

AVT NATURAL PRODUCTS LIMITED

Report  junction.com

22nd Annual Report
2007-2008

AVT NATURAL PRODUCTS LIMITED

BOARD OF DIRECTORS

Mr. Ajit Thomas, *Chairman*
 Mr. M.A. Alagappan
 Mr. Shyam B. Ghia
 Mr. P. Shankar I.A.S. (Retd.)
 Mr. Habib Hussain
 Mr. M.S.A Kumar, *Managing Director*

AUDIT COMMITTEE

Mr. M.A. Alagappan, *Chairman*
 Mr. Shyam B. Ghia
 Mr. P. Shankar I.A.S. (Retd.)
 Mr. Habib Hussain

COMPANY SECRETARY

Mr. Dileepraj. P

AUDITORS

M/s. Suri & Co.,
 Chartered Accountants

BANKERS

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

PLANT LOCATIONS

SF No. 234/1, Mysore Trunk Road,
 Pudukavalli,
 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.

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, Rukmini Lakshmipathy Salai,
 Egmore, Chennai - 600 008
 Tel: 044-28584147, Tele fax: 044-28584147
 E-Mail: avtsec@gmail.com

Contents	Page No.
Notice to Shareholders	2
Directors' Report	5
Management Discussion and Analysis Report	8
Corporate Governance	9
Auditors' Report	16
Balance Sheet	18
Profit and Loss Account	19
Schedules	20
Notes on Accounts	27
Cash Flow Statement	35
Financial Highlights	38
Consolidated Statements	39
AVT Natural Pte. Ltd., Singapore	55
Heilongjiang AVT Bio-Products Ltd., China	73

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Twenty Second Annual General Meeting of the Company will be held at 11.00 A.M. on Tuesday the 29th July 2008 at DYNASTY HALL, 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 31.03.2008 and the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in the place of Mr M.A. Alagappan, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Mr Shyam B Ghia, 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 of sections 198, 269, 309, 310, 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 of the Companies Act, 1956, the remuneration payable to Mr. M.S.A. Kumar, Managing Director with effect from 1st April 2008 for the remaining period on his current term of office, as set out hereunder:

Salary	: Rs 2,00,000 per month in the scale of Rs 2,00,000 - 3,00,000.
Special Allowance	: Rs.50,000 per month.
Performance Incentive	: As may be decided by the Board of Directors 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 purpose.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorized 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 of 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 Subject to the provisions of sections 198, 269, 309, 310 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 the Managing Director of the Company with effect from 1st August 2008 to hold office for a period of two 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 overall limits specified under section 198 of the Act read with section I of Part II of the Schedule XIII of 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 of the Companies Act, 1956, from the date of his re-appointment w.e.f. 1st August 2008, until otherwise decided by the Board of Directors".

Remuneration:

Salary	: Rs 2,00,000 per month in the scale of Rs 2,00,000 - 3,00,000 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 of Directors 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 purpose.
8. **Payment of Commission to Non-Executive Chairman.**

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 Section 309 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, the consent of the Company be and is hereby accorded to the payment of remuneration to the Non-executive Chairman, by way of commission of 3% on the net profits of the Company, for a period of five years commencing from April 1, 2008 to March 31, 2013 and such payment be made out of profits of the Company calculated in accordance with the provisions of Section 198, 349 and 350 of the Companies Act, 1956 for each corresponding year".

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

Place : Chennai
Date : 27th June 2008

Dileepraj. P
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 18.07.2008 to 29.07.2008 (both days inclusive).
3. The dividend as recommended by the Board, if approved at the meeting, will be payable to those members whose names appear in the Register of Members as on 29.07.2008.
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 which remain unclaimed/unencashed over a period of seven 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.
6. The shareholders are, therefore, advised to claim the unclaimed dividend, if any, immediately.
7. 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. M.A. Alagappan

Mr. M.A. Alagappan, aged about 64 years, holds a Degree in Commerce and a Management graduate from the University of Aston U. K. He is an Industrialist and is the Executive Chairman of the well-known Murugappa Group of Companies with a turnover of Rs.8,500 crore. He is a Committee Member of the Federation of Indian Chamber of Commerce & Industry (FICCI) and Southern India Chamber of Commerce and Industry (SICCI). He is the Honorary Consul of Hungary in India for the Southern Region.

