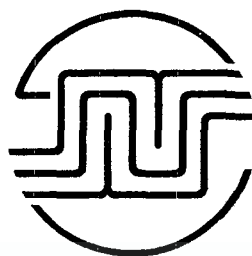


SRI NACHAMMAI COTTON MILLS LIMITED

MD	<input checked="" type="checkbox"/>	DKC	<input checked="" type="checkbox"/>
CS	<input checked="" type="checkbox"/>	DPY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>	DMV	<input checked="" type="checkbox"/>
TRA	<input checked="" type="checkbox"/>	AC	<input checked="" type="checkbox"/>
AGM	<input checked="" type="checkbox"/>	SHH	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>		



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17th Annual Report 1996-97

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SRI NACHAMMAI COTTON MILLS LIMITED

Board of Directors

Managing Director

Sri. P. PALANIAPPAN, B.E., M.S.(U.S.A.)

Joint Managing Director

Smt. P. UMayAL, B.Sc.

Directors

Smt. RM. UMAIYAL

Dr. R. SUBRAMANIAM, B.Tech., M.S. Ph.D.(U.S.A.)

Sri. R. RAMANATHAN, B.Com., F.C.A.

Sri. AR. ANNAMALAI

Sri. R. VIJAYARAGHAVAN, M.Sc., M.B.A., B.L.

Sri. AMRATHLAL A. GANDHI, B.Sc.

Dr. R. PALANIAPPAN, M.D.

Sri. A. ALAGAPPAN, B.B.A.

Sri. A. ANNAMALAI

Finance Manager cum Company Secretary

Sri. C. THIRUMURTHY, B.Com., A.C.S.

Auditors

Messrs. M.S. JAGANNATHAN & VISVANATHAN

Chartered Accountants

No.6, D.B. Road, R.S. Puram

Coimbatore - 641 002.

Bankers

INDIAN OVERSEAS BANK

Salem Main Branch

6/671, Car Street, Salem - 636 001.

Registered Office

30, Sugavaneswara Road

Balaji Nagar, Salem - 636 004.

Mills at

Near Railway Station

Chettinad - 630 102.

Sivaganga District

SRI NACHAMMAI COTTON MILLS LIMITED

Registered Office : 30, Sugavaneswara Road, Balaji Nagar, Salem - 636 004.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Seventeenth Annual General Meeting of Sri Nachammai Cotton Mills Limited will be held on Friday, the 19th day of December, 1997 at 5.00 P.M. at Hotel Vasantham, LIC Colony Road, (Opposite to New Bus Stand), Salem - 636 004 to transact the following business. All the shareholders are requested to attend the same.

AGENDA**ORDINARY BUSINESS**

1. To receive, consider and adopt the Directors' Report, the audited Balance Sheet for the year ended 30th June 1997, the audited Profit and Loss Account as at that date and the Auditors' Report thereon.
2. To declare a dividend on equity shares.
3. To appoint a Director in the place of Dr.R.Palaniappan, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of Sri.Amrathlal A.Gandhi, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in the place of Smt.RM.UmaiyaI, who retires by rotation and being eligible, offers herself for reappointment.
6. To appoint an Auditor or Auditors for the Company to hold office from the close of this Annual General Meeting till the close of the next Annual General Meeting and to fix his/their remuneration.

SPECIAL BUSINESS

7. To consider and if thought fit, to pass the following resolution as an "Ordinary Resolution".

RESOLVED that Sri.A.Annamalai who was Co-opted as an Additional Director of the Company by the Board of Directors who ceases to hold office under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.

8. To consider and if thought fit, to pass the following resolution as an "Ordinary Resolution".

RESOLVED that consent/approval be and is hereby accorded under Sections 198, 269, 309 and Schedule XIII and other applicable provisions of the Companies Act, 1956 for re-appointment of Sri. P. Palaniappan, as Chairman and Managing Director for a period of five years from 19.12.1997 on the following remuneration, perquisites and other terms and conditions :

1. Salary

Rs.87,500/- (Rupees eighty seven thousand five hundred only) per month.

2. Commission

Commission computed on the basis of 5% of the net profit of the Company as reduced by the aggregate remuneration by way of salary and perquisites (exclusive of perquisites not included in the computation of ceiling on remuneration in Paragraph 2 of Section II of Part II of Schedule XIII).

