

SANWARIA GROUP

Serving society through Industry

15th Annual Report 2005-2006



SANWARIA AGRO OILS LIMITED **A Sanwaria Group Enterprise**

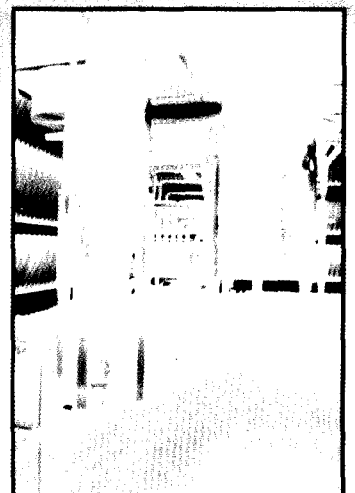
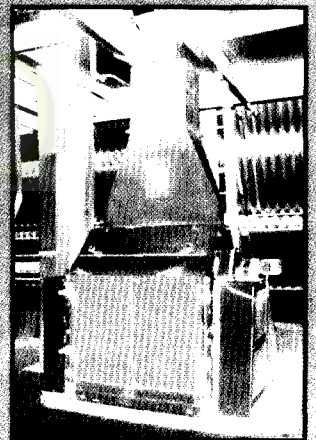
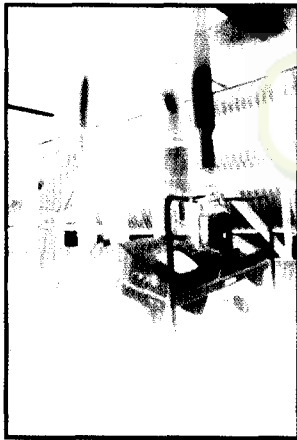
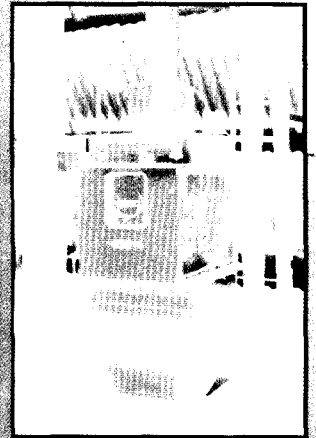
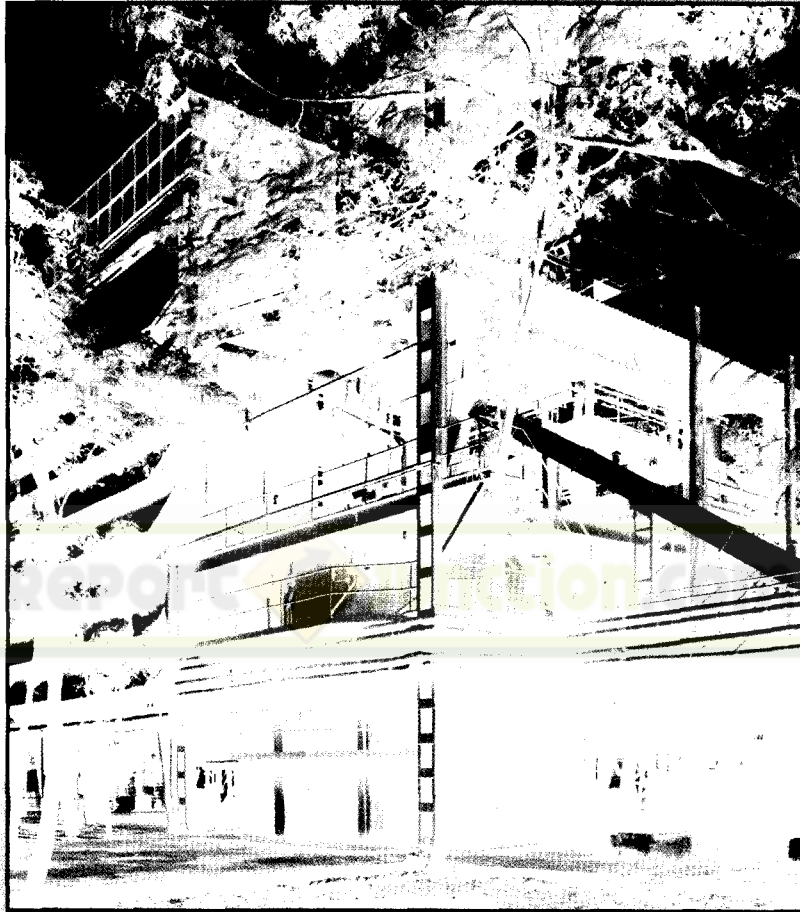
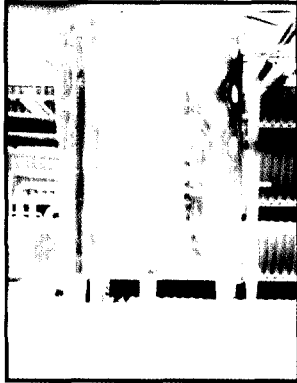
A Govt. Recognized One Star Export House

