

Advanta JANUARY - JUNE - 2007

MANAGEMENT DISCUSSION AND ANALYSIS

BACKGROUND OF THE COMPANY

The core business of Advanta is seeds and agricultural biotechnology. Advanta is a unique Indian company that has global operations in seeds and has leadership position in some of the crops like Sunflower, Sorghum and Sweet Corn. In India the company has a strong position in cotton and hybrid Rice crops.

Advanta is present directly in four countries of Asia Pacific and South America, the two fastest growing seed markets in the world. Apart from direct operations in Australia, Thailand, India and Argentina, Advanta exports seeds to 25 other countries in the Asia, Africa and South American continents of the world. Advanta is a well recognized brand name in the world because of its history of more than 40 years.

The value of the global seed market is growing continuously because of the increasing hybridization of the seed market and the increasing application of biotechnology to seeds.

Advanta participates actively in both these aspects of value addition by continuously developing better quality hybrid seeds and commercializing the biotech traits in agricultural crops. Advanta operates through high quality breeding programs in different parts of the world. In addition Advanta applies Molecular Marker technology in Sunflower, Sorghum, Corn and other crops to increase the speed and precision of the breeding programs.

To access biotech traits Advanta enters into licensing agreements with some of the global leaders in agricultural biotechnology. Advanta (USBPL) was able to introduce Bt Cotton technology in India by entering into a license arrangement for the Chinese Bt technology.

Similarly in countries like Australia and Argentina Advanta is working with Transgenic technologies licensed from global majors.

RESEARCH AND DEVELOPMENT

Research and Development (R&D) provides ADVANTA with critical edge in the market. *We have strong research and development capabilities that allow us to develop innovative products.* We have developed strong research and development capabilities organically. As of December 31, 2006, we have a dedicated research and development team of 128 employees worldwide who are focused on the research of hybrid seeds and the development of new or improved proprietary hybrids based on their research. We also carry out our research through collaborations with academic institutions and other strategic partners. We have teams of plant breeders that have the ability to develop new lines and hybrids to suit varying agroclimatic conditions across the globe. We also have a high-quality marker-assisted breeding system for certain crops, which gives us the ability to develop seed products more quickly, such as high oleic sunflower.

We believe our commitment to research and development distinguishes us from many seed companies and enables us to compete effectively against them. Our strength in research and development is evident from the successful commercialization of several products by us. In India, we have launched seed products like Hyola 401 (canola), which contributed to the crop diversification program in Punjab, bajra (PAC 892), with the nutritional value of zinc and iron, and baby corn (PAC 793). Further, our Operating Subsidiaries have launched grain sorghum, forage sorghum and sunflower seed products in Australia, sunflower in Argentina, and baby corn, sweet corn, grain sorghum, sunflower and forage sorghum in Thailand. We believe our continuing efforts in research and development provide us with a strong platform to build additional market share in the seed industry.

Advanta is working relentlessly on increasing the breeding and research capabilities of the company worldwide. During the last one year we have made investments in increasing the resources in the key area of breeding. We are also investing in biotechnology tools like Molecular Markers to increase the speed and precision of our breeding work. We have taken a decision to open our Global Biotech center in India with a considerable investment

KEY ACTIVITIES DURING THE FIRST SIX MONTHS OF 2007

a) Initial Public Offer:

During the quarter, the Company has successfully completed its initial public offer and consequently, the Company has allotted 33,80,000 Equity Shares of Rs. 10 each at a price of Rs. 640/- per share on 13th April, 2007. The fully paid up share stands listed on 19th April, 2007 for trading on Bombay Stock Exchange and National Stock Exchange.

b) Golden Seeds Business Acquisition:

During the quarter the company completed the acquisition of vegetable seeds business of Golden Seeds. The size of the business acquisition was Rs 60.10 crores (Rupees Sixty crores and ten lakhs only). In addition to this, AIL expects to pay about 17.50 Crores (Rupees Seventeen crores and fifty lakhs only) for inventory and receivables. The acquisition is effective 1st April 2007.

With an annual turnover of above Rs.30 cr and good profitability Golden is among the top five vegetable seed companies in India. Their major presence is in crops like Cabbage, Cauliflower, Tomato and Gourds. The company is significantly present in all the important vegetable seed markets of the country.

This gives us a vegetables business platform in the tropical countries of the world. The benefits of this acquisition will be seen in the immediate future. Advanta will be able to add value to the Golden business by using the biotech tools to strengthen the breeding programs, by utilizing our global reach to take Golden products into the tropical countries of the world and by using our financial strengths to invest more in infrastructure and research.

