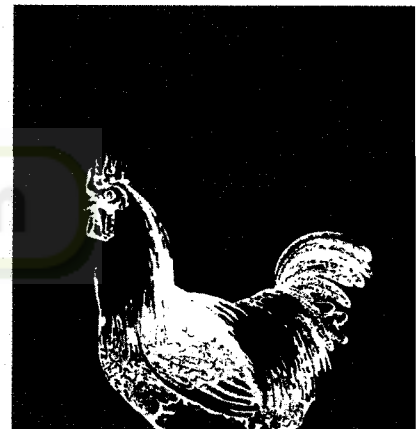


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30TH ANNUAL REPORT 2005-06



V H GROUP

VENKY'S (INDIA) LIMITED

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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."

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

"Change is the law of nature. Everything changes one day or the other. We must accept change and adapt to change."

"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."

"Under the Indian conditions, the small farmer is the backbone and the kingpin of our industry and he will continue to be so far all time to come."

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

Padmashree Dr. B.V. Rao



Venky's (India) Limited

A Message From The Chairperson

Dear Shareholders,

Greetings of the Season !

It gives me great pleasure to share with you certain thoughts on the state of economy in general and the poultry industry in particular and your company's performance.

During the past few years the Indian economy has made rapid strides on all fronts including infrastructure, agriculture, telecommunication and I.T. Industries. India is emerging as an economically and politically strong democracy, capable of achieving the status of a highly advanced Asian leader in terms of economic growth and steady rise in GDP. Given a fairly good monsoon and adequate infrastructure like electricity, roads and ports, India promises to be the most desired destination for global investors.

Poultry Industry and its growth : Thanks to the pioneering efforts of our late and beloved Chairman Dr. B.V. Rao who raised the poultry industry to a high-tech level over the past four decades, poultry industry in India has grown tremendously and has shown all-round development in production of quality chicks, high-tech feed, vaccines, poultry equipments, feed supplements and medicines. Today, poultry industry is a Rs. 35,000 crore industry, providing direct/indirect employment to over 3 million persons. 15 million agriculture farmers are dependent for their livelihood on poultry industry, especially maize and soya growers. 75% to 80% of the cost of production in the poultry industry consists of agriculture products, like maize and soya. With an annual production of over 45,000 million eggs, India ranks second in the world in egg production. The broiler production is estimated at 2.2 million tons and India ranks 5th in the world. On the export front also, there was a significant growth in export of egg powder, hatching eggs, breeding stock and table eggs. Countries like Japan who have very strict standards in importing quality chicken products are looking at India for their requirements. This speaks volumes of the high quality standards prevailing here, especially at Venky's. I have no doubt that poultry industry in India has a bright future and will bounce back surviving all natural and artificial setbacks.

A word about avian influenza (bird flu) : After the announcement of the bird flu on 18.2.2006 at Navapur, the poultry industry went through the worst turmoil ever. There was lot of panic created in the industry and among the consumers, which was uncalled for, and as a result the industry – as you must be reading through newspaper reports – suffered heavy losses. Venky's has also suffered losses specially in the months of February and March, 2006. Unfortunately, when the situation was actually improving within a couple of weeks after 18.2.2006, more announcements of bird flu followed in the District of Jalgaon in the country fowl, which dealt a severe blow to the industry. Unfortunately though the announcements were connected to the country birds, the negative effects were felt in the organised sector.

But the fact is that India is second to none as far as poultry technology is concerned and we are the only country outside U.S.A., which has such advanced technology. We have made great advancements in the world of poultry and this is a universally accepted fact. Thanks to late Dr. B.V. Rao's vision, the Poultry Diagnostic Research Centre of VH Group which was created in 1978 has a network of 100 satellite laboratories, 4 regional laboratories and 300 veterinarians working under its umbrella, and over the years, this network has really trained

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the poultry farmers by constantly giving them service in every aspect of poultry – be it nutrition, production, management or disease diagnosis – which is one of the main reasons, apart from the genetic research, for the advancement of the poultry industry in our country. India is second to none in cost of egg production. In fact, Middle East depends for its egg supplies on India. Dr. Geoff Fairhurst, an U.S. Economist has predicted in “World Poultry Journal-2006” that India will soon be a major exporter not only in egg, but also in chicken and will also be the cheapest source of chicken products.