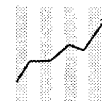
19-30, Industrial Area, Kheda, Itarsi (M.P.) India



SANWARIA GROUP

Views of Main Extraction Plant and it's sections at Mandideep (M.P.)





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Board of Directors

Chairman and Managing Director	Shri Ram Narayan Agrawal
Whole Time Director	Shri Satish Agrawal
Whole Time Director	Shri Ashok Agrawal
Whole Time Director	Shri Gulab Chand Agrawal
Director	Shri Anil Agrawal
Director	Shri Rajul Agrawal
Director	Shri Shyam Babu Agrawal
Director	Shri H.K. Agrawal
Director	Shri Keshav Premy
Director	Shri Rajendra Agrawal
Director	Shri Ajay Agrawal
Director	Shri S.K. Tiwari
Company Secretary	Ms. Susan Sujatha Lyall

Registered Office

19-30, Industrial Area, Kheda, Itarsi

Corporate Office

E-6/MIG-127, Arera Colony, Bhopal

Works –Itarsi Unit

19-30, Industrial Area
Kheda, Itarsi

Works – Mandideep Unit

Plot No. 53A, 53B & 55 Sector “A”
Industrial Area, Mandideep

Bankers

Punjab National Bank
New Market, Bhopal

◆
Punjab National Bank
Jaystambh Chowk, Itarsi

◆
HDFC Bank Limited
Arera Colony, Bhopal

Auditors

M. Munshi & Co.
Chartered Accountants
305, Navneet Plaza, 5/2 Old Palasia,
Indore.

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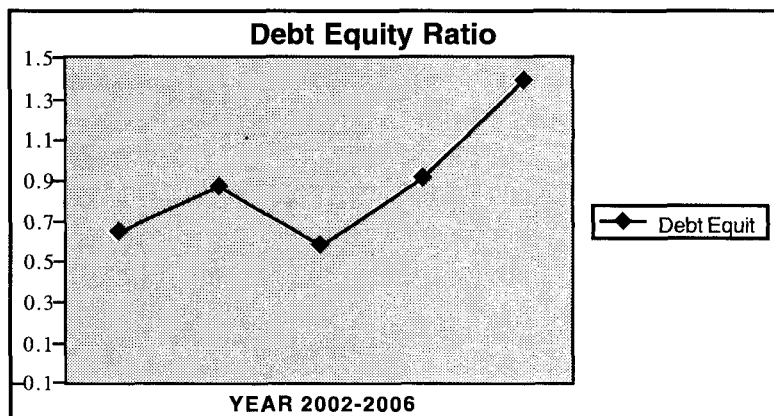
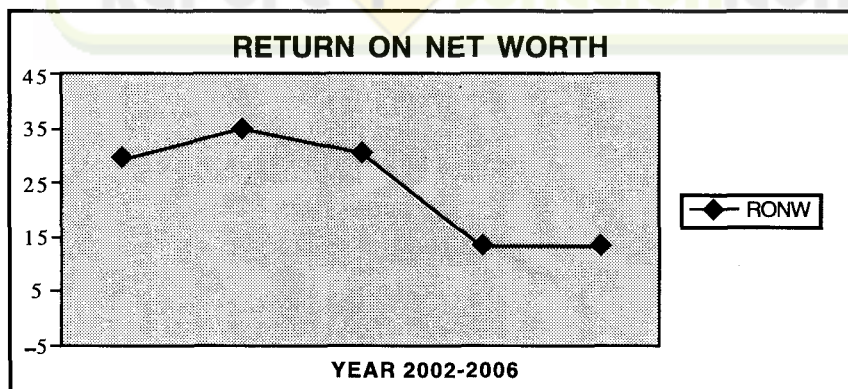
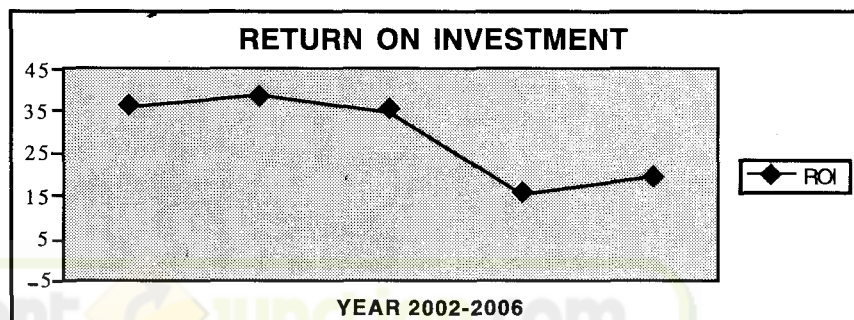
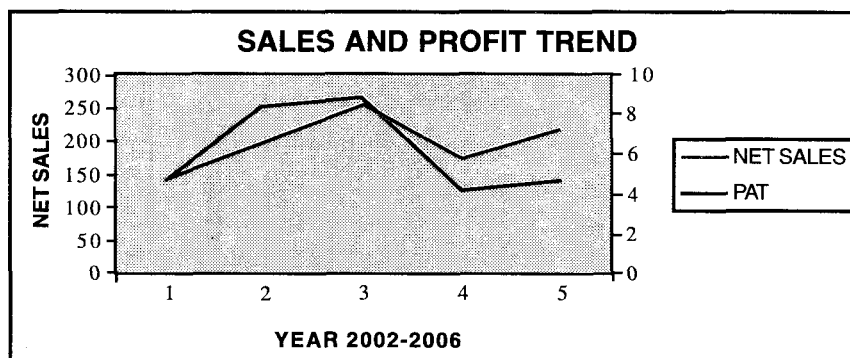
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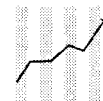


