



ANNUAL REPORT 2005-2006

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Kerala Ayurveda Pharmacy Limited

Athani P.O – 683585, Aluva, Kerala, India.

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Regd. Office & Factory of KAPL at Athani

KERALA
AYURVEDA

KERALA AYURVEDA PHARMACY LTD.

BOARD OF DIRECTORS

| | |
|-----------------------------|---|
| CHAIRMAN | Mr. S V S Raghavan |
| MANAGING DIRECTOR | Dr. K Anilkumar |
| DEPUTY MANAGING DIRECTOR | Mr. S K Arunkumar |
| DIRECTORS | Mr. Ronald George Pearce |
| | Mr. Ramesh Vangal |
| | Dr. K Rajagopalan |
| | Mr. Tarun Natverlal Sheth |
| | Mr. Sonjoy Mohanty |
| | Ms. Katarzyna Zimpel |
| | Mr. Anand Subramanian (Alternate to Ms. Katarzyna Zimpel) |
| COMPANY SECRETARY | Mr. P R Sivarajan |
| REGISTERED OFFICE & FACTORY | VII/415, Nedumbassery, Athani P.O, Aluva-683585, Kerala, India. E mail:info@keralaayurveda.biz |
| CORPORATE OFFICE | No. 1134, 2nd Floor, 100 Feet Road, HAL 2 nd Stage, Indira Nagar, Bangalore - 560 008. |
| AUDITORS | M/s Jayakrishnan & Co Chartered Accountants XIX/576, First Floor, Market Road, Aluva-683101. |
| BANKERS | U T I Bank, M G Road, Bangalore. |
| REGISTRAR & TRANSFER AGENTS | M/s Integrated Enterprises (I) Ltd Seema, 41/427, Rajaji Road, Near Abad Metro Hotel, Ernakulam-682035. Email: shaji@iepindia.com |

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 14th Annual General Meeting of the members of the Kerala Ayurveda Pharmacy Ltd. will be held at 11.30 a.m. on 2nd September 2006 at Hotel Cochin Durbar, Opposite Cochin International Airport, Nedumbassery-683572 to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2006 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. K Rajagopalan, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr. S V S Raghavan, who retires by rotation and being eligible, offers himself for reappointment.

SPECIAL BUSINESS

4. To consider and if thought fit to pass with or without modification the following resolution as an ORDINARY RESOLUTION.
 "RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions if any of the Companies Act, 1956, M/s Maharaj Rajan & Mathew, Chartered Accountants, Pratheeksha Building, S N Junction, Palarivattom, Cochin 682 025 be and are hereby appointed as Auditors of the company to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting at such remuneration and out of pocket expenses as may be approved by the Board of Directors."
5. To consider and if thought fit to pass with or without modification the following resolution as an ORDINARY RESOLUTION.
 "RESOLVED THAT pursuant to the provisions of Sections 16, 94 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the Authorised Share Capital of the Company of Rs.8,00,00,000 (Rupees Eight Crores) divided into 80,00,000 {Eighty Lakhs} Equity shares of Rupees 10/ each be and is hereby increased to Rs.12,00,00,000 (Rupees Twelve Crores) divided into 1,20,00,000 {One Crore Twenty Lakhs} Equity shares of Rupees 10/ each."
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 provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the existing Memorandum of Association of the Company be and is hereby altered by substituting the existing clause V with the following clause :"
 "The Authorised Share Capital of the Company is Rupees Twelve Crores (Rs.12,00,00,000/-) divided into 1,20,00,000 (One Crore Twenty Lakhs) equity shares of Rs.10/- each with power to increase, reduce or reorganise the share capital in accordance with the Provisions of the Companies Act, 1956".
 "RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorized to take all such steps and actions and give such directions as may be in its absolute discretion deem necessary and to settle any question that may arise in this regard."
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 Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the existing Articles of Association of the Company be and is hereby altered by substituting the existing Article 3 with the following Article:"
 "The Authorised Share Capital of the Company is Rupees Twelve Crores (Rs.12,00,00,000/-) divided into 1,20,00,000 (One Crore Twenty Lakhs) equity shares of Rs.10/- each with power to increase, reduce or reorganise the share capital in accordance with the Provisions of the Companies Act, 1956".
 "RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorized to take all such steps and actions and give such directions as may be in its absolute discretion deem necessary and to settle any question that may arise in this regard."
8. To consider and if thought fit to pass with or without modification the following resolution as an ORDINARY RESOLUTION.
 "RESOLVED THAT Mr. Ramesh Vangal who was appointed as an Additional Director of the company on 24th January 2006 whose term expires under Section 260 of the Companies Act 1956 at this Annual General Meeting and in respect of whom company has received notice from a member under Section 257 of the said Act proposing his candidature for the office of Director, be and is hereby appointed as a Director of the company subject to retirement by rotation."
9. To consider and if thought fit to pass with or without modification the following resolution as an ORDINARY RESOLUTION.
 "RESOLVED THAT Mr. Tarun Natverlal Sheth who was appointed as an Additional Director of the company on 24th January 2006 whose term expires under Section 260 of the Companies Act 1956 at this Annual General Meeting and in respect of whom company has received notice from a member under Section 257 of the said Act proposing his candidature for the office of Director, be and is hereby appointed as a Director of the company subject to retirement by rotation."
10. To consider and if thought fit to pass with or without modification the following resolution as an ORDINARY RESOLUTION.
 "RESOLVED THAT Ms. Katarzyna Zimpel who was appointed as an Additional Director of the company on 24th February 2006 whose term expires under Section 260 of the Companies Act 1956 at this Annual General Meeting and in respect of



