

AVT NATURAL PRODUCTS LIMITED



19th Annual Report
2004-2005

NINETEENTH ANNUAL GENERAL MEETING

Day : Monday
Date : 25th July 2005
Time : 11.30 A.M.
Venue : Hotel Ambassador Pallava,
No.30, Montieth Road,
Egmore, Chennai - 600 008.

The logo for Report Junction, featuring the word "Report" in a light blue font, a yellow diamond shape with a black arrow pointing upwards and to the right, and the word "junction.com" in a light blue font, all enclosed within a rounded rectangular border.

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AVT NATURAL PRODUCTS LIMITED

Regd. Office : 64, Rukmani Lakshmipathi Salai, Egmore, Chennai - 600 008.

PROXY FORM ANNUAL GENERAL MEETING

I/We
 of in the district of
 being a member/members of the above named Company hereby appoint.....
 of in the district of
 or failing him
 and vote for me/us on my/our behalf at the Nineteenth Annual General Meeting of the Company to be held on Monday 25th July 2005 at 11.30 a.m. and at any adjournment thereof.

Signed this day of 2005

Signature

Full Name of the Shareholder
 (in block letters)

Folio No./DP-Id & Client Id.

Address

Affix
15 paise
Revenue
Stamp

Note : The proxy from duly signed across the revenue stamp of 15 paise should reach the Company's Registered Office at least 48 hours before the time of the meeting.

AVT NATURAL PRODUCTS LIMITED

ATTENDANCE SLIP

I hereby record my presence at the NINETEENTH ANNUAL GENERAL MEETING of the Company at 11.30 a.m. at Hotel Ambassador Pallava, No. 30, Montieth Road, Egmore, Chennai - 600 008 on Monday the 25th July 2005

Full name of the Shareholder

Signature

Folio No./DP-Id & Client Id.

Full name of Proxy
 (in block letters)

Signature

Note : Shareholders attending the Meeting in person or by Proxy are requested to complete the attendance slip and hand it over at the entrance of the Meeting Hall.

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

COMPANY SECRETARY

Mr. Manu P. Sam

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

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Nineteenth Annual General Meeting of the Company will be held at 11.30 AM on Monday the 25th July 2005 at Hotel Ambassador Pallava, No.30, Montieth 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 31.03.2005 and the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in the place of Mr. Ajit Thomas, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Mr. M.A. Alagappan, who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

6. **Revision in remuneration payable to Mr. M.S.A Kumar, Managing Director**

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

RESOLVED that subject to the provisions contained in Sections 198, 269, 309, 310 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the approval of the Members be and is hereby given for revision and re-fixing, within the overall limit specified under Section I of Part II of the said Schedule XIII to the Companies Act, 1956, the remuneration payable to Mr M.S.A Kumar, Managing Director of the Company, with effect from 1st April 2005 for the remaining period of his term of office, as set out hereunder:

Remuneration:

Salary: Rs.1,00,000 per month in the scale of Rs.1,00,000 - Rs.1,50,000 with annual increment as may be decided by the Board of Directors from time to time.

Special Allowance: Rs.50,000 per month

Performance Incentive: As may be decided by the Board subject to a maximum of 6 months salary and special allowance.

Perquisites and Allowances:

- a) Contribution to Provident Fund and Super Annuation Fund on Salary at the rate in accordance with the rules of the Company;
- b) Gratuity on Salary in accordance with the rules of the Company;
- c) Encashment of Leave as per the rules of the Company
- d) Provision of Company's Car with driver for official use
- e) Provision of Telephone and other communication facilities at residence for official purposes

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to vary, alter or modify the different components of the aforesaid remuneration within the overall limit specified under Section 198 read with Section I of Part II of Schedule XIII to the Companies Act, 1956 as may be agreed to by the Board of Directors and Mr. M.S.A. Kumar.

