



KERALA AYURVEDA LTD

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Bangalore - July 31, 2009

CHARTING A NEW DIRECTION FOR KERALA AYURVEDA

- Sales are marginally ahead of last year's sales despite a pre-emptive price increase of 17% (includes 5% reduction in trade allowances). The price increase has been resorted to restore profitability in the face of sharp cost increases and we expect other ayurveda companies to follow soon.
- We have simplified our operations and improved organisation effectiveness. Overheads have reduced by 30% vs last year.
- We have optimised manufacturing operations by rationalising SKU's. We have established new local cluster model ('LCM') and an unique Doctor Partnership model ('KALPAM'), which is expected to accelerate business growth in the future. We have also unified our distribution and health services marketing and the sales efforts, to improve focus.
- We have embarked on exciting research projects, partly funded by clients, which we expect will deliver landmark results and provide scientific validation of specific Ayurvedic formulations.
- Our US business model is being restructured to move from a company-owned system to a franchise operation, by partnering our existing doctors. This will lead to a reduction in our topline, but will also lead to reducing our risk and improving margins and achieve sustainable growth.

Update on discussions with Arya Vaidya Pharmacy (Coimbatore) Ltd

- Pursuant to the execution of the Expression of Interest on June 29, 2009 to integrate the operations of both the companies to create the world's premier Ayurveda entity, the management of both AVP and KAL are currently in the process of conducting the detailed business diligence to evaluate the overall business opportunity. Both companies expect to inform their respective Boards on the next steps in the near future.

About Kerala Ayurveda

Kerala Ayurveda was founded in Aluva, Kerala in 1945 by Late Vaidiyan KGK Panicker, the renowned Ayurvedacharya. Now, more than half a century later, his inspired creation epitomizes all that is modern and state-of-the-art in Ayurveda.

Kerala Ayurveda has over 75 Ayurvedic doctors, graduates and post-graduates, with several years of experience. Kerala Ayurveda operates a chain of 30 clinics and 2 Ayurveda Hospitals located across India, and a wellness resort in Bangalore, Ayurvedagram.

Through its wholly owned subsidiaries, AYU Inc and CMS-KATRA Nursing LLC, Kerala Ayurveda has significant presence across 5 locations in the United States of America and offers a range of ayurvedic treatments and health care services.

Safe Harbor

Certain statements in this release are forward looking statements which involve a number of risks and uncertainties that could cause actual results and outcomes to differ materially from those in such forward looking statements. The risks and uncertainties relate to changes and variations in the project, unexpected delays in development, obtaining regulatory approvals, etc. The statements in this release represent Kerala Ayurveda's expectations and beliefs as of the date of this release. Kerala Ayurveda anticipates that subsequent events and developments may cause these expectations and beliefs to change. However, while Kerala Ayurveda may elect to update these forward-looking statements at some point in the future, it specifically disclaims any obligation to do so. These forward-looking statements should not be relied upon as representing Kerala Ayurveda's expectations or beliefs as of any date subsequent to the date of this release.

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www.keralaayurveda.biz

www.ayurvedaacademy.com

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