

7th
Annual Report
2001-2002



Report  junction.com

**AMBICA AGARBATHIES &
AROMA INDUSTRIES LIMITED**


BOARD OF DIRECTORS

AMBICA KRISHNA
AMBICA SUDARSAN
AMBICA RAMACHANDRA RAO
P. KOTESWARA RAO
M. SURAYYA, Chartered Accountant
P. BHASKARA RAO

Chairman & Managing Director
Director
Director
Director (w.e.f. 25.01.2002)
Director (w.e.f. 25.01.2002)
Director (w.e.f. 25.01.2002)

AUDITORS

T S Ajai, B. Com., FCA
 304, Minar Apartments,
 Deccan Towers, Basheerbagh,
 HYDERABAD-29

BANKERS

UCO Bank
 Powerpet,
 ELURU.

Union Bank of India
 Ashok Nagar Branch, Ashok Nagar,
 CHENNAI

Andhra Bank
 Saligramam Branch,
 Saligramam, CHENNAI.

REGISTERED OFFICE

Shankar Towers,
 Powerpet, ELURU

ADMN. OFFICE

Ambica Empire – Best Western
 57, 100ft Road, Vadapalani,
 CHENNAI.

FACTORY

SATRAMPADU
 DUGGIRALA
 West Godavari Dist.,
 Andhra Pradesh.

SHARE TRANSFER AGENTS:

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

DEMAT SHARE TRANSFER AGENTS:

Sathguru Management Consultants Private Limited,
 Plot No.15, Hindi Nagar,
 Panjagutta, Hyderabad.



NOTICE

Notice is hereby given that the **7th Annual General Meeting** of the members of **Ambica Agarbathies & Aroma Industries Limited** will be held at Registered office of the Company at **Shankar Towers, Powerpet, Eluru, West Godavari District, Andhra Pradesh** on Saturday the 28th September, 2002 at 11.00 A.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider, approve and adopt the Audited Balance Sheet of the company as at 31.03.2002 and the Profit and Loss account for the year ended on that date and the Report of Directors' and the Auditors thereon.
2. To declare Dividend for the Financial Year 2001-2002.
3. To appoint a Director in place of Ambica Sudarsan who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s. T.S. Ajai as Statutory Auditors and fix their remuneration :

"RESOLVED THAT pursuant to section 224(1) of the Companies Act, 1956, the retiring auditor T.S. Ajai, B.Com, F.C.A, Chartered Accountant in practice be and is hereby re-appointed as Statutory Auditor of the Company to hold the office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting at a remuneration as may be decided by the Board of Directors of the Company."

SPECIAL BUSINESS:

5. To consider and if, thought fit, to pass with or without modification(s) the following resolution as Special Resolution:

"RESOLVED THAT pursuant to provisions of Sections 198, 269, 309, 310 and 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 consent of the members be and is hereby

accorded to ratify the re-appointment of Shri. Ambica Krishna as the Chairman & Managing Director of the Company with effect from 1st April, 2002 for a period of three years on the following terms and conditions."

- a) Salary : Rs. 1,80,000 per annum
- b) Perquisites :

Category - A

1. Rent free accommodation or rental allowances as per the rules of the Company.
2. Re-imbursment of Medical Expenses incurred for self and family members as per the rules of the Company not exceeding one month salary.
3. Leave travel concession for self and family once in a year, incurred in accordance with the rules of the Company.

Category - B

- i. Contribution to provident fund and superannuation fund or any other scheme which will not be included in computation of the ceiling on the perquisites to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961. Gratuity payable shall not exceed half a month's salary for each completed year of service.
- ii. Earned leave on full pay and allowances as per the rules of the company but not exceeding one months leave for eleven months of service. Encashment of leave at the end of the tenure which will not be included in the computation of ceiling on the perquisites.
- iii. Provision of car for use on company's business and telephone at residence and mobile phone provided to him will not be considered as perquisites.
- iv. Any other perquisites as may decided by the Board in future.
6. To consider and if, thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:



"RESOLVED THAT Shri. P. Koteswara Rao, who was co-opted as an Additional Director of the Company by the Board of Directors and who holds office under Section 260 of the Companies Act, 1956, upto the date of the Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of a Director, be and is hereby appointed as a director of the Company, liable to retirement by rotation."

