

# **AMBIKA COTTON MILLS LIMITED**



**ANNUAL REPORT  
2007 - 2008**

# AMBIKA COTTON MILLS LIMITED

## ANNUAL REPORT 2007 - 2008

### BOARD OF DIRECTORS

Sri P.V. Chandran  
 Sri K.N. Sreedharan  
 Sri K. Venkatachalam  
 R. Soundararaja Perumal  
 Sri K. Davidson, Nominee Director of  
 IDBI Bank LTD.  
 Sri Sunil Kumar Kolangara, Nominee  
 Director of UTI Venture Funds Management  
 Company Pvt. Ltd. (From 09.01.2008)  
 Sri. Srinivas Baratam, Nominee Director of  
 UTI Venture Funds Management Company  
 Pvt. Ltd. (Upto 08.01.2008)  
 Miss. Bhavya Chandran

### 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.  
 UCO Bank  
 Axis Bank

## **AMBIKA COTTON MILLS LIMITED**

**Registered office :** 9-A, Valluvar Street, Sivanandha Colony, COIMBATORE - 641 012.

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### **NOTICE OF THE MEETING**

Notice is hereby given that the Twentieth Annual General Meeting of the Company will be held on Saturday the 27<sup>th</sup> September 2008 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 31<sup>st</sup> March 2008 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. R. Soundararaja Perumal 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 an Ordinary Resolution.

Resolved that Sri. Sunil Kumar Kolangara be and is hereby appointed as a Director of the company

6. To consider and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution.

Resolved that Miss. Bhavya Chandran be and is hereby appointed as a Director of the company.

By order of the Board

Sd/-

**(P.V.CHANDRAN)**

Chairman and Managing Director

PLACE: Coimbatore

DATE: 25.06.2008

## AMBIKA COTTON MILLS LIMITED

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### NOTICE OF THE MEETING (Contd...)

#### 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 15<sup>th</sup> September 2008 to 27<sup>th</sup> September 2008 (Both the days inclusive). The dividend if declared will be paid to those members whose names appear in the Register of Members as on 27<sup>th</sup> September 2008.
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 2000-2001 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 2000-2001 will fall due for transfer to the said Fund on 27<sup>th</sup> October 2008. As regards unclaimed dividend for the financial years upto 1999-2000 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. Sri. R. Soundararaja Perumal**

Sri. R. Soundararaja Perumal is a graduate and has considerable experience in working with Government departments. The company has installed Wind Electric Converters for the Captive Consumption which involves a huge capital outlay and are installed at far away places from the plants of the company. This requires constant monitoring for proper protection, generation and connectivity to the grid so as to derive maximum benefit. Therefore his continuity as a Director would be of immense value and beneficial to the company.

## AMBIKA COTTON MILLS LIMITED

### NOTICE OF THE MEETING (Contd...) :

#### b. Sri. Sunil Kumar Kolangara

Sri. Sunil Kumar Kolangara was appointed to the Board as a nominee director of UTI Venture Funds Management Company Private Limited in the place of Sri. Srinivas Baratam with effect from 09.01.2008. He is a Mechanical Engineer from IIT, Chennai and an MBA from IIM, Ahmedabad having wide experience and extensive knowledge in corporate management and his occupancy as a director of the company is of immense value and beneficial to the company.

#### c. Miss. Bhavya Chandran

Miss. Bhavya Chandran holds Masters Degree in Business Management and she is daughter of Sri. P.V. Chandran, Chairman and Managing Director of the Company. She has specialized in Finance and International Business and her contribution will facilitate in the over all growth of the company

By order of the Board

Sd/-

PLACE: Coimbatore

DATE: 25.06.2008

(P.V.CHANDRAN)

Chairman and Managing Director

### ANNEXURE TO NOTICE

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

##### Item No.5

- (i) UTI Ventures Funds Management Company Private Limited is entitled to appoint a Nominee Director to the Board of Directors of the Company by virtue of preferential allotment of equity shares to the extent of 14.894% of the equity share capital of the company to Unit Trust of India Investment Advisory Services Limited – A/c Ascent India Fund managed by it.
- (ii) Pursuant to the above Sri. Srinivas Baratam was appointed as a Nominee Director and he was holding the office of Directorship up to 08.01.2008. He was replaced by Sri. Sunil Kumar Kolangara with effect from 09.01.2008 to represent the interest of UTI Ventures.
- (iii) Sri. Sunil Kumar Kolangara is a Mechanical Engineer from IIT, Chennai and an MBA from IIM, Ahmedabad having wide experience and extensive knowledge in corporate management.
- (iv) Accordingly Directors, recommend the Resolution at item no.5.

## AMBIKA COTTON MILLS LIMITED

### ANNEXURE TO NOTICE (Contd...) :

- (v) None of the Directors of the Company is in any way, concerned or interested in the resolution.

#### Item No.6

- (i) The Board of Directors appointed Miss. Bhavya Chandran as an additional Director pursuant to Article 78 of the Articles of Association of the company and under the said Article she will hold office only up to the date of the forthcoming Annual General meeting. The Company has received a Notice in writing from a member of the Company under Section 257 of the Companies Act, 1956 along with a deposit of Rs. 500/- signifying his intention to propose the appointment of Miss. Bhavya Chandran as a Director of the Company.
- (ii) Miss. Bhavya Chandran holds Masters Degree in Business Management, having specialized in Finance and International Business. The company has expanded its business operations substantially in the recent periods and the volume is growing. Her induction in to the Board would help the Company in its operations.
- (iii) Accordingly Directors, recommend the Resolution at item no.6
- (iv) Miss. Bhavya Chandran is daughter of Sri.P.V.Chandran, Chairman and Managing Director of the Company.
- (v) No other Director is interested except Sri.P.V.Chandran and he may be considered as concerned or interested in passing the Resolution.

