities Depository Limited	6692531	83.66
Central Depository Services (India) Limited	682939	8.53
Total	7375470	92.19

There are no outstanding GDR / ADR / Warrants or any convertible instruments as on 31st March 2013

Plant locations:
Spinning Units

Kanjikode, Palakkad, Kerala
Kodigenahalli, Hindupur, Andhra Pradesh
Nanjegoundanpudur, Pollachi, TamilNadu
Chandrapuram, Walayar, Kerala

Dyeing Unit

Gowribidnur, Kolar, Karnataka

Non-woven Unit

Hassan, Karnataka

Address for correspondence:

Precot Meridian Limited,
Secretarial Department,
Regd Office: "SUPREM"
PB 7161,737, Puliakulam Road,
Coimbatore – 641045.
Phone : 0422 - 4321100
Email: secretary@precot.com

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 2013.

Coimbatore
23rd May 2013

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 2013, 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
23rd May 2013

For Haribhakti & Co
Chartered Accountants
C S Sathyanarayanan
Partner
M.No.: 028328

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

	₹ Lacs					
	2008	2009	2010	2011	2012	2013
Operating Results						
Total revenue	36947	38973	43997	57997	60266	66717
PBIDT	4527	3629	6779	8556	(1395)	8939
Interest	1103	1302	1220	1459	2872	2612
PBDT	3425	2327	5559	7097	(4267)	6327
Depreciation	2715	2992	2792	2696	2991	3032
Income Tax	179	-	470	872	250	228
Other Taxes	18	206	725	269	(2225)	998
PAT	512	(871)	1572	3260	(5283)	2069
Dividend & Dividend Tax	163	-	405	808	-	94
Retained earnings	3082	2327	4684	5417	(4517)	5007
Performance Parameters						
Net Fixed Assets (WDV)	24135	23442	20656	22081	24321	37276
Share Capital	695	695	695	695	748	800
General Reserves	13451	11739	13904	15855	11036	13175
Net worth	14146	12434	14599	16550	11784	13975
Long Term Borrowings	16659	16051	13859	13234	16435	26407
Debt : Equity	1.2	1.3	1.1	0.8	1.4	1.9
Dividend (%)	20	-	50	100	-	10
Earnings per share (Rs.)	7	(13)	23	47	(76)	26

	Note	As at 31.03.2013 ₹ Lacs	As at 31.03.2012 ₹ Lacs
Equity and Liabilities			
Shareholders' funds			
Share Capital	2.01	800.00	747.50
Reserves and Surplus	2.02	13,175.11	11,036.03
Money received against share warrants	2.03	-	128.63
		<u>13,975.11</u>	<u>11,912.16</u>
Non-current liabilities			
Long Term Borrowings	2.04	22,453.53	13,446.53
Deferred tax liabilities (Net)	2.05	1,042.22	-
Long Term Provisions	2.06	183.23	92.11
		<u>23,678.98</u>	<u>13,538.64</u>
Current Liabilities			
Short Term Borrowings	2.07	17,486.93	13,134.06
Trade Payables	2.08	2,633.04	2,888.10
Other Current Liabilities	2.09	6,586.05	4,873.69
Short Term Provisions	2.10	237.20	612.69
		<u>26,943.22</u>	<u>21,508.54</u>
		<u>64,597.31</u>	<u>46,959.34</u>
Assets			
Non-current Assets			
Fixed Assets	2.11		
Tangible Assets		20,788.85	23,053.85
Intangible Assets		43.80	51.03
Capital Work-in-progress		16,443.02	1,216.19
Non-current Investments	2.12	2,594.98	3,091.98
Deferred tax assets (Net)	2.05	-	275.80
Long Term loans and advances	2.13	1,519.36	1,122.36
		<u>41,390.01</u>	<u>28,811.21</u>
Current Assets			
Inventories	2.14	14,866.88	13,217.41
Trade receivables	2.15	4,369.54	3,078.40
Cash and cash equivalents	2.16	1,035.71	555.93
Short Term loans and advances	2.17	579.14	547.20
Other current assets	2.18	2,356.03	749.19
		<u>23,207.30</u>	<u>18,148.13</u>
		<u>64,597.31</u>	<u>46,959.34</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 : 23rd May 2013

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 of Profit and loss

	Note	2012-13 ₹ Lacs	2011-12 ₹ Lacs
Revenue From Operations	2.19	66,717.15	59,404.04
Other income	2.20	754.90	861.76
Total Revenue		<u>67,472.05</u>	<u>60,265.80</u>
Expenses			
Cost of materials consumed	2.21	34,044.71	39,457.39
Changes in inventories of finished goods and work-in-progress	2.22	805.83	2,659.99
Employee benefits expense	2.23	6,438.06	5,423.09
Finance costs	2.24	2,611.86	2,871.86
Depreciation and amortization expense	2.25	3,032.24	2,990.91
Other expenses	2.26	17,821.95	14,121.03
Total Expenses		<u>64,754.65</u>	<u>67,524.27</u>
Profit / (Loss) before tax		2,717.40	(7,258.47)
Tax expense:			
Current tax		227.92	250.00
For earlier year		225.89	-
MAT Credit		(163.89)	-
Deferred tax		936.03	(2,225.13)
Add: Profit from Extraordinary items (net of tax expenses)		577.23	-
Profit / (Loss) for the year		<u>2,068.68</u>	<u>(5,283.34)</u>
Earnings per equity share (Nominal value of share Rs.10)	2.27	26.29	(75.76)

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 : 23rd May 2013

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

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

	31.03.2013 ₹ Lacs		31.03.2012 ₹ Lacs
A. Cash Flow from Operating Activities			
Net Profit Before Tax and Extraordinary Items	3,690.32		(7,258.47)
Adjustments for :			
Depreciation	3,032.24	2,990.91	
(Profit)/Loss on Sale of Assets	(232.11)	(316.01)	
(Profit)/Loss on Sale of Assets-Extraordinary Item	(972.92)	-	
Investment Income - Dividend	(236.53)	(418.52)	
Interest Income	(239.41)	(46.78)	
Diminution in the value of Investment	200.00	275.58	
Interest cost / expense	2,611.86	2,871.86	
	<u>4,163.13</u>		<u>5,357.04</u>
Operating Profit before Working Capital changes	7,853.45		(1,901.43)
Adjustments for :			
Trade Receivables	(1,291.13)	827.30	
Other Receivables	(1,584.23)	(126.63)	
Inventories	(1,649.51)	18,321.60	
Trade Payables	719.81	(399.44)	
	<u>(3,805.06)</u>		<u>18,622.83</u>
Cash generated from Operations	4,048.39		16,721.40
Direct Taxes paid	(1,115.15)		(402.52)
Net Cash Flow from Operating Activities	<u>2,933.24</u>		<u>16,318.88</u>
B. Cash Flow from Investing Activities :-			
Purchase of Fixed Assets(Including WIP)	(16,570.70)	(5,365.72)	
Sale of Fixed Assets	815.96	450.31	
Sale of Fixed Assets-Extraordinary Item	972.92	-	
(Purchase)/ Sale of Investments	(1.00)	100.02	
Interest Received	146.42	34.02	
Dividend Received	236.53	418.52	
Net Cash flow from Investing Activities	<u>(14,399.87)</u>		<u>(4,362.85)</u>
C. Cash Flow from Financing Activities :-			
Proceeds from Issue of Shares/ Share warrants	385.88	643.13	
Dividends Paid (Including Dividend Tax)	-	(802.14)	
Interest cost / expense	(2,608.33)	(2,808.39)	
Proceeds from Long Term Borrowings	9,815.97	3,132.53	
Repayments / (Proceeds) from Unsecured Loan	-	730.54	
Proceeds from Working Capital Borrowings	4,352.87	(13,008.78)	
Net Cash Flow from Financing Activities.	<u>11,946.39</u>		<u>(12,113.11)</u>
Net Increase/Decrease in Cash and Cash Equivalent	479.77		(157.08)
Cash and Cash Equivalents as at 1.4.2012 and 1.4.2011 (opening balance)	555.93		713.01
Less: Bank balances not considered as cash and cash equivalents as per Accounting Standard 3	29.63		34.73
Cash and Cash Equivalents as at 31.3.2013 and 31.3.2012 (Closing balance)	1,006.08		521.20

