

**AMBIKA COTTON MILLS LIMITED**

**ANNUAL REPORT  
2010 - 2011**

# AMBIKA COTTON MILLS LIMITED

## ANNUAL REPORT 2010 - 2011

### BOARD OF DIRECTORS

Sri P.V. Chandran  
Sri K.N. Sreedharan  
Dr. K. Venkatachalam  
Sri R. Soundararaja Perumal  
Ms. Bhavya Chandran  
Smt. Seethalakshmi Nagarajan, (Nominee  
Director of IDBI Bank Ltd.,)

### 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  
Indian Bank  
Corporation Bank  
Indusind Bank Ltd.  
Axis Bank Ltd.

## **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 Twenty Third Annual General Meeting of the Company will be held on Tuesday the 27<sup>th</sup> September 2011 at 12.00 Noon at Hotel Sree Annapoorna, 75, East Arakiyasamy Road, R.S.Puram, Coimbatore - 641 002.

#### **ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31<sup>st</sup> March 2011 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.

By order of the Board

Sd/-

**(P.V.CHANDRAN)**

Chairman and Managing Director

PLACE: Coimbatore

DATE: 30.05.2011

#### **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 19<sup>th</sup> September 2011 to Tuesday 27<sup>th</sup> September 2011 (Both the days inclusive). The dividend if declared will be paid to those members whose name appears in the Register of Members as on Tuesday, 27<sup>th</sup> September 2011 in respect of Shares held in physical form and in respect of shares held in dematerialized form on the basis of beneficial ownership as per details furnished by the depositories for this purpose at the end of business hours on Saturday 17<sup>th</sup> September 2011.
3. Members are requested to notify the changes if any in their address immediately.

# AMBIKA COTTON MILLS LIMITED

## NOTICE OF THE MEETING

### NOTES : (Contd.)

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 2003-2004 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 2003-2004 will fall due for transfer to the said Fund on 26th October 2011. As regards unclaimed dividend for the financial years up to 2002-2003 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:

### Sri R. Soundaraja Perumal

Sri. R. Soundaraja Perumal is a graduate and has considerable experience in working with Government departments. The company has installed Wind Mills for 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.

By order of the Board

PLACE: Coimbatore  
DATE: 30.05.2011

Sd/-  
(P.V.CHANDRAN)  
Chairman and Managing Director

# AMBIKA COTTON MILLS LIMITED

## DIRECTORS' REPORT

Your directors have great pleasure in submitting the Twenty Third Annual Report together with the audited accounts for the year ended 31st March 2011.

### FINANCIAL RESULTS

The Financial results for the year ended 31st March 2011 are furnished below:

	CURRENT YEAR 2011 Rs.	PREVIOUS YEAR 2010 Rs.
Sales and other Income	3,27,24,15,467	2,23,13,91,816
Gross Profit for the year	84,03,37,383	44,63,45,979
Less : Depreciation	24,21,96,256	20,94,77,849
Profit before tax	59,81,41,127	23,68,68,130
Less: Provision for Taxation		
Current Tax (Minimum alternative tax)	11,92,02,034	4,02,50,000
Less : Minimum alternative tax credit	9,80,22,617	0
Net Current Tax	2,11,79,417	4,02,50,000
Less : Provision for Deferred Tax Liability	14,56,18,277	1,13,19,860
Provision for FBT	0	0
Profit after tax	43,13,43,433	18,52,98,270
Add: Balance in Profit & Loss Account (Brought Forward From The Previous Year)	23,91,15,361	15,61,19,796
Excess Depreciation withdrawn	9,17,440	0
Prior Period Income Tax Written back	0	30,09,634
	67,13,76,234	34,44,27,700
Less : Prior Period Income-tax Written Off	25,90,481	57,09,485
Prior Period FBT	0	60,090
Prior Period Expenses	0	89,90,472
MAT Credit Adjusted	43,06,197	0
	66,44,79,556	32,96,67,653
<b>Appropriations :</b>		
Interim Dividend	1,17,50,000	0
Tax on Interim Dividend	19,51,530	0
Proposed Dividend	1,76,25,000	1,76,25,000
Tax on Dividend	29,27,292	29,27,292
General Reserve	10,00,00,000	7,00,00,000
Balance Carried Over in Profit & Loss Account	53,02,25,734	23,91,15,361



# **AMBIKA COTTON MILLS LIMITED**

## **DIRECTORS' REPORT (Contd...)**

### **DIVIDEND**

The company has paid an Interim dividend of 20% (Rs. 2/- per share) during the year. The directors are pleased to recommend a Final dividend of 30% (Rs. 3/- per share) for the year ended 31st March 2011 for your approval. The outflow on account of Equity Dividend would be including interim dividend for the year works out 50% (Rs. 5/- per share) and the total payout Rs. 293.75 Lakh (Previous year Rs. 176.25 Lakh) and dividend tax Rs. 48.79 Lakh (Previous year Rs. 29.27 Lakh).

