AMBIKA COTTON MILLS LIMITED

ANNUAL REPORT
2016 - 2017

AMBIKA COTTON MILLS LIMITED

CIN No.L17115TZ1988PLC002269

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

ANNUAL REPORT 2016 - 2017

BOARD OF DIRECTORS	Sri. P.V. Chandran	(DIN : 00628479)
	Sri. K.N. Sreedharan	(DIN : 00321585)
	Dr. K. Venkatachalam	(DIN : 01062171)
	Sri. R. Soundararaja Perumal (Upto 26.03.2017)	(DIN : 02087219)
	Sri.E.M. Nagasivam (From 12.08.2017)	(DIN : 07894618)
	Mrs. Bhavya Chandran	(DIN : 02080649)
	Mrs. Vidya Jyothish Pillai	(DIN : 05215930)
REGISTERED OFFICE	9A, Valluvar Street Sivanandha Colony Coimbatore - 641 012.	
PLANT	Kanniyapuram Dindigul - 624 308.	
AUDITORS	L. Venkatasubbu & Co., (Upto conclusion of 29th AGM) Chartered Accountants, Coimbatore - 641 001.	
	Srikishen & Co., (From conclusion of 29th AGM) Chartered Accountants, Coimbatore-641 006.	
BANKERS	IDBI Bank Ltd. Axis Bank Ltd. HDFC Bank Ltd. Kotak Mahindra Bank Ltd. ICICI Bank Ltd. State Bank of India	

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DIRECTORS' REPORT

Your directors have great pleasure in submitting the Twenty Ninth Annual Report together with the audited accounts for the year ended 31st March 2017.

FINANCIAL RESULTS

The Financial results for the year ended 31st March 2017 are furnished below:

(Rs. in Lakhs)

	CURRENT YEAR 2016-17	PREVIOUS YEAR 2015-16
Sales & Other Income	52939.73	49408.24
Profit Before Finance Cost and Depreciation	10512.87	9409.20
Less: Finance Cost	383.95	521.53
Gross Profit For the Year	10128.92	8887.67
Less : Depreciation	2934.86	2991.96
Profit before Tax	7194.06	5895.71
Less : Tax Expense	1629.03	1450.19
Profit after Tax	5565.03	4445.52
Add: Surplus in Statement of Profit and Loss	16264.68	13881.02
	21829.71	18326.54
Less: Appropriation		
Transfer to General Reserve	1000.00	1000.00
Interim Dividend	0.00	881.25
Dividend Tax on Interim Dividend	0.00	179.40
Proposed Dividend on Equity Shares	0.00	0.00
Dividend Tax	0.00	0.00
Prior Period Dividend & Dividend Tax	0.00	1.21
Surplus Carried over in Statement of Profit and Loss	20829.71	16264.68

PERFORMANCE AND STATE OF AFFAIRS

The Company's Total Income and Gross profit amounted to Rs. 52939.73 Lakhs (Previous year Rs. 49408.24 Lakhs) and Rs. 10128.92 Lakhs (Previous year Rs. 8887.67 Lakhs). This represents growth of 7.15% in total income as compared to 0.35% decline in the previous year and growth of 13.97% in Gross Profit as against decline of 4.53% in the previous year.

For the year Company's Direct Export Turnover amounted to Rs. 24965.35 Lakhs as compared to Rs. 25960.52 Lakhs in the previous year representing a decline of 3.83% (Previous Year decline of 9.01 %). In terms of percentage the export turnover constituted 48.39% of the net sales as against 53.71% in the previous year.

The improved financial performance for the year was on account of continued strengthening of core production process, better generation and evacuation of wind power coupled with outsourced power at favorable prices. The Company is continuously working on strategies into product innovation and enhanced productivity. The strong financial performance of the Company demonstrates the varied customer base and product diversity .

During the year the Company has invested Rs.1752 Lakhs towards strengthening of its manufacturing operations of spinning segment and has invested Rs.1007 Lakhs in Knitting segment. This knitting facility would knit fabrics upto 8,000 kgs per day as of now and 90% of the output is exported. This total investment of Rs.2759 Lakhs was fully met out of internal accruals.

The Company is not carrying any long term debt.

The implementation of spinning phase is still pending on account of uncertainty of use of land and appropriate clearance from authorities. However, the Company has planed to invest further an estimated amount of Rs. 2000 Lakhs in Knitting segment, to augment the knitting capacity further 16,000 Kgs per day. The investment will be made out of internal accruals.

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 Company has not recommended any dividend in view of transit to IND AS as dividend declared is not recognized as a liability until approved by the shareholders. However, the Company would consider and pay interim dividend in such a way that the stream of cash flow in the form of dividend to the share holders would be protected.

