



KERALA AYURVEDA LIMITED

18th Annual Report 2009-10



OUR VISION

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

Expanding the wellness footprint



New wellness centre at Jammu, J&K



New wellness centre at RT Nagar, Bangalore



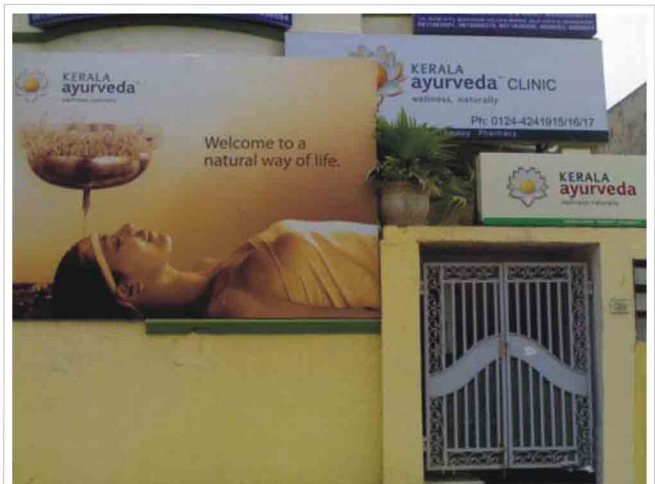
New wellness centre at Edapally, Cochin



New wellness centre at Panjim, GOA



KAL participates as gold sponsors at Global Ayurveda Summit 2010 organised by CII



New wellness centre at Gurgaon, NCR Delhi

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN	Mr. Ramesh Vangal
VICE CHAIRMAN	Mr. Ronald George Pearce
EXECUTIVE DIRECTOR	Dr. K Anilkumar
DIRECTORS	Mr. A T Jacob Dr. K Rajagopalan Mr. M C Mohan Mr. S Krishnamurthy Mr. Tarun N Sheth* Ms. Katharin Zimpel Vangal Mr. Anand Subramanian (Alternate to Ms. Katharin Zimpel Vangal) *Mr.Tarun N Sheth vacated office due to his demise on 18/07/10

COMPANY SECRETARY Mr. Jaison Thomas

REGISTERED OFFICE & FACTORY VII/415, Nedumbassery, Athani P.O,
Aluva-683 585, Kerala, India.
Email: info@keralaayurveda.biz
Website: www.keralaayurveda.biz

CORPORATE OFFICE No.1134, 1st Floor, 100 Feet Road,
HAL 2nd Stage, Indiranagar,
Bangalore - 560 008.

AUDITORS M/s. Maharaj Rajan & Mathew,
Chartered Accountants, Pratheeksha Buildings,
S. N. Junction,
Palarivattom, Cochin 682 025.

BANKERS AXIS Bank Ltd., Bangalore.

REGISTRAR & TRANSFER AGENTS M/s. Integrated Enterprises (I) Ltd.
Seema, 41/427, Rajaji Road,
Ernakulam - 682 035.

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CHAIRMAN'S STATEMENT

Dear Shareholders,

The year 2009-10 was a year of turnaround for your company's business. Our continued focus on operational performance and improvement in revenues, while continuing to make significant investments in product research and purity, have yielded positive results. The company has successfully implemented an organisational restructuring, which has resulted in streamlining systems, improved productivity and rationalized cost structure. With the increasing acceptance of health and wellness around the world, your company is poised for growth and the various initiatives that are underway will provide our customers with better products and services.



Ramesh Vangal

Your company's Vision – "*Delighting consumers with globally admired Ayurveda products and services that deliver Wellness, naturally*" – has been pervasive amongst all stakeholders. The Company's vision has ensured that we drive our goals and objectives in making strategic choices which are leading to innovation and achieving sustainable business and financial goals.

Your company has embarked upon a path-breaking, first-of-its-kind initiative to ensure scientific validation of the efficacy of its proprietary ayurvedic products, which are comparable to quality and efficacy benchmarks of new age medicine. These initiatives, involving technologies hitherto not applied to ayurveda, have resulted in a slew of opportunities that generate significant Intellectual Property and accrue value to your company. These efforts will set standards for the ayurveda industry at large and access market segments, hitherto untapped.

The company launched a Local Cluster Model ('LCM') and a unique Doctor Partnership model ('KALPAM') with promising results to augment business growth. In addition, the measures implemented to reduce and rationalize costs are reflected in all round reduction in various expenditure heads, without compromising growth. During the financial year under review, although the prices of input raw materials increased, the company has mitigated this through improving efficiency on purchasing and manufacturing.

We have also taken some tough decisions by rationalizing some of the loss making operations in USA and invested behind profitable operations. The business model for our academy and clinics were restructured and in our domestic nursing operations in USA, we have retained only the profitable business segments. This has ensured that the losses in our USA business are stemmed and significantly minimized. Your company has successfully partnered with alternate medicine clinics in the US to promote Ayurvedic concepts and treatments and by providing comprehensive and authentic courses on Ayurveda to impart knowledge to medicine practitioners, resulting in your company becoming one of the foremost Ayurvedic academies in the USA.

We are cautiously optimistic about the prospects for the coming year and we are in the process of mitigating the continued inflationary increase on input prices, without sacrificing business growth. Your company will embark on various initiatives both in India and overseas, to promote its range of products, which in the long run will help the company to reach out customers who are looking for authentic Ayurvedic remedies.

I can assure the shareholders that we will continue with our efforts to innovate, control costs and improve productivity and business performance. It is essential that all stakeholders in the Ayurveda industry, including suppliers, distribution partners and Government, work together to promote Ayurveda, which is India's heritage and offering to the world.

Members can join me in thanking all stakeholders, including our suppliers, customers, bankers and every member of the staff and management for their continued support and enthusiasm in our journey to take Ayurveda to the world.

Bangalore

21st August 2010

Ramesh Vangal

Chairman

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 18th Annual General Meeting of the Members of Kerala Ayurveda Ltd. will be held on Thursday the 30th September 2010 at 11.30 A.M. at Green Park Auditorium, N.H. 47, Desom, Aluva-683 103, Kerala, to transact the following business:

ORDINARY BUSINESS

- 1.To receive, consider and adopt the Audited Profit & Loss Account for the year ended March 31, 2010 and the Balance Sheet as at that date together with the Reports of the Board of Directors and the Auditors thereon.
- 2.To appoint a Director in place of Mr. Ronald George Pearce, who retires by rotation and being eligible, offers himself for re-appointment.
- 3.To appoint a Director in place of Dr. K Rajagopalan, who retires by rotation and being eligible, offers himself for reappointment.
- 4.To appoint a Director in place of Ms. Katharin Zimpel Vangal, who retires by rotation and being eligible, offers herself for re-appointment.
- 5.To appoint M/s. Maharaj Rajan & Mathew, Chartered Accountants, Cochin, as Auditors of the company to hold office from the conclusion of this Meeting upto the conclusion of the next Annual General Meeting on such remuneration and out of pocket expenses as may be approved by the Board of Directors.

Place: Athani
Date : 26/08/2010

By order of the Board of Directors

Jaison Thomas
Company Secretary

Notes:

- a) **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the company.**
- b) The instrument appointing a proxy should, however be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.
- c) The relevant details as required by Clause 49 of the Listing Agreement entered into with Stock Exchanges, of persons seeking re-appointment as Directors under item Nos. 2, 3 & 4 above are annexed hereto.
- d) The Register of Members and Share Transfer Books will remain closed from 25th to 30th September 2010 (both days inclusive).
- e) Members are requested to send their correspondence/queries to the Share Transfer Agent, M/s. Integrated Enterprises (India) Ltd. having office at Seema, 41/427, Rajaji Road, Near Abad Metro Hotel, Ernakulam-682035, Phone No: 0484-2371494, Fax: 0484-2384735, Email: shaji@iepindia.com with a copy to the company's registered office and quote their folio number/client ID number.

REQUEST TO MEMBERS

- a) Members holding shares in physical form are requested to notify any change in their address to the company's Registrar & Share Transfer Agent. Members holding shares in electronic form are requested to intimate the changes, if any, in their address to respective depository participants only.
- b) Shareholders intending to make queries at the AGM on any aspect of the working of the company, on the published accounts or of the Directors' Report may write to The Company Secretary, Kerala Ayurveda Ltd, Nedumbassery, Athani P.O., Aluva-683585 so as to reach it latest by 27th September, 2010.
- c) A proxy form and attendance slip is attached herewith. Shareholders are requested to produce it for verification at the meeting. Members/proxies are requested to bring their copy of the Annual Report to the AGM.
- d) The registration at AGM venue shall be open only upto the time AGM starts. Shareholders are requested to be present before AGM time.

By order of the Board of Directors

Place : Athani
Date : 26/08/2010

Jaison Thomas
Company Secretary

Details of the Directors seeking re-appointment in the ensuing Annual General Meeting, to be furnished as per Clause 49 of the Listing Agreement

- Mr. Ronald George Pearce** : **Vice-Chairman/ Independent Director**
Date of birth : 26th June 1942
Expertise in specific functional areas : Over 42 years of vast working experience in global corporations including 28 years with Procter & Gamble Co. where he served as Managing Director P&G United Kingdom Ltd and President P&G Far East Inc based in Japan. He has also served on the Board of Directors of Duty Free Shoppers, San Francisco, USA; Camus International, Hong Kong; Sunstar Inc., Osaka, Japan and Diagnostic Developments (Pty)Ltd., Durban, South Africa.
- Date of appointment : 28th June 2006
Qualifications : B.Com (Wits)
Directorship held in other companies (excluding foreign companies) : Ayurvedagram Heritage Wellness Centre Pvt. Ltd.
Shareholding in the Company : NIL
Membership in sub committee of the Board : NIL
- Dr. K Rajagopalan** : **Non-Executive/ Independent Director**
Date of birth : 17th November 1932
Expertise in specific functional areas : Brihatrayee Ratna & Padmashree Dr. K Rajagopalan is well known for this scholastic contribution to Ayurveda as an Educationalist, Researcher and Medical Practitioner. He started his professional career as Chief Physician in 1961 and he at present serves as Chief Consultant and Research Advisor to a number of prominent Health Institutions such as Kottakkal Arya Vaidya Sala and Amala Cancer Research Institute, Thrissur. In 2009, he was honoured with ASHTANGA RATNAM award of Government of Kerala.
- Date of appointment : 17th June 1994
Qualifications : MBBS, DAM
Directorship held in other companies (excluding foreign companies) : NIL
Membership in sub committees of the Board : Audit Committee and Shareholders/ Investors Grievances Committee and Corporate Governance Committee
Shareholding in the Company : NIL
- Ms. Katharin Zimpel Vangal** : **Non-Executive/ Promoter Director**
Date of Birth : 27th June 1973
Expertise in specific Functional Areas : Co-Founder of the Katra Group and spouse of Mr. RameshVangal, Chairman of the company. Her specific focus is on healthcare and managing a diversified investment portfolio. Founded the ASHA Foundation in 2001 to help brain injured children through comprehensive rehabilitation. She also worked in the fashion industry in New York City.
- Date of Appointment : 24th February 2006
Qualifications : Degree in Art History from Canada. Studied fashion technology at the Fashion Institute of Technology, New York.
Directorship held in other companies (excluding foreign companies) : Katra Holding Pvt Ltd.
Membership in sub committees of the Board : Audit Committee, Shareholders/ Investors Grievances Committee and Corporate Governance Committee
Shareholding in the Company : NIL

By order of the Board of Directors

Place: Athani
Date : 26/08/2010

Jaison Thomas
Company Secretary

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 18th Annual Report on the business and operations of the company together with the Audited accounts for the financial year ended March 31, 2010.

FINANCIAL RESULTS

The Annual results of the company for the financial year ended 31st March 2010 as compared with the previous years are summarized below:

(Rupees in Lacs)

Particulars	Standalone		Consolidated	
	2009-10	2008-09	2009-10	2008-09
Gross Income	2106.35	1 898.83	3364.89	4552.06
Less: VAT & Excise Duty	81.05	100.36	81.05	100.36
Net Income from Sales/Services	2025.30	1798.47	3283.84	4451.70
Other Operational Income	23.16	30.00	46.13	46.02
TOTAL Income	2048.46	1828.47	3329.97	4497.72
Profit before Interest, Depreciation & Tax (EBITDA)	83.57	(172.95)	90.32	(754.27)
Other Income	1.07	0.79	1.07	0.79
Finance Charges	148.58	210.69	232.60	356.37
Depreciation & Amortisation	255.04	261.69	367.60	374.87
Profit/(Loss) before exceptional items	(318.98)	(644.54)	(508.81)	(1484.72)
Exceptional Items	103.33	140.55	103.33	169.06
Profit/Loss Before Tax	(215.65)	(503.99)	(405.48)	(1315.66)
Provision for Deferred Tax Asset	52.46	115.07	32.28	111.38
Provision for FBT & MAT	0	(5.74)	3.61	(8.22)
Net Profit/(Loss)	(163.19)	(394.66)	(369.58)	(1212.50)
Minority Interest in Profit			10.80	1.64
Net Consolidated Profit/(Loss)	(163.19)	(394.66)	(380.38)	(1214.14)
Balance brought forward from previous year	(1085.44)	(690.78)	(2630.35)	(1266.36)
Forex Fluctuations			145.02	(149.85)
Appropriations	NIL	NIL	NIL	NIL
Balance Carried to the Balance Sheet	(1248.64)	(1085.44)	(2865.71)	(2630.35)

PERFORMANCE ANALYSIS

During the financial year under review, the total revenue of the company increased to ` 2048 Lacs from ` 1828 Lacs in the corresponding previous financial year, registering a growth rate of 12%. The total revenue including its subsidiaries on a consolidated basis for the year is ` 3330 Lacs against ` 4498, and the drop is mainly on account of restructuring of operations of KAL US entities in order to stem the losses.

The operational results for the financial year ended with a net loss of ` 163.19 lacs as against a net loss of ` 394.66 lacs in the previous year, with a marked improvement in EBITDA. The results on standalone basis and consolidated basis have become EBITDA positive during the year. EBITDA on standalone basis registered an improvement of ` 257 lacs as compared to previous year, which in the current year stands at ` 84 lacs profit and on consolidated basis registered improvement of ` 844.59 Lacs as compared to previous year and now stands at ` 90 lacs profit.

DIVIDEND

In the absence of profits for the period under review, your Directors are not in a position to recommend any dividend to the members of the company.

BUSINESS REVIEW

The financial year under review was a remarkable year for your company in terms of business development as it has opened new franchise wellness centers at Goa, Bangalore (R T Nagar) & Jammu and restructured its business model by creating partnership with Doctors in India and USA.

Your Company has also rationalized organization system to improve productivity and reduce the overheads and these efforts contributed significant reduction of 24% in overheads during the year.

The company's non-productive assets located at Poolani, Kerala and Puttapparthi were disposed off in order to channelise the funds required for the business and the term loans were fully repaid during the year and thus substantial savings in interest cost was achieved.

Your Company has invested behind establishing purity of the ingredient supply chain, which ensures standardization, product integrity and consistency. KAL has invested during the year aggressively on research, aimed at establishing scientific validation for proprietary Ayurvedic formulations and plan to continue the investments on research in FY 2010-11. The research consultancy income has improved from ` 122 lacs to ` 458 lacs, showing an increase of ` 336 lacs.

PERFORMANCE OF SUBSIDIARIES

Indian Subsidiary

During the year under review, M/s. AyurvedaGram Heritage Wellness Centre Pvt. Ltd. has achieved a turnover of ` 366 Lacs against a turnover of ` 345 Lacs in the previous financial year. The Net profit of the company, after providing for tax has increased substantially to ` 46.27 Lacs from ` 6.30 Lacs in the previous year, mainly due to cost control measures, despite the global meltdown and travel advisory warnings issued by western countries including USA.

Overseas Subsidiaries

The combined turnover of overseas subsidiaries was ` 984.85 Lacs as compared to ` 2426.67 Lacs in the previous year, registering a downslide of 59% during the year. Operations of the US Ayu subsidiaries namely Ayurvedic Academy Inc, Ayu Natural Medicine Clinic PS and Ayu Inc, have stabilized after restructuring and has shown improvement by reducing the losses considerably. The nursing business under CMS Katra Nursing LLC was severely impacted due to visa retrogression and consequently nurse domestic staffing business was temporarily suspended since unviable.

CORPORATE SOCIAL RESPONSIBILITY

Your company always had a deep sense of responsibility towards the community. A summary of some of the programs conducted by the company during the year is given under:

- Conducted free Ayurveda Health Check-up Camps in Kerala at Eloor, Nedumbassery and Palarivattom.
- Free medicines supplied to Old Age Home and other charitable institutions in Kerala.
- Company in participation with Union of Residents Association of Aluva propagated the concept of AYURAROGYAM to general public at Aluva.
- Conducted free Medical campaigns at Aluva on Climate Disease Management and Swine Flu Awareness.
- Conducted diabetic camp at our Aluva Hospital and conducted medical camps in association with DYFI at Chendamangalam and with KCYM at Njarackal.
- Free Yoga Training sessions conducted at Nedumbassery and Kakkanad.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to section 217(2AA) of the Companies Act, 1956, the Directors do hereby confirm that:

- a) In the preparation of the Annual Accounts for the year ended 31st March 2010, the applicable accounting standards had been followed along with proper explanations and there were no material departures.
- b) The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as on 31st March 2010 and of the profit or loss of the company for the year ended 31st March 2010.
- c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- d) The Annual accounts have been prepared on a going concern basis.

