

Kerala Ayurveda Limited

20th Annual
Report 2011-12

Herbarium Sheet: *Tinospora Cordifolia*

Tinospora Cordifolia (WSD) Miex, is one of the most versatile rejuvenative herbs. It is commonly referred as *Guduchi* in Sanskrit meaning 'the one, which protects the body'. It is also called as *Amruta* or nectar, as it is extremely useful in strengthening the immune system and keeping the functions of various organs in harmony. *Guduchi* is now extensively researched by KAL for its anti-diabetic, anti-oxidant and immuno-modulatory activities. It is one of the ingredients of our Glymin formulation, which is found to be effective in management of diabetes.

OUR VISION

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



AyurvedaGram is now Frost & Sullivan Wellness Services Provider Company of the Year, 2010 & 2011

Kerala Ayurveda Limited opens Panchakarma Treatment Centre & Pharmacy Shop at SS Hospital (BHU) Varanasi, as part of the Public-Private Partnership with Banaras Hindu University



Government of Kerala organized Global Ayurveda Festival 2012 and Arogya Expo. Your Company Actively participated in the same



Launch of KARE (Kerala Ayurveda Research & Education) Foundation and held Intellectual Conclave at Kochi



Ayurvedagram receiving the best "Wellness Services Provider Company of the year 2011" Award

KAL Herbal Garden participated in Musiris Heritage Tourism Festival at Parur



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
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CORPORATE OFFICE	No.1134, 1st Floor, 100 Feet Road, HAL 2 nd Stage, Indiranagar, Bangalore - 560 008.
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AUDITORS	M/s. Maharaj Rajan & Mathew, Chartered Accountants, 32/2431, Kunnath Lane, S.N. Junction Palarivattom, Kochi - 682 025
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BANKERS	AXIS Bank Ltd.
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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@ieplindia.com
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CHAIRMAN'S STATEMENT

Dear Shareholders,

The world is on an ongoing quest to identify alternate systems of medicine that are Safe, Effective and most importantly, Sustainable. India will play a pivotal role in providing sustainable alternatives to rising global wellness aspirations.

Ayurveda's heritage endears to the wellness seeker as a credible alternative. However, widespread acceptance of Ayurveda faces several obstacles. Significant lack of differentiation, standardization and clear evidence of safety hinder the widespread acceptance of Ayurveda globally. Recognizing these challenges and pursuing the opportunities that arise from positioning of Ayurveda as a pure, safe and effective alternative system, your company has taken up pioneering work in the areas of Chemistry and Biology through various Research initiatives.

The Global Research team comprising Renovel Discoveries, USA, Asthagiri Herbal Research Foundation, Chennai and Katra Phytochem work closely with Kerala Ayurveda Limited in a synergistic manner to deliver remarkable value to place our Ayurvedic formulations and be benchmarked with pharma ingredients. Our work over the past couple of years have borne fruit with a portfolio of proprietary Ayurvedic formulations being put through the rigors of modern scientific validation. Clinical studies are also initiated with Banaras Hindu University. The WHO had envisioned that such studies are critical to validate the scientific basis for Traditional therapies. Our endeavor is to unequivocally demonstrate Purity, Safety and Clinical Efficacy and create a robust pipeline of products that are differentiated, pure, safe and have scientific substantiation of efficacy.

Our association with Tata Global Beverages Ltd has reached a significant milestone, with specific compositions being identified for development into beverages and which are expected to be launched in the market by TGBL.

Our excellence in Healthcare Services earned us the prestigious "Wellness Service Provider of the Year 2011" Award by Alexandria - Frost & Sullivan for the second consecutive year for Ayurvedagram.

In a path-breaking effort, Kerala Ayurveda Academy, USA launched its Ayurveda courses as an e-content, available on the web. This course is compliant with WHO guidelines and has the honor of being accredited by Banaras Hindu University.

The growing network of Alumni from Kerala Ayurveda Academy provides the perfect basis to propagate and enhance the reach of our products. The scientific validation for our products is a key differentiator in the global market.

We are confident that our endeavors will yield enhanced value to all our stakeholders and contribute to our responsibility in the growth of Ayurveda as a global brand.

I, on behalf of all of you, sincerely thank all the stakeholders, including our suppliers, customers, bankers and every member of the staff and management for their continuous support and enthusiasm in our journey to take Ayurveda to the world.