7. **Re-appointment of Mr. M.S.A. Kumar as Managing Director**

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

RESOLVED that pursuant to Sections 198, 269, 309, 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, consent / approval of the Members be and is hereby accorded for the reappointment of Mr M.S.A Kumar as Managing Director of the Company with effect from 1st August 2005, to hold office for a period of three years upon the remuneration by way of salary, allowances, benefits and perquisites as are applicable and as may be decided by the Board of Directors of the Company from time to time, without further reference, consent or approval of members, within the overall limits, specified under Section 198 of the Act read with Section I of Part II of Schedule XIII to the Companies Act, 1956, as in force from time to time, without entitlement to sitting fees for meeting of the Board of Directors and/or Committees thereof, attended by him during his tenure of office.

RESOLVED FURTHER THAT Mr. M S A Kumar, Managing Director, be paid the following managerial remuneration, within the overall limit specified under Section 198 read with Section I of Part II of Schedule XIII to the Companies Act, 1956, from the date of reappointment i.e., with effect from 1st August 2005, until otherwise decided by the Board of Directors:

Remuneration:

Salary: Rs.1,00,000 per month in the scale of Rs.1,00,000 - Rs.1,50,000 with annual increment as may be decided by the Board of Directors from time to time.

Special Allowance: Rs.50,000 per month

Performance Incentive: As may be decided by the Board subject to a maximum of 6 months salary and special allowance.

Perquisites and Allowances:

- a) Contribution to Provident Fund and Super Annuation Fund on Salary at the rate in accordance with the rules of the Company;
- b) Gratuity on Salary in accordance with the rules of the Company;
- c) Encashment of Leave as per the rules of the Company;
- d) Provision of Company's Car with driver for official use;
- e) Provision of Telephone and other communication facilities at residence for official purposes

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

Place: Ernakulam

Date : 16th June, 2005

Manu P. Sam
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 Register of Members and the Share Transfer Books of the Company will remain closed from 19.07.2005 to 25.07.2005 (both days inclusive).
3. The dividend as recommended by the Board, if approved at the meeting, will be payable to those members, holding shares in physical form, whose names appear in the Register of Members as on 25th July 2005. In respect of shares held in electronic form, the dividend will be paid to the beneficial holders, as per the details furnished by NSDL & CDSL as on 18.07.2005.
4. Out of the dividends declared for all the financial years including and upto the financial year ended 31st March, 1994, the amount which remained unclaimed has been transferred to the General Revenue Account of the Central Government as per the provisions of Section 205A of the Companies Act, 1956.

Members who have not encashed the dividend warrant for the above year and any earlier years are requested to claim from the Registrar of Companies (Tamil Nadu), Shastri Bhavan, No. 26, Haddows Road, Chennai 600 006.

Consequent to the amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amounts of dividends remaining unclaimed for a period of seven years is to be transferred to the Investor Education and Protection Fund. Accordingly, the dividend declared for the financial year ended 31st March, 1997 has been transferred to Investor Education and Protection Fund.

The amount so transferred cannot be claimed either from the Company or from the fund.

Members who have not encashed the dividend warrants for the financial year ended 1997-98 and/or any subsequent dividends, are requested to write to the company giving the necessary details.

5. 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.Ajit Thomas**

Mr.Ajit Thomas, aged 51 years, holds a Bachelor's Degree in Statistics. He is an Industrialist and the Promoter Chairman of the Company. He has expertise in business and management with AVT Group of companies for about three decades.

