

# **AVT NATURAL PRODUCTS LIMITED**

27<sup>th</sup> Annual Report  
2012-2013



**"Mr. Ajit Thomas, Chairman, AVT Natural Products Limited** receiving the **"Forbes Asia Best Under a Billion"** Award from Christopher Forbes, Vice Chairman, Forbes Media LLC along with (Left to right) Lee Yi Shyan, Senior Minister of State, Ministry of Trade and Industry & Ministry of National Development, Government of Singapore; and Steve Leonard, Office of the Chairman, Corporate Senior Vice President of EMC Corporation". AVT Natural Products Limited has been recognized by Forbes as **one among 200 best companies from Asia-Pacific region** under \$ 1 billion revenue.

# 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 - 600 017.

## **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.

Plot No. 225/1A, 5-7, Kaipoorikkara,  
South Vazhakulam, Marampilly Post,  
Aluva - 683 107, Ernakulam District,  
Kerala.

## **SUBSIDIARY COMPANIES**

AVT Tea Services Ltd.,  
19, Heathman's Road,  
London SW6 4TJ,  
United Kingdom.

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 Lakshmipathy Salai,  
Egmore, Chennai - 600 008.  
Tel: 044 - 2858 4147; Fax: 044 - 2858 4147  
E-mail: shareholder@avtspice.com

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## NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Twenty Seventh Annual General Meeting of the Company will be held at 11.00 A.M. on Wednesday, the 31<sup>st</sup> July 2013 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 Statement of Profit & Loss for the year ended 31.03.2013 and the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in the place of Mr. M.A. Alagappan, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. Shyam B. Ghia, who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors and to fix their remuneration.

### **SPECIAL BUSINESS**

#### **6. Revision in remuneration payable to Mr. M.S.A Kumar, Managing Director.**

To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED that Subject to the provisions of sections 198, 269, 309, 310 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 the approval of the Members be and is hereby given for revision and re-fixing, within the overall limit specified under Section I of Part II of the said Schedule XIII of the Companies Act, 1956, the remuneration payable to Mr. M.S.A. Kumar, Managing Director with effect from 1<sup>st</sup> April 2013 for the remaining period of his term of office, as set out hereunder:

#### **Remuneration:**

Salary : Rs.5,70,000 per month in the scale of Rs. 5,00,000 – Rs. 8,00,000 with annual increment as may be decided by the Board of Directors from time to time.

Special Allowance : Rs.75,000 per month.

Perquisites, such as house maintenance, medical for self and family, electricity, gas, water charges, leave travel allowance etc., : Subject to a maximum of Rs.4,80,000 per annum.

Performance Incentive : As may be decided by the Board of Directors subject to a maximum of Six months salary and special allowance.

#### **Other Benefits:**

- a. Contribution to Provident Fund and Super Annuation Fund on salary at the rate in accordance with the rules of the Company.
- b. Gratuity on salary in accordance with the rules of the Company.
- c. Encashment of leave as per the rules of the Company.
- d. Provision of Company's Car with driver for official use.
- e. Provision of Telephone and other communication facilities at residence for official purpose.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorized to vary, alter or modify the different components of the aforesaid remuneration within the overall limit specified under Section 198 read with Section I of Part II of Schedule XIII of the Companies Act, 1956 as may be agreed to by the Board of Directors and Mr. M.S.A. Kumar".

#### **7. Re-appointment of Mr. M.S.A. Kumar as Managing Director.**

To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED that Subject to the provisions of sections 198, 269, 309, 310 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 approval of the Members be and is hereby accorded for the re-appointment of Mr. M.S.A. Kumar as the Managing Director of the Company with effect from 1<sup>st</sup> August 2013 to 31<sup>st</sup> July 2016 to hold office for a period of three years upon the remuneration by way of salary, allowances, benefits and perquisites, as are applicable and as may be decided by the Board of Directors of the Company from time to time, without further reference, consent of members, within overall limits specified under Section 198 of the Act read with Section I of Part II of the Schedule XIII of the Companies Act, 1956, as in force from time to time, without entitlement to sitting fees for meeting of the Board of Directors and / or Committees thereof, attended by him during his tenure of office.

RESOLVED FURTHER that Mr. M.S.A. Kumar, Managing Director, be paid the following managerial remuneration, within the overall limit specified under

Section 198 read with Section I of Part II of Schedule XIII of the Companies Act, 1956, from the date of his re-appointment w.e.f. 1<sup>st</sup> August 2013 to 31<sup>st</sup> July 2016, until otherwise decided by the Board of Directors.

**Remuneration:**

- Salary : Rs.5,70,000 per month in the scale of Rs. 5,00,000 – Rs. 8,00,000 with annual increment as may be decided by the Board of Directors from time to time.
- Special Allowance : Rs.75,000 per month.
- Perquisites, such as house maintenance, medical for self and family, electricity, gas, water charges, leave travel allowance etc., : Subject to a maximum of Rs.4,80,000 per annum.
- Performance Incentive : As may be decided by the Board of Directors subject to a maximum of Six months salary and special allowance.

**Other Benefits:**

- a. Contribution to Provident Fund and Super Annuation Fund on salary at the rate in accordance with the rules of the Company.
- b. Gratuity on salary in accordance with the rules of the Company.
- c. Encashment of leave as per the rules of the Company.
- d. Provision of Company's Car with driver for official use.
- e. Provision of Telephone and other communication facilities at residence for official purpose.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorized to vary, alter or modify the different components of the aforesaid remuneration within the overall limit specified under Section 198 read with Section I of Part II of Schedule XIII of the Companies Act, 1956 as may be agreed to by the Board of Directors and Mr. M.S.A. Kumar".

**8. Payment of Commission to Non-Executive Chairman.**

To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

“RESOLVED that pursuant to the provisions of Section 309 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, the consent of the Company be and is hereby accorded to the payment of remuneration to the Non-Executive Chairman, by

way of commission of 2% per annum of net profits of the Company, for a period of three years commencing from April 1, 2013 to March 31, 2016 and such payment be made out of profits of the Company calculated in accordance with the provisions of Section 198, 349 and 350 of the Companies Act, 1956 for each corresponding year.

FURTHER RESOLVED that the Board of Directors of the Company be and is hereby authorized to do everything necessary and incidental in this behalf”.

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

Place : Chennai  
Date : 30<sup>th</sup> May 2013

**Dileepraj. P**  
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 2013 to 31<sup>st</sup> July 2013 (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 31<sup>st</sup> July 2013.
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 2004-05 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 31.3.2006, 31.3.2007, 31.3.2008, 31.3.2009, 31.3.2010, 31.3.2011, 31.3.2012, Special dividend 2011-12 and Interim dividend 2011-12 & 2012-13 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. M.A. Alagappan**

Mr. M.A. Alagappan, aged about 69 years, holds a Degree in Commerce from University of Madras and he is a Management graduate from the University of Aston U.K. He is an Industrialist and was the Executive Chairman of the well-known Murugappa Group of Companies with a turnover of Rs.225 Billion.

Equipped with vast experience and knowledge in managing diverse businesses, Mr. Alagappan has been actively involved with several leading industry associations. He is the Past President of The United Planters' Association of Southern India and AIEO. He is a Committee Member of the Federation of Indian Chamber of Commerce & Industry (FICCI)

and the Southern India Chambers of Commerce and Industry (SICCI). He is the Honorary Consul of Hungary in India for the southern region. Mr. Alagappan takes keen interest in social welfare and is a trustee of the AMM Arunachalam Trust and AMM Foundation that run schools and hospitals.

**His other Directorships**

Name of the Company	Nature of office held
1. Ambadi Investments Private Limited	Director
2. A.M.M. Arunachalam & Sons Private Limited	Director
3. Vasan Health Care Private Limited	Director
4. Udevar Property Development Company Private Limited	Director
5. M.A. Murugappan Holdings Private Limited	Director

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

**b. Mr. Shyam B. Ghia**

Mr. Shyam B. Ghia, aged 65 years, is an industrialist with interest in variety of fields including Chemicals, Fibres, Polymers and Software. Mr. Ghia has a Bachelor of Science Degree in Chemistry and an MBA from Bowling Green University, USA. He is currently the Chairman and Managing Director of Futura Polyesters Limited and Innovassynth Investments Limited and the Chairman of Innovassynth Technologies (India) Limited, besides being a Director in various other Companies.

**His other Directorships**

Name of the Company	Nature of office held
1. Futura Polyesters Limited	Chairman and Managing Director
2. Innovassynth Investments Limited	Chairman and Managing Director
3. Innovassynth Technologies (India) Limited	Chairman
4. Sonata Software Limited	Director
5. Alkyl Amines Chemicals Limited	Director
6. FPL Property Developers Private Limited	Director

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

His other Committee Memberships/Chairmanships:

Name of the Company	Name of the Committee
1. Futura Polyesters Limited	Investor Grievance Committee (Member) Transfer sub-committee (Chairman) Common seal committee (Chairman)
2. Sonata Software Limited	Remuneration Committee (Member) Investor Grievance Committee (Chairman) Audit Committee (Member)

Name of the Company	Name of the Committee
3. Alkyl Amines Chemicals Limited	Audit sub-committee (Member) Investor Grievance Committee (Member) Remuneration Committee (Chairman)
4. Innovassynth Technologies (India) Limited	Audit Committee (Chairman)

### EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

#### Item Nos. 6 & 7

Mr. M.S.A. Kumar was appointed as the Managing Director of the Company for a period of three years from 1<sup>st</sup> August 2010 to 31<sup>st</sup> July 2013. In view of the significant contribution made by him for the growth of the Company, the Directors decided to revise his remuneration with effect from 1<sup>st</sup> April 2013 on the terms stated in the resolution. As his term of office expires on 31<sup>st</sup> July 2013, it is also decided to re-appoint him for a further period of three years from 01.08.2013 to 31.07.2016 on the terms of remuneration as mentioned in the resolution, subject to the approval of the members. Hence these resolutions.

Mr. M.S.A. Kumar, aged about 60 years is a graduate in Agriculture with an MBA from IIM, Ahmedabad. He has served as top management executive in several premier organizations like Sandoz (India) Limited, Bayer (India) Limited and Shaw Wallace Co. Limited. His field of expertise includes Sales & Marketing, Product Management etc., and he is with the Company since 1995.

He is also the Director of AVT McCormick Ingredients Private Limited, AVT Gavia Foods Private Limited, AVT Natural Pte. Ltd., Singapore, Heilongjiang AVT Bio-Products Ltd., China and AVT Tea Services Ltd., United Kingdom.

A copy of the draft Agreement to be entered into with the Managing Director is available at the Registered Office of the Company and is open for inspection by the members during the office hours on any working day prior to the meeting.

The Board recommends the passing of these ordinary resolutions.

None of the directors, except Mr. M.S.A. Kumar is concerned or interested in passing of the above resolution.

#### Item No.8

Mr. Ajit Thomas is the Non-Executive Chairman of the Company since 30<sup>th</sup> August 1989 and he spends considerable time and efforts for the growth of the Company.

The Central Government vide its order SRN No. A-50481217-CL-VII dated 15<sup>th</sup> July 2009 had approved the payment of commission of 3% of net profits of the Company to him. Accordingly, the Company had paid the commission for the financial year 2008-09 and 2009-10.

Subsequently, the members at the 24<sup>th</sup> Annual General meeting held on 9<sup>th</sup> September 2010 had passed a special resolution for the reduction in payment of commission to the Non-executive Chairman from 3% to 2% of net profit of the Company with effect from 1<sup>st</sup> April 2010 to 31<sup>st</sup> March 2013.

Since the Central Government approval has expired, a fresh application needs to be made to the Central Government for its approval for the payment of Commission @ 2% per annum of net profit of the Company, from 1<sup>st</sup> April 2013 to 31<sup>st</sup> March 2016.

The Directors commend the passing of the Special Resolution by the members.

The payment of commission would be in addition to the sitting fees payable to him for attending Board / Committee Meetings.

None of the Directors, except Mr. Ajit Thomas, Chairman is concerned or interested in passing of the above resolution.

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

Place : Chennai  
Date : 30<sup>th</sup> May 2013

**Dileepraj. P**  
Company Secretary

## DIRECTORS' REPORT

Your Directors are pleased to present the Twenty Seventh Annual Report of the company together with the Audited Accounts for the financial year ended March 31, 2013.

