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AMBIKA COTTON MILLS LIMITED

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ANNUAL REPORT
1996 - 97

AMBIKA COTTON MILLS LIMITED

BOARD OF DIRECTORS

Sri P.V. Chandran
 Sri P.K. Ganeshwar
 Sri M. Rathanasamy
 Sri K.N.Sreedharan
 Sri V.Ramachandran
 Sri P. Soundarrajan

Registered Office

10 Kurinji Nagar
 Sheriff Colony
 Tirupur - 641 604.

Administrative Office

9A Valluvar Street
 Sivanandha Colony
 Coimbatore - 641 012.

Factory

Kanniya Puram
 Dindigul

Auditors

M/s.L.Venkatasubbu & Co
 Chartered Accountants,
 Coimbatore

Bankers

State Bank of India,
 Tirupur
 State Bank of Mysore,
 Coimbatore

AMBIKA COTTON MILLS LIMITED

NOTICE OF THE MEETING

Notice is hereby given that the Ninth Annual General Meeting of the Company will be held on Friday the 26th September 1997 at 3.00 p.m. at Velan Hotel, 41, Kangeyam Road, Tirupur to transact the following Business.

A. ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March 1997 and Profit and Loss Account for the year ended on that date and reports of the Directors and Auditors thereon.
2. To declare a Dividend.
3. To appoint a Director in place of Sri.K.N. Sreedharan, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting and to fix their remuneration.

B. SPECIAL BUSINESS

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

"RESOLVED that Sri.P. Soundarrajan be and is hereby appointed as a Director of the Company".

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

"RESOLVED that in accordance with the provisions of Section 198, 269, 309 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the Companies Act and subject to such approvals as may be necessary, Sri.P.V. Chandran be and he is hereby reappointed as the Managing Director of the company for a further period of 5 years with effect from 1.4.1997 upon the terms and conditions set out below :

REMUNERATION:

A commission calculated at the rate of 1% of the net profits of the company computed in terms of Section 348, 349 and 350 of the Companies Act, 1956. In addition, he shall also be entitled to sitting fees for the meetings of the Board of Directors or any committee thereof attended by him.

He shall be provided with a car with a driver for purpose of the business of the Company and any personal use thereof shall be billed by the Company. He shall also be provided with a telephone at the residence and personal long distance calls, if any, shall be paid for by him.

He shall not be entitled to any other perquisites or amenities including Provident Fund, Gratuity and Superannuation."

AMBIKA COTTON MILLS LIMITED**NOTICE OF THE MEETING (Contd...)**

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

"RESOLVED that in accordance with the provisions of Section 198, 269, 309 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the Companies Act and subject to such approvals as may be necessary, Sri M. Rathanasamy be and he is hereby reappointed as the Managing Director of the Company for a further period of 5 years with effect from 1.4.1997 upon the terms and conditions set out below.

REMUNERATION:

A commission calculated at the rate of 1% of the net profits of the Company computed in terms of Section 348, 349 and 350 of the Companies Act, 1956. In addition, he shall also be entitled to sitting fees for the meetings of the Board of Directors or any committee thereof attended by him.

He shall not be entitled to any other perquisites or amenities including Provident Fund, Gratuity or Superannuation."

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

"RESOLVED that Sri P.K. Ganeshwar, Chairman be paid a commission calculated at the rate of 1% of the net profits of the Company computed in terms of Section 348, 349 and 350 of the Companies Act, 1956. In addition, he shall also be entitled to a Sitting Fees for the meetings of the Board of Directors or any Committee thereof attended by him.

He shall not be entitled to any other perquisites or amenities including Provident Fund, Gratuity or Superannuation".

By order of the Board

Sd/-
(P.K.GANESHWAR)
CHAIRMAN

PLACE : Coimbatore.

DATE : 21/06/1997.

AMBIKA COTTON MILLS LIMITED

NOTICE OF THE MEETING (Contd...)