His other Directorships

Name of the Company	Nature of Office held
1. Cholamandalam DBS Finance Limited	Chairman
2. International Flavours & Fragrances India Limited	Director
3. Cholamandalam Factoring Limited	Director
4. DBS Cholamandalam Securities Ltd.	Director
5. Parry Agro Industries Limited	Director
6. New Ambadi Estates Private Limited	Director
7. A.M.M. Arunachalam & Sons Private Limited	Director

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

His other Committee Memberships/Chairmanship

Name of the Company	Name of the Committee
1. Cholamandalam DBS Finance Limited	Audit Committee (Member)
2. International Flavours & Fragrances India Limited	Audit Committee (Chairman)

b. Mr. Shyam B Ghia

Mr. Shyam B Ghia, aged 60 years, is an Industrialist with interest in a variety of fields including Chemicals, Fibres, Polymers and Software. Mr. Ghia has Bachelor of Science Degree in Chemistry and an MBA from Bowling Green University, USA. He is currently the Chairman and Managing Director of Futura Polyesters Limited and Chairman of Sonata Software Limited and Innovasynt Technologies (India) Limited.

His other Directorships

Name of the Company	Nature of Office held
1. Futura Polyesters Limited	Chairman & Managing Director
2. Sonata Software Limited	Chairman
3. Alkyl Amines Limited	Director
4. Brahmasonic Sound Production Pvt. Limited	Chairman
5. Chika Private Limited	Chairman

Name of the Company	Nature of Office held
6. Chika Overseas Private Limited	Chairman
7. Innovassynth Technologies (India) Limited	Chairman
8. Kika Investments & Finance Pvt. Ltd.,	Chairman
9. Viraj Investments Pvt. Limited	Chairman
10. Innovassynth Investments Limited	Chairman

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

His other Committee Memberships/Chairmanship

Name of the Company	Name of the Committee
1. Futura Polyesters Limited	Investor Grievance Committee (Member)

Name of the Company	Name of the Committee
2. Sonata Software Limited	Remuneration Committee (Chairman) Investor Grievances Committee (Chairman) Audit Committee (Member)
3. Alkyl Amines Limited	Audit Sub Committee (Member) Investor Grievance Committee (Member) Remuneration Committee (Chairman)

EXPLANATORY STATEMENT

Pursuant to Section 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 2005 to 31st July 2008. In view of the significant contribution made by him for the growth of the Company, the Directors decided to revise his remuneration with effect from 1st April 2008 on the terms stated in the resolution. As his term of office expires on 31st July 2008, it was also decided to re-appoint him for a further period of 2 years from 01.08.2008 to 31.07.2010 on the 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 55 years is a graduate in Agriculture with an MBA from IIM, Ahmedabad. He has served as top management executive in several premier organizations 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 Private Limited and also the Director of AVT Gavia Foods Private Limited, AVT Natural Pte. Ltd., Singapore and Heilongjiang AVT Bio-Products Limited, China.

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.

The Board recommends the passing of these ordinary resolutions.

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

Item No.8

Mr. Ajit Thomas is the Non-executive Chairman of the Company since 30.08.1989. Apart from the sitting fees for the Board and Committee meetings attended by him, he does not draw any remuneration from the Company.

It is, therefore, necessary to compensate him adequately, for the time and efforts expended for the growth of the Company.

As the payment of Commission is subject to the approval of the Central Government, an application will be made to the Central Government for its approval.

The Directors commend the passing of the Special Resolution by the members.

The payment of commission would be in addition to the sitting fees payable to him for attending Board / Committee Meetings.

None of the Directors, except Mr. Ajit Thomas, Chairman is concerned or interested in passing of the above resolution.

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

Place : Chennai
Date : 27th June 2008

Dileepraj. P
Company Secretary

DIRECTORS' REPORT

Your Directors have pleasure in presenting their Twenty Second Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2008.

