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Avanti Feeds Limited

BOARD OF DIRECTORS

A. Indra Kumar

Managing Director

C. Ramachandra Rao

Executive Director and Company Secretary

Dr. D C Das

Director - Marketing

A. V. Achar

N. Ram Prasad

K. Ram Mohan Rao

B. V. Kumar

M. Venkateswara Rao

Nominee - APIDC

M. S. P. Rao

AUDITORS

Karvy & Company

Chartered Accountants

Bhooma Plaza, Street No.4

Avenue 7, Banjara Hills

HYDERABAD - 500 034.

Bankers

State Bank of India

Registrars & Share Transfer Agents

Karvy Computershare Private Limited

Karvy House, 46, Avenue 4,

Street No.1, Banjara Hills

HYDERABAD - 500 034.

Registered Office

G-2, Concorde Apartments

6-3-658, Somajiguda

Hyderabad - 500 082.

Website : www.avantifeeds.com



Avanti Feeds Limited

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Avanti Feeds Limited

Directors' Report

To the Shareholders,

Your Directors have pleasure in presenting their Twelfth Annual Report together with the Audited Accounts for the financial year ended 31st March 2005.

FINANCIAL PERFORMANCE:

(Rs. in Lakhs)

	2004-2005	2003-2004
Profit before Interest, Depreciation & Tax	1,928.37	2,012.53
Interest	186.16	166.62
Depreciation	293.75	272.67
Profit before Tax	1,448.46	1,573.24
Provision for Income Tax incl. Deferred Tax	508.53	492.37
Profit after Tax	939.92	1,080.87
Add : Balance brought forward from Previous year	1,563.61	867.19
Profit available for appropriation	2,503.53	1,948.06
APPROPRIATION:		
Proposed Dividend on equity shares	163.50	163.50
Corporate Dividend Tax	22.93	20.95
General Reserve	500.00	200.00
Surplus carried to Balance Sheet	1,817.10	1,563.61
OPERATIONS:		
The operational performance is summarized below		
Income	17,141.81	24,094.15
Profit before Tax	1,448.46	1,573.24
FEED DIVISION:		
Production (MTs)	28,454.420	29,809.365
Sales (MTs)	28,708.660	29,309.790
PROCESSING DIVISION:		
Production (MTs)	1,310.887	998.549
Export Sales:		
Direct (MTs)	1,287.916	1,047.720
Merchant Exports (MTs)	38.640	1,841.991

The profit for the year under consideration i.e. 2004-05, before depreciation, finance charges and tax decreased marginally by Rs. 84.16 lakhs at Rs.1928.37 lakhs as compared to Rs. 2012.53 lakhs in the previous financial year. The profit after tax was Rs. 939.93 lakhs as against Rs. 1080.87 lakhs during the previous financial year. This decrease in profit margin is mainly due to increase in cost of production of feed which, however, could not be passed on to the shrimp farmer as farmers were already in deep distress due to steep fall in export price of shrimps.

The feed division sales decreased marginally by 601 MT as compared to previous financial year. The decrease in sales is mainly on account of high mortality in early stages of the season i.e. in Jan / Feb., when normal season starts every year. Experts opine that one of the reasons for high mortality is poor quality of seed due to Tsunami effect. As a result, the main shrimp culture started during late March, 05 and April, 05, reflecting the impact of decreased feed sales during last quarter of the year 2004-05.

However, the shrimp processing and export division registered an increase in exports by 22.92% at 1287.916 MT as compared to previous year export of 1039.870 MT, despite levy of Anti Dumping Duty by US. But in terms of value, the exports increased by 14.30% only at Rs.5235.45 lakhs as compared to the previous year.

DIVIDEND:

Your Directors are pleased to recommend a dividend of Rs.2.50 per equity share of Rs.10/- each for the financial year 2004-05 aggregating Rs.163.50 lakhs on 65,40,000 equity shares. No tax is payable by the shareholders on the dividend for the year 2004-05. The Dividend, if approved at the ensuing Annual General Meeting, will be paid to those share holders whose name appear on the register of members of the Company on 27th September 2005.

DIRECTORS:

In terms of Article 105 and 106 of the Articles of Association of the Company Mr.N. Ram Prasad and Mr. A.V.Achar retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.



Avanti Feeds Limited

AUDITORS:

The Auditors M/s. Karvy & Company, Chartered Accountants will retire at the conclusion of the forthcoming Annual General Meeting and are eligible for reappointment. Members are requested to consider their reappointment for the financial year ending 31st March 2006 on remuneration to be decided by the Board of Directors.

PARTICULARS OF EMPLOYEES:

A statement containing the particulars of employees as required under section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is furnished in **Annexure - 1**.

CONSERVATION OF ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE:

The details regarding conservation of energy, research and development, technology absorption, foreign earnings and outgo are furnished at **Annexure - 2** pursuant to the provisions of Sec.217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Directors) Rules, 1998.

