



Karuturi Global Ltd.

MORE FOOD WILL HAVE TO BE PRODUCED WORLDWIDE  
OVER THE NEXT 50 YEARS THAN HAS BEEN DURING THE  
PAST 10,000 YEARS COMBINED.

GUARDIAN

# staying on track

2009-2010

FIFTEENTH ANNUAL REPORT



# GLOBAL PRESENCE GLOBAL SUCCESS

As the world's leading producer and exporter of cut roses, Karuturi has about 292 hectares under production in Kenya, Ethiopia and India and 100 hectares under implementation in Ethiopia exporting to markets in Europe, Middle East, Far East, Australia, New Zealand and the US.

## OUR PRESENCE

|          |             |           |
|----------|-------------|-----------|
| India    | Germany     | Russia    |
| Kenya    | Netherlands | Japan     |
| Ethiopia | Switzerland | USA       |
| UAE      | France      | Australia |
|          | UK          | Singapore |
|          | Italy       | Malaysia  |



## PEAK FRESH FLOWERS:

After the success of its nano roses, Karuturi is now using the peak fresh packaging technology that is designed to remove ethylene from around the flowers and keep the humidity at its optimum level thereby increasing transport life and the shelf life of roses from 15 days to as much as 3 months.



# C O N T E N T S



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*Success is more of a journey than a destination*  
- Chinese Proverb



Floating flower market, Amsterdam



INTRODUCED FOR THE  
FIRST TIME IN INDIA

# TALKING ROSES

FlowerXpress, Karuturi's retail boutique chain has for the first time in India, launched the 'Talking Roses', a unique concept of printed roses, that has created quite a sensation among buyers.

## DELIVERING ROBUST PERFORMANCE IN A CHALLENGING ENVIRONMENT

In 2009, we continued to strengthen our leading market position in floriculture globally, increased our reach and presence in our retail and processed foods business and were on track on our ambitious project of developing 7,65,000 acres of agricultural land in Ethiopia.

2009-10 was a challenging environment that followed the global financial crisis and currency instability. One saw intensified competition, high unpredictability and volatility, entry of non-agricultural companies into the agricultural space and of course the emergence of Ethiopia as the world's popular agro-destination.

Though globally 2009-10 began in a climate of uncertainty, I am proud that your company has been able to report positive earnings. Our performance reflects price discipline, foresight and successful corporate strategies.

Your Company's future is inextricably linked to one fundamental factor. Future food security due to a rising world population as well as dietary changes due to rising incomes especially in the emerging markets.



With global population expected to reach more than nine billion by 2050, FAO estimates that agricultural production will need to grow by 70 percent if it is to keep the world's population fed and healthy.

This tightening demand-supply situation could also put India in a delicate situation since demand in our country is soon expected to outstrip supply. According to a report by ICRIER, India might face shortages of close to 18 mn tonnes in edible oils, and 3 mn tonnes in cereals by 2021. I believe India needs a second green revolution.

While the future concerns us, the present is no less



worrying. Global rice output in 2009-10 has declined to 441m tons following the heavy fall in output in India. In Ethiopia alone, the number of people in need of emergency food assistance until December 2010

is officially estimated at 5.2 million. And the drought in the Russian Federation could lead to potentially serious implications for world wheat supplies in 2011/12.

When we look at these challenges, we also see opportunity. We recognize that these are the factors that will drive our future growth and we've aligned your company to give this area of the business the focus it deserves. The conviction that companies like Kaurturi have a critical role in delivering the solution to the looming food crisis also gives us a sense of purpose.

Fiscal 2010-11 will be a key and formative year for your company. I would like to take you through the progress we have achieved this year at our production bases at Ethiopia, Kenya and India.

In Gambella, our State-of-the-art agricultural machinery has arrived and we have started work on developing 20,000 hectares of land for cultivation of maize and sorghum and 10,000 hectares of land for cultivation of paddy and oil palms. The oil palm nursery has matured seedlings ready for transplantation.

In Bako, 5,500 hectares of land prepared will be made ready for cultivation of sorghum and maize by October 2010. An additional 6000 hectares of land will be cleared and made ready for cultivation by March 2011.

The big picture in boston.com shows Shiburu Shash working at Karuturi's palm oil nursery near the town of Bako, in Ethiopia, Africa



As always, we continue to invest in the welfare of the communities we work with. A 12 kilometer all weather road has been built by us in Bako. Our latest CSR initiative 'Ban the can' will provide drinking water to the towns of Holetta, Sadomo and Tulusia, as well as Bachara and Illiya villages.

In Kenya, our CSR initiatives continue to grow. We have built more houses, added more equipment to the hospital and intensified the vaccination program. As part of our green planet initiative over 12000 drought resistant African trees have been planted in and around the Kenya farm and Naivasha Lake. Our use of chemical fertilisers and pesticides is also steadily declining thanks to our integrated pest control programme and our project to generate vermiculture out of our huge floriculture waste.



On the floriculture front, The European Union remained the largest consumer accounting for 50% of the world's flowers with a

market Value of € 13 billion. The second biggest consumption was by UK followed by Germany. Total EU production remained at € 9.5 billion resulting in import of over € 3.5 billion. Your company, in an effort to innovate and add further value to our cut roses, is investing on the 'peak fresh packaging technology' that will increase the shelf life of these roses from 15 days to as much as 3 months.

It may be of some interest to know that your company,



participated in a tender from the Karnataka government to develop 18 Horticulture farms across the state on PPP model and emerged as the preferred bidder for 3 of the largest farms amounting to more than 1500 acres of land within 100 Kms of Bangalore.

If chosen, we intend to organically develop the land and grow vegetables & fruits using innovative and sustainable technologies including the pivot irrigation system, a multi-function equipment that can also germinate, fertigate, chemigate and manage salinity through leaching and is ideal for reducing usage of water and bio-pesticides.

Looking ahead we will continue to deploy our innovative skills and dynamism at the same time demonstrating that corporate and social responsibility are inherent in everything we do.

Our strategic goals this year will be, to increase land productivity in agriculture, continue to build leadership and expand our markets in cut flower exports and create new opportunities for our food processing and broadband businesses. We have participated in various international events like Anuga and Gulfood last year and are participating at events in Moscow, Paris and USA this year to continue to expand our market for our processed food products.



We remain grateful to you, our shareholders, for your continued support in helping us build your Company and take it to greater heights. We will pursue our commitment to you, in making the right business choices and continuing our focus on maximising earnings on your investment and in growing together.

Yours sincerely,

Sai Ramakrishna Karuturi  
Managing Director

Letter to shareholders

# DEDICATED TO TURN CHALLENGES INTO ACCOMPLISHMENTS

## GLOBAL DEMAND FOR MAIZE TO INCREASE BY 45%:

Global cereal demand in 2020 is estimated at 2.1 billion MT and will, for the first time, show a major shift in favor of maize with demand estimated at 852 million. This reflects a substantial growth of 72% for maize in developing countries, and 18% growth in industrial countries.

## GLOBAL PRODUCTION OF PALM OIL IN 2007, WAS THE LARGEST AMONG VEGETABLE OILS

Palm oil has become the edible oil of choice, for much of the world, apart from being used increasingly as a biofuel. According to a report published by Global Industry Analysts, Inc, February 17, 2010. The world market for palm oil is projected to exceed 100 million tonnes by the year 2015.

### AGRICULTURAL MACHINERY

- 50,000 HP of Tractors
- 17,000 HP of harvesters
- 25,000 HP of Auxiliary Equipment



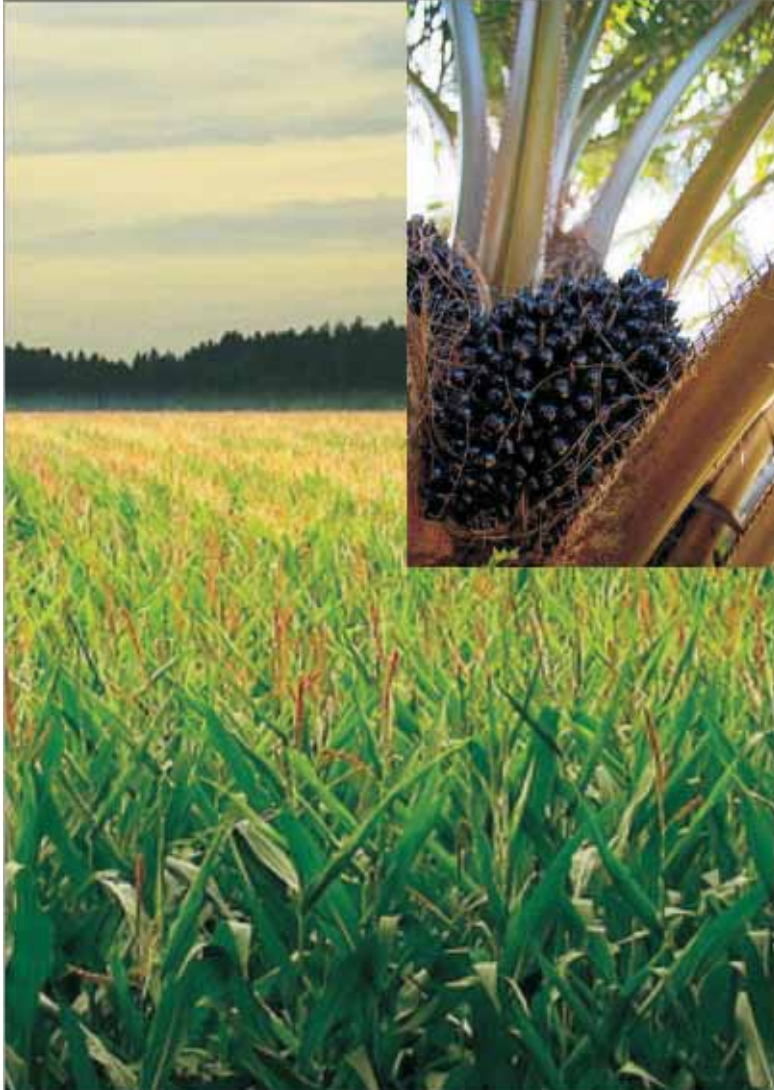
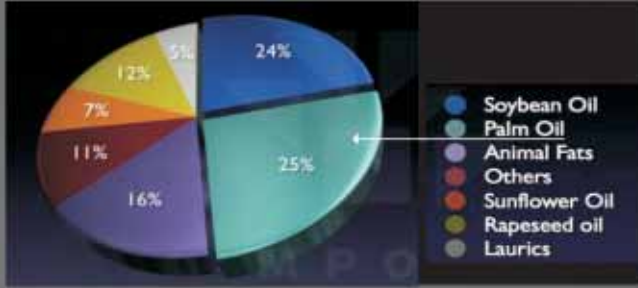
### Karuturi's Agri land bank in Ethiopia

| Location     | Area (hectares)  | Crops                                      |
|--------------|------------------|--|
| Bako         | 11,700           | Maize,                                     |
| Gambella     | 3,00,000         | Cereal crops, oilseeds,<br>Sugar, palm oil |
| <b>Total</b> | <b>3, 11,000</b> |  |

### Cultivation under Phase I 1, 00,000 hectares

|                        |           |
|------------------------|-----------|
| Cereal crops, oilseeds | 70,000 ha |
| Oil Palms              | 20,000 ha |
| Sugar                  | 10,000 ha |





Cultivation of cereals & oil palms





This year, Karuturi Foods, has commenced exports of its own brand of pickles labeled 'Pick-a-Pickle' to markets in the Middle East & Europe.

## SUSTAINABLE AND STATE-OF-THE-ART FARMING NEAR BANGALORE, INDIA

Karuturi is planning to use pivot irrigation to grow vegetables organically on 1500 hectares of land near Bangalore. These multiple-function equipment can germinate, fertigate, chemigate and manage salinity through leaching and are ideal for reducing usage of water and bio-pesticides.

## HIGHLIGHTS OF THE YEAR

### Gambella:

- With the arrival of state-of-the-art agricultural machinery, Karuturi has started developing 20,000 hectares of land for cultivation of maize and sorghum and 10,000 hectares of land for cultivation of paddy and oil palms
- KGL is sponsoring 10 students from Gambella Ethiopia to its higher education institute at Kenya

### Bako:

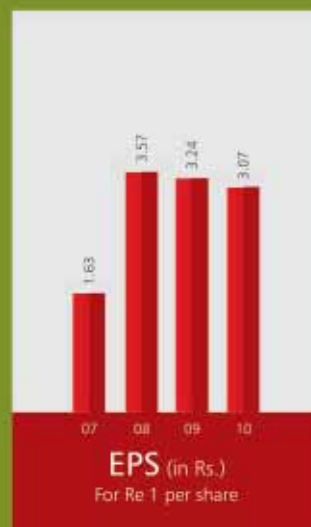
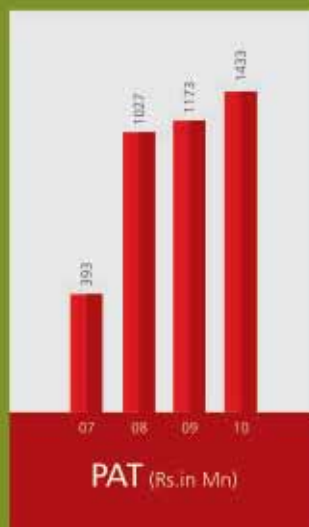
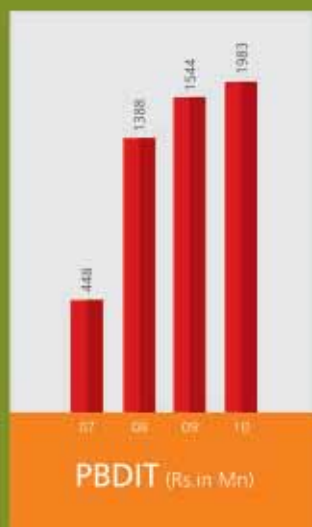
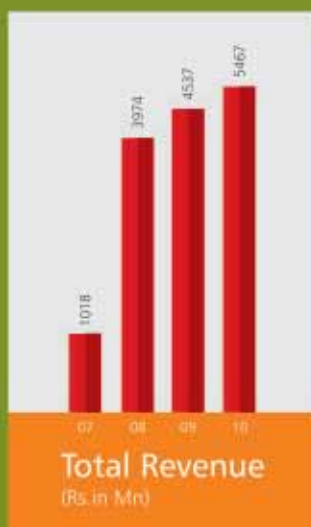
- 5,500 hectares of land to be made ready for cultivation of sorghum and maize by Oct 2010
- 6000 hectares of additional land will be cleared and made ready for cultivation by March 2010

**Ban the can initiative:** An CSR initiative of Karuturi to provide water on tap to people around all it's projects

- Contribution of \$75,000 towards drinking water supply for Holetta town
- Drinking Water supply to Village Sadamo
- Bore wells drilled for Tulusia, Bachara villages and the Gromia region
- 4 Bore wells in Illiya vilage for free drinking water



## FINANCIAL HIGHLIGHTS





**BOARD OF DIRECTORS**

Messrs

Karuturi Surya Rao  
Chairman

Sai Ramakrishna Karuturi  
Managing Director

Anitha Karuturi  
Director

Aslesha Madappa  
Director

Satish Caroli  
Director

Raja Vara Prasad Bommidala  
Director  
(w. e. f. 29.01.2010)

Mahendra Kumar Sunkara  
Director  
(w.e. f. 29.01.2010)

**COMPANY SECRETARY**  
**B S Krishna Swamy**

**REGISTERED OFFICE**  
and Address for Communication

# 204, Embassy Centre,  
11, Crescent Road,  
Bengaluru – 560001, INDIA  
Email: investorrelations@karuturi.com  
URL : www.karuturi.com

**REGISTRARS & SHARE TRANSFER AGENTS**

Karvy Computershare (P) Limited  
Karvy House, 46 Avenue 4, Street No.1  
Banjara Hills  
Hyderabad-500034  
Ph: 040 23420838  
Fax: 040 23420814  
Email: krishnans@karvy.com

**AUDITORS**

Ishwar & Gopal  
Chartered Accountants  
Sri Vinayaka Motor Service Building  
No, 21/3. T. S. P. Road Kalasipalyam,  
Bengaluru - 560002

## Notice

**NOTICE** is hereby given that the Fifteenth Annual General Meeting of the members of the Company will be held at 3:30 PM on 25<sup>th</sup> day of September 2010 at The Chancery Hall, Atria Hotel, No.1, Palace Road, Bangalore-560001 to transact the following business:

### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the audited Balance Sheet as at 31.03.2010, Profit and Loss Account for the year ended as on that date, together with Reports of Directors and the Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. Satish Caroli, who retires by rotation and being eligible offers himself for re- appointment.
4. To appoint a Director in place of Ms. Aslesha Madappa, who retires by rotation and being eligible offers herself for re- appointment.
5. To appoint Messrs Ishwar & Gopal, Chartered Accountants, to hold the Office of Statutory Auditors from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting.

### **SPECIAL BUSINESS:**

6. To appoint Mr. Raja Vara Prasad Bommidala who was appointed as Additional Director of the Company on 29.01.2010 and who holds Office up to the date of this Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 proposing the candidature of Mr. Raja Vara Prasad Bommidala as a Director.
7. To appoint Dr. Mahendra Kumar Sunkara who was appointed as Additional Director of the Company on 29.01.2010 and who holds Office up to the date of this Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 proposing the candidature of Mr. Mahendra Kumar Sunkara as a Director.

By Order of the Board  
For **Karuturi Global Limited**

Place : Bengaluru  
Date : August 18, 2010

**B S Krishna Swamy**  
Company Secretary



## Explanatory Statement Pursuant to Section 173(2) of Companies Act, 1956:

### Item No. 6:

Mr. Raja Vara Prasad Bommidala was appointed as Additional Director and holds Office up to the date of the AGM. Mr. Raja Vara Prasad Bommidala is a Bachelor in Commerce and Managing Director of Hilton Tobaccos Pvt Ltd, Hyderabad. Notice has been received under Section 257 of the Companies Act, 1956, from a member proposing the candidature of Mr. Raja Vara Prasad Bommidala as a Director of the Company along with the deposit of Rs. 500/-.

The Board recommends the resolution for approval of the Shareholders.

None of the Directors except Mr. Raja Vara Prasad Bommidala, himself, is interested or concerned in the resolution.

### Item No. 7:

Dr. Mahendra Kumar Sunkara was appointed as Additional Director and holds Office up to the date of the AGM. Dr. Mahendra Kumar Sunkara is a Professor in Chemical Engineering in the University of Louisville, USA. Notice has been received under Section 257 of the Companies Act, 1956, from a member proposing the candidature of Mr. Raja Vara Prasad Bommidala as a Director of the Company along with the deposit of Rs. 500/-.

The Board recommends the resolution for approval of the Shareholders.

None of the Directors except Dr. Mahendra Kumar Sunkara, himself, is interested or concerned in the resolution

### Notes:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself / herself and such proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company at the registered office not less than 48 hours before the meeting.
2. Listing fee has been paid to all the Stock Exchanges where the Company is listed.
3. Shareholders are requested to notify their changes of address to the Company.
4. Shareholders attending the meeting are requested to complete the enclosed attendance slip and deliver the same at the entrance of the meeting place.
5. The Register of Members and the Share Transfer Book will remain closed from 23.09.2010 to 25.09.2010 (both days inclusive)
6. Pursuant to SEBI notification no. MED/ DOP/ Circular/05/2009 dated May 20, 2009, it has become mandatory for the transferee(s) to furnish copy of PAN Card to the Company/ RTA to enable/effect transfer of Shares in physical form.
7. The Resolutions regarding the re-appointments of Mr. Satish Caroli and Ms. Aslesha Madappa, as Directors of the Company are placed before the members. As per Clause 49 of the Listing Agreement with the Stock Exchanges, the following particulars are provided:

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|                     |   |   |
|---------------------|---|---|
| a. Name             | : | Mr. Satish Caroli                                       |
| Age                 | : | 73 Years  |
| Expertise           | : | 22 years of experience in Agriculture and allied fields |
| Other Directorships | : | Dynagro India Pvt Ltd , New Delhi                       |

He is neither a member nor a Chairman in any of the committees of the Board of the aforesaid companies.

|                     |   |  |
|---------------------|---|--|
| Name                | : | Ms. Aslesha Madappa                        |
| Age                 | : | 57 Years                                   |
| Expertise           | : | Finance and Marketing functions            |
| Other Directorships | : | Triplem Consultants Private Ltd, Bangalore |

She is neither a member nor a Chairperson in any of the committees of the Board of the aforesaid companies.

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By Order of the Board  
For **Karuturi Global Limited**

Place: Bengaluru  
Date: August 18, 2010

**B S Krishna Swamy**  
Company Secretary

## DIRECTORS' REPORT

To

The Members  
Karuturi Global Limited  
Bangalore.

Your Directors have pleasure in presenting the Fifteenth Annual Report along with the audited accounts of the Company for the financial year ended 31<sup>st</sup> March, 2010.

**FINANCIAL RESULTS:**

On a consolidation basis, the financial results for the year under report of your Company stood as follows:

(Rs. in lacs)

| Particulars                       | 2009-10   | 2008-09   |
|-----------------------------------|-----------|-----------|
| Total Income                      | 54,670.59 | 45,983.61 |
| Profit before depreciation & tax  | 19,837.44 | 13,942.49 |
| Less: Depreciation & Amortization | 5,562.30  | 2,127.90  |
| Less: Provision for tax           | 8.64      | 15.46     |
| Add: Deferred Tax – (Credit)      | (71.97)   | 44.09     |
| Net Profit after Tax              | 14,338.47 | 11,737.61 |

**COMPANY PERFORMANCE:****Income:**

**Sales** – The sales in fiscal 2010 were Rs.53,381 Lakhs as against Rs. 44,310 lakhs in fiscal 2009. In the fiscal 2009 the Company had initiated modernization of the existing facilities and had also started exploring new markets in Russia and European countries. As a result of successful execution of above initiatives sales rose by about 20.4%

**Expenditure :**

**Material Expenses** – In fiscal 2010 the raw material expenses / purchases amounted to Rs. 16,689 lakhs constituting 31.3% of net sales while raw material expenses in 2009 were Rs. 14,240 lakhs , constituting 32.1% of net sales.

**Selling & Administrative Expenses** – The administrative expenses is increased to Rs. 12,236 lakhs in fiscal 2010 as compare to Rs. 11,375 lakhs in fiscal 2009. As a percentage of net sales it decreased to 22.9% in fiscal 2010 from 25.7 % in fiscal 2009.

**Employee Expenses** – The employee expenses increased from Rs. 5,257 lakhs in fiscal 2009 to Rs. 4,925 lakhs in fiscal 2010. As a percentage of net sales it has decreased from being 9.8% of net sales in fiscal 2009 to 11.1% of net sales in fiscal 2010.

**Interest & Bank Charges** – Interest expenses amounted to Rs.649 lakhs in fiscal 2010 as compared Rs.1,498 lakhs in fiscal 2009. As a percentage of net sales, the interest expenses decreased from 3.4% in 2009 to 1.2% in 2010.

**Depreciation** – Depreciation amounted to Rs. 5,562 lakhs in fiscal 2010 as compared to Rs. 2,127 lakhs in fiscal 2009, representing an increase of 261 %. The increase is on account of additional capital expenditure in Ethiopia.

**Earnings before Interest, Depreciation, Tax and Amortization (EBIDTA)** – We recorded EBIDTA of Rs. 20,486 lakhs in fiscal 2010 as against an EBIDTA of Rs. 15,439 lakhs in fiscal 2009, with EBIDTA margin increased from 34.8 % in fiscal 2009 to 38.3 % in fiscal 2010.



## DIRECTORS' REPORT (Contd..)

*Net Profit after tax and prior period adjustment* – Our Net Profit for the fiscal 2010 stood at Rs.14338 lakhs as against Rs. 11737 lakhs for fiscal 2009.

### **DIVIDEND:**

Continuing with the policy of sharing the profits, with the shareholders, your Board is pleased to recommend Dividend of Re 0.10 per Equity Share of Re.1/- each.