Perquisites

- A. The Chairman and Managing Director shall be eligible to the following perquisites, which are not to

be included in the computation of the ceiling on remuneration specified in Paragraph 2 of Section II of Part II of Schedule XIII to the Companies Act, 1956.

- i. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or part together are not taxable under the Income Tax Act, 1961.
- ii. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
- iii. Encashment of leave at the end of tenure.
- iv. Car with driver for use on Company's business and Telephone at residence. Personal long distance calls and use of car for private purpose shall be billed by the Company.

B. Housing I

The expenditure by the Company on hiring furnished accommodation for the Chairman and Managing Director will be subject to the following ceiling :

Sixty percent of the salary, over and above ten percent payable by the Chairman and Managing Director.

Housing II

In case the accommodation is owned by the Company, ten percent of the salary of the Chairman and Managing Director shall be deducted by the Company.

Housing III

In case no accommodation is provided by the Company, the Chairman and Managing Director shall be entitled to house rent allowance subject to the ceilings laid down in Housing I.

The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Act, 1961. This shall, however, be subject to a ceiling of 10% of the salary of the Chairman and Managing Director.

Medical Reimbursement

Medical expenses incurred for self and family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.

Leave Travel Concession

For self and family once in a year incurred in accordance with the rules of the Company.

Club Fees

Fees of clubs, subject to a maximum of two clubs, excluding admission and life membership fees.

Personal Accident Insurance

Premium not to exceed Rs.4,000 per annum.

Other Terms and Conditions

- i. The salary, commission and perquisites shall be subject to the overall ceiling under Sections 198 and 309 of the Companies Act, 1956.
- ii. In the event of absence or inadequacy of profits in any financial year during the tenure of the Chairman and Managing Director, he shall be paid the same salary as specified above, subject to the overall package of remuneration (exclusive of perquisites not reckoned for the purpose of ceiling in Section 2 of Part II of Schedule XIII to the Companies Act, 1956) being within the limits prescribed in Section 2 of Part II aforesaid and/or any statutory modifications or substitutions thereof.

9. To consider and if thought fit, to pass the following resolution as an "Ordinary Resolution"

RESOLVED that consent/approval be and is hereby accorded under Sections 198, 269, 309 and Schedule XIII and other applicable provisions of the Companies Act, 1956 for re-appointment of Smt. P. Umayal, as Joint Managing Director for a period of five years from 19.12.1997 on the following remuneration, perquisites and other terms and conditions :

1. Salary

Rs.87,500/- (Rupees eighty seven thousand five hundred only) per month.

2. Commission

Commission computed on the basis of 5% of the net profit of the Company as reduced by the aggregate remuneration by way of salary and perquisites (exclusive of perquisites not included in the computation of ceiling on remuneration in Paragraph 2 of Section II of Part II of Schedule XIII).

Perquisites

- A. The Joint Managing Director shall be eligible to the following perquisites, which are not to be included in the computation of the ceiling on remuneration specified in Paragraph 2 of Section II of Part II of Schedule XIII to the Companies Act, 1956.

- i. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or part together are not taxable under the Income Tax Act, 1961.
- ii. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
- iii. Encashment of leave at the end of tenure.
- iv. Car with driver for use on Company's business and Telephone at residence. Personal long distance calls and use of car for private purpose shall be billed by the Company.

B. Housing I

The expenditure by the Company on hiring furnished accommodation for the Joint Managing Director will be subject to the following ceiling :

Sixty percent of the salary, over and above ten percent payable by the Joint Managing Director.

Housing II

In case the accommodation is owned by the Company, ten percent of the salary of the Joint Managing Director shall be deducted by the Company.

Housing III

In case no accommodation is provided by the Company, the Joint Managing Director shall be entitled to house rent allowance subject to the ceilings laid down in Housing I.

The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Act, 1961. This shall, however, be subject to a ceiling of 10% of the salary of the Joint Managing Director.

Medical Reimbursement

Medical expenses incurred for self and family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.

Leave Travel Concession

For self and family once in a year incurred in accordance with the rules of the company.

Club Fees

Fees of clubs, subject to a maximum of two clubs, excluding admission and life membership fees.

Personal Accident Insurance

Premium not to exceed Rs.4,000 per annum.

