



FOCUSING ON GROWTH



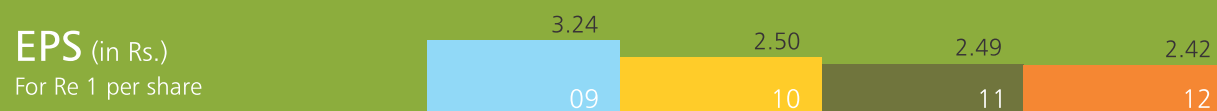
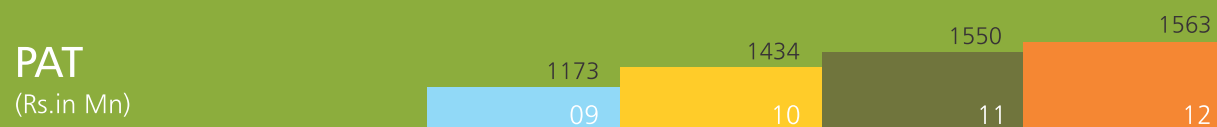
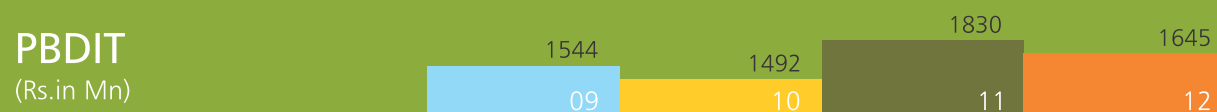
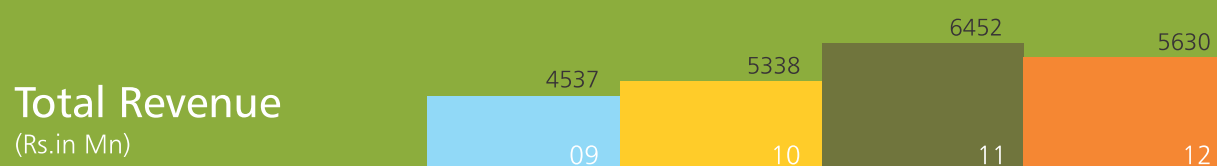
SEVENTEENTH ANNUAL REPORT



2012

# FINANCIAL HIGHLIGHTS

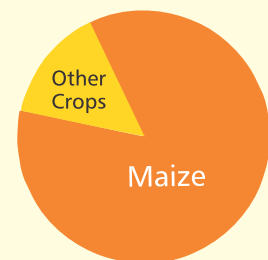
## STABLE PERFORMANCE IN 2012



# Growing Opportunities Growing Innovation Growing Value

Growing is fundamental to our business, it's our business philosophy. As one of the world's leading company exclusively focused on agriculture, Karuturi focuses on technology and innovation that leads to higher yield and hence higher growth in value for our shareholders.

We are increasingly committed to a world that needs agriculture more than ever, and to our farming community in Ethiopia who toil to meet an ever growing demand for food globally and to our shareholders who have enabled us to be part of the solution.



It is important for you to understand that KGL today is a very different company than it was just a few years ago. We are global not just in terms of geographical presence and market reach, but in terms of our biggest assets 'People and machinery'. We have deployed top notch equipments and machinery worth over 50 Million USD at our farm in Ethiopia. We now work with expert farming companies from South America, USA, South Africa and India who have been contributing immensely to the farming operations in Gambella. This repositioning explains our stability and renewed confidence during this downturn and we believe we will benefit more as the economy recovers and growth returns.

Last year your company faced its 1st Major challenge in the form of a Flash flood which damaged 12000 ha of Maize which was growing well and was on course for its first major harvest. This was a bolt from the blue but your company faced this disaster and has come out of it. It has meant financial loss of INR 390 million and a prospective revenue loss of INR 700 million but it has helped us to strengthen our Infrastructure, systems and processes to face many more such challenges which might come our way. Our people have built dykes and drainage infrastructure which make sure that floods even thrice the

Dear Shareholder

When I wrote to you a year ago, the global economy was experiencing profound disruption and continues to remain a challenge. However, despite sharply fluctuating commodity prices, erratic and sometimes destructive weather, socio-political upheaval, restrictive trade policies, I am happy to report that your company has weathered the storm well and continues to perform in our industry and the market at large.

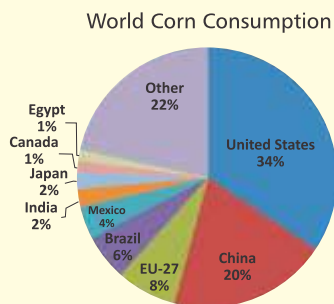
We delivered stable results in 2011-12, though top line was affected due the European crisis and the falling Euro. The explanation for this performance and for our optimism about both near-term and the long term future, is threefold. It rests, first, on the ongoing transformation of our company; second, on our focused strategy to capture the opportunity of a globally integrating world; and third, on a business model that reliably would generate strong profits and cash, giving us the financial flexibility to invest for future growth.





intensity of what we faced would not affect our crops. This certainly slowed down the project but for a better reason.

While I believe we have our momentum back, we're committed to working even harder to improve our performance. In the forthcoming year, we plan to cultivate maize on 15,000 - 20,000 hectares during the wet season and another 8000 in the dry season. This will increase to 30,000 hectares and 15,000 hectares during the wet and dry seasons respectively. Our current yield is expected to increase to 8 MT per hectare with ongoing research and improved techniques.



## INNOVATION

Around the globe, innovation has driven the expansion of Agro business, particularly in the areas where farmers recognize its benefits and where we see the next wave of growth. In particular, the ramp up of our farming operations in Gambella is perhaps the most significant element for our business landscape now and in coming years.

To create a platform for greater success, we are advancing a strategy for profitable growth. By building our integrated sourcing, storage and transportation model in regions where crop supplies are increasing, and by expanding our processing and distribution capabilities in regions where demand is increasing, we gain greater ability to serve the needs of a growing world.

Farmers National Company from USA, ([www.farmersnational.com](http://www.farmersnational.com)) a century old farm management company which has over 1500 farms in USA under its management for over 25 years is one such growth horse driving our farming along with expert and meticulous farmers from Uruguay and Argentina. Their services also include commodity marketing, appraisals, soil testing, conservation and recreation, mapping, and consultations.

Uruguay Farm partners have added another powerful muscle to the Karuturi operations and have spearheaded the farming. Karuturi has engaged these farmers on a long term contract with an incentive of a top-line revenue share which has been effective in motivating all the stakeholders to put up their best show.

Fortunately, as I address you, the Company is making arrangements for its 1st major harvest coming up during 3rd quarter of the current financial year. Agriculture business is strongly correlated with the natural ecosystem. While we use the latest technology to manage the processes and build infrastructure to weather larger storms,

vagaries of nature would still have a role to play though our efforts are to minimize the same.

## FLORICULTURE BUSINESS

As you are aware, we face an immense challenge in our main business of floriculture from our major market in Europe as the economic crisis in Europe has affected the currency and also the market. We have been impacted and will have to be prepared for the challenges which are yet to come.

We realize that we may not be able to deliver the same growth as we have seen in the last few years, but our strategy would be to grow efficiencies which would help weather the storm.

This is where our Strategic move to invest in Large Scale Farming will help. This means our future business growth will be balanced across more crops and more products in more geographies, which embeds a greater degree of flexibility and opportunity than we've ever enjoyed.

All this culminates in carving out a unique space for Karuturi Global Ltd. Our dialogue with customers continues to guide our business as it grows. In an industry that needs innovation like none other to meet future demand, we will continue to be the pioneers. And, we will back that leadership with a business engine that translates innovation into value.

Let me close by expressing my pride in the 8000 women and men of the Karuturi team who have brought us to this point. And let me express my gratitude to you, our dear shareholders, for your unwavering support. I hope that you are pleased with how your Company is performing and evolving. And I trust that you share our excitement about the role we can play in what promises to be a new epoch for our industry, for business and for our planet.

I, and the entire Karuturi team, would like to thank you for your continued support of our business.

Yours sincerely,

**SAI RAMAKRISHNA KARUTURI**  
Chairman & Managing Director



# OVERVIEW

## AGRICULTURE, LEADING WITH THE RIGHT APPROACH

With a goal to create long-term growth and value, and build a business that is geographically balanced, our strategic focus was in three key areas:

Strengthening our leadership position in agriculture - our core businesses, by acquiring advanced equipment, engaging with farming groups from USA, Latin America and India.

We intend to continuously improve operational excellence by investing in state-of-the art equipment, logistics and information technology.

## OVERCOMING CHALLENGES IN FLORICULTURE

The floriculture business though stable has been affected largely by the volatility of the euro and the euro zone events as well as depressed purchasing power in Europe. Despite a challenging environment Karuturi has continued to maintain its position in the industry. In its Kenyan operation the company continues to focus on green initiatives which include: Bio gassifiers to generate electricity, expanding the vermi licheate program and also a further extension of the green planet program. We have also planted new varieties in our farms which have good potential acceptability.

## PROCESSED FOODS

This business saw about 30% growth with the shipping of about 260 containers during the year. The Company has expanded its reach to newer markets in South America and East European countries besides its main markets in Russia and USA. The Company has invested in some new machinery to increase the efficiency levels of its processing. In the current year Karuturi plans to spread its market across various countries reducing its dependence on Russia which is a volatile market.

The factory has been certified by BRC (British Retail Consortium) besides HACCP, FDA. KFPL has participated in the Moscow Food Fair and ANUGA at Cologne, Germany and PLMA, Amsterdam. KFPL plans to increase its processing capacity again in the next year by installing another pasteurizer, boiler and material handling equipments.

## IT BUSINESS

The ISP business was stable with Company growing its capacity by about 20% in terms of delivery of Bandwidth and VOIP minutes. While there was great pressure on the margins due to fall in prices, the Company has acquired some new customers in various geographies and also continues to grow its business with its existing key customers. Stable growth is expected in the current year.



# STRATEGY:

ON AN AGRO EXPANSION MODE:



## AFRICA:

Your Company's Strategic Goal this year would be to bring a larger area under Agricultural Production during the year and continue to create new opportunities in its Floriculture, Food Processing and IT businesses.

Our Medium term strategy is to bring larger areas under production and complete the Project with a Rice Processing Plant and a Sugar Plant.

Our Long term objective would be to expand into newer geographies and extend our learnings to these new markets.

## INDIA:

While our focus is Africa, we continue to aspire to grow into a India based Multi National Agri conglomerate. We would also expand our Food Processing business in India by getting into Captive cultivation and new products.

## LATIN AMERICA:

Motivated by the Joint Development responses, the Company conducted an extensive Latin Road show inviting Investors, The Company signed contracts with few large scale farmers who are now actively involved in our agro project in Gambella, Ethiopia. We have also attracted equipment specialists & specialists in various areas to create an innovative and state of the art Agricultural enterprise in Africa



MD of Los Grobo with Sai Ramkrishna Karuturi

## USA:

Following the success of the Latin expedition, the Company invited American farmland Investors and farm managers into the Gambella Project. Farmers National Company (FNC) from USA which is almost a century old farm management company having over 1500 farms in USA under its management has been roped in for farm management in Gambella along with the Latin and Indian farmers. FNC has also brought their South African Partner Agland Investments who are well versed with large scale farming in South Africa, Zimbabwe and Mozambique. Their services also include commodity marketing, appraisals, soil testing, conservation and recreation, mapping, and consultations



Karuturi Team with FAEG Management, Brazil: Brazils Farmers Association

# CROP FOCUS

## THE CHALLENGE

Agriculture in the 21st century faces multiple challenges: it has to produce more food and fiber to feed a growing population with a smaller rural labour force, more feed stocks for a potentially huge bio-energy Market, contribute to overall development in the many agriculture-dependent developing

countries, adopt more efficient and sustainable production methods and adapt to climate change.

## FOOD DEMAND AND PRODUCTION

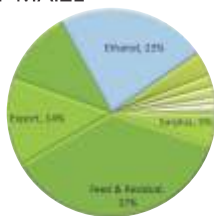
World population is expected to grow by over a third, or 2.3 billion people, between 2009 and 2050. Nearly all of this growth is forecast to take place in the developing countries.

Among the latter group, sub-Saharan Africa's population would grow the fastest and East and Southeast Asia's the slowest. Urbanization is foreseen to continue at an accelerating pace with urban areas to account for 70 percent of world population in 2050.

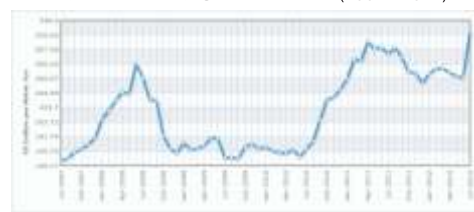
## Are the days of cheap food over?

Several food products are likely to be permanently costlier. The current rise in food prices has largely been due to supply-side factors; extreme weather conditions, the rise of bio-fuels, changes in diets.

### USES OF MAIZE



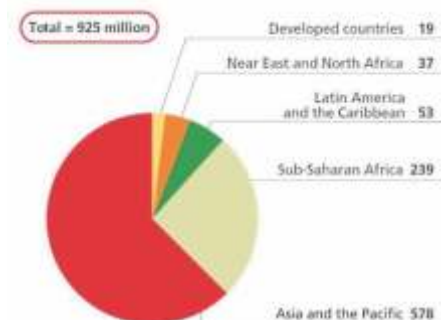
### RISING PRICES OF MAIZE (2007 - 2012)



## FOOD SECURITY IN AN ENVIRONMENTALLY SUSTAINABLE WAY

IN 1950, THE WORLD'S POPULATION WAS JUST 2.5 BILLION. IN OCTOBER 2011, IT HIT 7 BILLION. WE CAN EXPECT ANOTHER 2 BILLION PEOPLE ON OUR PLANET BY 2050. MEANWHILE, URBANIZATION AND SOIL EROSION ARE REDUCING AVAILABLE FARMLAND. SO WHILE ONE HECTARE COULD FEED TWO PEOPLE IN 1950, BY 2030 IT WILL HAVE TO FEED FIVE. ALREADY, FOOD DEMAND IS OUTSTRIPPING SUPPLY IN SOME REGIONS. WE MUST GROW MORE FROM LESS: OUR BUSINESS IS TO HELP MAKE THAT POSSIBLE.

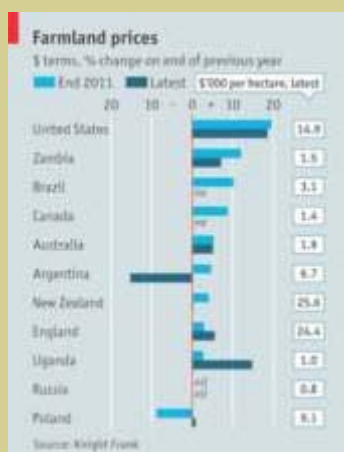
### UNDERNOURISHMENT IN 2010, BY REGION (MN)





# AGRICULTURE

## SOARING FARMLAND PRICES REFLECT DEMAND FOR MAIZE



While this year's drought in America reduced farm incomes, the price of farmland in the Midwest has risen by almost 20% since the end of last year. High maize prices have also attracted investors. The price of land in America's Corn Belt is ten times greater than in Canada's main farming provinces.

The USDA estimates that the US in 2012 will plant 95.9 million acres of corn, the most since before World War II. The record planting implies demand for corn is still high.

The popularity of farmland as an investment is confirmed by the dramatic rise in values around the world. South America, Africa and Central Europe have seen large increases in land values, with Romania recording a 1,817% rise between 2002 and 2010.

## AGRICULTURE AS A LUCRATIVE INVESTMENT

### Land Appreciation and Cash Flow:

Along with solid potential for healthy returns, increases in the price of farmland have been steady over recent years too. Europe has seen prices double, triple, and even quadruple per acre of farmland since 2004. Productive agricultural land, with water rights has, over time, outperformed CPI inflation.

### A Haven against Inflation:

Food inflation leads overall inflation in many countries reflecting the elevated demand for soft commodities.

### Diversification:

Agriculture also affords investors stability during volatile markets while enhancing a portfolio's risk adjusted return.

### Spiraling Commodity Prices:

World corn prices have jumped 55 percent in six weeks to a new record as a result of the Midwestern drought in USA which produces over 40% of the global corn. The worst drought for 50 years is inflicting huge damage on the US maize crop, with serious consequences for the overall international food supply.

## GLOBAL EXPERTISE THROUGH PARTNERSHIP

Following the success of the Latin expedition, Karuturi has invited American farmland Investors and farm managers into the Gambella Project. Farmers National Company which is almost a century old farm management company having over 1500 farms in USA under its management has been roped in for farm management in Gambella along with the Latin and Indian

farmers. FNC has also brought their South African Partner Agland Investments who are well versed with large scale farming in South Africa, Zimbabwe and Mozambique. Their services also include commodity marketing, appraisals, soil testing, conservation and recreation, mapping, and consultations





# AGRICULTURE UPDATE IN ETHIOPIA

- Land Development in Progress at Gambella, Ethiopia
  - Irrigation canals, Drainage systems and dykes are under construction
  - Sugarcane nursery under expansion to 300 Ha and is on track to harvest cane for processing by October 2014
  - 5000 Ha of Maize Planted in the current Wet season and will be due for Harvest shortly
  - 3000 Ha is planned to be planted in the coming Dry Season 2012
- Farmers National, a team of Agro specialists from USA and South Africa have been engaged on a performance driven revenue sharing basis



## PALM OIL:

With an estimated global consumption of 46.8 million tonnes in 2010 palm oil is the world's most used vegetable oil. During 1995-2010 world demand for palm oil increased sharply (+32 million tonnes) and especially in India (+5.7 million tonnes), China (+5 million tonnes) the EU (+4.3 million tonnes). In 2009 India became the leading global user and importer of palm oil and has continued its position post 2010.

## SUGAR:

World sugar consumption is expanding, reflecting rising incomes and shifts in food consumption patterns. Developing countries account for more than 60 per cent of current global sugar consumption, and these countries – particularly in Asia – are expected to be the primary source of future demand growth

## RICE:

One fifth of the world's population more than a billion people depend on rice cultivation for their livelihoods. Asia, where about 90% of rice is grown, has more than 200 million rice farms. Rice-based farming is the main economic activity for hundreds of millions of rural poor in this region. In Africa, rice is the fastest growing staple. This increase in the demand for rice is also true for Latin America and Caribbean countries.



## AGRICULTURE - The future holds promise

Karuturi has procured additional machinery equipments have been procured from all over the world USA, China, India, Israel, Korea, Japan from Companies like John Deere, Case, Great Plains, Doosan, Volvo, CRI, JCB, Ashok Leyland etc. The company has made a substantial progress in setting up irrigation systems. Over 120km of drainage has been

established, 120 km of dykes and over 50 KM of Canals for Irrigation have been built. Company is developing Infrastructure like Roads, Storage and Housing. Sugarcane Nursery has been expanded to 200 Ha of Land and we expect to start producing sugar by end of 2014.



## A red tractor is shown from a side-rear perspective, pulling a yellow and green agricultural machine, possibly a planter or seeder, across a brown, tilled field. The tractor has large black tires and a red cab. The machine it is pulling has yellow components and green sections. The background shows a flat landscape under a hazy sky.



**BOARD OF DIRECTORS**

Sai Ramakrishna Karuturi  
Chairman and Managing Director

Anitha Karuturi  
Wholetime Director

Aslesha P Madappa  
Director

Satish Kumar Caroli  
Director

Raja Vara Prasad Bommidala  
Director

Mahendra Kumar Sunkara  
Director

Man Mohan Agarwal  
Director

Bina Dinesh Trivedi  
Director

Raaj Sah  
Director (w.e.f 15.11.2011)

**COMPANY SECRETARY**

Nagesh Babu .K.L

**REGISTERED OFFICE**

# 204, Embassy Center,  
11, Crescent Road,  
Bangalore- 560001  
Email: [investorrelations@karuturi.com](mailto:investorrelations@karuturi.com)  
URL : [www.karuturi.com](http://www.karuturi.com)

**REGISTRARS & SHARE TRANSFER AGENTS**

Karvy Computershare (P) Limited  
17 -24 Vithal Rao Nagar, Madhapur  
Hyderabad 500 081  
P : +91 040 44655124 || F : +91 40 23420814  
Email: [krishnans@karvy.com](mailto:krishnans@karvy.com)

**AUDITORS**

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



## Notice

**NOTICE** is hereby given that the Seventeenth Annual General Meeting of the members of the Company will be held at 5:00 PM on Friday, the 28<sup>th</sup> day of September 2012, at Wadiyar Hall, Century Club, # 1, Sheshadri Road, Bangalore-560001 to transact the following business:

### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March, 2012, and the Profit and Loss Account for the year ended as on that date and the Schedules thereto, and the Notes thereon, together with Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Manmohan Agrawal, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mrs. Aslesha P Madappa, who retires by rotation and being eligible, offers herself for re-appointment.
4. To appoint Messrs Haribhakti & Co, 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 in place of Messrs Ishwar & Gopal, Chartered Accountants who have expressed their inability to continue and to authorize the Board of Directors to fix their remuneration.

