



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

Index	Page
1. Notice	03
2. Director's Report	06
3. Management Discussion & Analysis	09
4. Corporate Governance	12
5. Auditor's Report	24
6. Balance Sheet	28
7. Profit & Loss Account	29
8. Schedules	30
9. Notes on Accounts	41
10. Cash Flow Statement	52
11. Abstracts	54
12. Attendance Slip/Proxy Slip	55



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

### **BOARD OF DIRECTORS**

**SRI AMBICA KRISHNA**  
**SRI AMBICA SUDARSAN**  
**SRI AMBICA RAMCHANDRA RAO**  
**SRI P. SREEDHARAN VENKATESAN**  
**SRI SURESH GARLAPATI**  
**SRI P KISHORE THANDAVA**  
**SRI M SURAYYA** (upto 28.12.2010)

: Chairman and Managing Director  
: Director  
: Director  
: Director  
: Director  
: Director  
: Director

### **STATUORY AUDITORS:**

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

### **BANKERS:**

**CORPORATION BANK**  
Eluru Branch, ELURU

### **REGISTERED OFFICE:**

Shankar Towers  
Powerpet, ELURU - 534 002.

### **ADMN OFFICE:**

Ambica Empire  
57, 100ft Road, Vadapalani  
CHENNAI.

### **FACTORY:**

- SATRAMPADU, ELURU.
- DUGGIRALA, ELURU

West Goddavari Dist.,  
Andhra Pradesh.

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

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

### **LISTING AT:**

National Stock Exchange of India Limited  
Bombay Stock Exchange Limited



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

### **NOTICE**

NOTICE is hereby given that the 16th Annual General Meeting of the members of the Company will be held on **THURSDAY 29TH SEPTEMBER, 2011 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, 2011 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 Suresh Garlapati who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint statutory 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 Statutory 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 P V SREEDHARAN AS 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 P V Sreedharan who was appointed as an Additional Director on 14th February, 2011 and who holds office as such up to the date of this Annual General Meeting and in respect of whom a notice 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 : 13.08.2011



## **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) Corporate Members intending to send their authorized representatives to attend the meeting are requested to send to the company a certified copy of the Board resolution authorizing their representative to attend and vote on their behalf at the meeting
- 3) The Register of Members and Share Transfer Books of the Company will remain closed from **MONDAY 26TH SEPTEMBER, 2011 TO THURSDAY 29TH SEPTEMBER, 2011**
- 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.
- 7) The relative Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of special business is Annexed hereto

Place : Hyderabad  
Date : 13.08.2011

**for and on behalf of the Board**

Sd/-

**AMBICA KRISHNA**

Chairman and Managing Director



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

### **EXPLANATORY STATEMENT**

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

#### **Item No.5**

The Board of Directors of the Company has appointed Sri P V Sreedharan as Additional Director of the Company at their meeting held on 14th February, 2011.

Mr.Sreedharan, is a practicing Chartered Accountant since 1964, he has experience in conducting Audit of Accounts of Nationalised Banks, such as Canara Bank, Indian bank, Engineering Companies , Software Companies, Leather Exporters, Charitable Trust etc., and is a senior partner in M/s.Karpagam & co.,- Chartered Accountants firm, chennai

Due to his rich experience in the field of finance and having Decades of experience in the Financial Matters the Board of Director felt that the presence of Sri P V Sreedharan in the Board will help the company in the field of financial matters and his experience will be a guiding factor for making important financial decision, so he is appointed as Additional Director of the 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 NEWLY APPOINTED  
DIRECTORS AT THE ANNUAL GENERAL  
MEETING IN TERMS OF CLAUSE 49 OF THE  
LISTING AGREEMENT.**

#### **AMBICA SUDARSAN**

Sri 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.

#### **SRI 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 and has experience of more than 20 years in the field of Manufacturing and marketing of Fast Moving Consumer Goods.

He is not a Director in any other Company and has no shares in the Company

#### **SRI P V SREEDHARAN**

Sri Sreedharan Venkatesan Palasur S/o of Sri Seetharama Venkatesan Palasur aged about 74 years is a resident of no. 4, Balaji avenue 1st Street, T Nagar Chennai Tamilnadu. He is a Chartered Accountant. He has experience of more than Five decades in the field of Finance and Accounting.

