



# KERALA AYURVEDA LIMITED

## 18<sup>th</sup> Annual Report 2009-10



### OUR VISION

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

# Expanding the wellness footprint



New wellness centre at Jammu, J&K



New wellness centre at RT Nagar, Bangalore



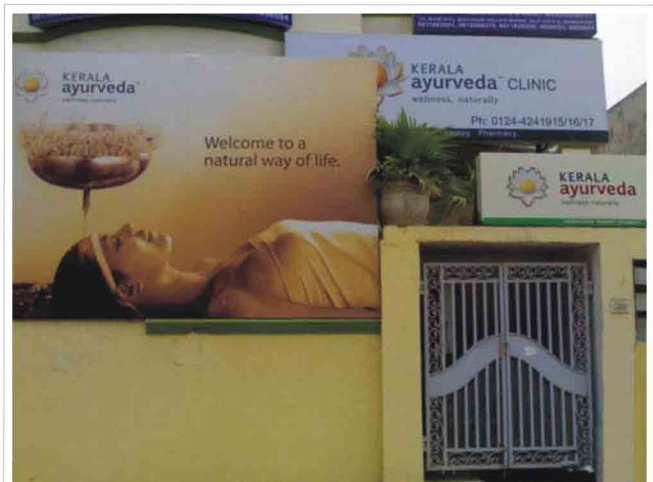
New wellness centre at Edapally, Cochin



New wellness centre at Panjim, GOA



KAL participates as gold sponsors at Global Ayurveda Summit 2010 organised by CII



New wellness centre at Gurgaon, NCR Delhi



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

CHAIRMAN	Mr. Ramesh Vangal
VICE CHAIRMAN	Mr. Ronald George Pearce
EXECUTIVE DIRECTOR	Dr. K Anilkumar
DIRECTORS	Mr. A T Jacob Dr. K Rajagopalan Mr. M C Mohan Mr. S Krishnamurthy Mr. Tarun N Sheth* Ms. Katharin Zimpel Vangal Mr. Anand Subramanian (Alternate to Ms. Katharin Zimpel Vangal) *Mr.Tarun N Sheth vacated office due to his demise on 18/07/10
COMPANY SECRETARY	Mr. Jaison Thomas
REGISTERED OFFICE & FACTORY	VII/415, Nedumbassery, Athani P.O, Aluva-683 585, Kerala, India. Email: info@keralaayurveda.biz Website: www.keralaayurveda.biz
CORPORATE OFFICE	No.1134, 1st Floor, 100 Feet Road, HAL 2 <sup>nd</sup> Stage, Indiranagar, Bangalore - 560 008.
AUDITORS	M/s. Maharaj Rajan & Mathew, Chartered Accountants, Pratheeksha Buildings, S. N. Junction, Palarivattom, Cochin 682 025.
BANKERS	AXIS Bank Ltd., Bangalore.
REGISTRAR & TRANSFER AGENTS	M/s. Integrated Enterprises (I) Ltd. Seema, 41/427, Rajaji Road, Ernakulam - 682 035.

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## CHAIRMAN'S STATEMENT

Dear Shareholders,

The year 2009-10 was a year of turnaround for your company's business. Our continued focus on operational performance and improvement in revenues, while continuing to make significant investments in product research and purity, have yielded positive results. The company has successfully implemented an organisational restructuring, which has resulted in streamlining systems, improved productivity and rationalized cost structure. With the increasing acceptance of health and wellness around the world, your company is poised for growth and the various initiatives that are underway will provide our customers with better products and services.



**Ramesh Vangal**

Your company's Vision – "*Delighting consumers with globally admired Ayurveda products and services that deliver Wellness, naturally*" – has been pervasive amongst all stakeholders. The Company's vision has ensured that we drive our goals and objectives in making strategic choices which are leading to innovation and achieving sustainable business and financial goals.