### **SPECIAL BUSINESS:**

5. To consider, and if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:

“RESOLVED THAT Mr. Raaj Sah who was appointed as Additional Director of the Company on 15.11.2011 and who holds office up to the date of this Annual General Meeting, and in respect of whom the Company has received a notice from a member under Section 257 of the Companies Act, 1956 proposing his candidature, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

6. To consider, and if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 ("the Act", including any statutory modification or re-enactment thereof for the time being in force), and in accordance with the applicable provisions of Foreign Exchange Management Act, 1999 (the "FEMA"), Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 (the "FEMA Regulations") the guidelines and clarifications issued by the Government of India ("GOI"), Securities and Exchange Board of India (the "SEBI") including Securities Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (the "SEBI ICDR Regulations") and enabling provisions of the Articles of Association of the Company, the Listing Agreements entered into between the Company and each of the Bombay Stock Exchange and the National Stock Exchange (collectively the "Stock Exchanges"), and subject to all such approvals, permissions, consents and sanctions of any authorities, as may be necessary, including the approval of the Foreign Investment Promotion Board (the "FIPB"), Reserve Bank of India (the "RBI"), SEBI or any other relevant authority, from time to time, or approval from banks, financial institutions or other lenders of the Company, and subject to such conditions and modifications as may be prescribed or imposed by any one or more of them while granting any such approvals, consents, permissions or sanctions and as agreed to, by the Board of Directors of the Company (the "Board", which term shall be deemed to include any Committee which the Board may have constituted or may hereinafter constitute to exercise its powers including powers conferred on the Board by this resolution), the consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot up to 517 Fully Convertible Debentures on a preferential basis to a Person belonging to the Promoters' Group (hereinafter referred to as the "Debentures") as exhibited below, one Debenture of the Company of nominal value of Re.500,000/- each at par to be convertible in to Equity Shares as enumerated hereunder:

SI No:	Names of the proposed allottee	No. of Debentures
1	Rhea Holdings Private Limited	517
	<b>Total</b>	<b>517</b>

RESOLVED FURTHER THAT the Board be and is hereby authorized on behalf of the Company to finalise the terms and conditions reflecting to issue of Fully Convertible Debentures and all matters incidental thereto as it may in its absolute discretion think, fit, in accordance with all applicable laws, rules and regulations for the time being in force in that behalf.

RESOLVED FURTHER THAT the officer, issue and allotment of the aforesaid Fully Convertible Debentures shall be made within 30 days from the date of passing of this resolution subject however to the applicable statutory regulatory provisions and the Guidelines by the Securities Exchange Board of India.

RESOLVED FURTHER THAT the Fully Convertible Debentures shall be compulsorily convertible into Equity Shares before 18 months from the date of allotment.

RESOLVED FURTHER THAT the pricing of any Equity Shares to be issued upon conversion of Fully Convertible Debentures shall be made subject to, and in compliance with all applicable laws, guidelines, notifications, rules and regulations considering the "Relevant Date" under SEBI Regulations for the purpose of determining the issue price of resultant Equity Shares.

RESOLVED FURTHER THAT the "Relevant Date" in relation to the issue of Fully Convertible Debentures in accordance with the Securities & Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 be 28<sup>th</sup> August 2012 being the date 30 days prior to the date of passing of this resolution.

RESOLVED FURTHER THAT the Equity Shares so issued and allotted upon conversion of Fully Convertible Debentures shall rank *pari passu* with the then existing Equity Shares of the Company in all respects including dividend.

RESOLVED FURTHER THAT the Fully Convertible Debentures shall be subject to lock-in as per Regulation 78 of SEBI (ICDR) Regulations.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers conferred by this resolution on it, to any Committee of Directors or the Chairman or any other Director(s) or Officer(s) of the Company to give effect to the aforesaid resolution.

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorized to agree, make and accept all such term(s), condition(s) and alteration(s) as it may deem fit, including conditions(s), modifications(s) and alteration(s) stipulated or required by any relevant authorities or by their bye-laws, rules regulations or guideline and the Board is also hereby authorised to resolve and settle all questions, difficulties or doubts that may arise in regard to such offer, issue and allotment, to finalise and execute all agreements, documents and writings and to do all acts, deeds and things in this connections and incidental as the Board in its absolute discretion deem fit without being required to seek any further consent or approval of the company or otherwise to the end and intent that they shall be deemed to have give approval thereto expressly by the authority of this resolution."

7. To consider and if thought fit, pass without modification(s) the following resolution as Special Resolution:

Raising of Funds through issue of Securities and re-structuring of the outstanding USD 39 Million unsecured Foreign Currency Convertible Bonds ("FCCBs")

- a. "RESOLVED THAT in accordance with all the applicable laws and relevant provisions of the Memorandum and Articles of Association of the Company and the listing agreements entered into by the Company with the stock exchanges where the Company's shares are listed and subject to any necessary approval, consent,

permission and/or sanction of the Central Government, Reserve Bank of India ("RBI") and/or any other appropriate regulatory authorities, and subject to such conditions as may be prescribed by any of them while granting any such approval, consent, permission or sanction, and which may be agreed to by the Board of Directors of the Company ("Board" which term shall be deemed to include any committee constituted by the Board or any person(s) authorized by the Board in this regard), the Company be and is hereby authorized to restructure the USD 39 Million Foreign Currency Convertible Bonds ("Outstanding FCCBs") either by amending the terms and conditions thereof by way of extension of maturity period, rollover, partial redemption, converting to loan and/or any other mechanism deemed appropriate by the Board or by way of issuance of fresh securities to replace the Outstanding FCCBs, swapping, conversion, re-issue of suitable securities, raising of External Commercial Borrowing or any other form of securities and/or any other options as may be required for restructuring of FCCBs in accordance with the mechanism deemed appropriate by the Board considering the prevailing market conditions and other relevant factors, wherever necessary in consultation with lead managers and/or other advisors, on such terms and conditions as may be decided and deemed appropriate by the Board.

- b. RESOLVED FURTHER THAT pursuant to the provisions of Sections 81 and 81(1A) and all other applicable provisions of the Companies Act, 1956 (including any amendments thereto or re-enactment thereof), Foreign Exchange Management Act, 1999 (FEMA), Foreign Exchange Management (Transfer or issue of Security by a Person Resident outside India) Regulations, 2000, Issue of Foreign Currency Convertible bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1996, the listing agreement entered into, by the Company with the stock exchanges where the Company's securities are listed and in accordance with the guidelines issued by the Government of India ("GOI"), RBI, regulations issued by the Securities and Exchange Board of India ("SEBI Regulations") and any competent authorities, clarifications issued thereon from time to time, and the provisions of the Memorandum and Articles of Association of the Company, and subject to approvals, permissions, consents and sanctions as may be necessary from GOI, RBI, the Ministry of Finance (Departments of Economic Affairs) and Ministry of Industry (Foreign Investment Promotion Board/Secretariat for Industrial Assistance), SEBI and/or any other competent authorities, and subject to such conditions and modifications as may be prescribed by any of them while granting such approvals, permissions, consents and sanctions and which may be agreed to by the Board, the Company be and is hereby authorized to create, issue, offer and allot in one or more tranches, in the course of domestic/international offering to the Domestic/ Foreign Investors/Institutional investors /Foreign Institutional Investors, Members, Employees, Non - Resident Indians, Companies or Body Corporates whether incorporated in India or abroad, Trusts, Mutual Funds, Banks, Financial Institutions, Insurance Companies, Pension Funds, Individuals or otherwise, whether shareholders of the Company or not (collectively referred to as "Investors"), through Qualified Institutional Placement ("QIP"), Preferential issue and/or Private Placement of Equity Shares and/or Equity Shares through Global Depository Receipts ("GDR"), American Depository Receipts ("ADR"), Foreign Currency Convertible Bonds ("FCCB") and/or any securities convertible into Equity Shares at the option of the Company and/or holder(s) of the securities and/or securities linked to Equity Shares and/or securities with warrants including any instruments or securities representing either Equity Shares and/or convertible Preference Shares/debentures or bonds (compulsorily and/or optionally, fully and/or partly) and/or non-convertible debentures with warrants and/or securities with or without detachable/non-detachable warrants and/or warrants with a right exercisable by the warrant holder to subscribe for Equity Shares, or by any one or more or a combination of the foregoing (herein after collectively referred to, as "Securities") secured or unsecured, listed on any Stock Exchange in India and/or any International Stock Exchange outside India, through an offer document and/or prospectus and/or offer letter and/or offering circular and/or listing particulars, to be issued at a price as per applicable regulations, and to be denominated in Indian Rupees or foreign currency, and such issue and allotment to be made on such terms and conditions as may be decided and deemed appropriate by the Board at the time of issue or allotment, provided however the total amount (including issue of Securities at a premium) raised through the Securities should not exceed USD 75 Million or its equivalent.
- c. RESOLVED FURTHER THAT without prejudice to the generality of the above and subject to all applicable laws, the aforesaid issue of Securities may have such features and attributes or any terms or a combination of terms in accordance with international practices to provide for the tradability and free transferability thereof as per the



prevailing practices and regulations in the capital markets including but not limited to the terms and conditions in relation to prices(s) being either at a discount or premium to the market prices(s), redemption of Securities, conversion price, rate of interest, payment of interest, additional interest, premium on redemption, prepayment and any other payments, whatsoever including terms for issue of additional Equity Shares of the Company or variation of the conversion price of the Securities during the duration of the Securities and the Board be and is hereby authorised in its absolute discretion in such manner as it may be deem fit, to dispose off such Securities which may remain unsubscribed.

d. RESOLVED FURTHER THAT

- i. The Securities so created, offered, issued and allotted shall be subject to the provisions of the Memorandum and Articles of the Company; and
- ii. The Equity Shares of the Company underlying such Securities and into which such Securities are convertible shall rank *pari passu* with the existing Equity Shares of the Company.

e. RESOLVED FURTHER THAT the issue of Equity Shares underlying the Securities, to the holders of the Securities shall, *inter alia* be subject to the following terms and conditions:

- i. in the event of the Company making a bonus issue by way of capitalization of its profits or reserves prior to the allotment of the Equity Shares, the number of Equity Shares to be allotted to holders of Securities shall stand augmented in the same proportion in which the Equity Shares capital increases as a consequence of such bonus issue and premium, if any, shall stand reduced *pro tanto*;
- ii. in the event of the Company making a rights offer by issue of Equity Shares of holders of Securities prior to the allotment of the Equity Shares, the entitlement to the Equity Shares shall stand increased in the same proportion as that of the rights offer and such additional Equity Shares shall be offered to the holders of the Securities at the same price at which the same are offered to the existing shareholders, and
- iii. in the event of any merger, amalgamation, takeover or any other re-organisation, the number of shares, the price and the time period as aforesaid shall be suitably adjusted.

f. RESOLVED FURTHER THAT in the event of issue of Securities by way of a QIP, the 'Relevant Date' on the basis of which price of the resultant shares shall be determined as specified under applicable law, shall be the date of the meeting in which the Board or the Committee of Directors duly authorised by the Board decides to open the proposed issue of securities or such other time as may be allowed under the SEBI Regulations, from time to time, and such price shall be subject to appropriate adjustments in accordance with the applicable SEBI Regulations.

g. RESOLVED FURTHER THAT the Board be and is hereby authorised to appoint lead managers, underwriters, guarantors, depositories, custodians, registrars, trustees, agents, bankers, lawyers, and all such agencies as may be involved or concerned in offerings of Securities and to remunerate them by way of commission, brokerage, fees or like and also to enter into and execute all such arrangements, agreements, memorandum documents, deeds etc., with such agencies and also to seek the listing of such Securities on one or more national and/or international stock exchange(s).

h. RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorised to determine the form, terms and timing of the issue(s), including the form of the consideration for the issue of the Securities, the class of investors to whom the Securities are to be allotted, number of Securities to be allotted in each tranche, issued price, face prices, value of premium amount on issue/ conversion of Securities/exercise of warrants/redemption if Board in its absolute discretion deems fit and to make and accept any modifications in the proposal as may be required by the authorities involved in such terms in India and/or abroad to do all the acts, deeds, matters and things and to settle any questions or difficulties that may arise with regard to the issue(s).

- i. RESOLVED FURTHER THAT for the purpose of giving effect to the above resolutions, the Directors on the Board be and are hereby authorized, jointly and severally, to do all such acts, deeds, matters and things as they may, in their absolute discretion deem necessary or desirable, including without limitation to:
- i. sign, execute and issue all documents necessary in connection with the issue of Securities and/or restructuring of the Outstanding FCCBs, including listing applications to stock exchanges, in India and overseas, and various agreements, undertakings, deeds and declarations; and
  - ii. giving or authorizing the giving by concerned persons of such declarations, affidavits, certificates, consents and authorities as may be required from time to time; and
  - iii. settle any questions, difficulties or doubts that may arise in regard to any such issue or allotment or Securities or restructuring of Outstanding FCCBs as it may in its absolute discretion deem fit, and any prior actions taken by the Board in relation to the above are hereby ratified and confirmed; and
  - iv. delegate all the above powers and authorities to any person or persons or committee of the Board, as it in its absolute discretion deems fit, in connection with the issue and allotment of Securities and restructuring of Outstanding FCCBs and to give effect to the above resolutions.

By Order of the Board

**For Karuturi Global Limited**

Place : Bangalore  
Date : 4<sup>th</sup> September, 2012

**Nagesh Babu K.L.**  
Company Secretary

**Notes:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the above-mentioned special business is annexed hereto.
3. The instrument appointing the proxy should be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting. Corporate Members are requested to send a duly certified copy of the Board resolution, authorizing their representative(s) to attend and vote at the Annual General Meeting, pursuant to the provisions of Section 187 of the Companies Act, 1956.
4. Members/proxies should bring the attendance slip sent herewith, duly filled-in along with the annual report for attending the Meeting.
5. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. The Register of Directors' Shareholdings, maintained under Section 307 of the Companies Act, 1956 will be available for inspection by the Members at the Annual General Meeting.
7. Members may also please note that as per Section 205A(5) and Section 205C of the Companies Act, 1956, all the amounts transferred to the Unpaid Dividend Account of the Company for the year ended 31st March, 2004 remaining unpaid or unclaimed for a period of seven years from the date of such transfer have been transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government.
8. 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.
9. The Register of Members and Share Transfer Books will remain closed from September 25, 2012 to September 28, 2012 (both days inclusive).
10. Members are requested to notify the Registrar and Share Transfer Agents Karvy Computershare (P) Limited 17 -24 Vithal Rao Nagar, Madhapur, Hyderabad 500 081 for any change in their address so as to enable Company to address future communications to their correct addresses.
11. As part of the "Green Initiative in Corporate Governance", the Ministry of Corporate Affairs (MCA), Government of India, through its Circular Nos. 17/2011 and 18/2011, dated April 21, 2011 and April 29, 2011 respectively, has allowed companies to send official documents to their shareholders electronically considering its legal validity under the Information Technology Act, 2000. Being a Company with strong focus on green initiatives, Karuturi Global Limited shall send all shareholder communications such as the notice of General Meetings, Audited Financial Statements, Directors' Report, Auditors' Report, etc., henceforth to shareholders in electronic form to the E-mail Id provided by them and made available to us by the Depositories. Members are requested to register their E-mail Id with their Depository Participant and inform them of any changes to the same from time to time. However, Members who prefer physical copy to be delivered may write to the Company at its registered office or send an E-mail to [investorrelations@karuturi.com](mailto:investorrelations@karuturi.com) by providing their DP Id and Client Id as reference.
12. Listing fee has been paid to all the Stock Exchanges where the Company is listed.
13. Members who wish to get any further information as regards the items to be transacted at the meeting are requested to write to the Company Secretary at an early date so as to enable the management to reply at the meeting.



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

The following Explanatory Statement sets out all material facts relating to the special resolution set out in the accompanying notice of the Seventeenth Annual General Meeting of the Members of Karuturi Global Limited to be held on Friday, the 28th day of September, 2012:

Item No. 5:

Mr. Raaj Sah was appointed as Additional Director by your Board during the year under report and holds Office up to the date of the Annual General Meeting. Mr. Raaj Sah has a Phd in Economics and MBA gold medal from IIM, Ahmedabad and is a Professor in University of Chicago, United States of America; he has published number of articles and participated very many global seminars in the areas of Economics, finance and business policy.

Notice has been received under Section 257 of the Companies Act, 1956, from a member proposing the candidature of Mr. Raaj Sah 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. Raaj Sah himself is interested or concerned in the resolution.

Item No. 6:

Your Company has certain funds deployed which was contributed by Person belonging to the Promoters' Group. The said Lender has indicated that it is willing to have this amount to be treated as Fully Convertible Debentures to be converted in to Equity Shares in compliance with the prevailing regulations and guidelines. Your Board has considered this proposal and in the best interests of the Company has recommended to place the proposal before the Shareholders.

Disclosures under Regulation 73(1) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, regarding proposed issue and allotment of Zero Interest Fully Convertible Debentures as preferential allotment:

**(a) The object of the issue on preferential basis:**

The overall object of the issue of Securities

To improve Corporate long term working Capital / project purpose

**(b) The proposal for allotment of Zero Interest Fully Convertible Debentures:**

Sl no	NAME OF THE ALLOTTEE	AMOUNT UPTO WHICH FULLY CONVERTIBLE DEBENTURES TO BE ISSUE (Rs.)
1	RHEA HOLDINGS PRIVATE LIMITED	258,500,000

**(c) Proposed time within which the allotment shall be completed:**

The allotment of the Zero Interest Fully Convertible Debentures is proposed to be completed within 15 days from the date of passing the resolution at this meeting or from the date of approvals, if any, required from any regulatory authority (ies) or the Central Government, as the case may be, whichever is later.

**(d) Pricing of the Issue & Auditor's Certificate**

**i. Fully Convertible Debentures**

The Fully Convertible Debentures will be compulsorily convertible into Equity Shares with face value of Re. 1/- each before expiry of 18 months from the date of such allotment.

The number of Equity Shares to be allotted shall be dependent on the pricing determined under SEBI Regulations and other factors shall be determined at the time of conversion to equity.

The pricing of the resultant Equity Shares shall be determined as per SEBI (ICDR) Regulations which at present is as follows:

**Higher of the following:**

- The average weekly high and low of the closing prices of the related shares quoted on the stock exchange during the six months preceding the relevant date;
- OR
- The average weekly high and low of the closing prices of the related shares quoted on the stock exchange during the six months preceding the relevant date.

In case of any amendment to the Regulation 76 of SEBI (ICDR) Regulation, relating to pricing of Equity Shares, then the Company will follow the amended Regulation 76 of SEBI (ICDR) Regulation for computing the issue price of the resultant Equity Shares.

SIno	NAME OF THE ALLOTTEE	AMOUNT UPTO WHICH FULLY CONVERTIBLE DEBENTURES TO BE ISSUE (Rs.)
1	Rhea Holdings Private Limited	258,500,000

((f) Lock – in

The Fully Convertible Debentures shall be subject to lock-in under SEBI (ICDR) Regulations.

- (g) An Undertaking that the issuer shall re-compute the price of the specified securities in terms of the provision of these regulations where it is required to do so. It is not required to re-compute the price, as the closing prices of Equity Shares of the Company are available for calculating the price as per Regulation 76(1) SEBI (ICDR) Regulations, 2009.
- (h) An undertaking that if the amount payable on account of the re-computation of price is not paid within the time stipulated in these regulations, the specified securities shall continue to be locked-in till the time such amount is paid by the allottees.

Not applicable, as the price will be calculated as per Regulation 76(1) SEBI (ICDR) Regulations 2009.

Section 81 of the Companies Act, 1956 provides, *inter alia*, that whenever it is proposed to issue further shares, such shares shall be offered to the existing shareholders of the Company in the manner laid down in the said section, unless shareholders decide otherwise in the general meeting by way of special resolution. Accordingly, the consent of the shareholders is being sought pursuant to the provisions of Section 81(1A) and other applicable provisions of the Companies Act, 1956, SEBI Regulations for the preferential Issues and in terms of the listing agreement to create, issue and allot the Equity Shares upon fully convertible debentures as stated in the items of Special resolution.

**Item No 7**

The Shareholders may recall that FCCBs amounting to US dollars 39 MN (equivalent to Rs 199.51 Crores) were issued earlier and the same are due for redemption in October 2012 (“Outstanding FCCBs”). Your Directors have initiated the process of discussions with FCCB holders seeking rollover for another term and issue fresh securities. The Company has also been granted approval by the Reserve Bank of India (RBI) vide FED/CO/ECBD/240/03.02.775/2012-13 dated July 31, 2012, for elongation of the maturity period of the Outstanding FCCBs.

In order to meet the funding requirements for achieving organic and / or inorganic growth, and for moving towards market leadership position in the business optimization space and for investing in the long-term interest of the business, the Company has made Equity and debt issuances over the years. In furtherance to this, the Company proposes to raise funds for, *inter alia* meeting any probable repayment obligations if its debts and for other general corporate purposes. The proposed fund raising by way of (i) issuing further capital to eligible investors, upto an amount not exceeding to 75 MN USD and (ii) restructuring the Outstanding FCCBs, will enable mobilization of additional funds in order to meet the funding requirements for achieving its short term/long-term goals and *inter alia*, meeting any probable repayment obligations of its exiting debts and for other general corporate purposes.

Section 81 of the Companies Act, 1956 provides, *inter alia*, that where it is proposed to increase the subscribed share capital of the Company by issue and allotment of further issues, such further shares shall be offered to the persons, who at the date of offer are holders of the Equity Shares of the Company, in proportion to the capital paid up on those shares, as on date, unless the shareholders in a general meeting decide otherwise.

The listing agreements executed by the Company with the various Stock Exchanges also provide that the Company shall offer, in the first instance further shares to the existing Equity Shareholders of the Company, unless the shareholders in a general meeting decide otherwise.

The special resolution will authorize the Board to make and ratify any action taken by the Board in respect of the restructuring of the Outstanding FCCBs and the proposed issue of Securities in one or more tranche or tranches, at such time or times, at such prices as may be deemed appropriate by the Board, subject to applicable provisions of law. The detailed terms and conditions of the restructuring of the Outstanding FCCBs and the offer of Securities will be determined by the Board in consultation with the advisors, lead managers, underwriters and such other authority or authorities to be consulted considering the prevailing market conditions and in accordance with the applicable provisions of law, and other relevant factors.

The special resolution, if passed, will have the effect of allowing the Board to issue and allot securities to the investors who may or may not be the existing shareholders of the Company.

The proposed issuance of Securities and restructuring of the Outstanding FCCBs is in the interest of Company and the Board recommends the Special Resolution for acceptance by the Members.

The Directors of the Company may be deemed to be concerned or interested in the proposed resolution to the extent of the Securities issued/allotted to them, if any.

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

Place : Bangalore  
Date : 4<sup>th</sup> September,2012

**Nagesh Babu K.L**  
Company Secretary



## Annexure to Notice

Information pertaining to Directors seeking appointment or re-appointment at the 17th Annual General Meeting as required by Clause 49 (IV) (G) of the Corporate Governance Guidelines.

