



Marching ahead...



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 Thirteenth Annual Report together with the Audited Accounts for the financial year ended 31st March 2006.

FINANCIAL PERFORMANCE:

(Rs. in Lakhs)

	2005-2006	2004-2005
Profit before Interest, Depreciation & Tax	1,234.45	1,928.37
Interest	270.90	186.16
Depreciation	348.87	293.75
Profit before Tax	614.68	1,448.46
Provision for Income Tax incl. Deferred Tax	(169.63)	508.53
Profit after Tax	784.31	939.93
Add : Balance brought forward from Previous year	1,817.10	1,563.61
Profit available for appropriation	2,601.41	2,503.53
APPROPRIATION:		
Proposed Dividend on equity shares	98.10	163.50
Corporate Dividend Tax	13.76	22.93
General Reserve	39.00	500.00
Surplus carried to Balance Sheet	2,450.55	1,817.10
OPERATIONS:		
Income	15,836.92	15,527.15
Profit before Tax	614.68	1,448.46
FEED DIVISION:		
Production (MTs)	21,478.01	28,454.420
Sales (MTs)	21,760.63	28,708.660
PROCESSING DIVISION:		
Production (MTs)	1,811.203	1,310.887
EXPORT SALES:		
Direct (MTs)	1,702.769	1,305.916

The profit for the year under consideration i.e. 2005-06, before depreciation, finance charges and tax come down by Rs.693.92 lakhs at Rs.1,234.45 lakhs as compared to Rs.1928.37 lakhs in the previous financial year. The profit after tax was Rs.784.31 lakhs as against Rs.939.93 lakhs during the previous financial year. This decrease in profit margin is mainly due to reduction in feed sales and increase in cost of production which 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 by 6,948 MT as compared to previous financial year. The decrease in sales is mainly on account of reduced cultivation by farmers due to unfavourable climatic conditions, non-availability of good seed and steep fall in export price of shrimps. As in previous year this year also culture started during late March' 06 and April' 06 reflecting the impact of decreased feed sales.

However, the shrimp processing and export division registered an increase in exports by 28.36% at 1,702.769 MT as compared to previous year export of 1305.916 MT, despite levy of Anti Dumping Duty by US. Company is developing alternate market in Europe, Japan and Middle East countries.

The Company has successfully commissioned four wind mills in Karnataka State with a capacity of 3.2 MW and started generation of power in the month of September, 2005.

The Soya operations during the year under consideration resulted in a loss of Rs.229.14 lakhs due to un-foreseen fall in international prices of Soya DOC. This activity has been discontinued in the current year.

DIVIDEND:

Your Directors are pleased to recommend a dividend of Rs.1.50 per equity share of Rs.10/- each for the financial year 2005-06 aggregating Rs.98.10 lakhs on 65,40,000 equity shares. No tax is payable by the shareholders on the dividend for the year 2005-06. The Dividend, if approved at the ensuing Annual General Meeting, will be paid to those shareholders whose name appear on the register of members of the Company on 27th September 2006.

SUBSIDIARIES

During the year the Company has acquired



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shareholding to the extent of 52% in M/s. Srivathsa Power Projects Limited. As required u/s. 212 of the Companies Act, 1956 the audited statements of Accounts of the subsidiaries of the Company viz., M/s. Svimsan Exports & Imports Limited and M/s. Srivathsa Power Projects Limited for the financial year ended 31st March, 2006 alongwith the report of the Board of Directors and auditors are included in the annual report. Statement pursuant to Sec.212 of the Companies Act, 1956 is annexed.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Accounting Standard (AS21) on Consolidated Financial Statements read with *Accounting Standard (AS23) on Accounting for Investments in Associates*, your directors have pleasure in attaching the consolidated financial statements for the financial year ended 31st March, 2006 which form part of the Annual Report and Accounts.

RELATED PARTY TRANSACTIONS

As a matter of policy, your company carries out transactions with related parties on an arm's length

prices. Statement of these transactions is given in the notes to accounts attached in compliance of Accounting Standard (AS18).

FIXED DEPOSITS

Your directors wish to inform that the company has not accepted any deposits from public covered by the provisions of Sec.58A of the Companies Act, 1956.

