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SOWBHAGYA EXPORTS LIMITED

DIRECTORS

Sri. D.Surendranath Reddy
Smt. K.Sowjanyaamma
Sri. J.Jayarami Reddy
Sri. M.Vijaya Kumar Reddy
Sri. N.Mallikharjuna Reddy
Sri. E.V. Raja Reddy

Managing Director
Director
Director
Director
Director
Director

BANKERS

Corporation Bank, Nellore
Bank of Baroda, Hyderabad.

AUDITORS

M/s. RAJAVENKAT & ASSOCIATES
CHARTERED ACCOUNTANTS
1C, Parameswara Apts,
6-3-626, Anand Nagar, Khairatabad,
Hyderabad - 04.

REGISTERED OFFICE

H.No.3-345, Lakshmipuram.
Nellore – 524 002.

REGISTRARS

Ikon Vision Pvt Ltd
33, Sanali Heavens
Yellareddyguda
Hyderabad – 073

LISTING

The Hyderabad Stock Exchange Ltd
The Stock Exchange Ltd, Mumbai
The Madras Stock Exchange Ltd

SOWBHAGYA EXPORTS LIMITED

H.No.3-375, Lakshmipuram, Nellore – 524 002.

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NOTICE TO MEMBERS

NOTICE is hereby given that the 10th Annual General Meeting of **SOWBHAGYA EXPORTS LIMITED** will be held at the Registered Office at H.No.3-375, Lakshmipuram, Nellore – 524 002, on Friday the 30th September, 2005 at 10.30 AM to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2005 and Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Smt K. Sowjanyaamma Who retires by rotation and being eligible offers herself for reappointment.
3. To appoint a Director in place of Sri M. Vijaya Kumar Reddy Who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Statutory auditors and to fix their remuneration.

SPECIAL BUSINESS:

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

"Resolved that Sri E.V. Raja Reddy, who was appointed as an Additional Director of the company and holds office U/s 260 of the Companies Act, 1956, upto the date of this Annual General Meeting and in respect of whom the Company has, pursuant to Sec. 257 of the Companies Act, 1956, received a Notice in writing proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation".

6. To consider if thought fit, to pass with or without modification(s) the following resolution as an Special Resolution:

"Resolved that pursuant to the provisions of Section 163 and other applicable provisions, if any, of the Companies Act, 1956 consent of the company be and is hereby accorded to the Board of Directors of the Company to shift the Register of Members and Index of Members from M/s. Venture Capital &

Corporate Investments Limited, Progress Towers, 3rd Floor, Khairatabad, Hyderabad –500004 to M/s Ikon Visions Pvt. Ltd. Registrars & Share Transfer Agents, 33, Sanali Heavens, 8-3-948, Ameerpet, Hyderabad 500073”.

By Order of the Board of Directors

Place: Hyderabad
Date : 01.09.2005

Sd/-
(D.SURENDRANATH REDDY)
Managing Director

NOTES:

1. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and such proxy need not be a member of the Company. Proxy Forms to be valid shall be lodged at the Registered Office of the Company not less than 48 hours before the Meeting.
2. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act in respect of Special Business of the notice is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain Closed from 28.09.2005 to 30.09.2005 (both days inclusive) in terms of the provisions of Section 154 of the Companies Act.,1956.
4. Members are requested to notify immediately changes if any, in their addresses to the company quoting their folio number.
5. Members / Proxies should bring the Attendance slip duly filled in for attending the meeting.
6. Shareholders seeking any information with regard to accounts are requested to write to the company at the earliest to keep the information ready.
7. Shareholders are requested to bring their copy of Annual Report to the meeting.
8. Under Section 109A of the Companies Act, 1956 shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form no.2B in duplicate (which will be made available on request) to M/s Ikon Visions Pvt. Ltd. Registrars & Share Transfer Agents, 33, Sanali Heavens, 8-3-948, Ameerpet, Hyderabad 500073. Tel. No. 23744138, Fax. No. 23744356.

Annexure to the Notice : (Item No. 2 & 3)

Information on Directors seeking appointment/re-appointment is furnished below in terms of Clause 49 of the Listing Agreement with Stock Exchanges:

Smt K. Sowjanyaamma, aged 57 years is a Promoter of the company and involved in its growth. She was appointed as Director of the company on 06.03.2001. She was not holding directorship in any other company and / or committee of directors.

Sri M.Vijaya Kumar Reddy, aged 30 years, is a Commerce Graduate and an Independent Director. He was appointed as Director of the company on 25.10.2002. He was not holding directorship in any other company and / or committee of directors.

EXPLANATORY STATEMENT U/s. 173(2) OF COMPANIES ACT, 1956:**ITEM NO. 5:**

Sri E.V. Raja Reddy was appointed, as an Additional Director u/s. 260 is liable to retire at the ensuing Annual General Meeting. The company has received a valid Notice and requisite Deposit from a member of the Company u/s. 257 of the Companies Act, 1956, proposing the candidature of Sri E.V. Raja Reddy for the office of Director of the Company liable to retire by rotation.

Hence your Directors recommend the resolution for your approval.

None of your directors except Sri E.V. Raja Reddy is concerned or interested in the resolution.

ITEM NO. 6

Pursuant to the guidelines issued by the Securities and Exchange Board of India, vide circular number D&CC/FITTC/CIR-15/2002 dated December 27th, 2002 regarding 'Appointment of Common Agency for Share Registry work', the Board of Directors have appointed M/s. Venture Capital & Corporate Investments Limited as the Registrar and Share Transfer Agents (RTA) of the Company for both physical and demat segments. Keeping the present needs of the company in mind and in order to give better services to the shareholders, the Board passed a resolution to change the RTA from M/s. Venture Capital & Corporate Investments Limited to M/s. Ikon Visions Private Limited as Registrars & Transfer Agents to undertake share transfers in both physical and demat segment. The Company has also received the approvals from the specified authorities in this regard.

