

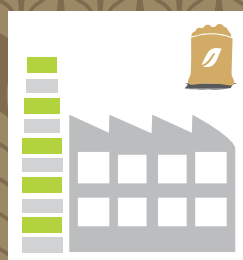


SHIVA GLOBAL AGRO
INDUSTRIES LTD.

Seeds



Fertilizers



Soil Health
Products



Research



Solvent
Extraction



Integrated Farm Solutions

Annual Report

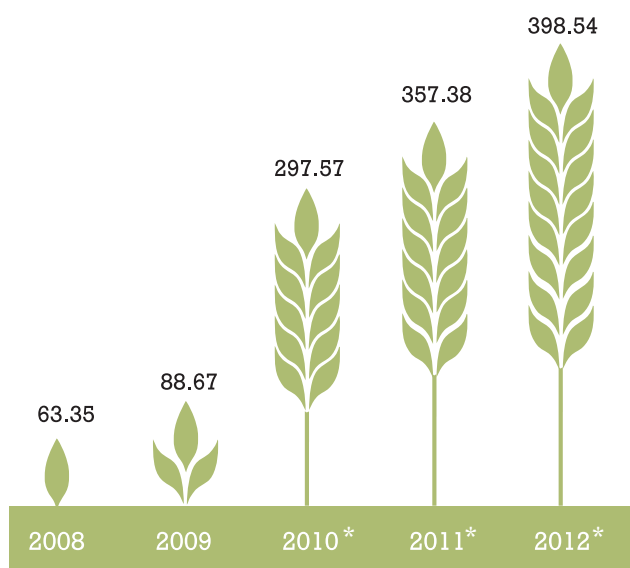
2011-12



Performance Highlights

REVENUE

₹ in Crores



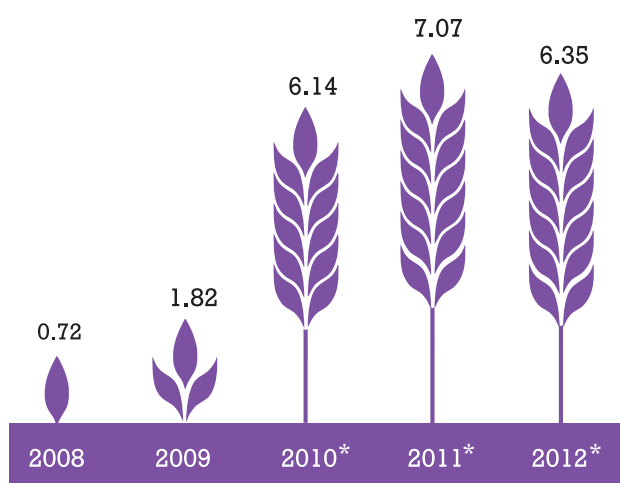
EBITDA

₹ in Crores



PAT

₹ in Crores



* Consolidated figure

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COMPANY INFORMATION

Registered Office & Works

Shri Hanuman Nagar,
Osman Nagar Road,
Village - Dhakni,
Nanded 431 708,
Maharashtra.

Auditors

M/s. J. P. Falor & Co.
Chartered Accountants
Sanman Towers,
Vazirabad,
Nanded 431 601,
Maharashtra.

Bankers

Union Bank of India,
Santkripa Market,
G. G. Road,
Nanded 431 601,
Maharashtra.

Share Transfer Agent

Aarthi Consultants Pvt. Ltd.
1-2-285,
Domalguda,
Hyderabad 500 029,
Andhra Pradesh.



Chairman's Message

Dear Shareholders,

In fiscal 2011-12, the economy faced several challenges, including high inflation and volatile capital flows due to a combination of global and domestic factors. This is the time to leverage India's affordability advantage and stir up the food value chain. The most robust way to grow businesses and uphold a competitive edge is through innovation, technology advancement and a customer centric approach.

Growing populations and rising incomes in developing economies have contributed to the increased demand for food and nutrient products. This will fuel the demand for fertilizers in the long-term. Supply and demand dynamics continue to provide the impetus for richer, sustainable and protein-rich food sources. Crop nutrients and fertilizers play a key role in the efforts to increase agricultural productivity. While nutrient reserves in the soil do not increase and recycling organic material is not enough for higher growth, the increased production of fertilizer can really make a difference. The fertilizer market is not only an important market in terms of size, but also a critical industry serving global food production. Mineral fertilizers adapted to specific crops, soils and climatic conditions present an optimal nutrient balance to maximise crop yield and quality whilst minimizing environmental impact.

