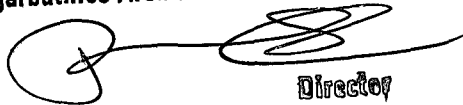


# 12th Annual Report 2006 - 2007

For Ambica Agarbathies Aroma & Industries Ltd.



Director



**AMBICA AGARBATHIES &  
AROMA INDUSTRIES LIMITED**



## AMBICA AGARBATHIES & AROMA INDUSTRIES LIMITED

### BOARD OF DIRECTORS

SRI AMBICA KRISHNA	: Chairman and Managing Director
SRI AMBICA SUDARSAN	: Director
SRI AMBICA RAMCHANDRA RAO	: Director
SRI P. KOTESWARA RAO	: Director
SRI M. SURAYYA	: Director
SRI P. BHASKARA RAO	: Director

### AUDITORS:

**SRI T S AJAI**, B.Com., FCA  
Chartered Accountant  
304, Minar Apartments,  
Deccan Towers, Basheerbagh  
HYDERABAD – 500 029.

### BANKERS:

**Andhra Bank**,  
Saligramam Branch, CHENNAI.  
Mount Road Branch, CHENNAI.  
Main Branch, ELURU.

### REGISTERED OFFICE:

Shankar Towers  
Powerpet, ELURU

### ADMN OFFICE:

Ambica Empire  
79, 100ft Road, Vadapalani  
CHENNAI.

### FACTORY:

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

### REGISTRARS & TRANSFER AGENTS:

**M/s. Big Share Services Private Limited**  
G-10, Left Wing, Amrutha Ville,  
Opp Yashoda Hospital,  
Somajiguda Raj Bhavan Road,  
Hyderabad-500 082.

### LISTING AT:

Bombay Stock Exchange Limited  
National Stock Exchange of India Limited  
The Madras Stock Exchange Limited.



## AMBICA AGARBATHIES & AROMA INDUSTRIES LIMITED

### NOTICE

NOTICE is hereby given that the 12TH Annual General Meeting of the members of the company will be held on **SATURDAY 29th SEPTEMBER, 2007** at 11.00 AM 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, 2007 and Profit & Loss Account for the financial year ended on that date together, with the report of the Board of Directors and Auditors thereof.
2. To appoint a director in place of Sri P Koteswara Rao, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a director in place of Sri M Surayya, who retires by rotation and being eligible offers himself for re-appointment.
4. 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"

#### SPECIAL BUSINESS:

##### 5. CHANGE OF NAME OF THE COMPANY:

To consider and if thought fit, to pass with or without modification(s), the following resolution as **SPECIAL RESOLUTION**:

"RESOLVED THAT Pursuant to Section 21 and all other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of Central Government Consent of Members be and is hereby accorded to change the name of the company from **AMBICA AGARBATHIES & AROMA INDUSTRIES LIMITED** to **AMBICA AGARBATHIES AROMA & INDUSTRIES LIMITED** and accordingly the name Ambica Agarbathies & Aroma Industries Limited wherever it occurs in the Memorandum and Articles of Association of the company and other places be substituted by the name Ambica Agarbathies Aroma & Industries Limited".

"FURTHER RESOLVED that Sri Ambica Krishna Chairman & Managing Director of the Company be and is hereby authorised to make application to the Central Government on behalf of the Company and do all such act and deeds as may be required in this connection".

for and on behalf of the Board

Sd/-

**AMBICA KRISHNA**

Chairman and Managing Director

Place : Hyderabad

Date : 24-08-2007



## AMBICA AGARBATHIES & AROMA INDUSTRIES LIMITED

### 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) An Explanatory statement pursuant to section 173(2) of the Companies Act, 1956 in respect of the Special Business is annexed hereto.
- 3) The Register of Members and Share Transfer Books of the Company will remain closed from **TUESDAY 25TH SEPTEMBER, 2007 to SATURDAY 29TH SEPTEMBER, 2007** (both days inclusive).
- 4) Members are requested to quote ledger folio/ dp id/client number in all their correspondence to avoid delay in communication.
- 5) Members are advised to consolidate their ledger folios where they are holding shares in different folios in the same name.