His other Directorships

Name of the Company		
1.	The Nelliampathy Tea & Produce Co Ltd.	Chairman
2.	Neelamalai Agro Industries Ltd.	Chairman
3.	The Midland Rubber & Produce Co.Ltd.	Chairman
4.	AVT McCormick Ingredients Pvt. Ltd	Chairman
5.	Teleflex Medical Pvt Ltd.,	Chairman
6.	Sermatech Pvt. Ltd	Chairman
7.	Midland Latex Products Ltd.,	Chairman
8.	A V Thomas Leather & Allied Products Pvt Ltd.	Chairman
9.	A V Thomas Exports Ltd	Director
10.	A V Thomas & Company Ltd.	Director
11.	A V Thomas International Ltd.,	Director
12.	A V Thomas Investments Co.Ltd	Director
13.	AVT Infotech Pvt Ltd	Director
14.	IQ Tech Pvt Ltd	Director
15.	Cholamandalam Cazenove AMCLtd	Director

He is the Chairman of the Shareholders/Investors' Grievance Committee of the Company.

b) **Mr.M.A.Alagappan**

Mr.M.A.Alagappan, aged about 61 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. 6250 Crores. He is a Committee Member of the Federation of Chamber of Commerce & Industry.

His other Directorships

Name of the Company		
1.	Tube Investments of India Ltd	Chairman
2.	Cholamandalam Investment and Finance Company Ltd.,	Chairman
3.	Cholamandalam MS General Insurance Company Ltd.,	Chairman
4.	The Coromandel Engineering Co.Ltd.	Chairman
5.	International Flavours & Fragrances India Ltd.,	Director
6.	Cholamandalam Factoring Ltd.	Director
7.	Cholamandalam Trustee Co.Ltd	Director
8.	Cholamandalam Securities Ltd.	Director
9.	Cholamandalam Distribution Services Ltd.	Director
10.	Parry Agro Industries Ltd.,	Director
11.	Chola MS Risk Services Ltd.,	Director

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

His Committee Memberships/Chairmanship

Name of the Company	Name of the Committee
1. Cholamandalam MS General Insurance Company Ltd.,	Audit Committee (Chairman) Remuneration & Nomination Committee (Member)
2. Tube Investments of India Ltd.,	Remuneration & Nomination Committee (Member) Investors' Grievance Committee (Member)
3. Cholamandalam Investment & Finance Co.Ltd	Audit Committee (Chairman) Remuneration & Nomination Committee (Member)
4. Cholamandalam Trustee Company Ltd.,	Audit Committee (Member)
5. International Flavours & Fragrance India Ltd.,	Audit Committee (Chairman)

EXPLANATORY STATEMENT

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

Item No.6 & 7

Mr.M.S.A.Kumar was appointed as the Managing Director of the Company for a period of three years from 1st August 2002 to 31st July 2005. In view of the significant contribution made by Mr.M.S.A.Kumar for the growth of the Company, the Directors decided to revise his remuneration with effect from 1st April 2005 on the terms stated in the resolution. As his term of office expires on 31st July 2005, it was also decided to re-appoint him for a further period of 3 years from 01.08.2005 to 31.07.2008 on the same terms of remuneration as mentioned in the resolution, subject to the approval of the members. Hence these resolutions.

Mr.M.S.A.Kumar, aged about 52 years is a graduate in Agriculture with an MBA from IIM,Ahmedabad. He has served as a top management executive in several premier organisations like Sandoz (India) Ltd., Bayer (India) Ltd., and Shaw Wallace Co.Ltd. His field of expertise includes Sales & Marketing, Product Management etc. and he is with the Company since 1995.

He is also the Managing Director of AVT McCormick Ingredients Pvt.Ltd.,

The Board recommends the passing of the ordinary resolution.

A copy of the draft Agreement to be entered into with the Managing Director is available at the Registered Office of the Company, and is open for inspection by the members during the office hours on any working day prior to the meeting.

This may be construed as an "Abstract of the terms of appointment and Memorandum of Interest" pursuant to Section 302 of the Companies Act, 1956.

None of the Directors, except Mr.M.S.A. Kumar is concerned or interested in passing of the above resolution.

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

Place : Ernakulam
Date : 16th June, 2005

Manu P. Sam
Company Secretary

DIRECTORS' REPORT

Your Directors have pleasure in presenting their Nineteenth Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2005.

