



## Board of Directors

### Directors

I Troop	Chairman
D L Briffett	
H G Buffett	
Lt Gen D B Singh	
Sanjaya Kulkarni	
R Tandon	
K Vaidyanath	
(Alternate: S Sivakumar)	
T I Chudgar	Wholetime Director

### Management Committee

U Sen Gupta	President
A Ahuja	Chief Financial Officer and Vice President
R Krishnamoorthy	Vice President – Integrated Supply Chain
K S Shyam	Head – Human Resources and Asst. Vice President
A Sinha	Vice President – Marketing & Sales

### Company Secretary

T I Chudgar

### Auditors

Lovelock & Lewes  
Chartered Accountants  
Hyderabad

### Registered Office

31, Sarojini Devi Road  
Secunderabad - 500 003  
Andhra Pradesh  
India  
Website: [www.atfoods.com](http://www.atfoods.com)

### Registrars & Share Transfer Agents

Sathguru Management Consultants Private Limited  
Plot No. 15, Hindinagar  
Behind Shiridi Sai Temple  
Punjagutta  
Hyderabad - 500 034



**Agro Tech Foods Limited**

## NOTICE TO MEMBERS

Notice is hereby given that the Nineteenth Annual General Meeting of the Members of Agro Tech Foods Limited will be held on Friday the 28th July, 2006 at 10.00 A.M. at Residency Hall, Hotel Green Park, Greenlands, Hyderabad – 500 016, Andhra Pradesh to transact the following businesses:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2006 and the Profit and Loss Account for the year ended on that date and the Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Lt Gen D.B. Singh, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. K. Vaidyanath, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration. M/s. Lovelock & Lewes, the retiring Auditors are eligible for reappointment.

### SPECIAL BUSINESS

5. To consider and if thought fit to pass, with or without modification, the following Resolution as a SPECIAL RESOLUTION:
  - I. "RESOLVED that approval be and is hereby granted to the 'Agro Tech Foods Limited (ATFL) Employee Stock Option Plan'."
  - II. "RESOLVED FURTHER that for the purpose of giving effect to the above Resolution, the Board, Remuneration / Compensation Committee or any Committee of the Board be and is hereby authorised to do all such deeds, matters and things and execute all such deeds documents and writings as it may in its absolute discretion deem necessary and incur expenses in relation thereto."
  - III. "RESOLVED FURTHER that shares may be allotted in accordance with the Plan, directly to the employees or through a Trust

which may be set up to enable the employees/Trust to acquire, purchase or subscribe to the shares of the Company."

- IV. "RESOLVED FURTHER that the Board, Remuneration / Compensation Committee or any Committee of the Board be and is hereby authorised to settle all questions, difficulties or doubts that may arise in relation to the implementation of the Plan, including to amend or modify any terms thereof in accordance with and subject to all applicable SEBI guidelines, without being required to seek any further approval or consent of the members."
- V. "RESOLVED FURTHER that the Plan be operated by the Board, Remuneration / Compensation Committee or any Committee of the Board such that the total number of shares issued do not exceed 5% of the issued and subscribed share capital of the Company."
6. To consider and if thought fit, to pass, with or without modification, the following Resolution as a SPECIAL RESOLUTION:

"RESOLVED that pursuant to the Provisions of Sections 198, 269, 309, 310, 314 read with Schedule XIII thereto and other applicable Provisions, if any of the Companies Act, 1956 or any amendment or modification or re-enactment thereof, and subject to such approval or consents including the Central Government as may be necessary or required, the appointment of Mr. Arvind Ahuja as Wholtime Director of the Company for a period of Three years with effect from 30th July, 2006 on such salary and perquisites as have been set out in the Explanatory Statement attached to the Notice convening this Annual General Meeting a copy where of initialled by the Chairman for the purposes of identification is placed before this Meeting, be and the same is hereby approved, with such modifications as may be required by any applicable law and as may be agreed to by the Board of Directors of the Company and Mr Arvind Ahuja."



**Agro Tech Foods Limited**

### **BOOK CLOSURE**

The Register of Members and Share Transfer Books of the Company shall remain closed from Friday 21st July, 2006 till Friday 28th July, 2006 (both days inclusive).

Dated: 22nd June, 2006

Registered Office:  
31, Sarojini Devi Road,  
Secunderabad-500 003  
Andhra Pradesh  
India.

By Order of the Board  
For **Agro Tech Foods Limited**

**TUSHAR CHUDGAR**  
Secretary

### **NOTES:**

1. In accordance with the Provisions of Section 173 of the Companies Act, 1956 and the Listing Agreements an Explanatory Statement in respect of item Nos. 5 and 6 being items of Special Business is annexed.
2. A member entitled to attend and vote on a poll is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a member. Proxies in order to be effective must be received by the Company not less than forty eight hours before the Annual General Meeting.
3. Members are requested to bring their copies of the Reports and Accounts to the Meeting.
4. Members are requested to notify any change in their address immediately to the Company's Registrars and Transfer Agents, Sathguru Management Consultants Private Limited, Plot No. 15, Hindinagar, Behind Shiridi Sai Temple, Punjagutta, Hyderabad - 500 034.



## EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 AND THE LISTING AGREEMENT.

### Item No. 5

The Board of Directors reviewed the structure and competitiveness of the employee compensation of the Company. The current compensation structure does not have any component in the nature of long term incentive. Compensation best practices indicate that stock based long term incentive plans align managerial performance to long term shareholder value creation as well as build a sense of ownership among the employees. Several comparable Companies have stock option plans which reward employees significantly. In order to build ownership, motivate and retain talent as well as make compensation competitive, the Board recommends institution of an Employee Stock Options Scheme.

The ATFL Employee Stock Option Plan envisages grant of share options to eligible employees at market related prices.

The terms of the Plan are as follows:

**Eligibility:** The Scheme will be applicable to all employees. The Remuneration / Compensation Committee will at the beginning of each financial year determine the specific employees or class of employees who will be eligible for award.

**Frequency of Grant:** The grants may be made at such frequency as considered appropriate by the Remuneration / Compensation Committee keeping in view the competitive compensation scenario, the talent market and such other factors as may be relevant.

**Award Size Criteria:** The total number of options to be granted at any time as well as the number of options to be granted to an individual employee will be based on performance and/or such other criteria as may be determined by the Remuneration / Compensation Committee.