Aluva
14th August, 2012

Ramesh Vangal
Chairman

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twentieth Annual General Meeting of the Members of Kerala Ayurveda Limited will be held on Friday, the 28th September, 2012 at 2.50 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 31 March, 2012 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 Dr. K Rajagopalan, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. Ramesh Vangal, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Ronald George Pearce, who retires by rotation and being eligible, offers himself for reappointment.
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 determined by the Board of Directors.

SPECIAL BUSINESS

6. 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 Section 198, 269 and 309 read with, Schedule XIII and other applicable provisions, if any of the Companies Act 1956, the approval of the company be and is hereby accorded to the appointment of Dr K Anilkumar as executive director of the company for a further period of three years with effect from 28th June, 2012 as approved by the Board of Directors at its meeting, at a remuneration and on the terms and conditions set out below:

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|-----------------------------|---|
| 1. Basic Salary | : ₹.125,000/- per month |
| 2. Allowances/Perquisites:- | |
| a) Special Allowance | : ₹.54,000/- per month |
| b) Leave Travel Allowance | : Yearly payment of ₹.60,000/- |
| 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 subject to a maximum of ₹.50,000/- |
|------------|---|

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| d) Medical Reimbursement | : Expenditure incurred by the Director and his family, subject to a ceiling of ₹.12,000/- per annum |
| e) Contribution to Provident Fund as per Company Rules and Superannuation /Annuity Fund limited to 12% of basic salary. | |
| 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 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 subject to approval of Share Holders, shall be paid to Dr K Anilkumar, as and by way of Minimum Remuneration notwithstanding the loss or inadequacy of profit during the relevant period of tenure of his office.

By order of the Board of Directors
For Kerala Ayurveda Limited

Place: Aluva
Date : 14th August, 2012

K Raghunadhan
Company Secretary

Notes:

- A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself or herself and the proxy need not be a member of the company. The instrument appointing a proxy as per the format given at the end of this annual report to be effective must be received by the Company, not less than 48 hours before the commencement of the meeting.
- 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.
- The Register of Members and Share Transfer Books will remain closed from 22nd September, 2012 to 28th September, 2012 (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: corpseerv@ieplindia.com with a copy to the company's registered office and quote their folio number/client ID number.

REQUEST TO MEMBERS

- 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.
- 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, VII/415, Nedumbassery, Athani P.O., Aluva-683585 so as to reach it latest by 25th September, 2012.
- 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.
- The registration at AGM venue shall be strictly open only upto the time AGM starts. Shareholders are requested to be present before AGM time
- 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. We thank shareholders for opting for e-Annual report in large nos.**

EXPLANATORY STATEMENT FORMING PART OF THE NOTICE

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

Item No.6

The tenure of Dr. K Anilkumar, Executive Director, expired on 27th June, 2012. Dr K. 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 14th August, 2012, approved his re-appointment for a further period of 3 years with effect from 28th June, 2012, on the terms and conditions as approved by the Remuneration Committee and as set out in the Resolution in Item No.6 of the Notice convening the meeting. Accordingly, the Board recommends the special resolution for members' approval.

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

BRIEF PROFILE OF THE DIRECTORS SEEKING APPOINTMENT/ RE-APPOINTMENT

Dr. K Rajagopalan	Independent Director
Date of Appointment	17th June, 1994
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 the Kottackal Arya Vaidya Sala and Amala Cancer Research Institute, Thrissur.
Qualifications	MBBS, DAM
Mr. Ramesh Vangal	Non-Executive Chairman /Promoter Director
Date of Appointment	24th January, 2006
Expertise in specific Functional Areas	Experienced and successful professional with demonstrated leadership in promoting and growing businesses. Founder and Chairman of the 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 the Board of Infosys Technologies Limited.
Qualifications	Engineering degree from IIT, Mumbai MBA from London Business School
Mr. Ronald George Pearce	Non-Executive Vice-Chairman/Independent Director
Date of Appointment	28th June, 2006
Expertise in specific Functional Areas	Vast experience of working in global corporations including 28 years with Procter & Gamble where he served as President P&G Far East Inc. based in Japan and MD of P&G, UK. He returned to Switzerland to pursue other interests, primarily in the areas of investment opportunities and consulting. Consulting clients include Chuo Bassan Corp, Tokyo, Japan and a division of the Samsung Group in Seoul, Korea.
Qualifications	B.Com (Wits)

**By order of the Board of Directors
For Kerala Ayurveda Limited**

Place: Aluva
Date : 14th August 2012

K.Raghunadhan
Company Secretary

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 20th Annual Report on the business and operations of the company together with the Audited accounts for the financial year ended 31st March, 2012.