According to International Fertilizer Industry Association (IFA), the global demand for fertilizer is expected to increase by 2.5% during 2012-13. Fertilizer demand will continue to grow about 2% annually until 2016-17. Total nutrient sales in the fertilizer and industrial sectors in 2016 are forecast at 245 MT nutrients, representing a 9% increase compared with 2011 and an average annual growth rate of 1.8%. This is good news for Shiva Global Agro since we are well entrenched in the fertilizer segment.

Seed and fertilizers have gained immense importance. With the introduction of Nutrient-Based Subsidy (NBS) Scheme, the Government is encouraging the use of soil-specific nutrients. Introduced from 1st April, 2010, NBS has had a positive effect for all the stakeholders, viz. the Indian farmer, the fertilizer industry and your Company. In conjunction with improved production planning and cost management, better margins have become attainable in the fertilizer sector. The Indian fertilizer industry is now on a new growth trajectory and the strong growth in food crops production as well as attractive prices should have a positive impact on agri-exports from India.

Shiva Global Agro is aware of the fact that the target to achieve food self-sufficiency will be a key driver for the fertilizer industry. Currently, demand for fertilizers outstrips supply and we are trying to reduce this gap by offering advanced fertilizers, seeds and soil health

products. We continue to steer growth with our strategy of providing a complete basket of products and services to the Indian farmer. Our products and customer relationships, robust distribution network and knowledge-driven services are the key in this regard.

India is a major importer of fertilizers. Currently it imports 20% of Nitrogen, 80% of phosphorus and 100% of Murriate of Potash. Aiming to reduce imports of P, the Government is encouraging use of SSP fertilizer. As a result, the fertilizer segment of the Company is poised for good growth. Global phosphate rock supply, forecast at 256 MT in 2016, grew by 43 MT compared with 2011. Demand and production capacity for phosphate, a major input for fertilizers, is expected to grow about 20% by 2015. Potash demand and capacity will increase 14% and 42% respectively. The Company plans to set up BRP and SSP manufacturing plants at Meghnagar and Heerapur in Madhya Pradesh after getting final mining lease to MP State Mining Corporation Ltd., Bhopal with whom we are having MOU for supply of Rock Phosphate.

On the seed front, our Bt Cotton has already hit the market. As promised in my last message, we have continued our research to provide quality seeds and the introduction of our Bt Cotton is a step in this direction. Our R&D in paddy has also brought good results and we are poised to grow faster in this field as well. Our R&D teams work closely with farmers in different regions to recognize and understand their needs and deliver customized solutions using our wide range of seeds and soil health products.

Our bio-fertilizers and growth stimulants are also finding wide acceptance. We are endeavouring to educate farmers to adopt soil-specific crop pattern and use of quality seeds and fertilizers to increase productivity. We are also encouraging farmers to use technological resources efficiently.

We are proud to be a part of this growth journey in the agricultural space. As it is our responsibility to ensure food security for our country, we will continue to build strong business partnerships and healthy relationships with our communities, knowing they are a vital part of our business success. And we will continue to invest both time and money to make this happen.

I am grateful for your support and continued investment in Shiva Global Agro. I look forward to the next stage of growth and a stronger performance in 2012 and for years to come.

With warm regards,

Omprakash K. Gilda
Founder and Chairman



Director's Message

Dear Shareholders,

The macro-economic scenario in year 2011-12 was influenced by weak global economic environment owing to the challenges in the Eurozone, political turmoil in Middle East and North Africa and concerns of a US economy downgrade by rating agencies. In India, the sentiment has been dampened due to high inflation, political paralysis and regulatory overhang. With the agriculture and services sectors continuing to perform well, India's slowdown can be attributed to declining industrial growth. In addition, irregular rainfall affected consumption of fertilizers in the Rabi season as farmers favoured urea and low-grade phosphatic fertilizers. Despite this challenging scenario, the Company fared well and delivered a good performance.

