

MD	✓		BKC	✓
CS	NA		DPY	NA
RO	✓		DIV	✓
TRA	NA		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		✓

AMBIKA COTTON MILLS LIMITED

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ANNUAL REPORT
1997 - 98

AMBIKA COTTON MILLS LIMITED

BOARD OF DIRECTORS

Sri P.V. Chandran
Sri P.K. Ganeshwar
Sri M. Rathanasamy
Sri K.N.Sreedharan
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
The Bank of Nova Scotia,
Coimbatore

AMBIKA COTTON MILLS LIMITED

NOTICE OF THE MEETING

Notice is hereby given that the Tenth Annual General Meeting of the Company will be held on Monday the 28th September 1998 at 12.00 a.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 1998 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.P.K. Ganeshwar, 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 the following Resolution, with or without modification as an Ordinary Resolution

RESOLVED that the Authorised Share Capital of the Company be increased from Rs. 5,00,00,000/- (Rupees Five Crores only) divided into 50,00,000/- Equity Shares of Rs. 10/- (Rupees Ten only) each to Rs. 7,00,00,000/- (Rupees Seven Crores only) divided into 50,00,000/- Equity Shares of Rs. 10/- (Rupees Ten only) each and 20,00,000/- Cumulative and Redeemable Preference Shares of Rs. 10/- (Rupees Ten only) each.

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

RESOLVED that the words "The Share Capital of the Company is Rs. 7,00,00,000/- (Rupees Seven Crore Only) divided into 50,00,000/- Equity Shares of Rs. 10/- (Rupees Ten only) each and 20,00,000/- Cumulative and Redeemable Preference Share of Rs. 10/- (Rupees Ten only) each" be substituted for the words "The Share capital of the Company is Rs. 5,00,00,000/- (Rupees Five Crores only) divided into 50,00,000/- Equity Shares of Rs. 10/- (Rupees ten only) each" in Clause V of the Memorandum of Association of the Company.

AMBIKA COTTON MILLS LIMITED

NOTICE OF THE MEETING (Contd...)

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

RESOLVED that the Articles of Association of the company be altered as follows.

In Article 4, the words "The Authorised Share Capital of the Company is Rs. 7,00,00,000/- (Rupees Seven Crore only) divided into 50,00,000/- Equity Shares of Rs. 10/- (Rupees Ten only) each and 20,00,000/- Cumulative and Redeemable Preference Share of Rs. 10/- (Rupee Ten only) each" be substituted for the words "The Share Capital of the Company is Rs. 5,00,00,000/- (Rupees Five Crores only) divided into 50,00,000/- Equity Shares of Rs. 10/- (Rupees Ten only) each".

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

RESOLVED that pursuant to Section 81 (1-A) and other applicable provisions, if any, of the Companies Act 1956, and subject to any approvals, if required, the Board of Directors be and are hereby authorised to issue, offer and allot 20,00,000 Preference Shares of Rs.10/- (Rupees Ten only) aggregating Rs. 2,00,00,000/- (Rupees Two Crore only) to IDBI Bank Limited, by Private placement, on such rate of dividend, and on such terms and conditions and in such tranche as may be decided by the Board in its absolute discretion.

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

RESOLVED that pursuant to Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act 1956, and subject to any approvals, if required, the Board of Directors be and are hereby authorised to issue, offer and allot 8,00,000 Secured Non Convertible Debentures of Rs. 100/- (Rupees One Hundred only) each aggregating Rs. 8,00,00,000/- (Rupees Eight Crore only) to IDBI Bank Limited, by Private placement, on such rate of Interest, and on such terms and conditions and in such tranche as may be decided by the Board in its absolute discretion.

FURTHER RESOLVED that the Board of Directors of the company be and are hereby authorised for mortgaging and/or charging such of the properties of the Company, in favour of IDBI Bank Limited, to secure the Non Convertible Debentures of Rs. 8.00 Crores (Rupees Eight Crore only) proposed to be placed with them.

FURTHER RESOLVED that the Board of Directors of the company be and are hereby authorised to finalise and execute the documents for creating the mortgage and/or charge of the properties and to do all such acts and things as may be necessary for giving effect to the above Resolutions.

AMBIKA COTTON MILLS LIMITED

NOTICE OF THE MEETING (Contd...)

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

RESOLVED that in supersession of the ordinary resolution passed at the Extraordinary General Meeting held on 5th September 1994 the consent of the Company be and is hereby accorded to the Board of Directors of the Company pursuant to Section 293 (l) (d) of the Companies Act 1956. for borrowings from time to time any sum of sums of money which together with the money already borrowed by the Company (apart from temporary loans obtained from the bankers of the company in the ordinary course of business) shall not exceed in the aggregate at any one time Rs. 50 Crores (Rupees Fifty Crores only) irrespective of the fact that such aggregate amount of borrowing outstanding at any one time may exceed the aggregate for the time being of the paid-up capital of the company and its free reserves, that is to say, reserves not set apart for any specific purpose."

By order of the Board

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Sd/-
(P.K.GANESHWAR)
CHAIRMAN

PLACE : Coimbatore.

DATE : 26/06/1998.

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 1998 to 28th September 1998 (Both the days inclusive). The dividend if declared will be paid to those members whose names appear in the Register of Members as on 28th September 1998.
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 at least 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, 6, & 7

The Authorised Share Capital of the Company presently stands at Rs. 5,00,00,000/- (Rupees Five Crore only) consisting of 50,00,000/- Equity Shares of Rs. 10/- each. It is proposed to increase the Authorised Share Capital by Rs. 2,00,00,000/- (Rupees Two Crore only) by way of issue of 20,00,000/- Cumulative Redeemable Preference Shares of Rs. 10/- (Rupees ten only) each.

