

# **AVT NATURAL PRODUCTS LIMITED**



17th Annual Report  
2002-2003

**SEVENTEENTH ANNUAL GENERAL MEETING**

Day : Thursday  
Date : 24th July 2003  
Time : 11.00 a.m.  
Venue : Rani Seethai Hall,  
603, Anna Salai,  
Chennai 600 006.

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**AVT NATURAL PRODUCTS LIMITED**

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**BOARD OF DIRECTORS**

Mr. Ajit Thomas, *Chairman*  
Field Marshal Sam Manekshaw, MC  
Mr. M.A. Alagappan  
Mr. Shyam B. Ghia  
Mr. Habib Hussain  
Mr. M.S.A. Kumar, *Managing Director*

**AUDIT COMMITTEE**

Mr. M.A. Alagappan, *Chairman*  
Mr. Shyam B. Ghia  
Mr. Habib Hussain

**COMPANY SECRETARY**

Mr. V. Suresh

**AUDITORS**

M/s. Suri & Co.,  
Chartered Accountants

**BANKERS**

Bank of Baroda  
State Bank of India  
South Indian Bank Ltd.

**PLANT LOCATIONS**

SF. No. 234/1, Mysore Trunk Road,  
Puduvadavalli,  
Sathyamangalam – 638 401.

SF. No. 123/2, Nayanapalli Cross,  
Bisibamanepalli (Vil), Lapakshi (Mdl.),  
Hindupur – 515 331.

HL No. 1182, Harikura Village,  
Honavally Hobli, Tiptur Taluk,  
Tumkur Dist., Karnataka – 572 202.

Village Chichkeda,  
Dist. Chindwara,  
Madhya Pradesh - 480 330.

C/o Mahesh Industries,  
Plot No.17-18-19-20,  
Haveri Dist., Bydagi - 581 106  
Karnataka.

Vazhakulam, Marampilly P.O.,  
Ernakulam District,  
Aluva, Kerala – 683 107.

**REGISTERED OFFICE**

59-A Rems Street,  
Kilpauk,  
Chennai 600 010.  
Tel. 2644 7990, 2660 2682 Tele fax: 2644 7990  
E-Mail: avtsec@md4.vsnl.net.in

## **NOTICE TO THE SHAREHOLDERS**

NOTICE is hereby given that the Seventeenth Annual General Meeting of the Company will be held at 11.00 AM on Thursday the 24th July 2003, at Rani Seethai Hall, 603, Anna Salai, Chennai 600 006 to transact the following business:

### **ORDINARY BUSINESS**

1. To receive, consider and adopt the audited Balance Sheet as at and the Profit & Loss Account for the year ended 31.03.2003 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of Mr.M.A.Alagappan, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in the place of Field Marshal Sam Manekshaw, MC, who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors and to fix their remuneration.

### **SPECIAL BUSINESS**

#### **5. Increase of Authorised Share Capital**

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 Sec.94 and other applicable provisions, if any, of the Companies Act, 1956, the authorised share capital of the Company be increased from Rs. 4,00,00,000 (Rupees Four Crores) divided into 39,90,000 equity shares of Rs.10/- each and 1000 12% Redeemable Cumulative Preference Shares of Rs.100/- each to Rs.7,00,00,000 (Rupees Seven Crores) divided into 39,90,000 equity shares of Rs.10/- each 1000 12% Redeemable Cumulative Preference Shares of Rs.100/- each and 30,00,000 7% Redeemable Cumulative Preference Shares of Rs.10/- each.

#### **6. Alteration of Memorandum of Association**

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

RESOLVED THAT that the existing Clause V of the Memorandum of Association of the Company be deleted and the following new Clause V be inserted in its place

The Authorised Share Capital of the Company is Rs.7,00,00,000 (Rupees Seven Crores only) divided into 39,90,000 equity shares of Rs.10/- each, 1000 12% Redeemable Cumulative Preference Shares of Rs.100/- each and 30,00,000 7% Redeemable Cumulative

Preference Shares of Rs.10/- each, with power to increase and reduce the capital of the Company, and to alter, convert, classify into several classes of stock or shares, divide or subdivide and consolidate the same with power to attach thereto respectively such preferential, deferred or special rights, privileges, conditions or restrictions, as may be determined by, or in accordance with the articles of association of the Company from time to time.

