

AVT NATURAL PRODUCTS LIMITED

24th Annual Report
2009-2010

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
The South Indian Bank Ltd.,
Citi Bank

PLANT LOCATIONS

SF No. 234/1, Mysore Trunk Road,
Puduvadavalli, Sathyamangalam - 638 401,
Erode District, Tamil Nadu.

HL No. 1182, Harikura Village,
Honavally Hobli, Tiptur Taluk - 572 202,
Tumkur District, Karnataka.

Vazhakulam, Marampilly Post,
Aluva - 683 107, Ernakulam District,
Kerala.

SUBSIDIARY COMPANIES

AVT Natural Pte. Ltd.,
17, Phillip Street, # 05-01, Grand Building,
Singapore - 048695.

Heilongjiang AVT Bio-Products Ltd.,
(Subsidiary of AVT Natural Pte. Ltd.,)
Shuangyashan State Farm, Baoshan District,
Shuangyashan City, Heilongjiang Province, China.

REGISTERED OFFICE

64, Rukmani Lakshmiopathy Salai,
Egmore, Chennai - 600 008
Tel: 044-28584147, Tele Fax: 044-28584147
E-mail: shareholder@avtspice.com

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NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Twenty Fourth Annual General Meeting of the Company will be held at **12.00 Noon on Thursday, the 9th September 2010 at Elliots Hall, Hotel Comfort INN Marina Towers, 2A, Ponniamman Koil Street, 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 31.03.2010 and the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in the place of Mr. P. Shankar, 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. 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 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 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 2010 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 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 2010, until otherwise decided by the Board of Directors.

Remuneration:

Salary : Rs. 2,60,000 per month in the scale of Rs 2,50,000 - Rs. 4,00,000 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 Six 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. Reduction in 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 in supersession of the resolution passed by the Members in the 22nd Annual General Meeting held on 29th July 2008 pursuant to the provisions of Section 309 and other applicable provisions, if any, of

the Companies Act, 1956, the consent of the Company be and is hereby accorded to reduce the payment of commission payable to Chairman from 3% on the net profits of the Company to 2% on the net profits of the Company, for the period commencing from April 1, 2010 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.

FURTHER RESOLVED that the Board of Directors of the Company be and is hereby authorized to do everything necessary and incidental in this behalf".

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

Place : Chennai
Date : 29th July 2010

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 3rd September 2010 to 9th September 2010 (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 9th September 2010.
4. Members are requested to notify immediately any change in their address to the Company's Registrar and Share Transfer Agent, M/s Cameo Corporate Services Limited, 'Subramanian Building', No.1, Club House Road, Chennai - 600 002 in the case of physical holdings, and to their respective Depository Participants in case of demated shares.
5. Members are requested to notify the Company's Registrar and Share Transfer Agent immediately of their Bank Account Number and name of the Bank and Branch in the case of physical holdings and to their respective Depository Participants in the case of

demated shares, so that the payment of dividend when made through Electronic Clearing Service (ECS) / Dividend Warrants, can capture the updated particulars to avoid delay / default.

6. Pursuant to the provisions of Section 205A of the Companies Act, 1956, all the unclaimed/unpaid Dividends upto the inclusive of financial year 2000 - 01 have been transferred to the 'Investor Education and Protection Fund' established by the Central Government. Those members who have not encashed their dividend warrants for the financial years ended on 31.3.2004, 31.03.2005, 31.3.2006, 31.3.2007, 31.3.2008 and 31.3.2009 may lodge a claim with the Company immediately, failing which the balance will be transferred to the Investor Education and Protection Fund with in the statutory period of 7 years, as envisaged in the section 205A(5) of the Companies Act, 1956.
7. Members are, therefore, advised to claim the unclaimed dividend, if any, immediately.
8. Members are requested to note that trading of company's shares through Stock Exchanges is permitted only in electronic / demat form. Those members who have not yet converted their holdings into the electronic form may please consider opening an account with an authorized Depository Participant and arrange for Dematerialisation of share, at their own interest.
9. 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. P. Shankar

Mr. P. Shankar, aged 66 years, had retired as Central Vigilance Commissioner of India in September 2006. He joined the Indian Administrative Service in 1966 after acquiring a post graduate degree in Economics from Vivekananda College of the Madras University.

