

Annual Report 2002-2003

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Kerala Ayurveda Pharmacy Ltd.

Athani P. O. - 683 585, Aluva, Kerala, India

Tel : 91-0484-2476301 (4 Lines). Fax : 91-0484-2474376.

E-mail : info@keralapharmacy.com Website : www.kaplayurveda.com



Kerala Ayurveda Pharmacy Ltd.

Alsactil	: Herbal Remedy for Hyperacidity
Balakalpam	: A Complete Tonic For Infants & Children
Biogest	: An Anti-Infective Remedy From Nature
Gestatone	: A Tonic For Nursing Mothers, Improves Lactation
Glymin	: A Safer Approach to Treat Diabetes
Heposem	: A Complete Liver Tonic
Histantin	: A Versatile Combination of Anti-Allergic Herbs
Imugest	: A Proven Anti-oxidant
Intelact	: An Ideal Herbal Brain Nourisher
Iclear	: An Ideal Soothing and Protective Aid for Eyes
Iogen	: An Ideal Iron Supplement - with Natural Vitamin -C
Kesini Oil	: A Hair Tonic for Growth & Blackening of Hair and for Treating Dandruff
Laxinol	: A Mild Herbal Laxative
Liposem	: An Effective Cardiac Protective Hypotensive & An Answer for Hyper - Cholesterolaemia
Mathrukalpam	: A Complete Tonic For Post-Natal Care for Mothers
Myaxyl Oil	: An Analgesic, Anti-Inflammatory Oil
Natcare	: An Excellent Preparation for Prenatal Care
Naturone	: A General Tonic for Infants & Children
Normact	: Normalises Blood Pressure Quite Naturally
Myaxyl Balm	: Local Application for Rapid and Effective Pain Relief
Promactil	: Promotes Spermatogenesis and Libido. A Safe Ayurvedic Aphrodisiac
Raasnagugul	: Plant Based Safe Anti-Rheumatic and Anti-Inflammatory
Renogest	: A Safer Remedy for Urinary Tract Infection
Santhwanam Oil	: A Rejuvenating Anti-Oxidant Massage Oil
Sinactil	: Herbal Oil for Relief from Cold and Allergic Rhinitis
Tussnil	: Comprehensive Cough Remedy without Complications

ANCIENT WISDOM IN MODERN PRESENTATIONS, VALIDATED WITH EXPERIENCE AND EXPERTISE

"58 YEARS OF EXCELLENCE IN AYURVEDA"

Too Natural, KAPL is * NO. 1 EXPORTER OF AYURVEDA FROM KERALA * GMP CERTIFIED COMPANY AND ITS
* R & D IS APPROVED BY THE MINISTRY OF SCIENCE AND TECHNOLOGY, NEW DELHI.

Kerala Ayurveda Pharmacy Limited**BOARD OF DIRECTORS**

Chairman	Padmashree S V S Raghavan
Managing Director	Dr. K. Anilkumar
Dy Managing Director	Shri. S. K. Arunkumar
Directors	Padmashree Dr. K. Rajagopal
	Dr. S. K. Sreekumar
	Smt. Chithra Gopinath
	Shri. Jeffrey S Lindner
	Shri. T. N. Menon
	Shri. P. Maharaj
	Shri. George Joseph, Nominee of KSIDC Ltd

COMPANY SECRETARY

Shri. P. R. Sivarajan

REGISTERED OFFICE&FACTORY

VII/415, Nedumbassery, Athani P.O,
Aluva 683585

AUDITORS

M/s. Jayakrishnan & Co
Chartered Accountants
XIX / 576, First Floor
Market Road
Aluva 683101

BANKERS

Canara Bank, Aluva



Kerala Ayurveda Pharmacy Limited

NOTICE

Notice is hereby given that the Eleventh Annual General Meeting of the members of the Kerala Ayurveda Pharmacy Ltd will be held at 11.00 a.m. on Tuesday, 23rd September 2003 at Periyar Club, Swargam Road, Desom, Aluva 683103 to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2003 and Profit & Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a director in place of Smt Chithra Gopinath, who retires by rotation and being eligible offers herself for reappointment.
3. To appoint a director in place of Shri P Maharaj, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a director in place of Shri T N Menon, who retires by rotation and being eligible offers himself for reappointment.
5. To appoint auditors of the company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting on a remuneration to be fixed by the Board of Directors, in addition to the reimbursement of all out of pocket expenses in connection with the audit of the Accounts of the Company for the year ending 31st March 2004.

