

# **AVT NATURAL PRODUCTS LIMITED**

26<sup>th</sup> Annual Report  
2011-2012

# AVT NATURAL PRODUCTS LIMITED

## **BOARD OF DIRECTORS**

Mr. Ajit Thomas, *Chairman*  
Mr. M.A. Alagappan  
Mr. Shyam B. Ghia  
Mr. P. Shankar I.A.S. (Retd.)  
Mr. Habib Hussain  
Mr. M.S.A. Kumar, *Managing Director*

## **AUDIT COMMITTEE**

Mr. M.A. Alagappan, *Chairman*  
Mr. Shyam B. Ghia  
Mr. P. Shankar I.A.S. (Retd.)  
Mr. Habib Hussain

## **COMPANY SECRETARY**

Mr. Dileepraj. P

## **AUDITORS**

M/s. Suri & Co.,  
Chartered Accountants  
Chennai.

## **BANKERS**

Bank of Baroda  
State Bank of India  
The South Indian Bank Limited  
Citi Bank

## **PLANT LOCATIONS**

SF No. 234/1, Mysore Trunk Road,  
Puduvadavalli, Sathyamangalam - 638 401,  
Erode District, Tamil Nadu.

HL No. 1182, Harikura Village,  
Honavally Hobli, Tiptur Taluk - 572 202,  
Tumkur District, Karnataka.

South Vazhakulam, Marampilly Post,  
Aluva - 683 107, Ernakulam District,  
Kerala.

## **SUBSIDIARY COMPANIES**

AVT Natural Pte. Ltd.,  
17, Phillip Street, # 05-01, Grand Building,  
Singapore - 048695.

Heilongjiang AVT Bio-Products Ltd.,  
(Subsidiary of AVT Natural Pte. Ltd.)  
Shuangyashan State Farm, Baoshan District,  
Shuangyashan City, Heilongjiang Province, China.

## **REGISTERED OFFICE**

60, Rukmani Lakshmiipathy Salai,  
Egmore, Chennai - 600 008.  
Tel: 044-28584147, Fax: 044-28584147  
E-mail: shareholder@avtspice.com

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## NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Twenty Sixth Annual General Meeting of the Company will be held at **11.30 A.M. on Monday, the 30<sup>th</sup> July 2012 at Dynasty Hall, Hotel Ambassador Pallava, No. 30 Montieth Road, Egmore, Chennai - 600 008**, to transact the following business:

### **ORDINARY BUSINESS**

1. To receive, consider and adopt the audited Balance Sheet as at and the Profit & Loss Account for the year ended 31.03.2012 and the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in the place of Mr. Ajit Thomas, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Mr. P. Shankar, who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors and to fix their remuneration.

By order of the Board  
For **AVT Natural Products Limited**

Place : Chennai

**Dileepraj. P**

Date : 30<sup>th</sup> May 2012

Company Secretary

### **Notes:**

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER. PROXY FORMS, COMPLETE IN ALL RESPECTS, SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING. FORM OF PROXY IS ENCLOSED.**
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 24<sup>th</sup> July 2012 to 30<sup>th</sup> July 2012 (both days inclusive).
3. The final dividend as recommended by the Board, if approved at the meeting, will be payable to those members whose names appear in the Register of Members as on 30<sup>th</sup> July 2012.
4. Members are requested to notify immediately any change in their address to the Company's Share Transfer Agent, M/s Cameo Corporate Services Limited, 'Subramanian Building', No.1, Club House

Road, Chennai - 600 002 in the case of physical holdings, and to their respective Depository Participants in case of dematted shares.

5. Members are requested to lodge their e-mail ID's along with the name and Folio/Client ID No. to Company's Share Transfer Agent, M/s Cameo Corporate Services Limited, 'Subramanian Building', No.1, Club House Road, Chennai - 600 002, Email - narasimhan@cameoindia.com to enable the Company to send all future communications including Annual Reports through electronic mode.
6. Members are requested to notify the Company's Share Transfer Agent immediately of their bank account number and name of the bank and branch in the case of physical holdings, and to their respective Depository Participants in the case of dematted shares, so that the payment of dividend when made through National Electronic Clearing Service (NECS), National Electronic Fund Transfer (NEFT), Direct Credit, Dividend Warrants etc., can be made without delay.
7. Pursuant to the provisions of Section 205A of the Companies Act, 1956, all the unclaimed/unpaid Dividends upto the inclusive of financial year 2003-04 have been transferred to the 'Investor Education and Protection Fund' established by the Central Government. Those members who have not encashed their dividend warrants for the financial years ended on 31.03.2005, 31.3.2006, 31.3.2007, 31.3.2008, 31.3.2009, 31.3.2010, 31.3.2011 & Special dividend 2011-12 and interim dividend 2011-12 may lodge a claim with the Company immediately, failing which the balance will be transferred to the Investor Education and Protection Fund at the end of the statutory period of 7 years, as envisaged in the section 205A(5) of the Companies Act, 1956.
8. Members are therefore, advised to claim the unclaimed dividend, if any, immediately.
9. Members are requested to note that trading of company's shares through Stock Exchanges are permitted only in demat form. Accordingly, members who have not yet converted their holdings into electronic demat form may do so immediately.
10. The members, who have not yet obtained the share certificates for the Bonus shares issued by the Company in the year 2006, are requested to approach immediately the Company's Share Transfer Agent,

M/s Cameo Corporate Services Limited, 'Subramanian Building', No.1, Club House Road, Chennai - 600 002 and claim the same.

11. In terms of clause 49 of the Listing Agreement with Stock Exchanges, a brief resume of the directors who are proposed to be re-appointed at this meeting are given below.

**a. Mr. Ajit Thomas**

Mr. Ajit Thomas, aged 58 years, holds a Bachelor's degree in Statistics. He is an Industrialist and the Promoter Chairman of the Company. He has expertise in business and management with AVT Group of Companies for about three decades.

His other Directorships:

Name of the Company	Nature of office held
A.V. Thomas and Company Limited	Executive Chairman
The Nelliampathy Tea & Produce Co. Limited	Chairman
Neelamalai Agro Industries Limited	Chairman
The Midland Rubber & Produce Co. Limited	Chairman
AVT McCormick Ingredients Private Limited	Chairman
Teleflex Medical Pvt. Limited	Chairman
Midland Latex Products Limited	Chairman
A.V. Thomas Leather & Allied Products Pvt. Limited	Chairman
AVT Infotech Pvt. Limited	Chairman
Ajit Thomas Holdings Pvt. Limited	Director
Midland Corporate Advisory Services Pvt. Limited	Director
AVT Natural Pte. Limited, Singapore	Director
Heilongjiang AVT Bio-Products Limited, China	Director
A.V. Thomas Exports Limited	Director
A.V. Thomas Investments Co. Limited	Director
L.J. International Limited	Director
AVT Gavia Foods Pvt. Limited	Director
Midland Natural Pte. Limited, Singapore	Director
Saksoft Limited	Director

He is the Chairman of the Shareholders / Investors Grievance Committee of the Company.

His other Committee Membership:

Name of the Company	Name of the Committee
Saksoft Limited	Member, Audit Committee

**b. Mr. P. Shankar**

Mr. P. Shankar, aged 68 years, retired as Central Vigilance Commissioner of India in September 2006. He joined the Indian Administrative Service in 1966 after acquiring a post graduate degree in Economics from Vivekananda College of the Madras University.

In the course of a distinguished career, he served as the Chief Secretary, Government of Tamil Nadu (2001-02) and as Secretary, Government of India in the Department / Ministries of Heavy Industry, Sugar, Food & Public Distribution and Petroleum.

He has had rich experience in the field of industrial management and administration. His tenure as Chairman and Managing Director of Tamil Nadu Industrial Infrastructure Development Corporation (1992-94) saw the setting up of the Perundurai and Gangaikonda Industrial Areas and the Tirupur Infrastructure Development initiative. He was also Secretary to Government in the Industries Department in Government of Tamil Nadu (1987-89). He was Chief Executive of the Salem Cooperative Sugar Mills (1969-71) and Joint Director of Industries and Commerce (1972-73) in charge of small-scale industries and Industrial co-operatives.

A significant part of his service years were spent in the Textiles sector. Among the various assignments held by him were Managing Director, Tamil Nadu Textile Corporation (1971-72), Director of Handlooms and Textiles Tamil Nadu (1974-78), Additional Development Commissioner of Handlooms, Govt. of India (1979-80) General Manager, Handicrafts and Handlooms Export Corporation of India (1982-86) and Joint Secretary, Ministry of Textiles, Govt. of India (1989-91). In his last assignment he was also the Textiles Negotiator in the Uruguay Round of GATT.

His other Directorship :

Name of the Company	Nature of office held
Thirumalai Chemicals Limited	Director

He is the Member of Audit Committee and the Remuneration Committee of the Company.

## DIRECTORS' REPORT

Your Directors are pleased to present the Twenty Sixth Annual Report of your Company together with the Audited Accounts for the financial year ended March 31, 2012.

### FINANCIAL RESULTS:

The standalone performance of the Company for the financial year ended March 31, 2012 is summarized below:

	(Rs. In Crores)	
Particulars	2011-12	2010-11
Income from Operations	<b>218.19</b>	138.90
Other Income	<b>0.56</b>	0.15
Total Income	<b>218.75</b>	139.05
Profit before tax for the year	<b>75.16</b>	16.45
<b>Less:</b> Provision for taxation		
- Current Tax	<b>24.70</b>	5.70
- Deferred Tax	<b>0.04</b>	(0.06)
Profit after tax	<b>50.42</b>	10.81
<b>Add:</b> Surplus brought forward	<b>3.55</b>	3.17
Total Amount available for appropriation	<b>53.97</b>	13.98
<b>Less:</b>		
Special Dividend (25%) on the occasion of silver jubilee of the Company and Interim Dividend (50%) paid on Equity Shares totalling to 75% (Rs. 7.50 per equity share)	<b>5.71</b>	-
Tax on Interim Dividend	<b>0.93</b>	-
Transfer to General Reserve	<b>30.00</b>	6.00
Proposed Final Dividend on Equity Shares @ 50 % (Rs.5/- * per equity share on face value of Rs.10/- )	<b>3.81</b>	3.81
Provision for tax on Dividends	<b>0.62</b>	0.62
Surplus carried Forward	<b>12.90</b>	3.55

\* *post split dividend per share shall be in proportion to sub-divided share.*

### OPERATIONS REVIEW:

Your company had an exceptional year in 2011-12. All three business units of Marigold, Spice Oils & Oleoresins and Value Added Beverages did exceptionally well beating all expectations.

- Sales grew by 57% from Rs. 138.90 Crores to Rs. 218.19 Crores.

- With the major benefit of doubled sales and prices in our key product of Marigold Oleoresins, Profit after Tax grew by 5 times from Rs. 10.81 Crores in 2010-11 to Rs. 50.42 Crores in 2011-12.
- Marigold Oleoresin sales value almost doubled from previous year (93% growth) with higher price realization for both Feed grade for Poultry usage and Food grade for human consumption. The average price doubled during the year due to global shortages arising from failed China crop.
- Favourable weather conditions supported by an excellent and timely Monsoon in Marigold growing areas in South India enabled your company to register record flower output.
- Spice Oils and Oleoresins sales registered a healthy growth of 39%.
- Earnings Per Share (EPS) jumped to Rs. 66.21 in 2011-12 from Rs. 14.20 in 2010-11.

The detailed Operational Performance of the Company including future prospects has been comprehensively discussed in the Management Discussion and Analysis Report which forms part of this Report.

### DIVIDEND:

Your Directors are pleased to recommend a final dividend of 50% on Equity Share Capital, for the year ended 31.03.2012, amounting to Rs.380.71 lakh, excluding dividend tax.

During the year, the Board declared a special dividend of 25% on the occasion of the Silver Jubilee of the Company amounting to Rs. 190.36 lakh, excluding dividend tax. Further, in the month of March 2012, the Board declared an Interim Dividend of 50 %, amounting to Rs.380.71 lakh, excluding dividend tax. The aggregate of dividend declared during the year was 125 % amounting to Rs. 951.78 lakh, excluding dividend tax.

### QUALITY, HEALTH, SAFETY AND ENVIRONMENT:

With the continued thrust of the Company in this critical area, your company is taking care of the triple bottom line concept People, Planet and Profit.

### RECOGNITION OF IN HOUSE R&D UNIT:

The Department of Scientific & Industrial Research, Technology Bhavan, Under Ministry of Science & Technology has renewed its recognition to the in-House R&D facility of your company located at South Vazhukulam, Marampilly Post, Aluva, Kerala, for a further period of 4 years, from 1<sup>st</sup> April 2012 to 31<sup>st</sup> March 2016.

**WIND MILL:**

The wind mill of the company located at Kokkampalayam Village, Dharapuram Taluk, Erode District, Tamil Nadu generated 11,11,500 units in the year 2011-12 against 12,05,325 units generated last year. Out of the same, the Company had captive consumption of 9,98,984 units and the balance is being sold to the TNEB.

**FIXED DEPOSITS:**

As on 31.03.2012, a total sum of Rs. 10.05 Lakh due to 9 fixed deposit holders remained unclaimed. Out of this, deposits for a sum of Rs. 3 Lakh were renewed / repaid subsequently.

However, the Company had decided to stop accepting / renewing deposit with effect from 30<sup>th</sup> July 2012. All matured deposits shall be paid on its maturity.

**SUB-DIVISION OF EQUITY SHARES:**

In order to improve the liquidity, the equity shares of the Company have been sub-divided from face value of Rs.10/- to face value of Re.1/- each and consequently the authorized equity share capital is 7,99,00,000 equity shares of Re.1/- each.

**PERFORMANCE OF SUBSIDIARIES:**

AVT Natural Pte. Ltd., Singapore together with its subsidiary, Heilongjiang AVT Bio-Products Limited, China did very well in 2011 due to favorable Marigold market conditions. The subsidiary recorded sales of Rs.25.66 Crores in 2011 as against the sales of Rs.8.61 Crores in 2010 - growth of 3 times. Thanks to the good prices of Marigold Oleoresins, the subsidiary companies earned a record profit of Rs. 4.36 Crores in the period ended December 2011 as against a profit of Rs. 0.30 Crores during the same period last year.

**ACCOUNTS OF SUBSIDIARIES:**

Pursuant to section 212 of the Companies Act, 1956, the Balance Sheet, Profit & Loss Account, Director's Report and the Auditor's Report for the period ended 31<sup>st</sup> December 2011 for AVT Natural Pte. Ltd., Singapore, an overseas subsidiary of your Company and its Chinese Subsidiary, Heilongjiang AVT Bio-Products Limited, have been kept at the Registered Office of your Company for inspection by shareholders. The company shall furnish a hard copy of the accounts to any shareholder on demand. The Consolidated financial statements audited by the Statutory auditors of the Company have been attached to this Report.

**DIRECTORS:**

In accordance with the provisions of Companies Act, 1956 and the Articles of Association of the Company, Mr. Ajit Thomas, Chairman and Mr. P. Shankar, Director, retire by rotation at the 26<sup>th</sup> Annual General Meeting and being eligible, offer themselves for re-appointment.

**RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, ENERGY CONSERVATION:**

The particulars prescribed by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 relating to Conservation of Energy, Technology Absorption, Foreign Exchange are furnished in the Annexure-I to this Report.

**PARTICULARS OF EMPLOYEES:**

Particulars of employees in terms of the requirement of section 217 (2A) of Companies Act, 1956 have been given in the Annexure II forming part of this Report.

**AUDITORS:**

M/s. Suri & Co., Chartered Accountants, Chennai 600 017, Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. They have confirmed that their re-appointment, if made, will be within the limits specified under Section 224 (1-B) of the Companies Act, 1956.

**CORPORATE GOVERNANCE:**

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, the Management Discussion & Analysis Report, Report on Corporate Governance with Auditors' Certificate on compliance with conditions of Corporate Governance have been annexed to this Report.

**INSURANCE:**

The Company continues to carry adequate insurance for all assets against foreseeable perils.

**DIRECTORS' RESPONSIBILITY STATEMENT:**

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

1. That in the preparation of the accounts for the financial year ended 31<sup>st</sup> March 2012, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. That the Directors have 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 at the end of the financial year and of the profit of the Company for the year under review;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Directors have prepared the accounts for the financial year ended 31<sup>st</sup> March 2012 on a 'going concern' basis.

**ACKNOWLEDGEMENT:**

Your Directors wish to express their sincere thanks and place on record the appreciation for the continued co-operation and support extended by the share holders, depositors, customers, farmers, bankers namely State Bank of India, Bank of Baroda, The South Indian Bank, CITI Bank, suppliers, stock exchanges and other stake holders for their continued support to the Company.

The Directors also wish to thank all the employees for their contribution, support and continued co-operation throughout the year.

For and On behalf of the Board

Place : Chennai  
Date: 30<sup>th</sup> May, 2012

**Ajit Thomas**  
Chairman

**ANNEXURE - I**  
*To the Directors' Report*

**FORM-A**

*Disclosure of particulars with respect to conservation of energy*

A	Power and fuel consumption	Not Applicable
B	Consumption per unit of Production	Not Applicable

**FORM-B**

*Disclosure of particulars with respect to absorption*

**Research and Development (R & D)**

Specific areas of Research and Development	Presently the company is focusing on two areas of R&D : (a) Marigold Seed Development (b) New Product Lines
Benefits of R&D	(a) Marigold Seed Development: Marigold has been the main product of the company for more than 15 years. When the company commenced marigold business in the mid 90's the Xanthophyll content in the seed was about 10 grams/kilo of meal. Today the Xanthophyll content is high and consistent as a result of the continued research thrust undertaken by the company. Superior seeds are key to remain competitive and sustain leadership in the marigold business. Apart from higher Xanthophyll concentrations and lower production costs, superior seeds benefit the farmers through increased yields and returns.  b) New Product Lines: New product lines boost the top line and minimise dependency on marigold. The thrust on new products opened substantial opportunities in spice oleoresins and decaffeinated teas which are significant product lines today and constitute about 35% of the overall business of the company. Thrust on new products is key to develop a broad based growing company.
Future Plan of action	The Company is strengthening the capabilities in seed development by adding on contemporary skills in molecular breeding. The major thrust in new products will be 'soluble teas' which is a product line with potential to develop into substantial business for the company. Micro encapsulated flavours and liquid seasonings is another thrust area. We continue to support our customers in the development of speciality Nutraceutical and food preservation products.
Expenditure on R&D	
a) Capital	Rs. 38,99,966
b) Recurring	Rs. 1,71,39,005
c) Total	Rs. 2,10,38,971
<b>Foreign Exchange Earnings / Outgo</b>	The company's operations during the year under review have resulted in a foreign exchange inflow of Rs. 213.37 Crores and outflow of Rs. 46.32 Crores.