Even today, not for a day, Venky’s (India) Limited’s exports of SPF eggs have stopped, in spite of the local problems. Also, Venkateshwara Hatcheries Private Limited, the Group Company, continues to export egg powder products to European Union and Japan and export of poultry vaccines are also continuing.

All in all, let me assure our shareholders that though no doubt this is the biggest challenge the industry has ever faced, we will certainly bounce back from this crisis. It is a matter of time as far as Venky’s (India) Limited is concerned. Because of the diverse range of products it deals in, Venky’s (India) Limited is in a better position as compared to the overall situation.

World over, wherever the declarations of bird flu have happened, neither the local consumption nor exports of that country have gone down. In fact, local consumption of chicken and eggs and exports have shown an upward trend. The reason is that this particular virus, if exposed even for a second at 70 deg.C, dies immediately. It is a very heat sensitive virus and as far as Indian cooking methods are concerned, our cooking is such that this virus has no chance of surviving because the curries and tanduri or any product is always cooked above 150 to 250 deg.C or even above. Here it is relevant to quote what the World Health Organisation (WHO) states about bird flu i.e. “*Avian Influenza is not transmitted through cooking food. To date, no evidence indicates that any one has become infected following consumption of properly cooked poultry or poultry products*”.

Performance for F.Y. 2005-06 : Coming to the performance of Venky’s for the year 2005-06, though the sales turnover registered a growth of 11% as compared to the previous year, the profit before tax for the full year declined by 29% due to the announcement of bird flu in February, 2006 and the subsequent panic among consumers leading to sharp fall in consumption of poultry products and consequent fall in realisations. However, there are signs of improvement from the beginning of April, 2006 and I am confident that the industry will continue to grow as in the past.

I thank you for your support all along and I look forward to your continued co-operation in all the Company’s future plans and endeavours which are for enhancing shareholder value.

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 and Chief Executive Officer*
 Mr. Jitendra M. Desai
 Mr. S.B. Thorat
 Mr. B.G. Deshmukh
 Mr. C. Jagapati Rao
 Mr. V.N. Dubey
 Lt. Col. Ashok Mahajan (Retd.)

AUDIT COMMITTEE

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

SHARE TRANSFER & INVESTORS' GRIEVANCES COMMITTEE

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

CHIEF FINANCIAL OFFICER

Mr. A. G. Bauskar

ASST. COMPANY SECRETARY

Mr. Jitendra R. Shah.

BANKERS

State Bank of India
 Corporation Bank
 IDBI 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 Private Limited
 E-2, Ansa Industrial Estate
 Sakivihar Road, Sakinaka
 Andheri (East), Mumbai - 400 072.
 Tel. : 022-28473747, 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 Lakhs)

PARTICULARS	2005-06	2004-2005	2003-2004	2002-2003	2001-2002
OPERATING RESULTS					
Turnover & Other Income	38,378	34,677	31,231	30,076	26,643
Material Cost	23,070	19,341	18,496	18,439	15,778
Personnel Cost	2,918	2,560	2,302	2,190	2,057
Interest	317	344	408	437	462
Other Expenses	9,677	9,348	7,186	7,501	6,199
Depreciation	617	602	624	575	527
Provision for Contingencies written back	-	(200)	-	-	-
Profit Before Tax	1,779	2,683	2,215	933	1,620
Profit After Tax	1,177	1,667	1,614	768	1,081
Dividend (%)	20	35	35	30	40
FINANCIAL SUMMARY					
Assets Employed					
Current Assets	10,899	9,360	10,087	9,203	8,287
Current Liabilities	4,543	4,147	4,227	3,941	3,592
Net Current Assets	6,356	5,213	5,860	5,261	4,695
Net Fixed Assets	10,700	9,056	8,948	9,326	8,071
Investments	4,040	2,412	1,033	506	718
Deferred Tax Liability	(1,392)	(1,575)	(1,469)	(1,392)	(1,535)
Miscellaneous Expenses	-	33	67	100	-
Total Assets	19,704	15,139	14,439	13,802	11,949
Financed by					
Share Capital	939	939	939	975	1,027
Reserves & Surplus	10,306	8,955	7,663	6,589	6,260
Capital Grants and Subsidies	103	103	98	96	97
Borrowings	8,356	5,142	5,739	6,142	4,565
Total Liabilities	19,704	15,139	14,439	13,802	11,949
Earning Per Share (Rs.)	12.52	17.75	17.18	7.88	10.53
Book Value (Rs.)	121	105	92	78	71
Debt Equity Ratio	0.74	0.51	0.66	0.80	0.63