NOTES :

01. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member of the Company.
02. Proxies should be lodged with the Company not less than forty eight hours before the time fixed for the meeting.
03. The explanatory statement pursuant to Section 173 of the Companies Act, 1956, is annexed hereto.
04. The register of Members of the Company will remain closed from 16th September 1997 to 26th September 1997 (Both the days inclusive). The dividend if declared will be paid to those members whose names appear in the Register of Members as on 26th September 1997.
05. Members are requested to notify the changes if any in their address immediately.
06. Shareholders seeking any information with regard to the accounts are requested to write to the company atleast seven days before the date of the meeting so as to enable the company to keep the information ready.

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AMBIKA COTTON MILLS LIMITED**ANNEXURE TO NOTICE**

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

ITEM NO. : 5

The Board of Directors appointed Sri.P.Soundarrajan as additional Director pursuant to Article 72 of the Articles of Association of the company and under the said Article he will hold office only upto the date of the forthcoming Annual General Meeting. The Company has received a notice in writing from a member of the Company under Section 257 of the Companies Act, 1956 alongwith a deposit of Rs.500/- signifying his intention to propose the appointment of Sri.P.Soundarrajan as a Director of the Company.

The Board considered that the appointment of Sri.P.Soundarrajan would be helpful to the Company in the matter of Safety, welfare and other related matters of the Employees. He is eligible and willing to act as Director of the Company. This appointment is within the limit prescribed by Article 67 of the Articles of Association of the Company. Accordingly ordinary resolution under Item No.5. of the Notice is submitted to the meeting.

No other Directors except Sri.P.Soundarrajan may be considered as concerned or interested in passing the Resolution.

ITEM NO.6.

Sri P.V.Chandran was appointed as Managing Director when the Company was a private Limited Company and that tenure is coming to a close on 28.01.1998. The appointment was without any remuneration. It is now proposed not only to remunerate him but also to continue his appointment as Managing Director.

Schedule XIII to the Companies Act provides for payment of remuneration to managerial personnel either as a fixed monthly remuneration or as a percentage of profits or a combination of both. The Managing Director in the Interest of the Company has preferred that his remuneration should be directly related to the profits of the Company and it is, therefore decided to pay him 1% of the net profits as remuneration. In addition he will be entitled to sitting fees for the meetings of the Board of Directors or the Committee thereof attended by him. He will not be entitled to any other perquisites. The details are given in the resolution.

You are requested to pass the resolution as a Special resolution as required by the relevant provisions of the Act.

Sri P.V. Chandran is deemed to be interested or concerned in this resolution.

AMBIKA COTTON MILLS LIMITED

ANNEXURE TO NOTICE (Contd...)

ITEM NO. 7.

Sri M. Rathanasamy was appointed as Managing Director when the Company was a private Limited company and that tenure is coming to a close on 04.09.1999. The appointment was without any remuneration. It is proposed to appoint him as one of the Managing Director of the Company for a further period of 5 years from 1.4.1997 and it is also proposed to remunerate him for discharging his duties as such Managing Director.

As stated in the resolution, it is proposed that 1% of the net profits of the Company, computed in the manner laid down in Section 348, 349 and 350 will be paid as remuneration to him in addition to the Sitting Fees that he may be paid for the meeting of the Board or any committee thereof attended by him, it is proposed not to pay him any other perquisites.

This resolution is proposed to be passed as a Special resolution as required by the relevant provisions of the Act.

Sri. M. Rathanasamy may be deemed to be interested or concerned in this resolution.

ITEM NO.8.

Sri. P.K. Ganeshwar has been the non executive Chairman since inception. However, he has not been paid any remuneration so far for the services rendered by him to the Company. It is, therefore, proposed to pay a commission calculated at the rate of 1% on the net profits of the Company.

He will also be entitled to Sitting Fees for the meetings of the Board or any Committee thereof attended by him. Barring this he will not be eligible to receive any other perquisites.

