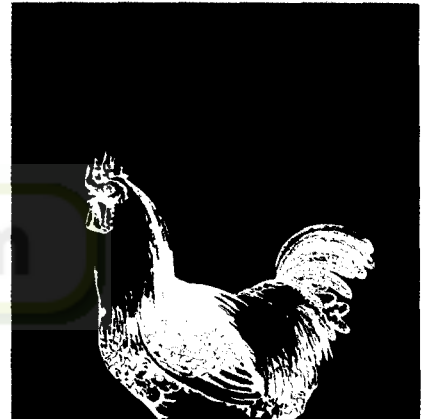


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28TH ANNUAL REPORT 2003-04



VENKY'S (INDIA) LIMITED



Padmashree Late Dr. B.V. Rao
(1935-1996)

"Technologically Indian poultry can match the world's best. Our productivity levels both in layer and broiler segment are second to none. Yet we also feel small, for there is so much to be done and so much more that can be done."

"All our plans and programmes should be aimed at ensuring that the small farmer continues to remain in the industry and prosper."

"VH has earned this leadership position because of our extraordinary high standards in quality, service and absolute integrity."

"My group is passionately committed in bringing quality and technology to the Indian poultry industry."

"In the poultry business the most important factor is your attention, your care and your concern for the birds. You should talk to the birds, you should listen to the birds, you should observe the birds and you should make them comfortable."

"To succeed in any business one must have a firm commitment and an affinity for the business - more so in the poultry business. Making money, though welcome, should not be the sole criteria."

Padmashree Dr. B.V. Rao



Venky's (India) Limited

A Message From Chairperson

Dear Shareholders,

Greetings of the Season !

Once again it is my pleasure to review with you the general scenario of the poultry sector in India and the progress of your company, in particular.

The year that has gone by has been significant for the poultry sector in more ways than one. On the one hand the poultry industry had to contend with the consequences of drought in some parts of the country, higher feed prices during the second half of the year and on the other hand with the unwarranted scare created by the incidence of avian influenza virus (bird flu) in some of the South East Asian countries like Vietnam, China and Thailand and in Pakistan. Here, I would like to dwell at length on the impact of the fear psychosis created by the bird flu factor.

Bird flu is a disease of birds – it is not a disease of human beings. Unlike in India most of the poultry farms in the above countries are run in an unorganised and unhygienic atmosphere. In fact, they have what is called a mixed farming, containing under one roof piggery, fish ponds, ducks, apart from poultry. Naturally this sort of atmosphere will be a breeding ground for any disease, let alone poultry disease. Bird flu broke out from these unorganised and unhygienic farms in those countries. The conditions prevailing in these South East Asian countries are different than any other country. Unhygienic backyard farming practices that are followed in Vietnam, China and 90% of Thailand cannot be compared to the poultry farming which is seen anywhere in the world.

On the other hand, bird flu is not talked about or taken so seriously in the developed countries, because they have the required infrastructure and the technology to tackle the problem at the farm level itself. In fact in the developed countries the disease appears off and on, and is controlled from time to time.

Fortunately in India, thanks to the foresight and vision of our late Chairman Padmashree Dr. B.V. Rao, VH Group has a vast network of diagnostic laboratories under the aegis of Poultry Diagnostic Research Centre having round the clock vigilance on any emerging disease. This Centre is equipped with the latest and highly advanced facilities for disease diagnosis and monitoring. Its laboratory is supported by a nation-wide network of five regional laboratories, over 80 satellite laboratories and 20 technical service centres located all over India. These laboratories are manned by highly competent poultry scientists with several decades of experience, and further supported by a team of more than 300 veterinarians providing round the clock technical assistance to the farmers. In addition to VH Group, the Government of India's infrastructure and laboratories like IVRI at Izatnagar is also world class. Hence there is not an iota of chance of any disease affecting the poultry farms in India provided they follow the guidelines and precautions laid down by experts.

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In India the bird flu issue was blown out of proportion and people who read about the disease in South East Asian countries and Pakistan refrained from eating chicken and eggs. Consumption of poultry products dropped for about 7 to 10 days. The after effect of drop in consumption put heavy pressure on the price of chicken as the farm gate price fell sharply from Rs.30 per kg to Rs.10 per kg. Also there was heavy backlog since the birds were held in the farms. The negative impact of the above factors was felt on the prices for two months i.e. February-March, 2004. Here, it is significant to note that India consumes about 5 lakh broilers a day. VH Group in association with poultry bodies like National Egg Co-ordination Committee and in co-ordination with the Government of India tried its best to dispel the fear in the minds of the people by placing before them the highly hygienic and scientific methods of rearing birds in India and how the disease prevention methods were being followed by them to eliminate any chance of infection by bird flu or any disease. The results of the campaign were fruitful and the consumption of poultry products has shown marked improvement.

