

AMBIKA COTTON MILLS LIMITED

ANNUAL REPORT
2014 - 2015

AMBIKA COTTON MILLS LIMITED

CIN No.L17115TZ1988PLC002269

website – www.acmills.in, Email –id – ambika@acmills.in

ANNUAL REPORT 2014 - 2015

BOARD OF DIRECTORS

Sri. P.V. Chandran
Sri. K.N. Sreedharan
Dr. K. Venkatachalam
Sri. R. Soundararaja Perumal
Mrs. Bhavya Chandran
Sri. G. Udayakumar (Nominee
Director of IDBI Bank Ltd. -
upto 25.11.2014)
Mrs. Vidya Jyothish Pillai

REGISTERED OFFICE

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

PLANT

Kanniyapuram
Dindigul

AUDITORS

L. Venkatasubbu & Co.,
Chartered Accountants,
Coimbatore

BANKERS

IDBI Bank Ltd.
The Bank of Nova Scotia
Bank of Baroda
Axis Bank Ltd.

AMBIKA COTTON MILLS LIMITED

Registered Office : No.9 A, Valluvar Street, Sivanandha Colony, Coimbatore - 641 012.

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DIRECTORS' REPORT

Your directors have great pleasure in submitting the Twenty Seventh Annual Report together with the audited accounts for the year ended 31st March 2015.

FINANCIAL RESULTS

The Financial results for the year ended 31st March 2015 are furnished below:

	CURRENT YEAR 2015 Rs.	PREVIOUS YEAR 2014 Rs.
Sales & Other Income	4958319864	4770831958
Profit Before Finance Cost and Depreciation	994101942	1033063175
Less: Finance Cost	63124228	120261790
Gross Profit For the Year	930977714	912801385
Less : Depreciation	293333103	316237718
Profit before Tax	637644611	596563667
Less : Tax Expense	125889272	115184093
Profit after Tax	511755339	481379574
Add: Surplus in Statement of Profit and Loss	1075341418	779880500
	1587096757	1261260074
Less : Appropriation		
Transfer to General Reserve	100000000	100000000
Proposed Dividend on Equity Shares	82250000	73437500
Dividend Tax	16744165	12480703
Prior Period Dividend & Dividend Tax	539	453
Surplus Carried over in Statement of Profit and Loss	1388102053	1075341418

AMBIKA COTTON MILLS LIMITED

DIRECTORS' REPORT (Contd...)

PERFORMANCE AND STATE OF AFFAIRS

The Company's Total Income and Gross profit amounted to Rs.49583 Lakh (Previous year Rs. 47708 Lakh) and Rs.9310 Lakh (Previous year Rs.9128 Lakh). This represents growth in total income of 3.93% as compared to 19.85% in the previous year and growth in Gross Profit of 1.99% as against 34.06% in the previous year.

For the year Company's Direct Export Turnover amounted to Rs.28532 Lakh as compared to Rs. 29582 Lakh in the previous year representing a marginal decline of 3.55 % (Previous Year growth of 20.87%) . In terms of percentage the export turnover constituted 58.98% of the net sales as against 64.38% in the previous year.

The Company continued its emphasis on its core strength of making speciality yarn made up of superior cotton, offering products to the specific needs of the reputed customers, coupled with product innovation. This has largely contributed to the sustained financial performance of the company. It is relevant to note that the company's focus is to maximize its spindle EBITDA and its spindle EBITDA is one of the best in the standalone spinning industry.

During the year the Company has invested Rs.7.88 Crores for further strengthening of the production base and other modernization works which are met out of internal accruals and considerably reduced its long term debt from Rs.61.64 Crores to Rs.16.78 Crores.

The Company plans to setup another spinning unit of 30,000 spindles with 100% compact facility consisting of imported and indigenous machinery, together with required value addition in knitting facility at an estimated cost of Rs.130.00 Crores. The major cost of the scheme is proposed to be met out of internal accruals with minimum possible borrowing.

TRANSFER TO RESERVES

The Company proposes to transfer Rs.10.00 Crores to the General Reserve out of the amount available for appropriation.