FINANCIAL RESULTS

	(Rs. In lakhs)	
	07-08	06-07
Turn Over	8685.72	7298.57
Other Income	52.37	12.28
Total Income	8738.09	7310.85
Profit before tax for the year	1446.82	1365.99
Less : Provision for taxation		
- Current Tax	535.00	485.00
- Deferred Tax	(30.28)	(4.20)
- Fringe Benefit Tax	15.00	12.00
Profit after tax	927.10	873.19
Add: Surplus brought forward	279.89	173.95
Total Amount available for appropriation	1206.99	1047.14
LESS:		
Transfer to General Reserve	500.00	500.00
Proposed Dividend on Equity Shares @ 35%	266.50	228.43
Provision for tax on Dividends	45.29	38.82
Surplus carried Forward	395.20	279.89

OPERATIONS

Sales increased by 19% from Rs 72.99 Crores in 2006-07 to Rs 86.86 Crores in 2007-08. However, Profit After Tax increased by 6.19% only from Rs 8.73 Crores in 2006-07 to Rs 9.27 Crores in 2007-08. The lower profit growth in relation to sales growth is due to change in product mix. The production in the Cochin extraction plant dropped from 7783 Mt in 2006-07 to 5329 Mt in 2007-08. Though the production output has dropped, the capacity utilization of the plant is close to 100% because of shift in product mix to low thru put products.

FUTURE PROSPECTS

Your company has entered into a 3 year toll processing agreement for Decaffeination of Black Tea with Finlay Tea Solutions UK Limited. With this development, AVT Natural will further strengthen its position in the Global Value Added Beverages market.

Though our experience of growing Marigold in North East China during 2007-08 has been encouraging, the increasing commodity prices of Corn and Soybean are exerting pressure on Marigold flower prices as well. The prices of Marigold Oleoresin will increase in China and this is expected to partially take care of the cost escalation. The Chinese Subsidiary now operates in the name and registration of Heilongjiang AVT Bioproducts Ltd (Earlier operated as Tonghe AVT Natural Ltd).

With the purchasing of the Marigold Germplasm from Ball Helix, USA, your company has embarked on developing Marigold hybrid seeds for cultivation in India and China without dependence on any third party. This strategy of self reliance for the critical input of superior seeds is a major risk mitigation initiative of your company.

All the three product lines - Marigold, Spices and Value Added Beverages - are expected to do well in the coming years.

DIVIDEND

Your Directors are pleased to recommend a dividend of 35% on Equity Share Capital for the year ended 31.03.2008.

PERFORMANCE OF SUBSIDIARY COMPANY

AVT Natural Pte. Ltd., Singapore together with its subsidiary, Heilongjiang AVT Bio-Products Limited, China has recorded sales of Rs 7.69 Crore and a loss of Rs 11.10 lakh during the period ended December 2007. We expect improved performance in sale and profits of the subsidiary company in 2008 from our Chinese operation.

Pursuant to section 212 of the Companies Act, 1956, the Balance Sheet, Profit & Loss Account, Director's Report and the Auditors Report for the period ended 31st December 2007 for AVT Natural Pte. Ltd., Singapore, an overseas subsidiary of your company and its Chinese Subsidiary, Heilongjiang AVT Bio-Products Limited, have been attached.

FIXED DEPOSITS

As on 31.03.2008, a total sum of Rs. 10.44 lakh due to 19 fixed deposit holders remained unclaimed. Out of this, deposits for a sum of Rs. 9.59 lakh were renewed / repaid subsequently.

POSTAL BALLOT

Your Directors are pleased to inform that the company has conducted a postal ballot voting for the purpose of amending the Main and the Other objects clauses of the Memorandum of Association of the Company during the year.

DIRECTORS

In accordance with the provisions of Companies Act, 1956 and the Articles of Association of the Company Mr. M.A. Alagappan and Mr. Shyam B. Ghia, Directors, retire by rotation at the 22nd Annual General Meeting and being eligible, offer themselves for re-appointment.

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.

PARTICULARS OF EMPLOYEES

Particulars of employees in terms of the requirement of section 217 (2A) Companies Act, 1956 have been given in Annexure II forming part of this Report.

AUDITORS

M/s. Suri & Co., Chartered Accountants, Chennai 600 017, Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. They have confirmed that their reappointment, if made, will be within the limits specified under Section 224 (1-B) of the Companies Act, 1956.

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.