Particulars	Mr. Man Mohan Agrawal	Mrs. Aslesha P Madappa	Mr. Raaj Sah
Date of Birth & Nationality	4th August, 1950 Indian	26th March, 1953 Indian	18th October, 1952 Indian
Date of Appointment	25th September, 2010	1st December, 1995	15th November, 2011
Qualifications	BE, CAIIB, Part I	B.A.(Hons)	IIM, Phd in Economics
Expertise in specific functional area	Banking, Industry and Agriculture	International Marketing, Export of processed foods and Human Resource,	Banking, Business Finance and Corporate
Directorships held in other Public Companies (excluding foreign companies)	Axis Private Equity Limited Jaguar Overseas Limited Essar Power Limited Coastal Projects Limited Mercator Lines Limited Bombay Rayon Fashion Limited BSCPL Infrastructure Limited	NIL	Lanco Vidharbha Thermal Power Limited      Nil
Membership/ Chairmanships of Committees of other public companies (included only Audit and Shareholders/ Investors Grievance Committee)	Axis Private Equity Limited Essar Power Limited	Nil	
Shareholding in the Company (No. of shares)	5,000	9,063	Nil

## DIRECTORS' REPORT

To

The Members  
Karuturi Global Limited  
Bangalore

Your Directors have pleasure in presenting the Seventeenth Annual Report along with the audited accounts of the Company for the financial year ended 31st March, 2012.

### FINANCIAL RESULTS:

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

(Rs. in lacs)

Particulars	2011-12	2010-11
Total Income	<b>56,304.67</b>	63,872.65
Profit before depreciation & tax	<b>19,622.82</b>	21,821.78
Less: Depreciation	<b>3,867.98</b>	6,186.55
Less: Provision for tax	<b>139.62</b>	104.49
Add: Deferred Tax – Credit	<b>-17.08</b>	33.30
Net Profit after Tax	<b>15,632.30</b>	15,497.44

### COMPANY PERFORMANCE:

#### Income:

Sales – The sales in fiscal 2012 were Rs. 56,304.67 lakhs as against Rs. 63,872.65 lakhs in fiscal 2011.

#### Expenditure :

**Material Expenses** – In fiscal 2012 the raw material expenses / purchases amounted to Rs.21,374.16 lakhs constituting 37.96% of net sales while raw material expenses in 2011 were Rs.21,329.25 lakhs, constituting 33.39% of net sales.

**Selling Administrative Expenses** – The administrative expenses increased to Rs.1,4,193.40 lakhs in fiscal 2012 as compared to Rs.13,921.71 lakhs in fiscal 2011. As a percentage of net sales it increased to 25.21% in fiscal 2012 from 21.80% in fiscal 2011

**Employee Expenses** – The employee expenses increased from Rs.5,964.15 lakhs in fiscal 2011 to Rs.4,422.87 lakhs in fiscal 2012. As a percentage of net sales it has decreased from being 9.34% of net sales in fiscal 2011 to 7.86% of net sales in fiscal 2012.

**Financial Charges** – Financial charges amounted to Rs.1,257.78 lakhs in fiscal 2012 as compared Rs.1,736.60 lakhs in fiscal 2011. As a percentage of net sales, the financial charges expenses decreased from 2.72% in 2011 to 2.23% in 2012.

**Depreciation** – Depreciation amounted to Rs.3,867.96 lakhs in fiscal 2012 as compared to Rs.6,186.55 lakhs in fiscal 2011, representing an decrease of 2.82%.

Earnings before Interest, Depreciation, Tax and Amortization (EBIDTA) – The Company recorded EBIDTA of Rs.20,880.60 lakhs in fiscal 2012 as against an EBIDTA of Rs. 23,558.51 lakhs in fiscal 2011, with EBIDTA margin decreased from 37.90% in fiscal 2011 to 37.09% in fiscal 2012. Net Profit after tax and prior period adjustment – Our Net Profit for the fiscal 2012 stood at Rs.15,632.30 lakhs as against Rs.15,497.45 lakhs for fiscal 2011.

#### DIVIDEND:

In view of the aggressive on going expansion programs and considering the requirement of funds, Directors have decided not to recommend payment of dividend for the financial year 2011-12.

## DIRECTORS' REPORT *(Contd..)*

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

#### **BUSINESS REVIEW:**

During 2011 -12, your Company was able to maintain its position in the Floriculture Industry in the midst of the European Crisis which is its key market. The Company continued to make steady progress in its Agricultural foray developing 1,00,000 Ha of Land in Ethiopia.

#### **AGRICULTURE :**

Your Company has procured wide range of machinery and equipment, for sowing, harvesting, spraying and other processes, like high end Tractors of 250 HP and 450 HP, Mulch Rippers, Trailers, Disc plough, cultivators, maize planters, puddling wheels for the plantation purpose. These equipments have been procured from all over the world from companies like CASE, John Deere, Great Plains, Doosan, Volvo, CRI, JCB, Ashok Leyland etc.

Your Company had planted more than 10000 Ha last year in June but suffered a setback due to flash floods which had damaged the crops. Subsequently dykes were rebuilt with a larger base of 9 meters width at the bottom, 3 meters width at the top and a height of 3 meters. Dykes spreading over 110 KM has been built and the same is being expanded to all areas. This will prevent any flooding in future.

Your Company has made substantial progress in setting up irrigation systems and is building a network of canals and pumping water from Baro river.

This season 5000 Ha of Maize and some trial crop of Paddy has been planted and the same is growing very well. A good harvest is expected. Drought in America and increased demand has resulted in the price of Maize quoting at a very encouraging level. The Sugarcane Nursery is being expanded to cover about 200 Ha.

Your Company has engaged a team of Farmers from Uruguay, South America and Farmers National Company, USA to provide the necessary expertise for Large Scale Farming. These farmers have over 20 years of experience in doing Large scale farming using high end farm equipments. These farmers have been engaged on a success based model extending its scheme of engaging with various specialists for Key functional and support areas.

#### **FLORICULTURE:**

The flagship floriculture business has been affected largely by the volatility of the Euro and the Euro zone events. During Valentine this year both the quantities and prices were affected due to extreme weather condition going down to – 20 degrees in most parts of the markets in Europe. The Company has managed to keep the impact of the Euro Zone crisis at the minimum level.

In its Kenyan operations the Company continues to focus on green initiatives which include Bio gassifiers to generate electricity, expanding the vermi licheate program and also a further extension of the green planet program.

The Company has also planted new varieties in the farms which have good potential acceptability.

#### **FOOD PROCESSING:**

This food Processing business at Karuturi Foods Private Limited(KFPL) has shown about 30% growth in the topline shipping about 260 containers during the year. The Company has expanded its reach to newer markets in South America and East European countries besides its main markets in Russia and USA. The Company has invested in some new machinery to increase the efficiency levels of its processing. In the current year your Company plans to spread its market across various countries reducing its dependence on Russia which is a volatile market.

The factory has been certified by BRC (British Retail Consortium) besides HACCP, FDA & KOSHER.

KFPL has participated in the Moscow Food Fair and ANUGA at Cologne, Germany and PLMA, Amsterdam. KFPL plans to increase its processing capacity again in the next year by installing another pasteurizer, boiler and material handling equipments.

#### **ISP:**

The ISP business being carried on under Karuturi Telecom Private Limited (KTPL) was stable with the said Company growing its capacity by about 20% in terms of delivery of Bandwidth and VOIP minutes. The Company saw pressure on the margins due to fall in prices. The Company has acquired some new customers in various geographies and also continues to grow its business with its existing key customers. Stable growth is expected in the current year.

## DIRECTORS' REPORT (Contd..)

### OUTLOOK:

Your Company's Strategic Goal this year would be to bring a larger area under Agricultural Production during the year and continue to create new opportunities in its Floriculture, Food Processing and IT businesses.

### INCREASE IN PAID UP CAPITAL:

The total Paid up Capital of the Company as on 31.03.2012 was Rs. 80,89,79,232/- as compared to Rs. 80,55,07,010/- as on 31.03.2011. This increase in Capital is pursuant to allotment of 3,472,222 Equity Shares of Re1/- each to the strategic investors.

### 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, who exercise or are established to be in a position to exercise control, directly or indirectly over the Company [Section 2(e)]:

1. Mr. Sai Ramakrishna Karuturi
2. Ms. Anitha Karuturi
3. Karuturi Telecom Pvt Ltd., India
4. Karuturi Floritech Pvt Ltd. India
5. Karuturi Foods Pvt Ltd., India
6. Karuturi Overseas Ltd , Dubai
7. Flower Xpress FZE, Dubai
8. Yeshoda Investments Ltd, Kenya
9. Rhea Holdings Ltd, Kenya
10. Surya Holdings Ltd, Kenya
11. Karuturi Sports Ltd, Kenya.
12. Karuturi Ltd, Kenya
13. Karuturi Hospital Ltd, Kenya
14. Gambella Green Valley Plc , Ethiopia
15. Ethiopian Meadows Plc, Ethiopia
16. Karuturi Agro Products Plc., Ethiopia
17. Surya Blossoms Plc. Ethiopia
18. Karuturi Greens and Marketing Private Limited
19. Karuturi Vegproducts Private Limited
20. Karuturi Farm Fresh Products Private Limited

### DIRECTORS:

Mrs. Aslesha Madappa and Mr. Man Mohan Agrawal, Directors, retire by rotation and being eligible, offer themselves for re-appointment. Mr. Raaj Sah, a very eminent professor in USA, was inducted to the Board during the year as Additional Director is recommended to be appointed as Director.

### 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.

### 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 3,910,166 Stock options granted to the eligible employees of the Company into Equity Shares during the year 2009 -2010 & 2010-2011.



## DIRECTORS' REPORT (Contd..)



### 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 Auditors, have expressed their inability to be reappointed at the ensuing Annual General Meeting. Hence, based on requisition from a Shareholders, your Directors recommend Messrs Haribhakti & Co, Chartered Accountants, Bangalore as the statutory auditors for the year 2012-13 in the ensuing Annual General Meeting.

### FOREIGN EXCHANGE EARNINGS & OUTFLOW:

The Company earned Rs.2,480.16lakhs in Foreign Exchange for the year ended 31.03.2012 as compared to Rs. 2,564.49 lakhs for the year ended 31.03.2011.

The out flow in foreign exchanges was Rs.4.75 lakhs as compared to Rs.7.51 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.

By the Order of the Board

Place : Bangalore  
Date : 4<sup>th</sup> September, 2012

**Sai Ramakrishna Karuturi**  
Chairman and Managing Director

## ANNEXURES TO THE DIRECTORS' REPORT:

### ANNEXURE No : 1

#### INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956

In accordance with the provisions of Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of employees are to be set out in the Directors' Report, as an addendum thereto. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and accounts as therein set out, are being sent to all members of the Company excluding the aforesaid information about the employees. Any member, who is interested in obtaining such particulars about employees, may write to the Company Secretary at the Registered Office of the Company.

### ANNEXURE No: 2

#### CEO & CFO CERTIFICATION

We, Sai Ramakrishna Karuturi, Chairman & Managing Director and Mrs. Anitha Karuturi, Whole time 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 31st March, 2012 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 31st March, 2012 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 : Bangalore  
Date : 4<sup>th</sup> September, 2012

**Anitha Karuturi**  
Wholetime Director

**Sai Ramakrishna Karuturi**  
Chairman & Managing Director

**Details pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies 2011-12**

Rs. In lakhs

Particulars	KTPL Rs.	KFPTL Rs.	KFPL Rs.	KOL Rs.	EMPLC Rs.	KA-PPL Rs.	SBPL Rs.	SPPLC Rs.	FZE Rs.	KL Rs.	RHL Rs.	SHL Rs.	YIL Rs.	KHL Rs.	KSL Rs.	KPTE Rs.	Total Rs.
Capital	347.00	5.00	200.00	47,559.63	562.46	661.72	661.72	27.32	103.25	3.03	0.61	0.12	0.01	0.61	0.06		50,132.54
Reserve	(77.62)	(0.45)	260.99	40,614.08	739.10	(947.97)	(34.51)	35.87	32,462.35	13,820.35	(150.75)	1,443.38	733.87	(67.62)	1.14		88,832.21
Detail of Investment	-	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.10
Total Assets 427,007.43	705.80	5.05	2,529.19	238,842.01	40,319.33	23,791.45	14,925.45	407.09	69,326.18	31,875.08	922.08	1,396.80	1,918.16	40.80	2.96		
Total Liabilities 427,050.92	705.80	5.05	2,529.19	238,842.01	40,319.33	23,791.45	14,925.45	407.09	69,367.91	31,876.84	922.08	1,396.80	1,918.16	40.80	2.96		
Turnover	524.52	-	1,491.00	29,714.78	2,306.07	15.87	1,056.14	214.72	20,220.17	7,776.15	-	-	-	41.28	-		63,360.70
Profit Before Tax	(54.62)	(0.01)	(339.91)	12,068.87	(1,735.37)	(903.98)	81.72	21.57	4,409.57	1,690.35	28.88	(13.64)	(2.52)	(62.52)	8.51		15,196.88
Provision for taxation	-	-	4.31	-	-	-	-	1.20	-	10.74	-	-	-	-	-	-	16.26
Profit After Tax	(54.62)	(0.01)	(344.22)	12,068.87	(1,735.37)	(903.98)	81.72	20.37	4,409.57	1,679.61	28.88	(13.64)	(2.52)	(62.52)	8.51		15,180.63
Proposed Dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

KTKTPL	Karuturi Telecom Pvt Ltd	KL	Karuturi Limited
KFPTL	Karuturi Floritech Pvt Ltd.	RHL	Rhea Holding Ltd
KFPL	Karuturi Foods Pvt Ltd.	SHL	Surya Holding Ltd.
KOL	Karuturi Overseas Limited	YIL	Yeshoda Investment Ltd
EMPLC	Ethiopian Meadows Plc	KHL	Karuturi Hospital Ltd.
KA-PPL	Karuturi Agro Product Plc.	KSL	Karuturi Sports Ltd.
SBPLC	Surya Blossoms Plc	KPTE	Karuturi Pte, Singapore
SPPLC	Shiv Pack Plc		
FZE	Flower Xpress Fze		

Place : Bangalore

Date : 4<sup>th</sup> September, 2012

**Anitha Karuturi**

Wholetime Director

**Sai Ramakrishna Karuturi**

Chairman & Managing Director

## REPORT ON CORPORATE GOVERNANCE

## 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.

Corporate Governance refers to a combination of laws, regulations, procedures, implicit rules and good corporate practices which ensure that a Company meets obligations to optimize shareholders value and fulfill its responsibilities to the community, customers, employees, Government and other segments of society. Some of the important best practices of corporate governance framework are timely and accurate disclosure of information regarding the financial situation, performance, ownership and governance of the Company

Your Company will continue to focus its resources, strengths and strategies for creation and safeguarding of shareholders' wealth and at the same time protect the interests of all its shareholders while upholding the core values of excellence, integrity, responsibility, unity and understanding which are imperative to the Karuturi Group.

**a. BOARD OF DIRECTORS:**

As on 31<sup>st</sup> March, 2012, the Board of the Company comprised of Nine Directors. The Company has an Executive Chairman and one Whole-time Director. The number of Non-Executive Directors is six, all of them being Independent Directors. The composition of the Board is in accordance with the Clause 49 of the Listing Agreement and exceeds the percentages stipulated in the subject clause.

The Non-Executive Directors are eminent industrialists or/and professionals with rich experience in management, finance, Agriculture, law and banking.

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:

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	Directorships in other Companies/ Firms	Membership in other Companies/ Committees	Attendance at previous AGM
Messrs					
Sai Ramakrishna Karuturi	Executive & Non Independent Director	5	8	NIL	Yes
Anitha Karuturi	Executive & Non Independent Director	5	6	NIL	Yes
Aslesha P Madappa	Non Executive and Independent Director	5	2	NIL	Yes
Satish Caroli	Non Executive and Independent Director	3	1	NA	No
Raaj Sah*	Non Executive and Independent Director	1	2	NA	No
Raja Vara Prasad Bommidala	Non Executive and Independent Director	3	11	NA	Yes
Mahendra Kumar Sunkara	Non Executive and Independent Director	1	1	NA	No
Manmohan Agrawal	Non Executive and Independent Director	3	13	NA	No
Bina Trivedi	Nominee Director	3	2	NA	No

\*Appointed as Additional Director on 15<sup>th</sup> Nov, 2011



## **b. DATES OF BOARD MEETINGS:**

During the year under review, 5 Board Meetings were held on the following dates:

12<sup>th</sup> May, 2011, 12<sup>th</sup> Aug, 2011, 15<sup>th</sup> Nov, 2011, 11<sup>th</sup> Feb, 2012 and 13<sup>th</sup> Feb, 2012.

## **REPORT ON CORPORATE GOVERNANCE**

### **AUDIT COMMITTEE:**

The Company has an independent Audit Committee in line with the Clause 49 of the listing agreement and Section 292A of the Companies Act, 1956.

The Audit Committee of the Board, *inter alia*, provides reassurance to the Board on the existence of an effective internal control environment that ensures:

- Efficiency and effectiveness of operations;
- Safeguarding of assets and adequacy of provisions for all liabilities;
- Reliability of financial and other management information and adequacy of disclosures;
- Compliance with all relevant statutes.

The role of the Committee includes the following:

- Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- Reviewing the Company's financial and risk management policies;
- Recommending the appointment and removal of external auditors, fixation of audit fee and approval of payment of fees for any other services rendered by the auditors;
- Reviewing with the management and internal auditors,
  - the adequacy of internal control systems;
  - internal audit function;
  - internal audit scope, coverage and frequency;
  - reports of internal audit for any significant findings, including matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and follow-up thereon
- Reviewing with the management and external auditors,
  - Nature and scope of audit
  - Any areas of concern and comments contained in their management letter
  - and the financial statements prior to endorsement by the Board;
  - Compliance with Stock Exchange and legal requirements concerning financial statements
  - Related party transactions
  - Report of the Directors & Management Discussion and Analysis
- Review of the financial statements of unlisted subsidiary companies
- Looking into the reasons for substantial defaults, if any, in payment to Shareholders (in case of non-payment of declared dividends) and creditors;
- Considering such other matters as may be required by the Board;
- Reviewing any other areas which may be specified as role of the Audit Committee under the Listing Agreement, Companies Act and other statutes, as amended from time to time.

The minutes of the Audit Committee meetings are placed before the Board of Directors in the subsequent Board Meeting.

During the year 2011-12, the Audit Committee met on four times i.e. 12<sup>th</sup> May, 2011, 12<sup>th</sup> August, 2011, 15<sup>th</sup> November, 2011 and 11<sup>th</sup> February, 2012.

## REPORT ON CORPORATE GOVERNANCE

The constitution of Audit Committee and attendance of the Members for the year 2011-12 is as under:

Name of the Member	Category	No of Meetings	Attendance
Manmohan Agrawal	Non-Executive& Independent Director	4	3
Raja Bommidala	Non-Executive& Independent Director	4	2
Bina Trivedi	Non-Executive& Independent Director	4	3
Aslesha Madappa	Non-Executive & Independent Director	4	4

The Statutory Auditor, Head of Finance and Chief Executive Officer are invited to attend and participate at meetings of the Committee.

The Company Secretary acts as the Secretary to the Committee.

**REMUNERATION COMMITTEE:**

The Company has constituted Remuneration Committee to review periodically the Managerial Remuneration and make proper recommendations. The said Committee reconstituted on 15<sup>th</sup> November 2011, consists of three non-executive Directors i.e Mr. Manmohan Agrawal, Mr. Raja Bommidala and Ms Bina Trivedi.

**GENERAL BODY MEETINGS:**

A) Details of location and time of holding the last 3 AGMs and 1 EGM are as follows:

Year Date and Time Venue

Year	Date and Time	Venue
14 <sup>th</sup> AGM	26.09.2009 at 3.30 PM	Chancery Hall, Atria Hotel, No. 1, Palace Road, Bangalore-560001.
15 <sup>th</sup> AGM	25.09.2010 at 3.30 PM	Chancery Hall, Atria Hotel, No. 1, Palace Road, Bangalore-560001
EGM	08-Sep-2010 at 4.30 PM	Wadiyar Hall, Century Club, No.1, Seshadri Road, Bangalore-560001
16 <sup>th</sup> AGM	23-sep-2011at 3.00 PM	Chancery Hall, Atria Hotel, No. 1, Palace Road, Bangalore-560001.

**DETAILS OF SPECIAL RESOLUTIONS PASSED:**

During the 16<sup>th</sup> Annual General Meeting of the Company, two special resolutions were passed:

- Preferential Allotment of Equity Shares to Strategic Investors
- Preferential Allotment of warrants to the Promoter group

**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 shareholders of the Company through Stock Exchange and Company web sites. The Company also communicates with the Shareholders through annual general meetings and extra ordinary general meetings and also through postal ballots.

**SHAREHOLDERS' GRIEVANCES COMMITTEE:**

The Investors' Grievances Committee comprises of two Directors, Mrs. Aslesha P Madappa, Non Executive Director and Mrs. Anitha Karuturi, who is an Executive Director.

## REPORT ON CORPORATE GOVERNANCE

The Company has a Shareholder's/Investors' Grievance Committee comprising of two Directors and Chairman is an Independent, Non Executive Director. The Committee looks into redressing the grievances of shareholders and investors like transfer of shares, non receipt of balance sheet, non receipt of declared dividend and related matters.

There were no pending investor complaints at the beginning of the year. During the year 2011-12, the Company received 21 investor complaints, which have been attended to, and no complaints remain unresolved at the end of the year.

Mr. Nagesh Babu K.L. Company Secretary is also the Compliance Officer of the Company.

