

18th

Annual Report

2012 - 2013



**AMBICA AGARBATHIES
AROMA & INDUSTRIES LIMITED**



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AMBICA AGARBATHIES AROMA & INDUSTRIES LIMITED

BOARD OF DIRECTORS

SRI AMBICA KRISHNA
SRI AMBICA RAMCHANDRA RAO
SRI P. SREEDHARAN VENKATESAN
SRI P KISHORE THANDAVA

: Chairman and Managing Director
: Director
: Director
: Director

STATUORY AUDITORS:

SRI T S AJAI, B.Com.,FCA
Chartered Accountant
304, Minar Apts.,
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 Godavari Dist.,
Andhra Pradesh.

REGISTRARS & TRANSFER AGENTS:

**M/s. Venture Capital and Corporate
Investments Private Limited.**
12-10-167, Bharat Nagar
Hyderabad-500018

LISTING AT:

National Stock Exchange of India Limited
BSE Limited



NOTICE

NOTICE is hereby given that the 18th Annual General Meeting of the members of the Company will be held on MONDAY 30TH SEPTEMBER, 2013 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, 2013 and Statement of Profit & Loss 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 Sreedharan Venkatesan, who retires by rotation and being eligible offers himself for re-appointment
3. 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”

for and on behalf of the Board

Sd/-

AMBICA KRISHNA

Chairman and Managing Director

Place : Hyderabad

Date : 24.08.2013

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 **THURSDAY 26TH SEPTEMBER, 2013 TO MONDAY 30TH SEPTEMBER, 2013 (both day inclusive)**
- 4) Members are requested to quote ledger folio/dpid/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 filled 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 : 24.08.2013



AMBICA AGARBATHIES AROMA & INDUSTRIES LIMITED

DIRECTORS' REPORT

To
The Members,

Your Directors have pleasure in presenting herewith the 18th Annual Report of Company together with the Audited Accounts for the financial year ended 31st March, 2013

FINANCIAL RESULTS: (Rs.in lakhs)

PARTICULARS	YEAR ENDED	
	31.03.2013	31.03.2012
Sales	9943.45	8542.38
Other Income	131.38	114.99
TOTAL Income	10074.83	8657.37
Expenditure	9585.20	8138.27
Profit before depreciation and Income tax	489.63	519.10
Depreciation	298.05	267.41
Net profit before tax	191.58	251.69
Provision for taxation		
a. Current tax	38.33	73.29
b. Deferred tax	23.83	(9.91)
Profit after tax	129.43	188.31

OVERALL PERFORMANCE OF THE COMPANY:

During the financial year under review the overall performance of the Company was good the overall turnover has increased to Rs 9943.45 Lakhs as compare to Rs 8542.38 Lakhs and the Net profit was decreased to Rs 129.43 Lakhs as compare to Rs 188.31 Lakhs due to operational losses incurred in the newly started hotel at Vizag.

When it comes to Segment wise performance of the Company the Turnover of the Agarbathies Division was Rs 8303.01 Lakhs as Compare to Rs 7144.57 Lakhs and the Turnover of hotel division was Rs 1706.76 Lakhs as compared to Rs 1455.77 Lakhs and the turnover in Construction Division(Windmill) was 65.07 lakhs as compared

to Rs. 57.03 lakhs, other projects are in finishing stages.

DIVIDEND

Your Directors do not recommend any Dividend for the Financial Year 2012-2013 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, 2011.

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.

DIRECTORS:

Sri P Sreedharan Venkatesan Director of the Company retires by rotation at 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:

- In preparation of annual accounts for the financial year ended 31st March, 2013 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



AMBICA AGARBATHIES AROMA & INDUSTRIES LIMITED

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 2013 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) of the Auditors Reports). Your Board would like to bring to your kind notice that due to liquidity problem the company has delayed in depositing the amount.
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 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)	
	2012-13	2011-12
Foreign Exchange earnings	Nil	15.21
Foreign Exchange outgo	Nil	Nil

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.