FINANCIAL RESULTS

	(Rs. In lakhs)	
	04-05	03-04
Turnover	5728.87	5203.42
Profit before tax for the year	684.71	215.77
Less : Provision for taxation		
- Current Tax	60.00	-
- Deferred Tax	142.00	-
Profit after tax	482.71	215.77
Add : Surplus brought forward	59.16	-
Total amount available for Appropriation	541.87	215.77
Appropriations		
Transfer to General Reserve	100.00	-
Capital Redemption Reserve	200.00	100.00
Proposed Dividend on		
- Preference Shares @7%	20.00	12.12
- Equity Shares @ 40%	152.29	38.07
Provision for tax on Dividends	24.16	6.43
Surplus carried Forward	45.42	59.15

DIVIDEND

Your Directors are pleased to recommend a dividend of 40% on Equity Share capital for the year ended 31.03.2005.

The Directors have also recommended a dividend of 7% on the 30,00,000 Redeemable Cumulative Preference Shares for the year ended 31.03.2005

OPERATIONS

Sales during 2004 – 05 increased by 10% from Rs 52.03 Crores to Rs 57.29 Crores. Apart from the improved cost structure of the principle line of Marigold, your company made significant progress in profitably diversifying to Spice Oleoresins and value added ingredients for the Beverages segment.

Due to scanty rainfall during the South West monsoon, Marigold flower arrivals were lower than the plan in Nagpur and Karnataka belts. This shortfall was made up, thanks to the excellent summer growing season in Tamil Nadu. During the year under review, the company increased the oleoresin production marginally from 629 Mt to 651 Mt. However,

the product mix, from a profitability standpoint was more favourable.

FUTURE PROSPECTS

Your company signed a long-term strategic alliance agreement with Kemlin Industries USA, the world leader in value added Marigold products. The relationship with Pan American Seeds Company, USA has been further strengthened for superior planting materials. These two steps will strengthen your company's competitive position in the global Marigold market. Your Company is also planning to open a Representative Office in China to explore the potential for Marigold business.

Sales and Profits from Spice Oleoresins and value added ingredients for the Beverages segment showed a substantial growth and contributed significantly during the year under review. The thrust on new products / new segments will continue in future as well.

With the continued successes in Marigold business and the new business segment, the future prospects for the company looks positive.

FIXED DEPOSITS

As on 31.03.2005, a total sum of Rs. 3,78,290 due to 9 fixed deposit holders remained unclaimed. Out of this, deposits for a sum of Rs.2,23,290 were renewed subsequently.

DIRECTORS

In accordance with the provisions of Companies Act, 1956 and the Articles of Association of the Company Mr. Ajit Thomas and Mr. M.A. Alagappan, Directors, retire by rotation at the 19th AGM and being eligible, offer themselves for re-appointment.

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 2005, 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 2005 on a 'going concern' basis.

RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, ENERGY CONSERVATION ETC.

The particulars prescribed by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 relating to Conservation of Energy, Technology Absorption, Foreign Exchange are furnished in the Annexure-I to this Report.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, the Management Discussion & Analysis Report, Report on Corporate Governance with Auditors' Certificate on compliance with conditions of Corporate Governance have been annexed to this Report.

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 re-appointment. 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 2004-05, exceeding the amount prescribed under Sec. 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, as amended.

DELISTING OF EQUITY SHARES

In accordance with the approval granted by the Shareholders, the Company got its shares delisted from the Ahmedabad Stock Exchange. But they continue to be listed on The Stock Exchange, Mumbai and The Madras Stock Exchange Ltd.

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., Farmers and Valuable Customers for their continued and positive support to the Company.

The Directors also wish to thank all the employees for their contribution, support and continued co-operation throughout the year.

For and On behalf of the Board

Place : Ernakulam

Date : 16th June, 2005

Ajit Thomas

Chairman