



**KERALA**  
**ayurveda™**  
wellness, naturally

# KERALA AYURVEDA LIMITED

## 17<sup>th</sup> Annual Report 2008 - 09

Report  Junction.com





## OUR VISION

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



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

CHAIRMAN	Mr. Ramesh Vangal
VICE CHAIRMAN	Mr. Ronald George Pearce
EXECUTIVE DIRECTOR	Dr. K Anilkumar
DIRECTORS	Dr. K Rajagopalan Mr. M C Mohan Mr. S Krishnamurthy Mr. Tarun N Sheth Ms. Katharin Zimpel Vangal Mr. A T Jacob 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, 1st Floor, 100 Feet Road, HAL 2nd Stage, Indiranagar, Bangalore - 560 008.
AUDITORS	M/s. Maharaj Rajan & Mathew, Chartered Accountants, Pratheeksha Buildings, S. N. Junction, Palarivattom, Cochin 682 025.
BANKERS	M/s. AXIS Bank Ltd., Bangalore.
REGISTRAR & TRANSFER AGENTS	M/s. Integrated Enterprises (I) Ltd., Seema, 41/427, Rajaji Road, Ernakulam-682 035. Email: shaji@iepindia.com

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### NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 17<sup>th</sup> Annual General Meeting of the Members of Kerala Ayurveda Ltd. will be held on Wednesday, the 30<sup>th</sup> day of September 2009 at 11.30 A.M at Green Park Auditorium, N H 47, Desom, Aluva -683 103, Kerala, to transact the following business:

#### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended March 31, 2009 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. M C Mohan, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Ramesh Vangal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. S Krishnamurthy, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint M/s. Maharaj Rajan & Mathew, Chartered Accountants, Cochin, as Auditors of the company to hold office from the conclusion of this 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. A T Jacob who was appointed as an Additional Director at the meeting of the Board of Directors of the company held on 31<sup>st</sup> January 2009 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."

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

"RESOLVED THAT pursuant to the provisions of Article 70 of the Articles of Association of the company and sections 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, Dr. K Anilkumar be and is hereby re-appointed as EXECUTIVE DIRECTOR of the company for a further period of 3 years with effect from 28<sup>th</sup> June 2009 as approved by Board of Directors at its meeting, at a remuneration and on the terms and conditions set out below:

1. Basic Salary : Rs. 1,25,000/- per month
2. Allowances/Perquisites:-
  - a) Special Allowance : Rs. 54,000/- per month
  - b) Leave Travel Allowance : Yearly payment of Rs. 60,000/- in the form of allowance
  - c) Housing I : Expenditure incurred by the Company on hiring furnished accommodation for the Director subject to a maximum of 40% of the basic salary relevant for the concerned period.
- OR
- Housing II : In case no accommodation - owned or hired is provided by the Company the Director shall be entitled to 40% of the basic salary relevant for the concerned period as and by way of House Rent Allowance Rs 50,000/-
- d) Medical Reimbursement : Expenditure incurred by the Director 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 12% 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 Director.

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

Place: Athani

Date : 1<sup>st</sup> September 2009

**By order of the Board of Directors**

Sd/-

**Jaison Thomas**

Company Secretary

#### 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. No proxy registrations at the venue will be accepted.
- 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 Register of Members and Share Transfer Books will remain closed from 26<sup>th</sup> to 29<sup>th</sup> September 2009 (both days inclusive).
- d) Members are requested to send their correspondence/queries to the Share Transfer Agent, M/s. Integrated Enterprises (India) Ltd. having office at Seema, 41/427, Rajaji Road, Near Abad Metro Hotel, Ernakulam -682035, Phone No: 0484-2371494, Fax: 0484-2384735, Email: shaji@iepindia.com with a copy to the company's registered office quoting their folio number/client ID number.