## ANNEXURE - II To the Directors' Report

Information pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975. Employed throughout the year under review and were in receipt of remuneration in the aggregate of not less than Rs.60,00,000/- per annum.

Name	Age	Designation/ Nature of duties	Remuneration received (Rs)	Qualification	Total Experience (years)	Date of commencement of Employment	Previous Employment
Mr. M.S.A Kumar *	59	Managing Director	Rs.70,32,000	B.Sc(Agri.) PGDBA(IIM-A)	36	27.09.1995	Vice President, Shaw Wallace and Co Ltd.,

\* The nature of Employment is contractual

Notes : 1. Remuneration includes salary, allowances and contribution to Provident Fund and other Funds  
2. None of the above employees is related to any Director of the Company

## ANNEXURE - III Management Discussion and Analysis Report

The discussion hereunder covers Business Profile, Economic Outlook, Scan of the market place where your company operates, Performance Review of 2011-12 and Future Outlook.

### **BUSINESS PROFILE:**

AVT NPL operates in the business segment of "**Solvent Extraction**". There are 3 product categories we currently operate in the market:

- Marigold Extracts for Poultry pigmentation, Eye care and Food Coloring.
- Spice Oils and Oleoresins for Food coloring and flavoring.
- Value Added Beverages through removal of Caffeine from Black Tea using different solvent systems like Ethyl Acetate and Methylene Chloride.

While Marigold Extracts for Eye care and Food coloring is manufactured in India, Poultry pigmentation product is manufactured in our China subsidiary mainly. In case of excess inventory, India operations supply Poultry Pigmentation Market as well.

### **ECONOMIC OUTLOOK**

Global macroeconomic environment appears complex and uncertain. Growth has slowed down and European crisis is taking a toll even on the emerging economies like India. Your company being a 100% Export Oriented Unit, lower GDP growth in India doesn't directly impact the performance. However, economic indicators like Current Account Deficit, Fiscal Deficit and Balance of Payment situation impact AVT Natural through the Indian Rupee movements. Volatility in currency is a major factor to be kept in mind.

Since the raw materials come from agriculture crops, Monsoon behaviour has a direct bearing on Marigold flowers and other Spices availability. Labour availability and costs in rural areas of Southern India have a major bearing on Marigold being a labour intensive crop with 7 - 8 harvests during a crop season of 4 months. We had excellent Monsoon rains during 2010 and 2011 which resulted in good volume growth due to sufficient availability of Marigold flowers. Our Marigold growing areas experienced adverse weather conditions in 2008 and 2009 which impacted the company's performance in 2008-09 and 2009-10 negatively. Spices like Black Pepper, Turmeric, Chillies and Ginger experienced doubling of prices which impacted the working capital outlay and sometimes even the availability of the Spices. Your company operates in the "niche" segments - therefore the impact was very minimal. DecaffTea business is insulated from Raw Material prices as we do only tolling for our partners who provide us with Tea raw material.

Given the high volatility in currencies and commodities, we are working on new strategies and approaches on managing uncertainty and discontinuity. Organization is gearing up to meet these challenges.

## **MARKET SCAN**

When Marigold crop in India experienced bountiful Monsoon in 2010 and 2011, it was just the opposite in China, the major growing area for Marigold normally contributing 75% of the global output. Major growing areas of China namely Yunnan and Heilongjiang Provinces experienced severe drought during 2 consecutive years of 2010 and 2011. Thus the widening demand - supply gap in Marigold Oleoresin pushed up the prices to astronomically very high levels. Poultry meat Pigmentors moved to Synthetic coloring agents thereby denting the natural Marigold Oleoresin demand by a whopping 25 to 30%. With the increased prices of Marigold Oleoresin, the growing area in China, India and Peru have more than doubled in 2012 cropping season. We expect the Marigold Oleoresin prices to come down from beginning of 2013, which will be still at an attractive level for your company.

The Nutraceutical segment of Marigold - Lutein - prices went up in relation to the cost push factors and was not affected by the demand - supply gap as the business cooperation is structured on long term exclusive agreement with Kemira Industries, Iowa, USA. Moreover the demand in this segment was flat due to global economic slowdown.

Other two Product categories - Spice Oils and Oleoresins and Value Added Beverages - are experiencing severe price pressures due to intense competition in the market place coupled with demand compression. Your company plans to counter the situation through cost efficiency improvements and business model innovations.

## **PERFORMANCE REVIEW 2011-12**

With a top line growth of 57% from Rs. 138.90 Crores to Rs. 218.19 Crores and Profit After Tax multiplying nearly 5 times from Rs. 10.81 Crores to Rs. 50.42 Crores, 2011-12 recorded the best year in company's history. Best year performance happening during the Silver Jubilee year of the company is indeed very satisfying. The reasons for such an exemplary performance are captured in the Directors' Report.

## **FUTURE OUTLOOK**

2012 crop area sown is as per our budget and estimated market requirements. Subject to timely Summer and Monsoon rains, we can expect another good year of flower output. With improved supplies from all the 3 growing countries of China, India and Peru and reduced demand from Poultry segment, we expect softening of prices. We expect increased volume to take care of the dropping prices. Thus the outlook for 2012-13 for Marigold is encouraging.

We expect normal growth in the other 2 categories of Spice Oils and Oleoresins and Value Added Beverages. The price pressures in these 2 categories will be countered by improved efficiencies.

The risk mitigation strategies already in force are:

- Geographical and Seasonal diversification of Marigold growing - only Global Company to grow Marigold in 2 countries of China and India.
- India growing in 3 locations in Tamil Nadu, Karnataka and Andhra Pradesh.
- Expanding Customer base.
- Product portfolio expansion.
- Explore market based Raw Material for processing to reduce working capital outlay.

## **INTERNAL CONTROL**

Your company conceptualizes and implements effective systems of internal controls and also ensures that the operating departments are in compliance both with internal policies and procedures as well as regulatory, statutory and legal requirements. The Audit Committee of the Board regularly reviews the Internal audit findings as well as the adequacy and effectiveness of internal control measures.

## **HUMAN RESOURCES**

We continue to invest in 'Human Resources' through various training programs - both external and internal. Our investments on Human Resources Development aim organization to remain a learning organisation always.

Your company is investing in Technology and Human Resources to focus more on Product Portfolio expansion mentioned above.

**ANNEXURE - IV**  
**Corporate Governance Report**

Pursuant to clause 49 of the Listing Agreement with Stock Exchanges, the Company submits the report on the matters mentioned in the said clause and the practices followed by the Company.

**1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE**

The Company's philosophy on Corporate Governance envisages maintaining a high level of disclosure and transparency in all its operations. It aims at enhancing the shareholder value through adoption of sound business practices, prudent financial management and a high standard of ethics throughout the organisation.

**2. BOARD OF DIRECTORS**

The Board comprises of six directors with knowledge and experience in different fields like engineering, manufacturing, finance and business management.

The Board has an appropriate mix of executive and independent directors to ensure proper governance and management.

**Composition and category of Directors is as follows:**

Category	Name of the Directors
Promoter / Chairman	Mr. Ajit Thomas
Managing Director	Mr. M.S.A. Kumar
Non-Executive Director	Mr. Habib Hussain
Non-Executive and Independent Director	Mr. M.A. Alagappan
Non-Executive and Independent Director	Mr. Shyam B.Ghia
Non-Executive and Independent Director	Mr. P. Shankar

**Shareholding of Non-Executive Directors as on 31.03.2012**

Name of the Non-Executive Director	No. of Shares held
Mr. Ajit Thomas (Promoter/Chairman)	76,142
Mr. M.A. Alagappan	1430
Mr. Shyam B.Ghia	Nil
Mr. P. Shankar	Nil
Mr. Habib Hussain	42,132

**a) Board Meetings**

Number of Board Meetings held and the dates on which they were held

During the year 2011-12, the Board met six times as per the requirement. The dates on which the meetings were held on 29.04.2011, 22.07.2011, 07.09.2011, 24.10.2011, 27.01.2012 and 27.03.2012.

The attendance of each Director at the Board Meetings, last Annual General Meeting and the Number of other Directorship and Chairmanship/Membership of Committee of each Director in various companies are as under:

Name of the Directors	Attendance Particulars		No. of other Directorships and Committee Chairmanship / Membership (Excl. AVTNPL, Pvt. Ltd Companies & Foreign Companies)		
	Board Meetings	Last AGM	Other Directorship	Committee Chairmanship	Committee Membership
Mr. Ajit Thomas	6	Yes	9	-	1
Mr. M.A.Alagappan	5	Yes	-	-	-
Mr. Shyam B.Ghia	4	Yes	5	2	5
Mr. P Shankar	5	Yes	1	-	-
Mr. Habib Hussain	6	Yes	2	-	-
Mr. M.S.A.Kumar	5	Yes	-	-	-

#### b) Board Procedure

The Board meets at least once in a quarter and the interval between two meetings is normally not more than four months. Apart from the statutory requirements the role of the board includes setting annual business plan, periodic review of operations and considering proposals for diversification, investments and business re-organisation. The information periodically placed before the board includes status of statutory compliance, proceedings/minutes of all committees including the audit committee.

### 3. AUDIT COMMITTEE

The Company has a qualified independent Audit Committee consisting of four members all being non-executive directors and out of that three are independent directors. All the members of the Committee have excellent financial and accounting knowledge. The terms of reference stipulated by Board to the audit committee cover the matters specified for Audit Committee under clause 49 of the Listing Agreements with the Stock Exchanges.

The Board of Directors of the Company has constituted an Audit Committee, in compliance with the provisions of Clause 49 of the Listing Agreement. Presently, the Committee consist of four Non-executive Directors viz., Mr. M. A. Alagappan, Mr. Shyam B.Ghia, Mr. P. Shankar and Mr. Habib Hussain.

Mr. M. A. Alagappan is the Chairman of the Audit Committee.

Number of Audit Committee Meetings held and the dates on which they were held during the year 2011-12 :

During the year 2011-12, the Audit Committee met five times and the dates on which the meetings were held on 29.04.2011, 22.07.2011, 24.10.2011, 27.01.2012 and 27.03.2012. The attendance of the each member of the Audit Committee at its meetings are as under:

Name of the Committee Member	No. of Meetings Attended
Mr. M.A. Alagappan	4
Mr. Shyam B.Ghia	3
Mr. P. Shankar	4
Mr. Habib Hussain	5

### 4. REMUNERATION COMMITTEE

The Remuneration Committee was constituted in the year 2002 as required by Schedule XIII to the Companies Act, 1956 to consider and approve the remuneration payable to the Executive Directors of the Company based on the performance of the Company.

The Committee at present comprises of three non-executive independent Directors, viz., Mr. M.A. Alagappan, Mr. Shyam B.Ghia and Mr. P. Shankar. Mr. M.A. Alagappan is the Chairman of the Remuneration Committee.

The Committee met once during the year on 22.07.2011 to recommend the remuneration payable to Mr. M.S.A. Kumar, Managing Director. The attendance of the each member of the Remuneration Committee at its meeting is as under:

Name of the Committee Member	No. of Meetings Attended
Mr. M.A. Alagappan	1
Mr. Shyam B.Ghia	1
Mr. P. Shankar	1

The details of remuneration paid to all the Directors for the year:

**a) Executive Director**

Name of the Managing Director	Salary Rs.	PF & Other Funds Rs.	Total Rs.
Mr. M.S.A.Kumar	60,60,000	9,72,000	70,32,000

**b) Non-Executive Directors**

The Company pays sitting fees to all the Non-Executive Directors at the rate of Rs.7,000/- for each meeting of the Board and Rs.3,000/- for any Statutory Committee meeting attended by them. The sitting fee paid for the year ended 31<sup>st</sup> March 2012 to the Directors is as follows:

Name of the Director	Amount (Rs.)
Mr. Ajit Thomas	42,000
Mr. M.A. Alagappan	50,000
Mr. Shyam B.Ghia	40,000
Mr. P. Shankar	50,000
Mr. Habib Hussain	57,000

The Company has also paid a sum of Rs. 1,54,81,600/- towards commission of 2 % on the net profit of the Company for year 2011-12 to Mr. Ajit Thomas, Non-executive Chairman, as per the approval of the Central Government.

**5. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE**

The Board had constituted a Shareholders / Investors Grievance Committee comprising of Mr. Ajit Thomas and Mr. Habib Hussain. The Committee looks into redressing of shareholders' complaints, if any, like transfer of shares, transmission of shares, non-receipt of balance sheets, non-receipt of dividend warrants etc.

Mr. Ajit Thomas is the Chairman of the Shareholders / Investors Grievance Committee.

There was no request for dematerialisation pending for approval as on 31.03.2012.

**6. SUMMARY OF SHARE HOLDERS COMPLAINT AS ON 31.03.2012**

SI No.	Particulars	No. of Complaints
1	Number of Share holders complaints pending as on 1.04.2011	NIL
2	Number of share holders complaints received during the year 2011-12	7
3	Number of share holders complaints resolved during the year 2011-12	7
4	Number of Share holders complaints pending as on 31.03.2012	NIL

## 7. GENERAL BODY MEETINGS

a) Location and Time for last 3 Annual General Meetings were:

Year	Location	Date	Time
2008-09	Hotel Ambassador Pallava, Montieth Road, Egmore, Chennai - 600 008.	10.09.2009	11.00 A.M.
2009-10	Hotel Comfort INN Marina Towers, Ponnamman Koil Street, Egmore, Chennai - 600 008.	09.09.2010	12.00 Noon
2010-11	Hotel Vestin Park, No. 39, Montieth Road, Egmore, Chennai - 600 008.	07.09.2011	11.00 A.M.

b) In the last three years, only one Special Resolution was passed in Annual General Meeting:

i) During the 24<sup>th</sup> Annual General Meeting held on 9<sup>th</sup> September 2010, the Company had passed special resolution for Reduction in payment of Commission to Non-Executive Chairman.

c) Through postal ballot on 19.05.2012, the company had passed the following special resolutions:

- i. Sub-division of equity shares
- ii. Amendment of Memorandum of Association of the Company
- iii. Amendment of Articles of Association of the Company

d) The special resolutions passed in the Annual General Meetings do not require postal ballot.

## 8. DISCLOSURES

Related party transactions during the year have been disclosed as a part of accounts as required under Accounting Standard 18 issued by the Institute of Chartered Accountants of India.

There has been no instance of non-compliance by the Company, penalty or strictures imposed on the Company by the Stock Exchange or SEBI or any statutory authority on any matter related to capital markets.

## 9. UNCLAIMED BONUS SHARE CERTIFICATES

The company had issued bonus shares on 1:1 basis to the share holders in October 2006. The postal authorities had returned the share certificates of some of the share holders, during the same period, for want of proper address / non-availability of the person in the given address.

As required by the listing agreement, during the year 2011-12, the company had sent three reminders to those members, whose certificates are lying unclaimed with the company. Those shareholders requested for the share certificate, were provided the same immediately. The unclaimed share certificates are lying with the company. The company has opened a demat account with M/s Stock Holding Corporation of India Limited, Chennai, and all those unclaimed shares shall be transferred to "Unclaimed Suspense Account" and shall be kept dematerialised. It shall be held by the company purely on behalf of the allottees who are entitled for the shares.

The members, who have not yet claimed the bonus share certificate are again requested to approach immediately the Company's Share Transfer Agent, M/s Cameo Corporate Services Limited, 'Subramanian Building', No.1, Club House Road, Chennai - 600 002 and claim the same.

## 10. MEANS OF COMMUNICATION

The quarterly, half-yearly unaudited financial results and the annual audited financial results are published in 'Business Line / Trinity Mirror' in English and 'Makkal Kural' in Tamil as per the Clause 41 of the Listing Agreement.

The Management Discussion and Analysis (MD & A) report forms part of the annual report.

## 11. GENERAL SHAREHOLDER INFORMATION

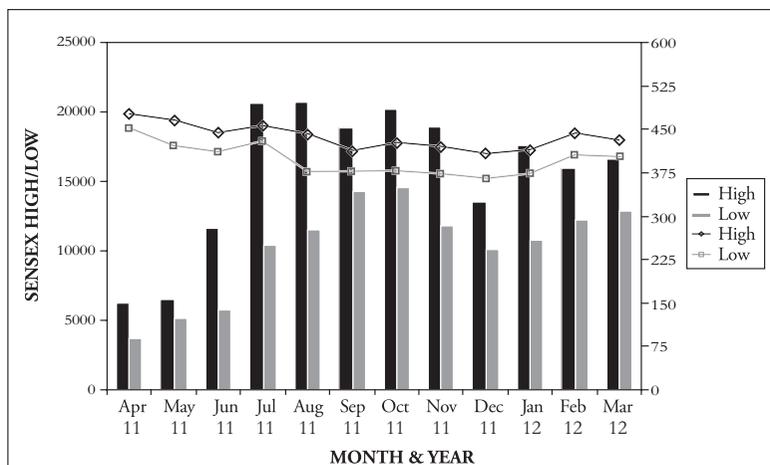
11.1. Annual General Meeting	
- Date and Time	30 <sup>th</sup> July 2012: 11.30 A.M.
- Venue	Dynasty Hall, Hotel Ambassador Pallava, No.30, Montieth Road, Egmore, Chennai - 600 008.