During FY2011-12, our Consolidated Net Income increased almost 10.56% over the previous financial year to ₹ 399 crores. EBITDA margins for the consolidated entity improved by 37 basis points to 7.07% and increased almost 19% over the previous year to ₹ 28 crores. Our arms, viz. Kirtiman Agro Genetics Ltd. Shiva Parvati Poultry Feed Pvt. Ltd., Ghatprabha Fertilizers Pvt. Ltd. and Shrinivasa Agro Foods Pvt. Ltd. had a good year and recorded a cumulative turnover of ₹ 287 crores.

The Indian seed market has experienced good growth over the past few years. This development was mainly in the form of adoption of hybrid seeds in order to meet the demand for agricultural food products in the country. This market continues to present huge opportunity for innovation and progressive research. We have already launched our Bt cotton seed in the market and the initial response has been encouraging. Our Bt Cotton 'Mahasamrat' and 'Mahesh' varieties gained popularity during the year. In addition, our research paddy seeds, viz. 'Hina' and 'Kanchan' varieties, received a good response from the market and were in short supply during the year due to increased demand. During the year we deposited more than 4,000 lines of field crops and about 1,218 lines of vegetables in the Gene Bank. We will continue our research to boost production and productivity. Kirtiman, our seeds vertical, recorded a turnover of ₹ 35 crores for the year, demonstrating our strength in the seed business.

Our solvent business registered growth in the previous year. Demand for oil and DOC has been good. However, constant changes in soya bean prices have been a challenge. We are well prepared to face and expect our solvent business to remain steady.

We are committed to grow our business. As planned, our BRP plant has become fully operational, giving strength

to our SSP unit. The production of SSP has increased with the increase in availability of Rock phosphate consequent to the production of BRP at its own plant. SSP has shown tremendous growth of 37.1% YoY during April 2011 - February 2012. The Government's new Nutrient Based Subsidy (NBS) scheme is a step in the right direction. Not only will it drive producers as well as importers to improve production, procurement and distribution efficiencies, the introduction of policies suiting the needs of SSP industry will give us higher growth in the coming years.

Our key approach has been to create a robust retail distribution network. Our focused farmer outreach programme is not only helping us understand agri-challenges better, our solutions are also empowering Indian farmers with informed decision making in farm practices. Our success lies in our understanding local requirements and distribution of material according to the needs of the area. Our initiatives at the marketing and distribution level have been well received and helped us in our growth. The Company is planning to enter new markets in Maharashtra, viz. Jalna, Aurangabad, Nagar and Jalgaon districts.

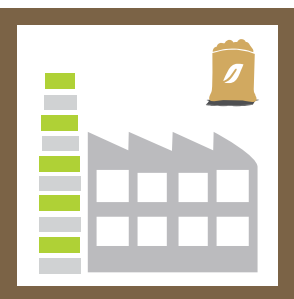
Shiva Global Agro is committed to educate farmers about quality seeds and use of soil-specific fertilizers that can improve the yield for improved economic gains. We are constantly endeavoring to create a deeper pan-India agri-rural network to deliver our fertilizers and seeds to more farmers on an ongoing basis.

We remain focussed on augmenting our R&D capabilities by investing in our employees, processes and equipment. The Company strongly believes in training and developing employees through various initiatives. Our capability to discover, develop and deliver helpful products and solutions to help farmers increase yields, fight agronomic challenges, increase profitability and deliver better products to customers forms the core of our strategy.

We will continue to grow across the agricultural value chain and become a trusted partner of the Indian farmer by remaining focussed on delivering superior results and providing value to our customers and shareholders in a responsible and inclusive manner. We believe these strong fundamentals will allow us to demonstrate our strength, reliability and diversity in product and service offerings across the agriculture value chain in 2012.

Regards,

Deepak S. Maliwal
Director, Finance and Operations



SSP Segment

Small and marginal farmers prefer using Single Super Phosphate (SSP) fertilizer because it is affordable and cost-efficient. SSP fertilizer contains sulphur and calcium besides phosphorus, making it an ideal fertilizer to eliminate sulphur deficiency in the soil. This, in turn, helps increase yields.

The Government of India included sulphur in the NBS policy from 1st April, 2010, providing a level playing field for SSP manufacturer's vis-à-vis Diammonium Phosphate (DAP) and other complex fertilizer makers. The NBS policy will eventually guarantee availability of SSP fertilizer, which is farmer and environment friendly. Increased use of SSP will also help conserve foreign currency to the extent it will substitute the import of finished P (phosphorus) and K (potassium) fertilizers.