DIVIDEND

The directors are pleased to recommend a dividend of 140% (Rs.14.00/- per share) for the year ended 31st March 2015 for your approval. The outflow on account of Equity Dividend would be Rs.822.50 Lakh (Previous year Rs. 734.37 Lakh) and dividend tax Rs.167.44 Lakh (Previous year Rs. 124.81 Lakh). The total payout will be Rs.989.94 Lakh (Previous year Rs. 859.18 Lakh). The payout ratio for the year works out to 16.07% as compared to 15.26% (exclusive of dividend tax) on the basis of PAT of FY 2015 & 2014.

AMBIKA COTTON MILLS LIMITED

DIRECTORS' REPORT (Contd...)

DIRECTORS

Pursuant to the provisions of Section 149 of the Act, Sri K. N. Sreedharan, Dr K. Venkatachalam & Sri R. Soundararaja Perumal, were appointed as Independent Directors at the Annual General Meeting of the Company held on 24th September 2014.

IDBI has withdrawn its Nominee Director Sri G.Udayakumar with effect from 25.11.2014, consequent to repayment of its term loan. The Board wishes to place on record its appreciation of the services rendered by Sri G.Udayakumar during his tenure of office.

Mrs.Bhavya Chandran retires by rotation and being eligible offers herself for re- appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 134 (3) (c) of the Companies Act 2013, your directors state that: -

- i. In the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures;
- ii. Accounting policies selected have been applied consistently. Reasonable and prudent judgments have been made so as to give a true and fair view of the state of affairs of the Company as at the end of 31st March, 2015 and of the profit of the Company for the year ended on that date;
- iii. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
- iv. The annual accounts have been prepared on a going concern basis;
- v. Internal financial controls have been laid down to be followed by the Company and such internal financial controls are adequate and operating effectively;
- vi. Systems to ensure compliance with the provisions of all applicable laws are in place and were adequate and operating effectively.

MEETINGS OF THE BOARD

During the year four Board Meetings were convened and held. The details thereof are given in the Corporate Governance Report.

DECLARATION BY INDEPENDENT DIRECTORS

The Independent Directors have submitted the Declaration of Independence, as required pursuant to Section 149(7) of the Companies Act, 2013, stating that they meet the criteria of independence as provided in sub-section(6).

MANAGEMENT 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.

AMBIKA COTTON MILLS LIMITED

DIRECTORS' REPORT (Contd...)

DEPOSITS

The Company has not accepted any deposits from the public and therefore furnishing of details in terms of Rule 8(v) & (vi) of Companies (Accounts) Rules, 2014 does not arise.

AUDITORS

The Auditors, M/s L.Venkatasubbu & Co., Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting. As per the provisions of the Companies Act, 2013, they are eligible to be appointed for a maximum further period of two years. Certificate from the Auditors has been received to the effect that they are eligible to act as auditors of the Company under Section 141 of the Companies Act, 2013 and further submitted the Peer Review Certificate dt: 13.11.2013 issued to them by Institute of Chartered Accountants of India (ICAI). The Board recommends the appointment of L.Venkatasubbu & Co, Chartered Accountants, as auditors of the Company from the conclusion of the ensuing AGM until the conclusion of the next AGM.

AUDITORS' REPORT

The Auditors' Report to the Shareholders does not contain any reservation, qualification or adverse remark.

SECRETARIAL AUDIT

The Secretarial Audit for the financial year ended March 31, 2015 is annexed herewith marked as Annexure A to this Report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

INTERNAL FINANCIAL CONTROLS

The Company has in place internal financial controls systems, commensurate with the size and nature of its operations to ensure proper recording of financial and operational information and compliance of various internal controls and other regulatory and statutory compliances.

AUDIT COMMITTEE

The Audit Committee was constituted by the Board at its meeting held on 31.01.2001. The Committee now comprises of Directors Sri. K.N.Sreedharan, Dr .K.Venkatachalam and Sri.R. Soundararaja Perumal and all of them are Independent Directors.