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:

SI.NO.	PARTICULARS	RECEIVED	DISPOSED	PENDING AS ON 31.03.2012
1	NON RECEIPT OF SHARE CERTIFICATES	3	3	0
2	NON RECEIPT OF DIVIDEND WARRANTS	4	4	0
3	NON RECEIPT OF ANNUAL REPORTS	1	1	0
4	COMPLAINT FORM STOCK EXCHANGE / SEBI	1	1	0
	<b>Total</b>	<b>9</b>	<b>9</b>	<b>0</b>

Power to process the share transfer requests and other grievances of the share holders was allocated to certain key personnel in Karvy Computershare Pvt Ltd, Hyderabad and also in the Company, so as to enable the requests to be processed at the earliest which might other wise 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 Practicing Company Secretary and requisite Certificates/Reports are obtained and furnished to the Stock Exchanges.

### 7. CODE FOR PREVENTION OF INSIDER TRADING

The Company has adopted a code of conduct for Prevention of Insider Trading in the shares of the Company. The code, inter-alia, prohibits purchase/sale of shares of the Company by employees while in possession of unpublished price sensitive information in relation to the Company.

### 8. CEO/CFO CERTIFICATION

The CEO/CFO give quarterly and annual certification of the financial statements to the Board, as required under clause 49.

### 9. RECONCILIATION OF SHARE CAPITAL AUDIT

A qualified practicing Company Secretary carries out quarterly Reconciliation of Share Capital audits to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the aggregate of total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

## REPORT ON CORPORATE GOVERNANCE

**10. COMPLIANCE**

The certificate regarding compliance of the conditions of corporate governance obtained from practicing Company Secretary, Mr. Vijayakrishna KT is given elsewhere in this Annual Report.

**11. GENERAL SHAREHOLDERS' INFORMATION**

- i) AGM Date: 28.09.2012, Friday  
Time : 5.00 P.M.  
Venue : Wadiyar Hall, Century Club, # 1, Sheshadri Road, Bangalore-560001
- ii) Financial Year ending 31st March 2012.
- iii) Date of dispatch of Annual Reports : On or before 5th September 2012.
- iv) Book Closure dates: 25.09.2012 to 28.09.2012 (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 31.03.2012:**

Sl no	Category	No. of Cases	% of Cases	Amount	% of Amount
1	1-5000	72,047	90.95	6,781,859	8.33
2	5001- 10000	3,455	4.36	26,804,026	3.31
3	10001- 20000	1,814	2.29	26,885,439	3.32
4	20001- 30000	654	0.83	16,480,266	2.04
5	30001- 40000	280	0.35	10,014,067	1.24
6	40001- 50000	230	0.29	10,817,973	1.34
7	50001- 100000	377	0.48	27,581,297	3.41
8	100001& Above	355	0.45	623,014,305	77.01
	<b>Total:</b>	<b>79,212</b>	<b>100.00</b>	<b>808,979,232</b>	<b>100.00</b>

**Shareholding pattern as on 31.03.2012:**

Category	No of Holders	Total Number of shares	% of Equity
Promoter Group	2	75,994,347	9.3938564
Promoters & Directors	3	70,198,260	8.6773872
Foreign Institutional Investors	25	213,347,301	26.372408
Mutual Funds /UTI	1	2,700,000	0.3337539
TRUSTS	3	134,000	0.0165641
NON RESIDENT INDIANS	934	12,368,339	1.5288821
FOREIGN COMPANIES	5	105,416,325	13.030783
FOREIGN BODIES	2	30,282,786	3.7433329
CLEARING MEMBERS	108	1,941,446	0.2399871
Bodies Corporate	1312	64,530,138	7.976736
Insurance Companies	1	1,500,000	0.1854189
GDR	1	11,511,000	1.4229043
Resident Individuals	76,814	218,921,290	27.061423
Central Government / State Government(s)	1	134,000	0.0165641
<b>Total</b>	<b>79,212</b>	<b>808,979,232</b>	<b>100%</b>



## REPORT ON CORPORATE GOVERNANCE

### SHARE PRICE MOVEMENTS:

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

Month	High Price	Low Price	Close Price	Volume of shares traded
Apr-11	15.43	10.86	13.27	34725143
May-11	13.59	11.76	12.65	11409569
Jun-11	14.50	10.55	11.52	20383022
Jul-11	13.25	11.5	11.65	11009547
Aug-11	12.00	6.86	9.08	26959780
Sep-11	10.25	7.68	7.73	7389673
Oct-11	7.89	4.00	5.05	24719424
Nov-11	6.39	4.05	4.81	17303522
Dec-11	5.09	4.00	4.39	8559705
Jan-12	6.00	4.28	5.58	24290039
Feb-12	6.84	5.40	5.63	15808522
Mar-12	5.95	4.53	4.60	10291333

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

Month	High Price	Low Price	Close Price	Volume of Shares Traded
Apr-11	15.30	10.80	13.10	78777944
May-11	13.70	11.45	12.70	24439177
Jun-11	14.50	10.95	11.50	38087730
Jul-11	13.25	11.50	11.70	21789531
Aug-11	11.95	6.85	9.10	59585362
Sep-11	10.20	7.70	7.75	21278017
Oct-11	7.95	3.95	5.15	70461631
Nov-11	6.40	4.00	4.85	51112674
Dec-11	5.05	3.95	4.40	22224615
Jan-12	6.00	4.25	5.60	35951966
Feb-12	6.90	5.40	5.60	44721479
Mar-12	5.95	4.35	4.65	28791109

## REPORT ON CORPORATE GOVERNANCE

vii) The ISIN No for the dematerialized Shares of the Company is INE 299C01024

### India :

- |   |   |    |   |
|---|---|----|---|
| 1 | 95/1, Naranahalli Village,<br>Doddabelavangala,<br>Doddaballapur,<br>Bangalore District – 561 203 | 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. | Gambella<br>Ethiopia |
| 4. | Bako, Gambella<br>Ethiopia | 5. | Naivasha<br>Kenya  |    |                      |

### Address for Correspondence:

#### Registered Office

No.204, Embassy Center, 11 Crescent Road, Bangalore-560001, India.

#### Corporate Office

No.204, Embassy Center, 11 Crescent Road, Bangalore – 560001, India.

Ph : 080 40809000

Email: investorrelations@karuturi.com

#### Registrar & Transfer Agents

Karvy Computershare (P) Limited, 17 -24 Vithal Rao Nagar, Madhapur  
Hyderabad 500 081

P : +91 040 44655124 || F : +91 40 23420814

Email: krishnans@karvy.com

Name of the contact Person: Mr.S.Krishnan, Senior Manager.

email: krishnans@karvy.com.

### ix) Unclaimed Dividends

Pursuant to Section 205C of the Companies Act, 1956, dividends that are unpaid/unclaimed for a period of seven years from the date they became due for payment are required to be transferred by the Company to the Investor Education and Protection Fund (IEPF). Given below are the dates of declaration of dividend and corresponding dates when unpaid/unclaimed dividends are due for transfer to IEPF.

Year	Type of dividend	Dividend per share	Date of declaration of Dividend	Due date for transfer to IEPF
2004-2005	Final Dividend	Re 2.00	28-Oct-05	26-Oct-12
2005-2006	Final Dividend	Re 2.00	04-Nov-06	02-Nov-13
2006-2007	Interim Dividend	Re 1.00	17-Jan-07	15-Jan-14
2006-2007	Final Dividend	Re 1.00	04-Nov-07	02-Nov-14
2007-2008	Final Dividend	Re 0.20	02-Nov-08	01-Nov-15
2008-2009	Final Dividend	Re 0.10	02-Nov-09	31-Oct-16
2009-2010	Final Dividend	Re 0.10	01-Nov-10	30-Oct-17
2010-2011	Final Dividend	Re 0.10	30-Oct-11	28-Oct-18

Members who have so far not encashed their dividend warrants are requested to write to the Company / Registrar to claim the same, to avoid transfer to IEPF. Members are advised that no claims shall lie against the said Fund or the Company for the amounts of dividend so transferred to the said Fund.

## Service of documents through electronic mode:

As a part of Green initiative, the members who wish to receive documents like the Notice convening the general meetings, Financial Statements, Directors' Report, Auditors' Report etc., through e-mail, may kindly intimate their e-mail address to Company/Registrars (for shares held in physical form) and Depository Participants (for shares held in dematerialized form).

## Other useful information to shareholders

- Equity Shares of the Company are under compulsory demat trading by all investors, with effect from 21st March 2000. Considering the advantages of scripless trading, shareholders are requested in their own interest to consider dematerialisation of their shareholding so as to avoid inconvenience in future.
  - Shareholders/Beneficial Owners are requested to quote their Registered Folio No./ DP & Client ID Nos. as the case may be, in all correspondence with the RTA/Company. The Company has also designated an exclusive E-mail ID: investors@karuturi.com for effective investors' services where they can complaint / query and request for speedy and prompt redressal.
  - Shareholders holding shares in physical form are requested to notify to the RTA/ Company, change in their address/Pin Code number with proof of address and Bank Account details promptly by written request under the signatures of sole/first joint holder. Shareholders may note that for transfer of shares held in physical form, as per recent circular issued by SEBI, the transferee is required to furnish copy of their PAN card to the Company/RTAs for registration of transfer of shares.
  - Beneficial Owners of shares in demat form are requested to send their instructions regarding change of name, bank details, nomination, power of attorney, etc., directly to their Depository Participants only.
  - Non-resident members are requested to immediately notify the following to the Company in respect of shares held in physical form and to their Depository Participants in respect of shares held in dematerialized form:
    - Indian address for sending all communications, if not provided so far;
    - Change in their residential status on return to India for permanent settlement;
    - Particulars of the Bank Account maintained with a bank in India, if not furnished earlier; and – E-mail ID and Fax No(s), if any.
  - In case of loss/misplacement of shares, investors should immediately lodge FIR/ Complaint with the Police and inform to the Company along with original or certified copy of FIR/acknowledged copy of the Police complaint.
  - For expeditious transfer of shares, shareholders should fill in complete and correct particulars in the transfer deed. Wherever applicable, registration number of Power of Attorney should also be quoted in the transfer deed at the appropriate place.
  - Shareholders are requested to keep record of their specimen signature before lodgement of shares with the Company to obviate the possibility of difference in signature at a later date.
  - Shareholders of the Company, who have multiple accounts in identical names(s) or holding more than one Share Certificate in the same name under different Ledger Folio(s), are requested to apply for consolidation of such Folio(s) and send the relevant Share Certificates to the Company.
  - Section 109A of the Companies Act, 1956 extends nomination facility to individuals holding shares in physical form in Companies. Shareholders, in particular those holding shares in single name, may avail of the above facility by furnishing the particulars of their nominations in the prescribed Nomination Form.
  - Shareholders are requested to give their valuable suggestions for improvement of the Company's investor services.
- x) 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.

## REPORT ON CORPORATE GOVERNANCE

### 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 31st March, 2012 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 in respect of investor grievances received during the year ended 31st March, 2012, no investor grievances is pending against the Company as on 31st March, 2012, as per the records maintained by the Company and presented to the Shareholders' and Investors' Grievances Committee.
5. I further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Place : Bangalore  
Date : 4<sup>th</sup> September, 2012

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



## AUDITORS' REPORT

To  
The Members of  
KARUTURI GLOBAL LIMITED

We have audited the attached Balance Sheet of Karuturi Global Limited, Bangalore as at 31<sup>st</sup> March 2012 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 31<sup>st</sup> March 2012, 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 31<sup>st</sup> March 2012.

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 31<sup>st</sup> March, 2012;
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 : Bangalore

Date : 4<sup>th</sup> September, 2012

## Annexure To The Auditors' Report

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

- I. a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets;  
b) 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) As per the information and explanation given to us, the Company has not granted any loans to Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.  
b) The Company has in previous years taken unsecured interest free loans from two directors and from a Company listed in the register maintained under section 301 of the Companies Act, 1956. maximum amount outstanding during the year is Rs 4658.25 lakhs and year end outstanding is Rs 3965.32Lkaks  
c) These loans are interest free in nature and we are of the opinion that the other terms and conditions are prima facie not prejudicial to the interest of the Company.  
d) As per the information furnished to us, there are no irregularities in repayment of principle amount
- IV. In our opinion and according to the information and explanations provided to us, there are adequate internal control system commensurate with the size of the Company and nature of its business for purchase of inventories, fixed assets and sale of goods and services. During the course of audit, 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 of the Company and nature of its business.
- VIII. The Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 in respect of any of the activities of the Company.
- IX. a) The Company has been generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, , custom duty, service tax, excise duty, cess and other material statutory dues as applicable to it though there has been a slight delay in few cases.  
b) According to information and explanation given to us, no undisputed amount payable in respect of income tax, sales tax, wealth tax, service tax customs duty, excise duty and cess were in arrears as at 31st March 2012 for a period of more than six months from the date they became payable except Service Tax dues of Rs 37.42 Lakhs

- c) According to the records of the Company, the dues outstanding of income tax, sales tax, custom duty, wealth tax, service tax, excise duty and cess that have not been deposited on account of any dispute are as follows:

Name of the Statute	Nature of dues	Amount un paid	Period to which the amounts relates	From where disputing is pending
Income Tax Act, 1961	Income Tax Liability	7667.99	Assessment Year 2007-08	Commissioner (Appeals) Bangalore
Karnataka Tax on Entry of Goods Act	Entry Tax	2.50	Financial Year 2006-07 & 2007-08	Deputy Commissioner of Commercial Tax Audit-13, VAT Division -1
The Finance Act, 1994	Service Tax	172.62	Financial Year 2005-06	Commissioner/ CESTAT (Appeals)

- X. The Company has no accumulated losses as at 31st March 2012 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 banks.
- 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 investment made by the Company are held in its own name.
- XV. According to the information and explanation given to us, the Company has given guarantee for loans taken by its subsidiaries /step down subsidiaries from banks, the terms and conditions whereof in our opinion are not prima-facie prejudicial to the interests of the Company.
- XVI. In our opinion and according to the information and explanations given to us, and on 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. According to the information and explanations given to us, during the year under review, the Company has not made preferential allotment of shares to parties covered in the register maintained under section 301 of the Act .
- XIX. The Company did not have any outstanding debentures during the year under review.
- XX. The Company has not raised any monies by way of public issue 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**  
Membership No.: 021748  
Firm Registration No.: 001154S  
Place: Bangalore  
Date : 4<sup>th</sup> September, 2012

**Balance Sheet as at 31st March 2012**

Amount expressed in Indian Rupees in Lakhs unless otherwise stated

Particulars	Note	31-Mar-2012	31-Mar-2011
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share Capital	2.1	8,089.79	8,055.07
Reserves and Surplus	2.2	75,853.80	81,658.65
Money Received against Share Warrants/ESOP		2.98	-
<b>Non-Current Liabilities</b>			
Long-term borrowings	2.3	5,115.85	22,070.02
Deferred Tax Liabilities (Net)	2.4	104.92	119.36
Other Long Term Liabilities	2.5	350.00	350.00
Long Term Provisions	2.6	11.58	9.63
<b>Current Liabilities</b>			
Short-Term Borrowings	2.7	1,571.88	1,025.81
Trade Payables	2.8	273.83	118.91
Other Current Liabilities	2.9	21,273.27	727.58
Short term Provisions	2.10	7,808.31	938.27
		<b>120,456.21</b>	<b>115,073.30</b>
<b>Assets</b>			
<b>Non Current Assets</b>			
Fixed Assets			
- Tangible Assets	2.11	3,700.51	4,137.81
- Intangible Assets	2.11	5.23	5.66
Non Current Investments	2.12	98,553.42	98,462.86
Foreign Currency Monetary			
Transalation Difference Account	2.13	-	673.12
Long Term Loans and Advances	2.14	830.58	14.51
Other Non Current Assets	2.15	16.74	139.81
<b>Current Assets</b>			
Inventories	2.16	155.87	143.49
Trade Receivables	2.17	1,739.21	869.59
Cash and Cash Equivalents	2.18	65.27	271.10
Short Term Loan and Advances	2.19	15,282.14	10,241.11
Other Current Assets	2.20	107.24	114.24
		<b>120,456.21</b>	<b>115,073.30</b>

Significant Accounting Policies and Other Disclosures 1,3

As Per our Report Attached

For and on behalf of Board

For **Ishwar & Gopal**  
Chartered Accountants**K.V.Gopalakrishnayya**  
Partner  
M. No. 021748  
(Firm Regn. No. 01154S)  
Place : Bangalore  
Date : 4<sup>th</sup> September,2012**Nagesh Babu K.L.**  
Company Secretary  
M. No. 23325**Sai Ramakrishna Karuturi**  
Chairman & Managing  
Director**Anitha Karuturi**  
Wholetime Director



## Statement of Profit and loss account for the year ended 31.03.2012

Amount expressed in Indian Rupees in Lakhs unless otherwise stated

Particulars	Note	Year Ending 31-Mar-2012	Year Ending 31-Mar-2011
<b>Income</b>			
Revenue from Operations	2.21	2,210.59	3,179.68
Other Income	2.22	1,255.06	701.83
<b>Total Revenue</b>		<b>3,465.65</b>	<b>3,881.51</b>
<b>Expenses</b>			
Cost of Materials Consumed	2.23	37.31	57.09
Purchase of Stock-in Trade	2.24	888.03	1,669.64
Change in Inventory of Finished Goods, Work-in-Progress and Stock-in Trade	2.25	(6.73)	(67.05)
Employee Benefits Expense	2.26	193.89	227.37
Finance Costs	2.27	182.02	208.50
Depreciation and Amortisation Expenses	2.11	70.31	81.12
Other Expenses	2.28	846.99	609.39
<b>Total Expenses</b>		<b>2,211.82</b>	<b>2,786.06</b>
<b>Profit / (Loss) Before Tax</b>		<b>1,253.83</b>	<b>1,095.46</b>
<b>Tax Expense</b>			
Current Tax		124.56	71.15
Deferred Tax Charge / (Credit)		(14.44)	33.30
<b>Profit / (Loss) for the Year</b>		<b>1,143.71</b>	<b>991.01</b>
<b>Earning per Equity Share</b>			
Basic		0.14	0.17
Diluted		0.13	0.15

Significant Accounting Policies and Other Disclosures 1,3

As Per our Report Attached

For and on behalf of Board

For **Ishwar & Gopal**  
Chartered Accountants

**K.V.Gopalakrishnayya**  
Partner  
M. No. 021748  
(Firm Regn. No. 01154S)  
Place : Bangalore  
Date : 4<sup>th</sup> September, 2012

**Nagesh Babu K.L.**  
Company Secretary  
M. No. 23325

**Sai Ramakrishna Karuturi**  
Chairman & Managing  
Director

**Anitha Karuturi**  
Wholetime Director

## Cash Flow Statement For The Year Ended 31st March 2012.

Amount expressed in Indian Rupees in Lakhs unless otherwise stated

Particulars	31-Mar-2012	31-Mar-2011
<b>A. Cash Flows from Operating Activities</b>		
Profit before tax	1,253.83	1,095.46
<b>Net Cash Adjustment to reconcile profit before tax to net cash Flows</b>		
Depreciation /amortization on continuing operation	70.31	81.12
Loss/(Profit) on sale of Fixed Asset	228.89	(8.65)
Interest expense	182.02	205.10
Interest Income	(68.59)	(1.89)
Dividend Income	(7.16)	(37.86)
Provision for Employee benefits	2.80	-
<b>Operating Profit Before Working Capital Changes</b>	<b>1,662.10</b>	<b>1,333.28</b>
Movement In working Capital :		
Increase/(Decrease) in Current Liabilities	859.33	63.36
(Increase)/Decrease in Trade Receivables	(869.62)	892.02
(Increase)/Decrease in Inventories	(12.39)	(65.02)
(Increase)/Decrease in Other Current Assets	(5,114.61)	7,915.23
Cash Generated from/(used in operations)	(3,475.18)	10,138.86
Direct Taxes Paid (Net of refunds)	55.82	101.44
<b>Net Cash Flow from(used in ) Operating Activities (A)</b>	<b>(3,531.00)</b>	<b>10,037.42</b>
<b>B. Cash Flows from Investing Activities</b>		
Purchase of Fixed Assets Including intangible asset, CWIP and Capital Advances	(297.44)	(2,227.14)
Proceeds from sale of Fixed Asset	435.97	733.76
Proceeds of non current Investment	21.71	(148.27)
Purchase of non current Investment	(112.28)	(35,392.86)
Interest Received	68.59	1.89
Dividend Received	7.16	37.86
<b>Net Cash flow from(used in) Investing Activities (B)</b>	<b>123.71</b>	<b>(36,994.76)</b>
<b>C. Cash Flows from Financing Activities</b>		
Proceeds from Issuance of Share Capital	34.72	3,162.02
Proceeds from Issuance of Share Options	33.29	-
Proceeds from Securities Premium	715.28	42,468.00
Share warrants/ESOP received	2.98	(7,596.00)
(Increase )/ Decrease in Hedging Reserves	-	996.41
Increase / Decrease in Secured Loans	44.95	(6,569.94)
Increase / Decrease in Unsecured Loans	3,488.43	(4,596.67)
Interest Paid	(182.02)	(205.10)
Dividend Paid on equity Shares	(805.51)	(520.81)
Tax on Equity Dividend Paid	(130.66)	(89.36)
<b>Net Cash flow from/(used in ) Financing Activities (C)</b>	<b>3,201.46</b>	<b>27,048.55</b>
<b>Net Increase/(decrease) in Cash and Cash equivalents during the year (A+B+C)</b>	<b>(205.83)</b>	<b>91.21</b>
Effect of exchange difference on cash & cash equivalent held in foreign Currency		
Cash and Cash Equivalents at the beginning of the year	271.10	179.89
Cash and Cash Equivalents at the end of the Year	65.27	271.10
<b>Net Increase/(decrease) in Cash and Cash equivalents during the year</b>	<b>(205.83)</b>	<b>91.21</b>

As Per our Report Attached

For and on behalf of Board

For **Ishwar & Gopal**  
Chartered Accountants**K.V.Gopalakrishnayya**  
Partner  
M. No. 021748  
(Firm Regn. No. 01154S)  
Place : Bangalore  
Date : 4<sup>th</sup> September, 2012**Nagesh Babu K.L.**  
Company Secretary  
M. No. 23325**Sai Ramakrishna Karuturi**  
Chairman & Managing  
Director**Anitha Karuturi**  
Wholetime Director

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### 1.1 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.