DEPOSITS

In terms of the provisions of Sec.58A, the company has not accepted any deposits from the public during the financial year under review.

HUMAN RESOURCE MANAGEMENT/INDUSTRIAL RELATIONS

Your company had always been committed to maintain healthy, cordial and harmonious industrial relations at all levels. The work environment of the company is constantly being upgraded and training has been conducted for employees, focusing on individual growth. Labor relations continued to be cordial throughout the year and industrial relations were excellent and harmonious.

ENERGY CONSERVATION, RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars as prescribed under sub-section (1) (e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are set out in the annexure to this report.

PARTICULARS OF EMPLOYEES

The particulars of employees as stipulated under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, are set out in the annexure to this report.

CORPORATE GOVERNANCE & MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Your company has complied with corporate governance norms as stipulated under Listing Agreement entered with Stock Exchanges. A detailed report on Corporate Governance in line with requirements of clause 49 of the Listing Agreement and also the Management Discussion and Analysis report are attached to this report. A certificate from statutory auditors confirming the compliance of governance is attached to corporate governance report.

DIRECTORS

Mr. Ronald George Pearce, Dr. K Rajagopalan and Ms. Katharin Zimpel Vangal, Directors of the company retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Mr. Tarun N Sheth, Independent Director, vacated the office on 18/07/2010 due to his demise. He has contributed immensely for the growth of the company. The Board places on record its appreciation for the valuable services rendered by him and for the wholehearted support & advice given to the company during his tenure.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with the Accounting Standard AS-21 on consolidated financial statements read with Accounting Standard AS-23 Accounting for Investments in Associates. These financial statements are based on the audited financial statements of the respective subsidiaries.

SUBSIDIARIES

Your company has seven subsidiaries including one step down subsidiary as on 31st March 2010 and the details of which are as under:

SL No	Name	Location	% of holding
1	Ayurvedagram Heritage Wellness Centre Pvt. Ltd.	Bangalore, India	74%
2	Ayu Natural Medicine Clinic, P.S.	USA	100%
3	Ayurvedic Academy Inc.	USA	100%
4	Ayu Inc.	USA	100%
5	Nutraveda Pte Ltd.	Singapore	100%
6	CMS Katra Holdings LLC	USA	81.67%
7	CMS Katra Nursing LLC*	USA	51%

* CMS Katra Holdings LLC holds 51% shareholding in CMS Katra Nursing LLC, hence it is a step down subsidiary of your company.

The Annual Reports of the subsidiary companies are not annexed pursuant to the exemption order under sec. 212(8) of Companies Act, 1956, granted by the Central Government. However, summarized financial statement of all subsidiaries in accordance with said Government approval, forms part of this annual report. Copy of annual accounts of the subsidiary companies and other related information shall be made available to the members who seek such information, at any point of time. The annual accounts of subsidiary companies are kept at the registered office of the company and at the subsidiaries concerned, for inspection of the members.

AUDITORS

The term of Auditors, M/s. Maharaj Rajan & Mathew, Chartered Accountants, Cochin, expires at the end of the ensuing Annual General Meeting and they are eligible for re-appointment. The audit committee has recommended their reappointment and annual audit fees. The requisite certificate from Auditors, pursuant to Section 224(1B) of the Companies Act, 1956 has been received.

ACKNOWLEDGEMENTS

The Board of Directors places on record its gratitude to shareholders, customers, bankers and all governmental and statutory agencies, which had extended unstinted support and co-operation to the company during the year. Your Directors would further like to record appreciation of the efforts of every employee for their valuable contribution to the company.

On behalf of the Board of Directors

Place: Bangalore
Date : 21/08/2010

Ramesh Vangal
Chairman

ANNEXURE TO DIRECTORS' REPORT

The details as required under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, is given under:

SL	Name	Age	Date of joining	Annual Remuneration (in Rupees)	Designation	Educational Qualification	Experience in yrs	Previous employment
1	Dr. K Anilkumar	57	06/07/1992	3,412,999	Executive Director	B.A.M	29	NIL
2	Mr. Partha Sanyal	41	07/03/2007	2,770,004	Vice President- Strategy, Planning & Business Dev.	BE(Met), PGDM (IIMB)	17	ARI Pvt Ltd.
3	Mr. H Sreedhar *	47	16/01/2006	2,329,993	President-Katra Healthcare Div	BE, MBA	21	L&T Ltd

Notes:

The above employees are not relative of any Directors of the company.

Remuneration shown above includes Salary, Medical reimbursements, Leave Travel Allowance, Contribution to provident fund & monetary value of perquisites as per Income Tax Rules, 1962.

* Employed for the part of the year.

ANNEXURE TO DIRECTORS' REPORT

STATEMENT CONTAINING PARTICULARS PURSUANT TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS REPORT.

	2009-10	2008-09
A. Power and Fuel Consumption		
1. Electricity		
a. Purchase unit	190,692	229,541
Total Amount	` 9.57 lacs	` 12.69 lacs
Cost/ Unit	` 5.01/Unit	` 5.53/Unit
b. Own generation through Diesel		
Generator Units	4,553	4,883
Unit/Ltr. of diesel oil	1.36	1.37
Cost/unit (`)	` 30.88	` 29.13
2. Coal	NIL	NIL
3. Furnace Oil Quantity (K.Ltr)	186.31	221.95
Total amount (`)	` 47.28 lacs	` 56.40 lacs
Average Rate (` /K.Ltr)	` 25,377	` 25,412
4. Others/Internal Generation	NIL	NIL
B. Consumption per unit of production:		

The company has about 400 heterogeneous products sold in lacs of units. Hence, the per unit consumption is negligible and it is not possible to fix standards for each products.

FORM B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION.

Research and Development (R&D)

1. Specific areas in which R&D

Carried out by the company : During the review year, R&D developed a few new products. Three new cream based formulations were added to the product range. New analyzer/arameter were introduced for the analysis of Kashayam. New invitro methods were developed to evaluate anti oxidant and anti microbial potential for both proprietary and classical products. R & D activities are in progress for the scientific validation of Sheerabala at various stages of Avarti. R & D has collaborative research activities with various Universities and Research Institutions. We are also working with national level companies for development of four new products for Diabetes. Respiratory ailments, insomnia and Nephro protection. Grant from Medicinal Plant Board for the up gradation of existing Nursery has also been received by the R & D Unit.

Benefits derived as a result of Above R&D

: Newly developed creams transferred to production department for scaling up production. Quality standard of products improved as a result of introducing new R&D instruments. The training program on quality control of Ayurvedic products benefited the QC persons from other Ayurvedic firms.

Future plan of action

: R&D focuses to improve the technical capabilities for the products of primary importance i.e. Classical Ayurvedic products in order to achieve high standard & quality and thereby to meet rapid changing needs of consumers. Also, plans to continue the development of technology platforms such as Creams & granules, to support product plans.

2. Expenditure on R&D

a) Capital	₹ 109,192/-
b) Recurring	₹ 608,200/-
c) Total	₹ 717,392/-
d) R&D expenditure as a % of total	0.51 % of Ayurvedic Products Turnover

Technology absorption, adaptation and innovation:

A new Diesel Generator Set with a capacity of 125 KVA has been commissioned at factory to provide uninterrupted power supply for production. During the year, company has not imported any technology for absorption, adaptation and innovation.

Foreign Exchange Earnings and Outgo

The details of foreign exchange earnings and outgo are as under:

Foreign Exchange earnings & outgo	Current year	Previous year
Earnings	₹ 70.78 lacs	₹ 104.80 lacs
Outgo	NIL	₹ 3.15 lacs

For and on behalf of the Board of Directors

Place: Bangalore
Date : 21/08/2010

Ramesh Vangal
Chairman

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Your company believes in principles of good corporate governance which provides sustained growth and long term benefits for all stake holders. The corporate governance policies adopted by the company is aimed to attain the highest levels of transparency, accountability and integrity. By these practices, company ensures that all parties associated with the company obtain requisite information on time, which helps them to make informed decision.

2. BOARD OF DIRECTORS

The KAL Board comprises of Executive, Non-Executive and Independent Directors. The Chairman of the company is a Non-Executive Promoter Director. The composition of the Board of Directors as on 31st March 2010 is in accordance with provisions of Clause 49 of the Listing Agreement entered into with Stock Exchanges. As mandated by Listing Agreement, none of the Directors are members of more than 10 Board level committees, nor are they chairman of more than five committees in which they are members.

The Board of Directors, overviews the performance of the Company, approves and reviews policies/strategies and evaluates management performance. The composition of the Board of Directors, Board Meetings held during the year under review and other relevant details are given below:

a) Composition of the Board

Sl. No.	Directors	Nature of Directorship	No. of Board Meetings held	No. of Board meetings attended	Attendance at Last AGM
1	Mr. Ramesh Vangal*	Non-Executive Chairman/Promoter Director	6	5	Yes
2	Mr. Ronald George Pearce	Non-Executive Vice-Chairman/ Independent Director	6	1	No
3	Dr. K Anilkumar	Executive Director	6	6	Yes
4	Dr. K Rajagopalan	Non-Executive/Independent Director	6	4	No
5	Mr. M C Mohan	Non-Executive/Independent Director	6	-	No
6	Mr. S Krishnamurthy	Non-Executive/Independent Director	6	5	Yes
7	Mr. A T Jacob	Non-Executive/ Promoter Director	6	6	Yes
8	Ms. Katharin Zimpel Vangal/ Mr. Anand Subramanian**	Non-Executive/Promoter Director Alternate Director	6	6	Yes
9	Mr. Tarun N Sheth ***	Non-Executive/Independent Director	6	1	No

Notes:

* Mr Ramesh Vangal participated in the 6th Board Meeting over phone.

** Mr. Anand Subramanian is the Alternate Director to Ms. Katharin Zimpel Vangal.

*** Mr. Tarun N Sheth vacated the office on 18/07/2010 due to his demise.

b) Meetings of the Board

Date of Board Meeting	Total Strength of the Board	No. of Directors Present
30 th May 2009	10	5
29 th June 2009	10	6
31 st July 2009	10	6
30 th September 2009	10	5
30 th October 2009	10	5
21 st January 2010	10	7

c) Other Directorships

Name(s) of Directors	No. of directorship in other Boards	No. of Chairmanship in other Boards Committees	No. of membership in other Board Committees	No. of Chairmanship in other Board
Mr. Ramesh Vangal	10	2	0	0
Mr. Ronald George Pearce	1	0	0	0
Dr. K Anilkumar	1	0	1	0
Dr. K Rajagopalan	0	0	0	0
Mr. M C Mohan	0	0	0	0
Mr. S Krishnamurthy	3	0	7	0
Ms. Katharin Zimpel Vangal	1	0	0	0
Mr. A T Jacob	7	0	0	0
Mr. Anand Subramanian	1	0	0	0
Mr. Tarun N Sheth	5	0	3	2

d) Pecuniary relationship or transactions

Apart from receiving Directors Sitting Fees, the Independent Directors do not have any material pecuniary relationship or transactions with the Company, its promoters, its Directors, its senior management or its subsidiaries.

Mr. Ramesh Vangal, Chairman and Ms. Katharin Zimpel Vangal, Director are related Directors.

e) Prevention of Insider Trading

The CODE OF CONDUCT for prohibition of insider trading in pursuance of SEBI (Prohibition of Insider Trading) Regulations, 1992, adopted by Board of Directors is being complied with. This code is applicable to all Directors and senior managerial personnel. Mr. Jaison Thomas, Company Secretary is the Compliance Officer for monitoring adherence to the code.

3. AUDIT COMMITTEE

The composition and terms of reference of the Audit Committee is in strict adherence with the requirements specified in Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement entered into with the Stock Exchanges. The terms of reference of the Audit Committee *interalia* includes the following:

1. Overseeing of the Company's financial reporting process and the disclosures of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of auditors' remuneration.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the quarter and annual financial statements before submission to the Board for approval.
5. Reviewing, with the management, performance of statutory and internal auditors, and assessing adequacy of the internal control systems.

Composition and Attendance

The Audit Committee at present comprises of four Directors viz. Mr. S Krishnamurthy, Mr. M C Mohan, Ms. Katharin Zimpel Vangal and Dr. K Rajagopalan. Mr. S Krishnamurthy is Chairman of the Committee. Mr. Tarun N Sheth who was the member of committee vacated the office due to his demise on 18/07/2010. During the financial year under review, four Audit Committee Meetings have been held on the following dates: 1) 29th June 2009 2) 31st July 2009 3) 30th October 2009 and 4) 21st January 2010. The particulars of Meetings attended by the members of the Audit Committee are given below;

Name of the Director	No. of Meetings	No. of Meetings attended
Mr. S Krishnamurthy	4	3
Mr. M C Mohan	4	0
Ms. Katharin Zimpel Vangal *	4	4
Dr. K Rajagopalan	4	4
Mr. Tarun N Sheth	4	1

* Attended by Alternate Director Mr. Anand Subramanian

4. SHAREHOLDERS / INVESTORS GRIEVANCES COMMITTEE

The Shareholders / Investors Grievances Committee ensures speedy disposal of the share transfer requests for both demat and physical shares received by the company. The company apart from overseeing the share transfer process also looks into any investor complaints.

Composition and Attendance

The present, Shareholders/Investors Grievances Committee consists of 3 Directors viz. Dr. K Anilkumar, Dr. K Rajagopalan and Mr. A T Jacob. During the financial year under review, 12 meetings of the Committee were held. The particulars of meetings attended by the members of the Committee are given below;

Name of Director	No. of Meetings	No. of Meetings attended
Dr. K Anilkumar	12	12
Dr. K Rajagopalan	12	2
Mr. A T Jacob	12	10

During this period under review, the Company has received 9 queries and 1 complaint from the shareholders which were attended to/resolved satisfactorily. There were no pending complaints and share transfers as on 31st March 2010. The Minutes of the Share Transfer Committee were noted by the Board at the subsequent Board Meetings.

Mr. Jaison Thomas, Company Secretary is the Compliance Officer of the Company. In terms of the clause 47(f) of the Listing Agreement, your Company has an exclusive E-mail ID viz. investor@keralaayurveda.biz for registering investor complaints/grievances, if any and the same will be under the control of compliance officer of the Company. The Company has displayed the said e-mail ID on its website for the use of investors.

5. CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee at present comprises of 3 Directors viz. Mr. Ramesh Vangal, Dr. K Rajagopalan and Ms. Katharin Zimpel Vangal. Mr. Tarun N Sheth who was the member of committee vacated the office due to his demise on 18th July 2010. The committee reviews good corporate governance practices followed by the Company so as to ensure that these practices reflect the latest developments in the corporate arena.

6. REMUNERATION COMMITTEE

The Remuneration Committee of the Board consists of 2 Directors viz. Mr. Ramesh Vangal and Mr. S Krishnamurthy. Mr. Tarun N Sheth who was the member of committee vacated the office due to his demise on 18th July 2010. The terms of reference of the Remuneration Committee are in accordance with the guidelines set out in the Listing Agreement entered into with Stock Exchanges that *inter alia* includes determination of the Company's policies on specific remuneration packages for Executive Directors. The Committee reviews time to time the payments made to Executive Directors and the Board confirms the same. During the year, a committee meeting was held on 29th June 2009.

Remuneration to Directors

The Non-Executive Independent Directors are being paid sitting fees of ` 15000/- for every Board Meeting attended by them and sitting fees of ` 10000/- for every Committee Meeting except the Meeting of the Shareholders/Investors' Grievances Committee, fees for which is ` 5000/-.

The details of the remuneration package/sitting fees provided to the Directors during the financial year 2009-10 is as follows:

Executive Directors

(In Rupees)

Name	Basic Salary	Special Allowance & HRA	Contribution to Statutory funds	Total
Dr. K Anilkumar, Executive Director	1,523,750	1,706,399	182,850	3,412,999

Non-Executive Directors

Director	No. of Board Meetings attended	No. of Committee Meetings attended	Amount of Sitting Fees paid (`)
Mr. Ramesh Vangal	5	1	0
Mr. Ronald George Pearce (Independent Director)	1	0	0
Dr. K Rajagopalan (Independent Director)	4	6	1,10,000
Mr. S Krishnamurthy (Independent Director)	5	3	1,05,000
Mr. M C Mohan (Independent Director)	0	0	0
Ms. Katharin Zimpel Vangal	0	0	0
Mr. A T Jacob	6	10	0
Mr. Anand Subramanian	6	4	0
Mr. Tarun N Sheth (Independent Director)	1	2	35,000

Details of shares of the Company held by Directors of the Company as on 31st March 2010 are given below:

Name	No. of Shares	% to Paid up Capital
Dr. K Anilkumar	334025	3.16

7. GENERAL BODY MEETINGS

a) Annual General Meetings

The details of Annual General Meetings held during last 3 years are given below:

Financial Year	Day & Date	Time	Venue	No. of Special resolutions passed at AGM
2006-07	Saturday September 29, 2007	12 Noon	Hotel Cochin Durbar Opposite Cochin International Airport Nedumbassery, Cochin	Nil
2007-08	Monday September 29, 2008	11.30 A.M.	-do-	Nil
2008-09	Wednesday September 30, 2009	11.30 A.M.	Green Park Auditorium, N H 47, Desom, Aluva	1

During the last 3 years, one Extra- ordinary General meeting was held on 31st January 2007

b) Special Resolutions passed at last 3 AGMs

Special Resolutions for the following matters were passed at above referred AGMs & EGM by the shareholders with requisite majority:

SL.	Date	Subject matter of Special resolution.
1	31 st January 2007(EGM)	* Change of name of the Company from Kerala Ayurveda Pharmacy Limited to Kerala Ayurveda Limited.
2	30 th September 2009	* Re-appointment and fixing remuneration of Dr. K Anilkumar, Executive Director of the company.

c) Postal Ballot:

There was no resolution passed through postal ballot during the financial year under review.

