

**13th**  
**Annual Report**  
**2007 - 2008**



**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 M. SURAYYA	: Director
SRI SURESH GARLAPATI (w.e.f. 04.06.2008)	: Director
SRI P KISHORE THANDAVA (w.e.f. 04.06.2008)	: Director
SRI P. KOTESWARA RAO (upto 04.06.2008)	: Director
SRI P BHASKAR RAO (upto 04.06.2008)	: Director

### **STATUTORY AUDITORS:**

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

### **BANKERS:**

**STATE BANK OF INDIA**  
Leather International Branch, Chennai  
Eluru Branch, Eluru

### **REGISTERED OFFICE:**

Shankar Towers  
Powerpet, ELURU-534002

### **ADMIN OFFICE:**

Ambica Empire  
57, 100ft Road, Vadapalani  
CHENNAI

### **FACTORY:**

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

### **REGISTRARS & TRANSFER AGENTS:**

**M/s.Sathguru Management  
Consultants Private Limited**  
Plot No. 15, Hindi Nagar,  
Hyderabad – 500 034

### **LISTING AT:**

Bombay Stock Exchange Limited  
National Stock Exchange of India Limited



## AMBICA AGARBATHIES AROMA & INDUSTRIES LIMITED

### NOTICE

NOTICE is hereby given that the 13th Annual General Meeting of the members of the Company will be held on **THURSDAY, 25TH SEPTEMBER, 2008 at 11.00 AM** 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, 2008 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 Ambica Sudarsan, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a director in place of Sri Ambica Ramchandra Rao, 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. APPOINTMENT OF SRI SURESH GARLAPATI AS A DIRECTOR OF THE COMPANY:

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

"RESOLVED THAT pursuant to the provisions of Section 257 and all other applicable provision, if any, of the Companies Act, 1956 Sri Suresh Garlapati, who was appointed as an Additional Director on 4th June, 2008 and who holds office as such up to the date of this Annual General Meeting and in respect of whom a notice together with required deposit under Section 257 of the Companies Act, 1956 has been received in writing proposing his candidature for the office of Director, be and is hereby appointed as Director of the company who is liable to retire by rotation."

##### 6. APPOINTMENT OF SRI PUVVADA KISHORE THANDAVA AS A DIRECTOR OF THE COMPANY:

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

"RESOLVED THAT pursuant to the provisions of Section 257 and all other applicable provision, if any, of the Companies Act, 1956 Sri Puvvada Kishore Thandava, who was appointed as an Additional Director on 4th June, 2008 and who holds office as such up to the date of this Annual General Meeting and in respect of whom a notice together with required deposit under Section 257 of the Companies Act, 1956 has been received in writing proposing his candidature for the office of Director, be and is hereby appointed as Director of the company who is liable to retire by rotation."

**for and on behalf of the Board**

Sd/-

**AMBICA KRISHNA**

Chairman and Managing Director

Place : Hyderabad

Date : 30-08-2008



## 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 **MONDAY, 22ND SEPTEMBER, 2008 TO THURSDAY, 25TH SEPTEMBER, 2008** (both days inclusive).
- 4) Members are requested to quote ledger folio/dp id/client id 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.
- 6) Members/Proxies are requested to bring duly filed in attendance slips sent herewith for attending the meeting.

**for and on behalf of the Board**

Sd/-

**AMBICA KRISHNA**

Chairman and Managing Director

Place: Hyderabad

Date :30-08-2008

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## AMBICA AGARBATHIES AROMA & INDUSTRIES LIMITED

### EXPLANATORY STATEMENT

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

#### ITEM NO.5

The Board of Directors of the Company has appointed Sri Suresh Garlapati as Additional Director of the Company at their meeting held on 4th June 2008 to compile with the clause 49 of the Listing Agreement and broad base the Board with his rich experience of more than 20 years in the field of Marketing and Manufacturing of Fast Moving Consumer Products.

Pursuant to the provisions of section 257 of the companies Act, 1956 any appointment of director required the approval of the members in their meeting, hence this resolution commended for your approval.