### FINANCIAL RESULTS:

The standalone performance of the Company for the financial year ended March 31, 2013 is summarized below:

Particulars	(Rs. In Crores)	
	2012-13	2011-12
Income from Operations	255.95	218.35
Other Income	0.11	0.56
Total Income	256.06	218.91
Profit before tax for the year	75.70	75.16
<b>Less :</b> Provision for taxation		
- Current Tax	25.00	24.70
- Deferred Tax	0.13	0.04
Profit after tax	50.57	50.42
<b>Add:</b> Surplus brought forward	12.90	3.55
Total Amount available for appropriation	63.47	53.97
<b>Less:</b>		
Special Dividend (25%) on the occasion of silver jubilee of the Company on Equity Shares	-	1.90
Interim Dividend (50%) paid on equity shares	3.81	3.81
Tax on Special Dividend	-	0.31
Tax on Interim Dividend	0.62	0.62
Transfer to General Reserve	30.00	30.00
Proposed Final Dividend on Equity Shares @ 75% (Re.0.75 per equity share on face value of Re.1/-)	5.71	3.81
Provision for tax on Dividends	0.97	0.62
Surplus carried Forward	22.36	12.90

### OPERATIONS REVIEW:

Increased volumes of Marigold Food Grade Oleoresin (used in Eye Health segment), Spice Oils & Oleoresins (used in Food flavoring & coloring) and Decaffeinated Teas contributed to 17% increase in sales from Rs.219 Crores in 2011-12 to Rs.256 Crores in 2012-13. However Profit After Tax was flat at Rs.50.57 Crores due to softening of Marigold Feed Grade Oleoresin (used for Poultry Pigmentation) prices in the global market (thanks to over production in China). After registering a five fold increase in Profit after Tax during

2011-12 (from Rs.10.81 Crores in 2010-11 to Rs.50.42 Crores in 2011-12), your company did well by maintaining Profit after Tax at the same level as last year. 2012 crop of Marigold was a record high due to a very favourable monsoon in growing areas.

Despite 17% increase in sales, working capital borrowing has come down from Rs.25.79 Crores as of 31<sup>st</sup> March 2012 to Rs.23.49 Crores as of 31<sup>st</sup> March 2013. Term loan outstanding as of 31<sup>st</sup> March 2013 is Rs.1.49 Crores which will be repaid during 2013/14. Thus it will be our endeavor to make your company a "Zero Debt" organization by 31<sup>st</sup> March 2014.

### AWARDS:

Your company won three awards during the year under review:

#### A. FORBES ASIA UNDER A BILLION \$ AWARD:

Your Company has been recognized by Forbes as **one among 200 best companies from Asia-Pacific region** under \$ 1 billion revenue. The list published on August 18, 2012 is based on the financial data of the preceding 12 months. Those companies in Asia Pacific with sales of over US\$ 5 Million and below US\$ 1 Billion which are publicly traded with a positive net income are first short listed. Your company is one among 23 companies from India to find a place in this esteemed list of Asia's Best 200. The list recognizes the importance of small and medium enterprises in powering the Asia-Pacific economy.

#### B. EXCELLENCE IN SPICES EXPORT AWARD:

Your company was selected for the "Certificate of Merit" by the Spices Board in recognition of our outstanding performance in the export of spices / spice products during the year 2010-11.

#### C. POLLUTION CONTROL BOARD AWARD - 2011:

Your Company's plant at Cochin was awarded "Certificate of Merit" by Kerala State Pollution Control Board for securing second position among medium scale industries in making substantial and sustained effort towards pollution control in the year 2011.

### DIVIDEND:

Your Directors are pleased to recommend a final dividend of 75% on Equity Share Capital, for the year ended 31.03.2013, amounting to Rs.571 Lakhs, excluding dividend tax.

During the year, the Board declared an Interim Dividend of 50 %, amounting to Rs.381 Lakhs, excluding dividend tax. The aggregate of dividend declared during the year was 125 % amounting to Rs. 952 Lakhs, excluding dividend tax. Thus for 2012/13, we have maintained same dividend of 125% as that of the last year.



## **SUBSIDIARY COMPANIES:**

The company has the following subsidiaries:

### **AVT Natural Pte. Ltd., Singapore with its step down subsidiary, Heilongjiang AVT Bio-Products Limited, China:**

The subsidiary recorded sales of Rs.10.82 Crores in 2012 as against the sales of Rs.25.66 Crores in 2011, showing a decline of 58%. The reduction in sales is on account of lower production and sales of Marigold Oleoresin (Feed Grade) and very low prices compared to 2011. The subsidiary companies incurred a loss of Rs.2.09 Crores in the period ended December 2012 as against a profit of Rs. 4.36 Crores during the same period last year.

### **AVT Tea Services Ltd., London, UK (AVT TSL):**

During the year your company had set up this wholly owned subsidiary with an authorized capital of Pound Sterling (GBP) 0.50 million (approx. Rs.440 Lakhs) and the Company started functioning with effect from 13<sup>th</sup> August 2012. AVT TSL will be the global marketing arm of your company for de-caffeinated tea and instant tea. This would further strengthen the Company's position in the Global Value Added Beverages market. AVT TSL commenced its operations during the year and recorded a sale of Rs.0.22 Crores as on 31.12.2012 and recorded a loss of Rs.0.68 Crores on account of administrative overheads.

## **ACCOUNTS OF SUBSIDIARIES:**

Pursuant to Section 212 of the Companies Act, 1956, the Balance Sheet, Statement of Profit & Loss, Director's Report and the Auditor's Report for the period ended 31<sup>st</sup> December 2012 for AVT Tea Services Ltd., London, an overseas subsidiary, AVT Natural Pte. Ltd., Singapore, another overseas subsidiary of your Company and its Chinese Subsidiary, Heilongjiang AVT Bio-Products Ltd., 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.

## **FIXED DEPOSITS:**

The Company had stopped accepting / renewing deposit with effect from 30<sup>th</sup> July 2012. As on 31.03.2013, a total sum of Rs.0.46 Lakh due to 3 fixed deposit holders remained unclaimed. The entire unclaimed deposits were repaid subsequently. All matured deposits shall be paid on its maturity.

## **DIRECTORS:**

In accordance with the provisions of Companies Act, 1956 and the Articles of Association of the Company, Mr. M.A. Alagappan, Director and Mr. Shyam B. Ghia, Director, retire by rotation at the 27<sup>th</sup> Annual General Meeting and being eligible, offer them 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 2013, 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 2013 on a 'going concern' basis.

**ACKNOWLEDGEMENT:**

Your Directors take this opportunity to thank and wish to place on record their sincere thanks and the appreciation for the continued co-operation and support extended to the Company by all the stake holders including share holders, depositors, customers, farmers, bankers, suppliers, stock exchanges etc.,

The Directors also wish to place on record their appreciation for the contribution, support and continued co-operation extended by the employees throughout the year.

For and On behalf of the Board

Place : Chennai  
Date : 30<sup>th</sup> May, 2013

**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 in 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 in 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. To add on to the soluble tea segment development of soluble teas from herbs also taken up. Herbal teas are caffeine free, low calorie relaxing drinks, with beneficial effect on health .

Micro encapsulated flavours and liquid seasonings are another thrust areas. We continue to support our customers in the development of speciality Nutraceutical and food preservation products.

Expenditure on R&D

a) Capital	Rs. 11,37,225
b) Recurring	Rs. 2,06,33,462
c) Total	Rs. 2,17,70,687

**Foreign Exchange Earnings / Outgo**

The company's operations during the year under review have resulted in a foreign exchange inflow of Rs. 256.40 Crores and outflow of Rs. 58.79 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 (Rs)	Qualification	Total Experience (years)	Date of commencement of Employment	Previous Employment
Mr. M.S.A. Kumar *	60	Managing Director	Rs.80,34,000	B.Sc(Agri.) PGDBA(IIM-A)	37	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. He is not related to any Director of the Company.

## ANNEXURE - III

### Management Discussion and Analysis Report

#### **Financial Performance and Operations Review:**

Sales and other income for the financial year under report amounted to Rs.256.06 Crores as compared with Rs.218.91 Crores for the previous year, a growth of 17%. During the financial year under report, the company recorded Profit after Tax of Rs.50.57 Crores as against Rs.50.42 Crores in the previous financial year. Profit after Tax was flat despite sales increase of 17%. This was due to pricing pressure in Marigold Oleoresin Feed Grade due to over production in China. Marigold (Food Grade) Oleoresin, Decaffeinated Tea and Spice Oils & Oleoresins sales increased significantly.

#### **Opportunities, Threats, Risks and Concerns:**

The age-related eye disease study 2 (AREDS2) results were published very recently. Details can be seen at <http://www.areds2.org/>. AREDS2 is the largest trial done by National Eye Institute (NEI) of USA to date testing the effectiveness of Lutein and Zeaxanthin in adults with Age related Macular Degeneration (AMD). NEI recommends improving the safety and efficacy of the AREDS supplement by removing beta carotene and replacing it with 10 mg of Lutein and 2 mg of Zeaxanthin. Your company is well entrenched in the Eye Health segment with Kemin as partner for both Lutein and Zeaxanthin. AREDS2 study results should boost the demand for Marigold Oleoresins in future as your company's long term partner Kemin Human Nutrition & Health Division has a strong market presence.

Major threats and risks to your company's business along with risk mitigation strategies are given below:

- **Monsoon failure affecting Marigold crop output:**

We have 3 growing areas and 3 cropping seasons. On top of it both our partner Kemin and we carry sufficient inventory to mitigate the risk of crop failure. Though this strategy burdens our working capital outlay, this is part of our overall business strategy.

- **Foreign Currency risk:**

We take appropriate FOREX hedges depending on the Rupee movement as soon as customer contracts are finalized.

- **Commodity risk:**

As far as Marigold flowers are concerned, under the Contract Farming model, we have agreements written with each farmer outlining the rights and obligations on both sides (Farmers and us) including flower prices. In the case of raw material for Spice Oils and Oleoresins, our policy is to have back to back position as soon as orders are finalized.

Your company's major concern is to sustain and grow on the excellent Profit after Tax of Rs.50 Crores of last 2 years of 2011/12 and 2012/13 which was due to the very high prices of Marigold Oleoresin Feed grade meant for Poultry Pigmentation. Now that the prices have come down to normal level due to over production in China, we have following strategies to take care of this gap:

- The major thrust is "Value Added Beverages". With the start of 100% own subsidiary in London (AVT Tea Services Ltd.,) for Product Development and Sales & Marketing, Decaff Tea and Instant Tea sales will increase substantially from 2014/15. From September '13, our Instant Tea plant will have higher capacity to meet the increased demand.
- Your company is also focusing on "Niche Spice Oils and Oleoresins" through new products and unexplored geographies.
- Addition of second product in Eye Health segment is another area of expansion.

Your Company, as a part of significant new initiative, is readying for the launch of a range of condition-specific Health Supplements (Nutraceuticals) for the Indian consumer. Targeted at the urban, affluent and the health-conscious consumer, the range will have 5-7 formulations in the OTC (over-the-counter) category. The range has been conceived and formulated with the help of leading SMEs from the USA and will be manufactured through a well-established, high-quality Third Party Unit in India.

The range is in the final preparatory stages and is awaiting necessary approvals from the FSSAI authorities.

**Internal Control Systems:**

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 organization 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 31.03.2013**

Name of the Non-Executive Director	No. of Shares held
Mr. Ajit Thomas (Promoter/Chairman)	7,61,420
Mr. M.A. Alagappan	14,300
Mr. Shyam B. Ghia	Nil
Mr. P. Shankar	Nil
Mr. Habib Hussain	2,94,540

**a) Board Meetings**

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

During the year 2012-13, the Board met five times. The dates on which the meetings were held are as follows 30.05.2012, 30.07.2012, 19.10.2012, 30.01.2013 and 25.03.2013.

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	5	Yes	9	-	1
Mr. M.A. Alagappan	5	Yes	-	-	-
Mr. Shyam B. Ghia	3	Yes	5	5	5
Mr. P. Shankar	5	Yes	1	-	1
Mr. Habib Hussain	3	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 are 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 director. 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 consisted 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 2012-13:

During the year 2012-13, the Audit Committee met five times and the dates on which the meetings were held are as follows 30.05.2012, 30.07.2012, 19.10.2012, 30.01.2013 and 25.03.2013. The attendance of the each member of the Audit Committee at its meetings is under:

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

### 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 30.05.2012 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 meetings 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	69,00,000	11,34,000	80,34,000

**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 fees paid for the year ended 31<sup>st</sup> March 2013 to the Directors are as follows:

Name of the Director	Amount (Rs.)
Mr. Ajit Thomas	35,000
Mr. M.A. Alagappan	53,000
Mr. Shyam B. Ghia	33,000
Mr. P. Shankar	53,000
Mr. Habib Hussain	30,000

The Company has also paid a sum of Rs. 1,56,17,000/- towards commission of 2 % on the net profit of the Company for year 2012-13 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 / 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 / Grievance Committee.

There was no request for dematerialisation pending for approval as on 31.03.2013.

**6. SUMMARY OF SHARE HOLDERS COMPLAINT AS ON 31.03.2013**

Sl No.	Particulars	No. of Complaints
1	Number of Share holders complaints pending as on 1.04.2012	NIL
2	Number of share holders complaints received during the year 2012-13	8
3	Number of share holders complaints resolved during the year 2012-13	8
4	Number of Share holders complaints pending as on 31.03.2013	NIL

## 7. GENERAL BODY MEETINGS

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

Year	Location	Date	Time
2009-10	Hotel Comfort INN Marina Towers, Ponniamman 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.
2011-12	Hotel Ambassador Pallava, Montieth Road, Egmore, Chennai - 600 008	30.07.2012	11.30 A.M.

b) In the last three years, one Special Resolution was passed at annual general meetings:

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

c) The Company had passed the following three Special Resolutions, through postal ballot on 19.05.2012.

