

AVT NATURAL PRODUCTS LIMITED
No.60, Rukmani Lakshmi pathy Salai, Egmore,
Chennai - 600 008.

ADDRESS BY Mr. AJIT THOMAS, CHAIRMAN AT THE 28th ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF THE COMPANY HELD ON 25th JULY 2014.

Ladies and Gentlemen,

It gives me immense pleasure in welcoming all of you to the 28th Annual General Meeting of your Company. I would like to begin by thanking you all for making it convenient to attend the meeting.

Your continued confidence and goodwill provides us strength as we move ahead to an even more challenging future.

The Directors' Report to the shareholders and the audited accounts of the Company for the year 2013-14 have been with you for some time and with your permission, I shall consider them as read.

Operations Review:

I am sure you have taken note of the "hat trick" over Rs 50 Crores + PAT during past 3 fiscal years of 2011/12, 2012/13 and 2013/14. First of all, let me compliment the team and leadership of AVT Natural in achieving this great milestone in the history of your company.

Total income increased from Rs.256.06 Crores in 2012-13 to Rs.274.68 Crores in 2013-14 - increase of 7.27%. This year's revenue includes Rs.2.94 Crores Dividend Income from our Singapore Subsidiary. Profit after Tax remained steady at Rs.51.03 Crores (previous year: Rs.50.57 Crores).

Despite margin pressures due to cost escalation and reduction in selling prices due to Chinese competition, we could maintain Profit After Tax of Rs.51.03 Crores due to our success with Zeaxanthin, the second eye health carotenoid in our portfolio. As indicated during last year's AGM, your Company is a "Zero Debt" Company as on 31st March 2014, we have no short term or long term borrowings with the exception of unmatured fixed deposits of Rs.37.65 Lakhs. Thus your company has a healthy balance sheet thus enabling the company to explore future growth opportunities through both organic and inorganic options.

With Fixed Assets of Rs.50 Crores, our Asset Turnover ratio is a healthy 5.41 with Return on Sales of 18.82%. Interest cost for the year is sharply down from Rs.4.96 Crores in 2012-13 (1.94% of sales) to Rs.0.97 Lakhs in 2013-14 (0.36% of sales).

Dividend:

Your Directors are pleased to recommend a final dividend of 45% on Equity Share Capital, for the year ended 31.03.2014, amounting to Rs.685.28 Lakhs, excluding dividend tax.

During the year, the Board declared an Interim Dividend of 30%, amounting to Rs.4.57 Crores, excluding dividend tax. The aggregate of dividend declared during the year was 75% amounting to Rs.11.42 Crores, excluding dividend tax. This is the highest ever dividend declared in the history of your company.

Performance of Subsidiary Companies:

AVT Natural Pte. Ltd., Singapore with its step down subsidiary, Heilongjiang AVT Bio-Products Ltd., China recorded sales of Rs.6.78 Crore in 2013 as against Rs.10.82 Crores in 2012, showing a decline of 37.34%. The reduction in sales is on account of lower production and sales of Marigold Oleoresin (Feed Grade) and low prices compared to 2012.

During the year the Company had closed its step down subsidiary Company the Heilongjiang AVT Bio-Products Ltd., China, as the Company is better placed to meet its entire marketing needs from the Indian operations. The Company does not expect any significant impact on its financial performance consequent to this closure.

In case of AVT Tea Services Ltd., London, UK (AVT TSL), during the year your Company had increased the authorized share capital to GBP one million (Rs.10 Crores approx.). AVT TSL will be the global marketing

arm of your Company for de-caffeinated tea and instant tea. This would further strengthen the Company's position in the Global Value Added Beverages market.

The AVT TSL recorded sales of Rs.17.76 Crores and loss of Rs.4.51 crores for the 15 month period ended 31.03.2014.