### **MANAGEMENT DISCUSSION AND BUSINESS ANALYSIS:**

#### **BUSINESS REVIEW:**

During 2009, Your Company continued to strengthen its leading market positions in floriculture globally, increased profitability in our retail and processed foods business and were on track on our ambitious project of developing 7,65,000 acres of agricultural land in Ethiopia.

#### **AGRICULTURE:**

During the year 2009-10, Your Company made substantial progress in the Agriculture project implementation at the sites at Bako and Gambella in Ethiopia.

In Bako more than 5000 Ha of Land was cleared and made ready for cultivation. Your Company acquired various machinery like High end Tractors, Excavators, Bore drilling machines, other implements from India and USA to augment the land development process. A trial production of maize is also under way . Investment has been made in building an all weather Road, 12 Km of which is already completed. Major sowing will take place in October 2010 on this 5000+ Ha besides developing the rest of the land for yielding production next year.

In Gambella, a nursery was established for Palm, which currently has 2 million Palm plants ready for transplanting on 20,000 Ha of land. Each hectare is having a potential of yielding 5,000 Kgs of crude oil. If properly cultivated, using superior seeds, the yield may go up to 15,000 Kgs per ha. A trial run for Paddy cultivation has also been completed on 11,700 Ha in Bako, Ethiopia which is on the shores of River Gibe. Each hectare has the potential to produce 7.5 tons of Paddy. The crop has a gestation period of 5 to 6 months. In Gambella, our State-of-the-art agricultural machineries have arrived and we have started developing 20,000 hectares of land for cultivation of maize with each Ha has the potential to produce 4.5 tons cereals with a gestation period of 3 to 5 months.

Your company has commissioned well known agencies to do a complete feasibility study for various crops. A detailed environmental Impact study has also been done to make sure that social and environmental obligations are taken care of.

#### **FLORICULTURE:**

At present, your Company enjoys a 9% market share in the European cut rose Imports. With plans to add another 100 Ha at Walliso in Ethiopia under green houses by 2014, this market share is expected to go up further.

Currently your Company has 15 flower retail outlets across India including all major Airports in the country and planning to expand its net work in the next 2 years. It has long term contracts with the global retailing chains for its produce across Europe. The Company is planning to foray into Japanese markets under franchise model. Due to its strategic operational presence in Kenya and Ethiopia, the Company has a distinct advantage of marketing its products in Middle East through Dubai Flower Centre.

This year in an effort to deliver further value to our customers, the Company proposes to invest on the 'peak fresh packaging technology' that will increase the shelf life of roses from 15 days to as much as 3 months.

#### **FOOD PROCESSING:**

During the year under review, Karuturi Foods Pvt Ltd (KFPL) a wholly owned subsidiary of the Company has vigorously marketed its products in various countries.

Participating in leading Food trade Fairs in Germany, Middle East, Russia, France, Africa & USA has enabled the company to develop a wider product range having added Pickled Jalapenos, Cherry Tomatoes, Sliced Gherkins and other vegetables. To commercially pack these products, the factory has added a sophisticated machine to pack Relish, and other products.

Meanwhile, the packing lines have also been expanded to include packing in cans and pails. The development of packing in multi-layered plastic Jars & in plastic Pouches as per the demands of certain markets is under way.

Your Company is acquiring farms close to the factory where vegetables will be grown for captive consumption by the factory, as well as for local markets.

Domestic marketing efforts have resulted in entering select markets within India under private label, in retail packs. Soon your Company will be supplying to leading food chains in Food Service pack as well.

KFPL has entered into a contract to sell pickles under its own brand name in UK, Africa and within India.

Your Company has invested in training the key personnel at factory for international GMP standards, a program conducted with USFDA trainers.

KFPL is HACCP certified, with OU Kosher and other quality certifications. BRC certification is underway and with this, your Company is expected to supply to all major food chains stores in USA & Europe very soon.

## **ISP**

The Internet Service business faced a downside last year due to the recessionary trends and there was pressure on margins for all the service providers.

Our focus continued in expanding our business within the areas where we have presence and also on the VOIP business where we identified newer areas and multiple solutions to address the corporate for both their office and remote needs.

Data center business has been identified as a growth area and efforts are on to formalize the same and start offering the services sometime middle of next year.

Your Company is also looking at a strategic tie up with a ILD player to expand the service portfolio

## **OUTLOOK:**

The strategic goals this year will be, to increase land productivity in agriculture through innovation, continue to build leadership and expand our markets in cut flower exports, create new opportunities for our food processing and broadband businesses.

## **INCREASE IN PAID UP CAPITAL:**

The total Paid up Capital of the Company as on 31.03.2010 was Rs. 4893.05 lakhs as compared to Rs. 4529.09 lakhs as on 31.03.2009. This increase in Capital is pursuant to conversion of Warrants to the extent of INR 2.28 crores of Re.1 each, FCCB conversions to the extent of INR 110.63 lakhs and also due to the conversion of 25,33,750 Employee Stock Options into Equity Shares.

## **GROUP COMPANIES:**

The following persons constitute the group coming within the definition of "Group" as defined in the Monopolies and Restrictive Trade Practices Act, 1969, Which exercises or is established to be in a position to exercise control, directly or indirectly over the Company [Section 2(ef)]:.

1. Mr. Karuturi Sai Ramakrishna
2. Ms. Karuturi Anitha
3. Mr. Karuturi Surya Rao





4. Karuturi Telecom Pvt Ltd., India.
5. Karuturi Floritech Pvt Ltd. India.
6. Karuturi Foods Pvt Ltd., India.
7. Karuturi Flower Express Pvt Ltd, India.
8. Karuturi Overseas Ltd , Dubai.
9. Flower Xpress FZE, Dubai.
10. Yeshoda Investments Ltd, Kenya
11. Rhea Holdings Ltd, Kenya.
12. Surya Holdings Ltd, Kenya.
13. Karuturi Sports Ltd, Kenya.
14. Karuturi Ltd, Kenya.
15. Karuturi Hospital Ltd, Kenya.
16. Gambella Green Valley Plc , Ethiopia.
17. Ethiopian Meadows Plc, Ethiopia.
18. Karuturi Agro products Plc., Ethiopia.
19. Surya Blossoms Plc, Ethiopia.

#### **STATUTORY DISCLOSURES:**

The Company has made the application with Govt. of India, Ministry of Corporate Affairs seeking exemption from attaching the Balance Sheet, the individual Annual Reports of the subsidiary Companies to its audited account for the financial year ended 31.3.2010. In anticipation of the approval from the Ministry, as per the terms of exemption, a statement containing brief financial details of the Company's subsidiaries for the year ended 31.3.2010 is included in the Annual Report. Annual Accounts of these subsidiaries are available for inspection by any Member at the Registered Offices or at the respective Head Offices of those subsidiary companies.

#### **DIRECTORS:**

The Directors, Mr. Satish Caroli and Ms. Aslesha Madappa, retire by rotation and being eligible, offer themselves for re-appointment.

#### **AUDIT COMMITTEE:**

Audit Committee constituted by the Board of Directors with requisite composition to fall in line with the prevailing laws, continued to discharge its functions during the year under review.

#### **PERSONNEL:**

The Directors wish to place on record their sincere appreciation for the services rendered by the employees of the Company at all levels both placed in India and Overseas. None of the employees employed during the year was in receipt of remuneration in excess of the prescribed limit specified in Section 217 (2A) of the Companies Act, 1956.

#### **EMPLOYEE STOCK OPTION PLAN (ESOP):**

The Company has commissioned its maiden Employees Stock Option Plan during the year 2006. Through this the Company has converted 517,750 Stock options granted to the eligible employees of the Company into Equity Shares during the year 2008.09 and for the year ended 31.03.2010 the Company has converted 25,33,750 stock options into Equity Shares.

#### **DEPOSITS:**

The Company has not accepted any deposits from the public falling under the purview of Section 58A of the Companies Act, 1956.

**AUDITORS:**

Messrs ISHWAR & GOPAL, Chartered Accountants, the existing statutory Auditors, have expressed their willingness to get reappointed at the ensuing Annual General Meeting.

The Board of Directors recommends their appointment.

**FOREIGN EXCHANGE EARNINGS:**

The Company earned Rs. 2021.75 lakhs in Foreign Exchange for the year ended 31.03.2010 as compared to Rs. 3097.20 lakhs for the year ended 31.03.2009.

The outflow in Foreign Exchange was Rs. 5.64 lakhs for the year ended 31.03.2010 as compared to 8.35 lakhs during the previous Year.

**CORPORATE GOVERNANCE:**

Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, CEO&CFO certification on the financials of the Company, Report on Corporate Governance, and Auditors' Report on compliance with the Corporate Governance requirements have been included as Annexures to this Report.

**DIRECTORS' RESPONSIBILITY STATEMENT:**

**Directors State:**

- i) That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanations relating to material departure;
- ii) That 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 at the end of the financial year and the profit of the Company for the period;
- iii) That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) That the Directors had prepared the annual accounts on a 'going concern' basis.

**INSURANCE COVERAGE:**

The Board reports that the Company has adequately insured all the assets of the Company.

**ACKNOWLEDGEMENTS:**

Your Directors acknowledge with gratitude the confidence reposed on the Company by the Shareholders, Bankers, Statutory Authorities, Customers, Vendors and all others who deal with the Company and also wish to thank all the employees both India and Overseas for their sincere and unstinted support extended and expects the same for the years to come.

On behalf of the Board

Place : Bengaluru  
Date : August 18, 2010

**Sai Ramakrishna Karuturi**  
Managing Director

**Anitha Karuturi**  
Director



## ANNEXURE TO THE DIRECTORS' REPORT:

### CEO & CFO CERTIFICATION

We, Sai Ramakrishna Karuturi, Managing Director and Ms. Anitha Karuturi, Director of the Company responsible for the finance functions certify that:

We have reviewed the financial statements and cash flow statement for the year ended 31<sup>st</sup> March, 2010 and to the best of our knowledge and belief.

These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading:

These statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting standards, applicable laws and regulations.

To the best of our knowledge and belief, no transactions entered into by the Company during the year ended 31<sup>st</sup> March, 2010 are fraudulent, illegal or violate the Company's code of conduct.

We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any of which we are aware have been disclosed to the auditors and the Audit Committee and steps have been taken to rectify these deficiencies.

There has not been any significant change in internal control over financial reporting during the year under reference.

There has not been any significant change in accounting policies during the year requiring disclosure in the notes to the financial statements and

We are not aware of any instance during the year of significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Place : Bengaluru  
Dated : August 18, 2010

**Sai Ramakrishna Karuturi**  
Managing Director

**Anitha Karuturi**  
Director

## Details pursuant to Section 212 of the Companies Act., 1956, relating to Subsidiary Companies 2009-10

Rs. In Lakhs

| Particulars           | KTPL<br>Rs | KFTPL<br>Rs | KFPL<br>Rs | KFEPL<br>Rs | KOL<br>Rs | EM PLC<br>Rs | KA-PPL<br>Rs | SBPL<br>Rs | FZE<br>Rs | KL<br>Rs  | RHL<br>Rs | SHL<br>Rs | YIL<br>Rs | KHL<br>Rs |
|-----------------------|------------|-------------|------------|-------------|-----------|--------------|--------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Share Capital         | 347.00     | 5.00        | 5.00       | 5.00        | 39,308.97 | 562.46       | 661.72       | 661.72     | 103.25    | 3.03      | 0.61      | 0.12      | 0.01      | 0.61      |
| Reserves              | 47.89      | (0.25)      | 101.28     | (43.86)     | 15,861.11 | 2,390.62     | -            | -          | 17,438.35 | 12,899.06 | 187.75    | 1,475.22  | 649.15    | -         |
| Details of Investment | -          | 0.10        | -          | 0.05        | -         | -            | -            | -          | -         | -         | -         | -         | -         | -         |
| Total Asset           | 636.92     | 12.36       | 1,641.01   | 2.99        | 83,016.88 | 28,973.76    | 8,911.10     | 7,473.09   | 44,615.63 | 18,954.73 | 1,451.51  | 1,475.34  | 1,774.75  | 0.61      |
| Total Liabilities     | 636.92     | 12.36       | 1,641.01   | 2.99        | 83,016.88 | 28,973.76    | 8,911.10     | 7,473.09   | 44,615.63 | 18,954.73 | 1,451.51  | 1,475.34  | 1,774.75  | 0.61      |
| Turnover              | 631.11     | 4.06        | 1,054.93   | 116.98      | 20,891.16 | 3,685.94     | -            | -          | 26,677.92 | 10,334.37 | 50.48     | 34.74     | -         | 195.40    |
| Profit Before tax     | (7.68)     | (9.36)      | 13.01      | (14.84)     | 8,192.95  | 99.49        | -            | -          | 6,058.01  | 123.66    | 13.95     | 8.18      | (0.53)    | 3.15      |
| Provision Fortaxation | 0.14       | 0.02        | 1.08       | 0.03        | -         | -            | -            | -          | -         | -         | 4.19      | 2.45      | -         | 0.73      |
| Profit After Tax      | (7.83)     | (9.38)      | 11.93      | (14.86)     | 8,192.95  | 99.49        | -            | -          | 6,058.01  | 123.66    | 9.77      | 5.73      | (0.53)    | 2.42      |
| Proposed Dividend     | -          | -           | -          | -           | -         | -            | -            | -          | -         | -         | -         | -         | -         | -         |

|    |        |                            |    |        |                                 |
|----|--------|----------------------------|----|--------|---------------------------------|
| 1  | KTPL   | Karuturi Telecom Pvt Ltd   | 2  | KFTPL  | Karuturi Floritech Pvt Ltd      |
| 3  | KFPL   | Karuturi Foods Pvt Ltd     | 4  | KFEPL  | Karuturi Flower Express Pvt Ltd |
| 5  | KOL    | Karuturi Overseas Ltd      | 6  | EM PLC | Ethiopian Meadows PLC           |
| 7  | KA-PPL | Karuturi Agro Products Plc | 8  | SBPL   | Sury Blossoms Plc               |
| 9  | FZE    | Flower Xpress FZE          | 10 | KL     | Karuturi Ltd                    |
| 11 | RHL    | Rhea Holdings Ltd          | 12 | SHL    | Surya Holdings Ltd              |
| 13 | YIL    | Yashoda Investments Ltd    | 14 | KHL    | Karuturi Hospital Ltd           |

Place : Bengaluru  
Dated : August 18, 2010Sai Ramakrishna Karuturi  
Managing DirectorAnitha Karuturi  
Director

## COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Karuturi Global Limited does believe and practice Good Corporate Governance by ensuring integrity, fairness, transparency, equity, accountability and ethics in all its business dealings. The Company continuously endeavors to improve on these aspects. The management follows the principle of fair representation and transparent disclosure in all its dealings and communications. The Company and its management seeks to earn a sense of trust and dependency among its investing fraternity by implementing sound and ethical corporate governance.

## BOARD OF DIRECTORS:

Details of composition of the Board of Directors and their attendance at the Board Meetings and Annual General Meeting and their association with other companies as Directors and membership to other committees are as follows:

| Name of the Director         | Category                             | No. of Board Meetings attended | Directorship in other Companies | Membership on other Companies Committees | Attendance at previous AGM |
|------------------------------|--------------------------------------|--------------------------------|---------------------------------|--|----------------------------|
| Sai Ramakrishna Karuturi     | Executive Director                   | 10                             | 5                               | Nil                                      | Yes                        |
| Anitha Karuturi              | Executive Director                   | 10                             | 4                               | Nil                                      | Yes                        |
| Aslesha Madappa              | Non-Executive & Independent Director | 03                             | 1                               | Nil                                      | Yes                        |
| Karuturi Surya Rao           | Non – Exec Director                  | 05                             | Nil                             | NA                                       | Yes                        |
| Satish Caroli                | Non executive & Independent.         | 01                             | 1                               | NA                                       | No                         |
| Raja Vara Prasad Bommidala * | –                                    | –                              | –                               | –  | NA                         |
| Mahendra Kumar Sunkara*      | –                                    | –                              | –                               | –  | NA                         |

\*Appointed w. e. f. 29.01.2010.

## b. DATES OF BOARD MEETINGS:

During the year under review, Ten Board Meetings were held on the following dates:

29.04.2009, 4.05.2009, 23.05.2009, 15.6.2009, 29.7.2009, 26.08.2009, 28.10.2009, 4.01.2010, 29.01.2010 & 22.03.2010.

## AUDIT COMMITTEE:

The Audit Committee's composition is as follows:

| Name of the Member     | Category                             | No. of Meetings | Attendance |
|------------------------|--------------------------------------|-----------------|------------|
| Mr. Satish Caroli      | Non-Executive & Independent Director | 4               | 1          |
| Ms. Aslesha Madappa    | Non-Executive & Independent Director | 4               | 4          |
| Mr. Karuturi Surya Rao | Non Executive Chairman               | 4               | 4          |

The terms of reference stipulated by the Board of Directors to the Audit Committee are as follows:

1. To review the Company's financial reporting process and Disclosure of its financial information.
2. To recommend the appointment of Statutory Auditors and fixation of their fees and also approval for payment for any other services.
3. Periodically review the internal auditing systems and make proper guidance and recommendations.
4. Reviewing with the management and Statutory Auditors and discuss the scope of audit, their observations and suggestions on accounts and accounting policies.
5. Reviewing with management the annual financial statements before submission to the Board.
6. Providing guidance on compliance of accounting standards and accounting policies.
7. The observations of the Audit Committee Meetings are circulated during the Board Meetings, discussed and taken note of.

#### REMUNERATION COMMITTEE :

The Company has constituted Remuneration Committee to review periodically the Managerial Remuneration and make proper recommendations. The said Committee consists of three Non-executive Directors i.e Mr. Satish Caroli, Ms. Aslesha Madappa and Mr. Karuturi Surya Rao.

#### DISCLOSURE REGARDING DIRECTORS REMUNERATION :

None of the Directors of the Company is drawing remuneration in excess of the limits specified by Schedule XIII to the Companies Act, 1956.

#### GENERAL BODY MEETINGS :

- A) Details of location and time of holding the last 3 AGM's.

| Year                 | Date and Time          | Venue   |
|----------------------|------------------------|---|
| 12 <sup>th</sup> AGM | 28.09.2007 at 4.30 P.M | Garden Hut, Century Club,<br>No.1, Seshadri Road, Bangalore-01.       |
| 13 <sup>th</sup> AGM | 26.09.2008 at 4.30 P.M | Wadiyar Hall, Century Club,<br>No.1, Seshadri Road, Bangalore-560001. |
| 14 <sup>th</sup> AGM | 26.09.2009 at 3.30 P.M | Chancery Hall, Atria Hotel,<br>No. 1, Palace Road, Bangalore-560001.  |

#### DETAILS OF SPECIAL RESOLUTIONS PASSED:

During the 14<sup>th</sup> Annual General Meeting of the Company, the following Special Resolutions were passed.

- 1 To raise money by way of issue of QIP/FCCB/GDR's.
2. To ratify the decision taken by the Board in re allocation of warrants.
3. To increase in Authorised Capital from Rs.100 Crores to Rs.110 crores .
4. To alter the Memorandum of Association.
5. To alter the Articles of Association.



## 6. MEANS OF COMMUNICATION:

The Quarterly/ Half Yearly/ Annual results of the Company are published in leading dailies of the country and also hosted on the Company's website [www.karuturi.com](http://www.karuturi.com). The same are available on the respective web sites of NSE and BSE. Periodic information notices on the latest developments in the Company are circulated among the share holders of the Company through Stock Exchange and company web sites. The Company also communicates with the Share Holders through annual general meetings and extra ordinary general meetings and also through postal ballots.

## SHAREHOLDERS GRIEVANCES COMMITTEE:

The Investors Grievances Committee comprises of two Non-Executive Directors, Ms. Ashlesha Madappa and Mr. Karuturi Surya Rao and Ms. Anitha Karuturi, who is an Executive Director. Ms. Anitha Karuturi, Executive Director is also the Compliance Officer of the Company.

\*Mr. Karuturi Surya Rao was inducted into the Share holders Grievances' Committee on 15.06.2009. The Committee acts in close liaison with its Share Transfer Agents and Registrars. Details of Investor Grievances received and resolved during the year are as under:

| SR.NO. | PARTICULARS                          | RECEIVED  | DISPOSED  | PENDING AS ON 31.03.2010 |
|--------|--------------------------------------|-----------|-----------|--------------------------|
| 1      | NON RECEIPT OF SHARE CERTIFICATES    | 0         | 0         | 0                        |
| 2      | NON RECEIPT OF DIVIDEND WARRANTS     | 12        | 12        | 0                        |
| 3      | NON RECEIPT OF ANNUAL REPORTS        | 4         | 4         | 0                        |
| 4      | COMPLAINT FORM STOCK EXCHANGE / SEBI | 2         | 1         | 1                        |
|        | <b>TOTAL</b>                         | <b>18</b> | <b>17</b> | <b>1</b>                 |

Power to process the share transfer requests and other grievances of the share holders was allocated to certain key personnel in Karvy Computer Share Pvt Ltd, Hyderabad and also in the Company, so as to enable the requests to be processed at the earliest which might otherwise be delayed due to the absence of any committee members.

Periodically, audits are carried out at the office of the Share Transfer Agents by independent Practising Company Secretary and requisite Certificates/Reports are obtained and furnished to the exchanges.

## 7. DISCLOSURES REGARDING SUSPENSE ACCOUNT PURSUANT TO SEBI CIRCULAR NO. SEBI/CFD/DIL/LA/1/2009/24/04 DATED APRIL 24, 2009:

As per the above mentioned Circular, Clause 5A stands for shares issued pursuant to the public issues or any other issue which remain unclaimed and are lying in the escrow account and any unclaimed benefits like Dividend, Bonus shares etc., which are to be credited to the De-mat Suspense Account. Your Company is taking steps to streamline the requirements.

## 8. GENERAL SHAREHOLDER INFORMATION:

- i) AGM Date : 25.09.2010,  
Time : 3.30 P.M.  
Venue : Chancery Hall, Atria Hotel, No.1, Palace Road, Bangalore-560001.
- ii) Financial Year ending 31<sup>st</sup> March 2010.
- iii) Date of dispatch of Annual Reports: On or before 1<sup>st</sup> September 2010.
- iv) Book closure dates : 23.09.2010 to 25.09.2010 (both days inclusive).

**LISTING ON STOCK EXCHANGES:**

The Shares of the Company are listed on the Bombay Stock Exchange Ltd, Mumbai, National Stock Exchange of India Ltd, Mumbai.

