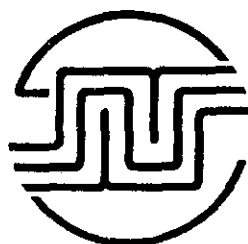


**SRI NACHAMMAI
COTTON MILLS LIMITED**



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19th Annual Report 1998 - 99

SRI NACHAMMAI COTTON MILLS LIMITED

Board of Directors

Chairman cum Managing Director

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

Joint Managing Director

Smt. P.UMAYAL, B.Sc.

Directors

Smt.RM.UMAIYAL

Sri AR.ANNAMALAI

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

Sri AMRATHLAL A.GANDHI, B.Sc.

Sri A.ALAGAPPAN, B.B.A.

Sri A.ANNAMALAI

Finance Manager cum Company Secretary

Sri C.THIRUMURTHY, B.Com., F.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 Nineteenth Annual General Meeting of Sri Nachammai Cotton Mills Limited will be held on Wednesday, the 22nd day of December, 1999 at 5.00 p.m. at National Hotel, Bangalore Main Road, Salem - 636 009 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 1999, the audited Profit and Loss Account as at that date and the Auditors' Report thereon.
2. To appoint a Director in the place of Sri Amrathlal A. Gandhi who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in the place of Sri A. Annamalai who retires by rotation and being eligible, offers himself for reappointment.
4. 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

5. To consider and if thought fit to pass the following resolutions 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 together with power to takeover the Management of the business and concern of the Company in certain events to or in favour of the Industrial Development Bank of India (IDBI) to secure its Rupee Term Loan of Rs.300 lakhs (Rupees Three hundred lakhs only) sanctioned under Corporate Loan Scheme together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment, costs, charges, expenses and other monies payable by the company to IDBI under its loan agreement/ Letter of Sanction/ Memorandum of Terms and Conditions entered into/to be entered into by the company in respect of the said term loan.

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.

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

"Resolved that pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, ("the Act") the Articles of Association of the Company be and are hereby altered in the manner and to the extent set out below:

The following new Articles are inserted as Article 20(b) and after Article 20(a).

Nomination:

- (1) Every shareholder or debenture holder of the Company, may at any time, nominate a person to whom his shares or debentures shall vest in in the event of his death in such manner as may be prescribed under the Act,
- (2) Where the shares or debentures of the Company are held by more than one person jointly, joint holders may together nominate a person to whom all the rights in the shares or debentures, as the case may be, shall vest in the event of death of all the joint holders in such manner as may be prescribed under the Act,
- (3) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, where a nomination made in the manner aforesaid purports to confer on any person the right to vest the shares or debentures, the nominee shall, on the death of the shareholder or debenture holder or, as the case may be on the death of the joint holders become entitled to all the rights in such shares or debentures or, as the case may be, all the joint holders, in relation to such shares or debentures, to the exclusion of all other persons, unless the nomination is varied or cancelled in the manner as may be prescribed under the Act,
- (4) Where the nominee is a minor, it shall be lawful for the holder of the shares or debentures, to make the nomination to appoint any person to become entitled to shares in, or debentures of, the Company in the manner prescribed under the Act, in the event of his death, during the minority.

Transmission of Securities:

- (1) A nominee, upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either
 - (a) To register himself as holder of the share or debenture, as the case may be; or
 - (b) to make such transfer of the share or debenture, as the deceased shareholder or debenture holder, as the case may be, could have made.
- (2) If the nominee elects to be registered as holder of the share or debenture, himself, as the case may be, he shall deliver or send to the Company, a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased shareholder or debenture holder, as the case may be.

- (3) A nominee shall be entitled to share dividend and other advantage to which he would be entitled if he was the registered holder of the share or debenture. Provided that he shall not, before registered as a member, be entitled to exercise any right conferred by membership in relation to meeting of the Company.

Provided further that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share or debenture, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the share or debenture, until the requirements of the notice have been complied with.

Salem
30th August 1999

By Order of the Board,
P. PALANIAPPAN
Chairman cum 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 forty-eight hours before the commencement of the Meeting.
- 3) The Register of Members and Share Transfer Books of the Company shall remain closed from 16.12.1999 to 22.12.1999 (both days inclusive).
- 4) Members are requested to notify immediately any changes in their address to the Company.
- 5) Pursuant to Section 205A of the Companies Act, 1956, the Company has transferred all unclaimed dividends upto the equity dividend for the financial year ended 31st March, 1994 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.

Shareholders are hereby informed that pursuant to a recent amendment to the Act, the Company is obliged to transfer any money lying in the unpaid Dividend Account, which remains unpaid or unclaimed for a period of seven years from the date of such transfer to the unpaid Dividend Account, to the credit of Investor Education and Protection Fund (the Fund) to be established by the Central Government. In accordance with Section 205C of the Act, no claim shall lie against the Company or the Fund in respect of individual amounts of dividends remaining unclaimed and unpaid for a period of seven years from the dates they first became due for payment and no payment shall be made in respect of any such claims.

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

Item No.5

The Company has availed from the Industrial Development Bank of India (IDBI) for financial assistance in the form of corporate term loan for augmentation of long-term working capital of the Company.