**Exercise Price:** The exercise price shall be the fair market value at the time of grant. The Remuneration / Compensation Committee shall determine the fair market value in line with SEBI guidelines and any other applicable guidelines.

**Vesting:** The vesting period and the schedule of vesting may be determined by the Remuneration / Compensation Committee at the time of grant in line with SEBI guidelines.

**Option Term:** The options will have a maximum term of 10 years from the date of grant. Any options not exercised within this period shall lapse.

**Source of Shares:** The scheme shall not result in fresh issue of shares. The shares required to meet the exercise of options will be obtained from secondary market purchases through a trust to be set up for this purpose.

**Total Number of Options to be Granted:** The total number of options granted under the scheme shall not cumulatively exceed 5% of the issued and subscribed equity capital of the Company.

**Minimum Holding Requirement:** All participants will be required to hold a portion of the options exercised for the period of their employment with the Company. The quantum of minimum holding will be determined by the Remuneration / Compensation Committee.

**Terminal Conditions:** The Remuneration / Compensation Committee shall determine the treatment of unvested and vested options in the event an employee leaves the employment of the Company in line with SEBI guidelines.

**Administration of the Scheme:** The Remuneration / Compensation Committee shall be responsible for administering the scheme and compliance with the SEBI Guidelines and any other applicable guidelines, rules or regulations.

**Accounting:** The Remuneration / Compensation Committee shall determine from time to time the valuation and accounting methodology for the options issued under this scheme. In case the Company calculates the employee compensation cost using the intrinsic value of the stock option, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the



## Agro Tech Foods Limited

options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the Company shall be disclosed in the Directors' Report.

### Interest of Directors

None of the Directors of the Company are concerned or interested in the proposed Resolution.

The member's approval is sought for the ATFL Employee Stock Option Plan. The plan will be available for inspection by the members on any working day from 21st July, 2006 to 28th July, 2006 between 9.00 AM to 5.30 PM at the Registered Office of the Company.

Your Directors recommend the Resolution for your approval.

### Item No. 6

The Board of Directors on the recommendation of the Remuneration / Compensation Committee recommended for approval of the members, the appointment of Mr. Arvind Ahuja as Wholetime Director of the Company for a period of Three years with effect from 30th July, 2006 on the following remuneration:

#### (i) Salary:

Rs. 127,555/- per month with annual increments (which in accordance with the Rules of the Company is 1st July every year) up to a maximum of 25% with liberty to the Board of Directors to sanction such increase as it may in its absolute discretion determine, provided that the salary does not exceed the remuneration stipulated above.

#### (ii) Perquisites:

In addition to the aforesaid Salary, Mr. Arvind Ahuja shall be entitled to perquisites like gas, electricity, water, furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance, etc in accordance with the Rules of the Company, the monetary value of such perquisites being limited to Rs. 2,600,000/- per annum, for the purposes of which limit perquisites shall be evaluated as per Income

Tax Rules, wherever applicable, and in absence of any such Rule, perquisites shall be evaluated at actual cost. However, the following shall not be included in the aforesaid perquisite limit:

- a. Rent free furnished accommodation owned/ leased / rented by the Company or Housing Allowance in lieu thereof, as per the Rules of the Company.
- b. Contribution to Provident Fund and Superannuation Fund upto 27% of salary and contribution to Gratuity Fund upto 5% of salary as defined in the Rules of the respective Funds, or upto such other limit as may be prescribed under the Income Tax Act, 1961 and the Rules there under for this purpose.
- c. Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.
- d. Use of Company car for official purposes and telephone at residence (including payment for local calls and long distance official calls).
- e. Encashment of unavailed leave as per the Rules of the Company at the time of retirement/ cessation of service.
- f. Long service award as per the Rules of the Company.
- g. Costs and expenses incurred by the Company in connection with joining/transfer from one location to another as per the Rules of the Company.

#### (iii) Minimum Remuneration:

In the event of loss or inadequacy of profits in any year during the period of his appointment, Mr Arvind Ahuja will be paid remuneration including perquisites as per Schedule XIII of the Companies Act, 1956 or such other limit as may be prescribed under the Companies Act from time to time.

Mr. Arvind Ahuja will not be entitled to any sitting fee for attending Meetings of the Board or of any Committee thereof.

The aforesaid appointment and remuneration payable to Mr. Arvind Ahuja may be further varied, altered or modified as may be agreed



## **Agro Tech Foods Limited**

to by the Board of Directors and Mr. Arvind Ahuja, in the light of any amendment/modification of the Companies Act or any re-enactment thereof within the limit prescribed under Schedule XIII of the Companies Act, 1956.

Mr. Arvind Ahuja is the CFO and Vice President of your Company. He is a Chartered Accountant and Cost Accountant with more than 23 years of experience in Industry. He joined the Company in December, 1998 as Commercial Controller for Branded Edible Oil business and has held various positions in the Company's Finance and Commercial Functions. He was General Manager – Corporate Finance before his current responsibility.

He was appointed as CFO and Vice President of the Company in May, 2003. He holds responsibility for the Company's Finance, Legal and IT function. Before joining Agro Tech Foods Ltd., Arvind Ahuja has worked in various capacities in finance and accounts functions in a leading MNC in FMCG and has worked overseas for 6 years.

He has made several significant contributions to the Company's growth and implementation of investment plans and business strategies and

restructuring. His contributions have been made invaluable. In recognition of his accomplishments the Board of Directors has appointed him as Wholtime Director for a period of Three years from 30th July, 2006 subject to approval of the Shareholders. Your Directors consider that it would be appropriate and desirable to appoint him as his rich experience will be beneficial to the Company. The Board has no hesitation in commending his appointment. Mr. Arvind Ahuja continues to hold office as CFO and Vice President. As appointment and remuneration are subject to compliance with the requirement of Section 314 and other applicable Provisions of the Companies Act, 1956 your Directors commend passing of the Special Resolution set out in the Notice of the Meeting.

### **Interest of Directors**

Excepting Mr. Arvind Ahuja, who is interested in his appointment and the remuneration/minimum remuneration payable to him, no other Director of your Company is concerned or interested in the said Resolution.

This may be treated as his memorandum issued pursuant to the Provisions of Section 302 of the Companies Act, 1956.