**REQUEST TO MEMBERS**

- a) Members holding shares in physical form are requested to notify any change in their address to the company's Registrar & Share Transfer Agent. Members holding shares in electronic form are requested to intimate the changes, if any, 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 on the Directors' Report may write to The Company Secretary, Kerala Ayurveda Ltd, Nedumbassery, Athani P. O., Aluva-683585 so as to reach it latest by 26<sup>th</sup> September, 2009.
- c) A proxy form and attendance slip is attached herewith and shareholders are requested to produce it for verification at the meeting. Members/proxies are requested to bring their copy of the Annual Report to the AGM.

**EXPLANATORY STATEMENT FORMING PART OF THE NOTICE**

(Pursuant to Section 173(2) of the Companies Act, 1956)

**Item No.6**

Mr. A T Jacob was appointed as an Additional Director of the company by the Board of Directors at its meeting held on 31<sup>st</sup> January 2009. Pursuant to Section 260 of the Companies Act, 1956, Mr. A T Jacob 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. A T Jacob for the office of Director of the company.

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

**Item No.7**

The tenure of Dr. K Anilkumar, Executive Director, expired on 27<sup>th</sup> June 09. Dr. Anilkumar, who is the founder and former Managing Director of the company is well versed in this branch of medicine and has over 28 years experience in manufacturing and marketing of ayurvedic medicines. Considering his valuable services throughout these years, the Board of Directors at its meeting held on 29<sup>th</sup> June 09, approved his re-appointment for a further period of 3 years with effect from 28<sup>th</sup> June 09, on the terms and conditions as approved by the Remuneration Committee and as set out in the Resolution in Item No.7 of the Notice convening the meeting. Accordingly, the Board recommends the special resolution for members' approval. Disclosure as per schedule XIII is annexed.

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

**By order of the Board of Directors**

Sd/-

**Jaison Thomas**

Place : Athani

Date : 1<sup>st</sup> September 2009**Disclosure as per Schedule XIII of Companies Act, 1956****I GENERAL INFORMATION**

- |  |  |
|--|--|
| 1 Nature of Industry   | Manufacturing and marketing of Ayurvedic products and providing Healthcare services.   |
| 2 Date of commencement of Commercial Production              | 6 <sup>th</sup> July 1992  |
| 3 Financial Performance based on given indicators            | During the financial year 2008-09, the total revenue of the company increased to Rs. 1798.47 Lacs from Rs. 1717.86 Lacs in the corresponding previous financial year, registering a growth rate of 4.7 %. The total revenue including its subsidiaries on a consolidated basis for the year is Rs. 4451.70 Lacs, registering a growth of 59.6 %. |
| 4 Export performance and net foreign exchange collaborations | Foreign Exchange Earnings for the current year is Rs.104.80 lacs.  |
| 5 Foreign investments or Collaborators.                      | As on date, Company has 5 overseas subsidiaries viz. Ayu Natural Medicine Clinic, P.S., Ayurvedic Academy Inc., Ayu Inc., CMS Katra Holdings LLC and Nutraveda Pte. Ltd. and has one step-down subsidiary viz. CMS Katra Nursing LLC.  |

**II INFORMATION ABOUT THE APPOINTEE**

- |   |  |
|---|--|
| 1. Background details   | Dr. K. Anilkumar is the founder and former Managing Director of the company is well versed in this branch of medicine & has over 28 years experience in manufacturing and marketing of ayurvedic medicines.  |
| 2. Past Remuneration  | During his past tenure, his last drawn monthly remuneration was Rs.3,78,500/- In addition to this, he is entitled to Gratuity benefits, Leave encashment and provision of car & Telephone.   |
| 3. Recognition or awards  | Dr. K Anilkumar is a member of Central Council of Indian Medicines and Executive Member of Ayurvedic Medicine Manufacturers Organisation of India. He is also a member of Healthcare Panel of Confederation of Indian Industry.  |
| 4. Job Profile and his suitability  | Dr. K Anilkumar, Executive Director (Technical) who is carrying out the powers of Managing Director for the day to day operations of the company, is mainly entrusted with responsibility of Production and Research & Development Activities. He is having proficient knowledge and experience of 28 years in the manufacturing, marketing and development of new products. |
| 5. Remuneration Proposed  | Considering his valuable services, the Board of Directors approved his re-appointment on the terms & conditions as approved by the Remuneration Committee as set out in the Resolution No.7 of the Notice convening this Annual General Meeting which is 34% lower than his current monthly remuneration.  |
| 6. Comparative Remuneration profile with respect to industry, size of the company, profile of the position and person | Remuneration of Dr. K Anilkumar was fixed on the basis of duties & responsibilities entrusted to him and his contribution to the company. Considering the financial position of the company, his salary was re-structured.   |
| 7. Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel.     | His pecuniary relationship is limited to the remuneration he draws.  |