DIRECTORS' RESPONSIBILITY STATEMENT:

Your Directors hereby confirm and declare that:

- (a) in the preparation of Annual Accounts, the applicable accounting standards have been followed;
- (b) the accounting policies are consistently applied and reasonable, prudent judgements and estimates are made 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 of the profits of the Company for that period;

- (c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) the Directors have prepared the Annual Accounts on a going concern basis.

CORPORATE GOVERNANCE:

As a listed company necessary measures are taken to comply with the Listing Agreement with the Stock Exchanges. A report on the Corporate Governance together with a certificate of compliance from the Auditors, forms part of this report.

ACKNOWLEDGEMENTS:

Your Directors are pleased to place on record their gratitude and appreciation for co-operation extended by the Governmental Agencies, Financial Institutions and Banks from time to time. Your Directors also convey thanks to the valued customers and dealers for their continued patronage. Your Directors also place on record their warm appreciation for the efforts made by all the employees for the improved performance during the year under review.

for and on behalf of the Board

Place : Hyderabad
Date : 12.08.2005

A.INDRA KUMAR
Managing Director



Avanti Feeds Limited

Annexure - 1

Statement of particulars of employees pursuant to Section 217(2A) of the Companies Act, 1956 and forming part of the Directors' Report for the year ended 31st March, 2005.

Name of the Employee	Designation	Nature of Duties	Remuneration received Rs.	Qualifications	Experience Yrs.	Date of Employment	Age Yrs.	Designation, Last Employment held
A.Indra Kumar	Managing Director	Projects, Production, Exports & General Administration	71,51,697	B.E	19	01.04.1998	43	Executive Director, Srinivasa Cystine Limited
C.Ramachandra Rao	Executive Director	Finance, Secretarial, Imports & Exports and General Administration	24,12,617	ACA, ACS & LLB	29	01.10.1994	53	Finance Manager & Company Secretary, Srinivasa Cystine Limited
Dr.D.C.Das	Director Marketing	Product Promotion and Marketing	24,91,816	M V SC.	23	06.06.1994	50	Manager - Animal Feed in TATA Oil Mills Ltd



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Annexure – 2

Information pursuant to Section 217(1)(e) of the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2005.

FORM A

(See Rule 2)

Form for disclosure of particulars with respect to conservation of Energy:

A) Power & Fuel Consumption	2004-2005	2003-2004
1. Electricity		
a) Purchased : Units (KWH)	65,30,516	59,20,687
Total Amount (Rs.)	2,66,54,852	2,43,06,473
Rate / Unit (Rs.)	4.08	4.11
b) Own Generation		
i) Through Diesel Generator		
HSD Oil Consumed (Ltrs)	72,140	1,06,121
Units (KWH)	1,98,640	3,20,677
Units produced per litre of Diesel Oil	2.75	3.02
Cost of HSD Oil consumed	17,39,649	22,69,961
Cost / Unit (Fuel Cost / Unit (Rs.))	8.76	7.08
2. Furnace Oil / LSHS		
Quantity Consumed (Ltrs)	4,82,112	5,98,452
Total Amount (Rs.)	67,76,915	76,56,980
Quantity of Steam produced (Mts)	5,928	6,911
Average Rate (Rs./MT)	1,143	1,108
3. Consumption Per Unit (MT) of Production		
Electricity (KWH)		
Feed (PMT)	142	138
Shrimp (PMT)	2,037	2,135
Furnace Oil (Ltrs.)		
Feed (PMT)	16.84	20.04

B) Research and Development

1. Specific areas in which R&D is being carried out in the company

The R & D of your company is concentrated on improving of feed quality with greater acceptance and higher growth of the shrimp. Field trials are being carried out at the model ponds developed by the company to monitor the results.

2. Benefits derived as a result of R&D

Benefits of R & D are expected to accrue over a period of next two years.

3. Expenditure on R&D

The total expenditure on R & D during the year was Rs.14.43 lacs.

C) Foreign Exchange Earnings & Outgoings:

	2004-2005 Rs. in Lakhs	2003-2004 Rs. in Lakhs
a) Foreign Exchange Earnings (FOB)	5,045.59	4,280.66
b) Foreign Exchange Out-go	3,344.58	3,331.00



Avanti Feeds Limited

Report on the Corporate Governance

Pursuant to Clause 49 of the Listing Agreement, a Report on Corporate Governance is given below:

MANDATORY REQUIREMENTS

1. Company's Philosophy on Code of Governance:

The Corporate Governance philosophy of the company envisages achievement of high level of transparency, accountability and equity, in all facts of its operations, and in all its interactions with its stake holders, including share holders, lenders and the Government.

The Company believes that all its operations and actions must serve the underlying goal of enhancing overall share holder value, over a sustained period of time.

2. Board of Directors:

- i) During the year the Board consisted of 8 Directors, out of which five are non-executive and independent directors.