**DISTRIBUTION OF SHARE HOLDING AS ON 31.03.2010:**

| Category<br>(No. of Shares) | No. of Cases | % of Cases      | Total Shares     | Amount Rs.       | % of Shares    |
|-----------------------------|--------------|-----------------|------------------|------------------|----------------|
| 1 – 5000                    | 42941        | 92.779205       | 35663787         | 35663787         | 7.288657%      |
| 5001 - 10000                | 1546         | 3.340319        | 12332278         | 12332278         | 2.520365%      |
| 10001 - 20000               | 805          | 1.739300        | 12181636         | 12181636         | 2.489578%      |
| 20001 - 30000               | 299          | 0.646026        | 7635605          | 7635605          | 1.560499%      |
| 30001 - 40000               | 146          | 0.315451        | 5205051          | 5205051          | 1.063763%      |
| 40001 - 50000               | 126          | 0.272238        | 5967340          | 5967340          | 1.219553%      |
| 50001 - 100000              | 207          | 0.447248        | 15359367         | 15359367         | 3.139015%      |
| 100001 & Above              | 213          | 0.460212        | 394960261        | 394960261        | 80.718570%     |
| <b>TOTAL</b>                | <b>46283</b> | <b>100.00 %</b> | <b>489305325</b> | <b>489305325</b> | <b>100.00%</b> |

**SHARE HOLDING PATTERN AS ON 31.03.2010:**

| Category                        | No. of Holders | Total Shares     | % To Equity     |
|---------------------------------|----------------|------------------|-----------------|
| Foreign Companies               | 7              | 105416325        | 21.544079%      |
| Resident Individuals            | 43149          | 99719404         | 20.379791%      |
| Promoter Group                  | 2              | 75994347         | 15.531069%      |
| Foreign Institutional Investors | 16             | 64479193         | 13.177701%      |
| Promoters & Directors           | 4              | 54794660         | 11.198460%      |
| Bodies Corporates               | 1169           | 43638330         | 8.918425%       |
| Mutual Funds                    | 9              | 24316141         | 4.969523%       |
| Banks                           | 2              | 6976101          | 1.425715%       |
| Non Resident Indians            | 673            | 5602094          | 1.144908%       |
| H U F                           | 1121           | 5485905          | 1.121162%       |
| Indian Financial Institutions   | 2              | 1505000          | 0.307579%       |
| Clearing Members                | 125            | 1238325          | 0.253078%       |
| State Financial Corporation     | 1              | 135000           | 0.027590%       |
| Trusts                          | 3              | 4500             | 0.000920%       |
| <b>Total</b>                    | <b>46283</b>   | <b>489305325</b> | <b>100.00 %</b> |



**SHARE PRICE MOVEMENTS:**

The monthly high and low quotations on Bombay Stock Exchange Ltd are as follows:

| Period    | Year | Lowest Rs. | Highest Rs. | Volume of Shares traded. |
|-----------|------|------------|-------------|--------------------------|
| April     | 2009 | 7.86       | 11.06       | 53477992                 |
| May       | 2009 | 9.40       | 15.69       | 34031847                 |
| June      | 2009 | 12.65      | 17.30       | 70162701                 |
| July      | 2009 | 10.68      | 14.55       | 24278813                 |
| August    | 2009 | 11.80      | 16.65       | 51852513                 |
| September | 2009 | 13.95      | 17.90       | 89471005                 |
| October   | 2009 | 13.25      | 17.50       | 32422591                 |
| November  | 2009 | 13.10      | 17.59       | 48739445                 |
| December  | 2009 | 15.51      | 18.90       | 78660136                 |
| January   | 2010 | 16.90      | 23.25       | 100591838                |
| February  | 2010 | 17.25      | 23.65       | 30885651                 |
| March     | 2010 | 17.55      | 19.40       | 18551449                 |

The Monthly high and low quotations on National Stock Exchange of India Ltd are as follows:

| Period    | Year | Lowest Rs. | Highest Rs. | Volume of shares traded. |
|-----------|------|------------|-------------|--------------------------|
| April     | 2009 | 7.85       | 11.05       | 46216272                 |
| May       | 2009 | 9.40       | 15.95       | 40506753                 |
| June      | 2009 | 12.70      | 17.15       | 55160496                 |
| July      | 2009 | 10.70      | 14.50       | 28182113                 |
| August    | 2009 | 11.80      | 16.95       | 58569241                 |
| September | 2009 | 13.95      | 18.25       | 101585112                |
| October   | 2009 | 12.80      | 17.45       | 36158141                 |
| November  | 2009 | 13.35      | 17.60       | 60812126                 |
| December  | 2009 | 15.10      | 18.75       | 85728948                 |
| January   | 2010 | 16.50      | 23.25       | 133695075                |
| February  | 2010 | 17.50      | 23.65       | 45950042                 |
| March     | 2010 | 17.60      | 19.40       | 27728109                 |

vii) The new ISIN No after the stock split for the dematerialized Shares of the Company is INE 299C01024.

viii) Plant Location's of the Company:

**India :**

- |   |  |
|---|--|
| 1. 95/1, Naranahalli Village,<br>Doddabelavangala,<br>Doddaballapur,<br>Bangalore District – 560 001. | 2. 66 & 73/2<br>Belledhara Village<br>Tumkur- Madhugiri Road<br>Tumkur District.-572106. |
|---|--|

**Overseas:**

- |                               |                        |
|-------------------------------|------------------------|
| 1. Wollisso City<br>Ethiopia. | 2. Holeta<br>Ethiopia. |
| 3. Naivasha<br>Kenya.         | 4. Bako<br>Ethiopia.   |
| 5. Gambela<br>Ethiopia        |                        |

**Address for Correspondence :**

# 204, Embassy Centre,  
11 Crescent Road, Bangalore – 560001.  
Ph : 080 41512430  
Fax : 080 22259782  
e.mail : investorrelations@karuturi.com.

Registrar & Transfer Agents  
Karvy Computershare (P) Ltd,  
Karvy House, 46 Avenue 4,  
Street No.1, Banjara Hills,  
Hyderabad-500 034.  
Ph : 040 23420838.  
Fax : 040 23420814.

**Name of the contact Person:**

Mr. S. Krishnan, Senior Manager.  
e.mail : krishnans@karvy.com.

- xi) The Practicing Company Secretary's certificate on Corporate Governance as required by Clause 49 of the Listing Agreement is given as Annexure to this report.

## Auditor's Certificate on Corporate Governance

To  
The Members  
Karuturi Global Limited

1. I have examined the compliance of the conditions of Corporate Governance by Karuturi Global Limited for the year ended 31<sup>st</sup> March, 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange, Mumbai and with the National Stock Exchange of India Limited.
2. The compliance of the conditions of Corporate Governance is the responsibility of the Management. My examination was limited to the 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 the opinion on the financial statements of the Company.
3. In my opinion and to the best of my information and explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.
4. I 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.
5. I state that in respect of investor grievances received during the year ended 31<sup>st</sup> March, 2010, one investor grievances is pending against the Company as on 31<sup>st</sup> March, 2010, as per the records maintained by the Company and presented to the Shareholders' and Investors' Grievances Committee.

**Vijayakrishna K T**  
Practicing Company Secretary  
FCS-1788  
CP-980

Place : Bengaluru  
Date : August 18, 2010



# AUDITORS' REPORT

To The Members of  
Karuturi Global Limited

We have audited the attached Balance Sheet of Karuturi Global Limited, Bangalore as at 31st March 2010 and also the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with 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 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.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

1. As required by the Companies (Auditor's Report) Order, 2003 as amended by Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to 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 purposes of our audit;
  - b) In our opinion, proper books of accounts as required by law, have been kept by the Company so far as appears from our examination of those books;
  - c) The Balance Sheet, 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, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956; and
  - e) On the basis of the 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 director is disqualified from being appointed as a Director of the Company in terms of clause (g) of Sub Section (1) of Section 274 of the Companies Act, 1956 as on 31st March 2010.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with significant accounting policies and the notes appearing thereon, give the information required by the Companies Act, 1956, in the manner so required and gives a true and fair view in conformity with the accounting principles generally accepted in India:

1. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
2. In the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
3. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For Ishwar & Gopal,**  
Chartered Accountants

**K.V.Gopalakrishnayya**  
Partner  
Membership No.: 021748  
Firm Registration No.: 001154S

Place : Bengaluru  
Date : August 18, 2010

## Annexure To The Auditors' Report

(Annexure Referred to paragraph (1) of our report of even date)

Re: KARTURI GLOBAL LIMITED

- I
  - a) The Company is maintaining proper records to show full particulars including quantitative details and situation of fixed assets;
  - b) The fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its business. No material discrepancies were noticed on such physical verification.
  - c) In our opinion, the Company has not disposed off any substantial part of fixed assets so as to affect its going concern status.
- II.
  - a) As explained to us, inventories have been physically verified by the management at reasonable intervals during the year. In our opinion, the frequency of verification is reasonable.
  - b) As per the information given to us, the procedures of physical verification of inventory followed by the management are in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- III.
  - a) The Company has granted interest free unsecured loan amounting to Rs.9872.48 lakhs (Maximum amount involved during the year is Rs. 18864.09 lakhs) to two subsidiaries which is listed in the Register maintained under Section 301 of the Companies Act, 1956;
  - b) These loans are given to wholly owned subsidiaries, and hence we are of the opinion that the non charging of interest is prima facie not prejudicial to the interest of the company.
  - c) Since, the repayment schedule has not been fixed, we cannot comment whether there are any overdues and receipt of the principal amount is regular.
  - d) The Company has taken unsecured interest free loans from six parties amounting to Rs. 2393.69 lakhs during the year from three directors and three wholly owned subsidiaries. (Maximum amount involved during the year is Rs.1268.17 lakhs). No repayment schedule is fixed for the same.
  - e) These loans are interest free in nature, and hence we are of the opinion that they are prima facie not prejudicial to the interest of the company.
  - f) Since, the repayment schedule is not fixed, we cannot comment whether the payment of the principal amount is regular.
- IV In our opinion and according to the information and explanations provided to us, there are adequate internal control systems for purchase of fixed assets commensurate with the size of the Company and the nature of its business. With regard to purchase and sale of flowers and inventories, the existing internal control system needs to be strengthened to make it commensurate with the size of the Company and the nature of its business. However, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- V.
  - a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 have been entered.
  - b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 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. The Company has not accepted any deposits from the public and hence provisions of Section 58A and 58AA of the Companies Act, 1956 and Companies (Acceptance of Deposit) Rules, 1975 are not applicable to the Company for the year under review.
- VII. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- VIII. The Central Government has not prescribed maintenance of cost records under clause (d) of subsection (1) of Section 209 of the Companies Act, 1956 in respect of any of the activities of the Company.
- IX.
  - a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing with undisputed statutory dues

including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities. There are no arrears of outstanding statutory dues as at 31st March 2010 for a period of more than six months from the date they became payable.

- b) According to the records of the company and the information and explanations given to us, there are no dues in respect of sales tax, custom duty, wealth tax, excise duty and cess that have not been deposited on account of any dispute. The particulars of income tax which have not been deposited as on 31st March 2010 on account of dispute is as under:

| Name of the Statute  | Amount  | Period to which the dispute relates | Forum where dispute is pending                      |
|----------------------|---|-------------------------------------|---|
| Income Tax Act, 1961 | Rs. 319 lakhs (net of Rs. 400 lakhs deposited with the authorities) | Assessment Year 2006 - 07           | Commissioner of Income Tax (Appeals) – I, Bengaluru |

- X. The Company has no accumulated losses as at 31st March 2010 and it has not incurred cash losses in the financial year ended on that date or in the immediately preceding financial year.
- XI. Based on our audit procedures and according to the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank as at the Balance Sheet date.
- XII. Based on our examination and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities, during the year.
- XIII. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- XIV. In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities. The Company has invested in mutual funds in its own name, for which proper records have been maintained of the transactions and timely entries have been made.
- XV. The terms and conditions of guarantees given by the Company for loans availed by its wholly owned subsidiaries from banks or financial institutions are not prejudicial to the interest of the Company.
- XVI. In our opinion and according to the information and explanations given to us, on an overall basis, the term loans taken by the company have been applied for the purpose for which they were obtained.
- XVII. According to the information and explanations given to us, and on overall examination of the Balance Sheet of the Company, we report that funds raised on short term basis have, prima facie, not been used during the year for long term investments.
- XVIII. During the year under review, the Company has made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 and the price at which shares have been issued is not prejudicial to the interest of the company;
- XIX. During the year under review, the Company has not issued any debentures. Hence, this clause is not applicable.
- XX. The Company has not raised any money by public issues during the year.
- XXI. During the course of our examination of the books and records of the Company, carried out with the generally accepted auditing practices in India, and according to the information and explanations given to us by the management, we have neither come across any instances of material fraud on or by the Company, noticed or reported during the year, nor we have been informed of such case by the management..

**For Ishwar & Gopal,**  
Chartered Accountants

**K V Gopalakrishnayya**  
Partner

Membership No.: 021748

Firm Registration No.: 001154S

Place : Bengaluru

Date : August 18, 2010

## Balance Sheet As At March 31, 2010

(Rs. in Lakhs,)

| Particulars  | SCH. | AS AT<br>31.3.2010<br>₹ (INR) | AS AT<br>31.3.2009<br>₹ (INR) |
|--|------|-------------------------------|-------------------------------|
| <b>I. SOURCES OF FUNDS</b>                                       |      |                               |                               |
| <b>SHAREHOLDERS FUNDS</b>  |      |                               |                               |
| Share Capital  | 1    | 4,893.05                      | 4,529.09                      |
| Share Warrants   | 2    | 7,596.00                      | -                             |
| Reserves and Surplus   | 3    | 38,139.41                     | 34,099.12                     |
| <b>LOAN FUNDS</b>  |      |                               |                               |
| Secured Loans  | 4    | 9,442.21                      | 11,738.28                     |
| Unsecured Loans  | 5    | 25,234.98                     | 27,683.18                     |
| Deferred Tax Liability (Net)                                     |      | 86.06                         | 158.03                        |
| <b>TOTAL</b>   |      | <b>85,391.71</b>              | <b>78,207.70</b>              |
| <b>II. APPLICATION OF FUNDS</b>                                  |      |                               |                               |
| <b>FIXED ASSET</b>   |      |                               |                               |
| Gross Block  | 6    | 3,304.73                      | 3,390.43                      |
| Less: Depreciation   |      | 582.17                        | 487.35                        |
| Net Block  |      | 2,722.56                      | 2,903.08                      |
| Investments  | 7    | 62,921.73                     | 59,249.48                     |
| Foreign Currency Monetary<br>Item Translation Difference Account | 8    | 1,498.79                      | 4,666.67                      |
| <b>Current Assets, Loans &amp; Advances:</b>                     |      |                               |                               |
| a) Inventories   | 9    | 78.47                         | 53.98                         |
| b) Sundry Debtors  | 10   | 1,430.63                      | 1,830.16                      |
| c) Cash & Bank Balances  | 11   | 179.89                        | 238.76                        |
| d) Other Current Assets  | 12   | -                             | 11.46                         |
| e) Loans and Advances  | 13   | 18,057.73                     | 11,022.29                     |
|  |      | 19,746.72                     | 13,156.65                     |
| <b>Less: Current Liabilities and provisions</b>                  |      |                               |                               |
| a) Current Liabilities   | 14   | 882.69                        | 1,293.95                      |
| b) Provisions  | 15   | 615.40                        | 475.79                        |
|  |      | 1,498.09                      | 1,769.74                      |
| <b>Net Current Assets</b>  |      |                               |                               |
|  |      | 18,248.63                     | 11,386.91                     |
| <b>MISCELLANEOUS EXPENDITURE</b>                                 |      |                               |                               |
|  | 16   | -                             | 1.56                          |
| <b>TOTAL</b>   |      | <b>85,391.71</b>              | <b>78,207.70</b>              |
| Significant accounting policies                                  | 24   |                               |                               |
| Notes to Accounts  | 25   |                               |                               |

As per our report of even date

On behalf of the Board

For **ISHWAR & GOPAL**  
Chartered Accountants**K.V.Gopalakrishnaya**  
Partner  
Membership No.21748  
Firm Registration NO.001154S**B.S. Krishnaswamy**  
Company Secretary  
M.No.1524**Sai Ramakrishna Karuturi**  
Managing Director**Anitha Karuturi**  
DirectorPlace : Bengaluru  
Date : August 18, 2010



## Profit &amp; Loss Account for the year ended 31st March, 2010

(Rs. in Lakhs,)

| Particulars  | SCH. | AS AT<br>31.3.2010<br>₹ (INR) | AS AT<br>31.3.2009<br>₹ (INR) |
|--|------|-------------------------------|-------------------------------|
| <b>INCOME</b>  |      |                               |                               |
| Sales  | 17   | 2,681.03                      | 4,214.21                      |
| Other Income   | 18   | 275.64                        | 368.19                        |
| <b>Total</b>   |      | <b>2,956.67</b>               | <b>4,582.40</b>               |
| <b>EXPENDITURE</b>   |      |                               |                               |
| Material Costs   | 19   | 635.99                        | 1,568.06                      |
| Employee Expenses  | 20   | 276.55                        | 189.46                        |
| Selling And Administrative Expenses                                  | 21   | 605.10                        | 448.66                        |
| Financial Charges  | 22   | 169.93                        | 1,071.84                      |
| Depreciation /Amortization   | 23   | 463.26                        | 691.00                        |
| <b>Total</b>   |      | <b>2,150.83</b>               | <b>4,003.51</b>               |
| Profit Before Tax  |      | 805.84                        | 578.89                        |
| Provision For  |      |                               |                               |
| Current Tax  |      | -                             | 10.00                         |
| Deferred Tax (Net of Rs 113.78 Lakhs<br>Pertaining to Previous Year) |      | (71.97)                       | 44.09                         |
| Fringe Benefit Tax   |      | -                             | 15.50                         |
| <b>Profit After Tax</b>  |      | <b>877.82</b>                 | <b>509.27</b>                 |
| Balance As per Last Balance Sheet                                    |      | 2,162.01                      | 2,125.27                      |
| Profit Available For Appropriations                                  |      | <b>3,039.83</b>               | <b>2,634.54</b>               |
| <b>APPROPRIATIONS</b>  |      |                               |                               |
| Proposed Dividend of Equity Share                                    |      | 520.81                        | 452.91                        |
| Residual Dividend of Previous Year                                   |      | 3.69                          | -                             |
| Dividend Distribution Tax  |      | 86.51                         | 6.99                          |
| Transferred to General Reserve                                       |      | 23.63                         | 12.63                         |
| Surplus Carried to Balance Sheet                                     |      | 2,405.19                      | 2,162.01                      |
|  |      | <b>3,039.83</b>               | <b>2,634.54</b>               |
| Earning Per Share (Equity Shares of Re.1/- each)                     |      |                               |                               |
| Basic in Rs.   |      | 0.19                          | 0.11                          |
| Diluted in Rs.   |      | 0.15                          | 0.09                          |
| Significant accounting policies                                      | 24   |                               |                               |
| Notes to Accounts  | 25   |                               |                               |

As per our report of even date

On behalf of the Board

For **ISHWAR & GOPAL**  
Chartered Accountants**K.V.Gopalakrishnaya**  
Partner  
Membership No.21748  
Firm Registration NO.001154S**B.S. Krishnaswamy**  
Company Secretary  
M.No.1524**Sai Ramakrishna Karuturi**  
Managing Director**Anitha Karuturi**  
DirectorPlace : Bengaluru  
Date : August 18, 2010

## Schedules to Accounts

(Rs. in Lakhs,)

| Sch.     | Particulars   | AS AT<br>31.3.2010<br>₹ (INR) | AS AT<br>31.3.2009<br>₹ (INR) |
|----------|---|-------------------------------|-------------------------------|
| <b>1</b> | <b>SHARE CAPITAL</b>  |                               |                               |
|          | Authorized Capital<br>11,00,000,000 (750,000,000) Equity shares of Re.1/- each                                      | 11,000.00                     | 7,500.00                      |
|          | Issued Subscribed, and Paid up Capital<br>48,93,05,325 (Previous year 45,29,09,075)<br>Equity shares of Re.1/- each | 4,893.05                      | 4,529.09                      |
|          |   | <b>4,893.05</b>               | <b>4,529.09</b>               |
| <b>2</b> | <b>SHARE WARRANTS</b>   |                               |                               |
|          | As Per Last Balance Sheet   | -                             | 16,894.40                     |
|          | Add: Receipt During the year  | 10,332.00                     | 3,139.29                      |
|          |   | <b>10,332.00</b>              | <b>20,033.69</b>              |
|          | Less: Transferred to Share Capital  | 228.00                        | 1,214.16                      |
|          | Transferred to Security Premium   | 2,508.00                      | 18,819.53                     |
|          |   | <b>7,596.00</b>               | <b>-</b>                      |
| <b>3</b> | <b>RESERVES AND SURPLUS</b>   |                               |                               |
|          | <b>General Reserve</b>  |                               |                               |
|          | As per last Balance sheet   | 763.94                        | 751.31                        |
|          | Add: Transfer from Profit and Loss Account  | 23.63                         | 12.63                         |
|          |   | <b>787.57</b>                 | <b>763.94</b>                 |
|          | <b>Hedging Reserve Account</b>  |                               |                               |
|          | As per Last Balance sheet   | (717.09)                      | -                             |
|          | Add:- Additions during the year   | (279.31)                      | (717.09)                      |
|          |   | <b>(996.40)</b>               | <b>(717.09)</b>               |
|          | <b>Capital Reserve</b>  |                               |                               |
|          | As Per Last Balance sheet   | 378.45                        | 378.45                        |
|          | Add:- Warrant Money Forfeited   | 174.63                        | -                             |
|          |   | <b>553.08</b>                 | <b>378.45</b>                 |
|          | <b>Security Premium Account</b>   |                               |                               |
|          | As Per Last Balance Sheet   | 31,511.79                     | 12,660.94                     |
|          | Add: Additions During the Year  | 3,878.18                      | 18,850.85                     |
|          |   | <b>35,389.97</b>              | <b>31,511.79</b>              |
|          | <b>Balance in Profit &amp; Loss Account</b>   | <b>2,405.19</b>               | <b>2,162.01</b>               |
|          |   | <b>38,139.41</b>              | <b>34,099.12</b>              |
| <b>4</b> | <b>SECURED LOANS</b>  |                               |                               |
|          | <b>I) Term Loan From Banks*</b>   |                               |                               |
|          | A) Rupee Loan   | 7,759.04                      | 10,351.99                     |
|          | B) Foreign Currency Loan  | 184.17                        | 342.55                        |
|          | <b>II) Working Capital Loan</b>   |                               |                               |
|          | Rupee Loan  | 1,499.00                      | 1,043.74                      |
|          |   | <b>9,442.21</b>               | <b>11,738.28</b>              |
|          | *Repayable With in a Year   | <b>3,516.24</b>               | <b>2,684.00</b>               |





## Schedules to Accounts

| Sch.     | Particulars                                  | AS AT<br>31.3.2010<br>₹ (INR) | AS AT<br>31.3.2009<br>₹ (INR) |
|----------|--|-------------------------------|-------------------------------|
| <b>5</b> | <b>UNSECURED LOANS</b>                       |                               |                               |
|          | A) Foreign Currency Convertible Bonds (FCCB) | 20,313.00                     | 24,456.00                     |
|          | B) From Companies*                           | 3,432.05                      | 2,950.17                      |
|          | C) From Directors*                           | 162.43                        | 221.57                        |
|          | D) From Subsidiaries *                       | 1,327.50                      | 55.44                         |
|          | *Short Term                                  |                               |                               |
|          |  | <b>25,234.98</b>              | <b>27,683.18</b>              |