**III OTHER INFORMATION**

- |   |  |
|---|--|
| 1. Reasons of loss or inadequate profits                              | For accelerating growth, company has made substantial investments in people and infrastructure costs which has resulted in losses during the year, the benefits of which will accrue over a period.  |
| 2. Steps taken or proposed to be taken for improvement                | The company has initiated: cost control measures to save on cost, setting up its own / franchisee ayurveda clinics at vantage locations to scale up volume, targeting to mobilise resources by disposing off identified idle surplus assets of the company for deployment towards business growth / pay off debt to reduce finance cost. |
| 3. Expected increase in productivity and profits in measurable terms. | Measures initiated to reduce the cost of production, improving production efficiency through possible automation/ minimize process wastage, effective Marketing by Partnering with doctors, will enable the company to achieve positive EBITDA during the year.  |

**Details of the Directors seeking re-appointment in the ensuing AGM, to be furnished as per Clause 49 of Listing Agreement**

<b>Mr. M C Mohan</b>	<b>: Non-Executive/ Independent Director</b>
Date of birth	: 21 <sup>st</sup> March 1942
Expertise in specific functional areas	: M.C. Mohan started his carrier with Procter & Gamble and had a memorable 24 years stint at P&G across 3 continents, including setting up manufacturing and business operations, building business on new brands, responsible to diversify P&G products and also being the Global Team Leader for recruiting talent in Europe. Presently M.C. Mohan is the Executive-in-residence at the London School of Business & Management and Goizueta School at Emory University of Atlanta and also acts as coach for several CEOs in UK and India.
Date of appointment	: 2 <sup>nd</sup> September 2006
Qualifications	: Honours degree in Mechanical Engineering and M.Tech from IIT, Kharagpur. MS degree in Mechanical Engineering from the University of Hawai and MBA from Columbia University.
Directorship held in other companies (excluding foreign companies)	: NIL
Shareholding in the Company	: NIL
<b>Mr. Ramesh Vangal</b>	<b>: Chairman/ Promoter Director</b>
Date of birth	: 28 <sup>th</sup> July 1954
Expertise in specific functional areas	: Experienced and successful professional with demonstrated leadership in promoting and growing businesses. Founder of the Scandent Group and Founder and Chairman of KATRA Group. He was Chairman of Seagram Asia Pacific and President, Asia Pacific for Pepsico Foods and a member of PepsiCo's Worldwide Executive Council. He also served on the Board of Infosys Technologies Limited.
Date of appointment	: 24 <sup>th</sup> January 2006
Qualifications	: Engineering degree from IIT, Mumbai, MBA from London Business School
Directorship held in other companies (excluding foreign companies)	: Katra Phytochem India Pvt Ltd, Arudrama Developments Pvt Ltd, Asha Medical Foundation Pvt Ltd, AyurvedaGram Heritage Wellness Centre Pvt. Ltd, Global AgriSystem Pvt Ltd, Katra Holding Pvt Ltd, Katra Marine Pvt Ltd, Mason & Summers Alcobev Pvt Ltd, Mason & Summers Marketing Service Pvt Ltd, Mason & Summers Leisure Pvt Ltd, SeaGrow Bio-Technics India Pvt Ltd
Shareholding in the Company	: NIL
<b>Mr. S.Krishnamurthy</b>	<b>: Non-Executive/ Independent Director</b>
Date of birth	: 22 <sup>nd</sup> March 1939
Expertise in specific functional areas	: Professional Banker with overall experience exceeding over 40 years in various Senior Positions in Reserve bank of India and other Public/Private Sector Banks. He is former chairman of Tamilnad Mercantile Bank. Lastly he held the position of Banking Ombudsman, Chennai.
Date of appointment	: 2 <sup>nd</sup> September 2006.
Qualifications	: First Class Graduate of the Madras University, Master's Degree in Labour Management, PG Diploma in Industrial Relations and Personnel Management and HRM, Certified Associate of Indian Institute of Bankers, Bachelor of General Laws.
Directorship held in other companies (excluding foreign companies)	: Shriram City Union Finance Ltd., Take Solutions Ltd.
Shareholding in the Company	: NIL