Sl. No.	Name of Director	Executive Director (ED) Non Executive Director (NED), Independent Director (ID), Nominee Director (ND)	Number of Board Meetings Held	Number of Board Meetings Attended	Attendance in Last AGM on Sept, 03, 2004
1.	Sri A.Indra Kumar	MD-Promoter	8	8	Present
2.	Sri C. Ramachandra Rao	ED	8	8	Present
3.	Dr.D C Das	Director	8	6	Present
4.	Sri N. Ram Prasad	NED	8	6	Present
5.	Sri A.V.Achar	NED/ID	8	4	Present
6.	Sri K. Ram Mohan Rao	NED/ID	8	6	Present
7.	Sri M.Venkateswara Rao	ND	8	5	Not Present
8.	Sri B V Kumar	NED	8	4	Not Present

- ii) Number of other Companies or committees the Director (being a director as on the date of Directors' Report) is a Director / Chairman

Sl. No.	Name of the Director(s)	No.of other Companies in which Director	No.of Committees (Other than Avanti Feeds Limited)
1.	Sri A. Indra Kumar	4	—
2.	Sri C. Ramachandra Rao	3	—
3.	Dr.D C Das	—	—
4.	Sri N. Ram Prasad	4	—
5.	Sri A.V.Achar	4	—
6.	Sri K. Ram Mohan Rao	2	—
7.	Sri M.Venkateswara Rao	5	—
8.	Sri B V Kumar	—	—



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iii) No. of Board Meetings held and Date of Board Meetings held :

Eight Board Meetings were held during the year 2004-05 on the following dates:

22 nd May, 2004	26 th June, 2004	31 st July, 2004
3 rd September, 2004	29 th October, 2004	2 nd December, 2004
29 th January, 2005	22 nd March, 2005	

iv) Note on the Directors seeking re-appointment.

Sri A.V.Achar and Sri N. Ram Prasad retire by rotation and, being eligible, have offered themselves for re-appointment.

3. Audit Committee:

i) Name(s) of the Chairman and the Members, and the Terms of reference:

The Audit Committee comprises of three non-executive Independent Directors, Sri A.V.Achar, Sri N. Ram Prasad and Sri K. Ram Mohan Rao, with Sri A.V. Achar as the Chairman. The Managing Director, Executive Director along with the statutory auditors, internal auditors and Assistant General Manager (Accounts & Finance) are invitees to the meeting. The terms of reference of the audit committee are wide enough to cover all the aspects in accordance with Clause 49 of the Listing Agreement and Section 292 A of the Companies Act, 1956.

ii) The committee held 4 meetings on 22nd May'04, 31st July'04, 29th October'04 and 22nd March'05. All the members duly attended the meetings.

4. Remuneration to the Directors:

i) Details of the remuneration paid to Whole time Directors during the year 2004-05 are given below:

Name and Designation	All elements of remuneration package i.e., salary benefits, pension etc.	Fixed Component and performance linked incentives along with the performance criteria	Service Contract Notice Period and Severance Fees	Stock option with details, if any, and whether issued at discount as well as the period over which accrued and over which exercisable
A. Indra Kumar Managing Director	9.29	62.23	—	—
C. Ramachandra Rao Executive Director	8.57	15.56	—	—
Dr. D C Das Director (Marketing)	9.36	15.56	—	—



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- ii) The details of payments to Non-Executive Directors during the year 2004-05 are given below:

Name of the Director	Sitting Fee (In Rs.)	Commission (in Rs.)
K. Ram Mohan Rao	6,000	—
A. V. Achar	4,000	—
N. Ram Prasad	6,000	—
M. Venkateswara Rao Nominee of APIDC (Paid to APIDC)	5,000	—
B.V. Kumar	4,000	—

5. Investors / Shareholders grievance Committee:

The Board of Directors of the Company constituted an Investors' Service Committee comprising of Sri N.Ram Prasad, Sri K. Ram Mohan Rao and Sri A.V.Achar. Sri. N. Ram Prasad is its Chairman. All the three members of the Committee are non-executive Directors. Sri C.Ramachandra Rao, Executive Director & Company Secretary is the compliance officer. The Committee looks after complaints of shareholders and investors concerning transfer / transmission of shares, non-receipt of Annual Reports and dividend warrants etc. The committee met once during the year.

During the year the company has received 171 requests / complaints from the investors, all of which were resolved and no request / complaint is kept unattended for a period beyond 30 days. There were no shares pending transfer as on 31st March 2005.

6. General Body Meetings:

- i) The last three Annual General Body Meetings (AGM) of the Company were held at Sri Sagi Ramakrishnam Raju Memorial Community Hall, Madhura Nagar, Hyderabad – 500 038 as detailed here under.

For the Financial Year	Date	Time
2003-04	3 rd September 2004	10.00 AM
2002-03	25 th September 2003	10.00 AM
2001-02	26 th September 2002	3.00 PM

- ii) No resolution requiring postal ballot as recommended under clause 49 of the listing agreement were placed for shareholders approval at any of the meetings.

7. Disclosures:

- i) There was no materially significant transaction with any related party that may have potential conflict with the interest of the company at large, during the year.
- ii) Details of non-compliance:

There are no non-compliances by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets, during the last three years.