Venky's (India) Limited

NOTICE

NOTICE is hereby given that the 30th Annual General Meeting of the members of the Company will be held on Friday, the 28th July, 2006 at Hotel President, Lane No.8, Prabhat Road, Pune 411 004 at 10.30 a.m. to transact the following business :

ORDINARY BUSINESS

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2006 and the Profit and Loss Account for the year ended as on that date together with the Auditor's Report and Directors' Report thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. B.G. Deshmukh, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. C. Jagapati Rao, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a director in place of Mr. S.B. Thorat, 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 next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

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

'RESOLVED that Lt. Col. Ashok Mahajan (Retd.) who was appointed an Additional Director of the Company with effect from 21st October, 2005 under Article 128 of the Articles of Association of the Company and who holds office until this AGM be and is hereby appointed as a Director of the Company."

By order of the Board of Directors

Pune
May 12, 2006

JITENDRA R. SHAH
Asst. Company Secretary

NOTES :

1. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of business under item No. 7 of the Notice to be transacted at the Annual General Meeting is annexed hereto.
2. 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 A 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.

3. A brief profile of Directors retiring by rotation and being eligible for reappointment and Director proposed to be appointed is given in the report on Corporate Governance, which forms part of Directors' Report.
4. The Register of Members of the Company will remain closed from 22nd July, 2006 to 28th July, 2006 (both days inclusive).
5. The dividend as recommended by the Board of Directors, If declared at the meeting will be paid

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to those shareholders or their mandate(s), whose names appear on the Register of Members of the Company as on 28th July, 2006 and in respect of shares held in electronic mode, as Beneficial owners in the record of the Depositories as on 28th July, 2006.

6. In case of dematerialisation of shares, the dividend payment shall be made through ECS, wherever relevant bank account details are made available by NSDL and CDSL.
7. In order to ensure against fraudulent encashment of dividend warrants, Members are requested to provide their bank account number, name and address of the bank / branch to M/s BigShare Services Private Limited, Registrar and Share Transfer Agent of the Company, in respect of shares held in physical mode and to their respective Depository Participants for demat mode to enable them to incorporate the same in the Dividend warrant.
8. Shareholders may avail Electronic Clearing Service (ECS) for receiving direct credit of dividend to their respective accounts with Banks. This will enable expeditious credit of dividend amount and protect from loss, theft and postal delay of dividend warrants.
9. Members are requested to notify immediately change in their address to M/s BigShare Services Private Limited, Registrar and Transfer Agent of the Company. Members holding shares in demat form should inform this to their respective Depository Participants.
10. Members holding shares in identical order or names in more than one folio are requested to write to Big Share Services Private Limited

(Registrars and Share Transfer Agents) along with the relevant share certificates for consolidation.

11. Members desiring any information on Accounts are requested to write to the Company so as to reach at least ten days before the Annual General Meeting to enable the Company to keep the information ready at the meeting.
12. Members/ Proxies are requested to bring their copies of Annual Report and the attendance slip duly filled-in when attending the meeting.
13. Pursuant to Section 205A & 205C of the Companies Act, 1956, any money transferred to the unpaid dividend account and remaining unclaimed for seven years from the date of such transfer, shall be transferred by the Company to a Fund called "Investor Education and Protection Fund" set up by the Central Government. Accordingly, the unclaimed dividend in respect of dividend declared on 24th September, 1998 for the financial year 1997-98 has been transferred to the "Investor Education and Protection Fund". The unclaimed dividend for the financial year 1998-99 onwards will become transferable at the end of seven years from the respective dates of transfer of such amount to the unclaimed dividend account of the Company to the said Investor Education and Protection Fund and no claims shall lie against the Fund or the Company in respect of individual amounts thereafter. Shareholders are, therefore, requested to check and send their claims, if any, for the relevant financial years from 1998-99 onwards before the respective amounts become due for transfer to the above fund.

