

AVT NATURAL PRODUCTS LIMITED

26th Annual Report
2011-2012

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
Chennai.

BANKERS

Bank of Baroda
State Bank of India
The South Indian Bank Limited
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.

South 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

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

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NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Twenty Sixth Annual General Meeting of the Company will be held at **11.30 A.M. on Monday, the 30th July 2012 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 31.03.2012 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. P. Shankar, who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors and to fix their remuneration.

By order of the Board
For **AVT Natural Products Limited**

Place : Chennai

Date : 30th May 2012

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 24th July 2012 to 30th July 2012 (both days inclusive).
3. The final 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 30th July 2012.
4. Members are requested to notify immediately any change in their address to the Company's 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 dematted shares.

5. Members are requested to lodge their e-mail ID's along with the name and Folio/Client ID No. to Company's Share Transfer Agent, M/s Cameo Corporate Services Limited, 'Subramanian Building', No.1, Club House Road, Chennai - 600 002, Email - narasimhan@cameoindia.com to enable the Company to send all future communications including Annual Reports through electronic mode.
6. Members are requested to notify the Company's 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 dematted shares, so that the payment of dividend when made through National Electronic Clearing Service (NECS), National Electronic Fund Transfer (NEFT), Direct Credit, Dividend Warrants etc., can be made without delay.
7. Pursuant to the provisions of Section 205A of the Companies Act, 1956, all the unclaimed/unpaid Dividends upto the inclusive of financial year 2003-04 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 31.03.2005, 31.3.2006, 31.3.2007, 31.3.2008, 31.3.2009, 31.3.2010, 31.3.2011 & Special dividend 2011-12 and interim dividend 2011-12 may lodge a claim with the Company immediately, failing which the balance will be transferred to the Investor Education and Protection Fund at the end of the statutory period of 7 years, as envisaged in the section 205A(5) of the Companies Act, 1956.
8. Members are therefore, advised to claim the unclaimed dividend, if any, immediately.
9. Members are requested to note that trading of company's shares through Stock Exchanges are permitted only in demat form. Accordingly, members who have not yet converted their holdings into electronic demat form may do so immediately.
10. The members, who have not yet obtained the share certificates for the Bonus shares issued by the Company in the year 2006, are requested to approach immediately the Company's Share Transfer Agent,

M/s Cameo Corporate Services Limited, 'Subramanian Building', No.1, Club House Road, Chennai - 600 002 and claim the same.

11. 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 are given below.

a. Mr. Ajit Thomas

Mr. Ajit Thomas, aged 58 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	Nature of office held
A.V. Thomas and Company Limited	Executive Chairman
The Nelliampathy Tea & Produce Co. Limited	Chairman
Neelamalai Agro Industries Limited	Chairman
The Midland Rubber & Produce Co. Limited	Chairman
AVT McCormick Ingredients Private Limited	Chairman
Teleflex Medical Pvt. Limited	Chairman
Midland Latex Products Limited	Chairman
A.V. Thomas Leather & Allied Products Pvt. Limited	Chairman
AVT Infotech Pvt. Limited	Chairman
Ajit Thomas Holdings Pvt. Limited	Director
Midland Corporate Advisory Services Pvt. Limited	Director
AVT Natural Pte. Limited, Singapore	Director
Heilongjiang AVT Bio-Products Limited, China	Director
A.V. Thomas Exports Limited	Director
A.V. Thomas Investments Co. Limited	Director
L.J. International Limited	Director
AVT Gavia Foods Pvt. Limited	Director
Midland Natural Pte. Limited, Singapore	Director
Saksoft Limited	Director

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

His other Committee Membership:

Name of the Company	Name of the Committee
Saksoft Limited	Member, Audit Committee

b. Mr. P. Shankar

Mr. P. Shankar, aged 68 years, 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, Government of Tamil Nadu (2001-02) and as Secretary, 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
Thirumalai Chemicals Limited	Director

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

DIRECTORS' REPORT

Your Directors are pleased to present the Twenty Sixth Annual Report of your Company together with the Audited Accounts for the financial year ended March 31, 2012.

