

9th
Annual Report
2003-2004



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Ambica Agarbathies & Aroma Industries

**AMBICA AGARBATHIES &
AROMA INDUSTRIES LIMITED**

**BOARD OF DIRECTORS**

SRI AMBICA KRISHNA	: Chairman and Managing Director
SRI AMBICA SUDARSAN	: Director
SRI AMBICA RAMACHANDRA RAO	: Director
SRI P. KOTESWARA RAO	: Director
SRI M. SURAYYA, Chartered Accountant	: Director
SRI P. BHASKARA RAO	: Director

AUDITORS

SRI T S AJAI, B.Com., F.C.A.
Chartered Accountant
304, Minar Apts.,
Basheerbagh
HYDERABAD – 500 029.

BANKERS

UCO Bank Limited,
Eluru Branch, ELURU.

Union Bank of India
Ashok Nagar Branch, CHENNAI.

Andhra Bank
Saligramam Branch, CHENNAI.
Mount Road Branch, CHENNAI.

REGISTERED OFFICE

Shankar Towers
Powerpet, ELURU

ADMN. OFFICE

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

FACTORY

1. SATRAMPADU, ELURU
2. DUGGIRALA, ELURU
West Godavari Dist.,
Andhra Pradesh.

REGISTRARS & TRANSFER AGENTS

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

LISTING AT

The Stock Exchange, Mumbai
National Stock Exchange of India Limited



AMBICA AGARBATHIES & AROMA INDUSTRIES LIMITED

NOTICE

NOTICE is hereby given that the 9th Annual General Meeting of the members of the company will be held on MONDAY, 25TH OCTOBER, 2004 at 11:00 A.M. at Registered Office of the Company at Shankar Towers, Powerpet, Eluru, West Godavari District, Andhra Pradesh to transact the following items of business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2004 and Profit & Loss Account for the financial year ended on that date together, with the report of the Directors and Auditors thereof.
2. To declare dividend for the Financial Year 2003-04.
3. To appoint a director in place of Sri P. Koteswara Rao, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a director in place of Sri M. Surayya, Chartered Accountant who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint auditors and to fix their remuneration by passing the following resolution as an Ordinary Resolution :

"RESOLVED THAT pursuant to Section 224(1) of the Companies Act, 1956, the retiring auditors Sri T. S. Ajai, Chartered Accountant be and is hereby re-appointed as the Auditors of the company to hold the office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting at such remuneration as may be decided by the Board"

for and on behalf of the Board

Sd/-

AMBICA KRISHNA

Chairman and Managing Director

Place: Hyderabad

Date :25.09.2004

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 SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. The proxy in order to be effective must be deposited at the Registered Office of the company not less than 48 hours before the commencement of the meeting.
- 2) The Register of the members and transfer books of the Company will remain closed from 23rd October, 2004 to 25th October, 2004 (both days inclusive).
- 3) Members are requested to quote ledger folio number in all their correspondence to avoid delay in communication.
- 4) Members are advised to consolidate their ledger folios where they are holding shares in different folios in the same name.

for and on behalf of the Board

Sd/-

AMBICA KRISHNA

Chairman and Managing Director

Place: Hyderabad

Date: 25.09.2004

ADDITIONAL INFORMATION ON DIRECTORS RETIRING BY ROTATION AND SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING IN TERMS OF CLAUSE 49 OF THE LISTING AGREEMENT

Sri P Koteswara Rao, Director of your Company has rich experience in all functional areas of management. His vast experience in the field of marketing of Agarbathies & allied products will be helpful to expand the network of the operations of your Company.

Sri M Surayya, Chartered Account by profession has rich experience in the fields of Accounting, Audit, Finance and Internal Controls. He has over 20 year of experience in the filed of the finance and Management control.



AMBICA AGARBATHIES & AROMA INDUSTRIES LIMITED

DIRECTORS REPORT

To
The Members,

Your Directors have pleasure in presenting herewith the 9th Annual Report of Company together with the Audited Accounts for the financial year ended 31st March, 2004.