8. DISCLOSURES

- The details of transactions of material nature with its Promoters, Directors or the Management or their subsidiaries or their relatives during the year have been disclosed in notes to Accounts forming part of this Annual report. There was no instance of non-compliance.
- No penalties or strictures have been imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets.
- As per Clause 49(V) of the Listing Agreement, the Executive Director and CFO of the company has certified to the Board on their review of financial statements and cash flow statements for the financial year ended 31st March 2010 in the form prescribed by Clause 49 of the Listing Agreement.
- No penalty levied by Customs and Central Excise.
- As required under clause 49 of the Listing Agreement entered into with the Stock Exchanges, the Directors and the Senior Management have confirmed compliance with the CODE OF CONDUCT & ETHICS for the financial year ended 31st March 2010.
- The Company at present has not adopted any Whistle Blower Policy. However, any employee would have access to meet senior level management and report on any points of concern.
- The Company and its subsidiaries are part of Katra Group. As these companies exercise control over the Company, they constitute the group as defined under Regulation 3(1)(e)(i) of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 read with section 2(e) of the Monopolies and Restrictive Trade Practices Act, 1969. The group companies are as follows:

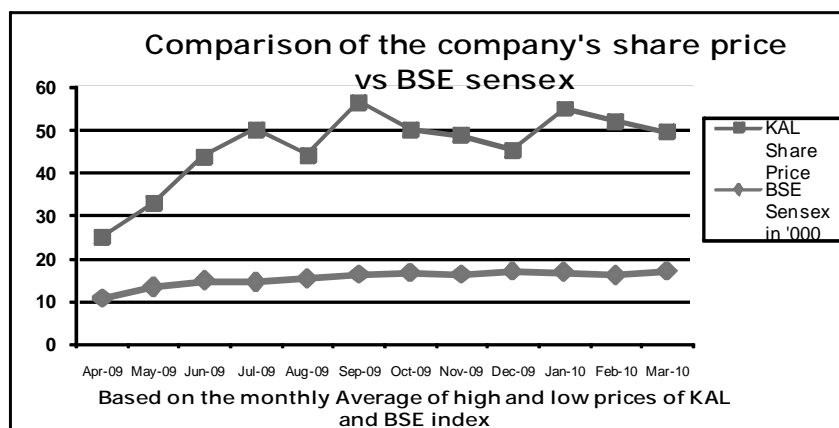
Arudrama Developments Pvt. Ltd.	Katra Phytochem India Pvt. Ltd.
Global AgriSystem Pvt. Ltd. & its Subsidiaries	Katra Marine Pvt. Ltd.
Katra Holding Pvt. Ltd.	Mason & Summers Alcobev Pvt. Ltd.
Katra Liquor Pvt. Ltd.	Mason & Summers Leisure Pvt. Ltd.
Segrow Bio-Technics India Pvt. Ltd.	Mason & Summers Marketing Service Pvt. Ltd.

9. MEANS OF COMMUNICATION

The quarterly, half-yearly and yearly financial results of the company are being sent to the Stock Exchanges immediately after the approval of the Board. These results are published in the news papers viz. Business Line (English daily) as well as in Deepika (Malayalam daily), within forty-eight hours of approval thereof. These are also displayed on the Company's website 'www.keralaayurveda.biz' shortly after its submission to the Stock Exchanges. Thus, the same are not being sent to the shareholders separately and company has not made any presentation to the Institutional Investors or Analysts during the year under review. All data relating to quarterly financial results, shareholding pattern, corporate announcement etc. are also available at the website 'www.corpfiling.co.in' being jointly maintained by BSE & NSE.

10. GENERAL SHAREHOLDER INFORMATION:

- i) **Annual General Meeting**
Day, Date and Time - Thursday, 30th September 2010
Venue - Green Park Auditorium, NH47, Desom Aluva - 683 103
- ii) **Financial year** - 1st April to 31st March
- iii) **Financial Reporting for the Quarter**
(Calendar Tentative & Subject to change)
1st quarter ending 30th June 2010 - July 2010 (4th Week)
2nd quarter ending 30th September 2010 - October 2010 (4th Week)
3rd quarter ending 31st December 2010 - January 2011 (4th Week)
4th quarter ending 31st March 2011 - May 2011 (2nd Week)
- iv) **Date of Book Closure** - 25th to 30th September 2010
(Both days are inclusive)
- v) **Dividend payment date** - No dividend has been recommended by the Board.
- vi) **Listing on Stock Exchanges:**
The equity shares of the Company are listed on following Stock Exchanges: (ISIN No. **INE817B01025**)
a) Bombay Stock Exchange, Mumbai (Stock code : 530163)
b) Cochin Stock Exchange, Ernakulam (Stock Code: KAM)
- vii) **Annual Listing Fees:**
Annual Listing Fees for the financial year 2010-11 to BSE & CSE has been paid.
CIN No. of the company : **L24233KL1992PLC006592**
- viii) **Stock Price performance: KAL vs. BSE Sensex.**



ix) Market Price Data : High/Low during each month in last financial Year at Bombay Stock Exchange

Months	High	Low	Months	High	Low
Apr-09	30.90	18.75	Oct-09	54.95	45.50
May-09	41.90	24.00	Nov-09	54.70	43.00
Jun-09	53.30	34.40	Dec-09	48.75	42.00
Jul-09	58.65	41.75	Jan-10	66.35	44.00
Aug-09	49.95	38.25	Feb-10	56.00	48.55
Sep-09	63.40	49.80	Mar-10	53.00	46.20

x) Registrar & Share Transfer Agents:

M/s. Integrated Enterprises (India) Ltd, Chennai having office at Ernakulam is the Registrar & Transfer Agent of the company. Share Transfers, Dematerialization of shares and all other investor related activities are attended and processed at the office of the Registrar & Transfer Agent. Share holders/ Investors/Depository Participants are requested to send all their documents and communications pertaining to both physical and demat shares to the Registrar at the following address:

M/s. Integrated Enterprises (India) Ltd.,
Seema, 41/427, Rajaji Road
Near Abad Metro Hotel, Ennakulam-682035.
Phone: 0484-2371494, Fax: 0484-2384735
Email: shaji@epindia.com

xi) Share Transfer System:

At the meetings of the Shareholders/Investors Grievance Committee of the Board, proposals for Share Transfer are being placed and the same are processed within 15 days from the date of receipt subject to the transfer instrument being valid and complete in all respects. Under the same system, the shareholder can approach a Depository Participant (DP) with physical share certificates for dematerialization. The DP will generate a Demat request which will be sent to the Registrar and Transfer Agent along with share certificates. On receipt of the same the Registrar and Transfer Agent will Demat the shares. The Company is also offering a sub division cum Demat scheme for those shareholders who are submitting their shares for sub division. In compliance with the Listing guidelines, every six months, a Practicing Company Secretary audits the system of Transfer and a certificate to that effect is issued.

xii) Distribution of Share holding as on 31.03.2010

Sl No	Nominal value of shares (in Rupees)		Number of Holders	% to total holders	Total face value of shares (in Rupees)	% to Total face value
	From	To				
1	1	5,000	6789	90.49	6,887,690	6.53
2	5,001	10,000	318	4.24	2,387,420	2.26
3	10,001	20,000	187	2.49	2,844,080	2.69
4	20,001	30,000	60	0.80	1,552,610	1.47
5	30,001	40,000	30	0.40	1,073,970	1.02
6	40,001	50,000	22	0.29	1,036,430	0.98
7	50,001	100,000	52	0.69	3,913,440	3.71
8	Above	100,000	45	0.60	85,861,060	81.34
	Total		7503	100.00	105,556,700	100.00

xiii) Shareholders Profile as on 31.03.2010

Sl	Category	Holders	Holders %	No. of shares	Shares %
1	Clearing Members	41	0.55	48,080	0.45
2	Corporate Bodies	154	2.05	287,731	2.73
3	Individuals	7255	96.70	3,051,163	28.90
4	Mutual Fund	1	0.01	2,976	0.03
5	NRI	51	0.68	672,285	6.37
6	Promoter	1	0.01	6,493,435	61.52
	Total	7503	100.00	10,555,670	100.00

xiv) Global Depository Receipts etc.

The capital of the company comprises of only Equity shares and the company is not having preference shares, outstanding ADRs or GDRs.

xv) Dematerialisation of shares

The shares of the company are available for trading in the Depository systems of both the National Securities Depository Ltd (NSDL) and the Central Depository Services (India) Ltd (CDSL) (ISIN No. INE817B01025).

The paid-up capital of your Company as on 31st March 2010 is ` 105,556,700/- consisting of 10,555,670 shares of ` 10 each which were listed on BSE and CSE. Out of the total number of listed shares, 8909101 shares forming 84.40% and 656154 shares forming 6.22% stand dematerialized in NSDL and CDSL respectively and remaining 990415 shares forming 9.38% stands in physical form as on same date. The Company has established connectivity with both the Depositories through our Registrars, Integrated Enterprises (India) Ltd.

The Secretarial Audit is carried out by the Practicing Company Secretary to reconcile the total admitted capital with NSDL and CDSL and the total issued and listed capital.

xvi) Plant Location

Kerala Ayurveda Ltd.,
VII/415, Nedumbassery
Athani P.O., Aluva - 683585

Kerala Ayurveda Ltd.,
Raw Drug Division
Athani P O, Kottai - 683585

xvii) Address for correspondence

The shareholders may address their communications/suggestions/queries to:

Company Address	Registrar and Transfer Agent
The Company Secretary & Compliance Officer, M/s. Kerala Ayurveda Ltd., VII/415, Nedumbassery, Athani P O, Aluva-683585. Ph : 0484-2476301 (4 lines) Fax : 0484-2474376 Email : companysecretary@keralaayurveda.biz : investor@keralaayurveda.biz	M/s Integrated Enterprises (I) Ltd, Seema, 41/427, Rajaji Road, Near Abad Metro Hotel, Ernakulam-682035 Ph :0484-2371494 Fax:0484-2384735 Email: shaji@ieplindia.com

11. NON-MANDATORY REQUIREMENTS

- 1) The Corporate office of the Company supports the Chairman in discharging his responsibilities.
- 2) The company has setup a Remuneration Committee of the Board and the details of the same have already been given above.
- 3) As the Company publishes the quarterly financial results in English Newspaper having circulation all over India and in vernacular Newspaper, the same are not sent to each shareholder.
- 4) The Company did not have any qualifications in the Auditors Report for the financial year 2009-10. The Company continues to adopt best practices to ensure regime of unqualified financial statements.
- 5) The Company's Board of Directors comprise of professionals with expertise in their respective fields and industry. They endeavor to keep themselves abreast with changes in global economy and various legislations.
- 6) The Company does not have a mechanism to evaluate the performance of the Non-Executive Directors of the Company.

On behalf of the Board of Directors

Place: Bangalore
Date : 21/08/2010

Ramesh Vangal
Chairman

CODE OF CONDUCT- DECLARATION UNDER CLAUSE 49(I)(D)

To,
The Members of Kerala Ayurveda Ltd.,
In pursuance of the provisions of Clause 49 (I)(D) of the Listing Agreement entered into with the Stock Exchanges, all Directors and the Senior Management have affirmed compliance with the Code of Conduct for the financial year ended 31st March 2010.

For Kerala Ayurveda Ltd.

Place: Bangalore
Date: 21/08/2010

Dr. K Anilkumar
Executive Director

AUDITORS CERTIFICATE UNDER CLAUSE 49

To
The Members of Kerala Ayurveda Limited,
We have examined the compliance of conditions of Corporate Governance by Kerala Ayurveda Limited for the year ended 31st March 2010, 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 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 state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors' Grievance Committee.

We further 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 Maharaj Rajan & Mathew
Chartered Accountants

Place: Kochi
Date: 26/08/2010

Mathew Joseph, Partner
Membership No.22658

MANAGEMENT DISCUSSION & ANALYSIS REPORT

INDIAN ECONOMIC PERFORMANCE: A REVIEW

In 2009-10, the Indian Economy growth of 6.8% was almost same as compared with last year's growth of 6.7%. Manufacturing growth has more than doubled from 3.2% in 2008-09 to 8.9% in 2009-10. Credit growth declined in the later part of 2008-09 reflecting slowdown of the economy in general and the industrial sector in particular. With a large domestic market, resilient banking system and a policy of gradual liberalization of capital account, India will be able to recover from the adverse effect of global financial crisis and recession.

GLOBAL ECONOMY

The world economy is on the mend. After a sharp, broad and synchronized global downturn in late 2008 and early 2009, an increasing number of countries have registered positive quarterly growth of gross domestic product (GDP), along with a notable recovery in international trade and global industrial production. World equity markets have also rebounded and risk premiums on borrowing have fallen. Premised on a continued supportive policy stance worldwide, a mild growth of 2.4% is forecast in the baseline scenario for 2010.

AYURVEDA INDUSTRY

In view of Western and developed countries' preference for natural and herbal for health, the Ayurvedic science, practice and industry has great scope of development during 21st Century. India, with an agricultural base and scientific expertise can deliver the goods the world needs. At present the herbal healthcare market is valued at US\$ 65 billion globally and the export market for the same is growing at 15-18 % per annum. In India alone the Ayurvedic and Herbal business is estimated at US\$ 1 Billion.

BUSINESS REVIEW

This has been dealt with under Business Review in the Directors report forming part of this Annual Report.

OPPORTUNITIES

Because of the uniqueness, Ayurveda products being alternative system of medicine have very good potential to win considerable share of world market. Reportedly UK, UAE, Sweden Indonesia and USA have already recognized Ayurveda as a health care system and 30 more countries are on the verge of doing so. India with its wide variety of climatic and soil conditions has ample scope in gaining a foothold in the global plant based pharmaceutical market. More awareness and acceptance in the western world has increased the demand for Ayurvedic medicines and treatments. The domestic Ayurveda market is expected to reach around Rs. 6000 crore business in next two years in view of rising demand for ayurvedic therapy and products.

THREATS

The major challenges faced by Ayurveda Sector are a) lack of standardization and validation of ayurvedic products as per the modern trials, b) Non-availability of right and quality raw materials especially medicinal plants, c) inadequacies with existing patent laws and protection of ayurvedic knowledge and d) easing the power relations and framing an adequate export policy. Absence of adequate scientific documentation is considered to be the basic problem, which is the limiting factor faced by this industry from its very beginning. Problem confronted by the exporters of Ayurveda products is the absence of herbal monographs in Indian Pharmacopia. The lack of facilitating regulations for the Indian medicinal products in most of the countries has been the major hindrance for the growth of the sector. Export certification of Ayurveda and other herbal products has been a long pending demand of the industry.

SEGMENT WISE PERFORMANCE

AYURVEDA BUSINESS:

Ayurveda business being the main business segment of your company registered a total revenue of Rs 1590.05 lacs as against Rs. 1705.99 lacs in the corresponding previous financial year.

HEALTHCARE SERVICES BUSINESS

At present the core focus is on carrying out research on Ayurveda ingredients and formulations in a scientific manner, mainly to identify new proprietary formulation to demonstrate the efficacy of Ayurveda medicines and prove that they are safe as is acceptable to modern pharma world. Human clinical trials are underway and the research project is progressing well, and we are sure it will deliver landmark results and provide scientific validation of specific Ayurvedic formulations in the short term.

CHALLENGES AND RISKS

Critical concerns of the Ayurveda are due to strict regulations of different countries and lack of documentation and clinical trials to substantiate the efficacy of medicines which restricts the global opportunities. The stringent FDA compliance norms have adversely affected the export of herbal medicines to world market. KAL focuses on dynamic R&D activities to address these challenges. Since curative aspect of Ayurvedic medicines has not been adequately popularized, the industry is basically categorized to be wellness sector. Unhealthy practices and less qualified professionals in the industry have caused loss of repute. The Ayurvedic market is very competitive with many players offering similar products and services with various sales promotion techniques. However, KAL believes in excellence by maintaining consistency in the quality of products and services and the company is well positioned in the market for its quality Ayurveda products.

FUTURE OUTLOOK

KAL has entered into a MOU with a large university in America, mainly to promote Ayurveda degree programs in USA. Company is in the process of making suitable arrangements with a reputed University in India to promote Kerala style of Ayurvedic Therapies.

CAPACITY ENHANCEMENT AND UTILISATION

A more efficient and economical new Diesel Generator Set with increased capacity has been commissioned at factory to provide uninterrupted power supply as required for production.

HUMAN RESOURCE DEVELOPMENT

KAL continued its effort to strengthen the human resource system, realizing the fact that human resource is the key factor of future growth strategy. Company focuses to upgrade skills of human resources and boost their motivational levels so as to achieve organisation excellence and to enhance their contributions to meet company's goals. KAL has a well structured and efficient HR department which is entrusted to training and motivating of the employees of the company. An ideal industrial relation climate has been created thorough out the year by maintaining a cordial relationship between management and trade unions in the company facilitating good team spirit and high productivity.

COMPLIANCE DECLARATION ON THE CODE OF CONDUCT

The Directors and Senior Management of KAL have confirmed the compliance on the CODE OF CONDUCT & ETHICS for the financial year ended 31st March 2010 in pursuance of the clause 49 of the Listing Agreement entered into with the Stock Exchanges.