whom company has received notice from a member under Section 257 of the said Act proposing her candidature for the office of Director, be and is hereby appointed as a Director of the company subject to retirement by rotation."

11. To consider and if thought fit to pass with or without modification the following resolution as an ORDINARY RESOLUTION.

"RESOLVED THAT Mr. Ronald George Pearce who was appointed as an Additional Director of the company on 28th June 2006 whose term expires under Section 260 of the Companies Act 1956 at this Annual General Meeting and in respect of whom company has received notice from a member under Section 257 of the said Act proposing his candidature for the office of Director, be and is hereby appointed as a Director of the company subject to retirement by rotation."

12. To consider and if thought fit, to pass with or without modification the following resolution as a SPECIAL RESOLUTION.

"RESOLVED THAT pursuant to the provisions of Article 70 of the Articles of Association of the Company and Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such consents, approvals and permissions as may be needed, Dr K Anilkumar be and is hereby appointed as Executive Director (Technical) of the Company for a period of 3 years with effect from the conclusion of Board Meeting held on 28th June 2006 at a remuneration and on the terms and conditions set out below:-

- | | |
|--|---|
| 1. Salary (Basic) per month | Rs.1,25,000/- in a time scale of Rs.1,25,000 – Rs. 20,000 – Rs. 2,25,000 Annual increment of Rs,20,000 shall be payable on 1st April of each year |
| 2. Allowances / perquisites : – | |
| a) Special Allowance | Rs.1,25,000/- per month |
| b) Leave Travel Allowance | The yearly payment in the form of allowance shall be Rs.60,000/- |
| c) Housing I | Expenditure incurred by the Company on hiring furnished accommodation for the Executive Director (Technical) subject to a maximum of 40% of the basic salary relevant for the concerned period. |
| | OR |
| Housing II | In case Company owned and furnished accommodation is provided no allowance shall be paid |
| | OR |
| Housing III | In case no accommodation - owned or hired – is provided by the Company the Executive Director(Technical) shall be entitled to 40% of the basic salary relevant for the concerned period as and by way of House Rent Allowance |
| d) Medical reimbursement | Expenditure incurred by the Executive Director (Technical) and his family, subject to a ceiling of Rs.12,000/- per annum |
| e) Contribution to Provident Fund as per Company Rules and Superannuation / Annuity Fund limited to 10% of salary subject to deduction of P F Contribution. | |
| f) Gratuity payable shall be at a rate not exceeding 15 days salary for each completed year of service or part thereof in excess of six months as per relevant provisions of the Gratuity Act. | |
| g) Encashment of un-availed leave at the end of the tenure or at specified intervals will be as per Scheme of the Company. | |
| h) Provision of car with driver for use in relation to Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Executive Director (Technical). | |