11.2. Financial calendar	30.06.2012 - 30 <sup>th</sup> July 2012		
Results for the quarter ending	30.09.2012 - Between 15 <sup>th</sup> Oct & 15 <sup>th</sup> of Nov.'12		
Results for the quarter ending	31.12.2012 - Between 15 <sup>th</sup> Jan & 15 <sup>th</sup> of Feb.'13.		
Results for the quarter ending	31.03.2013 - Between 15 <sup>th</sup> April & 15 <sup>th</sup> of May'13		
11.3. Book Closure date	24.07.2012 to 30.07.2012 (both days are inclusive)		
11.4. Dividend payment date	3 <sup>rd</sup> week of August 2012.		
11.5. Listing of Equity shares	Madras & Bombay Stock Exchanges and The National Stock Exchange of India Ltd., Mumbai. The Annual Listing Fees as prescribed has been paid to the above stock exchanges.		
11.6. (a) Stock Code	Mumbai	-	519105
	NSE	-	AVTNPL - Eq
	Chennai	-	AVT
(b) Old Demat ISIN Number in NSDL & CDSL for equity shares with face value of Rs.10/-		-	INE488D01013
(c) New Demat ISIN Number in NSDL & CDSL for equity shares with face value of Re.1/-		-	INE488D01021

11.7. Stock market data (Bombay Stock Exchange)

Month	Share Price		Sensex		Month	Share Price		Sensex	
	High Rs.	Low Rs.	High	Low		High Rs.	Low Rs.	High	Low
April 2011	148.80	103.25	19811.14	18976.19	October 2011	480.50	355.00	17908.13	15745.43
May 2011	167.75	131.25	19253.87	17786.13	November 2011	453.75	286.10	17702.26	15478.69
June 2011	287.90	140.15	18873.39	17314.38	December 2011	345.35	240.20	17003.71	15135.86
July 2011	480.40	253.00	19131.70	18131.86	January 2012	419.00	266.50	17258.97	15358.02
August 2011	490.10	276.00	18440.07	15765.53	February 2012	379.35	297.20	18523.78	17061.55
September 2011	453.85	345.00	17211.80	15801.01	March 2012	398.00	317.05	18040.69	16920.61

11.8. Share price performance in comparison to broad based index - BSE Sensex.



11.9. Share Transfer Agent : Cameo Corporate Services Limited  
'Subramaniam Building', No.1, Club House Road, Chennai - 600 002.  
Tel: 044-28460390 - 94

Contact Person : Mr. Narasimhan. D  
Email id : narasimhan@cameoindia.com

Compliance Officer : Mr. Dileepraj. P, Company Secretary  
Email id : dileepraj@avtspice.com

11.10. **Share Transfer System:** The Company's shares are traded in the Stock Exchanges compulsorily in demat mode. Pursuant to the directive issued by the Securities and Exchange Board of India, the share transfers both physical and demat, are now handled by our Transfer Agent, Cameo Corporate Services Ltd. Chennai. Shares in physical mode, which are lodged for transfer either with the Company or with the Share Transfer Agent, are processed and the share certificates are returned to the transferees within 30 days of lodgment, as per the Listing Agreement.

11.11. Distribution of shareholding as on 31<sup>st</sup> March 2012

No. of Shares	Shareholders		No. of Shares	
	Number	%	Number	%
Upto 500	4,597	85.22	5,66,474	7.44
501 - 1,000	497	9.21	3,62,317	4.76
1,001 - 2,000	176	3.26	2,59,757	3.41
2,001 - 3,000	48	0.89	1,21,752	1.60
3,001 - 4,000	20	0.37	73,182	0.96
4,001 - 5,000	10	0.19	46,442	0.61
5,001-10,000	27	0.50	1,90,382	2.50
10,001 and above	19	0.36	59,93,894	78.72
Total	5,394	100	76,14,200	100

11.12. Pattern of Shareholding as on 31<sup>st</sup> March 2012

Category	No. of Shares	Percentage
Promoters	56,59,655	74.33
Banks/ Financial Institutions	2,400	0.03
NRI	45,405	0.60
Bodies Corporate	1,07,382	1.41
Public	17,99,358	23.63
Total	76,14,200	100

11.13. Dematerialisation of Shares & Liquidity : 90.59% of the equity shares have been dematerialised upto 31.03.2012.

The Company's shares are listed in three Stock Exchanges at Bombay Stock Exchange (BSE), Madras Stock Exchange and the National Stock Exchange of India Ltd., (NSE) and they are actively traded at BSE & NSE

11.14 The Company has not issued any GDR / Warrants and Convertible Bonds.

11.15. Plant Locations : 1. South Vazhakulam, Marampilly Post, Aluva - 683 107,  
Ernakulam District, Kerala.

2. SF No. 234/1, Mysore Trunk Road, Pudukavalli, Sathyamangalam - 638 401,  
Erode District, Tamil Nadu.

3. HL No. 1182, Harikura Village,  
Honavally Hobli, Tiptur Taluk - 572 202, Tumkur District, Karnataka.

- Subsidiary Companies : 1. AVT Natural Pte. Ltd.,  
17 Phillip Street , # 05-01, Grand Building, Singapore 048695
2. Heilongjiang AVT Bio-Products Ltd.,  
(Subsidiary of AVT Natural Pte. Ltd.,)  
Shuangyashan State Farm, Baoshan District, Shuangyashan City,  
Heilongjiang Province, China.

Address for Correspondence : No. 60, Rukmani Lakshmiipathy Salai, Egmore, Chennai - 600 008.  
Tel.: 044-2858 4147, Fax: 2858 4147, E-mail: shareholder@avtspice.com

### **Non-mandatory disclosure**

The non-mandatory requirements have been adopted as stated below:

### **The Board**

No specific tenure has been fixed for the independent directors.

### **Remuneration Committee**

The Board has set up a Remuneration Committee.

### **Shareholder Rights**

The quarterly / half-yearly results of the Company are published in English and Tamil newspapers and uploaded in the Company's web site www.avtnatural.com and they are not sent to the shareholders individually.

### **Audit Qualifications**

The statutory statements of the Company are unqualified.

### **Training of Board Members/mechanism for evaluating Non-Executive Directors**

All the non-executive directors are having rich experience and expertise in functional areas and in the opinion of the Board they do not require any special training.

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## **ANNEXURE - V**

### **DECLARATION BY THE MANAGING DIRECTOR UNDER CLAUSE 49 OF THE LISTING AGREEMENT REGARDING ADHERENCE TO THE CODE OF CONDUCT**

In accordance with Clause 49 of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct, as applicable to them for the Financial Year ended 31<sup>st</sup> March 2012.

For AVT Natural Products Limited,

Place : Chennai  
Date : 30<sup>th</sup> May 2012

**M.S.A. Kumar**  
Managing Director

## **ANNEXURE - VI**

### **AUDITORS CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

To

The Members of AVT Natural Products Limited,  
Chennai

We have examined the compliance of corporate governance by AVT Natural Products Limited for the year ended 31<sup>st</sup> March 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We further state that no investor grievances are pending for a period exceeding one month against the company as per the records maintained by the Company.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **SURI & CO.,**  
Chartered Accountants  
Firm's Regn. No. : 004283S

**S. Ganesan**  
Partner  
Membership No. 18525

Place : Chennai  
Date : 30<sup>th</sup> May 2012

## AUDITORS' REPORT

To the members of AVT Natural Products Limited, Chennai

We have audited the attached Balance Sheet of AVT NATURAL PRODUCTS LIMITED, CHENNAI, as at 31<sup>st</sup> March 2012 and also the Statement of Profit and Loss for the year ended on that date annexed thereto, together with the Notes thereon and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with the Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to the comments referred to above, we report that:

- (i) We have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit.
- (ii) In our opinion, proper books of account as required by law, have been kept by the Company so far as appears from our examination of those books.

- (iii) The Company's Balance Sheet and Statement of Profit and Loss read with the Notes forming part thereof, dealt with by this Report, are in agreement with the books of account.
- (iv) In our opinion, the Balance Sheet and Statement of Profit and Loss, dealt with by this Report, comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
- (v) Based on the written representations made by the Directors and taken on record by the Board of Directors, we state that none of the Directors is disqualified from being appointed as a Director in terms of Section 274(1) (g) of the Companies Act, 1956.
- (vi) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read with the Notes forming part thereof, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2012;
  - b) in the case of the Statement of Profit and Loss, of the **PROFIT** for the year ended on that date; and
  - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **SURI & CO.**,  
Chartered Accountants  
Firm's Regn. No. : 004283S

**S. Ganesan**  
Partner

Place : Chennai  
Date : 30<sup>th</sup> May 2012

Membership No. 18525

## ANNEXURE TO THE REPORT OF THE AUDITORS TO THE MEMBERS OF AVT NATURAL PRODUCTS LIMITED, CHENNAI

- |  |   |
|--|---|
| <p>i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of Fixed Assets.</p> <p>b) Physical verification of major items of these assets has been conducted by the Management during the financial year and no material discrepancies were noticed on such verification.</p> <p>c) No substantial part of fixed assets of the company has been disposed off during the year.</p> <p>ii) a) Physical verification of Inventory has been conducted by the Management at reasonable intervals.</p> <p>b) The procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.</p> <p>c) The Company has maintained proper records of inventory and no material discrepancies have been noticed on physical verification of inventory as compared to book records.</p> <p>iii) a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act, and hence the clauses (iii) (a), (b), (c) &amp; (d) of the Order is not applicable.</p> <p>b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties, covered in the register maintained under Section 301 of the Act and hence the clauses (iii) (e), (f) &amp; (g) of the Order are not applicable.</p> <p>iv) The Company has adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods or services.</p> <p>v) a) The particulars of contracts or arrangements referred to in section 301 of the Act have been</p> | <p>entered in the register required to be maintained under that section.</p> <p>b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Act and exceeding the value of five lakh rupees in respect of any party during the year have been made at prices, which are reasonable having regard to prevailing market prices at the relevant time.</p> <p>vi) The Company has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A and 58AA or other provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.</p> <p>vii) The Company has an Internal Audit system commensurate with its size and nature of its business.</p> <p>viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.</p> <p>ix) a) The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service-tax, customs duty, excise-duty, cess and other statutory dues applicable to it. No undisputed statutory dues were outstanding as at the last day of the financial year for a period of more than six months from the date they became payable.</p> |
|--|---|

b) The details of disputed statutory dues are as under:

Name of the Statute	Nature of the dues	Amount disputed (Rs.)	Amount Paid (Rs.)	Forum where dispute is pending
Andhra Pradesh General Sales Tax Act	APGST 1999/00 to 2004/05 Assessments	1,15,34,804	35,40,491	Sales Tax Appellate Tribunal
	APGST 1996/97 to 1998/99	27,02,181	27,02,181	High Court of Andhra Pradesh
Kerala General Sales Tax Act	KGST 2000/01 to 2004/05	8,81,527	8,80,588	Deputy Commissioner (Appeals)
Karnataka Sales Tax Act	KST 2006/07 Assessment	27,516	–	Joint Commissioner (Appeals)
Service Tax Act	Service Tax for the 2005-2009	5,41,50,000	–	CESTAT, Bangalore

- x) The Company has no accumulated losses. The Company has not incurred cash loss in the current financial year or in the immediately preceding financial year.
- xi) The Company has not defaulted in repayment of dues to banks.
- xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

- xiii) The Company is not a Chit Fund or a Nidhi / Mutual Benefit Fund / Society.
- xiv) The Company is not dealing or trading in shares, securities, debentures or other investments.
- xv) The Company has given a letter of comfort for loans taken by the ultimate subsidiary from banks.
- xvi) The Company has applied the term loans for the purpose for which they were obtained.
- xvii) According to the information and explanations given to us, no funds raised on short-term basis have been used for long-term investment.
- xviii) The Company has not made any preferential allotment of shares during the year.
- xix) The Company has not issued any debentures.
- xx) The Company has not raised any money by public issues during the year.
- xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

For **SURI & CO.,**  
Chartered Accountants  
Firm's Regn. No. : 004283S

**S. Ganesan**  
Partner

Place : Chennai  
Date : 30<sup>th</sup> May 2012

Membership No. 18525

## BALANCE SHEET

	Note No.	As at <b>31.03.2012</b> Rs.	As at 31.03.2011 Rs.
<b>I. EQUITY &amp; LIABILITIES :</b>			
1. SHARE HOLDERS' FUNDS :			
a) Share Capital	2	7,61,42,000	7,61,42,000
b) Reserves & Surplus	3	<b>87,53,58,363</b>	48,18,23,576
		<u><b>95,15,00,363</b></u>	<u>55,79,65,576</u>
2. NON CURRENT LIABILITIES :			
a) Long Term Borrowings	4	2,64,44,516	4,51,08,434
b) Deferred Tax Liability	5	4,29,39,000	4,25,39,000
c) Long Term Provisions	6	<b>86,02,067</b>	89,04,578
		<u><b>7,79,85,583</b></u>	<u>9,65,52,012</u>
3. CURRENT LIABILITIES :			
a) Short Term Borrowings	7	25,78,51,574	45,52,78,053
b) Trade Payables	8	12,59,15,275	8,84,21,328
c) Other current liabilities	9	7,12,99,661	2,31,42,031
d) Short Term Provisions	10	<b>32,14,25,411</b>	12,29,78,852
		<u><b>77,64,91,921</b></u>	<u>68,98,20,264</u>
TOTAL		<u><b>180,59,77,867</b></u>	<u>134,43,37,852</u>
<b>II. ASSETS :</b>			
1. NON CURRENT ASSETS :			
a) Fixed Assets :			
i) Tangible Assets	11	37,41,56,653	35,39,72,526
ii) In-Tangible Assets	12	<b>18,99,672</b>	28,32,992
		<u><b>37,60,56,325</b></u>	<u>35,68,05,518</u>
b) Non-Current Investments :	13	<b>2,82,27,150</b>	2,82,27,150
c) Long term Loans and Advance :	14	<b>51,85,445</b>	46,99,367
2. CURRENT ASSETS :			
a) Inventories :	15	66,04,58,549	28,54,67,316
b) Trade Receivables :	16	36,52,46,035	54,05,62,371
c) Cash & Cash Equivalents :	17	7,36,88,540	2,17,36,068
d) Short Term Loans & Advances :	18	29,18,84,644	10,31,45,541
e) Other Current Assets :	19	<b>52,31,179</b>	36,94,521
		<u><b>139,65,08,947</b></u>	<u>95,46,05,817</u>
TOTAL		<u><b>180,59,77,867</b></u>	<u>134,43,37,852</u>

Notes 1 to 19, Notes 27 to 40 and Cashflow statement form part of this Balance Sheet.

Vide our Report of date attached

For and on behalf of the board

For **SURI & CO.,**  
Chartered Accountants  
Firm's Regn. No. : 004283S

**S. Ganesan**  
Partner  
Membership No. 18525  
Place : Chennai  
Date : 30<sup>th</sup> May 2012

**Ajit Thomas**  
Chairman  
  
**Dileepraj. P**  
Company Secretary

**M.A. Alagappan**  
Director  
  
**M.S.A. Kumar**  
Managing Director

## STATEMENT OF PROFIT AND LOSS

	Note No.	Year Ended 31.03.2012 Rs.	Year Ended 31.03.2011 Rs.
<b>REVENUE:</b>			
<b>I. Revenue from Operations</b>			
Revenue from Operations (net of excise duty Rs. 6,20,636/-)	20	218,18,92,730	138,90,37,012
<b>II. Other Income</b>			
Other Income	21	55,70,456	14,57,934
<b>III. Total Revenue (I + II)</b>		<b>218,74,63,186</b>	<b>139,04,94,946</b>
<b>EXPENSES:</b>			
Increase (-)/Decrease (+) in Stock	22	(-) 34,10,20,000	(+ 5,93,70,000)
Cost of Materials Consumed		104,24,02,326	62,03,30,230
Purchases		Nil	5,50,01,760
Other Manufacturing Expense	23	28,31,66,725	18,23,95,317
Employee Benefits Expenses	24	14,88,81,769	11,92,75,891
Other Expenses	25	21,93,10,318	11,44,93,505
Finance Costs	26	5,08,91,159	4,30,54,253
Depreciation		3,22,78,432	3,20,85,959
<b>IV. TOTAL EXPENSES</b>		<b>143,59,10,729</b>	<b>122,60,06,915</b>
<b>V. Profit Before Tax (PBT)</b>		<b>75,15,52,457</b>	<b>16,44,88,031</b>
<b>VI. Tax Expenses</b>			
- Current Tax		24,70,00,000	5,70,00,000
- Deferred Tax		4,00,000	(6,60,000)
<b>VII. Profit After Tax (PAT)</b>		<b>50,41,52,457</b>	<b>10,81,48,031</b>
<b>VIII. Earnings Per Share (Basic and Diluted)</b>		<b>66.21</b>	<b>14.20</b>

Notes 1, Notes 20 to 26, Notes 27 to 40 and Cashflow statement form part of this Statement of Profit & Loss

Vide our Report of date attached

For and on behalf of the board

For **SURI & CO.,**  
Chartered Accountants  
Firm's Regn. No. : 004283S

**S. Ganesan**  
Partner  
Membership No. 18525  
Place : Chennai  
Date : 30<sup>th</sup> May 2012

**Ajit Thomas**  
Chairman  
  
**Dileepraj. P**  
Company Secretary

**M.A. Alagappan**  
Director  
  
**M.S.A. Kumar**  
Managing Director

# NOTES ON ACCOUNTS

*For the year ended 31<sup>st</sup> March 2012*

## **Note 1 . SIGNIFICANT ACCOUNTING POLICIES**

### **1) ACCOUNTING CONVENTION:**

The financial statements have been prepared on the historical cost convention in accordance with the normally accepted accounting principles and comply in all material aspects with the notified accounting standards by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act , 1956.

### **2) FIXED ASSETS:**

- a) Fixed Assets are stated at historical cost less depreciation. Cost includes, taxes and duties (but does not include taxes and duties for which CENVAT / VAT credit is available), freight and other direct or allocated expenses during construction period, net of any income earned. Assets acquired on hire purchase are capitalised at principal value.
- b) Amount of provisional consideration paid on land acquired under registered lease-cum-sale agreement for twenty one years; with option to the Company to convert the lease into absolute sale at the expiry of the lease; subject to fulfilment of the terms and conditions specified and payment of additional consideration, if any, to be fixed at that time, is capitalised and included, without being amortised over the period of lease.
- c)
  - (i) Buildings and structures constructed on land acquired under lease-cum- sale agreement with option to convert the lease into absolute sale at the expiry of the lease are depreciated in the normal way and such assets on other lease-hold land are amortised over the period of lease.
  - (ii) Assets at Tiptur, Pandhurna, and Decaffeination Plant at Vazhakulam are depreciated on written-down-value method and assets at other locations are depreciated on Straight-line method, at the rates specified in Schedule XIV to the Companies Act, 1956.
  - (iii) Depreciation is provided at the rates specified in Schedule XIV to the Companies Act,1956 on written down value method. Assets costing individually less than Rs.5,000/- are depreciated at 100%. On additions to and deductions from Fixed Assets, depreciation is provided on pro-rata basis.  
Amortisation on intangible assets is charged equally over the estimated useful life of the asset, not exceeding five years, commencing from the year of commercialisation. The useful life is estimated based on the evaluation of future economic benefits expected to flow from such assets.