### **OPERATIONS:**

The Company's Total Income and Gross profit amounted to Rs.32724 Lakh (Previous year Rs.22314 Lakh) and Rs.8403 Lakh (Previous year Rs. 4463 Lakh). This represents growth in total income of 46.65% and Gross Profit of 88.28% as compared to the previous year.

For the year Company's Direct Export Turnover amounted to Rs.17816 Lakh as compared to Rs. 12141 Lakh in the previous year representing a growth of 46.74%. In terms of percentage the export turnover constituted 55.93% of the net sales as against 58.35% in the previous year.

During the year the demand environment in respect of Cotton Yarn remind robust coupled with better realisation. This has contributed to higher capacity utilization and the company was able to derive the consequent benefits resulting in the overall financial performance of the company.

The Company has completed and put into operation its scheme of expansion of Wind Power capacity by 12 MW and the total Wind Power capacity has been enhanced to 27.4 MW. The total cost of the scheme amounted to Rs. 73.17 Crores and was met out of internal accruals of Rs. 25.75 Crores and Term Loans of Rs. 47.42 Crores. The company has prepaid Term Loans amounting to Rs. 7.15 Crores in FY 2011 and subsequently further prepaid Term Loans amounting to Rs. 15.82 Crores up to the date of this report.

### **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. R. Soundaraja Perumal Director retires by rotation and being eligible offers himself for re-appointment.

# AMBIKA COTTON MILLS LIMITED

## DIRECTORS' REPORT (Contd...)

### 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.
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 31<sup>st</sup> March 2011, 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

PLACE: Coimbatore  
DATE: 30.05.2011

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 emphasized.
- b) Additional Investments and proposals being implemented for reduction of consumption of Energy:  
The Company has enhanced its wind energy capacity, during the year, for captive consumption from 15.4 MW to 27.4 MW. This would meet 100% 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 31-03-2011	YEAR ENDED 31-03-2010
<b>1. ELECTRICITY :</b>		
a. Purchased :		
Units (in Lakhs)	195.06	138.40
Total Amount (Rs. in Lakhs)	1150.92	797.36
Rate per Unit	5.90	5.76
b. Own Generation :		
1. Through Diesel Generator:		
Units (in Lakhs)	90.16	88.92
Units per litre of Diesel Oil	3.66	3.71
Rate per Unit	8.72	8.02
2. Wind Energy	362.08	319.06
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.	5.16	4.85
d. Technology Absorption :	Indigenous Technology alone is used.	
e. Foreign Exchange Earnings (Rs. in Lakhs)	17816	12141
Foreign Exchange Outgo (Rs. in Lakhs)	5707	6898



## 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 Directors' Report for the year ended 31<sup>st</sup> March 2011.

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	61	Chairman and Managing Director / Overall management of the Company	75.00	39	06-10-1988	—

By order of the Board

PLACE: Coimbatore

DATE: 30.05.2011

Sd/-

**(P.V.CHANDRAN)**

Chairman and Managing Director

# AMBIKA COTTON MILLS LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 1. Overall Review

The long term trend of the cotton textile industry is better placed as the demand for cotton yarn is set to grow considerably as more and more users opt to wear cotton based clothing vis-à-vis other clothing styles on account of comfortable human wear. But the industry is subject to volatility in cotton prices the main input in manufacturing cotton yarn.

### 2. Industry Outlook

The Cotton yarn manufacturing industry may be classified broadly into two categories viz: (i) Normal yarn (ii) Speciality yarn. The demand for speciality yarn would grow on account of the comfort of cotton wear wherein speciality yarn is the major input and as such the industry would have a continuous demand for the speciality products.

### 3. Opportunities

The Company has expanded its productive capacity in speciality cotton yarn segment and would be in a position to make use of the improved demand scenario for speciality cotton yarn.

### 4. Challenges

- (i) Wide fluctuations in cotton prices.
- (ii) Government regulatory mechanism.
- (iii) Market appreciation of speciality cotton yarn and its uses

### 5. Company Outlook.

The company has good demand for its products. Cotton price is subject to wide fluctuation which was not so earlier. 100% Captive power through wind mills is established which would reduce the power cost enhancing the long term interest of the company.

### 6. Risks and Concerns

Change in Policies of the Government restricting exports, withdrawing incentives for exports, hike in Bank interest rates would be the major factors having a bearing over the operations of the company.

### 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
	2011	2010
	Rs.	Rs.
1. Increase in Net Sales (Rs. in Lakh)	11045	3017
2. Increase in Net Sales (%)	53.08	16.96
3. Increase in Exports (in Rs.Lakh)	5675	4635
4. Increase in Exports (as a % of Net Sales)	-2.42	61.75
5. Net Profit Margin before Deferred Tax Liability (%)	18.11	9.45
6. Net Profit Margin after Deferred Tax Liability (%)	13.54	8.91