MINIMUM REMUNERATION : The remuneration specified at Sl. Nos. 1 & 2 above subject to approval of Central Government should continue to be paid to Dr K Anilkumar, as and by way of Minimum Remuneration notwithstanding the loss or inadequacy of profit during the relevant period of tenure of his office."

13. To consider and if thought fit to pass with or without modification, the following resolution as a SPECIAL RESOLUTION.

"RESOLVED THAT pursuant to the provisions of Article 70 of the Articles of Association of the Company other applicable provisions, if any, of the Companies Act, 1956 and subject to such consents, approvals and permissions as may be needed, Mr. Sonjoy Mohanty be and is hereby appointed as Director and designated as Managing Director & CEO of the Company not liable to retire by rotation for a period of 3 years with effect from the conclusion of Board Meeting held on 28th June 2006."

14. To consider and if thought fit to pass with or without modification the following resolution as an ORDINARY RESOLUTION.

"RESOLVED THAT in supersession of the resolution passed by the members at the Annual General Meeting held on 23rd September 2003, the consent of the Company be and is hereby accorded under the provisions of Section 293 (1) (d) of the

Companies Act, 1956, to the Board of Directors of the company to borrow from time to time all such sums of money as they may deem requisite for the purpose of the business of the Company notwithstanding that moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount up to which moneys may be borrowed by the Board of Directors shall not exceed the sum of Rs. 50 Crores at any time."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty, doubt that may arise in respect of the borrowing(s) aforesaid and further to do all such acts, deeds and things and to execute all documents and writings as may be necessary, proper desirable or expedient to give effect to this resolution."

15. To consider and if thought fit, to pass with or without modification the following resolution as a SPECIAL RESOLUTION.

"RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956, other statutory approvals and subject to the approval of Financial Institutions, if required, approval be and is hereby given to the Board of Directors of the company (hereinafter referred to as "the Board" which term shall include any committee(s) which the Board may hereafter constitute to exercise the power of the Board including the powers conferred by this resolution) for investing upto Rs. 50 crores by way of subscription or otherwise in the equity share capital of Ayurvedagram Heritage Wellness Centre Pvt Ltd or any other entities notwithstanding that the aggregate of such proposed investment together with the existing investments made and the loans/guarantees given by the company may exceed the limits prescribed under section 372A of the Companies Act 1956."

"RESOLVED FURTHER THAT the Board of Directors of the company be and is hereby authorized to determine the time and manner of such investment and to do all and any of the matters arising out of and incidental to the said investment."

16. 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 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such consents, approvals, permissions and sanctions as may be necessary from such authority or authorities as may be required and subject to such terms, conditions and stipulations or such modifications thereto as may be prescribed by them in granting such consents, approvals, permissions and sanctions, consent of the company be and is hereby accorded to issue and allot on preferential allotment basis 5,00,000 equity shares of Rs.10/- each at an issue price of Rs.60/- per share to M/s Champion Investments Limited, Mauritius or any of its associate company."

