



KERALA
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wellness, naturally

KERALA AYURVEDA LIMITED

Annual Report 2007- 08

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Academy Products Clinics Hospitals Resorts Services



OUR VISION

Delighting consumers with globally
admired Ayurveda products and services
that deliver wellness, naturally.

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BOARD OF DIRECTORS

CHAIRMAN	Mr. Ramesh Vangal
VICE CHAIRMAN	Mr. Ronald George Pearce
EXECUTIVE DIRECTOR-TECHNICAL	Dr. K Anilkumar
DIRECTORS	Mr. J H Mehta Ms. Katharin Zimpel Vangal Dr. K Rajagopalan Mr. M C Mohan Mr. S K Arunkumar Mr. S Krishnamurthy Mr. Tarun N Sheth Mr. Anand Subramanian (Alternate to Ms. Katharin Zimpel Vangal)
COMPANY SECRETARY	Mr. Jaison Thomas
REGISTERED OFFICE & FACTORY	VII/415, Nedumbassery, Athani P.O, Aluva-683585, Kerala, India. Email: info@keralaayurveda.biz Website: www.keralaayurveda.biz
CORPORATE OFFICE	No.1134, 1 st Floor, 100 Feet Road, HAL 2 nd Stage, Indiranagar, Bangalore-560 008.
AUDITORS	M/s. Maharaj Rajan & Mathew, Chartered Accountants, Pratheeksha Buildings, SN Junction, Palarivattom, Cochin 682 025.
BANKERS	AXIS Bank Ltd., M G Road, Bangalore.
REGISTRAR & TRANSFER AGENTS	M/s. Integrated Enterprises (I) Ltd. Seema, 41/427, Rajaji Road, Near Abad Metro Hotel, Ernakulam-682 035.

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 16th Annual General Meeting of the Members of Kerala Ayurveda Ltd. will be held on Monday, the 29th day of September 2008 at 11.30 A.M at Hotel Cochin Durbar, Opposite Cochin International Airport, Nedumbassery-683 572, Kerala, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended March 31, 2008 and the Balance Sheet as at that date together with the Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Ronald George Pearce, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Ms. Katharin Zimpel Vangal, who retires by rotation and being eligible, offers herself for reappointment.
4. To appoint a Director in place of Dr. K Rajagopalan, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint M/s. Maharaj Rajan & Mathew, Chartered Accountants, Palarivattom, Cochin, as Auditors of the company pursuant to the provisions of Sec.224 of the Companies Act, 1956, to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting on such remuneration and out of pocket expenses as may be approved by the Board of Directors.

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT Mr. J H Mehta who was appointed as an Additional Director at the meeting of the Board of Directors of the company held on 27th June 2008 and who holds office upto the date of this Annual General Meeting and in respect of whom the company has received a notice in writing under section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of the Director, be and is hereby appointed as Director of the company, liable to retire by rotation."

By order of the Board of Directors

Sd/-

Jaison Thomas

Company Secretary

Place: Athani

Date : 28th August 2008

Notes:

- a) **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the company. The instrument appointing a proxy should, however be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.**
- b) The relevant details as required by Clause 49 of the Listing Agreement entered into with Stock Exchanges, of persons seeking appointment/re-appointment as Directors under item Nos. 2,3,4 & 6 above are annexed hereto.
- c) The relevant Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business to be transacted at the AGM are also annexed hereto.
- d) The Register of Members and Share Transfer Books will remain closed from 24th September 2008 to 27th September 2008 (both days inclusive)
- e) M/s. Integrated Enterprises (India) Ltd. having office at Seema, 41/427, Rajaji Road, Near Abad Metro Hotel, Ernakulam-682035 is our Share Transfer Agent for both physical as well as demat segment. Members are requested in this regard 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 holding shares in physical form are requested to notify any change in their address to the company's Registrar and share transfer agent quoting their folio number for updating their records. Members holding shares in electronic form, are required to send the advice about change in address to their respective depository participants only.
- b) Shareholders intending to make queries at the AGM on any aspect of the working of the company, on the published accounts or of the Directors' Report may write to The Company Secretary, Kerala Ayurveda

Kerala Ayurveda Ltd.

Ltd, Nedumbassery, Athani P.O., Aluva-683585 so as to reach it latest by 25th September 2008.

