

AMBIKA COTTON MILLS LIMITED



**ANNUAL REPORT
2006 - 2007**

AMBIKA COTTON MILLS LIMITED**ANNUAL REPORT 2006 - 2007****BOARD OF DIRECTORS**

Sri P.V. Chandran
Sri K.N. Sreedharan
Sri K. Venkatachalam
R. Soundararaja Perumal
Sri K. Davidson, Nominee Director of
IDBI LTD.
Sri. Srinivas Baratam, Nominee Director of
UTI Venture Funds Management
Company Pvt. Ltd.
Sri D. Balasundaram (upto 21.12.2006)

Registered Office

9A, Valluvar Street
Sivanandha Colony
Coimbatore - 641 012.

Plant

Kanniyapuram
Dindigul

Auditors

M/s. L. Venkatasubbu & Co
Chartered Accountants,
Coimbatore

Bankers

IDBI LTD.
The Bank of Nova Scotia
Bank of Baroda
State Bank of India
Indian Bank
Corporation Bank
Indusind Bank Ltd.
UCO Bank
UTI Bank

AMBIKA COTTON MILLS LIMITED**Registered office :** 9-A, Valluvar Street, Sivanandha Colony, COIMBATORE - 641 012.**NOTICE OF THE MEETING**

Notice is hereby given that the Nineteenth Annual General Meeting of the Company will be held on Friday the 28th September 2007 at 12.00 Noon at Hotel Sree Annapoorna, 75, East Arokiyasamy Road, R.S.Puram, Coimbatore - 641 002

A. ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March 2007 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. Srinivas Baratam 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 a Special Resolution

Resolved that Sri.P.V.Chandran be and is hereby reappointed as the Chairman and Managing Director of the company for a further period of 5 years with effect from 1.4.2007 to 31.3.2012.

Further Resolved that pursuant to Section 309 (3) and all other applicable provisions read with Schedule XIII of the Companies Act, 1956 and subject to such approvals as may be necessary, consent be and he is hereby accorded to the payment of remuneration to Sri P.V.Chandran, Chairman and Managing Director of the Company of Rs. 2,00,000/- per Month plus Commission at the rate of 2% of the net profit of the company subject to maximum of Rs. 75.00 Lakh per annum.

Further Resolved that Sri.P.V.Chandran be entitled to sitting fees for the meetings of the Board of Directors or the Committee thereof attended by him and he will not be entitled to any perquisites.

6. To consider and if thought fit, to pass with or without modification, the following Resolution as an 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 authorized to mortgage and or charge all the movable and immovable properties of the company to secure the amount borrowed by the company by way of Term loan from UCO Bank under TUFs (Technology upgradation Fund Scheme) not exceeding an amount of Rs. 28.42 crores to meet part cost of the expansion of the productive capacity of Unit III by 10080 spindles with back processing machinery for compact yarn and modernization of Unit II undertaken and being completed by the company.

AMBIKA COTTON MILLS LIMITED

NOTICE OF THE MEETING (Cont.d)

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.

7. To consider and if thought fit, to pass with or without modification, the following Resolution as an 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 by the company by way of Term loan from Bank of Baroda under TUFs (Technology upgradation Fund Scheme) not exceeding an amount of Rs. 50.00 crores to meet part cost of the setting up of the new Unit viz Unit IV for manufacture of compact yarn and modernization of Unit II undertaken and being 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.

8. To consider and if thought fit, to pass with or without modification, the following Resolution as an 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 by the company by way of Term loan from UTI Bank Ltd. under TUFs (Technology upgradation Fund Scheme) not exceeding an amount of Rs. 40.00 crores to meet part cost of the setting up of the new Unit viz Unit IV for manufacture of compact yarn and modernization of Unit II undertaken and being 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 (Cont.d)

9. To consider and if thought fit, to pass with or without modification, the following Resolution as an 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 by the company by way of Term loan from Corporation Bank under TUFs (Technology upgradation Fund Scheme) not exceeding an amount of Rs. 25.00 crores to meet part cost of the setting up of the new Unit viz Unit IV for manufacture of compact yarn and modernization of Unit II undertaken and being 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.