Now it is proposed to shift the Register of Members and index of members from existing RTA M/s. Venture Capital & Corporate Investments Limited, 3rd Floor, Progressive Towers, Khairatabad, Hyderabad to M/s. Ikon Visions Private Limited, 33, Sanali Heavens, 8-3-948, Ameerpet, Hyderabad – 500 073.

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Under Section 163 of the Companies Act, 1956 the approval of the members is required for this purpose.

Your Directors recommend the resolution for approval.

None of the Directors of the Company are concerned or interested in this resolution.

By Order of the Board of Directors

Place: Hyderabad
Date : 01.09.2005

Sd/-
(D.SURENDRANATH REDDY)
Managing Director

DIRECTOR'S REPORT

To
The members of Sowbhagya Exports Limited,
Nellore.

We have pleasure in presenting the 10th Annual Report and the Audited Statement of accounts for the Financial Year ended 31.03.2005.

FINANCIAL RESULTS :

	Current Year 2004 – 2005 (Rs. In Lakhs)	Previous Year 2003 – 2004 (Rs. In Lakhs)
Income	355.88	22.64
Profit before Interest and Depreciation	44.90	10.09
Interest	--	--
Depreciation	11.44	11.44
Profit before Tax	33.46	(1.35)
Provision for Taxation	--	--
Deffered Tax Liability	17.60	--
Net Profit	15.86	(1.35)

OPERATIONS:

During the year under review the operations have yielded satisfactory results. The company has earned a total income of Rs.355.88 Lacs and earned a Net Profit of Rs. 15.86 Lacs against an income of Rs. 22.64 Lacs and Net Loss of Rs.1.35 Lacs in the previous year. The company is confident of achieving better results in the coming years.

DIVIDEND

Due to accumulated losses your Directors could not recommend Dividend on the capital.

DIRECTORS:

Smt K. Sowjanyaamma and Sri M. Vijaya Kumar Reddy, Directors who retires by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

Sri E.V. Raja Reddy was appointed as an Additional Director of the Company with effect from 30th July, 2005. Hence, the resolution for regularization of Sri E.V. Raja Reddy as Director of the Company is proposed for the approval of the Members.

AUDITORS:

M/s. Rajavenkat & Associates, Chartered Accountants, Hyderabad, will retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

DIRECTORS RESPONSIBILITY STATEMENT:

In pursuance of Section 217(2AA) of the Companies Amendment Act, 2000, your directors confirm --

- i) that in the preparation of the annual accounts the applicable accounting standards have been followed along with proper explanations relating to material departures.
- ii) that the directors had selected such accounting policies and applied them consistently and made judgments 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 and of the Profit and loss account for that period.
- iii) That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safe guarding the assets of the company and for preventing and deleting fraud and other irregularities.
- iv) That the directors had prepared the annual accounts on the going concern basis.

PARTICULARS OF EMPLOYEES:

No employee was in receipt of remuneration exceeding the limits prescribed under section 217(2A) of the Companies Act, 1956 and the rules framed there under, as amended to date.

FIXED DEPOSITS:

Your company has not accepted any deposits and as such no amount of principal or interest was outstanding on the date of the Balance Sheet.

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Information under Section 217 (1) (e) of the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988:

a) Conservation of Energy:

The operations of the Company involve very low energy consumption. However adequate measures have been taken to conserve the more energy.

b) Technology Absorption:

The Company has not imported any Technology.

c) Foreign Exchange Earnings & Outgo:

Foreign Exchange Earnings :	Nil
Foreign Exchange Outgo :	Nil

CORPORATE GOVERNANCE

Your company has taken necessary measures to comply with the provisions of Clause 49 of the listing agreement with the Stock Exchanges in respect of Corporate Governance.

A report on Corporate Governance along with a certificate of compliance from the Auditors and also the Management Discussion and Analysis report are annexed separately to this Annual report.

GENERAL :

The Company's shares are listed on Hyderabad, Mumbai and Chennai Stock Exchanges and the listing fee for the year 2004-2005 has been paid.

APPRECIATION:

The Directors wish to place on record their appreciation to employees at all levels for their co-operation. Your directors would also acknowledge the continued support of the Company's Shareholders.

Place : Hyderabad
Date : 01.09.2005

By Order of the Board of Directors

Sd/-
(D.SURENDRANATH REDDY)
Managing Director

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ANNEXURE TO THE DIRECTOR'S REPORT

COMPLIANCE REPORT ON CORPORATE GOVERNANCE

Company's philosophy on corporate governance

A strong governance process is integral to business success. For an important reason: a broad based governance initiative harmonizes the interest of all shareholders.

At Sowbhagya, a commitment to a mature governance process is leading to stronger business prospects, a growth of business partners (customers and suppliers), enhanced employee and investor wealth as well as an increased societal development at large.

Board of Directors

Composition of the Board

The Board of Directors of Sowbhagya consists of Six directors out of which one is executive and Five are non-executive. The composition of the Board during the financial year under review is presented in detail in the table 1.

Number of Board Meetings

During the financial year under review, the Board of Directors met 7 times on 30.04.2004, 31.07.2004, 02.09.2004, 30.10.2004, 06.12.2004, 22.01.2005 and 21.03.2005. As stipulated in Clause 49, the maximum time gap between any two meetings was not more than four months.

Directors' Attendance Record and Directorships

Details are given in Table 1.

