



14th
Annual Report
2006-2007

AVANTI FEEDS LIMITED
MANAGING DIRECTOR'S SPEECH
AT THE
14TH ANNUAL GENERAL MEETING OF THE COMPANY
HELD ON 28TH SEPTEMBER, 2007.

I am delighted to welcome you all to this 14th Annual General Meeting of your Company.

INDUSTRY OVERVIEW :

The export of Marine Products from India during the year 2006-07 registered a significant growth of 15.43% compared to 2005-06 i.e. in value terms i.e. from Rs.7245 crores in 2005-06 to Rs.8364 crores in 2006-07. Shrimp exports constitutes as much as 54% of the total exports in value terms. However, the share of shrimp exports in value terms has come down from 59% in the previous year to 54% in the current year. The shrimp exports reduced from 145180 MT in 2005-06 to 137397 MT in 2006-07, a reduction of 5% in quantitative terms.

The Government of India has been increasingly finding seafood exports as a potential sector for expansion, there by increase in forex earnings, rural employment generation economic growth and food and nutritional security. Hence, National Fisheries Development Board has earmarked Rs. 2100 crores budget for 2006-12 period to remove the bottlenecks in the sector. The multi-pronged action plan of NFDB and its nodal agency MPEDA is (i) development of Special Pathogen Free Brood stock of shrimp. (ii) development of domestic market for cultured shrimp, (iii) creation of infrastructure with public-private participation, (iv) financing capital requirement through banks and (v) bringing new areas under shrimp culture. With the initiatives of NFDB and MPEDA, SPF seed is likely to be available to the farmers by the end of 2008. Also the development of domestic market for cultured shrimp will reduce the dependency on export market. NFDB and MPEDA are developing new areas for shrimp culture in a big way in Gujrat and Maharastra. As per plan another 165000 hectors of area will be brought under shrimp culture in next 5 years.

With all these developments and efforts of Government and the stake holders the future outlook of the shrimp industry looks positive.

SHRIMP FEED DIVISION :

I am rather disappointed to report that 2006-07 which everyone expected to be a good year, did not come true. The poor performance continued in 2006-07 year also. There were several factors which continued to effect the industry as in previous year such as, unfavorable climatic conditions, non-availability of adequate good quality seed and un-remunerative international prices.

You will appreciate that while un-favorable climatic conditions is a factor beyond human control, the other two issued i.e. availability of good seed and pricing is certainly within the reach of human effort. In order to develop sustainable aquaculture it is necessary to address these two issues at various levels and stages by the stake holders including Government and its nodal agencies. In this direction the entire industry is looking to NFDB to take lead role with the support of other stake holders in the long term interest of the interest.

SHRIMP PROCESSING AND EXPORTS :

The export performance of shrimp processing and export division decreased by 28% at 1229 MT as compared to previous year export of 1811 MT. The decrease in exports was mainly due to un-favorable international prices.

POWER :

Dear Shareholders, our foray in to power sector has been smooth and I am glad to report that wind mills reported net cash generation of Rs.1.31 crores in the first full year of operation on an initial investment of Rs.14.50 crores. These cash accruals are in addition to the tax benefit of Rs3.77 crores availed by the company in the previous year.

M/S Srivathsa Power Projects Limited, the 17.20 MW gas based power project and subsidiary of the company has reported net cash generation of Rs.9.54 crores on a capital base of Rs. 32.16 crores. Your company has 51.94% holding in this company.

In the last AGM I reported that the 16 MW hydel power project in Himachal Pradesh, will be commissioned by May'07. However, due to unforeseen delays in tunneling, supply of turbines and civil works completion of the project delayed. As on date tunneling and most of the civil work have been completed, the machinery is in the process of erection, the first of 8 MW turbine is expected to be commissioned by end of December'07 and the second 8 MW turbine will be commissioned by January'08.

ACKNOWLEDGEMENT :

I would like to acknowledge and place on record the unstinted support and co-operation extended by the State, Central and other Governmental Agencies, Shareholders, Banks, Suppliers, Dealers, Farmers and Staff of the Company.

