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ANNUAL REPORT 2004-2005

Kerala Ayurveda Pharmacy Ltd.

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

Tel: +91-484-2476301 (4 lines). Fax: +91-484-2474376

E-mail: info@keralaayurveda.co.in www.keralaayurveda.co.in



KERALA AYURVEDA

Ayurveda literally means the science of life which gives wholesome care for health and cure for diseases. It logically regulates our diet and activities to provide holistic healthcare. Ayurveda also tunes our minds for correct thought and to eliminate mental pollutants. It also stipulates ethical norms for social well being. Thus Ayurveda attempts to normalise all dimensions of life to ensure free flow of life. This uniqueness of Ayurveda renders it a status higher than that of a medical science and we prefer to state that Ayurveda is a way of life rather than a treatment system. Ayurveda provides excellent practical guidance for the common man on every aspect of life.



Kerala Ayurveda Pharmacy Ltd.

Corporate Office: Athani, Aluva-683 585, Kerala, India. Tel: 0484-2476301 (4 lines)

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KAPL HOSPITAL: Bank Road, Aluva, Kerala. Tel: 0484-2626119, 2623578, 2626750. **KAPL CLINICS** at: • **Ernakulam**-Tel: 0484-2375292, 2378198 • **Trivandrum**- Tel: 0471-2314488 • **Kasargode**-Tel: 0499-4222519 • **Mumbai**-Tel: 24113101, 55739787 • **Chennai**-Tel: 044-26214903 • **Bangalore**- Tel: 080-25262515 • **Trichy**-Tel: 0431-2721556 • **Hyderabad**-Tel:040-23378813, 55613357

BOARD OF DIRECTORS

Chairman	: Shri S. V. S. Raghavan
Managing Director	: Dr. K. Anilkumar
Dy. Managing Director	: Shri. S. K. Arunkumar
Directors	: Dr. K. Rajagopal

Dr. S. K. Sreekumar
Smt. Chithra Gopinath
Shri. Jeffrey S. Lindner
Shri. T. N. Menon
Shri. P. Maharaj

Shri. T. P. Thomaskutty

COMPANY SECRETARY	: Shri. P. R. Sivarajan
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REGISTERED OFFICE & FACTORY

: VII/415, Nedumbassery,
Athani P.O, Aluva - 683 585, Kerala.
E-mail: info@keralaayurveda.co.in
Website: www.keralaayurveda.co.in

AUDITORS

: M/s. Jayakrishnan & Co.
Chartered Accountants
XIX/576, First Floor
Market Road, Aluva 683 101, Kerala.

BANKERS

: Canara Bank, Aluva

NOTICE

Notice is hereby given that the 13th Annual General Meeting of the members of the Kerala Ayurveda Pharmacy Ltd. will be held at 2.00 p.m. on Tuesday, 13th September, 2005 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 2005 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 Dr. S K Sreekumar, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Smt. Chithra Gopinath, who retires by rotation and being eligible, offers herself for reappointment.
4. To appoint a Director in place of Shri. P Maharaj, 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 2006.

SPECIAL BUSINESS

6. 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 applicable provisions of Companies Act, 1956 and the Listing Agreements(s) entered into with the Stock Exchanges, the approval of the members be and is hereby granted for payment of sitting fees to the Directors of the Company for attending the meetings of the Board of Directors and Committees as may be constituted by the Board of Directors from time to time, to the extent of Rs. 2000/- (Rupees Two Thousand only) per meeting.

RESOLVED FURTHER THAT notwithstanding the aforesaid, the sitting fees payable for attending the meetings of the Share Transfer committee shall be Rs.750/- (Rupees Seven Hundred and Fifty only) and for attending the Audit Committee, the fee shall be Rs.2000/- (Rupees Two thousand only) per meeting.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to determine/vary the amount of sitting fees payable to the Directors for attending the meetings of the Board of Directors and Committees thereof, within such maximum permis-

sible limit as may be prescribed under the Companies Act, 1956 and rules made and notifications issued there under".

7. 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 sections 391 to 394 read with section 100, and other applicable provisions, if any, of the Companies Act, 1956, and enabling provisions in the Memorandum and Articles of Association of the Company, and subject to the sanction of the Scheme of Amalgamation and Arrangement between the Company and another company known as Katra Healthcare Private Limited ("Katra Healthcare") by the Hon'ble High Court of Kerala / CLB / National Law Tribunal ("NCLT") as the case may be, the issued, subscribed and paid-up capital of the Company be reduced from Rs. 6,46,00,000 comprising 64,60,000 equity shares of the face value of Rs. 10 each fully paid-up to Rs. 3,56,05,281 comprising 35,60,528 equity shares of the face value of Rs. 10 each fully paid-up. The reduction shall be effected by cancelling Rs. 4.48835 (rounded off to 5 decimals) per equity share of the face value of Rs. 10 held by the shareholders of the Company as on the Record Date (date fixed by the Board of Directors of the Company) and thereafter consolidating 1.814337 equity shares of the face value of Rs. 5.51165 each into one equity share of the face value of Rs 10 each, such that any fraction arising on such consolidation shall be rounded to the nearest whole number with a fraction of less than 0.5 being rounded downwards. No payment shall be made to the shareholders in respect of the capital cancelled.