Future Prospects:

With the hat trick of Rs 50 Crores PAT, your company could achieve the "Zero Debt" status and pay good dividends to shareholders. Apart from this, AVT Natural has invested in future growth areas as outlined below:

Research and Development:

Your company is working on expanding the Product Portfolio in related as well as new verticals. Various projects are in evaluation stage. We have invested significant amount in new Marigold hybrid seeds development through molecular breeding techniques. New hybrids are being developed with twin objectives of increasing farmers' income through higher yields and increased Xanthophyll levels to bring down the direct cost.

Instant Tea Business:

Your company invested Rs 13.5 Crores for a state of the art Instant Tea plant in the Cochin extraction plant. We are in the process of overcoming the initial learning curve of "Instant Tea" production and marketing. With a strong AVT Tea Service Ltd, London Technical and Sales team on board, we expect to have a significant Instant Tea business by March 2016. We have recently recruited a Sales Manager in USA with relevant industry experience in Instant Tea vertical for handling the Americas sales zone. This is a major growth area for your company's future growth.

Decaff Tea Capacity expansion:

Your company is in the process of expanding the Decaf Tea capacity in Cochin to 7000 Mt by establishing a higher capacity drier. "Direct to Customer" strategy through AVT London should see increased capacity utilization of 80% in next 3 years. We are targeting a sales volume of 6000 Mt by FY 2017.

New Eye Health Carotenoid – Zeaxanthin:

Your company achieved significant success in this new area of business in 2013. Apart from achieving high volumes of Zeaxanthin, AVT Natural could achieve cost efficiencies to be globally competitive in this new emerging Eye Health Carotenoid.

Challenges in Lutein Existing Eye Health Carotenoid:

Expiry of Lutein patent of strategic partner Kemin brings its own future challenges in the market place. Prices have come down significantly eroding margins in the supply chain. Kemin and AVT are currently working on new initiatives to improve efficiencies, contain costs and retain & grow market share.

Launch of Health Supplements:

During the year, the Company had launched an exclusive range of condition-specific Health Supplements under the brand name 'Optim Health', in select cities. We are now present in 6 cities (Hyderabad, Bangalore, Mumbai, Pune, Mysore and Ahmedabad); the launch has been just initiated in Delhi and Chennai. The distribution is primarily through the chemist network and select Modern Trade channel. The range, targeted at consumers residing in the top cities seeking good health & living. Optim Health's condition-specific Health Supplements addresses needs such as Immune Support, Digestion Support, Blood Sugar Support, Cardiovascular Health, Weight Control, Stress and Multivitamin Support.

Fixed Deposits:

The Company had stopped accepting / renewing deposit with effect from 30th July 2012. As on 31.03.2014, there are no unclaimed fixed deposits in our books. All deposits shall be re-paid on their maturity.

Increase of Authorized Share Capital:

The Authorized share capital of the Company was increased from Rs.11 Crore to Rs.19 Crore during the year.

Issue of Bonus Shares:

During the year the Company had issued 7,61,42,000 bonus shares with face value of Re.1/- each in ratio of 1:1 (one equity share allotted for every one share held) thus increasing the paid up share capital of the Company to Rs.15,22,84,000/-, consisting of 15,22,84,000 equity shares of Re.1/- each.

Independent Directors:

Mr. M.A. Alagappan, Mr. Shyam B. Ghia and Mr. P. Shankar, Independent Directors of the Company are proposed to be appointed for a period of five consecutive years under Section 149 read with schedule IV of the Companies Act, 2013, who are not liable to retire by rotation, offer themselves for appointment.

Acknowledgement

Before I conclude, I wish to take this opportunity to express my sincere gratitude to our esteemed customers for their continued support.

I would like to thank my colleagues on the Board who have spared their invaluable time and assistance in charting the progressive moves of the Company.

I again re-iterate the strong rural connect of the Company, which has earned the trust of farmers, bringing a unique strength in manufacturing.

On behalf of the Board, I would like to place on record my sincere thanks and appreciation to all our shareholders, farmers, bankers, suppliers and other stake holders for their continued support to the Company.

I and the entire Board of Directors place on record its appreciation of the contribution and dedicated efforts of our team of employees at all levels in the organization.

Thank you,

Ajit Thomas
Chairman