

AMBIKA COTTON MILLS LIMITED



**ANNUAL REPORT
1998 - 99**

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 Eleventh Annual General Meeting of the Company will be held on Wednesday the 29th September 1999 at 12.00 noon 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 1999 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. Soundarrajan, 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 a Ordinary Resolution.

RESOLVED that the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any of the Companies Act, 1956 to mortgaging and or charging by the Board of Directors of the company of all the movable and immovable properties of the company wheresoever situate, present and future, and the whole of the undertaking of the company together with power to take over the management of the business and concern of the company in certain events, to or in favour of Industrial Development Bank of India (IDBI) to secure its rupee term loan aggregating Rs.1,500 Lakhs sanctioned under Technology Upgradation Fund Scheme together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment or on redemption, guarantee commission, remuneration payable to the trustees for the public and / or UTI, costs, charges, expenses and other moneys payable by the company to IDBI under its Loan Agreements/Letters of Sanction/Memorandum of Terms and Conditions entered into/to be entered into by the Company in respect of the said term loans.

RESOLVED FURTHER THAT the Board of Directors of the company be and is hereby authorised to finalise with IDBI, the documents for creating aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for giving effect to the above resolution.

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

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

RESOLVED THAT the following new article be inserted as Article 69-A after the existing article 69.

Notwithstanding anything to the contrary contained in these Articles, so long as any moneys remain owing by the Company to the INDUSTRIAL DEVELOPMENT BANK OF INDIA (IDBI), The Industrial Finance Corporation of India Ltd., (IFCI), The Industrial Credit and Investment Corporation of India Limited (ICICI) and Life Insurance Corporation of India (LIC) or to any other Finance Corporation or Credit Corporation or to any other Financing Company or Body out of any loans granted by them to the company or so long as IDBI, IFCI, ICICI, LIC and Unit Trust of Indis (UTI) or any other financing corporation or credit corporation or any other financing company or Body (each of which IDBI, IFCI, ICICI, LIC and UTI or any other Finance Corporation or Credit Corporation or any other Financing Company or Body is hereinafter in this Article referred to as "The Corporation") continue to hold debentures in the company by direct subscription or private placement, or so long as the Corporation holds shares in the Company as a result of underwriting or direct subscription or so long as any liability of the company arising out of any Guarantee furnished by the Corporation on behalf of the Company remains outstanding, the Corporation shall have a right to appoint from time to time, any person or persons as a Director or Directors, whole time or non-whole time, (which Director or Directors is / are herein after referred to as "Nominee Director/s") on the Board of the Company and to remove from such office such office any person or persons so appointed and to appoint any person / persons in his or their place/s.

The Board of Directors of the Company shall have no power to remove from office the Nominee Director/s. At the option of the Corporation such Nominee Director/s shall not be required to hold any share qualification in the company. Also at the option of the Corporation such Nominee Director /s shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee Director/s shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company.

The Nominee Director/s so appointed shall hold the said office only so long as any moneys remain owing by the company to the Corporation or so long as the Corporation holds Debentures in the Company as a result of direct subscription or private placement or so long as the corporation holds shares in the company as a result of underwriting or direct subscription or the liability of the Company arising out of the Guarantee is outstanding and the Nominee Director/s so appointed in exercise of the said power shall ipso facto vacate such office immediately the moneys owing by the Company to the Corporation are paid off or on the Corporation ceasing to hold Debentures / Shares in the Company or on the satisfaction of the liability of the company arising out of the Guarantee furnished by the Corporation.

AMBIKA COTTON MILLS LIMITED

NOTICE OF THE MEETING (Contd.,)

The Nominee Director/s appointed under this Article shall be entitled to receive all notices of and attend all General Meeting, Board Meetings and of the Meetings of Committee of which the Nominee Director/s is / are member/s as also the minutes of such meetings. The Corporation shall also be entitled to receive all such notices and minutes.

The Company shall pay to the Nominee Director/s sitting fees and expenses to which the other Directors of the Company are entitled, but if any other fees, commission, monies or remuneration in any form is payable to the Directors of the Company, the fees, commission, monies and remuneration in relation to such Nominee Director/s shall accrue to the Corporation and the same shall accordingly be paid by the company directly to the Corporation. Any expenses that may be incurred by the Corporation or such Nominee Director/s in connection with their appointment or Directorship shall also be paid or reimbursed by the company to the Corporation or as the case may be, to such Nominee Director/s.

Provided that if any such Nominee Director/s is an officer of the corporation the sitting fees, in relation to such Nominee Director/s shall also accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation.

In the event of the Nominee Director/s being appointed as whole time Director/s, such nominee Director/s shall exercise such powers and have such rights as are usually exercised or available to a whole time director in the management of the affairs of the company. Such whole time Director/s shall be entitled to receive such remuneration, fees, commission and monies as may be approved by the Corporation.

By order of the Board

Sd/-
(P.K.GANESHWAR)
CHAIRMAN

PLACE : Coimbatore.

DATE : 05/08/1999.