- 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 number/client ID number (in case of Demat shares) in all their correspondence with the Company, Registrar & Share Transfer Agent in order to reply to their queries promptly.
- e) Members/proxies are requested to bring to the AGM their copy of the Annual Report and the attendance slip sent herewith.
- f) For the convenience of members attending the meeting, transportation will be provided from Kerala Ayurveda Hospital, Bank Road, Aluva, upto 11:00 A.M on 29th September 2008.

EXPLANATORY STATEMENT FORMING PART OF THE NOTICE

(Pursuant to Section 173(2) of the companies act, 1956)

Item No.6

Mr. J H Mehta was appointed as an Additional Director of the company by the Board of Directors at its meeting held on 27th June 2008. Pursuant to Section 260 of the Companies Act, 1956, Mr. J H Mehta will hold the office of Director upto the date of this Annual general Meeting. As required by Section 257 of the Companies Act, 1956, the Company has received a notice along with deposit from a member proposing the candidature of Mr. J H Mehta for the office of Director of the company.

A brief profile of Mr. J H Mehta has been annexed to this report. Keeping in view the experience and expertise of Mr. J H Mehta, his appointment as Director of the company is recommended for the necessary approval of the members. None of the Directors of the Company other than Mr. J H Mehta is concerned or interested in the said resolution.

By order of the Board of Directors

Sd/-

Jaison Thomas

Company Secretary

Place: Athani

Date : 28th August 2008

Details of the Directors seeking reappointment in the ensuing Annual General Meeting, to be furnished as per Clause 49 of the Listing Agreement.

Mr. Ronald George Pearce	Vice Chairman / Independent Director
Date of birth	26 th June 1942
Expertise in specific functional areas	Over 40 years experience with global corporations, including 28 years with Procter & Gamble Co. where he served as Managing Director P&G United Kingdom Ltd and President P&G Far East Inc based in Japan. Since retiring from P&G he has served on the Board of Directors of Duty Free Shoppers, San Francisco, USA; Camus International, Hong Kong; Sunstar Inc. Osaka, Japan and Diagnostic Developments (Pty) Ltd. Durban, South Africa.
Date of appointment	28 th June 2006
Qualifications	B.Com (Wits)
Directorship held in other companies (excluding foreign companies)	Ayurvedagram Heritage Wellness Centre Pvt. Ltd.
Shareholding in the company	NIL
Ms. Katharin Zimpel Vangal	Non-Executive/ Promoter Director
Date of birth	27 th June 1973
Expertise in specific functional areas	Co-Founder of the Katra Group and spouse of Mr. Ramesh Vangal, Chairman of the company. Her specific focus is on

	healthcare and managing a diversified investment portfolio. Founded the ASHA Foundation in 2001, to help brain-injured children through comprehensive rehabilitation. She also worked in the fashion industry in New York City.
Date of appointment	24 th February 2006
Qualifications	Degree in Art History from Canada. Studied fashion technology at the Fashion Institute of Technology, New York.
Directorship held in other companies (excluding foreign companies)	Katra Holdings Pvt. Ltd., Asha Medical Foundation Pvt. Ltd., Katra Marine Pvt. Ltd., Katra Trading Pvt. Ltd.
Shareholding in the company	NIL
Dr. K Rajagopalan	Non-Executive/ Independent Director
Date of birth	17 th November 1932
Expertise in specific functional areas	Brithatrayee Ratna & Padmashree Dr. K Rajagopalan is well known for his scholastic contributions to Ayurveda as an educationalist, Researcher and as Medical Practitioner. Starting his Professional career as Chief Physician from 1961, he is at present the Chief Consultant and Research Advisor to a number of prominent Health Institutions including Kottackal Arya Vaidya Sala and Amala Cancer Research Institute, Thrissur.
Date of appointment	17th June 1994
Qualifications	MBBS, DAM
Directorship held in other companies (excluding foreign companies)	NIL
Shareholding in the Company	NIL

Details of the Additional Director seeking appointment as Director in the ensuing Annual General Meeting, to be furnished as per Clause 49 of the Listing Agreement

