

NATURAL PRODUCTS LIMITED



18th Annual Report
2003-2004

EIGHTEENTH ANNUAL GENERAL MEETING

Day : Monday
Date : 26th July 2004
Time : 11.30 a.m.
Venue : Hotel Ambassador Pallava,
No.30, Montieth Road,
Egmore, Chennai - 600 008.

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AVT NATURAL PRODUCTS LIMITED

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

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

64, Rukmani Lakshmi pathy Salai,
Egmore, Chennai 600 008.
Tel: 044-28584147 Tele fax: 044-28584147
E-Mail: avtsec@md4.vsnl.net.in

FINANCIAL HIGHLIGHTS FOR THE LAST FIVE YEARS

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Sales & Service (Rs. Lakhs)	5404.55	6297.49	3386.91	3260.41	5203.42
Net Profit (Rs. Lakhs)	1137.70	504.41	(417.04)	(169.89)	215.77
Net Worth (Rs. Lakhs)	2212.10	2644.60	2227.55	1915.67	2374.82
Fixed Assets (Rs. Lakhs)	2355.14	2557.20	2474.41	2161.11	2044.45
Dividend (%)	90.00	20.00	0.00	0.00	10.00*
Dividend Amount (Rs.Lakhs)	342.64	83.90	0.00	0.00	38.07
Earning Per Share (Rs.)	29.89	13.25	(10.95)	(4.46)	5.31
Dividend Per Share (Rs.)	9.00	2.00	0.00	0.00	1.00
Book Value Per Share (Rs.)	58.10	69.46	58.51	50.32	62.38
Return on Networth (%)	51.43	19.07	(18.72)	(8.87)	9.09
PAT/Sales (%)	21.05	8.00	(12.31)	(5.21)	4.15
Fixed Assets Turnover (times)	2.29	2.46	1.37	1.51	2.55

* Subject to approval of the shareholders at the ensuing 18th AGM.

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Eighteenth Annual General Meeting of the Company will be held at 11.30 AM on Monday the 26th July, 2004, at Hotel Ambassador Pallava, No.30, Monteith Road, Egmore, Chennai 600 008 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 31.03.2004 and the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in the place of Mr. Shyam B. Ghia, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Mr. Habib Hussain, who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

6. 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 Ahmedabad 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.,

Place: Chennai

Ajit Thomas

Date : 15th June 2004

Chairman

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 Register of Members and the Share Transfer Books of the Company will remain closed from 20.7.2004 to 26.7.2004 (both days inclusive)
3. Shareholders holding shares in Physical form and residing in Non-ECS centres are requested to furnish bank mandate to our Registrar immediately, if not furnished earlier or any changes in the Bank mandate particulars. Submission of the Bank mandate form would prevent the fraudulent encashment of dividend warrant.
4. In case, the shareholders are holding shares in the electronic form through a DP, they have to approach the concerned DP only for any change in the mandated particulars like change of address, Bank a/c, name of the Bank, Branch etc., and not to the Registrar. Please note that the dividend warrant would be sent to the address furnished by DP or credited to the account as per particulars given by DP to the Registrar.
5. The unclaimed equity dividend upto the financial years 1993-94 have been transferred to the General Revenue Account of the Central Government. Those shareholders, who have so far not claimed their dividend for the said financial years, may claim

the same from the Registrar of Companies, Tamil Nadu, at Chennai.

6. It may please be noted that Dividends which remain unclaimed/unencashed 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.
7. The shareholders are, therefore, advised to claim the unclaimed dividend, if any, immediately.
8. In terms of clause 49 of the Listing Agreement with Stock Exchanges, a brief resume of the directors who are proposed to be re-appointed at this meeting is given below.

a) Mr. Shyam B. Ghia

Mr. Shyam B. Ghia, aged 57 years, is an Industrialist with interest in a variety of fields including Chemicals, Fibre and polymers and software. Mr. Ghia has a Bachelor of Science degree in Chemistry and an MBA from Bowling Green University, USA and is currently the Chairman and Managing Director of Futura Polyesters Ltd and Chairman of Sonata Software Ltd. and Innovasynt Technologies Ltd.

His other Directorships

Name of the Companies	
Futura Polyesters Ltd	Chairman & Managing Director
Sonata Software Ltd.,	Chairman
Alkyl Amines Ltd.	Director
Brahmasonic Sound Production Pvt. Ltd.	Director
Chika Pvt. Ltd.	Director
Chika Overseas Pvt. Ltd.,	Director
Innovasynt Technologies Ltd.,	Chairman
H.K. Finechem Ltd.,	Director
G.P. Electronics Ltd.,	Director
Kika Investments & Finance P. Ltd	Director
Standard Industries Ltd	Director
Viraj Investments Pvt. Ltd.,	Director
Novacell Life Sciences Ltd.,	Director

His Committee Memberships/Chairmanship

Name of the Company	Name of the Committee
Futura Polyesters Ltd.	Investors Grievance Committee (Member)
Sonata Software Ltd.,	Remuneration Committee (Chairman)
	Investors Grievance Committee, (Chairman)
	Audit Committee (Chairman)
Alkyl Amines Ltd.,	Audit Sub Committee (Member)
	Investors Grievance Committee, (Member)
	Remuneration Committee (Chairman)

He is a Member of the Audit Committee and Remuneration Committee of the Company.

b) Mr. Habib Hussain

Mr. Habib Hussain, aged about 51 years, holds a Degree in Electronics Engineering and has a vast experience. He joined AVT Group in 1974 and rose to become a Director of this company in 1995. He is the Chief Executive of A.V. Thomas Leather & Allied Products Pvt. Ltd. He has expertise in business administration.