- 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.

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. All those unclaimed shares were transferred to Unclaimed Suspense Account. The Company had opened a demat account with M/s. Stock Holding Corporation of India Limited, Chennai, (SHCIL) and the said shares are kept dematerialized, purely on behalf of the allottees who are entitled for the shares.

The details of the Bonus shares held in Demat Account with SHCIL:

Particulars	No. of allottees entitled	No. of Shares
Total unclaimed bonus shares as on 26.04.2012	274	44,924 <sup>#</sup>
No. of allottees & shares claimed during the year	Nil	Nil
Total unclaimed bonus shares as on 31.03.2013	274	4,49,240 <sup>##</sup>

<sup>#</sup> face value of Rs.10/- each

<sup>##</sup> face value of Re.1/- each

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 either in demat form or as physical certificate, as desired by them.

## 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	31 <sup>st</sup> July 2013: 11.00 A.M.
- Venue	Dynasty Hall, Hotel Ambassador Pallava, No. 30, Montieth Road, Egmore, Chennai - 600 008.
11.2. Financial calendar	
Results for the quarter ending	30.06.13 - Between 15 <sup>th</sup> July & 14 <sup>th</sup> of August '13
Results for the quarter ending	30.09.13 - Between 15 <sup>th</sup> October & 15 <sup>th</sup> of November '13
Results for the quarter ending	31.12.13 - Between 15 <sup>th</sup> January & 15 <sup>th</sup> of February '14.
Results for the quarter ending	31.03.14 - Between 15 <sup>th</sup> April & 30 <sup>th</sup> of May'14
11.3. Book Closure date	24.07.2013 to 31.07.2013 (both days are inclusive)
11.4. Dividend payment date	2 <sup>nd</sup> week of August 2013.
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	BSE - 519105 NSE - AVTNPL - Eq MSE - AVT
(b) Demat ISIN Number in NSDL & CDSL for equity shares	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 2012	386.95	315.10	17664.10	17010.16	October 2012	45.10	36.40	19137.29	18393.42
May 2012	404.40	307.25	17432.33	15809.71	November 2012	39.00	35.00	19372.70	18255.69
June 2012 #	401.00	31.30	17448.48	15748.98	December 2012	38.20	34.50	19612.18	19149.03
July 2012	39.35	33.00	17631.19	16598.48	January 2013	38.50	34.50	20203.66	19508.93
August 2012	36.80	32.05	17972.54	17026.97	February 2013	36.00	30.15	19966.69	18793.67
September 2012	40.25	32.50	18869.94	17250.80	March 2013	32.00	25.50	19754.66	18568.43

# the stock split from face value of Rs.10/- to Re.1/- during the month

11.8. 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, investor1@cameoindia.com
Compliance Officer	:	Mr. Dileepraj. P, Company Secretary
Email id	:	dileepraj@avtspice.com

11.9. **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 dematted, are now handled by our Transfer Agent, Cameo Corporate Services Limited, 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 15 days of lodgment, as per the Listing Agreement.

11.10. Distribution of shareholding as on 31<sup>st</sup> March 2013

No. of Shares	Shareholders		No. of Shares	
	Number	%	Number	%
Upto 5000	7,111	89.88	67,17,034	8.82
5001 - 10,000	503	6.35	36,41,128	4.78
10,001 - 20,000	181	2.29	26,48,294	3.48
20,001 - 30,000	48	0.61	12,04,896	1.58
30,001 - 40,000	21	0.27	7,57,511	0.99
40,001 - 50,000	13	0.16	6,09,643	0.80
50,001-1,00,000	21	0.26	14,46,828	1.90
1,00,000 & above	14	0.18	5,91,16,666	77.65
<b>Total</b>	<b>7,912</b>	<b>100</b>	<b>7,61,42,000</b>	<b>100</b>

11.11. Pattern of Shareholding as on 31<sup>st</sup> March 2013

Category	No. of Shares	%
Promoters	5,65,96,550	74.33
Banks/ Financial Institutions	24,630	0.03
Non-Residential Indians	6,05,981	0.80
Bodies Corporate	17,09,716	2.24
Public	1,72,05,123	22.60
<b>Total</b>	<b>7,61,42,000</b>	<b>100</b>

11.12. Dematerialisation of Shares & Liquidity : 91.93% of the equity shares have been dematerialised upto 31.03.2013.

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

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

11.14. Plant Locations : 1. SF No. 234/1, Mysore Trunk Road, Pudukavalli, Sathyamangalam - 638 401, Erode District, Tamil Nadu.

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

3. Plot No. 225/1A, 5-7, Kaipoorikkara, South Vazhakulam, Marampilly Post, Aluva - 683 107, Ernakulam District, Kerala.

- Subsidiary Companies : 1. AVT Tea Services Ltd.,  
19, Heathman's Road,  
London, SW6 4TJ, United Kingdom
2. AVT Natural Pte. Ltd.,  
17 Phillip Street , # 05-01, Grand Building, Singapore 048695
3. 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 Lakshmi pathy 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 2013.

For **AVT Natural Products Limited**,

Place : Chennai  
Date : 30<sup>th</sup> May 2013

**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 2013, 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 2013

# **INDEPENDENT AUDITORS' REPORT**

*To the members of AVT Natural Products Limited, Chennai*

## **Report on the Financial Statements**

We have audited the accompanying financial statements of AVT NATURAL PRODUCTS LIMITED, (the Company) which comprise the Balance Sheet as at 31<sup>st</sup> March 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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 2013;

(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.

## **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by Section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. 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;
- c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- e. on the basis of written representations received from the Directors as on 31<sup>st</sup> March 2013, and taken on record by the Board of Directors, none of the Directors is disqualified as on 31<sup>st</sup> March 2013 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- f. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under Section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company

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

**S. Ganesan**

Partner

Place : Chennai

Date : 30<sup>th</sup> May 2013

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 at 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 Companies Act, 1956 and hence the clauses (iii) (a), (b), (c) &amp; (d) of the Order are 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 Companies Act, 1956 and hence the clauses (iii) (e), (f) &amp; (g) of the Order are not applicable.</p> <p>iv) The Company has adequate internal control system 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 and 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, 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 which have not been deposited are as under:

Name of the Statute	Nature of the dues	Amount (Rs.)	Forum where dispute is pending
Andhra Pradesh General Sales Tax Act	APGST 1999-00 to 2004-05	79,94,313	Sales Tax Appellate Tribunal
Kerala General Sales Tax Act	KGST 2000-01 to 2004-05	939	Deputy Commissioner (Appeals)
Karnataka Sales Tax Act	KST 2006/07	27,516	Joint Commissioner (Appeals)
Service Tax Act	Service Tax for 2005-2009	5,41,50,000	CESTAT, Bangalore

- x) The Company has no accumulated losses. The Company has not incurred any 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 not given any guarantee for loans taken by others from bank or financial institutions.
- xvi) The Company has not availed any term loans.
- 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

Place : Chennai  
Date : 30<sup>th</sup> May 2013

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

## BALANCE SHEET

	Note No.	As at 31.03.2013 Rs.	As at 31.03.2012 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	126,99,75,484	87,53,58,363
		<b>134,61,17,484</b>	<b>95,15,00,363</b>
2. NON CURRENT LIABILITIES :			
a) Long Term Borrowings	4	37,65,000	2,64,44,516
b) Deferred Tax Liability	5	4,42,62,000	4,29,39,000
c) Long Term Provisions	6	92,31,912	86,02,067
		<b>5,72,58,912</b>	<b>7,79,85,583</b>
3. CURRENT LIABILITIES :			
a) Short Term Borrowings	7	23,48,68,563	25,78,51,574
b) Trade Payables	8	11,07,98,893	12,59,15,275
c) Other current liabilities	9	3,36,54,656	7,12,99,661
d) Short Term Provisions	10	34,97,82,522	32,14,25,411
		<b>72,91,04,634</b>	<b>77,64,91,921</b>
<b>TOTAL</b>		<b>213,24,81,030</b>	<b>180,59,77,867</b>
<b>II. ASSETS :</b>			
1. NON CURRENT ASSETS :			
a) Fixed Assets :			
i) Tangible Assets	11	44,17,18,372	37,41,56,653
ii) In-Tangible Assets	12	Nil	18,99,672
ii) Capital Work-in-progress		2,58,61,216	Nil
		<b>46,75,79,588</b>	<b>37,60,56,325</b>
b) Non-Current Investments	13	4,81,22,148	2,82,27,150
c) Long term Loans and Advance	14	65,32,061	51,85,445
2. CURRENT ASSETS :			
a) Inventories	15	85,87,84,745	66,04,58,549
b) Trade Receivables	16	38,48,46,009	36,52,46,035
c) Cash & Cash Equivalents	17	3,12,92,333	7,36,88,540
d) Short Term Loans & Advances	18	32,88,66,508	29,18,84,644
e) Other Current Assets	19	64,57,638	52,31,179
		<b>161,02,47,233</b>	<b>139,65,08,947</b>
Significant Accounting Policies	1		
<b>TOTAL</b>		<b>213,24,81,030</b>	<b>180,59,77,867</b>

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

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 2013

**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 31.03.2013 Rs.	Year Ended 31.03.2012 Rs.
<b>REVENUE:</b>			
<b>I. Revenue from Operations</b>			
Revenue from Operations (net of excise duty Rs. 19,81,112/-)	20	255,95,42,455	218,34,78,490
<b>II. Other Income</b>			
Other Income	21	10,35,580	55,70,456
<b>III. Total Revenue (I + II)</b>		<b>256,05,78,035</b>	<b>218,90,48,946</b>
<b>EXPENSES:</b>			
Increase (-) / Decrease (+) in stock	22	(-) 13,53,40,000	(-) 34,10,20,000
Cost of Materials Consumed		119,36,26,876	104,24,02,326
Other Manufacturing Expense	23	28,37,44,270	28,31,66,725
Employee Benefits Expenses	24	17,42,40,619	14,88,81,769
Other Expenses	25	20,11,27,863	21,93,10,318
Finance costs	26	4,95,73,360	5,24,76,919
Depreciation		3,66,06,108	3,22,78,432
<b>IV. TOTAL EXPENSES</b>		<b>180,35,79,096</b>	<b>143,74,96,489</b>
<b>V. Profit Before Tax (PBT)</b>		<b>75,69,98,939</b>	<b>75,15,52,457</b>
<b>VI. Tax Expenses</b>			
- Current Tax		25,00,00,000	24,70,00,000
- Deferred Tax		13,23,000	4,00,000
<b>VII. Profit After Tax (PAT)</b>		<b>50,56,75,939</b>	<b>50,41,52,457</b>
<b>VIII. Earnings Per Share (Basic and Diluted)</b>		<b>6.64</b>	<b>66.21</b>
Earnings per share of Re.1/- per share (PY Rs.10 per share each)			

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

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 2013

**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 2013*

## **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.

#### **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.

# **NOTES ON ACCOUNTS**

*For the year ended 31<sup>st</sup> March 2013 (Contd.)*

## **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.

Contingent Assets are neither recognised nor disclosed.

## **15) CASH FLOW STATEMENT:**

Cash Flow Statement is prepared segregating the cash flows from operating, investing and financing activities. Cash flow from operating activities is reported using indirect method. Under the Indirect method, the net profit is adjusted for the effects of

- a) Transactions of a non-cash nature.
- b) Any deferrals or accruals of past or future operating cash receipts or payments and
- c) Items of income or expenses associated with investing or financing cash flows.

Cash and cash equivalents (including bank balances) are reflected as such in Cash Flow Statement.