Other Terms and Conditions

- i. The salary, commission and perquisites shall be subject to the overall ceiling under Sections 198 and 309 of the Companies Act, 1956.
- ii. In the event of absence or inadequacy of profits in any financial year during the tenure of the Joint Managing Director, she shall be paid the same salary as specified above, subject to the overall package of remuneration (exclusive of perquisites not reckoned for the purpose of ceiling in Section 2 of Part II of Schedule XIII to the Companies Act, 1956) being within the limits prescribed in Section 2 of Part II aforesaid and/or any statutory modifications or substitutions thereof.

10. To consider and if thought fit to pass the following resolution as an "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 immovable and movable properties of the Company wheresoever situate, present and future and the whole of the undertaking of the Company and/or conferring power to enter upon and take possession of the assets of the Company in certain events in favour of the Industrial Development Bank of India (IDBI) to secure Rupee Term Loan of Rs.225 lakhs and Foreign Currency Loan of DM 1.086 million, JY 0.829 million, GBP 0.012 million and SFR 0.047 million equivalent in aggregate to USD 0.775 million (equivalent to Rs.275 lakhs) aggregating Rs.500 lakhs (Rupees five hundred lakhs only) lent and advanced/agreed to be lent and advanced by IDBI together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, expenses and other monies including any increase as a result of devaluation/revaluation/fluctuation in the rates of exchange of foreign currencies involved payable by the Company to IDBI under their loan agreements entered into/to be entered into by the Company in respect of the said term loans.

RESOLVED further that the mortgage/charge created/to be created and/or all agreements/documents executed / to be executed and all acts done in terms of the above resolutions by and with the authority of the Board of Directors are hereby confirmed and ratified.

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

RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association be and are hereby altered as under :

The following new Article be substituted in the place of Existing Article "3" :

3. No share qualification is required for any person for being appointed as Director of the Company.

Salem,
19th September, 1997

By Order of the Board,
P.PALANIAPPAN
Managing Director

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 the Proxy need not be a member of the Company.
2. The instrument appointing Proxy should however be deposited at the Registered Office of the Company not less than Fortyeight hours before the commencement of the Meeting.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from 16.12.1997 to 19.12.1997 (both days inclusive).
4. Members are requested to notify immediately any changes in their address to the Company.
5. Dividend, if declared, will be paid to members whose names appear on the Register of Members of the Company as on 19.12.1997.
6. Pursuant to Section 205A of the Companies Act, 1956, the Company has transferred all unclaimed dividends up to the equity dividend for the financial year ended 31st March, 1993 to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Tamilnadu, Bank of Baroda Building, V floor, Eastern Wing, 82, Bank Road, Coimbatore - 641 018 in the prescribed form which will be supplied by the Company on request.

EXPLANATORY STATEMENT

AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No.7

Sri.A.Annamalai was Co-opted as an Additional Director of the Company on 19th September, 1997 by the Board of Directors of the Company. According to the provisions of Section 260 of the Companies Act, 1956, he holds office as Director only upto the date of the ensuing Annual General Meeting. As required by Section 257 of the Act, a notice together with the requisite deposit has been received from a member signifying his intention to propose his appointment as a Director. The Board considers it desirable that the Company should continue to avail itself of his services and therefore commend the same for passing it as an Ordinary Resolution.

None of the Directors of the Company except Sri.A.Annamalai is concerned or interested in the resolution.

Item Nos.8 & 9

Sri.P.Palaniappan was appointed as Managing Director for a period of five years from 1.8.1993 at the General Meeting of the Company held on 13.10.1993 and Smt. P. Umayal was appointed as Joint Managing Director for a period of five years from 14.04.1995 at the General Meeting of the Company held on 30.08.1995.

The Board of Directors at their Meeting held on 19.09.1997 have terminated the prior period of appointment of Sri. P. Palaniappan as Managing Director and Smt. P. Umayal as Joint Managing Director with effect from 19.12.1997 and have re-appointed them as Chairman and Managing Director and Joint Managing Director respectively for a period of five years from 19.12.1997 on the revised remuneration and perquisites and other terms and conditions.

The proposed re-appointment, remuneration and perquisites are within the limits prescribed in Schedule XIII of the Companies Act, 1956 and require the approval of shareholders as per the provisions of the Companies Act, 1956. Accordingly, the resolution set out in Item Nos. 8 and 9 are recommended by the Board of Directors for approval of this General Meeting.

Sri.P.Palaniappan and Smt.P.Umayal may be deemed to be concerned or interested in the above re-appointment as it relates to their re-appointment and remuneration.