### 6. FIXED ASSETS

Rs. in Lakhs

| PARTICULARS           | Gross Block        |                              |                                    |                    | Depreciation       |                 |              |                    | Net Block          |                    |
|-----------------------|--------------------|------------------------------|------------------------------------|--------------------|--------------------|-----------------|--------------|--------------------|--------------------|--------------------|
|                       | As at<br>01-Apr-09 | Additions<br>during the year | Adjustment/Sale<br>during the year | As at<br>31-Mar-10 | As at<br>01-Apr-09 | For the<br>year | Adjustments  | As at<br>31-Mar-10 | As at<br>31-Mar-10 | As at<br>31-Mar-09 |
| Land - Freehold       | 174.36             | -                            | -                                  | 174.36             | -                  | -               | -            | -                  | 174.36             | 174.36             |
| Land - Leasehold      | 291.82             | -                            | -                                  | 291.82             | -                  | -               | -            | -                  | 291.82             | 291.82             |
| Plantation            | 318.24             | -                            | -                                  | 318.24             | 127.30             | -               | -            | 127.30             | 190.94             | 190.9              |
| Buildings             | 717.25             | 0.51                         | -                                  | 717.76             | 73.35              | 23.00           | -            | 96.34              | 621.42             | 643.90             |
| Plant & Machinery     | 442.75             | -                            | -                                  | 442.75             | 66.02              | 21.66           | -            | 87.67              | 355.08             | 376.73             |
| Green House           | 1,072.09           | -                            | 25.49                              | 1,046.60           | 152.96             | 35.81           | -            | 188.76             | 857.84             | 919.13             |
| Furnitures & Fixtures | 109.33             | 1.18                         | -                                  | 110.51             | 21.01              | 6.27            | -            | 27.28              | 83.23              | 88.32              |
| Computers             | 31.17              | 2.26                         | -                                  | 33.43              | 23.58              | 1.95            | 1.65         | 23.88              | 9.55               | 7.59               |
| Motor Vehicles        | 226.78             | -                            | 65.83                              | 160.95             | 21.73              | 20.29           | 12.87        | 29.16              | 131.79             | 205.05             |
| Website Development   | 4.64               | 1.66                         | -                                  | 6.30               | 1.27               | 0.33            | -            | 1.59               | 4.71               | 3.38               |
| Borewell              | 2.00               | -                            | -                                  | 2.00               | 0.15               | 0.03            | -            | 0.18               | 1.82               | 1.85               |
| <b>Total</b>          | <b>3,390.43</b>    | <b>5.62</b>                  | <b>91.32</b>                       | <b>3,304.73</b>    | <b>487.35</b>      | <b>109.34</b>   | <b>14.51</b> | <b>582.17</b>      | <b>2,722.56</b>    | <b>2,903.08</b>    |
| Previous Year         | 2,457.89           | 932.54                       | -                                  | 3,390.43           | 382.51             | 104.83          | -            | 487.35             | 2,903.08           | -                  |

| Sch.     | Particulars   | 31.3.2010<br>₹ (INR) | 31.3.2009<br>₹ (INR) |
|----------|---|----------------------|----------------------|
| <b>7</b> | <b>INVESTMENTS</b>  |                      |                      |
|          | <b>In Subsidiaries, Unquoted</b>  |                      |                      |
|          | <b>Karuturi Overseas Ltd., Dubai, UAE</b>                               |                      |                      |
|          | a) 31,21,30,166 (Previous 10,000) share of 1 AED each                   | 33,141.80            | 12.17                |
|          | b) Advance towards share capital  | 28,867.28            | 33,129.63            |
|          | <b>Flower Xpress FZE</b>  |                      |                      |
|          | a) 1 share of 1 million AED   | -                    | 109.97               |
|          | b) Advance towards share capital  | -                    | 25,099.60            |
|          | <b>Karuturi Telecom Pvt. Ltd</b>  | 541.40               | 541.40               |
|          | [34,70,000 (Previous year 1,51,24,100) shares of 10 each fully paid up] |                      |                      |
|          | <b>Karuturi Foods Pvt. Ltd</b>  | 5.00                 | 5.00                 |
|          | [50,000 (Previous Year 50,000) shares or Rs. 10 each Fully Paid up]     |                      |                      |
|          | Advance towards share capital   | 200.00               | 200.00               |
|          | <b>Karuturi Floritech Pvt. Ltd</b>                                      | 5.00                 | 5.00                 |
|          | [50,000 (Previous Year 50,000) shares or Rs. 10 each Fully Paid up]     |                      |                      |
|          | <b>Karuturi Flower Express Pvt. Ltd</b>                                 | 5.00                 | 5.00                 |
|          | [50,000(Previous Year 50,000) shares or Rs. 10 each Fully Paid up]      |                      |                      |
|          | Advance towards share capital   | 24.20                | 24.20                |
|          |   | <b>62,789.68</b>     | <b>59,131.97</b>     |
|          | <b>Other Investments,(Unquoted, Non Trade)</b>                          |                      |                      |
|          | Kotak Mahindra Realty Fund - HNI Fund                                   | 132.04               | 117.50               |
|          | National Savings Certificates   | 0.01                 | 0.01                 |
|          |   | <b>132.05</b>        | <b>117.51</b>        |
|          |   | <b>62,921.73</b>     | <b>59,249.48</b>     |

## Schedules to Accounts

(Rs. in Lakhs,)

| Sch.      | Particulars  | AS AT<br>31.3.2010<br>₹ (INR) | AS AT<br>31.3.2009<br>₹ (INR) |
|-----------|--|-------------------------------|-------------------------------|
| <b>8</b>  | <b>Foreign Currency Monetary Item Translation Difference Account</b>   |                               |                               |
|           | As Per Last Balance Sheet  | 4,666.66                      | -                             |
|           | Add:- Additionas During the Year                                       | -                             | 5,250.00                      |
|           | Less:- Amortized During the Year                                       | 374.70                        | 583.33                        |
|           | Less:- Withdrawn On account of Exchange Fluctuation                    | 2,793.17                      | -                             |
|           |  | <b>1,498.79</b>               | <b>4,666.67</b>               |
| <b>9</b>  | <b>INVENTORIES</b>   |                               |                               |
|           | Consumables  | 5.29                          | 0.77                          |
|           | Propagated Plants & Project Materials                                  | 51.90                         | 33.14                         |
|           | Propagation Plant -Work In Progress                                    | 18.52                         | 16.87                         |
|           | Finished stock   | 2.76                          | 3.20                          |
|           |  | <b>78.47</b>                  | <b>53.98</b>                  |
| <b>10</b> | <b>SUNDRY DEBTORS : UNSECURED</b>                                      |                               |                               |
|           | <b>Debts outstanding for a period exceeding six months</b>             |                               |                               |
|           | Considered Doubtful  | 103.85                        | 103.32                        |
|           | Considered Good  | 718.14                        | 75.98                         |
|           |  | 821.99                        | 179.30                        |
|           | Less: Provision for Doubtful Debts                                     | (103.85)                      | (103.32)                      |
|           |  | 718.14                        | 75.98                         |
|           | <b>Other Debts</b>   |                               |                               |
|           | Considered Good  | 712.49                        | 1,754.18                      |
|           |  | 712.49                        | 1,754.18                      |
|           |  | <b>1,430.63</b>               | <b>1,830.16</b>               |
| <b>11</b> | <b>CASH &amp; BANK BALANCES</b>  |                               |                               |
|           | Cash on hand   | 0.10                          | 0.45                          |
|           | <b>With Scheduled Banks</b>  |                               |                               |
|           | In Current Accounts  | 159.09                        | 60.40                         |
|           | In Term Deposit  | 20.70                         | 177.91                        |
|           |  | <b>179.89</b>                 | <b>238.76</b>                 |
| <b>12</b> | <b>OTHER CURRENT ASSETS</b> (unsecured, considered Good.)              |                               |                               |
|           | Interest receivable on Term Deposits with Banks                        | -                             | 11.46                         |
|           |  | -                             | 11.46                         |
| <b>13</b> | <b>LOANS AND ADVANCES</b> (unsecured considered Good.)                 |                               |                               |
|           | Advances recoverable in cash or in kind or<br>for value to be received | 304.52                        | 695.50                        |
|           | Advance to Suppliers   | 11.51                         | 22.88                         |
|           | Security Deposits  | 158.75                        | 159.10                        |
|           | Tax Prepayment (Net of Provision)                                      | -                             | 2.70                          |
|           | Prepaid Expenses   | 235.54                        | 392.15                        |
|           | Income Tax Paid under Protest  | 400.00                        | 150.00                        |
|           | Advance To Subsidiaries  | 16,947.41                     | 9,599.96                      |
|           |  | <b>18,057.73</b>              | <b>11,022.29</b>              |
| <b>14</b> | <b>CURRENT LIABILITIES :</b>   |                               |                               |
|           | Sundry Creditors-Micro and Small Enterprises                           | -                             | -                             |
|           | Sundry Creditors-Others  | 89.95                         | 419.40                        |
|           | Interest Accrued but not due on Loans                                  | 2.55                          | 4.06                          |
|           | Advance from Customers   | 209.03                        | 160.18                        |
|           | Unclaimed Dividend   | 23.85                         | 17.31                         |
|           | Other Liabilities  | 170.41                        | 327.66                        |
|           | Deposits   | 350.00                        | 350.00                        |
|           | Due To subsidiaries  | 36.90                         | 15.34                         |
|           |  | <b>882.69</b>                 | <b>1,293.95</b>               |



Schedules to Accounts

(Rs. in Lakhs,)

| Sch.      | Particulars   | 31.3.2010<br>₹ (INR) | 31.3.2009<br>₹ (INR) |
|-----------|---|----------------------|----------------------|
| <b>15</b> | <b>PROVISIONS</b>   |                      |                      |
|           | Proposed Dividend   | 520.81               | 452.91               |
|           | Corporate Dividend Tax  | 89.37                | 2.86                 |
|           | Provision for Gratuity  | 5.22                 | 4.52                 |
|           | Provision for Fringe Benefit Tax  | -                    | 15.50                |
|           |   | <b>615.40</b>        | <b>475.79</b>        |
| <b>16</b> | <b>MISCELLANEOUS EXPENDITURE</b><br>(To the extent not written off or adjusted) |                      |                      |
|           | Preliminary Expenses As Per Last Balance Sheet                                  | 1.56                 | 4.40                 |
|           | Less: Written off during the year   | 1.56                 | 2.84                 |
|           |   | -                    | 1.56                 |
| <b>17</b> | <b>SALES</b>  |                      |                      |
|           | Agriculture Sales   | 2,291.21             | 3,388.43             |
|           | Other Sales   | 383.27               | 779.60               |
|           | Internet Service Provider Income  | 6.55                 | 46.18                |
|           |   | <b>2,681.03</b>      | <b>4,214.21</b>      |
| <b>18</b> | <b>OTHER INCOME</b>   |                      |                      |
|           | Interest on Term Deposits [TDS 0.89,(4.23)]                                     | 6.66                 | 22.21                |
|           | Dividend on Mutual Fund   | 1.82                 | 7.52                 |
|           | Lease Rental Income   | 72.00                | 72.00                |
|           | Unclaimed Credits   | 0.44                 | 4.58                 |
|           | Value of License Entitlement  | 128.46               | 163.18               |
|           | Gain From Forward Contracts   | 40.75                | 95.94                |
|           | Foreign Exchange Gain   | 21.50                | -                    |
|           | Others  | 4.01                 | 2.76                 |
|           |   | <b>275.64</b>        | <b>368.19</b>        |
| <b>19</b> | <b>MATERIAL COSTS</b>   |                      |                      |
|           | Agriculture   | 325.19               | 1,183.24             |
|           | Projects  | 332.85               | 350.23               |
|           | Internet Service Provider   | 2.44                 | 34.29                |
|           |   | <b>660.48</b>        | <b>1,567.76</b>      |
|           | <b>STOCK VARIATION</b>  |                      |                      |
|           | <b>Opening Stock</b>  |                      |                      |
|           | Consumables   | 0.77                 | -                    |
|           | Propagated Plants & Project Materials   | 33.14                | 32.31                |
|           | Plant-Work In Progress  | 16.87                | 21.97                |
|           | Finished stock  | 3.20                 | -                    |
|           | <b>Total Opening Stock</b>  | <b>53.98</b>         | <b>54.28</b>         |
|           | <b>Closing Stock</b>  |                      |                      |
|           | Consumables   | 5.29                 | 0.77                 |
|           | Propagated Plants & Project Materials   | 51.90                | 33.14                |
|           | Plant-Work In Progress  | 18.52                | 16.87                |
|           | Finished stock  | 2.76                 | 3.20                 |
|           | <b>Total Closing Stock</b>  | <b>78.47</b>         | <b>53.98</b>         |
|           | <b>(Increase)/decrease in stock</b>   | <b>(24.49)</b>       | <b>0.30</b>          |
|           |   | <b>635.99</b>        | <b>1,568.06</b>      |

## Schedules to Accounts

(Rs. in Lakhs,)

| Sch.      | Particulars  | 2009-10<br>₹ (INR) | 2008-09<br>₹ (INR) |
|-----------|--|--------------------|--------------------|
| <b>20</b> | <b>EMPLOYEE EXPENSES</b>   |                    |                    |
|           | Directors Remuneration   | -                  | 43.60              |
|           | Salary, Allowances and Termination Benefits                                      | 118.15             | 140.62             |
|           | Staff Welfare Expenses   | 157.78             | 4.85               |
|           | Contribution Provided Fund   | 0.62               | 0.39               |
|           |  | <b>276.55</b>      | <b>189.46</b>      |
| <b>21</b> | <b>SELLING &amp; ADMINISTRATIVE EXPENSES</b>                                     |                    |                    |
|           | Rent   | 10.95              | 10.05              |
|           | Power Chares   | 17.96              | 17.10              |
|           | Rates & Taxes  | 15.56              | 13.62              |
|           | Freight, Clearing & Forwarding Charges   | 126.76             | 175.40             |
|           | Insurance  | 2.66               | 4.46               |
|           | Green House Maintenance  | 5.39               | 7.00               |
|           | Repairs & Maintenance - Building   | 5.02               | 5.22               |
|           | Repairs & Maintenance - Machinery  | 3.96               | 3.93               |
|           | Advertisement  | 165.92             | 49.67              |
|           | Telephone, Postage & Courier Charges   | 26.14              | 22.31              |
|           | Custodian & Exchange Listing fees  | 34.07              | 10.55              |
|           | Traveling and conveyance   | 53.49              | 31.25              |
|           | Business Promotion Expenses  | 1.69               | 10.90              |
|           | Vehicle Maintenance  | 16.41              | 6.37               |
|           | Printing & Stationery  | 12.27              | 14.16              |
|           | Legal, Professional Charges & Membership Fees                                    | 49.99              | 30.98              |
|           | Outsourcing Contractor's Charges   | -                  | 12.24              |
|           | Auditors Remuneration  | 5.00               | 6.94               |
|           | Bad Debts  | 20.98              | 0.01               |
|           | General Expenses   | 22.02              | 16.50              |
|           | Loss on sale of Asset  | 8.86               | -                  |
|           |  | <b>605.10</b>      | <b>448.66</b>      |
| <b>22</b> | <b>FINANCIAL CHARGES</b>   |                    |                    |
|           | Interest on Rupee Loans  | 91.70              | 932.49             |
|           | Interest on Foreign currency Loan  | 13.12              | 37.44              |
|           | Interest on Working Capital Loan   | 50.41              | 34.49              |
|           | Foreign Exchange Loss  | -                  | 38.29              |
|           | Bank Guarantee Commission  | -                  | 0.14               |
|           | Bank Charges   | 14.69              | 28.99              |
|           |  | <b>169.93</b>      | <b>1,071.84</b>    |
| <b>23</b> | <b>DEPRECIATION /AMORTIZATION</b>  |                    |                    |
|           | Depreciation On Fixed Asset  | 109.34             | 104.83             |
|           | Amortization Of Foreign currency Monetary Item Translation<br>difference Account | 352.36             | 583.33             |
|           | Amortization of Preliminary Expenses   | 1.56               | 2.84               |
|           |  | <b>463.26</b>      | <b>691.00</b>      |



## Schedules to Accounts

### 24. SIGNIFICANT ACCOUNTING POLICIES

#### 1. Basis of Presentation

The Financial Statements of the Company are prepared under historical cost convention, on accrual basis of accounting to comply in all material respects, with the mandatory Accounting standards as notified by the Companies (Accounting Standards) Rules, 2006 as amended ('the Rules') and the relevant provisions of the Companies Act, 1956 ('the Act'). Accounting policies have been consistently applied except where a new accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

#### 2. Use of Estimates

The preparation of the financial statements are in conformity with the Indian GAAP which requires the management make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements, and the reported amounts of revenue and expenses during the reported period. Actual results could differ from these estimates. Difference between the actual results and estimates are recognized in the period in which the results are known /materialized.

#### 3. Revenue Recognition

Revenue from the sale of grown/traded items is recognized upon passage of the title to the customers which generally coincides with the delivery and acceptance thereof.

Revenue from Services consist primarily of revenue earned from services performed on a 'time and material' basis. The related revenue is recognized as and when the services are performed.

Revenue from Internet Service Provision (ISP) is recognized in the year on time proportionate basis .

Export sales are accounted at the exchange rate prevailing on the date of sale. The payment received in foreign exchange against these bills is credited at the exchange rates prevailing on the date of receipt of payment.

Income by way of 'interest' is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

Income by way of 'dividend' is recognized when the Company's right to receive dividend is established.

Operating Leases: Rentals are accounted on the basis of period of lease.

#### 4. Fixed Assets

Fixed Assets are stated at actual cost less accumulated depreciation and impairment if any . The actual cost includes acquisition cost, taxes, duties, wherever applicable, and all other expenses directly attributable for putting the asset into its intended use.

The cost and accumulated depreciation of fixed assets sold are removed from the stated values and the resultant Profit/Loss has been included in Profit & Loss Account.

#### 5. Depreciation

- A) Depreciation on fixed assets has been provided on "Straight line method at the rates prescribed in Schedule XIV to the Companies Act 1956. Depreciation on additions/disposals of the fixed assets during the year is provided on pro-rata basis according to the period during which assets are put to use / sold. Assets purchased/Installed during the year costing less than Rs.5000/- each are fully depreciated.

## Schedules to Accounts

- B) Depreciation on biological assets is made to the extent the carrying cost exceeds the realizable/fair value of such assets.

### 6. Investments

Current Investments are carried at the lower of cost and quoted/fair value computed category wise.

Long term and strategic investments are stated at cost, less any diminution in the value other than temporary.

### 7. Foreign Currency Transactions

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of transaction.

Monetary current assets and liabilities, denominated in foreign currency are translated at the rates of exchange at the balance sheet date and the resultant gain or loss is recognized in the Profit and Loss Account.

In accordance with the option given in the Ministry of Corporate Affairs Notification No. GSR 225(E) dated 31<sup>st</sup> March 2009, the Exchange fluctuations arising on reporting of long term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, insofar as they relate to acquisition of a depreciable capital assets, is added to or deducted from the cost of the assets and will be depreciated over the balance life of the asset, and in other cases is accumulated in 'Foreign Currency Monetary Item Translation Difference Accounts' in the Company's financial statements and amortized over the balance period of such long term asset/liability but not beyond 31<sup>st</sup> march 2011, by recognition as income or expenses in each such of the period.

### 8. Inventory

Cost of Inventories comprises of all cost of purchase, cost of conversion and other cost incurred in bringing them to their respective present location and condition.

Inventory is valued at cost or market rate whichever is lower using the FIFO method of accounting.

### 9. Employee Benefits

**Short Term Employee Benefits:** The company accounts for short term employee benefits viz., salary, bonus and other allowances as and when the services are rendered by employees i.e., on accrual basis of accounting.

**Gratuity:** The Company provides for Gratuity, a defined benefit retirement plan (Gratuity Plan) covering eligible employees. In accordance with the Payment of Gratuity Act, 1972, the Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and tenure of employment. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation as of the balance sheet date, based upon which, the Company makes necessary and adequate provisions in the books of accounts. The consequent actuarial gain or loss is expensed in the period of accrual of gain or loss.

**Employee Stock Options:** The options are valued, as per SEBI Guidelines "Employee Stock Option Plans/Employee Stock Purchase Plans", based on the fair market value of the shares on the date of grant. The difference between the fair market value of shares and the exercise price would be expensed off in the year of exercise of the options, net off any receipt of amount from the employee towards exercise of the options.

### 10. Earnings Per Share:

Basic earnings per equity share are computed by dividing net profit after tax by weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed by dividing



## Schedules to Accounts

adjusted net profit after tax by the aggregate of weighted average number of equity shares and dilutive potential equity shares and also includes that of potential conversions from FCCB to equity and vested Employee Stock Option Plan outstanding during the year.

### 11. Provision for Current Tax and Deferred Income Tax

Provision for current tax 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 profit and taxable profit is accounted for using the tax rates and laws that are enacted or substantially enacted as on the balance sheet date. The deferred tax asset is recognized and carried forward only to the extent there is a reasonable certainty that the asset will be realized in future.

### 12. Impairment of Assets:

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

### 13. Accounting of Financial Instruments:

The contractual gains/losses arising out of derivative transactions (Options), are accumulated in Hedging Reserve Account and will be charged off /charged back to Profit and Loss Account at the time of derecognizing of underlying financial liability (FCCB) in accordance with Accounting Standard – 30 “Financial Instruments: Recognition and Measurement” issued by Institute of Chartered Accountants of India.

Premium on Redemption of Foreign Currency Convertible Bonds is recognized only in the event of non-conversion of bonds to shares, at the end of maturity period.

### 14. Provisions, Contingent Liabilities and Contingent Assets:

Provisions are recognized in terms of Accounting Standard – 29: “Provisions, Contingent Liabilities and Contingent Assets”, issued by the Institute of Chartered Accountants of India, where there is a present legal or statutory obligation as a result of past events, where it is probable that there will be outflow of resources to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Contingent Liabilities are recognized only when there is a possible obligation from past events due to occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or where any present obligation cannot be measured in terms of future outflow of resources or where a reliable estimate of the obligation cannot be made. Obligations are assessed on an ongoing basis and only those having a largely probable outflow of resources are provided for.

Contingent Assets are not recognized in the Financial Statements.

## 25. NOTES TO ACCOUNTS

### 1. Share Capital

- A) Out of the paid up capital, 3,051,500 (517,750) equity shares of Re.1/- each were allotted as fully paid-up on exercise of grant under Employee Stock Option Scheme.
- B) During the year the company has allotted 2,28,00,000 equity Shares of Re.1/- each (Previous year 12,44,16,325) against Conversion of Share warrants.
- C) Share warrant application money pending allotment includes Rs 6,963/- lakhs (Previous year Rs. Nil) towards security premium.

### 2. Fixed Assets:

In accordance with Notification No. GSR 225(E) dated 31<sup>st</sup> March 2009 issued by Ministry of Corporate Affairs, the company, during the financial year ending 31<sup>st</sup> March 2009, has changed its Accounting policy with respect to accounting of Foreign Exchange Differences arising out of Foreign Currency borrowings used to fund Fixed Assets. Accordingly, an amount of Rs. 25.49 lakhs (Rs26.19 lakhs) was adjusted against the historical cost of Green house in Fixed assets which was funded by an External Commercial Borrowing.

### 3. Quantitative particulars

The Company is engaged in the business of sale of Floriculture products and Internet Service Provision. The production and sale of such items are not capable of being expressed in any generic unit; and hence it is not possible to give the quantitative details of sales and the information as required under paragraph 3,4C and 4D of Part II of Schedule VI to the Companies Act, 1956.

### 4. Leasehold Assets:

#### A) Leasehold Land

The title deeds in respect of land acquired by the Company at a cost of Rs.291.82 lakhs are held in Trust in the name of the Company's Directors/their relatives. An irrevocable undertaking from them not to encumber or alienate the land has been recorded. As the Karnataka Land Reforms Act, prohibits ownership by persons other than individuals, such persons are holding the same as nominees of the Company.

#### B) Assets given on lease to Subsidiaries

The details of assets given on operating lease to wholly owned Subsidiaries and lease rentals are as under:-

- A) Written down value of fixed assets given on operating lease to its subsidiaries which has been shown under Fixed Assets (net of depreciation) is Rs. 1,196.09/- lakhs (Rs.682.97 lakhs).
- B) Depreciation recognized against assets given on lease is Rs. 61.14 lakhs (Rs. 27.39 lakhs)
- C) The lease rental income from M/s Ethiopia Meadows Plc., is Rs.60.00 lakhs (Rs 60.00 lakhs)
- D) The lease rental income from M/s Karuturi Foods Private Limited is Rs. 12.00 lakhs (Rs.12.00 lakhs)
- E) The Company has also leased certain fixed assets for a period of 6 years commencing from 1<sup>st</sup> May 2008 to Karuturi Telecom Private Limited receiving Rs 350.00 lakhs as interest free security deposit.
- F) Future minimum Lease Rental Receivables:





## NOTES TO ACCOUNTS

(Rs. In lakhs)

| Particulars       | Amount                  |
|-------------------|-------------------------|
| Up to 1 year      | Rs. 72.00 (Rs.72.00)    |
| 1 to 5 years      | Rs. 144.00 (Rs. 132.00) |
| More than 5 years | Rs. Nil                 |

**5. Foreign Currency Loan:**

The company had obtained a Foreign Currency Loan from Banco Bilbao Vizcaya, Spain. The proceeds of this loan were used for procuring assets which are leased to Ethiopian Meadows PLC, a subsidiary of the company.

