

AMBIKA COTTON MILLS LIMITED



**ANNUAL REPORT
2001 - 2002**

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
 Sri D. Balasundaram
 Sri R. Srikanth (IDBI Nominee)

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

The Bank of Nova Scotia,
 Coimbatore

AMBIKA COTTON MILLS LIMITED

NOTICE OF THE MEETING

Notice is hereby given that the Fourteenth Annual General Meeting of the Company will be held on Friday the 27th September 2002 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 2002 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. Soundarajan 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 resolution as an Ordinary Resolution.

Resolved that Sri.D. Balasundaram 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 Sri.P.V.Chandran be and he is hereby reappointed as the Managing Director of the Company for a further period of five years with effect from 1-04-2002 without any remuneration.

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

Resolved that Sri.M.Rathanasamy be and he is hereby reappointed as the Managing Director of the Company for a further period of five years with effect from 1-04-2002 without any remuneration.

AMBIKA COTTON MILLS LIMITED

NOTICE OF THE MEETING (Contd...)

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

Resolved that in supersession of the ordinary resolution passed at the Tenth Annual General Meeting held on 28th September 1998 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 or 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. 100.00 Corers (Rupees One Hundred Corers 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.

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

Resolved that pursuant to Section 149 (2A) and all other applicable provisions of the Companies Act, 1956, approval of the Company be and is hereby accorded to the Board of Directors for commencing and undertaking all or any business specified in sub clause (18) of Clause III C of the Memorandum of Association of the Company as and when deemed fit by the Board of Directors.

Sub - Clause 18 :

To carry all or any of the businesses of cultivating, producing and dealing in agricultural products including food grains, cash crops, oil seeds, fruits, vines, vegetables, flowers, tea, coffee, cinchona, cotton, rubber and other business of dairy farming, making of condensed and powdered milk, cream, cheese butter and other milk products and the business of poultry farming, live stock breeding and processing and canning of food articles, spices, fruits and vegetables and of cultivating and exploiting forests and utilizing forest products.

Resolved further that the Board of Directors be and is hereby authorised to take all such steps as may be necessary to give effect to this resolution.

AMBIKA COTTON MILLS LIMITED

NOTICE OF THE MEETING (Contd...)

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 a proxy need not be a member of the Company.
2. Proxies should be lodged with the Company not less than forty-eight hours before the time fixed for the meeting.
3. The register of Members of the Company will remain closed from 16th September 2002 to 27th September 2002 (Both the days inclusive). The dividend if declared will be paid to those members whose names appear in the Register of Members as on 27th September 2002.
4. Members are requested to notify the changes if any in their address immediately.
5. 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.

By order of the Board

PLACE : Coimbatore

DATE : 10/06/2002

Sd/-
(P.K. GANESHWAR)
CHAIRMAN

ANNEXURE TO NOTICE

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

Item No. 5

The Board of Directors appointed Sri D.Balasundaram as an additional Director pursuant to Article 72 of the Articles of Association of the Company and under the said Article he will hold office only up to 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 along with a deposit of Rs. 500/- signifying his intention to propose the appointment of Sri.D.Balasundaram as a Director of the Company.

The Board considered that the appointment of Sri. D.Balasundaram a qualified Textile Engineer and being an expert in the field of Textile Industry would be beneficial to the Company. He is eligible and willing to act as a Director of the Company. This appointment is within the limit of prescribed by Article 67 of the Articles of Association of the Company. Accordingly Ordinary Resolution under Item No. 5 of Notice is submitted to the meeting.

No other Director except Sri. D.Balasundaram may be considered as concerned or interested in passing the Resolution.

AMBIKA COTTON MILLS LIMITED

ANNEXURE TO NOTICE (Contd...)

Item No. 6

Sri. P.V.Chandran was re-appointed as the Managing Director of the Company at the Ninth Annual General Meeting of the Company held on 26th September 1997 for a period of five years with effect from 1-04-1997 providing for remuneration on the basis of net profits of the Company. However Sri.P.V.Chandran has not drawn any Salary from the Company.