Dated: 22nd June, 2006

Registered Office:  
31, Sarojini Devi Road,  
Secunderabad-500 003  
Andhra Pradesh  
India.

By Order of the Board  
For **Agro Tech Foods Limited**

**TUSHAR CHUDGAR**  
Secretary



**Agro Tech Foods Limited**

## **ADDITIONAL INFORMATION ON DIRECTORS RECOMMENDED FOR APPOINTMENT OR SEEKING ELECTION AT THE ANNUAL GENERAL MEETING**

Following is the bio-graphical data about the Directors seeking re-election or recommended for appointment as a Director:

### **Lt. Gen. D.B. Singh**

Lieutenant General D.B. Singh, PVSM, AVSM is a retired General Officer of the Indian Army. He was commissioned through the prestigious National Defence Academy and rose to virtually the senior-most rank in the Army.

A qualified engineer with management skills, Lt. Gen. Singh has held multifarious assignment in the Indian Army. He is a graduate of the Defence Services Staff College and the National Defence College. He was awarded the prestigious awards of Param Vishisht Sewa Medal and Ati Vishisht Sewa Medal by the President of India for exemplary service. After retirement from Defence Services on 31st May, 2001, he was President of an engineering concern manufacturing EOT cranes and construction equipment for two and half years. The General is presently engaged in consultancy services on re-structuring services for logistics and engineering support.

### **K. Vaidyanath**

K. Vaidyanath was inducted into the Agro Tech Foods Ltd. Board on 7th March, 2001. He is an Executive Director on the Board of ITC Limited and holds responsibility for ITC's Finance & IT functions, its Investment Subsidiary, Agri Business and Corporate Communications. Before his elevation to the ITC Board he was the Company's Chief Financial Officer.

An MBA from XLRI, Jamshedpur, Vaidyanath has been with ITC for the past 30 years. He has held various positions in the ITC's Finance function including that of Head of Finance of ITC's Packaging, Hotels and International Businesses. He has also been Head of Corporate Planning & Treasury, as well as Internal Audit.

Vaidyanath is a Director on the Board of ITC Infotech India Ltd., among others. He is also a Committee Member of The Bengal Chamber of Commerce and Industry. He was adjudged one of the best CFOs in the Country on a survey conducted by Business Today Magazine in 2005.

### **Arvind Ahuja**

Mr. Arvind Ahuja is the CFO and Vice President of your Company. He is a Chartered Accountant and Cost Accountant with more than 23 years of experience in Industry. He joined the Company in December, 1998 as Commercial Controller for Branded Edible Oil business and has held various positions in the Company's Finance and Commercial Functions. He was General Manager – Corporate Finance before his current responsibility.

He was appointed as CFO and Vice President of the Company in May, 2003. He holds responsibility for the Company's Finance, Legal and IT function. Before joining Agro Tech Foods Ltd., Arvind Ahuja has worked in various capacities in finance and accounts functions in a leading MNC in FMCG and has worked overseas for 6 years.



## REPORT OF THE DIRECTORS AND MANAGEMENT DISCUSSION & ANALYSIS

Your Directors hereby present their Annual Report, together with the audited accounts of the Company for the financial year ended March 31, 2006.

### FINANCIAL RESULTS

The summarised financial results are:

	(Rs. Millions)	
	<b>2005-2006</b>	2004-2005
Turnover	<b>9,379</b>	10,423
Total Expenditure	<b>9,217</b>	10,327
Operating Profit	<b>162</b>	96
Other Income	<b>17</b>	61
Profit before Interest/Finance Charges & Depreciation	<b>179</b>	157
Interest/Finance Charges	<b>39</b>	62
Depreciation/Amortisation	<b>23</b>	24
Profit Before Deferred Taxation / FBT / MAT	<b>117</b>	71
Profit After Taxation	<b>101</b>	90
Extraordinary Item	<b>56</b>	89
Net Profit after Extraordinary item	<b>45</b>	1

Your Company reported a turnover of Rs. 9,379 million, which is down by 10% as compared to last year. This is primarily on account of Bulk and Processed Commodities (BPC) segment scaling down part of its activities in the low margin and volatile lines.

The Company achieved underlying profit before tax and extraordinary item of Rs. 117 million for the financial year ended March 31, 2006 as compared to Rs. 71 million in the previous year.

As against the net profit after tax of Rs. 1 million achieved in the previous year, profit after tax for the financial year ended March 31, 2006 is higher at Rs. 45 million after considering the following:

- The Company had incurred settlement cost of Rs. 430 million for exiting licence arrangement in respect of Mantralayam Undertaking. The settlement cost was to be amortised on the basis of enduring benefits expected in the future due to decentralisation of manufacturing operations. These enduring benefits were reviewed and as the benefits received so far

exceed the settlement cost, it was decided to fully charge off the balance unamortised cost in the 3rd quarter. This resulted in total charge on account of this extraordinary item of Rs. 250 million, which is higher by Rs. 160 million than the previous year's charge of Rs. 89 million. Accordingly, there will be no more extraordinary cost in subsequent years on account of settlement cost in respect of Mantralayam and the results of the Company will reflect true operating performance.

- Charge for Current Tax, Fringe Benefit Tax and Deferred Tax of Rs. 17 million against credit of Rs. 19 million i.e. net variation of Rs. 36 million.

The significant events during the year were:

- The business continued initiative to strengthen the Sundrop brand by focusing its 'Heart' variant on the heart health platform. The activities included brand endorsement by a well-known celebrity, doctors' detailing, communications on world heart day, etc. This had a positive impact on Sundrop brand in general and its 'Heart' variant in particular.
- Sundrop Nutrilite with 100% Soyabean oil improved its salience in the market. Sundrop Nutrilite is marketed with competitive pricing along with initiatives to improve visibility and distribution and consumer offers.
- Overall spends behind the Sundrop brand was increased during the year.
- Cost saving measures through improved supply chain helped competitive pricing of Sundrop as well as improved margins.
- The above activities helped Sundrop brand to grow by 9% despite decline in sales to the armed forces canteens due to disruption caused by temporary withdrawal of sales tax benefits and introduction of VAT. As the market also grew strongly, Sundrop by and large maintained its market share. YTD March 2005-2006 share was 8.6% vs 8.8% in the corresponding period of the previous year.
- Rath volumes and margins came under pressure during the year due to overall sluggishness in the market. The year also





witnessed an anomaly whereby the Government signed FTAs with neighboring countries under which a finished product such as vanaspati could be imported at nil customs duty while its major input, Crude Palm Oil, attracted 80% customs duty. Cost reduction achieved through imports helped in improving Rath margins during the last quarter of the year. The year ended with overall volume reduction of Rath small and bulk pack by 5%, approximately in line with de-growth of the Vanaspati consumer pack market.