In the course of a distinguished career he served as the Chief Secretary of Tamil Nadu (2001-02) and as Secretary to Government of India in the Department / Ministries of Heavy Industry, Sugar, Food & Public Distribution and Petroleum.

He has had rich experience in the field of industrial management and administration. His tenure as Chairman and Managing Director of Tamil Nadu Industrial Infrastructure Development Corporation (1992-94) saw the setting up of the Perundurai and Gangaikonda Industrial Areas and the Tirupur Infrastructure Development initiative. He was also

Secretary to Government in the Industries Department in Government of Tamil Nadu (1987-89). He was Chief Executive of the Salem Cooperative Sugar Mills (1969-71) and Joint Director of Industries and Commerce (1972-73) in charge of small-scale industries and Industrial co-operatives.

A significant part of his service years were spent in the Textiles sector. Among the various assignments held by him were Managing Director, Tamil Nadu Textile Corporation (1971-72), Director of Handlooms and Textiles Tamil Nadu (1974-78), Additional Development Commissioner of Handlooms, Govt. of India (1979-80) General Manager, Handicrafts and Handlooms Export Corporation of India (1982-86) and Joint Secretary, Ministry of Textiles, Govt. of India (1989-91). In his last assignment he was also the Textiles Negotiator in the Uruguay Round of GATT.

His other Directorship :

Name of the Company	Nature of Office held
1. Thirumalai Chemicals Limited	Director

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

b. Mr. M.A. Alagappan

Mr. M.A. Alagappan, aged about 66 years, holds a Degree in Commerce from University of Madras and he is a Management graduate from the University of Aston U. K. He is an Industrialist and was the Executive Chairman of the well-known Murugappa Group of Companies with a turnover of Rs. 13617 Crores.

Equipped with vast experience and knowledge in managing diverse businesses, Alagappan has been actively involved with several leading industry associations.

He is a Past President of The United Planters' Association of Southern India and AIEO. He is a Committee Member of the Federation of Indian Chamber of Commerce & Industry (FICCI) and the Southern India Chambers of Commerce and Industry (SICCI). He is the Honorary Consul of Hungary in India for the southern region. Alagappan takes keen interest in social welfare and is a trustee of the AMM Arunachalam Trust and AMM Foundation that run schools and hospitals.

His other Directorships

Name of the Company	Nature of Office held
Cholamandalam Investment and Finance Company Limited	Chairman
Cholamandalam Factoring Limited	Director
DBS Cholamandalam Securities Limited	Director
DBS Cholamandalam Distribution Limited	Director
Parry Agro Industries Limited	Director
New Ambadi Estates Private Limited	Director
A.M.M. Arunachalam & Sons Private Limited	Director

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

His other Committee Membership :

Name of the Company	Name of the Committee
1. Cholamandalam Investment and Finance Company Limited	Member, Audit Committee

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 6

Mr. M.S.A. Kumar was appointed as the Managing Director of the Company for a period of two years from 1st August 2008 to 31st July 2010. In view of the significant contribution made by him for the growth of the Company, the Directors decided to re-appoint him as his term of office expires on 31st July 2010, for a further period of three years from 01.08.2010 to 31.07.2013 on the terms of remuneration as mentioned in the resolution, subject to the approval of the members, hence this resolution.

Mr. M.S.A. Kumar, aged about 57 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. Limited. 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 this ordinary resolution.

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

Item No. 7

The Members at the 22nd Annual General meeting held on 29th July 2008 had passed a special resolution for 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.