**6. Foreign Currency Convertible Bonds:**

| Particulars  | First Issue                      | Second Issue                        |
|--|----------------------------------|-------------------------------------|
| Issue Currency   | USD                              | USD                                 |
| Issue Size   | 250 lakhs                        | 500 lakhs                           |
| Issue Date   | 27th Feb 2007                    | 12th Oct 2007                       |
| Maturity Date  | 5th Mar 2012                     | 19th Oct 2012                       |
| Coupon Rate  | Zero Coupon                      | Zero Coupon                         |
| Yield to maturity-compounded semi annually   | 8.25%                            | 7.00%                               |
| Conversion Price post price reset.   | Rs. 12 per Share                 | Rs. 18.99 per Share                 |
| Fixed Exchange Rate of Conversion  | Rs.44.25                         | Rs.39.73                            |
| Conversions as at 31st March 2010  | \$ 250.00 lakhs                  | \$ 50.00 lakhs                      |
| Conversions as at 31st March 2009  | \$ 220.00 lakhs                  | \$ 50.00 lakhs                      |
| Prorata premium on redemption not provided for as on 31st March 2010 (Contingent liability on Probable non conversion) | Nil                              | \$ 82.25 lakhs or Rs. 3712.78 lakhs |
| Prorata premium on redemption not provided for as on 31st March 2009(Contingent liability on Probable non conversion)  | \$ 4.90 lakhs or Rs.220.19 lakhs | \$46.9 lakhs or Rs.2117.60 lakhs    |
| Mandatory Conversion Option  | Yes                              | Yes                                 |

**7. National Horticulture Board :**

The suit filed by National Horticulture Board (NHB) against the Company for recovery of Rs. 146.64 lakhs along with interest is pending before High Court of Karnataka. The Company has contested the computation of the claim made by NHB and has deposited Rs.111.45 lakhs in the High Court of Karnataka during May 2007 as per its order.

The Loan amount of Rs.108.00 lakhs is shown as a liability and pending finalization of settlement, no provision is made for interest and other claims made by NHB. The amount deposited in the High Court of Karnataka is towards 50% of decree, grouped under security deposits and the balance 50% is disclosed as Contingent Liability.

**8. The CIF Value of Imports**

Raw materials and Consumable Rs. 5.64 lakhs (Rs0.20 lakhs)

## NOTES TO ACCOUNTS

**9. Expenditure in Foreign Currency (on accrual basis)**

Traveling expenses Rs. 9.76 lakhs (Rs. 8.15 lakhs)  
 Membership & Subscription Charges Rs. 1.27 lakhs ( Nil)  
 Statutory & Listing Fee Rs. 2.65 lakhs (Nil)

**10. Earnings in Foreign Currency (on accrual basis)**

Value of Exports on FOB Rs. 1,893.52 lakhs (Rs. 3,097.20 lakhs)  
 Lease Rental Income Rs.60.00 lakhs (Rs.60.00 lakhs)

**11.** Fixed deposits amounting to Rs. 27.34 lakhs (Rs.189.38 lakhs) are lying as security with banks against bank guarantees and other facilities availed.

**12. Employee Benefits:**

Short term employee benefits such as salary, allowances and bonus are accounted on accrual basis of accounting and based upon the laws applicable. Termination benefits (Gratuity) is provided on the basis of actuarial valuation. The actuarial gain or loss is considered in the Profit and Loss Account of the period in which it accrues.

Change in present value of obligation:

| Particulars  | (Rs. in lakhs)<br>31.3.2010 | (Rs. in lakhs)<br>31.3.2009 |
|--|-----------------------------|-----------------------------|
| Present value of obligation as at the beginning of the period (1 <sup>st</sup> April 2009) | 4.52                        | 6.71                        |
| Acquisition Adjustment   | Nil                         | Nil                         |
| Interest Cost  | 0.34                        | 0.54                        |
| Past Service Cost  | Nil                         | Nil                         |
| Current Service Cost   | 1.08                        | 97.00                       |
| Curtailement Cost  | Nil                         | Nil                         |
| Settlement Cost  | Nil                         | Nil                         |
| Benefits Paid  | Nil                         | Nil                         |
| Actuarial (gain)/loss on obligation  | (0.72)                      | (3.70)                      |
| Present Value of Obligation as at the end of period (31 <sup>st</sup> March 2010)          | 5.22                        | 4.52                        |

Change in the fair value of plan assets:

The company does not have any Gratuity Fund and in view of this and other external and internal factors, estimates of the amount of funding for the ensuing year are not determinable.

The amounts to be recognized in balance sheet:

| Particulars   | (Rs. in lakhs)<br>31.3.2010 | (Rs. In lakhs)<br>31.3.2009 |
|---|-----------------------------|-----------------------------|
| Present Value of obligation as at the end of the period | 5.22                        | 4.52                        |
| Fair Value of plan assets as at the end of the period   | Nil                         | Nil                         |
| Funded Status   | (5.22)                      | (4.52)                      |
| Excess of actual over estimated                         | Nil                         | Nil                         |
| Unrecognized actuarial (gains) / losses                 | Nil                         | Nil                         |
| Net Asset/(Liability) recognized in balance sheet       | (5.22)                      | (4.52)                      |

Expense recognized in the statement of profit and loss:



## NOTES TO ACCOUNTS

| Particulars   | (Rs. in lakhs)<br>31.3.2010 | (Rs. In lakhs)<br>31.3.2009 |
|---|-----------------------------|-----------------------------|
| Current Service Cost  | 1.08                        | 1.60                        |
| Past Service Cost   | Nil                         | Nil                         |
| Interest Cost   | 0.34                        | 0.18                        |
| Expected return on plan assets  | Nil                         | Nil                         |
| Curtailment cost  | Nil                         | Nil                         |
| Settlement cost   | Nil                         | Nil                         |
| Net actuarial (gain) / loss recognized in the period  | (0.71)                      | 2.68                        |
| Expenses recognized in the statement of profit and loss under employee costs  | (0.70)                      | 4.50                        |
| <b>Economic Assumptions:</b>  |                             |                             |
| Particulars   | Percentage                  | Percentage                  |
| Discounting Rate  | 7.50%                       | 7.50%                       |
| Future Salary increase are considered taking into account inflation, seniority promotions and other relevant factors. | 5.00%                       | 5.00%                       |
| Expected Rate of return on plan assets  | 0%                          | 0%                          |

### Demographic Assumptions:

|                  |                             |                     |
|------------------|-----------------------------|---------------------|
| Retirement Age   | 58 years                    |                     |
| Mortality Table  | LIC (1994-96) duly modified |                     |
| Withdrawal Rates | Ages                        | Withdrawal Rate (%) |
| Age              | Up to 30 years              | 3.00%               |
|                  | From 31 to 44 years         | 2.00%               |
|                  | Above 44 years              | 1.00%               |

### Employee Stock Option:

Under the Employee Stock Options Scheme 2008 (ESOS-2008), the Company has granted 60,00,000 Options to its eligible employees, the details of which are as follows:

#### A) Employee Stock Options Scheme:

| Particulars                                       |   |
|---|---|
| Number of Options to be Vested over 4 years.      | 60,00,000 (60,00,000)                                     |
| Number of Options vested till 31.3.2010           | 25,22,750 (14,24,250)                                     |
| Method of Accounting                              | Intrinsic Value   |
| Vesting Plan                                      | Graded vesting over 4 year period from the date of grant. |
| Exercise Period                                   | 12 years from the date of grant.                          |
| Grant Date  | 17 <sup>th</sup> August 2007                              |
| Grant Price (Rs. Per Share)                       | Re.1/- per Share  |
| Market Price on the Date of Grant of Option (Rs.) | Rs.7.05 (7.05)  |
| Exercise Price of the Option (Rs.)                | Re.1/- (Re.1/-)   |
| Expected life of Option                           | 12 years  |

## NOTES TO ACCOUNTS

**B) Movement of Options Granted:**

| Particulars                                       | Current Year          |
|---|-----------------------|
| Options Outstanding at the beginning of the year. | 60,00,000 (60,00,000) |
| Vested during the year                            | 25,33,750 (14,24,250) |
| Excised during the year                           | 25,33,750 (5,17,750)  |
| Lapsed during the year                            | Nil (9,06,500)        |
| Options Outstanding at the end of the year        | Nil (Nil)             |
| Options Unvested at the end of the year           | 29,48,500 (54,82,250) |
| Options Exercisable at the end of the year        | Nil                   |

**C) Fair Value of Option:**

The fair value has been calculated using the Black Scholes Options Pricing Model and the significant assumptions made in this regard are as follows:

| Particulars             |                  |
|-------------------------|------------------|
| Risk Free interest rate | 8.25%            |
| Expected Life           | 12 Years         |
| Expected Volatility     | 30.40%           |
| Expected Dividend Yield | 14.18%           |
| Exercise Price          | Re.1/- per share |
| Fair Value of Vested    | Rs.157.04        |

Had the compensation cost for the stock options granted under ESOP-2008 been determined, based on fair-value approach, the Company's Net Profit and Earnings Per Share would have been as per the proforma amounts indicated below:

(Rs. In lakhs)

| Particulars  | As at<br>31.03.2010 | As at<br>31.03.2009 |
|--|---------------------|---------------------|
| Net Profit (As reported)   | 807.84              | 505.14              |
| Add: Compensation Expenses under ESOP included in the Net Profit | 153.29              | 31.32               |
| Less: Compensation Expenses under ESOP as per Fair Value         | 157.04              | 1.31                |
| Net Profit (Fair Value Basis)                                    | 804.09              | 535.15              |
| Basic Earnings Per Share (As Reported) – Rs./Share               | 0.17                | 0.14                |
| Basic Earnings Per Share (Fair Value Basis) – Rs./Share          | 0.17                | 0.15                |
| Diluted Earnings Per Share (As Reported) – Rs./Share             | 0.14                | 0.11                |
| Diluted Earnings Per Share (Fair Value Basis) – Rs./Share        | 0.14                | 0.10                |

**13. Auditors Remuneration**

(Rs. In lakhs)

| Sl No | Particulars                 | As at 31.03.2010 | As at 31.03.2009 |
|-------|-----------------------------|------------------|------------------|
| 1.    | Statutory Audit Fee         | 3.00             | 3.00             |
| 2.    | Tax Audit Fee               | 0.70             | 0.70             |
| 3.    | Consultancy and Tax Matters | 1.30             | 3.24             |
|       | <b>Total</b>                | <b>5.00</b>      | <b>6.94</b>      |



## NOTES TO ACCOUNTS

14. As per the information available with the company there are no sums due to Small Scale Industrial Undertakings as defined under Micro, Small and Medium Enterprises Development act, 2006 as at end of the year.

15. **Deferred tax:**

Deferred tax liability and asset are recognized based on timing difference using the tax rates substantively enacted on the Balance date. Deferred Tax Assets and Liabilities as on 31<sup>st</sup> March 2010 are as under:

(Rs. In lakhs)

| Particulars                                  | As at 31.3.2010 | As at 31.3.2009 |
|--|-----------------|-----------------|
| Deferred Tax Assets:                         |                 |                 |
| Accrued Expenses deductible on payment basis | -               | 0.83            |
| Deferred Tax Liabilities:                    |                 |                 |
| Depreciation differences                     | 80.06           | 158.86          |
| <b>Net Deferred Tax Liabilities/Assets</b>   | <b>80.06</b>    | <b>158.03</b>   |

16. **Earnings Per Share**

In accordance with the Accounting Standard (AS- 20) on “Earnings per Share”, computation of Basic and Diluted Earnings Per Share is as under:

(Rs. In lakhs)

| Particulars   | 31 <sup>st</sup> March 2010 | 31 <sup>st</sup> March 2009 |
|---|-----------------------------|-----------------------------|
| a) Net Profit for Basic Earnings Per Share as per Profit and Loss A/c           | 802.14                      | 575.24                      |
| Adjustment for the purpose of Diluted Earnings Per Share                        | Nil                         | Nil                         |
| b) Weighted average number of equity shares for Earnings Per Share computation: |                             |                             |
| (i) Number of Equity Shares at the beginning of the year                        | 467,783,157                 | 364,792,751                 |
| (ii) Number of Shares allotted during the year                                  | 452,909,075                 | 330,975,000                 |
| (iii) Weighted average shares allotted during the year                          | 36,396,250                  | 121,934,075                 |
| (iv) Number of potential equity shares  | 14,874,082                  | 33,817,751                  |
| (v) Weighted Average for:   |                             |                             |
| - Basic Earnings Per Share  | 105,646,919                 | Nil                         |
| - Diluted Earnings Per Share  | 467,783,157                 | 364,792,751                 |
| c) Earnings Per Share – Before Extra-ordinary Items                             | 573,430,076                 | Nil                         |
| - Basic (Rs.)   | 0.17                        | 0.11                        |
| - Diluted (Rs.)   | 0.14                        | 0.09                        |
| d) Earnings Per Share – After Extra-ordinary Items                              |                             |                             |
| - Basic (Rs.)   | 0.17                        | 0.14                        |
| - Diluted (Rs.)   | 0.14                        | 0.11                        |
| d) Face Value Per Share   | Re.1/-                      | Re.1/-                      |

17. The equity share allotted on exercise of option to convert FCCBs and share warrants converted would rank pari passu with the existing share holders and consequently will be eligible to all rights and entitlement prospectively. Accordingly proposed dividend, recommended by Directors and provided for, stands enhanced in favour of conversion effected since the close of year to date, if any. However, as the company is unable to estimate for the conversion up to the record date set for determining the said liability i.e., (beginning of the conversion closer period), any further amount required to be distributed as dividend will be adjusted against balance in the profit and loss account carried forward to the subsequent financial year.

## NOTES TO ACCOUNTS

**18. Related Party Transactions**

- A) As per Accounting Standard-18 (AS-18)- Related Party Disclosures', as notified by the Rules, the disclosures of transactions with the related parties as defined in the accounting standard are give below.

| Name of Party                      | Nature of Relationship  |
|------------------------------------|-------------------------|
| Sai Ramakrishna Karuturi           | KMP                     |
| Anitha Karuturi                    | KMP                     |
| Anitha Reality Private Limited     | KMP interested company. |
| Karuturi Telecom Pvt Ltd           | Subsidiaries            |
| Karuturi Foods Pvt. Ltd.,          | Subsidiaries            |
| Karuturi Floritech Pvt. Ltd.,      | Subsidiaries            |
| Karuturi Flower Express Pvt. Ltd., | Subsidiaries            |
| Karuturi Overseas Limited          | Subsidiaries            |
| Ethiopian Meadows Plc              | Fellow subsidiaries     |
| Flower Xpress FZE                  | Fellow Subsidiaries     |
| Yashoda Investments Limited        | Fellow Subsidiaries     |
| Surya Holding Limited              | Fellow Subsidiaries     |
| Rhea Holding Limited               | Fellow Subsidiaries     |
| Karuturi Limited                   | Fellow Subsidiaries     |
| Karuturi Hospital Limited          | Fellow Subsidiaries     |
| Karuturi Agro Products PLC         | Fellow Subsidiaries     |
| Surya Blossoms PLC                 | Fellow Subsidiaries     |

(KMP = Key Management Personnel).

- B) Karuturi Global Ltd has transactions with concerns/ companies wherein the directors are interested. Summary of the transactions with the above related parties is as follows: (All figures in Rs. In lakhs) (Figures in bracket relates to previous year)

| Sl. No. | Particulars           | KMP            | KMP Interested Company | Subsidiaries/Fellow subsidiaries |
|---------|-----------------------|----------------|------------------------|----------------------------------|
| 1.      | Director Remuneration | Nil(43.60)     | Nil                    | Nil                              |
| 2.      | Purchase /Expenses    | Nil(Nil)       | Nil(Nil)               | 31.48(194.91)                    |
| 3.      | Sales                 | Nil(Nil)       | Nil                    | 509.56(685.34)                   |
| 4.      | Loan given/repaid     | 259.98(498.08) | Nil.(4537.97)          | 14,454.70(12,978.91)             |
| 5.      | Loan taken/recovered  | 245.17(719.65) | Nil(4,742.00)          | 5,350.82(1,798.39)               |

**19. Managerial Remuneration :**

The whole time directors have waived their remuneration for the year under review.

20. Balances appearing in some of the Sundry Creditors, Debtors, Advances and Deposits are subject to confirmation.

**21. Accounting of Derivative Transactions:**

The company has accounted loss (net) arising out of settlements of Derivative Options amounting Rs. 279.31 lakhs (Rs.717.09/- lakhs) in Hedging Reserve (Options) Account in accordance with Accounting

## NOTES TO ACCOUNTS

Standard-30 “Financial Instruments: Recognition and Measurement” issued by Institute of Chartered Accountants of India. The cumulative debit balance in hedging reserve account as on 31<sup>st</sup> March 2010 amounted Rs 996.41 lakhs (Rs 717.09/- lakhs) which will be charged off/charged back to Profit & loss account at the time of derecognizing of underlying financial liability.

### Hedging Currency Related Risks:

Nominal amounts of derivative contracts entered into by the Company and outstanding as at 31<sup>st</sup> March, 2010 amount to Rs. 39,612.00 lakhs (Previous Year: Rs.19821.00 lakhs). Category wise break up is given below:

| Sl. No. | Particulars       | As at 31 <sup>st</sup> March 2010 (Rs in lakhs) | As at 31 <sup>st</sup> March 2009 (Rs. in lakhs ) |
|---------|-------------------|---|---|
| 1.      | Currency Swaps    | —   | —   |
| 2.      | Options (Net)     | 293.00  | 2547.00   |
| 3.      | Forward Contracts | 39319.00  | 17274.00  |

Foreign currency exposure that are not hedged by derivative instruments or Forward Contracts as at 31<sup>st</sup> March 2010 amount to Rs. 13.43 lakhs (Rs. 448.11 lakhs)

## 22. Borrowings and Securities:

| Name of the lender          | Type of Loan                  | Amount (Rs. In lakhs) | Security Offered   |
|-----------------------------|-------------------------------|-----------------------|--|
| HDFC Bank                   | Working Capital Loan          | 500.00                | } Pari passu charge on the current assets of the Company                                   |
|                             | Working Capital Demand Loan   | 500.00                |  |
| Yes Bank                    | Term Loan                     | 7498.10               | Exclusive charge on the current assets and movable fixed assets of Karuturi Limited, Kenya |
| ICICI Bank                  | Term Loan                     | 150.00                | Equitable Mortgage of Gherkin Factory at Tumkur, Karnataka                                 |
| ICICI Bank                  | Cash Credit                   | 499.00                | Charge on Inventory and Book Debts of the Company  |
| National Horticulture Board | Soft Loan                     | 108.00                | Equitable Mortgage Lease Hold Land, Building Plant & Machinery at Doddaballapur, Bengaluru |
| Banco Bilbao Vizcaya, Spain | External Commercial Borrowing | 184.20                | Charge on Green house at Ethiopia.   |

## NOTES TO ACCOUNTS

### 23. Capital Commitment and Contingent Liabilities:

- A) Counter Guarantees given to banks and outstanding Rs. 20.19 lakhs(Rs,16.07 lakhs)
- B) Corporate guarantees given to Banks on Behalf of Subsidiaries: Rs 20,500 lakhs (Rs. 3500 lakhs.)
- C) Pending Capital commitments relating to investments Rs 112.50 lakhs
- D) Liability on account of National Horticulture Board loan which is pending before Hon'ble High Court of Karnataka is Rs. 111.45 lakhs (Rs 111.45 lakhs).
- E) Disputed Income Tax Demand for the Assessment Year 2006-07 not provided for–Rs719 lakhs Rs 400 lakhs (Rs 150 lakhs) payment made against the same is grouped under Current Assents. The Company has filed an appeal on this issue before Commissioner of Income Tax (Appeals).

### 24. Balances in Companies under same management includes the following.

#### A) Loans and Advances

|                           |                                  |
|---------------------------|----------------------------------|
| Karuturi Foods Pvt. Ltd   | Rs. 4.48 lakhs (Rs. 2.13 lakhs)  |
| Karuturi Telecom Pvt. Ltd | Rs. 0.38 lakhs (Rs. 40.13 lakhs) |

#### B) Sundry Debtors

|                                     |                                   |
|-------------------------------------|-----------------------------------|
| Karuturi Flower Express Pvt. Ltd    | Rs ,13.47 lakhs (Rs. 13.20 lakhs) |
| Karuturi Agro Products Plc-Projects | Rs. 457.81 lakhs (Nil)            |
| Karuturi Ltd.,                      | Rs. 7.82 lakhs (Rs. 80.72 lakhs)  |

25. Previous year's figures have been reworked, regrouped, rearranged and re-classified wherever necessary. Figures in bracket relates to previous year.

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As per our report of even date attached

**For Ishwar & Gopal**  
Chartered Accountants

**K.V.Gopalakrishnayya**  
Partner  
M No.021748  
Firm Reg. No. 001154S

Place : Bengaluru  
Date : August 18, 2010

**On behalf of the Board**

**S. Krishnaswamy**  
Company Secretary

**Sai Ramakrishna Karuturi**  
Managing Director

**Anitha Karuturi**  
Director





# Cash Flow Statement For The Year Ended March 31, 2010

Karuturi Global Ltd.

(Rs. in Lakhs,)

| Particulars  | 2009-10<br>₹ (INR) | 2008-09<br>₹ (INR) |
|--|--------------------|--------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>         |                    |                    |
| Net Profit before tax & adjustments                | 805.84             | 578.85             |
| Financial Charges(including Exchange Loss)         | 169.91             | 1,106.33           |
| Loss/(Profit) on sale of Vehicle                   | 8.86               | -                  |
| Provision for Tax and other Expenses               | (2.99)             | (25.50)            |
| Interest & Dividend received                       | (1.82)             | (29.72)            |
| Depreciation                                       | 110.89             | 107.67             |
|  | <b>1,090.69</b>    | <b>1,737.63</b>    |
| <b>Working capital changes</b>                     |                    |                    |
| (Increase) / Decrease in Inventories               | (24.49)            | 0.30               |
| Increase) / Decrease in Sundry debtors             | 399.54             | (600.76)           |
| Increase) / Decrease Other current Assets          | 11.46              | (6.21)             |
| Increase) / Decrease in Loans & advances           | (7,035.44)         | (10,008.73)        |
| Increase) / Decrease in Current Liabilities        | (411.26)           | 961.73             |
| Cash flow from operating activities                | <b>(7,060.19)</b>  | <b>(9,653.67)</b>  |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>         |                    |                    |
| Fixed Assets(Including Capital Work in progress)   | 18.22              | (932.54)           |
| Proceed from sale of Fixed Assets                  | 44.10              | -                  |
| Investment in subsidiary                           | (3,657.71)         | 538.08             |
| Other Investments                                  | (14.54)            | 1,096.85           |
| Interest received                                  | 1.82               | 29.72              |
| Cash flow from Investing activities                | <b>(3,608.11)</b>  | <b>732.11</b>      |
| <b>CASH FLOW FROM FINANCING</b>                    |                    |                    |
| Increase in Equity Capital                         | 363.96             | 1,219.34           |
| Increase/(Decrease) in Share Warrants              | 7,596.00           | (16,894.40)        |
| Increase in Securities Premium                     | 3,878.17           | 18,850.85          |
| Increase in Hedging Reserve Account                | (279.31)           | (717.09)           |
| Forfeited Warrant                                  | 174.63             | -                  |
| Increase in Secured Loans                          | (2,296.05)         | 364.33             |
| Increase in Unsecured Loans                        | 719.67             | 5,731.05           |
| Financial Charges(including Exchange Loss)         | (169.92)           | (1,106.33)         |
| Dividend Paid (452.91)                             | (452.91)           | (661.95)           |
| Dividend Tax Paid                                  | -                  | (6.19)             |
| Frienge Benfit Tax Paid                            | (15.50)            | -                  |
| Cash flow from financing activities                | <b>9,518.74</b>    | <b>6,779.61</b>    |
| <b>Net increase in cash &amp; cash equivalents</b> | <b>(58.87)</b>     | <b>(404.32)</b>    |
| Cash and Cash at the beginning of the year         | 238.76             | 643.08             |
| Cash and Cash equivalent at the end of Year        | <b>179.89</b>      | <b>238.76</b>      |

The above Cash Flow Statement has been prepared under the Indirect Method as set out in Accounting Standard (AS-3) on Cash Flow Statements issued by the Institute of Chartered Accountants of India.