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 : 23rd May 2013

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 :

- i) 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.
- ii) Pursuant to Institute of Chartered Accountants of India (ICAI) announcement regarding early adoption of Accounting Standard 30 "Financial Instruments - Recognition and Measures" 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

- i) the provision for impairment loss, if any, required or
- ii) 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 :

- i) Foreign currency transactions are recorded at exchange rates prevailing on the date of such transaction.
- ii) 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 statement of Profit and Loss or fixed assets as the case may be.

j. Revenue Recognition:

- i) The company follows the mercantile system of accounting and recognizes income and expenditure on an accrual basis except those with significant uncertainties.
- ii) 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.
- iii) Domestic sales as reported in the statement of profit and loss 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. Dividend income is recognised when the right to receive the dividend is unconditional at the balance sheet date.

k. Taxes on Income :

- i) 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.
- ii) 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:

- i) Short-term employee benefits are recognised as an expense at the un-discounted amount in the statement of profit and loss of the year in which the related service is rendered.
- ii) Post employment and other long term benefits which are defined benefit plans are recognised as an expense in the statement of profit and loss 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 statement of profit and loss .
- iii) Payments to defined contribution schemes are charged as expense as and when incurred.
- iv) Termination benefits are recognised as an expense as and when incurred.

m. Government grants subsidies:

Grants and subsidies from the government are recognised when there is a reasonable assurance that the grant / subsidy will be received and all attached conditions will be complied with. Grant related to specific fixed assets are presented in the Balance sheet by showing such grant as deduction from the fixed asset concerned. Grants received in the nature of promoters contribution is credited to capital reserve and treated as a part of shareholders' fund.

n. Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred. Intangible assets are amortized on a straight line basis over the estimated useful economic life, which is generally five years.

	31.03.2013 ₹ Lacs	31.03.2012 ₹ Lacs
2.1 Share Capital		
Authorised		
90,00,000 Equity Shares of ₹ 10 each	900.00	900.00
Issued, Subscribed & fully Paid up		
80,00,000 Equity Shares of ₹10 each fully paid up (31 March 2012 : 74,75,000 equity shares of ₹ 10 each)	800.00	747.50
	800.00	747.50

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 Rs.10 each. Each holder of equity shares is entitled to one vote per share. The dividend (except in case of interim 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 31.03.2013		As at 31.03. 2012	
	Number	₹ Lacs	Number	₹ Lacs
Equity Shares at the beginning of the year	74,75,000	747.50	69,50,000	695.00
Add: Shares Issued during the year	5,25,000	52.50	5,25,000	52.50
Equity Shares at the end of the year	80,00,000	800.00	74,75,000	747.50

The Company had allotted 5,25,000 Convertible Share Warrants of Rs.98 each on 16.3.2012 to its Directors on a preferential basis. As per the terms of issue, the warrant holders paid an amount equivalent to 25% of the total consideration on the date of allotment of warrants. On 30.06.2012, the warrant holders exercised their option to take equity shares against the warrants held by them, consequent to which 525,000 equity shares of Rs. 10/- each has been allotted at a premium of Rs.88/- per share, in accordance with the provisions of Section 81(1A) of the Companies Act, 1956 and SEBI (ICDR) Regulations, 2009. The lock-in of shares acquired by exercise of warrants shall be subject to SEBI (ICDR) Regulations 2009.

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

S. No.	Name of Shareholder	Equity Shares			
		As at 31.03.2013		As at 31.03. 2012	
		No. of Shares held	% of holding	No. of Shares held	% of holding
1	D Sarath Chandran	18,93,080	23.67%	16,68,080	22.32%
2	Ashwin Chandran	15,38,305	19.23%	13,88,305	18.57%
3	Prashanth Chandran	13,14,595	16.43%	11,64,595	15.58%

2.2 Reserves and Surplus	Balance as at 01.04.2012	Additions during the year	Deductions / Adjustments during the year	₹ Lacs Balance as at 31.03.2013
Capital Reserve	48.19	-	-	48.19
Capital Investment Subsidy	28.71	-	28.71	-
Capital Redemption Reserve	355.00	-	-	355.00
Securities Premium Reserve	2,674.46	462.00	-	3,136.46
Investment Fair Value Reserve	980.79	-	298.00	682.79
General Reserve	11,694.64	28.71	93.60	11,629.75
Surplus/(deficit) in profit and loss account	<u>(4,745.76)</u>	<u>2,068.68</u>	<u>-</u>	<u>(2,677.08)</u>
	<u>11,036.03</u>	<u>2,559.39</u>	<u>420.31</u>	<u>13,175.11</u>
			31.03.2013	31.03.2012
			₹ Lacs	₹ Lacs

2.3 Money received against Share warrants

5,25,000 Convertible Share Warrants of ₹ 98 each, of which ₹ 24.50 paid up during FY 2011-12 (Refer note no:2.1 (ii))	-	128.63
	<u>-</u>	<u>128.63</u>

Non Current Liabilities
2.4 Long Term Borrowings

	Non Current portion		Current maturities	
	As at 31.03.2013	As at 31.03.2012	As at 31.03.2013	As at 31.03.2012
Secured				
Term loans from Banks				
Rupee Loan (Refer note 2.37)	21,113.67	11,143.84	2,668.25	1,931.22
Foreign Currency Loan	1,298.49	2,208.30	1,228.51	1,151.45
Unsecured				
Deferred payment liabilities				
Sales Tax Deferral loan	41.37	94.39	57.14	62.27
	<u>22,453.53</u>	<u>13,446.53</u>	<u>3,953.90</u>	<u>3,144.94</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 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 13.65% p.a. and Foreign Currency Term Loans carry interest ranging from 1.6% p.a. to 3% p.a. plus applicable LIBOR.
4. Term loan from ICICI Bank for Rs.12,000 Lacs is secured by way of exclusive first charge on the assets of Technical Textile unit at Hassan, Karnataka.

	As at 31.03.2013 ₹ Lacs	As at 31.03.2012 ₹ Lacs
2.5 Deferred Taxes		
Deferred Tax Liabilities		
Fixed assets	2,438.04	2,180.94
	<u>2,438.04</u>	<u>2,180.94</u>
Deferred Tax Assets		
Bonus & VRS	116.04	69.17
Business Loss and Unabsorbed Depreciation	1,189.16	2,311.69
Gratuity and others	90.62	75.88
	<u>1,395.82</u>	<u>2,456.74</u>
Deferred Tax (Asset) / Liabilities (NET)	<u>1,042.22</u>	<u>(275.80)</u>
2.6 Long Term Provisions		
Provision for employee benefits	183.23	92.11
Gratuity (Funded) (Refer note no: 2.41)	183.23	92.11
	<u>183.23</u>	<u>92.11</u>
Current Liabilities		
2.7 Short Term Borrowings		
Secured		
Working Capital Loans		
From Banks		
- Rupee Loan	9,562.41	6,139.98
- Foreign Currency Loan	3,924.52	2,994.08
Unsecured		
From Bank		
- Rupee Loan	4,000.00	4,000.00
	<u>17,486.93</u>	<u>13,134.06</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 9.75% p.a. to 15.25% p.a. and working capital foreign currency loan, buyers credit and foreign currency loans carry interest ranging from 1.4% p.a. to 4.25% 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.		
2.8 Trade Payables		
Trade Payables	2,633.04	2,888.10
	<u>2,633.04</u>	<u>2,888.10</u>

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, 2013 (31st March 2012 : Nil) and there are no interest payable on belated payments to these enterprises and the same is relied upon by the auditors.