RESEARCH AND DEVELOPMENT

KAL focuses in improvement of technical capabilities so as to uphold its classical ayurvedic products in the market and also to cater rapid changing needs of the consumers. While the Company has developed Ayurveda capsules and tables such as Kashayam tablets, Prostact tablet, Myaxyl capsule etc it is now focusing to develop advanced technical platforms for producing creams and granules, to support the product line and developed 2 granule products viz. Gestatone granules and Saraswatha granules. R&D's efforts on gradeation of the raw materials by eco-friendly cultivation is under progress.

INTERNAL CONTROL SYTEM

The company has a proper and appropriate Internal Control System to ensure proper utilization of funds, safeguarding of assets against unauthorized use or disposition, true and fair reporting and compliance with all regulatory laws and company policies. Internal auditors regularly check the adequacy and effectiveness of internal control system and compliances of various procedures and policies of the company's plant, branches etc. The recommendations made by the internal auditors in respect of operational and financial management is used to formulate management policies and risk management procedures.

CAUTIONARY STATEMENT

The statements in this management discussion and analysis describing the company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may vary from those expressed or implied, depending upon economic environments, exchange rate fluctuations, Government Policies and other incidental factors.

AUDITORS' REPORT

To

The Members of

KERALA AYURVEDA LIMITED,

1. We have audited the attached Balance Sheet of KERALA AYURVEDA LIMITED as at 31st March 2010, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date both annexed there to. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order to the extent applicable.
4. Further to our comments in the Annexure referred to in paragraph (3) above, 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, the Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account,
 - d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in sub-section 3(C) of section.211 of the Companies Act, 1956;
 - e) On the basis of written representations received from the directors, as on 31st March 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956,
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - i) In the case of the Balance Sheet, of the state of the company's affairs as at 31st March 2010;
 - ii) In the case of the Profit and Loss Account, of the Loss of the Company for the year ended on that date,
 - iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Maharaj Rajan & Mathew,**
Chartered Accountants

Place : Kochi
Date : 21.08.2010

Mathew Joseph, Partner
Membership No.22658

Annexure to the Auditors' Report

(Referred to in paragraph (3) of our report of even date)

- I.
 - a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) All the fixed assets have not been physically verified by the management during the year but the Company has a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
 - c) In our opinion the fixed assets disposed off during the year were not material so as to affect the going concern status of the company.
- II.
 - a) The management has conducted physical verification of inventory at reasonable intervals.
 - b) In our opinion, 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.
 - c) On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and book records were not material and have been properly dealt with in the books of account.
- III. In respect of the loans, secured or unsecured granted or taken by the company to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956.
 - a) During the year the Company has given unsecured loan to subsidiary company. In respect of the said loan the maximum amount outstanding at any time during the year is ` 120,900,643/- and the balance outstanding is ` 120,900,643/-. In our opinion and according to the information and explanation given to us the loan is interest free, repayable on demand and terms and conditions are not prejudicial to the interests of the company.
 - b) During the year the Company has taken additional loans from one existing party. In respect of the said loans maximum amount outstanding at any time during the year is ` 405,277,143/- and balance outstanding is ` 398,146,186/-. In our opinion and according to the information and explanations given to us the loan is interest free, repayable on demand and terms and conditions are not prejudicial to the interests of the company.
- IV. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- V.
 - a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
 - b) According to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the registers maintained under section 301 and exceeding the value of five lakhs 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.
- VI. In our opinion and according to the information and explanations given to us the company has not accepted deposits from the public during the year. Therefore the provisions of clause 4 (vi) of the order are not applicable to the company.
- VII. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.

- VIII. We have broadly reviewed the books of account maintained by the company in respect of manufacture of Ayurvedic products pursuant to the order made by the Central Government for maintenance of cost records prescribed under section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima-facie, the prescribed accounts and records have been made and maintained. We have not however made a detailed examination of the records with a view to determine whether they are accurate or complete.
- IX. According to the records of the company the company was regular in depositing the Provident Fund dues and Employees State Insurance dues with the appropriate authorities except in a few cases where there were delays. Based on our audit procedures and according to the information and explanations given to us there are no arrears of statutory dues including Provident Fund, Employees' State Insurance, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty Service tax, Cess and other statutory dues applicable to it which have been remained outstanding as at 31st March, 2010 for a period of more than six months from the date they become payable.
- X. The company's accumulated loss at the end of the financial year is less than 50% of its net worth. The company has incurred cash loss during the year covered by our audit and during the immediately preceding financial year.
- XI. The company has not defaulted in repayment of dues to financial institution or bank. The company has no debenture holders.
- 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. Therefore the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order 2003 are not applicable to the company.
- XIV. The company is not dealing or trading in shares, securities, debentures and other investments. Accordingly the provisions of clause 4 (xiv) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- XV. In our opinion and according to the information and explanations given to us the terms and conditions on which the company has given guarantee for loans taken by subsidiary company from banks are not prima-facie prejudicial to the interest of the company.
- XVI. According to the information and explanation given to us term loans taken during the year were applied for the purpose for which the loans were obtained.
- XVII. According to the information and explanations given to us the funds raised on short-term basis during the year have not been used for long-term investment.
- XVIII. The company has not made any preferential allotment of shares during the year to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956.
- XIX. The company has not issued any debentures and therefore the provisions of clause 4 (xix) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- XX. During the period covered by our audit report, the company has not raised any money by public issue.
- XXI. Based upon the audit procedures performed and according to the information and explanations given and representations made by the management, we report that no fraud on or by the company has been noticed or reported during the year.

For **Maharaj Rajan & Mathew,**
Chartered Accountants

Place : Kochi
Date : 21.08.2010

Mathew Joseph, Partner
Membership No.22658

KERALA AYURVEDA LIMITED

BALANCE SHEET AS AT 31st MARCH 2010

PARTICULARS	SCHEDULE	31.03.2010 Rupees	31.03.2009 Rupees
I SOURCES OF FUNDS			
1) Shareholders Funds			
Share Capital	A	105,556,700	105,556,700
Warrant Application Money		1,494	1,494
Share Warrant Application Money Forfeited		1,431,000	1,431,000
Reserves and Surplus	B	119,423,855	119,423,855
2) Loan Funds			
Secured Loans	C	48,829,782	125,571,080
Unsecured Loans	D	398,216,369	286,145,620
		673,459,200	638,129,749
II APPLICATION OF FUNDS			
1) Fixed Assets			
Gross Block	E	240,032,638	208,300,746
Less Depreciation		51,421,843	46,078,051
Net Block		188,610,795	162,222,695
Capital Work In Progress		6,077,500	6,077,500
2) Investments			
Deffered Tax Assets	F	113,803,535	113,603,535
		42,736,042	37,490,172
3) Current Assets, Loans & Advances			
Inventories	G	61,012,992	68,064,174
Sundry Debtors	H	48,770,505	53,384,303
Cash & Bank balances	I	6,771,749	4,414,407
Loans & Advances	J	175,044,776	117,139,372
		291,600,023	243,002,256
Less: Current Liabilities & Provisions	K	102,186,231	46,317,908
Net Current Assets		189,413,792	196,684,348
4) Miscellaneous Expenditure (To the extent not Written off or adjusted)			
	L	7,953,732	13,507,236
5) Profit & Loss account			
	M	124,863,804	108,544,263
		673,459,200	638,129,749
Significant Accounting Policies & Notes to Account			
	X		

This is the Balance Sheet referred to in our report of even date

For **MAHARAJ RAJAN & MATHEW,**
Chartered Accountants

MATHEW JOSEPH
Partner

BANGALORE
21.08.2010

JAISON THOMAS
Company Secretary

For and on behalf of the Board
For **KERALA AYURVEDA LIMITED,**

Dr. K ANILKUMAR
Executive Director

A T JACOB
Director

KERALA AYURVEDA LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

Particulars	Schedule	31.03.2010 Rupees	31.03.2009 Rupees
GROSS INCOME			
Sale of Products & Services	N	210,633,585	189,883,045
Other Income	O	12,756,715	19,682,339
		223,390,300	209,565,384
Less: VAT & Excise Duty		8,105,351	10,036,405
NET INCOME		215,284,949	199,528,979
EXPENDITURE			
(Increase)/Decrease in stocks	P	5,390,364	(7,455,675)
Raw Materials & Packing Materials Consumed	Q	41,540,709	53,086,533
Cost of Sales		31,954,454	1,046,169
Manufacturing Expenses	R	11,819,027	13,870,799
Staff Cost	S	63,939,276	71,844,120
Administrative Expenses	T	21,734,841	36,809,648
Selling & Distribution Expenses	U	20,109,472	33,487,526
Finance Charges	V	14,858,763	21,069,002
Depreciation	E	5,858,038	6,524,517
Miscellaneous Expenses Written off	W	5,553,504	5,553,504
Amortisation of Goodwill on Merger	E	6,720,864	6,720,864
Amortisation of Software	E	7,371,048	7,371,048
		236,850,360	249,928,055
Profit/(Loss) Before Taxes		(21,565,411)	(50,399,075)
Provision for Tax		NIL	NIL
Provision for Fringe Benefit Tax		NIL	574,422
Provision for Deferred Tax Assets		(5,245,870)	(11,507,827)
Profit/(Loss) after Taxation		(16,319,541)	(39,465,670)
Appropriation		NIL	NIL
Loss Carried forward from Previous year		(108,544,263)	(69,078,593)
Deficit carried to Balance Sheet	M	(124,863,804)	(108,544,263)
Significant Accounting Policies & Notes to Account	X		

This is the Profit and Loss Account referred to in our report of even date

For **MAHARAJ RAJAN & MATHEW,**
Chartered Accountants

MATHEW JOSEPH
Partner

BANGALORE
21.08.2010

JAISON THOMAS
Company Secretary

For and on behalf of the Board
For **KERALA AYURVEDA LIMITED,**

Dr. K ANILKUMAR
Executive Director

A T JACOB
Director

KERALA AYURVEDA LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH 2010

PARTICULARS	31.03.2010 Rupees	31.03.2009 Rupees
SCHEDULE A : SHARE CAPITAL		
Authorised:		
12000000 Equity Shares of ` 10/- each	120,000,000	120,000,000
Issued, Subscribed and Paid up		
10555670 Equity Shares of ` 10/- each fully paid up	105,556,700	105,556,700
Notes: of the above		
1. 48,13,602 Shares were issued as fully paid up for consideration other than cash		
2. Promoters hold 64,93,435 Shares through their Holding Company M/s Katra Holdings Ltd, Mauritius.		
	105,556,700	105,556,700
SCHEDULE B : RESERVES AND SURPLUS		
Capital Reserve	3,110,879	3,110,879
Share Premium	114,514,976	114,514,976
General reserve	1,798,000	1,798,000
	119,423,855	119,423,855
SCHEDULE C: SECURED LOANS		
AXIS Bank-Term Loan I	-	42,500,000
AXIS Bank-Term Loan II	-	32,500,004
AXIS Bank-OCC	48,829,782	48,599,036
Interest Accrued and due	-	1,972,040
(Overdraft Facilities for meeting working capital needs of the company was taken from AXIS Bank and is secured against mortgage of Company's Inventory, Book Debts and other current assets and against secondary collateral by mortgage of land belonging to one of the Directors and personal guarantee of that director)		
	48,829,782	125,571,080
SCHEDULE D : UNSECURED LOANS		
From Share Holders	70,183	1,670,183
From Group Companies	398,146,186	284,475,437
	398,216,369	286,145,620

KERALA AYURVEDA LIMITED
SCHEDULE E-FIXED ASSETS- FORMING PART OF BALANCE SHEET AS AT 31st MARCH 2010

	Particulars	Dep. rate	GROSS BLOCK				DEPRECIATION				NET BLOCK		
			As at 01.04.2009	Addition	Deductions	Amortisation	As at 31.03.2010	Up to 31.03.2009	For the year	Deduction	Up to 31.03.2010	As at 31.03.2010	As at 31.03.2009
1	Land & Development		50,680,068	59,916,688	14,246,462		96,350,294	-	-		96,350,294	50,680,068	
2	Building	3.34%	37,153,140	527,384	1,234,710		36,445,814	13,428,276	1,207,917	514,246	14,121,947	22,323,866	23,724,864
3	Plant and Machinery	4.75%	31,105,690	409,662	-	-	31,515,352	12,916,999	1,489,939	-	14,406,938	17,108,414	18,188,691
4	Electrical Fittings	4.75%	4,068,141	22,317	20,000	-	4,070,458	1,970,238	193,598	-	2,163,836	1,906,623	2,097,903
5	Furniture & Fixtures	6.33%	21,711,498	199,700	-	-	21,911,198	7,942,095	1,380,617	-	9,322,712	12,588,487	13,769,403
6	Office Equipments	16.21%	7,002,954	133,089	-	-	7,136,043	6,547,494	364,923	-	6,912,417	223,627	455,461
7	Computer&Accessories	16.21%	6,692,890	19,136	-	-	6,712,026	2,447,261	1,087,341	-	3,534,602	3,177,424	4,245,629
8	Vehicles	7.07%	1,891,149	-	-	-	1,891,149	825,688	133,704	-	959,392	931,757	1,065,460
9	Misc. Fixed Assets	-	2,537,117	97,000	-	-	2,634,117	-	-	-	-	2,634,117	2,537,117
10	Goodwill on Merger	20%	13,441,731	-	-	6,720,864	6,720,867	-	-	-	-	6,720,867	13,441,731
11	Software	20%	32,016,367	-	-	7,371,048	24,645,319	-	-	-	-	24,645,319	32,016,367
	Total	-	208,300,746	61,324,976	15,501,172	14,091,912	240,032,638	46,078,051	5,858,038	514,246	51,421,843	188,610,795	162,222,695
	Capital WIP	-	6,077,500	-	-	-	6,077,500	-	-	-	-	6,077,500	6,077,500
	Grand Total		214,378,246	61,324,976	15,501,172	14,091,912	246,110,138	46,078,051	5,858,038	514,246	51,421,843	194,688,295	168,300,195
	Previous year figures	-	179,375,959	66,929,289	17,835,090	14,091,912	214,378,246	39,669,570	6,524,517	116,036	46,078,051	168,300,195	139,706,389

Note: Land & Development includes ` 10.10 lacs for a portion of the land at Bangalore, even though the sale deed is yet to be registered. The company has obtained power of attorney and is in full possession of the said property.

PARTICULARS	31.03.2010 Rupees	31.03.2009 Rupees
SCHEDULE F : INVESTMENTS		
In Subsidiary Companies (Non Trade)		
16,65,000 equity shares of ` 10 each in Ayurvedagram Heritage Wellness Centre Pvt. Ltd.	64,286,600	64,286,600
100 Common stock of no par value in Ayu Inc.	5,620	5,620
100 Common stock of no par value in Ayu Natural Medicines Clinic, PS	21,516,252	21,516,252
100 Common stock of no par value in Ayurvedic Academy Inc.	27,242,710	27,242,710
	-	-
817 Common stock of USD 1 par value in CMS Katra Holdings LLC	34,853	34,853
1 Equity share of 1 Singapore Dollar in Nutravada Pte Ltd	-	NIL
70 Equity Shares of ` 10000/- each in Confederation for Ayurvedic Renaissance Keralam Private limited (Allotted during the year) Non Trade	700,000	NIL
500 equity shares of ` 10 each fully paid up in Canara Bank Limited Market Value ` 410.35 per share (last Year ` 225/- per share)	17,500	17,500
Share application money towards purchase of shares in Confederation for Ayurvedic Renaissance Keralam Private limited	NIL	500,000
	113,803,535	113,603,535
SCHEDULE G : INVENTORIES		
(As taken, valued & Certified by Management)		
Finished Goods	41,938,887	44,106,389
Furnace Oil	39,433	136,023
Packing Material	2,946,834	3,183,441
Raw Material	6,115,967	7,382,201
Stores & Spares	112,699	93,470
Work in Progress	9,859,172	13,082,034
Goods in Transit	-	80,616
	61,012,992	68,064,174
SCHEDULE H : SUNDRY DEBTORS		
Debts outstanding for more than 6 months	33,098,668	26,171,277
Other debts	15,671,837	27,213,026
Debts considered good in respect of which the company hold no security other than debtors personal security ` 48,770,505/- (` 53,384,303)		
Debts considered doubtful or bad ` 398,963/- (` 398,963)		
Debts due by Subsidiary Companies ` 3,949,425/- (` 4,107,255)		
	48,770,505	53,384,303
SCHEDULE I: CASH AND BANK BALANCES		
Cash in Hand (As certified by Management)	666,779	715,790
Balance with Scheduled banks:- In Current accounts	4,761,643	2,447,714
In Deposit accounts	1,343,327	1,250,903
	6,771,749	4,414,407