"RESOLVED FURTHER THAT the issue of equity shares to M/s Champion Investments Limited, Mauritius or any of its associate company shall be inter-alia, subject to the following terms and conditions:-

- The issue and allotment of the said Equity shares by the Company will be in accordance with the "Guidelines for Preferential Issues" prescribed under SEBI (Disclosure & Investor Protection) Guidelines, 2000.
- The said Equity shares issued and allotted by the Company will be subject to the Memorandum and Articles of Association of the Company and such shares shall rank pari passu with the existing equity shares of the Company in all respects, except that they shall be entitled to dividend from the date of allotment on pro-rata basis.
- The Board will determine the time of issue, the amount payable on application, on allotment and by way of further calls, if any, in respect of the said shares.
- In the event of the company making a bonus /right issue prior to allotment of equity shares on preferential basis as aforesaid, the number of shares, the price and the time period shall be suitably adjusted.
- The equity shares to be allotted on preferential basis will be subject to the conditions of lock in period as stipulated by SEBI."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised and empowered to give such directions as it may deem fit and proper including directions for settling any doubts, questions or difficulties which may arise in regard to this preferential allotment of shares and to do all acts, deeds, matters and things as it may, in its absolute discretion consider necessary, expedient, usual and proper and to accept such amendments, modifications, variations and alterations as the appropriate authorities may stipulate in this behalf."

By order of the Board

Bangalore
31.07.2006

Sd/-
P R Sivarajan
Company Secretary


**KERALA
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KERALA AYURVEDA PHARMACY LTD.
NOTES:-

- a) The relevant details in respect of item Nos.2 & 3 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 31st August 2006 to 2nd September 2006 (both days inclusive).
- 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, 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/queries to the above share transfer agent with a copy to the company's registered office.

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, Aluva-683585 so as to reach him latest by 30th August, 2006.
- 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 are requested to mention their folio no. /client ID no. (in case of Demat shares) in all their correspondence with the Company, Registrar & Transfer Agent in order to reply to their queries promptly.
- e) Members/proxies are requested to bring along with them the copy of the Annual Reports being sent to them.
- f) For the convenience of members attending the meeting transportation will be provided from KAPL Hospital, Bank Road, Aluva-683101 upto 10.30 am on 2nd September 2006.

**EXPLANATORY STATEMENT FORMING PART OF THE NOTICE
{PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956}**

Item No.4

M/s Jayakrishnan & Company, Chartered Accountants, Statutory Auditors of the company have tendered their resignation stating their inability to take up the audit for the year ended 31st March 2007 in the same name. They confirmed in writing that they have joined the firm M/s Maharaj, Rajan and Mathew as a partner and started practicing in that firm with effect from 1st April 2006. Further, M/s Maharaj, Rajan & Mathew, Chartered Accountants, Pratheeksha Building, S N Junction, Palarivattom, Cochin-682025 has conveyed their consent for appointment of the reconstituted firm as the Statutory Auditors of the company for the financial year 2006-07. They have also confirmed in writing that their appointment if made will be in accordance with the limits specified in sections 224(1B) of the Companies Act, 1956.

None of the Directors of the company is interested or concerned in the said resolution.

Item No.5, 6 & 7

The Company in order to meet its growth objectives and in terms of the Scheme of Amalgamation and Arrangement, issued 25,00,000 warrants to the shareholders of Katra Healthcare Pvt Limited, which shall, at the option of the warrant holder be convertible into equity shares of the face value of Rs.10/- per share for cash consideration. It is therefore deemed appropriate to increase the Authorised Share Capital of the company from Rs.8 crores to Rs.12 crores and for that purpose, the Memorandum and Articles of Association of the company is proposed to be suitably altered as set out in Item Nos. 5 and 6 of the accompanying notice.

The Provisions of the Companies Act, 1956 require the Company to seek the approval of the Members for increase in the Authorised Share Capital and for the alteration of the Memorandum of Association and the Articles of Association of the Company.

The Board of Directors accordingly recommends the resolutions set out at Item Nos. 5, 6 & 7 of the accompanying Notice for the approval of the Members.

None of the Directors of the company is interested or concerned in the said resolution.

Item No8

The Board of Directors appointed Mr. Ramesh Vangal as an Additional Director with effect from 24th January 2006 pursuant to the provisions of Article 40 of the Articles of Association of the company read with Section 260 of the Companies Act 1956. Mr. Ramesh Vangal holds office up to the date of the ensuing Annual General Meeting.