Sri.P.Palaniappan and Smt.P.Umayal are related to Smt.RM.Umaiya, Dr.R.Subramaniam, Sri.R.Ramanathan and Dr.R.Palaniappan, Directors of the Company.

This may also be treated as a Memorandum issued pursuant to provision 302 of the Companies Act, 1956.

Item No.10

The Company has availed from the Industrial Development Bank of India (IDBI) for financial assistance in the form of term loan in connection with its project for expansion and modernisation of its units at Chettinad, Sivaganga District.

The financial assistance from the IDBI has been secured by a first mortgage of all the immovable and movable properties of the Company, present and future, along with Indian Overseas Bank on pari passu basis.

Section 293(1) (a) of the Companies Act, 1956 provides, inter alia, that the Board of Directors 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.

Since the mortgaging by the Company of its immovable and movable properties as aforesaid in favour of the IDBI may be regarded as disposal of the Company's properties/undertakings, it is necessary for the members to pass a resolution under Section 293 (1) (a) of the Companies Act, 1956 and the Company has already created mortgage over its immovable assets in favour of IDBI.

Copy of the letter of intent No.13207 /PFD.BDC (546) dated February 4, 1997 received from IDBI and copies of the relevant documents/correspondence between the IDBI and the Company are open for inspection at the Registered Office of the Company between 11 A.M. and 1 P.M. on any working day prior to the date of the meeting.

None of the Directors of the Company is interested in the resolution.

Item No. 11

At present, the Articles of Association contain share qualification for becoming a Director of the Company. It has been decided by the Board of Directors that henceforth, no share qualification is required for becoming a Director.

Your Directors, therefore, recommend the resolution for approval.

A copy of the Articles of Association together with the proposed amendment is available 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 Meeting.

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

Salem,
19th September, 1997

By Order of the Board,
P.PALANIAPPAN
Managing Director

SRI NACHAMMAI COTTON MILLS LIMITED

Registered Office : 30, Sugavaneswara Road, Balaji Nagar, SALEM 636 004.

REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS

Ladies and Gentlemen,

Your Directors have great pleasure in presenting this 17th Annual Report together with the Audited Statement of Accounts for the Year ended 30th June, 1997.

FINANCIAL RESULTS FOR THE YEAR.

The financial results for the year under review are furnished below :

	Rs.
OPERATING PROFIT	9,58,45,122
Less : Interest	4,50,00,586
GROSS PROFIT	5,08,44,536
Less : Depreciation	2,32,90,672
PROFIT FOR THE YEAR	2,75,53,864
Add : Transfer from Investment Allowance (utilised) Reserve	7,00,000
	2,82,53,864
Less : Bonus paid for prior year	19,89,789
Total	<u>2,62,64,075</u>
Profit available for appropriation	2,62,64,075
Your Directors recommend the following provisions and appropriations :	
Provision for taxes	15,00,000
Provision for tax on dividend	6,42,990
Proposed dividend	64,29,900
Transfer to General Reserve	1,00,00,000
Balance Carried forward to next year	76,91,185
Total	<u>2,62,64,075</u>

During the year a sum of Rs. 7,00,000 upto 30.6.1986 has been transferred from Investment Allowance (utilised) Reserve to General Reserve as the sum is not required.

DIVIDEND

Your Directors recommend a dividend of 15% on the paid up Share Capital of 43,00,000 Equity Shares of Rs.10/- each absorbing a sum of Rs.64,29,900. Provision for 10% tax on dividend has also been made.

MODERNISATION AND EXPANSION

During the year under report the Company has undertaken a Modernisation cum Expansion Scheme for a total cost of Rs.790 lakhs funded by Industrial Development Bank of India under Project Finance Scheme for Rs.500 lakhs (including a Foreign Currency loan of Rs.275 lakhs) and from Indian Overseas Bank for Rs.45 lakhs. The hallmarks of our Expansion cum Modernisation is to build flexibility to change count pattern to meet sudden changes in market demand, to meet additional demand of certain counts and enhanced quality to cater the export markets. The above scheme includes importing of the latest new generation Carding machines Trutzschler DK 803 Cards from Germany to give higher production and better quality. After the current modernisation cum expansion expected to be completed by October 1997 the Company shall have the latest machinery in all areas from Blow Room to Cone Winding giving the