# NOTES TO THE ACCOUNTS

*Forming part of Balance Sheet as at 31<sup>st</sup> March 2013*

	As at 31.03.2013 Rs.	As at 31.03.2012 Rs.
<b>NOTE - 2:</b>		
<b>SHARE CAPITAL</b>		
<b>A) AUTHORISED SHARE CAPITAL</b>		
7,99,00,000 - Equity Shares of Re. 1/- 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>		
7,61,42,000 - Equity Shares of Re.1/- 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 31.03.2013 (Face Value of Re. 1/- each)	As at 31.03.2012 (Face Value of Rs. 10/- each)
Number of Equity Shares outstanding at the beginning of the year	7,61,42,000	76,14,200
Add/(Less) Shares Issued / Buy Back etc.,	Nil	Nil
Number of Equity Shares outstanding at the end of the year	<b>7,61,42,000</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 2013 Number of Shares in the company (Face Value of Re. 1/- each)	As at 31 <sup>st</sup> March 2012 Number of Shares in the company (Face Value of Rs. 10/- each)
	%	%
Held	Held	Held
The Midland Rubber & Produce Co Limited	22270650	2227065
	29.25	29.25
Neelamalai Agro Industries Limited	30456800	3045680
	40.00	40.00
Total	<b>52727450</b>	<b>5272745</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 2013 (Contd.)*

	<b>As at 31.03.2013 Rs.</b>	<b>As at 31.03.2012 Rs.</b>
<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	70,64,22,459	
Add: Transfer from Profit & Loss A/c	30,00,00,000	70,64,22,459
	<u>100,64,22,459</u>	
Surplus as per Statement of Profit & Loss		
As per Last Balance Sheet	12,89,93,234	3,54,58,447
Profit for the period after Tax	50,56,75,939	50,41,52,457
Less : Appropriations		
Transfer to General Reserve	30,00,00,000	30,00,00,000
Special Silver Jubilee Dividend (Rs. 2.50 per share)	Nil	1,90,35,500
Interim Dividend Paid @ Re. 0.50 per share (PY Rs.5/- per share)	3,80,71,000	3,80,71,000
Tax on Special & Interim Dividend	61,76,068	92,64,102
Proposed Final Dividend		
- On Equity Shares @ Re.0.75 per share (PY Rs.5/- per share)	5,71,06,500	
Provision for Tax on Final Dividend	97,05,250	4,42,47,068
	<u>6,68,11,750</u>	
Net Surplus In the Statement of Profit and Loss	<u>22,36,10,355</u>	<u>12,89,93,234</u>
	<u>126,99,75,484</u>	<u>87,53,58,363</u>

## **NOTES TO THE ACCOUNTS**

*Forming part of Balance Sheet as at 31<sup>st</sup> March 2013 (Contd.)*

	<b>As at 31.03.2013 Rs.</b>	<b>As at 31.03.2012 Rs.</b>
<b>NOTE - 4:</b>		
<b>LONG TERM BORROWINGS:</b>		
<b>SECURED</b>		
<b>Term Loan From Banks:</b>	Nil	1,46,35,516
<p>(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 from State Bank of India carries an 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</p>		
<b>UNSECURED</b>		
Public Deposits	<u>37,65,000</u>	<u>1,18,09,000</u>
	<u>37,65,000</u>	<u>2,64,44,516</u>
<b>NOTE - 5:</b>		
<b>DEFERRED TAX LIABILITIES ( NET ) :</b>		
Deferred Tax Liabilities	5,06,45,000	4,81,08,000
Deferred Tax Assets	<u>63,83,000</u>	<u>51,69,000</u>
Deferred Tax Liabilities ( Net )	<u>4,42,62,000</u>	<u>4,29,39,000</u>
<b>NOTE - 6:</b>		
<b>LONG TERM PROVISION :</b>		
For Leave Encashment	<u>92,31,912</u>	<u>86,02,067</u>
	<u>92,31,912</u>	<u>86,02,067</u>
<b>NOTE - 7:</b>		
<b>SHORT TERM BORROWINGS :</b>		
<b>SECURED</b>		
Cash Credit		
- from Banks	23,48,68,563	25,78,51,574
<p>(Secured by hypothecation of inventories and book debts and second charge on present and future movable and immovable block of assets of the company)</p>		
	<u>23,48,68,563</u>	<u>25,78,51,574</u>

## **NOTES TO THE ACCOUNTS**

*Forming part of Balance Sheet as at 31<sup>st</sup> March 2013 (Contd.)*

	<b>As at 31.03.2013 Rs.</b>	<b>As at 31.03.2012 Rs.</b>
<b>NOTE - 8:</b>		
<b>TRADE PAYABLE</b>		
Sundry Creditors - Refer Note No.33 for Details of dues to Micro & Small Enterprises	<b>11,07,98,893</b>	12,59,15,275
	<b><u>11,07,98,893</u></b>	<b><u>12,59,15,275</u></b>
<b>NOTE - 9:</b>		
<b>OTHER CURRENT LIABILITIES:</b>		
Current Maturities of Long Term Debts	<b>2,39,44,737</b>	2,53,29,516
Unpaid Dividends (The amount represents Interim Dividend declared on 27 <sup>th</sup> March 2012 and paid in April 2012 )	<b>Nil</b>	3,80,71,000
Investor Education and Protection Fund *		
- Unclaimed Dividends	<b>78,14,302</b>	49,25,611
- Interest accrued but not due	<b>18,44,807</b>	17,04,044
- Interest on Matured Deposit Payable	<b>4,810</b>	2,64,490
Overdue Matured Deposits	<b>46,000</b>	10,05,000
	<b><u>3,36,54,656</u></b>	<b><u>7,12,99,661</u></b>
* 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	<b>20,41,607</b>	4,49,259
For Gratuity	<b>79,40,608</b>	65,10,517
<b>Other Provisions</b>		
For Proposed Dividends	<b>5,71,06,500</b>	3,80,71,000
For Tax on Dividend	<b>97,05,250</b>	1,23,52,136
For Taxation	<b><u>27,29,88,557</u></b>	<b><u>26,40,42,499</u></b>
	<b><u>34,97,82,522</u></b>	<b><u>32,14,25,411</u></b>

# NOTES TO THE ACCOUNTS

*Forming part of Balance Sheet as at 31<sup>st</sup> March 2013 (Contd.)*

**NOTE - 11:**

**Tangible Assets:**

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at	Additions	Deductions	As at	Upto	For the	Withdrawn	Upto	As at	As at
	01.04.2012	Rs.	Rs.	31.03.2013	31.03.2012	Year	Rs.	31.03.2013	31.03.2013	31.03.2012
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Freehold Land	2,36,96,293	-	-	2,36,96,293	-	-	-	-	2,36,96,293	2,36,96,293
Lease Hold Land	18,94,995	-	-	18,94,995	-	-	-	-	18,94,995	18,94,995
Buildings	15,12,32,596	33,55,468	-	15,45,88,064	6,59,87,983	56,22,708	-	7,16,10,691	8,29,77,373	8,52,44,613
Plant and Machinery	47,49,66,966	9,88,11,376	3,87,05,155	53,50,73,187	23,49,07,356	2,65,03,052	3,51,75,337	22,62,35,071	30,88,38,116	24,00,59,610
Furniture and Fixtures	80,44,481	3,95,029	-	84,39,510	30,34,592	4,00,399	-	34,34,991	50,04,519	50,09,889
Vehicles	2,48,69,646	32,36,100	-	2,81,05,746	66,18,393	21,80,277	-	87,98,670	1,93,07,076	1,82,51,253
<b>TOTAL</b>	68,47,04,977	10,57,97,973	3,87,05,155	75,17,97,795	31,05,48,324	3,47,06,436	3,51,75,337	31,00,79,423	44,17,18,372	37,41,56,653
Previous Year	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	

**NOTE - 12:**

**In-Tangible Assets:**

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at	Additions	Deductions	As at	Upto	For the	Withdrawn	Upto	As at	As at
	01.04.2012	Rs.	Rs.	31.03.2013	31.03.2012	Year	Rs.	31.03.2013	31.03.2013	31.03.2012
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
In-Tangible Assets	38,73,931	-	-	38,73,931	19,74,259	18,99,672	-	38,73,931	-	18,99,672
<b>TOTAL</b>	38,73,931	-	-	38,73,931	19,74,259	18,99,672	-	38,73,931	-	18,99,672
Previous Year	38,73,931	-	-	38,73,931	10,40,939	9,33,320	-	19,74,259	-	18,99,672



## **NOTES TO THE ACCOUNTS**

*Forming part of Balance Sheet as at 31<sup>st</sup> March 2013 (Contd.)*

	As at 31.03.2013 Rs.	As at 31.03.2012 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	2,82,27,150	2,82,27,150
AVT Tea Services Limited, London -1,42,857 ordinary shares of GBP 1 each fully paid-up	1,21,69,988	Nil
Share Application Money Pending Allotment - AVT Tea Services Limited	77,25,010	Nil
	<b>4,81,22,148</b>	<b>2,82,27,150</b>
 <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	65,32,061	51,85,445
 <b>NOTE - 15:</b>		
<b>INVENTORIES:</b>		
(a) Stores, Spares and Packing Materials	4,62,50,684	4,24,45,140
(b) Raw Materials	19,07,44,061	13,15,63,409
(c) Finished Goods	55,86,30,000	45,07,70,000
(d) Stock in process	6,31,60,000	3,56,80,000
	<b>85,87,84,745</b>	<b>66,04,58,549</b>
 <b>NOTE - 16:</b>		
<b>TRADE RECEIVABLES:</b>		
Considered Good Unsecured		
(a) Debts outstanding for a period exceeding six months	3,50,80,868	Nil
(b) Other debts	34,97,65,141	36,52,46,035
	<b>38,48,46,009</b>	<b>36,52,46,035</b>

## **NOTES TO THE ACCOUNTS**

*Forming part of Balance Sheet as at 31<sup>st</sup> March 2013 (Contd.)*

	As at 31.03.2013 Rs.	As at 31.03.2012 Rs.
<b>NOTE - 17:</b>		
<b>CASH AND CASH EQUIVALENTS :</b>		
(a) Cash	2,81,680	2,73,725
(b) Balances with Scheduled Banks:		
- In Current Account	1,14,78,151	2,34,84,250
- In Deposit Account *	1,17,18,200	69,33,954
	2,34,78,031	3,06,91,929
(c) Balances with Scheduled Banks:		
- In Dividend Account	78,14,302	4,29,96,611
	3,12,92,333	7,36,88,540
* Includes Rs.87,18,200/- 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	25,33,09,726	24,68,69,697
Advances Recoverable in cash or in kind or for a value to be received	7,55,56,782	4,50,14,947
	32,88,66,508	29,18,84,644
 <b>NOTE - 19:</b>		
<b>OTHER CURRENT ASSETS:</b>		
Prepaid Expenses	47,07,307	42,05,816
Income Accrued	17,50,331	10,25,363
	64,57,638	52,31,179

# NOTES TO THE ACCOUNTS

*Forming part of Statement of Profit and Loss*

	For Year ended 31.03.2013 Rs.	For year ended 31.03.2012 Rs.
<b>NOTE - 20:</b>		
<b>REVENUE FROM OPERATIONS:</b>		
Sales of Products	238,17,31,314	213,69,39,189
Less: Excise Duty	19,81,112	6,20,636
	<u>237,97,50,202</u>	<u>213,63,18,553</u>
<b>Other Operating Revenues :</b>		
Exchange Difference	(1,88,24,619)	(10,14,68,935)
Processing Income	13,62,48,314	12,26,83,325
Sale / Captive Consumption of Wind power	59,69,232	43,03,770
Sale of Import Entitlement	5,63,99,326	2,16,41,777
	<u>255,95,42,455</u>	<u>218,34,78,490</u>
<b>NOTE - 21:</b>		
<b>OTHER INCOME:</b>		
Insurance Claim Received	69,191	Nil
Rent	1,80,000	1,80,000
Interest	6,88,642	37,86,962
Profit on Sale of Assets	Nil	56,143
Miscellaneous	97,747	5,15,177
Profit on Sale of Mutual Fund Investments	Nil	2,03,399
Dividend Income from Mutual Funds	Nil	8,28,775
	<u>10,35,580</u>	<u>55,70,456</u>

## **NOTES TO THE ACCOUNTS**

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

	<b>For Year ended 31.03.2013 Rs.</b>	<b>For year ended 31.03.2012 Rs.</b>
<b>NOTE - 22:</b>		
<b>INCREASE (-) / DECREASE (+) IN STOCK:</b>		
<b>OPENING 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>
<b>CLOSING STOCK</b>		
Finished Goods		
- Processed	55,86,30,000	45,07,70,000
Stock in Process	6,31,60,000	3,56,80,000
	<b>62,17,90,000</b>	<b>48,64,50,000</b>
Increase(-)/Decrease(+) in Stock	<b>(-) 13,53,40,000</b>	<b>(-) 34,10,20,000</b>
<b>NOTE - 23:</b>		
<b>OTHER MANUFACTURING EXPENSES :</b>		
Consumption of Stores, Spares & Packing Materials	10,66,99,672	8,88,67,118
Power and Fuel	13,01,20,903	12,50,55,160
Repairs - Building	38,17,108	1,99,78,228
Repairs - Plant & Machinery	4,31,06,587	4,92,66,219
	<b>28,37,44,270</b>	<b>28,31,66,725</b>
<b>NOTE - 24:</b>		
<b>EMPLOYEE BENEFIT EXPENSES:</b>		
Salaries,Wages and Bonus	13,45,43,110	10,93,66,662
Contribution to Provident and other Funds	1,61,65,890	1,44,33,661
Provision for Gratuity ( Refer Note No.38 )	14,30,091	16,17,287
Provision for Leave Encashment ( Refer Note No.38 )	22,22,193	1,46,748
Welfare Expenses	1,98,79,335	2,33,17,411
	<b>17,42,40,619</b>	<b>14,88,81,769</b>