The company has received a notice in writing from a member under section 257 of the Companies Act 1956, signifying his intention to propose at the forthcoming Annual General Meeting, the Appointment of Mr. Ramesh Vangal as Director of the company.

None of the Directors except Mr. Ramesh Vangal and Ms. Katarzyna Zimpel is interested or concerned in the said resolution.

Item No.9

The Board of Directors appointed Mr. Tarun Natvarlal Sheth as an Additional Director with effect from 24th January 2006 pursuant to the provisions of Article 40 of the Articles of Association of the company read with Section 260 of the Companies Act 1956. Mr. Tarun Natvarlal Sheth holds office up to the date of the ensuing Annual General Meeting.

The company has received a notice in writing from a member under section 257 of the Companies Act 1956 signifying his intention to propose at the forthcoming Annual General Meeting, the Appointment of Mr. Tarun Natvarlal Sheth as Director of the company.

None of the Directors except Mr. Tarun Natvarlal Sheth is interested or concerned in the said resolution.

Item No.10

The Board of Directors appointed Ms.. Katarzyna Zimpel as an Additional Director with effect from 24th February 2006 pursuant to the provisions of Article 40 of the Articles of Association of the company read with Section 260 of the Companies Act 1956. Ms.. Katarzyna Zimpel holds office up to the date of the ensuing Annual General Meeting.

The company has received a notice in writing from a member under section 257 of the Companies Act 1956 signifying his intention to propose at the forthcoming Annual General Meeting, the Appointment of Ms. Katarzyna Zimpel as Director of the company.

None of the Directors except Ms.. Katarzyna Zimpel and Mr. Ramesh Vangal is concerned or interested in the said resolution.

Item No.11

The Board of Directors appointed Mr. Ronald George Pearce as an Additional Director with effect from 28th June 2006 pursuant to the provisions of Article 40 of the Articles of Association of the company read with Section 260 of the Companies Act 1956. Mr. Ronald George Pearce holds office up to the date of the ensuing Annual General Meeting.

The company has received a notice in writing from a member under section 257 of the Companies Act 1956 signifying his intention to propose at the forthcoming Annual General Meeting, the Appointment of Mr. Ronald George Pearce as Director of the company.

None of the Directors except Mr. Ronald George Pearce is interested or concerned in the said resolution.

Item No.12

Since Dr K Anilkumar has tendered his resignation as Managing Director of the company, Board of Directors considered it in the interest of the Company, to appoint him as Executive Director (Technical) of the Company.

Dr K Anilkumar is the Founder and Managing Director of KAPL. He joined KAPL soon after his BAM studies. He is well versed in this branch of medicine Researching and has over 30 years experience in manufacturing and Marketing of Ayurvedic Medicines. Besides this, he is the member of Central Council of Indian Medicines, Joint Secretary of Ayurvedic Drug Manufacturers' Association of India and Executive Member of Ayurvedic Medicine Manufacturers Organisation of India. He is also the convenor of Healthcare Panel, Confederation of Indian Industry and a member of Healthcare Sub Committee, Southern Region, Confederation of Indian Industry.

Considering his valuable services throughout these years, the Board of Directors at its meeting held on 28th June 2006 appointed him as Executive Director (Technical) of the company for a period of 3 years with effect from the conclusion of the Board meeting held on 28th June 2006 on the terms and conditions as approved by the Remuneration Committee of Directors and as set out in the Resolution in Item No.12 of the convening Notice.

The appointment and remuneration of Dr. K Anilkumar as Executive Director (Technical) requires the approval of the Shareholders in terms of Section 269 read with Part II of Schedule XIII and 309 of the Companies Act, 1956.

Accordingly the Board recommends the special resolution for approval.

None of the Directors except Dr K Anilkumar and Mr. SK Arunkumar is concerned or interested in the said resolution.