FINANCIAL RESULTS:

The standalone performance of the Company for the financial year ended March 31, 2012 is summarized below:

	(Rs. In Crores)	
Particulars	2011-12	2010-11
Income from Operations	218.19	138.90
Other Income	0.56	0.15
Total Income	218.75	139.05
Profit before tax for the year	75.16	16.45
Less : Provision for taxation		
- Current Tax	24.70	5.70
- Deferred Tax	0.04	(0.06)
Profit after tax	50.42	10.81
Add: Surplus brought forward	3.55	3.17
Total Amount available for appropriation	53.97	13.98
Less:		
Special Dividend (25%) on the occasion of silver jubilee of the Company and Interim Dividend (50%) paid on Equity Shares totalling to 75% (Rs. 7.50 per equity share)	5.71	-
Tax on Interim Dividend	0.93	-
Transfer to General Reserve	30.00	6.00
Proposed Final Dividend on Equity Shares @ 50 % (Rs.5/- * per equity share on face value of Rs.10/-)	3.81	3.81
Provision for tax on Dividends	0.62	0.62
Surplus carried Forward	12.90	3.55

** post split dividend per share shall be in proportion to sub-divided share.*

OPERATIONS REVIEW:

Your company had an exceptional year in 2011-12. All three business units of Marigold, Spice Oils & Oleoresins and Value Added Beverages did exceptionally well beating all expectations.

- Sales grew by 57% from Rs. 138.90 Crores to Rs. 218.19 Crores.

- With the major benefit of doubled sales and prices in our key product of Marigold Oleoresins, Profit after Tax grew by 5 times from Rs. 10.81 Crores in 2010-11 to Rs. 50.42 Crores in 2011-12.
- Marigold Oleoresin sales value almost doubled from previous year (93% growth) with higher price realization for both Feed grade for Poultry usage and Food grade for human consumption. The average price doubled during the year due to global shortages arising from failed China crop.
- Favourable weather conditions supported by an excellent and timely Monsoon in Marigold growing areas in South India enabled your company to register record flower output.
- Spice Oils and Oleoresins sales registered a healthy growth of 39%.
- Earnings Per Share (EPS) jumped to Rs. 66.21 in 2011-12 from Rs. 14.20 in 2010-11.

The detailed Operational Performance of the Company including future prospects has been comprehensively discussed in the Management Discussion and Analysis Report which forms part of this Report.

DIVIDEND:

Your Directors are pleased to recommend a final dividend of 50% on Equity Share Capital, for the year ended 31.03.2012, amounting to Rs.380.71 lakh, excluding dividend tax.

During the year, the Board declared a special dividend of 25% on the occasion of the Silver Jubilee of the Company amounting to Rs. 190.36 lakh, excluding dividend tax. Further, in the month of March 2012, the Board declared an Interim Dividend of 50 %, amounting to Rs.380.71 lakh, excluding dividend tax. The aggregate of dividend declared during the year was 125 % amounting to Rs. 951.78 lakh, excluding dividend tax.

QUALITY, HEALTH, SAFETY AND ENVIRONMENT:

With the continued thrust of the Company in this critical area, your company is taking care of the triple bottom line concept People, Planet and Profit.

RECOGNITION OF IN HOUSE R&D UNIT:

The Department of Scientific & Industrial Research, Technology Bhavan, Under Ministry of Science & Technology has renewed its recognition to the in-House R&D facility of your company located at South Vazhakulam, Marampilly Post, Aluva, Kerala, for a further period of 4 years, from 1st April 2012 to 31st March 2016.

WIND MILL:

The wind mill of the company located at Kokkampalayam Village, Dharapuram Taluk, Erode District, Tamil Nadu generated 11,11,500 units in the year 2011-12 against 12,05,325 units generated last year. Out of the same, the Company had captive consumption of 9,98,984 units and the balance is being sold to the TNEB.

FIXED DEPOSITS:

As on 31.03.2012, a total sum of Rs. 10.05 Lakh due to 9 fixed deposit holders remained unclaimed. Out of this, deposits for a sum of Rs. 3 Lakh were renewed / repaid subsequently.

However, the Company had decided to stop accepting / renewing deposit with effect from 30th July 2012. All matured deposits shall be paid on its maturity.

SUB-DIVISION OF EQUITY SHARES:

In order to improve the liquidity, the equity shares of the Company have been sub-divided from face value of Rs.10/- to face value of Re.1/- each and consequently the authorized equity share capital is 7,99,00,000 equity shares of Re.1/- each.

PERFORMANCE OF SUBSIDIARIES:

AVT Natural Pte. Ltd., Singapore together with its subsidiary, Heilongjiang AVT Bio-Products Limited, China did very well in 2011 due to favorable Marigold market conditions. The subsidiary recorded sales of Rs.25.66 Crores in 2011 as against the sales of Rs.8.61 Crores in 2010 - growth of 3 times. Thanks to the good prices of Marigold Oleoresins, the subsidiary companies earned a record profit of Rs. 4.36 Crores in the period ended December 2011 as against a profit of Rs. 0.30 Crores during the same period last year.