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

"RESOLVED THAT Shri. M. Surayya Chartered Accountant who was co-opted as an Additional Director of the Company by the Board of Directors and who holds office under Section 260 of the Companies Act, 1956, upto the date of the Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company, liable to retirement by rotation."

8. To consider and if, thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT Shri. P. Bhaskara Rao, who was co-opted as an Additional Director of the Company by the Board of Directors and who holds office under Section 260 of the Companies Act, 1956, upto the date of the Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of a director, be and is hereby appointed as a director of the Company, liable to retirement by rotation."

9. To consider and if, thought fit, to pass with or without modification(s) the following resolution as a special resolution:

"RESOLVED THAT pursuant to provisions of sections 198, 269, 309, 310 and 311 read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 Shri. Ambica Sudarsan, director of the Company be and is hereby appointed as Director - Operations for a period of three years with effect from 01.04.2002. on the following terms and conditions."

- a) Salary : Rs. 1,20,000 per annum
b) Perquisites :

Category - A

1. Rent free accommodation or rental allowances as per the rules of the Company.
2. Re-imbursement of Medical expenses incurred for self and family members as per the rules of the Company not exceeding one month salary.
3. Leave travel concession for self and family once in a year, incurred in accordance with the rules of the Company.

Category - B

- i. Contribution to provident fund and superannuation fund or any other scheme which will not be included in computation of the ceiling on the perquisites to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961. Gratuity payable shall not exceed half a month's salary for each completed year of service.
- ii. Earned leave on full pay and allowances as per the rules of the company but not exceeding one months leave for eleven months of service. Encashment of leave at the end of the tenure which will not be included in the computation of ceiling on the perquisites.
- iii. Provision of car for use on company's business and telephone at residence and mobile phone provided to him will not be considered as perquisites.
- iv. Any other perquisites as may decided by the Board in future.



10. To consider and if, thought fit, to pass with or with out modification(s) the following resolution as a special resolution:

"RESOLVED THAT pursuant to provisions of sections 198, 269, 309, 310 and 311 read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 Shri. Ambica Ramachandra Rao, director of the Company be and is hereby appointed as Director-Works for a period of three years with effect from 01.04.2002. on the following terms and conditions."

- a) salary : Rs. 1,20,000 per annum
b) Perquisites :

Category - A

1. Rent free accommodation or rental allowances as per the rules of the Company.
2. Re-imbursement of Medical Expenses incurred for self and family members as per the rules of the Company not exceeding one month salary.
3. Leave travel concession for self and family once in a year, incurred in accordance with the rules of the Company.

Category - B

- i. Contribution to provident fund and superannuation fund or any other scheme which will not be included in computation of the ceiling on the perquisites to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961. Gratuity payable shall not exceed half a month's salary for each completed year of service.
- ii. Earned leave on full pay and allowances as per the rules of the company but not exceeding one months leave for eleven months of service. Encashment of leave at the end of the tenure which will not be included in the computation of ceiling on the perquisites.
- iii. Provision of car for use on company's business and telephone at residence and mobile phone

provided to him will not be considered as perquisites.

- iv. Any other perquisites as may decided by the Board in future.

11. To consider and if thought fit, to pass with or with out modification(s) the following resolution as a Special Resolution:

"Resolved that 1,35,77,400 equity shares of Rs.10/- each, fully paid -up, of the Company be de-listed from the Stock Exchange of Bangalore and Chennai."