#### **7. Alteration of Articles of Association**

To consider, and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

RESOLVED THAT the Articles of Association of the Company be altered by substituting the following new article in place of the present article 3(a) thereof.

The authorised Share Capital of the Company is Rs.7,00,00,000/- (Rupees Seven Crores) divided into 39,90,000 equity shares of Rs.10/- each, 1000 12% Redeemable Cumulative Preference Shares of Rs.100/- each and 30,00,000 7% Redeemable Cumulative Preference Shares of Rs.10/- each.

#### **8. To consider, and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:**

RESOLVED THAT pursuant to the provisions of Sec.31 and other applicable provisions, if any, of the Companies Act, 1956 the existing first twelve lines of article 3(e) be substituted with the following twelve lines

The Redeemable Preference Shares shall be redeemed at par on the expiry of 3 years from the date of allotment thereof, but the Company may at its option and at any time after 1 year from the date allotment of such Redeemable Preference Shares, on giving an advance notice to the holders of such shares redeem at par the whole or any part of the said shares together with a sum equal to the arrears, if any, of the fixed cumulative dividend thereon whether earned, declared or not upto the date of redemption thereof out of the moneys of the Company which may lawfully be applied for that purpose:

#### **9. Issue of Preference Shares**

To consider, and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

RESOLVED THAT in terms of Sec.81 (1A) and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modifications or re-enactment thereof, for the time being in force) in accordance with the provisions of Foreign Exchange Management Act, 1999, and the Memorandum and Articles of Association of the company and subject to such other necessary approvals, permissions and sanctions as may be required to be obtained from appropriate authorities and also from financial institutions, banks with whom the company has borrowing arrangements if required, and further subject to such conditions and modifications as may be imposed/prescribed in granting such approvals/sanctions, and also subject to such terms and conditions as may be determined by the Board of Directors of the Company (hereinafter referred to as the "Board" which expression shall be deemed to include any of the Directors or any Committee of the Directors duly authorised in this regard), consent of the Company be and is hereby accorded to the Board to issue, offer and allot in one or more tranches, 30,00,000, 7% Cumulative Redeemable Preference Shares of Rs.10/- each of the company on private placement to individuals, bodies corporate, institutions, including the promoters, at such price and on such terms and conditions as may be decided by the Board.

RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board of Directors of the company (hereinafter referred to as the "Board" which term shall be deemed to include any committee which the Board may constitute to exercise its powers, including the powers conferred by this Resolution) be and is hereby authorised to do all such acts, deeds matters and things and execute all such deeds, documents, instruments and writings, as it may, in its absolute discretion, deem necessary, expedient, desirable, usual, or proper and to settle any questions, difficulties or doubts (including to amend or modify any of the terms hereof) that may arise with regard to the issue and allotment of the Preference Shares as aforesaid or any other matters incidental or consequential thereto, without being required to seek any further consent or approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of this Resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors or the Chairman or the Managing Director or any officers of the company to give effect to the aforesaid Resolutions.

#### 10. De-listing of shares

To consider, and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

RESOLVED THAT the consent of the Members be and is hereby given for delisting the Equity Shares of the Company from the Cochin Stock Exchange in accordance with the relevant laws, rules, regulations and guidelines (including any statutory modification(s) or re-enactments thereof for the time being in force and as may be enacted hereinafter) and subject to such approvals, permissions and sanctions as may be necessary and in compliance with such conditions and modifications as may be necessary for this purpose.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take all necessary steps in this regard and to do all such acts, deeds, matters and things as it may deem fit, proper or desirable to settle any question, difficulty, doubt that may arise in regard to delisting of the Equity Shares.