### EXPLANATORY STATEMENT

(Pursuant to section 173(2) of the Companies Act, 1956)

### ITEM NO.5

#### CHANGE OF NAME OF THE COMPANY:

As you are aware that the Company through postal ballot has altered main objects clause of the company to venture into infrastructure and retail sector where four directors foresee consistent with opportunities

As Directed by Registrar of companies name of the company should be in consonance with

objects of the company. Hence, it is proposed to change the name of the company pursuant to section 21 of companies act, 1956. Any change in the name requires approval of members. Hence, this resolution commends for your approval.

None of the Directors of your Company is interested in the resolution except to the extent of their shareholding.

**for and on behalf of the Board**

Sd/-

**AMBICA KRISHNA**

Chairman and Managing Director

Place: Hyderabad

Date :24-08-2007

**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 Accountant by profession has rich experience in the fields of Accounting, Audit, Finance and Internal Controls. He has over 22 year of experience in the field of the Finance and Management control.



## AMBICA AGARBATHIES & AROMA INDUSTRIES LIMITED

### DIRECTORS' REPORT

To  
The Members,

Your Directors have pleasure in presenting herewith the 12th Annual Report of Company together with the Audited Accounts for the financial year ended 31st March, 2007

### FINANCIAL RESULTS: (Rs.in lakhs)

PARTICULARS	YEAR ENDED 31.03.2007	YEAR ENDED 31.03.2006
Sales	5120.36	4735.28
Other Income	111.68	204.83
Expenditure	(4802.86)	(4789.21)
Profit before depreciation and Income tax	429.78	365.14
Depreciation	(178.80)	(214.25)
Net profit before tax	250.98	150.89
Provision for taxation		
a. Current tax	41.97	12.70
b. Deferred tax	7.94	16.01
c. Fringe Benefit Tax	9.57	10.16
Profit after tax	191.50	112.02

### DIVIDEND

Your Directors do not recommend any Dividend for the financial year 2006-2007 as the profits are planned to be ploughed back into the business operations.

### 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.*

### a) AGARBATHIES DIVISION:

Performance of your company has been satisfactory. The Division is continuously releasing new products. In the year your company launched two to three new products. All the products are getting good marketing response.

### b) HOTEL DIVISION:

During the year under review, with India becoming an attractive destination for both tourists and investments and the demand for hotels going northwards, there was a sharp upsurge in the average room rates and occupancies throughout the year.

### DIRECTORS:

Sri P Koteswara Rao and Sri M Surayya Directors of your company retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

### 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.

### DIRECTORS' RESPONSIBILITY STATEMENT:

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

- In preparation of annual accounts for the financial year ended 31st March, 2007 the applicable accounting standards have been followed along with proper explanation relating to material departure, if any, there from;
- 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



## AMBICA AGARBATHIES & AROMA INDUSTRIES LIMITED

fair view of the state of affairs of the Company at the end of the financial year ended 31st March 2007 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.

### CORPORATE GOVERNANCE:

#### A) REPORT ON CORPORATE GOVERNANCE:

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 – II** to this report.

#### B) MANAGEMENT DISCUSSION & ANALYSIS REPORT:

Aspects of Management Discussion and Analysis are enclosed as **Annexure - I** to this report.

#### 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 (1B) of the Companies Act, 1956.

### Reply to Auditors Qualifications

1. With regard to the updating of Fixed Asset Register, Board would like to bring to your kind notice that, considering the size and operation of the Company the process of updating is getting delayed and the management of the Company is making all efforts to complete the same at the earliest.
2. With regard to transferring of unpaid dividend to Investor Education Fund, your Board would like to bring to your kind notice that the Company is in the process of transferring the same and the delay was mainly due to pending request for payment of unclaimed dividend.

### 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.

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

As required under Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, the information is given as hereunder:

- A. **Conservation of Energy** – The present operation of the company do not involve high energy consumption. However steps being taken to minimize energy consumption where ever possible
- B. **Research & Development** – The Company has not undertaken any R&D activity in any specific area during the year and hence no cost has been incurred towards the same.