I thank you and wish you all a **HAPPY FESTIVAL SEASON AHEAD.**



Avanti Feeds Limited

NOTICE

Notice is hereby given that the **FOURTEENTH Annual General Meeting** of the members of **Avanti Feeds Limited** will be held on **Friday, the 28th day of September, 2007 at Sagi Ramakrishnam Raju Community Hall, Madhura Nagar, Hyderabad at 11.00 AM** to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2007 and Profit and Loss Account for the year ended 31st March, 2007 along with Auditors' Report and Directors' Report thereon.
2. To declare dividend for the year ended 31st March, 2007.
3. To appoint a Director in place of Mr. Dr.D.C.Das who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. B.V.Kumar who retires by rotation and is eligible for re-appointment.
5. To appoint M/s. Karvy & Company, Chartered Accountants, Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration.

SPECIAL BUSINESS

6. **To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution.**

"RESOLVED THAT in accordance with the provisions of Sec.198, 269, 309 and 310 read with Schedule XIII of the Companies Act, 1956 and all other applicable provisions, if any, of the said Act, including any statutory modification(s) or re-enactment thereof for the time being in force, and subject to the approval of financial institutions and banks, if required, and subject to approval of shareholders, and in supersession of the Ordinary Resolution passed in the 9th Annual General Meeting, the Company hereby approves the Re-appointment of Sri A.Indra Kumar,

Managing Director for a period of five years w.e.f.01.07.2007 and further approves payment of remuneration partly by way of Salary, Allowances, and perquisites and partly by way of commission on net profits of the Company in pursuance of Sec.198 read with Sec.349 of the Companies Act, 1956 as detailed below :

I. Salary : Rs.1,50,000 - Rs.15,000 - Rs.2,10,000

Perquisites :

In addition to the salary as above, perquisites as under the monetary value of such perquisites being limited to Rs.4,50,000/- p.a.

Category A :

A) Housing :

- i) The expenditure by the Company on hiring furnished accommodation subject to a ceiling of 60% of the salary over and above 10% payable by the appointee.
- ii) In case the accommodation is owned by the Company, 10% of the salary shall be deducted by the Company.
- iii) In case no accommodation is provided by the Company, he shall be entitled to House Rent Allowance subject to the ceiling laid down in (i) above.

The expenditure incurred by the Company on Gas, Electricity, Water expenses and Furnishing, to be valued as per Income Tax Rules, 1962. This shall however be subject to a ceiling of 10% of salary.

B) Medical Reimbursement :

Expenses actually incurred for Sri A.Indra Kumar and his family shall be reimbursed subject to a ceiling of one month salary in a year or three months salary over a period of three years.

C) Leave Travel Concession :

Leave Travel Concession for Sri A.Indra Kumar and his family in accordance with the rules of the Company.



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D) Club Fee:

Fees of clubs subject to a maximum of two clubs. No Life membership or admission fee shall be paid.

E) Personal Accident Insurance :

The annual premium shall not exceed Rs.10,000/-

Category - B

- A) Company's contribution towards provident fund, subject to a ceiling of 12% of salary.
- B) Company's contribution towards pension/ superannuation funds which shall not together with the Company's contribution towards provident fund exceed 15% of the salary or such other higher percentage thereof as may be laid down from time to time under the Income Tax Rules.
- C) Contribution to provident fund, superannuation fund and annuity will not be included in the computation of ceiling on perquisites to the extent these either singly or put together are not taxable under Income Tax Act.
- D) Gratuity - not exceeding half month's salary for each completed year of service subject to a ceiling of Rs.3,50,000/- or such higher ceiling as may be fixed from time to time by the Central Government.

II. Commission :

In addition to salary and perquisites as above, Sri A.Indra Kumar shall be entitled to commission at the rate of 4% of the net profits of the Company in the manner laid down under Sec.309(5) of the Companies Act, 1956 and other applicable provisions of the said Act.

III. Minimum Salary :

Wherein any financial year, during the currency of the tenure of Sri A.Indra Kumar, the Company has no profits or its profits are inadequate, the Company shall pay remuneration by way of salary

and perquisites not exceeding the limits specified herein above.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as in its absolute discretion, it may consider necessary, expedient or desirable, and to settle any question, or doubt that may arise in relation thereto in order to give effect to the foregoing resolution, or as may be otherwise considered by it to be in the best interest of the Company".