He is not a Director in any other Company and has no shares in the Company



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

### **DIRECTORS' REPORT**

To  
The Members,

Your Directors have pleasure in presenting herewith the 16th Annual Report of Company together with the Audited Accounts for the financial year ended as on 31st March, 2011

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

<b>PARTICULARS</b>	<b>YEAR ENDED 31.03.2011</b>	<b>YEAR ENDED 31.03.2010</b>
Sales	7189.97	6382.22
Other Income	179.66	193.55
Stocks	2.21	(0.57)
Expenditure	(6850.75)	(6087.47)
Profit before depreciation and Income tax	521.09	487.73
Depreciation	(278.27)	(293.43)
Net profit before tax	242.82	194.30
Provision for taxation		
a. Current tax	83.94	73.69
b. Deferred tax	18.88	(12.60)
Profit after tax	139.99	133.26
Brought forward from previous year	728.93	595.67
Balance carried to balance sheet	868.92	728.93

#### **OVERALL PERFORMANCE OF THE COMPANY:**

During the financial year under review the overall performance of your Company was satisfactory in spite of the economy slow down, inflation and many factors during the financial year under review the overall turnover of the Company was Rs 7189.97 Lakhs as compare to Rs 6382.22 Lakhs and the Net profit Rs 139.99 Lakhs as compare to Rs 133.26 Lakhs

When it comes to Segment wise performance of the Company the Turnover of the Agarbathies Division was Rs 6041.50 Lakhs as Compare to Rs 5485.14 Lakhs and the Net Profit is Rs

583.68 Lakhs as compared to Rs 450.73 Lakhs. The Turnover of hotel division was Rs 1267.65 Lakhs as compared to Rs 1023.36 Lakhs and Net profit is Rs 227.75 Lakhs as compared to Rs 52.78 and in Construction Division many projects are in finishing stages and it has good future in coming years.

#### **DIVIDEND**

Your Directors do not recommend any Dividend for the Financial Year 2010-2011 as the profits are planned to be ploughed back into the business operations.

#### **PERSONNEL:**

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

#### **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.

#### **DIRECTORS:**

Board of Directors express their gratitude and unhappily would like to bring to the notice of the shareholders the demise of Sri M Surayya Director of your company on 28th December, 2010

Sri P V Sreedharan was appointed as Additional Director of your company on 14th February, 2011 and Further Company has received a special notice with a deposit of Rs 500/- under section 257 of the companies Act 1956 for the appointment of Sri P V Sreedharan as Non Executive and Independent Director of the company.

Sri Ambica Sudarsan and Sri Suresh Garlapati Directors of the Company retires by rotation at



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

the ensuing annual general meeting and being eligible offer themselves for re-appointment.

### **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, 2011 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 2011 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.

### **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 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.

### **Reply to Auditors Qualification**

1. With regard to the deposit of Amounts to statutory Authorities (Point No. 9 (a) (i) of the Auditors Reports). Your Board would like to bring to your kind notice that the Company is under the process of depositing the same.
2. With regard to transferring of unpaid dividend to Investor Education Fund, (Point No. 9 (a)(ii) Your board would like bring to your kind notice that the company is under the process of reconciliation of names of share holders and transfer the same.

### **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 Research and Development division of Agarbathies department continues to focus on introducing of new brands.
- C. Technology Absorption** - Not Applicable

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

	2010-11	2009-10
Foreign Exchange earnings	7.48	22.73
Foreign Exchange outgo	Nil	Nil



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

### **MANAGEMENT DISCUSSION AND ANALYSIS: SUBSIDIARY COMPANY**

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

During the financial year under review the Company has disinvested in the equity shares of subsidiary company.

### **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.

### **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.

### **PREFERENTIAL ALLOTTMENT:**

During the Financial year under review Company has issued 800000 Equity shares on preferential basis to Promoters and promoters group of Rs 10/- each at a premium of Rs 3/-. Vide resolution passed by the members in Extraordinary General Meeting held on 17th March 2011.

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.

Place : Hyderabad  
Date : 13.08.2011

**for and on behalf of the Board**

Sd/-

**AMBICA KRISHNA**

Chairman and Managing Director





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

### *Annexure – I*

#### **MANAGEMENT DISCUSSION AND ANALYSIS**

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

##### **AGARBATHIES DIVISION**

Since ancient times, people have used Dasangam, Dhoopam, Argajja, Sandal bille and paste to perform various religious ceremonies at homes, temples, religious places and for royal families. These products were made by the priests of temples using raw material such as sandal powder, natural herbs, oils etc. These products were mostly supplied to the southern states of India, where these fragrant items were burnt while offering prayers..