C) International Expansion of Business:

During this half year we have taken some significant actions to strengthen / expand our business in countries like China, Brazil, Vietnam, Indonesia and Philippines. We have obtained some very important registrations for four of our products in Indonesia. We are strengthening the organization that covers our International markets.

BUSINESS SCENARIO DURING THE FIRST HALF OF THE YEAR

Agricultural commodity prices, particularly Corn, continued to be high during this period. Large scale increase in corn acreages in the US, backed up by the spiraling demand for the production of bio ethanol using corn as feed stock, has had an impact on the prices of other commodities also. The seed industry expects the seed production costs to go up because of this trend.

A)Australia: Drought continued to affect the Australian agriculture. In spite of this we have been able to show an excellent performance in the domestic Australian markets with Sorghum and Canola during this period. Our Australian operations continue to be run very efficiently.

B)Thailand: The market for sweet corn is adversely affected this year because of reduced plantings resulting from reduced exports by the canneries. The situation is expected to improve by the end of this year. We have taken some strong steps in the field corn market with a new introduction called PAC 999 which has performed very well.

C) India: Bt Cotton has virtually swept the cotton markets this year. Plantings of hybrid Rice were not up to the mark in North India. Monsoon arrived late in the East adversely affecting plantings of hybrid Rice. We have achieved a good growth in our Hybrid Rice business. We have taken up a two-brand strategy of marketing in India. Both Advanta and Uniphos brands are being offered to the farmers through separate channels of distribution.

D) Argentina: Our business in Argentina has shown an excellent growth during this period. We introduced Bt Corn for the first time in these markets. Our Sunflower business has performed very well during this period.

E) International Business: This business had a lean period during the first half. Considerable effort was spent during this period on strengthening the infrastructure for this business. The US\$’s present position is likely to impact on the export business during the current year.

F)Sunsat Project (Nutrisun oil): We have branded the Sunsat oil as ‘Nutrisun’ oil. This process was completed during this six month period. We have also made a significant progress with the Sunsat project. We are finalizing a few alliances around the world for the commercialization of this technology. As you know Sunsat is a revolutionary new technology that produces sunflower oil with modified fatty acid profile. This is an oil that can be beneficial for human health. This is a non-GM technology. With a growing demand for healthy oils in the world we foresee a bright future for this technology. We plan to invest additionally during the current year to accelerated commercialization of the project.

FINANCIAL REVIEW

During the first six months of the year the company achieved Net Sales of Rs 170 crores. This reflects about only 35% to 40% of our annual business. Rest of the business 60% to 65% and consequently the quantum of profits is likely to accrue in the coming quarters.

Pacific Seeds Australia and Advanta India (including Rs 9.5 crores of Golden Seeds effective 1st April,2007) contributed about 33% each where as Advanta Argentina and Pacific Seeds Thailand contributed about 16% each to the company’s revenue. The company earned gross profit of Rs 102 crores at the rate of 60%.

The production, processing, selling & marketing expenses for the six months ended, were Rs 39 crores whereas the staff cost was Rs 30.7 Crores. The expenses remained fixed during first half year and did not change significantly over months during first half of the year.

Depreciation and amortization as at end of six months was Rs 5.1 crores which includes Rs 1.5 crores towards amortization of Intellectual properties related to Golden seeds business acquisition. The company has decided to amortize these assets over 10 years.

Interest and other financial charges for the period of six months were Rs 16.9 crores, out of which Rs 2.9 crores were paid to the customers on advance booking.

Profit before Tax for the first half was Rs 23 crores, out of which Rs 22 crores was registered in quarter 2 due to seasonality. The effective tax rate is 24%. EBITDA for the six months has been reported at Rs 40.2 crores (24% of net revenue)

We are unable to provide the financial information for the corresponding period in 2006 since the acquisition took place during the course of that period and the consolidated data for the entity as it exists today is not available.

CAUTIONARY STATEMENT

Statements in this management discussion and analysis describing the company’s objectives, projections, estimates and expectations may be ‘forward looking statements’ within the meaning of applicable laws and regulations. Actual results may differ substantially or materially from those expressed or implied. Important developments that could affect the company’s operations include a downward trend in the domestic industry, monsoon, rise in input costs, exchange rate fluctuations, and significant changes in political and economic environment in India, environment standards, tax laws, litigation and labor relations.