



AMBICA AGARBATHIES & AROMA INDUSTRIES LIMITED

BOARD OF DIRECTORS

AMBICA KRISHNA

Chairman & Managing Director

A.V.AMBICA PRASAD

Director

A.RAMANJANEYULU

Director

AUDITORS

T.S.AJAI, B.Com.,F.C.A.,
304, Minar Apartments,
Deccan Towers,
Basheerbagh,
HYDERABAD - 500 001.

BANKERS

UCO Bank,
Powerpet, ELURU.

Vysya Bank Limited,
Canal Road, Agraharam,
ELURU.

State Bank of Hyderabad,
Canal Road, Agraharam,
ELURU.

REGISTERED OFFICE

Shankar Towers,
Powerpet, ELURU.
West Godavari Dist.,
Andhra Pradesh

ADMN. OFFICE

23, Murali Street,
Mahalingapuram,
Kodambakkam,
CHENNAI.

FACTORY

Satrapadu,
DUGGIRALA
West Godavari Dist.,
Andhra Pradesh

SHARE TRANSFER AGENTS

IKON VISIONS (P) LTD.
533, Sanali Heavens,
Near Kamma Sangam,
Ameerpet, HYDERABAD.

NOTICE**AMBICA AGARBATHIES &
AROMA INDUSTRIES LIMITED**

Notice is hereby given that the Fourth Annual General Meeting of Ambica Agarbathies & Aroma Industries Limited will be held on the 24th December, 1999 at 11.00 a.m. on Friday at Registered Office of the company at Shankar Towers, Powerpet, Eluru to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited accounts of the company for the period ended 31st March, 1999 together with the report of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a director in place of Sri.A.V.Ambica Prasad who retires by rotation and being eligible, offers himself for reappointment.
4. To consider the reappointment of Sri.T.S.Ajai, Chartered Accountant as Auditors to hold office from the conclusion of this Annual General Meeting, till the conclusion of next annual general meeting at such remuneration and reimbursement of out of pocket expenses as may be mutually agreed upon between the Board of Directors and the Auditors.

SPECIAL BUSINESS:

5. To appoint Sri.A.Ramanjaneyulu as Director retiring by rotation.

To consider and if thought fit to pass the following resolution with or without modification as ordinary resolution:

"RESOLVED THAT pursuant to the provisions of section 257 of the Companies Act, 1956 Sri.A.Ramanjaneyulu be and hereby appointed as Director whose term of office is determinable as retirement of Directors by rotation "

6. Increase of Authorised Capital from Rs. 8.5 Crores to Rs. 15 Crores.

To consider and if thought fit to pass the following resolution with or without modification as special resolution:

"RESLOVED THAT pursuant to section 94 and other applicable provisions, if any, contained under the Companies Act, 1956, the authorised capital of the company be and is hereby increased from Rs. 8.5 Crores divided into 85 Lakhs equity shares of Rs. 10/- each to Rs. 15 Crores divided into 1.5 Crores of equity shares of Rs. 10/- each."

"FURTHER RESOLVED THAT clause V of the Memorandum of Association of the Company be and is hereby amended as follows."

The authorised share capital of the company is Rs. 15,00,00,000/- (Rupees Fifteen Crores) only consisting of 1,50,00,000 No.s of equity shares of Rs. 10/- (Rupees Ten) each with power to consolidate, convert, sub-divide, reduce or increase the capital and to issue any new share with any preferential or special rights and conditions attached thereto subject to the provisions of the Companies Act, 1956.

"FURTHER RESOLVED THAT Article 3.0(Division of Capital) of the Articles of Association of the Company be and is hereby amended as follows."

The authorised share capital of the Company is Rs. 15,00,00,000/- (Rupees Fifteen Crores only) divided into 1,50,00,000 No.s of equity shares of Rs.10/- (Rupees Ten only) each.

7. Allotment of shares to the shareholder of Ambica Resorts and Industries Limited pursuant to the scheme of amalgamation:

To consider and if thought fit to pass the following resolution with or without modification as a special resolution.

"RESLOVED THAT approval of the Company be and hereby granted in terms of section 81(1A) of the Companies Act, 1956 to allot of 60,00,000 shares of Rs. 10/- each aggregating to Rs. 6 Crores to the shareholders of Ambica Resorts and Industries Limited pursuant to the scheme of amalgamation already approved by the company, subject to the approval of the High Court. Further resolved that the same be allotted without any proportionate shares being allotted to the existing shareholders of this company".