Table: 1 Details of the Board of Directors

Name of the Director	Executive / Non-Executive Director	No. of meetings Held during his Tenure	No. of meetings Attended	Whether Attended Last AGM	No. of Outside directorships
D.Surendranath Reddy	Promoter, Executive	7	7	Yes	1
K.Sowjanyaamma	Promoter, Non Executive	7	7	Yes	--
J.Jayarami Reddy	Independent	7	7	Yes	--
M.Vijaya Kumar Reddy	Independent	7	7	Yes	--
N.Mallikharjuna Reddy	Independent	7	7	Yes	--
E.V. Raja Reddy*	Independent	--	--	No	1

*appointed on 30.07.2005.

Information Supplied to the Board

Sowbhagya believes in providing the directors all relevant and required information to enable them make well informed decisions. The following information is regularly placed before the Board:

- Annual Budget
- Quarterly and Half yearly results of the Company
- Minutes of Audit Committee and other committee meetings
- Any material defaults in financial obligations to and by the company in any aspect.
- Disclosures by management on material transactions if any including potential conflict of interest.
- Strategic and operational plans for running the business.

The Board of Directors is presented with detailed notes with required annexure on the above heads. These are presented as a part of the agenda papers of the meeting or directly tabled at the Board meetings

Remuneration of Directors

Sri D. Surendranath Reddy was re-appointed as Managing Director of the Company with effect from 7th December, 2004. However, the Company has not paid any remuneration to him during the year.

Remuneration paid or payable to Directors for 2004-2005 (Rs.) - Nil

No sitting fee is paid to the Directors for attending Board or Committee meetings. No commission or technical fee is paid to any director.

Audit Committee.

The Audit Committee of Sowbhagya Exports is comprised of three members under the chairmanship of an independent and non Executive Director. The terms of reference of the Audit Committee covers the areas mentioned in Clause 49 of the listing agreement of the stock exchange and Section 292A of the Companies Act, 1956.

The Audit Committee reviews

- The company's financial reporting process.
- Disclosure norms
- Internal control systems
- Accounting Policies
- Reports of the companies internal auditors
- Quarterly, half yearly and yearly financial statements
- Financial and risk policies

The Audit Committee met four times during the period. The composition and attendance of the members of the Committee are given in table 2.

Table: 2 Meetings and Attendance for Audit Committee Meetings

Name of the Member	No. of meetings held during the tenure	No. of meetings attended
J.Jayarami reddy	4	4
M.Vijaya Kumar Reddy	4	4
N.Mallikharjuna Reddy	4	4

Mr.J.Jayarami Reddy, an independent Director, chairs the Committee and its members are Mr. M.Vijaya Kumar Reddy and Mr.N.Mallikharjuna Reddy, Independent directors.

Shareholders / Investors Grievance Committee

Terms of reference

The functions of shareholders grievance committee include redressal of shareholders and investor compliance regarding matter such as transfer of share.

The Committee consists of

D.Surendranath Reddy	-	Chairman
K.Sowjanyaamma	-	Member
J.Jayarami Reddy	-	Member

The Committee met on 30.04.2004, 31.07.2004, 30.10.2004 and 22.01.2005 and all the members attended the meetings.

Mr. D.Surendranath Reddy, Managing Director chairs the Committee. Mr.J.Jayarami Reddy is the compliance officer of the company.

The company had no transfers pending at the end of the financial year.

General Body Meetings

The details of the date, time and venue of the last three Annual General Meetings are as follows:

Year	Location	Date and Time
2001-2002	3-375, Lakshmipuram, Nellore – 524 002.	30.09.2002 10.30 A.M
2002-2003	3-375, Lakshmipuram, Nellore – 524 002.	31.12.2003 10.30 A.M
2003-2004	3-375, Lakshmipuram, Nellore – 524 002.	30.09.2004 10.30 A.M

No Postal Ballots were used for voting at above meetings.

Disclosures

- During the Financial year 2004-2005, the Company had no materially significant related party transactions, which may have potential conflict with the interest of the Company at large.
- There has neither been any noncompliance nor penalties, strictures imposed on the Company by the Stock Exchanges, SEBI, or any other statutory authority, on any matter relating to the capital markets, during the last three years.

General Shareholders Information:*Disclosures regarding re-appointment of Directors*

Smt. K. Sowjanyaamma and Sri M. Vijaya Kumar Reddy were being retiring by rotation, and being eligible, offer themselves for re-appointment.

Sri E.V. Raja Reddy was appointed as an Additional Director of the Company with effect from 30th July, 2005. Hence, the resolution for regularization of Sri E.V. Raja Reddy as Director of the Company is proposed for the approval of the Members.

ADDITIONAL SHAREHOLDER INFORMATION

1.	Date, time and venue of Annual General Meeting	:	30.09.2005 at 10.30 A.M. at 3-375, Lakshmipuram, Nellore – 524 002.
2.	Date of Book Closure	:	28 th September, 2005 to 30 th September, 2005 (both days inclusive)
3.	Listing on Stock Exchanges	:	Hyderabad, Mumbai, Chennai
4.	Stock Codes	:	SOWBHAGYA/532025
5.	Listing Fees	:	paid upto date i.e 31.3.2005
6.	Stock Data	:	Not traded during the year

SHARE HOLDING PATTERN

Tables 3 & 4 present the distribution of shareholdings of Sowbhagya by ownership/size class.

