

SOWBHAGYA EXPORTS LIMITED

TWELFTH ANNUAL REPORT

2006-2007

**8-3-677/14, SKD Nagar, Srinagar Colony,
Hyderabad – 500073.**

SOWBHAGYA EXPORTS LIMITED

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SOWBHAGYA EXPORTS LIMITED

DIRECTORS

Sri K. Ramakrishna Prasad
Sri M. Madhusudana Rao
Sri V. Kishore
Sri. E.V. Raja Reddy
Sri. D.Surendranath Reddy

Managing Director
Director
Director
Director
Director

BANKERS

Corporation Bank, Nellore
Bank of India, Hyderabad.

AUDITORS

M/s. KARI VENKATESWARLU & ASSOCIATES,
CHARTERED ACCOUNTANTS
402, Ram Kishan Residency,
Anand Nagar Colony, Khairatabad.
Hyderabad - 500004.

REGISTERED OFFICE

8-3-677/14, SKD Nagar,
Srinagar Colony,
Hyderabad – 500073.

REGISTRARS

XL Softtech Systems Limited
Plot No. 3, Sagar Society,
Road No. 2, Banjara Hills,
Hyderabad – 34.

LISTING

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

SOWBHAGYA EXPORTS LIMITED

8-3-677/14, SKD Nagar, Srinagar Colony, Hyderabad – 500073.

NOTICE TO MEMBERS

NOTICE is hereby given that the 12th Annual General Meeting of SOWBHAGYA EXPORTS LIMITED will be held at the Registered Office at 8-3-677/14, SKD Nagar, Srinagar Colony, Hyderabad – 500073, on Saturday the 29th September, 2007 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, 2007 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 Sri E.V. Raja Reddy Who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Sri V. Kishore Who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Statutory auditors and to fix their remuneration.

By Order of the Board of Directors
For M/s. **SOWBHAGYA EXPORTS LIMITED,**

Place: Hyderabad
Date : 02.09.2007

(K. RAMAKRISHNA PRASAD)
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 26.09.2007 to 29.09.2007 (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 XL Softech Systems Ltd. Registrars & Share Transfer Agents, Plot No. 3, Sagar Society, Road No. 2, Banjara Hills, Hyderabad – 34. Tel. No. 23545913, 14, Fax .

By Order of the Board of Directors
For M/s. **SOWBHAGYA EXPORTS LIMITED,**

Place: Hyderabad
Date : 02.09.2007

(K. RAMAKRISHNA PRASAD)
MANAGING DIRECTOR

DIRECTOR'S REPORT

To
The members of Sowbhagya Exports Limited,
Hyderabad.

We have pleasure in presenting the 12th Annual Report and the Audited Statement of accounts for the Financial Year ended 31.03.2007.

FINANCIAL RESULTS :

Particulars	Current Year 2006 – 2007 (Rs.)	Previous Year 2005 – 2006 (Rs.)
Total Income		
Profit before Depreciation		
Depreciation		
Interest		
Profit before Tax		
Provision for Taxation		
Profit after Tax		

OPERATIONS:

During the year under review your company has earned a total income of Rs.===== Lacs and incurred a Net Loss of Rs. ===== Lacs against an income of Rs. 22.64 Lacs and Net Loss of Rs.1.35 Lacs in the previous year. During the year under review shrimp culture faced difficult times due to failure of monsoon and high mortality rates. The company is confident of achieving better results in the coming years.

DIVIDEND

Due to set off of Carry Forward losses your Directors could not recommend Dividend on the capital.

DIRECTORS:

Sri E.V. Raja Reddy and Sri V. Kishore, Directors who retires by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

AUDITORS:

M/s. Kari Venkateswarlu & 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.

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 for Mumbai stock exchange.

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.