	As at 31.03.2013 ₹ Lacs	As at 31.03.2012 ₹ Lacs
2.9 Other Current Liabilities		
a) Current maturities of long-term debt (Refer to Note 2.4)	3,953.90	3,144.94
b) Interest accrued but not due on borrowings	15.17	98.32
c) Interest accrued and due on borrowings	100.71	14.03
d) Unclaimed dividends	29.63	34.73
e) Accrued Employee benefits	784.94	294.57
f) Dues to subsidiaries/ related parties (Refer note no: 2.40)	168.45	56.17
g) Other Payables *	1,533.25	1,230.93
	6,586.05	4,873.69

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

2.10 Short Term Provisions

a) Provision for employee benefits Gratuity (Funded) (Refer note no: 2.41)	46.08	62.19
b) Others Provision for Taxation (Net of advance tax)	97.52	550.50
c) Proposed dividend	80.00	-
d) Tax on dividend	13.60	-
	237.20	612.69

2.11 Fixed Assets

₹ Lacs

	Gross Block				Depreciation and Amortization				Net Block	
	As at 01.04.2012	Additions	Deductions	As at 31.03.2013	Upto 31.03.2012	For the Year	Deductions	Upto 31.03.2013	As at 31.03.2013	As at 31.03.2012
Tangible Assets										
Land	487.75	-	13.00	474.75	-	-	-	-	474.75	487.75
Building	6,909.02	5.41	-	6,914.43	1,879.65	189.09	0.30	2,068.44	4,845.99	5,029.37
Plant and Equipment	47,770.32	1,234.56	3,485.82	45,519.06	30,568.92	2,769.62	2,928.13	30,410.41	15,108.65	17,201.40
Vehicles	300.36	64.89	20.21	345.04	145.16	27.71	14.44	158.43	186.61	155.20
Office Furnitures	215.83	11.83	-	227.66	107.44	11.23	-	118.67	108.99	108.39
Computers	426.22	9.21	4.18	431.25	354.48	16.88	3.97	367.39	63.86	71.74
TOTAL (A)	56,109.50	1,325.90	3,523.21	53,912.19	33,055.65	3,014.53	2,946.84	33,123.34	20,788.85	23,053.85
Intangible Assets										
ERP Expenditure & Software	325.98	17.96	18.24	325.70	274.95	17.71	10.76	281.90	43.80	51.03
TOTAL (B)	325.98	17.96	18.24	325.70	274.95	17.71	10.76	281.90	43.80	51.03
TOTAL (A + B)	56,435.48	1,343.86	3,541.45	54,237.89	33,330.60	3,032.24	2,957.60	33,405.24	20,832.65	23,104.88
Previous Year	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
Capital Work-in-progress									16,443.02	1,216.19
Total									37,275.67	24,321.07
Previous Year									24,321.07	22,080.56

Capital Work-In-Progress includes expenditure incurred towards Hassan Plant aggregating to ₹ 16,398 lacs (Previous year: Rs. 1,088 lacs) of which the borrowing cost capitalised is ₹ 166 lacs.

	As at 31.03.2013 ₹ Lacs	As at 31.03.2012 ₹ Lacs
2.12 Investments		
Non Current Investments		
Trade Investments		
In Equity Shares - Unquoted , fully paid up		
1,00,000 Vantex Limited of Rs.10 each	19.00	19.00
12,06,000 A.P. Gas Power Corporation Limited of Rs.10 each	1,964.87	1,964.87
2,25,000 Sai Regency Power Corporation Private limited of Rs.10 each	22.50	22.50
14,000 OPG Energy Private Limited of Rs.10 each	1.40	1.40
Less : Diminution in the value of investment	(475.58)	(275.58)
	1,532.19	1,732.19
Others Investments		
In Equity Shares - Quoted , fully paid up		
54,62,250 Pricol Limited of Re.1 each	197.47	197.47
Market value - Rs.824.80 lacs (Previous Year Rs.923.12 lacs)		
In Equity Shares of Subsidiary Companies - Unquoted, fully paid up		
2,50,000 Multiflora Processing (Cbe) Limited of Rs.10 each	25.00	25.00
1,00,000 Suprem Textiles Processing Limited of Rs.100 each	100.00	100.00
50,000 Precot Meridian Energy Limited of Rs.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 Rs.10 each	0.01	0.01
100 Precot Mills Multi purpose stores of Rs.10 each	0.01	0.01
10,000 Cotton Sourcing Company Ltd of Rs.10 each	1.00	-
In Partnership Firm *	9.90	9.90
	1,912.19	2,111.19
Add : Investment Fair Value Adjustments	682.79	980.79
	2,594.98	3,091.98
Aggregate amount of quoted investments	197.47	197.47
Market value of quoted investments	824.80	923.12
Aggregate amount of unquoted investments	2,190.30	1,913.72
* Investment in Partnership Firm - Suprem Associates		
Total Capital of the Firm	10.00	10.00

	As at 31.03.2013 ₹ Lacs	As at 31.03.2012 ₹ Lacs
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%	
2.13 Long Term Loans and Advances		
Unsecured, considered good		
Capital Advances	390.01	548.98
Security Deposits	577.15	505.38
MAT Credit Receivable	426.57	68.00
Tax Payments Pending Adjustments	125.63	-
	<u>1,519.36</u>	<u>1,122.36</u>
2.14 Inventories		
a. Raw Materials and components	11,298.62	8,831.92
b. Work-in-progress	1,295.21	1,738.95
c. Finished goods	1,818.56	2,180.65
d. Waste Cotton	85.86	134.79
e. Stores and spares	368.63	331.10
	<u>14,866.88</u>	<u>13,217.41</u>
2.15 Trade Receivables		
Unsecured, considered good		
Over six months	20.08	9.93
Others	4,349.46	3,068.47
	<u>4,369.54</u>	<u>3,078.40</u>
2.16 Cash and Cash Equivalents		
a) Balances with banks		
In current accounts	998.43	516.51
In unclaimed dividend accounts	29.63	34.73
b) Cash on hand	7.65	4.69
	<u>1,035.71</u>	<u>555.93</u>

Of the above, the balances that meet the definition of cash and cash equivalents as per AS 3 cash flow statement is ₹1,006.08 lacs (Previous year ₹ 521.20 Lacs)

	As at 31.03.2013 ₹ Lacs	As at 31.03.2012 ₹ Lacs
2.17 Short term loans and advances		
Unsecured, considered good		
Balance with Government authorities	190.60	243.77
Advance to trade suppliers	14.04	95.36
Prepaid expenses	307.77	75.33
Staff advances	29.65	40.34
Dues from Subsidiaries/ related parties (Refer note no: 2.40)	37.08	92.40
	579.14	547.20
2.18 Other Current Assets		
Export incentives receivable	350.86	355.79
Interest accrued	144.81	51.82
Subsidy receivable from Government	1,860.36	341.58
	2,356.03	749.19
2.19 Revenue from Operations		
Sale of Products - Manufactured Goods		
Sale of Yarn	57,791.38	51,059.49
Sale of Fabrics	7,707.22	7,012.61
Sale of Garments	398.83	514.03
	65,897.43	58,586.13
Other operating revenue		
Scrap Sales	54.16	53.22
DEPB Income	504.34	642.39
Wind power Income	80.88	12.46
Others	180.34	109.84
	819.72	817.91
	66,717.15	59,404.04
2.20 Other Income		
Interest Income	239.41	46.78
Dividend		
- From subsidiaries	192.84	378.57
- From long term investments	43.70	32.77
- From current investments	-	7.18
Profit on sale of assets (net)	232.11	316.01
Rent receipts	25.74	55.20
Insurance claim receipts	16.23	20.68
Miscellaneous Income	4.87	4.57
	754.90	861.76

	As at 31.03.2013 ₹ Lacs	As at 31.03.2012 ₹ Lacs
2.21 Cost of materials consumed :		
Inventory at the beginning of the year	8,966.71	24,685.87
Add : Purchases	36,462.50	23,738.23
	45,429.21	48,424.10
Less: Inventory at the end of the year	11,384.50	8,966.71
	34,044.71	39,457.39
Details of Consumption	31.03.2013	31.03.2012
	% of consumption	% of consumption
	Rs. Lacs	Rs. Lacs
Imported	0.66	0.12
	224.55	49.09
Indigenous	99.34	99.88
	33,820.16	39,408.30
	100.00	100.00
	34,044.71	39,457.39
2.22 Changes in inventories of finished goods and work-in-progress		
Inventory at the end of the year		
Work in Progress	1,295.21	1,738.95
Finished Goods	1,818.56	2,180.65
	3,113.77	3,919.60
Inventory at the beginning of the year		
Work in Progress	1,738.95	2,025.92
Finished Goods	2,180.65	4,553.67
	3,919.60	6,579.59
(Increase) / decrease in Inventories	805.83	2,659.99
2.23 Employee benefits expense		
Salaries, Wages and Bonus	5,535.50	4,494.25
Contributions to Provident fund and other funds	468.66	503.87
Staff welfare expenses	433.90	424.97
	6,438.06	5,423.09
2.24 Finance Cost		
Interest expense	2,559.37	2,787.43
Other borrowing costs	52.49	84.43
	2,611.86	2,871.86