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 AMBICA AGARBATHIES AROMA
AND INDUSTRIES LIMITED**

Sd/-

AMBICA KRISHNA

Chairman and Managing Director

Place : Hyderabad
Date : 24.08.2013

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 SREEDHARAN VENKATESAN

Sri P Sreedharan Venkatesan professional Chartered Accountant with 2 Decade of experience is a Non-Executive Independent Director and chairman of Audit Committee of the company having vast experience in the field of finance, which has helped the Company in strategy financial decision.

He is Chairman & member of the Committees of the company and holds no equity shares in the Company.

He is neither a director nor member of any other committee or company apart from our Company



Annexure – I

**MANAGEMENT DISCUSSION AND ANALYSIS
MACRO ECONOMIC OVERVIEW:
AGARBATHIES DIVISION**

India has a rich tradition of incense making that goes back millennia. Incense sticks, also known as agarbathi (or agarbatti) and joss sticks, in which an incense paste is rolled or moulded around a bamboo stick, is one of the main forms of incense in India. The bamboo method originated in India, and is distinct from the Nepal/Tibet and Japanese methods of stick making which don't use a bamboo core. Though the method is also used in the west, particularly in America, it is strongly associated with India. Other main forms of incense are cones and logs or dhoops, which are incense paste formed into pyramid shapes or log shapes, and then dried.

A uniform and codified system of incense-making first began in India. Although Vedic texts mention the use of incense for masking odors and creating a pleasurable smell, the modern system of organized incense-making was likely created by the medicinal priests of the time. Thus, modern, organized incense-making is intrinsically linked to the Ayurvedic medical system in which it is rooted.

In all religious occasions, incense sticks commonly known as agarbathies serves as a link between god and devotee. It has been used in prayers, to pay homage to the Gods, purify the air, to uplift the spirits of an individual, induce self-awareness and to get rid of any kind of negative vibrations. In addition to economic development, agarbathi industry is also contributing to social welfare by making optimum use of waste products in its manufacturing process. Agarbathies industry is one of the labor intensive industries and hence generates lot of employment opportunities especially for weaker sections of the society. Agarbathies industry in India is also exploring itself in global market, thereby contributing to growth of foreign trade.

HOTEL DIVISION

The tourism and hospitality industry of India is thriving and growing at a fast pace. The country's travel and tourism industry is one of the most profitable industries in the country,

and is credited with contributing a substantial amount of foreign exchange. India's rich cultural heritage, traditions, festivals, food, architectural monuments, hospitality and services are positive strengths for its tourism sector.

Hotels are an important component of the tourism product. They contribute in the overall tourism experience through the standards of facilities and services offered by them. With international tourism increasing year-on-year (y-o-y) and the continued strength of domestic tourism, India will see incredible opportunities for growth.

The Indian tourism sector needs an urgent image makeover and higher investment in infrastructure, including through public-private partnership (PPP) mode to capitalize on opportunities provided by overall growth in world tourist arrivals, according to the Economic Survey 2012-2013.

According to the latest Tourism Satellite Accounting (TSA) research, released by the World Travel and Tourism Council (WTTC), the demand for travel and tourism in India is expected to grow by 8.2 % between 2010 and 2019. This will place India at the third position in the world. India's travel and tourism sector is expected to be the second largest employer in the world. Capital investment in India's travel and tourism sector is expected to grow at 8.8 % between 2010 and 2019. The report forecasts India to get more capital investment in the travel and tourism sector and is projected to become the fifth fastest growing business travel destination from 2010 through 2020.

CONSTRUCTION DIVISION

The Indian real estate and construction industry is an integral part of Indian economy and plays an important role in the development of the country's infrastructure base. The contribution of the real estate sector to India's gross domestic product (GDP) has been estimated at 6.3 per cent in 2013, and the segment is expected to generate 7.6 million jobs during the same period. It is also expected to generate over 17 million employment opportunities across the country by 2025.

The sector comprises of four sub-sectors- housing, retail, hospitality, and commercial.