BUYBACK OF SHARES

The Board of Directors at their meeting held on 11th November, 2016 approved the buyback of equity shares of the Company in accordance with Section 68 of the Companies Act,2013 and SEBI (Buyback of Securities) Regulations ,1998 and the buyback announcement was made on 22nd November,2016. The Company, as proposed , has bought back through Stock Exchanges, 150000 Equity Shares of Rs. 10/- each ,which have been extinguished subsequently.

The aggregate amount spent on buyback amounted to Rs. 1611.52 Lakhs consisting of (i) Consideration paid towards buyback Rs.1573.22 Lakhs and (ii) Other transaction cost Rs.38.30 Lakhs.

In terms of Section 69 of the Companies Act,2013, Rs.15.00 Lakhs being the nominal value of Equity Shares bought back was transferred to Capital Redemption Reserve Account from Share Premium account and the balance cost of buyback Rs.1596.52 Lakhs was also met out of Share Premium Reserve .

DIRECTORS

In terms of requirement of Section 149 of the Companies Act, 2013, the Independent Directors of the company are Sri.K.N.Sreedharan, Dr.K.Venkatachalam and Sri.E.M. Nagasivam.

Sri R. Soundararaja Perumal resigned from the Board with effect from 27.03.2017 and the Board wishes to place on record its appreciation for services rendered during his tenure of office.

Sri.E.M.Nagasivam was co-opted as an independent director of the Company by the Board Directors of Company at the meeting held on 12.08.2017 on the recommendation of Nomination and Remuneration Committee.

Pursuant to the provisions of Section 152 of the Companies Act, 2013, Mrs.Bhavya chandran (DIN 02080649) Director, who retires by rotation and being eligible, offers herself for reappointment.

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, 2017 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

The Board held four meetings during the Financial Year 2016- 17 namely, May 28, 2016, August 6, 2016, November 11, 2016 and February 1, 2017 .

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).

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 Statutory Auditor, M/s L.Venkatasubbu & Co., Chartered Accountants, have already completed more than ten years as statutory Auditors of the Company. Accordingly, as per section 139 of the Companies Act, 2013, M/s. L.Venkatasubbu & Co., will cease to be the Statutory Auditors of the Company from the conclusion of the ensuing Annual General Meeting . Hence, the Board, based on the recommendation of the Audit Committee, proposes the appointment of Sri Kishen & Co., Chartered Accountants, ICAI Registration No.004009S as the Statutory auditors for a continues period of five years from the conclusion of 29th AGM till the conclusion of 34th AGM subject to approval of share holders .

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:04.08.2016 issued to them by Institute of Chartered Accountants of India (ICAI).

AUDITORS' REPORT

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

SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act,2013, and the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, the Company has appointed Sri.S.R.Balaaji,Practising Company Secretary to undertake the Secretarial Audit of the Company.

The Secretarial Audit Report for the financial year ended March 31, 2017 is annexed herewith marked as Annexure A to this Report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

COST AUDITOR AND COST AUDIT REPORT

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Amendment Rules, 2014, cost audit records are maintained by the Company. As required under Companies Act,2013, a resolution seeking approval of the members in this regard is included in the Notice convening the Annual General Meeting.

Cost Audit Report for the year ended 31st March, 2017 will be submitted in due course .

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 Mrs .Vidya Jyothish Pillai . The Audit Committee was reconstituted and Mrs .Vidya Jyothish Pillai was co-opted as a member of Audit Committee in the place caused by resignation of Director.

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 consists of Directors Sri. P.V.Chandran Dr.K.Venkatachalam and Mrs.Bhavya Chandran 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 as specified in Schedule VII of the Companies Act, 2013, which has been approved by the Board, the details of the same are made available on the Company's website www.acmills.in.

NOMINATION AND REMUNERATION COMMITTEE

Nomination and Remuneration Committee presently consists of Directors Sri.K.N.Sreedharan ,Dr. K.Venkatachalam, and 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 on the Company's website www.acmills.in.

RISK MANAGEMENT POLICY

The Risk Management Committee consists 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 consists of Directors Dr.K.Venkatachalam , Mrs. Vidya Jyothish Pillai and 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

There is no appointment of Key Managerial personnel 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, as defined 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 March 31,2017 to which the financial statements relate and the date of this report.

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 Board has carried out an annual Performance evaluation of its own performance and that of its Committees and individual Directors .Further the independent Directors have carried out review of performance of non- independent directors and the Board as a whole, performance of the Chairperson and further made an assessment of quality , quantity and timelines of flow of information between the Company management and the Board for effective and reasonable performance of its duties.