As per our report of even date attached

On behalf of the Board

**For ISHWAR & GOPAL**

Chartered Accountants

**K.V.Gopalakrishnayya**

Partner

Membership No.21748

**B.S. Krishnaswamy**

Company Secretary

M.No.1524

**Sai Ramakrishna Karuturi**

Managing Director

**Anitha Karuturi**

Director

Firm Registration NO.001154S

Place : Bengaluru

Date : August 18, 2010

## Auditors' Report on the consolidated financial statements

To

The Board of Directors of  
KARUTURI GLOBAL LIMITED,

1. We have audited the attached Consolidated Balance Sheet of Karuturi Global Limited (the Company) and its subsidiaries collectively referred to as 'the Karuturi Group' as at 31st March 2010, the Consolidated Profit & Loss Account and also the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These Financial Statements are the responsibility of the Company's management and have been prepared by them on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We have not audited the financial statements of a foreign subsidiary included in the consolidated financial statements, whose financial statements reflect the total assets of Rs.127178.12 lakhs as at 31st March 2010 and total revenue for the year ended 31st March 2010 of Rs. 50871.23 lakhs. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of the Accounting Standards (AS) 21 – Consolidated Financial Statements prescribed by Companies (Accounting Standards) Rules, 2006 as amended from time to time. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components 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 read together with notes appearing thereon give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i. in the case of Consolidated Balance Sheet, of the state of affairs of the Karuturi Group as at 31st March 2010;
  - ii. in the case of Consolidated Profit & Loss Account, of the profit of the Karuturi Group for the year ended on that date; and
  - iii. in the case of Consolidated Cash Flow Statement, of the cash flows of the Karuturi Group for the year ended on that date.

**For Ishwar & Gopal**  
Chartered Accountants

**K.V Gopalakrishnayya**  
Partner  
Membership No.: 021748  
Firm Registration No.: 001154S

Place: Bengaluru  
Date: August 18, 2010



Consolidated Balance Sheet As At March 31, 2010

(Rs. in Lakhs)

| Particulars   | SCH. | AS AT<br>31.3.2010<br>₹ (INR) | AS AT<br>31.3.2009<br>₹ (INR) |
|---|------|-------------------------------|-------------------------------|
| <b>I. SOURCES OF FUNDS :</b>  |      |                               |                               |
| <b>SHAREHOLDERS FUNDS</b>   |      |                               |                               |
| Share Capital   | 1    | 4,893.05                      | 4,529.09                      |
| Share Warrants  | 2    | 7,596.00                      | -                             |
| Reserves and Surplus  | 3    | 71,969.21                     | 57,755.70                     |
| <b>LOAN FUNDS</b>   |      |                               |                               |
| Secured Loans   | 4    | 20,015.28                     | 15,032.52                     |
| Unsecured Loans   | 5    | 23,957.21                     | 31,646.89                     |
| <b>TOTAL</b>  |      | <b>128,430.75</b>             | <b>108,964.20</b>             |
| <b>II. APPLICATION OF FUNDS</b>   |      |                               |                               |
| <b>Goodwill on Consolidation (Net)</b>  | 6    | 7,565.20                      | 1,162.54                      |
| <b>FIXED ASSETS</b>   |      |                               |                               |
| Gross Block   | 7    | 100,337.21                    | 74,372.58                     |
| Less: Depreciation  |      | 8,595.49                      | 5,438.10                      |
| Net Block   |      | 91,741.72                     | 68,934.48                     |
| Capital Work-in-Progress  |      | 13,080.33                     | 14,744.92                     |
| <b>INVESTMENTS</b>  | 8    | 132.20                        | 117.66                        |
| <b>DEFERRED TAX ASSET (NET)</b>   |      | 63.98                         | 19.94                         |
| Foreign Currency Monetary Item<br>Translation Difference Account                | 9    | 1,498.80                      | 4,666.67                      |
| <b>Current Assets, Loans &amp; Advances</b>                                     |      |                               |                               |
| a) Inventories  | 10   | 1,734.65                      | 1,484.74                      |
| b) Sundry Debtors   | 11   | 11,911.63                     | 9,892.80                      |
| c) Cash and Bank Balances   | 12   | 6,319.76                      | 4,239.07                      |
| d) Other Current Assets   | 13   | 4.00                          | 149.81                        |
| e) Loans and Advances   | 14   | 5,147.22                      | 12,070.70                     |
|   |      | 25,117.26                     | 27,837.12                     |
| <b>Less : Current Liabilities &amp; Provisions</b>                              |      |                               |                               |
| a) Current Liabilities  | 15   | 9,951.64                      | 7,861.59                      |
| b) Provisions   | 16   | 817.10                        | 659.10                        |
|   |      | 10,768.74                     | 8,520.69                      |
| <b>Net Current Assets</b>   |      | <b>14,348.52</b>              | <b>19,316.43</b>              |
| <b>MISCELLANEOUS EXPENDITURE</b><br>(To the extent not written off or adjusted) | 17   | -                             | 1.56                          |
| <b>TOTAL</b>  |      | <b>128,430.75</b>             | <b>108,964.20</b>             |
| Statement on significant accounting policies                                    | 25   |                               |                               |
| Notes to Accounts   | 26   |                               |                               |

As per our Report of even date  
**For Ishwar & Gopal**  
Chartered Accountants

On behalf of the Board

**K.V.Gopalakrishnaya**  
Partner  
Membership No:21748.  
Firm Registration No.001154S

**B.S. Krishnaswamy**  
Company Secretary  
M. No.01524

**Sai Ramakrishna Karuturi**  
Managing Director

**Anitha Karuturi**  
Director

Place : Bengaluru  
Date: August 18, 2010

## Consolidated Profit and Loss Account for the year ended March 31, 2010

(Rs. in Lakhs,)

| Particulars  | SCH. | AS AT<br>31.3.2010<br>₹ (INR) | AS AT<br>31.3.2009<br>₹ (INR) |
|--|------|-------------------------------|-------------------------------|
| <b>INCOME</b>  |      |                               |                               |
| Sales  | 18   | 53,381.62                     | 44,310.00                     |
| Other Income   | 19   | 1,288.97                      | 1,673.61                      |
| <b>Total</b>   |      | <b>54,670.59</b>              | <b>45,983.61</b>              |
| <b>EXPENDITURE</b>   |      |                               |                               |
| Material Costs   | 20   | 16,689.63                     | 14,240.81                     |
| Employee Expenses  | 21   | 5,257.26                      | 4,925.63                      |
| Selling & Administrative Expenses  | 22   | 12,236.78                     | 11,375.93                     |
| Financial Charges  | 23   | 649.48                        | 1,498.75                      |
| Depreciation/Amortization  | 24   | 5,562.30                      | 2,127.90                      |
| <b>Total</b>   |      | <b>40,395.45</b>              | <b>34,169.02</b>              |
| <b>Profit Before Tax</b>   |      | <b>14,275.14</b>              | <b>11,814.59</b>              |
| <b>Provision For</b>   |      |                               |                               |
| Current Tax  |      | 8.24                          | 15.46                         |
| Deferred Tax (Net of Rs.113.78 Lakhs credit pertaining to Previous year) |      | (71.97)                       | 44.09                         |
| Fringe Benefit Tax( Pertaining to previous year Rs 0.40 Lakhs)           |      | 0.40                          | 17.43                         |
| <b>Profit After Tax</b>  |      | <b>14,338.47</b>              | <b>11,737.61</b>              |
| Balance As Per Last Balance Sheet  |      | 25,313.83                     | 14,048.74                     |
| <b>Amount Available for appropriation</b>                                |      | <b>39,652.30</b>              | <b>25,786.35</b>              |
| <b>APPROPRIATIONS</b>  |      |                               |                               |
| Transferred to General Reserve   |      | 23.63                         | 12.63                         |
| Proposed Dividend  |      | 520.81                        | 452.91                        |
| Dividend Distribution Tax  |      | 86.51                         | 6.99                          |
| Residual Dividend of Previous Year                                       |      | 3.69                          | -                             |
| Balance carried to Balance Sheet   |      | 39,017.66                     | 25,313.82                     |
|  |      | <b>39,652.30</b>              | <b>25,786.35</b>              |
| <b>Earnings Per Share(Equity Shares of Re.1/-each)</b>                   |      |                               |                               |
| Basic in Rs.   |      | 3.07                          | 3.57                          |
| Diluted in Rs.   |      | 2.50                          | 2.54                          |
| Statement on significant accounts policies                               | 25   |                               |                               |
| Notes to accounts  | 26   |                               |                               |

As per our Report of even date  
**For Ishwar & Gopal**  
Chartered Accountants

**K.V.Gopalakrishnaya**  
Partner  
Membership No:21748.  
Firm Registration No.001154S

**B.S. Krishnaswamy**  
Company Secretary  
M. No.01524

On behalf of the Board

**Sai Ramakrishna Karuturi**  
Managing Director

**Anitha Karuturi**  
Director

Place : Bengaluru  
Date : August 18, 2010



## Schedules to Consolidated Accounts

| Sch.     | Particulars   | AS AT<br>31.3.2010<br>₹ (INR) | AS AT<br>31.3.2009<br>₹ (INR) |
|----------|---|-------------------------------|-------------------------------|
| <b>1</b> | <b>SHARE CAPITAL</b>  |                               |                               |
|          | <b>Authorized Capital</b>   |                               |                               |
|          | 11,00,000,000 (750,000,000) Equity shares of Re.1/- each              | 11,000.00                     | 7,500.00                      |
|          | <b>Issued Capital</b>   |                               |                               |
|          | 4,89,305,325(Previous year 45,29,09,075) Equity shares of Re.1/- each | 4,893.05                      | 4,529.09                      |
|          | <b>Subscribed and Paid Up Capital</b>                                 |                               |                               |
|          | At commencement of the year   | 4,529.09                      | 3,309.75                      |
|          | Add: Issued during the period   | 363.96                        | 1,219.34                      |
|          |   | <b>4,893.05</b>               | <b>4,529.09</b>               |
| <b>2</b> | <b>SHARE WARRANTS</b>   |                               |                               |
|          | As Per Last Balance Sheet   | -                             | 16,894.40                     |
|          | Add: Receipts During the Year   | 10,332.00                     | 3,139.29                      |
|          |   | 10,332.00                     | 20,033.69                     |
|          | Less: Transferred to Share Capital                                    | 228.00                        | 1,214.16                      |
|          | Transferred to Security Premium                                       | 2,508.00                      | 18,819.53                     |
|          |   | <b>7,596.00</b>               | <b>0.00</b>                   |
| <b>3</b> | <b>RESERVES AND SURPLUS</b>   |                               |                               |
|          | <b>General Reserve</b>  |                               |                               |
|          | As per last Balance Sheet   | 763.96                        | 751.33                        |
|          | Add: Transfer from Profit and Loss Account                            | 23.63                         | 12.63                         |
|          |   | <b>787.59</b>                 | <b>763.96</b>                 |
|          | <b>Revaluation Reserve</b>  |                               |                               |
|          | As per last Balance Sheet   | 3,103.85                      | -                             |
|          | Add/(Deduct) during the year on account of Revaluation.               | (1,837.57)                    | 4,673.51                      |
|          |   | <b>1,266.28</b>               | <b>4,673.51</b>               |
|          | Less: Withdrawal on account of Depreciation                           | 240.10                        | 1,569.66                      |
|          |   | <b>1,026.18</b>               | <b>3,103.85</b>               |
|          | <b>Hedging Reserve Account</b>  |                               |                               |
|          | As per Last Balance sheet   | (717.09)                      | 0.00                          |
|          | Add:- Additions During the year                                       | (279.31)                      | (717.09)                      |
|          |   | <b>(996.40)</b>               | <b>(717.09)</b>               |
|          | <b>Capital Reserve</b>  |                               |                               |
|          | As per Last balance Sheet   | 378.45                        | 378.45                        |
|          | Add:- Warrant Money Forfeited   | 174.63                        | 0.00                          |
|          |   | <b>553.08</b>                 | <b>378.45</b>                 |
|          | <b>Foreign Currency Translation Reserve</b>                           | <b>(3,808.93)</b>             | <b>(2,599.15)</b>             |
|          | <b>Security Premium Account</b>                                       |                               |                               |
|          | As per Last Balance sheet   | 31,511.85                     | 12,661.00                     |
|          | Add:- Additions During the year                                       | 3,878.16                      | 18,850.85                     |
|          |   | <b>35,390.01</b>              | <b>31,511.85</b>              |
|          | <b>Surplus - Balance in Profit &amp; Loss Account</b>                 | <b>39,017.68</b>              | <b>25,313.83</b>              |
|          |   | <b>71,969.21</b>              | <b>57,755.70</b>              |

## Schedules to Consolidated Accounts

(Rs. in Lakhs)

| Sch.     | Particulars                                     | AS AT<br>31.3.2010<br>₹ (INR) | AS AT<br>31.3.2009<br>₹ (INR) |
|----------|---|-------------------------------|-------------------------------|
| <b>4</b> | <b>SECURED LOANS</b>                            |                               |                               |
|          | <b>I) Term Loan from Bank*</b>                  |                               |                               |
|          | A) Rupee Loan                                   | 7,759.03                      | 10,351.99                     |
|          | B) Foreign Currency Loan                        | 184.18                        | 342.55                        |
|          | <b>II) Working Capital Loan</b>                 |                               |                               |
|          | A) Rupee Loan                                   | 3,034.86                      | 1,888.46                      |
|          | B) Foreign Currency Loan                        | 9,037.21                      | 2,449.52                      |
|          |   | <u>20,015.28</u>              | <u>15,032.52</u>              |
| <b>5</b> | <b>UNSECURED LOANS</b>                          |                               |                               |
|          | A) Foreign Currency Convertible Bonds(FCCB)     | 20,313.00                     | 24,456.00                     |
|          | B) From a bank *                                | -                             | 3,176.55                      |
|          | C) From Companies *                             | 3,432.05                      | 3,741.78                      |
|          | D) From Directors*                              | 212.16                        | 272.56                        |
|          | * Short term                                    | <u>23,957.21</u>              | <u>31,646.89</u>              |
| <b>6</b> | <b>GOODWILL ON CONSOLIDATION (NET)</b>          |                               |                               |
|          | <b>Goodwill</b>                                 |                               |                               |
|          | As per Last Balance sheet                       | 15,148.41                     | -                             |
|          | Add: Additions during the year                  | -                             | 15,148.41                     |
|          | Add/(Deduct) on account of exchange fluctuation | (1,692.20)                    | -                             |
|          | Less: Amortization during the year              | 1,413.85                      | -                             |
|          | <b>Sub Total</b>                                | <u>12,042.36</u>              | <u>15,148.41</u>              |
|          | <b>Capital Reserve</b>                          |                               |                               |
|          | As per Last Balance sheet                       | 13,985.87                     | -                             |
|          | Add: Additions during the year                  | -                             | 13,985.87                     |
|          | Add/(Deduct) on account of exchange fluctuation | (9,508.71)                    | -                             |
|          | <b>Sub Total</b>                                | <u>4,477.16</u>               | <u>13,985.87</u>              |
|          | Net Goodwill on Consolidation                   | <u>7,565.20</u>               | <u>1,162.54</u>               |

## 7. CONSOLIDATED FIXED ASSETS

Rs. in Lakhs

| PARTICULARS                       | Gross Block        |                             |  |                    | Depreciation       |                 |                            |                    | Net Block          |                    |
|-----------------------------------|--------------------|-----------------------------|--|--------------------|--------------------|-----------------|----------------------------|--------------------|--------------------|--------------------|
|                                   | As at<br>01-Apr-09 | Addition<br>during the year | (Sales/<br>Adjustments)<br>during the year | As at<br>31-Mar-10 | As at<br>01-Apr-09 | For the<br>year | Adjustments<br>/ Deletions | As at<br>31-Mar-10 | As at<br>31-Mar-10 | As at<br>31-Mar-09 |
| Land - Free Hold                  | 2,553.92           | -                           | 647.55                                     | 3,029.38           | -                  | -               | -                          | -                  | 3,029.38           | 2,553.92           |
| Land - Lease Hold                 | 564.36             | 4.97                        | -  | 549.62             | 19.60              | 16.20           | -                          | 33.63              | 516.00             | 544.76             |
| Land Developments                 | 36.77              | 21,477.45                   | -  | 21,512.69          | 4.55               | 1.79            | (0.32)                     | 6.07               | 21,506.62          | 32.22              |
| Building                          | 5,184.62           | 59.44                       | -  | 5,038.76           | 296.49             | 117.28          | (6.10)                     | 399.34             | 4,639.43           | 4,888.13           |
| Green House                       | 33,304.31          | 8,679.92                    | 25.49                                      | 39,833.43          | 3,727.53           | 2,049.64        | (19.79)                    | 5,488.44           | 34,344.99          | 29,576.78          |
| Plant & Machinery                 | 12,700.13          | 807.97                      | (18.40)                                    | 12,697.33          | 964.89             | 245.71          | (111.42)                   | 1,083.54           | 11,613.79          | 11,735.23          |
| Biological assets<br>(Plantation) | 18,568.90          | 2,384.61                    | (1,484.87)                                 | 16,134.00          | 127.30             | 1,212.14        | -                          | 1,268.97           | 14,865.03          | 18,441.60          |
| Furniture & Fixtures              | 578.67             | 83.27                       | 22.64                                      | 662.05             | 87.67              | 44.87           | (8.75)                     | 122.10             | 539.95             | 490.99             |
| Computers                         | 119.59             | 35.73                       | 39.23                                      | 188.79             | 57.84              | 28.22           | (3.82)                     | 75.33              | 113.47             | 61.75              |
| Vehicles                          | 756.68             | 68.35                       | 29.47                                      | 684.83             | 150.97             | 78.41           | (75.32)                    | 116.48             | 568.35             | 605.71             |
| Website Development               | 4.64               | 1.66                        | -  | 6.30               | 1.27               | 0.33            | -                          | 1.59               | 4.71               | 3.38               |
| <b>Total</b>                      | <b>74,372.59</b>   | <b>33,603.37</b>            | <b>(738.89)</b>                            | <b>100,337.18</b>  | <b>5,438.11</b>    | <b>3,794.59</b> | <b>(225.52)</b>            | <b>8,595.49</b>    | <b>91,741.72</b>   | <b>68,934.47</b>   |
| Capital-Work-in-Progress          |                    |                             |  |                    |                    |                 |                            |                    | 13,080.33          | 14,744.42          |
| <b>Previous Year</b>              | <b>42,536.60</b>   | <b>25,553.87</b>            | <b>6,282.12</b>                            | <b>74,372.59</b>   | <b>2,262.59</b>    | <b>3,829.97</b> | <b>(654.45)</b>            | <b>5,438.11</b>    | <b>68,934.48</b>   | <b>40,274.01</b>   |

**Note .\*** Adjustments / Sales during the year includes Rs.1,837.57 Lakhs on account of Revaluation of assets

**\*\*** Depreciation / Adjustments includes Rs. 240.10 Lakhs on account of Depreciation on revalued Assets



## Schedules to Consolidated Accounts

| Sch       | Particulars  | AS AT<br>31.3.2010<br>₹ (INR) | AS AT<br>31.3.2009<br>₹ (INR) |
|-----------|--|-------------------------------|-------------------------------|
| <b>8</b>  | <b>INVESTMENTS</b>   |                               |                               |
|           | Investments, Unquoted  |                               |                               |
|           | Kotak Mahindra Realty Fund - HNI Fund                                | 132.04                        | 117.50                        |
|           | National Savings Certificate   | 0.16                          | 0.16                          |
|           |  | 132.20                        | 117.66                        |
| <b>9</b>  | <b>Foreign Currency Monetary Item Translation Difference Account</b> |                               |                               |
|           | As per last Balance sheet  | 4,666.67                      | -                             |
|           | Add:- Additional during the year                                     | -                             | 5,250.00                      |
|           | Less:- Amortization during the year                                  | 374.70                        | 583.33                        |
|           | Less:- Withdrawn on account of exchange fluctuations                 | 2,793.17                      | -                             |
|           |  | 1,498.80                      | 4,666.67                      |
| <b>10</b> | <b>INVENTORIES :</b>   |                               |                               |
|           | (as physically verified ,valued & certified by the management)       |                               |                               |
|           | Finished Goods   | 560.97                        | 964.64                        |
|           | Raw & Packing Materials  | 836.25                        | 365.32                        |
|           | Work-in-progress   | 235.07                        | 121.64                        |
|           | Propagated Plants  | 102.36                        | 33.14                         |
|           |  | 1,734.65                      | 1,484.74                      |
| <b>11</b> | <b>SUNDRY DEBTORS : (Unsecured)</b>                                  |                               |                               |
|           | Debts outstanding for a period exceeding six months                  |                               |                               |
|           | - Debts Considered good  | 1,684.92                      | 471.07                        |
|           | - Debts Considered Doubtful  | 112.87                        | 105.78                        |
|           | Other Debts Considered Good  | 10,226.71                     | 9,421.73                      |
|           |  | 12,024.50                     | 9,998.58                      |
|           | Less : Provision for Doubtful Debts                                  | (112.87)                      | (105.78)                      |
|           |  | 11,911.63                     | 9,892.80                      |
| <b>12</b> | <b>CASH &amp; BANK BALANCES</b>                                      |                               |                               |
|           | Cash on hand   | 25.18                         | 16.85                         |
|           | With Scheduled Banks   |                               |                               |
|           | In Current Account   | 621.02                        | 580.21                        |
|           | In Deposit Account   | 5,673.56                      | 3,642.01                      |
|           |  | 6,319.76                      | 4,239.07                      |
| <b>13</b> | <b>OTHER CURRENT ASSETS (Unsecured, considered Good)</b>             |                               |                               |
|           | Interest receivable on Term Deposits with Banks                      | 4.00                          | 149.81                        |
|           |  | 4.00                          | 149.81                        |
| <b>14</b> | <b>LOANS AND ADVANCES (Unsecured, Considered Good)</b>               |                               |                               |
|           | Advances recoverable in cash or in kind or for value to be received  | 3,176.93                      | 11,016.97                     |
|           | Advance to Suppliers   | 284.58                        | 33.55                         |
|           | Security & Other Deposits  | 199.22                        | 190.47                        |
|           | Advance Tax, TDS &VAT  | 818.00                        | 280.15                        |
|           | Pre-paid Expenses  | 262.31                        | 399.56                        |
|           | Income Tax Paid under Protest  | 400.00                        | 150.00                        |
|           | Other advances   | 6.18                          | -                             |
|           |  | 5,147.22                      | 12,070.70                     |

