

AVT NATURAL PRODUCTS LIMITED

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CIN: L15142TN1986PLC012780

ADDRESS BY Mr. AJIT THOMAS, CHAIRMAN AT THE 29th ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF THE COMPANY HELD ON 26th AUGUST 2015.

Dear Shareholders,

I am immensely pleased to welcome you to the 29th Annual General Meeting of your company. Your continued trust and support provides us confidence and motivation to strive for betterment of the company. I thank you all for making it convenient to attend the meeting.

The Directors' Report to the shareholders and the audited accounts of the Company for the year 2014-15 have been with you for some time and with your permission, I shall consider them as read.

Operations Review

Total income decreased from Rs.274.68 Crores in 2013-14 to Rs.259.88 Crores in 2014-15 - decrease of 5.39%. Profit after Tax was Rs.30.08 Crores (previous year: Rs.51.03 Crores). With Fixed Assets of Rs.55 Crores, our Asset Turnover ratio is a healthy 4.67 with Return on Sales of 21.16%.

I am sure you will appreciate that your company delivered a steady performance with a healthy bottom line in a rather challenging year of post patent Marigold era with ever increasing cost pressures and reduced selling prices. This is made possible due to the expanding product portfolio & continuous improvement measures adopted by your company for the past few years. As you know, we have invested in Decaffeinated Tea expansion which is performing well and in expansion of pure caffeine capacity for Pharma & Beverage applications which will be in operation from October this year. You will also be happy to know that your company has embarked on long term strategy of sustainability through Resource optimization/ Energy conservation and human resource optimization programmes to reduce the usage of captive power, water conservation & improving productivity. Your company has received a Productivity Award from Kerala State Productivity Council & a Safety Award from National Safety council, Kerala chapter in 2014 -15. You will also be happy to know that multinationals like Pepsi, Coca Cola, Tata Global, among others have approved our operations/products for global standards on food safety.

Dividend

Your Directors are pleased to recommend a final dividend of 30% on Equity Share Capital, for the year ended 31.03.2015, amounting to Rs 4.57 crores, excluding dividend tax. During the year, the Board declared an Interim Dividend of 20%, amounting to Rs.3.05 crores, excluding dividend tax. The aggregate of dividend declared during the year was 50% amounting to Rs 7.62 crores, excluding dividend tax.

PERFORMANCE OF SUBSIDIARY COMPANIES:

a) AVT Tea Services Limited, U.K. (AVTTSL)

The paid up capital of the Company as on 31st March 2015 is Pound Sterling (GBP) 0.62 million (Rs 5.66 Crores approx.). AVT TSL is the marketing arm of your Company for de-cafeinated tea and instant tea in International markets. The AVT TSL recorded sales of Rs.43.14 Crores and loss of Rs.2.35 crores for the year 2014-15



b) AVT Tea Services North America, LLC., (a step down subsidiary company)

During the year, AVT Tea Services Ltd., United Kingdom incorporated AVT Tea Services North America, LLC, under the laws of the State of Florida as its wholly owned subsidiary Company.

c) AVT Natural Pte. Ltd., Singapore

- (i) The subsidiary performance includes the liquidation loss of Rs. 1.26 crores of its Chinese subsidiary Company from November 2013 to January 2014.
- (ii) Liquidation of the Singapore subsidiary is in progress as it had become non operational due to closing down of its Chinese Subsidiary in line with changed global market conditions.

The Cumulative performance of Singapore and China subsidiary since inception in 2006 and exit in 2014 has been profitable.

FUTURE PROSPECTS:

i) Marigold- outlook

Due to below average monsoon, we are experiencing dry weather in our Marigold growing areas especially in Karnataka State. Risk mitigation steps are being taken by the Company to sustain the crop and going for an additional growing season to meet the production targets.

On expected lines, Lutein prices had come down as an outcome of Lutein Patent expiry. Kemin and AVT are working together on new initiatives including high performing seeds to improve efficiencies, contain costs and retain market share. Encouragingly, Marigold feed prices for the poultry segment is showing an upward trend and we are increasing supplies to this segment.

ii) Steady Spice Business

Spice Oleoresin market share has improved considerably catering to new markets and customers with niche and regular products.

iii) Decaff Capacity increase

Your company had installed a higher capacity drier to improve Decaff capacity. This has resulted in larger volumes and lower costs and significantly leveraged its position in the world market. Annual capacity would be 7000 tons. The Company is also in the process of installing a Caffeine isolation plant by investing Rs 3.50 crores which will augment the revenue from Decaff Product Line.

iv) Instant Tea Business

The Company is also investing Rs 4.50 crores in additional Continuous Plant to augment Instant tea and spray dried products. Instant Tea market penetration is in the early stages with Product samples being approved by many big customers and business is expected to pick up by last quarter of Financial year 2016.