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 2008, 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 are 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 2008 on a 'going concern' basis.

ACKNOWLEDGEMENT

Your Directors wish to express their sincere thanks to the Bankers, 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: Chennai
Date : 27th June, 2008

Ajit Thomas
Chairman

ANNEXURE - 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

Rs.37,82,635

b) Recurring

Rs.53,07,519

c) Total

Rs.90,90,154

Foreign Exchange Earnings / Outgo

The company's operations during the year under review has resulted in a foreign exchange inflow of Rs.66.54 Crores and outflow of Rs.19.64 Crores

ANNEXURE - II*To the Directors' Report*

Information pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975. Employed throughout the year under review and were in receipt of remuneration in the aggregate of not less than Rs.24,00,000/- per annum.

Name	Age	Designation	Remuneration (Rs)	Qualification	Total Experience (years)	Date of commencement of Employment	Previous Employment
Mr. M.S.A Kumar *	55	Managing Director	40,86,000	B.Sc(Agri.) PGDBA(IIM-A)	32	27.09.1995	Vice President, Shaw Wallace and Co Ltd.,
Mr. V. Ravikumar	56	Executive Director	32,06,576	M.Tech	35	01.10.1996	Vice President Projects, A.V. Thomas & Co.Ltd.,
Mr. M.N. Satheesh Kumar	53	Sr. Vice President & COO	26,71,513	M.Sc(Hons.) Che., PGDBA	30	10.06.1996	Plant Manager (Sr. Mgr. Cadre) GOETZE (INDIA)LTD, Escorts Group Co.
Mr. M.C. Anand Kumar #	45	President -Foods	22,26,813	MA, PGDM (IIM-A)	20	10.09.2007	Sr. Vice President Dorcas Market Makers Pvt. Ltd

* The nature of Employment is contractual

Employed for part of the year

Notes:

1. Remuneration includes salary, allowances and contribution to Provident Fund and other Funds
2. None of the above employees is related to any Director of the Company

ANNEXURE - III

Management Discussions and Analysis Report

BUSINESS PROFILE

AVT Natural Products Ltd (AVT NPL) continues to grow in the business segment of "Solvent Extraction". There are 3 product categories we operate in the market:

- Marigold Extracts for Poultry pigmentation, Eye care and Food coloring.
- Spice Oils and Oleoresins for Food coloring and flavoring.
- Value Added Beverages through removal Caffeine from Black Tea using different solvent systems.

Because of low value addition and competitive pressures, major quantity of Marigold extracts for Poultry pigmentation is supplied from our China operations.

INDUSTRY SCENARIO

Higher commodity prices in the Food sector along with increase in Oil prices is exerting pressure on the Marigold product category. People costs are on the increase. Though the finished product - Marigold Oleoresin - prices have moved up, competition from multiple growing locations is restraining the price increases. We are now in the process of controlling costs to maintain profitability. Demand for all the 3 product categories is robust.

PERFORMANCE

During the year under review, Sales increased by 19% to Rs 86.86 Crores from Rs 72.99 Crores in 2006-07. However, Profit after Tax increased by 6.19% only from Rs 8.73 Crores in 2006-07 to Rs 9.27 Crores in 2007-08. The lower profit growth in relation to sales growth is due to change in product mix.

China operational performance was in the expected lines. We recorded a Sales of Rs 7.69 Crores and a marginal loss of Rs 0.11 Crores. We expect to record profits in fiscal 2008 (January to December) - 2nd year of our operations with investment in the dehydration plant.

OUTLOOK

Summer rainfall and overall South - West monsoon progress have been above expectations resulting in the targeted Marigold acreages for Summer and Monsoon in Tamil Nadu and Karnataka growing areas. Prices of other competing crops like Maize and Soybean are having a major impact on Marigold flower prices. Increasing input costs especially labour and fertilizers is another concern area. Oil price surge is pushing up our transportation and drying costs. Superior seeds with higher yield and active substance are the answer to the increasing costs. Efforts are on to reduce both variable and semi fixed costs. With all these measures, we are confident of further improving our performance.

With the capacity constraint in the Vazhakulam Extraction plant, we are now focusing on high value Spice Oleoresins. We are also evaluating options for capacity expansion to profitably grow the business.