FURTHER RESOLVED THAT the sum of Rs. 2,89,94,719 being the total reduction in equity capital of the Company as above, shall be utilised to adjust the debit balance in the profit and loss account of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution(s), the Board or the Committee of the Board specifically constituted by the Board for this purpose or any person(s) whom the Board / the above Committee may nominate, to exercise its powers, including the powers conferred under this resolution(s), be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient, usual or proper and to settle any question or difficulty that may arise in this regard, including passing of accounting entries and/or making such other adjustments in the books of account as considered necessary to give effect to the above resolution(s) or to carry out such modifications / directions as may be ordered by the Hon'ble High Court of Karnataka / Kerala / CLB/ NCLT to implement the aforesaid resolution(s).

By order of the Board

Athani
15.06.2005

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.
- c) 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.
- d) The Share Transfer Books and Register of Members will remain closed from 9th September 2005 to 13th September 2005 (both days inclusive).
- e) Explanatory Statement relating to item No. 6 & 7 as required under Section 173(2) of the Companies Act, 1956 is annexed herewith.
- f) 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, Phone No. 0484-2371494, Fax:0484-2384735 Email: **shaji@iepindia.com** 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.

REQUEST 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 intend 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 9th September, 2005.
- 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 683 101 upto 11.30 a.m on 13th September 2005.

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

Article 46 of the Articles of Association of the Company permits payment to the Directors, remuneration by way of fees of such sum for each meeting of the Board of Directors or Committees of the Board attended by them, as may be determined by the Board from time to time within the limits prescribed by the Companies Act, 1956 or Central Government from time to time.

Presently, the Company is paying sitting fees of Rs.2000/-(Rupees Two Thousand only) per meeting of the Board of directors and Audit Committee thereof except the Share Transfer Committee for which the sitting fees of Rs 750/- per meeting, is paid to all the directors, other

than Dr. K Anilkumar, Managing Director and Shri. S K Arunkumar, Deputy Managing Director. The sitting fees presently paid by the Company are within the limits prescribed by the Department of Company Affairs.

Clause 49 of the Listing Agreement with the stock exchanges is proposed to be amended and would require fees/compensation, payable by the listed companies to the non-executive directors, including independent directors, be fixed by the Board of Directors and shall require previous approval of the shareholders.

The approval of the members is accordingly, sought for payment of sitting fees as aforesaid and to empower the Board of Directors to determine / vary from time to time, the amount of sitting fees payable to Directors within such maximum permissible limit as may be prescribed by the Department of Company Affairs or any other statutory/ regulatory authority from time to time.

All Directors other than Dr. K Anilkumar, Managing Director and Shri S K Arunkumar, Deputy Managing Director are concerned and interested in the said resolution at Item No 6 of the Notice.

Item No.7

The reorganisation of the share capital of the Company is with a view to rationalising the size of the equity capital, so that, on issue of equity shares to the shareholders of Katra Healthcare Private Limited ("Katra Healthcare") pursuant to the amalgamation of Katra Healthcare into the Company, the increased share capital of the Company does not become unduly large and unserviceable.

In order to rationalise the equity capital base of the Company, it is proposed to reduce the equity share capital by cancelling Rs. 4.48835 (rounded off to 5 decimals) per equity share of the face value of Rs. 10 of the Company. Thereafter, the equity shares would be consolidated into fully paid-up shares of Rs. 10 each, resulting in reduction in the number of shares (i. e., 1.814337 equity shares of the face value of Rs. 5.51165 each into one equity share of the face value of Rs. 10 each would be consolidated into one equity share of the face value of Rs. 10). No payment is proposed to be made to any of the shareholders.

In effect, the issued, subscribed and paid-up capital of the Company is proposed to be reduced from Rs. 6,46,00,000 comprising 64,60,000 equity shares of the face value of Rs. 10 each fully paid-up to Rs. 3,56,05,281 comprising 35,60,528 equity shares of the face value of Rs. 10 each fully paid-up. The sum of Rs. 2,89,94,719, which would be the total reduction in equity capital of the Company, is proposed to be utilised to adjust the debit balance in the profit and loss account of the Company.

The reduction does not in any way affect the economic interest of the shareholders of the Company, as the reduction is done across the board.

It may be clarified that the aforesaid reduction shall be effected as a part of the composite Scheme of Amalgamation and Arrangement itself (as stated above) and not under a separate process in terms of sections 100 to 104 of the Companies Act, 1956, as the same does not involve either diminution of liability in respect of unpaid share capital or payment to any shareholder of any paid-up share capital, and the order of the Kerala High Court sanctioning the Scheme of Amalgamation and Arrangement shall be deemed to be an order under section 102 of the Companies Act, 1956, confirming the reduction.