"FURTHER RESOLVED THAT Sri Ambica Krishna be hereby authorised to file the necessary forms and other papers with the Registrar of Companies, Andhra Pradesh, Hyderabad, and also other authorities to intimate the above increase in authorised share capital".

for and on behalf of the Board

Place : ELURU
Date : 25.11.99

AMBICA KRISHNA
Chairman & Managing Director

AMBICA AGARBATHIES & AROMA INDUSTRIES LIMITED

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote instead of himself/herself and a proxy need not be a member. Instrument of proxies, in order to be effective, must be deposited at the Registered Office of the Company not less than 48 hours before the meeting.
2. Members are requested to kindly notify any change in address immediately to the Company's share transfer agents Ikon Visions (P) Ltd., 533, Sanali Heavens, Near Kamma Sangam, Ameerpet, Hyderabad.
3. Members/Proxies should bring their attendance slip sent herewith duly filled in for attending the meeting.
4. The Register of Members and Share Transfer Books will remain closed from 23.12.99 to 24.12.99 (both days inclusive).
5. Explanatory statement pursuant to section 173(2) is enclosed to this notice.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

1. Appointment of A. Ramanjaneyulu as Director:

Sri.A.Ramanjaneyulu has been associated with the group companies in various capacities and is having rich experience in manufacturing of Agarbathies. Considering his experience the Board of Directors appointed him as Additional Director. Pursuant to the provisions of section 260 of the Companies Act, the Additional Director should vacate his office as Director as on the date of Annual General Meeting.

As your company received a notice pursuant to Section 190 of the Companies Act, 1956, proposing his candidature for Directorship. The above said resolution is commended for your approval.

Sri.Ambica Krishna and Sri.A.V.Ambica Prasad are Directors interested in the resolution.

2. Increase of Authorised Share Capital:

The authorised share capital of the company is Rs. 8,50,00,000/- consisting of 85,00,000 equity shares of Rs. 10/- each. The company has already approved a scheme of amalgamation of Ambica Resorts and Industries Private Limited, Chennai with the company, w.e.f. 01.04.98. The scheme of amalgamation envisages allotment of Rs 6 Crores consisting of 60,00,000 shares of Rs. 10/-

each to the shareholders of Ambica Resorts and Industries Limited. The scheme of amalgamation has been approved by the transferor company. Further the petitions filed by the respective companies before the jurisdictional High Courts is in progress and the approval is awaited. The allotment of shares to the transferor company requires increase in the authorised share capital of the company by another Rs. 6 crores. This was not done earlier in view of the cost involved and also due to the pendency of approvals by the High Courts. Since the matter is now before the High Court of Andhra Pradesh and Chennai for final disposal it becomes necessary to increase the authorised share capital of the company and report the same to the High Court. Therefore, it is recommended that the authorised capital of the company be increased from Rs. 8.5 crores to Rs. 15 crores.

None of the Directors are interested in the resolution.

3. Allotment of shares to the shareholders of Ambica Resorts and Industries Private Limited pursuant to the scheme of amalgamation:

The scheme of amalgamation already approved by the company envisages allotment of 60,00,000 shares of Rs. 10/- each aggregating to Rs. 6 crores to the shareholders of Ambica Resorts and Industries Private Limited. As per the provisions of section 81 of the Companies Act, 1956 and further issue of shares shall be made in the same proportion in which the existing shareholders hold shares would unless the company passes a special resolution in general meeting waiving this right. This resolution is as required in terms of section 81(1A) of the Companies Act, 1956. Since the scheme of amalgamation is awaiting the final approval of the court the passing of this resolution is necessary. Therefore this resolution is commended.

None of the Directors are interested in the resolution, except to the extent of interest of Sri Ambica Krishna, Chairman & Managing Director who holds 19,00,000 shares, Sri A.V. Ambica Prasad, Director, who holds 25,00,000 shares, Sri A. Ramanjaneyulu, Director, who hold 23,50,000 shares in Ambica Resorts and Industries Private Limited.

DIRECTORS' REPORT**AMBICA AGARBATHIES &
AROMA INDUSTRIES LIMITED****TO THE MEMBERS,**

Your Directors have pleasure in presenting the Fourth Annual Report for the period ending 31st March, 1999, together with Audited Accounts:

FINANCIAL RESULTS:

Particulars	31.03.1999 [Rs. in lacs]
Sales	1,754.48
Other Income	29.72
Profit before Depreciation & Income-tax	151.85
Depreciation	20.82
Net Profit Before Tax	131.03
Provision for Taxation	4.00
Provision for Dividend & Dividend Tax	69.11
Transfer to General Reserve	55.00
Balance carried to Balance Sheet	2.92

PROJECTIONS Vs. PERFORMANCE:

The projected profitability and turnover as stated in the letter of offer in comparison with the performance of the company for 1998-99 is given below:

Particulars	Projections [Rs. in lacs]	Performance [Rs. in lacs]
Sales	2035.74	1754.48
Net Profit after Tax	247.94	127.03
EPS (Rs.)	3.27	1.81

NOTE:

The Net Profit after tax is lower than the projections on account of change in the mix of sales and increased consumption of raw materials due to change of composition of ingredients.

OPERATIONS:

The sales of Sented Bathies are little lower than in the last year due to coming into market the Scented Bathies of others. To avert the situation during the year under review the company successfully launched various new brands of scented agarbathies which were very well received by the market. The company is continuing its efforts to market its products with attractive schemes and are expected to yield results during the current year. The sales of Ambica Durbar Bathies are impressive and encouraging.