- During the year, ACT II IPC (Instant Popcorn) and Microwave popcorn offerings grew by 45%. This growth has been driven by a number of factors including increased availability riding on the growth of modern trade and sales promotion activities including demos and sampling. The year proved to be a useful learning experience in understanding the snacks market.
- The popcorn vending business has shown promising growth in volume. Growth has been driven by conversion of multiplexes and amusement parks to ACT II vending popcorn.
- Efficient sourcing by Bulk and Processed Commodities (BPC) for branded business helped in improving the bottom line. An initiative to restructure the portfolio of this segment was initiated to reduce risk and move toward a sustainable and more profitable portfolio. While this has resulted in reduction in turnover for the year, the changed portfolio will be more in line with the strategic focus and risk appetite of your Company.

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

Based on feedback from members on the Annual Report and Accounts, this report includes MD&A as appropriate so that duplication and overlap between the Directors’ Report and a separate MD&A is avoided and the entire material is provided in a composite and comprehensive document.

**INDUSTRY STRUCTURE & DEVELOPMENTS**

The year saw volatile price movements in the oilseeds market after taking off on a high note in April 2005. Concern on availability kept the price table high in the first half of the year. During the second half, bountiful production in all crops – sunflower, soyabean and palm, brought down the

price levels significantly. International prices of Sunflower oil in particular, experienced fall compared to the last three years. Consequently, import of sunflower oil became attractive for some time. It was particularly lucrative for port-based refineries to import sunflower oil. While overall Indian monsoon was ‘normal’, the distribution was weak and delayed. This led to delay in arrival of kharif oilseeds. However, the domestic edible oil price table remained depressed on account of a weak international market.

An emerging price driver was increase in use of edible oils for bio-fuel. The price trend during the first half was a reflection of this factor. It is expected that in the coming years, use of oils for bio-fuel will be significant determinant of edible oil prices.

Sizeable quantities of vanaspati continued to pour in from Sri Lanka and Nepal under FTAs. This has adversely affected the competitiveness of domestic vanaspati manufacturing operation. The industry is contesting such imports and agitating to moderate its impact.

The government did not make any change this year in the import duties and other tariff regime to provide stability to the edible oils industry. Further, the announcement of tariff values has been disciplined to reduce uncertainty. However, disparity in customs duties between soyabean and other oils continues, where soyabean oil enjoys the preferential import duty of 45%.

While the edible oil industry witnessed good growth in packaged refined oils, domestic oilseed production and therefore edible oil availability continues to stagnate. Import of edible oils has not declined and remained at about 5.0 million tons. Last year saw more soyabean oil coming into the country primarily on account of price parity in favour of soyabean oil.

VAT was adopted by most states from April 2005 and five more states implemented VAT from April 2006. This was a welcome move. It is expected that VAT will help increase compliance. State governments are already experiencing the benefits in terms of higher tax collection post introduction of VAT.

**BUSINESS FOCUS AND DIRECTION**

**2005-06: First Step in Transition:**

The objectives of your Company for the year under reference was to improve profitability of the Company’s portfolio, reduce risk and strengthen



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the balance sheet to help sustain growth. A series of initiatives were implemented to support Sundrop brand while promoting the Heart variant. This included brand endorsement by a well known celebrity, followed by a commercial to communicate a tie-up between Sundrop Heart and a well known heart-care hospital, in which your Company contributed Re. 1 for every litre of Sundrop Heart sold during the period of the tie up for the benefit of heart patients. These initiatives were augmented at the ground level through activities in the market, including health check-ups and an increase in overall sales and marketing spends on the brand.

These activities were supported by competitively pricing Sundrop variants. This was achieved by passing on to consumers part of the cost savings generated through streamlining the supply chain. This helped Sundrop hold its position in the highly competitive edible oils market and cause it to grow year-on-year by 9%. The cost saving initiatives also helped strengthen Sundrop margins. But for disruption caused in supplies to the armed forces canteens in the aftermath of withdrawal of sales tax benefits and introduction of VAT, growth of the brand could have been still better.

Efforts to position ACT II as a snack brand continued. Though the Ready-to-eat (RTE) snacks initiative under ACT II started last year did not yield desired results, it had a healthy impact on the ACT II popcorn business. ACT II popcorn is being sold in three formats, viz Microwave Popcorn, Instant Popcorn and Vending of Popcorn. All formats grew handsomely, ranging from 36% to 52%.

Crystal was re-launched in focus markets where supply chain initiatives have helped achieve cost competitiveness. A new pack with a window, supported by media, display activities and benchmarked pricing, helped Crystal to increase volume in these focus markets.

Rath came under pressure due to FTAs signed by the government with neighbouring countries, which caused finished products to be imported at nil customs duty, while inputs such as crude palm oil continued to attract higher customs duty at 80%. This resulted in adverse impact on the volume and margin of Rath during the first three quarters of the financial year. Suitable measures, including import from Sri Lanka were initiated thereafter, which have started yielding desired results from the last quarter.

The BPC segment continues to provide quality raw materials at competitive prices to the Branded

Foods business of the Company. Restructuring the portfolio of this segment has been started during the year to focus on value added lines, which will lead to a more sustainable portfolio with better margins and lower risk. The process involved risk evaluation of each line of activity, resulting in shedding of some of the lines with high risk.

Subsequent to approval by the Board of Directors, sale of the Company's investment in the equity shares of Advanta India Limited was completed on 31st July 2005. With the sale of this non-strategic investment, your Company received Rs. 288 million, which improved cash flows. It also resulted in a one-time gain of Rs.193 million, which has been reflected as an extraordinary income. The significance of this transaction is:

- Recognition of this income has significantly strengthened the key balance sheet ratios (e.g. Debt-Equity Ratio, Net Worth, Interest Cover, etc), providing requisite comforts to all stakeholders in your Company.
- Improved ratios have also enhanced your Company's ability to undertake investments for future growth.
- The cash inflow has reduced borrowing levels as well as resultant interest cost.