"Further Resolved that Sri. Ambica Krishna, Chairman cum Managing Director of the Company be and is hereby authorized to make an application for De-listing of the shares from the above mentioned Stock-Exchanges and to carry out all other acts and deeds, as deemed fit, in this regard."

for and on behalf of the Board

AMBICA KRISHNA
Chairman & Managing Director

Place: Eluru
Date : 29.06.2002

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND TO VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE COMPANY'S REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business under items nos 5, 6, 7, 8, 9, 10 & 11 is annexed thereto.
3. The Register of Members and the Share Transfer Books will remain closed from 24th September to 28th September 2002 (both days inclusive).
4. Payment of Final dividend for the financial year 2001-2002, if approved at the Annual General Meeting, will be made only to those members whose names appear on the Register of Members of the Company on 28.09.2002 or to their mandates. Members are requested to notify any change in their addresses and mandates forthwith at the Registered Office.
5. The Board of Directors of your Company recommends a Final Dividend of 5% . The dividend, if declared, will be subjected to TDS as per the applicable rates. Shareholders who are entitled to receive more than Rs.2500/- as dividend are requested to furnish duly filled in Form 15/ 15G (in duplicate) so as to reach the Company before 23.09.2002 at the Registered office of the company at Shankar Towers, Powerpet, Eluru, West Godavari District, Andhra Pradesh, to enable the Company to send the dividend warrants without deducting TDS. It is also requested to provide the PAN No. of the Share Holder to mention in the TDS Certificate which is mandatory as per Section 139 A (5B) of the Income Tax Act 1961.

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act)

Item No.5

The Board of Directors considering the vast experience and invaluable contributions made by Shri. Ambica Krishna since incorporation of the Company re-appointed him as Chairman and Managing Director for a period of three years w.e.f. 01.04.2002.

The Appointment / Re-appointment of Managing Director requires the consent of the members at their ensuing general meeting.

Hence, the Board recommends this resolution for your approval.

None of the Directors except Ambica Sudarsan and Ambica Ramachandra Rao are interested in this resolution.

Item No.6

The Board inducted Mr. P. Koteswara Rao as an Additional Director of the Company in order to broad-base the Board with effect from 25th January, 2002. Pursuant to Section 260 of the Companies Act, 1956. Mr. P. Koteswara Rao holds office of director upto the date of the ensuing Annual General Meeting.

Due to his rich experience, the Board feels that he may be appointed as a director liable to retire by rotation. Further the Company has received a special notice in writing from a member as per the provisions of Section 257 of the Companies Act, 1956. Since, the appointment of a director under Section 257 of the Companies Act, 1956 requires the approval of the members in their meeting, the Board commends this resolution for your approval.

None of the Directors except Mr. P. Koteswara Rao are interested in this resolution.

Item No.7

The Board inducted Mr. M. Surayya Chartered Accountant as an Additional Director of the Company in order to broad-base the Board with effect from 25th January 2002. Pursuant to Section 260 of the Companies Act, 1956. Mr. M. Surayya holds office of director upto the date of the ensuing Annual General Meeting.



AMBICA AGARBATHIES & AROMA INDUSTRIES LIMITED

Shri. M. Surayya is a Chartered Accountant having rich experience in the fields of Accounting, Audit, Finance and internal controls etc. Hence, the Board feels that he should be a director liable to retire by rotation. Further the Company has received a special notice in writing from a member as per the provisions of Section 257 of the Companies Act, 1956. Since, the appointment of a director under Section 257 of the Companies Act, 1956 requires the approval of the members in their meeting, the Board commends this resolution for your approval.

None of the Directors except Mr. M. Surayya are interested in this resolution.

Item No.8

The Board inducted Mr. P. Bhaskara Rao as an Additional Director of the Company in order to broad-base the Board with effect from 25th January, 2002. Pursuant to Section 260 of the Companies Act, 1956. Mr. P. Bhaskara Rao holds office of director upto the date of the ensuing Annual General Meeting.

Due to his rich experience, the Board feels that he may be appointed as a director liable to retire by rotation. Further the Company has received a special notice in writing from a member as per the provisions of Section 257 of the Companies Act, 1956. Since, the appointment of a director under Section 257 of the Companies Act, 1956 requires the approval of the members in their meeting, the Board commends this resolution for your approval.

None of the Directors except Mr. P. Bhaskara Rao are interested in this resolution.

Item No. 9

The Board of Directors considering the vast experience and invaluable contributions made by Shri. Ambica Sudarsan, appointed him as Director-Operations for a period of three years w.e.f. 01.08.2002.