The Central Government vide its order SRN No. A-50481217-CL-VII dated 15th July 2009 had also approved the payment of commission to the Non-executive Chairman. Accordingly, the Company had paid the commission to Non-executive Chairman for the financial year 2008-09 and 2009-10.

Pursuant to request made by the Chairman, it is now proposed to reduce the Commission payable to him from 3% to 2% on the net profit of the company with effect from 1st April 2010 to 31st March 2013.

Since the Company already is having the permission of the Central Government for the payment of commission upto 3 %, no further approval is necessary for reducing the same to 2 %.

The Board recommends the passing of the Special Resolution.

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 : 29th July 2010

Dileepraj. P
Company Secretary

DIRECTORS' REPORT

Your Directors have pleasure in presenting their Twenty Fourth Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2010.

FINANCIAL RESULTS

	(Rs. In lakhs)	
	2009-10	2008-09
Turn Over	8297.33	8745.42
Other Income	35.09	51.88
Total Income	8332.42	8797.30
Profit before tax for the year	1011.96	1135.23
Less : Provision for taxation		
- Current Tax	320.00	320.00
- Deferred Tax	40.00	101.20
- Fringe Benefit Tax	Nil	12.00
Profit after tax	651.96	702.03
Add: Surplus brought forward	329.98	395.20
Total Amount available for appropriation	981.94	1097.23
Less:		
Transfer to General Reserve	400.00	500.00
Proposed Dividend on Equity Shares @ 30%	228.43	228.43
Provision for tax on Dividends	37.94	38.82
Surplus carried Forward	315.57	329.98

OPERATIONS

During 2009-10, the Sales dropped to Rs.82.97 Crore from Rs 87.45 Crores of 2008-09. Profit After Tax dropped by 7.12 % from Rs 7.02 Crores in 2008-09 to Rs 6.52 Crores in 2009-10.

Spice Oleo sales and Value Added Beverages Sales were lower due to reduced global demand. Marigold Oleoresins, key ingredient in Eye Health Care and your company's main product line was not impacted as the demand compression did not occur in this segment.

Your company experienced margin pressures in all 3 product categories. Cost push in labour, power and fuel prices coupled with lower product prices dented the operating margins. With the increase in Agricultural commodity prices and increase in cost of cultivation, Marigold Farmers are demanding higher flower prices. Southern India experienced adverse weather conditions for Marigold crop growing resulting in lower flower output and lesser volumes through the plant. Thus margin pressures coupled with lower volumes resulted in 7.12% drop in PAT.

FUTURE PROSPECTS

The "Critical Global Strategic Partnership Agreement" signed with Kemin Health, L.C. (Kemin), Des Moines, Iowa,

USA last year for supply of Marigold Oleoresin is progressing as planned. Future volume of this product is expected to register around 5 to 10% annual growth rates. Kemin and AVT are working together in further strengthening the Lutein (Eye care ingredient from Marigold Oleoresin) supply chain in anticipation of the emerging global competition.

Spice Oils and Oleoresins demand is bouncing back with the start of the global economic recovery. Your company will continue its focus on "niche food safe" platform to increase the sales. The importing countries' thrust on Food Safety will result in higher sales for this product group in future years.

Value Added Beverages - Decaffeinated Teas - will grow at a faster rate with addition of more customers and higher volumes. We expect to fill the second extraction plant volumes during next 3 to 5 years. Instant Teas is another product we are focusing on.

2010 Crop Season is progressing well. Good Summer showers and timely rains from South West Monsoon is helping the crop growth. We increased flower prices to meet the expectations of Farmers. We strengthened the Agricultural Operations Management systems. To mitigate risk of single season, your company now cultivates in Monsoon season as well apart from Summer. Thus we expect good flower output during 2010-11 thereby ensuring higher capacity utilization of the plant.

DIVIDEND

Your Directors are pleased to recommend a dividend of 30 % on Equity Share Capital for the year ended 31.03.2010.