By Order of the Board  
For **AVT Natural Products Ltd.,**  
**V.Suresh**

Place : Chennai

Date : 5th June, 2003

Company Secretary

#### Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to vote instead of himself and such proxy need not be a member. Proxy forms, complete in all respects, should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting. Form of proxy is enclosed.
2. The Explanatory Statement pursuant to Sec.173(2) of the Companies Act, in respect of item Nos. 5 to 10 is annexed.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 22.07.2003 (Tuesday) to 24.07.2003 (Thursday) (both days inclusive).
4. Members are requested to intimate changes, if any, in their registered address to the Company immediately.
5. It may please be noted that Dividends declared & paid for the year 1996-97 and which remain unclaimed over a period of 7 years have to be transferred by the Company to "Investor Education and Protection Fund" maintained with Central Government and the shareholders cannot make any claim for the dividends once the unclaimed dividends are transferred to such Fund.  
The shareholders are, therefore, advised to claim the unclaimed dividend, if any, immediately.
6. In terms of clause 49 of the Listing Agreement with Stock Exchanges, brief details pertaining to the directors who are proposed to be re-appointed at this meeting are given below.

**a) Mr.M.A.Alagappan**

Mr.M.A.Alagappan, aged about 59 years, holds a Degree in Commerce and a Degree in Management Studies from UK. He is an Industrialist and is the Vice Chairman of the well-known Murugappa Group of Companies with a turnover of Rs.4350 Crores. He is a Committee Member of the Federation of Indian Chamber of Commerce & Industry.

**His other Directorships**

Name of the Companies	
Tube Investments of India Ltd	Executive Chairman
Cholamandalam Investment and Finance Company Ltd.	Chairman
Cholamandalam MS General Insurance Company Ltd.	Chairman
TI Diamond Chain Ltd.	Vice-Chairman
International Flavours & Fragrances India Ltd.	Director
Cholamandalam AXA Risk Services Ltd.	Director
Cholamandalam Factoring Ltd.	-Do-
Cholamandalam Trustee Co. Ltd.	-Do-
New Ambadi Estates Pvt. Ltd.	-Do-

**His Committee Memberships/Chairmanship**

Name of the Company	Name of the Committee
Cholamandalam Investment & Finance Co. Ltd.	Audit Committee (Member), Remuneration & Nomination Committee (Member)
Tube Investments of India Ltd.	Investors' Grievance Committee (Member)
Cholamandalam MS General Insurance Company Ltd.,	Audit Committee (Chairman)
TI Diamond Chain Ltd.	Audit Committee (Member)
Cholamandalam Trustee Co.Ltd.	Audit Committee (Member)
International Flavours & Fragrances India Ltd.	Audit Sub-Committee (Chairman)

He is the Chairman of the Audit Committee and Remuneration Committee of the Company.

**b) Field Marshal Sam Manekshaw, MC**

Field Marshal Sam Manekshaw, MC, aged about 89 years, after having a very successful and distinguished tenure in the Armed Forces, is now the Director of number of reputed Companies.

**His other Directorships**

Name of the Company	
The Bombay Burmah Trading Corp'n. Ltd.	Director
Indian Metals & Ferro Alloys Ltd.,	-Do-
Indian Charge Chrome Ltd.,	-Do-
Britannia Industries Ltd.,	-Do-
Nagarjuna Agro Tech Ltd.,	Chairman
Muller & Phipps (India) Ltd.	-Do-
Nagarjuna Fertilizers & Chemicals Ltd.	Chairman
Goetze (India) Ltd.	Director
Foods & Inns Ltd.	Chairman
East India Hotels Ltd.	Director
Finns Frozen Food Ltd.	Chairman
EIH Associated Hotels Ltd.	Director
Leila Lands SDN BHD (Malaysia)	Director

**His Committee Memberships/Chairmanship**

Name of the Company	Name of the Committee
Britannia Industries Ltd.	Audit Committee (Chairman) Remuneration Committee (Member)
Nagarjuna Fertilizers Ltd.	Remuneration Committee (Chairman) Investors Grievance Committee (Member)
Indian Metals & Ferro Alloys Ltd.	Remuneration Committee (Chairman)
East India Hotels Ltd.	Remuneration Committee (Chairman) Audit Committee (Member)
EIH Associated Hotels Ltd.	Audit Committee (Chairman)
The Bombay Burmah Trading Corp'n. Ltd	Audit Committee (Member)

## **EXPLANATORY STATEMENT**

*(Pursuant to Sec.173 (2) of the Companies Act, 1956)*

### **ITEM NOS.5 TO 7**

Presently, the authorised share capital of the Company is Rs.4,00,00,000/- consisting of 39,90,000 equity shares of Rs.10/- each and 1000 12% Redeemable Cumulative Preference Shares of Rs.100/- each. But it is not adequate to cover the proposed fresh issue of Preference shares. Hence, it has become necessary to increase the authorised share capital to the extent of the fresh issue of preference shares. Consequently, the Memorandum and the Articles of Association of the Company have to be amended to reflect the increased authorised share capital. The alteration is subject to the approval of the members at the Annual General Meeting of the Company. Hence, this resolution has been placed before the shareholders for approval.