RISK MITIGATION

We entered into a 3 year toll processing agreement for Decaffeination of Black Tea with Finlay Tea Solutions UK Limited. With this development, AVT Natural will further strengthen its position in the Global Value Added Beverages market. We are diversifying further in the Decaffeination space with addition of one more customer.

With the purchasing of the Marigold Germplasm from Ball Helix, USA, we have embarked on developing Marigold hybrid seeds for cultivation in India and China without dependence on any 3rd party. This strategy of self reliance for the critical input of superior seeds is a major risk mitigation initiative of your company.

We are the only company in the world with growing and processing of Marigold flowers in two countries of India and China. This Business Continuity Plan is giving high confidence level to our Marigold customers. The customers are happy that they have a reliable fall back even if there are business contingencies in one country.

With 100% growing area under first generation Marigold hybrids, growing has shifted to irrigated areas from rain fed areas thereby reducing growing risk significantly. We now have a stable production based compared to 5 years ago.

INTERNAL AUDIT

Your company conceptualizes and implements effective systems of internal controls and also ensures that the operating departments are in compliance both with internal policies and procedures as well as regulatory, statutory and legal requirements. The Audit Committee of the Board regularly reviews the audit findings as well as the adequacy and effectiveness of internal control measures.

HUMAN RESOURCES

We continue to invest in "Human Resources" through various training programs - both external and internal. During the year under review, the company conducted 59 training programmes, of which 34 training programs were external. The training programs focused on the areas of Food Safety, Quality Management Systems, Cost Containment, Goal setting and Performance Management Systems. The new ERP system will be operational during last quarter of 2008-09. The company is confident that the new ERP system will further improve "Team NPL's" efficiency.

ANNEXURE - IV

Corporate Governance

Pursuant to clause 49 of the Listing Agreement with Stock Exchanges, the Company submits the report on the matters mentioned in the said clause and the practices followed by the Company.

1 COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company's philosophy on Corporate Governance envisages maintaining a high level of disclosure and transparency in all its operations. It aims at enhancing the shareholder value through adoption of sound business practices, prudent financial management and a high standard of ethics throughout the organisation.

2. BOARD OF DIRECTORS

The Board comprises of 6 directors with knowledge and experience in different fields like engineering, manufacturing, finance and business management.

The Board has an appropriate mix of executive and independent directors to ensure proper governance and management.

Composition and category of Directors is as follows:

Category	Name of the Directors
Promoter/Chairman	Mr.Ajit Thomas
Managing Director	Mr.M.S.A.Kumar
Non-Executive Director	Mr.Habib Hussain
Non-Executive and Independent Directors	Mr.M.A.Alagappan
	Mr.Shyam B.Ghia
	Mr.P. Shankar

SHAREHOLDING OF NON-EXECUTIVE DIRECTORS

Name Of the Non-Executive Director	No of Shares held
Mr. Ajit Thomas (Promoter/Chairman)	437894
Mr. M.A.Alagappan	1430
Mr. Shyam B.Ghia	-
Mr. P. Shankar	-
Mr. Habib Hussain	42136

a) Board Meetings

Number of Board Meetings held and the dates on which they were held

During the year 2007-08, the Board met six times and the dates on which the meetings were held are as follows 21.04.2007, 23.06.2007, 27.07.2007, 29.10.2007, 18.01.2008 and 07.03.2008.

The attendance of each Director at the Board Meetings, last Annual General Meeting and the Number of other Directorship and Chairmanship/Membership of Committee of each Director in various companies as under:

Name of the Directors	Attendance particulars		No. of other directorships and (Excl. AVTNPL, Pvt.Ltd Companies & Foreign Companies) Committee member/chairmanship		
	Board Meetings	Last AGM	Other Directorship	Committee Chairmanship	Committee Membership
Mr. Ajit Thomas	6	Yes	8	1	-
Mr. M.A. Alagappan	5	Yes	5	1	1
Mr. Shyam B.Ghia	5	Yes	5	3	4
Mr. P Shankar	5	Yes	2	-	-
Mr. Habib Hussain	5	Yes	3	-	-
Mr. M.S.A. Kumar	5	Yes	-	-	-