PARTICULARS	31.03.2010 Rupees	31.03.2009 Rupees
SCHEDULE J: LOANS AND ADVANCES (Unsecured considered good and recoverable in cash or in kind or for value to be received)		
Deposits with Govt. Authorities	734,395	762,885
Deposits with others	5,594,162	7,476,731
Income Tax advance	1,298,887	1,157,548
Advance for Purchase	237,104	628,202
Loans to Subsidiary	120,900,643	16,643,678
Advance for Land Purchase	310	42,828,557
Other Advances	10,913,729	9,510,503
Other Current Assets	40,699	40,699
Prepaid expense	76,134	102,662
Project-Cosmeceuticals	351,300	NIL
Nursing Business WIP	32,390,054	30,977,144
Research Project WIP	2,507,359	7,010,763
	175,044,776	117,139,372
SCHEDULE K-CURRENT LIABILITIES & PROVISIONS		
CURRENT LIABILITIES		
Sundry creditors- Mfgs.	13,030,898	16,087,959
Sundry creditors- Others	8,264,936	8,740,070
Deposits from others	1,234,500	1,220,000
Advances from Customers	527,925	400,898
Term Loan Interest Accrued but not due	NIL	972,629
Other liabilities	61,444,133	14,007,524
Previlage Leave Encashment Payable	500,000	209,063
	85,002,392	41,638,143
PROVISIONS		
Provision for Gratuity	5,283,839	4,679,765
Provision for Project-Clinical	11,900,000	NIL
	102,186,231	46,317,908
SCHEDULE L: MISCELLANEOUS EXPENDITURE		
Deferred Amalgamation Expenditures	1,376,108	2,517,008
Deffered Sales Promotion Exp.	741,242	2,561,618
Deffered Expenditure-Brand Design	5,535,354	7,813,842
Deffered Expenditure-R&D	190,752	434,208
Preliminary Expenses	110,276	180,560
	7,953,732	13,507,236
SCHEDULE M. PROFIT & LOSS ACCOUNT		
Opening balance	108,544,263	69,078,593
Add: Loss during the year	16,319,541	39,465,670
	124,863,804	108,544,263

KERALA AYURVEDA LIMITED

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

PARTICULARS	31.03.2010 Rupees	31.03.2009 Rupees
SCHEDULE N: SALE OF PRODUCTS AND SERVICES		
Sale of Products	141,076,332	147,817,172
Registration Fees	1,923,232	3,711,292
Treatment Income	19,571,041	16,525,774
Research Consultancy	45,840,664	12,248,308
Healthcare Consultancy income	NIL	7,642,500
Training Income	2,222,316	1,938,000
	210,633,585	189,883,046
SCHEDULE O: OTHER INCOME		
Sale of Scrap	106,013	70,185
Miscellaneous Receipts	2,214,167	2,933,415
Capital Gain on Sale of Land	10,333,074	5,219,267
Interest Received	1,03,461	70,994
Forex Fluctuation gain	NIL	11,388,478
	12,756,715	19,682,339
SCHEDULE P: INCREASE/(DECREASE) IN STOCKS		
Closing Stock:-		
Finished Goods	41,938,887	44,106,389
Work In Progress	9,859,172	13,082,034
	A	57,188,423
Less: Opening Stock:-		
Finished Goods	44,106,389	35,360,034
Work In Progress	13,082,034	14,372,714
	B	57,188,423
Increase/(Decrease)	A-B	7,455,675
SCHEDULE Q: MATERIALS CONSUMED		
Raw materials		
Opening Stock-Raw Material	7,382,201	6,530,389
Add: Purchase - Raw Material	29,460,259	40,082,792
	36,842,460	46,613,181
Less: Closing Stock	6,115,967	7,382,201
Total(A)	30,726,493	39,230,980
Packing Material		
Opening Stock-Packing Material	3,183,441	2,792,856
Add: Purchase - Packing Material	10,577,609	14,246,138
	13,761,050	17,038,994
Less: Closing Stock	2,946,834	3,183,441
Total(B)	10,814,216	13,855,553
Materials consumed	41,540,709	53,086,533
SCHEDULE R: MANUFACTURING EXPENSES		
Fuel Consumed	4,728,284	5,640,100
Electricity charges	956,544	1,268,726
Repairs to Plant & Machinery	666,285	624,624
Repairs to Building	109,989	103,973
Other Manufacturing Expenses	2,430,265	3,313,313
Cultivation Expenses	242,103	279,526
Treatment Expenses	2,685,557	2,640,537
	11,819,027	13,870,799

PARTICULARS	31.03.2010 Rupees	31.03.2009 Rupees
SCHEDULE S: STAFF COST (INCLUDING MANAGERIAL REMUNERATION)		
Salaries, Wages & Bonus	57,565,609	64,848,009
Provident Fund and Other Funds	4,400,041	4,568,239
Workmen and Staff Welfare Expenses	1,973,626	2,427,872
	63,939,276	71,844,120
SCHEDULE T: ADMINISTRATIVE EXPENSES		
Rent	5,682,163	8,361,514
Rates and Taxes	952,838	2,941,664
Legal & Professional charges	242,688	1,067,758
Directors Expenses	11,000	25,000
Directors Sitting Fee	255,000	275,000
Research and Development Expenses	130,225	643,851
Loss on sale of fixed Asset	-	9,632
Auditors remuneration	90,000	90,000
Vehicle Maintenance	85,144	99,891
Insurance	76,988	128,412
Travelling -Others	807,976	1,534,139
Travelling -Corporate	1,507,828	3,319,665
Founders Day Expenses	35,959	1,010,478
Electricity charges	953,467	945,567
Printing & Stationery	1,354,626	1,716,769
Postage & Telephone	1,456,138	2,226,417
Secretarial Expenses	628,003	676,127
Repairs & Maintenance- Branch assets	1,285,668	1,912,687
Diminution in Value of Invest & funding to Subsidiary	-	2,549,197
Other Administrative Expenses	6,179,130	7,275,880
	21,734,841	36,809,648
SCHEDULE U: SELLING & DISTRIBUTION EXPENSES		
Travelling -Sales Staff	8,070,363	12,051,309
Advertisements	582,908	6,275,721
Training Expenses	256,218	604,083
Other Selling & Distribution Expenses	11,199,983	14,556,413
	20,109,472	33,487,526
SCHEDULE V :FINANCE CHARGES		
Interest to Bank - Term Loan	6,796,580	13,499,971
Interest to Others	360,757	270,892
Bank Charges	1,396,901	786,527
Interest to Bank-Cash Credit/OCC	6,304,525	6,511,612
	14,858,763	21,069,002
SCHEDULE W : MISCELLANEOUS EXPENDITURE W/OFF		
Deffered Sales Promotion Expenditure	4,098,864	4,098,863
Ammalgamation Expense	1,140,900	1,140,901
Preliminary Expenses W/Off	70,284	70,284
Deffered R&D Expense W/Off	243,456	243,456
	5,553,504	5,553,504

KERALA AYURVEDA LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2010

PARTICULARS	For the year ended 31.03.2010 (Rupees)	For the year ended 31.03.2009 (Rupees)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before Tax and Interest	(6,688,176)	(29,330,073)
Adjustment for:		
Depreciation	5,858,038	6,524,517
Interest Received	(103,461)	(70,994)
Dividend Received	(4,000)	(4,000)
Good will written Off	6,720,864	6,720,864
Miscellaneous Expenditure & Deffered Exp W /off	5,553,504	5,553,504
Ammortisation of Software	7,371,048	7,371,048
Long term capital gain on sale of land	(10,333,074)	(5,219,267)
Investment in subsidiary company written off		1,420,331
Profit/Loss on sale of fixed assets		9,632
Operating profit before working capital changes	8,374,742	(7,024,438)
Adjustments for:		
Trade receivables	4,613,798	(6,782,537)
Other Receivables	43,261,066	(13,678,857)
Inventories	7,051,182	(8,665,255)
Work In Progress- Nursing Business	(1,412,910)	(9,792,390)
Work In Progress-Research project	4,503,405	(6,953,990)
Current Liabilities & Provisions	6,368,323	(52,033)
Cash generated from operations	64,384,863	(59,027,000)
Direct taxes paid	(18,472)	(574,422)
Net cash from operating activities A	72,741,133	(53,523,922)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed assets	(61,324,976)	(43,847,108)
Work In Progress-Software		(6,077,500)
Sale of fixed assets	25,320,000	5,924,009
Investments	(200,000)	(200,000)
Loans to Subsidiaries	(104,256,965)	53,960,032
Advance from purchase of properties	49,500,000	
Dividend Received	4,000	4,000
Interest Received	103,461	70,994
Net cash used in Investing activities B	(90,854,480)	9,834,426
C. CASH FLOW FROM FINANCING ACTIVITIES		
Cash Credit facility	NIL	760,212
Increase in Unsecured Loans	112,070,749	96,235,279
Decrease in secured Loans	(76,741,298)	(36,851,500)
Interest paid	(14,858,763)	(21,069,002)
Net cash from financing activities C	20,470,688	39,074,989
Net cash flows during the year (A+B+C)	2,357,342	(4,614,507)
CASH & CASH EQUIVALENTS		
Opening balance	4,414,408	9,028,915
Closing balance	6,771,750	4,414,408
Net Increase/(Decrease) in Cash & Cash Equivalents	2,357,342	(4,614,507)

This is the Cash Flow statement referred to in our report of even date

For **MAHARAJ RAJAN & MATHEW,**
Chartered Accountants

For **KERALA AYURVEDA LIMITED,**

MATHEW JOSEPH
Partner

Dr. K ANILKUMAR
Executive Director

BANGALORE
21.08.2010

JAISON THOMAS
Company Secretary

A T JACOB
Director

SCHEDULE – X: NOTES FORMING PART OF ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES FOLLOWED IN THE COMPILATION OF ACCOUNTS

1. **Basis for preparation of financial statements and method of accounting**
The financial statements are prepared under the historical cost convention on accrual basis of accounting and in accordance with policies generally accepted in India including Accounting Standards issued by the Institute of Chartered Accountants of India.
2. **Use of estimates**
The preparation of the financial statements in conformity with the accounting standards generally accepted in India requires the management to make estimates that affect the reported amount of assets and liabilities disclosure of contingent liabilities as at the date of the financial statement and reported amounts of revenues and expenses for the year. Actual results could differ from estimates.
3. **Fixed Assets**
 - a) Fixed assets are stated at cost less depreciation. Cost includes expenses related to acquisition and installation of fixed assets.
 - b) Depreciation is charged on Straight Line Method at the rates and in the manner prescribed in Schedule XIV of the Companies Act 1956.
 - c) In respect of software developed internally the cost is amortised over a period of 5 years.
4. **Borrowing costs**
Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that has necessarily taken substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.
5. **Inventories**
Raw materials, consumables and work-in-progress are valued at cost or net realizable value, whichever is lower. Stores and Spares are valued at cost.
6. **Revenue Recognition**
Sales are net of rebate, discount, excise duty and sales tax (VAT). Treatment income & consulting charges is recognized on completion of each service & consultation and research/healthcare consultancy income is recognized on accrual basis.
7. **Transactions in Foreign Exchange**
Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Foreign currency assets and liabilities at the year end are translated into rupees at the rate of exchange prevailing on the date of balance sheet. All exchange differences are dealt with in the statement of Accounts.
8. **Employee Benefits / Retirement Benefits.**
 - Leave Encashment Benefit accounted on the basis that such benefits is payable to employees at the end of the year.
 - Gratuity Provision is made based on actuarial valuation.
 - Provident Fund contribution is as per the rate prescribed by the related Act.
9. **Miscellaneous Expenditure**
1/5 of the preliminary expenses and initial Advertisement & sales promotion expenditure are written off every year. Goodwill on merger appearing in the Book has been amortized in the ratio 1/5, from 2006-07 onwards.
10. **Research & Development.**
Revenue expenditure on research and development is charged to Profit & Loss account. Capital expenditure on research and development is included as a part of fixed assets and depreciated on the same basis as other fixed assets.
11. **Intangible Assets**
Intangible assets are recognized on the basis of the future economic benefits that will flow to the enterprise. The assets are recorded at the price paid to acquire them. Intangible assets will be written off over a period of their estimated useful lives
12. **Impairment of assets**
Impairment loss if any, is provided to the extent the carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of useful life.
13. **Investments**
Investments are stated at cost less provision for diminution other than temporary in their values.

14. Provision for Tax

Income tax and Deferred tax provision for the year is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961. Deferred tax resulting from 'timing difference' between book and taxable profit is accounted by using the tax rates and laws that are enacted or substantively enacted on the Balance Sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is a reasonable certainty that the asset will be realised in future.

B. NOTES TO ACCOUNTS

- a. Loans and Advance includes loan of ` 120,900,643 given to Subsidiary Companies namely, Loan to M/s. Ayurvedagram Heritage Wellness Centre Pvt. Ltd. ` 3,300,000 towards margin money for Term loans and Advance of ` 5,600,000, Ayu Inc. ` 29,100,398, Ayurvedic Academy Inc. ` 47,393,066 and CMS Katra Holdings LLC ` 35,507,179.
- b. During the year the company has disposed off a portion of its land at Poolani and a flat at Puttapparthu whereby the company realised a net capital gain of ` 10,333,074.
- c. The company has acquired land near Cochin International Airport for setting up of a Health resort project to be managed by its subsidiary M/s Ayurvedagram Heritage Wellness Centre Pvt. Ltd., and has completed registration formalities for a portion of the land as on 31.03.2010 and registration for the remaining land is since completed.
- d. Contingent Liabilities
- Company has given a corporate guarantee of ` 60,000,000/- to Axis Bank Ltd., towards the Credit facilities availed by subsidiary company M/s Ayurvedagram Heritage Wellness Centre Pvt. Ltd.
 - The company has given a bank guarantee of ` 1,000,000/- to The Ministry of Indian Affairs, Office of Protector General of Emigrants, New Delhi.
 - Company has given a corporate guarantee of ` 50,000,000/- to Ratnakar Bank Ltd., towards the Credit facilities availed by subsidiary company M/s Ayurvedagram Heritage Wellness Centre Pvt. Ltd.
- e. Sundry Creditors include ` 1,406,881 (Previous year ` 1,597,518) due to Small Scale and ancillary industrial undertakings to the extent such parties, have been identified from the available documents/ information. The names of SSI units to whom amounts due for more than 30 days are Chancellor Cartons, J K Plastics, Duropack Industries
- f. Confirmation letters have been sent to the Debtors and Creditors seeking confirmation of balances, stating that in the absence of any reply the book figure will be taken as confirmed and confirmations have been received in some cases.
- g. The previous year figures have been re-grouped / re-classified wherever necessary.
- h. Taxation
- Provision for current tax
No provision for taxation has been made as no tax is payable during the year under the provisions of the Income Tax Act 1961.
 - Deferred taxation

The status and break up is given below

(Rupees)

Deferred Head	Position on 31.03.2009		Current Year		Position as on 31.03.2010	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Depreciation		10,856,736	545,320			10,311,416
Unabsorbed Depreciation	15,893,729		1,212,094		17,105,823	
Unabsorbed Business Loss	30,833,334		3,307,234		34,140,568	
Provision for gratuity	1,619,845		181,222		1,801,067	
	48,346,908	10,856,736	5,245,870		53,047,458	10,311,416
Net		37,490,172	5,245,870			42,736,042

i. Details of Raw materials consumed.

Item	Unit	2009-10		2008-09	
		Qty	Value (₹)	Qty	Value (₹)
Jaggery	Kg.	48,009	1,395,615	68,304	1,739,011
Ghee	Kg.	5,452	1,294,776	10,068	1,860,392
Honey	Kg.	4,816	351,199	6,462	471,753
Sugar	Kg.	61,662	2,155,687	83,567	1,842,660
Milk	Ltr.	56,005	1,165,463	71,747	1,477,271
Oil	Kg.	71,922	5,438,378	86,645	6,893,517
Herbs & Raw drugs			18,925,376		24,946,376
			30,726,494		39,230,980

j. Licensed and Installed capacities and actual production:

Particulars	Unit	Licensed Capacity	Installed Capacity	Production	
				2009-10	2008-09
Kashayam					
Arishtam, Oil					
Kuzhambu etc.	Ltr	NA	672,000	324,549	421,430
Lehyam					
Chooranam					
Ghritham etc.	Kg.	NA	134,400	61,820	78,186
Gulikas	1000 Nos.	NA	54,000	30,600	38,777

k. Particulars of turnover and stock.

Particulars	Unit	Opening Stock		Closing Stock		Turn over	
		Quantity	Value	Quantity	Value	Quantity	Value
Kashayam, Arishtam		262,059	20,659,428	315,493	21,969,786	271,115	55,792,182
Oil, Kuzhambu etc.	Ltr	(307,146)	(20,852,628)	(262,059)	(20,659,428)	(466,517)	(72,330,942)
Lehyam, Chooranam	Kg	71,447	4,284,578	58,378	4,679,767	74,889	12,268,520
Ghritham etc.		(80,805)	(4,355,924)	(71,447)	(4,284,578)	(87,544)	(19,610,465)
Gulikas	1000 Nos.	101,425	19,162,383	41,930	15,289,333	90,095	73,015,630
		(97,552)	(10,151,481)	(70,425)	(19,162,383)	(65,904)	(55,875,765)
Total			44,106,389		41,938,887		141,076,332
			(35,360,033)		(44,106,389)		(147,817,172)

* Previous years figures are in brackets and value is at Kerala MRP.

l. Managerial Remuneration.

Name	Designation		2009-10	2008-09
Dr. K Anilkumar *	Executive Director	Basic	1,523,750	1,920,000
		Special Allowance	955,222	1,500,000
		HRA	641,400	768,000
		PF contribution	182,850	192,000
		Medical Reimb.	7,928	12,000
		Leave Travel Allow.	101,849	18,161
Total:			3,412,999	4,410,161

* Ministry of Company Affairs, Government of India vide its letter No.12/329/2006-CL.VII dated March 22, 2007 had approved the appointment of Dr. K Anilkumar as Executive Director (Technical) in accordance with Section 269 of the Companies Act, 1956 for a period of three years effective upto June 27, 2010. Thereafter his remuneration has been paid as permissible by the provisions of the companies act and as approved by the Board of Directors. The remuneration paid to him during 2009-10 is within the limits prescribed in the above said approval and Companies Act provisions.

