

AMBIKA COTTON MILLS LIMITED



**ANNUAL REPORT
2002 - 2003**

AMBIKA COTTON MILLS LIMITED

NOTICE OF THE MEETING

Notice is hereby given that the Fifteenth Annual General Meeting of the Company will be held on Saturday the 27th September 2003 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 2003 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 resolution as an Ordinary Resolution.

Resolved that Sri. K.Venkatachalam 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 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 mortgage and or charge all the movable and immovable properties of the company to secure the amount borrowed/to be borrowed by the company by way of Term loan from Bank of Baroda under TUFs (Technology upgradation Fund Scheme) not exceeding an amount of Rs. 7.00 crores on pari passu basis with IDBI the existing charge holder to meet the cost of Modernisation and strengthening of the back processing system of Unit-I and Unit-II of the company coupled with Compact Yarn Manufacturing process undertaken and implemented / to be implemented by the company.

Further Resolved that the Board of Directors of the Company be and is hereby authorised to finalise the documents for creating aforesaid mortgage and or charge with the term loan sanctioning institutions/Banks and to do all such acts and things as may be necessary for giving effect to the above resolution.

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NOTICE OF THE MEETING (Contd...)

7. 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 mortgage and or charge all the movable and immovable properties of the company to secure the amount to be borrowed by the company by way of Term loan from State Bank of India under TUFs (Technology Upgradation Fund Scheme) not exceeding an amount of Rs. 24.00 crores in the manner required by the said Bank along with the other existing charge holders to meet the cost of the scheme undertaken by the Company to generate energy for captive purposes so as to meet part of its energy requirement through Wind Energy at an estimated cost of Rs.30.00 Crores to be implemented by the company.

Further Resolved that the Board of Directors of the Company be and are hereby authorised to finalise the documents for creating aforesaid mortgage and or charge with the term loan sanctioning institutions / Banks and to do all such acts and things as may be necessary for giving effect to the above resolution.

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By order of the Board

PLACE : Colmbatore
DATE : 12-08-2003

Sd/-
(P.K. GANESHWAR)
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 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 2003 to 27th September 2003 (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 2003.
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.

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ANNEXURE TO NOTICE

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

Item No. 5

The Board of Directors appointed Sri K.Venkatachalam 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 K.Venkatachalam as a Director of the Company.

The Board considered that the appointment of Sri K.Venkatachalam, with a qualification of Masters Degree in Sociology, Post Graduation Diploma in Labour and Administrative Laws and Post Graduate Diploma in Personnel Management and Industrial Relations and being an expert in the field of Industrial management and labour related matters and the Cotton Textile Industry being labour intensive 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 K.Venkatachalam may be considered as concerned or interested in passing the Resolution.

Item No.6

The members may aware that the company had earlier borrowed from IDBI to meet the cost of its projects and the assets of the company are charged to secure such borrowings. The Company for its Modernisation cum Strengthening of back processing systems of Unit-I and Unit-II of the company and for Compact Yarn Manufacturing process borrowed /to be borrowed a Term Loan from Bank of Baroda up to a limit of Rs.7.00 Crores under Technology Up gradation Fund Scheme. IDBI had given its consent for ceding first charge on the fixed assets of the company in favour of Bank of Baroda on pari-passu basis with the first charge created by the company in favour of IDBI vide its letter IDBI (CBE) No. 2914 /CFD.59 dt.26.12.2002 and further advised under letter IDBI (CBE) No.3088 /LD A-83 dt 08.01.2003 to file a Resolution passed by the Company pursuant to

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ANNEXURE TO NOTICE (Contd...)

Section 293 (1) (a) of the Companies Act, 1956 for the purpose of creation of the charge in favour of Bank of Baroda also. Even though compliance with the provisions of section 293 (1) (a) does not arise in the case of Equitable Mortgage created by deposit of title deeds and hypothecation of undertaking or part of the undertaking of the company in terms of Circular No: 8/19 (293) /64 -PR dt 21.07.1964 In order to comply with the requirements of IDBI and to secure the borrowings from Bank of Baroda It is necessary for the members to pass a resolution under section 293 (1) (a) of the companies Act, 1956 to mortgage/ charge the assets of the company.

Directors, therefore recommend the Resolution at Item No.6

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

Item No.7

Pursuant to the application made by the company, State Bank of India vide its Sanction Letter ADV/RM. 1 dt. 08.08.2003 has sanctioned a Term Loan of Rs.24.00 Crores under Technology Upgradation Funds Scheme (TUFFS) to meet part cost of the scheme undertaken by the Company to generate energy for captive purposes so as to meet part of its energy requirement through Wind Energy at an estimated cost of Rs. 30.00 Crores.

In order to secure the said financial assistance from State Bank of India It is necessary for the members to pass necessary resolutions under section 293 (1) (a) of the companies Act, 1956 to mortgage / charge the assets of the company in the manner as required by the said Bank alongwith other existing charge holders in respect of the assets of the company.

Directors, therefore recommend the Resolution at Item No. 7

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

By order of the Board

PLACE : Colmbatore
DATE : 12-08-2003

Sd/-
(P.K. GANESHWAR)
CHAIRMAN

AMBIKA COTTON MILLS LIMITED

BOARD OF DIRECTORS

Sri P.V. Chandran
Sri P.K. Ganeshwar
Sri M. Rathanasamy
Sri K.N. Sreedharan
Sri D. Balasundaram
Sri R. Srikanth (IDBI Nominee)
Sri K. Venkatachalam

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
IDBI, Bank, Coimbatore
Bank of Baroda, Coimbatore

AMBIKA COTTON MILLS LIMITED

DIRECTORS' REPORT

Your directors have great pleasure in submitting the Fifteenth Annual Report together with the audited accounts for the year ended 31st March 2003.