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 1999 to 29th September 1999 (Both the days inclusive). The dividend if declared will be paid to those members whose names appear in the Register of Members as on 29th September 1999.
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 to Item No.5 & 6

ITEM NO. : 5

The company has approached Industrial Development Bank of India (IDBI) for financial assistance in the form of term loans in connection with its project of Unit II at Anjukulipatti Village, Dindigul District, Tamil Nadu.

The financial assistance from the above institution has to be secured by a first mortgage of all the immovable and movable properties of the Company, present and future.

Section 293 (1) (a) of the Companies Act, 1956 provides, inter alia, that the Board of Director of a public company shall not, without the consent of such public company in general meeting, sell lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the Company, or where the company owns more than one undertaking of the whole, or substantially the whole, of any such undertaking.

Since the mortgaging by the company of its immovable and movable properties as aforesaid in favour of the financial institution may be regarded as disposal of the Company's properties / undertaking, it is necessary for the members to pass a resolution under Section 293 (1) (a) of the Companies Act, 1956 before creation of the said mortgage / charges.

Copy of the letter of Sanction No.IDBI (CBE) Ref.No.1091/CFD/59 dt. 02.08.1999 received from IDBI, and copies of the relevant documents / correspondence between the said institutions and the company are open for inspection at the Registered Office of the company between 11.00 A.M. and 1.00 P.M. on any working day prior to the date of the meeting.

The Directors recommend the resolutions for your approval and none of the directors are interested in the resolution.

ITEM NO. 6 :

As the company has approached Industrial Development Bank of India (IDBI) for financial assistance in the form of term loans in connection with its project of Unit II at Anukulipatti Village, Dindigul District, Tamil Nadu, the Articles of Association of the Company has to be amended suitably to provide for appointment of Nominee Directors.

Accordingly the Resolution for inserting a clause in the Articles of Association of the company as suggested by IDBI is placed before you for approval.

The Directors recommend the resolutions for your approval and none of the directors are interested in the resolution.

By order of the Board

Sd/-
(P.K.GANESHWAR)
CHAIRMAN

PLACE : Coimbatore.

DATE : 05/08/1999.

AMBIKA COTTON MILLS LIMITED

DIRECTORS' REPORT

Your directors have great pleasure in submitting the Eleventh Annual Report together with the audited accounts for the year ended 31st March 1999.

FINANCIAL RESULTS

The Financial results for the year ended 31st March 1999 are furnished below:

	CURRENT YEAR 1999	PREVIOUS YEAR 1998
SALES AND OTHER INCOME	43,31,52,801	37,31,22,018
GROSS PROFIT FOR THE YEAR	4,42,08,964	4,74,65,661
LESS : DEPRECIATION	1,14,64,755	1,12,55,358
	<u>3,27,44,209</u>	<u>3,62,10,303</u>
ADD : BALANCE IN PROFIT & LOSS ACCOUNT (BROUGHT FORWARD FROM THE PREVIOUS YEAR)	1,05,26,071	79,06,281
TRANSFER FROM INVESTMENT ALLOWANCE (Utilised) RESERVE	—	94,197
Depreciation Withdrawn	42,750	—
EXCESS PROVISION FOR INCOME TAX WRITTEN BACK	—	9,67,240
	<u>4,33,13,030</u>	<u>4,51,78,021</u>
LESS : PROVISION FOR INCOME TAX	17,00,000	20,00,000
PROVISION FOR DIMINUTION IN VALUE OF INVESTMENTS	7,500	2,51,950
	<u>4,16,05,530</u>	<u>4,29,26,071</u>
APPROPRIATIONS:		
GENERAL RESERVE	1,75,00,000	2,25,00,000
PROPOSED DIVIDEND	90,00,000	90,00,000
TAX ON DIVIDEND	9,90,000	9,00,000
BALANCE CARRIED OVER IN PROFIT AND LOSS ACCOUNT	1,41,15,530	1,05,26,071
	<u>4,16,05,530</u>	<u>4,29,26,071</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 1999 at 18% on the Equity Shares of the Company.

OPERATIONS:

The Company's Total Income and Gross profit amounted to Rs. 4331.53 lakhs and Rs. 442.09 Lakhs respectively.

Though the total Income had registered a growth of 16.09% over the previous year the Gross profit had declined by 6.86%.

For the year Company's Export Turnover amounted to Rs. 2799.80 Lakhs as compared to 1953.79 Lakhs representing an increase of 43.30%.

Despite the continued growth in exports the company's operating margins had declined in view of inability of the cotton industry to pass on the increase in the cost of all inputs. Further the demand recession in respect of cotton yarn continues putting pressure on the margins of the industry.

The company's consistent emphasis on quality had enabled a strong export base and the performance of the company would improve considerably once there is a change in the present conditions affecting the industry.

The Company had so far spent a sum of Rs. 341.94 Lakhs towards setting up a new unit near by its existing plant. The Company expects to commence commercial production from the new unit during the current year which would support the existing operations of the company.

For the completion of the project the company had arranged for necessary financial assistance from various bankers and financial institution.

The areas which are affected by Y2K problems are negligible. All the present systems both Hardware & Software are Y2K compliant in the areas of use.

DIRECTORS :

Sri. P. Soundarrajan, Director retires by rotation and being eligible offers himself for re-appointment.