Mr. J H Mehta	Additional Director
Date of Birth	23 rd November 1952
Expertise in specific functional areas	Worked for Hindustan Unilever Ltd. from 1974 to 2005. He has handled a variety of businesses as a profit-centre head and his last assignment was as executive director for the ice creams business for South Asia. In 2000, he was elevated to the management committee of HUL. He worked as President of Spencer's retail from 2005-2007 where he played a leading role in defining the brand and business strategy, building an organization for rapid growth and steering exponential expansion in multiple formats. He has joined Katra Group in 2007 as President and member of their global advisory board and leads their diverse businesses.
Date of appointment	27 th June 2008
Qualifications	Management graduate from the Indian Institute of Management, Ahmedabad & Wharton School Alumnus.
Directorship held in other companies (excluding foreign companies)	Ayurvedagram Heritage Wellness Centre Pvt. Ltd, Tag Media Network Pvt. Ltd.
Shareholding in the company	11,558 Shares

By order of the Board of Directors

Sd/-

Jaison Thomas

Company Secretary

Place: Athani

Date : 28th August 2008

DIRECTORS' REPORT

Your Directors are pleased to present the 16th Annual Report on the business and operations of the company together with the Audited Accounts for the financial year ended 31st March 2008.

FINANCIAL RESULTS

The Financial Results of the company for the financial year ended 31st March 2008 as compared with the previous years are summarized below:

(Rs in Lacs)

	2007-08	2006-07	2007-08 Consolidated	2006-07 Consolidated
Gross Income	1841.45	1619.97	2913.23	2258.97
Less : VAT & Excise Duty	123.59	93.20	123.59	93.20
Net Income from Sales/Services	1717.86	1526.77	2789.64	2165.77
Other Income	50.84	58.81	77.24	70.32
Profit before Interest, Depreciation and Tax(EBITDA)	(264.36)	109.38	(586.83)	131.62
Finance Charges	199.08	166.95	295.56	226.65
Depreciation & Amortisation	163.95	144.86	220.99	185.96
Profit/(Loss) before taxation	(627.38)	(202.43)	(1103.38)	(280.99)
Provision for Deferred Tax Asset	170.19	43.78	162.76	39.35
Provision for FBT & MAT	5.60	4.55	9.09	6.63
Net Profit/(Loss)	(462.80)	(163.20)	(949.71)	(248.27)
Minority Interest in Profit			0.57	3.03
Net Consolidated Profit/(Loss)			(950.28)	(251.30)

PERFORMANCE ANALYSIS

During the period under review, the total revenue of the company increased to Rs. 1717.86 Lacs from Rs. 1526.77 Lacs in the corresponding previous financial year, registering a growth rate of 12.5 %. The total revenue including its subsidiaries on a consolidated basis for the year is Rs. 2789.64 Lacs, registering a growth of 29%.

The company and its subsidiaries are poised for accelerated growth, which has required upfront investments in people, infrastructure and brand building costs during the current year. This is reflected in significantly higher losses during the year.

DIVIDEND

In the absence of profits for the period under review, your Directors are not in a position to recommend any dividend.

BUSINESS REVIEW

Your company has developed new format for our Therapy clinic and a model clinic on this line was established at Indiranagar. As on this date the Company has opened franchised clinics at Bangalore, New Delhi and Pondicherry in the new format. Your company has expanded its sales & distribution network in Western India. The company adopted innovative blister packing for tablets & capsules and launched three new products.

Sale of our products has recorded a 17% growth trend during the year. New sales promotion and brand building initiatives have created positive response in the market and many new doctors have started using and prescribing our products.

Our Kerala Ayurveda Hospital, Aluva, has been empanelled under CGHS/CS (MA) Rules. This will enable Central Government employees, their families and Pensioners to have access to Ayurveda treatment facilities at our hospital.

The newly incorporated subsidiary CMS Katra Holdings LLC, USA has picked up a 51% equity stake in US based CMS Katra Nursing LLC, with an objective of acquiring the entire business and assets of CMS Inc., a leading healthcare staffing company based in Florida, USA. CMS Inc. has a strong focus in hospitals and other healthcare facilities, through placement of accredited foreign nurses. This overseas investment will augment the company's presence in the nursing vertical and provide access to leading hospitals and other healthcare facilities in the US for rolling out the company's products and services.

During the year your company constituted award for best Post Graduate (PG) thesis to promote research on Ayurveda and attract best brains to the Ayurveda stream. The response this year was indeed very overwhelming and a PG thesis award was presented to a student of Banaras Hindu University. Your company has started



courses/programs for training doctors to familiarise them with traditional ayurveda treatment practices as followed in Kerala.

For business expansion the company has acquired additional land at Puthenvelikara in Ernakulam District.