**Details of the Additional Director seeking appointment as Director in the ensuing AGM, as per Clause 49 of Listing Agreement**

<b>Mr. A. T. Jacob</b>	<b>: Additional Director</b>
Date of Birth	: 11 <sup>th</sup> June 1954
Expertise in specific functional areas	: He has got significant domain expertise on Plantation and Agri based products in healthcare space and he is currently serving as Managing Director of Katra Phytochem India Pvt. Ltd.
Date of appointment	: 31 <sup>st</sup> January 2009
Qualifications	: B.Sc.(Botany), P.G. Diploma in Management.
Directorship held in other companies (excluding foreign companies)	: Katra Phytochem India Pvt. Ltd., Arudrama Developments Pvt. Ltd., Avan Agro Tech Pvt. Ltd., Vector Program Pvt. Ltd.
Shareholding in the company	: NIL

**By order of the Board of Directors**

Place : Athani  
Date : 1<sup>st</sup> September 2009

Sd/-  
**Jaison Thomas**  
Company Secretary



## DIRECTORS' REPORT

The Board of Directors have pleasure in presenting the 17<sup>th</sup> Annual Report on the business and operations of the company together with the Audited accounts for the financial year ended March 31, 2009.

### FINANCIAL RESULTS

The Annual results of the company for the financial year ended 31<sup>st</sup> March 2009 as compared with the previous years are summarised below:

(Rs in Lacs)

Particulars	Standalone		Consolidated	
	2008-09	2007-08	2008-09	2007-08
Gross Income	1898.83	1841.45	4552.06	2913.23
Less: VAT & Excise Duty	100.36	123.59	100.36	123.59
Net Income from Sales/Services	1798.47	1717.86	4451.70	2789.64
Other Operational Income	30.00	48.79	46.02	75.20
Profit before Interest, Depreciation & Tax (EBITDA)	(172.95)	(266.40)	(754.27)	(588.87)
Other Income	0.79	2.04	0.79	2.04
Finance Charges	210.69	199.09	356.37	295.56
Depreciation & Amortisation	261.69	163.95	374.87	220.99
Profit/(Loss) before exceptional Items	(644.54)	(627.41)	(1484.72)	(1103.38)
Exceptional Items	140.55	0.00	169.06	0.00
Profit/(Loss) before Tax	(503.99)	(627.41)	(1315.66)	(1103.38)
Provision for Deferred Tax Asset	115.07	170.20	111.38	162.76
Provision for FBT & MAT	(5.74)	(5.60)	(8.22)	(9.09)
Net Profit/(Loss)	(394.66)	(462.81)	(1212.50)	(949.71)
Minority Interest in Profit			1.64	0.57
Net Consolidated Profit/(Loss)	(394.66)	(462.81)	(1214.14)	(950.28)
Balance brought forward from previous year	(690.78)	(227.97)	(1266.36)	(316.08)
Forex Fluctuations			(149.85)	
Appropriations	NIL	NIL	NIL	NIL
Balance Carried to the Balance Sheet	(1085.44)	(690.78)	(2630.35)	(1266.36)

### PERFORMANCE ANALYSIS

During the financial year under review, the total revenue of the company increased to Rs. 1798.47 Lacs from Rs. 1717.86 Lacs in the corresponding previous financial year, registering a growth rate of 4.7 %. The total revenue including its subsidiaries on a consolidated basis for the year is Rs. 4451.70 Lacs, registering a growth of 59.6 % and the company has consistently achieved revenues exceeding Rs.10 crores in every quarter for the first time.