WINDMILL PROJECT:

The company's Wind Mill at Poolavady, Coimbatore District, Tamilnadu is performing well. The revenue receipts during the year amounted to Rs.9,77,352/- with an increase of 34.2%.

DIVIDEND:

Your Directors are glad to recommend a dividend of 5% pro-rata including the shares to be issued to the shareholders of Ambica Resorts and Industries Private Limited as per the scheme of amalgamation subject to the approval of respective High Courts of Andhra Pradesh and Chennai.

DIRECTORS:

Sri.A.V.Ambica Prasad retires by rotation and being eligible offers himself for re-appointment. The Board recommends his re-appointment.

Sri.A.Ramanjaneyulu has to vacate his office as Director on the date of ensuing Annual General Meeting. As your company received a notice from a member under section 190 of the Companies Act, 1956 proposing his candidature for Directorship and considering his experience in the manufacture of Agarbathies Directors of your company propose him to appoint as a Director whose period of office is derterminable retiring by rotation.

AMBICA AGARBATHIÉS & AROMA INDUSTRIES LIMITED

AUDITORS:

Sri.T.S.AJA), B.Com., F.C.A., Chartered Accountant, Hyderabad has been appointed as Auditor of the Company retire at the conclusion of this Annual General Meeting. The Board recommends their re-appointment.

PARTICULARS OF EMPLOYEES:

There are no employees drawing remuneration in respect of the limits specified in accordance with the sub-section (2-A) of section 217 of the Companies Act, 1956, read with the Companies (particulars of employees) Rules, 1975.

OTHER INFORMATION:

Information in accordance with clause (e) of sub-section (1) of section 217 read with the Companies (disclosure of particulars in the report of Board of Directors) Rules, 1988 and form part of the Directors report for the period ended 31st March, 1999 is given in the Annexure to this report.

MATTER ON STATUS OF AMALGAMATION:

Petitions have been filed in the High Court of Andhra Pradesh and Chennai for approval of amalgamation of Ambica Resorts & Industries Private Limited, Chennai with the company w.e.f. 01.04.1998. Earlier the said amalgamation had been approved by the shareholders of the company in its Extraordinary General Meeting held on 17.12.98 under the directions of the Honourable High Court of Andhra Pradesh. Similarly, the shareholders of Ambica Resorts & Industries Private Limited, Chennai have approved the amalgamation in their Extraordinary General Meeting held on 29.01.99 under the directions of the Honourable High Court of Chennai. The approval of amalgamation from the respective High Courts is awaited. The

accounts as on 31st March, 1999 of the company does not include the figures of transferor company, Ambica Resorts & Industries Private Limited.

Y2K COMPLIANCE:

The company has reviewed the hardware & software used by it and has ensured that the same are Y2K compliant. The cost for the same was not material and has been included in the Administrative Expenditure. The company has also made necessary contingency plans.

STOCK-EXCHANGE:

The shares of the company are listed in the stock exchanges of Hyderabad, Chennai and Bangalore. The company is regular in payment of annual listing fees to the said stock exchanges. None of the stock exchanges suspended trading of your company's shares during the year.

ACKNOWLEDGEMENTS:

Your Directors take this opportunity to record their appreciation for the support received from the bankers during the year. Your Directors also record patronage of various state and Central Government Authorities. The Directors also acknowledge the support received from stockists & distributors, the suppliers of goods and services and shareholders for the confidence reposed in the Company. Your Directors wish to appreciate the sincere efforts and devoted services rendered by the employees of the company.

for and on behalf of the Board

Place : ELURU
Date : 25.11.99

AMBICA KRISHNA
(Chairman & Managing Director)

ANNEXURE TO THE DIRECTORS' REPORT

AMBICA AGARBATHIES & AROMA INDUSTRIES LIMITED

Information under section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report:

A. CONSERVATION OF ENERGY:

1. Energy conservation measures taken: The present operations of the company do not involve high energy consumption. However steps being taken to minimise energy consumption.
2. Additional Investments and proposals if any, being implemented for reduction of consumption of energy: - NIL -
3. Impact of the measures (1) and (2) above for reduction of energy consumption and consequent impact on the production of goods: - NIL -

FORM B:

(Disclosures of particulars with respect to technology absorption to the extent applicable)

A. RESEARCH AND DEVELOPMENT (R&D):

1. Specific areas in which R & D carried out by the Company: - NIL -

2. Benefits derived as a result of the above R&D : - NIL -
3. Future Plan of action : - NIL -
4. Expenditure on R & D:
 - a) Capital - NIL
 - b) Recurring - NIL
 - c) Total - NIL
 - d) Total R&D expenditure as a percentage of total turnover - NIL

B. TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION:

1. Efforts, in brief, made towards technology absorption, adoption and innovation : - NIL -
2. Benefits derived as a result of the above efforts, eg. Product improvement cost reduction, product development, import substitution, etc. : - NIL -
3. Import technology : - NIL -

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

- i) Earnings - NIL
- ii) Outgo - NIL

For and on behalf of the Board

Place : ELURU

Date : 25.11.99

AMBICA KRISHNA

(Chairman & Managing Director)