Your company has embarked upon a path-breaking, first-of-its-kind initiative to ensure scientific validation of the efficacy of its proprietary ayurvedic products, which are comparable to quality and efficacy benchmarks of new age medicine. These initiatives, involving technologies hitherto not applied to ayurveda, have resulted in a slew of opportunities that generate significant Intellectual Property and accrue value to your company. These efforts will set standards for the ayurveda industry at large and access market segments, hitherto untapped.

The company launched a Local Cluster Model ('LCM') and a unique Doctor Partnership model ('KALPAM') with promising results to augment business growth. In addition, the measures implemented to reduce and rationalize costs are reflected in all round reduction in various expenditure heads, without compromising growth. During the financial year under review, although the prices of input raw materials increased, the company has mitigated this through improving efficiency on purchasing and manufacturing.

We have also taken some tough decisions by rationalizing some of the loss making operations in USA and invested behind profitable operations. The business model for our academy and clinics were restructured and in our domestic nursing operations in USA, we have retained only the profitable business segments. This has ensured that the losses in our USA business are stemmed and significantly minimized. Your company has successfully partnered with alternate medicine clinics in the US to promote Ayurvedic concepts and treatments and by providing comprehensive and authentic courses on Ayurveda to impart knowledge to medicine practitioners, resulting in your company becoming one of the foremost Ayurvedic academies in the USA.

We are cautiously optimistic about the prospects for the coming year and we are in the process of mitigating the continued inflationary increase on input prices, without sacrificing business growth. Your company will embark on various initiatives both in India and overseas, to promote its range of products, which in the long run will help the company to reach out customers who are looking for authentic Ayurvedic remedies.

I can assure the shareholders that we will continue with our efforts to innovate, control costs and improve productivity and business performance. It is essential that all stakeholders in the Ayurveda industry, including suppliers, distribution partners and Government, work together to promote Ayurveda, which is India's heritage and offering to the world.

Members can join me in thanking all stakeholders, including our suppliers, customers, bankers and every member of the staff and management for their continued support and enthusiasm in our journey to take Ayurveda to the world.

Bangalore

21<sup>st</sup> August 2010

Ramesh Vangal

Chairman

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 18<sup>th</sup> Annual General Meeting of the Members of Kerala Ayurveda Ltd. will be held on Thursday the 30<sup>th</sup> September 2010 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, 2010 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 re-appointment.
- 3.To appoint a Director in place of Dr. K Rajagopalan, who retires by rotation and being eligible, offers himself for reappointment.
- 4.To appoint a Director in place of Ms. Katharin Zimpel Vangal, who retires by rotation and being eligible, offers herself for re-appointment.
- 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.

Place: Athani

Date : 26/08/2010

**By order of the Board of Directors**

**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.
- b) 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.
- c) The relevant details as required by Clause 49 of the Listing Agreement entered into with Stock Exchanges, of persons seeking re-appointment as Directors under item Nos. 2, 3 & 4 above are annexed hereto.
- d) The Register of Members and Share Transfer Books will remain closed from 25<sup>th</sup> to 30<sup>th</sup> September 2010 (both days inclusive).
- e) 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 and quote 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 their address to 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 Ltd, Nedumbassery, Athani P.O., Aluva-683585 so as to reach it latest by 27<sup>th</sup> September, 2010.
- c) A proxy form and attendance slip is attached herewith. 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.
- d) The registration at AGM venue shall be open only upto the time AGM starts. Shareholders are requested to be present before AGM time.