The Memorandum of Association and Articles of Association of the Company requires alteration so as to reflect the increase in the Authorised Capital.

Your Directors recommend the Resolution at Item Nos. 5, 6 & 7.

No Director is interested in the Resolution.

ITEM NO. : 8

The Company had proposed to issue 20,00,000 Cumulative Redeemable Preference Shares of Rs. 10/- (Rupees Ten only) each aggregating Rs. 2.00 Crores (Rupees Two Crore Only), on Private Placement, with IDBI Bank Limited. This requires approval, U/s 81 of the Companies Act 1956, from the Share Holders of the company.

Your Directors recommend the resolution at Item No. 8.

No Director is interested in the Resolution.

AMBIKA COTTON MILLS LIMITED**ANNEXURE TO NOTICE (Contd...)****ITEM NO. 9**

The Company had proposed to issue 8,00,000 Non Convertible Debentures of Rs. 100/- (Rupees One Hundred only) each aggregating Rs. 8.00 Crores (Rupees Eight Crore only), on Private Placement, with IDBI Bank Limited. The Company has to mortgage and/or charge certain properties of the Company to secure the said debentures. This requires approval U/s 293 (1) (a) of the Companies Act 1956, from the Share Holders of the Company.

Your Directors recommend the Resolution at Item No. 9.

No Director is interested in the Resolution.

ITEM NO.10

The Company at its Extraordinary General Meeting held on 05.09.1994 authorised the Company to borrow upto a limit of Rs. 20,00,00,000/- (Rupees Twenty Crore only). Since then the business of the Company had grown considerably and in order to facilitate the business operations of the Company the borrowing limit of the company is proposed to be increased upto a limit of Rs. 50,00,00,000/- (Rupees Fifty Crore only) and the same has to be approved under Section 293 (1) (d) of the Companies Act 1956, by the Share Holders.

Your Directors recommend the Resolution at Item No. 10.

No Director is interested in the Resolution.

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By order of the Board

Sd/-
(P.K.GANESHWAR)
CHAIRMAN

PLACE : Coimbatore.

DATE : 26/06/1998.

AMBIKA COTTON MILLS LIMITED

DIRECTORS' REPORT

Your directors have great pleasure in submitting the Tenth Annual Report together with the audited accounts for the year ended 31st March 1998.

FINANCIAL RESULTS

The Financial results for the year ended 31st March 1998 are furnished below:

	CURRENT YEAR 1998	PREVIOUS YEAR 1997
SALES AND OTHER INCOME	<u>37,31,22,018</u>	<u>37,91,03,128</u>
GROSS PROFIT FOR THE YEAR	4,74,65,661	5,86,53,888
LESS : DEPRECIATION	<u>1,12,55,358</u>	<u>89,03,347</u>
	3,62,10,303	4,97,50,541
ADD : BALANCE IN PROFIT & LOSS ACCOUNT (BROUGHT FORWARD FROM THE PREVIOUS YEAR)	79,06,281	58,21,996
TRANSFER FROM INVESTMENT ALLOWANCE (Utilised) RESERVE	94,197	—
EXCESS PROVISION FOR INCOME TAX WRITTEN BACK	9,67,240	—
	<u>4,51,78,021</u>	<u>5,55,72,537</u>
LESS : PRIOR PERIOD INCOME TAX	—	12,74,006
PROVISION FOR INCOME TAX	20,00,000	60,00,000
PROVISION FOR DIMINUTION IN VALUE OF INVESTMENTS	2,51,950	4,92,250
	<u>4,29,26,071</u>	<u>4,78,06,281</u>
APPROPRIATIONS:		
GENERAL RESERVE	2,25,00,000	3,00,00,000
PROPOSED DIVIDEND	90,00,000	90,00,000
TAX ON DIVIDEND	9,00,000	9,00,000
BALANCE CARRIED OVER IN PROFIT AND LOSS ACCOUNT	1,05,26,071	79,06,281
	<u>4,29,26,071</u>	<u>4,78,06,281</u>

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 1998 at 18% on the Equity Shares of the Company.

PROJECTION VS PERFORMANCE:

		(Rs. in Lakhs)
	<u>PROJECTED AS PER OFFER DOCUMENT</u>	<u>ACTUALS</u>
TOTAL INCOME	3888.36	3731.22
PBDIT	931.87	569.25
INTEREST	66.69	94.60
DEPRECIATION	119.24	112.55
PROFIT BEFORE TAX	745.94	362.10
TAX	115.00	20.00
PROFIT AFTER TAX	630.94	342.10
EQUITY SHARE CAPITAL	500.00	500.00
EPS (Rs.)	12.62	6.84

There was a sharp reduction in Cotton production causing considerable increase in its prices. Increase in cost of other inputs coupled with sluggish demand for Cotton Yarn both in domestic and export markets with no improvement on the realisation front has resulted in lower profits than projected.

Despite this, the Company had substantially exported its products as compared to the previous year. However, the currency turmoil in South East Asia squeezed the operating margins. These critical factors caused fall in the operating margins of the Company resulting in lower net profits as compared to the projected levels.

OPERATIONS:

The Company's Total Income and Gross profit amounted to Rs. 3731.22 lakhs and Rs. 474.66 Lakhs respectively.

This represents a fall in Total Income of 1.58% and in Gross profit 19.07% as compared to the Previous year.

The Company's continued emphasis on quality products enabled to substantially improve its export base. The export turnover constituted 52.74% of the total turn over of this year as compared to 6.61% of the previous year.