EXPLANATORY STATEMENT

For Item No. 7 :

Lt. Col. Ashok Mahajan (Retd.) was appointed as Additional Director of the Company under Section

260 of the Companies Act, 1956 and Article 128 of the Articles of Association of the Company with effect from 21st October, 2005 and he holds office until the date of this Annual General Meeting. Lt. Col. Ashok Mahajan (Retd.) being eligible offers himself for



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appointment at the Meeting. Notice, along with a deposit of five hundred Rupees, as required by Section 257 of the Companies Act, 1956 has been received from a shareholder proposing the appointment of Lt. Col. Ashok Mahajan (Retd.) as a Director of the Company. Lt. Col. Ashok Mahajan (Retd.) has filed with the Company his consent pursuant to the provisions of Section 264 (1) of the Companies Act, 1956 to act as Director if appointed.

Lt. Col. Ashok Mahanjan (Retd.) had a distinguished career in the Indian Army and has handled successfully several assignments in the army at various locations. He has a vast and rich experience in Administration, Management of Industrial Units, Human Resource Development and Training and Administration and monitoring of different sectors. He is a Graduate from the National Defence Academy, Khadakwasla and Indian Military

Academy, Dehradun and has a post graduate diploma in Personnel Management, International Trade and in Computers.

Lt.Col. Ashok Mahajan (Retd.) is not holding a single share of the Company either personally or through his relatives or for other persons on a beneficial basis as on date.

Except for Lt. Col. Ashok Mahajan (Retd.) who is interested in the resolution, as it deals with his appointment, no other Director of the Company is concerned or interested in the Resolution.

By order of the Board of Directors

Pune
May 12, 2006

JITENDRA R. SHAH
Asst. Company Secretary

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DIRECTORS' REPORT

The Shareholders,

Your Directors have pleasure in presenting the Thirtieth Annual Report and Audited Accounts for the year ended 31st March, 2006.

FINANCIAL RESULTS

	(Rs. in lakhs)	
	2005-06	2004-05
Profit before tax	1778.95	2683.34
Provision for taxation		
- Current	(710.00)	(910.00)
- Deferred	182.88	(105.91)
- Fringe Benefit Tax	(75.00)	—
Profit after tax	1176.83	1667.43
Add: Excess provision for tax in prior period	388.68	—
Balance of Profit & Loss Account brought forward	1522.73	396.84
Profit available for Appropriation	3088.24	2064.27
Appropriations:		
Transfer to General Reserve	117.41	166.74
Dividend	187.83	328.70
Corporate dividend tax	26.34	46.10
Balance profit carried forward	2756.66	1522.73
	3088.24	2064.27

OPERATIONS

The Company registered a growth of 11% in sales turnover for the year at Rs. 38374 lakhs as compared to Rs. 34504 lakhs in the previous year. However, the profit before tax declined by 29% at Rs. 1779 lakhs as compared to Rs. 2683 lakhs (excluding provision for

contingencies written back of Rs. 200 lakhs) in the previous year. Though the Company's sales turnover and profits were on the rise upto the three quarters ended December, 2005, the announcement of bird flu in February, 2006 and the subsequent panic among consumers of poultry products caused severe damage to the poultry industry and this single factor has negatively impacted the overall performance of the Company for the fourth quarter. The negative impact in the fourth quarter resulted in decline in profits for the FY 2005-06 as a whole vis-a-vis FY 2004-05.

During the under review the Animal Health Products Unit situated at Ambala was disposed of to Venkateshwara Biosentry (India) Ltd.

DIVIDEND

Your Directors recommend a dividend of 20% (Rs. 2/- per share). The dividend, if approved at the ensuing annual general meeting, will absorb Rs. 187.83 lakhs (previous year Rs. 328.70 lakhs).

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.

CORPORATE GOVERNANCE

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

DIRECTORS

Dr. G.V.K. Rao has resigned as Director of the Company for personal reasons. The Board wishes to place on record its gratitude and appreciation for the co-operation and guidance rendered by him during his tenure as Director of the Company.

Lt. Col. Ashok Mahajan (Retd.) has been appointed as an Additional Director with effect from 21st October, 2005. As per Articles of Association of the