Sri. P.V. Chandran is well experienced over a period of 30 years in the field of Textiles. Under his stewardship the Company had grown and considerably strengthened its operations and therefore his re-appointment as Managing Director of the Company is recommended for approval of the members of the Company.

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.

Item No. 7

Sri M.Rathanasamy was re-appointed as the Managing Director of the Company at the Ninth Annual General Meeting of the Company held on 26th September 1997 for a period of five years with effect from 1-04-1997 providing for remuneration on the basis of net profits of the Company. However, Sri. M.Rathanasamy has not drawn any Salary from the Company.

Sri. M.Rathanasamy is well experienced over a period of 30 years in the field of Textiles. Under his Stewardship the Company had grown and considerably strengthened its operations and therefore his re-appointment as Managing Director of the Company is recommended for approval of the members of the Company.

You are requested to pass the resolution as a Special Resolution as required by the relevant provisions of the Act. Sri. M.Rathanasamy is deemed to be interested or concerned in this resolution.

Item No. 8

The Company at its Tenth Annual General Meeting held on 28th September, 1998 authorised the Company to borrow up to a limit of Rs. 50.00 Crores (Rupees Fifty Crores 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. 100.00 Crores (Rupees One Hundred Crores only) and the same has to be approved under Section 293 (1) (d) of the Companies Act, 1956, by the Shareholders.

AMBIKA COTTON MILLS LIMITED

ANNEXURE TO NOTICE (Contd...)

Directors, therefore, recommend the resolution at Item No. 8.

None of the Directors of the Company is in any way, concerned or interested in the resolution.

Item No. 9

The Government of Tamilnadu has drawn up a scheme for development of Waste land for Agricultural purposes through companies with a track record. The Company has identified one such Waste Land available nearby to its existing plants.

As per the provisions of Section 149(2A) of the Companies Act, 1956, approval of Shareholders in General Meeting is required for commencement of any business as set out in the Other Objects under Clause III-C of the Memorandum of Association.

Approval of the Shareholders is sought to enable the Directors to participate in the Scheme framed by the State Government in the interest of the Company to Commence or under take any of the business specified in sub-clause 18 under other objects of the Memorandum of Association of the Company.

Your Directors recommend the Special Resolution for approval of the members.

None of the Directors of the Company is, in anyway, concerned or interested in the Resolution.

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By order of the Board

PLACE : Coimbatore

DATE : 10/06/2002

Sd/-
(P.K. GANESHWAR)
CHAIRMAN

AMBIKA COTTON MILLS LIMITED

DIRECTORS' REPORT

Your directors have great pleasure in submitting the Fourteenth Annual Report together with the audited accounts for the year ended 31st March 2002.

FINANCIAL RESULTS

The Financial results for the year ended 31st March 2002 are furnished below:

	CURRENT YEAR 2002 Rs.	PREVIOUS YEAR 2001 Rs.
SALES AND OTHER INCOME	65,65,04,681	62,54,15,430
GROSS PROFIT FOR THE YEAR	6,34,58,366	7,94,50,209
LESS : DEPRECIATION	2,99,73,092	2,69,74,983
	<u>3,34,85,274</u>	<u>5,24,75,226</u>
ADD : BALANCE IN PROFIT & LOSS ACCOUNT (BROUGHT FORWARD FROM THE PREVIOUS YEAR)	2,80,35,718	2,72,89,105
EXCESS PROVISION WITHDRAWN	16,43,820	0
PRIOR PERIOD INCOME TAX	11,02,788	0
DEPRECIATION WITHDRAWN	0	8,73,143
	<u>6,42,67,600</u>	<u>8,06,37,474</u>
LESS : PROVISION FOR INCOME TAX	5,50,000	33,00,000
PRIOR PERIOD EXPENSES	26,307	18,385
PRIOR PERIOD INCOME TAX	0	9,68,371
PROVISION FOR DEFERRED TAX	3,87,000	0
PROVISION FOR DIMINUTION IN VALUE OF INVESTMENTS	0	50,000
	<u>6,33,04,293</u>	<u>7,63,00,718</u>
APPROPRIATIONS :		
GENERAL RESERVE	4,20,00,000	4,00,00,000
PROPOSED DIVIDEND	60,00,000	75,00,000
TAX ON DIVIDEND	0	7,65,000
BALANCE CARRIED OVER IN PROFIT AND LOSS ACCOUNT	1,53,04,293	2,80,35,718
	<u>6,33,04,293</u>	<u>7,63,00,718</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 2002 at 12% on the Equity Shares of the Company.

