

AMBIKA COTTON MILLS LIMITED

Registered Office : No. 9A, Valluvar Street, Sivanandha Colony, Coimbatore - 641 012.

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CIN No. : L17115TZ1988PLC002269

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DIRECTORS' REPORT

Your directors have great pleasure in submitting the Thirty First Annual Report together with the audited accounts for the year ended 31st March 2019.

FINANCIAL RESULTS

The Financial results for the year ended 31st March 2019 are furnished below :

(Rs. in Lakhs)

	CURRENT YEAR	PREVIOUS YEAR
	2018-19	2017-18
Sales & Other Income	65699.79	58569.81
Profit Before Finance Cost and Depreciation	12509.85	11342.44
Less: Finance Cost	942.42	492.86
Gross Profit For the Year	11567.43	10849.58
Less : Depreciation	2884.76	2887.60
Profit before Tax	8682.67	7961.98
Less : Tax Expense	2364.37	1855.21
Profit after Tax	6318.30	6106.77
Other Comprehensive income	-10.91	-7.22
Total Comprehensive income for the year	6307.39	6099.55
Add: Opening Balance of retained earnings	25251.72	20841.22
Amount available for appropriation	31559.11	26940.77
Less: Appropriations		
Transfer to General Reserve	1000.00	1000.00
Dividend on Equity Shares	1431.25	572.50
Dividend Tax	294.20	116.55
Closing Balance of retained earnings	28833.66	25251.72

PERFORMANCE AND STATE OF AFFAIRS

The Company's Total Income and Gross profit amounted to Rs. 65699.79 Lakhs (Previous year Rs. 58569.81 Lakhs) and Rs.11567.43 Lakhs (Previous year Rs. 10849.58 Lakhs). This represents growth of 12.17% in total income as compared to 10.62% growth in the previous year and growth of 6.62% in Gross Profit as against growth of 6.98% in the previous year.

For the year Company's Direct Export Turnover amounted to Rs. 44503.20 Lakhs as compared to Rs. 32728.88 Lakhs in the previous year representing a growth of 35.98% (Previous Year growth of 31.10%)

In terms of percentage the export turnover constituted 69.05% of the total turnover as against 57.46% in the previous year.

The improved financial performance for the year was largely on account of broad basing the products and continued improvisation of the production process. The company continued its emphasis on its core strength of making speciality yarn made up of superior cotton, offering products to the specific needs of the reputed customers, coupled with product innovation. This policy orientation has contributed to the sustained financial performance of the company.

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DIRECTORS' REPORT (Contd...)

During the year the Company has further invested Rs. 1599.05 Lakhs in Knitting segment and Rs. 1316.84 Lakhs in Spinning segment.

The Company has made an application under Single Window Clearance, covered under Investment under Global Investors Meet 2019, Organised by State Government of Tamilnadu, in respect of implementation of envisaged expansion of spinning segment. The proposal is under the advanced stage of all clearances and the MOU will be signed shortly by the Company and steps have been initiated for implementation of the project.

The Company is not carrying any long term debt.

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 Board of Directors has recommended payment of final dividend for FY 2018-19 as under

Rate of Dividend	Dividend per equity share (Rs.)	Amount of Dividend (Rs. in Lakhs)
300%	30	1717.50

If approved by the members at the Annual General Meeting (AGM) to be held on 27.09.2019, the proposed Final Dividend would result in cash outflow of dividend Rs.1717.50 Lakhs and dividend distribution tax Rs.353.12 Lakhs for FY 2018-19. The payout ratio of dividend and dividend tax works out to 32.77%.

DIRECTORS

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.

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. K.N. Sreedharan was appointed as an Independent Director. He holds office up to the date of the ensuing Annual General Meeting. The Board recommends his re-appointment as an Independent Director under Section 149 of the Act for a further term of five years viz., from the date of 31st AGM (2019) till the date of 36th AGM (2024).

Dr.K.Venkatachalam was appointed as an Independent Director. He holds office up to the date of the ensuing Annual General Meeting. The Board recommends his re-appointment as an Independent Director under Section 149 of the Act for a further term of five years viz., from the date of 31st AGM (2019) till the date of 36th AGM (2024).

The Board takes pleasure in recommending the re-appointment of Sri.K.N. Sreedharan and Dr.K. Venkatachalam as Independent Directors of the Company at the forthcoming Annual General Meeting.

In the opinion of the Board, all the Independent Directors fulfil the conditions specified in the Companies Act, 2013 and Rules made thereunder and SEBI(Listing Obligations and Disclosure Requirements), Regulations 2015 and are independent of the Management.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 134 (3) (c) of the Companies Act 2013, your directors state that: -

- In the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures;

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DIRECTORS' REPORT (Contd...)

- 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, 2019 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 2018- 19 namely, May 25, 2018, August 11, 2018, November 10, 2018 and February 12, 2019.

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

M/s.SRIKISHEN & Co., Chartered Accountants, ICAI Firm Registration No.004009S was appointed as the Statutory auditors for a continues period of five years from the conclusion of 29th AGM (2017) till the conclusion of 34th AGM (2022).

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.Sundararajan Baalaji, Practising Company Secretary to undertake the Secretarial Audit of the Company.

The Secretarial Audit Report for the financial year ended March 31, 2019 is annexed herewith marked as Annexure A to this Report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

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DIRECTORS' REPORT (Contd...)

COST AUDITOR & 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, 2019 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, Mrs. Vidya Jyothish Pillai and Sri. E.M. Nagasivam.

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.

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DIRECTORS' REPORT (Contd...)

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 31,2019 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 and the same is made available in the company's website www.acmills.in.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

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. 140.43 Lakhs (Previous year Rs. 129.86 Lakhs) @2% of 3 years average net profit of the Company and the Company has spent Rs 143.55 Lakhs (Previous year Rs. 136.32 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.

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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 : 10/08/2019

Place : Coimbatore