ACCOUNTS OF SUBSIDIARIES:

Pursuant to section 212 of the Companies Act, 1956, the Balance Sheet, Profit & Loss Account, Director's Report and the Auditor's Report for the period ended 31st December 2011 for AVT Natural Pte. Ltd., Singapore, an overseas subsidiary of your Company and its Chinese Subsidiary, Heilongjiang AVT Bio-Products Limited, have been kept at the Registered Office of your Company for inspection by shareholders. The company shall furnish a hard copy of the accounts to any shareholder on demand. The Consolidated financial statements audited by the Statutory auditors of the Company have been attached to this Report.

DIRECTORS:

In accordance with the provisions of Companies Act, 1956 and the Articles of Association of the Company, Mr. Ajit Thomas, Chairman and Mr. P. Shankar, Director, retire by rotation at the 26th Annual General Meeting and being eligible, offer themselves for re-appointment.

RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, ENERGY CONSERVATION:

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) of Companies Act, 1956 have been given in the 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.

INSURANCE:

The Company continues to carry adequate insurance for all assets against foreseeable perils.

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 2012, 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 2012 on a 'going concern' basis.

ACKNOWLEDGEMENT:

Your Directors wish to express their sincere thanks and place on record the appreciation for the continued co-operation and support extended by the share holders, depositors, customers, farmers, bankers namely State Bank of India, Bank of Baroda, The South Indian Bank, CITI Bank, suppliers, stock exchanges and other stake holders for their continued 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: 30th May, 2012

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	Presently the company is focusing on two areas of R&D : (a) Marigold Seed Development (b) New Product Lines
Benefits of R&D	(a) Marigold Seed Development: Marigold has been the main product of the company for more than 15 years. When the company commenced marigold business in the mid 90's the Xanthophyll content in the seed was about 10 grams/kilo of meal. Today the Xanthophyll content is high and consistent as a result of the continued research thrust undertaken by the company. Superior seeds are key to remain competitive and sustain leadership in the marigold business. Apart from higher Xanthophyll concentrations and lower production costs, superior seeds benefit the farmers through increased yields and returns. b) New Product Lines: New product lines boost the top line and minimise dependency on marigold. The thrust on new products opened substantial opportunities in spice oleoresins and decaffeinated teas which are significant product lines today and constitute about 35% of the overall business of the company. Thrust on new products is key to develop a broad based growing company.
Future Plan of action	The Company is strengthening the capabilities in seed development by adding on contemporary skills in molecular breeding. The major thrust in new products will be 'soluble teas' which is a product line with potential to develop into substantial business for the company. Micro encapsulated flavours and liquid seasonings is another thrust area. We continue to support our customers in the development of speciality Nutraceutical and food preservation products.
Expenditure on R&D	
a) Capital	Rs. 38,99,966
b) Recurring	Rs. 1,71,39,005
c) Total	Rs. 2,10,38,971
Foreign Exchange Earnings / Outgo	The company's operations during the year under review have resulted in a foreign exchange inflow of Rs. 213.37 Crores and outflow of Rs. 46.32 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.60,00,000/- 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 *	59	Managing Director	Rs.70,32,000	B.Sc(Agri.) PGDBA(IIM-A)	36	27.09.1995	Vice President, Shaw Wallace and Co Ltd.,

* 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 Discussion and Analysis Report

The discussion hereunder covers Business Profile, Economic Outlook, Scan of the market place where your company operates, Performance Review of 2011-12 and Future Outlook.

BUSINESS PROFILE:

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 of 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 mainly. In case of excess inventory, India operations supply Poultry Pigmentation Market as well.

ECONOMIC OUTLOOK

Global macroeconomic environment appears complex and uncertain. Growth has slowed down and European crisis is taking a toll even on the emerging economies like India. Your company being a 100% Export Oriented Unit, lower GDP growth in India doesn't directly impact the performance. However, economic indicators like Current Account Deficit, Fiscal Deficit and Balance of Payment situation impact AVT Natural through the Indian Rupee movements. Volatility in currency is a major factor to be kept in mind.