VIGIL MECHANISM/WHISTLE BLOWER POLICY

The Company has in place a vigil mechanism /Whistle Blower Policy for Directors and Employees to report genuine concerns about any wrongful conduct with respect to the Company of its business or affairs. The details of the Vigil Mechanism / whistle Blower Policy are available on the Company's website www.acmills.in

CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

The Corporate Social Responsibility Committee was constituted consisting of Directors Sri. P.V.Chandran, Dr.K.Venkatachalam and Sri.R.Soundararaja Perumal as members of the committee. The Committee has formulated and recommended to the Board, a Corporate Social Responsibility Policy (CSR Policy) indicating the activities to be undertaken by the Company, which has been approved by the Board, the details of the same are made available in the Company's website www.acmills.in.

AMBIKA COTTON MILLS LIMITED

DIRECTORS' REPORT (Contd...)

NOMINATION AND REMUNERATION COMMITTEE

A Nomination and Remuneration Committee was constituted in place of earlier Remuneration Committee and presently the members of the Committee are Directors Dr. K.Venkatachalam, Sri. R. Soundararaja Perumal & Mrs. Bhavya Chandran.

The Company has formulated the policy in this regard prescribing the criteria for determining qualifications positive attributes and independence of a director and the main attribute focused on is positive value creation and contribution in respect of ongoing activities of the Company and its value enhancement with adequate qualifications and independence. Details of the policy are made available in the Corporate Governance Report and in the Company's website www.acmills.in.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee was constituted consisting of Directors Sri.P.V.Chandran, Dr.K.Venkatachalam and Mrs. Vidya Jyothish Pillai. The company has developed and adopted a detailed Enterprise Risk Management Policy to sustain the operations of the Company and the same is disclosed in the website of the Company, www.acmills.in.

STAKEHOLDERS RELATIONSHIP COMMITTEE

The Stakeholders relationship committee was constituted consisting of Directors Sri.R.Soundararajaperumal, Mrs. Vidya Jyothish Pillai & Mrs. Bhavya Chandran. The Company has formulated policy for early resolution of stakeholders' grievances and the same is made available in the company's website www.acmills.in.

APPOINTMENT OF KEY MANAGERIAL PERSONNEL

Sri.M.Vijayakumar was appointed as Chief Financial Officer (CFO) of the Company during the year.

SUBSIDIARIES

The company does not have any subsidiaries.

SIGNIFICANT MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

There are no Significant Material Orders passed by the Regulators/Courts which would impact the going concern status of the Company and its future operations.

LOANS, GUARANTEES AND INVESTMENTS

The Company has not made any investments or given any loans or guarantees or provided any security in connection with a loan to any person or body corporate, covered under Section 186 of the Companies Act, 2013.

RELATED PARTY TRANSACTIONS

The Company does not have any related party transactions as defined in Section 188 of the Companies Act, 2013, hence, Form AOC - 2 is not enclosed.

MATERIAL CHANGES AND COMMITMENTS

There were no Material changes and Commitments affecting the financial position of the Company that have occurred between the end of the financial year 31.03.2015 to which the financial statements relate and the date of this report.

AMBIKA COTTON MILLS LIMITED

DIRECTORS' REPORT (Contd...)

CHANGE IN THE NATURE OF BUSINESS

There were no changes in the nature of business during the year under review as prescribed in Rule 8(ii) of the Companies (Accounts) Rules, 2014.

BOARD EVALUATION

The exercise of Board evaluation is to be carried out during the current financial year, as the requirement of the Companies Act, 2013, in this respect is to have composition of Board to have at least one – third of the total number of directors as Independent Directors by 31.03.2015 and the same has been complied with by the Company.

EXTRACT OF ANNUAL RETURN

The details forming part of the extract of the Annual Return in Form MGT-9 is annexed herewith as Annexure – I.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

Particulars relating to Conservation of Energy, Technology absorption, Foreign Exchange Earning and outgo, as required to be disclosed under the Act, are set out in Annexure – II to this report.