In the past, biased regulations mandated a lower subsidy for P content compared to DAP and insufficient price revisions affected the profitability of the SSP industry. However, under the new subsidy regime, increased consumption of SSP should rekindle the fertilizer manufacturers' interest in this product line. Furthermore, with the addition of a separate subsidy for micronutrient carrying customized fertilizers, their production and consumption should increase as well.

Manufacturing fertilizers has been our core activity since 1993. Currently, Shiva Global Agro and its subsidiary Ghatprabha Fertilizers manufacture SSP and NPK mixed fertilizers at our facilities in Nanded, Raibag and Karad in Maharashtra. Phosphate is the key ingredient in both products and with India importing most of this raw material, buying phosphate in the market increases costs for fertilizer manufacturers. Therefore, to remain cost-effective, Shiva Global Agro launched backward integration in rock phosphates, which has helped to cut costs and increase production during the year by 54.51% to cross 81,000 metric tonnes (MT).

OUTLOOK

According to the International Fertilizer Association (IFA), global fertilizer demand in 2011 grew by 2.8% on the back of high food prices and strong demand for agri commodities. World nutrient consumption in 2011 reached 177 million tonnes (in terms of nutrients), rising by 3% compared to 2010. It will grow by another 2.5% in 2012-13 to reach 181 MT of nutrients (nitrogen, phosphate and potassium). However, global fertilizer demand and price levels were sluggish between December 2011 and the first quarter of 2012.

The fertilizer industry operated at 83% of installed capacity compared with 82% in 2010. Fertilizer demand



in 2012-13 should grow at a moderate rate due to lower commodity prices and uncertain economic conditions in Europe. According to the Food and Agriculture Organization (FAO), 77% of future growth in crop production should come from increased yields with fertilizers playing a crucial role in achieving this.

India's grain output needs to cross 280 million MT by the year 2020 to meet the food requirements of its people. Since arable land is limited, increasing crop productivity is the only answer to address increased demand. The need to provide crop-specific, location-specific and site-specific grades of fertilizer is of vital importance and Shiva Global Agro is poised to achieve this goal. With a strong sourcing strategy and an effective national distribution network, we have emerged as the most adaptable agri-nutrition provider.

The Government's NBS Policy, granting infrastructure status to the fertilizer sector and cash payment of subsidy (instead of bonds) will promote investment in the sector and eventually replace imported finished fertilizer products. The Company is better placed to reap the benefits considering its basic strengths like high integrated capacity, multi-geographical locations and established brands.

Considering the huge gap between demand and supply, urea sales should not come under pressure in the short term. The Government's increased focus on food production holds out a lot of hope to the fertilizer Industry. We believe our unique position across the agricultural value chain and higher market penetration will fuel our growth and allow us to continue delivering value to all of our stakeholders.

Seeds

Seed is the most important input component in agriculture. The development of the seed industry in India mirrors the growth in agricultural productivity over the past four decades. India has the second largest area of farmland and the largest area of irrigated land in the world. And along with its vast germplasm diversity, its seed industry serves both domestic and international markets.

The global seed market grew at a CAGR of 5.6% during 2005-2011 with the increasing adoption rate of genetically modified crops around the globe supplementing the sales value of the seed market. Additionally, increased production of bio-fuels in the main economies as an answer to traditional fossil fuel has increased the demand for corn seeds and oil seeds.

With a market size of ₹ 10,000 crores, India's seed market is one of the biggest in the world, double of what it was before Bt muscled its way into the Indian agricultural landscape. According to official data, India produced 35.34 million quintals of seeds in 2011-12 compared with the requirement of 33.02 million quintals.

With limited arable land, quality inputs such as seeds are the key to raising production to feed a growing population. A substantial portion of seed production takes place in the unorganized sector that offers low-quality and often spurious seeds, albeit at cheaper rates. Consequently, it is important that the government retains subsidies and promote private players to get into seed production.

Shiva Global Agro's subsidiary Kirtiman Agro Genetics Ltd. develops seeds for high-yielding crops and undertakes agricultural research. Our production of research and hybrid seeds and ability to manufacture raw materials enables us to supply quality, cost-effective products to Indian farmers. While our research facilities at Aurangabad in Maharashtra develop various seed varieties, our state-of-the-art centre at Medchal in Andhra Pradesh does exclusive research on paddy.

