

AVT NATURAL PRODUCTS LIMITED

27th Annual Report
2012-2013



"Mr. Ajit Thomas, Chairman, AVT Natural Products Limited receiving the **"Forbes Asia Best Under a Billion"** Award from Christopher Forbes, Vice Chairman, Forbes Media LLC along with (Left to right) Lee Yi Shyan, Senior Minister of State, Ministry of Trade and Industry & Ministry of National Development, Government of Singapore; and Steve Leonard, Office of the Chairman, Corporate Senior Vice President of EMC Corporation". AVT Natural Products Limited has been recognized by Forbes as **one among 200 best companies from Asia-Pacific region** under \$ 1 billion revenue.

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 - 600 017.

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.

Plot No. 225/1A, 5-7, Kaipoorikkara,
South Vazhakulam, Marampilly Post,
Aluva - 683 107, Ernakulam District,
Kerala.

SUBSIDIARY COMPANIES

AVT Tea Services Ltd.,
19, Heathman's Road,
London SW6 4TJ,
United Kingdom.

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 - 2858 4147; Fax: 044 - 2858 4147
E-mail: shareholder@avtspice.com

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NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Twenty Seventh Annual General Meeting of the Company will be held at 11.00 A.M. on Wednesday, the 31st July 2013 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 Statement of Profit & Loss for the year ended 31.03.2013 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 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 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 of the Companies Act, 1956, the remuneration payable to Mr. M.S.A. Kumar, Managing Director with effect from 1st April 2013 for the remaining period of his term of office, as set out hereunder:

Remuneration:

Salary : Rs.5,70,000 per month in the scale of Rs. 5,00,000 – Rs. 8,00,000 with annual increment as may be decided by the Board of Directors from time to time.

Special Allowance : Rs.75,000 per month.

Perquisites, such as house maintenance, medical for self and family, electricity, gas, water charges, leave travel allowance etc., : Subject to a maximum of Rs.4,80,000 per annum.

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

Other Benefits:

- 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 approval of the Members be and is hereby accorded for the re-appointment of Mr. M.S.A. Kumar as the Managing Director of the Company with effect from 1st August 2013 to 31st July 2016 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 2013 to 31st July 2016, until otherwise decided by the Board of Directors.

Remuneration:

- Salary : Rs.5,70,000 per month in the scale of Rs. 5,00,000 – Rs. 8,00,000 with annual increment as may be decided by the Board of Directors from time to time.
- Special Allowance : Rs.75,000 per month.
- Perquisites, such as house maintenance, medical for self and family, electricity, gas, water charges, leave travel allowance etc., : Subject to a maximum of Rs.4,80,000 per annum.
- Performance Incentive : As may be decided by the Board of Directors subject to a maximum of Six months salary and special allowance.

Other Benefits:

- 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".

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 2% per annum of net profits of the Company, for a period of three years commencing from April 1, 2013 to March 31, 2016 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 Limited**

Place : Chennai
Date : 30th May 2013

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 2013 to 31st July 2013 (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 31st July 2013.
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 2004-05 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 31.3.2006, 31.3.2007, 31.3.2008, 31.3.2009, 31.3.2010, 31.3.2011, 31.3.2012, Special dividend 2011-12 and Interim dividend 2011-12 & 2012-13 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. M.A. Alagappan

Mr. M.A. Alagappan, aged about 69 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.225 Billion.

Equipped with vast experience and knowledge in managing diverse businesses, Mr. Alagappan has been actively involved with several leading industry associations. He is the 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. Mr. 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 |
|--|-----------------------|
| 1. Ambadi Investments Private Limited | Director |
| 2. A.M.M. Arunachalam & Sons Private Limited | Director |
| 3. Vasan Health Care Private Limited | Director |
| 4. Udevar Property Development Company Private Limited | Director |
| 5. M.A. Murugappan Holdings Private Limited | Director |

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

b. Mr. Shyam B. Ghia

Mr. Shyam B. Ghia, aged 65 years, is an industrialist with interest in variety of fields including Chemicals, Fibres, Polymers and Software. Mr. Ghia has a 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 Innovassynth Investments Limited and the Chairman of Innovassynth Technologies (India) Limited, besides being a Director in various other Companies.