It is estimated that there are approximately 5000 units in the country, which include large, medium, tiny and micro enterprises. Approximately 25000 tones of Agarbathis are being produced in India and this figure is growing at a rate of 5-6% every year. Calculation shows that a total of 2 million men/women days are required for production at this scale. Thus it can be seen that the employment potential is huge and more importantly growing. 80% of women workers in the industry belong to weaker sections of the society. Thus the Governments at national and state levels can make use of this industry to support its poverty programmes.

##### **HOTEL DIVISION**

The hotel industry in India is reeling under a severe manpower shortage.

On an average, the room to staff ratio is 1:1.75. Quoting Deloitte data, industry sources say there are over 400 projects under various stages of development with over 70,000 rooms in the next couple of years across the country.

With more and more hotel projects being announced and the room inventory expected to almost double in the next five years, the demand for trained manpower will shoot up.

Mr T. Natarajan, Secretary, South India Hotels and Restaurants Association and also CEO of the Chennai-headquartered GRT Hotels and Resorts, says more than getting skilled manpower, employee retention has become a bigger challenge now.

“People are prepared to hop to another hotel just for a couple of thousands of rupees more, without considering their career growth prospects and opportunities the current employer offers in the long run.”

Manpower shortage and attrition is “the single largest problem the hospitality industry

According to sources, attrition in the industry currently hovers at 25-30 per cent across different levels. To check attrition, hotel companies announced considerable salary hikes in the last six months, resulting in up to 30 per cent growth in employee cost.

Being a service industry, where talent redeems the brand promise, employee cost on an average would be 20 per cent. In the last one year, that has gone up to 30-35 per cent, denting the profitability of the company in many cases.

##### **CONSTRUCTION DIVISION**

The Indian construction industry is an integral part of the economy and a conduit for a substantial part of its development investment, is poised for growth on account of industrialization, urbanization, economic development and people's rising expectations for improved quality of living. In India, construction is the second largest economic activity after agriculture. Construction accounts for nearly 65 per cent of the total investment in infrastructure and is expected to be the biggest beneficiary of the surge in infrastructure investment over the next five years. Investment in construction accounts for nearly 11 per cent of India's Gross Domestic Product (GDP). ₹239.68 billion is likely to be invested in the infrastructure sector over the next five to 10 years - in power,



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

roads, bridges, city infrastructure, ports, airports, telecommunications, which would provide a huge boost to the construction industry as a whole.

### **OVERVIEW OF OPERATIONS**

#### **AGARBATHIES DIVISION**

During the Financial Year under review, Most of the Existing products and newly launched products have helped the Company to increase the Turnover compare to last year. The Company has well knit distributor/ dealer network comprising of around 250 distributors/dealers, spread over the India developed over a period of 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 has raised funds through preferential issue to invest in the R&D department of the Company.

#### **HOTEL DIVISION**

The economic slowdown and other factors had reduced the occupancy rate in the last fiscal, when it comes to this fiscal your Company has recorded god turnover and minimal increase in the occupancy rate from the Last fiscal

Company is looking up for setting up of 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**

The overall performance of the Company is satisfactory and has bagged good number of projects in the state of Andhra Pradesh presently the Company is executing the projects which are bagged in the previous years.

### **FUTURE OUTLOOK**

#### **AGARBATHIES DIVISION**

The Company has raised funds and invested in the research and development in this financial year to introduce more brands. Company believes that there is huge potential for development for the growth for Aromatherapy industries in coming years and company's research & development department continuously making efforts to develop more products.

#### **HOTEL DIVISION**

India has the potential to become the number one tourist destination in the world with the demand growing at 10.1 per cent per annum, the World Travel and Tourism Council (WTTC) has predicted. The WTO (World Travel Organization) predicts that India will receive 25 million tourists by year 2015.

Major attractions in India are the world's highest mountains, miles of coastline with excellent beaches, tropical forests and wildlife, desert safari, lagoon backwaters, ancient monuments, forts and palaces, adventure tourism and, of course, the Taj Mahal.

India currently has over 200,000 hotel rooms spread across hotel categories and guest-houses and is still facing a shortfall of over 100,000 rooms (source: FHRAI). The country is witnessing an unprecedented growth in hotel constructions and will be adding almost 114,000 hotel guest rooms to its inventory over the next five years. (source: HVS)

The earlier setbacks in global tourism have strengthened the Department of Tourism's resolve to promote India's tourism through aggressive marketing strategies through its campaign 'Incredible India'. The 'marketing mantra' for the Department of Tourism is to position India as a global brand to take advantage of the burgeoning global travel and trade and the vast untapped potential of India as a destination.