SPECIAL BUSINESS

6. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution.
 "RESOLVED that the consent of the company be and is hereby accorded in terms of Section 293(1)(d) of the Companies Act 1956 and other applicable provisions, if any, of the Companies Act, 1956, for availing the term loan upto 2.5 million US Dollars or equivalent Indian Rupees From FII/Overseas lenders / Commercial Banks/Financial Institutions, for financing the ongoing projects on the security of the mortgage or charges on the assets of the company, movable or immovable, whatsoever situate, present and future, and the whole of the undertaking of the company, to or in favour of the FII/Overseas lender/commercial Banks/ Financial Institutions and External Commercial Borrowings subject to the necessary approvals, so however that the total amount of borrowing including the existing ones will not exceed Rs.16 crores."
7. To consider and if thought fit, to pass with or without modification the following resolution as a special resolution.
 "RESOLVED that subject to the provisions of the SEBI (Delisting of Securities) Guidelines 2003, Listing Agreements, and all other applicable laws, rules, regulations and guidelines and subject to such approvals, permissions and sanctions, as may be necessary and subject to conditions and modifications as may be prescribed or imposed by any authority while granting such approvals the consent of the company be and is hereby accorded to the Board to delist the equity shares of the company from the Madras Stock Exchange."

Athani
28.07.2003

By order of the Board
Sd/-
P R Sivarajan
Company Secretary

NOTES

- a) The relevant details in respect of item Nos.2, 3 & 4 pursuant to clause 49 of the Listing Agreement are annexed hereto.
- b) A member entitled to attend and vote is entitled to appoint a proxy to attend and on a poll, to vote instead of himself. Such a proxy need not be a member of the company. Proxies, in order to be valid and effective, must be delivered at the registered office of the company not later than forty-eight hours before the commencement of the meeting.
- c) The Share Transfer Books and Register of Members will remain closed from 18th September 2003 to 23rd September 2003 (both days inclusive).
- d) Explanatory statement relating to item No.6&7as required under section 173(2) of the Companies Act 1956 is annexed herewith.
- e) In order to comply with the SEBI requirement, the company has appointed M/s Integrated Enterprises (India) Ltd having office at Seema, 41/427 Rajaji Road, Near Abad Metro Hotel, Ernakulam 682 035, as our Share Transfer Agent for both physical as well as demat segment. Members are requested to send all their correspondence to the above share transfer agents.

REQUESTS TO MEMBERS

- a) Members are requested to notify any change in their address to our share transfer agents quoting their folio number to update their records.
- b) Shareholders wishing to make queries at the AGM on any aspect of the working of the company, the published accounts or the Directors Report may write to The Company Secretary, Kerala Ayurveda Pharmacy Ltd, Nedumbassery, Athani P O, Alwaye 683585 so as to reach him latest by 17th September, 2003.
- c) A proxy form and attendance slip is attached herewith. Shareholders are requested to detach the attendance slip and produce it for verification at the venue of the meeting.
- d) Members/proxies are requested to bring along with them the copy of the Annual Reports being sent to them.
- e) For the convenience of members attending the meeting transportation will be provided from KAPL Hospital, Bank Road,, Aluva 683101 upto 10.30 a.m on 23rd September 2003.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**Item No.6**

Under Section 293(1) (d) of the Companies Act the consent of the Company in general meeting is required where the money had to be borrowed together with the money already borrowed in excess of the paid up capital and free reserve. The company is exploring the possibility of obtaining loan fund by External Commercial Borrowings/ Commercial Banks/ Financial Institutions to repay the high interest bearing debt and also for development activities. None of the Directors of the company is concerned or interested in the resolution.