His other Directorships

| Name of the Company | Nature of office held |
|--|--------------------------------|
| 1. Futura Polyesters Limited | Chairman and Managing Director |
| 2. Innovassynth Investments Limited | Chairman and Managing Director |
| 3. Innovassynth Technologies (India) Limited | Chairman |
| 4. Sonata Software Limited | Director |
| 5. Alkyl Amines Chemicals Limited | Director |
| 6. FPL Property Developers Private Limited | Director |

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

His other Committee Memberships/Chairmanships:

| Name of the Company | Name of the Committee |
|------------------------------|--|
| 1. Futura Polyesters Limited | Investor Grievance Committee (Member) Transfer sub-committee (Chairman) Common seal committee (Chairman) |
| 2. Sonata Software Limited | Remuneration Committee (Member) Investor Grievance Committee (Chairman) Audit Committee (Member) |

| Name of the Company | Name of the Committee |
|--|--|
| 3. Alkyl Amines Chemicals Limited | Audit sub-committee (Member) Investor Grievance Committee (Member) Remuneration Committee (Chairman) |
| 4. Innovassynth Technologies (India) Limited | Audit Committee (Chairman) |

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

Item Nos. 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 2010 to 31st July 2013. 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 2013 on the terms stated in the resolution. As his term of office expires on 31st July 2013, it is also decided to re-appoint him for a further period of three years from 01.08.2013 to 31.07.2016 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 60 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) Limited, Bayer (India) Limited 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 Director of AVT McCormick Ingredients Private Limited, AVT Gavia Foods Private Limited, AVT Natural Pte. Ltd., Singapore, Heilongjiang AVT Bio-Products Ltd., China and AVT Tea Services Ltd., United Kingdom.

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.

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 resolution.

Item No.8

Mr. Ajit Thomas is the Non-Executive Chairman of the Company since 30th August 1989 and he spends considerable time and efforts for the growth of the Company.

The Central Government vide its order SRN No. A-50481217-CL-VII dated 15th July 2009 had approved the payment of commission of 3% of net profits of the Company to him. Accordingly, the Company had paid the commission for the financial year 2008-09 and 2009-10.

Subsequently, the members at the 24th Annual General meeting held on 9th September 2010 had passed a special resolution for the reduction in payment of commission to the Non-executive Chairman from 3% to 2% of net profit of the Company with effect from 1st April 2010 to 31st March 2013.

Since the Central Government approval has expired, a fresh application needs to be made to the Central Government for its approval for the payment of Commission @ 2% per annum of net profit of the Company, from 1st April 2013 to 31st March 2016.

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 Limited**

Place : Chennai
Date : 30th May 2013

Dileepraj. P
Company Secretary

DIRECTORS' REPORT

Your Directors are pleased to present the Twenty Seventh Annual Report of the company together with the Audited Accounts for the financial year ended March 31, 2013.

FINANCIAL RESULTS:

The standalone performance of the Company for the financial year ended March 31, 2013 is summarized below:

| (Rs. In Crores) | | |
|---|---------------|---------------|
| Particulars | 2012-13 | 2011-12 |
| Income from Operations | 255.95 | 218.35 |
| Other Income | 0.11 | 0.56 |
| Total Income | <u>256.06</u> | <u>218.91</u> |
| Profit before tax for the year | 75.70 | 75.16 |
| Less : Provision for taxation | | |
| - Current Tax | 25.00 | 24.70 |
| - Deferred Tax | 0.13 | 0.04 |
| Profit after tax | 50.57 | 50.42 |
| Add: Surplus brought forward | 12.90 | 3.55 |
| Total Amount available for appropriation | 63.47 | 53.97 |
| Less: | | |
| Special Dividend (25%) on the occasion of silver jubilee of the Company on Equity Shares | - | 1.90 |
| Interim Dividend (50%) paid on equity shares | 3.81 | 3.81 |
| Tax on Special Dividend | - | 0.31 |
| Tax on Interim Dividend | 0.62 | 0.62 |
| Transfer to General Reserve | 30.00 | 30.00 |
| Proposed Final Dividend on Equity Shares @ 75% (Re.0.75 per equity share on face value of Re.1/-) | 5.71 | 3.81 |
| Provision for tax on Dividends | 0.97 | 0.62 |
| Surplus carried Forward | <u>22.36</u> | 12.90 |

OPERATIONS REVIEW:

Increased volumes of Marigold Food Grade Oleoresin (used in Eye Health segment), Spice Oils & Oleoresins (used in Food flavoring & coloring) and Decaffeinated Teas contributed to 17% increase in sales from Rs.219 Crores in 2011-12 to Rs.256 Crores in 2012-13. However Profit After Tax was flat at Rs.50.57 Crores due to softening of Marigold Feed Grade Oleoresin (used for Poultry Pigmentation) prices in the global market (thanks to over production in China). After registering a five fold increase in Profit after Tax during

2011-12 (from Rs.10.81 Crores in 2010-11 to Rs.50.42 Crores in 2011-12), your company did well by maintaining Profit after Tax at the same level as last year. 2012 crop of Marigold was a record high due to a very favourable monsoon in growing areas.

Despite 17% increase in sales, working capital borrowing has come down from Rs.25.79 Crores as of 31st March 2012 to Rs.23.49 Crores as of 31st March 2013. Term loan outstanding as of 31st March 2013 is Rs.1.49 Crores which will be repaid during 2013/14. Thus it will be our endeavor to make your company a "Zero Debt" organization by 31st March 2014.