## AMBICA AGARBATHIES & AROMA INDUSTRIES LIMITED

**C. Technology Absorption - Not Applicable**

**D. Foreign Exchange Earnings & Outgo: (In Rs.)**

	<b>2006-07</b>	<b>2005-06</b>
Foreign Exchange earnings	23.86	26.72
Foreign Exchange outgo	29.00	Nil

### **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/-

**AMBICA KRISHNA**

Chairman and Managing Director

Place: Hyderabad

Date: 24-08-2007





## AMBICA AGARBATHIES & AROMA INDUSTRIES LIMITED

### REPORT ON CORPORATE GOVERNANCE

Annexure – II

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 corporate governance 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	2	9	8	YES
Sri Ambica Sudarsan	Executive Director	3	9	8	YES
Sri Ambica Ramachandra Rao	Executive Director	1	9	6	YES
Sri P. Koteswara Rao	Non Executive Director	1	9	6	YES
Sri M. Surayya	Non Executive Director	-	9	5	YES
Sri P. Bhaskara Rao	Non Executive Director	-	9	6	NO

During the financial year 2006-07, 9 (Nine) Board Meetings were held on the following dates:

28-04-2006	31-07-2006	31-08-2006	21-09-2006	30-10-2006
30-11-2006	04-12-2006	26-02-2007	29-03-2007	

#### 3. AUDIT COMMITTEE:

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

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





## AMBICA AGARBATHIES & AROMA INDUSTRIES LIMITED

### Meetings and attendance during the year:

The committee met 5 times during the financial year on 28.04.2006, 31.07.2006, 31.08.2006, 30.10.2006 and 26.02.2007 attendance of each Member of Committee is as follows.

Sl. No.	Name of the Member	Designation	No. of Meetings held during the year	No. of meetings attended
1	M. Surayya	Chairman	5	5
2	P. Koteswara Rao	Member	5	5
3	P. Bhaskara Rao	Member	5	5

### BROAD TERMS OF REFERENCE:

The broad terms of reference are:

- Reviewing with the management the internal control systems, observations of the auditors, half-yearly and annual financial statements before submission to the Board.
- Recommendation of matters relating to financial management and audit reports;
- The Committee is authorized to investigate into matters referred /delegated to it by the Board of Directors and for this purpose, has full access to information / records of the Company including seeking external professional support, if necessary.

### 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:

- Sri. M. Surayya - Chairman
- Sri. P. Koteswara Rao - Member
- Sri. P. Bhaskara Rao - Member



## AMBICA AGARBATHIES & AROMA INDUSTRIES LIMITED

### Details of the Directors' Remuneration:

Director	Designation	Remuneration paid / to be paid for Financial Year 2006-07 (in Rs.)		
		Salary & Perks	Commission	Total
Sri Ambica Krishna	Chairman & Managing Director	9,00,000	-	9,00,000
Sri Ambica Sudarsan	Executive Director	6,00,000	-	6,00,000
Sri Ambica Ramachandra Rao	Executive Director	6,00,000	-	6,00,000

### 5. SHAREHOLDERS AND INVESTOR GRIEVANCE COMMITTEE:

Composition of Shareholder and Investor Grievance Committee is as follows :

1. Sri. M. Surayya - Chairman
2. Sri. P. 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.

### 6. OTHERS:

(a) Name and designation of Compliance Officer Mr. Dugra Prasad  
Secretarial Executive

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

Nature of Complaints	Year 2006 - 07		
	Received	Resolved	Pending
Total Complaints	10	10	NIL

### 7. General Body Meetings:

◆ Location and time where the last three AGMs held :

Year	Date	Location	Time (A.M)
2005-06	29 <sup>th</sup> September, 2006	Shankar Towers Powerpet, ELURU	11.00
2004-05	22 <sup>nd</sup> September, 2005	Shankar Towers Powerpet, ELURU	11.00
2003-04	25 <sup>th</sup> October, 2004	Shankar Towers Powerpet, ELURU	11.00