KERALA AYURVEDA PHARMACY LTD.**Item No.13**

The Board considered the appointment of Mr. Sonjoy Mohanty, as Additional Director designated as Managing Director & CEO of the Company to fill the vacancy caused by resignation of Dr K Anilkumar as Managing Director. Mr. Sonjoy Mohanty started his career in 1987 with Asian Paints and in 1995 he joined ICI paints as All India Marketing Manager (Decorative). He moved on to Caltex India Limited in 1998 as National Manager- Automotive Sales and went on to become General Manager-Lubricants Business, and subsequently Director-Marketing as well as Board member of Caltex companies in India.

Prior to joining KAPL, Mr. Sonjoy Mohanty had a five year stint with Telecom. Initially in Escotel Communications as Chief Officer Customer Acquisition & Retention, heading the sales, marketing & customer care functions for the company and later in 2004 joined Bharti as the Chief Marketing Officer for the Infotel Business, and finally held the assignment of Chief Customer Acquisitions for the Mobile Business.

Accordingly, the Board of Directors at its meeting held on 28th June 2006 has appointed Mr. Sonjoy Mohanty, as an Additional Director designated as Managing Director & CEO for a period of 3 years with effect from the conclusion of the Board meeting held on 28th June 2006.

The Company has received a Notice under Section 257 of the Companies Act, 1956 from a member signifying his intention to propose the name of Mr. Sonjoy Mohanty as a Director of the Company. The appointment of Mr. Sonjoy Mohanty as Managing Director & CEO requires the approval of the Shareholders.

Accordingly, the Board recommends the special resolution for approval.

None of the Directors except Mr. Sonjoy Mohanty, is interested or concerned in the said Resolution.

Item No.14

At present, the Company has borrowing limits upto Rs.16 crore approved by the members under section 293(1)(d) of the Companies Act 1956. The total borrowings from banks and other financial institutions including unsecured loans were Rs. 12.87 crores as on 31st March 2006. Keeping in view the expansion plans and consequent fund requirements of the Company, it is proposed to increase the borrowing limits of the Company up to a maximum amount of Rs.50 crores. As per Section 293(1)(d) of the Companies Act, 1956, the proposal to increase the borrowing limits of the company requires members approval by way of an ordinary resolution.

Accordingly the Board recommends the resolution for approval.

None of the Directors of the company is interested or concerned in the said resolution.

Item No.15

The authorised capital of Ayurvedagram Heritage Wellness Centre Pvt Ltd, Bangalore is Rs.250 lacs. Paid up capital is Rs.225 lacs and KAPL has invested in 3,50,000 shares of Rs.10/- each representing 15.55% of its paid-up capital. Ayurvedagram runs a unique destination resort and SPA in Whitefield near Bangalore which is only one of its kind in this city. In order to consolidate and synergise the present operations, KAPL is keen to increase its stake in Ayurvedagram from the present 15.55% to 74% by acquiring an additional 58.45% from the existing shareholders. The company is also considering other acquisitions to grow and consolidate its business. These will enable KAPL to promote the service model of the Ayurveda Business all over India and overseas. The above investment would be funded by a mix of borrowed funds and internal resource.

The aggregate of the loans and investments so far made, the amounts for which guarantees or security so far provided to other bodies Corporate along with the proposed investment to be made would exceed the limits prescribed under section 372A of the Companies Act 1956 and therefore prior approval of the members by way of a special resolution is required.

Accordingly the Board recommends the special resolution for approval.

None of the Directors except Dr K Anilkumar and Mr. S K Arunkumar is interested or concerned in the said resolution.

Item No.16

In order to meet the company's growth objectives and to fund its ongoing Expansion and Modernisation plans the Board of Directors of the company has been contemplating various options for raising finance. The Board has also been considering, inter alia, an option for issuing equity shares on preferential allotment basis to M/s Champion Investments Limited, Mauritius or any of its associate company.