OPERATIONS :

The Company's Total Income and Gross profit amounted to Rs. 6,565.05 Lakhs and Rs. 634.58 Lakhs.

Though the Total Income registered a growth of 4.97% as compared to the previous year the gross profit had declined by 20.13% over the previous year.

For the year Company's Export Turnover amounted to Rs. 5,126.35 Lakhs as compared to Rs. 4,864.92 lakhs in the previous year representing an increase of 5.37%. The export turnover constituted 78.88% of the total turnover as against 78.28% in the previous year.

The performance of the Company was largely affected by lower margin realisation prevalent in the Cotton Textile Industry despite increased productivity achieved by the company.

During the year the Company's productive capacity was further strengthened by an addition of 6720 spindles in Unit - II. The Company has further proposed to diversify into manufacturing of Compact Spinning Cotton Yarn alongwith further modernisation of Unit - I and Unit - II of the Company at an estimated cost of Rs. 1140 lakhs. This scheme is planned to be met by a term loan under Technology Upgradation Fund Scheme (TUFS) of Rs. 700.00 lakhs and balance amount out of internal accruals. This will enable the Company to diversify & further strengthen its export market base.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Over a period of time the Company has developed a strong export market base in South East Asia for the products of the Company. By planning to change the product mix by entering into Compact Spinning would further facilitate the company to enter into new export markets viz. European market. The principal factors affecting the Cotton Textile Industry as of now are that the prices of cotton, the primary raw material being an agricultural produce, fluctuates widely but not in tandem and in proportion to the demand for cotton yarn but on the basis of its very own seasonal output and quality. The prices of good quality contamination free cotton, available during season to season largely depends upon the market forces, reports and usual speculation surrounded by it prevalent at that time. On the contrary the demand and prices of cotton yarn is affected by the fact that there are large supplies into the market without focus on market demand. This causes excessive supply in the market and consequent price fall. Besides the market perceives all the supplies are one and the same and the price being determined on that basis and not on the basis of differentiation in quality, consistency and other aspects.

AMBIKA COTTON MILLS LIMITED

DIRECTORS' REPORT (Contd...)

However, through the constant efforts of the company these factors are now being recognised amongst the buyers of company's products and this will benefit the company in the times to come.

DEPOSITS :

The Company has not accepted any deposits from the public.

DIRECTORS :

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

IDBI appointed Sri.R.Srikanth as its Nominee Director with effect from 16-07-2001.

The Board of Directors appointed Sri. D.Balasundaram, a Textile Engineer, as an Additional Director of the Company. In accordance with Article 72 of the Company's Articles of Association the additional director cease to be as such at the ensuing Annual General Meeting. The Company has received notice from a shareholder accompanied by necessary deposit as required proposing his appointment as a Director of the Company. Considering the experience of Sri. D.Balasundaram in the Textile field the Board is of the opinion that it will be in the interest of the company that Sri. D.Balasundaram be appointed as the Director of the Company.

AUDIT COMMITTEE :

Consequent to the appointment of Sri. D. Balasundaram as a Director, the Audit Committee was reconstituted. Sri. D. Balasundaram was appointed as a member of the Audit Committee in the place of Sri.P.V.Chandran.

AUDITORS :

M/s. L. Venkatasubbu & Co., Chartered Accountants, Auditors of the Company are to retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. They have furnished the necessary certificate in terms of Section 224 of the Companies Act, 1956.

DIRECTORS RESPONSIBILITY STATEMENT

In terms of Section 217 (2AA) of the Companies Act 1956, your directors state that:-

1. In the preparation of the Annual Accounts, the applicable accounting standards have been followed.
2. The Company has selected such accounting policies, applied them consistently, made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of financial year and of the profit of the company for that period.