None of the Directors are interested in this resolution

#### ITEM NO.6

The Board of Directors of the Company has appointed Sri Puvvada Kishore Thandava as an Additional Director of the Company at their meeting held on 4th June 2008.

Due to his rich experience in the field of business of marketing of Agarbathies and allied products, will be helpful to expand the network of the operation of your company.

Pursuant to the provisions of section 257 of the companies Act, 1956 any appointment of director required the approval of the members in their meeting, hence this resolution commended for your approval.

None of the Directors are interested in this resolution.

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

#### AMBICA SUDARSAN

Ambica Sudarsan is a Commerce graduate from Andhra University, having rich and varied experience of more than two decade in the business of your Company. He is instrumental in introducing many brands and contributed tremendously in establishing a strong dealer network.

His vision and dedicated approach made the Company to foray into constructions activities and bagging some prestigious civil contracts.

#### AMBICA RAMCHANDRA RAO

Ambica Ramchandra Rao a graduate of Commerce from Andhra University has vast experience in bringing out variety of qualitative scented Agarbathies. Through his innovative and creative ideas and skills he has developed variety of products for the Agarbathies Division of the Company which are readily accepted in the markets.

#### SURESH GARLAPATI

Sri Suresh Garlapati S/o of Sri Bhavanarayana garlapati aged about 47 years is a resident of 1-4-879/65, Gandhinagar, SBI Officers Colony, Hyderabad. He has completed his Bachelor of Commerce. He has experience of more than 20 years in the field of Manufacturing and marketing of Fast Moving Consumer Goods.

#### P KISHORE THANDAVA

Sri P Kishore Thandava S/o of Sri P Bhaskar Rao Resident of 1-2-36, Kotteti Kotaiah Street, Vidyadharapuram Vijayawada-12. He has completed his Management Graduate from Pondichery University, with rich experience in the field of marketing of Agarbathies and allied products.



## AMBICA AGARBATHIES AROMA & INDUSTRIES LIMITED

### DIRECTOR'S REPORT

To  
The Members,

Your Directors have pleasure in presenting herewith the 13th Annual Report of your Company together with the Audited Accounts for the financial year ended 31st March, 2008

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

PARTICULARS	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
Sales	5904.96	5120.36
Other Income	117.94	100.70
Stocks	4.59	10.98
Expenditure	(5497.85)	(4802.26)
Profit before depreciation and Income tax	529.64	429.78
Depreciation	(223.19)	(178.80)
Net profit before tax	306.45	250.98
Provision for taxation		
a. Current tax	49.76	41.97
b. Deferred tax	(12.11)	7.94
c. Fringe Benefit Tax	10.87	9.57
Profit after tax	257.93	191.50
Transfer to Reserves	-	-
Profit after transfer to General Reserve	257.93	191.50
Brought forward from previous year	412.53	221.03
Balance carried to balance sheet	670.46	412.53

### DIVIDEND

Your Directors do not recommend any Dividend for the Financial Year 2007-2008 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 Research and Development of your Agarbathies division is continuously harping on introducing new products into the market which have been very successful. All the prestigious brands of your Company continue to increase their share in the market and are penetrating in the new markets. Efforts will be on to introduce new products and improve market share of your Company's brands.

#### b) HOTEL DIVISION:

During the year under review, with booming tourism sector, demand for hotels going northwards, there was a sharp upsurge in the average room rates and occupancies throughout the year. The hospitality market at Chennai has shown significant growth over the past few years and this is expected to do well and contribute significantly in the years to come.

#### c) CONSTRUCTION BUSINESS:

The company has entered into new line of business and has reported that the performance of the company is good. The future outlook of the construction division continues to be bright and challenging. Your Company proposes to continue to concentrate its efforts in executing large infrastructure projects.