PERFORMANCE OF SUBSIDIARIES

Indian Subsidiary

M/s. AyurvedaGram Heritage Wellness Centre Pvt. Ltd. has performed exceedingly well and registered an impressive sales growth of 24% and recorded a turnover of Rs.366.22 lacs against a turnover of Rs.295 lacs in the previous financial year. Similarly the profit before tax has also increased to Rs.22.86 lacs from the previous figure of Rs.21.23 lacs.

Overseas Subsidiaries

During the year under review, the company setup two more subsidiaries to provide focus on healthcare services, namely CMS Katra Holdings LLC and KatraSoft Europe GmbH. With this the total no of overseas Subsidiaries has increased to five of which four are in USA and one in Germany. CMS Katra Holdings LLC in turn holds a subsidiary under the name CMS Katra Nursing LLC. Operations of the US Ayu subsidiaries namely Ayurvedic Academy Inc, Ayu Natural Medicine Clinic PS and Ayu Inc, have stabilized now with the appointment of Key resources. This business would be one of the important growth pillars for your company in the years to come. The combined turnover of overseas subsidiaries was Rs.731.97 Lacs during the year.

CORPORATE SOCIAL RESPONSIBILITY

Your company has always had a deep sense of responsibility towards the community. A summary of the programs conducted by the company during the year is given below:

- Conducted medical camps and seminars for Chikungunya in Kerala on a wide scale.
- Arranged an Ayurveda Awareness seminar in Technopark, Trivandrum.
- Conducted campaigns in Kerala, Tamil Nadu and Karnataka on 'Anti Stress'.
- Conducted Ayurveda Medical Camp in Njarakal and Thalayolaparamabu in association with VITA and Kerala Vishwa Karma Samathi.
- Organized Life Style check-up camps in all our Treatment Centers / Clinics at Bangalore in association with Asha Foundation.

DEMATERIALIZATION OF SHARES

The paid-up capital of your Company as on 31st March 2008 is Rs.10,55,56,700 consisting of 10555670 shares of Rs.10 each, which are listed on BSE and CSE. Out of the total number of listed shares, 8951350 shares forming 84.80% and 488609 shares forming 4.63% stand dematerialized in NSDL and CDSL respectively and the remaining 1115711 shares, forming 10.57% stands in physical form as on the same date.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with section 217(2AA) of the Companies Act, 1956, the Board confirms that:

- a) In the preparation of the Annual Accounts for the year ended 31st March 2008, the applicable accounting standards had been followed along with proper explanations and there were no material departures.
- b) The Directors had 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 as on 31st March 2008 and of the profit or loss of the company for the year ended 31st March 2008.
- c) 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.
- d) The Directors had prepared the Annual Accounts on a going concern basis.

DEPOSITS

In terms of the provisions of Section 58A of the Companies Act, 1956 read alongwith the Companies (Acceptance of Deposits) Rules, 1975, the company has not accepted any deposits from the public during the financial year under review and all deposits accepted before this period, had been repaid in full except one unclaimed deposit amounting to Rs.10,000/-. Notice has already been sent to the depositor concerned to close the account.

HUMAN RESOURCE MANAGEMENT/INDUSTRIAL RELATIONS

Your company has always been committed to maintain healthy, cordial and harmonious industrial relations

at all levels. The company constantly endeavors to add value to our services and believes in continuous improvement in all areas of the organization environment. Work environment of the company is constantly being upgraded and Training programs have been imparted to employees, focusing on individual growth. During the year under review, industrial relations have been excellent and harmonious.

ENERGY CONSERVATION, RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars as prescribed under sub-section (1) (e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are set out in the annexure to this report.

PARTICULARS OF EMPLOYEES

The particulars of employees as stipulated under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, are set out in the annexure to this report.

CORPORATE GOVERNANCE

Your company has complied with corporate governance norms as specified under the provisions of the Listing Agreement entered into with Stock Exchanges. A detailed Corporate Governance Report in line with the requirements of Clause 49 of the Listing Agreement is attached to this report. A certificate of statutory auditors confirming the mandatory compliance of the Corporate Governance requirements is attached to the Corporate Governance Report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A review of Ayurveda industry, its opportunities and treats, future outlook of the company etc. are covered under the head Management Discussion and Analysis Report, which forms part of this report.