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Financial Performance of SAOL for past 5 years at a glance.





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DIRECTOR'S REPORT

To

All the Shareholders

Your Directors are pleased to present the 15th Annual Report together with the Audited Accounts of the Company for the year ended March 31st 2006.

FINANCIAL HIGHLIGHTS:

The Summary of Financial Results for the year ended on March 31st, 2006 along with the Comparative figures for the previous year are given below :

Particulars	(Rs. in Lacs)	
	2006	2005
Turnover (inclusive of other Income)	22157.04	17553.16
Gross Profit (before depreciation, Interest and Tax)	775.50	579.83
Less: Depreciation	96.54	83.13
Less: Finance charges	201.80	66.79
Profit before Tax (PBT)	477.16	429.91
Less: Tax	112.08	150.61
Profit after Tax (PAT)	365.08	279.30
Dividend	nil	34.81
Reserves	6719.29	2253.71
Shareholders Fund	7656.29	3121.86
Book Value	44.20	22.93
EPS	1.88	1.76
CEPS	2.44	2.60

Operational Review

Company has recorded the turnover of Rs. 220.13 Crores as against Rs. 174.75 Crores in the previous year. The Net Profit of the company is Rs. 3.65 Crores as against Rs. 2.79 Crores in the previous year. This increase in Turnover and PAT have been mainly due to the Company's Mandideep Plant becoming fully operational. The Soyabean Crop production has also been relatively better in the year 2005-06 as compared to the production in 2004-05.

Dividend

In view of the expansion and diversification plans of the Company, the Board of Directors of the Company are not recommending any dividend for the financial year 2005-06. The remaining profits earned in the year will be ploughed back for funding these expansion and diversification plans.

Business Prospects

Your Company has recently announced its Plans to Expand its Operations through Re-structuring its Business and Diversifying into the Real Estate Sector / Warehousing & Logistics/Rice Milling/Energy. The Sanwaria Group has already started diversification into Infrastructure and Energy Sectors through creation of its respective Divisions. The Group already has business interest in Warehousing and Logistics, Flour milling, Trading of grains & Oil Seeds, Real Estate Development etc. In furtherance of these plans Two Group Companies have been promoted and incorporated in this Financial Year - Sanwaria Infrastructures Limited and Sanwaria Energy Limited



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The Mandideep (M.P.) Unit, having Soya Crushing Capacity of 500 MT per day and Refinery of 75 MT Per day, became operational in April 2005. There are more plans for expansion, not only through the acquisition of other Solvent Extraction Plants but also through setting-up/acquisition of plants for production of other fast moving consumer products like Soya flour, Soya nuggets, Soya Granules and Protein Isolates.