By order of the Board

Sd/-

(P.V.CHANDRAN)

Chairman and Managing Director

PLACE: Coimbatore

DATE: 25.06.2008

# AMBIKA COTTON MILLS LIMITED

## DIRECTORS' REPORT

Your directors have great pleasure in submitting the Twentieth Annual Report together with the audited accounts for the year ended 31st March 2008.

### FINANCIAL RESULTS

The Financial results for the year ended 31st March 2008 are furnished below:

	CURRENT YEAR 2008 Rs.	PREVIOUS YEAR 2007 Rs.
Sales and other Income	1,63,15,82,733	1,43,56,53,827
Gross Profit for the year	32,89,31,685	35,31,65,052
Less : Depreciation	13,85,20,992	11,42,09,920
Profit before tax	19,04,10,693	23,89,55,132
Less: Provision for Taxation		
Current Tax (Minimum alternative tax)	2,20,67,500	2,68,10,766
Less : Minimum alternative tax credit	2,20,67,500	1,53,00,000
Net Current Tax	0	1,15,10,766
Less : Provision for Deferred Tax Liability	5,78,36,552	5,39,41,000
Provision for FBT	2,00,000	2,00,000
Profit after tax	13,23,74,141	17,33,03,366
Add: Balance in Profit & Loss Account (Brought Forward From The Previous Year)	6,86,08,140	9,04,90,272
Prior Period MAT Credit written back	1,15,93,714	0
Provision for diminution in value of investments written back	0	51,700
	21,25,75,995	26,38,45,338
Less : Prior Period Income-tax Written Off	3,54,870	79,777
Prior Period Expenses	34,834	10,17,780
Prior Period Deferred Tax Liability	0	14,69,56,000
Provision for Diminution in value of investments	2,91,522	0
	21,18,94,769	11,57,91,781
<b>Appropriations :</b>		
Proposed Dividend	1,17,50,000	1,46,87,500
Tax on Dividend	19,96,913	24,96,141
General Reserve	7,00,00,000	3,00,00,000
Balance Carried Over in Profit & Loss Account	12,81,47,856	6,86,08,140

# 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 2008 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.146.88 Lakh) and dividend tax Rs.19.97 Lakh (Previous year Rs.24.96 Lakh). The payout ratio for the year works out to 8.88% as compared to 8.48% on the basis of PAT of FY 2008 & 2007. The conservation in dividend has been made taking into consideration of the fact of implementation of projects by the company. The company would adopt a liberal dividend policy on receding of requirement of funds for the projects.

### OPERATIONS:

The Company's Total Income and Gross profit amounted to Rs.16316 Lakh (Previous year Rs.14357 Lakh) and Rs.3289 Lakh (Previous year Rs.3532 Lakh). This represents growth in total income of 13.64 % however Gross Profit declined 6.88 % as compared to the previous year.

For the year Company's Direct Export Turnover amounted to Rs.6689 Lakh as compared to Rs. 6345 Lakh in the previous year representing a growth of 5.42%. In terms of percentage the export turnover constituted 42.95 % of the net sales as against 45.16 % in the previous year.

The margins are affected consequent to rupee appreciation, increase in cotton prices and demand slackness for cotton yarn. Further intermittent power cut and quality of power from TNEB has affected quantum of production during the year. Of late the cotton prices are in the up swing generally affecting the performance of Cotton Textile Industry. However the company has judiciously employed its resources and contained the impact of all the combined adverse factors over the financial performance of the company. The company has created a strong manufacturing and market base for its products and the same will get reflected in the overall financial performance, once the factors affecting the operational performance of the company gets improved.

The Company continues to cater to reputed manufacturers engaged in manufacturing Shirts / Knitwear products both in domestic and international markets and working on value added products focusing on better margins without orientation to export / domestic markets. This policy orientation keeps the performance of the company on a better footing and able to withstand the temporary market adverse situations.

The Company so far invested Rs. 138.17 crores in respect of Unit - IV exclusively for manufacture of compact yarn out of the estimated cost of Rs. 140.63 Crores. The spindle capacity came into operation so far as up to 31.03.2008 amounts to 26400 spindles out of the envisaged capacity of 43200 spindles. The balance capacity would be operational in the current year.



# AMBIKA COTTON MILLS LIMITED

## DIRECTORS' REPORT (Contd...)

The Company has planned to increase the present installed capacity for wind energy from 13.8 MW to 17.8 MW by installation of 5 Nos. of Wind Machine of 800 KW at an estimated cost of Rs. 21.48 Crores. Term Loan to the extent of Rs. 16.92 Crores has already been tied up. This additional investment in wind energy will continue to keep the power cost of the company at reasonable levels.

### 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.Srinivas Baratam resigned from the Directorship of the Company with effect from 08.01.2008 consequent to his withdrawal of nomination by UTI Venture Funds Management Company Private Limited, Bangalore. Sri Sunil Kumar Kolangara was appointed as a Director of the Company in the place of Sri Srinivas Baratam with effect from 09.01.2008 by the said institution.

The Board wishes to place on record the services rendered by Sri. Srinivas Baratam during his tenure of office.

Miss Bhavya Chandran was co-opted as an additional director of the company by the Board of Directors of the Company at the meeting held on 30.01.2008.

### 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

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## DIRECTORS' REPORT (Contd...)

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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 2008, 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.

By order of the Board

Sd/-

PLACE: Coimbatore

(P.V.CHANDRAN)

DATE: 25.06.2008

Chairman and Managing Director