#### 1.2 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.

#### 1.3 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.

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 Lease rentals are accounted on the basis of period of lease.

#### 1.4 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.

#### 1.5 Depreciation

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

#### 1.6 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.

## SIGNIFICANT ACCOUNTING POLICIES

### 1.7 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 31st March 2009 and amended from time to time 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 31st march 2020, by recognition as income or expenses in each such of the period.

### 1.8 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 as physically verified and certified by the management are valued at cost or market rate whichever is lower using the FIFO method. However agricultural produces are valued at net realisable value basis.

### 1.9 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.

### 1.10 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.

### 1.11 Borrowing Cost:

Borrowing costs including exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest cost, that are attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of cost of such asset till such time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred.

### 1.12 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.

### 1.13 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.

### 1.14 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.

### 1.15 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



## NOTES TO FINANCIAL STATEMENTS

### Note: 2.1 Share Capital

(Rs. In lakhs)

Particulars	31-Mar-2012	31-Mar-2011
<b>Authorised Capital</b> 11,00,000,000 (11,00,000,000) Equity shares of Re. 1/- each	11,000.00	11,000.00
<b>Subscribed, Issued and Paid Up:</b> 80,89,79,232(Previous year 80,55,07,010) Equity shares of Re. 1/- each fully paid up	8,089.79	8,055.07
<b>Total</b>	<b>8,089.79</b>	<b>8,055.07</b>

**a. Reconciliation of the Equity Shares outstanding at the beginning and at the end of the reporting period:**

Particulars	31-Mar-2012	31-Mar-2011
Number of Equity Shares outstanding at the beginning of the year	8,055.07	4,893.05
On Preferential Allotment	34.72	363.90
Conversion of Share warrants	-	2,187.00
Conversion of FCCB	-	125.53
Alloted against ESOP entitlement	-	8.59
Conversion of GDR	-	477.00
Number of Equity Shares outstanding at the end of the year	<b>8,089.79</b>	<b>8,055.07</b>

**b. Terms/rights attached to Equity Shares**

The company has only one class of Equity Shares having par value of Re 1 per Share. Each holder of Equity Shares is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the Annual General Meeting. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**c. The details of shareholder holding more than 5% Equity Shares are set below:**

Name of Shareholder	as at March 31,2012		as at March 31,2011	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Rays Global Corporation	4,10,00,000	5.07	4,10,00,000	5.09
Maxworth Investment Ltd	4,10,00,000	5.07	4,10,00,000	5.09
Emerging India Focus Funds	5,59,25,582	6.91	6,00,00,000	7.45
Elera India Opportunities Fund Ltd	6,10,57,000	7.55	6,10,57,000	7.58
India Focus Cardinal Fund	6,61,43,000	8.18	6,61,43,000	8.21
Simply Class Fashions Private Limited	6,80,00,000	8.41	6,80,00,000	8.44
Sai Ramakrishna Karuturi	6,88,20,880	8.51	6,88,20,880	8.54

## NOTES TO FINANCIAL STATEMENTS

(Rs. In lakhs)

### 2.2 RESERVE AND SURPLUS

Particulars	31-Mar-2012	31-Mar-2011
<b>General Reserve</b>		
Balance as per last balance sheet	787.59	787.59
<b>Capital Reserve</b>		
Balance as per last balance sheet	553.08	553.08
<b>Securities Premium Account</b>		
Opening Balance	77,857.96	-
Add: Received during the year	715.28	77,857.96
Add: Credit on account of reversal of GDR issue expenses	100.19	-
Less: FCCB Redemption Premium Prorata upto 31st March 2012 (Net of tax credit)	7,797.31	-
Closing Balance	<b>70,876.12</b>	<b>77,857.96</b>
<b>Share Options Outstanding Account</b>		
Opening Balance	-	-
Add: Amount Transferred during the year	52.53	-
Less: Deferred ESOP outstanding Account	19.24	-
Closing Balance	<b>33.29</b>	-
<b>Surplus / (Deficit) balance in the Statement of Profit and Loss</b>		
Opening Balance	2,460.01	2,405.18
Add : Profit for the Year	1,143.71	991.01
Less : Proposed Dividend on Equity Shares	-	805.51
Dividend Distribution Tax	-	130.67
Closing Balance	<b>3,603.72</b>	<b>2,460.01</b>
<b>Total</b>	<b>75,853.80</b>	<b>81,658.65</b>

### 2.3 Long Term Borrowings

	31-Mar-2012		31-Mar-2011	
	Non Current	Current	Non-Current	Current
<b>A. Secured Loans</b>				
Term Loans from Banks	1,480.11	123.98	1,484.83	262.20
NHB Soft Loan	-	125.04	108.00	-
<b>B. Unsecured</b>				
Foreign Currency Convertible Bonds (FCCB)	-	19,952.40	17,476.88	-
Loans and advance from related parties	3,635.74	-	3,000.31	-
<b>Total</b>	<b>5,115.85</b>	<b>20,201.42</b>	<b>22,070.02</b>	<b>262.20</b>
Less: Current maturities of long term debt disclosed under other current liabilities. (Refer Note 2.9)	-	20,201.42	-	262.20
<b>Net Long term Borrowings</b>	<b>5,115.85</b>	<b>-</b>	<b>22,070.02</b>	<b>-</b>

## NOTES TO FINANCIAL STATEMENTS

(Rs. In lakhs)

## A) Details of Secured Term Loan:

Sl. No	Name of Bank/ Financial Institution	Details of Security	Amount outstanding	Repayment Terms
1	National Horticulture Board, Bangalore	Equitable Mortgage Lease Hold Land, Bldg, Plant & Machinery at Doddababllapur	125.03	To be set off against deposits made by the Company grouped under Short Term Loans and Advances
2	ICICI Bank Ltd, Bangalore	Equitable Mortgage of office premises at 10th Floor Raheja Tower, M.G. Road, Bangalore	1,516.04	Quarterly 67 lakhs payable , ending on 10/02/2021
3	Dhanlaxmi Bank, Bangalore	Hypothecation of Vehicle	40.82	Quarterly 3 lakhs payable, ending on 15/03/2016
4	HDFC Bank, Bangalore	.....do.....	0.22	Quarterly 0.22 lakhs payable , ending on 06/06/2012
5	ICICI Bank Ltd, Bangalore	.....do.....	31.03	Quarterly 6 lakhs payable , ending on 01/08/2013
6	ICICI Bank Ltd, Bangalore	.....do.....	15.98	Quarterly 2lakhs payable , ending on 15/06/2014
	<b>Total</b>		<b>1,729.13</b>	

## B) Foreign Currency Convertible Bonds:

Particulars	
Issue Currency	USD
Issue Size	500 lakhs
Issue Date	12th Oct 2007
Maturity Date	19th Oct 2012
Coupon Rate	Zero Coupon
Yield to maturity-compounded semi annually	7.00%
Conversion Price post price reset.	Rs. 18.99 per Share
Fixed Exchange Rate of Conversion	Rs.39.73
Conversions as at 31st March 2012	\$ 110.00 lakhs
Conversions as at 31st March 2011	\$ 110.00 lakhs
Prorata premium on redemption provided for as on 31st March 2012	\$ 141.53 lakhs or 7805.38 lakhs
Prorata premium on redemption not provided for as on 31st March 2011 (Contingent liability on Probable non conversion)	\$ 123.56 lakhs or Rs. 5,536.83 lakhs
Mandatory Conversion Option	Yes

- Pro-rata Redemption Premium upto 31.03.2012 is provided by debiting Securities Premium Account.

## NOTES TO FINANCIAL STATMENTS

(Rs. In lakhs)

### C) Details of Term Liabilities from Related Parties:

Sl. No	Name of Person/ Company/ Institution	Repayment Terms	Long Term
1	Anitha Karuturi	Repayable in 2014-15	600.00
2	Sai Ramakrishna Karuturi	Repayable in 2014-15	500.00
3	Rhea Holding Pvt. Ltd	Repayable in 2014-15	2,535.74
	<b>Total</b>		<b>3,635.74</b>

### 2.4 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 31st March 2012 are as under:

Particulars	31-Mar-2012	31-Mar-2011
<b>Deferred Tax Assets:</b>		
Accrued Expenses deductible on payment basis	-	1.70
<b>Deferred Tax Liabilities:</b>		
Depreciation differences	(104.92)	(121.06)
<b>Net (Deferred Tax Liabilities)/Assets</b>	<b>(104.92)</b>	<b>(119.36)</b>

### 2.5 Other Long Term Liabilities

Particulars	31-Mar-2012	31-Mar-2011
Deposit received from a Subsidiary Company	350.00	350.00
<b>Total</b>	<b>350.00</b>	<b>350.00</b>

### 2.6 Long Term Provisions

Particulars	31-Mar-2012	31-Mar-2011
Gratuity Provision	8.32	7.16
Provision for Leave Encashment	3.26	2.47
<b>Total</b>	<b>11.58</b>	<b>9.63</b>

### 2.7 Short Term Borrowings

Particulars	31-Mar-2012	31-Mar-2011
<b>Secured</b>		
Working Capital Facilities from Banks	1,188.10	1,017.24
<b>Unsecured</b>		
Loans and advances from Related Parties	329.58	8.57
Inter Corporate Deposits	54.20	-
<b>Total</b>	<b>1,571.88</b>	<b>1,025.81</b>

## NOTES TO FINANCIAL STATEMENTS

(Rs. In lakhs)

Sl. No	Name of Bank/Financial Institution	Details of Security	Amount outstanding
1	Axis bank Limited	Pari passu charge on the current assets	1,188.10

**2.8 Trade Payables**

Particulars	31-Mar-2012	31-Mar-2011
Trade Payables		
- due to Micro, Small & Medium Enterprises	-	-
- others Creditors	273.83	118.91
<b>Total</b>	<b>273.83</b>	<b>118.91</b>

\* As per the information available with the Company.

**2.9 Other Current Liabilities**

Particulars	31-Mar-2012	31-Mar-2011
Current maturities of long term debt(Refer Note 2.3)	20,201.42	262.20
Interest accrued but not due	10.70	0.89
Unpaid dividends	33.20	24.60
Book Overdraft	11.14	-
Statutory remittances	58.59	150.28
Liabilities for expenses	73.30	156.66
Advance received from Customers	19.17	5.39
Expenses due to Subsidiaries	758.18	5.99
Other Payables	107.57	121.57
<b>Total</b>	<b>21,273.27</b>	<b>727.58</b>

**2.10 Short Term Provisions**

Particulars	31-Mar-2012	31-Mar-2011
Gratuity Provision	0.75	0.63
Provision for Leave Encashment	0.26	0.39
Provision for Redemption Premium on FCCB	7,805.38	-
Provision for Bonus	1.93	1.06
Proposed Dividend	-	805.51
Corporate Dividend Tax	-	130.67
<b>Total</b>	<b>7,808.31</b>	<b>938.27</b>



# NOTES TO FINANCIAL STATMENTS

(Rs. In lakhs)

## 2.11 FIXED ASSETS

Fixed Assets	Gross Block				Accumulated Depreciation				Net Block	
	As at 01-Apr-11	Additions	Disposals	As at 31-Mar-2012	As at 01-Apr-2011	Depreciation charge for the year	Deductions/ Other Adjustments	As at 31-Mar-2012	As at 31-Mar-2012	As at 31-Mar-2011
<b>Tangible Assets</b>										
Land-Freehold	188.36	1.52	-	189.87	-	-	-	-	189.87	188.36
Land- Leasehold	291.82	-	-	291.82	-	-	-	-	291.82	291.82
Buildings	2,296.79	211.04	-	2,507.32	74.11	4.50	-	78.62	2,429.21	2,222.67
Borewell	2.00	-	-	2.00	0.22	0.03	-	0.25	1.76	1.79
Greenhouse	1,050.07	-	698.53	351.55	223.72	15.64	96.69	142.67	208.87	826.35
Plant and Machinery	135.65	0.23	-	135.88	67.98	6.45	-	74.44	61.44	67.66
Plantation	318.24	-	-	318.24	127.30	-	-	127.30	190.94	190.94
Furniture and Fixtures	86.31	1.37	-	87.68	28.40	5.52	-	33.92	53.76	57.91
Computers	39.56	1.47	-	41.03	29.38	3.28	-	32.66	8.38	10.19
Vehicles	330.64	81.81	70.08	342.37	50.53	34.45	7.06	77.93	264.45	280.11
<b>Total</b>	<b>4,739.45</b>	<b>297.44</b>	<b>768.61</b>	<b>4,267.77</b>	<b>601.64</b>	<b>69.88</b>	<b>103.75</b>	<b>567.78</b>	<b>3,700.50</b>	<b>4,137.81</b>
Previous Year	3,297.70	2,225.93	784.61	4,739.02	580.58	80.57	59.50	601.65	4,137.37	2,717.12
<b>Intangible Assets</b>										
Web development	6.30	-	-	6.30	1.92	0.19	-	2.11	4.19	4.38
Computer software	1.50	-	-	1.50	0.22	0.24	-	0.46	1.04	1.28
<b>Total</b>	<b>7.80</b>	<b>-</b>	<b>-</b>	<b>7.80</b>	<b>2.14</b>	<b>0.43</b>	<b>-</b>	<b>2.57</b>	<b>5.23</b>	<b>5.66</b>
Previous Year	7.03	1.21	-	8.24	1.59	0.55	-	2.14	6.10	5.44

The title deeds in respect of Leasehold land acquired by the Company at a cost of Rs.291.82 lakhs are held in Trust in the name of an employee of a subsidiary Company. An irrevocable undertaking from him not to encumber or alienate the land has been recorded. As the Karnataka Land Reforms Act, prohibits ownership by persons other than individuals, he is holding the same as nominee of the Company.

## NOTES TO FINANCIAL STATEMENTS

(Rs. In lakhs)

## 2.12 Non Current investments

Particulars	31-Mar-2012	31-Mar-2011
<b>Investment in Subsidiaries</b>	98,334.72	98,212.56*
	<b>98,334.72</b>	<b>98,212.56</b>
<b>Investments in Government or Trust securities:</b>		
National Savings Certificate	0.01	0.01
	<b>0.01</b>	<b>0.01</b>
<b>Investments in Mutual Funds:</b>		
Kotak Mahindra Realty fund-HNI Fund	218.69	240.41
Axis Liquid Fund [NIL(988.939 units)]	-	9.88
	<b>218.69</b>	<b>250.29</b>
<b>Total</b>	<b>98,553.42</b>	<b>98,462.86</b>

\* Includes investment of Rs. 30 Lakhs in Florista India Private Limited which became subsidiary from 26.11.2011

	31-Mar-2012		31-Mar-2011		
INVESTMENTS	Face Value	No of Shares	Amount	No of Shares	Amount
<b>In Subsidiaries, Unquoted</b>					
Karuturi Overseas Ltd., Dubai, UAE	per share AED1	38,50,00,000	44,780.07	38,50,00,000	44,780.07
b)Advances*			52,071.09		52,071.09
Karuturi Telecom Pvt. Ltd	Rs 10	34,70,000	541.40	34,70,000	541.40
Karuturi Foods Pvt. Ltd	Rs 10	20,00,000	785.00	20,00,000	785.00
Karuturi Floritech Pvt. Ltd	Rs 10	50,000	5.00	50,000	5.00
Florista Pvt Ltd.	Rs 100	45,872	152.16	29,743	30.00
<b>Total</b>			<b>98,334.72</b>		<b>98,212.56</b>

\* Proposed to be converted into Capital.

## 2.13 Foreign Currency Monetary Translation Difference Account:

Particulars	31-Mar-2012	31-Mar-2011
As per last Balance Sheet	673.12	1,498.79
Less: Amortisation/Withdrawn During the year	673.12	825.67
<b>Total</b>	<b>-</b>	<b>673.12</b>

## 2.14 Long term loans and advances

Particulars	31-Mar-2012	31-Mar-2011
<b>Unsecured, Considered good</b>		
Advance to Subsidiaries	62.99	14.51
Prepaid Expenses	767.59	-
<b>Total</b>	<b>830.58</b>	<b>14.51</b>

## 2.15 Other Non Current Assets

Particulars	31-Mar-2012	31-Mar-2011
Security/Trade Deposits	16.74	139.81
<b>Total</b>	<b>16.74</b>	<b>139.81</b>

## 2.16 Inventories

Particulars	31-Mar-2012	31-Mar-2011
Raw Materials and components	8.92	3.27
Work-in-progress	128.43	99.07
Finished goods	16.27	22.41
Stock in Trade	2.26	18.74
<b>Total</b>	<b>155.87</b>	<b>143.49</b>

## NOTES TO FINANCIAL STATMENTS

(Rs. In lakhs)

### 2.17 Trade Receivables

Particulars	31-Mar-2012	31-Mar-2011
<b>Debts outstanding for Period Exceeding Six Months from the date it became due:(Unsecured)</b>		
Considered Good	141.09	404.27
Considered Doubtful	80.87	40.46
<b>Total</b>	<b>221.96</b>	<b>444.73</b>
Less: Provision for Doubtful Debts	80.87	40.46
	<b>141.09</b>	<b>404.27</b>
<b>Other debts</b>		
Unsecured, Considered Good	1,598.12	465.31
	<b>1,598.12</b>	<b>465.31</b>
<b>Total</b>	<b>1,739.21</b>	<b>869.59</b>

### 2.18 Cash & Cash Equivalents

Particulars	31-Mar-2012	31-Mar-2011
<b>Cash In Hand</b>	3.73	4.15
Balance with Banks		
Current Account	2.60	220.73
Fixed deposit	19.34	1.78
Margin Deposit	2.85	16.30
Unpaid Dividend Accounts	36.75	28.14
<b>Total</b>	<b>65.27</b>	<b>271.10</b>

### 2.19 Short term Loan and Advances

Particulars	31-Mar-2012	31-Mar-2011
<b>Unsecured, Considered Good</b>		
Advance to Subsidiaries	14,610.60	9,465.58
Advance to Staff	18.33	29.54
Advance For Purchases	27.66	209.20
Deposits	111.45	-
Prepaid Expenses	2.46	85.83
Advance Tax and TDS(Net of Provision)	511.64	450.96
<b>Total</b>	<b>15,282.14</b>	<b>10,241.11</b>

### 2.20 Other Current Assets

Particulars	31-Mar-2012	31-Mar-2011
Interest Accrued on Term Deposit	-	4.37
Subsidy/ Export Incentive Accrued	107.24	109.87
<b>Total</b>	<b>107.24</b>	<b>114.24</b>

## NOTES TO FINANCIAL STATEMENTS

(Rs. In lakhs)

## 2.21 Sales

Particulars	31-Mar-2012	31-Mar-2011
Sale of Agriculture Produce	1,136.77	1,562.17
Sale of Trading Products	1,073.83	1,616.06
Sale of Services	-	1.45
<b>Total</b>	<b>2,210.59</b>	<b>3,179.68</b>
<b>Details of Sale of Agriculture Produce:</b>		
Flowers	288.72	325.34
Plant & Plant Materials	848.05	1,236.83
<b>Total</b>	<b>1,136.77</b>	<b>1,562.17</b>

## 2.22 Other income

Particulars	31-Mar-2012	31-Mar-2011
Dividend from investments	7.16	35.71
Interest on Fixed deposits	1.77	1.89
Interest on Income tax refund	66.82	-
Lease Rental Income	13.00	63.00
Creditors Written Back	16.49	9.91
Miscellaneous Income	0.60	7.08
Subsidy/ Export Incentive	5.47	-
Exchange Gain	1,143.75	234.78
Profit on sale of Fixed Assets	-	8.65
Prior Period Income	-	340.81
<b>Total</b>	<b>1,255.06</b>	<b>701.83</b>

## 2.23 Cost of Material Consumed

Particulars	31-Mar-2012	31-Mar-2011
Planting Materials	37.31	57.09
<b>Total</b>	<b>37.31</b>	<b>57.09</b>

## 2.24 Purchases of Stock in Trade

Particulars	31-Mar-2012	31-Mar-2011
Purchase of Traded Goods	888.03	1,669.64
<b>Total</b>	<b>888.03</b>	<b>1,669.64</b>

## 2.25 Change in inventory of finished goods, work-in-progress and stock in trade

Particulars	31-Mar-2012	31-Mar-2011
<b>Opening stock</b>		
Finished goods	22.41	54.66
Work-in-progress-Plant & Plant Materials	99.07	18.52
Stock in Trade	18.74	-
<b>Total (A)</b>	<b>140.22</b>	<b>73.18</b>
<b>Less: Closing Stock</b>		
Finished goods	16.27	22.41
Work-in-progress-Plant & Plant Materials	128.43	99.07
Stock in Trade	2.26	18.74
<b>Total (B)</b>	<b>146.96</b>	<b>140.22</b>
<b>Change In Inventory of finished Goods, WIP C= (A-B)</b>	<b>(6.73)</b>	<b>(67.05)</b>

## NOTES TO FINANCIAL STATMENTS

(Rs. In lakhs)

Particulars	31-Mar-2012	31-Mar-2011
<b>Details of Opening Stock of Finished Goods:</b>		
Plant & Plant Materials	15.00	54.66
Flowers	7.41	-
<b>Total</b>	<b>22.41</b>	<b>54.66</b>
<b>Details of Closing Stock of Finished Goods:</b>		
Plant & Plant Materials	16.20	15.00
Flowers	0.07	7.41
<b>Total</b>	<b>16.27</b>	<b>22.41</b>

### 2.26 Employee Benefits expense

Particulars	31-Mar-2012	31-Mar-2011
Salary, Allowances and Termination Benefits	190.51	218.67
Staff Welfare Expenses	3.29	8.06
Contribution to Provident Fund	0.09	0.64
<b>Total</b>	<b>193.89</b>	<b>227.37</b>

### 2.27 Finance cost

Particulars	31-Mar-2012	31-Mar-2011
Interest on Term Loans	42.63	82.20
Interest on Working Capital Borrowings	29.23	58.22
Interest On Inter Corporate deposits	46.48	-
Interest on Others	12.87	0.36
Bank Charges	50.82	67.72
<b>Total</b>	<b>182.02</b>	<b>208.50</b>

- Borrowing Cost capitalized during the year under review in accordance with Accounting Standard (AS)-16 Rs. 201.91 Lakhs (Previous Year-Rs. 20.07 Lakhs).

