



EVOLVING AYURVEDA  SINCE 1945

Kerala Ayurveda Limited

19th Annual Report 2010-11

Our Vision

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



AyurvedaGram is now Frost & Sullivan's
Integrated Wellness Services Provider
Company of the Year, 2010.

Academy | Products | Clinics | Hospitals | Resorts | Services





Dr. K.S. Sabha of VPSV Ayurveda College Kottakkal, receiving the Gaveshakuntra award 2010 from Dr. C.K. Ramachandran, Retd. Principal, Medical College, Kozhikode.



Dr. PK. Jayadevan, Professor, VPSV Ayurveda College Kottakkal, receiving the Acharyaratna award from Mr. Ramesh Vengal, Chairman, Kerala Ayurveda Ltd.



Participation of Kerala Ayurveda Ltd in the 4th World Ayurveda Congress at Bangalore as a sponsor. View of KAL stall at the event.



Kerala Ayurveda Stall at Natural Product Expo West 2011 - Anaheim USA



Dr. K. Arivikumar and team of AyurvedaGlam Heritage Wellness Centre receiving the award "Frost & Sullivan Best Integrated Wellness Service Provider-2010 for excellence in healthcare Services".



Mr. Ramesh Vengal, Chairman, signing the MOU with Bharosa Hindu University, Kerala.



Dr. K. Arivikumar receiving the 'Outstanding Entrepreneurship Award' instituted by KSIDC from Sri. Gopin Chandu, Chief Minister, Kerala.

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 Ms. Katharin Zimpel Vangal Mr. Anand Subramanian (Alternate to Ms. Katharin Zimpel Vangal)
COMPANY SECRETARY	Mr. K Raghunadhan
REGISTERED OFFICE & FACTORY	VII/415, Nedumbassery, Athani P.O, Aluva-683 585, Kerala, India. info@keralaayurveda.biz www.keralaayurveda.biz
CORPORATE OFFICE	No.1134, 1st Floor, 100 Feet Road, HAL 2 nd Stage, Indiranagar, Bangalore - 560 008.
AUDITORS	M/s. Maharaj Rajan & Mathew, Chartered Accountants, Alummootil Flats, Opp. Global Tyres, Palarivattom Kochi - 682 025.
BANKERS	AXIS Bank Ltd., Bangalore.
REGISTRAR & TRANSFER AGENTS	M/s. Integrated Enterprises (I) Ltd. Kences Towers 2nd Floor, No.1 Ramakrishna Street, Off North Usman Road, T Nagar, Chennai - 600 017. Ph: 044-28140801-03 Fax : 044-28142479 corpserv@iepindia.com

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CHAIRMAN'S STATEMENT

Dear Shareholders,

Ayurveda is a great global opportunity. There is a general tendency to hold back as there is a perception that Ayurveda is unscientific, irrational and unsafe. Our efforts have been to unlock the wisdom of Ayurveda through scientific validation that meets the exacting standards of regulatory bodies such as the US FDA and the European Union.

As you are aware, your company's Research & Development is intent on creating Wellness claims that deliver Intellectual Property, which in turn leads to partnering with marketing expertise to commercialization of the products and services.

We have pioneered the integration of cutting edge research and scientific validation to establish safety and efficacy of our Ayurvedic compositions. The objective evaluation of Ayurvedic compositions by employing globally venerated scientific processes appeals to the intensely rational generation that calls for unequivocal evidence of anecdotal wisdom.

This year witnessed a consolidation of the company's efforts to align an Integrated Research Platform that delivers value to our products and services. The core principles that will define our business will be to deliver Innovative products that are Pure, Safe and Effective.

Our association with Banaras Hindu University ('BHU'), an establishment of respect and international repute and one of the oldest university in India, to conduct collaborative research is a significant step towards establishing clinical proof of therapeutic efficacy. The clinical studies administered on our Ayurvedic compositions, using protocols and methods for ensuring scientific rigor and credibility, will lead to significant value addition in positioning of these products in markets, both in India and overseas.

Innovation in product development delivers an opportunity to reach consumers across multiple touch points. With an ability to derive active compositions from Ayurvedic wisdom substantiated with science, the logical next step is to develop products across different formats such as foods, beverages, water and lifestyle. The Joint Venture with Tata Global Beverages Ltd (earlier known as Tata Tea Ltd) endeavors to create products that are 'great tasting' and which can be marketed across various geographies.