Research and Development

The company is focusing on strengthening the product portfolio in all the three verticals and improving the delivery systems for ease in consumer applications. We have invested significantly in new Marigold seed through molecular breeding techniques and also on various process improvements to significantly reduce direct costs. We have strengthened our new business development team to look for growth opportunities for the company.

OptimHealth

OptimHealth, the fledgling Supplements brand introduced by your Company, has faced tough market conditions with reduced consumer discretionary spending in the last 6-7 months. After launching the brand in about 10 cities, we have now focused on the North Indian market, where the category has more potential. We are now focusing on urban centers in the North such as Delhi/NCR, Lucknow, Chandigarh etc. The distribution strategy has also been fine-tuned based on our learning in the past



one year with focus on the Prescription market and Supplement stores, in addition to select Chemists and Modern Trade stores.

Share Capital

The paid up equity share capital as on 31st March 2015 was Rs.15.23 crore. During the year under review, the Company has neither issued share with differential voting rights nor granted stock options and sweat equity.

Finance

Cash and cash equivalents as at 31st March 2015 was Rs.10.28 crores. The Company continues to focus on judicious management of its working capital, receivables, inventories and other working capital parameters.

Windmill

The Windmill of the Company located in Erode District, Tamil Nadu generated 8 lakh units of electricity in the year 2014-15 against 9.29 lakh units generated in 2013-14. The Company had utilised the entire units generated as captive consumption during 2014-15.

Listing with Stock Exchanges

The equity shares of the Company are continued to be listed in Bombay Stock Exchange Ltd., (BSE) and the National Stock Exchange of India Ltd., (NSE).

During the year, the equity shares of the Company were delisted from the Madras Stock Exchange (MSE) with effect from 25th September 2014 by complying with the provisions of SEBI (Delisting of equity shares) Regulations 2009.

Fixed Deposits

The Company stopped accepting / renewing deposits with effect from 30th July 2012. As per the Companies Act 2013, the deposits accepted prior to the commencement of the Act, was required to be repaid within one year from the commencement of the Act. Accordingly, the Company has repaid the entire outstanding fixed and cumulative deposits to the deposit holders and there are no unclaimed deposits in the books of accounts of the Company as on 31st March 2015.

DSIR Approval for In-house R&D facility at Bangalore

Department of Scientific and Industrial Research (DSIR), New Delhi, has accorded its approval for the In-house Seed Research and Development facility of the Company located at Bangalore. This is in addition to the earlier approval of In-house New Product R&D facility at our factory in Aluva, Kerala.

Independent Director

The Board in its meeting held on 29.05.2015 has appointed Mr. A.D. Bopana as the Independent Director of the Company for a period of 5 years. Necessary resolution is being placed before the members for their approval.

Woman Director

Mrs. Shanthi Thomas was appointed as an Additional Director with effect from 21.03.2015. Her appointment requires the approval of the members at the ensuing Annual General Meeting. The necessary resolution for her appointment is being placed before the share holders for approval.

Appointment of 'Manager'

The Board in its meeting held on 29.05.2015 has appointed Mr. M.N. Satheesh Kumar, President & COO as the 'Manager' under section 203 (1) of the Companies Act 2013 for a period of 2 years w.e.f. 01.04.2015. Necessary resolution is being placed before the members for their approval.

Resignation of Directors

Mr. Shyam B.Ghia, Independent Director and Mr. M.S.A. Kumar, Managing Director of the Company had resigned w.e.f. 19.03.2015 and 31.03.2015, respectively. We would place on record our appreciation for their valuable contribution.



Acknowledgement

I thank the members of the Board for their time and commitment in charting the Company's progress.

On behalf of the Board, I would like to thank our shareholders, customers, farmers, bankers, suppliers, stock exchanges and other stake holders for their support to the Company and look forward to the same in future.

Our employees are our biggest assets. On behalf of the Board of Directors and on your behalf, I place on record the appreciation of the hard work, commitment and team work of employees at all levels in the Company.

Thanking you,

Ajit Thomas
Chairman