### 2.28 Other expenses

Particulars	31-Mar-2012	31-Mar-2011
Advertisement Expenses	9.52	58.99
Auditors Remuneration	8.16	5.65
Provision for Bad Debts/Written Off	130.04	57.01
Business Promotion Expenses	5.76	16.95
Custodian & Exchange Listing Fees	19.01	17.38
Directors Sitting Fees	2.60	1.40
Freight, Clearing & Forwarding Charges	152.45	93.06
General Expenses	90.81	64.28
Green House Maintenance	0.24	0.12
Insurance	19.28	11.51
Professional charges & Membership Fee	36.59	87.27
Power Charges	17.76	20.91
Printing & Stationery	5.82	8.53
Rates & Taxes	15.44	21.55
Rent	6.06	16.25
Repairs & Maintenance - Building	0.10	1.71
Repairs & Maintenance - Machinery	2.78	4.22
Repairs & Maintenance - Others	9.20	7.96
Communication Expenses	26.14	26.00
Traveling and conveyance	41.69	59.60
Subsidy reversal	-	20.25
Vehicle Maintenance	11.10	8.80
Loss on Sale of Asset	228.89	-
Prior Period Expenses	7.53	-
<b>Total</b>	<b>846.99</b>	<b>609.39</b>



## NOTES TO FINANCIAL STATEMENTS

(Rs. In lakhs)

### Break up of Auditors Remuneration:

Particulars	31-Mar-2012	31-Mar-2011
Statutory Audit Fees	6.00	3.00
Taxation matters	2.02	0.70
Consultancy and Tax matters	-	1.55
Reimbursement of expenses	0.14	0.40
<b>Total</b>	<b>8.16</b>	<b>5.65</b>

### 3. Other Disclosures:

#### 3.1 Contingent liabilities and Commitments (to the extent not provided for)

Particulars	31-Mar-2012	31-Mar-2011
<b>Contingent Liabilities</b>		
Disputed Income Tax Dues (as detailed below)	8,349.66	719.00
Disputed Service Tax Dues	172.62	172.62
Disputed Entry Tax	2.50	2.50
Corporate Guarantees given to Bank against borrowing by the Subsidiaries	49,621.80	19,294.00
<b>Commitments</b>		
Estimated amount of contracts remaining to be executed on capital account and not provided for (Capital commitments)	-	405.00

- a) The Company has received a demand for Rs 8349.66 Lakhs for Assessment year 2008-2009 due to certain additions and disallowances made by the Assessing Authorities. The same has been disputed by the Company before the Appellate Authorities and is confident of obtaining a favorable response in the appeal.
- b) The Commissioner of Appeals Bangalore upheld the contention of the Company relating to a demand of Rs 719.00 Lakhs for the Assessment Year 2006-2007 made by the Assessing Authorities and deleted the additions and hence demand. The department has filed an appeal contesting the decision of the Commissioner of Appeals Bangalore before the Income Tax Tribunal Bangalore

#### 3.3 Expenditure in foreign currency

Particulars	31-Mar-2012	31-Mar-2011
Membership & Subscription Charges	Nil	2.43
Statutory & Listing Fees	Nil	13.44
GDR Issue Expenses	Nil	527.62
Travelling expense	4.75	7.51

## NOTES TO FINANCIAL STATMENTS

(Rs. In lakhs)

### 3.3 Value of imported and indigenous raw materials, spare parts and components consumed

Particulars	31-Mar-2012		31-Mar-2011	
	Rs.	%	Rs.	%
<b>Rawmaterials</b>				
Imported	Nil	Nil	1.60	0.09
Indigenous	37.31	100	55.49	99.91
<b>Total consumption</b>	<b>37.31</b>	<b>100%</b>	<b>57.09</b>	<b>100%</b>

### 3.4 Dividend remitted in foreign currency

Particulars	31-Mar-2012	31-Mar-2011
Amount of Dividend remitted in foreign currency	13,262.52	105.42
Total number of non-resident shareholders	4	3
Total no. of shares held by them on which dividend was due	13,26,25,21,000	10,54,16,330
Year to which dividend relates	2010-11	2009-10

### 3.5 Earnings in foreign currency

Particulars	31-Mar-2012	31-Mar-2011
Export of goods calculated on F.O.B. basis	2101.09	2201.39
Other income (Lease rental income)	10	60

### 3.6 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	31-Mar-2012	31-Mar-2011
Present value of obligation as at the Beginning of the period (1st April 2011)	7.79	5.22
Acquisition Adjustment	Nil	Nil
Interest Cost	0.66	0.42
Past Service Cost	Nil	Nil
Current Service Cost	1.54	2.41
Curtailment Cost	Nil	Nil
Settlement Cost	Nil	Nil
Benefits Paid	Nil	Nil
Actuarial (gain)/loss on obligation	(0.93)	(0.25)
Present Value of Obligation as at the end of period (31st March 2012)	9.06	7.79

## NOTES TO FINANCIAL STATEMENTS

(Rs. In lakhs)

### 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	31-Mar-2012	31-Mar-2011
Present Value of obligation as at the end of the period	9.06	7.79
Fair Value of plan assets as at the end of the period	Nil	Nil
Funded Status	(9.06)	(7.79)
Excess of actual over estimated	Nil	Nil
Unrecognized actuarial (gains) / losses	Nil	Nil
Net Asset/(Liability) recognized in balance sheet	(9.06)	(7.79)

### Expense recognized in the statement of profit and loss:

Particulars	31-Mar-2012	31-Mar-2011
Current Service Cost	1.54	2.41
Past Service Cost	Nil	Nil
Interest Cost	0.66	0.42
Expected return on plan assets	Nil	Nil
Curtailment cost	Nil	Nil
Settlement cost	Nil	Nil
Net actuarial (gain) / loss recognized in the period	(0.93)	(0.25)
Expenses recognized in the statement of profit and loss under employee costs	1.27	2.57

### Economic Assumptions:

Particulars	Percentage	Percentage
Discounting Rate	8.05%	8.05%
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 (%)
	Up to 30 years	3.00%
Age	From 31 to 44 years	2.00%
	Above 44 years	1.00%

## NOTES TO FINANCIAL STATEMENTS

(Rs. In lakhs)

### 3.7 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.	60,00,000 (60,00,000)
Number of Options vested till 31.3.2012	55,88,500 (55,88,500)
Method of Accounting	Intrinsic Value
Vesting Plan	Graded vesting over 12 year period from the date of grant.
Exercise Period	12 years from the date of grant.
Grant Date	17th August 2007
Grant Price (Rs. Per Share)	Re.1/- per Share
Market Price on the Date of Grant of Option (Rs.)	Rs.4.13 (Rs.15.73)
Exercise Price of the Option (Rs.)	Re.1/- (Re.1/-)
Expected life of Option	12 years

#### 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	Nil (19,31,666)
Excised during the year	7,47,416 (8,58,666)
Lapsed during the year	Nil (Nil)
Options Outstanding at the end of the year	16,78,334 (Nil)
Options Unvested at the end of the year	4,11,500 (4,11,500)
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.4.31

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.

## NOTES TO FINANCIAL STATEMENTS

(Rs. In lakhs)

Particulars	31-Mar-2012	31-Mar-2011
Net Profit (As reported)	1,143.71	991.01
Add: Compensation Expenses under ESOP included in the Net Profit	33.29	79.41
Less: Compensation Expenses under ESOP as per Fair Value	10.48	79.69
Net Profit (Fair Value Basis)	1,166.52	991.01
Basic Earnings Per Share (As Reported) – Rs./Share	0.14	0.17
Basic Earnings Per Share (Fair Value Basis) – Rs./Share	0.14	0.17
Diluted Earnings Per Share (As Reported) – Rs./Share	0.13	0.15
Diluted Earnings Per Share (Fair Value Basis) – Rs./Share	0.13	0.15

**3.8 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	31-Mar-2012	31-Mar-2011
a) Net Profit for Basic Earnings Per Share as per Profit and Loss A/c	1143.71	991.01
b) Weighted average number of equity shares for Earnings Per Share computation:		
(i) Number of Equity Shares at the beginning of the year	80,68,29,308	57,39,65,405
(ii) Number of Shares allotted during the year	80,55,07,010	48,93,05,325
(iii) Weighted average shares allotted during the year	34,72,222	31,62,01,685
(iv) Number of potential equity shares	13,22,298	8,46,60,080
(v) Weighted Average for:	82,93,6415	81,593,997
- Basic Earnings Per Share	80,68,29,308	573,965,405
- Diluted Earnings Per Share	88,97,65,723	65,55,59,402
c) Earnings Per Share – Before Extra-ordinary Items		
- Basic (Rs.)	0.14	0.17
- Diluted (Rs.)	0.13	0.15
d) Earnings Per Share – After Extra-ordinary Items		
- Basic (Rs.)	0.14	0.17
- Diluted (Rs.)	0.13	0.15
d) Face Value Per Share	Re 1/-	Re.1/-



## NOTES TO FINANCIAL STATMENTS

### 3.9 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 given below.

Name of Party	Nature of relationship
Sai Ramakrishna Karuturi	KMP
Anitha Karuturi	--Do--
Anitha Reality Private Limited	KMP interested company.
Rhea Holding Limited	--Do--
Horticulture Synergies	KMP Interested Firm
Karuturi Telecom Pvt Ltd	Wholly Owned Subsidiary.
Karuturi Foods Pvt. Ltd.,	--Do--
KaruturiFloritech Pvt. Ltd.,	--Do--
Karuturi Overseas Limited	--Do--
Florista India Private Limited	Subsidiary with effect from 26-11-2011
Karuturi Flower Express Pvt. Ltd.,	Step down Subsidiary
Ethiopia Meadows Plc	--Do--
Flower Xpress FZE	--Do--
Yashoda Investment Limited	--Do--
Surya Holding Limited	--Do--
Karuturi Limited	--Do--
Karuturi Hospital Limited	--Do--
Rhea Holdings Limited	--Do--
Karuturi Sports Limited	--Do--
Karuturi Agro Products PLC	--Do--
Surya Blossoms PLC	--Do--
Shiv pack PLC	--Do--

(KMP = Key Management Person).

**NOTES TO FINANCIAL STATMENTS**

(Rs. In lakhs)

- 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: (Negative Figures indicates credit balance).

<b>KMP</b>					
Name	Year	Opening Balance	Taken	Repaid	Closing Balance
Sai Ramakrishna Karuturi	2011-12	-3.09	854.80	231.16	-626.73
	2010-11	-0.65	233.38	230.94	-3.09
Anitha Karuturi	2011-12	-5.98	1,058.53	311.67	-752.84
	2010-11	-10.90	521.60	526.51	-5.98

<b>KMP Interersted Company</b>					
Name	Year	Opening Balance	Taken	Repaid	Closing Balance
Rhea Holdings Private Ltd.	2011-12	2,935.15	361.41	12.00	3,284.55
	2010-11	3,432.05	496.90	-	2,935.15

<b>KMP Interersted Firm</b>					
Name	Year	Opening Balance	Taken	Repaid	Closing Balance
Horticulture Synergies	2011-12	299.79	36.79	299.79	36.79
	2010-11	-51.20	496.14	145.15	299.79

**Subsidiaries/Step subsidiaries**

Name	Year	Sale	Lease Rental Income	Expenses	Loan Taken	Loan Repaid	Opening	Closing
Karuturi Telecom Pvt. Ltd.	2011-12	-	-	-	208.96	98.26	182.07	71.38
	2010-11	-	-	-	1,514.57	1,717.12	-20.48	182.07
Karuturi Foods Pvt. Ltd.	2011-12	-	3.00	-	935.70	924.93	615.67	604.90
	2010-11	-	3.00	-	1,283.58	1,927.55	-28.29	615.67
Karuturi Floritech Pvt. Ltd.	2011-12	-	-	-	1.62	2.79	-5.99	-4.81
	2010-11	-	-	-	15.57	18.82	-9.23	-5.99
Karuturi Overseas Ltd. (Flower Xpress FZE)	2011-12	-	-	55.06	-	6.58	14.51	76.14
	2010-11	-	-	132.42	81.02	-	-36.90	14.51
Ethiopia Meadows Plc	2011-12	-	10.00	679.70	1,206.33	863.54	-1,083.44	-746.53
	2010-11	146.04	60.00	60.66	21.02	-	-1,269.12	-1,083.44
Karuturi Agro Products Plc	2011-12	-	-	107.17	3,455.93	-	1,868.12	-1,480.64
	2010-11	1,519.35	-	733.32	842.35	-	457.81	1,868.12
Surya Blossoms Plc	2011-12	-	-	-	576.01	-	307.47	-268.54
	2010-11	728.30	-	-	612.34	-	191.51	307.47
Karuturi Flower	2011-12	-	-	-	18.76	13.71	50.31	45.25
Express Pvt. Ltd.	2010-11	10.48	-	-	22.26	48.61	13.47	50.31
Florista India Pvt. Ltd	2011-12	-	-	25.38	27.93	-	2.55	-
	2010-11	2.24	-	2.55	2.24	30.00	-	32.55

**3.10** Forward contracts entered into by the Company and outstanding as at 31st March, 2012 amount to 1023.12 (Previous year; Nil ).

Considering the Fluctuation occurred subsequent to the year ending in Foreign Currency, notional Income arising on account of computation of mark to market liability of Forward Contract as on 31st March, 2012 is not recognized.

**3.11 Lease Particulars:**

Assets given on lease to Subsidiaries are as under;.

- i) Written down value of fixed assets given on operating lease to its subsidiaries ( net of depreciation) is 208.87 (286.35 )
- ii) Depreciation recognized against assets given on lease is 15.64 (61.14)
- iii) The lease rental income for the year is 13(63)

**3.12** Previous Years' Figures haven been reworked, regrouped, re-arranged and re-classified wherever necessary.

For **Ishwar & Gopal**  
Chartered Accountants

**K.V.Gopalakrishnayya**  
Partner  
M. No. 021748  
(Firm Regn. No. 01154S)  
Place : Bangalore  
Date : 4<sup>th</sup> September,2012

**Nagesh Babu K.L.**  
Company Secretary  
M. No. 23325

**Sai Ramakrishna Karuturi**  
Chairman & Managing  
Director

**Anitha Karuturi**  
Wholetime Director

## Auditor's 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 2012, 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. 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 of our opinion.
3. We did not audit the financial statements of some of the subsidiaries included in the consolidated financial statements, whose financial statements reflect the total assets of Rs. 2,30,422.59 Lakhs as at 31.03.2012 ( Previous Year Rs 1,27,178.12 Lakhs) and total revenue from operations for the year ended 31.03.2012 amounting to Rs.53,970.76 Lakhs (Previous Year Rs 61,405.16 Lakhs). These financial statements and other related financial information, except that of one subsidiary Company, have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of the said auditors. We further report that financial statements relating to a subsidiary Company with total assets (excluding investment in its subsidiaries) of Rs 13,499.75 Lakhs as at 31st March 2012 and total revenue from operations for the year ending 31st march 2012 amounting to Rs 2,306.34 Lakhs, as certified by the management have been furnished to us, and in our opinion, in so far it relates to the amounts included in the consolidated accounts, are based solely on the said certified financial statements.
4. Without qualifying our opinion, we draw attention to:
  - (i) Note 3.9 of notes to the consolidated financial statements, regarding change in the method of computation of depreciation on fixed assets of foreign subsidiaries resulting in withdrawal of depreciation provision relating to prior years to the extent of Rs 4469.16 Lakhs by crediting to profit and loss account as an exceptional item. Further if the change has not been done the depreciation would have been higher by Rs 2641.00 Lakhs for the year under review. Consequently, profit for the year and reserves and surplus and net asset value would have been lower by the corresponding amounts.
  - (ii) Note 3.10 of notes to the consolidated financial statements relating to extraordinary loss of Rs 3,906.67 Lakhs. The bifurcation whether normal or extraordinary expenses is based solely on the management certification of the same.
5. The auditors report on subsidiary Companies whose audited financial statements we have relied on as stated in paragraph 3 above reported non amortization of leasehold land for the year under review and withdrawal of amortization made during the prior years due to which profit for the year and net asset value is overstated by Birr 154.65 Lakhs ( Approximately Rs 442.08 Lakhs)
6. We report that the consolidated financial statement 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 auditor on separate financial statements and other financial information and to the best of our information and according to the explanation 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 Karuturi Group as at 31.03.2012.
- ii. in the case of consolidated profit and loss account, of the profit of the Karuturi Group for the year ended on the 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: Bangalore  
Date : 4<sup>th</sup> September, 2012



**Consolidated Balance Sheet as at 31st March 2012**

Amount expressed in Indian Rupees in Lakhs unless otherwise stated

Particulars	Note	31-Mar-12	31-Mar-11
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share Capital	2.1	8,089.79	8,055.07
Reserves and Surplus	2.2	140,333.74	12,863.84
Money Received against Share Warrants/ESOP		2.98	
<b>Minority Interest</b>		22.66	-
<b>Non-Current Liabilities</b>			
Long-term borrowings	2.3	17,834.00	26,047.00
Deferred Tax Liabilities (Net)	2.4	74.51	-
Other Long Term Liabilities	2.5	2,130.91	1,982.09
Long Term Provisions	2.6	21.48	18.98
<b>Current Liabilities</b>			
Short-Term Borrowings	2.7	22,096.72	30,144.37
Trade Payables	2.8	7,003.08	3,451.77
Other Current Liabilities	2.9	30,828.44	5,601.11
Short term Provisions	2.10	8,967.11	948.08
		<b>237,405.42</b>	<b>200,112.31</b>
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Goodwill on Consolidation (Net)	2.11	3,794.73	11,270.26
Fixed Assets			
- Tangible Assets	2.11	186,435.49	121,099.20
- Intangible Assets	2.11	46.90	15.01
- Capital Work in Progress	2.11	16,916.46	15,653.83
Non Current Investments	2.12	219.43	280.41
Deferred Tax Assets (Net)		-	16.80
Foreign currency Monetary Translation Reserve			673.12
Long Term Loans and Advances	2.13	2,390.26	1,123.96
Other Non Current Assets	2.14	54.13	520.15
<b>Current Assets</b>			
Inventories	2.15	3,464.32	3,772.13
Trade Receivables	2.16	8,695.73	13,008.91
Cash and Cash Equivalents	2.17	3,616.31	21,948.72
Short Term Loan and Advances	2.18	11,282.92	3,661.06
Other Current Assets	2.19	488.74	7,068.74
		<b>237,405.42</b>	<b>200,112.31</b>

Significant Accounting Policies and Other Disclosures 1,3

As Per our Report Attached

For and on behalf of Board

For **Ishwar & Gopal**  
Chartered Accountants

**K.V.Gopalakrishnayya**  
Partner  
M. No. 021748  
(Firm Regn. No. 01154S)  
Place : Bangalore  
Date : 4<sup>th</sup> September, 2012

**Nagesh Babu K.L.**  
Company Secretary  
M. No. 23325

**Sai Ramakrishna Karuturi**  
Chairman & Managing  
Director

**Anitha Karuturi**  
Wholetime Director

## Consolidated Profit and loss account for the year ended 31.03.2012

Amount expressed in Indian Rupees in Lakhs unless otherwise stated

Particulars	Note	Year Ending 31-Mar-12	Year Ending 31-Mar-11
<b>Income</b>			
Revenue from Operations	2.20	56,304.67	63,872.65
Other Income	2.21	3,786.23	1,022.54
<b>Total Revenue</b>		<b>60,090.91</b>	<b>64,895.19</b>
<b>Expenses</b>			
Cost of Materials Consumed	2.22	21,374.16	21,329.25
Purchase of Stock-in Trade		141.04	394.09
Change in Inventory of Finished Goods, Work-in-Progress and Stock-in Trade	2.23	(355.01)	(272.52)
Employee Benefits Expense	2.24	4,422.87	5,964.15
Finance Costs	2.25	1,257.78	1,736.60
Depreciation and Amortisation Expenses	2.11	3,867.98	6,186.55
Other Expenses	2.26	14,193.40	13,921.71
<b>Total Expenses</b>		<b>44,902.22</b>	<b>49,259.84</b>
Profit / (Loss) Before Exceptional and Extraordinary Items and Tax		<b>15,188.69</b>	<b>15,635.35</b>
Exceptional Items		(4,469.16)	-
<b>Profit / (Loss) Before Extraordinary Items and Tax</b>		<b>19,657.85</b>	<b>15,635.35</b>
Extraordinary Items		3,906.68	-
<b>Profit / (Loss) Before tax</b>		<b>15,751.17</b>	<b>15,635.35</b>
<b>Tax expense</b>			
Current Tax		139.62	104.61
Deferred Tax Charge / (Credit)		(17.08)	33.30
<b>Profit / (Loss) for the Year</b>		<b>15,628.63</b>	<b>15,497.45</b>
Transfer to Minority Interest		3.68	-
<b>Profit / (Loss) for the period</b>		<b>15,632.31</b>	<b>15,497.45</b>
<b>Earning per Equity Share</b>			
Basic		1.94	1.92
Diluted		1.76	1.74

Significant Accounting Policies and Other Disclosures 1,3

As Per our Report Attached

For and on behalf of Board

For **Ishwar & Gopal**  
Chartered Accountants

**K.V.Gopalakrishnayya**  
Partner  
M. No. 021748  
(Firm Regn. No. 01154S)  
Place : Bangalore  
Date : 4<sup>th</sup> September, 2012