1. FINANCIAL RESULTS:

PARTICULARS	(Rs.in lacs)	
	31.03.2004	31.03.2003
Sales	3784.18	3820.53
Other Income	115.37	88.93
Profit before depreciation and Income tax	295.74	416.87
Depreciation	129.15	122.04
Net profit before tax	166.58	294.84
Provision for taxation		
a. Current tax	25.81	23.50
b. Deferred tax	10.56	28.01
Provision for Dividend	67.75	67.63
Brought forward from Prev. Year	268.44	-
Transfer to General Reserve	200.00	-
Balance carried to balance sheet	130.90	167.04

2. DIVIDEND

Your Directors are happy to recommend a dividend of 5% on the paid-up equity share capital for the year 2003-04.

3. OVERALL PERFORMANCE OF THE COMPANY:

During the year under review the performance of your Company has been satisfactory. The following are the particulars of each division.

I. AGARBATHIES DIVISION

Agarbathi Division being core sector of your Company, the performance has been consistent. During the year your Directors continued their efforts in improving the performance of this division by introducing new scented brands under different brands & names. Your Directors

are happy to inform you that their efforts are frutified as some of the brands introduced during the year have been extremely popular. Your Directors in the current financial year are planning to expand the operations of this division to the other southern states and also considering introducing the brand in north India through stockiest and dealers. Efforts are also on to export by introducing new brands using advanced methods suitable to requirements of the respective countries. Your Directors are happy to inform enquiries are in place from various countries for export of customized Agarbathies. The Marketing Department has been concentrating on these areas and is confident to come out with positive results.

ii. HOTEL DIVISION

The performance of Hotel Division of your company is satisfactory. The occupancy ratio is also improving slowly and expected to show better performance in the current financial year.

During the year the company was awarded licence by Indian Railways Catering and Tourism Development Corporation, New Delhi to operate a Food Plaza at Visakhapatnam Railway Station, Visakhapatnam, Andhra Pradesh. The Operation of the Food Plaza commenced in the month of June, 2003 and enjoy broad acceptance from the public. The performance of the Food plaza is satisfactory.

iii. WINDMILL PROJECT

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

4. DIRECTORS:

Sri P Koteswar Rao and M Surayya, Chartered Accountant, Directors of your company retire by rotation at the ensuing Annual General Meeting and being eligible offers themselves for reappointment.

5. PERSONNEL:

None of the Employees of the Company is drawing remuneration exceeding limits prescribed U/s 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.



AMBICA AGARBATHIES & AROMA INDUSTRIES LIMITED

6. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956 the directors of your company hereby confirm that:

- i. In preparation of Annual Accounts for the financial year ended 31st March, 2004 the applicable accounting standards have been followed along with proper explanation relating to material departure, if any, there from;
- ii. The directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March 2004 and of the profit and loss of the company for that period;
- iii. 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 frauds and other irregularities;
- iv. The directors have prepared the annual accounts on a going concern basis

7. CORPORATE GOVERNANCE:

Your Company has complied with the requirements of Clause 49 of the Listing Agreement entered with the Stock Exchanges. Report on Corporate Governance including Auditor's Certificate on Compliance with the code of Corporate Governance under Clause 49 of the listing agreement is enclosed as Annexure to this report.

8. DELISTING OF SECURITIES:

Company has submitted application to the Hyderabad, Bangalore, Madras Stock Exchanges for the delisting of the securities of the company from the respective stock exchange in pursuance of the resolution passed by the members at the previous Annual General Meeting in this regard. However the said stock exchanges are yet confirm the same.

9. INTERNAL AUDIT:

With reference to the observations made by the auditor vide point no.7 in the Auditors Report attention of members is drawn to the fact that the company is in the process of appointing Internal Auditors in due course of time.

10. AUDITORS:

The Statutory Auditor, Sri T S Ajai, Chartered Accountant, hold office till the conclusion of ensuing Annual General Meeting. The company is in receipt of confirmation from the statutory auditors that in the event of his re-appointment as Statutory Auditor at the ensuing Annual General Meeting, such appointment will be in accordance with the limits specified in Section 224 (1 B) of the Companies Act, 1956.

11. FIXED DEPOSITS:

Your company has not accepted any deposits falling under Section 58A of the Companies Act, 1956 read with Companies (Acceptance of Deposits) Rules 1975 during the year.

12. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

A Statement giving details of Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, is set out as Annexure - A to this report.