By Order of the Board of Directors
For M/s. **SOWBHAGYA EXPORTS LIMITED,**

Place: Hyderabad
Date : 02.09.2007

(K. RAMAKRISHNA PRASAD)
MANAGING DIRECTOR

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 Five 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 29.04.2006, 06.05.2006, 23.07.2006, 01.09.2006, 30.10.2006, 31.01.2007 and 10.02.2007. 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
M. Ramakrishna Prasad	Executive	7	7	Yes	1
E.V. Raja Reddy	Non Executive	7	7	Yes	--
M. Madhusudana Rao	Non Executive	7	7	Yes	--
V. Kishore	Non Executive	7	7	Yes	--
D. Surendranath Reddy	Non Executive	7	5	Yes	--

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

Remuneration paid or payable to Directors for 2006-2007 (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
E.V. Raja Reddy	3	3
M. Madhusudana Rao	3	3
V. Kishore	3	3

Sri E.V. Raja Reddy, an independent Director, chairs the Committee and its members are Mr. M. Madhusudana Rao and Mr.V. Kishore, 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. Ramakrishna Prasad	-	Member
V. Kishore	-	Member

The Committee met on 29.04.2006, 23.07.2006, 30.10.2006 and 31.01.2007 and all the members attended the meetings.

Mr. D. Surendranath Reddy, Director chairs the Committee. Mr. K. Ramakrishna Prasad, 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
2003-2004	3-375, Lakshmipuram, Nellore – 524 002.	31.12.2004 10.30 A.M
2004-2005	3-375, Lakshmipuram, Nellore – 524 002.	30.09.2005 10.30 A.M
2005-2006	3-375, Lakshmipuram, Nellore – 524 002.	30.09.2006 10.30 A.M

No Postal Ballots were used for voting at above meetings. However, the Board in its meeting held on 31.01.2007 sought the approval of members by Postal Ballot for Alteration of Other Objects by inserting new Clauses (8) & (9) after the existing clause (7), approval for Commencement of New Business under section 149(2A) of

the Companies Act, 1956 and Shifting of Registered office from Nellore to Hyderabad.

Disclosures

- During the Financial year 2006-2007, 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

Sri E.V. Raja Reddy and Sri V. Kishore were being retiring by rotation, and being eligible, offer themselves for re-appointment.

ADDITIONAL SHAREHOLDER INFORMATION

1.	Date, time and venue of Annual General Meeting	:	29.09.2007 at 10.30 A.M. at 3-375, Lakshmipuram, Nellore – 524 002.
2.	Date of Book Closure	:	26 th September, 2007 to 29 th September, 2007 (both days inclusive)
3.	Listing on Stock Exchanges	:	Hyderabad, Mumbai, Chennai
4.	Stock Codes	:	SOWBHAGYA/532025
5.	Listing Fees	:	paid upto date i.e 31.3.2007
6.	Stock Data	:	BSE High : Low : Average:

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, 2007

S.No.	Category of Shareholding	No. of Shares	Percentage
1.	Promoters, Directors, Relatives And Associates (Indian)	35,75,700	68.50
2.	Foreign Promoters	--	--
3.	Banks/SFCs/SIDCs(APIDC)	--	--
4.	Foreign Institutional Investors	--	--
5.	Private Corporate Bodies	--	--
6.	Indian Public	16,64,300	31.50
7.	NRIs / OCBs	--	--
	Total	52,20,000	100.00

Table – 4 Shareholding Pattern by Size class as on 31st March, 2007

Shares Held	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shareholding
Up to 5000	654	85.27	3,24,700	6.22
5001 - 10000	16	2.09	81,000	1.55
10001 - 20000	15	1.95	180,600	3.46
20001 - 30000	28	3.65	9,28,600	17.79
30001 - 40000	49	6.39	13,17,645	25.24
40001 - 50000	--	--	--	--
50001 - 100000	1	0.13	55,000	1.05
100000 and above	4	0.52	23,32,455	44.68
Total	767	100.00	52,20,000	100.00