Kerala Ayurveda's subsidiary, AyurvedaGram Heritage Wellness Centre, received the Best Practices Award from Frost & Sullivan as the "Wellness Service Provider Company of the year". The award of "Wellness Service Provider Company of the year" is a testimony of the company's vision to furthering the acceptance of alternative medicine, like ayurveda, worldwide, by providing products and services that are authentic, pure and meet global standards.

I am confident that your company's continuous initiatives and efforts will yield desired results for achieving the required goals of higher growth and to meet the expectations of all the stakeholders.

I express my sincere thanks to all the stakeholders including the Bankers, Employees, Distributors, Suppliers and importantly, our loyal shareholders for their unstinted support and relentless cooperation.



Bangalore
August 31, 2011

Ramesh Vangal
Chairman

Go Green Today!

As a responsible corporate citizen, the Company welcomes and supports the 'Green Initiative' taken by the Ministry of Corporate Affairs, enabling the Company to effect electronic delivery of documents. The above initiative will go a long way in conserving paper which is a natural resource as also result in substantial savings on printing and posting of annual reports and other documents of your Company sent to shareholders. Members are requested to support this green initiative by updating their email addresses with the respective Depository Participants, in case of electronic shareholding; or registering their email addresses with the Company's Registrar and Transfer Agents, in case of physical shareholding. Join this cause and make the world a cleaner, greener and healthier place to live.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the nineteenth Annual General Meeting of the Members of Kerala Ayurveda Ltd. will be held on Wednesday, the 28th September 2011 at 3.00 P.M. at Green Park Auditorium, N.H. 47, Desom, Aluva-683103, 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, 2011 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. A T Jacob, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. S Krishnamurthy, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. M C Mohan, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s. Maharaj Rajan & Mathew, Chartered Accountants, Kochi, 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: Bangalore
Date : 12th August 2011

By order of the Board of Directors

K.Raghunadhan
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 as per the format attached herewith 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 re-appointment as Directors under item Nos. 2, 3 & 4 above are annexed hereto.
- c) The Register of Members and Share Transfer Books will remain closed from 22nd September 2011 to 28th September 2011 (both days inclusive).

Members are requested to send their correspondence/queries to the Share Transfer Agents, M/s. Integrated Enterprises (India) Ltd. having office at Kences Towers, 2nd Floor, No.1 Ramakrishna Street, Off North Usman Road, T Nagar, Chennai 600017, Ph: 044-28140801-03 Fax : 044-28142479, E-mail : corpseiv@leplndia.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 25th September, 2011.
- c) The form of attendance slip is attached with this notice. 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 strictly open only upto the time AGM starts. Shareholders are requested to be present before AGM time. As per recent MCA guidelines no free medicine/gift will be distributed at the AGM.
- e) Details of the Directors seeking re-appointment in the ensuing Annual General Meeting, to be furnished as per Clause 49 of the Listing Agreement

Mr. A. T. Jacob	Non Executive/Promoter Director
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 Joining the Board	31 st 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, Global Agrisystem Pvt Ltd, Ayurvedagram heritage Wellness Centre Pvt Ltd, Asha Medical Foundation Pvt Ltd.
Membership in sub committees of the Board	Audit Committee, Share Transfer Committee
Shareholding in the company	NIL
Mr. S Krishnamurthy	Non Executive/Independent Director
Date of Joining the Board	2 nd September 2006.
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.
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, Shriram EPC Ltd,
Membership in sub committees of the Board	Remuneration Committee, Audit Committee.
Shareholding in the company	NIL
Mr. M C Mohan	Non Executive /Independent Director
Date of joining the Board	2 nd September 2006
Expertise in specific Functional Areas	M.C. Mohan started his carrier with Procter & Gamble and had a memorable 28 years stint at P&G across 3 continents, including setting up manufacturing and business operations, building business on new brands, responsible for diversified P& G products and also being the Global Team Leader for recruiting talents in Europe. He was the former GM, UK & Ireland, Findus Ltd. Presently M.C. Mohan is the Executive - in-residence at the London School of Business & Management and also acts as coach for several CEOs in UK and India.
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
Membership in sub committees of the Board	Audit Committee
Shareholding in the company	NIL

Place: Bangalore

Date: 12th August 2011

By order of the Board of Directors

K. Raghunadhan
Company Secretary

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 19th Annual Report on the business and operations of the company together with the Audited accounts for the financial year ended 31st March, 2011.