Since the raw materials come from agriculture crops, Monsoon behaviour has a direct bearing on Marigold flowers and other Spices availability. Labour availability and costs in rural areas of Southern India have a major bearing on Marigold being a labour intensive crop with 7 - 8 harvests during a crop season of 4 months. We had excellent Monsoon rains during 2010 and 2011 which resulted in good volume growth due to sufficient availability of Marigold flowers. Our Marigold growing areas experienced adverse weather conditions in 2008 and 2009 which impacted the company's performance in 2008-09 and 2009-10 negatively. Spices like Black Pepper, Turmeric, Chillies and Ginger experienced doubling of prices which impacted the working capital outlay and sometimes even the availability of the Spices. Your company operates in the "niche" segments - therefore the impact was very minimal. Decaff Tea business is insulated from Raw Material prices as we do only tolling for our partners who provide us with Tea raw material.

Given the high volatility in currencies and commodities, we are working on new strategies and approaches on managing uncertainty and discontinuity. Organization is gearing up to meet these challenges.

MARKET SCAN

When Marigold crop in India experienced bountiful Monsoon in 2010 and 2011, it was just the opposite in China, the major growing area for Marigold normally contributing 75% of the global output. Major growing areas of China namely Yunnan and Heilongjiang Provinces experienced severe drought during 2 consecutive years of 2010 and 2011. Thus the widening demand - supply gap in Marigold Oleoresin pushed up the prices to astronomically very high levels. Poultry meat Pigmentors moved to Synthetic coloring agents thereby denting the natural Marigold Oleoresin demand by a whopping 25 to 30%. With the increased prices of Marigold Oleoresin, the growing area in China, India and Peru have more than doubled in 2012 cropping season. We expect the Marigold Oleoresin prices to come down from beginning of 2013, which will be still at an attractive level for your company.

The Nutraceutical segment of Marigold - Lutein - prices went up in relation to the cost push factors and was not affected by the demand - supply gap as the business cooperation is structured on long term exclusive agreement with Kemin Industries, Iowa, USA. Moreover the demand in this segment was flat due to global economic slowdown.

Other two Product categories - Spice Oils and Oleoresins and Value Added Beverages - are experiencing severe price pressures due to intense competition in the market place coupled with demand compression. Your company plans to counter the situation through cost efficiency improvements and business model innovations.

PERFORMANCE REVIEW 2011-12

With a top line growth of 57% from Rs. 138.90 Crores to Rs. 218.19 Crores and Profit After Tax multiplying nearly 5 times from Rs. 10.81 Crores to Rs. 50.42 Crores, 2011-12 recorded the best year in company's history. Best year performance happening during the Silver Jubilee year of the company is indeed very satisfying. The reasons for such an exemplary performance are captured in the Directors' Report.

FUTURE OUTLOOK

2012 crop area sown is as per our budget and estimated market requirements. Subject to timely Summer and Monsoon rains, we can expect another good year of flower output. With improved supplies from all the 3 growing countries of China, India and Peru and reduced demand from Poultry segment, we expect softening of prices. We expect increased volume to take care of the dropping prices. Thus the outlook for 2012-13 for Marigold is encouraging.

We expect normal growth in the other 2 categories of Spice Oils and Oleoresins and Value Added Beverages. The price pressures in these 2 categories will be countered by improved efficiencies.

The risk mitigation strategies already in force are:

- Geographical and Seasonal diversification of Marigold growing - only Global Company to grow Marigold in 2 countries of China and India.
- India growing in 3 locations in Tamil Nadu, Karnataka and Andhra Pradesh.
- Expanding Customer base.
- Product portfolio expansion.
- Explore market based Raw Material for processing to reduce working capital outlay.

INTERNAL CONTROL

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 Internal 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. Our investments on Human Resources Development aim organization to remain a learning organisation always.

Your company is investing in Technology and Human Resources to focus more on Product Portfolio expansion mentioned above.

ANNEXURE - IV
Corporate Governance Report

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 six 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 Director	Mr. M.A. Alagappan
Non-Executive and Independent Director	Mr. Shyam B.Ghia
Non-Executive and Independent Director	Mr. P. Shankar

Shareholding of Non-Executive Directors as on 31.03.2012

Name of the Non-Executive Director	No. of Shares held
Mr. Ajit Thomas (Promoter/Chairman)	76,142
Mr. M.A. Alagappan	1430
Mr. Shyam B.Ghia	Nil
Mr. P. Shankar	Nil
Mr. Habib Hussain	42,132

a) Board Meetings

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

During the year 2011-12, the Board met six times as per the requirement. The dates on which the meetings were held on 29.04.2011, 22.07.2011, 07.09.2011, 24.10.2011, 27.01.2012 and 27.03.2012.