Kerala Ayurveda Pharmacy Limited

Item No.7

The company's shares are listed with Cochin, Mumbai and Madras Stock Exchanges. However, there are no transactions taking place through Madras Stock Exchange. Thus listing in the Madras Stock Exchange has become unnecessary. With the extensive networking of the Stock Exchanges, Mumbai (BSE) and the extension of the BSE terminals to other cities as well, investors have access to online dealings in the company's equity shares across the country offering liquidity. The directors thus consider it expedient to delist the company's shares from Madras Stock Exchange.

None of the Directors of the company is interested in the resolution.

Athani

28.07.2003

By Order of the Board

Sd/-

P R Sivarajan

Company Secretary

Details of the Directors seeking reappointment in the forthcoming Annual General Meeting required to be furnished under listing agreement terms.

Name of Director	Smt Chithra Gopinath
Date of Birth	11 th September 1953
Date of Appointment	17 th June 1994
Expertise in specific Functional areas	Managing Director - Edappal Hospitals (P) Ltd
Qualifications	Graduate
Directorships held in other Companies(excluding foreign Companies)	Edappal Hospitals Pvt Ltd

Name of Director	Shri P Maharaj
Date of Birth	2 nd September, 1932
Date of Appointment	17 th June 1994
Expertise in specific Functional areas	Chartered Accountant
Qualifications	B.Com, F.C.A.
Directorships held in other Companies(excluding foreign Companies)	Met-Rolla steels Ltd

Name of Director	Shri T N Menon
Date of Birth	14 th February 1934
Date of Appointment	17 th June 1994
Expertise in specific Functional areas	Company Secretary, Cost Accountant & Financial Consultant
Qualifications	B.Com, FCS, FICWA, CFA
Directorships held in other Companies(excluding foreign Companies)	Western India Cottons Ltd

Athani

28.07.2003

By Order of the Board

Sd/-

P R Sivarajan

Company Secretary

Kerala Ayurveda Pharmacy Limited



DIRECTORS REPORT

Yours directors are pleased to present the Eleventh Annual Report on the working of the company, together with the Audited Accounts for the financial year ended 31st March 2003.

Financial Results

The Financial Results of the company for the year ended on 31st March 2003 are as follows.

	Year ended 31 st March 2003 (Rs in Lacs)	Year ended 31 st March 2002 (Rs in Lacs)
Net Income froms Sales /Services	1319.25	1256.55
Other Income	16.58	3.72
Profit before Interest and Depreciation	63.10	77.99
Interest	186.59	172.99
Depreciation	58.65	57.56
Profit/(-) loss before tax	(182.14)	(152.56)
Provision for deferred tax	49.00	NIL
Provision for taxation	NIL	NIL
Extra Ordinary Items	NIL	(60.60)
Net profit(-) loss	(133.14)	(213.16)

Performance of the Company

Even in a really tough year, your company increased sales by 5% to Rs.1319 lacs. Increase in domestic sales contributed to the rise in the topline. Exports fell from Rs.127 lacs in 2001-02 to Rs.93 lacs in 2002-03. Company has availed deferred tax credit of Rs.49.00 lacs in the current year which has been credited to Profit & Loss Account. During the current year net loss came down to Rs.133.14 lacs (Rs.213.16 lacs in the previous year).

At present one of the major problems of the company is heavy interest burden. In this context, during the current year it is proposed to reduce the debt by repayment of some of the existing loans out of the sale proceeds of Bangalore Health Resort. This is expected to bring down the interest burden during the year.

Shareholders of the company in the Annual General Meeting held on 18th September 2002 had welcomed the idea of disinvestment of Bangalore Health Resort and authorized the Board of Directors to take necessary actions in the matter. The Board meeting held on 28th January 2003 approved the proposal to disinvest the Bangalore Health Resort pursuant to the offer made by Ayurvedagram Heritage Wellness Centre Pvt Ltd. We have executed the sale deed and the buyer had paid the consideration as agreed.