**By order of the Board of Directors**

Place : Athani

Date : 26/08/2010

**Jaison Thomas**  
Company Secretary

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

<b>Mr. Ronald George Pearce</b>	: <b>Vice-Chairman/ Independent Director</b>
Date of birth	: 26 <sup>th</sup> June 1942
Expertise in specific functional areas	: Over 42 years of vast working experience in 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. He has also 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 <sup>th</sup> 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
Membership in sub committee of the Board	: NIL
<b>Dr. K Rajagopalan</b>	: <b>Non-Executive/ Independent Director</b>
Date of birth	: 17 <sup>th</sup> November 1932
Expertise in specific functional areas	: Brihatrayee Ratna & Padmashree Dr. K Rajagopalan is well known for this scholastic contribution to Ayurveda as an Educationalist, Researcher and Medical Practitioner. He started his professional career as Chief Physician in 1961 and he at present serves as Chief Consultant and Research Advisor to a number of prominent Health Institutions such as Kottakkal Arya Vaidya Sala and Amala Cancer Research Institute, Thrissur. In 2009, he was honoured with ASHTANGA RATNAM award of Government of Kerala.
Date of appointment	: 17 <sup>th</sup> June 1994
Qualifications	: MBBS, DAM
Directorship held in other companies (excluding foreign companies)	: NIL
Membership in sub committees of the Board	: Audit Committee and Shareholders/ Investors Grievances Committee and Corporate Governance Committee
Shareholding in the Company	: NIL
<b>Ms. Katharin Zimpel Vangal</b>	: <b>Non-Executive/ Promoter Director</b>
Date of Birth	: 27 <sup>th</sup> June 1973
Expertise in specific Functional Areas	: Co-Founder of the Katra Group and spouse of Mr. RameshVangal, 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 <sup>th</sup> 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 Holding Pvt Ltd.
Membership in sub committees of the Board	: Audit Committee, Shareholders/ Investors Grievances Committee and Corporate Governance Committee
Shareholding in the Company	: NIL

**By order of the Board of Directors**

Place: Athani  
Date : 26/08/2010

**Jaison Thomas**  
Company Secretary

## DIRECTORS' REPORT

Your Directors have pleasure in presenting the 18<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, 2010.

### FINANCIAL RESULTS

The Annual results of the company for the financial year ended 31<sup>st</sup> March 2010 as compared with the previous years are summarized below:

(Rupees in Lacs)

Particulars	Standalone		Consolidated	
	2009-10	2008-09	2009-10	2008-09
Gross Income	2106.35	1 898.83	3364.89	4552.06
Less: VAT & Excise Duty	81.05	100.36	81.05	100.36
Net Income from Sales/Services	2025.30	1798.47	3283.84	4451.70
Other Operational Income	23.16	30.00	46.13	46.02
<b>TOTAL Income</b>	<b>2048.46</b>	<b>1828.47</b>	<b>3329.97</b>	<b>4497.72</b>
Profit before Interest, Depreciation & Tax (EBITDA)	<b>83.57</b>	<b>(172.95)</b>	<b>90.32</b>	<b>(754.27)</b>
Other Income	1.07	0.79	1.07	0.79
Finance Charges	148.58	210.69	232.60	356.37
Depreciation & Amortisation	255.04	261.69	367.60	374.87
Profit/(Loss) before exceptional items	(318.98)	(644.54)	(508.81)	(1484.72)
Exceptional Items	103.33	140.55	103.33	169.06
Profit/Loss Before Tax	(215.65)	(503.99)	(405.48)	(1315.66)
Provision for Deferred Tax Asset	52.46	115.07	32.28	111.38
Provision for FBT & MAT	0	(5.74)	3.61	(8.22)
Net Profit/(Loss)	(163.19)	(394.66)	(369.58)	(1212.50)
Minority Interest in Profit			10.80	1.64
<b>Net Consolidated Profit/(Loss)</b>	<b>(163.19)</b>	<b>(394.66)</b>	<b>(380.38)</b>	<b>(1214.14)</b>
Balance brought forward from previous year	(1085.44)	(690.78)	(2630.35)	(1266.36)
Forex Fluctuations			145.02	(149.85)
Appropriations	NIL	NIL	NIL	NIL
Balance Carried to the Balance Sheet	(1248.64)	(1085.44)	(2865.71)	(2630.35)

### PERFORMANCE ANALYSIS

During the financial year under review, the total revenue of the company increased to ` 2048 Lacs from ` 1828 Lacs in the corresponding previous financial year, registering a growth rate of 12%. The total revenue including its subsidiaries on a consolidated basis for the year is ` 3330 Lacs against ` 4498, and the drop is mainly on account of restructuring of operations of KAL US entities in order to stem the losses.