10. To consider and if thought fit, to pass with or without modification, the following Resolution as a special Resolution

Resolved that consent of the Company be and is hereby accorded to the Board of Directors of the Company for keeping the Register of Members together with the Index of Members and copies of all returns prepared under Section 159 of the Companies Act, 1956, as also the copies of certificates and documents required to be annexed thereto under Section 161 of the Companies Act, 1956, at the office of Registrars & Share Transfer Agents of the Company, M/s. S.K.D.C. Consultants Limited, No.11, Street No.1, S.N. Layout, (West Power House Road) Coimbatore - 641 012

By order of the Board

Sd/-

(P.V.CHANDRAN)

Chairman and Managing Director

PLACE: Coimbatore

DATE : 22.06.2007

AMBIKA COTTON MILLS LIMITED

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 Explanatory Statement pursuant to Section 173 of the Companies Act 1956 is annexed hereto.
4. The register of Members of the Company will remain closed from 14th September 2007 to 28th September 2007 (Both the days inclusive). The dividend if declared will be paid to those members whose names appear in the Register of Members as on 28th September 2007.
5. Members are requested to notify the changes if any in their address immediately.
6. 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.
7. Pursuant to the provisions of Section 205A of the Companies Act, 1956 as amended, dividend for the Financial year 1999-2000 and thereafter which remain unpaid/unclaimed for a period of 7 (Seven) years will be transferred to the Investor Education and protection Fund (the Fund) constituted by the Central Government under Section 205C of the Companies Act, 1956. Unpaid/unclaimed Equity Dividend for the Financial year 1999-2000 will fall due for transfer to the said Fund on 28th October 2007. As regards unclaimed dividend for the financial years upto 1998-99 the same have already been transferred to the said Fund. It may kindly be noted that once the unpaid/unclaimed dividend is transferred to the above said Fund of the Central Government, no claim shall lie in respect thereof.
8. Notes on Directors seeking appointment / reappointment as required under Clause 49 (VI) (A) of the listing agreement entered into with the Stock Exchanges:

a. Srinivas Baratam

Sri. Srinivas Baratam was appointed to the Board as a nominee director of UTI Venture Funds Management Company Private Limited pursuant to allotment of Equity Shares under preferential issue with the said entity. Sri.Srinivas Baratam is an Engineering Graduate and having wide experience in corporate management and his continuity in the Board as a director of the company is of immense value and beneficial to the company.

b. P.V.Chandran

Sri.P.V.Chandran is the promoter Director of the company and has spearheaded the growth of the company since its incorporation. Sri.P.V.Chandran is well experienced over a period of 35 years in the field of Textiles and the company continues to grow aggressively under his guidance. Hence the reappointment of Sri.P.V.Chandran as Chairman and Managing Director is beneficial and in the interest of the company. There is no variation in his remuneration as fixed in the 18th Annual General Meeting of the Company held on 28.09.2006 and at which the above remuneration was approved by the members of the company.

By order of the Board

Sd/-

(P.V.CHANDRAN)