FINANCIAL RESULTS

The Annual results of the company for the financial year ended 31st March 2011 as compared with the previous years are summarized below:

(₹ in Lacs)

GROSS INCOME	Standalone		Consolidated	
	2010-11	2009-10	2010-11	2009-10
Gross Income	2068.49	2106.35	2705.86	3364.89
Less: VAT & Excise Duty	96.73	81.05	96.73	81.05
Net Income from Sales/Services	1971.76	2025.30	2609.13	3283.84
Other Operational Income	22.17	23.16	44.57	46.13
TOTAL Income	1993.93	2048.46	2653.70	3329.97
Profit before Interest, Depreciation & Tax (EBITDA)	59.81	83.57	(121.02)	90.32
Other Income	1.40	1.07	1.40	1.07
Finance Charges	74.69	148.58	115.81	232.60
Depreciation & Amortisation	221.63	255.04	330.40	367.60
Profit/(Loss) before exceptional items	(235.11)	(318.98)	(565.83)	(508.81)
Exceptional Items	435.16	103.33	435.16	103.33
Profit/ (Loss) Before Tax	200.05	(215.65)	111.37	(405.48)
Provision for Deferred Tax Asset	58.85	52.46	(130.67)	32.28
Provision for MAT	0	0	0.19	(3.61)
Net Profit/(Loss)	141.20	(163.19)	(193.93)	(369.59)
Minority Interest in Profit			2.37	10.80
Net Consolidated Profit/(Loss)	141.20	(163.19)	(196.30)	(380.38)
Balance brought forward from previous year	(1248.64)	(1085.44)	(2865.71)	(2630.35)
Forex Fluctuations			(29.34)	145.02
Appropriations	NIL	NIL	NIL	NIL
Balance Carried to the Balance Sheet	(1107.44)	(1248.63)	(3091.36)	(2865.71)

PERFORMANCE ANALYSIS

During the financial year under review, the total revenue of the company decreased marginally to ₹1994 Lacs from ₹ 2048 Lacs in the corresponding previous financial year. The total revenue including its subsidiaries on a consolidated basis for the year is ₹ 2654 Lacs against ₹ 3330 Lacs, 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 profit of ₹. 141.20 Lacs as against a net loss of ₹.163.19 Lacs in the previous year, with a marked improvement in EBITDA.

DIVIDEND

In view of the accumulated losses in the past, your Directors are not in a position to recommend any dividend for the current year.

BUSINESS REVIEW

Your company entered into a Memorandum of Understanding with Tata Global Beverages Limited, with the intention of exploring the formation of a joint venture for focusing on development of a range of Beverages and Food Products based on proven Ayurvedic recipes, actives and formulations for the Global market where there is worldwide recognition of the benefits of Ayurveda for good health and wellness.

Your company entered into a memorandum of Understanding with Banaras Hindu University (BHU), a reputed university. Under the proposed arrangement, faculty of Ayurveda, Institute of Medical Sciences, BHU will collaborate with KAL to undertake research and development in areas like geriatric care, cancer, anemia, metabolic diseases, including diabetes and epidemic prevention under a PPP model.

During the year, in order to channelize funds as required for the business, the company has disposed off certain idle and non-productive assets located at Poolani, Kerala and Thally and also the rights of part of the software projects.

The above steps taken by the company are expected to improve the growth of the company in future years.

Your company has launched new products like Glymin Drink, K M Lepam, Liposem Arishtam and received manufacturing licenses for 14 new PRD Products from the Drug Control Authority. Modern packaging was adopted for a few of the products with an aim to improve product visibility and retain medicine potency.

In order to enhance the research skills of Phd students, your company invited thesis paper from Phd students across India and evaluated the same with eminent panel of Ayurveda experts and awarded the Best Thesis award "Gaveshak Ratna" to the student and "Acharya Ratna" to the guide, along with cash prize of ₹. 2,00,000 and ₹. 50,000 respectively. Your company had actively participated in the 4th World Ayurveda Congress held at Bangalore as one of the sponsors and had a stall at the event to exhibit the range of products and services offered by your company which was well received by the public. Papers were also presented during the congress by our research scholars.