The Appointment / Re-appointment of Managing Director or Whole-time Director requires the consent of the members at their ensuing general meeting.

Hence, the Board recommends this resolution for your approval.

None of the Directors except Shri. Ambica Krishna & Ambica Ramachandra Rao are interested in this resolution.

Item No.10

The Board of Directors considering the vast experience and invaluable contributions made by Shri. Ambica Ramachandra Rao, appointed him as Director-Works for a period of three years w.e.f. 01.08.2002.

The Appointment / Re-appointment of Managing Director or Whole-time Director requires the consent of the members at their ensuing general meeting.

Hence, the Board recommends this resolution for your approval.

None of the Directors except Ambica Krishna and Ambica Sudarsan are interested in this resolution.

Item No. 11

The shares of the Company are presently listed at Bombay, Chennai and Bangalore Stock Exchanges apart from the Regional Stock Exchange at Hyderabad. The Board has decided to delist the shares from the Bangalore and Chennai Stock Exchanges as the share of the Company are not at all being traded at these Stock Exchanges.

In order to delist the share of the company from the Stock Exchange(s), the members have to pass a Special Resolution in their General Meeting.

Hence the resolution is commended for your approval.

None of the Directors are interested in this resolution.

for and on behalf of the Board

AMBICA KRISHNA
Chairman & Managing Director

Place: Eluru
Date : 29.06.2002



DIRECTORS' REPORT

To
The Members

Your Directors have the pleasure of presenting this Seventh Annual Report along with the Audited Financial Statements and the Auditor's Report thereon for the period ended 31st March, 2002.

FINANCIAL HIGHLIGHT

Particulars	31.03.2002 (Rs. In Lacs)	31.03.2001 (Rs. In Lacs)
Sales	3466.98	3169.40
Other Income	63.15	28.88
Profit before Depreciation & Income Tax	381.71	520.83
Depreciation	109.29	105.82
Net Profit before Tax	272.42	415.01
Provision for Taxation		
Current Tax	12.67	17.00
Deferred Tax	57.02	-
Provision for Dividend & Dividend Tax	67.61	74.49
Transfer to General Reserve	125.00	200.00
Balance Carried To Balance Sheet	10.12	123.52

DIVIDEND

Your Directors are glad to recommend a Final Dividend of 5% on the paid up Share Capital of the Company.

OPERATIONS

i. AGARBATHIES DIVISION

The sales of Agarbathies have improved appreciably, thus recording an increase of 9.61% over the previous year's levels.

ii. HOTEL DIVISION

The Income from Hotel division increased appreciably recording an income of Rs. 355.95 lakhs as against Rs. 324.39 lakhs of last Year, The occupancy ratio is consistently improving and income from the restaurant is also showing good response. The management of the Hotel Division is hopeful that the division will maintain the same progress in the current financial year.

As a part of expansion programme, during the year under review, 20 more Rooms were opened in the Hotel.

iii. WINDMILL PROJECT

The Company's Wind Mill at Poolavady, Coimbatore District, Tamilnadu is working satisfactorily.

iv. SOFTWARE

In spite of the slow down in the software industry, the software division of the Company is doing well and the during the year under review income from this division amounted to Rs.315.17 lakhs.

OVERALL PERFORMANCE

The overall performance of the Company for the year under review has been satisfactory. The total turnover of the Company during the year has risen significantly. The performance has improved, but the net profit of the Company has reduced due to the increase in the expenditure of the company. The net profit after tax during the year amounted to Rs. 202.73 lakhs.

DIRECTORS

In consideration to the invaluable services rendered and contributions made by Sri. Ambica Krishna to your company since its inception, the Board re-appointed him as Managing Director of the Company in their meeting held on 11.04.2002 for a further period of three years. Appointment of Managing Director or Whole Time Director requires the approval of the Members of the Company. The Board requests the members to ratify the re-appointment of Shri. Ambica Krishna as Chairman and Managing Director of the Company.



After considering the invaluable and rich experience of Shri. Ambica Sudarsan, the Board appointed him as Director – Operations of the Company in their Board Meeting held on 01.04.2002. The Board requests the members to ratify the appointment of Shri. Ambica Sudarsan as Director-operations.