## **NOTES TO THE ACCOUNTS**

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

	For Year ended 31.03.2013 Rs.	For year ended 31.03.2012 Rs.
<b>NOTE - 25:</b>		
<b>OTHER EXPENSES:</b>		
Processing Charges	64,37,331	44,63,877
Repairs :		
Vehicles	70,73,923	59,53,208
Others	1,60,03,736	1,65,26,657
Postage and Telephones	38,40,992	39,53,864
Printing & Stationery	25,66,765	19,41,661
Travelling Expenses	2,17,56,711	1,90,26,091
Auditors Remuneration		
- For Audit	10,00,000	10,00,000
- For Tax Audit/Certification	3,05,000	2,30,000
- For Tax Representation	1,65,000	1,50,000
- For Expenses	83,000	66,500
- For Service Tax	1,91,951	1,69,590
Directors' Sitting Fees	2,04,000	2,39,000
Commission to Chairman	1,56,17,000	1,54,81,600
Bank Charges	99,10,943	1,11,63,253
Rent	59,42,175	18,15,940
Research & Development Expenses	2,06,33,462	1,71,39,005
Rates and Taxes	56,04,487	33,30,165
Insurance	51,76,586	48,16,728
Product Testing Charges	74,53,398	75,26,903
Freight and Transport	3,58,12,821	5,88,05,079
Commission	53,90,178	79,50,518
Loss on Sale of Assets	5,08,857	Nil
Bad Trade Advances Written Off	Nil	1,01,35,243
Professional Fees	66,16,653	44,54,882
Security Service Charges	50,19,807	43,34,451
Miscellaneous Expenses	1,78,13,087	1,86,36,103
	<u>20,11,27,863</u>	<u>21,93,10,318</u>
<b>NOTE - 26:</b>		
<b>FINANCE COST :</b>		
Interest Expense	4,95,73,360	5,24,76,919
	<u>4,95,73,360</u>	<u>5,24,76,919</u>

# NOTES TO THE ACCOUNTS

*Forming part of Accounts*

	Year ended 31.03.2013 Rs.	Year ended 31.03.2012 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 Bank of Baroda, Ernakulam North Branch has arranged a Stand by Letter of Comfort to HSBC, London, UK for Working Capital Facility for US\$ 1 Million ( Rs.550 Lacs) to its wholly owned Subsidiary AVT Tea Services Ltd., London	5,50,00,000	Nil		
d) 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	7,50,00,000		
e) Estimated amount of contracts remaining to be executed on Capital account and not provided for	1,64,94,123	Nil		
<b>28 Expenditure in Foreign Currency:</b>				
Travelling Expenses	51,66,388	38,88,131		
Commission	40,01,878	66,56,115		
Professional Fees	30,16,492	4,59,514		
Interest	46,66,334	69,83,199		
Sample Analysis Charges	62,18,263	65,19,915		
Freight	41,44,592	Nil		
Others	70,75,419	24,25,196		
<b>29 Particulars of Consumption:</b>				
Raw Materials	%	Rs.	%	Rs.
- Indigenous	60.61	72,34,83,575	69.49	72,43,55,385
- Imported	39.39	47,01,43,301	30.51	31,80,46,942
	<b>100</b>	<b>119,36,26,876</b>	<b>100</b>	<b>104,24,02,327</b>
Stores, Spares and Packing Materials	%	Rs.	%	Rs.
- Indigenous	89.07	9,50,40,540	88.94	7,90,40,940
- Imported	10.93	1,16,59,132	11.06	98,26,178
	<b>100</b>	<b>10,66,99,672</b>	<b>100</b>	<b>8,88,67,118</b>
<b>30. Value of Imports on CIF basis</b>				
Raw Materials	53,81,34,833	42,42,16,612		
Purchases of Traded Goods	Nil	Nil		
Stores, Spares and Packing Materials	1,19,97,208	74,47,277		
Capital Items	34,80,932	46,18,701		
<b>31. Earnings in Foreign Exchange (On FOB Basis):</b>				
On Export of goods	247,54,89,957	204,47,25,954		
Processing Income	8,85,14,333	8,89,42,473		
	<b>256,40,04,290</b>	<b>213,36,68,427</b>		

# **NOTES TO THE ACCOUNTS**

*Forming part of Accounts (Contd.)*

	Year ended 31.03.2013 Rs.	Year ended 31.03.2012 Rs.
<b>32</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 31.03.2013 on account of the above is Rs. 0.76 Crores.</p>	
<b>33</b>	<p><b>Due to Micro &amp; Small Enterprises:</b></p> <p>Based on the information available with the company, the principal amount due to Micro, Small &amp; Medium Enterprises as on 31.03.2013 is Rs.Nil (Previous Year Nil). There are no overdue principal amounts and therefore no interest was paid or payable.</p>	
	Year ended 31.03.2013 Rs.	Year ended 31.03.2012 Rs.
<b>34</b>	<p><b>Earnings per Share</b></p> <p>Profit after Taxation <span style="float: right;">50,56,75,939</span> <span style="float: right;">50,41,52,457</span></p> <p>Weighted average number of Equity Shares outstanding at the end of the year <span style="float: right;">7,61,42,000</span> <span style="float: right;">76,14,200</span></p> <p>Earnings per share of Re.1/- per share (PY Rs.10 per share each) (Basic and Diluted) <span style="float: right;">6.64</span> <span style="float: right;">66.21</span></p>	
<b>35</b>	<p><b>Segment Reporting :</b></p> <p>The Company operates in solvent extracted products which is the primary reportable segment. Therefore, segment reporting is not applicable.</p>	
<b>36</b>	<p><b>Computation of Deferred Tax Asset / Liability:</b></p> <p>a) Deferred Tax Liability:</p> <p style="padding-left: 20px;">Tax Impact of difference between carrying amount of Fixed Assets in the Financial Statements and the income tax returns <span style="float: right;">5,06,45,000</span> <span style="float: right;">4,81,08,000</span></p> <p>b) Deferred Tax Asset:</p> <p style="padding-left: 20px;">Tax impact of expenses charged in the financial statements but allowable as deduction in future years under Income Tax. <span style="float: right;">63,83,000</span> <span style="float: right;">51,69,000</span></p> <p>Net Deferred Tax Liability [(a) - (b)] <span style="float: right; border-top: 1px solid black; border-bottom: 3px double black;">4,42,62,000</span> <span style="float: right; border-top: 1px solid black; border-bottom: 3px double black;">4,29,39,000</span></p>	

# NOTES TO THE ACCOUNTS

*Forming part of Accounts (Contd.)*

## 37 Related Party Transactions :

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

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>- A.V. Thomas and Company Limited</li> <li>- L.J. International Limited</li> <li>- A.V. Thomas Investments Company Limited</li> <li>- The Nelliampathy Tea &amp; Produce Company Limited</li> <li>- Neelamalai Agro Industries Limited</li> <li>- The Midland Rubber and Produce Company Limited</li> <li>- AVT McCormick Ingredients Private Limited</li> <li>- AVT Natural Pte. Ltd.</li> <li>- Heilongjiang AVT Bio-Products Ltd.</li> <li>- AVT Tea Services Ltd.</li> <li>- Teleflex Medical Private Limited</li> <li>- AVT Holdings Private Limited</li> </ul> | <ul style="list-style-type: none"> <li>- A.V. Thomas Leather &amp; Allied Products Private Limited</li> <li>- A.V. Thomas Leather (UK) Limited</li> <li>- A.V. Thomas Exports Limited</li> <li>- Midland Latex Products Limited</li> <li>- Sermatech Private Limited</li> <li>- Ajit Thomas Holdings Private Limited</li> <li>- Midland Corporate Advisory Services Private Limited</li> <li>- AVT Gavia Foods Private Limited</li> <li>- Midland Charitable Trust</li> <li>- Midland Natural Pte. Ltd.</li> </ul> |
|---|--|

### Key Management Personnel:

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

Details of Transaction	Year Ended 31.03.2013 Rs.	Year Ended 31.03.2012 Rs.		
	Associates	Key Management Personnel (including relatives)	Associates	Key Management Personnel (including relatives)
<b>INCOME</b>				
Sales	1,54,34,188		4,88,70,987	
Rent Received	1,80,000		1,80,000	
Interest Received	Nil		Nil	
Assets Sale	Nil		Nil	
<b>EXPENDITURE</b>				
Purchases	3,04,92,711		67,34,685	
Assets Purchases	33,306		Nil	
C & F Charges	1,52,06,571		1,11,69,613	
Remuneration to Managing Director		80,34,000		70,32,000
Commission to Chairman		1,56,17,000		1,54,81,600
Sitting Fees		35,000		42,000
Dividend Paid	5,57,73,130	9,73,420	3,96,89,018	7,30,065
Donation	50,00,000		50,00,000	
<b>BALANCE AS ON 31.03.2013</b>				
Debit Balances	17,06,140	Nil	Nil	Nil
Credit Balances	57,81,186	1,56,17,000	22,91,766	1,54,81,600



# NOTES TO THE ACCOUNTS

*Forming part of Accounts (Contd.)*

## 38 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 31.03.2013		Year Ended 31.03.2012	
	Gratuity (Funded Plan)	Leave Encashment (Non Funded Plan)	Gratuity (Funded Plan)	Leave Encashment (Non Funded Plan)
Present Value of the Obligation as on 01.04.2012	3,45,06,998	90,51,326	2,63,65,207	89,04,578
Current Service Cost	25,33,251	22,51,740	21,22,352	21,08,910
Interest Cost	28,86,891	7,57,040	20,88,750	7,03,385
Benefits Paid	(10,87,143)	(2,89,935)	(5,11,676)	(2,24,529)
Actuarial loss / (gain)	21,21,096	(4,96,652)	44,42,365	(24,41,018)
Present Value of the Obligation as on 31.03.2013	<u>4,09,61,093</u>	<u>1,12,73,519</u>	<u>3,45,06,998</u>	<u>90,51,326</u>
c) Reconciliation of changes in the fair value of Plan Assets:				
Fair Value of Plan Assets as on 01.04.2012	2,79,96,481	Nil	2,14,71,977	Nil
Expected return on plan assets	27,06,700	Nil	21,91,300	Nil
Contribution by the Company	33,03,519	2,89,935	46,91,599	2,24,529
Benefits Paid	(10,87,143)	(2,89,935)	(5,11,676)	(2,24,529)
Actuarial gain / (loss)	1,00,928	Nil	1,53,281	Nil
Fair Value of Plan Assets as on 31.03.2013	<u>3,30,20,485</u>	<u>Nil</u>	<u>2,79,96,481</u>	<u>Nil</u>
d) The total expense recognised in the profit and loss account is as follows:				
Current Service Cost	25,33,251	22,51,740	21,22,352	21,08,910
Interest Cost	28,86,891	7,57,040	20,88,750	7,03,385
Expected return on plan assets	(27,06,700)	NA	(21,91,300)	NA
Net Actuarial (gain) / loss recognised in the year	20,20,168	(4,96,652)	42,89,084	(24,41,018)
	<u>47,33,610</u>	<u>25,12,128</u>	<u>63,08,886</u>	<u>3,71,277</u>
e) Reconciliation of Net Liability recognised in the balance sheet				
Net Liability as at the beginning of the year	65,10,517	90,51,326	48,93,230	89,04,578
Add : Expense as (d) above	47,33,610	25,12,128	63,08,886	3,71,277
Less: Employers Contribution / Payment	33,03,519	2,89,935	46,91,599	2,24,529
Net Liability as at the end of the year	<u>79,40,608</u>	<u>1,12,73,519</u>	<u>65,10,517</u>	<u>90,51,326</u>

# NOTES TO THE ACCOUNTS

*Forming part of Accounts (Contd.)*

	Year Ended 31.03.2013		Year Ended 31.03.2012	
	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>3,30,20,485</u>	<u>Not Applicable</u>	<u>2,79,96,481</u>	<u>Not Applicable</u>
g) Principal actuarial assumptions used as at the Balance Sheet date:				
Discount Rate	8.05%	8.05%	8.50%	8.50%
Salary Escalation Rate	10%	10%	10%	10%
Attrition Rate	5%	5%	5%	5%
Expected rate of return on plan assets	9.30%	NA	9.30%	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 follows :

<b>Gratuity - Funded Plan</b>	<b>31.03.2013</b>	31.03.2012	31.03.2011	31.03.2010	31.03.2009
Defined Benefit obligation	<b>4,09,61,093</b>	3,45,06,998	2,63,65,207	1,73,58,420	1,46,82,882
Plan Assets	<b>3,30,20,485</b>	2,79,96,481	2,14,71,977	1,69,94,664	1,09,62,300
Surplus / ( Deficit )	<b>79,40,608</b>	65,10,517	48,93,230	3,63,756	37,20,582
Experience adjustment plan liabilities	<b>21,21,096</b>	44,42,365	67,63,038	23,93,537	18,44,764
Experience adjustment plan assets	<b>(1,00,928)</b>	(1,53,281)	(1,31,542)	(1,78,584)	(1,99,247)

The company expects to fund Rs. 34.88 Lakhs towards its gratuity plan during 2013-14.

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. 1,48,25,381/- as expense towards contributions to these plans.

<b>Year ended</b>	Year ended
<b>31.03.2013</b>	31.03.2012
<b>Rs.</b>	Rs.

## 39 Contribution made to Political Parties

Indian National Congress	1,00,000	Nil
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40 Previous year's figures have been regrouped wherever necessary to conform to Current year's classification.

