

AMBIKA COTTON MILLS LIMITED

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**ANNUAL REPORT
2008 - 2009**

AMBIKA COTTON MILLS LIMITED

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BOARD OF DIRECTORS

Sri P.V. Chandran
 Sri K.N. Sreedharan
 Sri K. Venkatachalam
 R. Soundararaja Perumal
 Sri Sunil Kumar Kolangara, (Nominee
 Director of UTI Venture Funds Management
 Company Pvt. Ltd.)
 Ms. Bhavya Chandran
 Sri K. Davidson, (Nominee Director of
 IDBI Bank LTD. Upto 07.09.2008)
 Smt. Seethalakshmi Nagarajan, (Nominee
 Director of IDBI Bank Ltd., From 08.09.2008)

Registered Office

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

Plant

Kanniyapuram
 Dindigul

Auditors

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

Bankers

IDBI Bank LTD.
 The Bank of Nova Scotia
 Bank of Baroda
 State Bank of India
 Indian Bank
 Corporation Bank
 Indusind Bank Ltd.
 Axis Bank Ltd.
 ABN Amro 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 Twenty First Annual General Meeting of the Company will be held on Monday the 28th September 2009 at 12.00 Noon at Hotel Sree Annapoorna, 75, East Arukiyasamy Road, R.S.Puram, Coimbatore - 641 002

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March 2009 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 a Director in place of Sri. K. Venkatachalam who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting and to fix their remuneration.

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By order of the Board

Sd/-

(P.V.CHANDRAN)

Chairman and Managing Director

PLACE: Coimbatore

DATE: 29.06.2009

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. PROXIES IN ORDER TO BE VALID AND EFFECTIVE MUST BE DELIVERED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE TIME FIXED FOR THE MEETING.
2. The register of Members of the Company will remain closed from Monday 14th September 2009 to Monday 28th September 2009 (Both the days inclusive). The dividend if declared will be paid to those members whose names appear in the Register of Members as on 14th September 2009.
3. Members are requested to notify the changes if any in their address immediately.

AMBIKA COTTON MILLS LIMITED

NOTICE OF THE MEETING (Contd...) :

NOTES :

4. 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.
5. Pursuant to the provisions of Section 205A of the Companies Act, 1956 as amended, dividend for the Financial year 2001-2002 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 2001-2002 will fall due for transfer to the said Fund on 26th October 2009. As regards unclaimed dividend for the financial years up to 2000-2001 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.
6. Notes on Directors seeking appointment / reappointment as required under Clause 49 (VI) (A) of the listing agreement entered into with the Stock Exchanges:

a. Sri. K.N. Sreedharan

Sri. K.N.Sreedharan is a practicing Chartered Accountant based at Coimbatore and rendering Corporate Advisory Services to several corporates in and around Coimbatore. He is a very senior Chartered Accountant and he is in the Board of the Company since 1994. He is rendering valuable services to the Company and his continued association is required for the long term growth of the Company.

Sri.K.N. Sreedharan does not hold any equity shares of the company.

b. Sri.K.Venkatachalam

Sri. K.Venkarachalam holds a Masters Degree in Sociology and Post Graduation Diploma in Labour and Administrative Law and an expert in the field of Industrial Management and labour related matters. The Cotton Textile Industry being labour intensive, his guidance in the labour related matters would be of much value in the maintenance of cordial labour relationship.

Sri.K.Venkatachalam holds 100 equity shares of the company.

By order of the Board

PLACE: Coimbatore

DATE: 29.06.2009

Sd/-

(P.V.CHANDRAN)

Chairman and Managing Director

AMBIKA COTTON MILLS LIMITED

DIRECTORS' REPORT

Your directors have great pleasure in submitting the Twenty First Annual Report together with the audited accounts for the year ended 31st March 2009.

FINANCIAL RESULTS

The Financial results for the year ended 31st March 2009 are furnished below:

	CURRENT YEAR 2009 Rs.	PREVIOUS YEAR 2008 Rs.
Sales and other Income	1,85,40,72,652	1,63,15,82,733
Gross Profit for the year	31,21,93,357	32,89,31,685
Less : Depreciation	18,06,01,178	13,85,20,992
Profit before tax	13,15,92,179	19,04,10,693
Less: Provision for Taxation		
Current Tax (Minimum alternative tax)	1,49,10,000	2,20,67,500
Less : Minimum alternative tax credit	1,49,10,000	2,20,67,500
Net Current Tax	0	0
Less : Provision for Deferred Tax Liability	3,72,68,015	5,78,36,552
Provision for FBT	1,00,000	2,00,000
Profit after tax	9,42,24,164	13,23,74,141
Add: Balance in Profit & Loss Account (Brought Forward From The Previous Year)	12,81,47,856	6,86,08,140
Prior Period MAT Credit written back	1,73,23,416	1,15,93,714
Prior Period FBT Credit written back	66,510	0
Provision for diminution in value of investments written back	2,91,522	0
	24,00,53,468	21,25,75,995
Less : Prior Period Income-tax Written Off	1,86,759	3,54,870
Prior Period Expenses	0	34,834
Provision for Diminution in value of investments	0	2,91,522
	23,98,66,709	21,18,94,769
Appropriations :		
Proposed Dividend	1,17,50,000	1,17,50,000
Tax on Dividend	19,96,913	19,96,913
General Reserve	7,00,00,000	7,00,00,000
Balance Carried Over in Profit & Loss Account	15,61,19,796	12,81,47,856

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 2009 at 20% on the Equity Shares of the Company. The outflow on account of Equity Dividend would be Rs. 117.50 Lakh (Previous year Rs.117.50 Lakh) and dividend tax Rs.19.97 Lakh (Previous year Rs.19.97 Lakh). The payout ratio for the year works out to 12.47% as compared to 8.88% on the basis of PAT of FY 2009 & 2008.