### **3) IMPAIRMENT OF ASSETS :**

The Company reviews the carrying amounts of its assets for any possible impairment at each balance sheet date. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount and the impairment loss, if any, is recognized in the Statement of Profit & Loss.

### **4) INVESTMENTS:**

Long term Investments are stated at cost. Decline in value of long term investments, other than temporary, is provided for. Current Investments are stated at lower of cost and fair value.

### **5) INVENTORIES :**

Inventories are valued at lower of cost on weighted average basis and net realisable value, after providing for obsolescence wherever considered necessary. Cost includes taxes and duties (other than duties and taxes for which CENVAT / VAT credit is available), freight and other direct expenses.

### **6) EMPLOYEE BENEFITS :**

Gratuity liability, which is a defined benefit scheme and provision for leave encashment is accrued and provided for on the basis of independent actuarial valuation based on projected unit credit method made at the end of each financial year. Actuarial gains and losses are recognised in the Statement of profit and loss and are not deferred. Retirement benefits in the form of Provident Fund, Family Pension Fund and Superannuation Schemes, which are defined contribution schemes, are charged to the Statement of profit and loss of the year when the contribution to the respective funds accrue.

### **7) REVENUE RECOGNITION :**

Revenue is recognised on their accrual and when no significant uncertainty on measurability or collectability exists. Expenditure is accounted for on their accrual.

#### **Sale of Goods:**

Revenue is recognised when all the significant risks and rewards of ownership of the goods have been passed on to the buyer, usually on delivery of goods. The Company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the Company. Hence, they are excluded from revenue.

# NOTES ON ACCOUNTS

*For the year ended 31<sup>st</sup> March 2012 (Contd.)*

## **Interest:**

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "other income" in the statement of profit and loss.

## **Dividends:**

Dividend income is recognized when the Company's right to receive dividend is established by the reporting date.

## **8) FOREIGN CURRENCY TRANSACTION:**

Transactions in foreign currency are recorded at the rates of exchange in force at the time the transactions are effected. Monetary items denominated in foreign currency and outstanding at the Balance Sheet date are converted at the year end exchange rates and the resultant loss or gain other than for acquisition of fixed assets, is dealt with in the Profit and Loss Account. The Company uses foreign exchange forward contracts to hedge its exposure to movements in foreign exchange rates and the resultant gain or loss is dealt with in the Profit and Loss Account. Premium or discount on forward contracts is amortised over the life of such contract and is recognized as income or expense in the Profit and Loss account. Exchange differences arising on settlement / translation of long term monetary items utilized for acquisition of Fixed Assets are adjusted to carrying cost of Fixed Assets.

## **9) BORROWING COSTS:**

Borrowing costs attributable to the acquisition or construction of qualifying asset is capitalized as part of such assets. All other borrowing costs are charged to revenue. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale.

## **10) TAXES ON INCOME:**

Provision for Income-tax is made for both current and deferred tax. Provision for current income tax is made on the assessable income at the tax rate applicable to the relevant assessment year. Deferred tax is accounted for by computing the tax effect of the timing difference which arise during the year and reverse out in the subsequent periods. Deferred tax is calculated at the tax rates substantively enacted by the Balance Sheet date. Deferred tax assets are recognized only if there is a virtual certainty that they will be realized.

## **11) GOVERNMENT GRANTS:**

Subsidies from government in respect of fixed assets are deducted from the cost of respective assets as and when they accrue.

Subsidies related to revenue are recognised in the profit and loss statement to match them with the related costs which they are intended to compensate.

## **12) RESEARCH & DEVELOPMENT:**

Expenditure on research phase is recognised as an expense as and when it is incurred.

Expenditure on development phase is recognized as intangible assets if it is identifiable, capable of being controlled and from which future economic benefits are expected to flow to the enterprise. Intangible assets are stated at cost net of tax/duty credits availed, if any, less accumulated amortisation and cumulative impairment.

## **13) EARNINGS PER SHARE:**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting the preference dividends and attributable taxes) by the weighted average number of equity share holders outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a right issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

## **14) PROVISIONS & CONTINGENT LIABILITY:**

Provision is recognised when the company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

Contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. Contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognise contingent liability but discloses its existence in financial statements.

## NOTES TO THE ACCOUNTS

*Forming part of Balance Sheet as at 31<sup>st</sup> March 2012*

	As at 31.03.2012 Rs.	As at 31.03.2011 Rs.	
<b>NOTE - 2:</b>			
<b>SHARE CAPITAL</b>			
<b>A) AUTHORISED SHARE CAPITAL</b>			
79,90,000 - Equity Shares of Rs. 10/- each (Previous Year 79,90,000 - Equity Shares of Rs. 10/- each)	7,99,00,000	7,99,00,000	
1,000 - 12% Redeemable Cumulative Preference Shares of Rs. 100/- each (Previous Year 1,000 - 12% Redeemable Cumulative Preference Shares of Rs. 100/- each)	1,00,000	1,00,000	
30,00,000 - 7% Redeemable Cumulative Preference Shares of Rs. 10/- each (Previous Year 30,00,000 - 7% Redeemable Cumulative Preference Shares of Rs. 10/- each)	3,00,00,000	3,00,00,000	
	<b>11,00,00,000</b>	<b>11,00,00,000</b>	
<b>B) ISSUED, SUBSCRIBED AND PAID UP</b>			
76,14,200 - Equity Shares of Rs.10/- each ( Previous Year 76,14,200 - Equity Shares of Rs.10/- each )	7,61,42,000	7,61,42,000	
<b>C) RECONCILIATION OF NUMBER OF EQUITY SHARES OUTSTANDING AT THE BEGINNING AND AT THE END OF THE YEAR</b>			
Particulars	As at 31.03.2012	As at 31.03.2011	
Number of Shares outstanding at the beginning of the year	76,14,200	76,14,200	
Add/(Less) Shares Issued / Buy Back etc	Nil	Nil	
Number of Shares outstanding at the end of the year	<b>76,14,200</b>	<b>76,14,200</b>	
<b>D) SHARES IN THE COMPANY HELD BY EACH SHAREHOLDER HOLDING MORE THAN 5% SHARES</b>			
Name of the Shareholder	As at 31 <sup>st</sup> March 2012 Number of Shares in the company	As at 31 <sup>st</sup> March 2011 % Number of Shares in the company	%
The Midland Rubber & Produce Co Ltd	2227065	29.25	1462567 19.21
Neelamalai Agro Industries Ltd	3045680	40.00	3807100 50.00
Total	<b>5272745</b>	<b>5269667</b>	

No Bonus Issue / Buy-back of shares in last five years

## NOTES TO THE ACCOUNTS

*Forming part of Balance Sheet as at 31<sup>st</sup> March 2012 (Contd.)*

	As at 31.03.2012 Rs.	As at 31.03.2011 Rs.
<b>NOTE - 3:</b>		
<b>RESERVES &amp; SURPLUS:</b>		
Capital Redemption Reserve	3,00,06,000	3,00,06,000
Capital Reserve	35,000	35,000
Investment Subsidy	99,01,670	99,01,670
General Reserve		
As per Last Balance Sheet	39,64,22,459	
Add: Transfer from Contingency Reserve	1,00,00,000	
Add: Transfer from Profit & Loss A/c	30,00,00,000	
	70,64,22,459	39,64,22,459
Contingency Reserve	1,00,00,000	
Less : Transfer to General Reserve	1,00,00,000	Nil
	Nil	1,00,00,000
Surplus as per Statement of Profit & Loss As per Last Balance Sheet	3,54,58,447	3,15,57,484
Profit for the period after Tax	50,41,52,457	10,81,48,031
Less : Appropriations		
Transfer to General Reserve	30,00,00,000	6,00,00,000
Special Silver Jubilee Dividend Paid @ Rs.2.50 per share ( PY-Nil )	1,90,35,500	
Interim Dividend Paid @ Rs.5 per share ( PY-Nil )	3,80,71,000	
Tax on Special & Interim Dividend	92,64,102	
	6,63,70,602	-
Proposed Dividend		
- On Equity Shares @ Rs.5 per share ( PY-Rs.5 per share )	3,80,71,000	
Provision for Tax on Dividends	61,76,068	4,42,47,068
	4,42,47,068	4,42,47,068
Net Surplus In the Statement of Profit and Loss	12,89,93,234	3,54,58,447
	87,53,58,363	48,18,23,576

## **NOTES TO THE ACCOUNTS**

*Forming part of Balance Sheet as at 31<sup>st</sup> March 2012 (Contd.)*

	As at 31.03.2012 Rs.	As at 31.03.2011 Rs.
<b>NOTE - 4:</b>		
<b>LONG TERM BORROWINGS:</b>		
<b>SECURED</b>		
<b>Term Loan From Banks:</b>		
(Secured by hypothecation of all movable assets, present and future, save and except inventories and book debts, and subject to prior charges created in favour of Banks on specific assets for securing working capital facilities) The Loan is from State Bank of India carries a Interest rate of 7.99 % Repayable in 20 Quarterly Installments starting from 31 <sup>st</sup> May 2009 and Last Installment falling due on 31 <sup>st</sup> March 2014	<b>1,46,35,516</b>	2,60,43,434
<b>UNSECURED</b>		
Public Deposits	<u>1,18,09,000</u>	<u>1,90,65,000</u>
	<u><b>2,64,44,516</b></u>	<u><b>4,51,08,434</b></u>
<b>NOTE - 5:</b>		
<b>DEFERRED TAX LIABILITIES ( NET ) :</b>		
Deferred Tax Liabilities	4,81,08,000	4,71,22,000
Deferred Tax Assets	<u>51,69,000</u>	<u>45,83,000</u>
Deferred Tax Liabilities ( Net )	<u><b>4,29,39,000</b></u>	<u><b>4,25,39,000</b></u>
<b>NOTE - 6:</b>		
<b>LONG TERM PROVISION :</b>		
For Leave Encashment	86,02,067	89,04,578
	<u><b>86,02,067</b></u>	<u><b>89,04,578</b></u>
<b>NOTE - 7:</b>		
<b>SHORT TERM BORROWINGS :</b>		
<b>SECURED</b>		
Cash Credit		
- from Banks	25,78,51,574	45,52,78,053
(Secured by hypothecation of inventories and book debts and second charge on present and future movable and immovable block of assets of the company)	<u><b>25,78,51,574</b></u>	<u><b>45,52,78,053</b></u>

## NOTES TO THE ACCOUNTS

*Forming part of Balance Sheet as at 31<sup>st</sup> March 2012 (Contd.)*

	As at 31.03.2012 Rs.	As at 31.03.2011 Rs.
<b>NOTE - 8:</b>		
<b>TRADE PAYABLE</b>		
Sundry Creditors - Refer Note No.34 for Details of dues to Micro & Small Enterprises	12,59,15,275	8,84,21,328
	12,59,15,275	8,84,21,328
<b>NOTE - 9:</b>		
<b>OTHER CURRENT LIABILITIES:</b>		
Current Maturities of Long Term Debts	2,53,29,516	1,72,90,490
Unpaid Dividends (The amount represents Interim Dividend declared on 27 <sup>th</sup> March 2012 and paid in April 2012 )	3,80,71,000	Nil
Investor Education and Protection Fund *		
- Unclaimed Dividends	49,25,611	34,09,868
- Interest accrued but not due	17,04,044	14,84,276
- Interest on Matured Deposit Payable	2,64,490	65,397
Overdue Matured Deposits	10,05,000	8,92,000
	7,12,99,661	2,31,42,031
* Amount payable to Investor Education and Protection Fund - Nil		
<b>NOTE - 10:</b>		
<b>SHORT TERM PROVISIONS:</b>		
<b>Provisions for Employee Benefit</b>		
For Leave Encashment	4,49,259	Nil
For Gratuity	65,10,517	48,93,230
<b>Other Provisions</b>		
For Proposed Dividends	3,80,71,000	3,80,71,000
For Tax on Dividend	1,23,52,136	61,76,068
For Taxation	26,40,42,499	7,38,38,554
	32,14,25,411	12,29,78,852

# NOTES TO THE ACCOUNTS

*Forming part of Balance Sheet as at 31<sup>st</sup> March 2012 (Contd.)*

**NOTE - 11:**

**Tangible Assets:**

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2011	Additions	Deductions	As at 31.03.2012	Upto 31.03.2011	For the Year	Withdrawn	Upto 31.03.2012	As at 31.03.2012	As at 31.03.2011
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Freehold Land	1,85,62,463	51,33,830	-	2,36,96,293	-	-	-	-	2,36,96,293	1,85,62,463
Lease Hold Land	18,94,995	-	-	18,94,995	-	-	-	-	18,94,995	18,94,995
Buildings	15,03,23,282	9,09,314	-	15,12,32,596	6,01,99,520	57,88,463	-	6,59,87,983	8,52,44,613	9,01,23,762
Plant and Machinery	45,32,21,633	2,92,15,911	74,70,578	47,49,66,966	21,72,80,213	2,40,83,399	64,56,256	23,49,07,356	24,00,59,610	23,59,41,421
Furniture and Fixtures	71,80,623	27,60,978	18,97,120	80,44,481	46,41,772	2,39,185	18,46,365	30,34,592	50,09,889	25,38,851
Vehicles	1,13,17,147	1,55,76,622	20,24,123	2,48,69,646	64,06,113	12,34,065	10,21,785	66,18,393	1,82,51,253	49,11,034
<b>TOTAL</b>	64,25,00,143	5,35,96,655	1,13,91,821	68,47,04,977	28,85,27,618	3,13,45,112	93,24,406	31,05,48,324	37,41,56,653	35,39,72,526
Previous Year	62,51,79,061	2,82,04,399	1,08,83,317	64,25,00,143	26,37,51,872	3,11,52,639	63,76,894	28,85,27,618	35,39,72,526	

**NOTE - 12:**

**In-Tangible Assets:**

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2011	Additions	Deductions	As at 31.03.2012	Upto 31.03.2011	For the Year	Withdrawn	Upto 31.03.2012	As at 31.03.2012	As at 31.03.2011
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
In-Tangible Assets	38,73,931	-	-	38,73,931	10,40,939	9,33,320	-	19,74,259	18,99,672	28,32,992
<b>TOTAL</b>	38,73,931	-	-	38,73,931	10,40,939	9,33,320	-	19,74,259	18,99,672	28,32,992
Previous Year	38,73,931	-	-	38,73,931	1,07,619	9,33,320	-	10,40,939	28,32,992	

## NOTES TO THE ACCOUNTS

Forming part of Balance Sheet as at 31<sup>st</sup> March 2012 (Contd.)

	As at 31.03.2012 Rs.	As at 31.03.2011 Rs.
<b>NOTE - 13:</b>		
<b>NON CURRENT INVESTMENTS - AT COST:</b>		
Investment in Equity Instruments		
In wholly owned Subsidiary Company (Unquoted)		
AVT Natural Pte. Limited, Singapore		
6,41,000 ordinary shares of US\$ 1 each fully paid-up	<u>2,82,27,150</u>	<u>2,82,27,150</u>
<b>NOTE - 14:</b>		
<b>LONG TERM LOANS AND ADVANCES:</b>		
<b>Unsecured, Considered Good</b>		
Advances Recoverable in cash or in kind or for a value to be received	<u>51,85,445</u>	<u>46,99,367</u>
<b>NOTE - 15:</b>		
<b>INVENTORIES:</b>		
(a) Stores, Spares and Packing Materials	4,24,45,140	3,47,42,207
(b) Raw Materials	13,15,63,409	10,52,95,109
(c) Finished Goods	45,07,70,000	14,54,20,000
(d) Stock in process	3,56,80,000	10,000
	<u>66,04,58,549</u>	<u>28,54,67,316</u>
<b>NOTE - 16:</b>		
<b>TRADE RECEIVABLES:</b>		
Considered Good Unsecured		
(a) Debts outstanding for a period exceeding six months	Nil	25,00,000
(b) Other debts	36,52,46,035	53,80,62,371
	<u>36,52,46,035</u>	<u>54,05,62,371</u>

## **NOTES TO THE ACCOUNTS**

*Forming part of Balance Sheet as at 31<sup>st</sup> March 2012 (Contd.)*

	As at 31.03.2012 Rs.	As at 31.03.2011 Rs.
<b>NOTE - 17:</b>		
<b>CASH AND CASH EQUIVALENTS :</b>		
(a) Cash	2,73,725	1,46,855
(b) Balances with Scheduled Banks:		
- In Current Account	2,34,84,250	1,11,97,865
- In Deposit Account *	69,33,954	69,81,480
	3,06,91,929	1,83,26,200
(c) Balances with Scheduled Banks:		
- In Dividend Account	4,29,96,611	34,09,868
	7,36,88,540	2,17,36,068
* Includes Rs.39,33,954/- as Margin Money Deposit for issue of Letter of Credit/Guarantee		
Bank Deposits with more than 12 Months Maturity	Nil	Nil
<b>NOTE - 18:</b>		
<b>SHORT TERM LOANS AND ADVANCES</b>		
<b>Un-secured Considered Good</b>		
Tax Payment Pending Adjustment	24,68,69,697	6,22,83,793
Advances Recoverable in cash or in kind or for a value to be received	4,50,14,947	4,08,61,748
	29,18,84,644	10,31,45,541
<b>NOTE - 19:</b>		
<b>OTHER CURRENT ASSETS:</b>		
Prepaid Expenses	42,05,816	86,212
Income Accrued	10,25,363	36,08,309
	52,31,179	36,94,521

## **NOTES TO THE ACCOUNTS**

*Forming part of Statement of Profit and Loss*

	For Year ended 31.03.2012 Rs.	For year ended 31.03.2011 Rs.
<b>NOTE - 20:</b>		
<b>REVENUE FROM OPERATIONS:</b>		
Sales of Products	213,69,39,189	122,05,94,959
Less: Excise Duty	6,20,636	35,59,879
	<u>213,63,18,553</u>	<u>121,70,35,080</u>
<b>Other Operating Revenues :</b>		
Exchange Difference	(10,30,54,695)	1,18,55,989
Processing Income	12,26,83,325	13,05,35,057
Sale / Captive Consumption of Wind power	43,03,770	51,00,664
Sale of Import Entitlement	2,16,41,777	2,45,10,222
	<u>218,18,92,730</u>	<u>138,90,37,012</u>
<b>NOTE - 21:</b>		
<b>OTHER INCOME:</b>		
Rent	1,80,000	1,80,000
Interest	37,86,962	10,28,654
Profit on Sale of Assets	56,143	NIL
Miscellaneous	5,15,177	2,49,280
Profit on Sale of Mutual Fund Investments	2,03,399	Nil
Dividend Income from Mutual Funds	8,28,775	Nil
	<u>55,70,456</u>	<u>14,57,934</u>