Internationally known plant breeders head our research team and the Department of Science and Industrial Research has recognized our R&D unit, which boasts of infrastructure for both molecular and aided breeding. The Directorate of Research of Mahatma Phule Krishi Vidyapeeth at Rahuri in Maharashtra has also certified our R&D lab. Our researchers focus primarily on developing better varieties of cotton, paddy, maize and bajra seeds, especially high-yielding hybrids for the summer crop. During the past year, our team of highly qualified scientists developed and launched a research variety of paddy seed.

During the year, our cotton offerings "Mahasamrat" and "Mahesh" Bt cotton seeds gained popularity and demand



outstripped supply for our paddy varieties "Kanchan" and "Hina". Indeed, our premium products have gained acceptance in the markets, enabling us to expand our geographical reach as well as product line rapidly. We continue to grow in Maharashtra, Gujarat, Madhya Pradesh, Uttar Pradesh, Rajasthan and Haryana.

During the last few years, we took number of steps to expand our manufacturing capacities and infrastructure facilities. Strategic tie-ups with key raw materials suppliers, which are critical for operations, ensure timely availability of raw material for operating the plant at optimal capacity.

Kirtiman's hybrid seeds are ushering in a qualitative change and revolutionizing India's farming sector. Intensive multi-location testing at our labs ensures speedy delivery of potential products to the market gives us an edge over the competition and makes seeds one of Shiva Global Agro's most promising business units.

Our research activities are primarily focused on developing better varieties of cotton, paddy, maize and bajra seeds with a focus towards developing high-yielding hybrids.

ACHIEVEMENTS

- Deposited more than 4,000 lines of Field Crops and about 1,218 lines of Vegetables in the Gene Bank; multiplied, evaluated and characterized for major characters and Crops (Cotton, Bajra and Maize etc.)

PADDY

- Developed six Proprietary hybrids.
- Four hybrids were entered in national trials of DRR. Results are awaited.
- Around 300 test crosses are screened every season. This season 177 test crosses are being screened.
- Seven CMS lines mostly of IRRI origin are also being maintained.
- Eleven varieties and eight parental lines are being multiplied as breeder seed.
- Developed six Proprietary Research Variety.
- Five varieties were also included in National Trials.

COTTON

- Agreement for Bollgard technology signed on 23rd June, 2010 and work on introgression and development of Bt hybrids started, progressed and flourished.
- Eight H X H – BG II (viz. Mahasamrat 8152, Mahesh 904, Mahabalwan 932, KCHH-2101, KCHH-1049, KCHH-2739, KCHH-2108, KCHH-2505) & One H X B BG I (KCBH-2250), hybrids approved by the Standing Committee of GEAC, GOI; these hybrids displayed better performance than best checks both in Station Trials and SAU Trials; accepted by the farming community.

BAJRA

- After Bajra hybrids testing, three most promising hybrids, viz. i) KBH 261 ii) KBH 287-36 and iii) KBH-11 (KBH – 1007) offered for ICAR and SAU trials found better than the best.



OKRA

- Two okra hybrids, viz. KOH 992 & KOH-3, are better than the best in the market not only for fruit yield but also for Yellow Vein Mosaic Virus resistance (YVMV). KOH-992, particularly, has high resistance to YVMV delivers better fruit quality; due to their promising performance both hybrids have been promoted for 2nd year ICAR testing in K-2012; production of KOH-992 was also taken up by the Production Department during the year.

TUR

- One white seeded variety, KPP-2911 and one red seeded KPP-5014 found better than the best in their category in station trials; the seed multiplication of KPP-2911 taken up during K 2012 by the Production Department.

Other Crops: Identified

- 3 Maize hybrids (KMH-2103/2172/2404).
- 2 Wheat varieties, (Kirtiman Shakti and KW-1010).
- 1 Green gram variety (KGC 35).
- 1 variety each of Desi (KG-1018) and Kabuli (KS-1105) gram.

Solvent Extraction and De-oiled cakes

We offer better quality products and utilization of technology and are setting up a new expander for high oil yield and high protein content in poultry feed serving.