Dematerialisation of shares

As of now 35,66,092 equity shares of the company in NSDL and 1,22,338 equity shares of the company in CDSL comprising 55.20% and 1.89% respectively of the equity capital have been dematerialized.

Directors

Smt Chitra Gopinath, Shri P Maharaj and Shri T N Menon, Directors retire by rotation at this Annual General Meeting and being eligible offer themselves for reappointment.

Directors Responsibility Statement

In accordance with section 217(2AA) of the Companies Act, 1956, your directors confirm that:-
- In the preparation of the Annual Accounts for the year ended 31st March 2003, the applicable accounting standards had been followed alongwith proper explanations relating to material departures.

- The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as on 31st March 2003 and of the profit and loss of the company for the year ended 31st March 2003.

Kerala Ayurveda Pharmacy Limited

- 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.
- The Directors have prepared the Annual Accounts on a going concern basis.

Dividend

In the absence of profits your Directors are not in a position to declare any dividend.

Employees

During the year under report the industrial relation was cordial and your Directors wish to acknowledge the support and valuable contributions on the part of all employees. There is no employee coming under the purview of Section 217 (2A) of the Companies Act 1956, read with the Rules made there under

Corporate Governance

Your company has complied with Corporate Governance requirements and furnished herein below the details as required under the listing agreement. Auditors certificate on compliance with the mandatory recommendations of the committee is annexed to this report.

Auditors

M/s Jayakrishnan & Co, Chartered Accountants, Statutory Auditors of the company retire at the ensuing Annual General Meeting. Board recommends the appointment of M/s Jayakrishnan & Co., Chartered Accountants as the Statutory Auditors of the company from the conclusion of the forthcoming Annual General Meeting to the conclusion of the next Annual General Meeting.

Registrar and Share Transfer Agents

Company's physical share Transfer work was handled by the inhouse share department while the electronic part was assigned to M/s Integrated Enterprises (India) Ltd, Chennai. Consequent to the directive by SEBI to have common agency for the physical and demat segment, company has engaged M/s Integrated Enterprises (India) Ltd having office at Seema, 41/427, Rajaji Road, Near Abad Metro Hotel, Ernakulam 682035 as its Share Transfer Agent for both the physical as well as demat segment.

Fixed Deposits

As at 31st March 2003, the total amount of Fixed Deposits held by the company was Rs. 133.69 lacs. There were no overdue deposits except the unclaimed deposits amounting to Rs. 1.74 lacs. Notices have been sent to the depositors concerned to renew/close the account.

Comments on the Auditors Report

Para xvii - During the year 2002-03 the company was having severe Working Capital shortage. This has resulted in delay in payment of certain liabilities including Provident Fund and Employees State Insurance dues. Action is being taken to settle the dues on priority basis.

Para xviii - Income Tax Department has allowed payment of Rs.4,28,716/- by instalment The first instalment of Rs. 1,00,000 and TDS amount of Rs. 75,525/- paid subsequently.

Appreciation

Your Directors wish to place on record their appreciation for the continued support received from Banks, Financial Institutions and the Government. Your directors also express their gratitude to the shareholders of the company for the confidence reposed by them in the management

Athani
28.07.2003

For and on behalf of the Board

Sd/-
Dr K Anilkumar
Managing Director

Sd/-
S K Arunkumar
Dy Managing Director

Kerala Ayurveda Pharmacy Limited**CORPORATE GOVERNANCE****INTRODUCTION**

The Securities and Exchange Board of India has introduced a code of Corporate Governance (Code) by way of amendment to the Listing Agreements with the Stock Exchanges. The company has complied with the mandatory requirements of the code.

COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Corporate Governance pertains to systems by which companies are directed and controlled keeping in mind the long term interest of the shareholders. Your company's philosophy is that good Corporate Governance is the foundation of Corporate excellence.

