

AMBIKA COTTON MILLS LIMITED

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ANNUAL REPORT
2003 - 2004

AMBIKA COTTON MILLS LIMITED**ANNUAL REPORT 2003 - 2004****BOARD OF DIRECTORS**

Sri P.V. Chandran
Sri P.K. Ganeshwar
Sri M. Rathanasamy
Sri K.N. Sreedharan
Sri D. Balasundaram
Sri R. Srikanth (IDBI Nominee)
Sri K. Venkatachalam

Registered Office

10 Kurinji Nagar
Sheriff Colony
Tirupur - 641 604.

Administrative Office

9A Valluvar Street
Sivanandha Colony
Coimbatore - 641 012.

Factory

Kanniya Puram
Dindigul

Auditors

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

F I / Banks

IDBI
The Bank of Nova Scotia
IDBI Bank
Bank of Baroda
State Bank of India
Indian Bank
Corporation Bank

AMBIKA COTTON MILLS LIMITED

DIRECTORS' REPORT

Your directors have great pleasure in submitting the Sixteenth Annual Report together with the audited accounts for the year ended 31st March 2004.

FINANCIAL RESULTS

The Financial results for the year ended 31st March 2004 are furnished below:

	CURRENT YEAR 2004 Rs.	PREVIOUS YEAR 2003 Rs.
SALES AND OTHER INCOME	91,62,55,086	83,25,58,677
GROSS PROFIT FOR THE YEAR	17,45,93,223	11,75,94,771
LESS : DEPRECIATION	4,76,25,547	3,46,88,612
	<u>12,69,67,676</u>	<u>8,29,06,159</u>
ADD : BALANCE IN PROFIT & LOSS ACCOUNT (BROUGHT FORWARD FROM THE PREVIOUS YEAR)	2,48,26,165	1,53,04,293
PRIOR PERIOD INCOME TAX	0	15,713
	<u>15,17,93,841</u>	<u>9,82,26,165</u>
LESS : PROVISION FOR INCOME TAX	38,50,000	14,00,000
PRIOR PERIOD EXPENSES	1,12,796	0
	<u>14,78,31,045</u>	<u>9,68,26,165</u>
APPROPRIATIONS :		
GENERAL RESERVE	11,00,00,000	6,30,00,000
PROPOSED DIVIDEND	80,00,000	80,00,000
TAX ON DIVIDEND	10,00,000	10,00,000
BALANCE CARRIED OVER IN PROFIT AND LOSS ACCOUNT	2,88,31,045	2,48,26,165
	<u>14,78,31,045</u>	<u>9,68,26,165</u>

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 2004 at 16% on the Equity Shares of the Company.

OPERATIONS:

The Company's Total Income and Gross profit amounted to Rs.9162.55 Lakhs and Rs.1745.93 Lakhs. This represents a growth in Total Income 10.05% and in Gross Profit 48.47 % as compared to the previous year.

For the year Company's Direct Export Turnover amounted to Rs.5276.28 Lakhs as compared to Rs.6247.39 Lakhs in the previous year representing a decline of 15.54%.

This reduction is due to conscious decision made by the Company to protect the margins of the company in view of

- i. Strengthening of Rupee as against USD
- ii. Realisation of better prices in the domestic market and
- iii. Phased withdrawal of deductions under Income - Tax Act for export profits.

In terms of percentage the export turnover constituted 59.00 % of the total turnover as against 76.56% in the previous year.

The financial performance of the company would exhibit further consolidation made by the company in its endeavour to make use of the available resources in the best possible manner for the benefits of the company.

During the year the Wind Energy Scheme for generation of energy for captive consumption in order to reduce the cost of Electricity in respect of the existing operations of the company assisted under Technology Upgradation Fund Scheme (TUPS) by installing 11 Nos of 600 KVA, totaling 6.6 MW, with an investment of Rs. 33.00 Crores was completed. State Bank of India and Indian Bank assisted this scheme by way of Term Loan of Rs. 24.00 Crores and of 2.16 Crores respectively. The scheme in entirety was completed in December 2003 and the Company is availing the benefits of set-off of units generated from the Wind Electric Converters and the arrangement with TNEB is satisfactory. The full benefits of the scheme would accrue in the current year of operations.

The Company in order to further strengthen and deepen its productive base has drawn up a proposal for setting up a new plant of 14112 spindles for manufacture of compact yarn with a combination of indigenous and imported machinery coupled with Wind Electric Converters

DIRECTORS' REPORT (Contd...)

for captive consumption at an estimated cost of Rs. 68.00 Crores under TUFs Scheme and as on date the scheme has received the sanction for financial assistance from Industrial Development Bank of India (IDBI) and Corporation Bank to the extent of Rs. 20.00 Crores and Rs. 30.00 Crores respectively by way of Term Loans. The balance cost of Rs. 18.00 Crores is proposed to be met by the company from its internal accruals.