ConAgra Foods Inc., which held two-thirds share in CAG-Tech (Mauritius) Ltd., acquired the balance one-third share from Tiger Brands. This resulted in CAG-Tech (Mauritius) becoming a 100% ConAgra Foods Company. CAG-Tech, which held 51% shares in your Company, sold 3% shares in the markets resulting in reduction of its share to 48.1%. With these changes ConAgra's effective holding in your Company has increased from 34% to 48%.

### 2006-07 – Strengthening the Brands & business portfolio:

With a stronger balance sheet and fully amortised Mantralayam settlement cost, your Company plans to continue to grow its businesses profitably along the following lines:

#### Branded Foods Business

##### Sundrop

The strategy is to strengthen the Sundrop brand and leverage each of its variants in their relevant segments. Sundrop as a brand will continue to stand for 'the healthy oil for healthy people'. Its lead variant, SuperLite, will compete aggressively in the branded oils market with an improved cost



structure. Effort will be to further improve market share in the heart care segment through Sundrop Heart and NutriLite, a 100% soya variant, will compete effectively in the soya oil markets of the north and east. In addition, your Company will continue to explore opportunities for new value-added variants that add to the Sundrop proposition and address unmet consumer needs.

**Crystal**

The strategy continues to be building preference for the brand through targeted marketing activities in selected focus markets to partake in the rapidly growing economy priced segment. The choice of focus markets will depend on the Company’s ability to develop cost competitive supply chains in those markets.

**Rath**

In view of declining trend in the vanaspati market, your Company will continue to focus on improving cost competitiveness to maintain margins in a very competitive market. Volume will be driven in specific towns/areas through trade related activities. The sourcing strategy of Rath will be flexible, to remain aligned with changing fiscal policies of the states and the center.

**ACT II**

The major focus in ACT II will be to strengthen and expand the popcorn offerings, including the vending operation. The growth seen in Instant and Microwave Popcorn will be strengthened by increased availability and visibility riding on the growth of modern trade. Consumer activities will focus on demonstrations, direct contacts and sampling, in line with the international success model. It is expected that activities on the ACT II franchise – Microwave, IPC and Vending – will act synergistically to further strengthen and develop the brand. Expansion in the formats is also being evaluated to provide more choice to consumers, thereby strengthening ACT II.

**Bulk and Processed Commodities Business**

The Bulk and Processed Commodities business will continue to focus on providing the Branded Foods segment with consistent quality raw materials at competitive prices. Restructuring the portfolio of this segment will focus on value added lines, which will lead to a more sustainable portfolio with better margins and lower risk.

**Building for the Future**

Further to the efforts undertaken by each of the business segments, the Company as a whole will also focus on the following initiatives, which will improve performance in the short term and enhance capabilities for future profitable growth.

**1. Sales and Distribution**

The objective of the Sales and Distribution system of the Company is to provide it a sustainable competitive advantage. An initiative to restructure the system to provide improved service to customers and strengthen presence of your Company’s products in a fast-changing retail environment has commenced. An important objective of the exercise is to reorient the Company’s distribution system, which was originally designed to cater to the grocery trade, to address the needs of the snacks business.

A collaborative Company-wide initiative between the supply chain function and sales and distribution, Project LINK (Let’s INtegrate our Knowledge), is intended to integrate processes from raw material sourcing through manufacturing, up to the customer. This will use the IT and communications infrastructure of ATFL and is designed to improve customer service, increase sales, and reduce total supply chain cost. Project LINK has been tested in selected markets for over a year and a phased roll out to all regions has commenced.

**2. Integrated Supply Chain**

Bringing together activities such as manufacturing, logistics and purchasing under an Integrated Supply Chain function helped your Company to focus on total supply chain cost in a holistic manner. The planned restructuring of manufacturing locations were completed during the year and have yielded desired result of improved cost competitiveness of the edible oils and fats business. Consolidation of the oils and fats manufacturing locations for both Branded Foods and Bulk & Processed Commodities provided synergies, improved quality and reduced complexity and number of manufacturing locations.

A new initiative for manufacturing Instant Popcorn (IPC) in an excise-exempt location in



## Agro Tech Foods Limited

Uttaranchal was successfully completed in February 2006 and will provide significant savings.

Improved forecasting processes were used with the help of contemporary technology to enhance service levels while reining in inventories.

A bench-marking study is planned to generate fresh ideas for initiatives that will further improve cost competitiveness of products and improving service level to customers. This is intended to supplement already planned initiatives for implementing automated Demand Planning System, Dynamic Routing Solution, Depot Rationalisation, etc. Your Company is also looking at extending the Supply Chain function to include commodity sourcing.

### 3. IT Initiatives

Your Company continues to upgrade its abilities in this dynamic sector through absorption of new developments to support business initiatives. The objective is to improve the quality of information and agility of decision-making throughout the organisation. This is helping the organisation by facilitating better understanding of markets/consumers, improved customer service and better cost control.

Your Company completed Phase-II of the IT Strategy in January 2004. It included providing solutions to the integrated Supply Chain initiatives, which synchronized the downstream and upstream links of the Supply Chain. It enabled optimum utilisation of the Oracle functionalities for materials planning, scheduling and product costing. Implementation of Phase-III of the IT strategy was completed in January 2006 by successfully re-engineering business processes and upgrading the Oracle version to improve process, control and integrity of data, coupled with agile responsiveness to business requirements. During the coming year, emphasis will be to integrate and implement the solutions for Human Capital Management and Customer Relationship and Intelligence.

### 4. VAT Implementation

VAT replaced the erstwhile Sales Tax Act in 22

states with effect from 1st April, 2005 and in 5 more states from 1st April, 2006. The supply chain, sales and finance teams worked together to successfully adapt to the change. Recent changes in the Company's manufacturing and distribution strategy are compatible with the post-VAT scenario.

### 5. Human Resources

Your Company aspires to be the most preferred equal-opportunity employer amongst companies in similar business. The Human Resource Policy aims to attract and retain the best talent in the industry. Your Company's practice of hiring talent from India's best management schools and from reputed organisations is designed to give a competitive advantage to the business. Initiatives include improved communications, streamlined systems for performance management and training and development activities to improve competencies in key functional areas. Your Company has documented and implemented a Code of Conduct and appropriate HR Policies to provide an open yet challenging environment for new-generation professionals to contribute their best for the Company's performance.