CSR EXPENDITURE

The requirement to spend in this regard is Rs.88.31 lakhs @ 2% of 3 years average net profit of the Company and the Company has spent Rs.91.00 lakhs on various CSR activities which are into (i) Rural Development, (ii) Animal Protection, (iii) Education, (iv) Medical Support, (v) Relief to Poor and the details of expenditure are furnished in Annexure –III to this report.

PARTICULARS OF EMPLOYEES:

The statement relating to the employees who have drawn remuneration of the category specified in Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is enclosed in Annexure -IV to this report.

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is enclosed in Annexure V to this Report.

DATE : 08/08/2015
PLACE : Coimbatore

By order of the Board
Sd/-
(P.V.CHANDRAN)
Chairman and Managing Director

AMBIKA COTTON MILLS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

1. Overall Review

The Global economy, in FY 2014-15, witnessed recovery. Equally our Economy is also showing recovery with lower fiscal and current account deficit. The Indian Government in a pro - active manner has set in motion lots of economic initiatives. These initiatives in the long run would sustain positive economic growth which is fundamental for the overall growth and standard of living.

2. Industry Outlook

In general, the performance of the cotton yarn industry depends upon the swings of demand by the market forces which closely track the economic trend. The exception to this rule is the demand for speciality cotton yarn which is consistent and growing . On bouncing of economic conditions, the demand trend is expected to be more positive for the current year even for normal segment of cotton yarn and that would drive more demand for speciality cotton yarn.

3. Opportunities

Improving economic conditions would generate more demand, in general, for cotton yarn. The Company by concentrating and focusing on manufacture of speciality cotton yarn has created specific markets for its products, which is on the growth path and has continued good demand. This ensures more sustained profitable operations.

4. Challenges

- (i) Positive economic environment
- (ii) Government policies.
- (iii) Evacuation of 100% Wind energy generated to State Grid.

5. Company Outlook.

The Company, on account of manufacturing speciality cotton yarn, continues to have good demand for its products and continues to strengthen its production base by modernization and adding balancing equipments. The Company has installed windmills for 100% of its captive requirements and installed EHT line (110 KVA Sub-Station) for smooth flow of quality power. These measures will continue to support the operations of the company.

6. Risks and Concerns

The Government policies and volatile economic environment have a bearing on the overall performance of the company.

AMBIKA COTTON MILLS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS (Contd...)

7. Discussion on Financial Performance with Respect to Overall Performance

The key financial data are furnished below for the current year as compared to the previous year

	Current Year	Previous Year
	2015	2014
1. Increase in Net Sales (Rs. in Lakh)	2422	7451
2. Increase in Net Sales (%)	5.27	19.35
3. Increase in Exports (Rs. in Lakh)	-1050	5108
4. Increase in Exports (%)	-3.55	20.87
5. Operating Profit Margin before Tax(%)	20.55	22.48
6. Operating Profit Margin after Tax (%)	17.95	19.97
7. Cash Profit Margin before Tax (%)	19.25	19.86
8. Cash Profit Margin after Tax (%)	16.64	17.36
9. Net Profit Margin before Tax (%)	13.18	12.98
10. Net Profit Margin after Tax (%)	10.58	10.48

*Profit Margin calculations are on the basis of Net Sales

8. Internal control, systems and adequacy.

The Company has put in place effective control systems in respect of all its operations and such systems are continuously reviewed and upgraded.

9. Human Resources Development

The Company places its utmost value on the human resource and contribution from the employees is always fine-tuned towards to achieve the overall organisation performance by constant education, training and various incentive schemes, which are in vogue.

10. Safety and Environment

The Company ensures high safety and environmental standards in all its operations at all the units. Safety needs are continuously monitored and preventive actions are initiated through departmental safety committees consisting of plant staff and workmen.

11. Cautionary Statement

Certain Statements in this report on Management Discussion may be forward looking statements and which have been issued as required by applicable Securities Laws and Regulations. There are several factors which would be beyond the control of Management and as such, may affect the actual results which could be different from that envisaged.