	As at 31.03.2013 ₹ Lacs	As at 31.03.2012 ₹ Lacs
2.25 Depreciation and Amortization		
Depreciation	3,014.53	2,973.40
Amortization of Intangible asset	17.71	17.51
	3,032.24	2,990.91
2.26 Other Expenses		
Consumption of Stores & Spares	2,308.91	2,165.12
Power & Utilities	8,562.09	5,765.52
Processing Charges	581.53	462.46
Repairs and maintenance		
Machinery	2,266.69	1,896.05
Building	263.16	271.88
Others	145.10	149.10
Rent	6.98	7.54
Rates and Taxes	43.42	32.12
Insurance Premium	37.21	47.88
Foreign Exchange loss (net)	158.74	277.45
Provision for diminution in the value of investment	200.00	275.58
Selling & Distribution expenses	2,560.83	2,262.46
Bank Charges	96.56	84.51
Communication Expenses	56.47	42.96
Printing & Stationery	53.25	43.64
Travelling Expenses	137.12	85.69
Directors' Sitting fees	4.28	4.48
Professional Charges	69.85	48.38
Legal Charges	13.75	4.96
Auditors' Remuneration	9.61	10.40
Miscellaneous expenses	239.62	179.53
Bad debts written off	6.78	3.32
	17,821.95	14,121.03
Payments to the auditor as		
a) Auditor		
- For Statutory Audit	6.00	6.00
- For Tax Audit	1.19	1.00
b) For Certification services	0.84	1.91
c) For reimbursement of expenses	0.53	0.41
d) Service Tax	1.05	1.08
	9.61	10.40

	As at 31.03.2013 ₹ Lacs	As at 31.03.2012 ₹ Lacs
2.27 Earnings per share		
Net Profit/(Loss) after tax as per Statement of Profit and Loss attributable to Equity Shareholders	2,068.68	(5,283.34)
Weighted Average number of equity shares used as denominator for calculating EPS (Nos.)	7,869,110	6,972,950
Basic & Diluted Earnings / (Loss) per share (in Rs.)	26.29	(75.76)
Face Value per equity share (in Rs.)	10.00	10.00
2.28 Estimated amount of contracts remaining to be executed on capital account and not provided for	482.72	1,456.55
2.29 Contingent liabilities in respect of :		
Bills discounted	2,752.43	2,904.13
Guarantees	213.01	123.39
Letters of credit outstanding	1,225.80	9,389.31
2.30 a. Disputed Statutory Liabilities not provided for	2,418.53	2,663.59
b. Disputed Other Liabilities not provided for	277.04	285.96
2.31 Earnings in Foreign Exchange :		
a. Export of Goods - FOB Value	16,787.22	14,806.46
b. Dividend from Foreign Subsidiary	192.84	378.57
	16,980.06	15,185.03
2.32 Expenditure in Foreign Currency		
a CIF Value of Imports :		
i Raw Materials	309.34	141.96
ii Components and Spares	275.20	235.45
iii Capital Goods	9,377.50	1,866.41
b Export Commission	168.44	218.31
c Travelling Expenses	8.98	28.02
d Quality Claim	21.41	21.77
e Interest	215.13	165.80
f Others	6.27	-
	10,382.27	2,677.72

2.33 The amounts and disclosures included in the financial statements of the previous year have been reclassified wherever necessary to conform to the current year's classification.

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

2.35 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.

	As at 31.03.2013	As at 31.03.2012
	₹ Lacs	₹ Lacs
a. Exchange difference capitalized during the year	248.33	524.71
b. Depreciation provision charged to Profit & loss a/c thereon	167.97	124.66
c. Remaining amount to be amortized	781.07	700.71

2.36 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 ₹ 136.70 lacs.

2.37 During the year the company has entered in to a INR to EURO total currency swap transaction with ICICI Bank Limited, for an amount of ₹ 10,000 lacs under which the company would receive INR notional, interest and inturn would pay equivalent EURO notional interest determined by the EUR/INR spot prevailing at the time of executing the trade. The total currency swap transaction has an effect of transforming the INR denominated liability to a EURO denominated liability. The tenor of the swap repayments is 15 unequal semi annual instalments commencing from 31.7.2014 with the maturity date of 30.07.2021.

2.38 The proceeds from the preferential issue of convertible share warrants to the directors are utilised as below:

	During the year ended	
	31.03.2013	31.03.2012
	₹ Lacs	₹ Lacs
Total amount received from issue of fully convertible debentures	Nil	Nil
Total amount received from issue of warrants	385.88	128.63
Purpose for which the money received has been utilised:		
A) Capital Expenditure	Nil	Nil
B) Working Capital	385.88	128.63

2.39 The Company has obtained an approval from the share holders under section 293(1)(a) of the Companies Act 1956 to dispose off the weaving and processing division. Effect is being given in the financial statements as and when disposal happens. The effect of the disposal of some of the assets during the year has been shown under extraordinary items.

2.40 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
Others	:	Suprem Associates (Partnership firm)

Nature of Transactions	FY 2012-13			FY 2011-12		
	Subsidiary company	KMP	Others	Subsidiary company	KMP	Others
Sale of Yarn	-	-	-	184.35	-	-
Commission on Exports	21.23	-	-	19.23	-	-
Dividend Received	192.84	-	-	366.16	-	-
Remuneration	-	248.89	-	-	89.04	-
Preferential allotment of shares and warrants	-	385.86	-	-	643.13	-
Amount Outstanding as at year end - Dr	-	-	37.08	20.78	-	71.62
Amount Outstanding as at year end - Cr	17.50	150.95	-	56.17	-	-

2.41 Disclosure report under AS15 (Revised 2005)
₹ Lacs

I. Principal Actuarial Assumptions [Expressed as weighted averages]	31.03.2013	31.03.2012	31.03.2011	31.03.2010	31.03.2009
Discount Rate	8.09%	8.70%	8.30%	8.40%	8.00%
Salary escalation rate	4.50%	5.50%	5.50%	5.00%	3.75%
Attrition rate	2.00%	2.00%	2.00%	2.00%	1.00%
Expected rate of return on plan Assets	9.00%	9.00%	9.00%	9.00%	9.00%

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

II. Changes in the present value of the obligation (PVO) - Reconciliation of opening and closing balances:					
PVO as at the beginning of the period	1042.24	918.92	781.32	609.61	580.25
Interest cost	88.96	74.15	63.06	46.27	45.69
Current service cost	52.29	47.73	40.28	31.60	29.01
Past service cost - (vested benefits)	-	-	12.29	-	-
Benefits paid	(39.42)	(51.02)	(61.18)	(62.42)	(18.38)
Actuarial loss / (gain) on obligation (balancing figure)	11.84	52.46	83.14	156.25	(26.96)
PVO as at the end of the period	1155.92	1042.24	918.92	781.32	609.61

III. Changes in the fair value of plan assets - Reconciliation of opening and closing balances:					
Fair value of plan assets as at the beginning of the period	887.94	906.82	576.15	420.12	530.93
Expected return on plan assets	78.14	79.32	64.85	35.00	41.74
Contributions	-	-	350.00	-	-
Benefits paid	(39.42)	(51.02)	(61.18)	(62.42)	(18.38)
Actuarial gain / (loss) on plan assets (balancing figure)	(0.05)	(47.18)	(23.01)	183.44	(134.17)
Fair value of plan assets as at the end of the period	926.61	887.94	906.82	576.15	420.11

IV. Actual return on plan assets					
Expected return on plan assets	78.14	79.32	64.85	35.00	41.74
Actuarial gain (loss) on plan assets	(0.05)	(47.18)	(23.00)	183.44	(134.17)
Actual return on plan assets	78.09	32.14	41.84	218.45	(92.43)

V. Actuarial gain / loss recognized					
Actuarial gain / (loss) for the period - Obligation	(11.84)	(52.46)	(83.14)	(156.25)	26.96
Actuarial gain / (loss) for the period-Plan assets	(0.05)	(47.18)	(23.01)	183.44	(134.17)
Total (gain) / loss for the period	11.89	99.64	106.14	(27.19)	107.22
Actuarial (gain)/loss recognised in the period	11.89	99.64	106.14	(27.19)	107.22