	2009-10	2008-09
m. Earnings in Foreign Exchange:-		
F.O.B Value of Export	6,577,012	9,945,758
Freight and other reimbursements	501,011	534,325
n. Expenditure in foreign currency	NIL	314,884
o. Auditor's Remuneration		
Audit Fees	60,000	60,000
Tax Audit Fees	30,000	30,000
Out of Pocket Exp	9,000	11,067
Certification & other matters	41,750	24,250
Total	140,750	125,317

p. Disclosure of Related Party Transaction in accordance with Accounting Standard (AS-18) "Related Party Disclosures issued by the Institute of Chartered Accountants of India:

(A) Names of the related party and nature of relationship where control exists:

SI No	Name of the Company	Nature of Relationship
1	Katra Holdings Limited, Mauritius	Holding Company
2	Ayurvedagram Heritage Wellness Centre Pvt. Ltd.*	Subsidiary
3	Ayu Inc, USA	Wholly owned Subsidiary
4	Ayu Natural Medicine Clinic PS, USA	-do-
5	Ayurvedic Academy Inc., USA	-do-
6	Nutraveda Pte Ltd	-do-
7	CMS Katra Holdings LLC, USA	Subsidiary
8	CMS Katra Nursing LLC, USA	Step down Subsidiary

(B) Other Related Parties:

SI No	Related Party	Relationship
1	Dr. K.Anilkumar	Key Management Personnel
2	Mrs. Sunitha Anilkumar**	Relative of Key Management Personnel
3	Mrs. Chithra Gopinath**	-do-

(C) Companies controlled by Directors/Relatives.

Katra Phytochem India Pvt. Ltd.	All Seasons Herbs Pvt. Ltd.*	Segrow Bio-Technics India Pvt. Ltd
Arudrama Developments Pvt. Ltd.	Katra Marine Pvt. Ltd.	Global AgriSystem Pvt. Ltd. & its subsidiaries
Mason & Summers Alcobev Pvt. Ltd.	Katra Liquor Pvt. Ltd.	Mason & Summers Marketing Service P Ltd.
Mason & Summers Leisure Pvt. Ltd.	Katra Holding Pvt. Ltd.	

* In accordance with the prior approval obtained from the Central Government, the company has entered into Contract/ transactions with these companies.

**Company has taken on rent the premises belong to them for running of its Hospital/ Pharmacy at Aluva, Kerala.

(D) Nature and volume of transactions for the year ended 31st March 2010

Nature of Transaction	Subsidiary Companies	Key Management Personnel	Relatives of Key Management Personnel	Enterprise over which Key managerial personnel or other relatives exercise significant influence
Purchase of Goods	-	-	-	3,075,740 (6,250,695)
Sale of Goods	1,998,111 (4,406,227)	-	-	-
Services income	315,000 (301,400)	-	-	-
Reimbursement of Expenses to KAL	1,120,529 (6,845)	-	-	7,637,011 (765,965)
Reimbursement of Expenses by KAL	135,593 (84,675)			(32,504)
Paid for Services	1,269,331 (199,895)	-	-	-
Rent Paid	-	-	628,428 (598,500)	-
Remuneration Paid	-	3,412,999 (4,410,161)	-	-
Purchase of Fixed Asset	-	-	-	-
	(100,000)			
Advance for purchase of Land	49,500,000	-	-	-
	-	-	-	-
Loan taken during the year from others and repayment of loans by the subsidiaries	4,792,963 (104,667,442)	-	-	190,170,000 (189,472,141)
Loan repaid / additional loans granted to Subsidiaries during the year	109,902,964 (52,123,686)	-	-	68,400,000 (99,856,400)

*Previous year figures are in brackets

q. Segment wise Revenue, Results and Capital employed for the year ended 31st March 2010.

Particulars	Year Ended	
	31.03.2010	31.03.2009
1.Segment Revenue		
A) Ayurveda Business	1,590.05	1,751.44
B) Healthcare Software Business	458.40	77.03
Total	2,048.45	1,828.47
Less-Inter Segment Revenue	-	-
Gross Sales/Income from Operation	2,047.25	1,828.47
2.Segment Result		
A) Ayurveda Business	(18.90)	4.68
B) Healthcare Software Business	55.48	(133.88)
Total	36.58	(129.20)
Less: Interest (Not Allocable)	148.58	210.69
Other Unallocable Expenditure	206.98	164.10
Total Profit/(Loss) before Tax	(318.98)	(503.99)
3.Capital Employed		
A) Ayurveda Business	3,997.82	3,704.92
B) Healthcare Software Business	350.09	454.89
C) Other Unallocable	1,138.04	1,136.04
Total Capital Employed	5,485.95	5,295.85

r. Schedules A to W form an integral part of the Balance Sheet and Profit and Loss Account.

s. **BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

i. Registration Details

Registration No. : **L24233KL1992PLC006592** State Code : **09**Balance Sheet Date : **31.03.2010**

ii. Capital raised during the year (Amount in ` Thousands)

Public Issue : **NIL**Right Issue: **NIL**Bonus Shares: **NIL**Private Placement : **NIL**

iii. Position of mobilization and Development of Funds (Amount in ` Thousands)

Total Liabilities : **673459**Total Assets : **673459**

a) Sources of Funds

Paid-up Capital: **105557**Share Warrant Appl. Money : **1**Share Warrant Appl. Money Forfeited : **1431**Reserves & Surplus : **119424**Secured Loans : **48830**Unsecured loans : **398216**

b) Application of funds

Net Fixed Assets : **194688**Investment : **113804**Net Current Assets : **189413**Misc. Expenditure : **7954**Accumulated Losses : **124864**Deferred asset : **42736**

iv. Performance of company (amount in ` Thousands)

Turnover (Gross Revenue) : **215284**Total Expenditure : **236850**-/+ Profit/Loss Before Tax : **-21565**-/+ Profit/Loss after tax : **-16319**Earning per share in ` : **NA**Dividend rate % : **NIL**

v. Generic Name of Three Principal Products/Services of company(as per monetary terms)

Item Code No. **3003.31** Product Description : Ayurvedic Classical medicinesItem Code No. **3003.31** Product Description : Ayurvedic Patent Medicines

Item Code No. Product Description : Ayurvedic Treatment and Health Service

For **MAHARAJ RAJAN & MATHEW,**
Chartered AccountantsFor and on behalf of the Board
For **KERALA AYURVEDA LIMITED,****MATHEW JOSEPH**
Partner**Dr. K ANILKUMAR**
Executive DirectorBANGALORE
21.08.2010**JAISON THOMAS**
Company Secretary**A T JACOB**
Director

KERALA AYURVEDA LIMITED

STATEMENT PURSUANT TO SECTION 212(1) (e) OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

Name of the subsidiary company	Ayurvedagram Heritage Wellness Centre Pvt. Ltd.	Ayu Inc.	Ayu Natural Medicine Clinic PS.	Ayurvedic Academy Inc.	Nutraveda Pte Ltd**	CMS Katra Holdings LLC***	CMS Katra Nursing LLC ****
No. of Shares held in Subsidiary Company as on the above date	16,65,000 Equity Shares of ` 10 each fully paid up	100* Share of no par Value	100* Share of no par Value	100* Share of no par Value	1 Share of Sing \$1	817 shares of par value USD1	51 shares of USD 100
Extent of Holding	74%	100%	100%	100%	100%	81.67%	51%
The "financial year" of the subsidiary company ended on	31st March 2010	31st March 2010	31st March 2010	31st March 2010	31st March 2010	31st March 2010	31st March 2010
Net aggregate amount of the subsidiary company's profits/ losses dealt with in the holding company's accounts For the subsidiary's aforesaid financial year	NIL	NIL	Nil	NIL	NIL	NIL	NIL
For the previous financial years since it became subsidiary	NIL	NIL	Nil	NIL	NIL	NIL	NIL
Net aggregate amount of the subsidiary company 's profits/(losses) not dealt with in the holding company's accounts For the subsidiary's aforesaid financial year	` 47.71 Lacs	` (58.33) Lacs	` (100.73) Lacs	` (13.55) Lacs	NIL	` (27.87) Lacs	` (53.47) Lacs
For the previous financial years since it became subsidiary	` 23.35 Lacs	` (170.84) Lacs	` (454.06) Lacs	` (322.31) Lacs	NIL	` (1.38) Lacs	` (437.29) Lacs
Material Changes, if any, in the holding company's interest in the subsidiary between the end of the financial year of the subsidiary and that of the holding company	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Material changes, if any, between the end of the financial year of the subsidiary and that of the holding company	NIL	NIL	NIL	NIL	NIL	NIL	NIL

Note:- The foreign exchange rate used for conversion of foreign currency as on 31st March 2010: US\$ @ ` 45.14 and Singapore \$ @ ` 32.30

* These shares were allotted by the company without any par value.

** During the year a new wholly owned Subsidiary, Nutraveda Pte Ltd. was incorporated in Singapore on 29th June 2009.

*** The Company's stake in CMS Katra Holdings LLC increased from 80% to 81.67% during the year

**** CMS Katra Nursing LLC is a 51% subsidiary of CMS Katra Holdings LLC hence a step down subsidiary of the company.

For and on behalf of the Board
For **KERALA AYURVEDA LIMITED,**

BANGALORE
21.08.2010

JAISON THOMAS
Company Secretary

A T JACOB
Director

Dr. K ANILKUMAR
Executive Director

KERALA AYURVEDA LIMITED

STATEMENT PURSUANT TO SECTION 212(8) OF THE COMPANIES ACT, 1956

Name of the subsidiary company	Ayurvedagram Heritage Wellness Centre Pvt. Ltd.	Ayu Inc.	Ayu Natural Medicine Clinic PS.	Ayurvedic Academy Inc.	Nutraveda Pte Ltd.	CMS Katra Holdings LLC	CMS Katra Nursing LLC
Capital	₹ 225.00 lacs	NIL *	NIL *	NIL *	₹ 0.00 lacs	₹ 0.45 lacs	₹ 4.51 lacs
Reserves/(Accumulated Losses)	₹ 46.27 lacs	(₹ 229.17 lacs)	(₹ 554.79 lacs)	(₹ 335.86 lacs)	NIL	(₹ 29.25 lacs)	(₹ 490.76 lacs)
Total Assets	₹ 1164.97 lacs	₹ 448.82 lacs	₹ 550.38 lacs	₹ 781.36 lacs	₹ 0.00 lacs	₹ 745.02 lacs	₹ 563.74 lacs
Total Liabilities	₹ 1164.97 lacs	₹ 448.82 lacs	₹ 550.38 lacs	₹ 781.36 lacs	₹ 0.00 lacs	₹ 745.02 lacs	₹ 563.74 lacs
Details of Investment (Excluding Investment in Subsidiaries)	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Turnover	₹ 365.92 lacs	₹ 124.95 lacs	₹ 229.02 lacs	₹ 334.04 lacs	NIL	NIL	₹ 266.69 lacs
Profit/(Loss) Before Tax	₹ 64.27 lacs	(₹ 58.33 lacs)	(₹ 100.73 lacs)	(₹ 13.55 lacs)	NIL	(₹ 27.87 lacs)	(₹ 53.47 lacs)
Provision for Tax	₹ 16.57 lacs	NIL	NIL	NIL	NIL	NIL	NIL
Profit/(Loss) After Tax	₹ 47.71 lacs	(₹ 58.33 lacs)	(₹ 100.73 lacs)	(₹ 13.55 lacs)	NIL	(₹ 27.87 lacs)	(₹ 53.47 lacs)
Proposed Dividend	NIL	NIL	NIL	NIL	NIL	NIL	NIL

*These shares were allotted by the company without any par value

Notes:

- None of the above companies has proposed any dividend
- The amounts given in the table above are from the annual accounts made for the respective financial year end for each of the companies.
- The foreign exchange rate used for conversion of foreign currency as on 31st March 2010: US\$ @ ₹ 45.14 and Singapore \$ @ ₹ 32.30
- During the year a new Wholly owned Subsidiary, Nutraveda Pte Ltd was incorporate in Singapore on 29th June 2009.
- The annual accounts of the subsidiary companies & the related detailed information will be made available to the investor, who seek such information, at any point of time. The annual accounts of the subsidiary companies will also be kept for inspection by the investors in the Registered Office of your company and that of Subsidiary concerned.

AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To The Board of Directors of,
KERALA AYURVEDA LIMITED

1. We have audited the attached Consolidated Balance Sheet of Kerala Ayurveda Limited and Its Subsidiaries (the Group) as at 31st March 2010 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed there to. These consolidated financial statements are the responsibility of the company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding its subsidiaries. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. 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 and (AS-23) Accounting for Investments in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.
4. We did not audit the financial statements of Ayurvedagram Heritage Wellness Centre Private Limited, Ayu Natural Medicine Clinic PS., Ayurvedic Academy Inc., Ayu Inc., CMS Katra Holdings LLC, CMS Katra Nursing LLC and Nutraveda PTE Ltd, subsidiaries whose financial statements reflect total assets of ` 4254.29 Lacs and total net revenue of ` 1320.62 Lacs. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is solely on the report of the other auditors.
5. Based on our audit and on consideration of the report of other auditors on separate financial statements and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements 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 state of the Group as at 31st March, 2010;
 - b) In the case of the consolidated Profit and Loss Account of the Group for the year ended on that date.
 - c) In the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **Maharaj Rajan & Mathew,**
Chartered Accountants

Place : Kochi
Date : 21.08.2010

Mathew Joseph, Partner
Membership No.22658

KERALA AYURVEDA LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2010

PARTICULARS	SCHEDULE	31.03.2010 Rupees	31.03.2009 Rupees
I SOURCES OF FUNDS			
1) Shareholders Funds			
Share Capital	A	105,556,700	105,556,700
Warrant Application Money		1,494	1,494
Share Warrant Application Money Forfeited		1,431,000	1,431,000
Reserves and Surplus	B	119,423,855	120,307,248
2) Loan Funds			
Secured Loans	C	126,961,752	168,928,262
Unsecured Loans	D	471,873,682	463,278,869
Minority Interest		7,053,080	5,972,871
		832,301,563	865,476,444
II APPLICATION OF FUNDS			
1) Fixed Assets			
Gross Block	E	336,276,706	304,803,602
Less Depreciation		74,675,606	65,219,694
Net Block		261,601,100	239,583,908
Capital Work In Progress		6,077,500	6,077,500
Goodwill on consolidation		98,004,058	98,075,425
2) Investments	F	717,500	517,500
Deffered Tax Assets		39,559,439	36,331,371
3) Current Assets, Loans & Advances			
Inventories	G	63,874,250	73,497,929
Sundry Debtors	H	53,427,777	68,286,646
Cash & Bank balances	I	8,160,681	5,645,479
Loans & Advances	J	67,082,155	108,330,130
		192,544,863	255,760,184
Less: Current Liabilities & Provisions	K	83,304,836	77,897,139
Net Current Assets		109,240,027	177,863,045
4) Miscellaneous Expenditure (To the extent not Written off or adjusted)	L	30,530,823	43,992,194
5) Profit & Loss account	M	286,571,116	263,035,501
		832,301,563	865,476,444
Significant Accounting Policies & Notes to Account	X		

This is the Balance Sheet referred to in our report of even date

For **MAHARAJ RAJAN & MATHEW,**
Chartered Accountants

For and on behalf of the Board
For **KERALA AYURVEDA LIMITED,**

MATHEW JOSEPH
Partner

Dr. K ANILKUMAR
Executive Director

JAISON THOMAS
Company Secretary

A T JACOB
Director

BANGALORE
21.08.2010

KERALA AYURVEDA LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

PARTICULARS	SCHEDULE	31.03.2010 Rupees	31.03.2009 Rupees
INCOME			
Sale of Products & Services	N	336,488,586	455,206,790
Other Income	O	15,052,803	21,283,619
		351,541,389	476,490,409
Less: VAT & Excise duty		8,105,351	10,036,405
Total		343,436,038	466,454,004
EXPENDITURE			
(Increase)/Decrease in stocks	P	5,390,364	(7,455,675)
Raw Materials & Packing Materials Consumed	Q	41,540,709	53,086,533
Cost of Sales		74,592,812	147,037,591
Manufacturing Expenses	R	16,613,473	19,766,285
Staff Cost	S	104,486,854	162,411,295
Administrative Expenses	T	47,318,259	97,676,177
Selling & Distribution Expenses	U	34,022,202	52,373,872
Finance Charges	V	23,259,695	35,636,474
Depreciation	E	10,042,407	10,471,951
Miscellaneous Expenses Written off	W	12,625,037	12,923,819
Amortisation of Goodwill on merger	E	6,720,864	6,720,864
Amortisation of Software	E	7,371,048	7,371,048
		383,983,724	598,020,234
Profit/(Loss) Before Taxes		(40,547,686)	(131,566,230)
Provision for Current Tax/MAT		(361,371)	177,241
Provision for Fringe Benefit Tax		-	645,172
Provision for Deferred Tax Assets		3,228,068	11,138,757
Profit/(Loss) after Taxation before Minority Interest		(36,958,247)	(121,249,886)
Less Minority Interest		1,080,209	163,698
Profit/(Loss) after Taxation after Minority Interest		(38,038,456)	(121,413,584)
Profit/(Loss) brought forward from previous year		(263,035,501)	(126,636,488)
Forex fluctuation on brought forward loss		14,854,648	(14,985,429)
Forex fluctuation loss		(351,807)	
Profit/(Loss) Carried forward to Balance Sheet		(286,571,116)	(263,035,501)
Significant Accounting Policies & Notes to Account	X		