In this Financial Year the Company has started production of a new product "Soya Lecithin" and this has been successfully launched into the Market. Soya lecithin is used as an emulsifier, to increase the life of products, to reduce fat content and also for easy spread-ability of the product. It is also used as a food emulsifier in Confectionery Items (Biscuits, Bread, Chocolate, Candies) Aquafeed, Poultry feed, Paints, Inks, Explosive, Animal feed etc.

There is more happy news as your Company is going to setup a Chain of Retail Outlets at Specific locations all over India for direct sale of its full range of Retail Products including 'Narmada', 'Sulabh' and 'Sanwaria' brands of refined Soya Oil and Soya lecithin, Soya flour etc.

CONSOLIDATED FINANCIAL PERFORMANCE OF SANWARIA GROUP FOR THE YEAR 2005-2006

(Rs. In Lacs)

Particulars	Sanwaria Agro Oils Limited	Sanwaria Foods Limited	Ashok Dall & Oil Mills	Shri Nathji Ware Housing Corporation	Consolidated Performance of "Sanwaria" Group
Turnover	22157.04	823.44	3727.75	55.18	26763.41
Expenses	21381.54	794.10	3582.27	7.49	25765.40
Gross Profit before Int. Dep & Tax	775.50	29.34	145.48	47.69	998.01
Depreciation	96.54	6.25	1.76	2.53	107.08
Interest	201.80	10.09	16.75	4.60	233.24
Profit Before Tax	477.16	13.00	126.97	40.56	657.69

Capital Structure

Your company is planning US\$ 25 million GDR/FCCB issue and Preferential issue to FIIs/Mutual funds/ Financial Institutions to augment its finances for its proposed expansion and diversification plans. In the financial year 2005-06 the Company issued Bonus Shares in the ratio 1:4 to its shareholders. With this the Paid-up Share Capital of the Company rose to 1,74,02,500 Equity Shares of Rs. 5/- each. The Authorized Capital of the Company remains Rupees Fifteen Crores divided into 2,60,00,000 Equity Shares of Rs. 5/- each and 20,00,000 Preference Shares of Rs. 10/- each.

Public Deposits

During the year ended March 31st, 2006, your Company has not accepted any deposits from the public.

Directors

As per article 86 of the Article of Association of the Company, Shri Anil Agrawal, Shri S.B. Agrawal, and Shri H.K. Agrawal retire by rotation in the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment. Shri Keshav Premy, Shri Santosh Kumar Tiwari, Shri Rajendra Agrawal and Shri Ajay Agrawal were appointed Additional Directors of the Company on 23rd Dec., 2005

Directors Responsibility Statement

Pursuant to section 217(2AA) of the Companies (Amendment) Act 2000, the Directors confirm that:

In preparation of the Annual Accounts, the applicable Accounting Standards have been followed and that there are no material departures.



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They have consulted the Statutory Auditor in the selection of Accounting Policies. The Policies have been applied consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year ended March 31st, 2006 and the profit and loss for the year ended March 31st, 2006.

Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

The Annual Accounts have been prepared on a going concern basis.

Particulars of Employees

None of the employees of the Company were paid such remuneration during the year under review, which attract the provisions of Section 217(2A) of the Companies Act, 1956 as amended.

Auditors and Auditor's report

M/s M. Munshi & Co. Chartered Accountants, Indore have expressed their willingness to continue in office as Statutory Auditors for the financial year 2006-2007 and have certified that the appointment if made would be within the prescribed limit u/s 224(1B) of the Companies Act, 1956. Accordingly a resolution proposing their appointment is being submitted to the AGM.

Corporate Governance

We are committed to adhere to the Code of Corporate Governance as it means adoption of best business practices aimed at growth of the Company coupled with bringing benefits to Investors, Customers, Creditors, Employees and Society at a large.

A detailed Report on Corporate Governance forms part of this Annual Report

Management Discussion and Analysis

A detailed review of operational performance and future outlook of the Company is given under the "Management Discussion and Analysis Report" which forms part of this Annual Report

Listing

The Equity Shares of the Company are listed on The Stock Exchange Mumbai (BSE) and The National Stock Exchange, Mumbai (NSE).

Conservation of Energy, Technology & foreign exchange Earnings / Outgo

Details of energy conservation and Research and Development activities undertaken by the Company along with information in accordance with the provisions of Section 217(e) of the Companies act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are given in Annexure to the Directors Report

Acknowledgements

The Directors of your Company acknowledge a deep sense of gratitude for the continued support extended by Investors, Customers, Business Associates, Bankers and Vendors. Your Directors place on record their appreciation for the significant contribution made by the employees at all levels through their hard work and dedication.