The Scheme of Amalgamation and Arrangement, the Memorandum and Articles of Association of the Company are open for inspection by the members at the registered office of the Company on any working day (excepting Saturdays) prior to the date of the meeting, between 10.30 a.m. and 4.30 p.m.

The directors of the Company may be deemed to be concerned and /or interested in the Scheme of Amalgamation and Arrangement to the extent of their shareholding or that of the companies, firms and/or institutions of which they are directors, partners or members and which hold shares in the Company.

The directors recommend the resolution for approval of the members.

Athani
15.06.2005

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	Dr. S K Sreekumar
Date of Birth	25 th May 1962
Date of Appointment	17 th June 1994
Expertise in specific Functional areas	Physician
Qualifications	MBBS, MD
Directorships held in other Companies (excluding foreign Companies)	Cherish Medical Centre Pvt Ltd

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 Hospital Pvt Ltd. All Season Herbs 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

Athani
15.06.2005

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

DIRECTORS REPORT

Your directors have pleasure in presenting the 13th Annual Report on the business and operations of the company, together with the Audited Accounts for the year ended 31st March 2005.

Financial Results

The Financial Results of the company for the year ended on 31st March 2005 are summarized below.

	Year ended 31 st March 2005 (Rs. in lacs)	Year ended 31 st March 2004 (Rs in lacs)
Net Income froms Sales /Services	1117.69	1152.00
Other Income	40.61	90.13
Finance Charges	90.25	117.93
Depreciation	32.80	44.25
Profit before taxation	5.05	9.57
Deferred tax	(3.78)	(3.15)
Net profit	1.27	6.41

Business Review

During the year the company achieved a turnover of Rs.1117.69 lacs and Profit of Rs.1.27 lacs as against a turnover of Rs.1152 lacs and profit of Rs.6.41 lacs during the previous year. In the last quarter, sales has been drastically affected because of the uncertainty in the introduction of Value Added Tax.(VAT).

However, the Company has started expanding its marketing net work and further streamlined the distribution system.

Merger of Katra Healthcare Pvt Ltd with Kerala Ayurveda Pharmacy Ltd

The awareness about Ayurveda is on the increase in India and Abroad. More and more people are opting for this traditional system of medicine. A number of Multi National Companies have already entered the field, backed by money power, to take advantage of this scenario. More MNCs are likely to join the race in the near future. Therefore, in order to meet these challenges and also to establish a strong presence in internal and international market, the company has been on the look out for a resourceful strategic partner to infuse funds and provide infrastructure support for the expansion of its Production and Marketing activities. M/s. Katra HealthCare Pvt Ltd., Bangalore, a unit which is founded by Mr. Ramesh Vangal was identified for the purpose.

After discussion and carrying out the due diligence, an offer for the merger of Katra HealthCare Pvt Ltd with KAPL was received. The merger is proposed to be accomplished through a Scheme of Amalgamation and Arrangement to be approved by the High Courts of Karnataka and Kerala. The salient features of the scheme entail:

- Setting off the debit balance in the Profit & Loss Account of Rs. 2.89 crores against the equity capital of the company; and
- Merger of Katra Healthcare Pvt. Ltd., and issue of shares with attached warrants as consideration to the Katra Group, which will result in the Katra Group holding majority of the merged company.

After considering all aspects, your Directors find the proposal is in the interest of the Shareholders and further the inherent strength of KAPL. Hence the proposal is welcomed.



Export

As against an export turnover of Rs. 89 lacs during the year 2003-04, we could achieve a turnover of Rs. 127 lacs during the year 2004-05.

Dematerialisation of shares

As on 31st March 2005, 38,29,468 equity shares of the company in NSDL and 3,94,937 equity shares of the company in CDSL comprising 59.28 % and 6.11 % respectively of the equity capital have been dematerialized.

Directors

KSIDC has nominated Shri. T P Thomaskutty as their Director in place of Shri. B Jyothikumar with effect from 4th February 2005.

The Board records its sincere appreciation for the valuable services rendered by the outgoing Director during his tenure.

Dr. S K Sreekumar, Smt Chithra Gopinath and Shri. P Maharaj, 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 2005, the applicable accounting standards had been followed along with proper explanations and there were no material departures.
- The Directors had 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 2005 and of the profit and loss of the company for the year ended 31st March 2005.
- The Directors had 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 had prepared the Annual Accounts on a going concern basis.

Dividend

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

Employees

Labour relations continued to be cordial throughout the period. 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

Pursuant to clause 49 of the Listing Agreement with the Stock Exchanges, Management discussion and Analysis Report, Corporate Governance Report and Auditors Certificate on Corporate Governance are 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.