## NOTES TO THE ACCOUNTS

*Forming part of Statement of Profit and Loss (Contd.)*

	For Year ended 31.03.2012 Rs.	For year ended 31.03.2011 Rs.
<b>NOTE - 22:</b>		
<b>INCREASE (-) / DECREASE (+) IN STOCK:</b>		
<b>OPENING STOCK:</b>		
Finished Goods		
- Processed	14,54,20,000	18,81,80,000
Stock in Process	10,000	1,66,20,000
	<b>14,54,30,000</b>	<b>20,48,00,000</b>
<b>CLOSING STOCK</b>		
Finished Goods		
- Processed	45,07,70,000	14,54,20,000
Stock in Process	3,56,80,000	10,000
	<b>48,64,50,000</b>	<b>14,54,30,000</b>
Increase(-)/Decrease(+) in Stock	(-) <b>34,10,20,000</b>	(+) <b>5,93,70,000</b>
<b>NOTE - 23:</b>		
<b>OTHER MANUFACTURING EXPENSES :</b>		
Consumption of Stores, Spares & Packing Materials	8,88,67,118	6,75,22,831
Power and Fuel	12,50,55,160	8,66,22,072
Repairs - Building	1,99,78,228	6,69,236
Repairs - Plant & Machinery	4,92,66,219	2,75,81,178
	<b>28,31,66,725</b>	<b>18,23,95,317</b>
<b>NOTE - 24:</b>		
<b>EMPLOYEE BENEFIT EXPENSES:</b>		
Salaries,Wages and Bonus	10,93,66,662	9,21,99,488
Contribution to Provident and other Funds	1,44,33,661	1,25,84,750
Provision for Gratuity ( Refer Note No.39 )	16,17,287	11,72,648
Provision for Leave Encashment ( Refer Note No.39 )	1,46,748	25,18,578
Welfare Expenses	2,33,17,411	1,08,00,427
	<b>14,88,81,769</b>	<b>11,92,75,891</b>

## **NOTES TO THE ACCOUNTS**

*Forming part of Statement of Profit and Loss (Contd.)*

	For Year ended 31.03.2012 Rs.	For year ended 31.03.2011 Rs.
<b>NOTE - 25:</b>		
<b>OTHER EXPENSES:</b>		
Processing Charges	44,63,877	7,16,380
Repairs :		
Vehicles	59,53,208	49,32,979
Others	1,65,26,657	1,05,14,055
Postage and Telephones	39,53,864	36,56,787
Printing & Stationery	19,41,661	17,84,879
Travelling Expenses	1,90,26,091	1,30,78,410
Auditors Remuneration		
- For Audit	10,00,000	7,00,000
- For Tax Audit/Certification	2,30,000	2,15,000
- For Tax Representation	1,50,000	1,45,000
- For Expenses	66,500	66,500
- For Service Tax	1,69,590	1,16,030
Directors' Sitting Fees	2,39,000	2,14,000
Commission to Chairman	1,54,81,600	34,81,000
Bank Charges	1,11,63,253	58,15,472
Rent	18,15,940	13,14,750
Research & Development Expenses	1,71,39,005	1,55,20,041
Rates and Taxes	33,30,165	19,85,785
Insurance	48,16,728	31,52,059
Product Testing Charges	75,26,903	69,78,531
Freight and Transport	5,88,05,079	2,19,24,995
Commission	79,50,518	11,14,355
Loss on Sale of Assets	Nil	22,55,788
Bad Trade Advances Written Off	1,01,35,243	Nil
Miscellaneous Expenses	2,74,25,436	1,48,10,709
	<u>21,93,10,318</u>	<u>11,44,93,505</u>
<b>NOTE - 26:</b>		
<b>FINANCE COST :</b>		
Interest Expense	5,08,91,159	4,30,54,253
	<u>5,08,91,159</u>	<u>4,30,54,253</u>

## NOTES TO THE ACCOUNTS

*Forming part of Accounts*

	Year ended 31.03.2012 Rs.	Year ended 31.03.2011 Rs.		
<b>27 CONTINGENT LIABILITIES IN RESPECT OF</b>				
a) Sales tax demand disputed in appeals, against which Rs.71,23,260/- paid and included under Advances	1,51,46,028	1,51,46,028		
b) Service Tax demand disputed in appeal	5,41,50,000	5,41,50,000		
c) The company through its banker State Bank of India, Palarivattom Branch has given a Letter of Comfort to State Bank of India, Shanghai, China for Working Capital Facility of US\$ 1.5 Million ( Rs.750 Lacs ) to the Ultimate Subsidiary Heilongjiang AVT-Bio Products Ltd, China	7,50,00,000	Nil		
<b>28 Expenditure in Foreign Currency:</b>				
Travelling Expenses	38,88,131	27,18,057		
Commission	66,56,115	9,90,355		
Professional Fees	4,59,514	6,16,390		
Interest	69,83,199	21,40,200		
Sample Analysis Charges	65,19,915	61,66,320		
Others	24,25,196	28,66,830		
<b>29 Particulars of Consumption:</b>				
Raw Materials	%	Rs.	%	Rs.
- Indigenous	69.49	72,43,55,384	62.40	38,70,95,799
- Imported	30.51	31,80,46,942	37.60	23,32,34,431
	<b>100</b>	<b>104,24,02,326</b>	<b>100</b>	<b>62,03,30,230</b>
Stores, Spares and Packing Materials	%	Rs.	%	Rs.
- Indigenous	88.94	7,90,40,940	86.42	5,83,54,440
- Imported	11.06	98,26,178	13.58	91,68,391
	<b>100</b>	<b>8,88,67,118</b>	<b>100</b>	<b>6,75,22,831</b>
<b>30. Value of Imports on CIF basis</b>				
Raw Materials	42,42,16,612	25,80,82,791		
Purchases of Traded Goods	Nil	5,50,01,760		
Stores, Spares and Packing Materials	74,47,277	72,06,126		
Capital Items	46,18,701	26,13,365		
<b>31. Earnings in Foreign Exchange (On FOB Basis):</b>				
On Export of goods	204,47,25,954	115,90,39,526		
Processing Income	8,89,42,473	7,36,39,853		
	<b>213,36,68,427</b>	<b>123,26,79,379</b>		

## NOTES TO THE ACCOUNTS

*Forming part of Accounts (Contd.)*

	Year ended 31.03.2012 Rs.	Year ended 31.03.2011 Rs.
<b>32</b>	<p>The Company has certain unexpired foreign currency derivative contracts to the tune of US \$ 4.8 Million as on 31.03.2012, which were entered into to hedge the risk of changes in foreign exchange currency rates on future export sales against existing long term export contracts. The mark to market negative variation on currency position as on 31.03.2012 of Rs.3.37 crores has not been considered as loss on foreign currency derivatives. As the hedge transactions have been entered into based on firm export sale contracts and as per the costing systems of the company, such hedge transaction will only result in current profit for the relevant period of execution of the contract. On the principle of going concern, such hedge transactions will not result in losses requiring recognition as on this date.</p>	
<b>33</b>	<p>The Company has opted for accounting the exchange differences arising on reporting of long term foreign currency monetary items in line with Companies (Accounting Standards) Amendment Rules, 2009 on Accounting Standard 11 (AS-11) notified by the Government of India on 29<sup>th</sup> December 2011. Accordingly, the effect of exchange differences on foreign currency term loan availed for acquisition of fixed assets has been adjusted to the cost of fixed assets and depreciation has been provided over the balance life of assets. The unamortised amount as on 31.03.2012 on account of the above is Rs. 0.64 Crores.</p>	
<b>34</b>	<p><b>Due to Micro &amp; Small Enterprises:</b> Based on the information available with the company, the principal amount due to Micro, Small &amp; Medium Enterprises as on 31.03.2012 is Rs.Nil (Previous Year Nil). There are no overdue principal amounts and therefore no interest was paid or payable.</p>	
	Year ended 31.03.2012 Rs.	Year ended 31.03.2011 Rs.
<b>35</b>	<p><b>Earnings per Share</b></p>	
Profit after Taxation	50,41,52,457	10,81,48,031
Weighted average number of Equity Shares outstanding at the end of the year	76,14,200	76,14,200
Earnings per share of Rs.10 Each (Basic and Diluted)	66.21	14.20
<b>36</b>	<p><b>Segment Reporting :</b> The Company operates in solvent extracted products which is the primary reportable segment. Therefore, segment reporting is not applicable.</p>	
<b>37</b>	<p><b>Computation of Deferred Tax Asset / Liability:</b></p>	
a) Deferred Tax Liability:		
Tax Impact of difference between carrying amount of Fixed Assets in the Financial Statements and the income tax returns	4,81,08,000	4,71,22,000
b) Deferred Tax Asset:		
Tax impact of expenses charged in the financial statements but allowable as deduction in future years under Income Tax.	51,69,000	45,83,000
Net Deferred Tax Liability [(a) - (b)]	4,29,39,000	4,25,39,000

## **NOTES TO THE ACCOUNTS**

*Forming part of Accounts (Contd.)*

### 38 Related Party Transactions :

Following associate companies are related to the company on account of Common Control through Constitution of Board/ Shareholdings:

- |  |  |
|--|--|
| - A.V. Thomas and Company Limited                    | - A.V. Thomas Leather (UK) Limited                 |
| - L.J. International Limited                         | - A.V. Thomas Exports Limited                      |
| - A.V. Thomas Investments Company Limited            | - Midland Latex Products Limited                   |
| - The Nelliampathy Tea & Produce Co. Limited         | - Sermatech Private Limited                        |
| - Neelamalai Agro Industries Limited                 | - Ajit Thomas Holdings Private Limited             |
| - The Midland Rubber and Produce Company Limited     | - Midland Corporate Advisory Services Pvt. Limited |
| - AVT McCormick Ingredients Private Limited          | - AVT Gavia Foods Pvt. Limited                     |
| - AVT Natural Pte Limited                            | - Midland Charitable Trust                         |
| - Heilongjiang AVT Bio-Products Limited              | - Midland Natural Pte. Limited                     |
| - Teleflex Medical Private Limited                   |  |
| - AVT Infotech Private Limited                       |  |
| - A.V. Thomas Leather & Allied Products Pvt. Limited |  |

#### Key Management Personnel:

Mr. Ajit Thomas, Chairman  
Mr. M.S.A. Kumar, Managing Director

Details of Transaction	Year Ended 31.03.2012 Rs.	Year Ended 31.03.2011 Rs.
	Associates	Key Management Personnel (including relatives)
<b>INCOME</b>		
Sales	4,88,70,987	1,03,53,494
Rent Received	1,80,000	1,80,000
Interest Received	Nil	4,46,856
Assets Sale	Nil	9,28,171
<b>EXPENDITURE</b>		
Purchases	67,34,685	17,12,768
C & F Charges	1,11,69,613	98,69,981
Remuneration to Managing Director		70,32,000
Commission to Chairman		1,54,81,600
Sitting Fees		42,000
Dividend Paid	3,96,89,018	7,30,065
Donation	50,00,000	Nil
<b>OTHERS</b>		
Inter-corporate Loan repaid by Subsidiary	Nil	1,51,77,600
<b>BALANCE AS ON 31.03.2012</b>		
Debit Balances	Nil	Nil
Credit Balances	22,91,766	1,54,81,600
		40,08,795
		34,81,000

## **NOTES TO THE ACCOUNTS**

*Forming part of Accounts (Contd.)*

### 39 Employee Benefits:

i) Defined Benefit Plans:

a) Description of the Company's defined benefit plan:

i) Gratuity Scheme:

This is a funded defined benefit plan for qualifying employees for which, the Company makes contribution to the Gratuity Fund managed by the Life Insurance Corporation of India. The scheme provides for a lumpsum payment to vested employees at retirement, death while in employment or on termination of employment. Vesting occurs upon completion of five years of service.

ii) Leave Encashment:

The company also operates a non funded leave encashment scheme for its employees.

b) Reconciliation of changes in the Present Value of Obligation:

	Year Ended 31.03.2012		Year Ended 31.03.2011	
	Gratuity (Funded Plan)	Leave Encashment (Non Funded Plan)	Gratuity (Funded Plan)	Leave Encashment (Non Funded Plan)
Present Value of the Obligation as on 1.04.2011	2,63,65,207	89,04,578	1,73,58,420	90,01,219
Current Service Cost	21,22,352	21,08,910	18,16,607	20,70,270
Interest Cost	20,88,750	7,03,385	13,51,692	6,36,042
Benefits Paid	(5,11,676)	(2,24,529)	(9,24,550)	(21,01,382)
Actuarial loss / (gain)	44,42,365	(24,41,018)	67,63,038	(7,01,571)
Present Value of the Obligation as on 31.03.2012	<u>3,45,06,998</u>	<u>90,51,326</u>	<u>2,63,65,207</u>	<u>89,04,578</u>
c) Reconciliation of changes in the fair value of Plan Assets:				
Fair Value of Plan Assets as on 1.04.2011	2,14,71,977	Nil	1,69,94,664	Nil
Expected return on plan assets	21,91,300	Nil	16,94,600	Nil
Contribution by the Company	46,91,599	Nil	35,75,721	Nil
Benefits Paid	(5,11,676)	Nil	(9,24,550)	Nil
Actuarial gain / (loss)	1,53,281	Nil	1,31,542	Nil
Fair Value of Plan Assets as on 31.03.2012	<u>2,79,96,481</u>	<u>Nil</u>	<u>2,14,71,977</u>	<u>Nil</u>
d) The total expense recognised in the profit and loss account is as follows:				
Current Service Cost	21,22,352	21,08,910	18,16,607	20,70,270
Interest Cost	20,88,750	7,03,385	13,51,692	6,36,042
Expected return on plan assets	(21,91,300)	NA	(16,94,600)	NA
Net Actuarial (gain) / loss recognised in the year	42,89,084	(24,41,018)	66,31,496	(7,01,571)
	<u>63,08,886</u>	<u>3,71,277</u>	<u>81,05,195</u>	<u>20,04,741</u>
e) Reconciliation of Net Liability recognised in the balance sheet				
Net Liability as at the beginning of the year	48,93,230	89,04,578	3,63,756	90,01,219
Add : Expense as (d) above	63,08,886	3,71,277	81,05,195	20,04,741
Less: Employers Contribution / Payment	46,91,599	2,24,529	35,75,721	21,01,382
Net Liability as at the end of the year	<u>65,10,517</u>	<u>90,51,326</u>	<u>48,93,230</u>	<u>89,04,578</u>

## NOTES TO THE ACCOUNTS

*Forming part of Accounts (Contd.)*

	Year Ended 31.03.2012		Year Ended 31.03.2011	
	Gratuity (Funded Plan)	Leave Encashment (Non Funded Plan)	Gratuity (Funded Plan)	Leave Encashment (Non Funded Plan)
f) Constitution of Plan Assets:				
Investments in LIC Group Gratuity Scheme	<u>2,79,96,481</u>	<u>Not Applicable</u>	<u>2,14,71,977</u>	<u>Not Applicable</u>
g) Principal actuarial assumptions used as at the Balance Sheet date:				
Discount Rate	8.5%	8.5%	8%	8%
Salary Escalation Rate	10%	10%	8%	8%
Attrition Rate	5%	5%	5%	5%
Expected rate of return on plan assets	9.25%	NA	9.25%	NA

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as demand and supply in the employment market.

h) The amounts pertaining to defined benefit plans are as follow :

	<u>31.03.2012</u>	31.03.2011	31.03.2010	31.03.2009	31.03.2008
Gratuity - Funded Plan					
Defined Benefit Obligation	3,45,06,998	2,63,65,207	1,73,58,420	1,46,82,882	1,08,92,000
Plan Assets	2,79,96,481	2,14,71,977	1,69,94,664	1,09,62,300	84,34,423
Surplus / ( Deficit )	65,10,517	48,93,230	3,63,756	37,20,582	24,57,577
Experience adjustment plan liabilities	44,42,365	67,63,038	23,93,537	18,44,764	26,454
Experience adjustment plan assets	(1,53,281)	(1,31,542)	(1,78,584)	(1,99,247)	(5,88,629)

The company expects to fund Rs. 33 Lakhs towards its gratuity plan during 2012-13.

ii) Defined Contribution Plans:

The Company makes contribution towards employees' provident fund, family pension fund, super annuation fund and employees' state insurance scheme. Under the rules of these schemes, the Company is required to contribute a specified percentage of payroll costs. The Company during the year recognised Rs. 97,41,489/- as expense towards contributions to these plans.