OPERATIONS:

The Company's Total Income and Gross profit amounted to Rs.18541 Lakh (Previous year Rs.16316 Lakh) and Rs.3122 Lakh (Previous year Rs.3289 Lakh). This represents growth in total income of 13.64 %, however Gross Profit declined 5.08 % as compared to the previous year.

For the year Company's Direct Export Turnover amounted to Rs.7506 Lakh as compared to Rs. 6689 Lakh in the previous year representing a growth of 12.21%. In terms of percentage the export turnover constituted 42.23 % of the net sales as against 42.95 % in the previous year.

The performance of the company was mainly affected on account of severe power cut prevailing in the State of Tamil Nadu. Industries are permitted to use up to 60% of the total power connected. This constraint has severely affected the production performance and consequent sale of goods. The Banks have generally increased the rate of lending as against previously contracted rates. This is another variable which has affected the financial performance of the company.

The company as in the past continues to have strong demand for its products. The Company's products command superiority over the competitors. Its product profile enables the company to suit its manufacturing plan according to the varied needs of its customers.

During the year the company has completed its expansion scheme of 43,200 Spindles in the compact segment in a separate unit known as Unit IV and the total investment amounted to Rs.139.73 Crores. The company has also completed the installation of wind energy for captive consumption by installation of 2 Nos. of Wind Machine of 800 KW at a cost of Rs.8.39 Crores.

With the completion of the above schemes the total plant capacity of spinning has been enhanced to 109872 spindles of which compact are 100800 Spindles representing 91.74% of the capacity. The wind energy capacity has been enhanced to 15.4 MW from 13.8 MW.

AMBIKA COTTON MILLS LIMITED

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

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

Ms. Seethalakshmi Nagarajan was appointed as a director of the company with effect from 08.09.2008 as a Nominee Director of IDBI Bank Limited in the place of Shri. K.Davidson

The Board wishes to place on record the services rendered by Shri. K.Davidson during his tenure of office.

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 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.

AMBIKA COTTON MILLS LIMITED**DIRECTORS' REPORT (Contd...)**

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 2009, on a going concern basis.

PARTICULARS OF EMPLOYEES:

The statement relating to the employees who have drawn remuneration of the category specified in Section 217(2A) of the Companies Act, 1956 is enclosed herewith.

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.

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By order of the Board

PLACE: Coimbatore

DATE: 29.06.2009

Sd/-

(P.V.CHANDRAN)

Chairman and Managing Director

AMBIKA COTTON MILLS LIMITED

ANNEXURE TO DIRECTORS' REPORT

ANNEXURE I

Particulars pursuant to the Companies (Disclosure of particulars in the Report of Board of Directors) Rule 1988.

A. CONSERVATION OF ENERGY

a) Energy Conservation measures taken:

Usage of Energy is constantly monitored and the need to conserve the same is emphasised.

b) Additional Investments and proposals being Implemented for reduction of consumption of Energy:

The Company enhanced its wind energy capacity for captive consumption from 13.8 MW to 15.4 MW. This would meet up to 70% of the power requirement of the spinning segment. This will reduce energy cost considerably.

c) Impact of measures (a) & (b) above for reduction of Energy Consumption and consequent impact on cost of production.

i. The consumption of Energy has been closely monitored and as a result wastage is avoided.

ii. Efficiency of the Internal Generation of Electricity is maintained.

d) Total Energy consumption and Energy consumption per unit of production as prescribed in Form A.

	YEAR ENDED 31-03-2009	YEAR ENDED 31-03-2008
1. ELECTRICITY :		
a. Purchased :		
Units (in Lakhs)	240.27	201.62
Total Amount (Rs. in Lakhs)	1168.74	1020.03
Rate per Unit	4.86	5.06
b. Own Generation :		
1. Through Diesel Generator:		
Units (in Lakhs)	44.90	13.19
Units per litre of Diesel Oil	3.62	3.59
Rate per Unit	7.84	7.09
2. Wind Energy	214.96	243.77
3. Coal	Nil	Nil
4. Furnace Oil	Nil	Nil
5. Others/Internal Generation	Nil	Nil
c. Consumption per unit of Production Electricity Units per Kg.	5.38	5.71
d. Technology Absorption :	Indigenous Technology alone is used.	
	(Rs. in Lakhs)	(Rs. in Lakhs)
e. Foreign Exchange Earnings	7506	6,689
Foreign Exchange Outgo	6584	8292

AMBIKA COTTON MILLS LIMITED

ANNEXURE TO DIRECTORS' REPORT (Contd.,)

ANNEXURE II

Information as per Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 and forming part of the Director's Report for the year ended March 31, 2009.

Name	Age (Years)	Designation / Nature of duties	Remuneration including commission Rs. in Lakh	Experience (Years)	Date of joining	Last employment/ Designation/ period
P.V.Chandran	60	Chairman and Managing Director / Overall management of the company	51.40	37	06-10-1988	--

By order of the Board

PLACE: Coimbatore

DATE: 29.06.2009

Sd/-

(P.V.CHANDRAN)

Chairman and Managing Director