Table – 3 Shareholding Pattern by Ownership as on 31st March, 2005

S.No.	Category of Shareholding	No. of Shares	Percentage
1.	Promoters, Directors, Relatives And Associates (Indian)	32,59,700	62.45
2.	Foreign Promoters	--	--
3.	Banks/SFCs/SIDCs(APIDC)	--	--
4.	Foreign Institutional Investors	--	--
5.	Private Corporate Bodies	--	--
6.	Indian Public	19,60,300	37.55
7.	NRIs / OCBs	--	--
	Total	52,20,000	100.00

Table – 4 Shareholding Pattern by Size class as on 31st March, 2005

Shares Held	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shareholding
Up to 5000	769	75.47	3,79,800	7.28
5001 - 10000	69	6.77	68,000	1.30
10001 - 20000	25	2.45	44,600	0.85
20001 - 30000	13	1.28	34,500	0.66
30001 - 40000	2	0.20	8,000	0.15
40001 - 50000	29	2.84	1,43,645	2.75
50001 - 100000	53	5.20	4,83,800	9.27
100000 and above	59	5.79	40,57,655	77.74
Total	1019	100.00	52,20,000	100.00

Dematerialisation of Shares

As on 31st March, 2005 7,500 shares were held in dematerialized form. ISIN for Sowbhagya Exports is INE 826d01014.

Share Transfer System

The Company's shares are traded in the Stock Exchanges Physical form. Shares in physical mode that are lodged with the Company and Ikon (Registrar and Transfer Agent) are registered within a period of 12 days if the documents are clear in all respects. The shares duly transferred are dispatched to the concerned shareholders within a week from the date of approval of transfers by the Share Transfer Committee, which meets as often as required.

Financial Calendar (Tentative and subject to Change)

Financial reporting for the 2 nd quarter ending	30.09.2005	by 31.10.2005
Financial reporting for the 3 rd quarter ending	31.12.2005	by 31.01.2006
Financial reporting for the year ending	31.03.2006	by 30.04.2006
Annual General meeting for the year ending	31.03.2006	by 30.09.2006

Registrar and Share Transfer Agents:

Shareholders can contact the company's registrar and share transfer agent M/s Ikon Visions Pvt. Ltd. Registrars & Share Transfer Agents, 33, Sanali Heavens, 8-3-948, Ameerpet, Hyderabad 500073. Tel. No. 23744138, Fax. No. 23744356.

Address for Investors Correspondence

Shareholders correspondence should be addressed to the Company's Registrar and Share Transfer Agents at the address mentioned above.

Queries relating to the financial statements and complaints may be sent to Mr.J.Jayarami Reddy, Compliance Officer, M/s Sowbhagya Exports Limited, H.No.3-375, Lakshmipuram, Nellore – 524 002.

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis Report

Sowbhagya Exports Limited is engaged in cultivation of shrimp. The management discussion and analysis given below discuss the key issues for each of these activities.

INDUSTRY OVERVIEW:

Export of marine food continues to be a major foreign exchange earner for the country. By virtue of its large coastline, the country has been a prominent player in the international marine food market. To give a further boost to the business and to sustain the development of the industry, Government is regulating the industry through Marine Products Exports Development Authority (MPEDA), MPEDA is aiming to double the current export level of Rs. 6000 Crores. Efforts are being made to enter new markets in Europe and penetrate further into the markets of USA and Japan.

PERFORMANCE

In the year under review, the Company achieved a turnover of Rs. 355.88 Lacs with Net Profit of Rs. 15.86 Lacs. There is an increase in the Turnover during the current year when compared to the previous year.

STRENGTH, WEAKNESS, OPPORTUNITIES AND THREATS:

STRENGTHS

Professional management and native knowledge of the product have been the strengths of your company. Over the years the company could establish better farm practices.

WEAKNESS:

The success of the industry is largely dependent on nature, vagaries of nature can drive the industry southward., The industry is pre-dominantly run by individual farmers who are not adequately knowledgeable in modern methods of culture. In spite of the moves by MPEDA, the need for modernization and education exists. Lack of proper knowledge on pond management and disease prevention and un-remunerative export prices etc., continues to be factors of worry. Adverse climatic conditions and outbreak of any disease may impact the business of your company.

OPPORTUNITIES

Growing awareness and quality consciousness among the consumers of shrimp throws up opportunities to processors who are certified under HACCP and FDA approval etc., It's good opportunity for your company, which is certified under HACCP and FDA. Further, your company is going for certification under British Retain Certification (BRC), which throws up ample scope for its entry into European markets as well.

THREATS:

The company is dependent on feed manufacturers pricing policy for feed which constitutes about 70% of the costs.

OUTLOOK:

Increased awareness and quality consciousness among consumers of shrimp importing countries make the country stand a good chance to increase its exports to US, Australia and other markets.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The company has a proper and adequate of controls to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that transactions are authorised and they are record and reported correctly. Further, the internal control system is designed to ensure that the financial and other record are reliable for preparing financial statements and for maintaining accountability of the assets.

The audit committee reviewed their periodical reports and their suggestions are implemented to ensure the functioning of proper internal control systems.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:

The financial statements have been prepared in compliance with the requirement of the companies act, 1956 and generally accepted accounting principals (GAAP) in India.

In the year under consideration, the company earned Net Profit of Rs. 15.86 Lacs after making provision for Interest & Depreciation to the extent of Rs. 11.44 Lacs and provision for deferred tax liability of Rs.17.60 Lacs.

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CERTIFICATE OF COMPLIANCE

To,
The Members,
Sowbhagya Exports Limited
Nellore.

We have examined the compliance of conditions of Corporate Governance by **M/s. Sowbhagya Exports Limited** for the year ended March 31st, 2005 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of procedures and implementations thereof adopted by the company for ensuring the compliance with the conditions of the Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us the representations made by the Directors and the Management, we certify that the Company has complied with conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the company as per records maintained by the Shareholders'/Investors' Grievances Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

for **M/s. Rajavenkat and Associates**
Chartered Accountants

Sd/-
G Rajavenkat
Proprietor
M.No. 25014

Place: Hyderabad
Date : 1st September, 2005

AUDITORS'REPORT

To

The Member's of **M/s. SOWBHAGYA EXPORTS LIMITED.**
Nellore.