While housing contributes to five-six percent of the country's GDP, the remaining three sub-sectors are also growing at a rapid pace, meeting the increasing infrastructural needs

India's economic growth is expected to pick up a faster pace in 2013-14 and record six per cent plus levels of gross domestic product (GDP), according to Mr C Rangarajan, Chairman, Prime Minister's Economic Advisory Council (PMEAC).

India was reported to expand at a better rate as compared to its three BRIC peers China, Russia and Brazil in May 2013, as per a survey by HSBC. India was also ranked amongst the top 20 real estate investment markets globally with investment volume worth Rs 190 billion (US\$ 3.05 billion) recorded in 2012, according to Cushman & Wakefield's report 'International Investment Atlas'.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The control system of the Company consists of standard practices and procedures, appropriate audit program and risk monitoring system. The Company is constantly engaged in making further improvements to the existing control systems of the Company.

The Board of Directors has been entrusted with the responsibility of reviewing the findings and to investigate and take necessary actions wherever required.

HUMAN RESOURCES/ INDUSTRIAL RELATIONS:

Human resources are the backbone of any Company without whom nothing can be accomplished. Your Company has introduced various training and development programmes for its employees which will enable them to perform their functions more efficiently. The Company has further adopted various innovative HR policies to gear up to face future challenges and to create a performance driven innovative and flexible organization. The Company has an excellent track record of maintaining cordial industrial relations right from its inception. This year too industrial relations in the Company were excellent.

COMPANY OUTLOOK AND FUTURE OPERATIONS

AGARBATHIES DIVISION

The company has witnessed a significant increase in sales in the financial year under review when compared to the last year. The profits of the company have decreased due to increase in operation costs of the new hotel started in vizag, inance & employee cost and other expenses. The company has expertise professionals working as a team towards the growth of the organization. The company is consistently involved in innovating its products through upgrading the technology, customizing production process and creatively designing its products. With its rich experience and wide network of dynamic dealers, it is able to compete with others and meet market standards. The Company has well knit distributor/ dealer network comprising of around 300 distributors/dealers, spread over the India developed over a period of years for marketing its products.

HOTEL DIVISION

The performance of the Hotel division of the Company is satisfactory in this fiscal and Company has started a new Hotel in the city of Vizag named as "AMBICA SEA GREEN" and the response was more than expectation.

AWARDS

Company has received many awards for the hotel situated in Chennai as

Epicurus -The best Multicuisine restaurant in chennai 2013

TTF (Travel & Tourism Fair) - Award for excellence

Certified that Hotel Ambica Empire was the winner of the Best Valued Business Hotel Award at the 98th TTF, Ahmedabad Gujarat University Exhibition Hall 24th to 26th August 2012

CONSTRUCTION DIVISION

The Construction division was performance was satisfactorily in this fiscal and focusing on the ongoing projects in the hand



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:

Your company believes in providing highest transparency and ethical value in Corporate Governance. Your company also believes in taking into confidence all the stakeholders viz Shareholders, Employees, Creditors, Customers etc. Your company is committed to take the torch of Corporate Governance forward, so that every stakeholder of the company synchronizes and synergies their efforts in their growth along with the growth of their company.

2. BOARD OF DIRECTORS:

The Board of Directors of your company consists of two Executive Directors and two Non Executive & Independent 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	5	5	Yes
Sri Ambica Ramchandra Rao	Executive Director	4	5	5	Yes
Sri P V Sreedharan	Non-Executive & Independent Director	Nil	5	5	Yes
Sri P Kishore Thandava	Non-Executive & Independent Director	Nil	5	5	Yes

During the financial year 2012-2013, 5 (Five) Board Meetings were held on the following dates:

14/05/2012	17/08/2012	04/10/2012	14/11/2012	12/02/2013
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3. AUDIT COMMITTEE:

Audit Committee of your company consists of following three Directors:

1.	P. V. Sreedharan	Chairman
2.	P. Kishore Thandava	Member
3.	Ambica Ramachandra Rao	Member