FINANCIAL RESULTS

The Financial results for the year ended 31st March 2003 are furnished below:

	CURRENT YEAR 2003 Rs.	PREVIOUS YEAR 2002 Rs.
SALES AND OTHER INCOME	83,25,58,677	65,65,04,681
GROSS PROFIT FOR THE YEAR	11,75,94,771	6,34,58,366
LESS : DEPRECIATION	3,46,88,612	2,99,73,092
	8,29,06,159	3,34,85,274
ADD : BALANCE IN PROFIT & LOSS ACCOUNT (BROUGHT FORWARD FROM THE PREVIOUS YEAR)	1,53,04,293	2,80,35,718
EXCESS PROVISION WITHDRAWN	0	16,43,820
PRIOR PERIOD INCOME TAX	15,713	11,02,788
	9,82,26,165	6,42,67,600
LESS : PROVISION FOR INCOME TAX	14,00,000	5,50,000
PRIOR PERIOD EXPENSES	0	26,307
PROVISION FOR DEFERRED TAX	0	3,87,000
	9,68,26,165	6,33,04,293
APPROPRIATIONS :		
GENERAL RESERVE	6,30,00,000	4,20,00,000
PROPOSED DIVIDEND	80,00,000	60,00,000
TAX ON DIVIDEND	10,00,000	0
BALANCE CARRIED OVER IN PROFIT AND LOSS ACCOUNT	2,48,26,165	1,53,04,293
	9,68,26,165	6,33,04,293

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DIRECTORS' REPORT (Contd...)

DIVIDEND

Your directors are pleased to recommend for your approval payment of dividend for the year ended 31st March 2003 at 16% on the Equity Shares of the Company.

OPERATIONS:

The Company's Total Income and Gross profit amounted to Rs.8325.59 Lakhs and Rs.1175.95 Lakhs. This represents a growth in Total Income 26.82% and in Gross Profit 85.31 % as compared to the previous year.

For the year Company's Export Turnover amounted to Rs.6247.39 lakhs as compared to Rs.5126.36 lakhs in the previous year representing an increase of 21.87%. The export turnover constituted 76.56% of the total turnover as against 78.88% in the previous year.

The overall improved performance of the company was due to change in product mix and planned leveraging of all the resources of the company towards achieving optimum performance of the company.

During the year the Company completed and put in operation the scheme of different product mix in the form of manufacturing of Compact Spinning Cotton Yarn by fixing such spinning systems over the existing Ring Frames coupled with strengthening of back processing and modernization of Unit - I and Unit - II of the Company at a cost of Rs.1112.18 lakhs. Bank of Baroda assisted this scheme by way of Term Loan of Rs.700.00 lakhs under Technology Upgradation Fund Scheme (TUFS) and balance amount was met out of internal accruals. This will enable the Company to diversify & further strengthen its export market base. The Company has drawn up a proposal to generate energy for captive purposes so as to meet part of its energy requirement through Wind Energy at an estimated cost of Rs.30.00 Crores. The discussion with the Equipment supplier and tying up of necessary resources for the project cost is in the advanced stage of conclusion. The Scheme is proposed to be implemented under Technology Upgradation Fund Scheme (TUFS) and on its completion would substantially reduce the cost of energy in respect of the existing operations.

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DIRECTORS' REPORT (Contd...)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management Discussion and Analysis Report covering matters listed in Clause 49 of the Listing Agreement for the year under review is given as a separate statement in the Annual Report.

DEPOSITS:

The Company has not accepted any deposits from the public.

DIRECTORS:

Sri. P.Soundarrajan, resigned from the Board of Directors with effect from 31.07.2002 . The Board wishes to place on record its acknowledgement for the services rendered by him during his tenure of office

Sri K.N.Sreedharan, Director retires by rotation and being eligible offers himself for re-appointment.

The Board of Directors appointed Sri K.Venkatachalam, having a varied experience in Labour related matters based at Dindigul 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 a notice from a shareholder accompanied by necessary deposit as required proposing his appointment as a Director of the Company. Considering the experience of Sri K.Venkatachalam in the Labour law related matters the Board is of the opinion that it will be in the interest of the company that Sri K.Venkatachalam be appointed as the Director of the Company.

AUDITORS:

M/s. L.Venkasubbu & 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 other than Accounting Standard 22 (Accounting for taxes on income) in view of staying of application of the said standard by Hon'ble Madras High Court.

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DIRECTORS' REPORT (Contd...)

2. The Company has selected such accounting policies, applied them consistently, made judgments 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.
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision with Companies Act 1956, for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The Company has prepared the attached annual statement of accounts for the year ended 31st March 2003, on a going concern basis.

ACCOUNTING STANDARD FOR TAXES ON INCOME ISSUED BY INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA (AS-22)

The Audit Report has been qualified for non- provision of Deferred tax liability to the extent of Rs. 57.26 Lakhs for 31.03.2003 and cumulative liability of Rs.180.13Lakhs up to 31.03.2002 and consequent effect on the Profit after tax for the year and further reduction in the Reserves and surplus of the company. The matter has been stayed by Hon'ble Madras HighCourt and sub-judice as on date and consequently the company has not provided for such liability in the accounts. However the amount has been quantified and shown under Note No: 9 forming part of the accounts.

PARTICULARS OF EMPLOYEES:

The Company has no employees of the category specified in Section 217(2A) of the Companies Act, 1956.

DISCLOSURES OF PARTICULARS:

Particulars relating to conservation of energy, Technology absorption, Foreign Exchange Earning and outgo pursuant to the Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988 are set out separately and form part of this report.

For and on behalf of the Board

PLACE : Colmbatore

DATE : 20-06-2003

Sd/-
(P.K. GANESHWAR)
CHAIRMAN