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 2013

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

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

## CASH FLOW STATEMENT

	Year Ended 31.03.2013 Rs.	Year Ended 31.03.2012 Rs.
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax and extraordinary items	75,69,98,939	75,15,52,457
Adjustment for:		
Depreciation	3,66,06,108	3,22,78,432
Provision for Leave Encashment	22,22,193	1,46,748
Provision for Gratuity	14,30,091	16,17,287
(Profit)/Loss On Sale of Assets	5,08,857	(56,143)
(Profit)/Loss On Sale of Investment	Nil	(10,32,174)
Interest received	(6,88,642)	(37,86,962)
Interest	4,95,73,360	5,08,91,159
Operating Profit before working capital changes	84,66,50,905	83,16,10,804
Adjustment for:		
Trade Receivables	(1,95,99,973)	17,53,16,335
Inventories	(19,83,26,196)	(37,49,91,232)
Trade and Other Payables	(5,27,61,388)	8,56,51,577
Loans & Advances and Other Current assets	27,92,367	(4,83,45,625)
Cash generated from operations	57,87,55,716	66,92,41,859
Taxes paid	(24,74,93,972)	(24,13,81,958)
Cash flow before extra ordinary items	33,12,61,744	42,78,59,901
Extra-ordinary Items	Nil	Nil
<b>Net cash from operating activities</b>	<b>(A) 33,12,61,744</b>	<b>42,78,59,901</b>
<b>B Cash flow from Investing Activities</b>		
Purchase of Fixed Assets	(13,16,59,187)	(5,35,96,655)
Sale of Fixed Assets	30,20,961	21,23,558
Investment in Subsidiary Company	(1,98,94,998)	Nil
Interest Received	(36,326)	63,69,908
Income from Investments	Nil	10,32,174
<b>Net Cash used in Investing Activities</b>	<b>(B) (14,85,69,549)</b>	<b>(4,40,71,015)</b>

## CASH FLOW STATEMENT

	Year Ended 31.03.2013 Rs.	Year Ended 31.03.2012 Rs.
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long Term Borrowings	(2,26,79,516)	(1,86,63,918)
Short Term Borrowings	(2,29,83,011)	(19,74,26,478)
Interest paid	(4,95,73,360)	(5,08,91,159)
Dividend Paid including Dividend Tax	(9,46,70,205)	(10,44,41,602)
<b>Net Cash used in Financing Activities</b>	<b>(C) (18,99,06,092)</b>	<b>(37,14,23,157)</b>
<b>Net Increase in cash and cash equivalents (A+B+C)</b>	<b>(72,13,897)</b>	<b>1,23,65,729</b>
<b>Cash and cash equivalent at the beginning of the year</b>	<b>3,06,91,929</b>	<b>1,83,26,200</b>
<b>Cash and cash equivalent at the end of the year</b>	<b>2,34,78,031</b>	<b>3,06,91,929</b>
	<b>(72,13,897)</b>	<b>1,23,65,729</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  
Place : Chennai  
Date : 30<sup>th</sup> May 2013

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

**M.A. Alagappan**  
Director  
  
**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	AVT Tea Services Ltd., United Kingdom
2	Financial Year of the Subsidiary Company	31.12.2012	31.12.2012	31.12.2012
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)	1,42,857 Shares of GBP 1 each 100%
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	5.92 Lakhs  71.91 Lakhs	(215.39 Lakhs)  409.00 Lakhs	(68.23 Lakhs)  Nil
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	Nil  Nil

Financial statement of AVT Natural Pte. Ltd., & Heilongjiang AVT Bio-Products Ltd., are from 01.01.2012 to 31.12.2012 & AVT Tea Services Ltd., is from 13.08.2012 to 31.12.2012

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 2013

**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	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Sales and Services (Rs. in Lakhs)	8745.42	8312.60	13890.37	21834.78	<b>25595.42</b>
Net Profit (Rs. in Lakhs)	702.03	651.96	1081.48	5041.52	<b>5056.76</b>
Net Worth (Rs. in Lakhs)	4555.05	4940.65	5579.66	9515.00	<b>13461.17</b>
Fixed Assets (Rs. in Lakhs)	3109.45	3651.94	3568.06	3760.56	<b>4675.80</b>
Special Silver Jubilee Dividend %	–	–	–	25	–
Interim Dividend %	–	–	–	50	<b>50</b>
Final Dividend %	30	30	50	50	<b>75 *</b>
Special Silver Jubilee Dividend Amount (Rs. in Lakhs)	–	–	–	190.36	–
Interim Dividend Amount (Rs. in Lakhs)	–	–	–	380.71	<b>380.71</b>
Final Dividend Amount (Rs. in Lakhs)	228.43	228.43	380.71	380.71	<b>571.07</b>
Earnings per share (Rs.)	9.22	8.56	14.20	66.21	<b>6.64 #</b>
Special Silver Jubilee Dividend per share (Rs.)	–	–	–	2.50	–
Interim Dividend per share (Rs.)	–	–	–	5.00	<b>0.50 #</b>
Final Dividend per share (Rs.)	3.00	3.00	5.00	5.00 §	<b>0.75 #</b>
Book value per share (Rs.)	59.80	64.90	73.28	124.96	<b>17.68 #</b>
Return on Networth (%)	15.41	13.20	19.38	52.98	<b>37.57</b>
PAT/Sales (%)	8.03	7.84	7.79	23.09	<b>19.76</b>
Fixed Assets Turnover (times)	2.81	2.28	3.89	5.81	<b>5.47</b>

§ Post split dividend Re. 0.50 per share on face value of Re.1/- each.

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

# On face value of Re.1/- per 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 2013, 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.14.70 Crores as at 31.12.2012 and total revenue of Rs.11.04 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 2013;
- 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 2013

Membership No. 18525

## CONSOLIDATED BALANCE SHEET

	Note No.	As at 31.03.2013 Rs.	As at 31.03.2012 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	130,84,04,742	93,81,31,397
		<b>138,45,46,742</b>	<b>101,42,73,397</b>
2. NON CURRENT LIABILITIES:			
a) Long Term Borrowings	4	93,21,960	2,64,44,516
b) Deferred Tax Liability	5	4,42,62,000	4,29,39,000
c) Long Term Provisions	6	92,31,912	86,02,067
		<b>6,28,15,872</b>	<b>7,79,85,583</b>
3. CURRENT LIABILITIES:			
a) Short Term Borrowings	7	32,16,31,450	33,57,05,993
b) Trade Payables	8	12,53,42,033	12,99,60,874
c) Other current liabilities	9	3,36,54,656	7,12,99,661
d) Short Term Provisions	10	34,98,18,751	32,77,48,588
		<b>83,04,46,890</b>	<b>86,47,15,116</b>
TOTAL		<b>227,78,09,504</b>	<b>195,69,74,096</b>
<b>II. ASSETS :</b>			
1. NON CURRENT ASSETS:			
a) Fixed Assets :			
i) Tangible Assets	11	45,05,16,978	38,47,78,768
ii) In-Tangible Assets	12	Nil	18,99,672
iii) Capital Work-in-progress		2,58,61,216	Nil
		<b>47,63,78,194</b>	<b>38,66,78,440</b>
b) Non-Current Investments:	13	77,25,010	Nil
c) Long term Loans and Advance:	14	65,32,061	51,85,445
2. CURRENT ASSETS:			
a) Inventories:	15	90,20,69,486	66,16,30,790
b) Trade Receivables:	16	44,63,72,882	51,33,89,377
c) Cash & Cash Equivalents:	17	9,08,73,665	7,84,48,058
d) Short Term Loans & Advances:	18	34,14,00,568	30,64,10,807
e) Other Current Assets:	19	64,57,638	52,31,179
		<b>178,71,74,239</b>	<b>156,51,10,211</b>
Significant Accounting Policies	1		
TOTAL		<b>227,78,09,504</b>	<b>195,69,74,096</b>

Notes 1 to 19, Notes 27 to 37 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 2013

**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 31.03.2013 Rs.	Year Ended 31.03.2012 Rs.
<b>REVENUE:</b>			
<b>I. Revenue from Operations</b>			
Revenue from Operations (net of excise duty Rs. 19,81,112/-)	20	266,99,74,600	238,60,44,397
<b>II. Other Income</b>			
Other Income	21	10,35,580	61,12,309
<b>III. Total Revenue (I + II)</b>		267,10,10,180	239,21,56,706
<b>EXPENSES:</b>			
Increase (-)/Decrease (+) in Stock	22	(-) 13,53,40,000	(-) 34,10,20,000
Cost of Materials Consumed		126,71,48,353	114,63,14,963
Other Manufacturing Expense	23	29,31,72,040	29,24,91,198
Employee Benefits Expenses	24	19,41,35,326	16,06,18,439
Other Expenses	25	22,85,29,847	24,28,17,735
Finance Costs	26	5,43,28,145	5,37,51,181
Depreciation		3,97,71,131	3,56,87,178
<b>IV. TOTAL EXPENSES</b>		194,17,44,842	159,06,60,694
<b>V. Profit Before Tax (PBT)</b>		72,92,65,338	80,14,96,012
<b>VI. Tax Expenses</b>			
- Current Tax		25,00,36,229	25,33,23,177
- Deferred Tax		13,23,000	4,00,000
<b>VII. Profit After Tax (PAT)</b>		47,79,06,109	54,77,72,835
<b>VIII. Earnings Per Share (Basic and Diluted)</b>	29	6.28	71.94
Earnings per share of Re.1/- per share (PY Rs.10 per share each)			

Notes 1, Notes 20 to 37 and Cashflow statement form part of this Statement of Profit & Loss

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 2013

For and on behalf of the board

**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 2013*

## **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.

#### **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.

# **CONSOLIDATED NOTES ON ACCOUNTS**

*For the year ended 31<sup>st</sup> March 2013 (Contd.)*

## **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.

Contingent Assets are neither recognised nor disclosed.

## **15) CASH FLOW STATEMENT:**

Cash Flow Statement is prepared segregating the cash flows from operating, investing and financing activities. Cash flow from operating activities is reported using indirect method. Under the Indirect method, the net profit is adjusted for the effects of

- a) Transactions of a non-cash nature.
- b) Any deferrals or accruals of past or future operating cash receipts or payments and
- c) Items of income or expenses associated with investing or financing cash flows.

Cash and cash equivalents (including bank balances) are reflected as such in Cash Flow Statement.

# CONSOLIDATED NOTES TO THE ACCOUNTS

*Forming part of Balance Sheet as at 31<sup>st</sup> March 2013*

	As at 31.03.2013 Rs.	As at 31.03.2012 Rs.
<b>NOTE - 2:</b>		
<b>SHARE CAPITAL</b>		
<b>A) AUTHORISED SHARE CAPITAL</b>		
7,99,00,000 - Equity Shares of Re. 1/- 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>		
7,61,42,000 - Equity Shares of Re.1/- each (Previous Year 76,14,200 - Equity Shares of Rs.10/- each)	<b>7,61,42,000</b>	<b>7,61,42,000</b>
<b>C) RECONCILIATION OF NUMBER OF EQUITY SHARES OUTSTANDING AT THE BEGINNING AND AT THE END OF THE YEAR</b>		
Particulars	As at 31.03.2013 (Face Value of Re.1/- each)	As at 31.03.2012 (Face Value of Rs.10/-each)
Number of Equity Shares outstanding at the beginning of the year	7,61,42,000	76,14,200
Add/(Less) Shares Issued / Buy Back etc	Nil	Nil
Number of Equity Shares outstanding at the end of the year	<b>7,61,42,000</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 2013 Number of Shares in the company (Face Value of Re.1/- each)	As at 31 <sup>st</sup> March 2012 Number of Shares in the company (Face Value of Rs.10/-each)
	%	%
The Midland Rubber & Produce Co. Limited	22270650	2227065
Neelamalai Agro Industries Limited	30456800	3045680
Total	<b>52727450</b>	<b>5272745</b>

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 2013 (Contd.)*

	As at 31.03.2013 Rs.	As at 31.03.2012 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	1,81,07,552	1,46,81,497
General Reserve		
As per Last Balance Sheet	70,64,22,459	
Add: Transfer from Profit & Loss A/c	<u>30,00,00,000</u>	70,64,22,459
Surplus as per Statement of Profit & Loss		
As per Last Balance Sheet	17,70,84,770	3,99,29,606
Profit for the period after Tax	47,79,06,109	54,77,72,835
Less : Appropriations		
Transfer to General Reserve	30,00,00,000	30,00,00,000
Special Silver Jubilee Dividend (Rs.2.50 per share)	Nil	1,90,35,500
Interim Dividend Paid @ Re.0.50 per share ( PY Rs.5/- per share)	3,80,71,000	3,80,71,000
Tax on Special & Interim Dividend	<u>61,76,068</u>	<u>92,64,102</u>
Proposed Final Dividend		
- On Equity Shares @ Re.0.75 per share ( PY Rs.5/- per share )	5,71,06,500	
Provision for Tax on Final Dividend	<u>97,05,250</u>	4,42,47,068
Net Surplus In the Statement of Profit and Loss	<u>24,39,32,061</u>	<u>17,70,84,771</u>
	<u>130,84,04,742</u>	<u>93,81,31,397</u>