₹ Lacs

VI. Amounts recognised in the balance sheet and related analysis	31.03.2013	31.03.2012	31.03.2011	31.03.2010	31.03.2009
Present value of the obligation	1155.92	1042.24	918.92	781.32	609.61
Fair value of plan assets	926.61	887.94	906.82	576.15	420.12
Difference	229.31	154.30	12.10	205.17	189.49
Liability recognised in the balance sheet	229.31	154.30	12.10	205.17	189.49

VII. Expense recognised in the statement of profit and loss					
Current service cost	52.29	47.73	40.28	31.60	29.01
Interest cost	88.96	74.15	63.06	46.27	45.69
Expected return on plan assets	(78.14)	(79.32)	(64.85)	(35.00)	(41.74)
Net actuarial (gain)/ loss recognised in the year	11.89	99.64	106.14	(27.19)	107.22
Past service cost-vested benefits	-	-	12.29	-	-
Expenses recognised in the statement of profit and loss	75.00	142.20	156.92	15.68	140.17

VIII. Movements in the liability recognized in the balance sheet					
Opening net liability	154.31	12.10	205.17	189.49	49.32
Expense as above	75.00	142.20	156.92	15.68	140.17
Contribution paid	-	-	(350.00)	-	-
Closing net liability	229.30	154.30	12.10	205.17	189.49

IX. Amount for the Current Period					
Present Value of obligation	1155.92	1042.24	918.92	781.32	609.61
Plan Assets	926.61	887.94	906.82	576.15	420.12
Surplus / (Deficit)	(229.31)	(154.30)	(12.10)	(205.17)	(189.49)
Experience adjustments on plan liabilities - (Loss)/gain	(54.95)	(91.01)	(32.22)	(64.68)	10.17
Experience adjustments on plan assets - (Loss)/gain	(0.05)	(47.18)	(23.01)	183.44	(134.17)

X. Major categories of plan assets (as percentage of total plan assets)					
Fund managed by Insurer	100.00%	100.00%	100.00%	100.00%	100.00%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

XI. Enterprise's Best Estimate of Contribution during Next Year	NA	10.00	NA	NA	NA
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For Haribhakti & Co.,
Chartered Accountants
Firm Reg.No.: 103523W
C S Sathyanarayanan
Partner
M.No.: 028328
Place : Coimbatore
Date : 23rd May 2013

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

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

Independent Auditors' report

**To the Members of Precot Meridian Limited :
Report on the Financial Statements**

We have audited the attached financial statements of Precot Meridian Limited ('the Company'), which comprise the Balance Sheet as at March 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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 31, 2013;
- b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements:

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. 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
 - c. 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;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
 - e. on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For Haribhakti & Co.,
Chartered Accountants
Firm Reg.No.: 103523W

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

C S Sathyanarayanan
Partner
M.No.: 028328

K Baskaran
Partner
M.No.: 022883

Place : Coimbatore
Date : 23rd May 2013

Annexure to Auditors' Report

[Referred to in paragraph 1 of report on other legal and regulatory requirement in the Independent Auditors' Report of even date to the members of Precot Meridian Limited on the financial statements for the year ended 31st March 2013]

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

Name of the Statute	Nature of the dues	Amount (₹ lacs)	Period to which amount relates	Forum where dispute is pending
Central Excise Act 1944	Excise Duty and Penalties	432.74	2001-2002	Supreme Court
Central Sales Tax Act, 1956	Central Sales Tax	648.18	1998-99 & 1999-2000	Madras High Court
Central Excise Act 1944	Excise Duty and Penalties	29.78	2001 to 2003	CESTAT, Bangalore
Central Excise Act 1944	Excise Duty and Penalties	29.64	2008-2009	Commissioner Appeals, Kochi
Central Excise Act 1944	Excise Duty and Penalties	5.02	2007	AP High Court
Service Tax	Service Tax & Penalties	13.38	2003-04 & 2004-05	Assistant Commissioner of Central Excise (Appeals)
Service Tax	Service Tax	2.07	1997-98	Commissioner Appeals
Service Tax	Service Tax	9.49	2007-08	Tribunal
Income Tax Act, 1961	Income Tax	185.99	1992-2009	ITAT, Chennai
Income Tax Act, 1961	Income Tax	982.31	2003-2010	CIT Appeals, CBE

10. In our opinion, the accumulated losses of the company are not more than fifty percent of its net worth. The company has not incurred cash losses during the financial year covered by our audit however, there were cash losses 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

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

C S Sathyanarayanan
Partner
M.No.: 028328

K Baskaran
Partner
M.No.: 022883

Place : Coimbatore
Date : 23rd May 2013

	Note	As at 31.03.2013 ₹ Lacs	As at 31.03.2012 ₹ Lacs
Equity and Liabilities			
Shareholders' funds			
Share Capital	2.01	800.00	747.50
Reserves and Surplus	2.02	12,998.00	10,944.64
Money received against share warrants	2.03	-	128.63
		<u>13,798.00</u>	<u>11,820.77</u>
Minority Interest		151.65	152.32
Non-current liabilities			
Long Term Borrowings	2.04	22,453.53	13,459.90
Deferred tax liabilities (Net)	2.05	1,042.22	-
Long Term Provisions	2.06	183.23	92.11
		<u>23,678.98</u>	<u>13,552.01</u>
Current Liabilities			
Short Term Borrowings	2.07	17,486.93	13,138.25
Trade Payables	2.08	2,635.29	3,030.90
Other Current Liabilities	2.09	6,568.75	4,817.52
Short Term Provisions	2.10	237.44	612.69
		<u>26,928.41</u>	<u>21,599.36</u>
		<u>64,557.04</u>	<u>47,124.46</u>
Assets			
Non-current Assets			
Fixed Assets			
Tangible Assets	2.11	20,870.58	23,159.80
Intangible Assets		43.80	51.03
Capital Work-in-progress		16,443.02	1,216.19
Non-current Investments	2.12	2,341.12	2,649.79
Deferred tax assets (Net)	2.05	-	275.16
Long Term loans and advances	2.13	1,519.36	1,122.36
		<u>41,217.88</u>	<u>28,474.33</u>
Current Assets			
Current Investments	2.12	-	33.22
Inventories	2.14	14,866.88	13,366.32
Trade receivables	2.15	4,369.54	3,180.11
Cash and cash equivalents	2.16	1,146.32	836.92
Short Term loans and advances	2.17	600.39	484.37
Other current assets	2.18	2,356.03	749.19
		<u>23,339.16</u>	<u>18,650.13</u>
		<u>64,557.04</u>	<u>47,124.46</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 : 23rd May 2013

 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

Consolidated Statement of Profit and loss

	Note	2012-13 ₹ Lacs	2011-12 ₹ Lacs
Revenue From Operations	2.19	66,883.79	60,326.24
Other income	2.20	562.18	492.86
Total Revenue		67,445.97	60,819.10
Expenses			
Cost of materials consumed	2.21	34,045.52	40,139.68
Changes in inventories of finished goods and work-in-progress	2.22	954.74	2,810.75
Employee benefits expense	2.23	6,445.17	5,474.56
Finance costs	2.24	2,612.01	2,873.12
Depreciation and amortization expense	2.25	3,032.24	2,999.05
Other expenses	2.26	17,831.20	14,178.30
Total Expenses		64,920.88	68,475.46
Profit / (Loss) before tax		2,525.09	(7,656.36)
Tax expense:			
Current tax		235.02	3.26
For earlier year		225.89	-
MAT Credit		(163.89)	250.00
Deferred tax		936.03	(2,225.59)
Profit transferred to Minority Interest		(2.47)	2.43
Add : Profit from Extraordinary items (net of tax expenses)		577.23	-
Profit / (Loss) for the year		1,871.74	(5,686.46)
Earnings per equity share (Nominal value of share Rs.10)	2.27	23.79	(81.55)