Your Directors commend the resolution for approval of the members.

None of the Directors of the Company is interested in this resolution.

### **ITEM NO.8**

Presently, the articles provide that the preference shares shall be redeemed at par on the expiry of 10 years from the date of allotment, but the Company at its option and at anytime after 5 years from the date of allotment of such redeemable preference shares, on giving not less than three months notice to the holders of such shares, redeem the said shares. It is now proposed to alter the article to provide that the preference shares shall be redeemed at par on the expiry of 3 years and the company would have an option to redeem it at any time after the expiry of 1 year from the date of allotment of the preference shares after giving such advance notice, as may be deemed fit by the company. Hence, this resolution has been placed before the shareholders for approval.

Your Directors commend the resolution for approval of the members.

None of the Directors of the Company is interested in this resolution.

### **ITEM NO.9**

It is proposed by the Board of Directors of the company to issue 30,00,000 7% fully paid Redeemable Cumulative Preference Shares of Rs.10/- each as an instrument for medium term financing of Company's working capital and normal capital expenditure requirements, since it ensures availability of funds at a lower rate. Viewing the capital market scenario, it is proposed to issue these Preference

Shares on private placement basis to individuals, body corporate, institutions or the promoters of the company subject to approval of the members of the Company and such other approvals as may be required.

### **TERMS OF ISSUE**

1. The face value of the Preference Shares is Rs.10/- each.
2. Every share shall be allotted on the basis of application received on private placement. The decision of the Board as to basis of allotment shall be final and binding.
3. The Preference Shares shall primarily be allotted to the individuals, bodies corporate, including promoters of the company, institutions against their willingness to subscribe for the same.
4. The Preference Shares shall be redeemable at par at the end of 3 years after complying with the provisions of the Companies Act, 1956.
5. The Preference Shares shall be redeemable at the option of the Company after the end of 1 year from the date of allotment of such shares. The Board will announce from time to time the period during which redemption will take place in subsequent years.
6. The Preference Shares can be redeemed in one or more tranches.
7. Income Tax and other Taxes, if any, on such redemption as may be applicable to the Preference Shareholder at the time of redemption shall be payable by the Preference Shareholder.
8. Preference Shares shall carry Dividend at the rate of 7% per annum. The Dividend will be paid to the Preference Shareholders whose names appear in the Register of Members as on the relevant Record Date(s) declared for the purpose of payment of Dividend. Dividend Tax will be borne by the company.
9. The Company reserves the right to amend the terms of Preference Shares subject to such approvals as may be required. Any modification of rights of Preference Shareholders can be made as per the provisions of the Act.
10. The Preference Shares will be issued in dematerialized form, subject to the approval of NSDL / CDSL, unless specifically desired in physical form.
11. The Resolution as set out in Item No.9 of the Notice is placed before the meeting for the approval of the members.



*Interest of Directors*

None of the Directors of the Company is concerned or interested in the Resolution except for the promoters who are deemed interested to the extent of allotment of Preference Shares to them.

**ITEM NO.10**

Presently, the equity shares of the Company are listed on the Stock Exchanges at Chennai, Ahmedabad, Mumbai & Cochin. It has been observed that since last few years trading in shares of your company on Cochin Stock Exchange has been very rare and of very low volumes. Your company has been spending considerable amount of money on listing fees, communications in the form of fax intimations, registered letters, etc. with these stock exchanges. Considering these facts, your Board of Directors has proposed voluntary delisting of equity shares of your company from the Cochin Stock Exchange. The shareholders/Investors in this region will not suffer

due to delisting, since the shares of the Company continue to be listed on the Stock Exchange, Mumbai having nationwide trading terminals where trading can be easily done from all over the country.

