

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

Explanatory statement pursuant to Section 173 (2) read with Section 192A of the Companies, Act 1956, in respect of the business on item No.1, 2,3 and 4 are annexed hereto and forms part of the Notice.

Item Nos.1,2 and 3

The Authorized Capital of the Company is being increased from Rs.11,00,00,000 divided into 7,99,00,000 Equity Shares of Re.1/- (Rupee One) each, 1000 – 12% Redeemable Cumulative Preference Shares of Rs.100/- (Rupees One hundred) each and 30,00,000 - 7% Redeemable Cumulative Preference Shares of Rs.10/- (Rupees Ten) each to Rs.19,00,00,000/- divided into 15,99,00,000 Equity Shares of Re.1/- (Rupee One) each, 1000 – 12% Redeemable Cumulative Preference Shares of Rs.100/- (Rupees One hundred) each and 30,00,000 - 7% Redeemable Cumulative Preference Shares of Rs.10/- (Rupees Ten) each to facilitate the capitalization of the reserves through issue of Bonus Shares as set out in Item 4 of the Notice.

Consequently, Clause V of the Memorandum of Association and Article 3 (a) of the Articles of the Association of the Company will require alterations so as to reflect the increase in Authorised Capital.

Hence these resolutions have been placed before the Members.

The Board recommends the resolutions for approval. None of the Directors is concerned or interested in these resolutions except to the extent of shares held by them in the Company.

Item No.4

The present paid-up equity capital of the Company is Rs.761.42 lakhs and as on 31st March 2013 the Reserves and Surplus is Rs 12,699.75 lakhs.

The Directors have pleasure in recommending the Bonus Issue of Equity Shares in the ratio of One new fully paid Bonus equity share for every One equity share held by the equity shareholders on a date to be decided and fixed later. For this purpose, it is proposed to capitalize a sum of Rs. 7,61,42,000/- out of the Reserves aforesaid.

As per Article 150 of the Articles of Association of the Company, it is necessary to obtain the approval of the members for the Issue of Bonus Shares.

The proposed Bonus issue is in conformity with the guidelines issued by the Securities and Exchange Board of India in this behalf. The said Bonus shares shall rank paripassu in all respects with the existing equity shares of the Company from the date of allotment.

It is also necessary to authorize the Board of Directors of the Company to complete all the regulatory formalities in connection with the issue of Bonus Shares that may be prescribed by SEBI, the Stock Exchanges on which the Company's securities are listed and / or any other regulatory authority.

Hence this resolution has been placed before the Members.

The Board recommends the resolution for approval. None of the Directors is concerned or interested in this resolution except to the extent of shares held by them in the Company.

The 'Record Date' for the purpose of ascertaining the entitlement of the proposed ' Bonus shares' will be intimated separately to the Stock Exchanges and advertised in the newspapers.

Copies of the Memorandum & Articles of Association of the Company are available for inspection at the registered office of the Company on all the working days during usual business hours.

By order of the Board
For AVT Natural Products Limited

Place : Chennai
Date : 31st July 2013

Dileepraj P
Company Secretary