

Annual Report 2017-18

MANAGEMENT UPDATE

Industry Structure and Developments

The world production of floriculture is growing at a rate of 10% every year. Owing to steady increase in demand for flower floriculture it has become one of the important commercial trades in agriculture. The important floricultural crops in the international cut flower trade are rose, carnation, chrysanthemum and are grown in green houses.

BUSINESS REVIEW:

During 2017-18, your Company was able to protect its assets despite the legal crisis in Kenya and cash flow crisis in Ethiopia. The Company continued to make steady progress in its agricultural foray developing land in Ethiopia.

AGRICULTURE:

The company continued its efforts to develop the agricultural farm. Apart from Soya bean, corn, sugarcane, oil seeds and paddy form a part of our agri-portfolio.

While wet cultivation during the monsoons is being maximized, agriculture during the dry seasons will be driven by construction of canals and implementation high performance pumps to draw water from the river Baro and further irrigate the agricultural land. This is augmented by bore wells.

The Company now work with expert farming companies from South America, USA, South Africa and India who have been contributing immensely to the farming operations in Gambela. Karuturi is synonymous with responsible and good business in globally.

FLORICULTURE:

The cut flower business had a stable beginning this year. The Company has started adopting sustainable initiatives like a cutting edge hydroponics system which entailed 10% improvement in production with 30% reduction in consumption of water & fertilizers.

The Company has established an earth worm project on an area of 2000 square meters and we are consulting organic scientists with view to further refining the leachate. This project has reduced our fertilizer cost by 10-12%

Opportunity threats and risks

The market for floriculture products consists of range of products, which offers various opportunities in supplying products such as flowers, orchids and tropical foliage particularly when there is a scarce for these products in western markets. Reasons for shortfall are mainly related to trade environment, infrastructure and marketing issues such as high import tariff. The availability of dedicated carriers for carrying perishable products is also low in India and freight rates are high. Other challenges are at production levels mostly related to availability of basic inputs, including seeds and planting material, quality irrigation and skilled manpower in remote areas.

Internal Control system and their adequacy

The Company has a chartered accountant who oversees the company internal control systems. The company is utilizing the services of an external team from an auditor to conduct internal audits in various areas throughout the year. The Board audit committee reviews the effectiveness of internal audit function periodically at its committee meetings. The Board of Directors after making reasonable enquires from Secretarial Team, Human resource Department, Accounting Department and with concurrence of audit committee is of the opinion that the internal controls of the company are adequate to address the financial, operational and Compliance risks of the company.

Human Resources

The Human resource department is facilitated with led interventions and processes in the areas in the talent management, performance, potentials appraisals, and learning and development initiatives for employees at all level. Our approach towards remuneration of our employees and their families enjoy a respectable standard of living.

OUTLOOK:

Your Company's Strategic Goal this year would be to bring a larger area under Agricultural Production and continue to create new opportunities in its Floriculture and Agriculture. Clear all bottle necks and revive the company to it's former glory.

Note on Contingent Liabilities:

India: We have resolved most of our tax demands in India by providing clarifications sought on contentious issues leading to significant reduction in contingent liabilities, the same will be reflected in the next year financials.

1. Disallowance of Agricultural income. Resolved with confirmation by Agri ministry, that floriculture is agriculture.
2. Production capacity issue, resolved by dept of Horticulture letter confirming our production capacity.
3. Assessment reopened, Time barred.

We have retained the services of S.Venkatesan & Co., and Khaldelwal Jain & Co. Reputed Tax professionals to represent the company.

Other legal cases update:

1. ICICI Bank: the case is in Dispute Resolution Panel
2. Axis Bank Limited: the case is in Dispute Resolution Panel
3. Damco India Private Limited: Amount settled.
4. Sindhu Cargo: settled.
5. Premier Tobacco Private Limited: Negotiating settlement.



6. Interfreight Private Limited: same is disposed of by NCLT in our favour.
7. Karuturi Telecom Private Limited:- Case filed by the company to recover an amount of Rs. 3.5 crores.
8. Fresco foods filed by company to recover advances paid.
9. Plodo Import filed to recover advances paid.

KENYA: We donot have any outstanding tax demands in Kenya or Ethiopia.

CFC bank LITIGATION: Please visit <http://www.kenyalaw.org/kl/index.php?id=81> for details of the case.

ETHIOPIA

We have withdrawn all legal cases against the Government of Ethiopia on lease cancellation and taken fresh land on lease.

Holeta: we have settled in court outstanding employee dispute by paying 29,000 dollars as against original demand of US\$ 36,600.

Holeta and Baco are in process of early resolution.

Wolisso: We have received support letters from the regional administration, Oromia Investment Agency for restarting our project in Wolissoand are in the process of reinstating production.

Gambela: We have similarly restarted with the support of the GOE, our Gambela project.

Machinery is being rehauded and repaired for next season.

Cautionary Statement

Statements in management discussion and analysis describes the company objectives, projections, estimates and expectations may be forward looking statements within the meaning of applicable securities, laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that make a difference in company's operation include demand/supply and price conditions in the overseas and domestic markets in which it operates, changes in the government regulations, tax laws and other statues and incidental factors.