AWARDS:

Your company won three awards during the year under review:

A. FORBES ASIA UNDER A BILLION \$ AWARD:

Your Company has been recognized by Forbes as **one among 200 best companies from Asia-Pacific region** under \$ 1 billion revenue. The list published on August 18, 2012 is based on the financial data of the preceding 12 months. Those companies in Asia Pacific with sales of over US\$ 5 Million and below US\$ 1 Billion which are publicly traded with a positive net income are first short listed. Your company is one among 23 companies from India to find a place in this esteemed list of Asia's Best 200. The list recognizes the importance of small and medium enterprises in powering the Asia-Pacific economy.

B. EXCELLENCE IN SPICES EXPORT AWARD:

Your company was selected for the "Certificate of Merit" by the Spices Board in recognition of our outstanding performance in the export of spices / spice products during the year 2010-11.

C. POLLUTION CONTROL BOARD AWARD - 2011:

Your Company's plant at Cochin was awarded "Certificate of Merit" by Kerala State Pollution Control Board for securing second position among medium scale industries in making substantial and sustained effort towards pollution control in the year 2011.

DIVIDEND:

Your Directors are pleased to recommend a final dividend of 75% on Equity Share Capital, for the year ended 31.03.2013, amounting to Rs.571 Lakhs, excluding dividend tax.

During the year, the Board declared an Interim Dividend of 50 %, amounting to Rs.381 Lakhs, excluding dividend tax. The aggregate of dividend declared during the year was 125 % amounting to Rs. 952 Lakhs, excluding dividend tax. Thus for 2012/13, we have maintained same dividend of 125% as that of the last year.

SUBSIDIARY COMPANIES:

The company has the following subsidiaries:

AVT Natural Pte. Ltd., Singapore with its step down subsidiary, Heilongjiang AVT Bio-Products Limited, China:

The subsidiary recorded sales of Rs.10.82 Crores in 2012 as against the sales of Rs.25.66 Crores in 2011, showing a decline of 58%. The reduction in sales is on account of lower production and sales of Marigold Oleoresin (Feed Grade) and very low prices compared to 2011. The subsidiary companies incurred a loss of Rs.2.09 Crores in the period ended December 2012 as against a profit of Rs. 4.36 Crores during the same period last year.

AVT Tea Services Ltd., London, UK (AVT TSL):

During the year your company had set up this wholly owned subsidiary with an authorized capital of Pound Sterling (GBP) 0.50 million (approx. Rs.440 Lakhs) and the Company started functioning with effect from 13th August 2012. AVT TSL will be the global marketing arm of your company for de-caffeinated tea and instant tea. This would further strengthen the Company's position in the Global Value Added Beverages market. AVT TSL commenced its operations during the year and recorded a sale of Rs.0.22 Crores as on 31.12.2012 and recorded a loss of Rs.0.68 Crores on account of administrative overheads.

ACCOUNTS OF SUBSIDIARIES:

Pursuant to Section 212 of the Companies Act, 1956, the Balance Sheet, Statement of Profit & Loss, Director's Report and the Auditor's Report for the period ended 31st December 2012 for AVT Tea Services Ltd., London, an overseas subsidiary, AVT Natural Pte. Ltd., Singapore, another overseas subsidiary of your Company and its Chinese Subsidiary, Heilongjiang AVT Bio-Products Ltd., 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.

FIXED DEPOSITS:

The Company had stopped accepting / renewing deposit with effect from 30th July 2012. As on 31.03.2013, a total sum of Rs.0.46 Lakh due to 3 fixed deposit holders remained unclaimed. The entire unclaimed deposits were repaid subsequently. All matured deposits shall be paid on its maturity.

DIRECTORS:

In accordance with the provisions of Companies Act, 1956 and the Articles of Association of the Company, Mr. M.A. Alagappan, Director and Mr. Shyam B. Ghia, Director, retire by rotation at the 27th Annual General Meeting and being eligible, offer them 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 2013, 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 2013 on a 'going concern' basis.

ACKNOWLEDGEMENT:

Your Directors take this opportunity to thank and wish to place on record their sincere thanks and the appreciation for the continued co-operation and support extended to the Company by all the stake holders including share holders, depositors, customers, farmers, bankers, suppliers, stock exchanges etc.,

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

For and On behalf of the Board

Place : Chennai
Date : 30th May, 2013

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 in 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 in 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. To add on to the soluble tea segment development of soluble teas from herbs also taken up. Herbal teas are caffeine free, low calorie relaxing drinks, with beneficial effect on health .

Micro encapsulated flavours and liquid seasonings are another thrust areas. We continue to support our customers in the development of speciality Nutraceutical and food preservation products.

Expenditure on R&D

| | |
|--------------|-----------------|
| a) Capital | Rs. 11,37,225 |
| b) Recurring | Rs. 2,06,33,462 |
| c) Total | Rs. 2,17,70,687 |

Foreign Exchange Earnings / Outgo

The company's operations during the year under review have resulted in a foreign exchange inflow of Rs. 256.40 Crores and outflow of Rs. 58.79 Crores.