13. ACKNOWLEDGEMENTS:

Your Directors place on record, their appreciation for the co-operation and support from the Bankers, Financial Institutions, the stockiest and distributors, Supplier and Customers.

Your Directors would also like to place on record their sincere appreciation and gratitude to the Shareholders, Central and State Government agencies etc for their support and co-operation. Your Directors express their heartfelt gratitude to the employees for their exceptional commitment and loyalty to the company.

for and on behalf of the Board

Sd/-

Place: Hyderabad
Date: 25.09.2004

AMBICA KRISHNA
Chairman and Managing Director



ANNEXURE TO THE DIRECTORS' REPORT

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

end 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 & DEVELOPMENT (R & D) :

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

Continuous Research & Development Carried out by introducing new brands of Agarbathies to the fast changing consumer markets.

2. Benefits derived as a result of the above R & D:

Sum of the new brands introduced by your R&D were well received.

3. Future Plan of action:

The efforts will be Continued during the current financial year.

4. Expenditure on R & D

a) Capital	:	NIL
b) Recuring	:	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 :	Rs. 8,58,255.40



REPORT ON CORPORATE GOVERNANCE

The following are the details furnished in the form as required under the Listing Agreement.

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE:

The Directors of the Company are of the firm belief that the company can reach to the peak of success only by following good managing principles and by implementing them in a systematic manner. The company has always had good cordial relations with the shareholders, investors, creditors and the directors are ever ready to work towards the benefit of members.

2. BOARD OF DIRECTORS:

The Board of Directors of your company consists of three independent non-executive directors and three executive directors.

Name of the Director	Category	No. of Other Directorships	No of Meetings Held	No. of Meetings attended	Whether attended last AGM
Sri Ambica Krishna	Chairman & Managing Director	-	8	8	Yes
Sri Ambica Sudarsan	Executive Director	2	8	8	Yes
Sri Ambica Ramachandra Rao	Executive Director	-	8	7	Yes
Sri P Koteswara Rao	Non-Executive Director	-	8	6	Yes
Sri M Surayya Chartered Accountant	Non-Executive Director	-	8	6	Yes
Sri P Bhaskara Rao	Non-Executive Director	-	8	7	Yes

During the financial year 2003-04, 8 Board Meetings were held on the following dates:

29th April, 2003, 25th June, 2003, 29th July, 2003, 25th August, 2003, 28th October, 2003, 28th November, 2003, 29th January, 2004 and 21st March 2004

3. AUDIT COMMITTEE:

Audit Committee of your company consists of following three Non-executive independent Directors:

1. M.Surayya Chartered Accountant - Chairman
2. P.Koteswara Rao - Member
3. P.Bhaskara Rao - Member


Meetings and attendance during the year:

The committee met 5 times during the financial year on 29th April, 2003, 29th July, 2003, 28th August, 2003, 28th October, 2003, and 29th January, 2004 and attendance of each Member of Committee is as follows.

S. No	Name of the Member	Designation	No of Meetings held during the Year	No of Meetings attended
1	M Surayya, Chartered Account	Chairman	5	5
2	P Koteswara Rao	Member	5	5
3	P Bhaskar Rao	Member	5	5

BRIEF TERMS OF REFERENCE:
4. REMUNERATION COMMITTEE
◇ BRIEF DESCRIPTION OF TERMS OF REFERENCE

The Remuneration Committee is vested with the power to decide and pay to the executive and non-executive directors of the Company. This power is exercisable on behalf of the Board of Directors and the Shareholders.

◇ COMPOSITION-NAME OF MEMBERS AND CHAIRPERSON.

The Remuneration Committee constitutes of following directors:

- | | |
|--------------------------------------|----------|
| 1. Sri M Surayya, Chartered Accounts | Chairman |
| 2. Sri M Koteswara Rao | Member |
| 3. Sri P Bhakar Rao | Member |

Details of the Directors' Remuneration:

Director	Designation	Remuneration paid/to be paid for Financial year 2003-04 (in Rs.)		
		Salary & Perks	Commission	Total
Sri Ambica Krishna	Chairman & Managing Director	1,80,000	-	1,80,000
Sri Ambica Sudarsan	Executive Director	1,20,000	-	1,20,000
Sri Ambica Ramachandra Rao	Executive Director	1,20,000	-	1,20,000

5. SHAREHOLDERS AND INVESTOR GRIEVANCE COMMITTEE

Composition of Shareholders and Investor Grievance Committee is as follows.