## Schedules to Consolidated Accounts

(Rs. in Lakhs)

| Sch       | Particulars   | AS AT<br>31.3.2010<br>₹ (INR) | AS AT<br>31.3.2009<br>₹ (INR) |
|-----------|---|-------------------------------|-------------------------------|
| <b>15</b> | <b>CURRENT LIABILITIES</b>  |                               |                               |
|           | Sundry Creditors  | 8,520.28                      | 7,289.05                      |
|           | Advance Received from Customers   | 256.82                        | 195.21                        |
|           | Interest Accrued but not due on Loans   | 2.55                          | 4.06                          |
|           | Unclaimed Dividend  | 23.85                         | 17.31                         |
|           | Security from Customers   | 13.70                         | 13.40                         |
|           | Other Liabilities   | 1,134.44                      | 342.56                        |
|           |   | <u>9,951.64</u>               | <u>7,861.59</u>               |
| <b>16</b> | <b>PROVISIONS</b>   |                               |                               |
|           | Proposed Dividend   | 520.80                        | 452.91                        |
|           | Dividend Distribution Tax   | 89.37                         | 2.86                          |
|           | Income Tax  | 0.87                          | 95.36                         |
|           | Gratuity / Leave Encashment   | 206.06                        | 87.94                         |
|           | Fringe Benefit Tax  | -                             | 20.03                         |
|           |   | <u>817.10</u>                 | <u>659.10</u>                 |
| <b>17</b> | <b>MISCELLANEOUS EXPENDITURE</b>  |                               |                               |
|           | (To the extent not written off or adjusted)   |                               |                               |
|           | Preliminary Expenses -As per last Balance sheet                                     | 1.56                          | 4.40                          |
|           | Less: Written off during the year   | 1.56                          | 2.84                          |
|           |   | <u>-</u>                      | <u>1.56</u>                   |
| <b>18</b> | <b>SALES</b>  |                               |                               |
|           | Agriculture Sales   | 52,358.48                     | 42,510.37                     |
|           | Other Sales   | 402.05                        | 779.60                        |
|           | Internet Service Income   | 621.09                        | 1,020.03                      |
|           |   | <u>53,381.62</u>              | <u>44,310.00</u>              |
| <b>19</b> | <b>OTHER INCOME</b>   |                               |                               |
|           | Interest on Term deposits (Gross, TDS Rs. 0.89/-lakhs ,<br>Previous Year 4.23lakhs) | 9.22                          | 185.14                        |
|           | Dividend on Mutual Fund   | 1.82                          | 7.52                          |
|           | Sundry Balances Written Back  | 22.05                         | 533.78                        |
|           | Lease Rental Income   | 90.27                         | 305.96                        |
|           | Gain from foreign Exchange Fluctuations   | 495.71                        | -                             |
|           | Gain from forward Contracts   | 40.75                         | 95.94                         |
|           | Other Income  | 629.15                        | 545.27                        |
|           |   | <u>1,288.97</u>               | <u>1,673.61</u>               |
| <b>20</b> | <b>COST OF MATERIALS</b>  |                               |                               |
|           | Agriculture   | 16,180.40                     | 14,743.80                     |
|           | Internet Service Cost   | 288.23                        | 300.58                        |
|           | Closing Stock   | 898.41                        | 1,119.41                      |
|           | (finished goods ,work in progress &propagated plants)                               |                               |                               |
|           | Opening Stock   | 1,119.41                      | 315.84                        |
|           | (finished goods, work in progress &propagated plants)                               |                               |                               |
|           | Increase/(decrease) in  | (221.00)                      | 803.57                        |
|           | Stock of finished goods, work in progress &propagated plants                        | <u>16,689.63</u>              | <u>14,240.81</u>              |





## Schedules to Consolidated Accounts

| Sch       | Particulars   | AS AT<br>31.3.2010<br>₹ (INR) | AS AT<br>31.3.2009<br>₹ (INR) |
|-----------|---|-------------------------------|-------------------------------|
| <b>21</b> | <b>EMPLOYEE EXPENSES</b>  |                               |                               |
|           | Wages, Salaries & Allowances  | 4,883.61                      | 4,645.08                      |
|           | Staff Welfare, Expenses   | 360.89                        | 271.76                        |
|           | Contribution to Provident Fund  | 12.76                         | 8.79                          |
|           |   | 5,257.26                      | 4,925.63                      |
| <b>22</b> | <b>SELLING &amp; ADMINISTRATIVE EXPENSES</b>                                  |                               |                               |
|           | Rent  | 192.56                        | 291.98                        |
|           | Rates & Taxes   | 26.07                         | 22.76                         |
|           | Electricity Charges   | 554.56                        | 630.93                        |
|           | Selling Expenses  | 2,725.82                      | 1,638.20                      |
|           | Freight Clearing & Forwarding Charges   | 5,128.46                      | 7,011.08                      |
|           | Insurance   | 19.91                         | 18.33                         |
|           | Green House Maintenance   | 82.20                         | 97.91                         |
|           | Directors Remuneration  | 2,008.67                      | 47.07                         |
|           | Business Promotional Expense  | 11.06                         | 27.22                         |
|           | Repairs & Maintenance   | 26.43                         | 45.78                         |
|           | Generator Maintenance   | 17.89                         | 12.52                         |
|           | Advertisement   | 170.40                        | 54.44                         |
|           | Telephone, Postage & Courier charges  | 86.01                         | 96.44                         |
|           | Loss on sale of Assets  | 8.86                          | 5.05                          |
|           | Travelling, Conveyance and Staff Transport                                    | 379.05                        | 361.22                        |
|           | Trade Licenses and subscriptions etc.   | 12.06                         | 22.49                         |
|           | Vehicle Maintenance   | 179.06                        | 134.58                        |
|           | Printing & Stationery   | 27.82                         | 36.97                         |
|           | Legal, Professional & Consultancy charges                                     | 455.54                        | 482.30                        |
|           | Outsourcing Contractor's Charges and Service Contracts                        | 11.10                         | 16.35                         |
|           | Audit Fees  | 28.80                         | 25.87                         |
|           | Provision for Doubtful Debts/Bad Debts written off                            | 36.69                         | 0.79                          |
|           | General Expenses  | 47.76                         | 295.65                        |
|           |   | 12,236.78                     | 11,375.93                     |
| <b>23</b> | <b>FINANCIAL CHARGES</b>  |                               |                               |
|           | Interest on Term Loans  | 104.82                        | 1,172.41                      |
|           | Interest on Working Capital Loan  | 385.56                        | 37.44                         |
|           | Bank Charges  | 159.10                        | 87.39                         |
|           | Exchange Fluctuation (Loss)   | -                             | 201.51                        |
|           |   | 649.48                        | 1,498.75                      |
| <b>24</b> | <b>DEPRECIATION / AMORTISATION</b>  |                               |                               |
|           | Depreciation on fixed assets  | 3,794.52                      | 1,541.73                      |
|           | Amortization of Foreign Currency Monetary Item Translation Difference Account | 352.37                        | 583.33                        |
|           | Amortization of Goodwill  | 1,413.85                      | -                             |
|           | Amortization of Preliminary Expenses  | 1.56                          | 2.84                          |
|           |   | 5,562.30                      | 2,127.90                      |

## SCHEDULE NO. 25

### SIGNIFICANT ACCOUNTING POLICIES

#### 1. Basis of Presentation

The Financial Statements of the Company are prepared under historical cost convention, on accrual basis of accounting to comply in all material respects, with the mandatory Accounting standards as notified by the Companies (Accounting Standards) Rules, 2006 as amended ('the Rules') and the relevant provisions of the Companies Act, 1956 ('the Act'). Accounting policies have been consistently applied except where a new accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

#### 2. Use of Estimates

The preparation of the financial statements are in conformity with the Indian GAAP which requires the management make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements, and the reported amounts of revenue and expenses during the reported period. Actual results could differ from these estimates. Difference between the actual results and estimates are recognized in the period in which the results are known /materialized.

#### 3. Revenue Recognition

Revenue from the sale of grown/traded items is recognized upon passage of the title to the customers which generally coincides with the delivery and acceptance thereof.

Revenue from Services consist primarily of revenue earned from services performed on a 'time and material' basis. The related revenue is recognized as and when the services are performed.

Revenue from Internet Service Provision (ISP) is recognized in the year on time proportionate basis .

Export sales are accounted at the exchange rate prevailing on the date of sale. The payment received in foreign exchange against these bills is credited at the exchange rates prevailing on the date of receipt of payment.

Income by way of 'interest' is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

Income by way of 'dividend' is recognized when the Company's right to receive dividend is established.

Operating Leases: Rentals are accounted on the basis of period of lease.

#### 4. Fixed Assets

Fixed Assets are stated at actual cost less accumulated depreciation and impairment if any . The actual cost includes acquisition cost, taxes, duties, wherever applicable, and all other expenses directly attributable for putting the asset into its intended use.

The cost and accumulated depreciation of fixed assets sold are removed from the stated values and the resultant Profit/Loss has been included in Profit & Loss Account.

#### 5. Depreciation

A) Depreciation on fixed assets has been provided on "Straight line method at the rates prescribed in Schedule XIV to the Companies Act 1956. Depreciation on additions/disposals of the fixed assets during the year is provided on pro-rata basis according to the period during which assets are put to use / sold. Assets purchased/Installed during the year costing less than Rs.5000/- each are fully depreciated.

B) Depreciation on biological assets is made to the extent the carrying cost exceeds the realizable/fair value of such assets.

#### 6. Investments

Current Investments are carried at the lower of cost and quoted/fair value computed category wise.

Long term and strategic investments are stated at cost, less any diminution in the value other than temporary.

#### 7. Foreign Currency Transactions

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of transaction.

Monetary current assets and liabilities, denominated in foreign currency are translated at the rates of exchange at the balance sheet date and the resultant gain or loss is recognized in the Profit and Loss Account.

In accordance with the option given in the Ministry of Corporate Affairs Notification No. GSR 225(E) dated 31<sup>st</sup> March 2009, the Exchange fluctuations arising on reporting of long term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, insofar as they relate to acquisition of a depreciable capital assets, is added to or deducted from the cost of the assets and will be depreciated over the balance life of the asset, and in other



cases is accumulated in 'Foreign Currency Monetary Item Translation Difference Accounts' in the Company's financial statements and amortized over the balance period of such long term asset/liability but not beyond 31<sup>st</sup> march 2011, by recognition as income or expenses in each such of the period.

#### 8. Inventory

Cost of Inventories comprises of all cost of purchase, cost of conversion and other cost incurred in bringing them to their respective present location and condition.

Inventory is valued at cost or market rate whichever is lower using the FIFO method of accounting.

#### 9. Employee Benefits

**Short Term Employee Benefits:** The company accounts for short term employee benefits viz., salary, bonus and other allowances as and when the services are rendered by employees i.e., on accrual basis of accounting.

**Gratuity:** The Company provides for Gratuity, a defined benefit retirement plan (Gratuity Plan) covering eligible employees. In accordance with the Payment of Gratuity Act, 1972, the Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and tenure of employment. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation as of the balance sheet date, based upon which, the Company makes necessary and adequate provisions in the books of accounts. The consequent actuarial gain or loss is expensed in the period of accrual of gain or loss.

**Employee Stock Options:** The options are valued, as per SEBI Guidelines "Employee Stock Option Plans/ Employee Stock Purchase Plans", based on the fair market value of the shares on the date of grant. The difference between the fair market value of shares and the exercise price would be expensed off in the year of exercise of the options, net off any receipt of amount from the employee towards exercise of the options.

#### 10. Earnings Per Share:

Basic earnings per equity share are computed by dividing net profit after tax by weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed by dividing adjusted net profit after tax by the aggregate of weighted average number of equity shares and dilutive potential equity shares and also includes that of potential conversions from FCCB to equity and vested Employee Stock Option Plan outstanding during the year.

#### 11. Provision for Current Tax and Deferred Income Tax

Provision for current tax 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 profit and taxable profit is accounted for using the tax rates and laws that are enacted or substantially enacted as on the balance sheet date. The deferred tax asset is recognized and carried forward only to the extent there is a reasonable certainty that the asset will be realized in future.

#### 12. Impairment of Assets:

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

#### 13. Accounting of Financial Instruments:

The contractual gains/losses arising out of derivative transactions (Options), are accumulated in Hedging Reserve Account and will be charged off /charged back to Profit and Loss Account at the time of derecognizing of underlying financial liability (FCCB) in accordance with Accounting Standard – 30 "Financial Instruments: Recognition and Measurement" issued by Institute of Chartered Accountants of India.

Premium on Redemption of Foreign Currency Convertible Bonds is recognized only in the event of non-conversion of bonds to shares, at the end of maturity period.

#### 14. Provisions, Contingent Liabilities and Contingent Assets:

Provisions are recognized in terms of Accounting Standard – 29: "Provisions, Contingent Liabilities and Contingent Assets", issued by the Institute of Chartered Accountants of India, where there is a present legal or statutory obligation as a result of past events, where it is probable that there will be outflow of resources to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Contingent Liabilities are recognized only when there is a possible obligation from past events due to occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or where any present obligation cannot be measured in terms of future outflow of resources or where a reliable estimate of the obligation cannot be made. Obligations are assessed on an ongoing basis and only those having a largely probable outflow of resources are provided for.

Contingent Assets are not recognized in the Financial Statements.

## SCHEDULE NO.26

## NOTES TO CONSOLIDATED ACCOUNTS

## 1. Principles of consolidation

- a) The financial statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses in accordance with Accounting Standard (AS) 21 - "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
- b) In case of foreign subsidiaries, being non-integral foreign operations, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognized in the foreign currency translation reserve.
- c) The difference between the costs of investment in the subsidiaries, over the net assets at the time of acquisition of subsidiaries is recognized in the financial statements as Goodwill or Capital Reserve as the case may be. Goodwill is amortized in phased manner based on impairment test. During the year under review Rs. 1413.85 lakhs is amortized (Previous year Rs Nil).

## 2. The enterprises considered in the consolidated financial statement are:

| Name of Enterprises.                 | Country of Incorporation | Voting power held as at 31 <sup>st</sup> March 2010 | Effective voting power held as at 31 <sup>st</sup> March 2009 by the holding company |
|--------------------------------------|--------------------------|---|--|
| Karuturi Telecom Pvt Limited         | India                    | 100%  | 100%   |
| Karuturi Foods Pvt Limited           | India                    | 100%  | 100%   |
| Karuturi Flower Express Pvt. Limited | India                    | 100%  | 100%   |
| Karuturi Floritech Pvt Limited       | India                    | 100%  | 100%   |
| Karuturi Overseas Ltd.,              | UAE                      | 100%  | 100%   |
| Flower Xpress FZE*                   | UAE                      | Nil   | 100%   |

\*Became subsidiary of Karuturi Overseas Ltd., since January 2010

Fellow subsidiaries, which are 100% subsidiaries of Subsidiary Company as on 31<sup>st</sup> March 2010 are:

| Name of Enterprises.        | Country of Incorporation | Name of the Holding of Company | Voting power held as at 31 <sup>st</sup> March 2010 |
|-----------------------------|--------------------------|--------------------------------|---|
| Flower Xpress FZE           | UAE                      | Karuturi Overseas Limited.,    | 100%  |
| Ethiopian Meadows PLC       | Ethiopia                 | Karuturi Overseas Limited.,    | 100%  |
| Yashoda Investments Limited | Kenya                    | Flower Xpress FZE              | 100%  |
| Surya Holding Limited       | Kenya                    | Flower Xpress FZE              | 100%  |
| Rhea Holding Limited        | Kenya                    | Flower Xpress FZE              | 100%  |
| Karuturi Limited            | Kenya                    | Yashoda Investment limited     | 100%  |
| Karuturi Hospital Limited   | Kenya                    | Yashoda Investment limited     | 100%  |
| Karuturi Agro Products PLC  | Ethiopia                 | Ethiopian Meadows PLC          | 100%  |
| Surya Blossoms PLC          | Ethiopia                 | Ethiopian Meadows PLC          | 100%  |

## 3 Capital

- a) Out of the paid up capital, 30,51,500 (Previous year 517,750) equity shares of Re.1/- each were allotted as fully paid-up on exercise of grant under Employee Stock Option Scheme.
- b) During the year the company has allotted 2,28,00,000 equity Shares of Re.1/- each (Previous year 12,44,16,325) against Conversion of Share warrants.
- c) Share warrant application money pending allotment includes Rs 6,963/- lakhs (Rs. Nil) towards security premium.

## 4. Fixed Assets:

In accordance with Notification No. GSR 225(E) dated 31<sup>st</sup> March 2009 issued by Ministry of Corporate Affairs, the Group, during the financial year ending 31<sup>st</sup> March 2009, Company has changed its Accounting



## NOTES TO CONSOLIDATED ACCOUNTS

policy with respect to accounting of Foreign Exchange Differences arising out of Foreign Currency borrowings used to fund Fixed Assets. Accordingly, an amount of Rs.25.49 lakhs (Rs26.19 lakhs) was adjusted against the historical cost of Green house in fixed assets which was funded by an External Commercial Borrowing.

### 5. Leasehold Assets:

#### Leasehold Land

The title deeds in respect of lands acquired by the Company at a cost of Rs.291.82 lakhs are held in Trust in the name of the relatives Company's Directors/their relatives. An irrevocable undertaking from them not to encumber or alienate the land has been recorded. As the Karnataka Land Reforms Act, prohibits ownership by persons other than individuals, such persons are holding the same as nominees of the Company.

### 6. Foreign Currency Convertible Bonds:

| Particulars  | First Issue                      | Second Issue                        |
|--|----------------------------------|-------------------------------------|
| Issue Currency   | USD                              | USD                                 |
| Issue Size   | USD 250 lakhs                    | USD 500 lakhs                       |
| Issue Date   | 27th Feb 2007                    | 12th Oct 2007                       |
| Maturity Date  | 5th Mar 2012                     | 19th Oct 2012                       |
| Coupon Rate  | Zero Coupon                      | Zero Coupon                         |
| Yield to maturity-compounded semi annually   | 8.25%                            | 7.00%                               |
| Conversion Price post price reset.   | Rs. 12 per Share                 | Rs. 18.99 per Share                 |
| Fixed Exchange Rate of Conversion  | Rs.44.25                         | Rs.39.73                            |
| Conversions as at 31st March 2010  | \$ 250.00 lakhs                  | \$ 50.00 lakhs                      |
| Conversions as at 31st March 2009  | \$ 220.00 lakhs                  | \$ 50.00 lakhs                      |
| Prorata premium on redemption not provided for as on 31st March 2010 (Contingent liability on Probable non conversion) | Nil                              | \$ 82.25 lakhs or Rs. 3712.78 lakhs |
| Prorata premium on redemption not provided for as on 31st March 2009(Contingent liability on Probable non conversion)  | \$ 4.90 lakhs or Rs.220.19 lakhs | \$46.9 lakhs or Rs.2117.60 lakhs    |
| Mandatory Conversion Option  | Yes                              | Yes                                 |

### 7. National Horticulture Board :

The suit filed by National Horticulture Board (NHB) against the Company for recovery of Rs. 146.64 lakhs along with interest is pending before High Court of Karnataka. The Company has contested the computation of the claim made by NHB and has deposited Rs.111.45 lakhs in the High Court of Karnataka during May 2007 as per its order.

The Loan amount of Rs.108.00 lakhs is shown as a liability and pending finalization of settlement, no provision is made for interest and other claims made by NHB. The amount deposited in the High Court of Karnataka is towards 50% of decree, grouped under security deposits and the balance 50% is disclosed as Contingent Liability.

8. Fixed deposits amounting to Rs. 1,606.47 lakhs (Rs.189.38 lakhs) are lying as security with banks against bank guarantees and other facilities availed and Rs.3,036.79 (Rs. 3,036.79) is in Escrow account.

### 9. Employee Benefits:

Short term employee benefits such as salary, allowances and bonus are accounted on accrual basis of accounting and based upon the laws applicable. Termination benefits (Gratuity) is provided on the basis of actuarial valuation. The actuarial gain or loss is considered in the Profit and Loss Account of the period in which it accrues.

### Change in present value of obligation:

| Particulars   | (Rs. in lakhs)<br>31.3.2010 | (Rs.in lakhs)<br>31.3.2009 |
|---|-----------------------------|----------------------------|
| Present value of obligation as at the beginning of the period (1 <sup>st</sup> April 2009)                            | 87.94                       | 7.87                       |
| Acquisition Adjustment  | Nil                         | Nil                        |
| Interest Cost   | 0.48                        | 0.63                       |
| Past Service Cost   | Nil                         | Nil                        |
| Current Service Cost  | 111.83                      | 81.97                      |
| Curtailement Cost   | Nil                         | Nil                        |
| Settlement Cost   | Nil                         | Nil                        |
| Benefits Paid   | Nil                         | Nil                        |
| Actuarial (gain)/loss on obligation Present Value of Obligation as at the end of period (31 <sup>st</sup> March 2010) | (0.71)                      | (2.54)                     |
|   | 199.53                      | 87.94                      |

## NOTES TO CONSOLIDATED ACCOUNTS

**Change in the fair value of plan assets:**

The company does not have any Gratuity Fund and in view of this and other external and internal factors, estimates of the amount of funding for the ensuing year are not determinable.

The amounts to be recognized in balance sheet:

| Particulars   | (Rs. in lakhs)<br>31.3.2010 | (Rs. In lakhs)<br>31.3.2009 |
|---|-----------------------------|-----------------------------|
| Present Value of obligation as at the end of the period   | 199.53                      | 87.94                       |
| Fair Value of plan assets as at the end of the period   | Nil                         | Nil                         |
| Funded Status   | (199.53)                    | (87.94)                     |
| Excess of actual over estimated   | Nil                         | Nil                         |
| Unrecognized actuarial (gains) / losses   | Nil                         | Nil                         |
| Net Asset/(Liability) recognized in balance sheet   | (199.53)                    | (87.94)                     |
| Expense recognized in the statement of profit and loss:   |                             |                             |
| Current Service Cost  | 111.83                      | 81.97                       |
| Past Service Cost   |                             |                             |
| Interest Cost   | 0.48                        | 0.63                        |
| Expected return on plan assets  |                             |                             |
| Curtailement cost   |                             |                             |
| Settlement cost   |                             |                             |
| Net actuarial (gain) / loss recognized in the period  | (0.71)                      | (2.54)                      |
| Expenses recognized in the statement of profit and loss under employee costs  | 111.60                      | 80.06                       |
| <b>Economic Assumptions:</b>  |                             |                             |
| <b>Particulars</b>  | <b>Percentage</b>           | <b>Percentage</b>           |
| Discounting Rate  | 7.50%                       | 7.50%                       |
| Future Salary increase are considered taking into account inflation, seniority promotions and other relevant factors. | 5.00%                       | 5.00%                       |
| Expected Rate of return on plan assets  | 0%                          | 0%                          |

**Demographic Assumptions:**

|                  |                             |                     |
|------------------|-----------------------------|---------------------|
| Retirement Age   | 58 years                    |                     |
| Mortality Table  | LIC (1994-96) duly modified |                     |
| Withdrawal Rates | Ages                        | Withdrawal Rate (%) |
| Age              | Up to 30 years              | 3.00%               |
|                  | From 31 to 44 years         | 2.00%               |
|                  | Above 44 years              | 1.00%               |

**Employee Stock Option Compensation:**

Under the Employee Stock Options Scheme 2008 (ESOS-2008), the Company has granted 60,00,000 Options to its eligible employees, the details of which are as follows:

**(A) Employee Stock Options Scheme:**

| Particulars                                       | Current Year  |
|---|---|
| Number of Options to be Vested over 4 years.      | 60,00,000 (60,00,000)                                     |
| Number of Options vested till 31.3.2010           | 25,33,750 (14,24,250)                                     |
| Method of Accounting                              | Intrinsic Value   |
| Vesting Plan                                      | Graded vesting over 4 year period from the date of grant. |
| Exercise Period                                   | 12 years from the date of grant.                          |
| Grant Date  | 17 <sup>th</sup> August 2007                              |
| Grant Price (Rs. Per Share)                       | Re.1/- per Share  |
| Market Price on the Date of Grant of Option (Rs.) | Rs.7.05 (7.05)  |
| Exercise Price of the Option (Rs.)                | Re.1/- (Re.1/-)   |
| Expected life of Option                           | 12 years  |



## NOTES TO CONSOLIDATED ACCOUNTS

### (B) Movement of Options Granted:

| Particulars                                       | Current Year          |
|---|-----------------------|
| Options Outstanding at the beginning of the year. | 60,00,000 (60,00,000) |
| Vested during the year                            | 25,33,750 (14,25,250) |
| Excised during the year                           | 25,33,750 (5,17,750)  |
| Lapsed during the year                            | Nil (9,06,500)        |
| Options Outstanding at the end of the year        | Nil (Nil)             |
| Options Unvested at the end of the year           | 29,48,500 (54,82,250) |
| Options Exercisable at the end of the year        | Nil                   |

### (C) Fair Value of Option:

The fair value has been calculated using the Black Scholes Options Pricing Model and the significant assumptions made in this regard are as follows:

| Particulars                   |                                  |
|-------------------------------|----------------------------------|
| Risk Free interest rate       | 8.25%                            |
| Expected Life                 | 12 Years                         |
| Expected Volatility           | 30.40%                           |
| Expected Dividend Yield       | 14.18%                           |
| Exercise Price                | Re.1/- per share                 |
| Fair Value of Options Granted | Rs. 157.04 lakhs (Rs.7.22 lakhs) |

| Particulars  | As at 31.03.2010 | As at 31.03.2009 |
|--|------------------|------------------|
| Net Profit after tax (As reported)                               | 14,346.61        | 11,732.18        |
| Add: Compensation Expenses under ESOP included in the Net Profit | 153.29           | 31.32            |
| Less: Compensation Expenses under ESOP as per Fair Value         | 157.04           | 1.31             |
| Net Profit (Fair Value Basis)                                    | 14,342.86        | 11,762.19        |
| Basic Earnings Per Share (As Reported) – Rs./Share               | 3.07             | 3.24             |
| Basic Earnings Per Share (Fair Value Basis) – Rs./Share          | 3.07             | 3.22             |
| Diluted Earnings Per Share (As Reported) – Rs./Share             | 2.50             | 2.56             |
| Diluted Earnings Per Share (Fair Value Basis) – Rs./Share        | 2.50             | 2.55             |