Chairman and Managing Director

PLACE: Coimbatore

DATE : 22.06.2007

AMBIKA COTTON MILLS LIMITED

ANNEXURE TO NOTICE

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

Item No.5

- (i) Sri P.V.Chandran was reappointed as the Managing Director of the Company to hold the office for a period of 5 years with effect from 01.04.2002 to 31.03.2007 without any remuneration.
- (ii) Under his stewardship the company has registered considerable growth and implemented several expansion projects. The Company is set to grow further in terms of Sales and Profits and it is in the interest of the company to reappoint him as the Chairman and Managing Director of the company for a further period of 5 years with effect from 1.4.2007 to 31.03.2012.
- (iii) Schedule XIII to the Companies Act provides for payment of remuneration to managerial personnel either as a fixed monthly remuneration or as a percentage of profits or a combination of both.
- (iv) At the 18th Annual General Meeting of the company held on 28.09.2006 remuneration was provided to him with effect from 01.08.2006 providing for a remuneration of Rs. 2.00 Lakhs per month and commission at 2% of the net profits of the company subject to a maximum of Rs. 75.00 Lakhs. He was also provided for sitting fees for the meetings of the Board of Directors or the Committee thereof attended by him and not entitled to any perquisites.
- (v) There is no variation in the remuneration as earlier approved by the members at the Annual General Meeting held on 28.09.2006 and the present proposed resolution is for extension of period of holding of office of Chairman and Managing Director of Sri. P.V.Chandran from 1.4.2007 to 31.03.2012.
- (vi) Accordingly Directors, recommend the Resolution at item No.5.
- (vii) No other Director is interested except Sri P.V.Chandran and he may be considered as concerned or interested in passing the Resolution.

Item No.6

The Company has borrowed Rs.28.42 crores by way of Term loan from UCO Bank under TUFs (Technology upgradation Fund Scheme) to meet the cost of Expansion of capacity by 10080 spindles of Unit III for manufacture of compact yarn and modernization of Unit II and it is necessary for creation of mortgage/ charge to secure the Term Loan advanced by the said Bank in the manner required.

Accordingly Directors, recommend the Resolution at item No.6

None of the Directors are interested in passing the Resolution

Item No. 7

The Company has borrowed/to be borrowed from the sanctioned limit of Rs.50.00 crores by way of Term loan from Bank of Baroda under TUFs (Technology upgradation Fund Scheme) to meet the cost of setting up of additional production facility in the form of New unit viz Unit IV with a capacity of 43200 spindles for manufacture of compact yarn (33600 spindles) and for doubled yarn (9600 spindles) and modernization of Unit II and it is necessary for creation of mortgage / charge to secure the Term Loan advanced by the said Bank in the manner required.

Accordingly Directors, recommend the Resolution at item No.7

None of the Directors are interested in passing the Resolution

AMBIKA COTTON MILLS LIMITED

ANNEXURE TO NOTICE (Contd.,)

Item No. 8

The Company has borrowed/to be borrowed from the sanctioned limit of Rs.40.00 crores by way of Term loan from UTI Bank Ltd. under TUFS (Technology upgradation Fund Scheme) to meet the cost of setting up of additional production facility in the form of New unit viz Unit IV with a capacity of 43200 spindles for manufacture of compact yarn (33600 spindles) and for doubled yarn (9600 spindles) and modernization of Unit II and it is necessary for creation of mortgage / charge to secure the Term Loan advanced by the said Bank in the manner required.

Accordingly Directors, recommend the Resolution at item No.8
None of the Directors are interested in passing the Resolution

Item No. 9

The Company has borrowed / to be borrowed from the sanctioned limit of Rs.25.00 crores by way of Term loan from Corporation Bank under TUFS (Technology upgradation Fund Scheme) to meet the cost of setting up of additional production facility in the form of New unit viz Unit IV with a capacity of 43200 spindles for manufacture of compact yarn (33600 spindles) and for doubled yarn (9600 spindles) and modernization of Unit II and it is necessary for creation of mortgage / charge to secure the Term Loan advanced by the said Bank in the manner required.

Accordingly Directors, recommend the Resolution at item No.9
None of the Directors are interested in passing the Resolution

Item No. 10

The present Registrar & share Transfer Agents of the company are SKDC consultants Limited, No.11, Street No.1, S.N. Layout, (West Power House Road) Coimbatore - 641 012.

To enable the company to keep its statutory records and documents at a place other than its Registered Office, approval of the Shareholders, by a Special Resolution, is required pursuant to Section 163 of the Companies Act, 1956, and therefore, approval of the Shareholders is sought to be taken for keeping the aforesaid records and documents at the office of the said SKDC Consultants Ltd.

Accordingly Directors, recommend the Resolution at item No.10
None of the Directors are interested in passing the Resolution.