**Nagesh Babu K.L.**  
Company Secretary  
M. No. 23325

**Sai Ramakrishna Karuturi**  
Chairman & Managing  
Director

**Anitha Karuturi**  
Wholetime Director

**Consolidated Cash Flow Statement For The Year Ended 31st March 2012.**

Amount expressed in Indian Rupees in Lakhs unless otherwise stated

Particulars	31-Mar-2012	31-Mar-2011
<b>A. Cash Flows from Operating Activities</b>		
Profit before tax	15,751.17	15,635.00
Less : Exceptional items -being withdrawal of Depreciation	4,469.16	-
Add : Extra Ordinary Items	3,906.68	-
Profit before tax and extra ordinary items and minority interest	15,188.69	15,635.00
<i>Net Cash Adjustment to reconcile profit before tax to net cash Flows</i>		
Minority Interest	18.98	-
Depreciation /amortization on continuing operation	3,867.98	6,186.55
(Loss)/Profit on sale of Fixed Asset	231.36	(8.65)
Interest expense	958.34	762.46
Interest Income	(250.76)	(35.94)
Dividend Income	(7.16)	(4.65)
<i>Operating Profit Before Working Capital Changes</i>	20,007.44	22,534.77
<i>Movement In working Capital :</i>		
Increase/(Decrease) in Current Liabilities	5,216.84	1,887.57
(Increase)/Decrease in Inventories	307.81	(2,037.47)
(Increase)/Decrease in Trade Receivables	(4,567.56)	(13,717.12)
(Increase)/Decrease in Other Current Assets	7,046.03	(0.58)
<i>Cash Generated from/(used in operations)</i>	28,010.56	8,667.17
Direct Taxes Paid (Net of refunds)	(146.36)	118.48
<b>Net Cash Flow from(used in) Operating Activities before extra ordinary items</b>	28,156.93	(0.58)
Extraordinary items	3,906.68	
<b>Net Cash Flow from(used in ) Operating Activities after extra ordinary items</b>	24,250.24	8,548.69
<b>B. Cash Flows from Investing Activities</b>		
Purchase of Fixed Assets Including intangible asset, Capital Work in Progress	(68,250.60)	(36,708.56)
Proceeds from sale of Fixed Asset	4,672.01	7,642.35
Proceeds of non current Investment		
Purchase of non current Investment	60.98	(148.21)
(Increase )/ Decrease in Foreign Currency Difference Account	673.12	825.68
Increase / (Decrease) in Foreign Currency Translation Reserve	4,822.86	(6,002.50)
(Increase) / Decrease in Goodwill	7,478.51	(5,129.16)
Interest Received	250.76	35.94
Dividend Received	7.16	4.65
<b>Net Cash flow from(used in) Investing Activities</b>	(50,285.20)	(39,479.81)
<b>C. Cash Flows from Financing Activities</b>		
Proceeds from Issuance of Share Capital	34.72	2,529.02
Share Issue Expenses	100.19	(527.68)
Proceeds from Issuance of Share Warrants / ESOPs	2.98	-
Proceeds from Issuance of Share Options	33.29	-
Proceeds from Securities Premium	715.28	34,050.45
Share warrants received		
Increase / Decrease in Secured Loans	3,400.74	15,302.64
Increase / Decrease in Unsecured Loans	5,309.95	(3,421.71)
Redemption of FCCB		
Interest Paid	(958.34)	(762.46)
Dividend Paid on equity Shares	(936.18)	(610.17)
Tax on Equity Dividend Paid		
<b>Net Cash flow from(used in ) Financing Activities</b>	7,702.64	46,560.09
<i>Net Increase/(decrease) in Cash and Cash equivalents during the year (A+B+C)</i>	(18,332.32)	15,628.97
Effect of exchange difference on cash & cash equivalent held in foreign Currency		
Cash and Cash Equivalents at the beginning of the year	21,948.72	6,319.75
<b>Cash and Cash Equivalents at the end of the Year</b>	3,616.31	21,948.72
Net Increase/(decrease) in Cash and Cash equivalents during the year	(18,332.41)	43,897.44

As Per our Report Attached

For and on behalf of Board

For **Ishwar & Gopal**

Chartered Accountants

**K.V.Gopalakrishnayya**

Partner

M. No. 021748

(Firm Regn. No. 01154S)

Place : Bangalore

Date : 4<sup>th</sup> September,2012**Nagesh Babu K.L.**

Company Secretary

M. No. 23325

**Sai Ramakrishna Karuturi**

Chairman &amp; Managing

Director

**Anitha Karuturi**

Wholetime Director

## 1. SIGNIFICANT ACCOUNTING POLICIES TO THE CONSOLIDATED ACCOUNTS

### 1.1 Basis of Accounting:

The consolidated financial statements relate to Karuturi Global Ltd ('the Company') and its wholly owned subsidiaries together refer to as 'Karuturi Group' or 'Group'. The Financial Statements of the group are prepared under historical cost convention, except for the revaluation of certain fixed assets, 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'). The Accounting policies have been consistently applied, and the accounting policies not referred to otherwise, are in conformity with the Indian Generally Accepted Accounting Principles ('Indian GAAP').

The preparation of the financial statements in conformity with the Indian GAAP requires the management to 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.

The accounts of Indian subsidiaries have been prepared in compliance with the Accounting Standard as notified by the Companies (Accounting Standards) Rules, 2006 as amended ('the Rules') and the relevant provisions of the Companies Act, 1956 ('the Act') and those of the foreign subsidiaries have been prepared in compliance with the local laws and applicable accounting standards. Necessary adjustments for differences in accounting policies, wherever applicable, have been made in the consolidated financial statements.

### 1.2 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 of invoicing.

Export sales are accounted at the exchange rate prevailing on the date of sale.

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 Lease rentals are accounted on the basis of period of lease.

### 1.3 Fixed Assets

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

The Bio-logical assets of step down subsidiaries situated in Kenya are revalued based on valuation report from Registered Valuers in Kenya.

### 1.4 Depreciation (Refer Note No: 3.9)

- a) Depreciation on fixed assets except for foreign subsidiaries 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.
- b) Depreciation on biological assets is made to the extent the carrying cost exceeds the realizable/fair value of such assets.

## SIGNIFICANT ACCOUNTING POLICIES TO THE CONSOLIDATED ACCOUNTS

### 1.5 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.

### 1.6 Goodwill on consolidation

Goodwill represents the difference between the Group's share in the net worth of a subsidiary and the cost of acquisition. For this purpose, the Group's share of net worth is determined on the basis of the latest financial statements prior to the acquisition after making necessary adjustments for material events between the date of such financial statements and the date of respective acquisition. Capital Reserve on consolidation represents negative goodwill arising on consolidation.

Goodwill arising out of acquisition of equity stakes in a subsidiary is amortized in equal amounts over a period of ten years.

### 1.7 Borrowing Cost :

Borrowing costs including exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest cost, that are attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of cost of such asset till such time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred.

### 1.8 Foreign Currency Transactions:

Foreign currency transactions are generally recorded at the prevailing rate on the date of the transaction. Gain or losses on settlement of the transaction are accounted under appropriate heads in the Profit and Loss Account. Monetary assets and liabilities denominated in foreign currency are restated at the rates of exchange as on the Balance Sheet date and exchange gain/loss is suitably dealt with in the Profit and Loss Account.

The assets and liabilities of foreign subsidiaries whose operations are of non-integral nature are translated at the closing exchange rates, the items of income and expense of foreign subsidiaries are translated at average exchange rate and resulting exchange difference are classified as cumulative translation adjustment and debited / credited to Foreign Currency Translation Reserve until the disposal of such operations.

### 1.9 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 as physically verified and certified by the management are valued at cost or market rate whichever is lower using the FIFO method however agricultural products are valued at net releasable value basis.

### 1.10 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 and its Indian subsidiaries provide 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.

Retirement benefits in respect of foreign subsidiaries are provided as required by the local laws.



**1.11 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.

**1.12 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 includes that of potential conversions from FCCB to equity and vested Employee Stock Option Plan outstanding during the year.

**1.13 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.

**1.14 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.

**1.15 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

**1.16 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

**SIGNIFICANT ACCOUNTING POLICIES TO THE CONSOLIDATED ACCOUNTS**

the case may be. Goodwill is amortized in phased manner based on impairment test. During the year under review Rs. 575.94 lakhs is amortized (Previous year Rs 1,424.08 Lakhs ).

- d) The enterprises considered in the consolidated financial statement are:

<b>Name of Enterprises.</b>	<b>Country of Incorporation</b>	<b>Voting power held as at 31st March 2012</b>	<b>Voting power as at 31st March 2011 by the holding company</b>
Karuturi Telecom Pvt Limited	India	100%	100%
Karuturi Foods Pvt Limited	India	100%	100%
Florista India Pvt Limited *	India	52.99%	NIL
Karuturi Floritech Pvt Limited	India	100%	100%
Karuturi Overseas Ltd., (Consolidated)	UAE	100%	100%

\*Subsidiary with effect from 26th November,2011

- e) Subsidiaries and step down subsidiaries of Karuturi Overseas Limited, an 100% subsidiary of the Company as on 31st March 2012 are:

<b>Name of Enterprises.</b>	<b>Country of Incorporation</b>	<b>Name of the Holding Company</b>	<b>Voting power held as at 31st March 2012</b>
Flower Xpress FZE	UAE	Karuturi Overseas Limited.,	100%
Ethiopia Meadows PLC	Ethiopia	Karuturi Overseas Limited.,	100%
Yashoda Investment 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 Sports Limited	Kenya	Flower Xpress FZE	100%
Karuturi Agro Products PLC	Ethiopia	Ethiopia Meadows PLC	100%
Surya Blossoms PLC	Ethiopia	Ethiopia Meadows PLC	100%
Shiva Packs PLC	Ethiopia	Ethiopia Meadows PLC	100%

- f) Karuturi Flower Express Private Limited is a 100% subsidiary of Florista India Private Limited.
- g) The following step down subsidiaries are not considered for consolidation as there are no assets are held /liabilities payable by these Companies and no transactions are carried out.
- (i) Gambella Green Valley (Subsidiary of Ethiopian Meadows Plc)
  - (ii) Karuturi Greens and Marketing Private Limited (Subsidiary of Karuturi Foods Pvt Ltd)
  - (iii) Karuturi Vegproducts Private Limited (Subsidiary of Karuturi Foods Pvt Ltd)
  - (iv) Karuturi Farm Fresh Products Private Limited (Subsidiary of Karuturi Foods Pvt Ltd)
- h) Till the financial year ending 31st March, 2011, for consolidating foreign subsidiary accounts, a consolidated accounts of Karuturi Overseas Limited ( the holding Company of all foreign subsidiary Companies) as at the end of the financial year is prepared as per AS 21- Consolidated Financial Statements aligning accounting policies of all the foreign subsidiary Companies with those of the Company. These Consolidated accounts are adopted by the Board of Directors of Karuturi Overseas Limited, are audited by an independent Chartered Accountant and considered for consolidation. Audited accounts of all the subsidiary companies as at the end of the financial year is considered for consolidation for the year under review except financial statements of Ethiopia Meadows PLC. The financials of Ethiopia Meadows PLC certified by the management is considered for consolidation.

**Amount expressed in Indian Rupees in Lakhs unless otherwise stated**

<b>2.1 Share Capital</b>		
<b>Particulars</b>	<b>31-Mar-2012</b>	<b>31-Mar-2011</b>
Authorised Capital 11,00,000,000 (11,00,000,000) Equity shares of Re.1/- each	11,000.00	11,000.00
Subscribed, Issued and Paid Up: 80,89,79,232(Previous year 80,55,07,010) Equity shares of Re.1/- each fully paid up	8,089.79	8,055.07
<b>Total</b>	<b>8,089.79</b>	<b>8,055.07</b>

**a. Reconciliation of the equity shares outstanding at the beginning and at the end of the reporting period:**

<b>Particulars</b>	<b>31-Mar-2012</b>	<b>31-Mar-2011</b>
Number of Equity Shares Outstanding at the beginning of the year	8,055.07	4,893.05
On Preferential Allotment	34.72	363.90
Conversion of Share warrants	-	2,187.00
Conversion of FCCB	-	125.53
Allotment against ESOP entitlement	-	8.59
Conversion of GDR	-	477.00
Number of Equity Shares Outstanding at the end of the year	<b>8,089.79</b>	<b>8,055.07</b>

**a. Terms/rights attached to equity shares**

The Company has only one class of equity shares having par value of Rs 1 per Share. Each holder of Equity Shares is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the Annual General Meeting. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**b. The details of shareholder holding more than 5% Equity Shares are set below;**

<b>Name of Shareholder</b>	<b>31-Mar-2012</b>		<b>31-Mar-2011</b>	
	<b>No of Shares</b>	<b>% of Holding</b>	<b>No of Shares</b>	<b>% of Holding</b>
Rays Global corporation	41,000,000	5.07	41,000,000	5.09
Maxworth Investment Ltd	41,000,000	5.07	41,000,000	5.09
Emerging India Focus Funds	55,925,582	6.91	60,000,000	7.45
Elara India Opportunities Fund Ltd	61,057,000	7.55	61,057,000	7.58
India Focus Cardinal Fund	66,143,000	8.18	66,143,000	8.21
Simply Class Fashions Private Limited	68,000,000	8.41	68,000,000	8.44
Sai Ramakrishna Karuturi	68,820,880	8.51	68,820,880	8.54

## NOTES TO THE CONSOLIDATED ACCOUNTS

(Rs. In lakhs)

## 2.2 Reserves and Surplus

Particulars	31-Mar-2012	31-Mar-2011
<b>General Reserve</b>	787.59	787.59
<b>Capital Reserve</b>	<b>553.08</b>	<b>553.08</b>
<b>Securities Premium Account</b>		
Opening Balance	77,857.96	35,389.96
Add: Received During the year	715.28	42,995.62
Add: Credit on account of reversal of GDR issue expenses	100.19	-
Less: FCCB redemption premium pro rata upto 31st March, 2012 (Net of taxes)	7,797.30	527.62
Closing Balance	<b>70,876.13</b>	<b>77,857.96</b>
<b>Revaluation Reserve</b>		
Opening Balance	1,802.56	1,026.18
Add: Amount credited during the year	2,963.27	776.38
Closing Balance	<b>4,765.83</b>	<b>1,802.56</b>
<b>Share Options Outstanding Account</b>		
Opening Balance	-	-
Add: Amount Transferred during the years	52.53	-
Less: Deferred ESOP outstanding account	19.24	-
Closing Balance	<b>33.29</b>	-
<b>Foreign Currency Translation Reserve</b>		
Opening Balance	(10,777.82)	(3,808.92)
Add: (Additions)/ Deductions during the year	4,822.86	(6,968.90)
Closing Balance	<b>(5,954.96)</b>	<b>(10,777.82)</b>
<b>Other reserves</b>		
Opening Balance		
Add: Transferred from Profit and Loss Account	17.79	
Closing Balance	<b>17.79</b>	-
<b>Surplus / (deficit) balance in the statement of profit and loss</b>		
Opening Balance	53,640.47	39,017.68
Add: Profit for the year	15,632.31	15,497.45
Less: Proposed Dividend on Equity Shares	-	805.51
Less: Dividend Distribution Tax	-	130.67
Add: Withdrawn on sale of subsidiary		61.52
Less: Transfer to Other reserve	17.79	-
Closing Balance	<b>69,254.98</b>	<b>53,640.47</b>
<b>Total</b>	<b>140,333.74</b>	<b>123,863.84</b>

(Rs. In lakhs)

**2.3 Long term Borrowings**

	<b>31-Mar-2012</b>		<b>31-Mar-2011</b>	
	<b>Non Current</b>	<b>Current</b>	<b>Non Current</b>	<b>Current</b>
<b>A. Secured Loans</b>				
Term Loans from Banks	14,198.26	5,370.93	4,920.07	477.02
NHB Soft Loan	-	125.04	108.00	-
<b>B. Unsecured</b>				
Foreign Currency Convertible Bonds (FCCB)	-	19,952.40	17,476.88	-
Loans and advance from related parties	3,635.74	-	3,542.06	-
<b>Total</b>	<b>17,834.00</b>	<b>25,448.37</b>	<b>26,047.00</b>	<b>477.02</b>
Less: Current maturities of long term debt disclosed under other current liabilities.		25,448.37		477.02
<b>Net Long term Borrowings</b>	<b>17,834.00</b>	<b>-</b>	<b>26,047.00</b>	<b>-</b>

**A) Detail of Secured Term Loan**

<b>SIno</b>	<b>Name of Bank / Financial Institution</b>	<b>Details of Security</b>	<b>Amount of Outstanding</b>
	<b>Term loan- secured</b>		
1	National Horticulture Board, Bangalore	Equitable Mortgage Lease Hold Land, Building, Plant and Machinery at Doddaballapur	125.03
2	ICICI Bank Ltd, Bangalore	Equitable Mortgage of office premises at 10th Floor Raheja Tower, MG Road, Bangalore	1,516.04
3	Dhanalakshmi Bank, Bangalore	Hypothecation of Vehicle	40.82
4	HDFC Bank Ltd, Bangalore	Hypothecation of Vehicle	0.22
5	ICICI Bank Ltd, Bangalore	Hypothecation of Vehicle	47.00
6	ICICI Bank Ltd, Bangalore	Charges on Fixed Assets of karuturi Foods Limited	30.09
7	Dhanalakshmi Bank	Hypothecation of Vehicle	9.79
8	HDFC Bank	Hypothecation of Vehicle	1.19
9	Apna Sahakari Bank	Residential Flat of Mr. Sameer Dalvi(Director)	7.20
10	Zemen Bank, Ethiopia	Charges on Movable and Immovables assets of Ethiopia Meadows PLC	1,354.91
11	ICICI Bank, Dubai	Personal Guarnatee of Mr. Sai Ramakrishna Karuturi, the promoter residing, Corporate guarnatee from Karuturi Global Limited and Ethiopia and Kenyan Subsidiary Companies	4,795.92
12	Axis Bank, Dubai	Corporate Gurantee of Karuturi Global Limited	11,766.00
	<b>Total</b>		<b>19,694.21</b>



## NOTES TO THE CONSOLIDATED ACCOUNTS

(Rs. In lakhs)

**B) Foreign Currency Convertible Bonds**

Particulars	
Issue Currency	USD
Issue Size	500 lakhs
Issue Date	12th Oct 2007
Maturity Date	19th Oct 2012
Coupon Rate	Zero Coupon
Yield to Maturity -compounded semi annually	7.00%
Conversion Price post price reset	Rs 18.99 Per Share
Fixed Exchange Rate of Conversion	Rs 39.73
Conversions as at 31st March 2012	\$ 110.00 Lakhs
Conversions as at 31st March 2011	\$ 110.00 Lakhs
Prorata premium on redemption not provided for as on 31st March 2012	\$ 141.53 lakhs or 7805.37 lakhs
Prorata premium on redemption provided for as on 31st March 2011 (Contingent liability on Probable non conversion)	\$ 123.56 lakhs or Rs 5536.83 lakhs
Mandatory Conversion Option	Yes

Prorata redemption premium upto 31.03.2012 is provided by debiting Securities Premium Account.