FINANCIAL RESULTS

The Annual results of the company for the financial year ended 31st March, 2012 as compared with the previous years are summarised below:

(₹ in Lacs)

PARTICULARS	Standalone		Consolidated	
	2011-12	2010-11	2011-12	2010-11
Gross Income	2833.06	2092.06	3570.51	2751.82
Less: VAT & Excise Duty	142.70	96.73	142.70	96.73
Net Income from Sales/Services	2690.36	1995.33	3427.81	2655.09
Profit before Interest, Depreciation & Tax (EBITDA)	177.88	61.21	84.85	(119.62)
Profit/(Loss) before extraordinary items	13.77	(235.11)	(190.35)	(595.17)
Extraordinary Items	-	435.16	-	435.16
Profit/ (Loss) Before Tax	13.77	200.05	(190.35)	(160.01)
Net Profit/(Loss) after Tax	7.86	141.20	(208.01)	(223.28)
Minority Interest in Profit	-	-	6.17	2.37
Net Consolidated Profit/(Loss)	7.86	141.20	(214.19)	(225.65)
Loss brought forward from previous year	(1107.44)	(1248.64)	(3091.36)	(2865.71)
Loss Carried forward to the Balance Sheet	(1099.58)	(1107.44)	(3305.55)	(3091.36)

PERFORMANCE ANALYSIS

During the financial year under review, the total revenue of the company increased to ₹ 2690 Lacs from ₹ 1995 Lacs in the corresponding previous financial year registering a growth of 35%. The total revenue including its subsidiaries on a consolidated basis for the year is ₹ 3428 Lacs against ₹ 2655 Lacs, registering a growth of 29%.

The operational results for the financial year ended with a PBT before Exceptional income is ₹ 14 Lacs profit as against a loss of ₹. 235 Lacs in the previous year, showing 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

During the financial year under review, your company has started a Panchakarma Center and Pharmacy at the prestigious Banaras Hindu University under the Private Public Partnership model at the S S Hospital at BHU, Varanasi. Your company is collaborating with Tata Global Beverages Limited in developing products which are Ayurveda inspired and which can be marketed by TGBL. Great amount of research activities are going on in this regard and the company is spending significant resources on R&D activities.

PERFORMANCE OF SUBSIDIARIES

Indian Subsidiary

During the year under review, M/s. AyurvedaGram Heritage Wellness Centre Pvt. Ltd. has achieved a turnover of ₹. 365 Lacs against a turnover of ₹. 345 Lacs in the previous financial year. The Net profit of the company, after providing for tax has increased to ₹. 24 Lacs from ₹. 9 Lacs in the previous year, mainly on account of cost control. Ayurvedagram has won the prestigious Alexandria-Frost & Sullivan award "Wellness Service Provider Company of the year 2011" for the second year in succession as recognition for our commitment to the wellness space.

Overseas Subsidiaries

The combined turnover of overseas subsidiaries was ₹. 426 Lacs as compared to ₹. 382 Lacs in the previous year. Kerala Ayurveda Academy in USA is the largest Vocational training school teaching Ayurveda in USA. The course has been vetted and approved by prestigious Banaras Hindu University. CMS Katra Nursing business is set to revive as the visa dates of many of the nurses eligible to go to the US through our company has advanced and first sets of nurses have already landed.

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, 2012, 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, 2012 and of the profit of the company for the year ended 31st March, 2012.
- 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 Section 58A of the Companies Act, 1956, 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, 2012.

HUMAN RESOURCE MANAGEMENT/INDUSTRIAL RELATIONS

Employee relations in the company continued to be positive though out the year. Our culture of inclusiveness, empowerment, innovation and a thrust on continuous improvement is what defines "Being KAL". We are building a global company positioned and poised to reach out for ever greater discoveries and achievements. That mission is our DNA; that is Being KAL.

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 Section 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

Dr. K Rajagopalan, Mr Ramesh Vangal and Mr Ronald George Pearce, 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 stepdown subsidiary as on 31st March, 2012 and the details 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	100%*

* CMS Katra Holdings LLC holds 51% shareholding in CMS Katra Nursing LLC and Ayu Inc holds the balance 49% shareholding, hence it is a fully owned step down subsidiary of your company.

The Annual Reports of the subsidiary companies are not annexed pursuant to the general exemption under Section 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 the 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 Government 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.

For and On behalf of the Board of Directors
Kerala Ayurveda Ltd.

Place: Aluva

Date : 14th August, 2012

Ramesh Vangal
Chairman