To meet its responsibilities to the community, your Company runs a programme called Feeding Children Better. Its objective is to provide one nutritious meal to economically disadvantaged children in select schools across the country. This programme will be expanded in line with improvement in the Company's financial performance.

### ADVANTA INDIA LTD.

Your Company has disinvested its equity stake in Advanta India Limited on 31st of July, 2005. The financial statements of Advanta India Limited upto this period have been consolidated in compliance with the Accounting Standard 21 and 27 on Consolidated Financial Statements and Financial Reporting of interests in Joint Ventures issued by the Institute of Chartered Accountants of India.

### SEGMENT WISE PERFORMANCE

As mentioned earlier, your Company has identified



## Agro Tech Foods Limited

two segments in line with Accounting Standard on Segment Reporting (AS-17). These are:

- **Branded Foods**, which includes products sold under the brands of Sundrop, Crystal, Rath, Sudham, Healthy World and Act II, and
- **Bulk & Processed Commodities**, which includes oils, oil seeds, grains and other commodities procured, processed and sold by the Commodity Sourcing & Exports and Food Service business of the Company.

The audited financial results of these segments for the year ended March 31, 2006 are:

### Segment-wise Revenue, Results and Capital Employed

(Rs. Millions)

S. No	Particulars	2005-06	2004-05
1	<b>Segment Revenue</b>		
	a) Branded Foods	4,877	5,103
	b) Bulk & Processed Commodities	5,977	7,169
		<b>10,854</b>	12,272
	Less: Inter Segment Revenue	1,475	1,849
	<b>Sales from Operations</b>	<b>9,379</b>	10,423
2	<b>Segment Results</b>		
	Profit/Loss before Tax and interest from each segment		
	a) Branded Foods	156	159
	b) Bulk & Processed Commodities	87	(21)
		<b>243</b>	138
	<b>Less:</b>		
	i) Interest (Net)	39	62
	ii) Other Un-allocable Expenditure net off un-allocable Income	87	5
	<b>Total Profit Before Tax</b>	<b>117</b>	71
3	<b>Capital Employed</b>		
	Segment Assets-Segment Liabilities		
	a) Branded Foods	329	296
	b) Bulk & Processed Commodities	461	277
	c) Other unallocable net assets	12	184
	<b>Total Capital Employed</b>	<b>802</b>	757

### INTERNAL CONTROL SYSTEMS AND ADEQUACY

Your Company continues to maintain high standards of internal controls designed to provide accuracy of information, efficiency of operations and security of assets.

The Company has an adequate system of internal controls commensurate with the size and nature of its operations, to ensure orderly and efficient conduct of business. These controls ensure the safeguarding of assets, prevention and detection of fraud and error, accuracy and completeness of the accounting records, timely preparation of reliable financial information and adherence to the Company's policies, procedures and statutory obligations.

Your Company has, during the year, taken further steps to improve internal control environment. Some of the important steps include:

- Compilation and dissemination of a comprehensive Code of Conduct for the Board Members and employees of your Company
- Whistle Blower Policy defined to provide channel of communication without fear
- Introduced comprehensive framework for Risk Management
- Implemented CEO/CFO Certification for Financial Reporting Controls to the Board

The Company has reappointed Deloitte Haskins & Sells as its Internal Auditor to ensure the adequacy of internal control systems and make recommendations thereto. Audit reports are circulated to management, which takes prompt action as necessary.

The Audit Committee of the Board meets periodically to review the performance as reported by Auditors. The External Auditors also attend the Meetings and convey their views on the adequacy of internal control systems as well as financial disclosures. The Audit Committee also issues directives and/or recommendations for enhancement in scope and coverage of specific areas, wherever felt necessary.

### CAUTIONARY STATEMENT

Statements in this Directors' Report and Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results may differ materially from those either expressed or implied.

### DIVIDEND

In view of carry-forward losses, your Directors are unable to recommend any dividend this year.



### DIRECTORS

Mr. R.V. Smither who represented interests of CAG-Tech (Mauritius) Limited resigned as a Director with effect from close of business hours on 7th February, 2006 consequent upon Tiger Brands selling its equity in CAG-Tech (Mauritius) Limited to ConAgra Foods Inc.

The Directors place on record their appreciation of the valuable services rendered and wise counsel given by Mr. R.V. Smither during his tenure of office as a Director.

In accordance with the Provisions of Article 143 of the Articles of Association of the Company, Lt. Gen. D.B. Singh and Mr. K. Vaidyanath retire by rotation and being eligible, offer themselves for re-appointment. A brief profile of these Directors is given in the notice of the 19th Annual General Meeting.

### AUDITORS

M/s. Lovelock & Lewes, Chartered Accountants, Statutory Auditors of your Company, hold office until the conclusion of the Nineteenth Annual General Meeting and are recommended for re-appointment. The Company has received a certificate from them to the effect that their reappointment, if made, would be within the limits prescribed under Section 224 (1) of the Companies Act, 1956.

### CORPORATE GOVERNANCE

In terms of the Listing Agreements, a report on Corporate Governance along with Auditors' Report on its compliance is annexed, forming part of the Annual Report.

Additionally, this contains compliance report signed by the CEO of the Company in connection with compliance with the Code of Conduct, and also CEO/CFO Certification as required by the amended Clause 49 of the Listing Agreement.

### RESPONSIBILITY STATEMENT

The Directors confirm:

- i) that in the preparation of the annual accounts, the applicable accounting standards have

been followed and that no material departures have been made from the same;

- ii) that they have 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 or loss of the Company for that period;
- iii) that they have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the Provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that they have prepared the annual accounts on a going concern basis.

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, EXPORTS & FOREIGN EXCHANGE EARNINGS AND OUTGO AND PARTICULARS OF EMPLOYEES.

A Statement giving details of conservation of energy, technology absorption, exports and foreign exchange earnings and outgo in accordance with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, as required under section 217(1)(e) of the Companies Act, 1956, together with particulars of Employees as required under Section 217 (2A) of the Companies Act, 1956 is attached and forms part of this report.

### SUBSIDIARY COMPANY

There has been no business activity during the year by Heera Seeds Trading and Warehousing Limited, a subsidiary of your Company.