BOARD OF DIRECTORS

The Board of Directors of the company comprises of executive, non executive and independent directors. The chairman is a non executive director. In all there are 10 directors including 5 independent directors. As on 31st March 2003 the composition of the Board of Directors of the company meets the stipulated requirements of clause 49 of the Listing Agreements of the Stock Exchanges. During the year ended 31st March 2003, 5 Board meetings were held on the following dates. i) 25th April 2002, ii) 8th July 2002, iii) 27th July 2002, iv) 29th October 2002 v) 28th Jan 2003. Attendance of each director at the Board meetings and the last Annual General Meeting and details of number of other directorships held by them as on 31st March 2003 is given below.

Name of the Director	No. of Board meetings Attended	whether last AGM attended	No. of other Directorships.
Shri S V S Raghavan	5	No	4
Dr K Anilkumar	5	Yes	1
Shri S K Arunkumar	5	Yes	1
Shri P Maharaj	5	Yes	1
Dr K Rajagopal	5	No	
Shri T N Menon	5	No	2
Smt Chithra Gopinath	1	No	1
Dr S K Sreekumar	1	No	1
Shri George Joseph	5	Yes	
Shri Jeffrey S Lindner *			

* represented by alternative director Shri S K Arunkumar

COMMITTEES OF THE BOARD**Audit Committee**

Terms of reference of the Audit Committee are as per the guidelines set out in the Listing Agreements with the Stock Exchanges that inter alia include the overview of the company's financial reporting process, review of the half yearly and annual financial statements, review of adequacy of internal control systems, review of the financial and risk management policies and review of significant findings and adequacy of internal audit functions etc.

Composition and attendance

During the year ended 31st March 2003, 3 meetings of the Audit committee were held on the following dates. (1) 25th April 2002 (2) 16th July 2002 and (3) 13th January 2003


Kerala Ayurveda Pharmacy Limited

Name of the Director	Category	No. of meetings Attended
Shri P Maharaj	Chairman	3
Shri T N Menon	Member	3
Dr K Rajagopal	Member	3

Investor's Grievance Committee

Terms of reference of the Investors Grievance Committee are as per the guidelines set out in Listing Agreements with Stock Exchanges and the relevant clauses of the Articles of Association of the company that inter alia include looking into the Investors complaints on transfer of shares, non receipt of Balance Sheet etc. and redressal thereof.

Composition and Attendance

During the year ended 31st March 2003, 13 meetings of the Investors Grievance Committee were held on the following dates . (1) 2nd April 2002 (2) 6th May 2002 (3) 4th June 2002 (4) 1st July 2002 (5) 3rd August 2002 (6) 4th September 2002 (7) 3rd October 2002 (8) 1st November 2002 (9) 6th December 2002 (10) 7th Jan 2003 (11) 30th Jan 2003 (12) 28th Feb 2003 (13) 31st March 2003.

Name of the Director	Category	No. of meetings Attended
Shri P Maharaj	Chairman	13
Dr K Anilkumar	Member	13
Shri S K Arunkumar	Member	6

The company attends to the Investors Grievances/ correspondence expeditiously except in the cases that are constrained by disputes or legal impediments.

1. Number of shareholders complaints received during the year 13
2. Number of complaints not resolved to the satisfaction of the Shareholders Nil

Shri P R Sivarajan, Company Secretary is the Compliance Officer of the company.

Share Transfer Committee

Terms of reference of the Share Transfer Committee are as per the guidelines set out in the Listing Agreements with the Stock Exchanges and pursuant to Articles of Association of the company that inter alia include approval and registration of transfers and/or transmission of equity shares of the company and to do all other acts and deeds, as may be necessary or incidental to the above.

Composition and Attendance

During the year ended 31st March 2003, 13 meetings were held on the following days.

(1) 2nd April 2002 (2) 6th May 2002 (3) 4th June 2002 (4) 1st July 2002 (5) 3rd August 2002 (6) 4th September 2002 (7) 3rd October 2002 (8) 1st November 2002 (9) 6th December 2002 (10) 7th Jan 2003 (11) 30th January 2003 (12) 28th February 2003 (13) 31st March 2003.

Name of the Director	Category	No. of meetings Attended
Shri P Maharaj	Chairman	13
Dr K Anilkumar	Member	13
Shri S K Arunkumar	Member	6