This resolution is proposed to be passed as a Special Resolution as required by the relevant provisions of the Act.

Mr. P.K. Ganeshwar may be deemed to be interested or concerned in this resolution.

By order of the Board

Sd/-
(P.K.GANESHWAR)
CHAIRMAN

PLACE : Coimbatore.

DATE : 21/06/1997.

AMBIKA COTTON MILLS LIMITED

DIRECTORS' REPORT

Your directors have great pleasure in submitting the Ninth Annual Report together with the audited accounts for the year ended 31st March 1997.

FINANCIAL RESULTS

The Financial results for the year ended 31st March 1997 are furnished below:

	CURRENT YEAR 1997	PREVIOUS YEAR 1996
SALES AND OTHER INCOME	37,91,03,128	32,95,79,266
GROSS PROFIT FOR THE YEAR	5,86,53,888	5,35,99,589
LESS : DEPRECIATION	89,03,347	73,17,407
	4,97,50,541	4,62,82,182
ADD : BALANCE IN PROFIT & LOSS ACCOUNT (BROUGHT FORWARD FROM THE PREVIOUS YEAR)	58,21,996	83,07,575
REFUND OF INCOME TAX	—	18,11,071
PRIOR PERIOD INCOME	—	14,651
EXCESS PROVISION FOR INCOME TAX WRITTEN BACK	—	1,78,017
	5,55,72,537	5,65,93,496
LESS : PRIOR PERIOD INCOME TAX	12,74,006	—
PROVISION FOR INCOME TAX	60,00,000	62,00,000
PROVISION FOR DIMINUTION IN VALUE OF INVESTMENTS	4,92,250	—
	4,78,06,281	5,03,93,496
APPROPRIATIONS:		
GENERAL RESERVE	3,00,00,000	3,55,71,500
PROPOSED DIVIDEND	90,00,000	90,00,000
TAX ON DIVIDEND	9,00,000	—
BALANCE CARRIED OVER IN PROFIT AND LOSS ACCOUNT	79,06,281	58,21,996
	4,78,06,281	5,03,93,496

AMBIKA COTTON MILLS LIMITED**DIRECTORS' REPORT (Contd...)****DIVIDEND**

Your directors are pleased to recommend for your approval payment of dividend for the year ended 31st March 1997 at 18% on the Equity Shares of the Company. A separate provision for Tax on Dividend has been made.

PROJECTION VS PERFORMANCE:

	(Rs. in Lakhs)	
	<u>PROJECTED AS PER OFFER DOCUMENT</u>	<u>ACTUALS</u>
TOTAL INCOME	3600.34	3791.03
PBDIT	862.84	693.07
INTEREST	76.08	106.53
DEPRECIATION	98.12	89.03
PROFIT BEFORE TAX	688.64	497.51
TAX	146.00	60.00
PROFIT AFTER TAX	542.64	437.51
EQUITY SHARE CAPITAL	500.00	500.00
EPS (Rs.)	10.85	8.75

The Cotton Textile Industry continues to be under recession for well over a period of Three years and remunerative prices for the finished goods are under stress. Though the Company has not achieved the projected net income levels the performance of the Company is quite satisfactory when compared to the Industry conditions.

OPERATIONS:

The Company's Total Income and Gross profit has further grown during the year. The sales and other Income amounted to Rs.3791.03 lakhs and the Gross Profit amounted to Rs.586.54 Lakhs. This represents a growth in Total Income 15.03% and in Gross Profit 9.43% as compared to the previous year.

The Company has placed its emphasis on continuous modernisation of its plant intune with the changing demands of the market and accordingly, during the year, has replaced the existing machineries by Two more Auto Coners to the production line and as on this date of Report further put into operation Two more Auto Coners and Two Auto Leveler Draw Frames. This would enable the company to substantially improve its Export base in the Current year alongwith the related benefits.