Dematerialisation of Shares

As on 31st March, 2007 ---- 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	30.09.2007	by 31.10.2007
Financial reporting for the 3 rd quarter ending	31.12.2007	by 31.01.2008
Financial reporting for the year ending	31.03.2008	by 30.04.2008
Annual General meeting for the year ending	31.03.2008	by 30.09.2008

Registrar and Share Transfer Agents:

Shareholders can contact the company's registrar and share transfer agent M/s XL Softech Systems Ltd. Registrars & Share Transfer Agents, Plot No. 3, Sagar Society, Road No. 2, Banjara Hills, Hyderabad - 34. Tel. No. 23545913, 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.K. Ramakrishna Prasad, Compliance Officer, M/s Sowbhagya Exports Limited, D.No. 8-3-677/14, SKD Nagar, Srinagar Colony, Hyderabad - 500073.

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis Report

Sowbhagya Exports Limited has diversified into Media and Entertainment Sector. The management discussion and analysis given below discuss the key issues for each of these activities.

INDUSTRY OVERVIEW:

The Indian Entertainment Industry is one of the fastest growing sectors of the Indian economy riding on high economic growth and rising income levels that India has been experiencing in the past few years. The industry is expected to double in size in five years from 2008.

The largest contributor to this growth will be the television segment followed closely by the film segment. The Indian film industry is projected to grow to 143 billion rupees by 2010 from 59 billion rupees.

One of the major growth drivers in the film industry is the growing popularity of multiplex phenomenon. Over 45 multiplexes having a seating capacity of 150-160 seats are expected to come up in a few years. The advent of digital technology has also helped to enforce property rights and improve operations through economies of scale. Corporate tie-ups have helped to improve revenues. The factors hindering growth are mainly piracy, entertainment taxes, which continue to be one of the highest in the world, and the lack of adequate institutional funding.

PERFORMANCE

In the year under review, the Company achieved a turnover of Rs. ===== Lacs with an operating loss of Rs. ===== Lacs. There is an increase in the production and sale of shrimp during the current year when compared to the previous year.

STRENGTH, WEAKNESS, OPPORTUNITIES AND THREATS:

STRENGTHS

Professional management and native knowledge of the Industry have been the strengths of your company. Over the years the company could establish better prospects .

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

Technology will drive the entertainment industry into the next decade. In the new converged paradigm, its boundaries will be merged with those of the Telecommunications & Information Technology segments. This will give rise to a host of value added features for the consumers, and new revenue streams for the players in each segment. Mobile entertainment with its ability to dissect the boundaries of time and space, will be the biggest growth driver.

THREATS:

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

OUTLOOK:

Digitalisation is the future of the Television Industry. It is only a matter of time before market forces propel the industry towards that. Resolution of current challenges of distribution and digitalisation, will also define the content formats and the viewership patterns of the consumers in future.

Digitalisation will also revolutionise the Film Industry by bringing out faster and cheaper modes of delivering films to the consumers. These will be in terms of digital distribution of films, emergence of the home video market entailing shorter release windows and new distribution formats like internet and mobile devices.

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 incurred a loss of Rs.=====Lacs after making provision for Depreciation to the extent of Rs. ===== Lacs.

SOWBHAGYA EXPORTS LIMITED

8-3-677/14, SKD Nagar, Srinagar Colony, Hyderabad – 500073.

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 Saturday, the 29th September, 2007 at 10.30 A.M at the Registered Office of the company, at D.No.8-3-677/14, SKD Nagar, Srinagar Colony, Hyderabad – 500 073.

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

8-3-677/14, SKD Nagar, Srinagar Colony, Hyderabad – 500073.

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 Saturday, the 29th September, 2007 at 10.30 A.M at the Registered Office of the company, at D.No.8-3-677/14, SKD Nagar, Srinagar Colony, Hyderabad – 500 073., and at any adjourned meeting thereof.

As Witnessed Signed this _____ day of _____ 2007.

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.