- | | | | |
|----|-------------------------------------|---|----------|
| 1. | Sri M Surayya, Chartered Accountant | - | Chairman |
| 2. | Sri M Koteswara Rao | - | Member |
| 3. | Sri P Bhaskara Rao | - | Member |

The committee specifically looks after the services of the Registrars and Share Transfer Agents and recommends measures for providing efficient services to investors. It shall resolve within the reasonable time, various complaints received from the investors.



AMBICA AGARBATHIES & AROMA INDUSTRIES LIMITED

6. OTHERS

(a) Name and designation of Compliance officer:

Mr P.Satish
Company Secretary

(b) Details of Investor complaints received and redressed during the year:

Nature of Complaints	Year - 2004		
	Received	Resolved	Pending
Relating to Transfers	2	2	Nil
Other Complaints	4	4	Nil
Total	6	6	Nil

7. GENERAL BODY MEETINGS:

● Location and time where the last three AGMs held:

Year	Date	Location	Time
2002-03	28 th November, 2003	Shankar Towers Powerpet, ELURU	11.00 A.M.
2001-02	28 th September, 2002	Shankar Towers Powerpet, ELURU	11.00 A.M.
2000-01	30 th November, 2001	Shankar Towers Powerpet, ELURU	11.00 A.M.

No Special Resolutions were passed through postal ballot at the Last Annual General Meeting (AGM) and no Special Resolutions are proposed through postal ballot at the ensuing Annual General Meeting.

8. DISCLOSURES:

There are no materially significant related party transactions i.e. transactions of the company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of company at large.

There was no non-compliance by the company during the last 3 years on any matter relating to capital markets and there were no penalties, strictures imposed on the company by stock Exchange or SEBI or any statutory authority.

Quarterly results and Annual Results of the Company are normally published in The Business Standard and Andhra Bhoomi.

As required by Clause 49 of the Listing Agreement, Management Discussion and Analysis report is a part of the Annual Report which is enclosed as Annexure to the Directors' Report.


10. GENERAL SHAREHOLDER INFORMATION:

- **AGM:** The 9th Annual General Meeting of the Company will be held on 25th October, 2004 at 11:00 A.M. at Registered Office of the Company at Shankar Towers, Powerpet, Eluru, West Godavari District, Andhra Pradesh

- **Financial Calendar:**

First Quarter Results	Last week of July, 2004
Second Quarter Results	Last week of October, 2004
Third Quarter Results	Last week of January, 2005
Annual Results For the Year	In the month of July, 2005

- **Book Closure Date** : 23rd October, 2004 to 25th October, 2004
- **Dividend Payment Date** : 5th November, 2004
- **Listing on Stock Exchanges** : The shares of the company are listed on
 1. The Stock Exchange, Mumbai
 2. The National Stock Exchange of India Limited
- Delisting Application are filed with the Hyderabad, Madras and Bangalore stock exchanges and same are pending with the respective Stock Exchanges.

Listing fee for the financial year 2004-05 has been paid to the Stock Exchange, Mumbai and The National Stock Exchange of India Limited

- **Stock Code:** 532335 **Script ID:** AMBIAGR

REGISTRARS & TRANSFER AGENTS
IKON VISIONS (P) LTD

533, Sanali Heavens
Near Kamma Sangam, Ameerpet, HYDERABAD.
Ph. 23744356, FAX : 55829559

- **Market Price Data:** During the last financial year 2003-04.

High and Low of the each month of the Company's Equity Shares during the last financial year 2003-04 quoted at The Stock Exchange, Mumbai are given below:

MONTH	HIGH (Rs.)	LOW (Rs.)
April, 2003	48.20	25.50
May, 2003	52.00	31.10
June, 2003	51.00	41.50
July, 2003	50.00	37.00
August, 2003	46.50	33.00
September, 2003	43.90	35.00
October, 2003	50.00	35.10
November, 2003	54.00	42.00
December, 2003	58.75	40.30
January, 2004	54.00	38.00
February, 2004	51.00	38.25
March, 2004	60.00	42.75