40 Previous year's figures have been regrouped wherever necessary to conform to Current year's classification.

Vide our Report of date attached  
For **SURI & CO.,**  
Chartered Accountants  
Firm's Regn. No. : 004283S

**S. Ganesan**  
Partner  
Membership No. 18525  
Place : Chennai  
Date : 30<sup>th</sup> May 2012

For and on behalf of the board

**Ajit Thomas**  
Chairman  
  
**Dileepraj. P**  
Company Secretary

**M.A. Alagappan**  
Director  
  
**M.S.A. Kumar**  
Managing Director

## CASH FLOW STATEMENT

	Year Ended 31.03.2012 Rs.	Year Ended 31.03.2011 Rs.
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax and extraordinary items	75,15,52,457	16,44,88,031
Adjustment for:		
Depreciation	3,22,78,432	3,20,85,959
Provision for Leave Encashment	1,46,748	25,18,578
Provision for Gratuity	16,17,287	11,72,648
(Profit)/Loss On Sale of Assets	(56,143)	22,55,788
(Profit)/Loss On Sale of Investment	(10,32,174)	Nil
Interest received	(37,86,962)	(10,28,654)
Interest	5,08,91,159	4,30,54,253
Operating Profit before working capital changes	<u>83,16,10,804</u>	<u>24,45,46,603</u>
Adjustment for:		
Trade Receivables	17,53,16,335	(19,12,80,525)
Inventories	(37,49,91,232)	40,24,321
Trade and Other Payables	8,56,51,577	43,98,710
Loans & Advances and Other Current assets	(4,83,45,625)	(50,44,995)
Cash generated from operations	<u>66,92,41,859</u>	<u>5,66,44,114</u>
Taxes paid	(24,13,81,958)	(5,61,71,943)
Cash flow before extra ordinary items	<u>42,78,59,901</u>	<u>4,72,171</u>
Extra-ordinary Items	Nil	Nil
<b>Net cash from operating activities</b>	<b>(A) <u>42,78,59,901</u></b>	<b><u>4,72,171</u></b>
<b>B Cash flow from Investing Activities</b>		
Purchase of Fixed Assets	(5,35,96,655)	(2,82,04,399)
Sale of Fixed Assets	21,23,558	22,50,635
Inter-corporate Loan to Subsidiary Company	Nil	1,51,77,600
Interest Received	63,69,908	1,02,687
Income from Investments	10,32,174	Nil
<b>Net Cash used in Investing Activities</b>	<b>(B) <u>(4,40,71,015)</u></b>	<b><u>(1,06,73,477)</u></b>

## CASH FLOW STATEMENT

	Year Ended 31.03.2012 Rs.	Year Ended 31.03.2011 Rs.
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long Term Borrowings	(1,86,63,918)	(1,14,21,426)
Short Term Borrowings	(19,74,26,478)	8,19,62,002
Public Deposits	-	82,72,000
Interest paid	(5,08,91,159)	(4,24,14,496)
Dividend Paid including Dividend Tax	(10,44,41,602)	(2,66,36,470)
<b>Net Cash used in Financing Activities</b>	<b>(C) (37,14,23,157)</b>	<b>97,61,610</b>
<b>Net Increase in cash and cash equivalents (A+B+C)</b>	<b>1,23,65,729</b>	<b>(4,39,696)</b>
<b>Cash and cash equivalent at the beginning of the year</b>	<b>1,83,26,200</b>	<b>1,87,65,896</b>
<b>Cash and cash equivalent at the end of the year</b>	<b>3,06,91,929</b>	<b>1,83,26,200</b>
	<b>1,23,65,729</b>	<b>(4,39,696)</b>

Vide our Report of date attached

For and on behalf of the board

For **SURI & CO.,**  
Chartered Accountants  
Firm's Regn. No. : 004283S

**S. Ganesan**  
Partner  
Membership No. 18525

**Ajit Thomas**  
Chairman

**M.A. Alagappan**  
Director

Place : Chennai  
Date : 30<sup>th</sup> May 2012

**Dileepraj. P**  
Company Secretary

**M.S.A. Kumar**  
Managing Director

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956  
RELATING TO SUBSIDIARY COMPANIES**

1	Name of the Subsidiary Company	AVT Natural Pte Ltd, Singapore	Heilongjiang AVT Bio-Products Ltd, China
2	Financial Year of the Subsidiary Company	31.12.2011	31.12.2011
3	Holding Company's Interest in the Subsidiary	6,41,000 Shares of US\$ 1 each 100%	8,10,000 Shares of US\$ 1 each 100% ( Wholly owned by AVT Natural Pte. Ltd., Singapore )
4	Net aggregate amount of the profits/(loss) of the subsidiary not dealt with in the Holding Company's accounts a) For the financial year of the Subsidiary Company b) For the previous financial years of the Subsidiary Company	14.56 Lakhs  57.35 Lakhs	421.64 Lakhs  (12.64 Lakhs)
5	Net aggregate amount of the profits/(loss) of the subsidiary dealt with in the Holding Company's accounts a) For the financial year of the Subsidiary Company b) For the previous financial years of the Subsidiary Company	Nil  Nil	Nil  Nil

Financial statement of the Subsidiaries are from 01.01.2011 to 31.12.2011

Vide our Report of date attached

For **SURI & CO.,**  
Chartered Accountants  
Firm's Regn. No. : 004283S

For and on behalf of the board

**S. Ganesan**  
Partner  
Membership No. 18525

Place : Chennai  
Date : 30<sup>th</sup> May 2012

**Ajit Thomas**  
Chairman

**Dileepraj. P**  
Company Secretary

**M.A. Alagappan**  
Director

**M.S.A. Kumar**  
Managing Director

## FINANCIAL HIGHLIGHTS FOR THE LAST FIVE YEARS

Particulars	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Sales and Services (Rs.Lakhs)	8685.72	8745.42	8312.60	13890.37	21818.93
Net Profit (Rs.Lakhs)	927.10	702.03	651.96	1081.48	5041.52
Net Worth (Rs.Lakhs)	4120.27	4555.05	4940.65	5579.66	9515.00
Fixed Assets (Rs.Lakhs)	2248.44	3109.45	3651.94	3568.06	3760.56
Special Silver Jubilee Dividend %	–	–	–	–	25
Interim Dividend %	–	–	–	–	50
Final Dividend %	35	30	30	50	50 *
Special Silver Jubilee Dividend and Interim Dividend Amount (Rs.Lakhs)	–	–	–	–	571.07
Final Dividend Amount (Rs.Lakhs)	266.50	228.43	228.43	380.71	380.71
Earnings per share (Rs.)	12.18	9.22	8.56	14.20	66.21
Special Silver Jubilee Dividend and Interim Dividend per share (Rs.)	–	–	–	–	7.50
Final Dividend per share (Rs.)	3.50	3.00	3.00	5.00	5.00 **
Book value per share (Rs.)	54.10	59.80	64.90	73.28	124.96
Return on Networth (%)	22.50	15.41	13.20	19.38	52.98
PAT/Sales (%)	10.67	8.03	7.84	7.79	23.11
Fixed Assets Turnover (times)	3.86	2.81	2.28	3.89	5.80

\* Subject to approval of the shareholders at the ensuing Annual General Meeting.

\*\* Post split dividend per share shall be in proportion to sub-divided share.

## **CONSOLIDATED STATEMENTS**

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# **AUDITORS' REPORT OF CONSOLIDATED FINANCIAL STATEMENTS**

*To the Board of Directors of AVT Natural Products Limited, Chennai*

We have examined the attached Consolidated Balance Sheet of AVT Natural Products Limited, Chennai ("the Company") and its subsidiaries as at 31<sup>st</sup> March 2012, the Consolidated Statement of Profit and Loss for the year ended on that date and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These Consolidated Financial Statements are the responsibility of the Company's Management. Our Responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

The financial statements of subsidiaries reflecting total assets of Rs.15.10 Crores as at 31.12.2012 and total revenue of Rs.20.42 Crores for the period ended on that date have been audited by other auditors, whose reports have been furnished to us. We have relied upon these reports for the purpose of the amounts included in respect of the above Companies in the Consolidated Financial Statements.

We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the

requirements of Accounting Standard (AS) 21- "Consolidated Financial Statements " issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its Subsidiaries included in the Consolidated Financial Statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports of individual audited financial statements of the Company and its Subsidiaries, we are of the opinion that, the consolidated financial statements read with the Notes forming part thereof, give a true and fair view in conformity with the accounting principles generally accepted in India :

- a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its Subsidiaries as at 31<sup>st</sup> March 2012;
- b) in the case of the Consolidated Statement of Profit and Loss of the Consolidated results of operations of the Company and its Subsidiaries for the year ended on that date; and
- c) in the case of the Consolidated Cash Flow Statement of the Consolidated cash flows of the Company and its Subsidiaries for the year ended on that date.

For **SURI & CO.,**  
Chartered Accountants  
Firm's Regn. No. : 004283S

**S. Ganesan**  
Partner

Place : Chennai  
Date : 30<sup>th</sup> May 2012

Membership No. 18525

## CONSOLIDATED BALANCE SHEET

	Note No.	As at <b>31.03.2012</b> Rs.	As at 31.03.2011 Rs.
<b>I. EQUITY &amp; LIABILITIES:</b>			
1. SHARE HOLDERS' FUNDS:			
a) Share Capital	2	7,61,42,000	7,61,42,000
b) Reserves & Surplus	3	93,81,31,397	48,96,11,210
		<u>101,42,73,397</u>	<u>56,57,53,210</u>
2. NON CURRENT LIABILITIES:			
a) Long Term Borrowings	4	2,64,44,516	4,83,36,032
b) Deferred Tax Liability	5	4,29,39,000	4,25,39,000
c) Long Term Provisions	6	86,02,067	89,04,578
		<u>7,79,85,583</u>	<u>9,97,79,610</u>
3. CURRENT LIABILITIES:			
a) Short Term Borrowings	7	33,57,05,993	49,61,73,099
b) Trade Payables	8	12,99,60,874	8,99,88,912
c) Other current liabilities	9	7,12,99,661	1,99,14,433
d) Short Term Provisions	10	32,77,48,588	12,29,78,852
		<u>86,47,15,116</u>	<u>72,90,55,296</u>
TOTAL		<u>195,69,74,096</u>	<u>139,45,88,116</u>
<b>II. ASSETS :</b>			
1. NON CURRENT ASSETS:			
a) Fixed Assets :			
i) Tangible Assets	11	38,47,78,768	36,67,39,153
ii) In-Tangible Assets	12	18,99,672	28,32,992
		<u>38,66,78,440</u>	<u>36,95,72,145</u>
b) Long term Loans and Advance:	13	51,85,445	46,99,367
2. CURRENT ASSETS:			
a) Inventories:	14	66,16,30,790	29,75,99,522
b) Trade Receivables:	15	51,33,89,377	58,93,58,545
c) Cash & Cash Equivalents:	16	7,84,48,058	2,64,44,721
d) Short Term Loans & Advances:	17	30,64,10,807	10,59,83,008
e) Other Current Assets:	18	52,31,179	9,30,808
		<u>156,51,10,211</u>	<u>102,03,16,604</u>
TOTAL		<u>195,69,74,096</u>	<u>139,45,88,116</u>

Notes 1 to 18, Notes 26 to 36 and Cashflow statement form part of this Balance Sheet.

Vide our Report of date attached

For and on behalf of the board

For **SURI & CO.,**  
Chartered Accountants  
Firm's Regn. No. : 004283S

**S. Ganesan**  
Partner  
Membership No. 18525  
Place : Chennai  
Date : 30<sup>th</sup> May 2012

**Ajit Thomas**  
Chairman  
  
**Dileepraj. P**  
Company Secretary

**M.A. Alagappan**  
Director  
  
**M.S.A. Kumar**  
Managing Director

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	Note No.	Year Ended 31.03.2012 Rs.	Year Ended 31.03.2011 Rs.
<b>REVENUE:</b>			
<b>I. Revenue from Operations</b>			
Revenue from Operations (net of excise duty Rs. 6,20,636/-)	19	238,60,44,397	147,51,61,495
<b>II. Other Income</b>			
Other Income	20	61,12,309	13,48,632
<b>III. Total Revenue (I + II)</b>		<u>239,21,56,706</u>	<u>147,65,10,127</u>
<b>EXPENSES:</b>			
Increase (-)/Decrease (+) in Stock	21	(-) 34,10,20,000	(+ 5,93,70,000)
Cost of Materials Consumed		114,63,14,963	66,21,73,673
Purchases		Nil	5,50,01,760
Other Manufacturing Expense	22	29,24,91,198	19,16,89,512
Employee Benefits Expenses	23	16,06,18,439	12,65,21,662
Other Expenses	24	24,28,17,735	13,31,36,201
Finance Costs	25	5,37,51,181	4,65,38,040
Depreciation		3,56,87,178	3,46,32,116
<b>IV. TOTAL EXPENSES</b>		<u>159,06,60,694</u>	<u>130,90,62,964</u>
<b>V. Profit Before Tax (PBT)</b>		<b>80,14,96,012</b>	16,74,47,163
<b>VI. Tax Expenses</b>			
- Current Tax		25,33,23,177	5,70,00,000
- Deferred Tax		4,00,000	(6,60,000)
<b>VII. Profit After Tax (PAT)</b>		<u>54,77,72,835</u>	<u>11,11,07,163</u>
<b>VIII. Earnings Per Share (Basic and Diluted)</b>		<b>71.94</b>	14.59

Notes 1, Notes 19 to 25, Notes 26 to 36 and Cashflow statement form part of this Statement of Profit & Loss

Vide our Report of date attached

For and on behalf of the board

For **SURI & CO.,**  
Chartered Accountants  
Firm's Regn. No. : 004283S

**S. Ganesan**  
Partner  
Membership No. 18525  
Place : Chennai  
Date : 30<sup>th</sup> May 2012

**Ajit Thomas**  
Chairman

**Dileepraj. P**  
Company Secretary

**M.A. Alagappan**  
Director

**M.S.A. Kumar**  
Managing Director

# CONSOLIDATED NOTES ON ACCOUNTS

*For the year ended 31<sup>st</sup> March 2012*

## **Note 1 . SIGNIFICANT ACCOUNTING POLICIES**

### **1) ACCOUNTING CONVENTION:**

The financial statements have been prepared on the historical cost convention in accordance with the normally accepted accounting principles and comply in all material aspects with the notified accounting standards by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956.

### **2) FIXED ASSETS:**

- a) Fixed Assets are stated at historical cost less depreciation. Cost includes, taxes and duties (but does not include taxes and duties for which CENVAT / VAT credit is available), freight and other direct or allocated expenses during construction period, net of any income earned. Assets acquired on hire purchase are capitalised at principal value.
- b) Amount of provisional consideration paid on land acquired under registered lease-cum-sale agreement for twenty one years; with option to the Company to convert the lease into absolute sale at the expiry of the lease; subject to fulfilment of the terms and conditions specified and payment of additional consideration, if any, to be fixed at that time, is capitalised and included, without being amortised over the period of lease.
- c)
  - (i) Buildings and structures constructed on land acquired under lease-cum- sale agreement with option to convert the lease into absolute sale at the expiry of the lease are depreciated in the normal way and such assets on other lease-hold land are amortised over the period of lease.
  - (ii) Assets at Tiptur, Pandhurna, and Decaffeination Plant at Vazhakulam are depreciated on written-down-value method and assets at other locations are depreciated on Straight-line method, at the rates specified in Schedule XIV to the Companies Act, 1956.
  - (iii) Depreciation is provided at the rates specified in Schedule XIV to the Companies Act,1956 on written down value method. Assets costing individually less than Rs.5,000/- are depreciated at 100%. On additions to and deductions from Fixed Assets, depreciation is provided on pro-rata basis.  
Amortisation on intangible assets is charged equally over the estimated useful life of the asset, not exceeding five years, commencing from the year of commercialisation. The useful life is estimated based on the evaluation of future economic benefits expected to flow from such assets.

### **3) IMPAIRMENT OF ASSETS :**

The Company reviews the carrying amounts of its assets for any possible impairment at each balance sheet date. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount and the impairment loss, if any, is recognized in the Statement of Profit & Loss.

### **4) INVESTMENTS:**

Long term Investments are stated at cost. Decline in value of long term investments, other than temporary, is provided for. Current Investments are stated at lower of cost and fair value.

### **5) INVENTORIES :**

Inventories are valued at lower of cost on weighted average basis and net realisable value, after providing for obsolescence wherever considered necessary. Cost includes taxes and duties (other than duties and taxes for which CENVAT / VAT credit is available), freight and other direct expenses.

### **6) EMPLOYEE BENEFITS :**

Gratuity liability, which is a defined benefit scheme and provision for leave encashment is accrued and provided for on the basis of independent actuarial valuation based on projected unit credit method made at the end of each financial year. Actuarial gains and losses are recognised in the Statement of profit and loss and are not deferred. Retirement benefits in the form of Provident Fund, Family Pension Fund and Superannuation Schemes, which are defined contribution schemes, are charged to the Statement of profit and loss of the year when the contribution to the respective funds accrue.

### **7) REVENUE RECOGNITION :**

Revenue is recognised on their accrual and when no significant uncertainty on measurability or collectability exists. Expenditure is accounted for on their accrual.

#### **Sale of Goods:**

Revenue is recognised when all the significant risks and rewards of ownership of the goods have been passed on to the buyer, usually on delivery of goods. The Company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the Company. Hence, they are excluded from revenue.

# CONSOLIDATED NOTES ON ACCOUNTS

*For the year ended 31<sup>st</sup> March 2012 (Contd.)*

## **Interest**

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "other income" in the statement of profit and loss.

## **Dividends:**

Dividend income is recognized when the Company's right to receive dividend is established by the reporting date.

## **8) FOREIGN CURRENCY TRANSACTION:**

Transactions in foreign currency are recorded at the rates of exchange in force at the time the transactions are effected. Monetary items denominated in foreign currency and outstanding at the Balance Sheet date are converted at the year end exchange rates and the resultant loss or gain other than for acquisition of fixed assets, is dealt with in the Profit and Loss Account. The Company uses foreign exchange forward contracts to hedge its exposure to movements in foreign exchange rates and the resultant gain or loss is dealt with in the Profit and Loss Account. Premium or discount on forward contracts is amortised over the life of such contract and is recognized as income or expense in the Profit and Loss account. Exchange differences arising on settlement / translation of long term monetary items utilized for acquisition of Fixed Assets are adjusted to carrying cost of Fixed Assets.

## **9) BORROWING COSTS:**

Borrowing costs attributable to the acquisition or construction of qualifying asset is capitalized as part of such assets. All other borrowing costs are charged to revenue. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale.

## **10) TAXES ON INCOME:**

Provision for Income-tax is made for both current and deferred tax. Provision for current income tax is made on the assessable income at the tax rate applicable to the relevant assessment year. Deferred tax is accounted for by computing the tax effect of the timing difference which arise during the year and reverse out in the subsequent periods. Deferred tax is calculated at the tax rates substantively enacted by the Balance Sheet date. Deferred tax assets are recognized only if there is a virtual certainty that they will be realized.

## **11) GOVERNMENT GRANTS:**

Subsidies from government in respect of fixed assets are deducted from the cost of respective assets as and when they accrue.

Subsidies related to revenue are recognised in the profit and loss statement to match them with the related costs which they are intended to compensate.

## **12) RESEARCH & DEVELOPMENT:**

Expenditure on research phase is recognised as an expense as and when it is incurred.

Expenditure on development phase is recognized as intangible assets if it is identifiable, capable of being controlled and from which future economic benefits are expected to flow to the enterprise. Intangible assets are stated at cost net of tax/duty credits availed, if any, less accumulated amortisation and cumulative impairment.

## **13) EARNINGS PER SHARE:**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting the preference dividends and attributable taxes) by the weighted average number of equity share holders outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a right issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

## **14) PROVISIONS & CONTINGENT LIABILITY:**

Provision is recognised when the company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

Contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. Contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognise contingent liability but discloses its existence in financial statements.