7. To consider and if thought fit, to pass with or without modification, the following resolution as a Ordinary Resolution.

"RESOLVED THAT Dr.D.C.Das be and is hereby appointed as the Director (Business Development & Recovery Management) of the Company liable for retirement by rotation".

To approve the appointment of Dr.D.C.Das as Director (Business Development & Recovery Management)

"RESOLVED THAT in accordance with the provisions of Sec.198, 269, 309 and 310 read with Schedule XIII of the Companies Act, 1956 and all other applicable provisions, if any, of the said Act, including any statutory modification(s) or re-enactment thereof for the time being in force, the Company hereby approves the appointment of Dr.D.C.Das as Director (Business Development & Recovery Management) for a period of five years w.e.f.01.10.2007 and further approves payment of remuneration partly by way of Salary, Allowances, and perquisites and partly by way of commission on net profits of the Company in pursuance of Sec.198 read with Sec.349 of the Companies Act, 1956 as detailed below :

I. Salary : Rs.65,000 - Rs.7,500 - Rs.95,000

Perquisites :

In addition to the salary as above, perquisites as under the monetary value of such perquisites being limited to 60% of the above mentioned salary per month.



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Category A :

Unfurnished accommodation or HRA subject to a limit of 25% of the salary per month.

Education Allowance	:	Rs.8,000/-
Medical Allowance	:	Rs.6,000/-
Conveyance Allowance	:	Rs.6,000/-

Category B :

- A) Company's contribution towards provident fund, subject to a ceiling of 12% of salary.
- B) Company's contribution towards pension/superannuation funds which shall not together with the Company's contribution towards provident fund exceed 15% of the salary or such other higher percentage thereof as may be laid down from time to time under the Income Tax Rules.
- C) Contribution to provident fund, superannuation fund and annuity will not be included in the computation of ceiling on perquisites to the extent these either singly or put together are not taxable under Income Tax Act.
- D) Gratuity - not exceeding half month's salary for each completed year of service subject to a ceiling of Rs.3,50,000/- or such higher ceiling as may be fixed from time to time by the Central Government.

II. Commission :

In addition to salary and perquisites as above, Dr.D.C.Das shall be entitled to commission at the rate of 1% of the net profits of the Company in the manner laid down under Sec.309(5) of the Companies Act, 1956 and other applicable provisions of the said Act.

III. Minimum Salary :

Wherein any financial year, during the currency of the tenure of Dr.D.C.Das, the Company has no profits or its profits are inadequate, the Company shall pay remuneration by way of salary and perquisites not exceeding the limits specified herein above.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as in its absolute discretion, it may consider necessary, expedient or desirable, and to settle any question, or doubt that may arise in relation thereto in order to give effect to the foregoing resolution, or as may be otherwise considered by it to be in the best interest of the Company".

By Order of the Board
for **Avanti Feeds Limited**

Place : Hyderabad
Date : 31.07.2007

A.Indra Kumar
Managing Director



Avanti Feeds Limited

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 such proxy need not be a member of the Company.
2. Proxy in order to be effective must be deposited at the Company's Registered Office at G-2, Concorde Apartments, #6-3-658, Somajiguda, Hyderabad - 500 082, A.P., not less than 48 hours before the time for holding the meeting.
3. Register of Members and Share Transfer Books of the Company shall remain closed from 19th September 2007 to 28th September 2007 (both days inclusive).
4. In order to provide protection against fraudulent encashment of Dividend Warrants, members are requested to provide their Bank Account Number, Name and Address of the Bank/Branch to enable the Company to incorporate the same in the Dividend Warrants.
5. Members are requested to notify promptly any change in their address registered with the Company to the Registered Office of the Company.
6. Members desiring to seek any information on the annual accounts are requested to write to the Company at an early date to enable compilation of information.
7. All communication relating to shares are to be addressed to the Company's Transfer Agents, M/s.Karvy Computershare Private Limited, Plot No.17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081.