DIRECTORS

Existing Director

Mr. Ronald George Pearce, Ms. Katharin Zimpel Vangal and Dr. K Rajagopalan, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Outgoing Director

Mr. Sonjoy Mohanty, has resigned from the position of Managing Director & CEO effective 31st May 2008 and the Board places on record its appreciation for his contributions to the company during his tenure. The Board at its meeting delegated the powers of Managing Director for the day-to-day operations of the company to Dr. K Anilkumar, Executive Director-Technical of the company.

New Directors

Mr. J H Mehta has been appointed as an Additional Director of the company, at the Board Meeting held on 27th June 2008. He holds office upto the date of ensuing Annual General Meeting and is eligible for re-appointment.

Alternate Directors

Mr. Anand Subramanian was appointed as Alternate Director to Ms. Katharin Zimpel Vangal with effect from 31st October 2007.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with the Accounting Standard AS-21 on consolidated financial statements read with Accounting Standard AS-23 Accounting for Investments in Associates. These financial statements are based on the audited financial statements of the respective subsidiaries.

SUBSIDIARIES

Your company has six subsidiaries as on 31st March 2008 and the details of which are as under;

Sl No.	Name	Location	% of holding
1	Ayurvedagram Heritage Wellness Centre Pvt. Ltd.	Bangalore, India	74%
2	Ayu Inc.	USA	100%
3	Ayu Natural Medicine Clinic, P.S.	USA	100%
4	Ayurvedic Academy Inc.	USA	100%
5	KatraSoft Europe GmbH	Germany	100%
6	CMS Katra Holdings LLC	USA	80%

The company's subsidiary CMS Katra Holdings LLC holds 51% stake in CMS Katra Nursing LLC



The Annual Reports of the subsidiary companies are not annexed pursuant to the exemption by the Central Government. Copy of the annual accounts of the subsidiary companies and other related information will be made available to the members who seek such information. The annual accounts of the subsidiary companies are kept at the registered office of the company and at the subsidiary concerned, for inspection of the investors. However, the statement pursuant to Section 212 forms part of the annual report.

AUDITORS

The term of Auditors, M/s. Maharaj Rajan & Mathew, Chartered Accountants, Pratheeksha, S N Junction, Palarivattom, Cochin, expires at the ensuing Annual General Meeting and they are eligible for re-appointment. The Audit Committee has recommended their re-appointment and annual audit fees. The requisite certificate from Auditors, pursuant to Section 224 of the Companies Act, 1956 has been received.

REGISTRAR & SHARE TRANSFER AGENTS

Your Company has appointed M/s. Integrated Enterprises (India) Ltd. having office at Seema, 41/427, Rajaji Road, Near Abad Metro Hotel, Ernakulam, as Registrar & Share Transfer Agent of the company for both physical as well as demat segment.

ACKNOWLEDGEMENTS

Your Directors place on record their appreciation of cooperation and support extended by shareholders, customers, bankers and all governmental and statutory agencies. Your Directors also thank the employees for their valuable contribution during the year and look forward to their continued support in the years to come.

For and on behalf of the Board of Directors

Place: Athani

Date : 28th August 2008

Sd/-

Ramesh Vangal
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

The details required under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2008, is as follows:

Sl. No	Name	Age	Date of joining	Annual Remuneration (in rupees)	Designation	Educational Qualification	Expe rience in yrs	Previous employment
01	Dr. K Anilkumar	55	6.7.1992	40,29,624	Executive Director (Technical)	B.A.M	27	NIL
02	Ms. Achamma Joseph	52	1.1.2007	59,03,996	President Katrasoft Division	M Sc, Dip CSA	25	Ismart Business Solution P L
03	Dr. Narendra Bhatt*	56	2.4.2007	18,89,847	Dir. Business Dev & Research	B Sc, M.D (Ayu)	33	Zandu Pharma Ltd
04	Mr. Partha Sanyal	39	7.3.2007	24,01,181	Vice President- Strategy, Planning & Business Development	BE (Met) PGDM (IIMB)	15	ARI Pvt Ltd
05	Mr. H Sreedhar	45	16.4.2006	24,19,100	President, Katra Healthcare Division	BE (Elec & Comm), MBA	19	L&T Ltd

Notes:

- The above employees are not relative of any Director of the company except Dr. K Anilkumar who is the relative of Mr. SK Arunkumar, Director of the company.
- Remuneration shown above includes Salary, Medical reimbursements, Leave Travel Allowance, Contribution to provident fund and monetary value of perquisites as per income Tax Rules, 1962.
- * Employed for the part of the year.