One favourable fall out of the bird flu factor is that export of poultry products from India have gone up. The quality of Indian chicken started getting recognition amongst buyers in international market and I am sure that in the years to come export of chicken from India will grow rapidly.

It may be of interest to know that poultry contributes about Rs.30,000 crores to GNP and has potential to enhance it to Rs.80,000 crores in the next 5 years, besides providing direct and indirect employment to over 9 million people. If this vast untapped potential is to be exploited we have to create necessary infrastructure, provide incentives and encourage exports through tariff concessions and promotion policies.

Turning to the company's performance for the year 2003-04, it is encouraging to note that in spite of the various adverse factors the company has come out with very good results. Sales turnover has increased by 2.2% whereas the profit before tax (excluding income from sale of investments) rose sharply by 91%. The outlook for the current year is quite promising.

I thank you for your continued support and patronage and I assure you that we will try our best to come up to your expectations in the current year and in the years to come.

My best wishes for you and your families.

Anuradha J. Desai
Chairperson



Venky's (India) Limited

BOARD OF DIRECTORS

Mrs. Anuradha J. Desai - *Chairperson*
 Mr. B. Venkatesh Rao - *Vice Chairman*
 Mr. B. Balaji Rao - *Managing Director (AHP, SPF and Feed)*
 Mr. Jitendra M. Desai
 Mr. S.B. Thorat
 Mr. B.G. Deshmukh
 Dr. G.V.K. Rao
 Mr. C. Jagapati Rao
 Mr. V.N. Dubey
 Dr. B. S. Maur - *Managing Director (Poultry)*

AUDIT COMMITTEE

Mr. B.G. Deshmukh - *Chairman (Independent Director)*
 Mr. S. B. Thorat - *Member (Independent Director)*
 Mr. Jitendra M. Desai - *Member (Non-Executive Director)*

SHARE TRANSFER & INVESTORS' GRIEVANCES COMMITTEE

Mrs. Anuradha J. Desai - *Chairperson*
 M. B. Venkatesh Rao - *Member*
 Mr. Jitendra M. Desai - *Member*

COMPANY SECRETARY

Mr. S. M. Deshmukh

BANKERS

State Bank of India
 Corporation Bank
 IDBI Bank Limited

AUDITORS

SUDIT K. PAREKH & CO.
Chartered Accountants
 12-A Suleman Chambers
 2nd Floor, 4 Battery Street
 Apollo Bunder, Mumbai - 400 001

REGISTRARS AND SHARE TRANSFER AGENTS

BigShare Services (Pvt.) Limited
 E-2, Ansa Industrial Estate
 Sakivihar Road, Sakinaka
 Andheri (East), Mumbai - 400 072.
 Tel. : 022-28473797, 28470652-53

REGISTERED AND CORPORATE OFFICE

"Venkateshwara House"
 S.No. 114 /A/2, Pune-Sinhagad Road
 Pune-411 030
 Tel. 020-24251530 - 41

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FINANCIAL HIGHLIGHTS

(Rs. In Lacs)

PARTICULARS	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000
OPERATING RESULTS					
Turnover & Other Income	31,231	30,076	26,643	22,563	20,805
Material Cost	18,496	18,439	15,778	14,588	13,888
Personnel Cost	2,302	2,190	2,057	1,753	1,591
Interest	408	437	462	576	690
Other Expenses	7,186	7,501	6,199	3,914	3,531
Depreciation	624	575	527	487	459
Provision for decline in value of investments	-	-	-	11	22
Profit Before Tax	2,215	933	1,620	1,234	668
Profit After Tax	1,614	768	1,081	864	546
Dividend (%)	35	30	40	40	40
FINANCIAL SUMMARY					
Assets Employed					
Current Assets	10,087	9,203	8,287	6,997	7,064
Current Liabilities	4,227	3,941	3,592	2,859	2,820
Net Current Assets	5,860	5,261	4,695	4,138	4,244
Net Fixed Assets	8,948	9,326	8,071	8,084	7,925
Investments	1,033	506	718	395	413
Deferred Tax Liability	(1,469)	(1,392)	(1,535)	-	-
Miscellaneous Expenses	67	100	-	-	-
Total Assets	14,439	13,801	11,949	12,615	12,582
Financed by					
Share Capital	939	975	1,027	770	770
Reserves & Surplus	7,663	6,589	6,260	7,394	6,866
Capital Grants and Subsidies	98	96	97	77	77
Borrowings	5,739	6,142	4,565	4,374	4,869
Total Liabilities	14,439	13,801	11,949	12,615	12,582
Earning Per Share (Rs.)	17.18	7.88	10.53	11.22	7.09
Book Value (Rs.)	92	78	71	106	99
Debt Equity Ratio	0.66	0.80	0.63	0.53	0.63