DIRECTORS:

In terms of Article 105 and 106 of the Articles of Association of the Company Mr. C Ramachandra Rao and Mr. K Ram Mohan Rao retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Mr. C Ramachandra Rao hitherto-Executive Director & Company Secretary has been re-appointed as Joint Managing Director & Company Secretary w.e.f 01.08.2006 in the board meeting held on 29.07.2006. An ordinary resolution to that effect is propounded to pass by the shareholders in ensuing AGM.

Details of Directors seeking re-appointment at the forthcoming Annual General Meeting (In pursuance of Clause 49 of the Listing Agreement)

1) Name of the Director	:	Mr. C Ramachandra Rao
Date of Birth	:	15.07.1952
Date of appointment	:	01.10.1996
Occupation	:	Service
Expertise in specific functional areas	:	Finance, administration, taxation, secretarial, imports, exports, central excise, sales tax etc.,
Directorships in other companies	:	Srinivasa Cystine Limited Patikari Power (P) Limited Srivathsa Power Projects Ltd Laxai-Avanti Life-Sciences (P) Ltd., SCL Finance Limited Svimsan Exports & Imports Ltd.,
Committee positions held in other companies	:	Nil
2) Name of the Director	:	Mr. K Ram Mohan Rao
Date of Birth	:	03.04.1950
Date of appointment	:	26.09.1998
Occupation	:	Agriculturist
Expertise in specific functional areas	:	Being an agriculturist his experience will be helpful in formulating marketing policies.
Directorships in other companies	:	Srinivasa Cystine Limited SCL Finance Limited
Committee positions held in other companies	:	NIL



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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, 2007 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, Shareholders 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 : 29.07.2006

A.Indra Kumar
Managing Director



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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, 2006.

Name of the Employee	Designation	Nature of Duties	Remuneration received Rs. in lakhs	Qualifications	Experience Yrs.	Date of Employment	Age Yrs.	Designation, Last Employment held
A.Indra Kumar	Managing Director	Projects, Production, Exports & General Administration	30.10	B.E	21	01.04.1998	45	Executive Director, Srinivasa Cystine Limited
C.Ramachandra Rao	Joint Managing Director and Company Secretary	Finance, Secretarial, Imports & Exports and General Administration	14.49	ACA, ACS & LLB	31	01.10.1994	55	Finance Manager & Company Secretary, Srinivasa Cystine Limited
Dr.D.C.Das	Director Marketing	Product Promotion and Marketing	15.62	M V SC.	25	06.06.1994	52	Manager - Animal Feed in TATA Oil Mills Ltd



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Annexure – 2

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with 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, 2006.

FORM A

(See Rule 2)

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

A) Power & Fuel Consumption	2005-2006	2004-2005
1. Electricity		
a) Purchased : Units (KWH)	59,75,236	65,30,516
Total Amount (Rs.)	2,43,78,502	2,66,54,852
Rate / Unit (Rs.)	4.08	4.08
b) Own Generation		
i) Through Diesel Generator		
HSD Oil Consumed (Ltrs)	68,946	72,140
Units (KWH)	2,00,142	1,98,640
Units produced per litre of Diesel Oil	2.90	2.75
Cost of HSD Oil consumed	20,93,984	17,39,649
Cost / Unit (Fuel Cost / Unit (Rs.))	10.46	8.76
2. Furnace Oil / LSHS		
Quantity Consumed (Ltrs)	4,53,666	4,82,112
Total Amount (Rs.)	86,48,324	67,76,915
Quantity of Steam produced (Mts)	6,595	5,928
Average Rate (Rs./MT)	1,311	1,143
3. HSD Consumed for Burner (SSMD)		
Quantity Consumed (Ltrs.)	59,479	—
Total Amount (Rs.)	18,71,739	—
Production per litre of HSD (Prod. 317 MT)	187.63	—
Average Rate (Rs./MT)	5,905	—
4. Consumption Per Unit (MT) of Production		
Electricity (KWH)		
Feed (PMT)	135	142
Shrimp (PMT)	2,360	2,037
SSM (PMT)	314	—
Furnace Oil (Ltrs.)		
Feed (PMT)	16.75	16.84
SSM (PMT)	296	—

B) Research and Development

During the year Company took up on lease 76 acres of land in the major shrimp culture areas to conduct Research and Development of scientific culture techniques in shrimp farming. During the year the company spent Rs.39.00 lacs on these endeavours. The results of the R & D will help company to constantly improve its feed quality and showcasing scientific farming methods to the farmers.