The operational results for the financial year ended with a net loss of Rs. 394.65 lacs as against a net loss of Rs.462.80 lacs in the previous year, with an improvement in EBITDA.

### DIVIDEND

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

### BUSINESS REVIEW

During the financial year under review, your company has opened new franchise wellness centers at Gurgaon, Jaipur, Noida and Dehradun.

The company has entered into an EXPRESSION OF INTEREST with The Arya Vaidya Pharmacy (Coimbatore) Ltd on 29<sup>th</sup> June 2009 , so as to integrate their operations to create world's premier AYURVEDA entity, with the best doctors, products and service capabilities in the industry. The acceptance of authentic ayurveda throughout the world is ever increasing and both companies are keen to combine their strength to create the largest player in the field of Ayurveda. The managements of both the companies are currently in the process of conducting the detailed business diligence to evaluate the overall business opportunity.

In June 2009, a new subsidiary named M/s. NUTRAVEDA Pte. Ltd., was incorporated in Singapore, which shall mainly focus on marketing natural and herbal value added products globally and thereby deliver wellness and nutritional benefits to the global markets.

Modern dosage forms of classical formulations were introduced, such as Kashaya to Kashayam Tablets, medicated oils to creams etc. New formulations were introduced for treating diabetes viz. Trikantika Thailam, Kathakhadiradi Kashayam etc.

Katrasoft Europe GmbH, a Wholly owned subsidiary of the company, was voluntarily liquidated due to commercial non-viability and the process was completed on 27<sup>th</sup> March 2009. Accordingly the losses have been recognized in the accounts under review.

During the year a small portion of factory land was acquired by NHAI for highway expansion, whereby your company realised a profit of Rs. 52.19 lacs and also realised forex fluctuation gains of Rs 113.85 Lacs, the same has been disclosed as exceptional income. Your company has acquired land near Cochin International Airport to setup a new wellness resort.

### PERFORMANCE OF SUBSIDIARIES

#### Indian Subsidiary

During the year under review, M/s. AyurvedaGram Heritage Wellness Centre Pvt. Ltd. has achieved a turnover of Rs.345 Lacs against a turnover of Rs.366 Lacs in the previous financial year. The Net profit of the company, after providing for tax has marginally decreased to Rs.6.30 Lacs from Rs. 11.93 Lacs in the previous year, despite the fact that the performance during the year was severely impacted on account of global recession and the warnings issued by western countries on travel to India due to epidemic scare, terror attack etc.

#### Overseas Subsidiaries

The combined turnover of overseas subsidiaries was Rs. 2426.67 Lacs as compared to Rs. 731.97 Lacs in the previous year, registering a growth of 230% during the year. Operations of the US Ayu subsidiaries namely Ayurvedic Academy Inc, Ayu Natural Medicine Clinic PS and Ayu Inc, have stabilized now and have shown impressive growth. For accelerated growth, companies made upfront investments in people and infrastructure costs during the current year which has resulted in higher losses during the year.