After considering the invaluable and rich experience of Shri. Ambica Ramachandra Rao, the Board appointed him as Director – Works of the Company in their Board Meeting held on 01.04.2002. The Board requests the members to ratify the appointment of Shri. Ambica Sudarsan as Director-Works.

Mr. Ambica Sudarsan is retiring at the forthcoming Annual General Meeting of the company and offer himself for re-appointment. The Board recommends the re-appointment.

In order to implement the Corporate Governance code as required by clause 49 of the listing agreement, the Boards of Directors have inducted three more directors, Mr. P. Koteswara Rao Mr. M. Surayya, Chartered Accountant and Mr. P. Bhaskara Rao, as additional directors. As per the provisions of the Companies Act, 1956, all of them vacate the office of director at the ensuing Annual General Meeting. One of the Members of the Company proposed above persons as directors of the company and accordingly filed the notice with the Company as required under section 257 of the Companies Act, 1956.

SHARE CAPITAL:

The Company has increased its Authorised Share Capital to Rs. 18 crores from Rs. 15 crores in its Members Extra-Ordinary General Meeting held on 6th May 2002. In the same meeting itself the members approved the resolution for issue of equity shares on preferential basis.

COMPLIANCE WITH THE LISTING AGREEMENT:

In order to comply with the Corporate Governance as stipulated in the clause 49 of the listing agreement, the Board constituted the following committees on 25.01.2002

Audit Committee
Remuneration Committee and
Shareholders Grievances Committee.

Three of the above committees are consisting of the following members

Shri. P. Koteswara Rao
Shri. M. Surayya, Chartered Accountant and
Shri. P. Bhaskara Rao

And Shri. M. Surayya, Chartered Accountant was appointed as the Chairman of all the Committees.

A detailed report on the implementation of corporate governance is annexed to this report.

AUDITORS

Sri T.S. AJAI, B.Com. F.C.A., Chartered Accountant, Hyderabad, the Auditor of your Company, who retires at the conclusion of the ensuing Annual General Meeting, and being eligible for re-appointment the Board recommends the same.

PARTICULARS OF EMPLOYEES

There are no employees drawing remuneration exceeding the limits as specified under the provisions of Section 217 (2A) 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, 2002 is given as the Annexure to this Report.

DIRECTORS' RESPONSIBILITY STATEMENT:

The Directors of your Company hereby report:

(i) that in the preparation of Annual Accounts for the year ended 31st March, 2002, the applicable accounting standards have been followed along with the proper explanation relating to material departures:

(ii) that the directors have selected such accounting policies and applied them consistently and made judgements 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 the financial year ended 31st March, 2002 and of the profit and loss of the company for that period:

(iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities:

(iv) that the directors have prepared the annual accounts on a going concern basis.

FIXED DEPOSITS:

During the year under review your Company has not accepted any Fixed Deposits pursuant to Section 58A of the Companies Act, 1956 read with Companies (Acceptance of Deposit) Rule 1975.

LISTING :

Your companies shares are listed in Bombay, Bangalore, Chennai & Hyderabad stockexchanges. As the shares of the company being not at all traded at Madras stock exchanges and Bangalore stock exchange, the Directors proposed to delist the shares from those stock exchanges.

COMPLIANCE CERTIFICATE OF THE AUDITORS

The Company has obtained a certificate from the Statutory Auditors regarding compliance of conditions of corporate governance as stipulated in clause 49 of the listing agreement and the same is annexed.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to record their appreciation for the continuous support and co-operation extended by the bankers, the financial institutions, the stockiest and distributors and the suppliers of goods and services. The Directors also acknowledge the confidence reposed by the investors and shareholders in the Company. Your Directors record their whole-hearted gratitude to the various State and Central Government Authorities for their support and co-operation. Your Directors also appreciate and extend their gratitude to all the employees who have played an instrumental role.

for and on behalf of the Board

AMBICA KRISHNA
Chairman & Managing Director

Place: Eluru
Date : 29.06 .2002