By order of the Board

Sd/-

(P.V.CHANDRAN)

Chairman and Managing Director

PLACE: Coimbatore

DATE : 22.06.2007

AMBIKA COTTON MILLS LIMITED

DIRECTORS' REPORT

Your directors have great pleasure in submitting the Nineteenth Annual Report together with the audited accounts for the year ended 31st March 2007.

FINANCIAL RESULTS

The Financial results for the year ended 31st March 2007 are furnished below:

	CURRENT YEAR 2007 Rs.	PREVIOUS YEAR 2006 Rs.
Sales and other Income	1,43,56,53,827	1,06,91,49,349
Gross Profit for the year	35,31,65,052	29,10,71,898
Less : Depreciation	11,42,09,920	8,52,03,115
Profit before tax	23,89,55,132	20,58,68,783
Less: Provision for Taxation		
Current Tax (Minimum alternative tax)	2,68,10,766	1,61,43,201
Less : Minimum alternative tax credit	1,53,00,000	0
Net Current Tax	1,15,10,766	1,61,43,201
Less : Provision for Deferred Tax Liability	5,39,41,000	0
Provision for FBT	2,00,000	0
Profit after tax	17,33,03,366	18,97,25,582
Add: Balance in Profit & Loss Account (Brought Forward From The Previous Year)	9,04,90,272	3,43,23,159
Amount transferred from Investment Allowance utilised reserve	0	27,43,027
Prior Period Income	0	2,87,351
Provision for diminution in value of investments written back	51,700	0
	26,38,45,338	22,70,79,119
Less : Prior Period Income-tax	79,777	27,91,899
Prior Period Expenses	10,17,780	3,99,010
Prior Period Deferred Tax Liability	14,69,56,000	0
	11,57,91,781	22,38,88,210
Appropriations :		
Proposed Dividend	1,46,87,500	1,17,50,000
Tax on Dividend	24,96,141	16,47,938
General Reserve	3,00,00,000	12,00,00,000
Balance Carried Over in Profit and Loss Account	6,86,08,140	9,04,90,272
	11,57,91,781	22,38,88,210

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 2007 at 25% on the Equity Shares of the Company. The outflow on account of Equity Dividend would be Rs. 146.88 Lakh (Previous year Rs.117.50 Lakh) and dividend tax Rs.24.96 Lakh (Previous year Rs.16.48 Lakh)

OPERATIONS:

The Company's Total Income and Gross profit amounted to Rs.14357 Lakh (Previous year Rs.10691 Lakh) and Rs.3532 Lakh (Previous year Rs.2911 Lakh). This represents growth in total income of 34.29 % and Gross Profit of 21.33 % as compared to the previous year.

For the year Company's Direct Export Turnover amounted to Rs.6345 Lakh as compared to Rs. 4376 Lakh in the previous year representing a growth of 45%. In terms of percentage the export turnover constituted 45.16 % of the net sales as against 41.71 % in the previous year.

The Company continues to adopt its core policy of working on value added products and focusing on better margins for its products without orientation to export / domestic markets and this policy has paid off very well and reflected in the financial performance of the company.

The Companies' products continues to command market demand and caters to the needs of the well reputed manufacturers who are engaged in manufacturing Shirts / Knitwear products both in domestic and international markets.

The expansion of Unit III of the Company viz 10080 spindles has been completed during the year with an outlay of Rs. 28.42 Crores and was assisted by UCO Bank by way of Term loan to an extent of Rs.22.73 Crores. The company has also modernized its Unit II by way of replacement of Autoconers with an outlay of Rs. 7.12 Crores. This modernisation was also assisted by UCO Bank by way of Term Loan of Rs. 5.69 Crores. The entire scheme is covered under TUFS. The total spindle capacity of Unit III, after this expansion stands at 24192 spindles exclusively for compact yarn.

During the year the company has also installed one no. of 800 Kw of Enercon make Wind machine for captive consumption and the total installed wind capacity for captive consumption was enhanced to 13.8 MW from 13.0 MW.