### CORPORATE SOCIAL RESPONSIBILITY

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

- Conducted Ayurvedic Medical Camps in Njarakal and Thalayolaparambu in Kerala in association with VITA and Kerala Vishwa Karma Samathi respectively.
- Conducted medical campaigns in Kerala on Karkitaka Chikitsa, in Karnataka on Joint Pain and in Delhi on Anti Obesity.
- Conducted a Medical Camp at Ambatukavu in Kerala in association with SNDP Sabha.
- Conducted medical campaigns in Kerala, Tamil Nadu and Karnataka on Anti-Stress.
- Conducted free consultation medical camp at our Aluva Hospital and at Ernakulam Clinic.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that:

- a) In the preparation of the Annual Accounts for the year ended 31<sup>st</sup> March 2009, 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 31<sup>st</sup> March 2009 and of the profit or loss of the company for the year ended 31<sup>st</sup> March 2009.
- c) Proper and sufficient care has been taken 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 Annual accounts have been prepared on a going concern basis.

### DEPOSITS

The company has not accepted any deposits from the public during the financial year under review. One unclaimed deposit of Rs.10,000/- was credited to the Investor Education and Protection Fund on 24<sup>th</sup> October 2008 and there is no pending deposits as on 31<sup>st</sup> March 2009.

### HUMAN RESOURCE MANAGEMENT/INDUSTRIAL RELATIONS

Relations with the employees continued to be cordial throughout the year. The company continues to invest in training, refining its goal setting and performance evaluation process through which employees can share best practices and seek support to drive change and improvement.

### 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 & MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A report on corporate governance is attached to this report and also a management discussion and analysis report .

### DIRECTORS

#### Existing Director

Mr. M C Mohan, Mr. Ramesh Vangal and Mr. S Krishnamurthy, Directors of the company, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.



**Outgoing Director**

Mr. S K Arunkumar and Mr. J H Mehta ceased to be Directors of the company with effect from 31st January 2009 and 30th May 2009 respectively. The Board places on record its appreciation for their contributions to the company during their tenure.

**New Directors**

Mr. A T Jacob has been appointed as an Additional Director, at the Board Meeting held on 31<sup>st</sup> January 2009.

**Alternate Director**

Mr. Anand Subramanian was appointed again as Alternate Director to Ms. Katharin Zimpel Vangal, at the board meeting held on 29<sup>th</sup> September 2008.

**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.

Your company has six subsidiaries as on 31<sup>st</sup> March 2009 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 Natural Medicine Clinic, P.S.	USA	100%
3	Ayurvedic Academy Inc.	USA	100%
4	Ayu Inc.	USA	100%
5	KatraSoft Europe GmbH	Germany	100%*
6	CMS Katra Holdings LLC	USA	80%
7	CMS Katra Nursing LLC	USA	51%**

\* Katrasoft Europe GmbH, Germany, a wholly owned subsidiary of your company, was liquidated on 27<sup>th</sup> March 2009.

\*\* CMS Katra Holdings LLC holds 51% shareholding in CMS Katra Nursing LLC and is a step down subsidiary of your company.

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, at any point of time. 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. A statement pursuant to Section 212 forms part of the annual report.

**AUDITORS**

The term of Auditors, M/s. Maharaj Rajan & Mathew, Chartered Accountants, Cochin, expires at the ensuing Annual General Meeting and they are eligible for re-appointment. The requisite certificate from Auditors, pursuant to Section 224(1B) of the Companies Act, 1956 has been received.

**ACKNOWLEDGEMENTS**

Your Directors wish to place on record their appreciation of the unstinted support and co-operation given by shareholders, customers, bankers and all governmental and statutory agencies. Your Directors would further like to record appreciation of the efforts of every employee for their valuable contribution during the year.

**On behalf of the Board of Directors**

Sd/-

**Ramesh Vangal**  
Chairman

Place: Athani

Date : 1<sup>st</sup> September 2009

**ANNEXURE TO 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, 2009, is given under:

SL No.	Name	Age	Date of joining	Annual Remuneration (in rupees)	Designation	Educational Qualification	Experience in yrs	Previous employment
1	Dr. K Anilkumar	56	06.07.1992	44,10,161	Executive Director	B.A.M	28	NIL
2	Mr. H Sreedhar	46	16.01.2006	33,69,403	President- Katra Healthcare Division	BE (Elec & Comm), MBA	20	L&T Ltd.
3	Ms. Achamma Joseph*	53	01.01.2007	11,02,502	President- Katrashoft Division	M Sc, Dip CSA	26	Ismart Business Solution P Ltd.
4	Mr. Partha Sanyal	40	07.03.2007	31,49,004	Vice President- Strategy, Planning & Business Dev	BE (Met), PGDM, (IIMB)	16	ARI Pvt Ltd.