As required under the SEBI Guidelines on voluntary delisting of shares, your approval is sought by way of a Special Resolution for delisting the shares of the Company from the said Stock Exchange.

The Board recommends the passing of the special resolution.

None of the Directors is concerned or interested in passing of the above resolution.

By Order of the Board

For **AVT Natural Products Ltd.,**

Place : Chennai

**V.Suresh**

Date : 5th June , 2003

Company Secretary





## **DIRECTORS' REPORT**

Your Directors have pleasure in presenting their Seventeenth Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2003.

### **FINANCIAL RESULTS**

	(Rs. In lakhs)	
	02-03	01-02
Turnover	3,260.40	3,386.91
Profit/(Loss) for the year	(169.89)	(417.04)
Profit after tax	-	-
Profit brought forward	-	160.76
Total amount available for Appropriation	(169.89)	(256.28)

### **DIVIDEND**

In view of the performance of the Company, your directors express their inability to declare any dividend for the year ended 31.03.2003.

### **OPERATIONS**

During the year under review, the Company produced 372 MT of Marigold and Spice Oleoresins as against 565 MT last year. The failure of monsoon and the resultant drought last year severely affected the performance of the Company during the period under review. Despite the drought in India the Marigold Oleoresin prices continued to be under pressure with increased production from China and Peru.

A more detailed account of the operational performance of the Company is given in the Management Discussion and Analysis Report annexed to this report.

### **FUTURE PROSPECTS**

The order book for 2003-04 for Marigold and Spice oleoresins are healthy. The product mix is in favour of higher margin products, thereby impacting the bottom line favourably. Subject to a normal monsoon, the company is confident of turning round and recording profits.

Increased efforts and investments in R & D have enabled the company to introduce new and high value products in the market. Cost reduction efforts in the area of variable/

fixed costs will continue, to become more competitive in the global market with over capacities.

### **FIXED DEPOSITS**

As on 31.03.2003, a total sum of Rs 6,07,900 due to 17 fixed deposit holders remained unclaimed. Out of this, deposits for a sum of Rs.5,27,900 were renewed subsequently.

### **DIRECTORS**

In accordance with the provisions of Companies Act, 1956 and the Articles of Association of the Company Mr.M.A.Alagappan and Field Marshal Sam Manekshaw, MC, Directors, retire by rotation at the 17th AGM and being eligible, offer themselves for re-appointment.

### **AUDITORS**

M/s. Suri & Co., Chartered Accountants, Chennai 600 034, Auditors of the Company retire at the conclusion of the ensuing AGM and being eligible, offer themselves for reappointment. They have confirmed that their re-appointment, if made, will be within the limits specified under Sec.224 (1-B) of the Companies Act, 1956.

### **PARTICULARS OF EMPLOYEES**

No employee of the Company was in receipt of remuneration during the financial year 2002-03, exceeding the amount prescribed under Sec.217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, as amended.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

1. That in the preparation of the accounts for the financial year ended 31st March 2003, the applicable accounting standards have been followed along with proper explanation relating to material departures;

2. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Directors have prepared the accounts for the financial year ended 31st March 2003 on a 'going concern' basis.

#### **DELISTING OF EQUITY SHARES**

It is proposed to voluntarily delist the equity shares of the Company from Cochin Stock Exchange Ltd., in accordance with the Delisting Guidelines issued by the Securities and Exchange Board of India, recently. Necessary resolution for the same is being placed before you for approval.

#### **ANNEXURES TO DIRECTORS' REPORT**

The following annexures form part of this Directors' Report.

- (i) Particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo under Sec. 217 (1)(e) of the Companies Act, 1956
- (ii) Management Discussion and Analysis Report
- (iii) Corporate Governance Report; and
- (iv) Certificate from the Statutory Auditors regarding compliance of Corporate Governance

#### **ACKNOWLEDGEMENT**

Your Directors wish to express their sincere thanks to the Industrial Development Bank of India, Bank of Baroda, State Bank of India and South Indian Bank Ltd., for their continued and positive support to the Company.

Your Directors also wish to express their appreciation for the continued support and co-operation received from our Farmers, Employees and valuable Customers.

For and On behalf of the Board

Place : Chennai

Date : 5th June, 2003

**Ajit Thomas**

Chairman