

AMBIKA COTTON MILLS LIMITED

**ANNUAL REPORT
2011 - 2012**

AMBIKA COTTON MILLS LIMITED

ANNUAL REPORT 2011 - 2012

BOARD OF DIRECTORS

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

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
Corporation Bank
Indusind Bank Ltd.
Axis Bank Ltd.

AMBIKA COTTON MILLS LIMITED

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

NOTICE OF THE MEETING

Notice is hereby given that the Twenty Fourth Annual General Meeting of the Company will be held on Friday the 28th September 2012 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 31st March 2012 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. K.N.Sreedharan who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Dr. K.Venkatachalam who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting and to fix their remuneration.

B. SPECIAL BUSINESS

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

Resolved that Sri.P.V.Chandran be and is hereby reappointed as the Chairman and Managing Director of the company for a further period of 5 years with effect from 1.4.2012 to 31.03.2017.

Further Resolved that pursuant to Section 309 (3) and all other applicable provisions read with Schedule XIII of the Companies Act, 1956 and subject to such approvals as may be necessary, consent be and he hereby accorded to the payment of remuneration to Sri.P.V.Chandran, Chairman and Managing Director of the Company of Rs.2,00,000/- per month plus commission at the rate of 2% of the net profit of the company subject to maximum of Rs.75.00 Lakh per annum.

Further Resolved that Sri.P.V.Chandran be entitled to sitting fees for the meetings of the Board of Directors or the Committee thereof attended by him and he will not be entitled to any perquisites.

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

Resolved that Mrs.Vidya Jyothish 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: 29.05.2012

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.**

AMBIKA COTTON MILLS LIMITED

NOTICE OF THE MEETING (Contd...) :

NOTES :

2. The Register of Members of the Company will remain closed from Wednesday 19th September 2012 to Friday 28th September 2012 (Both the days inclusive). The dividend if declared will be paid to those members whose name appears in the Register of Members as on Friday, 28.09.2012 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 Tuesday 18th September 2012.
3. Members are requested to notify the changes if any in their address immediately.
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 2004-2005 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 2004-2005 will fall due for transfer to the said Fund on 27th October 2012. As regards unclaimed dividend for the financial years up to 2003-2004 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:

a. Sri. K.N. Sreedharan

Sri. K.N.Sreedharan is a practicing Chartered Accountant based at Coimbatore and rendering Corporate Advisory Services to several corporates in and around Coimbatore. He is a very senior Chartered Accountant and he is in the Board of the Company since 1994. He is rendering valuable services to the Company and his continued association is required for the long term growth of the Company.

b. Dr.K.Venkatachalam

Dr.K.Venkatachalam holds Masters Degree in Sociology and Post Graduation Diploma in Labour and Administrative Law and an expert in the field of Industrial Management and Labour related matters. The Cotton Textile Industry being labour intensive, his guidance in the labour related matters would be of much value in the maintenance of cordial labour relationship.

c. Sri.P.V.Chandran

Sri.P.V.Chandran is the promoter Director of the company and has spearheaded the growth of the company since its incorporation. Sri.P.V.Chandran is well experienced over a period of 40 years in the field of Textiles and the company continues to grow under his guidance. He was

AMBIKA COTTON MILLS LIMITED

NOTICE OF THE MEETING (Contd...) :

reappointed as Chairman and Managing Director of the Company by the Board of Directors for a period of 5 years with effect from 01.04.2012 to 31.03.2017 at their meeting held on 14.02.2012. The reappointment of Sri.P.V.Chandran as Chairman and Managing Director is beneficial and in the interest of the company. There is no variation in his remuneration as fixed in the 19th Annual General Meeting of the company held on 28.09.2007 and at which the above remuneration was approved by the members of the company.

d. Mrs. Vidya Jyothish

Mrs. Vidya Jyothish holds Masters in Computer Application and she is daughter of Sri. P.V. Chandran, Chairman and Managing Director of the Company. Her induction into the Board of Directors will facilitate in the overall growth of the company.

By order of the Board

PLACE: Coimbatore
DATE: 29.05.2012

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

ANNEXURE TO NOTICE

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

Item No.6

- (i) Sri.P.V.Chandran was reappointed as the Managing Director of the Company to hold the office for a period of 5 years with effect from 01.04.2012 to 31.03.2017 by the Board of Directors at their meeting held on 14.02.2012.
- (ii) Under his stewardship the company has grown considerably in terms of Sales and Profits and it is in the interest of the company to reappoint him as the Chairman and Managing Director of the company for a further period of 5 years with effect from 1.4.2012 to 31.03.2017.
- (iii) Schedule XIII to the Companies Act provides for payment of remuneration to managerial personnel either as a fixed monthly remuneration or as a percentage of profits or a combination of both.
- (iv) At the 19th Annual General Meeting of the company held on 28.09.2007 remuneration was provided to him providing for a remuneration of Rs.2.00 Lakh per month and 2% of the net profits of the company subject to a maximum remuneration of Rs.75.00 Lakh. He was also provided for sitting fees for the meetings of the Board of Directors or the Committee thereof attended by him and not entitled to any perquisites.
- (v) There is no variation in the remuneration as earlier approved by the members at the Annual General Meeting held on 28.09.2007.

AMBIKA COTTON MILLS LIMITED

ANNEXURE TO NOTICE (Contd...)

- (vi) Accordingly Directors, recommend the Resolution at item no.6.
- (vii) No other Director is interested except Sri.P.V.Chandran, Mrs. Bhavya Chandran and Mrs. Vidya Jyothish may be considered as concerned or interested in passing the Resolution.