**Notes:-**

- The above employees are not relative of any Director of the company.
- Remuneration shown above includes Salary, Medical reimbursements, Leave Travel Allowance, Contribution to provided fund and monetary value of perquisites as per income Tax Rules, 1962.
- \* Employed for the part of the year

**ANNEXURE TO DIRECTORS' REPORT**

STATEMENT CONTAINING PARTICULARS PURSUANT TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS REPORT.

**FORM A****DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**

	2008-09	2007-08
A. Power and Fuel Consumption		
1. Electricity		
a. Purchase unit	2,29,541	153,315
Total Amount	Rs. 12.69 lacs	Rs.9.69 lacs
Cost/ Unit	5.53/Unit	6.32/Unit
b. Own generation through Diesel		
Generator Units	4,883	4,525
Unit per / Lr. of diesel oil	1.37	1.50
Cost/unit (Rs.)	Rs.29.13	Rs.23.57
2. Coal	NIL	NIL
3. Furnace Oil		
Quantity (K.Ltr)	221.95	225.30
Total amount (Rs.)	Rs.56.40 lacs	Rs.50.26lacs
Average Rate (Rs./K.Ltr)	25,412	22,309
4. Others/Internal Generation	NIL	NIL
B. Consumption per unit of production :		
The company has 400 heterogeneous products sold in lacs of units. Hence, the per unit consumption is negligible and it is not possible to fix standards for each products.		

**FORM B****DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION****Research and Development (R&D)**

1. Specific areas in which R&D  
Carried out by the company :-

During the year under review, R&D converted 7 of premium kashayams into tablet, without compromising the dosage and efficacy. Company has got approval from the licensing authority for its commercial production. Developed PROSTACT - a new proprietary product for prostatic enlargement. Developed 2 new massage oils for overseas client. Developed the technology for the conversion of oil into creams. Pre-clinical studies conducted at AMALA cancer research centre and established the efficacy of Myaxil capsule, an anti-inflammatory product. Conducted in-house pilot study to evaluate the efficacy of Liposem tablets for Cholesterol. Implemented microbial standards as per USFDA norms in the PRD division. Developed standardization techniques for raw materials and products using latest microscope and UV-SPECTROMETER.

Benefits derived as a result of above R&D :-

CGMP standards were implemented which ultimately helped to increase the efficacy and reduce the cost.

Future plan of action :-

R&D wing is focusing on achieving WHO, USFDA standards to ensure quality products by bringing down heavy metal, microbial and pesticide contamination to permissible limits.

**2. Expenditure on R&D**

a) Capital	Rs. 4,68,518/-
b) Recurring	Rs. 4,70,308/-
c) Total	Rs. 9,38,826/-
d) R&D expenditure as a % of total	0.64 % of Ayurvedic Products Turnover

**Technology absorption, adaptation and innovation:**

During the year, Distilled water plant, Double Cone blender for lubrication of granules in PRD section, a plastic cap sealing machine and Bulk/Tap Density apparatus were installed. Company has imported one UV-Spectrophotometer from Japan for analysis of extracts and products, during this period.

**Foreign Exchange earnings & outgo**

	Current year	Previous year
Earnings	Rs.104.80 lacs	Rs.324.23 lacs
Out go	Rs. 3.15 lacs	Rs.101.36 lacs

Place: Athani  
Date : 1<sup>st</sup> September 2009

For and on behalf of the Board of Directors

Sd/-  
**Ramesh Vangal**  
Chairman