Venky's (India) Limited

NOTICE

NOTICE is hereby given that the Twenty-eighth Annual General Meeting of the members of the Company will be held on Thursday, 29th July, 2004 at 11.00 a.m. at Hotel President, Lane No.8, Prabhat Road, Pune 411004 to transact the following business :

ORDINARY BUSINESS

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2004 and the Profit and Loss Account for the year ended as on that date together with the Auditor's Report and the Directors' Report thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Dr. G.V.K. Rao who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. S.B. Thorat who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr. V.N. Dubey who retires by rotation and being eligible, offers himself for reappointment.
6. To appoint Auditors of the Company to hold office from the conclusion of this Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

By Order of the Board of Directors,

Pune
May 12, 2004

S. M. DESHMUKH
Company Secretary

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER. THE PROXY FORM IN ORDER TO BE EFFECTIVE, MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Register of Members of the Company will remain closed from Friday, 23rd July, 2004 to Thursday, 29th July, 2004 (both days inclusive). If dividend is declared at the meeting, payment of such dividend will be made to those shareholders or their mandate(s) whose names appear in the Company's Register of Members as on 29th July, 2004. In case of dematerialised shares, the dividend payment shall be made through ECS, wherever relevant bank account details are made available by NSDL and CDSL.
3. A brief profile of Directors retiring by rotation and eligible for reappointment is given in the report on Corporate Governance, attached to the Directors' Report.
4. Members are requested to notify change in their address to the Registrar and Share Transfer Agents at Mumbai immediately. Members holding shares in demat form should inform this to their respective Depository Participants.
5. Members holding shares in identical order of names in more than one folio are requested to write to the Company to enable consolidation of their holdings in one folio.
6. Members desiring any information on Accounts are requested to write to the Company so as to reach at least ten days before the meeting to enable the Company to keep the information ready at the meeting.
7. Members/Proxies are requested to bring their copies of the Annual Report to the meeting and attendance slip duly filled-in for attending the meeting.
8. Pursuant to section 205A of the Companies Act, 1956, the unclaimed dividend for the financial year ended 1995-96 was transferred to "Investor Education and Protection Fund" of the Central Government. The members who have not yet encashed their dividend for the financial year 1996-97 and thereafter may approach the Company for payment thereof. The dividend remaining unclaimed for the period of seven years shall be transferred by the Company to "Investor Education and Protection Fund" of the Central Government.

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DIRECTORS' REPORT

To,
The Shareholders,

Your Directors have pleasure in presenting the Twenty-eighth Annual Report and Audited Accounts for the year ended 31st March, 2004.

FINANCIAL RESULTS

(Rs. in Lakhs)

	2003-04	2002-03
Profit before tax	2,215.36	933.39
Less : Provision for taxation		
- Current	525.00	150.00
- Deferred	76.50	14.94
Profit after tax	1,613.86	768.45
Add : Balance of Profit & Loss Account brought forward	153.80	188.96
Profit available for Appropriation	1,767.66	957.41
Appropriations		
Transfer to General Reserve	1,000.00	400.00
Dividend	328.70	285.95
Corporate dividend tax	42.12	36.64
Balance profit carried forward	396.84	234.82
	1,767.66	957.41

OPERATIONS

The Company registered strong recovery during the year under review as compared to the previous year. The corrective measures taken last year to remove mis-match in demand-supply scenario in broiler chicks market have yielded positive results. Following a good monsoon as well as the crop diversification programmes undertaken by the various State Governments, production of maize had increased considerably, as a result of which the feed prices were at comfortable levels during first half of the year. These factors along with improved performance of certain other business segments of the Company contributed to the performance of the Company. Although, the turnover of the Company registered marginal growth of 2.2% over the last year from Rs.29,808 lacs to Rs. 30,471 lacs, the profit before tax from operations registered an increase of about 91% from Rs.933 lacs to Rs.1,782 lacs. The total profits before tax for the year were Rs.2,215 lacs which include profits of Rs.433 lacs from sale of investments.

Your Company's performance would have been still better but for the unwarranted panic created on the issue of avian influenza virus (bird flu), which had an adverse impact on the entire poultry industry in India during February-March, 2004.

The panic among consumers of chicken and eggs in India due to outbreak of bird flu in several South East Asian countries, including Pakistan, affected the consumption of chicken and eggs, although not even a single case of bird flu was reported in our country. This panic-driven drop in consumption of poultry products for 7 to 10 days severely impacted the entire poultry industry in India during February-March, 2004 and your Company was no exception. On an average while consumption of chicken had dropped by about 35% it was about 10% in case of eggs. The fall in consumption was more severe particularly in North India and Mumbai where it dropped to as low as 70%. In rest of the country it was about 15%. In effect, though the drop in consumption lasted for about 7 to 10 days, the after effects of sharp decline in farm gate price of chicken from Rs.30 per kg. to Rs.10 per kg. had telling effects on poultry farmers. The entire poultry industry suffered heavy losses and your Company was no exception.