We have audited the attached Balance Sheet of "**M/s. SOWBHAGYA EXPORTS LIMITED**" as at 31st March 2005, and the relative Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's *Management*. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order wherever applicable.

1. Subject to our comments in the annexure referred to in paragraph 3, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of account as required by Law have been kept by the company so far as, appears from our examination of such books.

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- c) The Company's Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the Books of Accounts.
 - d) In our opinion, and to the best of our information and according to the explanations given to us the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in compliance with the accounting standards referred to in sub-section (3C) of the Section 211 of the Companies Act, 1956 to the extent applicable.
 - e) On the basis of the written representation from the directors as on 31st March, 2004 and taken on record by the Board of Directors, We report that none of the Director is disqualified as on 31st March, 2005 from the appointment as a Director in terms of Clause(g) of sub-section (1) of Section 274 of the Companies act, 1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet, Profit and Loss Account and Cash Flow Statement read together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - i) In case of the Balance sheet, of the state of affairs of the Company as at 31st March, 2005.
 - ii) In case of the Profit and Loss Account, of the Profit for the period ended on that date.
 - iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For M/s.RAJAVENKAT&ASSOCIATES
CHARTERED ACCOUNTANTS.

Sd/-
GRAJAVENKAT
PROPRIETOR
M.No.25014

Place : Hyderabad
Date : 1st September, 2005

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**ANNEXURE TO AUDITORS REPORT REFERRED TO IN PARAGRAPH 3 OF
OUR REPORT OF EVEN DATE**

1. (a) The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets.

(b) As explained to us, the fixed assets have been physically verified by the management periodically which in our opinion is reasonable, having regard to the size of the company and nature of its assets. No material discrepancies were noticed on such physical verification.

(c) In our opinion the company has not disposed off substantial part of Fixed Assets during the year and the going concern status of the company is not affected.
2. In respect of its inventories,
 - a) As explained to us, inventories have been physically verified by the management at regular intervals during the period.
 - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - c) The Company has maintained proper records of inventories. As explained to us there are no material discrepancies noticed on physical verification of inventory as compared to the book records.
3. The company has neither taken nor granted any loans to/ from the companies, firms or other parties listed in the Registers maintained U/s. 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of inventories and fixed assets. During the course of the audit we have not observed any major weaknesses in internal controls.
5. There are no contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and hence requirements of reporting regarding transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of such contracts aggregating during the year to Rs. 5,00,000/- or more in respect of each party does not arise.

6. The company has not accepted any deposits from public with in the meaning of Rule 2(b) of the Companies (Acceptance of Deposits) Rule 1975, and the provisions of Sec. 58 A of the Companies Act, 1956.
7. In our opinion the Company is maintaining internal audit system, which is commensurate with its size and nature of the business.
8. As explained to us, the maintenance of cost records prescribed by the Central Government is not applicable to the company for the period under review.
9. (a) We were informed that the provisions of Provident Fund Act and Employees State Insurance Act are not applicable to this company during the year under report. However the company is regular in depositing undisputed statutory dues including income tax, wealth tax, sales tax and other material statutory dues with appropriate authorities when applicable.

(b) According to the information and explanations given to us, there are no undisputed amounts payable in respect of such statutory dues which have remained outstanding as at 31st March, 2005 for a period exceeding six months from the date they become payable.

(c) According to the information and explanations given to us, there are no dues of sales tax, income tax, wealth tax and other statutory dues, which have not been deposited on account of any disputes.
10. In our opinion, the accumulated losses of the company are not more than fifty percent of the net worth of the company.
11. The company has not taken any loans from Financial Institutions and/ or banks. Therefore the provisions of clause 4 (xi) of the Companies (Auditor's Report) Order 2003 are not applicable to the company.
12. In our opinion and according to the information and explanation given to us no loans and advances have been granted by the company on the basis of security by way of pledge of shares, debentures or other securities.
13. In our opinion, the company is not a chit fund or nidhi/ mutual benefit fund/ society. Therefore the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order 2003 are not applicable to the company.
14. In our opinion, the company is not dealing or trading in shares, securities, debentures and other investments during the year under review. Accordingly the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order 2003 are not applicable to the company.

15. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.
16. In our opinion and according to the information provided, the company has not raised any term loans during the period.
17. The company has not raised any short-term funds during the period under review.
18. According to the information and explanations given to us, the company has not made any preferential allotment during the year.
19. According to the information and explanations given to us, the company has not issued any debentures during the period.
20. During the year under review the company has not issued any securities to public.
21. In our opinion, according to the information and explanations given to us no fraud on or by the company has been noticed or reported during the period under review that causes the financial statements to be materially misstated.

for **M/s.RAJAVENKAT&ASSOCIATES**
CHARTERED ACCOUNTANTS

Sd/-
G.RAJAVENKAT
PROPRIETOR.
M.No.25014

Place: Hyderabad
Date : 1st September, 2005

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SOWBHAGYA EXPORTS LIMITED

NELLORE

BALANCE SHEET AS AT 31ST MARCH, 2005

Particulars	Sch	As at	
		31-03-2005	31-03-2004
		Rs.	Rs.
SOURCES OF FUNDS			
SHARE HOLDERS FUNDS			
Share Capital	A	52,200,000	52,200,000
Deferred Tax Liability		649,698	
TOTAL		<u>52,849,698</u>	<u>52,200,000</u>
APPLICATION OF FUNDS			
Fixed Assets	B	29,579,329	29,579,329
Less : Depreciation		<u>10,398,255</u>	<u>9,254,343</u>
Current Assets, Loans & Advances	C	27,432,303	22,756,960
Less: Current Liabilities & provisions	D	<u>188,350</u>	<u>75,000</u>
NET CURRENT ASSETS		27,243,953	22,681,960
MISCELLANEOUS EXPENDITURE	E	67,296	1,249,874
PROFIT & LOSS ACCOUNT		<u>6,357,375</u>	<u>7,943,180</u>
TOTAL		<u>52,849,698</u>	<u>52,200,000</u>
Notes on Accounts	H		