His other Directorships

Name of the Company	
A V Thomas Investments Co. Ltd.	Director
Neelamalai Agro Industries Ltd.,	-Do-
AVT Infotech Pvt. Ltd.	-Do-
The Nelliampathy Tea & Produce Co. Ltd	-Do-
The Midland Rubber & Produce Co. Ltd.	-Do-
IT Must Consultancy Services Pvt. Ltd	Director

He is a Member of the Audit Committee and the Shareholders and Investors' Grievance Committee of the Company.

EXPLANATORY STATEMENT

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

ITEM NO.6

It has been observed that since last few years trading in shares of your company on Ahmedabad 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 this stock exchange. Considering these facts, your Board of Directors has proposed voluntary delisting of equity shares of your company from the Ahmedabad 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
Date : 15th June , 2004

Ajit Thomas
Chairman

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DIRECTORS' REPORT

Your Directors have pleasure in presenting their Eighteenth Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2004.

FINANCIAL RESULTS

	(Rs. In lakhs)	
	03-04	02-03
Turnover	5203.42	3,260.40
Profit/(Loss) for the year	215.77	(169.89)
Profit after tax	215.77	-
Profit brought forward	-	-
Total amount available for Appropriation	215.77	(169.89)
Appropriations		
Capital Redemption Reserve	100.00	-
Proposed Dividend on		
- Preference Shares @ 7% (Pro rata)	12.12	-
- Equity Shares @ 10%	38.07	-
Provision for tax on Dividends	6.43	-
Surplus carried Forward	59.15	-

DIVIDEND

Your Directors are pleased to recommend a dividend of 10% on Equity Shares for the year ended 31.03.2004.

The Directors have also recommended a dividend of 7% (Pro rata) on the 30,00,000 Redemable Cumulative Preference Shares for the year ended 31.03.2004.

OPERATIONS

2003-04 Sales recorded a healthy growth of 60% over previous year. Sales improved from Rs.32.60 crores to Rs.52 crores. Both the product lines of Marigold and Spice Oleoresins did well during the year under review. The trading business also recorded significant growth with increased Vanilla volumes and prices.

The Marigold growing in Southern India was impacted due to severe drought conditions. The resultant shortfall in production was compensated by the improved performance of the Nagpur growing division. Imports of Marigold meal from China enabled your company to meet the customer commitments. During the year under review, the company produced 629 MT

of Oleoresins as against 372 MT of 2002-03 and 565 MT of 2001-02.

FUTURE PROSPECTS

Your company continues to focus on high value added product opportunities. Some of them were commercialised during 2003-04, resulting in improved performance. Many new products are in the various stages of development and commercialisation. The R&D focus on developing new products so as to insulate the company from the uncertainties of Marigold growing and marketing has started yielding results.

For Marigold Oleoresin marketing, the company is further strengthening its working relationship with Kemin Industries, USA, the world leader in value added Marigold products. In association with Pan American Seeds Company, USA, new planting materials suited to Indian growing conditions are under development. This initiative will help your company to reduce costs and attain global competitiveness.

FIXED DEPOSITS

As on 31.03.2004, a total sum of Rs. 3,95,290 due to 10 fixed deposit holders remained unclaimed. Out of this, deposits for a sum of Rs.97,000 were renewed subsequently.

DIRECTORS

In accordance with the provisions of Companies Act, 1956 and the Articles of Association of the Company Mr. Shyam B. Ghia and Mr. Habib Hussain, Directors, retire by rotation at the 18th 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 2003-04, 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 2004, 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 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 2004 on a 'going concern' basis.

DELISTING OF EQUITY SHARES

In accordance with the approval granted by the Shareholders, the Company got its shares delisted from the Cochin Stock Exchange during the year under review.

It is now proposed to voluntarily delist the equity shares of the Company from Ahmedabad

Stock Exchange Ltd., also in accordance with the Delisting Guidelines issued by the Securities and Exchange Board of India. 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 : 15th June, 2004

Ajit Thomas

Chairman

A N N E X U R E - I

To the Directors' Report

FORM-A

Disclosure of particulars with respect to conservation of energy

A	Power and fuel consumption	Not Applicable
B	Consumption per unit of production	Not Applicable

FORM-B

Disclosure of particulars with respect to absorption

Research and Development (R & D)

Specific areas of Research and Development The company is focusing on two areas of R & D – a) Seeds and b) New products

Benefits of R & D Seed research will benefit farmers by way of increased yield, thereby improving the net farm returns. The company will be benefited by higher active ingredients concentration resulting in lower costs and global competitiveness

Future Plan of action The focus will be on developing processes for natural extracts for application in food colouring and health food segments. Seed research will concentrate on developing new varieties of Marigold suitable for Indian weather conditions.

Expenditure on R & D

a) Capital	Nil
b) Recurring	Rs 9,25,644
c) Total	Rs 9,25,644

Foreign Exchange Earnings / Outgo The company's operations during the year under review has resulted in a foreign exchange inflow of Rs 46.30 crores and outflow of Rs 6.91 crores.