# CONSOLIDATED NOTES TO THE ACCOUNTS

*Forming part of Balance Sheet as at 31<sup>st</sup> March 2012*

	As at 31.03.2012 Rs.	As at 31.03.2011 Rs.
<b>NOTE - 2:</b>		
<b>SHARE CAPITAL</b>		
<b>A) AUTHORISED SHARE CAPITAL</b>		
79,90,000 - Equity Shares of Rs. 10/- each (Previous Year 79,90,000 - Equity Shares of Rs. 10/- each)	7,99,00,000	7,99,00,000
1,000 - 12% Redeemable Cumulative Preference Shares of Rs. 100/- each (Previous Year 1,000 - 12% Redeemable Cumulative Preference Shares of Rs. 100/- each)	1,00,000	1,00,000
30,00,000 - 7% Redeemable Cumulative Preference Shares of Rs. 10/- each (Previous Year 30,00,000 - 7% Redeemable Cumulative Preference Shares of Rs. 10/- each)	3,00,00,000	3,00,00,000
	<b>11,00,00,000</b>	<b>11,00,00,000</b>
<b>B) ISSUED, SUBSCRIBED AND PAID UP</b>		
76,14,200 - Equity Shares of Rs.10/- each (Previous Year 76,14,200 - Equity Shares of Rs.10/- each)	7,61,42,000	7,61,42,000
<b>C) RECONCILIATION OF NUMBER OF EQUITY SHARES OUTSTANDING AT THE BEGINNING AND AT THE END OF THE YEAR</b>		
Particulars	As at 31.03.2012	As at 31.03.2011
Number of Shares outstanding at the beginning of the year	76,14,200	76,14,200
Add/(Less) Shares Issued / Buy Back etc	Nil	Nil
Number of Shares outstanding at the end of the year	76,14,200	76,14,200
<b>D) SHARES IN THE COMPANY HELD BY EACH SHAREHOLDER HOLDING MORE THAN 5% SHARES</b>		
Name of the Shareholder	As at 31 <sup>st</sup> March 2012 Number of Shares in the company	As at 31 <sup>st</sup> March 2011 Number of Shares in the company
	%	%
	Held	Held
The Midland Rubber & Produce Co. Limited	2227065	1462567
	29.25	19.21
Neelamalai Agro Industries Limited	3045680	3807100
	40.00	50.00
Total	5272745	5269667

No Bonus Issue / Buy-back of shares in last five years

# CONSOLIDATED NOTES TO THE ACCOUNTS

*Forming part of Balance Sheet as at 31<sup>st</sup> March 2012 (Contd.)*

	As at 31.03.2012 Rs.	As at 31.03.2011 Rs.
<b>NOTE - 3:</b>		
<b>RESERVES &amp; SURPLUS:</b>		
Capital Redemption Reserve	3,00,06,000	3,00,06,000
Capital Reserve	35,000	35,000
Investment Subsidy	99,01,670	99,01,670
Foreign Currency Translation Reserve	1,46,81,497	33,16,475
General Reserve		
As per Last Balance Sheet	39,64,22,459	
Add: Transfer from Contingency Reserve	1,00,00,000	
Add: Transfer from Profit & Loss A/c	30,00,00,000	
	70,64,22,459	39,64,22,459
Contingency Reserve	1,00,00,000	
Less : Transfer to General Reserve	1,00,00,000	Nil
	Nil	1,00,00,000
Surplus as per Statement of Profit & Loss		
As per Last Balance Sheet	3,99,29,606	3,30,69,511
Profit for the period after Tax	54,77,72,835	11,11,07,163
Less : Appropriations		
Transfer to General Reserve	30,00,00,000	6,00,00,000
Special Silver Jubilee Dividend Paid @ Rs.2.50 per share ( PY- Nil )	1,90,35,500	
Interim Dividend Paid @ Rs.5 per share ( PY- Nil )	3,80,71,000	
Tax on Special & Interim Dividend	92,64,102	
	6,63,70,602	
Proposed Dividend		
- On Equity Shares @ Rs.5 per share ( PY-Rs.5 per share )	3,80,71,000	
Provision for Tax on Dividends	61,76,068	
	4,42,47,068	4,42,47,068
Net Surplus In the Statement of Profit and Loss	17,70,84,771	3,99,29,606
	93,81,31,397	48,96,11,210

# CONSOLIDATED NOTES TO THE ACCOUNTS

*Forming part of Balance Sheet as at 31<sup>st</sup> March 2012 (Contd.)*

	As at 31.03.2012 Rs.	As at 31.03.2011 Rs.
<b>NOTE - 4:</b>		
<b>LONG TERM BORROWINGS:</b>		
<b>SECURED</b>		
<b>Term Loan From Banks:</b>		
(Secured by hypothecation of all movable assets, present and future, save and except inventories and book debts, and subject to prior charges created in favour of Banks on specific assets for securing working capital facilities) The Loan is from State Bank of India carries a Interest rate of 7.99 % Repayable in 20 Quarterly Installments starting from 31 <sup>st</sup> May 2009 and Last Installment falling due on 31 <sup>st</sup> March 2014	1,46,35,516	2,92,71,032
 <b>UNSECURED</b>		
Public Deposits	1,18,09,000	1,90,65,000
	<b>2,64,44,516</b>	<b>4,83,36,032</b>
 <b>NOTE - 5:</b>		
<b>DEFERRED TAX LIABILITIES ( NET ) :</b>		
Deferred Tax Liabilities	4,81,08,000	4,71,22,000
Deferred Tax Assets	51,69,000	45,83,000
Deferred Tax Liabilities ( Net )	<b>4,29,39,000</b>	<b>4,25,39,000</b>
 <b>NOTE - 6:</b>		
<b>LONG TERM PROVISION :</b>		
For Leave Encashment	86,02,067	89,04,578
	<b>86,02,067</b>	<b>89,04,578</b>
 <b>NOTE - 7:</b>		
<b>SHORT TERM BORROWINGS :</b>		
<b>SECURED</b>		
Cash Credit		
- from Banks (Secured by hypothecation of inventories and book debts and second charge on present and future movable and immovable block of assets of the company)	33,57,05,993	49,61,73,099
	<b>33,57,05,993</b>	<b>49,61,73,099</b>

# CONSOLIDATED NOTES TO THE ACCOUNTS

*Forming part of Balance Sheet as at 31<sup>st</sup> March 2012 (Contd.)*

	As at 31.03.2012 Rs.	As at 31.03.2011 Rs.
<b>NOTE - 8:</b>		
<b>TRADE PAYABLE</b>		
Sundry Creditors - Refer Note No.33 for Details of dues to Micro & Small Enterprises	12,99,60,874	8,99,88,912
	12,99,60,874	8,99,88,912
<b>NOTE - 9:</b>		
<b>OTHER CURRENT LIABILITIES:</b>		
Current Maturities of Long Term Debts	2,53,29,516	1,40,62,892
Unpaid Dividends (The amount represents Interim Dividend declared on 27 <sup>th</sup> March 2012 and paid in April 2012)	3,80,71,000	Nil
Investor Education and Protection Fund *		
- Unclaimed Dividends	49,25,611	34,09,868
- Interest accrued but not due	17,04,044	14,84,276
- Interest on Matured Deposit Payable	2,64,490	65,397
Overdue Matured Deposits	10,05,000	8,92,000
	7,12,99,661	1,99,14,433
* Amount payable to Investor Education and Protection Fund - Nil		
<b>NOTE - 10:</b>		
<b>SHORT TERM PROVISIONS:</b>		
<b>Provisions for Employee Benefit</b>		
For Leave Encashment	4,49,259	Nil
For Gratuity	65,10,517	48,93,230
<b>Other Provisions</b>		
For Proposed Dividends	3,80,71,000	3,80,71,000
For Tax on Dividend	1,23,52,136	61,76,068
For Taxation	27,03,65,676	7,38,38,554
	32,77,48,588	12,29,78,852

# CONSOLIDATED NOTES TO THE ACCOUNTS

Forming part of Balance Sheet as at 31<sup>st</sup> March 2012 (Contd.)

**NOTE - 11:**

**Tangible Assets:**

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2011	Additions	Deductions	As at 31.03.2012	Upto 31.03.2011	For the Year	Withdrawn	Upto 31.03.2012	As at 31.03.2012	As at 31.03.2011
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Freehold Land	1,85,62,463	51,33,830	-	2,36,96,293	-	-	-	-	2,36,96,293	1,85,62,463
Lease Hold Land	18,94,995	-	-	18,94,995	-	-	-	-	18,94,995	18,94,995
Buildings	15,88,46,503	14,20,512	-	16,02,67,015	6,30,81,618	70,73,339	-	7,01,54,957	9,01,12,058	9,57,64,884
Plant and Machinery	46,39,39,853	2,98,84,576	74,70,578	48,63,53,851	22,14,39,235	2,58,00,555	64,56,256	24,07,83,534	24,55,70,317	24,25,00,619
Furniture and Fixtures	73,08,886	27,68,706	18,97,120	81,80,472	47,45,650	2,69,249	18,46,365	31,68,534	50,11,938	25,63,236
Vehicles	1,25,64,696	1,56,53,265	20,24,123	2,61,93,838	71,11,741	16,10,715	10,21,785	77,00,671	1,84,93,167	54,52,955
<b>TOTAL</b>	66,31,17,396	5,48,60,889	1,13,91,821	70,65,86,464	29,63,78,244	3,47,53,858	93,24,406	32,18,07,696	38,47,78,768	36,67,39,152
Previous Year	64,48,47,646	2,92,72,237	1,10,02,487	66,31,17,396	26,91,31,795	3,36,98,796	64,52,348	29,63,78,244	36,67,39,152	

**NOTE - 12:**

**In-Tangible Assets:**

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2011	Additions	Deductions	As at 31.03.2012	Upto 31.03.2011	For the Year	Withdrawn	Upto 31.03.2012	As at 31.03.2012	As at 31.03.2011
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
In-Tangible Assets	38,73,931	-	-	38,73,931	10,40,939	9,33,320	-	19,74,259	18,99,672	28,32,992
<b>TOTAL</b>	38,73,931	-	-	38,73,931	10,40,939	9,33,320	-	19,74,259	18,99,672	28,32,992
Previous Year	38,73,931	-	-	38,73,931	1,07,619	9,33,320	-	10,40,939	28,32,992	

# CONSOLIDATED NOTES TO THE ACCOUNTS

*Forming part of Balance Sheet as at 31<sup>st</sup> March 2012 (Contd.)*

	As at 31.03.2012 Rs.	As at 31.03.2011 Rs.
<b>NOTE - 13:</b>		
<b>LONG TERM LOANS AND ADVANCES:</b>		
Unsecured, Considered Good		
Advances Recoverable in cash or in kind or for a value to be received	<u>51,85,445</u>	<u>46,99,367</u>
<b>NOTE - 14:</b>		
<b>INVENTORIES:</b>		
(a) Stores, Spares and Packing Materials	4,36,17,381	3,54,32,509
(b) Raw Materials	13,,15,63,409	11,67,37,013
(c) Finished Goods	45,07,70,000	14,54,20,000
(d) Stock in process	3,56,80,000	10,000
	<u>66,16,30,790</u>	<u>29,75,99,522</u>
<b>NOTE - 15:</b>		
<b>TRADE RECEIVABLES:</b>		
Considered Good Unsecured		
(a) Debts outstanding for a period exceeding six months	Nil	25,00,000
(b) Other debts	51,33,89,377	58,68,58,545
	<u>51,33,89,377</u>	<u>58,93,58,545</u>
<b>NOTE - 16:</b>		
<b>CASH AND CASH EQUIVALENTS :</b>		
(a) Cash	4,49,823	1,73,764
(b) Balances with Scheduled Banks:		
- In Current Account	2,80,67,670	1,58,79,609
- In Deposit Account *	69,33,954	69,81,480
	<u>3,54,51,447</u>	<u>2,30,34,853</u>
(c) Balances with Scheduled Banks:		
- In Dividend Account	4,29,96,611	34,09,868
	<u>7,84,48,058</u>	<u>2,64,44,721</u>
* Includes Rs.39,33,954/- as Margin Money Deposit for issue of Letter of Credit/Guarantee		
Bank Deposits with more than 12 Months Maturity	<u>Nil</u>	<u>Nil</u>
<b>NOTE - 17:</b>		
<b>SHORT TERM LOANS AND ADVANCES:</b>		
Un-secured Considered Good		
Tax Payment Pending Adjustment	24,90,22,784	6,22,83,793
Advances Recoverable in cash or in kind or for a value to be received	5,73,88,023	4,36,99,215
	<u>30,64,10,807</u>	<u>10,59,83,008</u>
<b>NOTE - 18:</b>		
<b>OTHER CURRENTT ASSETS:</b>		
Prepaid Expenses	42,05,816	86,212
Income Accrued	10,25,363	8,44,596
	<u>52,31,179</u>	<u>9,30,808</u>

# CONSOLIDATED NOTES TO THE ACCOUNTS

*Forming part of Statement of Profit and Loss*

	For Year ended 31.03.2012 Rs.	For year ended 31.03.2011 Rs.
<b>NOTE - 19:</b>		
<b>REVENUE FROM OPERATIONS:</b>		
Sales of Products	234,10,90,857	130,67,19,442
Less: Excise Duty	6,20,636	35,59,879
	<u>234,04,70,221</u>	<u>130,31,59,563</u>
<b>Other Operating Revenues :</b>		
Exchange Difference	(10,30,54,695)	1,18,55,989
Processing Income	12,26,83,325	13,05,35,057
Sale / Captive Consumption of Windpower	43,03,770	51,00,664
Sale of Import Entitlement	2,16,41,777	2,45,10,222
	<u>238,60,44,397</u>	<u>147,51,61,495</u>
<b>NOTE - 20:</b>		
<b>OTHER INCOME:</b>		
Rent	1,80,000	1,80,000
Interest	37,86,962	5,81,798
Profit on Sale of Assets	56,143	Nil
Miscellaneous	10,57,030	5,86,834
Profit on Sale of Mutual Fund Investments	2,03,399	Nil
Dividend Income from Mutual Funds	8,28,775	Nil
	<u>61,12,309</u>	<u>13,48,632</u>
<b>NOTE - 21:</b>		
<b>INCREASE (-) / DECREASE (+) IN STOCK:</b>		
<b>OPENING STOCK:</b>		
Finished Goods		
- Processed	14,54,20,000	18,81,80,000
Stock in Process	10,000	1,66,20,000
	<u>14,54,30,000</u>	<u>20,48,00,000</u>
<b>CLOSING STOCK</b>		
Finished Goods		
- Processed	45,07,70,000	14,54,20,000
Stock in Process	3,56,80,000	10,000
	<u>48,64,50,000</u>	<u>14,54,30,000</u>
Increase(-)/Decrease(+) in Stock	<u>(-) 34,10,20,000</u>	<u>(+) 5,93,70,000</u>

## **CONSOLIDATED NOTES TO THE ACCOUNTS**

*Forming part of Statement of Profit and Loss (Contd.)*

	For Year ended 31.03.2012 Rs.	For year ended 31.03.2011 Rs.
<b>NOTE - 22:</b>		
<b>OTHER MANUFACTURING EXPENSES :</b>		
Consumption of Stores, Spares & Packing Materials	8,93,01,860	6,76,95,777
Power and Fuel	13,04,99,957	9,26,78,955
Repairs - Building	1,99,78,228	6,69,236
Repairs - Plant & Machinery	5,27,11,153	3,06,45,544
	29,24,91,198	19,16,89,512
<b>NOTE - 23:</b>		
<b>EMPLOYEE BENEFIT EXPENSES:</b>		
Salaries,Wages and Bonus	12,05,86,426	9,89,90,889
Contribution to Provident and other Funds	1,44,,33,661	1,25,84,750
Provision for Gratuity ( Refer Note No.35)	16,17,287	11,72,648
Provision for Leave Encashment ( Refer Note No.35 )	1,46,748	25,18,578
Welfare Expenses	2,38,34,317	1,12,54,797
	16,06,18,439	12,65,21,662

# CONSOLIDATED NOTES TO THE ACCOUNTS

*Forming part of Statement of Profit and Loss (Contd.)*

	For Year ended 31.03.2012 Rs.	For year ended 31.03.2011 Rs.
<b>NOTE - 24:</b>		
<b>OTHER EXPENSES:</b>		
Processing Charges	72,62,435	73,32,421
Repairs :		
Vehicles	59,53,208	50,04,463
Others	1,66,31,376	1,05,14,055
Postage and Telephones	43,35,099	38,21,805
Printing & Stationery	21,43,678	18,15,040
Travelling Expenses	2,32,88,858	1,60,27,509
Auditors Remuneration		
- For Audit	11,92,253	10,40,151
- For Tax Audit/Certification	2,30,000	2,15,000
- For Tax Representation	1,93,255	1,45,000
- For Service Tax	1,69,590	1,16,030
- For Expenses	66,500	66,500
Directors' Sitting Fees	2,39,000	2,14,000
Commission to Chairman	1,54,81,600	34,81,000
Bank Charges	1,12,40,145	58,33,650
Rent	22,07,623	26,21,229
Research & Development Expenses	1,71,39,005	1,55,20,041
Rates and Taxes	82,07,576	43,36,180
Insurance	61,66,308	33,65,006
Product Testing Charges	75,26,903	69,78,531
Freight and Transport	6,59,58,625	2,51,49,048
Commission	79,50,518	11,14,355
Loss on Sale of Assets	Nil	22,65,811
Bad Trade Advances Written Off	1,01,35,243	Nil
Miscellaneous Expenses	2,90,98,937	1,61,59,376
	<b>24,28,17,735</b>	<b>13,31,36,201</b>
<b>NOTE - 25:</b>		
<b>FINANCE COST :</b>		
Interest Expense	5,37,51,181	4,65,38,040
	<b>5,37,51,181</b>	<b>4,65,38,040</b>

# CONSOLIDATED NOTES TO THE ACCOUNTS

*Forming part of Accounts on Financial Statements*

## 26 BASIS OF CONSOLIDATION:

- a) The Consolidated Financial Statements include the Financial Statements of AVT Natural Products Limited and its Subsidiaries namely AVT Natural Pte. Ltd., Singapore and Heilongjiang AVT Bio-Products Ltd, China.