As per report of even date
For M/s Rajavenkat & Associates
Chartered Accountants

Sd/-
G.Raja Venkat
Proprietor
M.No.25014

Place : Hyderabad
Date : 01.09.2005

For and on behalf of the Board

Sd/-
D.Surendranath Reddy
Managing Director

Sd/-
J.Jayarami Reddy
Director

SOWBHAGYA EXPORTS LIMITED
NELLORE

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING 31ST MARCH, 2005

Particulars	Sch	CURRENT YEAR	PREVIOUS YEAR
		Rs.	Rs.
INCOME :			
Sales		35,587,790	2,264,049
TOTAL		<u>35,587,790</u>	<u>2,264,049</u>
EXPENDITURE :			
Purchases		19,677,384	0
Manufacturing Expenses	F	10,278,917	929,734
Administrative Expenses	G	1,069,496	253,098
Preliminary & Public Issue Expenses Written Off		72,296	72,296
Depreciation	B	1,143,912	1,143,912
TOTAL		<u>32,242,005</u>	<u>2,399,040</u>
Profit /Loss for the year		3,345,785	(134,991)
Less: Provision for Tax		0	0
Provision for Deferred Tax		1,759,980	0
Profit /Loss after Tax		<u>1,585,805</u>	<u>(134,991)</u>
Add: Balance brought forward from previous year		(7,943,180)	(7,808,189)
		<u>(6,357,375)</u>	<u>(7,943,180)</u>
Notes on Accounts	H		

As per report of even date
For M/s Rajavenkat & Associates
Chartered Accountants

Sd/-
G.Raja Venkat
Proprietor
M.No.25014

Place : Hyderabad
Date : 01.09.2005

For and on behalf of the Board

Sd/-
D.Surendranath Reddy
Managing Director

Sd/-
J.Jayarami Reddy
Director

SOWBHAGYA EXPORTS LIMITED
NELLORE
CASH FLOW STATEMENT FOR THE YEAR ENDING 31ST MARCH, 2005

Particulars	Current Year	Previous Year
Cash flow from Operating Activities		
Profit Before tax	3,345,785	(134,991)
Adjustments		
Depreciation	1,143,912	1,143,912
Preliminary Expenses W/off	72,296	72,296
Operating Profit before working capital	4,561,993	1,081,217
Operating cash flows before WC (Increase)/Decreases		
Changes in Working Capital		
(Increase)/Decrease in Inventory	(1,124,938)	-
(Increase)/Decrease in Sundry Debtors	(2,647,451)	(1,600,000)
(Increase)/Decrease in Loans & Advances	(1,101,682)	-
Increase/(Decrease) in Curr Liabilities	113,350	(1,000)
Changes in working capital	(4,760,721)	(1,601,000)
Cash from Operating Activities	(198,728)	(519,783)
Cashflows from Investing Activities		
(Purchase)/Sale of fixed assets	-	-
Cash from Investing Activities	-	-
Cashflows from Financing Activities		
Paid in Capital	-	-
Additional Loan Capital/(Repayment)	-	-
Cash from Financing Activities	-	-
Net increase in Cash & Cash Equivalents	(198,728)	(519,783)
Cash at the beginning of the Period	260,979	780,762
Cash and Cash Equilents at the close of the year	62,251	260,979

As per report of even date
For M/s Rajavenkat & Associates
Chartered Accountants

Sd/-
G.Raja Venkat
Proprietor
M.No.25014

Place : Hyderabad
Date : 01.09.2005

For and on behalf of the Board

Sd/-
D.Surendranath Reddy
Managing Director

Sd/-
J.Jayarami Reddy
Director

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SOWBHAGYA EXPORTS LIMITED

NELLORE

SCHEDULES TO ACCOUNTS

	AS AT 31.03.2005	AS AT 31.03.2004
	Rs.	Rs.
SCHEDULE : A		
SHARE CAPITAL		
Authorised: 90,00,000 Equity Shares of Rs. 10/- each	<u>90,000,000</u>	<u>90,000,000</u>
Issued, Subscribed and Paid up:		
52,20,000 Equity Shares of Rs.10/- each fully paid up	52,200,000	52,200,000
TOTAL	<u>52,200,000</u>	<u>52,200,000</u>

SOWBHAGYA EXPORTS LIMITED

NELLORE
SCHEDULES TO ACCOUNTS

SCHEDULE : B

FIXED ASSETS

Description of the Asset	As at	Gross Block	As at	Depreciation Block		Net Block		
	01.04.2004	Additions Deduction during the year	31.03.2005	As at 01.04.2004	for the year	As at 31.03.2005	As at 31.03.2005	As at 31.03.2005
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land & Site Development	500000	0	500000	0	0	0	500000	500000
Buildings	19272131	0	19272131	5149515	643689	5793204	13478927	14122616
Plant & Machinery	8797413	0	8797413	3461994	417877	3879871	4917542	5335419
Vehicles	581276	0	581276	427186	55221	482407	98869	154090
Furniture & Fixtures	428509	0	428509	215648	27125	242773	185736	212861
	29579329	0	29579329	9254343	1143912	10398255	19181074	20324986