The operational results for the financial year ended with a net loss of ` 163.19 lacs as against a net loss of ` 394.66 lacs in the previous year, with a marked improvement in EBITDA. The results on standalone basis and consolidated basis have become EBITDA positive during the year. EBITDA on standalone basis registered an improvement of ` 257 lacs as compared to previous year, which in the current year stands at ` 84 lacs profit and on consolidated basis registered improvement of ` 844.59 Lacs as compared to previous year and now stands at ` 90 lacs profit.

### 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

The financial year under review was a remarkable year for your company in terms of business development as it has opened new franchise wellness centers at Goa, Bangalore (R T Nagar) & Jammu and restructured its business model by creating partnership with Doctors in India and USA.

Your Company has also rationalized organization system to improve productivity and reduce the overheads and these efforts contributed significant reduction of 24% in overheads during the year.

The company's non-productive assets located at Poolani, Kerala and Puttaparthi were disposed off in order to channelise the funds required for the business and the term loans were fully repaid during the year and thus substantial savings in interest cost was achieved.

Your Company has invested behind establishing purity of the ingredient supply chain, which ensures standardization, product integrity and consistency. KAL has invested during the year aggressively on research, aimed at establishing scientific validation for proprietary Ayurvedic formulations and plan to continue the investments on research in FY 2010-11. The research consultancy income has improved from ` 122 lacs to ` 458 lacs, showing an increase of ` 336 lacs.

## PERFORMANCE OF SUBSIDIARIES

### Indian Subsidiary

During the year under review, M/s. AyurvedaGram Heritage Wellness Centre Pvt. Ltd. has achieved a turnover of ` 366 Lacs against a turnover of ` 345 Lacs in the previous financial year. The Net profit of the company, after providing for tax has increased substantially to ` 46.27 Lacs from ` 6.30 Lacs in the previous year, mainly due to cost control measures, despite the global meltdown and travel advisory warnings issued by western countries including USA.

### Overseas Subsidiaries

The combined turnover of overseas subsidiaries was ` 984.85 Lacs as compared to ` 2426.67 Lacs in the previous year, registering a downslide of 59% during the year. Operations of the US Ayu subsidiaries namely Ayurvedic Academy Inc, Ayu Natural Medicine Clinic PS and Ayu Inc, have stabilized after restructuring and has shown improvement by reducing the losses considerably. The nursing business under CMS Katra Nursing LLC was severely impacted due to visa retrogression and consequently nurse domestic staffing business was temporarily suspended since unviable.

## CORPORATE SOCIAL RESPONSIBILITY

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

- Conducted free Ayurveda Health Check-up Camps in Kerala at Eloor, Nedumbassery and Palarivattom.
- Free medicines supplied to Old Age Home and other charitable institutions in Kerala.
- Company in participation with Union of Residents Association of Aluva propagated the concept of AYURAROGYAM to general public at Aluva.
- Conducted free Medical campaigns at Aluva on Climate Disease Management and Swine Flu Awareness.
- Conducted diabetic camp at our Aluva Hospital and conducted medical camps in association with DYFI at Chendamangalam and with KCYM at Njarackal.
- Free Yoga Training sessions conducted at Nedumbassery and Kakkanad.

## DIRECTORS' RESPONSIBILITY STATEMENT

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

- a) In the preparation of the Annual Accounts for the year ended 31<sup>st</sup> March 2010, 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 2010 and of the profit or loss of the company for the year ended 31<sup>st</sup> March 2010.
- 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

In terms of the provisions of Sec.58A, the company has not accepted any deposits from the public during the financial year under review.