The Directors also thank the various Government and Regulatory Authorities and last but not the least the Shareholders for their patronage, support and faith in the company. The Board looks Forward to their continued support in the years to come

Date : 25.07.2006

Place : ITARSI

For and on behalf of the Board
Ram Narayan Agrawal
(CHAIRMAN)


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**Information required under the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988
Annexure Form- A**

(Form for disclosure of particulars with respect to conservation of energy)

Power and Fuel Consumption

1. ELECTRICITY	Current Year	Previous Year
a) Purchased Unit (KWH)	6298649	3212800
Total amount	25159684	14084688
Average Rate/ Rs. Per Unit	3.99	4.38
b) Own Generation	502517	46404
Total amount	4105609	376415
Average Rate/ Rs. Per Unit	8.17	8.11
2. COAL 'C' & 'D' Grade for steam generation		
Quantity (MT)	19209.89	10782.398
Total Cost (Rs.)	44587578	20451259
Average Cost per MT (Rs.)	2321.075	1896.73
3. FURNACE OIL	—	—
4. OTHERS /INTERNAL GENERATIONS	—	—

Consumption one unit of production

Standard (if any) products (with details unit)		
Electricity	45.33	40.50
Furnance Oil Litre (KWH)/ MT	-	-
Coal (Specify) MT	0.128	0.134
Others (Specify) MT	-	-

Form- B

A. Conservation of Energy:

You company has over the period of time reduced the consumption of coal and electricity per unit of production and has been taking various measures to conserve and minimize the use of energy.

B. Technology Absorption, Research and Development:

Research was carried out in the areas of Raw Material including Coal, Energy utilization, Energy conservation, Waste utilization, Product development and improvement in the life of Plant and machinery

Benefits Derived:

Improved productivity and higher quality ratings.

Enhanced capacity utilization.

Reduction in Manufacturing Cost

C. Impact of above measures

Company has been able to achieve the least possible consumption of energy in comparison to the industry average.

	Company's Consumption	Industry's Consumption*
Electricity Consumption	45.33 unit	50.00 unit
Coal Consumption	128 kg	150 kg

* Source : SOPA

FOREIGN EXCHANGE EARNINGS AND OUT GO:

Foreign Exchange earned and used:

	2006	2005
Foreign exchange earned	US\$ 2.35 million	US\$ 2.20 million
Foreign exchange used	US\$ 0.11 million	US\$ 0.02 million
Net Foreign exchange earned	US\$ 2.24 million	US\$ 2.18 million

Date : 25.07.2006

Place : ITARSI

For and on behalf of the Board
Ram Narayan Agrawal
(CHAIRMAN)



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MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Development

Soya Industry is an Agro based Industry. Both oil seeds and Edible oils are essential commodities. India is a leading producer of Oil seeds and this Sector occupies an important position in the economy of the Country. Oil seed cultivation is undertaken across the Country in two seasons, in about 25-26 million hectares mainly on marginal lands, dependent on monsoon rains and with low level of input uses. Yields are rather low at less than one tone per hectare. Currently India contribute about 7.00% of the world oilseeds output; 7.00% of the world oil meal production; 6.00% of the world oil meal Export; 6.00% of the world vegetable oil production; 14.00% of the world vegetable oil import and 10.00% of the world edible oils consumption. India is fortunate in having a wide range of oil seeds grown in its different agro climatic zones, Groundnut, mustard/rapeseed, sesame, sunflower, linseed, nigerseed/castor are the major traditional cultivated oil seeds.

In India the Production of cultivated Oilseeds was 26.10 Million Tonnes in 2004-05 as compared to 25.30 Million Tonnes in 2003-04. The Soyabean production was 7.51 Million Tonnes in 2004-05 as compared to 7.90 Million Tonnes in 2003-04.

Soya Industry in India

The Soya bean crop constitutes 25% of the total Oil seed production and it is now being considered a cash crop in India. The prominence for soya bean crop in India is fast growing. It is a very high source of protein (around 40 %) and yields 18-20% of oil. Soya and its derivative products are valued more in terms of human consumption and higher margins to the cultivating farmers in India. India stands fifth in the production of soyabean, next to US, Brazil, Argentina, and China. The acreage under production is further increasing.