PERFORMANCE OF SUBSIDIARIES

Indian Subsidiary

During the year under review, M/s. AyurvedaGram Heritage Wellness Centre Pvt. Ltd. has achieved a turnover of ₹. 345 Lacs against a turnover of ₹.365 Lacs in the previous financial year. The Net profit of the company, after providing for tax has decreased to ₹.9.13 Lacs from ₹.33.17 Lacs in the previous year, mainly due to increased costs. Ayurvedagram has won the prestigious Frost & Sullivan award "Integrated Wellness Service Provider Company for the year 2010" as a recognition for our commitment to wellness.

Overseas Subsidiaries

The combined turnover of overseas subsidiaries was ₹.382.36 Lacs as compared to ₹.984.65 Lacs in the previous 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 led to reduction in losses considerably. Web presence of Kerala ayurveda academy in USA has tremendously grown due to initiatives taken to build likeminded community on the web around Facebook and Twitter. The company has integrated Moodle e-learning platform with our website and thereby improved the reach and scalability of the academy.

The nursing business under CMS Kutra Nursing LLC continues to be impacted due to visa retrogression and consequently nurse domestic staffing business remained temporarily suspended.

CORPORATE SOCIAL RESPONSIBILITY

Your company always had a deep sense of responsibility towards the community. Company conducted medical camps and free medical check ups at various places.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- In the preparation of the Annual Accounts for the year ended 31st March 2011, the applicable accounting standards had been followed along with proper explanations and there were no material departures.
- The Directors had selected such accounting policies and applied them consistently and made 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 2011 and of the profit or loss of the company for the year ended 31st March 2011.
- 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.
- 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 and there are no outstanding fixed deposits from the public as on 31st March 2011.

HUMAN RESOURCE MANAGEMENT/INDUSTRIAL RELATIONS

KAL continued its effort to strengthen the human resource system, realizing the fact that human resource is the key factor of future growth strategy. Company focuses to upgrade skills of human resources and boost their motivation levels so as to achieve organization excellence and to enhance their contributions to meet company's goals. We remain dedicated to maintain a workplace that respect and values people from diverse backgrounds and facilitates all employees to do their very best. During the year your company concluded 3 year long term wage settlement with its employees.

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

There are no employees coming under the purview of Sec 217(2A) of the Companies Act 1956 read with the rules made there under.

CORPORATE GOVERNANCE

Your company has complied with corporate governance norms as stipulated by Listing Agreement entered into with Stock Exchanges. A detailed report on Corporate Governance in line with requirements of clause 49 of the Listing Agreement and a certificate of statutory auditors confirming the compliance of Corporate Governance are attached to this report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A detailed review of operations, performance and future outlook of your company and its businesses is given in the Management Discussion and Analysis, which forms part of this report.

DIRECTORS

Mr. A T Jacob, Mr. S Krishnamurthy and Mr. M C Mohan, Directors of the company retire by rotation at ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

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 on 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 31st March 2011 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 company through its WOS, Ayu Inc has entered into an agreement with Jo Management LLC to acquire 49% stake in CMS Katra Nursing LLC and the same is expected to be completed in the current financial year.

The Annual Reports of the subsidiary companies are not annexed pursuant to the general exemption 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, Kochi, expires at ensuing Annual General Meeting and they are eligible for re-appointment. The Audit Committee has recommended their reappointment. The requisite certificate from Auditors, pursuant to Section 224(1B) of the Companies Act, 1956 has been received. Your directors recommend their re-appointment for the ensuing financial year.

ACKNOWLEDGEMENTS

The Board of Directors place 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 : 12/08/2011

Ramesh Vargal

Chairman

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.

	2010-11	2009-10
A. Power and Fuel Consumption		
1. Electricity		
a. Purchase units	1,89,258	1,90,692
Total Amount	₹10.37 lacs	₹ 9.57 lacs
Cost/ Unit	₹5.47/Unit	₹ 5.01/Unit
b. Own generation through Diesel		
Generator Units	7,806	4,553
Unit/Ltr. of diesel	2.63	1.36
Cost/unit (₹)	15.31	30.88
2. Coal	NIL	NIL
3. Furnace Oil		
Quantity (K.Ltr)	200.21	186.31
Total amount	₹69.00 Lacs	₹47.28 lacs
Average Rate (₹/K.Ltr)	₹34,463	₹25,377
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.

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

1. Specific areas in which R&D : Product development, Process Development and
Carried out by the company Quality improvement