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. P.K. Ganeshwar, Director retires by rotation and being eligible offers himself for re-appointment.

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 director 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 judgements 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.
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 2004, on a going concern basis.

AMBIKA COTTON MILLS LIMITED

DIRECTORS' REPORT (Contd...)

PARTICULARS OF EMPLOYEES :

The Company has no employees of the category specified in Section 217(2A) of the Companies Act, 1956.

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.

For and on behalf of the Board

PLACE : Coimbatore

DATE : 18-06-2004

Sd/-
(P.K. GANESHWAR)
CHAIRMAN

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AMBIKA COTTON MILLS LIMITED**ANNEXURE TO DIRECTORS' REPORT**

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 : NIL
- 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 31-03-2004	YEAR ENDED 31-03-2003
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1. ELECTRICITY :

a. Purchased :		
Units (in Lakhs)	92.20	57.50
Total Amount (Rs. in Lakhs)	299.72	256.59
Rate per Unit	3.25	4.46
b. Own Generation :		
1. Through Diesel Generator:		
Units (In Lakhs)	139.89	189.42
Units per litre of Diesel Oil	3.60	3.69
Rate per Unit	3.47	3.18
2. Wind Energy	43.65	0.00
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.	4.83	3.83
d. Technology Absorption :	Indigenous Technology alone is used.	
	(Rs. in Lakhs)	(Rs. in Lakhs)
e. Foreign Exchange Earnings	Rs. 5,276.28	Rs. 6,247.39
Foreign Exchange Outgo	Rs. 2,357.61	Rs. 6,035.68

For and on behalf of the Board

PLACE : Coimbatore

DATE : 18-06-2004

Sd/-
(P.K. GANESHWAR)
CHAIRMAN

AMBIKA COTTON MILLS LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

1. Overall Review

The prices of Cotton yarn exhibited a firm trend for a brief period both in the international and domestic market thereby contributing better margins. However the increase in cotton prices during the later period of the year has affected the overall performance. Though the prices realised for cotton yarn are better as compared to the previous year, the increase as above in cotton resulted in lower margins and at present the prices for cotton yarn turned bearish.

2. Industry Outlook

The Cotton Textile Industry in our country appears to make a come back due to Technology Upgradation Fund Scheme (TUFS) and the set removal of quota system from 2005 onwards. There will be a good demand in the near future for quality cotton yarn as it will be extensively used by garments and knitting sector.

3. Opportunities

As your company has positioned itself and well established both in the domestic and international market any opportunity that would be thrown open will be effectively used by the company.

4. Challenges

By investing in the state of the art plant and machinery and cost reduction by wind energy and well established quality production process the company is well positioned from any challenges.

5. Company Outlook

The Company has proposed to expand its production base further for exclusive manufacture of Compact yarn including wind energy for captive consumption, and on the completion of the scheme the operational base of the company would be further strengthened, facilitating the continued performance of the company in the best possible manner.

6. Risks and Concerns

The management does not perceive existence of any such factors as on date affecting the operations of the company, except sudden change of policies of the Government and more particularly the possible withdrawal of the Cenvat Chain, which came into operation recently.

AMBIKA COTTON MILLS LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS (Contd...)

7. Discussion on Financial Performance with Respect to Overall Performance

1.	Increase in Total Sales (Rs. in Lakhs)	982.93
2.	Increase in Total Sales (%)	9.59
3.	Increase in Net Profit over the Previous Year (Rs. in Lakhs)	416.12
4.	Increase in Net Profit over the Previous Year (%)	51.05
5.	Decrease in Exports (Rs. in Lakhs)	971.11
6.	Decrease in Exports (%)	15.54
7.	Decrease in Exports as Percentage of Total Sales (%)	17.56
8.	Increase in Net Profit Margin (%)	3.65
9.	Increase in Operating Profit Margin (%)	4.79
10.	Decrease in Raw Material Cost as Percentage of Sales (%)	4.05
11.	Decrease in Power Cost as Percentage of Sales (%)	1.66
12.	Decrease in Interest Charges as Percentage of Sales (%)	0.12

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 both the units. Safety needs are continuously monitored and preventive actions are initiated thorough departmental safety committees consisting of plant staff and workmen.

11. Cautionary Statement

Certain Statements in this report on Management 's 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.

AMBIKA COTTON MILLS LIMITED

AUDITORS' REPORT

To

The Members of Ambika Cotton Mills Limited,

1. We have audited the attached Balance sheet of Ambika Cotton Mills Limited as at 31st March 2004 and also the Profit and Loss Account for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 we give in the Annexure, a statement on the matters specified in paragraphs 4 of the said Order.
4. **Further to our comments in the Annexure referred to in Paragraph 3 above, we report that :**
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books;
 - c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the requirements of the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.