This is the Profit and Loss Account referred to in our report of even date

For **MAHARAJ RAJAN & MATHEW,**
Chartered Accountants

MATHEW JOSEPH
Partner

JAISON THOMAS
Company Secretary

BANGALORE
21.08.2010

For and on behalf of the Board
For **KERALA AYURVEDA LIMITED,**

Dr. K ANILKUMAR
Executive Director

A T JACOB
Director

KERALA AYURVEDA LIMITED

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31.03.2010

PARTICULARS	31.03.2010 Rupees	31.03.2009 Rupees
SCHEDULE A : SHARE CAPITAL		
Authorised:		
12000000 Equity Shares of ` 10/- each	120,000,000	120,000,000
Issued,Subscribed and paid up		
10555670 Equity Shares of ` 10/- each fully paid up	105,556,700	105,556,700
Notes: of the above		
1. 48,13,602 Shares were issued as fully paid up for consideration other than cash		
2. Promoters hold 64,93,435 Shares through their Holding Company M/s Katra Holdings Ltd, Mauritius.		
	105,556,700	105,556,700
SCHEDULE B : RESERVES AND SURPLUS		
Capital Reserve	3,110,879	3,110,879
Share Premium	114,514,976	114,514,976
General reserve	1,798,000	1,798,000
Forex Fluctuation Reserve	-	883,393
	119,423,855	120,307,248
SCHEDULE C: SECURED LOANS		
Axis Bank -Term Loan 1 (KAL)	-	42,500,000
Axis Bank -Term Loan 2 (KAL)	-	32,500,004
Axis Bank, Bangalore-OCC Limits	48,829,782	48,599,035
Axis Bank -Term Loan 1(AHWC)	17,593,425	29,749,823
Axis Bank -Term Loan 2(AHWC)	4,912,850	8,551,262
Axis Bank OD Account-(AHWC)	5,008,563	5,056,098
Ratnakar Bank - Term Loan	50,617,132	-
Interest Accrued and due		1,972,040
(Credit Facilities from Axis Bank and Ratnakar Bank are secured Against mortgage of land and building and hypothecation of other fixed assets, personal guarantee of one of the director and mortgage of land belonging to that director. Company's Inventory and Book Debts are pledged against the overdraft limit)		
	126,961,752	168,928,262
SCHEDULE D : UNSECURED LOANS		
From Share Holders	1,270,183	2,870,183
From Other Corporate Entities	470,338,906	459,860,825
From NBFC Vehicle Loan	264,593	547,861
	471,873,682	463,278,869

KERALA AYURVEDA LIMITED

SCHEDULE E-FIXED ASSETS- FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2010

	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK		
		As at 01.04.2009	Addition/ Adjustments	Deductions/ Adjustments	Amortisation	As at 31.03.2010	Up to 31.03.2009	For the year	Deduction	Up to 31.03.2010	As at 31.03.2010	As at 31.03.2009
1	Land & Development	61,154,613	59,916,688	14,246,462		106,824,839	-	-	-	-	106,824,839	61,154,613
2	Building	76,843,158	527,384	1,495,495		75,875,048	16,528,868	2,225,560	528,927	18,225,502	57,649,546	60,339,765
3	Plant and Machinery	31,105,690	409,662	-		31,515,352	12,916,999	1,489,939	-	14,406,938	17,108,414	18,188,691
4	Electrical Fittings	4,099,336	22,317	20,000		4,101,653	1,970,238	193,598	-	2,163,836	1,937,818	2,129,098
5	Furniture & Fixtures	60,107,578	274,850	104,327		60,278,100	21,500,051	3,889,976	29,385	25,360,641	34,917,458	38,431,932
6	Office Equipments	10,512,962	194,430	56,399		10,650,994	7,053,009	531,670	10,145	7,574,533	3,076,461	3,392,155
7	Computer&Accessories	8,101,218	62,954	44,261		8,119,910	3,028,636	1,340,284	18,058	4,350,862	3,769,047	4,992,267
8	Vehicles	3,261,499		-		3,261,499	1,100,750	305,596	-	1,406,347	1,855,153	2,160,749
9	Misc. Fixed Assets	4,159,450	123,675	-		4,283,125	1,121,143	65,804	-	1,186,947	3,096,178	3,038,307
	Intangible Assets											
	Goodwill on Merger	13,441,731			6,720,864	6,720,867					6,720,867	13,441,729
	Software	32,016,367			7,371,048	24,645,319					24,645,319	32,016,367
	Total	304,803,602	61,531,960	15,966,944	14,091,912	336,276,706	65,219,694	10,042,427	586,515	74,675,606	261,601,100	239,285,673
	Capital WIP	6,077,500				6,077,500					6,077,500	6,077,500
	Grand Total	310,881,102	61,531,960	15,966,944	14,091,912	342,354,206	65,219,694	10,042,427	586,515	74,675,606	267,678,600	245,363,173
	Previous year	272,948,059	70,314,000	18,289,045	14,091,912	310,881,102	54,931,079	10,471,951	183,335	65,219,694	245,661,408	218,016,980

Note :

Land & Development includes ` 10.10 lacs for a portion of the land at Bangalore, even though the sale deed is yet to be registered. The company has obtained power of attorney and is in full possession of the said property.

PARTICULARS	31.03.2010 Rupees	31.03.2009 Rupees
SCHEDULE F : INVESTMENTS		
Non Trade (Quoted in Stock Exchange)		
500 equity shares of ` 10 each fully paid up in Canara Bank Limited Market Value ` 410.35 per share (last Year ` 225/- per share)	17,500	17,500
Trade (Non quoted)		
70 Equity Shares of ` 10000/- each in Confederation for Ayurvedic Renaissance Keralam Private limited	700,000	-
Share application money towards purchase of shares in Confederation for Ayurvedic Renaissance Keralam Private Limited		500,000
	717,500	517,500
SCHEDULE G : INVENTORIES		
(As taken, valued & Certified by Management)		
Finished Goods	44,800,145	49,343,179
Furnace Oil	39,433	13,082,034
Packing Material	2,946,834	7,579,166
Raw Material	6,115,967	3,183,441
Stores & Spares	112,699	136,023
Work in Progress	9,859,172	93,470
Goods in Transit		80,616
	63,874,250	73,497,929
SCHEDULE H : SUNDRY DEBTORS		
Debts outstanding for more than 6 months	33,098,668	26,171,277
Other debts	20,329,109	42,115,369
Debts considered good in respect of which the company hold no security other than debtors personal security ` 53,427,777/- (` 68,286,646/-)		
Debts considered doubtful or bad ` 3,98,963/- (` 3,98,963/-)		
	53,427,777	68,286,646
SCHEDULE I: CASH AND BANK BALANCES		
Cash in Hand (As certified by Management)	1,386,025	877,486
Balance with Scheduled banks:- In Current accounts	5,431,329	3,517,090
In Deposit accounts	1,343,327	1,250,903
	8,160,681	5,645,479

PARTICULARS	31.03.2010 Rupees	31.03.2009 Rupees
SCHEDULE J: LOANS AND ADVANCES		
(Unsecured considered good and recoverable in cash or in kind or for value to be received)		
Deposits with Govt. Authorities	924,787	953,277
Deposits with others	6,124,962	8,120,657
Income Tax advance	2,753,277	1,157,548
Advance for Purchase	237,104	630,209
Advance for Land Purchase	310	42,828,557
Other Advances	16,273,937	16,489,058
Other Current Assets -Books & Study Materials	40,699	40,699
Prepaid expense	16,735	122,218
Prepaid Insurance	75,782	-
Project Expenses	5,385,849	-
Project-Cosmeceuticals	351,300	-
Nursing Business WIP	32,390,054	30,977,144
Research Project WIP(Ojus)	2,507,359	7,010,763
	67,082,155	108,330,130
SCHEDULE K-CURRENT LIABILITIES & PROVISIONS		
CURRENT LIABILITIES		
Sundry creditors- Mfgs.	12,828,461	24,248,769
Sundry creditors- Others	13,641,511	30,779,879
Deposits from others	1,234,500	1,220,000
Advances from Customers	7,511,692	969,268
Interest Accrued but not due	-	972,629
Other liabilities	28,893,516	14,298,141
Previlage Leave Encashment Payable	500,000	209,063
	64,609,680	72,697,749
PROVISIONS		
Provision for Gratuty	5,702,330	4,979,765
Provision for Project-Clinical	11,900,000	-
Provision For Taxation	1,092,826	219,625
	83,304,836	77,897,139
SCHEDULE L: MISCELLANEOUS EXPENDITURE		
Deffered Amalgamation Expenditure	1,376,108	2,517,008
Deffered Expenditure Brand Design	5,535,354	2,561,618
Deffered ExpenditureR&D	190,752	7,813,842
Deffered Sales Promotion Expenses	741,242	434,208
Goodwill & Project Expenses	22,417,701	30,484,958
Preliminary Expenses	269,666	180,560
	30,530,823	43,992,194
SCHEDULE M. PROFIT & LOSS ACCOUNT		
Opening balance	263,035,501	126,636,488
Forex Fluctuation & Adjustment	(14,488,118)	14,985,429
Add: Loss during the year	38,023,733	121,413,584
	286,571,116	263,035,501

KERALA AYURVEDA LIMITED

SCHEDULES FORMING PART OF CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2010

PARTICULARS	31.03.2010 Rupees	31.03.2009 Rupees
SCHEDULE N: SALE OF PRODUCTS AND SERVICES		
Sale of Products	148,975,306	148,685,204
Registration Fees	1,923,232	3,711,292
Treatment Income	51,241,886	47,711,928
Training Income	1,907,316	1,698,000
Research Consultancy	45,840,665	12,248,308
Healthcare/Software service income	-	7,642,500
Income from nursing service	26,669,041	156,476,468
Ayu Service income	59,931,140	77,033,090
	336,488,586	455,206,790
SCHEDULE O: OTHER INCOME		
Sale of Scrap	106,013	70,185
Miscellaneous Receipts	4,510,255	4,534,695
Profit on Sale of Land	10,333,074	5,219,267
Interest Received	103,461	70,994
Forex Fluctuation gain	-	11,388,478
	15,052,803	21,283,619
SCHEDULE P: INCREASE/(DECREASE) IN STOCKS		
Closing Stock:-		
Finished Goods	41,938,887	44,106,389
Work In Progress	9,859,172	13,082,034
	A	57,188,423
Less: Opening Stock:-		
Finished Goods	44,106,389	35,360,034
Work In Progress	13,082,034	14,372,714
	B	57,188,423
Increase/(Decrease)	A-B	7,455,675
SCHEDULE Q: MATERIALS CONSUMED		
Raw materials		
Opening Stock-Raw Material	7,382,201	6,530,389
Add: Purchase - Raw Material	29,460,259	40,082,792
	36,842,460	46,613,181
Less: Closing Stock	6,115,967	7,382,201
Total	A	30,726,493
Packing Material		
Opening Stock-Packing Material	3,183,441	2,792,856
Add: Purchase - Packing Material	10,577,609	14,246,138
	13,761,050	17,038,994
Less: Closing Stock	2,946,834	3,183,441
Total	B	10,814,216
Materials consumed	A + B	53,086,533
SCHEDULE R: MANUFACTURING EXPENSES		
Fuel Consumed	4,728,284	5,640,100
Electricity charges	956,544	1,268,726
Repairs to Plant & Machinery	666,285	624,624
Repairs to Building	109,989	103,973
Other Manufacturing Expenses	2,430,265	3,313,313
Cultivation Expenses	242,103	279,526
Treatment Expenses	7,480,003	8,536,023
	16,613,473	19,766,285

PARTICULARS	31.03.2010 Rupees	31.03.2009 Rupees
SCHEDULE S: STAFF COST (Including Managerial Remuneration)		
Salaries, Wages & Bonus	96,458,195	154,883,539
Provident Fund and Other Funds	4,776,330	4,991,238
Workmen and Staff Welfare Expenses	3,252,329	2,536,518
	104,486,854	162,411,295
SCHEDULE T: ADMINISTRATIVE EXPENSES		
Rent	11,996,164	17,535,989
Rates and Taxes	1,324,601	3,075,996
Legal & Professional charges	3,526,525	1,353,000
Directors Expenses	11,000	25,000
Directors Sitting Fee	255,000	275,000
Research and Development Expenses	130,225	643,851
Auditors Remuneration	156,180	156,180
Travelling -Others	807,976	6,918,803
Loss on sale of fixed Asset	-	83,088
Publication Expenses	265,481	-
Repairs & Maintenance-	2,813,724	2,719,519
Vehicle Maintenance	85,144	99,891
Insurance	668,466	128,412
Travelling	3,227,497	3,319,665
Founders Day Expenses	35,959	1,010,478
Electricity charges	1,474,478	1,500,885
Printing & Stationery	1,354,626	1,809,136
Postage & Telephone	3,270,375	3,522,097
Secreterial Expenses	628,003	676,127
Forex Fluctuation Loss	1,611,384	-
Diminution in Value of Invest & Fund to Subsidiary	-	(302,053)
Professional Fees	3,285,399	11,014,035
Other Administrative Expenses	10,390,052	42,111,078
	47,318,259	97,676,177
SCHEDULE U: SELLING & DISTRIBUTION EXPENSES		
Travelling -Sales Staff	8,070,363	12,115,818
Advertisements	5,347,204	8,585,789
Training Expenses	256,218	604,083
Bad debts	4,222,563	-
Other Selling & Distribution Expenses	16,125,854	31,068,182
	34,022,202	52,373,872
SCHEDULE V :FINANCE CHARGES		
Interest to Bank - Term Loans	10,858,175	19,470,502
Interest WC	6,943,441	7,176,807
Interest to Others	3,096,898	6,394,870
Bank Charges	2,361,181	2,594,295
	23,259,695	35,636,474
SCHEDULE W : MISCELLANEOUS EXPENDITURE W/OFF		
Deffered Sales Promotion Expenditure	4,098,863	4,098,863
Ammalgamation Expense	1,140,901	1,140,901
Preliminary Expenses W/Off	70,284	70,284
Deffered R&D Expense W/Off	243,456	243,456
Project Exp & Acquisition GW W/off	7,071,533	7,370,315
	12,625,037	12,923,819

KERALA AYURVEDA LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2010

Particulars	31.03.2010 (Rupees)	31.03.2009 (Rupees)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Loss before Tax and Interest	(17,287,991)	(95,929,756)
Adjustment for:		
Depreciation	10,042,407	10,471,951
Interest Received	(103,461)	(70,994)
Dividend Received	(4,000)	(4,000)
Goodwill written Off	6,720,864	6,720,864
Amortisation of Software	7,371,048	7,371,048
Miscellaneous Expenditure & Deferred Exp W /off	12,625,037	12,923,819
Deffered Exps- Goodwill	(2,190,690)	(9,663,163)
Long Term capital gain on Sale of land	(10,333,074)	(5,219,267)
Profit/Loss on sale of fixed assets		83,088
MAT Credit (Prior Period)	461,154	
<i>Operating profit before working capital changes</i>	7,301,293	(73,316,410)
Adjustments for:		
Trade receivables	14,858,869	(1,489,412)
Other Receivables	38,157,479	(40,750,853)
Inventories	9,623,679	(13,296,844)
Work In Progress-Software and Nursing Business	3,090,495	9,221,847
Current Liabilities & Provisions	5,407,696	8,905,369
Cash generated from operations	78,439,512	(110,726,303)
MAT Credit	993,043	
Direct taxes paid	(1,092,826)	(822,413)
Foreign Exchange Fluctuation on consolidation	17,111,363	(14,859,686)
Net cash from operating activities	A 95,451,093	(126,408,402)
B.CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed assets	(61,531,960)	(46,984,899)
Capital Work In progress		(6,077,500)
Sale of fixed assets	25,320,000	6,152,135
Investments	(200,000)	(200,000)
Business Acquisition	-	173,413
Dividend Received	4,000	4,000
Interest Received	103,461	70,994
Net cash used in Investing activities	B (36,304,499)	(46,861,857)
C.CASH FLOW FROM FINANCING ACTIVITIES		
Increase in Unsecured Loans	8,594,813	248,109,718
Decrease in secured Loans	(41,966,510)	(47,510,977)
Interest paid	(23,259,695)	(35,636,474)
Net cash from financing activities	C (56,631,392)	164,962,267
Net cash flows during the year	(A + B + C) 2,515,202	(8,307,992)
CASH & CASH EQUIVALENTS		
Opening balance	5,645,479	13,953,471
Closing balance	8,160,681	5,645,479
Net Increase/(Decrease) in Cash & Cash Equivalents	2,515,202	(8,307,992)

This is the Cash Flow statement referred to in our report of even date

For **MAHARAJ RAJAN & MATHEW,**
Chartered Accountants

MATHEW JOSEPH
Partner

BANGALORE
21.08.2010

JAISON THOMAS
Company Secretary

For and on behalf of the Board
For **KERALA AYURVEDA LIMITED,**

Dr. K ANILKUMAR
Executive Director

A T JACOB
Director

SCHEDULE –X: NOTES ON CONSOLIDATED FINANCIAL STATEMENTS
A. SIGNIFICANT ACCOUNTING POLICIES FOLLOWED IN THE COMPILATION OF ACCOUNTS