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 : 23rd May 2013

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

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

Consolidated Cash Flow Statement

	31.03.2013		31.03.2012
	₹ Lacs		₹ Lacs
A. Cash flow from operating activities			
Net profit before tax and extraordinary items	3,498.01		(7,656.36)
Adjustments for :			
Depreciation	3,032.24	2,999.05	
(Profit)/Loss on Sale of Assets	(227.37)	(316.01)	
(Profit)/Loss on Sale of Assets-Extraordinary Item	(972.92)		
Investment Income - Dividend	(45.38)	(41.21)	
Interest Income	(242.11)	(53.57)	
Diminution in value of investments	200.00	275.58	
Interest cost/ expense	2,612.01	2,873.12	
Foreign currency translation reserve	(77.11)	34.29	
Minority interest	1.80	(142.69)	5,628.56
Operating Profit before Working Capital changes	7,779.17		(2,027.80)
Adjustments for :			
Trade Receivables	(1,189.42)	1,055.72	
Other Receivables	(1,668.32)	(149.36)	
Inventories	(1,500.57)	18,472.36	
Trade and Other Payables	617.98	(286.82)	19,091.90
Cash generated from Operations	4,038.84		17,064.10
Direct Taxes paid	(1,122.49)		(439.88)
Net Cash Flow from Operating Activities	2,916.35		16,624.22
B. Cash flow from investing activities:			
Purchase of Fixed Assets	(16,570.70)	(5,368.70)	
Sale of Fixed Assets-Extraordinary Item	972.92		
Sale of Fixed Assets	835.44	450.41	
(Purchase)/ Sale of Investments	32.22	96.30	
Interest Received	149.12	40.81	
Dividend Received	45.38	41.21	
Net Cash flow from Investing Activities	(14,535.63)		(4,739.97)
C. Cash flow from financing activities:			
Proceeds from Issue of Shares/ Share warrants	385.88	643.13	
Dividends Paid	-	(802.13)	
Interests cost/ expense	(2,608.48)	(2,809.66)	
Proceeds from Long Term Borrowings	9,802.59	3,129.46	
Repayment/ (Proceeds) from Unsecured Loan	-	730.53	
Proceeds from Working Capital Borrowings	4,348.68	(13,007.19)	
Net Cash Flow from Financing Activities.	11,928.67		(12,115.86)
Net Increase / Decrease in Cash and Cash Equivalent	309.40		(231.61)
Cash and Cash Equivalents as at	836.92		1,068.53
1.4.2012 and 1.4.2011 (opening balance)			
Less: Bank balances not considered as cash			
and cash equivalents as per Accounting Standard 3	29.63		34.73
Cash and Cash Equivalents as at			
31.3.2013 and 31.3.2012 (Closing balance)	1,116.69		802.19

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 : 23rd May 2013

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

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 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 names of subsidiaries/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

2.1 Share Capital

	As at 31.03.2013	As at 31.03.2012
Authorised	₹ Lacs	₹ Lacs
90,00,000 Equity Shares of ₹ 10 each	900.00	900.00
Issued, Subscribed & fully Paid up		
80,00,000 Equity Shares of ₹10 each fully paid up (31 March 2012 : 74,75,000 equity shares of ₹ 10 each)	800.00	747.50
	800.00	747.50

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 Rs.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 31.03.2013		As at 31.03. 2012	
	Number	₹ Lacs	Number	₹ Lacs
Equity Shares at the beginning of the year	74,75,000	747.50	69,50,000	695.00
Add: Shares Issued during the year	5,25,000	52.50	5,25,000	52.50
Equity Shares at the end of the year	80,00,000	800.00	74,75,000	747.50

The Company had allotted 5,25,000 Convertible Share Warrants of Rs.98 each on 16.3.2012 to its Directors on a preferential basis. As per the terms of issue, the warrant holders paid an amount equivalent to 25% of the total consideration on the date of allotment of warrants. On 30.06.2012, the warrant holders exercised their option to take equity shares against the warrants held by them, consequent to which 525,000 equity shares of Rs.10/- each has been allotted at a premium of Rs.88/- per share, in accordance with the provisions of Section 81(1A) of the Companies Act, 1956 and SEBI (ICDR) Regulations, 2009. The lock-in of shares acquired by exercise of warrants shall be subject to SEBI (ICDR) Regulations 2009.

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

Equity Shares

S. No.	Name of Shareholder	As at 31.03.2013		As at 31.03. 2012	
		No. of Shares held	% of holding	No. of Shares held	% of holding
1	D Sarath Chandran	18,93,080	23.67	16,68,080	22.32
2	Ashwin Chandran	15,38,305	19.23	13,88,305	18.57
3	Prashanth Chandran	13,14,595	16.43	11,64,595	15.58

2.2 Reserves and Surplus

	Balance as at 01.04.2012	Additions during the year	Deductions/ Adjustments during the year	₹ in lacs Balance as at 31.03.2013
Capital Reserve	48.19	-	-	48.19
Capital Investment Subsidy	28.71	-	28.71	-
Capital Redemption Reserve	355.00	-	-	355.00
Securities Premium Reserve	2,674.46	462.00	-	3,136.46
Investment Fair Value Reserve	718.24	-	109.67	608.57
Foreign Currency Translation Reserve	156.40	(77.11)	-	79.29
General Reserve	11,694.64	28.71	93.60	11,629.75
Surplus/(deficit) in profit and loss account	(4,731.00)	1,871.74	-	(2,859.26)
	<u>10,944.64</u>	<u>2,285.34</u>	<u>231.98</u>	12,998.00

2.3 Money received against Share warrants

	31.03.2013 ₹ Lacs	31.03.2012 ₹ Lacs
5,25,000 Convertible Share Warrants of ₹ 98 each, of which ₹ 24.50 paid up during FY 2011-12 (Refer note no : 2.1 (ii))	-	128.63
	<u>-</u>	<u>128.63</u>

2.4 Long Term Borrowings	Non Current portion		Current maturities	
	As at	As at	As at	As at
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
				₹ Lacs
Secured				
Term loans from Banks				
Ruppee Loan (Refer note 2.31)	21,113.67	11,157.21	2,668.25	1,931.22
Foreign Currency Loan	1,298.49	2,208.30	1,228.51	1,151.45
Unsecured				
Deferred payment liabilities				
Sales Tax Deferral loan	41.37	94.39	57.14	62.27
	<u>22,453.53</u>	<u>13,459.90</u>	<u>3,953.90</u>	<u>3,144.94</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 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 13.65% p.a. and Foreign Currency Term Loans carry interest ranging from 1.6% p.a. to 3% p.a. plus applicable LIBOR.
4. Term loan from ICICI Bank for Rs.12,000 Lacs is secured by way of exclusive first charge on the assets of Technical Textile unit at Hassan, Karnataka.

	As at 31.03.2013 ₹ Lacs	As at 31.03.2012 ₹ Lacs
2.5 Deferred Taxes		
Deferred Tax Liabilities		
Fixed assets	2,438.04	2,181.58
	<u>2,438.04</u>	<u>2,181.58</u>
Deferred Tax Assets		
Bonus & VRS	116.04	145.05
Business Loss and Unabsorbed Depreciation	1,189.16	2,311.69
Gratuity and others	90.62	-
	<u>1,395.82</u>	<u>2,456.74</u>
Deferred Tax (Asset) / Liabilities (Net)	<u>1,042.22</u>	<u>(275.16)</u>
2.6 Long Term Provisions		
Provision for employee benefits	183.23	92.11
Gratuity (Funded)	183.23	92.11

	As at 31.03.2013 ₹ Lacs	As at 31.03.2012 ₹ Lacs
2.7 Short Term Borrowings		
Secured		
Working Capital Loans		
From Banks		
- Rupee Loan	9,562.41	6,144.17
- Foreign Currency Loan	3,924.52	2,994.08
Unsecured		
From Bank		
- Rupee Loan	4,000.00	4,000.00
	17,486.93	13,138.25

- 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.
- In respect of the above, working capital rupee loans carry interest ranging from 9.75% 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.
- Unsecured short term loan from Axis Bank carries interest at 11% p.a for which the company has extended a corporate guarantee.

2.8 Trade Payables

Trade Payables	2,635.29	3,030.90
	2,635.29	3,030.90

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, 2013 (31st March 2012 : Nil) and there are no interest payable on belated payments to these enterprises and the same is relied upon by the auditors.