### ACKNOWLEDGEMENTS

The Board places on record their appreciation for the contribution of employees at all levels, customers, co-packers, suppliers and all other stakeholders towards performance of the Company during the year under review.

**Utpal Sen Gupta**  
President

On behalf of the Board  
**Lt. Gen. D.B. Singh**  
Director

**Tushar Chudgar**  
Wholetime Director

Dated: 1st May, 2006



## ANNEXURE TO DIRECTORS' REPORT

Information under section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 and forming part of Directors' Report.

### CONSERVATION OF ENERGY

#### FORM A

Form for disclosure of particulars with respect to conservation of energy

	For the year 1st April, 2005 to 31st March, 2006	For the year 1st April, 2004 to 31st March, 2005
<b>A. Power and fuel consumption</b>		
1. Electricity		
a) Purchased		
Units (in 000's)	8.50	550.93
Total Amount (Rs.Millions)	0.03	2.62
Rate/Unit (Rs.)	3.23	4.76
b) Own Generation		
i) Through diesel generator		
Units (in 000's)	1.27	24.42
Units per ltr. of diesel oil	2.33	3.70
Cost/Unit(Variable)-(Rs.)	14.17	6.50
ii) Through Steam turbine/generator		
Units	N/A	N/A
Units per ltr. of fuel oil/gas		
Cost/Unit		
2. Coal		
Quality 'E' & 'Steam Coal', used in Boiler for Steam Generation		
Quantity(tonnes)	N/A	1,180.59
Total Cost (Rs.Millions)	N/A	4.37
Average Rate per tonne (Rs.)	N/A	3,699.15
3. Others/Internal Generation		
Quantity		
Total Cost	N/A	N/A
Rate/Unit		

### B. Consumption per tonne of Refined Edible Oils / IPC

	Standards (if any)	For the year 1st April, 2005 to 31st March, 2006	For the year 1st April, 2004 to 31st March, 2005
Electricity	(KWH /Units)	100.98	76.25
Coal ('E' Grade & Steam Coal)	(Tonne)	N/A	0.16



**FORM B**

**Form for disclosure of particulars with respect of absorption**

**Research and Development (R & D)**

- 1. Specific Areas in which R & D carried out by the Company : — Development of suitable grade of sweet corn  
— New Packaging Development
- 2. Benefits derived as a result of the above R&D : — Launch of ACT II Sweet corn under Vending  
— Launch of new transparent pouch for crystal
- 3. Future plan of action : — Development of new formats for ACT II Snacks  
— New flavours for ACT II Popcorn  
— New packaging development

Rs. Millions

- 4. Expenditure on R & D
  - a) Capital —
  - b) Recurring 4.19
  - c) Total 4.19
  - d) Total R & D expenditure as percentage of Turnover 0.04%

**Technology Absorption, Adaptation and Innovation**

- 1. Efforts in brief, made towards technology absorption and innovation : — The dry dewaxing system using HPLF adopted for one plant was found very successful and accordingly was extended to another major units  
— A Pilot scale carameliser was installed to facilitate design and development of full scale production line
- 2. Benefits derived as a result of the above effort : — The new dry-dewaxing technology gives better quality of the product in terms of winterisation as also lower oil losses  
— Paves the way for scale-up for possible future business avenues
- 3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year)
  - a) Technology Imported
  - b) Year of Import
  - c) Has technology been fully absorbed
  - d) If not fully absorbed, areas where this has not taken place and future plans of action

Not applicable





**FOREIGN EXCHANGE EARNINGS AND OUTGO**

- 1. Activities relating to Exports : Export of Niger seeds and Sun DOC carried out in the current year.
- 2. Initiatives taken to increase Exports and development of new export market for products and Services and export plans. : A total of 1179 tons of Niger Seeds and Sun DOC was exported.

Rs. Millions

3. Total Foreign Exchange		
Earnings :	Exports	9.00
	Others	6.91
		<hr/>
		15.91
		<hr/>
Outgo :	CIF Value of Imports	262.09
	Foreign Travel	0.60
	Interest/Finance charges	5.83
	Software Licence	1.37
	Others	0.05
		<hr/>
		269.93
		<hr/>

**Utpal Sen Gupta**  
President

On behalf of the Board  
**Lt. Gen. D.B. Singh**  
Director

**Tushar Chudgar**  
Wholetime Director

Dated: 1st May, 2006

## REPORT ON CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreement, the Directors present the Company's Report on Corporate Governance.

### 1. COMPANY'S PHILOSOPHY

#### AGRO TECH FOODS LIMITED AIMS TO BUILD –

- One of the largest and most profitable food businesses in India.
- Offer superior value to customers by meeting their specific food preferences with relevant and tailored quality products and services, delivered at competitive prices, using world-class systems and processes.

In so far as compliance with the requirement of amended Clause 49 of the Listing Agreement with the Indian Stock Exchanges is concerned, the Company is in full compliance with the norms and disclosures that have to be made on Corporate Governance format.

### 2. COMPLIANCE WITH MANDATORY REQUIREMENTS

#### I. BOARD OF DIRECTORS

##### A) Composition of the Board:

The composition of the Board of Directors of the Company is in conformity with the Code of Corporate Governance under the amended Listing Agreement with the Indian Stock Exchanges. Details of the Board of Directors and their Directorships/ Memberships in Board/Board Committees respectively, of other Companies (excluding Agro Tech Foods Limited and foreign Companies) are as under:

Sl. No.	Name of Director	Category of Director	Relationship with Other Directors	No. of Directorships in other Companies		Committee Memberships	
				Chairman	Member	Chairman	Member
<b>Non-Executive</b>							
1	Mr. Ian F. Troop	-	None	-	-	-	-
2	Mr. Derek L. Briffett	-	None	-	-	-	-
3	Mr. Howard G. Buffett	Independent Director	None	-	-	-	-
4	Lt. Gen. D.B. Singh	Independent Director	None	-	-	-	-
5	Mr. Sanjaya Kulkarni	Independent Director	None	-	9	1	-
6	Mr. Rajiv Tandon	-	None	-	5	2	-
7	Mr. K. Vaidyanath	-	None	4	4	3	1
8	Mr. R.V.Smith	-	-	-	-	-	-
<b>Executive</b>							
9	Mr. Tushar Chudgar	-	None	-	-	-	-

Independent Director is as defined in the amended Clause 49 of the Listing Agreement.