PERFORMANCE OF SUBSIDIARY COMPANY

AVT Natural Pte. Ltd., Singapore together with its subsidiary, Heilongjiang AVT Bio-Products Limited, China has recorded sales of Rs 7.15 Crores and profit of Rs 20.41 Lakhs in the period ended December 2009 against the sales of 8.43 Crores and a profit of Rs 9.56 Lakhs during the period ended December 2008. We expect improved performance in sales and profits of the subsidiary company in 2010 from our Chinese operation due to increase in growing areas and higher flower output.

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 2009 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 31.03.2010, a total sum of Rs 2.31 Lakhs due to 8 fixed deposit holders remain unclaimed. Out of this, deposits for a sum of Rs.1.22 Lakhs were renewed / repaid subsequently.

RECOGNITION OF IN-HOUSE R&D UNIT

The Department of Scientific & Industrial Research, Technology Bhavan, under Ministry of Science & Technology has accorded its recognition to the in-House, R&D facility of your company located at South Vazhakulam, Marampilly Post, Aluva, Kerala, for the period ending 31st March 2012, vide its letter No. F-TU-IV/RD/ 2976/2009 dated 18th March 2010.

WIND MILL

The Company had set up a windmill project 600 KW WTG, Kokkampalayam Village, Dharapuram Taluk, Erode District, Tamil Nadu. The wind mill has started its commercial operation with effect from 27th September 2008. The wind mill has generated 13,70,520 units in the year 2009-10. This output is as per our projections.

CLOSURE OF PLANT

During the year 2009-10, the company had closed its plant located at Hindupur. The said plant which was processing various grades of marigold flower, cultivated in and around that area and that the plant was running only 4 to 5 months a year depending on the flower arrival.

With the introduction of the Hybrid seeds at Sathyamangalam and Hassan cultivation area, the company was able to meet its requirement of 'Xanthophyll' from these two areas. The Hindupur plant was set up in a lease hold land and its lease period had already expired, is being vacated by your company.

DIRECTORS

In accordance with the provisions of Companies Act, 1956 and the Articles of Association of the Company Mr. P. Shankar, Director and Mr. M.A. Alagappan, Director, retire by rotation at the 24th 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 re-appointment, 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 2010, 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 2010 on a 'going concern' basis.

ACKNOWLEDGEMENT

Your Directors take this opportunity to thank and place on record their sincere appreciation for the continued co-operation and support extended by the share holders customers, farmers, bankers namely State Bank of India, Bank of Baroda, The South Indian Bank, CITI Bank, suppliers and other stake holders for their continued support to the Company.

The Directors also wish to place on record their appreciation for the contribution support and continued co-operation made by the employees.

For and On behalf of the Board

Place : Chennai
Date : 29th July, 2010

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 three areas of R&D - (a) Planting Material Development - Marigold Seed Development (b) Development of New Crops (c) New Product Lines

Benefits of R&D Superior planting materials seed will benefit farmers by way of increased yields and thereby improving the net farm returns. The company will be benefited through higher levels of active ingredient, lower costs and superior global competitiveness.

New crops and new products aim to improve the top line as well as minimise dependency on the lead product line and this would help the company to grow the business portfolio.

Future Plan of action

The focus would be on seed development for the new generation of marigold. Also the focus shall be on New crop development for the Artemisia and introduction of new products like Phytochemicals, New Carotenoids, Soluble Beverages and Formulations.

We would also continue to be on Process development for nutraceutical and pharmaceutical ingredients, value added tea, tea extracts, herbal isolates etc., Further, the Development of new technologies concentrating on improved delivery systems for nutra and pharma ingredients and formulations.