2.9 Other Current Liabilities

Current maturities of long-term debt (Refer to Note 2.4)	3,953.90	3,144.94
Interest accrued but not due on borrowings	15.17	98.32
Interest accrued and due on borrowings	100.71	14.03
Unclaimed dividends	29.63	34.73
Accrued Employee benefits	784.94	294.57
Dues to subsidiaries/ related parties (Refer note no: 2.34)	150.95	-
Other Payables *	1,533.45	1,230.93
	6,568.75	4,817.52

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

	As at 31.03.2013 ₹ Lacs	As at 31.03.2012 ₹ Lacs
2.10 Short Term Provisions		
a) Provision for employee benefits Gratuity (Funded)	46.08	62.18
b) Others Provision for Taxation	97.76	550.51
c) Proposed dividend	80.00	-
d) Tax on dividend	13.60	-
	237.44	612.69

2.11 Fixed Assets

₹ Lacs

	Gross Block				Depreciation and Amortization				Net Block	
	As at 01.04.2012	Additions	Deductions	As at 31.03.2013	Upto 31.03.2012	For the Year	Deductions	Upto 31.03.2013	As at 31.03.2013	As at 31.03.2012
Tangible Assets										
Land	569.15	-	13.00	556.15	-	-	-	-	556.15	569.15
Building	6,909.02	5.41	-	6,914.43	1,879.65	189.09	0.30	2,068.44	4,845.99	5,029.37
Plant and Equipment	47,768.84	1,234.56	3,486.12	45,517.28	30,566.32	2,769.62	2,928.43	30,407.51	15,109.77	17,202.52
Vehicles	338.21	64.89	58.06	345.04	165.82	27.71	35.10	158.43	186.61	172.39
Office Furnitures	231.57	11.83	16.52	226.88	116.95	11.23	9.49	118.69	108.19	114.62
Computers	426.22	9.21	4.18	431.25	354.47	16.88	3.97	367.38	63.87	71.75
TOTAL (A)	56,243.01	1,325.90	3,577.88	53,991.03	33,083.21	3,014.53	2,977.29	33,120.45	20,870.58	23,159.80
Intangible Assets										
ERP Expenditure Software	325.98	17.96	18.24	325.70	274.95	17.71	10.76	281.90	43.80	51.03
TOTAL (B)	325.98	17.96	18.24	325.70	274.95	17.71	10.76	281.90	43.80	51.03
TOTAL (A + B)	56,568.99	1,343.86	3,596.12	54,316.73	33,358.16	3,032.24	2,988.05	33,402.35	20,914.38	23,210.83
Previous Year	53,026.23	4,420.50	877.74	56,568.99	31,105.88	2,999.05	746.77	33,358.16	23,210.83	21,920.35
Capital Work-in -progress									16,443.02	1,216.19
Total									37,357.40	24,427.02
Previous Year									24,427.02	22,188.34

Capital Work-In-Progress includes expenditure incurred towards Hassan Plant aggregating to ₹ 16,398 lacs (Previous year : ₹ 1,088 lacs) of which the borrowing cost capitalised is ₹ 166 lacs.

	31.03.2013 ₹ Lacs	31.03.2012 ₹ Lacs	31.03.2013 ₹ Lacs	31.03.2012 ₹ Lacs
2.12 Non Current Investments				
Trade Investments				
In Equity Shares - Unquoted , fully paid up 1,00,000 Vantex Limited of Rs.10 each	19.00	19.00		
12,06,000 A.P. Gas Power Corporation Limited of Rs.10 each	1,964.87	1,964.87		
2,25,000 Sai Regency Power Corporation Private limited of Rs.10 each	22.50	22.50		
14,000 OPG Energy Private Limited of Rs.10 each	1.40	1.40		
Less: Diminution in the value of investment	(475.58)	(275.58)		
	<u>1,532.19</u>	<u>1,732.19</u>		
Others Investments				
In Equity Shares - Quoted , fully paid up 56,72,250 Pricol Limited of Re.1 each	199.32	199.32		
In Equity Shares - Unquoted, fully paid up 100 Precot Mills Employees Cooperative Credit Society of Rs.10 each	0.01	0.01		
100 Precot Mills Multi purpose stores of Rs.10 each	0.01	0.01		
10000 Cotton Sourcing Company shares of Rs.10 each	1.00	-		
In Government Securities	0.02	0.02		
	<u>1,732.55</u>	<u>1,931.55</u>		
Investment Fair Value Adjustments	608.57	718.24		
	<u>2,341.12</u>	<u>2,649.79</u>		
Current Investments				
Investment in Malaysian Banking Berhad- Amcons 3 Cas	-	33.22		
	<u>-</u>	<u>33.22</u>		
2.13 Long Term Loans and Advances				
Unsecured, considered good				
Capital Advances	390.01	548.98		
Security Deposits	577.15	505.38		
MAT Credit Receivable	426.57	68.00		
Tax Payments Pending Adjustments	125.63	-		
	<u>1,519.36</u>	<u>1,122.36</u>		
2.14 Inventories				
Raw Materials and components	11,298.62	8,831.92		
Work-in-progress	1,295.21	1,738.95		
Finished goods	1,818.56	2,329.56		
Waste Cotton	85.86	134.79		
Stores and spares	368.63	331.10		
	<u>14,866.88</u>	<u>13,366.32</u>		
2.15 Trade Receivables				
Unsecured, considered good				
Over six months	20.08	9.93		
Others	4,349.46	3,170.18		
	<u>4,369.54</u>	<u>3,180.11</u>		
2.16 Cash and Cash Equivalents				
a) Balances with banks				
In current accounts	1,108.80	606.95		
In Unclaimed dividend accounts	29.63	34.73		
b) Cash on hand	7.89	195.24		
	<u>1,146.32</u>	<u>836.92</u>		
Of the above, the balances that meet the definition of cash and cash equivalents as per AS 3 cash flow statement is Rs.1,116.69 lacs (Previous year Rs.802.19 Lacs)				
2.17 Short term loans and advances				
Unsecured, considered good				
Balance with Government authorities	204.26	258.30		
Advance to Trade Suppliers	58.71	110.40		
Prepaid expenses	307.77	75.33		
Staff advances	29.65	40.34		
	<u>600.39</u>	<u>484.37</u>		
2.18 Other Current Assets				
Export Incentives Receivable	350.86	355.79		
Interest accrued	144.81	51.82		
Subsidy receivable from Government	1,860.36	341.58		
	<u>2,356.03</u>	<u>749.19</u>		
2.19 Revenue from Operations				
Sale of Yarn	57,962.19	52,000.92		
Sale of Fabrics	7,707.22	7,012.61		
Sale of Garments	398.83	514.03		
	<u>66,068.24</u>	<u>59,527.56</u>		
Other operating revenue				
Scrap Sales	54.16	53.22		
Export Incentive	504.34	642.39		
Wind power Income	80.88	12.46		
Others	176.17	90.61		
	<u>815.55</u>	<u>798.68</u>		
2.20 Other Income				
Interest Income	242.11	53.57		
Dividend				
- From Long term Investments	45.38	34.03		
- From Current Investments	-	7.18		
Profit on sale of assets	227.37	316.01		
Rent receipts	25.74	55.20		
Insurance claim receipts	16.70	22.29		
Miscellaneous Income	4.88	4.58		
	<u>562.18</u>	<u>492.86</u>		