### DIRECTORS:

Sri P Bhaskara Rao & Sri P Koteswara Rao, Non Executive Independent Directors of the Company



## AMBICA AGARBATHIES AROMA & INDUSTRIES LIMITED

has resigned from 4th June 2008 and Sri Suresh Garlapati & Sri Puvvada Kishore Thandava have been Co-opted as Additional Director on the board of the Company w.e.f. from 04.06.2008. Further company has received a special notice under section 257 of the companies Act 1956 for the appointment of Sri Suresh Garlapati & Sri Puvvada Kishore Thandava as Non Executive Independent Directors of the company.

Sri Ambica Sudarshan and Sri Ambica Ramachandra Rao, 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.

### SHARE WARRANTS:

The Company has issued 28,00,000 Convertible Share Warrants on preferential basis, of Rs. 10/- each at a Premium of Rs. 8/- per Share for cash, entitling for equivalent number of Equity Shares after conversion. The Company has received the in-principle Listing approval from National Stock Exchange of India limited and Bombay Stock Exchange Limited.

### 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, 2008 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 2008 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.

### MANAGEMENT DISCUSSION AND ANALYSIS:

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

### 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.

### AUDITORS:

The Statutory Auditor, Sri T S Ajai, Chartered Accountant, holds office till the conclusion of ensuing Annual General Meeting. The Company is in receipt of confirmation from the Statutory Auditor 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.



## AMBICA AGARBATHIES AROMA & INDUSTRIES LIMITED

### Reply to Auditors Qualifications

1. With regards to the updating of the Fixed Assets Register, Your Board would like to bring to your kind notice that the company is under the process of updating the same.
2. With regard to transferring of unpaid dividend to Investor Education Fund, Your Board would like bring to your kind notice that the company is under the process of transferring the same and the delay was mainly due to reconciliation of names of share holders.

- B. Research & Development – The Research and Development division of Agarbathies department continues to focus on introducing new brands.
- C. Technology Absorption - Not Applicable
- D. Foreign Exchange Earnings & Outgo: (In Rs. Lakhs)

	2007-08	2006-07
Foreign Exchange earnings	40.09	23.86
Foreign Exchange outgo	Nil	29.00

### 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

### ACKNOWLEDGEMENTS:

Your Directors place on record, their appreciation for the co-operation and support from the Bankers, Financial Institutions and Distributors, Suppliers 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: 30-08-2008



## **AMBICA AGARBATHIES AROMA & INDUSTRIES LIMITED**

### **Annexure-I MANAGEMENT DISCUSSION AND ANALYSIS**

#### **MACRO ECONOMIC OVERVIEW:**

#### **AGARBATHIES DIVISION**

Substantial part of Agarbathi Industry is controlled by non-corporate entities and cottage units. Probably, your Company is first of its kind in the industry to manufacture Agarbathi as a Corporate Product and also distinction of only one Listed Company representing in India. Traditionally, Asian market are predominantly consuming Agarbathie Product in the World. However, the slow growth of consumption is witnessed in the other international market. Observing this trend, your Company is trying all efforts to reach its products to different International Market with the help of in-house research and development.

#### **HOTEL DIVISION**

Indian tourism has suddenly became a booming sector. During 2007, an estimated 4.4 million tourists visited the country, registering a growth of 14 per cent. With this robust trend in tourism, the hotel industry has also witnessed a rise in the growth and over the last decade and half; there has been a mad rush to India for business opportunities, elevating room rates and occupancy. The Hotel Industry in India is second only to China in Asia Pacific.

India is a destination for hotel chains looking for growth. According to the World Travel and Tourism Council, India ranks 18th in business travel and will be among the top 5 in this decade.

Hotels in India have a supply of 110,000 rooms. At the current trend, demand will soar to 10 million in 2010. With a shortage of 150,000 rooms, likely to result in demand-supply disparity, room rates will see a rise to 25 per cent annually and occupancy would rise by 80 per cent over the next two years. Government has approved 300 hotel projects, nearly half of which are in the luxury range. The manpower requirements will increase from 7

million in 2002 to 15 million by 2010. The hotel industry is set to grow at 15 per cent a year. This figure will skyrocket by 2010.