C) Foreign Exchange Earnings & Outgoings:

	2005-2006	2004-2005
	Rs. in Lakhs	Rs. in Lakhs
a) Foreign Exchange Earnings (FOB)	6,924.25	5,045.59
b) Foreign Exchange Out-go	2,639.50	3,369.31



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 Company believes that good corporate governance is an intrinsic part of its fiduciary responsibility as a responsible corporate citizen. Corporate Governance is about commitment to values and ethical business conduct. The Company's philosophy on Corporate Governance envisages achievement of highest level of transparency, accountability and equity, in all facts of its operations, and in all its interactions with its stakeholders, including shareholders, lenders and the Government. Timely and accurate disclosure of information regarding the financial situation, performance, ownership and governance of the Company is an important part of Corporate Governance. The Company's Board extends its fiduciary responsibilities in the widest sense of the term and also endeavors to enhance long term shareholder value by serving and protecting the interests of all the stakeholders.

2. Board of Directors:

The Company's policy is to have optimum combination of Executive and Non-Executive Directors, to ensure independent functioning of the Board. The Board consists of both promoter and external Directors.

The functions, responsibility, role and accountability of the Board are well defined. The detailed reports of the Company activities and performances are periodically placed before the Board for effective decision making.

The day-to-day management of the Company is conducted by the Managing Director and Executive Director, subject to the overall supervision and control of the Board of Directors.

i) The details of the composition of the existing Board of Directors is given below:

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, 27th, 2005
1.	Sri A. Indra Kumar	MD-Promoter	9	9	Yes
2.	Sri C. Ramachandra Rao	Executive Director	9	9	Yes
3.	Dr. D. C. Das	Director	9	8	Yes
4.	Sri N. Ram Prasad	NED	9	6	Yes
5.	Sri A.V. Achar	NED/ID	9	7	Yes
6.	Sri K. Ram Mohan Rao	NED/ID	9	4	Yes
7.	Sri M. Venkateswara Rao	ND	9	8	Yes
8.	Sri B. V. Kumar	NED/ID	9	3	No
9.	Sri M. S. P. Rao	NED/ID	9	5	Yes



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- 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)	
			Membership	Chairmanship
1.	Sri A. Indra Kumar	4	—	—
2.	Sri C. Ramachandra Rao	3	—	—
3.	Dr. D. C. Das	—	—	—
4.	Sri N. Ram Prasad	4	2	1
5.	Sri A.V. Achar	4	2	1
6.	Sri K. Ram Mohan Rao	2	—	—
7.	Sri M. Venkateswara Rao	5	—	—
8.	Sri B. V. Kumar	1	—	—
9.	Sri M. S. P. Rao	5	—	—

- iii) The details of Board Meetings held during the financial year 2005-2006:

Nine Board Meetings were held during the year 2005-06. The time gap between any two Board Meetings did not exceed by more than four months. The dates on which the said Board Meetings were held during 2005-06 are as follows:

Sl. No.	Date of Board Meeting
1.	11.04.2005
2.	29.04.2005
3.	16.05.2005
4.	29.07.2005
5.	12.08.2005
6.	27.09.2005
7.	29.10.2005
8.	30.01.2006
9.	18.02.2006

- iv) Note on the Directors seeking re-appointment.

Sri C Ramachandra Rao and Sri K.Ram Mohan Rao retire by rotation and, being eligible, have offered themselves for re-appointment.

Scheduling and Selection of Agenda items for Board Meetings.

- a. Minimum four Board Meetings are held in each year, which are pre-scheduled after the end of each financial quarter. Apart from the pre-scheduled Board Meetings, additional Board Meetings are convened