## HUMAN RESOURCE MANAGEMENT/INDUSTRIAL RELATIONS

Your company had always been committed to maintain healthy, cordial and harmonious industrial relations at all levels. The work environment of the company is constantly being upgraded and training has been conducted for employees, focusing on individual growth. Labor relations continued to be cordial throughout the year and industrial relations were 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 & MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Your company has complied with corporate governance norms as stipulated under Listing Agreement entered with Stock Exchanges. A detailed report on Corporate Governance in line with requirements of clause 49 of the Listing Agreement and also the Management Discussion and Analysis report are attached to this report. A certificate from statutory auditors confirming the compliance of governance is attached to corporate governance report.

## DIRECTORS

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

Mr. Tarun N Sheth, Independent Director, vacated the office on 18/07/2010 due to his demise. He has contributed immensely for the growth of the company. The Board places on record its appreciation for the valuable services rendered by him and for the wholehearted support & advice given to the company during his tenure.

## 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 seven subsidiaries including one step down subsidiary as on 31<sup>st</sup> March 2010 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	Nutraveda Pte Ltd.	Singapore	100%
6	CMS Katra Holdings LLC	USA	81.67%
7	CMS Katra Nursing LLC*	USA	51%

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

The Annual Reports of the subsidiary companies are not annexed pursuant to the exemption order under sec. 212(8) of Companies Act, 1956, granted by the Central Government. However, summarized financial statement of all subsidiaries in accordance with said Government approval, forms part of this annual report. Copy of annual accounts of the subsidiary companies and other related information shall be made available to the members who seek such information, at any point of time. The annual accounts of subsidiary companies are kept at the registered office of the company and at the subsidiaries concerned, for inspection of the members.

**AUDITORS**

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

**ACKNOWLEDGEMENTS**

The Board of Directors places on record its gratitude to shareholders, customers, bankers and all governmental and statutory agencies, which had extended unstinted support and co-operation to the company during the year. Your Directors would further like to record appreciation of the efforts of every employee for their valuable contribution to the company.

**On behalf of the Board of Directors**

Place: Bangalore  
Date : 21/08/2010

**Ramesh Vangal**  
Chairman

**ANNEXURE TO DIRECTORS' REPORT**

The details as required under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, is given under:

SL	Name	Age	Date of joining	Annual Remuneration (in Rupees)	Designation	Educational Qualification	Experience in yrs	Previous employment
1	Dr. K Anilkumar	57	06/07/1992	3,412,999	Executive Director	B.A.M	29	NIL
2	Mr. Partha Sanyal	41	07/03/2007	2,770,004	Vice President-Strategy, Planning & Business Dev.	BE(Met), PGDM (IIMB)	17	ARI Pvt Ltd.
3	Mr. H Sreedhar *	47	16/01/2006	2,329,993	President-Katra Healthcare Div	BE, MBA	21	L&T Ltd

Notes:

The above employees are not relative of any Directors of the company.

Remuneration shown above includes Salary, Medical reimbursements, Leave Travel Allowance, Contribution to provident fund & 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.

	2009-10	2008-09
A. Power and Fuel Consumption		
1. Electricity		
a. Purchase unit	190,692	229,541
Total Amount	` 9.57 lacs	` 12.69 lacs
Cost/ Unit	` 5.01/Unit	` 5.53/Unit
b. Own generation through Diesel		
Generator Units	4,553	4,883
Unit/Ltr. of diesel oil	1.36	1.37
Cost/unit ( ` )	` 30.88	` 29.13
2. Coal	NIL	NIL
3. Furnace Oil Quantity (K.Ltr)	186.31	221.95
Total amount ( ` )	` 47.28 lacs	` 56.40 lacs
Average Rate ( ` /K.Ltr)	` 25,377	` 25,412
4. Others/Internal Generation	NIL	NIL
B. Consumption per unit of production:		

The company has about 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.