Had the compensation cost for the stock options granted under ESOP-2008 been determined, based on fair-value approach, the Company's Net Profit and Earnings Per Share would have been as per the proforma amounts indicated below:

### 10. Deferred tax:

Deferred tax liability and asset are recognized based on timing difference using the tax rates substantively enacted on the Balance date. Deferred Tax Assets and Liabilities as on 31<sup>st</sup> March 2010 are as under:

(Amount Rs. In lakhs)

| Particulars                                  | As at 31.3.2010 | As at 31.3.2009 |
|--|-----------------|-----------------|
| Deferred Tax Assets:                         |                 |                 |
| Depreciation differences                     | 63.98           | 19.12           |
| Accrued Expenses deductible on payment basis | -               | 0.83            |
| <b>Deferred Tax Liabilities:</b>             | Nil             | Nil             |
| <b>Net Deferred Tax Liabilities/Assets</b>   | <b>63.98</b>    | <b>19.95</b>    |

## NOTES TO CONSOLIDATED ACCOUNTS

## 11. Earnings Per Share

In accordance with the Accounting Standard (AS- 20) on "Earnings per Share", computation of Basic and Diluted Earnings Per Share is as under:

| Particulars   | 2009-10     | 2008-09     |
|---|-------------|-------------|
| a) Net Profit for Basic Earnings Per Share as per Profit and Loss A/c           | 14,346.61   | 11,732.18   |
| Adjustment for the purpose of Diluted Earnings Per Share                        | 14,346.61   | 11,732.18   |
| b) Weighted average number of equity shares for Earnings Per Share computation: |             |             |
| (i) Number of Equity Shares at the beginning of the year                        | 467,783,157 | 364,792,751 |
| (ii) Number of Shares allotted during the year                                  | 452,909,075 | 330,975,000 |
| (iii) Weighted average shares allotted during the year                          | 36,396,250  | 121,934,075 |
| (iv) Number of potential equity shares  | 14,874,802  | 33,817,751  |
| (v) Weighted Average for:   |             |             |
| - Basic Earnings Per Share  | 105,646,919 | Nil         |
| - Diluted Earnings Per Share  | 467,783,157 | 364,792,751 |
| c) Earnings Per Share – Before Extra-ordinary Items                             | 573,430,076 | Nil         |
| - Basic (Rs.)   | 3.07        | 3.24        |
| - Diluted (Rs.)   | 2.50        | 2.56        |
| d) Earnings Per Share – After Extra-ordinary Items                              |             |             |
| - Basic (Rs.)   | 3.07        | 3.22        |
| - Diluted (Rs.)   | 2.50        | 2.55        |
| d) Face Value Per Share   | Re.1/-      | Re.1/-      |

## 12. Related Party Transactions

- A) As per Accounting Standard-18 (AS-18)- Related Party Disclosures', as notified by the Rules, the disclosures of transactions with the related parties as defined in the accounting standard are give below.

| Name of Party                  | Nature of relationship  |
|--------------------------------|-------------------------|
| Sai Ramakrishna Karuturi       | KMP                     |
| Anitha Karuturi                | KMP                     |
| Anitha Reality Private Limited | KMP interested company. |

- B) Karuturi Global Ltd has transactions with concerns/ companies wherein the directors are interested. Summary of the transactions with the above related parties is as follows: (All figures in Rs. In lakhs, Figures in bracket relate to previous year)\

(Rupees in lakhs)

| Sl. No. | Particulars           | KMP              |
|---------|-----------------------|------------------|
| 1.      | Director Remuneration | 3,406.00 (43.60) |
| 2.      | Loan Given/repaid     | 259.98(498.08)   |
| 3.      | Loan taken/Recovered  | 245.17(719.65)   |

(KMP= Key Management Personnel).

13. Balances appearing in some of the Sundry Creditors, Debtors, Advances and Deposits are subject to confirmation.

## 14. Accounting of Derivative Transactions:

The company has accounted loss (net) arising out of settlements of Derivative Options amounting Rs. 279.31 Lakhs (Previous year Rs.717.09/- Lakhs) in Hedging Reserve (Options) Account in accordance with





## NOTES TO CONSOLIDATED ACCOUNTS

Accounting Standard–30 “Financial Instruments: Recognition and Measurement” issued by Institute of Chartered Accountants of India. The cumulative debit balance in hedging reserve account as on 31<sup>st</sup> March 2010 amounted Rs 996.41 Lakhs (Rs 717.09/- Lakhs) which will be charged off/charged back to Profit & loss account at the time of derecognizing of underlying financial liability.

### Hedging Currency Related Risks:

Nominal amounts of derivative contracts entered into by the Company and outstanding as at 31<sup>st</sup> March, 2010 amount to Rs. 39,612.00 lakhs (Rs.19,821.00 lakhs). Category wise break up is given below:

(Rs. in lakhs)

| Sl.No. | Particulars       | As at 31 <sup>st</sup> March 2010 | As at 31 <sup>st</sup> March 2009 |
|--------|-------------------|-----------------------------------|-----------------------------------|
| 1.     | Currency Swaps    | —                                 | —                                 |
| 2.     | Options (Net)     | 293.00                            | 2547.00                           |
| 3.     | Forward Contracts | 39319.00                          | 17274.00                          |

Foreign currency exposure that are not hedged by derivative instruments or Forward Contracts as at 31<sup>st</sup> March 2010 amount to Rs. 13.43 lakhs (Rs. 448.11 lakhs)

### 15. Borrowings and Securities:

| Name of the lender                   | Type of Loan         | Amount<br>(Rs. In lakhs) | Security Offered  |
|--------------------------------------|----------------------|--------------------------|---|
| HDFC Bank                            | Working Capital Loan | 1000.00                  | Pari passu charge on the current assets of the Company                                      |
| Yes Bank                             | Term Loan            | 7,498.10                 | Exclusive charge on the current assets and movable fixed assets of Karuturi Limited, Kenya. |
| ICICI Bank                           | Term Loan            | 150.00                   | Equitable Mortgage Gherkin Factory at Tumkur, Karnataka                                     |
| ICICI Bank                           | Cash Credit          | 499.00                   | Charge on Inventory and Book Debts  |
| National Horticulture Board          | Soft Loan            | 108.00                   | Equitable Mortgage Lease Hold Land, Bldg, Plant & Machinery at Doddaballapur, Bangalore     |
| Banco Bilbao Vizcaya, Spain          | ECB                  | 184.20                   | Charge on Green house at Ethiopia.  |
| Central Bank of India                | Working Capital      | 9.86                     | Charge on Inventory and receivable of Karuturi Flower Xpress (P) Ltd                        |
| Bank of India, Kenya                 | Working Capital      | 2,866.00                 | SBLC from Axis Bank, Dubai  |
| CFC Stanbic Bank, Kenya              | Working Capital      | 1,020.00                 | Charge on Fixed Assets and eurent Assets of Karuturi Ltd., Kenya                            |
| Axis Bank, Dubai                     | Working Capital      | 3,927.00                 | Charge on Current Assets of Karuturi Overseas Ltd, Dubai                                    |
| Dashen Bank and Zemen Bank, Ethiopia | Working Capital      | 1,224.00                 | Charge on Current Assets of Ethiopian Meadows Plc & Surya Blossoms Plc, Ethiopia            |
| State Bank of India                  | Working Capital      | 1,284.00                 | Charges on Inventory and Book Debts of Karuturi Foods Pvt. Ltd.,                            |
| Yes Bank                             | Working Capital      | 241.97                   | Charge on Current Assets and Movable Fixed Assets of Karuturi Telecom Pvt. Ltd.,            |

## NOTES TO CONSOLIDATED ACCOUNTS

**16. Capital Commitment and Contingent Liabilities:**

- a) Counter Guarantees given to banks and outstanding Rs. 20.19 lakhs(Rs,16.07 lakhs)
- b) Contract pending execution on capital account and not provided for Rs.2031.30 lakhs(Rs. 84.93 lakhs)
- c) Pending Capital commitments relating to investments Rs 112.50 lakhs( Rs. 132.50 lakhs )
- d) Liability on account of National Horticulture Board Loan which is pending before Hon'ble High Court of Karnataka is Rs. 111.45 lakhs (Rs 111.45 lakhs).
- e) Disputed Income Tax Demand for the Assessment Year 2006-07 not provided for Rs719 lakhs Rs 400 lakhs (Rs 150 lakhs) payment made against the same is grouped under Current Assents. The Company has filed an appeal on this issue before Commissioner of Income Tax (Appeals)

**17. Segment Information**

The Company's predominant income is from a single segment namely agriculture and hence disclosure of primary segment wise information is not applicable under Accounting Standard 17 "Segment Reporting" (AS-17).

| Segment Information:                         | 2009-10           | 2008-09           |
|--|-------------------|-------------------|
| <b>1 Segment Revenue - External Turnover</b> |                   |                   |
| - Within India                               | 1,552.34          | 1,621.78          |
| - Outside India                              | 51,829.35         | 42,890.68         |
|  | <b>53,381.69</b>  | <b>44,512.46</b>  |
| <b>2 Segment Assets</b>                      |                   |                   |
| - Within India                               | 25,312.21         | 4,790.17          |
| - Outside India                              | 137,129.41        | 104,601.62        |
| Total Assets                                 | <b>162,441.62</b> | <b>109,391.79</b> |
| <b>3. Segment Liability</b>                  |                   |                   |
| Within India                                 | 38,217.35         | 42,484.72         |
| Outside India                                | 18,988.49         | 23,166.64         |
| <b>Total Liability</b>                       | <b>57,205.84</b>  | <b>65,651.36</b>  |

18. Previous year's figures have been reworked, regrouped, rearranged, and reclassified wherever necessary. Figures in brackets relate to previous year.

As per our report of even date  
**For Ishwar & Gopal**  
 Chartered Accountants

**On behalf of the Board**

**K.V. Gopalakrishnayya**  
 Partner  
 M.No. 021748  
 Firm Registration No. 001154S

**B.S. Krishnaswamy**  
 Company Secretary  
 M.No.01524

**Sai Ramakrishna Karuturi**  
 Managing Director

**Anitha Karuturi**  
 Director

Place : Bengaluru  
 Date : August 18, 2010



# Consolidated Cash Flow Statement For The Year Ended March 31, 2010

(Rs. in Lakhs,)

| Particulars   | 2009-10<br>₹ (INR) | 2008-09<br>₹ (INR) |
|---|--------------------|--------------------|
| <b>A. Cash Flows from Operating Activities</b>            |                    |                    |
| Net Profit before tax adjustments                         | 14,346.61          | 11,814.59          |
| Depreciation  | 3,157.39           | 1,541.73           |
| Miscellaneous expenditure written off                     | 1.56               | 2.84               |
| Loss/(Profit) on sale of Fixed Asset                      | 8.86               | 5.05               |
| Loss/(Gain) on Exchange Fluctuation                       | -                  | 784.85             |
| Interest & Dividend Received                              | (11.04)            | (192.66)           |
| Financial Charges   | 649.48             | 1,297.24           |
| <b>Operating Profit before Working Capital Changes</b>    | <b>18,152.86</b>   | <b>15,253.64</b>   |
| (Increase)/Decrease in Inventories                        | (249.93)           | 892.32             |
| (Increase)/Decrease in Sundry Debtors                     | (2,018.84)         | (4,537.95)         |
| (Increase)/Decrease in Loans & Advances                   | 6,923.45           | 1,569.17           |
| (Increase)/Decrease in Other Current Assets               | 145.82             | 4.77               |
| Increase/(Decrease) in Current Liabilities                | 5,535.56           | (2,910.98)         |
| Income tax including deferred taxes                       | -                  | (81.11)            |
| Increase/(Decrease) in Provisions                         | 709.14             | 557.27             |
| <b>Net Cash Flow from Operating Activities</b>            | <b>29,198.06</b>   | <b>10,747.13</b>   |
| <b>B. Cash Flows from Investing Activities</b>            |                    |                    |
| Purchase of Fixed Assets                                  | (26,064.80)        | (27,456.67)        |
| Proceeds from sale of Fixed Asset                         | 91.32              | 280.65             |
| Miscellaneous expenses paid                               | -                  | (3,852.33)         |
| Investment  | (14.54)            | 1,096.93           |
| Goodwill/Capital reserve                                  | (6,402.67)         | -                  |
| Deferred Tax  | (44.03)            | 50.22              |
| Investment in New Projects                                | 1,664.60           | (4,362.68)         |
| Foreign Currency Monetary Translation                     | 3,167.87           | 7,517.79           |
| Interest & Dividend Received                              | 11.04              | 192.66             |
| <b>Net Cash from Investing Activities</b>                 | <b>(27,591.21)</b> | <b>(26,533.43)</b> |
| <b>C. Cash Flows from Financing Activities</b>            |                    |                    |
| Proceeds from Issuance of Share Capital                   | 363.96             | 1,219.34           |
| Changes in reserve  | (133.10)           | (9.75)             |
| Issue of Share Warrants                                   | 7,596.00           | -                  |
| Increase in Secured Loans                                 | 4,982.77           | 7,821.70           |
| Increase/(Decrease) in Unsecured Loans                    | (7,689.67)         | 7,716.80           |
| Financial Charges   | (649.48)           | (1,297.24)         |
| Dividend Paid   | (452.91)           | (661.95)           |
| Dividend Tax Paid   | (98.22)            | (6.19)             |
| <b>Net Cash flow from Financing Activities</b>            | <b>3,919.35</b>    | <b>14,782.71</b>   |
| Net Increase in Cash and Cash equivalents during the year | 5,526.19           | (1,003.59)         |
| Cash and Cash Equivalents at the beginning of the year    | 793.57             | 1,797.15           |
| <b>Cash and Cash Equivalents at the end of the Year</b>   | <b>6,319.76</b>    | <b>793.56</b>      |

As per our Report of even date  
**For Ishwar & Gopal**  
Chartered Accountants

On behalf of the Board

**K.V.Gopalakrishnayya**  
Partner  
Membership No:21748.  
Firm Registration No.001154S

**B.S. Krishnaswamy**  
Company Secretary  
M. No.01524

**Sai Ramakrishna Karuturi** **Anitha Karuturi**  
Managing Director Director

Place : Bengaluru  
Date : August 18, 2010

## Balance Sheet Abstract and Company's Genral Business Profile (As per Sechdule VI, part IV of the Compnies Act, 1956)

**(a) Registration Details :**

Registration Number 

|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| L | 0 | 1 | 1 | 2 | 2 | K | A | 1 | 9 | 9 | 4 | P | L | C | 0 | 1 | 6 | 8 | 3 | 4 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|

  
 State Code : 

|   |   |
|---|---|
| 2 | 8 |
|---|---|

 Balance Sheet Date 

|   |   |
|---|---|
| 3 | 1 |
|---|---|

|   |   |
|---|---|
| 0 | 3 |
|---|---|

|   |   |   |   |
|---|---|---|---|
| 2 | 0 | 1 | 0 |
|---|---|---|---|

**(b) Capital Raised during the year (Amounts in Rs. thousands)**

Public Issue 

|   |   |   |
|---|---|---|
| N | I | L |
|---|---|---|

 Rights Issue 

|   |   |   |
|---|---|---|
| N | I | L |
|---|---|---|

  
 Bonus Issue 

|   |   |   |
|---|---|---|
| N | I | L |
|---|---|---|

 Private Placement 

|   |   |   |   |   |
|---|---|---|---|---|
| 3 | 6 | 3 | 9 | 6 |
|---|---|---|---|---|

**(c) Position of Mobilisation and Deployment of Funds (Amounts in Rs. thousands)**

Total Liabilities 

|   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|
| 8 | 6 | 8 | 8 | 9 | 7 | 9 |
|---|---|---|---|---|---|---|

 Total Assets 

|   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|
| 8 | 6 | 8 | 8 | 9 | 7 | 9 |
|---|---|---|---|---|---|---|

  
**Sources of Funds:** **Application of Funds:**  
 Paid-up Capital 

|   |   |   |   |   |   |
|---|---|---|---|---|---|
| 4 | 8 | 9 | 3 | 0 | 5 |
|---|---|---|---|---|---|

 Reserves and Surplus 

|   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|
| 3 | 8 | 1 | 3 | 9 | 4 | 1 |
|---|---|---|---|---|---|---|

  
 Secured Loans 

|   |   |   |   |   |   |
|---|---|---|---|---|---|
| 9 | 4 | 4 | 2 | 2 | 1 |
|---|---|---|---|---|---|

 Unsecured Loans 

|   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|
| 2 | 5 | 2 | 3 | 4 | 9 | 8 |
|---|---|---|---|---|---|---|

  
 Deferred Tax Liability 

|   |   |   |   |   |
|---|---|---|---|---|
| - | 8 | 6 | 0 | 6 |
|---|---|---|---|---|

  
**Application of Funds:**  
 Net Fixed Assets 

|   |   |   |   |   |   |
|---|---|---|---|---|---|
| 2 | 7 | 2 | 2 | 5 | 6 |
|---|---|---|---|---|---|

 Net Current Assets 

|   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|
| 1 | 8 | 2 | 4 | 8 | 6 | 3 |
|---|---|---|---|---|---|---|

  
 Investments 

|   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|
| 6 | 2 | 9 | 2 | 1 | 7 | 3 |
|---|---|---|---|---|---|---|

 Miscellaneous Expenditure 

|   |   |   |   |   |   |
|---|---|---|---|---|---|
| - | - | - | - | - | - |
|---|---|---|---|---|---|

  
 Accumulated Losses

**(d) Performance of Company (Amounts in Rs. Thousands)**

Turnover (Including Other Income) 

|   |   |   |   |   |   |
|---|---|---|---|---|---|
| 2 | 9 | 5 | 6 | 6 | 7 |
|---|---|---|---|---|---|

 Total Expenditure 

|   |   |   |   |   |   |
|---|---|---|---|---|---|
| 2 | 1 | 5 | 0 | 8 | 3 |
|---|---|---|---|---|---|

  
 + - Profit Before Tax 

|   |   |   |   |   |
|---|---|---|---|---|
| 8 | 0 | 5 | 0 | 4 |
|---|---|---|---|---|

  
 Profit  Loss  
 + - Profit After Tax 

|   |   |   |   |   |
|---|---|---|---|---|
| 8 | 7 | 7 | 8 | 0 |
|---|---|---|---|---|

(Please tick Appropriate Box, + for Profit, - for Loss)

Earnings Per Share in Rs. 

|   |   |   |   |
|---|---|---|---|
| 0 | . | 1 | 9 |
|---|---|---|---|

 Dividend rate % 

|   |   |   |
|---|---|---|
| 1 | 0 | % |
|---|---|---|

**(e) Generic Names of the Principal Products / Services of Company****(As per monetary terms)**

(1) Item Code No. (ITC Code) 

|   |   |
|---|---|
| N | A |
|---|---|

  
 Product Description 

|   |   |   |   |   |   |   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| C | U | T | R | O | S | E | S | E | X | P | O | R | T |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|

  
 (2) Item Code No. (ITC Code) 

|   |   |
|---|---|
| N | A |
|---|---|

  
 Product Description

For and on behalf of the Board

Place : Bengaluru  
Date : August 18, 2010

**B.S. Krishnaswamy**  
Company Secretary  
M. No.01524

**Sai Ramakrishna Karuturi**  
Managing Director

**Anitha Karuturi**  
Director



**KARUTURI GLOBAL LIMITED**

Registered Office: # 204, Embassy Centre, 11, Crescent Road, Bangalore– 560001

**ATTENDANCE SLIP**

I/We hereby record my/our presence at the Fifteenth Annual General Meeting of the Company at the Chancery Hall, Atria Hotel, No.1, Palace Road, Bangalore-560001 at 3.30 P.M on Saturday 25th September 2010 and at any adjournment thereof.

Name.....

Address .....

Regd.Folio. No..... No. of Shares held .....

Client I.D. No ..... DP. ID. No .....

Name of Proxy/Representative, if any .....

Signature of the Shareholder(s)/Proxy/Representative .....



**KARUTURI GLOBAL LIMITED**

Registered Office: # 204, Embassy Centre, 11, Crescent Road, Bangalore– 560001.

**PROXY FORM**

I / We .....

of .....

being a Shareholder/Shareholders of KARUTURI GLOBAL LIMITED hereby appoint .....

..... or failing him/her .....

.....as my/our Proxy to attend and vote for me/us and on my/our behalf at the 15th Annual General Meeting of the Company to be held on 25th September 2010 at 3.30 p.m. and at any adjournment thereof.

Regd. Folio No ..... No. of Shares held .....

Client I.D. No ..... DP. ID. No .....

Signed on this ..... day of .....2010

Signature of Shareholder .....

Affix  
Re. 1.00  
Revenue  
Stamp

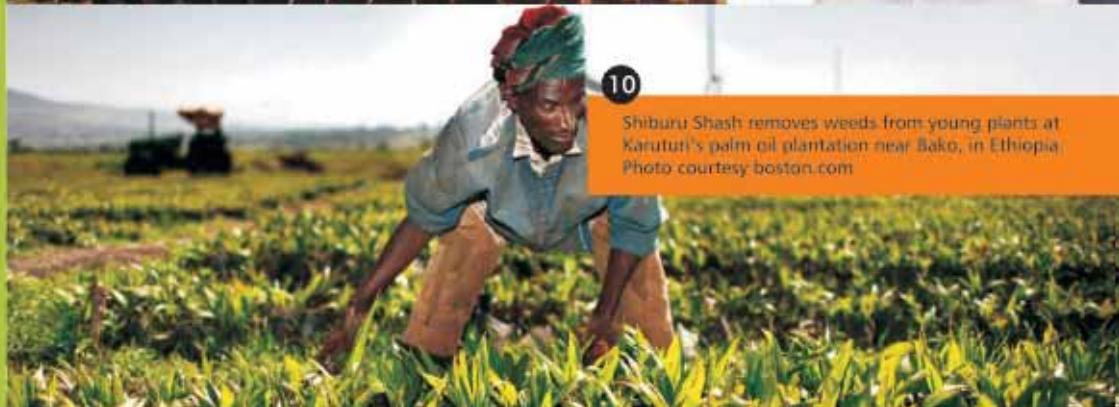
Note: The Proxy form duly completed and signed must be deposited at the Registered Office of the Company not less then 48 hours before the time for holding the Meeting.

Shareholder / Proxy attending the Meeting must fill-in this Attendance Slip and hand it over at the entrance of the venue of the Meeting



**ACHIEVEMENTS OF THE YEAR**

1. Ban the can initiative at Gambella in Ethiopia
2. Sai Ramakrishna Karuturi receiving the CCA award
3. Karuturi Foods begins export of its own brand of pickles to markets in Middle East & Europe
4. State-of-the-art agri-machinery arrives at Bako in Ethiopia
5. CSR initiative - A computer lab
6. A view of the oil palm nursery
7. School children at Karuturi's school
8. Receiving the Ernst & Young Award from Shri Digvijay Singh
9. Land preparation at Gambella
10. A worker at Karuturi's oil palm nursery at Bako



10  
Shiburu Shash removes weeds from young plants at Karuturi's palm oil plantation near Bako, in Ethiopia. Photo courtesy boston.com



Karuturi Global Ltd.

If undelivered please return to:

Regd office: 204, Embassy Center 11, Crescent Road  
Bangalore - 560 001 INDIA. Tel: 91 80 40809000  
Email: [investorrelations@karuturi.com](mailto:investorrelations@karuturi.com)  
[www.karuturi.com](http://www.karuturi.com)