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SOWBHAGYA EXPORTS LIMITED

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NELLORE

SCHEDULES TO ACCOUNTS

	AS AT 31.03.2005	AS AT 31.03.2004
	Rs.	Rs.
SCHEDULE : C		
CURRENT ASSETS, LOANS AND ADVANCES:		
Inventories		
Feed		0
Sundry Debtors		
Unsecured, considered good		
More than Six Months		
Others		8,403,663
Cash & Bank Balances		
Cash in Hand		104,392
Cash at Schedule Banks in current accounts		156,587
Loans & Advances recoverable in cash or kind (unsecured, considered good)		
Deposits	0	142,318
Other Advances	3,250,000	3250,000
Advance to suppliers	1,414,000	170,000
Advance for land	9,330,000	93,30,000
Advance for software	1,200,000	1,200,000
TOTAL	27,432,303	22,756,960



SCHEDULE : D

CURRENT LIABILITIES AND PROVISIONS :

Creditors for Expenses	129,560	55,000
Creditors for Others	36,750	0
Provisions for Audit Fee	22,040	20,000
TOTAL	188,350	75,000

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REC. NO.

REG. NO.

01-018800
 B/S (SH-6)
 31/03/2005
 500
 4
 1111100
 CASH -H
 50013
 17/10/2005
 PV

SCHEDULE : E

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MISCELLANEOUS EXPENDITURE
(To the extent not written off or adjusted)

Public Issue Expenses				
Less Written Off	134,592	67,296	201,888	134,592
	<u>67,296</u>		<u>67,296</u>	
Preliminary Expenses				
Less : Written Off	5,000	0	10,000	5,000
	<u>5,000</u>		<u>5,000</u>	
Deferred Tax Asset		0		1,110,282
TOTAL		<u>67,296</u>		<u>1,249,874</u>

SCHEDULE : F
MANUFACTURING EXPENSES

Seed	1,167,000	390,343
Feed	7,457,836	336,850
Ponds Maintenance	542,252	58,863
Electricity & Generator Maintenance	557,765	71,578
Repairs & maintenance	117,434	27,730
Labour Charges	436,630	44,370
TOTAL	<u>10278917</u>	<u>929734</u>

SCHEDULE : G
AMINISTRATION AND MARKETING EXPENSES

Salaries	348,000	145,500
Bank Charges	2,450	1,640
Staff Welfare	11,765	4,943
Traveling Expenses - Directors	52,760	5,950
Traveling Expenses - Others	34,765	6,740
Postage, Telegrams, & Telephones	2,590	1,287
Printing & Stationery	12,324	3,140
Registration, License and Filing Fee	25,000	9,000
Office Maintenance	11,140	1,475
General Expenses	12,507	4,708
Audit Fee	22,040	20,000
Rent	48,000	24,000
Vehicle Maintenance	116,760	6,715
Marketing Expenditure	138,330	0
Service Charges	15,000	18,000
Listing Fee	216,065	0
TOTAL	<u>10,69,496</u>	<u>253,098</u>

STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Concepts:

The financial statements have been prepared under the historical cost convention, in accordance with the *Generally Accepted Accounting Principles* (GAAP), as per the provisions of the Companies Act, 1956 as adopted consistently by the company and on the accounting principles of a going concern.

Accounting Policies are not specifically referred to otherwise are consistent and in consonance.

2. Revenue Recognition:

All revenue income and expenditure are recognized on accrual basis.

3. Fixed Assets:

Fixed Assets are stated at cost less accumulated depreciation. The actual cost capitalized comprises of cost of acquisition of the asset, clearing charges in case of imported assets, duties, taxes and other incidental expenditure incurred for acquiring the assets.

4. Depreciation:

Depreciation on Fixed Assets is computed on Straight Line Value Method at the rates provided under Schedule XIV of the Companies Act, 1956.

5. Inventories:

Inventories are valued at cost. The cost is computed on FIFO basis.

6. Misc Expenses:

Preliminary Expenses and Public Issue Expenses are amortised over a period of 10 years.

7. Deferred Tax:

Deferred Tax resulting from timing differences between book and tax profits is accounted for under the liability method, at the current rate of tax, to the extent that the timing differences are expected to crystallise as deferred tax charge / benefit in the Profit and Loss account and as deferred tax liability / asset in the Balance Sheet.

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NOTES ON ACCOUNTS:

- a. Previous year figures have been regrouped/re-arranged wherever necessary.
- b. Paise have been rounded off to nearest rupee.
- c. Particulars of employees in accordance with Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 - NIL.
- d. Balances of Debtors, loans & advances and creditors are subject to reconciliation / confirmation with the respective parties.
- e. There are no SSI units whose dues are exceeding Rs. 1 lakh or more for more than 30 days.

f. Earnings per share:

	2004 - 05	2003-04
Net Profit for the period attributable to equity share holders	33,45,785	(1,34,991)
Weighted average number of Equity Shares outstanding (Face Value of Rs. 10/- each)	5220000	5220000
Basic and diluted EPS	0.64	(0.03)

- g. No provision has been made for income tax in view of the accumulated losses incurred by the company in the previous years. The company has recognized Deferred Tax liabilities on following timing differences.