1 & 2 Representing interests of CAG-Tech (Mauritius) Limited in the Company.

6, 7 Representing interests of ITC Affiliates in the Company

8 Resigned with effect from 7th February, 2006

9 Wholetime Director

#### Alternate Director(s)

Sl. No.	Name of Director	Relationship with Other Directors	No. of Directorships in other Companies		Committee Memberships	
			Chairman	Member	Chairman	Member
<b>Non-Executive</b>						
1	Mr. S. Sivakumar (Alternate for Mr. K. Vaidyanath)	None	-	3	-	1

None of the Independent Non-Executive Directors have any pecuniary relationship or transactions with the Company, its Promoters, its Senior Management or its subsidiaries which in the judgement of Board may affect the independence of the Director except receiving sitting fees for attending Board/Committee Meetings from the Company.

**B) Non-Executive Directors' compensation and disclosures**

All fees paid to Non-Executive Directors including Independent Directors are fixed by the Board of Directors. The Company has no Employee Stock Option Scheme and hence, no stock options are granted to Non-Executive Directors, including Independent Directors.

**C) Other provisions as to Board and Committees**

i) Number of Board Meetings held in Financial Year 2005-2006 with dates and attendance of Directors:

Four Board Meetings were held during the Financial Year 2005-2006. They were held on 11th May, 2005, 28th July, 2005, 24th October, 2005 and 24th January, 2006.

The attendance record of each Director was as under:

Sl.No	Name of Director	No. of Board Meetings held	No. of Board Meetings attended	Attendance at last AGM
1	Mr. Ian F. Troop	4	1	No
2	Mr. Derek L. Briffett	4	1	No
3	Mr. Howard G. Buffett	4	1	No
4	Lt. Gen. D.B. Singh	4	4	Yes
5	Mr. R.V. Smither *	4	-	No
6	Mr. Sanjaya Kulkarni	4	2	No
7	Mr. Rajiv Tandon	4	1	No
8	Mr. K. Vaidyanath	4	-	No
9	Mr. Tushar Chudgar	4	4	Yes

\* Resigned with effect from the close of Business hours of 7th February, 2006.

**Alternate Director(s)**

Sl.No	Name of Director	No. of Board Meetings held	No. of Board Meetings attended	Attendance at last AGM
1	Mr. S. Sivakumar (Alternate for Mr. K. Vaidyanath)	4	2	No

ii) Information to be made available to the Board:

Among others this includes:

- Review of annual operating plans of business, capital budgets, updates.

- Quarterly results of the Company and its operating divisions or business segments.
- Minutes of Meeting of Audit Committee and other Committees.
- Information on recruitment and remuneration of senior officers just below the Board level including appointment or removal of Chief Financial Officer and the Company Secretary.
- Materially important show cause, demand, prosecution and penalty notices.
- Fatal or serious accidents or dangerous occurrences.
- Any materially significant effluent or pollution problems.
- Any materially relevant default in financial obligations to and by the Company or substantial non-payment for goods sold by the Company.
- Any issue which involves possible public or product liability claims of a substantial nature including any judgement or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
- Details of any joint venture or collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- Significant labour problems and their proposed solutions.
- Significant development on human resources and industrial relations fronts. Sale of material nature of investments, subsidiaries, assets, which is not in the normal course of business.
- Quarterly details of foreign exchange exposure and the steps taken by management to limit the risks of adverse exchange rate movement and Non-compliance of any regulatory or statutory provision or listing requirements as well as shareholder services such as non-payment of dividend and delays in share transfer.

The Board of Agro Tech Foods Limited is/will be routinely presented with all information under the above heads whenever applicable and materially significant. These are/will be



submitted either as part of the agenda papers well in advance of the Board Meetings or are/ will be tabled in the course of the Board Meetings.

- iii) Secretarial Standards relating to Meetings:  
The Institute of Company Secretaries of India (ICSI) has established Secretarial Standards relating to the Meetings of the Board and Committees thereof and Annual General Meetings. At this stage, these are only recommendatory and are likely to become mandatory in due course. It is the intention of the Company to generally comply with these Standards.
- iv) As at the year end, none of the Directors is a member of more than ten Board-level committees or a Chairman of more than five such committees, as required under Clause 49 of the Listing Agreement.

**D) Code of Conduct**

A Code of Conduct has been approved by the Board of Directors on 24th January, 2006, and has been communicated to all Board Members and Employees of the Company and also posted on Corporate Governance link of the Company’s web site, **www.atfoods.com** as required by the amended Clause 49 of the Listing Agreement.

As required by the amended Clause 49 of the Listing Agreement, all Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct.

**II. AUDIT COMMITTEE**

**A) Composition:**

The Company’s Audit Committee comprises of three Directors, all are Non-Executive and majority being Independent Directors. This is in compliance with the amended Clause 49 of the Listing Agreement. Lt. Gen. D.B. Singh an Independent Director is the Chairman of the Committee while Mr. Sanjaya Kulkarni and Mr. Derek L. Briffett are its members. The Company Secretary, Mr. Tushar Chudgar, acts as the Secretary to the Committee. The CFO and Vice President, the Internal Auditors and the Statutory Auditors attend the Meetings by invitation.

The Committee met 3 times during the year 2005-2006 on 11th May, 2005, 24th October, 2005, and 24th January, 2006.

The attendance record of each Director was as under:

Sl.No.	Name of Director	No. of Meetings held	No. of Meetings attended
1	Lt. Gen. D.B. Singh	3	3
2	Mr. Derek L. Briffett	3	1
3	Mr. Sanjaya Kulkarni	3	3

**Permanent Invitees**

Mr. Arvind Ahuja, CFO and Vice President .

**B) Powers of Audit Committee**

The primary objective of Audit Committee is to monitor and provide effective supervision of the management’s financial reporting process

**Certificate of Compliance with the Code of Conduct for Board Members and Senior Management Personnel**

To  
The Members of  
Agro Tech Foods Limited

I, Utpal Sen Gupta, President and CEO of the Company, hereby certify that the Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct for the period ended 31st March, 2006.

Date: 1st May, 2006

For Agro Tech Foods Limited  
**Utpal Sen Gupta**  
President & CEO