As on date the shareholding pattern of the company is as set out below.

| Category of shareholder | No of shares | % of holding |
|------------------------------------|----------------|---------------|
| Promoters | 3995960 | 52.85 |
| Public(approx. 8945 share holders) | 3564568 | 47.15 |
| Total shareholding | 7560528 | 100.00 |

In order to part finance the expansion/modernisation plans, the Board of Directors at its meeting held on 28 June 2006 passed resolutions for issue of further equity shares to M/s Champion Investments Limited, Mauritius or any of its associate company on preferential allotment basis. The details of proposed issue are as follows:-

Price at which allotment is proposed

The Securities and Exchange Board of India has issued guidelines detailing the pricing formula for preferential allotment of securities. As per the above guidelines, the pricing of equity shares issued on a preferential allotment basis cannot be less than the higher of:

- Average of the weekly high and low of the closing prices of the equity shares of the Company quoted on the Stock Exchange during the six months preceding the relevant date.
- OR
- Average of the weekly high and low of the closing prices of the equity shares of the company quoted on the Stock Exchange during the two weeks preceding the relevant date.

The "relevant" date for the purpose of this resolution means 30 days prior to the date on which the meeting of the General Body of shareholders is held, in terms of Section 81(1A) of the Companies Act, 1956, to consider the proposed issue.

"Stock Exchange" shall mean any of the Stock Exchanges in which the shares of the company are listed and in which the highest trading volume in respect of the equity shares of the company have been recorded during the preceding six months prior to the relevant date.

The pricing of the share as per the above guidelines works out to Rs.57.25 per share.

- Number of new shares to be offered to M/s Champion Investments Limited, Mauritius or any of its associate company
- 5,00,000 equity shares of the face value of Rs.10/- each.
- Terms of the offer
Rs.60/- per share to be paid along with share application.
- Ranking of New Shares

The new shares shall rank pari passu in all respect with the existing fully paid up equity shares of the company except that the dividend, if declared, shall be paid pro-rata from the date of allotment in respect of the first year immediately after the allotment.

M/s Champion Investments Limited, Mauritius (**hereafter named as CIL**) and their associates has expressed their willingness to subscribe to the offer as may be made by the company. The amount required to be paid for the equity shares (Rs.60/- per share) has already been received by the company as application money, which will be converted as the subscription amount for the above. The Auditors of the company have certified that the issue of new shares as envisaged is being made in accordance with the requirements stipulated by SEBI and a copy of the certificate issued by the Auditors is available for inspection by the members on all working days between 10.00 am and 12.00 noon at the Registered Office of the company and shall also be available for inspection at the time of the Annual General Meeting of the shareholders convened pursuant to the notice hereto.

The shareholding pattern after completion of allotment of 5,00,000 equity shares shall be as follows subject to the CIL subscribing to the offer as may be made by the company, pursuant to the resolution placed for member's approval:-

| Category of shareholder | As on Date No. of shares | As on Date % of holding | After the allotment No. of shares | After the allotment % of holding |
|--------------------------------------|--------------------------|-------------------------|-----------------------------------|----------------------------------|
| Promoter | 3995960 | 52.85 | 3995960 | 49.58 |
| PCB | — | — | 500000 | 6.20 |
| Public(approx. 8,945 shares holders) | 3564568 | 47.15 | 3564568 | 44.22 |
| Total Shareholding | 7560528 | 100.00 | 8060528 | 100.00 |

The shareholding pattern after exercise of warrants already issued to shareholders of Katra Healthcare Pvt Ltd pursuant to the Scheme of Amalgamation and Arrangement shall be as follows subject to the exercise of the entire 25,00,000 warrants by the warrant holders

| Category of shareholder | As on Date No. of shares | As on Date % of holding | After the allotment No. of shares | After the allotment % of holding |
|--------------------------------------|--------------------------|-------------------------|-----------------------------------|----------------------------------|
| Promoter | 3995960 | 52.85 | 6493435 | 61.49 |
| PCB | — | — | 500000 | 4.74 |
| Public(approx. 8,945 shares holders) | 3564568 | 47.15 | 3567093 | 33.77 |
| Total Shareholding | 7560528 | 100.00 | 8060528 | 100.00 |