Item No.7

- (i) The Board of Directors appointed Mrs. Vidya Jyothish 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 Mrs. Vidya Jyothish as a Director of the Company.
- (ii) Mrs. Vidya Jyothish holds Masters in Computer Application, 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.7
- (iv) Mrs. Vidya Jyothish is the daughter of Sri.P.V.Chandran, Chairman and Managing Director of the Company.
- (v) No other Director is interested except Sri.P.V.Chandran, Mrs. Bhavya Chandran and they may be considered as concerned or interested in passing the Resolution.

By order of the Board

PLACE: Coimbatore
DATE: 29.05.2012

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

AMBIKA COTTON MILLS LIMITED

DIRECTORS' REPORT

Your directors have great pleasure in submitting the Twenty Fourth Annual Report together with the audited accounts for the year ended 31st March 2012.

FINANCIAL RESULTS

The Financial results for the year ended 31st March 2012 are furnished below:

	CURRENT YEAR 2012 Rs.	PREVIOUS YEAR 2011 Rs.
Sales and other Income	3,90,12,85,314	3,27,24,15,467
Gross Profit for the year	58,95,32,150	84,03,37,383
Less : Depreciation	26,80,13,695	24,21,96,256
Profit before tax	32,15,18,455	59,81,41,127
Less: Tax Expenses		
Current Tax (MAT)	6,43,35,758	11,92,02,034
Less : MAT Credit	0	-9,80,22,617
Net Current Tax	6,43,35,758	2,11,79,417
Less : Deferred Tax	10,64,134	14,56,18,277
Less : MAT Credit Reversed	89,53,158	43,06,197
Less : Prior Period Income Tax	83,44,059	25,90,481
Profit after Tax	23,88,21,346	42,44,46,755
Add : Balance in Profit & Loss Account	53,02,25,734	23,91,15,361
	76,90,47,080	66,35,62,116
Add : Depreciation Withdrawn	0	9,17,440
	76,90,47,080	66,44,79,556
Less : Appropriation		
Interim Dividend	1,17,50,000	1,17,50,000
Dividend Tax on Inteim Dividend	19,06,144	19,51,530
Transferred to General Reserve	10,00,00,000	10,00,00,000
Proposed Dividend on Equity Shares	1,76,25,000	1,76,25,000
Dividend Tax	28,59,216	29,27,292
Balance Carried Over in Profit & Loss Account	63,49,06,720	53,02,25,734

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 2012 for your approval. The outflow on account of Equity Dividend would be including interim dividend for the year works out to 50% (Rs.5/- per share) and the total payout will be Rs.293.75 Lakh (Previous year Rs. 293.75 Lakh) and dividend tax Rs.47.65 Lakh (Previous year Rs. 48.79 Lakh).

OPERATIONS:

The Company's Total Income and Gross profit amounted to Rs.39013 Lakh (Previous year Rs.32724 Lakh) and Rs.5895 Lakh (Previous year Rs. 8403 Lakh). This represents growth in total income of 19.22 % and decline in Gross Profit of 29.85% as compared to the previous year.

For the year Company's Direct Export Turnover amounted to Rs.22916 Lakh as compared to Rs. 17816 Lakh in the previous year representing a growth of 28.63%. In terms of percentage the export turnover constituted 60.97% of the net sales as against 55.94 % in the previous year.

The company continued its fine performance for the current year on the strength of its operational matrix, but was impacted on account of volatility in foreign currency, hike in interest cost, instability in cotton prices and uninterrupted availability of power. Despite, the above constraints having a bearing on the overall performance, the company exhibited its strength as it can be seen from the financial results. As of now the company is focusing on debt reduction. The substantial investments made by the company over the years in spinning segment and wind energy would contribute sustainable revenue ensuring continued better performance of the company.

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. K.N.Sreedharan Director retires by rotation and being eligible offers himself for re-appointment.

Dr. K.Venkatachalam Director retires by rotation and being eligible offers himself for re-appointment.

Mrs. Vidya Jyothish was co-opted as an additional director of the company by the Board of Directors of the company at the meeting held on 14.02.2012.

Sri P.V. Chandran, Chairman and Managing Director is re-appointed for a period of 5 years to hold the office with effect from 01.04.2012 to 31.03.2017.

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.

COST AUDIT:

The company's cost records are audited by Mr. G. Sivagurunathan, Cost Accountant, Coimbatore for the financial year ended 31.03.2011 and in respect of the same has submitted his report to the Central Government on 30.09.2011. He was re-appointed to conduct cost audit of cost records of the company for the financial year 2011 - 12 and 2012 - 13 upon his furnishing a certificate to the effect that he is independent, free from any disqualification and his appointment if appointed, will be within the limits as specified under 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 provisions of the 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 2012, 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: 29.05.2012

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 installed 25.9 MW of wind energy capacity for captive consumption. This would meet 100% power requirement of the spinning segment.

c) Impact of measures (a) & (b) above for reduction of Energy Consumption and consequent impact on cost of production.

i) Substantial savings in energy cost.

ii) The consumption of energy has been closely monitored and as a result wastage is avoided.

iii) 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 31.03.2012	YEAR ENDED 31.03.2011
1. ELECTRICITY :		
a. Purchased :		
Units (in Lakhs)	89.35	195.06
Total Amount (Rs. in Lakhs)	841.50	1150.92
Rate per Unit (inclusive of demand charges per unit Rs. 3.07 (previous year Rs. 1.40)	9.42	5.90
b. Own Generation :		
1. Through Diesel Generator:		
Units (in Lakhs)	49.00	90.16
Units per litre of Diesel Oil	3.66	3.66
Rate per Unit	9.35	8.72
2. Wind Energy	468.71	362.08
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.	4.96	5.18
d. Technology Absorption :	Indigenous Technology alone is used.	
e. Foreign Exchange Earnings (Rs. in lakhs)	22916	17816
Foreign Exchange Outgo (Rs. in lakhs)	8774	5707