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 OUT GO

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.121.59 Lakhs(Previous year Rs. 109.38 Lakhs) @ 2% of 3 years average net profit of the Company and the Company has spent Rs.123.02 Lakhs(Previous year Rs. 116.55 Lakhs) on various CSR activities which are into (i) Rural Development, (ii) Education (iii)Animal Protection (iv) Medical Support, (v) Relief to Poor and the details of expenditure are furnished in Annexure –III to this report.

PARTICULARS OF EMPLOYEES

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 IV to this report.

ADDITIONAL DISCLOSURES PURSUANT TO SEBI REGULATIONS

The additional disclosures pursuant to Regulation 34 (3) and 53 (f) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 in respect (i) Management Discussion and Analysis (ii) Corporate Governance Report (iii) Related Party Disclosures for the year under review are given as a separate statement in the Annual Report.

By order of the Board
Sd/-
(P.V.CHANDRAN)
Chairman and Managing Director
(DIN : 00628479)

DATE : 12/08/2017
PLACE : Coimbatore

AMBIKA COTTON MILLS LIMITED

ANNEXURE TO DIRECTORS' REPORT

ANNEXURE -I

FORM NO. MGT - 9

Extract of Annual Return

As on the financial year ended on 31.03.2017

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. Registration and other details :

(i)	CIN	L17115TZ1988PLC002269
(ii)	Registration Date	06.10.1988
(iii)	Name of the Company	Ambika Cotton Mills Limited
(iv)	Category/Sub-Category of the Company	Public Company limited by shares
(v)	Address of the Registered office and contact details	No.9A, Valluvar Street, Sivanandha Colony, Coimbatore - 641012 Phone : +91 422 2491504, E-mail : ambika@acmills.in
(vi)	Whether listed company	Yes
(vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	M/s. S.K.D.C. Consultants Limited, Kanapathy Towers, 3rd Floor, 1391/A-1, Sathy Road, Ganapathy Post, Coimbatore - 641 006. Phone: +91 422 4958995, 2539835 Email: info@skdc-consultants.com

II. Principal business activities of the company

All the business activities contributing 10% or more of the total turnover of the company shall be stated:

S.No	Name and Description of main products/services	NIC Code of the Product/service	% to total turnover of the company
1	Cotton Yarn	5205	88.58

III. Particulars of holding, subsidiary and associate companies

S.No	Name and Address of the Company	CIN/GLN	Holding / Subsidiary / Associate	% of shares held	Applicable Section
——NA—-					

ANNEXURE -I (Contd...)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(i) Category- wise Share holding

Category of Shareholders	No. of Shares held at the Beginning of the year				No. of Shares held at the end of the year				% Change during the year*
	Demat	Phy-sical	Total	% of Total shares	Demat	Phy-sical	Total	% of Total shares	
A.Promoters									
(1) Indian									
a) Individuals/Hindu Undivided Family	2857100	0	2857100	48.631	2857100	0	2857100	49.906	1.275
b) Central Government/ State Government(s)	-	-	-	-	-	-	-	-	-
c) Bodies Corporate	-	-	-	-	-	-	-	-	-
d) Financial Institutions/Banks	-	-	-	-	-	-	-	-	-
e) Any Others(Specify)	-	-	-	-	-	-	-	-	
Trusts	-	-	-	-	-	-	-	-	-
Sub Total(A)(1)	**2857100**	**0**	**2857100**	**48.631**	**2857100**	**0**	**2857100**	**49.906**	**1.275**
(2)Foreign									
a) Individuals (Non-Residents Individuals/ Foreign Individuals)	-	-	-	-	-	-	-	-	-
b) Bodies Corporate	-	-	-	-	-	-	-	-	-
c) Institutions	-	-	-	-	-	-	-	-	-
d) Qualified Foreign Investor	-	-	-	-	-	-	-	-	-
e) Any Others(Specify)	-	-	-	-	-	-	-	-	-
Sub Total(A)(2)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Shareholding of Promoter and Promoter Group **(A)= (A)(1)+(A)(2)**	**2857100**	**0**	**2857100**	**48.631**	**2857100**	**0**	**2857100**	**49.906**	**1.275**
*** - Consequent to reduction of capital by way of buyback of shares**									
B. Public shareholding									
(1)Institutions									
a) Mutual Funds/UTI	1529	0	1529	0.026	1738	0	1738	0.030	0.004
b) Financial Institutions /Banks	972	0	972	0.017	3109	0	3109	0.054	0.037
c) Central Government/ State Government(s)	-	-	-	-	-	-	-	-	-
d) Venture Capital Funds	-	-	-	-	-	-	-	-	-
e) Insurance Companies	-	-	-	-	-	-	-	-	-
f) Foreign Institutional Investors	81505	0	81505	1.387	19736	0	19736	0.345	-1.042