The Industry scenario is bright as Vietnam, Japan and Indonesia, three of Asia's biggest Importers of Soya Meal, will now focus entirely on supplies from India and the demand from China has also increased. There is an increase in Consumption of Soya Refined Oil in the Country and the demand of Soya Meal is growing in the Poultry and Cattle Feed Segments. Soya bean has a fast growing consumer market in snack foods like meal maker, soya milk, tofu, nuggets, flour and extruded proteins.

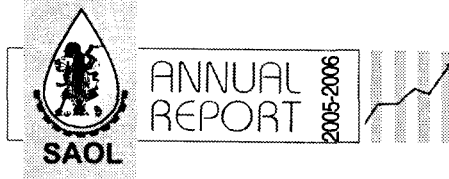
Opportunities and threats

Two problems that the Soya Industry is facing in the State are the high rate of Mandi Tax imposed and the Charges that are payable to the Madhya Pradesh State Electricity Board even during the off season. The Industry, through "SOPA", has been asking the Government to give Soyabean Crushing a "Seasonal Status". This will ease a lot of pressure on the Industry in terms of Electricity Charges payable which constitute a huge chunk of the expenditure for this Industry. The Industry is also hopeful of a reduction in Mandi Tax, from the current 2.2 % to 1 %, as is the rate levied in other states.

The Industry as a whole is also facing problems due to the High Cost of Production and Transportation and this is hindering the Exporters in Pricing the Exports competitively. To counteract this problem the Company has started Direct Procurement of Raw Materials through "Choupal System". This is one of its steps towards backward integration and it has helped a lot in reducing procurement costs. The Company is hopeful that, through the combination of its Market Development Strategies and its Expansion activities, there would be a healthy market growth over the next few years.

The Company is also exploring diversification into production of pollution free Bio-Diesel from non-edible oils available in India to strengthen National energy security.

Madhya Pradesh is the "Soya State" of the Country in terms of crop area and production. Soyabean is the main Kharif Crop in the State, which accounts for 60% of entire production in the Country. Both the Solvent Extraction Plants of the Company are reaping the Locational Advantage and there is easy availability of raw-materials throughout the year



Operational Performance

The Companies performance during the year under review has been more than satisfactory. The Total Sales of the company in the year under review were Rs. 220.13 Crores as compared to Rs. 174.75 Crores in the previous year and the Profit after tax (PAT) was Rs. 3.65 Crores as compared to Rs. 2.79 Crores in the previous year. This increase in Turnover and PAT have been mainly due to the Company's Mandideep Plant becoming fully operational. The Soyabean Crop production has also been relatively better in the year 2005-06 as compared to the production in 2004-05.

Financial performance

Financial performance of the company is covered with in the Directors' Report.

Internal control Systems and their adequacy

The Company has in place an effective system of Internal Control aimed at achieving accuracy and reliability in the financial statements and also in the day-to-day working in the Company, especially in the Accounts Department and in Cash handling. An Independent Internal Auditor has been appointed to review the Internal Control System and its effectiveness through the Internal Audit Process. The Internal Auditor reports directly to the Audit Committee about any Weakness and Areas of improvement, Inadequate Compliance with defined process and any Non-compliance with applicable statutes. The Audit Committee of the Board reviews the adequacy of the Internal Control environment through continuous review of the Internal Audit findings and monitoring of the implementations of the Internal Audit recommendations through the Compliance Reports submitted to them.

Human resource / Industrial Relations

The Company has always believed that the Company's growth is closely interlinked with the contentment and growth of its employees. Our Human Resource Policies focus on the self actualization as well as the fundamental needs of the employees. The target is to place right people at right positions and to achieve efficiency, speed, skill, competency and talent management. The industrial relations continue to remain cordial at all levels in the Company.

Cautionary Statement

Investors are cautioned that the above discussion contains statements that involve risk and uncertainty. Words like "estimate", "intend" and other similar expressions are used to convey projections. Projections are based on assumptions and the Company cannot guarantee the accuracy of these projections. Actual results may differ from those expressed or implied in the above discussion.

CORPORATE GOVERNANCE REPORT

The detailed report on Corporate Governance as per the format prescribed by SEBI and incorporated in Clause 49 of the Listing Agreement is set out below:

A. Company's Corporate Governance Philosophy

SANWARIA AGRO OILS LIMITED is committed to adhere to the Code of Corporate Governance as it means adoption of best business practices aimed at growth of the Company coupled with bringing benefits to Investors, Customers, Creditors, Employees and Society at large.

B. Board of Directors

The present strength of the Board is 12 Directors. The Board comprises of 4 Executive Directors, 2 Non-Executive Directors and 6 Non- Executive Independent Directors.