	31.03.2013 ₹ Lacs		31.03.2012 ₹ Lacs			31.03.2013 ₹ Lacs	31.03.2012 ₹ Lacs
2.21 Cost of materials consumed :					Selling & Distribution expenses	2,552.26	2,310.32
Imported	0.66	224.55	0.12	49.10	Bank Charges	97.05	85.38
Indigenous	99.34	33,820.97	99.88	40,090.58	Communication Expenses	57.54	45.31
	<u>100.00</u>	<u>34,045.52</u>	<u>100.00</u>	<u>40,139.68</u>	Printing & Stationery	53.25	43.64
			31.03.2013	31.03.2012	Travelling Expenses	137.12	90.69
			₹ Lacs	₹ Lacs	Directors' Sitting fees	4.28	4.48
2.22 Changes in inventories of finished goods and work-in-progress					Professional Charges	70.96	49.88
Inventory at the end of the year					Legal Charges	14.02	4.96
Work in Progress		1,295.21	1,738.95		Auditors' Remuneration	11.39	12.86
Finished Goods		1,818.56	2,329.56		Miscellaneous expenses	240.86	154.82
		<u>3,113.77</u>	<u>4,068.51</u>		Bad debts written off	11.98	3.32
Inventory at the beginning of the year						<u>17,831.20</u>	<u>14,178.30</u>
Work in Progress		1,738.95	2,025.92		2.27 Earnings per share		
Finished Goods		2,329.56	4,853.34		Net Profit/(Loss) after tax as per Statement of Profit and Loss attributable to Equity Shareholders	1,871.74	(5,686.46)
Total		<u>4,068.51</u>	<u>6,879.26</u>		Weighted Average number of equity shares used as denominator for calculating EPS (Nos)	7,869,110	6,972,950
(Increase)/decrease in Inventories		<u>954.74</u>	<u>2,810.75</u>		Basic & Diluted Earnings / (Loss) per share (in Rs.)	23.79	(81.55)
2.23 Employee benefits expense					Face Value per equity share (in Rs.)	10.00	10.00
Salaries, Wages and Bonus		5,540.95	4,542.04		2.28 Provisions as on the closing date are as follows :		
Contributions to Provident fund and other funds		469.32	506.35		Contingent liabilities in respect of :		
Staff welfare expenses		434.90	426.17		i) Claims against the company not acknowledged as debts :		
		<u>6,445.17</u>	<u>5,474.56</u>		Disputed Statutory Liabilities not provided for	2,422.45	2,663.59
2.24 Finance Cost					Disputed Other Liabilities not provided for	277.04	285.96
Interest expense		2,559.52	2,788.69		Guarantees	213.01	123.39
Other borrowing costs		52.49	84.43		Bills discounted	2,752.43	2,904.13
		<u>2,612.01</u>	<u>2,873.12</u>		Letters of credit outstanding	1,225.80	9,389.31
2.25 Depreciation and Amortization					ii) Commitments		
Depreciation		3,014.53	2,981.54		Estimated amount of contracts remaining to be executed on capital account and not provided for	482.72	1,456.55
Amortization of Intangible asset		17.71	17.51		2.29 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.		
		<u>3,032.24</u>	<u>2,999.05</u>				
2.26 Other Expenses							
Consumption of Stores & Spares		2,308.91	2,165.12				
Power & Utilities		8,562.09	5,765.52				
Processing Charges		581.53	462.46				
Repairs and maintenance							
- Machinery		2,266.69	1,896.05				
- Building		263.16	271.88				
Others		148.61	156.85				
Rent		9.39	16.01				
Rates and Taxes		43.74	34.70				
Insurance Premium		37.21	47.88				
Foreign Exchange loss (net)		159.16	280.59				
Provision for dimiution in the value of investment		200.00	275.58				

	31.03.2013 ₹ Lacs	31.03.2012 ₹ Lacs		During the year ended 31.03.2013 KMP	31.03.2012 KMP
a. Exchange difference capitalized during the year	248.33	524.71	Nature of Transactions		
b. Depreciation provision charged to Profit & loss a/c thereon	167.97	124.66	Remuneration	248.89	89.04
c. Remaining amount to be amortized	781.07	700.71	Preferential allotment of shares and warrants	385.86	643.13
			Amount Outstanding as at year end - Cr	150.95	-
2.30 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 ₹ 136.70 lacs.			2.35 Geographical Segment	2012-13	2011-12
2.31 During the year the company has entered in to a INR to EURO total currency swap transaction with ICICI Bank Limited, for an amount of ₹10,000 Lakhs under which the company would receive INR notional, interest and intum would pay equivalent EURO notional, interest determined by the EUR/INR spot prevailing at the time of executing the trade. The total currency swap transaction has an effect of transforming the INR denominated liability to a EURO denominated liability. The tenor of the swap repayments is 15 unequal semi annual instalments commencing from 31.7.2014 with the maturity date of 30.07.2021.			1 Segment Revenue		
2.32 The Company has obtained an approval from the share holders under section 293(1)(a) of the Companies Act 1956 to dispose of the weaving and processing division. Effect is being given in the financial statements as and when disposal happens. The effect of the disposal of some of the assets during the year has been shown under extraordinary items.			- Domestic Sales	49,887.59	44,914.70
2.33 The proceeds from the preferential issue of convertible share warrants to the directors are utilised as below :			- Export Sales	16,996.20	15,411.54
			Total Revenue	66,883.79	60,326.24
			2 Segment Results		
			- Domestic	5,674.07	(1,695.33)
			- Export	1,933.10	(581.72)
			Less: Depreciation & Amortisation		
			- Unallocated	3,032.24	2,999.05
			Total Operating Profit	4,574.92	(5,276.10)
			Add : Other Income	562.18	492.86
			Less: Interest	2,612.01	2,873.12
			Less: Provision for Tax	1,171.05	(2,222.33)
			Provision for earlier year	225.89	250.00
			Add : MAT Credit	(163.89)	-
			Less: Minority Interest	(2.47)	2.43
			Extraordinary items	577.23	-
			Net Profit / (Loss)	1,871.74	(5,686.46)
			3 Segment Assets		
			- Domestic	8,910.05	9,320.24
			- Export	11,028.79	2,848.62
			- Unallocated	44,618.22	34,955.60
			Total Assets	64,557.05	47,124.46
			4 Segment Liabilities		
			- Domestic	37,344.34	23,232.60
			- Export	6,672.40	6,820.90
			- Unallocated	6,648.69	5,250.19
			Total Liabilities	50,665.44	35,303.69
			5 Capital Expenditure		
			- Unallocated	1,343.86	4,420.50
			6 Depreciation & Amortisation		
			- Unallocated	3,032.24	2,999.05

Note :

- 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.
- 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.

2.34 Related Party Disclosure :

List of related parties with whom transactions have taken place

Holding Co : Nil

Subsidiary Co : 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)

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 : 23rd May 2013

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

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

Independent Auditors report

On the consolidated Financial Statement of Precot Meridian Limited

To the Board of Directors of Precot Meridian Limited

We have audited the accompanying consolidated financial statements of Precot Meridian Limited ("the Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group") which comprise the consolidated Balance Sheet as at March 31, 2013, and the Consolidated Statement of Profit and Loss and consolidated Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements on the basis of separate financial statements and other financial information regarding components that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India; this includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by

management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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.

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries as mentioned in the 'Other Matter' paragraph below, the 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 March 31, 2013;
- b) in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
- c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Other Matter

We did not audit the financial statements of Benwood Corporation Sdn Bhd and Suprem Associates, whose financial statements reflect total assets (net) of ₹ 265.36 lacs as at March 31, 2013, total revenues of ₹ 187.87 lacs and net cash outflows amounting to ₹ 172.01 lacs 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.

For Haribhakti & Co.,
Chartered Accountants
Firm Reg.No.: 103523W

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

C S Sathyanarayanan
Partner
M.No.: 028328

K Baskaran
Partner
M.No.: 022883

Place : Coimbatore
Date : 23rd May 2013

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	31.03.2013	31.03.2013	31.03.2013	31.03.2013
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 ₹ 100 each	50000 Equity Shares of ₹ 100 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, 2013	1.32	(0.30)	(0.23)	(4.93)
	ii. for the previous financial years	(70.76)	4.62	(25.80)	-
	b) dealt with in the accounts of the Company				
	i. for the year ended 31 st March, 2013	-	-	-	192.84
	ii. for the previous financial years	-	-	-	366.16
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

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	100.00	5.00	25.00	100.04
b) Reserves & Surplus	(69.44)	(26.02)	4.32	81.20
c) Total Assets	30.63	0.05	29.39	183.73
d) Total Liabilities	30.63	0.05	29.39	183.73
e) Details of Investments	1.98	-	-	-
f) Net Sales & Service including other Income	1.68	-	-	191.03
g) Profit / (Loss) before Tax	1.32	(0.23)	(0.30)	(0.30)
h) Provision for Taxation	-	-	-	-
i) Profit / (Loss) after Tax	1.32	(0.23)	(0.30)	(7.40)
j) Proposed Dividend	-	-	-	-

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 51st Annual General Meeting of the Company held on Friday, the 20th September 2013 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 51st Annual General Meeting of the Company to be held on
and any adjournment thereof.

Signed this day of 2013

Folio No :

No. of Shares :

Signature :

Note : The proxy form must be returned so as to reach the registered office of the company, SUPREM, PB 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.