# CONSOLIDATED NOTES TO THE ACCOUNTS

*Forming part of Balance Sheet as at 31<sup>st</sup> March 2013 (Contd.)*

	As at 31.03.2013 Rs.	As at 31.03.2012 Rs.
<b>NOTE - 4:</b>		
<b>LONG TERM BORROWINGS:</b>		
<b>SECURED</b>		
<b>Term Loan From Banks:</b>	<b>55,56,960</b>	<b>1,46,35,516</b>
<p>(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 from State Bank of India carries an 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</p>		
<b>UNSECURED</b>		
Public Deposits	<u>37,65,000</u>	<u>1,18,09,000</u>
	<u>93,21,960</u>	<u>2,64,44,516</u>
<b>NOTE - 5:</b>		
<b>DEFERRED TAX LIABILITIES (NET) :</b>		
Deferred Tax Liabilities	<b>5,06,45,000</b>	<b>4,81,08,000</b>
Deferred Tax Assets	<u>63,83,000</u>	<u>51,69,000</u>
Deferred Tax Liabilities (Net)	<u>4,42,62,000</u>	<u>4,29,39,000</u>
<b>NOTE - 6:</b>		
<b>LONG TERM PROVISION :</b>		
For Leave Encashment	<u>92,31,912</u>	<u>86,02,067</u>
	<u>92,31,912</u>	<u>86,02,067</u>
<b>NOTE - 7:</b>		
<b>SHORT TERM BORROWINGS :</b>		
<b>SECURED</b>		
Cash Credit		
- from Banks	<b>32,16,31,450</b>	<b>33,57,05,993</b>
<p>(Secured by hypothecation of inventories and book debts and second charge on present and future movable and immovable block of assets of the company)</p>		
	<u>32,16,31,450</u>	<u>33,57,05,993</u>



# CONSOLIDATED NOTES TO THE ACCOUNTS

*Forming part of Balance Sheet as at 31<sup>st</sup> March 2013 (Contd.)*

	<b>As at 31.03.2013 Rs.</b>	<b>As at 31.03.2012 Rs.</b>
<b>NOTE - 8:</b>		
<b>TRADE PAYABLE</b>		
Sundry Creditors - Refer Note No.33 for Details of dues to Micro & Small Enterprises	<b>12,53,42,033</b>	12,99,60,874
	<b><u>12,53,42,033</u></b>	<b><u>12,99,60,874</u></b>
<b>NOTE - 9:</b>		
<b>OTHER CURRENT LIABILITIES:</b>		
Current Maturities of Long Term Debts	<b>2,39,44,737</b>	2,53,29,516
Unpaid Dividends (The amount represents Interim Dividend declared on 27 <sup>th</sup> March 2012 and paid in April 2012 )		
Investor Education and Protection Fund *		
- Unclaimed Dividends	<b>78,14,302</b>	4,29,96,611
- Interest accrued but not due	<b>18,44,807</b>	17,04,044
- Interest on Matured Deposit Payable	<b>4,810</b>	2,64,490
Overdue Matured Deposits	<b>46,000</b>	10,05,000
	<b><u>3,36,54,656</u></b>	<b><u>7,12,99,661</u></b>
* 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	<b>20,41,607</b>	4,49,259
For Gratuity	<b>79,40,608</b>	65,10,517
<b>Other Provisions</b>		
For Proposed Dividends	<b>5,71,06,500</b>	3,80,71,000
For Tax on Dividend	<b>97,05,250</b>	1,23,52,136
For Taxation	<b>27,30,24,786</b>	27,03,65,676
	<b><u>34,98,18,751</u></b>	<b><u>32,77,48,588</u></b>

# CONSOLIDATED NOTES TO THE ACCOUNTS

*Forming part of Balance Sheet as at 31<sup>st</sup> March 2013 (Contd.)*

**NOTE - 11:**

**Tangible Assets:**

Description	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As at	Additions	Deductions	As at	Upto	For the	Withdrawn	Upto	As at
	01.04.2012	Rs.	Rs.	31.03.2013	31.03.2012	Year	Rs.	31.03.2013	31.03.2012
Freehold Land	2,36,96,293	-	-	2,36,96,293	-	-	-	-	2,36,96,293
Lease Hold Land	18,94,995	-	-	18,94,995	-	-	-	-	18,94,995
Buildings	16,02,67,015	37,79,711	-	16,40,46,726	7,01,54,957	68,61,520	-	7,70,16,477	8,70,30,249
Plant and Machinery	48,63,53,851	9,92,79,963	3,87,05,155	54,69,28,659	24,07,83,534	2,81,37,371	3,51,75,337	23,37,45,568	31,31,83,091
Furniture and Fixtures	81,80,472	8,23,773	-	90,04,245	31,68,534	4,29,752	-	35,98,286	54,05,959
Vehicles	2,61,93,838	32,56,040	-	2,94,49,878	77,00,671	24,42,816	-	1,01,43,487	1,93,06,391
<b>TOTAL</b>	70,65,86,464	10,71,39,487	3,87,05,155	77,50,20,795	32,18,07,696	3,78,71,459	3,51,75,337	32,45,03,818	45,05,16,978
Previous Year	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

**NOTE - 12:**

**In-Tangible Assets:**

Description	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As at	Additions	Deductions	As at	Upto	For the	Withdrawn	Upto	As at
	01.04.2012	Rs.	Rs.	31.03.2013	31.03.2012	Year	Rs.	31.03.2013	31.03.2012
In-Tangible Assets	38,73,931	-	-	38,73,931	19,74,259	18,99,672	-	38,73,931	-
<b>TOTAL</b>	38,73,931	-	-	38,73,931	19,74,259	18,99,672	-	38,73,931	-
Previous Year	38,73,931	-	-	38,73,931	10,40,939	9,33,320	-	19,74,259	18,99,672

# CONSOLIDATED NOTES TO THE ACCOUNTS

*Forming part of Balance Sheet as at 31<sup>st</sup> March 2013 (Contd.)*

	As at 31.03.2013 Rs.	As at 31.03.2012 Rs.
<b>NOTE - 13:</b>		
<b>NON CURRENT INVESTMENTS - AT COST:</b>		
Investment in Equity Instruments		
In wholly owned Subsidiary Company (Unquoted)		
Share Application Money Pending Allotment - AVT Tea Services Limited,UK	77,25,010	Nil
<b>NOTE - 14:</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	65,32,061	51,85,445
<b>NOTE - 15:</b>		
<b>INVENTORIES:</b>		
(a) Stores, Spares and Packing Materials	4,75,78,089	4,36,17,381
(b) Raw Materials	19,31,83,185	13,15,63,409
(c) Finished Goods	59,81,48,212	45,07,70,000
(d) Stock in process	6,31,60,000	3,56,80,000
	<u>90,20,69,486</u>	<u>66,16,30,790</u>
<b>NOTE - 16:</b>		
<b>TRADE RECEIVABLES:</b>		
Considered Good Unsecured		
(a) Debts outstanding for a period exceeding six months	3,50,80,868	Nil
(b) Other debts	41,12,92,014	51,33,89,377
	<u>44,63,72,882</u>	<u>51,33,89,377</u>
<b>NOTE - 17:</b>		
<b>CASH AND CASH EQUIVALENTS :</b>		
(a) Cash	7,16,430	4,49,823
(b) Balances with Scheduled Banks:		
- In Current Account	7,06,24,733	2,80,67,670
- In Deposit Account *	1,17,18,200	69,33,954
	<u>8,30,59,363</u>	<u>3,54,51,447</u>
(c) Balances with Scheduled Banks:		
- In Dividend Account	78,14,302	4,29,96,611
	<u>9,08,73,665</u>	<u>7,84,48,058</u>
<i>* Includes Rs.87,18,200/- as Margin Money Deposit for issue of Letter of Credit/Guarantee</i>		
Bank Deposits with more than 12 Months Maturity	Nil	Nil
<b>NOTE - 18:</b>		
<b>SHORT TERM LOANS AND ADVANCES:</b>		
Un-secured Considered Good		
Tax Payment Pending Adjustment	25,33,09,726	24,90,22,784
Advances Recoverable in cash or in kind or for a value to be received	8,80,90,842	5,73,88,023
	<u>34,14,00,568</u>	<u>30,64,10,807</u>
<b>NOTE - 19:</b>		
<b>OTHER CURRENT ASSETS:</b>		
Prepaid Expenses	47,07,307	42,05,816
Income Accrued	17,50,331	10,25,363
	<u>64,57,638</u>	<u>52,31,179</u>

# CONSOLIDATED NOTES TO THE ACCOUNTS

*Forming part of Statement of Profit and Loss*

	For Year ended 31.03.2013 Rs.	For year ended 31.03.2012 Rs.
<b>NOTE - 20:</b>		
<b>REVENUE FROM OPERATIONS:</b>		
Sales of Products	249,21,63,459	234,10,90,857
Less: Excise Duty	19,81,112	6,20,636
	<b>249,01,82,347</b>	<b>234,04,70,221</b>
<b>Other Operating Revenues :</b>		
Exchange Difference	(1,88,24,619)	(10,30,54,695)
Processing Income	13,62,48,314	12,26,83,325
Sale / Captive Consumption of Windpower	59,69,232	43,03,770
Sale of Import Entitlement	5,63,99,326	2,16,41,777
	<b>266,99,74,600</b>	<b>238,60,44,397</b>
<b>NOTE - 21:</b>		
<b>OTHER INCOME:</b>		
Insurance	69,191	Nil
Rent	1,80,000	1,80,000
Interest	6,88,642	37,86,962
Profit on Sale of Assets	Nil	56,143
Miscellaneous	97,747	10,57,030
Profit on Sale of Mutual Fund Investments	Nil	2,03,399
Dividend Income from Mutual Funds	Nil	8,28,775
	<b>10,35,580</b>	<b>61,12,309</b>
<b>NOTE - 22:</b>		
<b>INCREASE (-) / DECREASE (+) IN STOCK:</b>		
<b>OPENING 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>
<b>CLOSING STOCK</b>		
Finished Goods		
- Processed	55,86,30,000	45,07,70,000
Stock in Process	6,31,60,000	3,56,80,000
	<b>62,17,90,000</b>	<b>48,64,50,000</b>
Increase(-)/Decrease(+) in Stock	(-) <b>13,53,40,000</b>	(-) <b>34,10,20,000</b>

# **CONSOLIDATED NOTES TO THE ACCOUNTS**

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

	For Year ended 31.03.2013 Rs.	For year ended 31.03.2012 Rs.
<b>NOTE - 23:</b>		
<b>OTHER MANUFACTURING EXPENSES :</b>		
Consumption of Stores, Spares & Packing Materials	10,66,99,672	8,93,01,860
Power and Fuel	13,69,70,700	13,04,99,957
Repairs - Building	38,17,108	1,99,78,228
Repairs - Plant & Machinery	4,56,84,560	5,27,11,153
	<u>29,31,72,040</u>	<u>29,24,91,198</u>
<b>NOTE - 24:</b>		
<b>EMPLOYEE BENEFIT EXPENSES:</b>		
Salaries,Wages and Bonus	15,30,99,758	12,05,86,426
Contribution to Provident and other Funds	1,63,94,877	1,44,33,661
Provision for Gratuity ( Refer Note No.35 )	14,30,091	16,17,287
Provision for Leave Encashment ( Refer Note No.35 )	22,22,193	1,46,748
Welfare Expenses	2,09,88,407	2,38,34,317
	<u>19,41,35,326</u>	<u>16,06,18,439</u>

# CONSOLIDATED NOTES TO THE ACCOUNTS

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

	For Year ended 31.03.2013 Rs.	For year ended 31.03.2012 Rs.
<b>NOTE - 25:</b>		
<b>OTHER EXPENSES:</b>		
Processing Charges	1,15,05,568	72,62,435
Repairs :		
Vehicles	70,73,923	59,53,208
Others	1,60,06,789	1,66,31,376
Postage and Telephones	41,79,266	43,35,099
Printing & Stationery	27,51,025	21,43,678
Travelling Expenses	2,62,79,878	2,32,88,858
Auditors Remuneration		
- For Audit	14,55,546	11,92,253
- For Tax Audit/Certification	3,05,000	2,30,000
- For Tax Representation	2,15,165	1,93,255
- For Service Tax	1,91,951	1,69,590
- For Expenses	83,000	66,500
Directors' Sitting Fees	2,04,000	2,39,000
Commission to Chairman	1,56,17,000	1,54,81,600
Bank Charges	99,24,402	1,12,40,145
Rent	72,05,417	22,07,623
Research & Development Expenses	2,06,33,462	1,71,39,005
Rates and Taxes	1,11,41,594	82,07,576
Insurance	68,09,609	61,66,308
Product Testing Charges	74,53,398	75,26,903
Freight and Transport	4,18,83,716	6,59,58,625
Commission	53,90,178	79,50,518
Loss on Sale of Assets	5,08,857	Nil
Bad Trade Advances Written Off	Nil	1,01,35,243
Professional Fees	68,41,000	48,26,353
Security Service Charges	50,19,807	43,34,451
Miscellaneous Expenses	1,98,50,296	1,99,38,133
	<u>22,85,29,847</u>	<u>24,28,17,735</u>
<b>NOTE - 26:</b>		
<b>FINANCE COST :</b>		
Interest Expense	5,43,28,145	5,37,51,181
	<u>5,43,28,145</u>	<u>5,37,51,181</u>

# **CONSOLIDATED NOTES TO THE ACCOUNTS**

*Forming part of Accounts on Financial Statements*

## **27 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, Heilongjiang AVT Bio-Products Ltd., China and AVT Tea Services Ltd., United Kingdom

Name of the Subsidiary	Country of Incorporation	Proportion of ownership Interest %
AVT Natural Pte. Ltd.	Singapore	100%
Heilongjiang AVT Bio-Products Ltd. * (* wholly owned subsidiary of AVT Natural Pte. Ltd., Singapore)	China	100%
AVT Tea Services Ltd.	United Kingdom	100%

- 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 31.12.2012 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., 31.12.2012 and the end of the holding company's financial year viz., 31.03.2013.
  - 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  
(Investment made in AVT Tea Services Ltd., United Kingdom during February & March 2013, shares were allotted in April 2013 after the subsidiaries year end of December 2012)
    - the money lent/borrowed by it.