By Order of the Board
for **Avanti Feeds Limited**

A.Indra Kumar
Managing Director

Place : Hyderabad
Date : 31.07.2007

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No.6

Sri A. Indra Kumar was appointed as Managing Director for a period of five years on 01.07.2002. In view of his dedicated and efficient services offered to the company, it is proposed to re-appoint him as Managing Director for a further period five years w.e.f 01.07.2007. The approval of members is sought for his appointment and payment of remuneration to him.

None of the directors are concerned or interested in the above terms of appointment and payment except for Sri. A. Indra Kumar and Sri. N. Ram Prasad.

Item No.7

Dr.D.C.Das was appointed as Director (Marketing) w.e.f. 01.10.2002. In view of his dedicated and efficient services offered to the company, it is proposed to appoint him as Director (Business Development & Recovery Management) for a further period of five years w.e.f. 01.10.2007. The approval of members is sought for his appointment and payment of remuneration to him.

None of the directors are concerned or interested in the above terms of appointment and payment except for Dr.D.C.Das.



Avanti Feeds Limited

BOARD OF DIRECTORS

A.Indra Kumar

Managing Director

C.Ramachandra Rao

Joint Managing 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
Plot No.17 to 24, Vittal Rao Nagar,
Madhapur,
HYDERABAD - 500 081.

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 Fourteenth Annual Report together with the Audited Accounts for the financial year ended 31st March 2007.

FINANCIAL PERFORMANCE:

(Rs. in Lakhs)

	2006-2007	2005-2006
Profit before Interest, Depreciation & Tax	884.47	1,234.45
Interest	327.31	270.90
Depreciation	368.68	348.87
Profit before Tax	188.48	614.68
Provision for Income Tax incl. Deferred Tax	21.69	(169.63)
Profit after Tax	166.79	784.31
Add : Balance brought forward from Previous year	2,450.05	1,817.10
Profit available for appropriation	2,616.84	2,601.41
APPROPRIATION:		
Proposed Dividend on equity shares	98.10	98.10
Corporate Dividend Tax	16.51	13.76
General Reserve	8.50	39.50
Surplus carried to Balance Sheet	2,493.73	2,450.05
OPERATIONS:		
Income	12,236.78	15,836.92
Profit before Tax	188.48	614.68
FEED DIVISION:		
Production (MTs)	19,055.39	21,478.01
Sales (MTs)	18,862.05	21,760.63
PROCESSING DIVISION:		
Production (MTs)	1,234.21	1,811.20
EXPORT SALES:		
Direct (MTs)	1,229.34	1,702.77

The profit for the year under consideration i.e. 2006-07, before depreciation, finance charges and tax came down by Rs.349.98 lakhs at Rs.884.47 lakhs as compared to Rs.1234.45 lakhs in the previous financial year. The profit after tax was Rs.166.79 lakhs as against Rs.784.31 lakhs during the previous financial year. This decrease in profit margin is mainly due to reduction in feed sales and increase in raw material costs, which could not be fully passed on to the shrimp farmer as farmers were already in deep distress due to various reasons such as non-availability of quality seeds and fall in export price of shrimps, unfavourable climatic conditions.

The feed division sales decreased by 2,899 MT as compared to previous financial year. The decline in feed sales is mainly on account of general decline in shrimp culture in AP, company's main market due to the reasons stated above.

The shrimp processing and export division sales reduced by 473 MT as compared to previous financial year. The decrease in exports is mainly on account of un-viable international prices.

The four windmills in Karnataka State with a total capacity of 3.2 MW have generated 63.85 lac units and power generated was sold to Karnataka Power Transmission Corporation Limited under PPA.

DIVIDEND:

Your Directors are pleased to recommend a dividend of Rs.1.50 per equity share of Rs.10/- each for the financial year 2006-07 aggregating Rs.98.10 lakhs on 65,40,000 equity shares. No tax is payable by the shareholders on the dividend for the year 2006-07. 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 28th September 2007.

DIRECTORS:

In terms of Article 105 and 106 of the Articles of Association of the Company Dr. D.C.Das and Mr. B.V. Kumar retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. An ordinary resolution to that effect is propounded for the consideration and passing by the shareholders in ensuing AGM.