A growing population and rise in incomes is giving impetus to the edible oil market in India. According to the Solvent Extractors' Association of India, demand for edible oil should increase to 22.5 million tonnes by 2015, with imports rising to 10 million tonnes. India imports about 6 million tonnes of edible oil to meet the domestic demand of about 13 million tonnes annually, making the country one of the largest importers of vegetable oils. In addition, the growing retail sector is expected to emerge as a major growth driver for the Indian edible oil industry. Increasing awareness about health benefits should boost the growth of the edible oil market in India.

Compared to demand growth for edible oils, domestic oil and oilseed production has remained stagnant due to low productivity in under-irrigated areas. Moreover, there has been a considerable decrease in supply with farmers moving from oilseeds to other crops, leading to over 53% of edible oil being imported, with palm and soya accounting for over 90% of the imported volume. Palm oil has the highest consumption in India followed by soybean oil and mustard oil. The fact that palm oil is a regular ingredient in the Indian diet shows that oil as a nutrient to healthy living has gained wide acceptance. India is one of the largest buyers of Indonesian Crude Palm Oil (CPO) with over 80% imported from Indonesia.

Our subsidiaries Shiva Parvati Poultry Feed Pvt. Ltd. and Shrinivasa Agro Foods Pvt. Ltd. produce edible and non-edible oil. We offer better quality products and utilization of technology and are setting up a new expander for high oil yield and high protein content in poultry feed serving. We have also started installing a Hypro unit that will retain high protein content in poultry feed serving.

ON STICKY GROUNDS

Vegetable oil imports (in tonnes)

Year	Edible	Non-Edible	Total	
2007-2008	5,508,410	647,685	6,256,095	
2008-2009	8,183,360	453,599	8,642,959	
2009-2010	8,823,338	418,068	9,241,406	
2010-2011	8,371,459	295,770	8,667,229	
2011-2012*	9,000,000	300,000	9,300,000	
* Estimated		Source: Solvent Extractors' Association		

Raw material for products made at Shiva Parvati Poultry Feed Pvt. Ltd. and Shrinivasa Agro Foods Pvt. Ltd. are cultivated and procured directly from farmers and the open market. The finished products are edible oil, which is used for human consumption, and deoiled cake, which is used as cattle and poultry feed. Our deoiled cakes have also found a good export market. With years of unmatched experience in this business and in the wake of continuing improvement in demand, we foresee substantial returns from both these businesses in the coming years.



Soil Health Products

With the success of our products in a short time, we are accelerating our research activities to offer soil health products for diverse crops. We are looking for opportunities to increase our offerings and expanding our presence.

Soil nutrient imbalance adversely affects farmers who lack the resources to replace nutrient loss brought about by intensive agriculture. This has led to an increased demand for plant nutrients. With a significant drop in the yield and quality of crops in the country, there is a need to encourage balanced use of fertilization. The Indian farmer needs to be informed about the paucity of micronutrients in the soil and that supplementary nutrients are essential to increase yields.

Plant nutrients consist mostly of natural products like Water Soluble Fertilizers and Micronutrients, besides synthetic inputs like NPK Fertilizer. Micronutrient fertilizers applied singly or along with NPK fertilizer are ideal for all type of crops and are available in various grades to meet different requirements of farmers and agricultural units.

Our subsidiaries Shiva Global Biotech and Ghatprabha Fertilizers Pvt. Ltd. offer high quality crop nutrition and soil health products that produce higher yields, protect soil health and stop depletion of soil health due to high cropping intensity. We encourage sustainable agriculture by providing the best nutritional package for better plant growth and premium quality output.

During the year, the Company launched products like 'All Grow', which contains organic ingredients like neem, increases organic carbon in the soil to improve soil health and reduce wastage and evaporation of nitrogenic fertilizers. Another product launched was 'REAL', which contains calcium, magnesium sulphate and phosphorus and acts as a soil conditioner; it also increases the process of photosynthesis and controls pH of soil (soil pH is a measure of the acidity or basicity in soils). Thanks to these products, we have established a strong foothold in the markets of Western Maharashtra and Karnataka. Our product 'VIRAT' launched last year, received a good response from farmers and captured the market in no time. The brand continues to enjoy high loyalty.



With the success of our products in a short time, we are accelerating our research activities to offer soil health products for diverse crops. We are looking for opportunities to increase our offerings and expanding our presence. Efforts are underway to expand and introduce more products that add value and provide balanced nutrition to crops.