# **CONSOLIDATED NOTES TO THE ACCOUNTS**

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

	Year ended <b>31.03.2013</b> Rs.	Year ended 31.03.2012 Rs.
<b>28 CONTINGENT LIABILITIES IN RESPECT OF</b>		
a) Salestax demand disputed in appeals, against which Rs.71,23,260 paid and included under Advances	<b>1,51,46,028</b>	1,51,46,028
b) Service Tax demand disputed in appeal	<b>5,41,50,000</b>	5,41,50,000
c) The company through its banker Bank of Baroda, Ernakulam North Branch has arranged a Stand by Letter of Comfort to HSBC, London, UK for Working Capital Facility for US\$ 1 Million ( Rs.550 Lacs) to its wholly owned Subsidiary AVT Tea Services Ltd., London	<b>5,50,00,000</b>	Nil
d) 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	<b>7,50,00,000</b>	Nil
e) Estimated amount of contracts remaining to be executed on Capital account and not provided for	<b>1,64,94,123</b>	Nil
<b>29 Earnings per Share</b>		
Profit after Taxation	<b>47,79,06,109</b>	54,77,72,835
Weighted average number of Equity Shares outstanding at the end of the year	<b>7,61,42,000</b>	76,14,200
Earnings per share of Re.1/- per share ( PY Rs 10 per share each) (Basic and Diluted)	<b>6.28</b>	71.94
<b>30 Segment Reporting :</b>		
The Company operates in solvent extracted products which is the primary reportable segment. Therefore, segment reporting is not applicable.		
<b>31 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	<b>5,06,45,000</b>	4,81,08,000
b) Deferred Tax Asset:		
Tax impact of expenses charged in the financial statements but allowable as deduction in future years under Income Tax.	<b>63,83,000</b>	51,69,000
Net Deferred Tax Liability [(a) - (b)]	<b>4,42,62,000</b>	4,29,39,000
<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 31.03.2013 on account of the above is Rs. 0.76 Crores.		



# CONSOLIDATED NOTES TO THE ACCOUNTS

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

### 33 Due to Micro & Small Enterprises:

Based on the information available with the company, the principal amount due to Micro, Small & Medium Enterprises as on 31.03.2013 is Rs.Nil (Previous Year Nil). There are no overdue principal amounts and therefore no interest was paid or payable.

### 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 Company Limited        | - Sermatech Private Limited                           |
| - Neelamalai Agro Industries Limited                    | - Ajit Thomas Holdings Private Limited                |
| - The Midland Rubber and Produce Company Limited        | - Midland Corporate Advisory Services Private Limited |
| - AVT McCormick Ingredients Private Limited             | - AVT Gavia Foods Private Limited                     |
| - Teleflex Medical Private Limited                      | - Midland Natural Pte. Ltd.                           |
| - AVT Holdings Private Limited                          | - Midland Charitable Trust                            |
| - A.V. Thomas Leather & Allied Products Private Limited |   |

#### Key Management Personnel:

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

Details for Transaction	Year Ended 31.03.2013 Rs.	Previous Year Rs.		
	Key Management Associates	Key Management Personnel (including relatives)	Associates	Key Management Personnel (including relatives)
<b>INCOME</b>				
Sales	38,52,148		12,80,314	
Rent Received	1,80,000		1,80,000	
Assets Sale	Nil		Nil	
<b>EXPENDITURE</b>				
Purchases	1,67,56,474		22,97,602	
Assets Purchases	33,306		Nil	
C & F Charges	1,52,06,571		1,11,69,613	
Remuneration to Managing Director (Refer Note: 8)		80,34,000		70,32,000
Commission to Chairman		1,56,17,000		1,54,81,600
Sitting Fees		35,000		42,000
Dividend Paid	5,57,73,130	9,73,420	3,96,89,018	7,30,065
Donation	50,00,000		50,00,000	
<b>OTHERS</b>				
<b>BALANCE AS ON 31.03.2013</b>				
Debit Balances	17,06,140	Nil	Nil	Nil
Credit Balances	57,81,186	1,56,17,000	22,91,766	1,54,81,600

# **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 31.03.2013		Year Ended 31.03.2012	
	Gratuity (Funded Plan)	Leave Encashment (Non Funded Plan)	Gratuity (Funded Plan)	Leave Encashment (Non Funded Plan)
Present Value of the Obligation as on 01.04.2012	3,45,06,998	90,51,326	2,63,65,207	89,04,578
Current Service Cost	25,33,251	22,51,740	21,22,352	21,08,910
Interest Cost	28,86,891	7,57,040	20,88,750	7,03,385
Benefits Paid	(10,87,143)	(2,89,935)	(5,11,676)	(2,24,529)
Actuarial loss / (gain)	21,21,096	(4,96,652)	44,42,365	(24,41,018)
Present Value of the Obligation as on 31.03.2013	<u>4,09,61,093</u>	<u>1,12,73,519</u>	<u>3,45,06,998</u>	<u>90,51,326</u>
c) Reconciliation of changes in the fair value of Plan Assets:				
Fair Value of Plan Assets as on 01.04.2012	2,79,96,481	Nil	2,14,71,977	Nil
Expected return on plan assets	27,06,700	Nil	21,91,300	Nil
Contribution by the Company	33,03,519	2,89,935	46,91,599	2,24,529
Benefits Paid	(10,87,143)	(2,89,935)	(5,11,676)	(2,24,529)
Actuarial gain / (loss)	1,00,928	Nil	1,53,281	Nil
Fair Value of Plan Assets as on 31.03.2013	<u>3,30,20,485</u>	<u>Nil</u>	<u>2,79,96,481</u>	<u>Nil</u>
d) The total expense recognised in the profit and loss account is as follows:				
Current Service Cost	25,33,251	22,51,740	21,22,352	21,08,910
Interest Cost	28,86,891	7,57,040	20,88,750	7,03,385
Expected return on plan assets	(27,06,700)	NA	(21,91,300)	NA
Net Actuarial (gain) / loss recognised in the year	20,20,168	(4,96,652)	42,89,084	(24,41,018)
	<u>47,33,610</u>	<u>25,12,128</u>	<u>63,08,886</u>	<u>3,71,277</u>
e) Reconciliation of Net Liability recognised in the balance sheet				
Net Liability as at the beginning of the year	65,10,517	90,51,326	48,93,230	89,04,578
Add : Expense as (d) above	47,33,610	25,12,128	63,08,886	3,71,277
Less: Employers Contribution / Payment	33,03,519	2,89,935	46,91,599	2,24,529
Net Liability as at the end of the year	<u>79,40,608</u>	<u>1,12,73,519</u>	<u>65,10,517</u>	<u>90,51,326</u>
f) Constitution of Plan Assets:				
Investments in LIC Group Gratuity Scheme	<u>3,30,20,485</u>	<u>Not Applicable</u>	<u>2,79,96,481</u>	<u>Not Applicable</u>

# CONSOLIDATED NOTES TO THE ACCOUNTS

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

	Year Ended 31.03.2013		Year Ended 31.03.2012	
	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	8.05%	8.05%	8.50%	8.50%
Salary Escalation Rate	10%	10%	10%	10%
Attrition Rate	5%	5%	5%	5%
Expected rate of return on plan assets	9.30%	NA	9.30%	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>31.03.2013</u>	31.03.2012	31.03.2011	31.03.2010	31.03.2009
Gratuity - Funded Plan					
Defined Benefit obligation	4,09,61,093	3,45,06,998	2,63,65,207	1,73,58,420	1,46,82,882
Plan Assets	3,30,20,485	2,79,96,481	2,14,71,977	1,69,94,664	1,09,62,300
Surplus / ( Deficit )	79,40,608	65,10,517	48,93,230	3,63,756	37,20,582
Experience adjustment plan liabilities	21,21,096	44,42,365	67,63,038	23,93,537	18,44,764
Experience adjustment plan assets	(1,00,928)	(1,53,281)	(1,31,542)	(1,78,584)	(1,99,247)

The company expects to fund Rs. 34.88 Lakhs towards its gratuity plan during 2013/14.

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.1,48,25,381/- as expense towards contributions to these plans.

<b>Year ended</b>	Year ended
<b>31.03.2013</b>	31.03.2012
<b>Rs.</b>	Rs.

## 36 Contribution made to Political Parties

Indian National Congress	<b>1,00,000</b>	Nil
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37 Previous year's figures have been regrouped wherever necessary to conform to Current year's classification.

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 2013

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

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

## CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31.03.2013 Rs.	Year ended 31.03.2012 Rs.
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax and extraordinary items	72,92,65,338	80,14,96,012
Adjustment for:		
Depreciation	3,97,71,131	3,56,87,178
Provision for Leave Encashment	22,22,193	1,46,748
Provision for Gratuity	14,30,091	16,17,287
(Profit) / Loss On Sale of Assets	5,08,857	(56,143)
(Profit)/Loss On Sale of Investment	Nil	(10,32,174)
Foreign Currency Translation Reserve	34,26,054	1,13,65,022
Interest received	(6,88,642)	(37,86,962)
Interest	5,43,28,145	5,37,51,181
Operating Profit before working capital changes:	<u>83,02,63,167</u>	<u>89,91,88,149</u>
Adjustment for:		
Trade Receivables	6,70,16,495	7,59,69,167
Inventories	(24,04,38,696)	(36,40,31,267)
Trade and Other Payables	(4,22,63,846)	9,13,57,191
Loans & Advances and Other Current assets	26,31,383	(5,78,81,234)
Cash generated from operations	<u>61,72,08,503</u>	<u>64,46,02,006</u>
Taxes paid	(25,16,64,062)	(24,35,35,045)
Cash flow before extra ordinary items	<u>36,55,44,441</u>	<u>40,10,66,961</u>
Extra-ordinary Items	Nil	Nil
<b>Net cash from operating activities</b>	<b>(A) <u>36,55,44,441</u></b>	<b><u>40,10,66,961</u></b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(13,30,00,701)	(5,48,60,889)
Sale of Fixed Assets	30,20,961	21,23,558
Interest Received	(36,326)	36,06,195
Investment Pending Allotment	(77,25,010)	Nil
Income from Investments	Nil	10,32,174
<b>Net Cash used in Investing Activities</b>	<b>(B) <u>(13,77,41,076)</u></b>	<b><u>(4,80,98,962)</u></b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long Term Borrowings	(1,71,22,556)	(2,18,91,516)
Short Term Borrowings	(1,40,74,543)	(16,04,67,106)
Dividend Paid including Dividend Tax	(9,46,70,204)	(10,44,41,602)
Interest paid	(5,43,28,146)	(5,37,51,181)
<b>Net Cash used in Financing Activities</b>	<b>(C) <u>(18,01,95,449)</u></b>	<b><u>(34,05,51,405)</u></b>
<b>Net Increase in cash and cash equivalents (A+B+C)</b>	<b><u>4,76,07,916</u></b>	<b><u>1,24,16,594</u></b>
<b>Cash and cash equivalent at the beginning of the year</b>	<b><u>3,54,51,447</u></b>	<b><u>2,30,34,853</u></b>
<b>Cash and cash equivalent at the end of the year</b>	<b><u>8,30,59,363</u></b>	<b><u>3,54,51,447</u></b>
	<b><u>4,76,07,916</u></b>	<b><u>1,24,16,594</u></b>

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 2013

For and on behalf of the board

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

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

# 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 Seventh Annual General Meeting of the Company to be held at  
11.00 A.M. on Wednesday, the 31<sup>st</sup> July 2013 and at any adjournment thereof.

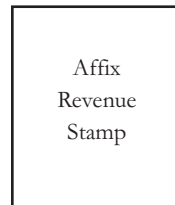
Signed this ..... day of ..... 2013

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 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 SEVENTH ANNUAL GENERAL MEETING of the Company at 11.00 A.M. on Wednesday, the 31<sup>st</sup> July 2013 at 'Dynasty Hall', Hotel Ambassador Pallava, No. 30 Montieth Road, Egmore, Chennai - 600 008.

.....  
Full name of the Shareholder ..... Signature

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

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

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.



## 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.