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 of the Company.

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.6245/PFD.02(80) dated 4.9.98 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 11.00 A.M. and 1.00 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.6

By the Companies (Amendment) Act, 1999 the holders of security of the Company have been given an option to nominate a person to whom the rights of security holders of the Company will vest in the event of his death. It would be beneficial if such a nomination clause is included in the Articles of Association of the Company.

It has, therefore, become necessary to alter the Articles of Association of your Company as proposed in the resolution.

Under Section 31 of the Companies Act, 1956, alteration of Articles of Association can be done only by passing a Special Resolution; and accordingly, the resolution set out in item No.6 has been proposed as a Special Resolution. None of the Directors of the Company is concerned or interested in the resolution.

Salem
 30th August 1999

By Order of the Board,
P. PALANIAPPAN
 Chairman cum 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 19th Annual Report together with the Audited Statement of Accounts for the Year ended 30th June, 1999.

FINANCIAL RESULTS FOR THE YEAR

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

	Rs.
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION	7,88,90,638
Less : Interest	4,72,35,100
GROSS PROFIT	3,16,55,538
Less : Depreciation	3,03,39,804
PROFIT FOR THE YEAR	13,15,734
Add : Balance Brought Forward from Last Year	16,63,674
Excess Provision for Taxation Reversed	85,916
	<u>30,65,324</u>
Less : Bonus paid for prior year over and above the provision	7,20,557
Total	<u>23,44,767</u>
Profit available for appropriation	<u>23,44,767</u>
Your Directors recommend the following provisions and appropriations:	
Provision for taxes	—
Provision for diminution in value of Investments	4,89,060
Transfer to General Reserve	7,00,000
Balance carried over to next year	11,55,707
Total	<u>23,44,767</u>

DIVIDEND

With a view to conserve resources and due to decline in profit, your Directors regret their inability to recommend Dividend on Equity Shares for the year ended 30.06.1999.

REVIEW OF OPERATIONS

During the year under review, the performance of the Company was adversely affected due to hike in Excise Duty from 5.75% to 9.20% on Cotton Yarn, sluggish demand for Cotton Yarn leading to falling prices and accumulation of stocks increasing our interest burden, production losses on account of strikes by workers.

After providing interest and depreciation, the net profit is lower at Rs.13.16 lacs against Rs.51.07 lacs, but there is no significant change in Operating Profit.

Our Company has started implementing cost cutting measures and widening its market base including exports to tide over the difficult period.

The market position continues to be sluggish, so we are not in a position to predict performance for the current year, but there are positive signs of revival in some core sectors of the Indian Economy as well as with a popular Government installed in October 1999, we hope that the Textile Industry will also revive.

Y2K COMPLIANCE

The Company has taken effective steps to be a Y2K compliant by September 1999 at an estimated cost of Rs.40 lacs. To ensure this objective, the Company has engaged the expert services of HCL Infosystems Limited, Coimbatore, an outside agency.

EXPORT

During the year under review, your company exported cotton yarn through merchant exporters for a value of Rs.208.55 lacs against Rs.616.54 lacs in the previous year.

FIXED DEPOSITS

As on 30.6.1999, 28 deposits amounting to Rs.4,62,400/- remaining unclaimed on the due dates, since then 8 deposits involving Rs.80,000/- were either renewed or repaid as per instruction from the depositors and 20 deposits involving Rs.3,82,400/- still remain unclaimed and close follow-up is being made to obtain instruction from the depositors.

DIRECTORS

Dr.R.Palaniappan has resigned from the directorship of the Board of Directors. Your Directors place on record the valuable services rendered by him to the Company as Director during his tenure of office.

The Directors Sri Amrathlal A.Gandhi and Sri A.Annamalai retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

LISTING

The Equity Shares of the Company are listed in Mumbai, Chennai and Coimbatore Stock Exchanges and the Company has duly paid the Annual listing fees for the year 1999-2000.

AUDITORS

Messrs.M.S.Jagannathan & Visvanathan, Auditors retire at the ensuing Annual General Meeting and they are eligible for reappointment.

PARTICULARS OF EMPLOYEES

In accordance with Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules 1975, as amended, a statement showing the names and other particulars of the employees of the Company who are in receipt of remuneration of not less than Rs.6 lakhs per annum and Rs.50000/- per month is annexed to this report.

STATEMENT SHOWING DETAILS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, EXPORTS AND FOREIGN EXCHANGE EARNINGS AND OUTGO

In accordance with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules 1988 a Statement showing details of Conservation of Energy, Technology absorption, Exports and Foreign Exchange earning and outgo is annexed to this report.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their deep sense of appreciation for the tremendous support from the Financial Institution M/s.Industrial Development Bank of India, the Bankers M/s.Indian Overseas Bank, the shareholders, depositors, all our cotton and yarn dealers and consumers. The Board also wish to place on record their appreciation for the good work done by the employees of the Company.

Salem
30th August 1999

For and on behalf of the Board of Directors,
P. PALANIAPPAN
Chairman cum Managing Director

