

AMBIKA COTTON MILLS LIMITED

ADDITIONAL DISCLOSURES PURSUANT TO SEBI REGULATIONS

ADDITIONAL DISCLOSURES PURSUANT TO REGULATIONS(34)(3) AND 53(F) OF SEBI (LISTING OBLIGATION AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015)

A. RELATED PARTY TRANSACTIONS

Key Management Personnel	Sri P.V. Chandran
Relatives of Key Management Personnel	Mrs. Vidya Jyothish Pillai (Daughter of Sri. P.V. Chandran) Mrs. Bhavya Chandran (Daughter of Sri. P.V. Chandran)

(Rs in Lakhs)

Nature of Transactions	Salary	Director Sitting Fees	Total (Rs in Lakhs)	Balance Payable as at 31.03.2019
Short term Employee benefits to Sri. P.V. Chandran	24.00	1.00	25.00	2.00
Ms. Vidya Jyothish Pillai	-	2.00	2.00	-
Ms. Bhavya Chandran	-	1.00	1.00	-

Notes :

1. Remuneration to Sri. P.V. Chandran was approved by the shareholders at the 28th Annual General Meeting held on 23.09.2016 pursuant to Section 197 of the Companies Act, 2013
2. The Sitting fees to Directors are approve by the Board of Directors at their Meeting held on 27.05.2017

B. MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry structure & Developments

India's textiles sector is one of the oldest industries in Indian economy and one of the largest contributors to India's exports. The textile industry has two broad segments. First, the unorganised sector consists of handloom, handicrafts and sericulture, which are operated on a small scale and through traditional tools and methods. The second is the organised sector consisting of spinning, apparel and garments segment which apply modern machinery and techniques such as economies of scale. The Indian textiles industry is extremely varied, with the hand-spun and hand woven textiles sectors at one end of the spectrum, while the capital intensive sophisticated mills sector at the other end of the spectrum.

The decentralised power looms/ hosiery and knitting sector form the largest component of the textiles sector. The close linkage of the textile industry to agriculture (for raw materials such as cotton) and the ancient culture and traditions of the country in terms of textiles make the Indian textiles sector unique in comparison to the industries of other countries. The Indian textile industry has the capacity to produce a wide variety of products suitable to different market segments, both within India and across the world. The textiles industry is also labour intensive and employs large number of persons.

The fundamental strength of the textile industry in India is its strong production base of wide range of fibre/yarns from natural fibres like cotton, jute, silk and wool to synthetic /man-made fibres like polyester, viscose, nylon and acrylic.

AMBIKA COTTON MILLS LIMITED

ADDITIONAL DISCLOSURES PURSUANT TO SEBI REGULATIONS (Contd...)

2. Market Size

The Indian textile industry is set for strong growth, buoyed by both strong domestic consumption as well as export demand. The sector is expected to reach US\$ 226 billion by FY 2023. Population is expected to reach 1.34 billion by FY 2019. Urbanization is expected to support higher growth due to change in fashion and trends.

For textile industry, the proposed hike in FDI limit in multi-brand retail will bring in more players, thereby providing more options to consumers. It will also bring in greater investments along the entire value chain - from agricultural production to final manufactured goods. With global retail brands assured of a domestic foothold, outsourcing will also rise significantly.

3. Opportunities & Threats

Cotton yarn accounts for the largest share in total yarn production; India's growing population has been a key driver of textile consumption growth in the country. It has been complemented by a young population which is growing and at the same time is exposed to changing tastes and fashion. Rising incomes has been a key determinant of domestic demand for the sector; with incomes rising in the rural economy as well, the upward push on demand from the income side is set to continue.

Complementing this factor is rising female workforce participation in the Country. With consumerism and disposable income on the rise, the retail sector is set to experience a rapid growth. The organized apparel segment is expected to grow at a compound annual growth rate of more than 13% over a ten year period.

Under Union Budget 2019-20, Government of India allocated around Rs. 5831.48 Crores(USD\$ 808.24 million) for the Ministry of Textiles. According to the new draft of the National Textile Policy, the Government is planning to attract foreign investments thereby creating employment opportunities to 35 million people.

4. Segment wise performance

The Contribution of Spinning segment and wind energy (captive power for spinning segment) are as under

(Rs in Lakhs)

Segment	FY 2018-19	FY 2017-18
Spinning	7936	6352
Wind energy	1549	1980

5. Outlook.

The Company, on account of manufacturing specialty cotton yarn, continues to have good demand for its products and has created specific markets for its products. This ensures more sustained profitable operations. The company continues to strengthen its production base by modernization and adding balancing equipments and improvising production process. The Company has installed windmills for 100% of its captive requirements and installed EHT line (110 KVA Sub-Station) for smooth flow of quality power. The Company is offering wider range of products and establishing newer markets in knitting segment activity. These measures will continue to support the operations of the company.

6. Risks and Concerns

- (i) Positive economic environment
- (ii) Government policies.
- (iii) Evacuation of 100% Wind energy generated to State Grid and favourable wind season.
- (iv) Stability in Raw cotton prices

AMBIKA COTTON MILLS LIMITED

ADDITIONAL DISCLOSURES PURSUANT TO SEBI REGULATIONS (Contd...)

7. Internal control systems and their adequacy

The Company has put in place effective control systems in respect of all its operations and such systems are continuously reviewed and upgraded.

8. (i) Discussion on Financial Performance with Respect to Operational Performance

The key financial data are furnished below for the current year as compared to the previous year

S. No.	Particulars	Current Year 2019	Previous Year 2018
1	Increase in Net Sales (Rs. in Lakh)	7492.28	5363.49
2	Increase in Net Sales (%)	13.15	10.40
3	Increase in Exports (Rs. in Lakh)	11774.31	7763.53
4	Increase in Exports (%)	11.59	31.10
5	Operating Profit Margin before Tax(%)	19.41	19.91
6	Operating Profit Margin after Tax (%)	15.74	16.66
7	Cash Profit Margin before Tax (%)	17.95	19.05
8	Cash Profit Margin after Tax (%)	14.28	15.79
9	Net Profit Margin before Tax (%)	13.47	13.98
10	Net Profit Margin after Tax (%)	9.80	10.72

*Profit Margin calculations are on the basis of Net Sales

(ii) Operational performance in terms of Production and Sales quantities are given below.

Particulars	FY 2018-19 Qty (In Lakh Kgs)		FY 2017-18 Qty (In Lakh Kgs)	
	Production	Sales	Production	Sales
Cotton Yarn	196.59	129.00	193.50	154.66
Cotton Yarn for captive consumption(for knitting)	-	65.75	-	38.82
Cotton Fabrics (Knitted)	90.38	86.66	49.17	48.51
Waste Cotton	80.33	79.56	76.03	76.75
Wind units for captive consumption	410.24 Lakh units		492.86 Lakh units	

9. Material developments in Human resources / Industrial relations

The Company places its utmost value on the human resource and contribution from the employees is always fine-tuned towards to achieve the overall organization performance by constant education, training and various incentive schemes, which are in vogue. The company has cordial industrial relationship and have in total 2601 employees consisting of staff and workmen in its roll. The Company ensures high safety and environmental standards in all its operations at all the units. Safety needs are continuously monitored and preventive actions are initiated through departmental safety committees consisting of plant staff and workmen.

10. Cautionary Statement

Certain Statements in this report on Management 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.