#### **CONSTRUCTION DIVISION**

The Indian construction industry is an integral part of the Indian economy and an important portion of investments into the development of the Indian economy takes place through the construction industry. The construction industry is expected to grow with further economic development, industrialization, urbanization and improvements in the standard of living.

According to Indian Infrastructure, the Indian construction industry accounts for more than 5% of India's GDP and is the second largest employer after agriculture. In the course of liberalization of the Indian economy, the Government has placed a priority on infrastructure development and emphasized the involvement of private capital and management in order to respond to the growing demand for new infrastructure projects.

The prospect of the division continues to be bright and challenging. Your Company proposes to continue to concentrate its efforts in executing large infrastructure projects.

#### **OVERVIEW OF OPERATIONS**

#### **AGARBATHIES DIVISION**

The Company has well knit distributor/ dealer network comprising of around 250 distributors/ dealers, spread over the India developed over a period 60 years for marketing its products. The Company has been regularly introducing various brands of scented agarbathies apart from the existing brands to sustain the competition and to cater to the needs of consumers in different states. Company is also concentrating on the export of several brands of agarbathies specifically designed and developed by R&D department of the Company.



## AMBICA AGARBATHIES AROMA & INDUSTRIES LIMITED

### HOTEL DIVISION

Hotel Division has been continuing in its pursuit to be one of the biggest economy hotels in Chennai. Further the tourism sector has picked and has witnessed increasing tourist inflow in the country, which is reflected in performance by the hotel division in financial year 2007-08.

Company's Multi Cuisine Food Plaza at Visakhapatnam Railway Station, Visakhapatnam, Andhra Pradesh is doing well as Visakhapatnam is one of the industrially and commercially developed cities of Andhra Pradesh and daily lakhs of people travel to and from the City.

Company is proposes to setup some more foods courts after identifying suitable places. Considering the strong growth in demand and the constraints in supply, prospects for the hospitality sector is expected to be bright over the coming years.

### CONSTRUCTION DIVISION

Construction Business is the new segment of business for the company, overall performance of the company is satisfactory, presently the Company is Constructing Multiplex at Dwaraka Bus Station, Vizag and APSRTC Multiplex at Vijayawada, Andhra Pradesh.

### FUTURE OUTLOOK

### AGARBATHIES DIVISION

In view of good response for the products of the company, the company plans to launch more brands of the Agarbathies. Further Company believes there is huge potential for development for the growth for Aromatherapy and company's research & development department continuously making efforts to develop more products.

### HOTEL DIVISION

It's Champagne time for India's hotel industry, thanks to a booming economy and the resulting surge in business. The robust demand for accommodation has led to higher room tariffs and is

attracting foreign investment. Some believe that India is an 'idea' rather than a nation of people with different languages, traditions and culture. If so, India is an idea whose time has come. It is no longer just an 'exotic' country, but is now the destination of choice not just for foreign tourists, but also for business travellers. The change in image has lead to a boom in hoteliering. While the industry had its vicissitudes in the recent past, the current boom looks like staying on. "The Indian hospitality sector is witnessing one of its rare sustained growth trends,"

This seems to be just the beginning, judging by opinions from analysts and industry executives. Predicts Sudhir K Nair, Head of Research at CRIS INFAC, a prominent research consultancy firm, "Demand will outpace supply in the short to medium term, and ARR's are expected to increase by 13 to 14 per cent annually over the next two years. Due to the spurt in tourist inflows, occupancy rates are expected to reach 83 per cent by 2008- 09, up from the present 72 per cent." a predictions has been made by CAGR of 35 to 40 per cent every year, over the next five years for the sector.

### CONSTRUCTION DIVISION

The Business of this division is the construction of buildings, malls, etc. The company proposes to provide earthquake-resistance measures for the construction to be done by it in future. The future outlook of the division continues to be bright and challenging.

In addition, the company is actively receiving a wide range of orders in the areas in which the demand is expected to grow in the years to come. Your Company proposes to continue to concentrate its efforts in executing large infrastructure projects. The Company intends to ramp up development activities into a separate profit centre which will spearhead development, both residential and commercial.