	Amount(Rs.)
Deferred Tax Liability on Depreciation on Fixed Assets	41,35,288
Deferred Tax Asset on Carry forward loss and Unabsorbed depreciation	34,85,591
Net deferred Tax Liability	6,49,698

h. Segment Reporting:

During the period under review the company is engaged in one segment only i.e Aquaculture. Hence segment reporting as per Accounting Standard is not applicable for the period.

i. Related party disclosure under Accounting Standard (AS :18)

Rent Paid to Smt D.Bhavani, Promoter – Rs.48,000/- (Previous Year – Rs.24,000/-)

j. Managerial Remuneration paid or payable during the period – NIL

k. Auditor's Remuneration includes:

As Auditor	2004 - 05	2003-04
Audit Fee	20,000	20,000
Service Tax	2,040	--

l. Foreign Exchange earnings and outgo – NIL

m. CIF Value of Imports : NIL

n. Pending capital commitments as on 31st March 2005 - NIL

o. All the Raw Material and consumables Consumed are of Indigenous materials.

p. Contingent Liabilities: Nil

q. Information pursuant to Provisions of clause 4(c) & (d) of Part II of Schedule VI of the Companies Act, 1956 (as certified by the management).

	Qty	2004-05 Value	Qty	2003-04 Value
Installed Capacity				
The installed capacity of aqua ponds is regulated by the MPEDA authority based on their norms and is indeterminate at the present point of time.				
Production	52.38	--	8.60	--
Turnover				
1. Shrimp	141.76	355.88	8.60	22.64
Purchases				
2. Shrimp	89.38	196.77	--	--
Opening Stock				
3. Shrimp	--	--	--	--
Closing Stock				
4. Shrimp	--	--	--	--
5. Feed	34.10	11.25	--	--

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Raw Material consumed				
6. Seed	11.67	—	3.90	
7. Feed	225.90	74.57	10.23	3.37

VIDE OUR REPORT OF EVEN DATE FOR AND ON BEHALF OF THE BOARD

For M/S. RAJAVENKAT & ASSOCIATES
CHARTERED ACCOUNTANTS

G RAJAVENKAT
PROPRIETOR
M.No.25014

D.SURENDRANATH REDDY
MANAGING DIRECTOR

J.JAYARAMI REDDY
DIRECTOR

Place: Hyderabad
Date : 1st September, 2005

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**BALANCE SHEET ABSTRACT
AND
COMPANY GENERAL BUSINESS PROFILE**

AS PER SCHEDULE VI TO THE COMPANIES ACT 1956

		IN Rs.
<u>REGISTRATION DETAILS</u>		
Registration No	:	01-18800
State Code	:	01
Balance Sheet Dated	:	31.03.2005
<u>CAPITAL RAISED DURING THE YEAR</u>		
Public issue	:	NIL
Right issue	:	NIL
Bonus issue	:	NIL
Private placements	:	NIL
<u>POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS</u>		
Total Liabilities	:	52,849,698
Total Assets	:	52,849,698
<u>SOURCES OF FUNDS</u>		
Paid-up Capital	:	52,200,000
Reserves & Surpluses	:	NIL
Secured Loans	:	NIL
Unsecured Loans	:	NIL
<u>APPLICATION OF FUNDS</u>		
Net Fixed Assets	:	19,181,074
Investments	:	NIL
Net Currents Assets	:	27,243,953
Misc. Expenditure	:	67,296
Accumulated Loss/Profits	:	6,357,375
<u>PERFORMANCE OF THE COMPANY</u>		
Turnover	:	35,587,790
Total Expenses	:	32,242,005
Profit Before Tax	:	3,345,785
Profit after Tax	:	1,585,805
Earning per Share (Rs.)	:	0.30

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**GENERIC NAME OF PRINCIPAL PRODUCTS/
SERVICES OF THE COMPANY**

(as per Monetary items)

Item Code No.

0306103-03

Production Description

Shrimp culture

As per report of even date

For M/s Rajavenkat & Associates

Chartered Accountants

For and on behalf of the Board

Sd/-

G.Raja Venkat

Proprietor

M.No.25014

Sd/-

D.Surendranath Reddy

Managing Director

Place : Hyderabad

Date : 01.09.2005

Sd/-

J.Jayarami Reddy

Director

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SOWBHAGYA EXPORTS LIMITED

REGD.OFF: H.No.3-375, Lakshmipuram, Nellore – 524 002.

ATTENDANCE SLIP

- 1. Please fill the Attendance Slip and hand it over at the entrance of the Meeting Hall.
- 2. Only Shareholders of the Company or their proxies will be allowed to attend the meeting.

I hereby record my presence at the 10th Annual General Meeting of the company to be held on Friday the 30th September, 2005 at 10.30 A.M at the Registered Office of the company, at H.No.3-375, Lakshmipuram, Nellore – 524 002.

Shareholders/Proxy's Signature

Shareholders/Proxy's full name
(In block letters)

Folio No./DP ID & Client ID

No. of shares held

Note: Share holders attending the meeting in person or by proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall.

SOWBHAGYA EXPORTS LIMITED

REGD.OFF: H.No.3-375, Lakshmipuram, Nellore – 524 002.

PROXY FORM

I/We _____ of _____ being a Member(s) of above named company, hereby appoint _____ of _____ or failing him/her _____ of _____ as my/our proxy to attend and vote for me/us, on my/our behalf at the 10th Annual General Meeting of the Company to be held on Friday, the 30th September, 2005 at 10.30 A.M at the Registered Office of the company, at H.No.3-375, Lakshmipuram, Nellore – 524 002., and at any adjourned meeting thereof.

As Witnessed Signed this _____ day of _____ 2005.

Signed by the said _____

Folio No./DP ID & Client ID _____

No. of shares held _____

Affix
Re.1/-
Revenue
Stamp.

Note: The proxy in order to be effective should be duly stamped, completed, signed and must be deposited at the Registered Office of the Company not less than Forty eight hours before the time for holding the aforesaid meeting. The proxy need not be a member of the company.