Venky's (India) Limited

DIVIDEND

Your Directors recommend a dividend of 35%. The dividend, if approved at the ensuing Annual General Meeting, will absorb Rs. 328.70 lacs (previous year Rs. 285.95 lacs).

SEGMENT-WISE PERFORMANCE

Operational performance of each business segment has been comprehensively covered in the Management Discussion and Analysis Report given in Annexure-A which forms part of this Report.

DISPOSAL OF SHARES HELD IN VENKATESHWARA MANAGEMENT SERVICES LIMITED

During the year under review, the Company disposed of its entire holding in its 100% subsidiary 'Venkateshwara Management Services Limited', in order to focus on the Company's core activity and to realign its investment portfolio. The other income includes profit of Rs. 417 lacs on sale of this investment.

BUY-BACK OF SHARES

Under the buy-back programme of equity shares from open market through stock exchanges, which was started in the last year, the Company, bought a total of 8,74,992 equity shares for a consideration of Rs. 443 lacs. The buyback scheme was closed on 11th June, 2003. The Directors had obtained approval of the shareholders for a further buy-back of shares, at the previous Annual General Meeting, however, the Directors did not announce any buy-back.

DELISTING OF SHARES

As approved by the shareholders at the last Annual General Meeting, the equity shares of the Company have been delisted from The Hyderabad Stock Exchange Limited, The Pune Stock Exchange Limited, Bangalore Stock Exchange Limited, Madras Stock Exchange Limited and The Delhi Stock Exchange Association Limited. Delisting from The Calcutta Stock Exchange Association Limited is expected shortly. The listing will continue on The Stock Exchange, Mumbai and National Stock Exchange of India Limited.

CORPORATE GOVERNANCE

As per the requirements of Clause 49 of the Listing Agreement a separate report on Corporate Governance along with the certificate of Statutory Auditors thereupon is given in Annexure-B which forms part of this Report.

DIRECTORS

As per the provisions of Articles of Association of the Company, Dr. G. V. K. Rao, Mr. S. B. Thorat and Mr. V. N. Dubey are due for retirement by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors declare that :

1. the Accounts for the year ended 31st March, 2004 have been prepared by following applicable accounting standards;
2. the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that 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 31st March, 2004 and of the profit of the Company for that year;
3. proper care has been taken for the maintenance of adequate records for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; and
4. the Accounts for the year ended 31st March, 2004 have been prepared on a going concern basis.

FIXED DEPOSITS

The Company has discontinued the fixed deposit schemes. However, deposits amounting to Rs. 14.48 lacs from 51 depositors which were due for repayment have remained unclaimed as on 31st March, 2004.

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ACCOUNTS

The accounts read with the notes thereon are self-explanatory and hence do not call for any further comments.

INSURANCE

The assets of the Company which include buildings, sheds, machinery, stocks, etc. are adequately insured.

PERSONNEL AND HUMAN RESOURCES

Employee relations continued to be cordial throughout the year. The Company did not have any employee during the year under review whose remuneration is required to be disclosed in terms of the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended.

AUDITORS

M/s. Sudit K. Parekh & Co., Chartered Accountants hold office of auditors upto the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

INFORMATION UNDER SECTION 217(1)(e)**A. Conservation of Energy**

The operations of the Company are not power intensive. Nevertheless, the Company continues its efforts to conserve energy wherever practicable, by economising on the use of power at the farms, hatchery and offices. The Company has installed state-of-the-art hatchers and setters at its hatcheries and a solar heating system at the Central Hatchery. The Company has introduced the system for energy audit, through the Internal Audit Department. During the year the audit of 'gensets' was carried out.

B. Technology Absorption**1. Research and Development (R & D)**

- a) Specific areas : R & D activities of the Company are concentrated in the areas of developing wider application of Specific Pathogen Free (SPF) eggs and application of various breeder management techniques to improve productivity and increase feed efficiency.
- b) Benefits derived : Wider acceptance of SPF eggs in the manufacture of human and livestock vaccines in India and higher production and increased feed efficiency of breeders.
- c) Plan of action : Further promotion of SPF eggs applications in the biological industry
- d) Expenditure on R & D : The expenditure incurred by the Company during the year on Research and Development was Rs.12.13 lacs.

2. Technology Absorption, Adaptation and Innovation

- a) Efforts made : The Company maintains continuous interaction with its collaborators, SPAFAS Inc., USA for absorption of technology.
- b) Benefits :
 - i. Development of new application
 - ii. Savings in foreign exchange through import substitution.
- c) Technology Imported : SPF technology was imported in 1983. The benefit of the ongoing research by the Collaborators in SPF technology is being derived by the Company on a continuous basis.