<b>Name of the Subsidiary</b>	<b>Country of Incorporation</b>	<b>Proportion of ownership Interest %</b>
AVT Natural Pte. Ltd.,	Singapore	100
Heilongjiang AVT Bio-Products Ltd *	China	100

(\* wholly owned subsidiary of AVT Natural Pte. Ltd.,Singapore )

- b) The Consolidated Financial Statements have been prepared on the following basis :
- The Financial Statements of the Parent Company and its Subsidiary Companies have been consolidated on a line-by-line basis, by adding together the book values of like items of assets, liabilities , income and expenses, after fully eliminating intra-group balances and intra group transactions resulting in unrealised profits and losses in accordance with Accounting Standard (AS) 21 - " Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
  - The Consolidated Financial Statements have been prepared by adopting uniform Accounting policies except the Subsidiary Heilongjiang AVT Bio-Products Ltd, which depreciates its Fixed Assets on Straight Line Method over the estimated useful life of asset.
  - The Subsidiaries reporting date was 31.12.2011 and the Financial statements as on that date have been considered for the purpose of preparation of Consolidated Financial Statements.
  - There is no change in the holding company's interest in the subsidiaries between the end of the financial year viz 31.12.2011 and the end of the holding company's financial year viz 31.03.2012
  - No material change has occurred between the end of the financial year of the subsidiaries and the end of the holding company's financial year in-respect of
    - the subsidiaries fixed assets
    - the investments
    - the money lent/borrowed by it.

# CONSOLIDATED NOTES TO THE ACCOUNTS

*Forming part of Accounts on Financial Statements (Contd.)*

	Year ended 31.03.2012 Rs.	Year ended 31.03.2011 Rs.
<b>27 CONTINGENT LIABILITIES IN RESPECT OF</b>		
a) Salestax demand disputed in appeals, against which Rs.71,23,260/- paid and included under Advances	1,51,46,028	1,51,46,028
b) Service Tax demand disputed in appeal	5,41,50,000	5,41,50,000
c) The company through its banker State Bank of India, Palarivattom Branch has given a Letter of Comfort to State Bank of India, Shanghai, China for Working Capital Facility of US\$ 1.5 Million ( Rs.750 Lacs ) to the Ultimate Subsidiary Heilongjiang AVT-Bio Products Ltd, China	7,50,00,000	Nil
<b>28 Earnings per Share</b>		
Profit after Taxation	54,77,72,835	11,11,07,163
Weighted average number of Equity Shares outstanding at the end of the year	76,14,200	76,14,200
Earnings per share of Rs.10 Each (Basic and Diluted)	71.94	14.59
<b>29 Segment Reporting :</b>		
The Company operates in solvent extracted products which is the primary reportable segment. Therefore, segment reporting is not applicable.		
<b>30 Computation of Deferred Tax Asset / Liability:</b>		
a) Deferred Tax Liability: Tax Impact of difference between carrying amount of Fixed Assets in the Financial Statements and the Income tax returns	4,81,08,000	4,71,22,000
b) Deferred Tax Asset: Tax impact of expenses charged in the financial statements but allowable as deduction in future years under Income tax	<u>51,69,000</u>	<u>45,83,000</u>
Net Deferred Tax Liability [(a) - (b)]	<u>4,29,39,000</u>	<u>4,25,39,000</u>
<b>31</b> The Company has certain unexpired foreign currency derivative contracts to the tune of US \$ 4.8 Million as on 31.03.2012, which were entered into to hedge the risk of changes in foreign exchange currency rates on future export sales against existing long term export contracts. The mark to market negative variation on currency position as on 31.03.2012 of Rs.3.37 crores has not been considered as loss on foreign currency derivatives. As the hedge transactions have been entered into based on firm export sale contracts and as per the costing systems of the company, such hedge transaction will only result in current profit for the relevant period of execution of the contract. On the principle of going concern, such hedge transactions will not result in losses requiring recognition as on this date.		
<b>32</b> The Company has opted for accounting the exchange differences arising on reporting of long term foreign currency monetary items in line with Companies (Accounting Standards) Amendment Rules, 2009 on Accounting Standard 11 (AS-11) notified by the Government of India on 29 <sup>th</sup> December 2011. Accordingly, the effect of exchange differences on foreign currency term loan availed for acquisition of fixed assets has been adjusted to the cost of fixed assets and depreciation has been provided over the balance life of assets. The unamortised amount as on 31.03.2012 on account of the above is Rs.0.64 Crores.		
<b>33</b> Due to Micro & Small Enterprises:		
Based on the information available with the company, the principal amount due to Micro, Small & Medium Enterprises as on 31.03.2012 is Rs.Nil (Previous Year Nil). There are no overdue principal amounts and therefore no interest was paid or payable.		

# CONSOLIDATED NOTES TO THE ACCOUNTS

*Forming part of Accounts on Financial Statements (Contd.)*

## 34 Related Party Transactions :

Following associate companies are related to the company on account of Common Control through Constitution of Board/Shareholdings:

- |   |  |
|---|--|
| - A.V. Thomas and Company Limited                   | - A.V. Thomas Leather (UK) Limited                 |
| - L.J. International Limited                        | - A.V. Thomas Exports Limited                      |
| - A.V. Thomas Investments Company Limited           | - Midland Latex Products Limited                   |
| - The Nelliampathy Tea & Produce Co. Limited        | - Sermatech Private Limited                        |
| - Neelamalai Agro Industries Limited                | - Ajit Thomas Holdings Private Limited             |
| - The Midland Rubber and Produce Company Limited    | - Midland Corporate Advisory Services Pvt. Limited |
| - AVT McCormick Ingredients Private Limited         | - AVT Gavia Foods Pvt Limited                      |
| - Teleflex Medical Private Limited                  | - Midland Natural Pte.Limited                      |
| - AVT Infotech Private Limited                      | - Midland Charitable Trust                         |
| - A.V. Thomas Leather & Allied Products Pvt.Limited |  |

### Key Management Personnel:

Mr. Ajit Thomas, Chairman  
Mr. M.S.A. Kumar, Managing Director

Details for Transaction	Year Ended 31.03.2012 Rs.		Previous Year Rs.	
	Associates	Key Management Personnel (including relatives)	Associates	Key Management Personnel (including relatives)
<b>INCOME</b>				
Sales	12,80,314		1,03,53,494	
Rent Received	1,80,000		1,80,000	
Assets Sale	Nil		9,28,171	
<b>EXPENDITURE</b>				
Purchases	22,97,602		17,12,768	
C & F Charges	1,11,69,613		98,69,981	
Remuneration to Managing Director (Refer Note: 8)		70,32,000		58,67,400
Commission to Chairman		1,54,81,600		34,81,000
Sitting Fees		42,000		35,000
Dividend Paid	3,96,89,018	7,30,065	1,58,09,001	1,03,110
Donation	50,00,000		Nil	
<b>BALANCE AS ON 31.03.2012</b>				
Debit Balances	Nil	Nil	Nil	Nil
Credit Balances	22,91,766	1,54,81,600	40,08,795	34,81,000

# CONSOLIDATED NOTES TO THE ACCOUNTS

*Forming part of Accounts on Financial Statements (Contd.)*

35 Employee Benefits:

i) Defined Benefit Plans:

a) Description of the Company's defined benefit plan:

i) Gratuity Scheme:

This is a funded defined benefit plan for qualifying employees for which, the Company makes contribution to the Gratuity Fund managed by the Life Insurance Corporation of India. The scheme provides for a lumpsum payment to vested employees at retirement, death while in employment or on termination of employment. Vesting occurs upon completion of five years of service.

ii) Leave Encashment:

The company also operates a non funded leave encashment scheme for its employees.

b) Reconciliation of changes in the Present Value of Obligation:

	Year Ended 31.03.2012		Year Ended 31.03.2011	
	Gratuity (Funded Plan)	Leave Encashment (Non Funded Plan)	Gratuity (Funded Plan)	Leave Encashment (Non Funded Plan)
Present Value of the Obligation as on 1.04.2011	2,63,65,207	89,04,578	1,73,58,420	90,01,219
Current Service Cost	21,22,352	21,08,910	18,16,607	20,70,270
Interest Cost	20,88,750	7,03,385	13,51,692	6,36,042
Benefits Paid	(5,11,676)	(2,24,529)	(9,24,550)	(21,01,382)
Actuarial loss / (gain)	44,42,365	(24,41,018)	67,63,038	(7,01,571)
Present Value of the Obligation as on 31.03.2012	<u>3,45,06,998</u>	<u>90,51,326</u>	<u>2,63,65,207</u>	<u>89,04,578</u>
c) Reconciliation of changes in the fair value of Plan Assets:				
Fair Value of Plan Assets as on 1.04.2011	2,14,71,977	Nil	1,69,94,664	Nil
Expected return on plan assets	21,91,300	Nil	16,94,600	Nil
Contribution by the Company	46,91,599	Nil	35,75,721	Nil
Benefits Paid	(5,11,676)	Nil	(9,24,550)	Nil
Actuarial gain / (loss)	1,53,281	Nil	1,31,542	Nil
Fair Value of Plan Assets as on 31.03.2012	<u>2,79,96,481</u>	<u>Nil</u>	<u>2,14,71,977</u>	<u>Nil</u>
d) The total expense recognised in the profit and loss account is as follows:				
Current Service Cost	21,22,352	21,08,910	18,16,607	20,70,270
Interest Cost	20,88,750	7,03,385	13,51,692	6,36,042
Expected return on plan assets	(21,91,300)	NA	(16,94,600)	NA
Net Actuarial (gain) / loss recognised in the year	42,89,084	(24,41,018)	66,31,496	(7,01,571)
	<u>63,08,886</u>	<u>3,71,277</u>	<u>81,05,195</u>	<u>20,04,741</u>
e) Reconciliation of Net Liability recognised in the balance sheet				
Net Liability as at the beginning of the year	48,93,230	89,04,578	3,63,756	90,01,219
Add : Expense as (d) above	63,08,886	3,71,277	81,05,195	20,04,741
Less: Employers Contribution / Payment	46,91,599	2,24,529	35,75,721	21,01,382
Net Liability as at the end of the year	<u>65,10,517</u>	<u>90,51,326</u>	<u>48,93,230</u>	<u>89,04,578</u>
f) Constitution of Plan Assets:				
Investments in LIC Group Gratuity Scheme	<u>2,79,96,481</u>	<u>Not Applicable</u>	<u>2,14,71,977</u>	<u>Not Applicable</u>

# CONSOLIDATED NOTES TO THE ACCOUNTS

*Forming part of Accounts on Financial Statements (Contd.)*

	Year Ended 31.03.2012		Year Ended 31.03.2011	
	Gratuity (Funded Plan)	Leave Encashment (Non Funded Plan)	Gratuity (Funded Plan)	Leave Encashment (Non Funded Plan)
g) Principal actuarial assumptions used as at the Balance Sheet date:				
Discount Rate	8.5%	8.5%	8%	8%
Salary Escalation Rate	10%	10%	8%	8%
Attrition Rate	5%	5%	5%	5%
Expected rate of return on plan assets	9.25%	NA	9.25%	NA

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as demand and supply in the employment market.

h) The amounts pertaining to defined benefit plans are as follow :

	31.03.2012	31.03.2011	31.03.2010	31.03.2009	31.03.2008
Gratuity - Funded Plan					
Defined Benefit Obligation	3,45,06,998	2,63,65,207	1,73,58,420	1,46,82,882	1,08,92,000
Plan Assets	2,79,96,481	2,14,71,977	1,69,94,664	1,09,62,300	84,34,423
Surplus / ( Deficit )	65,10,517	48,93,230	3,63,756	37,20,582	24,57,577
Experience adjustment plan liabilities	44,42,365	67,63,038	23,93,537	18,44,764	26,454
Experience adjustment plan assets	(1,53,281)	(1,31,542)	(1,78,584)	(1,99,247)	(5,88,629)

The company expects to fund Rs.33 Lakhs towards its gratuity plan during 2012-13

ii) Defined Contribution Plans:

The Company makes contribution towards employees' provident fund, family pension fund, super annuation fund and employees' state insurance scheme. Under the rules of these schemes, the Company is required to contribute a specified percentage of payroll costs. The Company during the year recognised Rs.97,41,489/- as expense towards contributions to these plans.

36 Previous year's figures have been regrouped wherever necessary to conform to Current year's classification.

Vide our Report of date attached  
For **SURI & CO.,**  
Chartered Accountants  
Firm's Regn. No. : 004283S

For and on behalf of the board

**S. Ganesan**  
Partner  
Membership No. 18525

**Ajit Thomas**  
Chairman

**M.A. Alagappan**  
Director

Place : Chennai  
Date : 30<sup>th</sup> May 2012

**Dileepraj. P**  
Company Secretary

**M.S.A. Kumar**  
Managing Director

## CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31.03.2012 Rs.	Year ended 31.03.2011 Rs.
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax and extraordinary items	80,14,96,012	16,74,47,163
Adjustment for:		
Depreciation	3,56,87,178	3,46,32,116
Provision for Leave Encashment	1,46,748	25,18,578
Provision for Gratuity	16,17,287	11,72,648
(Profit) / Loss On Sale of Assets	(56,143)	22,65,811
(Profit) / Loss On Sale of Investment	(10,32,174)	Nil
Foreign Currency Translation Reserve	1,13,65,022	(25,82,473)
Interest received	(37,86,962)	(5,81,798)
Interest	5,37,51,181	4,65,38,040
Operating Profit before working capital changes:	<u>89,91,88,149</u>	<u>25,14,10,085</u>
Adjustment for:		
Trade Receivables	7,59,69,167	(21,77,29,825)
Inventories	(36,40,31,267)	3,16,38,730
Trade and Other Payables	9,13,57,191	85,07,178
Loans & Advances and Other Current assets	(5,78,81,234)	(77,13,540)
Cash generated from operations	<u>64,46,02,006</u>	<u>6,61,12,628</u>
Taxes paid	(24,35,35,045)	(5,04,94,127)
Cash flow before extra ordinary items	<u>40,10,66,961</u>	<u>1,56,18,501</u>
Extra-ordinary Items	Nil	Nil
<b>Net cash from operating activities</b>	<b>(A) <u>40,10,66,961</u></b>	<b><u>1,56,18,501</u></b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(5,48,60,889)	(2,92,72,237)
Sale of Fixed Assets	21,23,558	22,84,328
Interest Received	36,06,195	12,60,853
Income from Investments	10,32,174	Nil
<b>Net Cash used in Investing Activities</b>	<b>(B) <u>(4,80,98,962)</u></b>	<b><u>(2,57,27,056)</u></b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long Term Borrowings	(2,18,91,516)	(1,14,21,426)
Short Term Borrowings	(16,04,67,106)	8,71,28,831
Dividend Paid including Dividend Tax	(10,44,41,602)	(2,66,36,470)
Interest paid	(5,37,51,181)	(4,58,98,283)
<b>Net Cash used in Financing Activities</b>	<b>(C) <u>(34,05,51,405)</u></b>	<b><u>31,72,652</u></b>
<b>Net Increase in cash and cash equivalents (A+B+C)</b>	<b><u>1,24,16,594</u></b>	<b><u>(69,35,903)</u></b>
<b>Cash and cash equivalent at the beginning of the year</b>	<b><u>2,30,34,853</u></b>	<b><u>2,99,70,756</u></b>
<b>Cash and cash equivalent at the end of the year</b>	<b><u>3,54,51,447</u></b>	<b><u>2,30,34,853</u></b>
	<b><u>1,24,16,594</u></b>	<b><u>(69,35,903)</u></b>

Vide our Report of date attached

For **SURI & CO.,**  
Chartered Accountants  
Firm's Regn. No. : 004283S

For and on behalf of the board

**S. Ganesan**  
Partner  
Membership No. 18525

Place : Chennai  
Date : 30<sup>th</sup> May 2012

**Ajit Thomas**  
Chairman

**Dileepraj. P**  
Company Secretary

**M.A. Alagappan**  
Director

**M.S.A. Kumar**  
Managing Director

## Vision

- To be a global leader in enriching lives through nature's own ingredients as food, nutrition and medicine for mankind.

## Mission

- We will be a Global Leader in Marigold Extracts through a fully integrated supply chain with excellence in Plant Science & Agriculture and Logistics Management.
- We will achieve growth and stability in performance by diversifying to value added natural ingredients for synergistic business segments through development of product research and technology base.
- We will bring in highest level of efficiency, traceability, food safety and quality in the supply chain through Contract Farming.
- We will establish brand equity for natural ingredients through development of consumer marketing skills.
- We will comply flawlessly with ever changing international statutory regulations for our business segments.
- We will consistently add value in our business to deliver superior returns to all stakeholders - customers, employees, shareholders, suppliers and society.

## Values

- Constantly strive for value in whatever we do.
- Belief in ethical business and transparency.
- Encourage individual excellence and foster environment for team work.
- No short cuts - never sacrifice long term for short term.
- Know the business environment, products and customers well - update knowledge.
- Respect the neighbourhood and individuality of each customer, supplier and employee.

**AVT NATURAL PRODUCTS LIMITED**

Registered Office : 60, Rukmani Lakshmiipathy Salai, Egmore, Chennai - 600 008, INDIA

**PROXY FORM  
ANNUAL GENERAL MEETING**

I/We .....  
of ..... in the district of .....  
being a member/members of the above named Company hereby appoint .....  
of ..... in the district of .....  
or failing him .....  
and vote for me/us on my/ our behalf at the Twenty Sixth Annual General Meeting of the Company to be held at 11.30 A.M. on Monday, the 30<sup>th</sup> July 2012 and at any adjournment thereof.

Signed this ..... day of ..... 2012

Signature.....

Full Name of the Share holder .....  
(in block letters)

Folio No. /DP-Id & Client Id .....

Address .....  
.....



Note : The proxy form duly signed across the revenue stamp of 15 paise should reach the Company's Registered Office at least 48 hours before the time of the meeting.



**AVT NATURAL PRODUCTS LIMITED**

**ATTENDANCE SLIP**

I hereby record my presence at the TWENTY SIXTH ANNUAL GENERAL MEETING of the Company at 11.30 A.M. on Monday, the 30<sup>th</sup> July 2012 at Dynasty Hall, Hotel Ambassador Pallava, No. 30 Montieth Road, Egmore, Chennai - 600 008

.....  
Full name of the Shareholder  
Folio No. /DP-Id & Client Id .....

.....  
Signature

.....  
Full name of Proxy  
(in block letters)

.....  
Signature

Note: Share holders attending the Meeting in person or by Proxy are requested to complete the attendance slip and hand it over at the entrance of the Meeting Hall.