Expenditure on R&D

a) Capital	Rs. 5,06,056
b) Recurring	Rs. 65,59,136
c) Total	Rs. 70,65,192

Foreign Exchange Earnings / Outgo

The company's operations during the year under review has resulted in a foreign exchange inflow of Rs 69.69 crores and outflow of Rs 24.56 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/ Nature of duties	Remuneration received (Rs)	Qualification	Total Experience (years)	Date of commencement of Employment	Previous Employment
Mr. M.S.A Kumar *	57	Managing Director	52,57,600	B.Sc(Agri.) PGDBA(IIM-A)	34	27.09.1995	Vice President, Shaw Wallace and Co Ltd.,
Mr. V. Ravikumar	58	Executive Director	35,99,343	M.Tech	37	01.10.1996	Vice President Projects, A.V. Thomas & Co.Ltd.,
Mr. M.N. Satheesh Kumar	55	Sr. Vice President &COO	29,39,291	M.Sc(Hons.) Che.,PGDBA	32	10.06.1996	Plant Manager (Sr. Mgr. Cadre) GOETZE (INDIA) LTD, Escorts Group Co.

* The nature of Employment is contractual

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) operates in the business segment of "**Solvent Extraction**". There are 3 product categories we currently 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 like Ethyl Acetate and Methylene Chloride.

While Marigold Extracts for Eye care and Food coloring is manufactured in India, Poultry pigmentation product is manufactured in our China subsidiary.

To achieve top line growth, AVT NPL is planning diversification in related fields.

INDUSTRY STRUCTURE AND DEVELOPMENT

Marigold

Like any other Agricultural Commodity, Marigold is also experiencing a major cost push through increased flower prices and higher processing costs. Prices of Finished Products from Marigold are not increasing proportionately to the input cost escalation. Therefore, the thrust has to be on cost reduction through improved efficiencies. We expect the Marigold prices in China to go up by 15 to 20% due to cost push and RMB / Yuan appreciation.

We have a strong market presence in the Eye Care segment of prevention of Age related Macular Degeneration (AMD). Despite the fact that approximately 25 to 30 million people worldwide are affected by AMD, as per Industry experts, awareness of the condition is low. And as the generation of Baby Boomers gets older, we expect the incidence to be on the rise and triple by 2025 to close to 100 million people affected by AMD. We participate in this growing market segment through two Carotenoids - Lutein (through Kemin, Des Moines, Iowa) and Zeaxanthin (through Chrysantis, Chicago, Illinois). We have exclusive long term supply agreements with Kemin and Chrysantis.

Our core competency in Good Agricultural Practices (GAP) based farming of Marigold flowers and Food Safety based Processing is giving us the much needed differentiator in this crowded market place.

Spice Oils and Oleoresins

China is dominating the Paprika Oleo segment with its low costs of cultivation & processing and the business model driven by "scale". India is dominating product lines like Black Pepper and Turmeric wherein we have the origin advantage. Since importing countries' Governments are tightening the food safety laws, we are confident that our Niche/Focus strategy will pay dividends in future.

Value Added Beverages

We will continue to expand the customer base in Decaffeinated Teas using both Ethyl Acetate and Methylene Chloride solvent systems we have developed in house. Instant Teas is another product line we are currently exploring.

PERFORMANCE

During 2009-10, the Sales dropped to Rs.82.97 Crore from Rs 87.45 Crores of 2008-09. Profit after Tax dropped by 7.12 % from Rs 7.02 Crores in 2008-09 to Rs 6.52 Crores in 2009-10. Spice Oleo sales and Value Added Beverages Sales were lower due to reduced global demand. Marigold Oleoresins, key ingredient in Eye Health Care and your company's main product line was not impacted as the demand compression did not occur in this segment.

Your company experienced margin pressures in all 3 product categories. Cost push in labour, power and fuel prices coupled with lower product prices dented the operating margins. With the increase in Agricultural commodity prices and increase in cost of cultivation, Marigold Farmers are demanding higher flower prices. Southern India experienced adverse weather conditions for Marigold crop growing resulting in lower flower output and lesser volumes through the plant. Thus margin pressures coupled with lower volumes resulted in 7.12% drop in PAT.