1. Principles of Consolidation
The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and comply with the Accounting standards on consolidated financial statements (AS 21) and on Accounting for investments in associates in consolidated financial statements (AS 23), issued by the Institute of Chartered Accountants of India.
2. Basis of Preparation
The financial statement of the Kerala Ayurveda Limited and its subsidiaries are prepared on historical cost convention, on the accrual basis of accounting. Foreign subsidiaries results/accounts have been converted into Rupees value at year end rate of 1 US\$ = ` 45.14 and 1 Singapore \$ = ` 32.30.
3. Fixed Assets
 - a) Fixed assets are stated at cost less depreciation. Cost includes expenses related to acquisition and installation of fixed assets.
 - b) Depreciation is charged on Straight line method/ Written down value method as the case may be at the rates permissible under applicable local laws. Intangible assets will be written off over a period of their estimated useful lives.
 - c) In respect of software developed internally the cost is amortised over a period of 5 years.
4. Use of estimates
The preparation of the financial statements in conformity with the accounting standards generally accepted in India requires the management to make estimates that affect the reported amount of assets and liabilities disclosure of contingent liabilities as at the date of the financial statement and reported amounts of revenues and expenses for the year. Actual results could differ from estimates.
5. Borrowing costs
Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that has necessarily taken substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.
6. Good Will
Good will arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Groups interest in the net value of identifiable assets, Liabilities and contingent liabilities of the subsidiary recognized at the date of acquisition. Good will is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.
7. Inventories
Raw materials, consumables and work-in-progress are valued at cost or net realizable value, whichever is lower. Stores and Spares are valued at cost.
8. Revenue Recognition
Sales are net of rebate and discount and include excise duty and VAT. Treatment income & Consulting charges is recognized on completion of each service & consultation and research/healthcare consultancy income is recognized on accrual basis
9. Transactions in Foreign Exchange
Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Foreign currency assets and liabilities at the year end are translated into rupees at the rate of exchange prevailing on the date of balance sheet. All exchange differences are dealt with in the statement of profit and loss account.
10. Employee Benefits / Retirement Benefits.
 - Leave Encashment Benefit accounted on the basis that such benefits is payable to employees at the end of the year.
 - Gratuity Provision is made based on actuarial valuation.
 - Provident Fund contribution is as per the rate prescribed by the related Act.
11. Miscellaneous Expenditure
1/5 of the preliminary expenses and initial Advertisement & sales promotion expenditure are written off every year. Goodwill on merger appearing in the Book consequent to the merger has been amortised in the ratio 1/5, from 2006-2007 onwards.
12. Research & Development.
Revenue expenditure on research and development is charged to Profit & Loss account. Capital expenditure on research and development is included as a part of fixed assets and depreciated on the same basis as other fixed assets.
13. Investments
Investments are stated at cost less provision for diminution other than temporary in their values.
14. Intangible Assets
Intangible assets are recognized on the basis of the future economic benefits that will flow to the enterprise. The assets are recorded at the price paid to acquire them.
15. Impairment of assets
Impairment loss if any, is provided to the extent the carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of useful life.
16. Provision for Tax
Income tax and Deferred tax provision for the year is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961. Deferred tax resulting from 'timing difference' between book and taxable profit is accounted by using the tax rates

and laws that are enacted or substantively enacted on the Balance Sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is a reasonable certainty that the asset will be realised in future.

B. NOTES TO ACCOUNTS

- a. During the year Nutraveda Pte Ltd was incorporated in Singapore on 29th June 2009 and is yet to commence business.
b. Details of Subsidiaries

Name of the company	Country of incorporation	% of voting power	Financial year
Ayurvedagram Heritage Wellness Centre Pvt. Ltd.	India	74%	April- March
Ayu Natural Medicine Clinic, PS.	USA	100%	April- March
Ayurvedic Academy INC.	USA	100%	April- March
Ayu INC.	USA	100%	April- March
Nutraveda Pte Ltd	Singapore	100%	April- March
CMS Katra Holdings LLC*	USA	81.67%	April- March

*CMS KatraNursing LLC, is a step down subsidiary of the company where CMS Katra Holdings LLC holds 51% voting power.

Principles of consolidation

- The consolidated financial statement is based on the audited financial statements of the subsidiaries for their respective financial years.
 - The financial statement of the parent company and its subsidiaries have been combined to the extent possible on a line by line basis by adding together like items of assets, Liabilities, Income and expenses. All intra group balances and transactions have been eliminated on consolidation.
 - Minority interest in the net income and net assets of the consolidated financial statements are computed separately.
- c. Contingent Liabilities
- The company has given a bank guarantee of ` 1,000,000/- to The Ministry of Indian Affairs, Office of Protector General of Emigrants, New Delhi.
- d. Taxation
- Provision for current tax
Provision for current tax is computed as per total income under the applicable laws taking into account available deductions and exemptions
 - Deferred taxation
The status and break up is given below

(Rupees)

Deferred Head	Position on 31.03.2009		Position as on 31.03.2010	
	Assets	Liabilities	Assets	Liabilities
Depreciation		16,316,172		16,187,053
Unabsorbed Depreciation	15,893,729		17,105,823	
Unabsorbed Business Loss	34,980,220		36,686,445	
Provision for gratuity	1,712,545		1,930,381	
Expenses allowed on cash basis	61,049		23,843	
	52,647,543	16,316,172	55,746,492	16,187,053
Net	36,331,371		39,559,439	

- e. Disclosure of Related Party Transaction in accordance with Accounting Standard (AS-18) *Related Party Disclosures issued by the Institute of Chartered Accountants of India:
- (A) Names of the related party and nature of relationship where control exists:
Name of the Company : Katra Holdings Limited, Mauritius Nature of Relationship : Holding Company
- (B) Other Related Parties:

Sl No.	Related Party	Relationship
1.	Dr. K Anilkumar	Key Management Personnel
2.	Mrs. Sunitha Anilkumar*	Relative of Key Management Personnel
3.	Mrs. Chithra Gopinath*	-do-

*Company occupied the premises belong to them for running of its hospital/ Pharmacy at Aluva, Kerala

(C) Companies controlled by Directors/Relatives.

Katra Phytochem India Pvt. Ltd.	Global AgriSystem Pvt. Ltd. & its subsidiaries
Arudrama Developments Pvt. Ltd.	Segrow Bio-Technics India Pvt Ltd
Mason & Summers Alcobev Pvt. Ltd.	Mason & Summers Leisure Pvt. Ltd.
Katra Holding Pvt Ltd.	Mason & Summers Marketing Service Pvt. Ltd.
Katra Liquor Pvt. Ltd.	All Seasons Herbs Pvt. Ltd.**
Katra Marine Pvt. Ltd.	Katra Finance Ltd, Mauritius

** In accordance with the previous approval obtained from the Central Government, the company has entered into contract/transactions with these companies.

(D) Nature and volume of transactions for the year ended 31st March 2010

Nature of Transaction	Holding Company	Key Management Personnel	Relatives of Key Management Personnel	Enterprise over which key managerial personnel / other relatives exercise significant influence
Purchase of Goods				3,075,740 (6,250,695)
Services Income				1,154,625 (1,926,669)
Reimbursement of Expenses to KAL				7,637,011 (765,965)
Reimbursement of Expenses by KAL				26,359 (32,504)
Rent Paid			628,428 (598,500)	
Remuneration Paid		3,412,999 (7,179,761)		
Loan taken during the year				204,685,354 (377,273,841)
Loan repaid during the year				160,213,361 (157,659,127)

h. Consolidated Segment wise Revenue, Results and Capital employed for the year ended 31st March 2010.

Particulars	Consolidated Year Ended	
	31.03.2010	31.03.2009
1.Segment Revenue	Audited	Audited
A) Ayurveda Business	2604.87	2,855.93
B) Healthcare Services & Software Business	725.09	1,641.79
Total	3329.96	4,497.71
Less-Inter Segment Revenue		-
Gross Sales/Income from Operation	3329.96	4,497.71
2.Segment Result		
A) Ayurveda Business	(127.39)	(518.56)
B) Healthcare Services & Software Business	(25.86)	(328.82)
Total	(153.25)	(847.38)
Less: Interest (Not Allocable)	148.58	356.37
Other Unallocable Exp. net of unallocable income	206.98	164.10
Total Profit/(Loss) before Tax	(508.81)	(1,367.85)
3.Capital Employed		
A) Ayurveda Business	4314.98	5134.70
B) Healthcare Services & Software Business	1138.84	884.53
C) Other Unallocable-Investments	7.18	5.18
Total Capital Employed	5461.00	6024.41

i. Schedules A to H form an integral part of the Consolidated Balance Sheet and Profit and Loss Account.

For **MAHARAJ RAJAN & MATHEW,**
Chartered Accountants

MATHEW JOSEPH
Partner

BANGALORE
21.08.2010

JAISON THOMAS
Company Secretary

For and on behalf of the Board
For **KERALA AYURVEDA LIMITED,**

Dr. K ANILKUMAR
Executive Director

A T JACOB
Director

KERALA AYURVEDA LIMITED

LIST OF HOSPITALS, TREATMENT CENTRES, CLINICS, DEPOTS, ACADEMY & HEALTH RESORT

HOSPITALS
IN KERALA

KAL (AMRITHAM) HOSPITAL
BANK ROAD,
ALUVA-683 101
ERNAKULAM DIST.
PH.: 0484-2626119,2623578

KERALA AYURVEDA HOSPITAL
KAMATH HOSPITAL WING
NEAR NEW BUS STAND
MANGALORE ROAD,
KASARGODE-671 121.
PH: 0499-4222519

TREATMENT CENTRES-IN KERALA

KERALA AYURVEDA LTD
OLD WARRIAM ROAD EAST
A.M.THOMAS ROAD,
ERNAKULAM-682 016.
PH: 0484-2375292, 2378198

KERALA AYURVEDA LTD
XXVII/478, THEJUS,
OPPOSITE NANDILATH G MART,
TOLL JUNCTION, EDAPALLY
ERNAKULAM-682 016.
PH: 0484-2557244

CLINICS IN KERALA

KERALA AYURVEDA LTD
KOTTAKKAL BUILDINGS,
PREMIER JUNCTION,,
KALAMASSERY-683104.
ERNAKULAM DIST
PH: 0484-2556770

KERALA AYURVEDA LTD
FACT EMPLOYEES BUILDING
UDYOGAMANDAL,
ERNAKULAM DIST-683 501
PH: 0484-2546313

KERALA AYURVEDA LTD
SOUTH NADA P.O,
VAIKOM,
KOTTAYAM DIST-682 041
PH: 04829-215043

KERALA AYURVEDA LTD
MARKET ROAD,
THALAYOLAPARAMBU,
KOTTAYAM DIST-686 605.
PH: 04829-237395

KERALA AYURVEDA LTD
SHOP NO.37/421
S.N.JUNCTION
PALARIVATTOM
ERNAKULAM-682205
PH: 0484-2344414

KERALA AYURVEDA LTD
SHOP NO.158D
THADIYANTHADATHIL BUILDING
NEAR BUS STAND,
KURUVILANGADU
KOTTAYAM DIST
PH: 04822-320899

FRANCHISEE CLINIC- KERALA
KERALA AYURVEDA CLINIC
OPP NEW KSRTC BUS STAND
FORT ROAD,
NORTH PARUR,
ERNAKULAM DIST.
PH: 0484- 6951914

KERALA AYURVEDA LTD
ATHANJUNCTION
NEDUMBASSERY
ERNAKULAM
PH: 0484-2556770/ 9995290521

ACADEMY
KERALA AYURVEDA ACADEMY
HRD CENTER
BANK EMPLOYEES SOCIETY HALL BLDG
PALACE ROAD, BANK JUNCTION
ALUVA – 683101.
PH: 0484-2628707

HOSPITAL

VYDEHI AYURVEDAGRAM
VYDEHI HOSPITAL
82 EPIP AREA, WHITEFIELD,
BANGALORE - 560 066,
KARNATAKA
PH: 080-28412956

TREATMENT CENTRES-OUTSIDE KERALA

KERALA AYURVEDA LTD
AD 20(PLOT NO.3337)
5th AVENUE
ANNA NAGAR,
CHENNAI-600 040.
TAMIL NADU
Ph: 044-26214903

KERALA AYURVEDA LTD
No 3282, 12TH MAIN,
HAL IIND STAGE,
INDIRA NAGAR,
BANGALORE-560 038.
KARNATAKA
PH: 080-25262515

KERALA AYURVEDA LTD
86, 5TH T MAIN ROAD,
NARAYAPPA BLOCK,
R T NAGAR, BANGALORE-560032
KARNATAKA
PH: 080-23339455

KERALA AYURVEDA LTD
6-3-906/B/1, SOMAJIGUDA
NEAR YASODA SPECIALITY HOSPITAL
HYDERABAD-500 082.
ANDHRA PRADESH
PH: 040-66613357

FRANCHISEE WELLNESS CENTERS - OUTSIDE KERALA

KERALA AYURVEDA WELLNESS CENTER
E-2, GREEN PARK EXTN,
MAIN EVERGREEN MARKET ROAD
NEW DELHI-110 016
PH: 011-41754888/41759347

KERALA AYURVEDA WELLNESS CENTER
34, BOUGAIN VILLA MARG
DLF PHASE-2,
CURGAON-122001 HARYANA
PH: 0124-4241916/915

KERALA AYURVEDA WELLNESS CENTER
B-3, SECTOR-26,
NEAR CORPORATION BANK
NOIDA-201 301
UTTAR PRADESH
PH: 0120-4541230/231

KERALA AYURVEDA WELLNESS CENTER
HOUSE NO 13, SECTOR 2,
TRIKUTA NAGAR,
JAMMU-180 012
PH: 0191-2470659
MOBILE:97962-34666

KERALA AYURVEDA WELLNESS CENTER
AAROGYAM,52,DHULESHWAR BAGH
SARDAR PATEL MARG
C-SCHEME, JAIPUR – 302 001
RAJASTHAN
PH: 0141-4022422

KERALA AYURVEDA WELLNESS CENTER
L12,UPPER NATHANPUR
RING ROAD, NEHRUGRAM P O
DEHRADUN-248 001,
UTTARKHAND STATE
PH: 0135-6542733

KERALA AYURVEDA WELLNESS CENTER
228, BAIROO ALTO, FONDEVEM,
RIBANDAR, GOA- 403 006
PH: 0832-2444188/89

HEALTH RESORT

AYURVEDAGRAM HEALTH RESORT
AYURVEDAGRAM HERITAGE WELLNESS CENTRE PVT LTD
HEMANDANAHALLI,
SAMETHANHALLI POST,
VIA WHITEFIELD ,
BANGALORE-560 067.
KARNATAKA
PH: 080-27945428, 65651090

CLINICS OUTSIDE KERALA

KARNATAKA:
KERALA AYURVEDA LTD
12, BOWRING HOSPITAL ROAD,
SHIVAJI NAGAR,
BANGALORE-560 001.KARNATAKA
PH: 080-25591825

KERALA AYURVEDA LTD
NO.285. WHITEFIELD MAIN ROAD,
OPP STATE BANK OF MYSORE,
WHITEFIELD, BANGALORE-560 065
KARNATAKA
PH: 080-28456212

MAHARASHTRA:
KERALA AYURVEDA LTD
BARC, ANUSAKTHI NAGAR
TROMBAY, MUMBAI-400 094.
MAHARASHTRA
PH: 022-25588595

KERALA AYURVEDA LTD
NAVINASHA,126,
DADASAHI PHALKE ROAD
DADAR, MUMBAI-400 014.
MAHARASHTRA
PH: 022-24113101

KERALA AYURVEDA LTD
DISPENSARY COMPLEX,
SNMS AYURVEDA DISPENSARY,
3 & 4, PROJECT COLONY,
TARAPUR, TAPP P.O-401 504.
MAHARASHTRA
PH: 02525-263823

DEPOT OUTSIDE KERALA:

KERALA AYURVEDA LTD
NO.12, BOWRING HOSPITAL ROAD
SHIVAJI NAGAR,
BANGALORE-560 001.
KARNATAKA
PH: 080-25596184

KERALA AYURVEDA LTD
DOOR NO:L19/17, 3RD WEST STREET,
TIDAL PARK ROAD,
KAMARAJ NAGAR, THIRUVANMIYUR
CHENNAI -600 041.
PH: 044-32518785, 24424919

KERALA AYURVEDA LTD
DOOR NO:4/796
VELAKANNI NAGAR
VANDIYOR MAIN ROAD
ANNA NAGAR
MADURAI -625 020
PH: 0452-2522772

KERALA AYURVEDA LTD
6-3-906/B/1, 1ST FLOOR, SOMAJIGUDA
BEHIND YASODA SPECIALITY HOSPITAL
HYDERABAD-500 080
PH: 040-66613357

KERALA AYURVEDA LTD
104, 1ST FLOOR,
GAURI COMMERCIAL COMPLEX
PLOT NO.19, SECTOR 11,
CBD BELAPUR,
NAVI MUMBAI -400 614
PH: 022-27581075

KERALA AYURVEDA LTD
C&A ISHITA ENTERPRISES
38, DEHGAM JAIN SOCIETY,
KASHIB ROAD, RANIP,
AHMEDABAD- 380 014
PH: 079-275402637



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AYURVEDAGRAM HERITAGE WELLNESS CENTRE

Hemandanahalli, Samethanahalli Post, Whitefield, Bangalore – 560 067, India.

Ph: +91 80 65651090/91, +91 9845071990.

info@ayurvedagram.com, response@ayurvedagram.com

www.ayurvedagram.com; www.yogavedagram.com

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KERALA AYURVEDA LIMITED

Regd. Office & Factory: VII/415, Nedumbassery, Athani P.O., Ernakulam District, Kerala - 683585
Tel: 0484 - 2476301/2/3/4, Fax: 0484 - 2474376

Corporate Office: No. 1134, 1st Floor, 100 Feet Road, HAL 2nd Stage, Indiranagar, Bangalore - 560008.
Tel: 080 - 41808000, Fax: 080 - 41808043, Email: info@keralaayurveda.biz

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