**C) Details of Term Liabilities from Related Parties**

S/no	Name of Person / Company/ Institution Term Loan- Unsecured	Repayment Terms	Amount Outstanding
1	Anitha Karurturi	Repayable in 2014-15	600.00
2	Sai Ramakrishna Karuturi	Repayable in 2014-15	500.00
3	Rhea Holdings Pvt Ltd	Repayable in 2014-15	2,535.74
<b>Total</b>			<b>3,635.74</b>

**2.4 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 31st March 2012 are as under:

Particulars	31-Mar-2012	31-Mar-2011
<b>Deferred Tax Assets :</b>		
Accrued Expenses deductible on payment basis	-	137.86
On account of Unabsorbed Losses	30.41	-
<b>Deferred Tax Liabilities:</b>		
Depreciation differences	(104.92)	(121.06)
<b>Net (Deferred Tax Liabilities) /Assets</b>	<b>(74.51)</b>	<b>16.80</b>

(Rs. In lakhs)

**2.5 Other Long Term Borrowings**

Particulars	31-Mar-2012	31-Mar-2011
Land Lease Payable	2,130.91	1,982.09
<b>Total</b>	<b>2,130.91</b>	<b>1,982.09</b>

**2.6 Long Term Provisions**

Particulars	31-Mar-2012	31-Mar-2011
Gratuity Provision	14.01	13.30
Provision for Leave Encashment	7.46	5.68
<b>Total</b>	<b>21.48</b>	<b>18.98</b>

**2.7 Short Term Borrowings**

Particulars	31-Mar-2012	31-Mar-2011
<b>Secured</b>		
Working capital facilities from Bank	19,041.67	29,938.06
	<b>19,041.67</b>	<b>29,938.06</b>
<b>Unsecured</b>		
Working capital facilities from Bank	1,534.70	-
Inter Corporate Deposits	54.20	-
Loans and advances from related parties	1,466.16	206.31
	<b>3,055.05</b>	<b>206.31</b>
<b>Total</b>	<b>22,096.72</b>	<b>30,144.37</b>

S/no	Name of Bank	Details of Security	Amount Outstanding
1	Axis bank ltd	Pari passu charge on the current assets of Karuturi Global Limited (KGL)	1,188.10
2	Yes Bank, India	Corporate guarantee by KGL and Charges on Current Assets and Movable Fixed Assets of Karuturi Telecom Pvt. Ltd.,	216.00
3	Axis bank ltd	Corporate guarantee by KGL and Charges on Inventory & receivable of Karuturi Foods Pvt. Ltd.,	1,161.02
4	Axis Bank Ltd	Charges on Inventory & receivable of Karuturi Foods Pvt. Ltd.,	
5	Central Bank of India	Corporate guarantee by KGL and Charges on Inventory & receivable of Karuturi Flower Express Pvt. Ltd.,	24.99
6	Apna Sahakari Bank	Charges on Inventory & receivable of Florista India Private Limited on pari passu basis	12.99
7	ICICI Bank Ltd,	Hypothecation of current asset of Florista India Pvt Ltd on pari passu basis	1.32
8	CFC Stanbic Bank, Kenya	Charges on Fixed Assets & Current assets of Karuturi Ltd., Kenya	1,884.00
9	Commercial Bank of Ethiopia	Equitable mortgage of 25000 Ha of Land and Hypothecation of Vehicle at Karuturi Agro Products Plc	1,279.99
10	ICICI Bank , Dubai	Pari passu charge on the current assets of the respective Companies funded by the bank.	5,627.22
11	Axis Bank, Dubai	Corporate Guarantee of Karuturi Global Ltd	7,646.04
	<b>Total</b>		<b>19,041.67</b>

## NOTES TO THE CONSOLIDATED ACCOUNTS

(Rs. In lakhs)

**2.8 Trade Payables**

Particulars	31-Mar-2012	31-Mar-2011
Acceptance	2,284.26	-
Others	4,718.83	3,451.77
<b>Total</b>	<b>7,003.08</b>	<b>3,451.77</b>

**2.9 Other Current Liability**

Particulars	31-Mar-2012	31-Mar-2011
Current Maturities of Long term Debt	25,448.37	477.02
Advance Received From Customers	42.84	380.35
Interest accrued but not due	10.70	0.89
Unpaid Dividends	33.20	24.60
Statutory Liabilities	96.38	255.10
Liability for Expenses	1,557.12	309.09
Other Payables	3,639.84	4,154.06
<b>Total</b>	<b>30,828.44</b>	<b>5,601.11</b>

**2.10 Short term provisions**

Particulars	31 March 2012	31 March 2011
Provision for gratuity	1,149.13	1.52
Provision for Leave Encashment of Salary	0.61	0.88
Provision for Bonus	11.99	9.49
Provision for Redemption premium on FCCB	7,805.38	936.18
Proposed dividend	-	-
<b>Total</b>	<b>8,967.11</b>	<b>948.08</b>

## 2.11 CONSOLIDATED FIXED ASSETS

(INR in Lakhs)

PARTICULARS	Gross Block						Depreciation					Net Block	
	As at 1 April 2011	Additions	Acquired through business combinations	Foreign Currency Transala-tion	Disposals	As at 31 March 2012	As at 1 April 2011	Depercia-tion charge for the year	Adjust-ment due to Acquisi-tion	Other Adjust-ments	Foreign Currency Transala-tion	As at 31 March 2012	As at 31 March 2011
Tangible Assets													
Land-Freehold	2,257.84	1.52	-	217.20	-	2,476.55	-	-	-	-	-	2,476.55	2,257.84
Land- Leasehold	2,600.44	211.39	-	460.91	(505.27)	2,767.47	40.63	-	-	(41.15)	0.51	2,767.47	2,559.80
Land- Development	42,595.84	17,634.97	-	4,852.02	-	65,082.82	7.02	-	-	(7.02)	-	65,082.82	42,588.81
Buildings	11,803.92	519.13	-	1,002.09	(275.79)	13,049.34	703.53	155.63	-	(358.24)	47.89	12,500.54	11,100.39
Greenhouse	35,141.62	824.11	-	3,332.04	(766.82)	38,530.95	6,378.47	1,015.78	-	(3,054.30)	403.32	33,787.68	28,763.16
Plant and Machinery	16,532.33	33,798.11	1.81	1,204.50	(3,934.88)	47,601.87	2,497.25	1,845.67	0.29	(552.83)	200.15	43,611.34	14,035.08
Plantation	21,153.70	5,723.78	-	(550.59)	(759.49)	25,567.40	2,633.52	-	-	(2,072.48)	74.00	24,932.36	18,520.18
Furniture and Fixtures	694.57	38.89	33.44	53.64	(169.05)	651.49	164.75	37.41	5.60	(42.77)	11.04	475.46	529.81
Computers	152.11	37.78	10.47	11.01	-	211.37	75.45	19.89	4.95	58.22	17.35	35.51	76.67
Vehicles	825.79	255.95	4.90	22.98	(48.30)	1,061.33	158.33	81.02	0.97	34.27	20.99	765.75	667.47
Total	133,758.16	59,045.62	50.62	10,605.81	(6,459.61)	197,000.60	12,658.95	3,155.39	11.82	(6,036.29)	775.24	186,435.48	121,099.20
Previous Year	100,307.86	42,602.66	-	-	(9,154.50)	133,756.12	8,585.85	5,594.81	-	(1,520.70)	-	121,096.16	91,722.01
Intangible Assets													
Goodwill	11,270.26	122.48	3.00	498.38	(7,374.98)	4,519.14	-	701.09	-	-	23.30	3,794.76	11,270.26
Web development	6.30	-	-	-	-	6.30	1.92	0.19	-	-	-	4.19	4.38
Computer software	22.21	22.77	2.24	0.21	-	47.43	11.58	11.31	0.50	(0.44)	2.42	22.05	10.63
Brand Development	-	-	20.65	-	-	20.65	-	-	-	-	-	20.65	-
Total	11,298.77	145.25	25.89	498.59	(7,374.98)	4,593.52	13.51	712.59	0.50	(0.44)	25.72	3,841.65	11,285.27
Previous Year	12,071.71	1.21	-	651.98	(1,424.08)	11,300.82	9.64	4,480.02	-	-	(4,477.16)	11,288.32	12,062.07

### Notes:

- 1) Additions to building includes Rs 211.04 Lakhs not put into use.
- 2) Depreciation amounting to Rs. 487.08 Lakhs has been capitalised since the same relates to the project not started commercial operations.
- 3) Gross Block as on 1st April 2011 is regrouped.
- 4) In order to apply uniform depreciation rates, the depreciation on fixed assets of foreign subsidiaries has been recomputed adopting rates prescribed under Schedule XIV of the Companies Act under straight line method, instead of rates as provided by the local laws. The change in the method has resulted in higher profit before tax for the year amounting to Rs. 4,469.16 Lakhs and is shown as an exceptional income.
- 5) The Net Block as on 31.3.2012 includes asset worth Rs. 61.74 lakhs of Florista India Pvt. Ltd., which has been acquired during the year as a Subsidiary Company.

## NOTES TO THE CONSOLIDATED ACCOUNTS

(Rs. In lakhs)

**2.12 Non Current Investments**

Particulars	31-Mar-2012	31-Mar-2011
Investment in Mutual funds	219.42	280.40
Investments in Government or Trust securities	0.01	0.01
<b>Net Amount</b>	<b>219.43</b>	<b>280.41</b>

**2.13 Long Term Loans and Advances**

Particulars	31-Mar-2012	31-Mar-2011
<b>Deposits</b>		
Unsecured, considered good	2,390.26	1,123.96
<b>Total</b>	<b>2,390.26</b>	<b>1,123.96</b>

**2.14 Other Non Current Assets**

Particulars	31-Mar-2012	31-Mar-2011
Trade and security Deposits	54.13	520.15
<b>Total</b>	<b>54.13</b>	<b>520.15</b>

**2.15 Inventories**

Particulars	31-Mar-2012	31-Mar-2011
Raw Materials and components	1,854.64	914.23
Work-in-progress	1,089.49	481.01
Finished goods	343.89	597.27
Goods-in transit - Raw materials	176.30	1,779.53
<b>Total</b>	<b>3,464.32</b>	<b>3,772.13</b>

**2.16 Trade Receivables**

Particulars	31-Mar-2012	31-Mar-2011
<b>Debts outstanding for period exceeding six months from the date it became due</b>		
Unsecured, considered good	1,165.03	966.78
Unsecured, considered doubtful	106.72	62.80
	1,271.75	1,029.59
Less: Provision for doubtful debts	106.72	62.80
	<b>1,165.03</b>	<b>966.78</b>
<b>Other debts</b>		
Unsecured, considered good	7,530.73	12,042.13
	<b>7,530.73</b>	<b>12,042.13</b>
<b>Total</b>	<b>8,695.76</b>	<b>13,008.91</b>

**2.17 Cash and Cash Equivalents**

Particulars	31-Mar-2012	31-Mar-2011
Cash in hand	47.93	24.22
Current Account	137.88	3,874.57
Fixed Deposit	3,390.90	14,301.37
Escrow Deposit	-	3,704.11
Margin Deposit	2.85	16.30
Dividend Accounts	36.75	28.14
<b>Total</b>	<b>3,616.31</b>	<b>21,948.72</b>

(Rs. In lakhs)

**2.18 Short Term Loans and Advances:**

Particulars	31-Mar-2012	31-Mar-2011
Advance For Business / Purchases	8,222.05	2,467.61
Subsidy/ Export Incentive Receivable	222.31	244.98
Statutory Receivables	676.50	79.04
Deposits	132.73	-
Prepaid Expenses / Other advances	1,445.92	279.27
Advance Tax and TDS (Net of provision)	583.42	590.16
<b>Total</b>	<b>11,282.92</b>	<b>3,661.06</b>

**2.19 Other Current Assets :**

Particulars	31-Mar-2012	31-Mar-2011
Accrued Income	0.40	5.81
Interest on Income Tax Receivable	1.62	-
Others	486.73	7,062.93
<b>Total</b>	<b>488.74</b>	<b>7,068.74</b>

**2.20 Revenue from Operations**

Particulars	31-Mar-2012	31-Mar-2011
Sale of services	565.80	549.18
Sale of agricultural produce	55,738.87	63,323.47
<b>Total</b>	<b>56,304.67</b>	<b>63,872.65</b>

**2.21 Other Income**

Particulars	31-Mar-2012	31-Mar-2011
Interest	250.76	35.94
Dividend Income	7.16	4.65
Lease Reantal Income	89.54	157.17
Creditors Written Back	21.45	20.32
Other Income	249.09	465.13
Profit / (Loss) on sale of Fixed Assets	(231.36)	8.65
Exchange Gain	2,017.75	-
Prior period income	1,381.86	330.70
<b>Total</b>	<b>3,786.23</b>	<b>1,022.54</b>



## NOTES TO THE CONSOLIDATED ACCOUNTS

(Rs. In lakhs)

**2.22 Cost of Material Consumed**

Particulars	31-Mar-2012	31-Mar-2011
Cost of Materials consumed	21,063.05	21,041.27
Cost of services rendered	311.12	287.98
<b>Total</b>	<b>21,374.16</b>	<b>21,329.25</b>

**2.23 Change in inventory of Finished Goods, Work in progress and stock in trade:**

Particulars	31-Mar-2012	31-Mar-2011
<b>Opening stock</b>		
Finished goods	597.27	701.39
Work-in-progress	481.10	104.46
<b>Total (A)</b>	<b>1,078.37</b>	<b>805.85</b>
<b>Less: Closing Stock</b>		
Finished goods	343.89	597.27
Work- in- progress	1,089.49	481.10
<b>Total (B)</b>	<b>1,433.37</b>	<b>1,078.37</b>
<b>Change in inventory of Finished Goods, WIP (C= A-B)</b>	<b>(355.01)</b>	<b>(272.52)</b>

**2.24 Employee Benefit Expenses:**

Particulars	31-Mar-2012	31-Mar-2011
Salary, Allowances and Termination Benefits	4,206.50	4,046.59
Remuneration to Directors	-	1,774.00
Contribution to Provident Fund	56.04	14.36
Staff Welfare Expenses	160.34	129.20
<b>Total</b>	<b>4,422.87</b>	<b>5,964.15</b>

**2.25 Finance Cost**

Particulars	31-Mar-2012	31-Mar-2011
Interest on Bank Term Loans	119.48	242.81
Interest on Working Capital Loan	792.38	574.02
Other Bank Charges	286.56	974.14
Interest On Corporate deposits	46.48	-
Other Financial Charges	12.87	0.36
<b>Total</b>	<b>1,257.78</b>	<b>1,736.60</b>

(Rs. In lakhs)

**2.26 Other Expenses**

<b>Particulars</b>	<b>31-Mar-2012</b>	<b>31-Mar-2011</b>
Advertisement Expenses	126.72	242.81
Auditors Remuneration	79.98	29.41
Provision for bad debts written off	141.86	62.15
Business Promotion Expenses	80.67	130.00
Custodian & Exchange Listing fees	19.01	17.38
Commission & Brokerage	3,398.92	1,494.92
Directors Sitting Fees	2.60	1.40
Freight, Clearing & Forwarding Charges	7,845.19	6,409.43
General Expenses	398.35	1,735.90
Green House Maintenance	18.20	8.71
Insurance	147.38	84.42
Legal, Professional charges Membership Fee	349.38	889.21
Power Charges Others	689.37	535.84
Printing & Stationery	41.21	29.15
Rates & Taxes	104.37	73.96
Rent	130.64	135.90
Repairs & Maintenance - Building	18.37	81.68
Repairs & Maintenance - Machinery	41.01	31.40
Repairs & Maintenance - Others	43.46	23.61
Telephone, Postage & Courier Charges	61.21	61.63
Traveling and conveyance	434.84	360.02
Vehicle Maintenance	20.65	154.60
Exchange Gain/Loss	-	1,328.17
<b>Total</b>	<b>14,193.40</b>	<b>13,921.71</b>

## NOTES TO THE CONSOLIDATED ACCOUNTS

(Rs. In lakhs)

**3 Other Disclosures:****3.1 Contingent liabilities and Commitments (to the extent not provided for)**

Particulars	31-Mar-2012	31-Mar-2011
<b>Contingent Liabilities</b>		-
Disputed Income Tax Dues (as detailed below)	14,127.88	719.00
Other statutory Dues	1,486.27	175.12
<b>Commitments</b>		
Estimated amount of contracts remaining to be executed on capital account and not provided (Capital Commitments)	-	405.00

- a) The Company has received a demand for Rs 8349.66 Lakhs for Assessment year 2008-2009 due to certain additions and disallowances made by the Assessing Authorities. The same has been disputed by the Company before the Appellate Authorities.
- b) The Commissioner of Appeals Bangalore upheld the contention of the Company relating to a demand of Rs 719.00 Lakhs for the Assessment Year 2006-2007 made by the Assessing Authorities and deleted the additions and hence demand. The department has filed an appeal contesting the decision of the Commission of Appeals Bangalore before the Income Tax Tribunal Bangalore.
- c) Karuturi Limited, Kenya (subsidiary) has received demand for Rs. 5778.22 Lakhs from Kenya Revenue Authorities towards Corporate Tax on account of Transfer Pricing disputes relating to the financial years 2006-07 to 2008-09. The said company has preferred an appeal before the Appellate Authorities and no provision is made for the same in the accounts.

**3.2 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 31.3.2012	55,88,500 (55,88,500)
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	17th August 2007
Grant Price (Rs. Per Share)	Re.1/- per Share
Market Price on the Date of Grant of Option (Rs.)	Rs.4.13 (15.73)
Exercise Price of the Option (Rs.)	Re.1/- (Re.1/-)
Expected life of Option	12 years

**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	Nil (19,31,666)
Excised during the year	7,47,416 (8,58,666)
Lapsed during the year	Nil (Nil)
Options Outstanding at the end of the year	16,78,334 (Nil)
Options Unvested at the end of the year	4,11,500 (4,11,500)
Options Exercisable at the end of the year	Nil

(Rs. In lakhs)

**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. 4.31

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:

Particulars	31-Mar-2012	31-Mar-2011
Net Profit (as reported)	15,632.31	15,497.45
Add: Compensation Expenses under ESOP included in the Net Profit	32.83	126.48
Less: Compensation Expenses under ESOP as per Fair value	10.48	126.89
Net Profit	15,654.66	15,497.04
Basic Earnings Per Share (As Reported) – Rs./ Share	1.94	2.84
Basic Earnings Per Share (Fair Value Basis) – Rs. / Share	1.94	2.84
Diluted Earnings Per Share (As Reported) – Rs. / Share	1.76	2.47
Diluted Earnings Per Share (Fair Value Basis) – Rs/Share	1.76	2.47

**3.3 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-Mar-2012	31-Mar-2011
a) Net Profit for Basic Earnings Per Share as per Profit and Loss A/c	15,632.31	15,497.45
b) Weighted average number of equity shares for Earnings Per Share computation:	80,68,29,308	57,39,65,405
(i) Number of Equity Shares at the beginning of the year	80,55,07,010	48,93,05,325
(ii) Number of Shares allotted during the year	34,72,222	31,62,01,685
(iii) Weighted average shares allotted during the year	13,22,298	8,46,60,080
(iv) Number of potential equity shares	82,93,6415	81,593,997
(v) Weighted Average for:		
- Basic Earnings Per Share	80,68,29,308	573,965,405
- Diluted Earnings Per Share	88,97,65,723	65,55,59,402
c) Earnings Per Share – Before Extra-ordinary Items		
- Basic (Rs.)	2.42	2.8
- Diluted (Rs.)	2.20	2.5
d) Earnings Per Share – After Extra-ordinary Items		
- Basic (Rs.)	1.94	2.8
- Diluted (Rs.)	1.76	2.5
d) Face Value Per Share	Re 1/-	Re.1/-

## NOTES TO THE CONSOLIDATED ACCOUNTS

(Rs. In lakhs)

**3.4 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 given below.

Name of Party	Nature of relationship
Sai Ramakrishna Karuturi	KMP
Anita Karuturi	–Do–
Anita Reality Private Limited	KMP interested company.
Horticulture Synergies	KMP Interested Firm

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: (Negative Figures indicates credit balance).

KMP					
Name	Year	Opening Balance	Taken	Repaid	Closing Balance
Sai Ramakrishna Karuturi	2011-12	-29.50	856.19	231.16	-654.53
	2010-11	-27.06	233.38	230.94	-29.50
Anitha Karuturi	2011-12	-5.98	1,058.53	311.67	-752.84
	2010-11	-10.90	521.60	526.51	-5.98
KMP Interested Company					
Name	Year	Opening Balance	Taken	Repaid	Closing Balance
Rhea Holdings Private Ltd.	2011-12	-2,935.15	361.41	12.00	-3,284.55
	2010-11	-3,432.05	-496.90	0.00	-2,935.15
KMP Interested Firm					
Name	Year	Opening Balance	Taken	Repaid	Closing Balance
Horticulture Synergies	2011-12	299.79	36.79	299.79	36.79
	2010-11	-51.20	496.14	145.15	299.79
Lease Deposit					
Name	Year	Opening Balance	Taken	Repaid	Closing Balance
Sai Ramakrishna Karuturi	2011-12	-	2,034.92	-	2,034.92
	2010-11	-	-	-	-

(Rs. In lakhs)

**3.5 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).

<b>Segment Information:</b>	<b>2011-2012</b>	<b>2010-2011</b>
<b>1 Segment Revenue - External Turnover</b>		
- Within India	4,313.61	50.33
- Outside India	51,992.05	63,822.32
	<b>56,305.66</b>	<b>63,872.65</b>
<b>2 Segment Assets</b>		
- Within India	121,532.34	118,993.02
- Outside India	115,873.07	81,120.29
Total Assets	<b>237,405.41</b>	<b>200,112.31</b>
<b>3. Segment Liability</b>		
Within India	38,338.12	27,472.13
Outside India	50,618.17	43,451.27
<b>Total Liability</b>	<b>88,956.25</b>	<b>68,193.40</b>

- 3.6 **Foreign Currency Translation Reserve:** The assets and liabilities of overseas non-integral operations are translated at the closing exchange rates and the items of income and expenses at average exchange rate and resulting exchange difference amounting debit Rs 787.59 Lakhs (Previous Year debit Rs. 10,777.83/- Lakhs) is debited / credited to Foreign Currency Translation Reserve until the disposal of such operations.
- 3.7 Borrowing cost capitalized during the year under review in accordance with Accounting Standard (AS) 16, Borrowing Cost Rs. 679.37 lakhs (Previous Year Rs. 20.07 Lakhs)
- 3.8 During the year the group has entered into an agreement to settle the dispute related to the acquisition of the Kenyan subsidiaries. This has resulted in reduction of liabilities recognized earlier amounting to Euros 56.5 lakhs. Consequent to the settlement the amount deposited in Escrow account is also released. The reduction in liability is credited to Goodwill account.
- 3.9 In order to apply uniform depreciation rates, the depreciation on fixed assets of foreign subsidiaries has been recomputed adopting rates prescribed under Schedule XIV of the Companies Act under straight line method, instead of rates as provided by the local laws. The change in the method has resulted in higher profit before tax for the year amounting to Rs 4,469.16 lakhs and is shown as an exceptional Income. If this change has not be done then the depreciation would have been higher by Rs.2,641 Lakhs consequently profit for the year and reserves and surplus would have been lower by corresponding amount.
- 3.10 The company has incurred an loss of Rs. 3,906.67 lakhs due to Flash Floods in Gambella, Ethiopia which damaged maize crop on 12000 hectares of cultivated land. The aforesaid cost covers operating cost incurred for plantation & estimated repairs cost for the damage done to infrastructures like Dykes, Drainage, canals etc. The said amount has been treated as an extraordinary loss in the Statement of Profit and Loss.
- 3.11 Previous year's figures have been reworked, regrouped, rearranged, and reclassified wherever necessary. Figures in brackets relate to previous year.

As Per our Report Attached

For and on behalf of Board

**For Ishwar & Gopal**  
 Chartered Accountants

**K.V.Gopalakrishnayya**  
 Partner  
 M. No. 021748  
 (Firm Regn. No. 01154S)  
 Place : Bangalore  
 Date : 4<sup>th</sup> September, 2012

**Sai Ramakrishna Karuturi**  
 Chairman & Managing  
 Director

**Anitha Karuturi**  
 Wholetime Director



### Note

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**KARUTURI GLOBAL LIMITED**

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

**ATTENDANCE SLIP**

I/We hereby record my/our presence at the Seventeenth Annual General Meeting of the Company at the Wadiyar Hall, Century Club, Sheshadri Road, Bangalore-560001 at 5.00 P.M on Friday, the 28<sup>th</sup> September 2012 or/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 17<sup>th</sup> Annual General Meeting of the Company to be held on Friday, the 28<sup>th</sup> September 2012 at 5.00 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 .....2012

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 than 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





SAI RAMKRISHNA KARUTURI, HONORARY CONSUL FOR FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA AT THE INAUGURATION OF OFFICE OF THE HONORARY CONSUL IN BANGALORE FEB, 2012



Moscow Food Show 2011



YPO – WPO members@ WEF MiM with Dept Prime Minister of Ethiopia

Karuturi Signing Joint Development partnership with Uruguay Team in Buenos Aires, Argentina





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