



Heritage

FOODS (INDIA) LIMITED

6-3-541/C, Panjagutta, Hyderabad - 500 082.

The Team

Board of Directors	Sri D Seetharamaiah Sri N P Ramakrishna Dr N R Sivaswamy Dr A Appa Rao Smt N Bhuvaneshwari, Executive Director Dr V Nagaraja Naidu, Whole-Time Director
Senior Executives	Sri K Durga Prasada Rao, Vice President - Operations Sri T Venkateswara Rao, GM - Processing & Engineering Sri A Jeevaratnam Naidu, GM - Procurement & Inputs Sri P A Anil Kimar, GM - Quality Assurance Sri A Prabhakara Naidu, DGM - Finance & Accounts Sri M S Ramesh, DGM - Marketing Sri P A Sessa Sai, AGM - HR & Admin
Company Secretary	Sri Murali Krishna Narne
Auditors	M/s. Raju & Prasad, 401, "DAIMOND HOUSE" Adj. Amrutha Hills, Panjagutta, Hyderabad - 500 082
Bankers	Bank of Baroda Andhra Bank
Listed with	The Hyderabad Stock Exchange Limited The Stock Exchange, Mumbai National Stock Exchange of India Limited
Registrar & Share Transfer Agent	Karvy Consultants Limited, Karvy House, 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500 034



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NOTICE

Members of Heritage Foods (India) Limited are hereby given notice for the 11th Annual General Meeting of the Company, the schedule of which and the business to be transacted therein, are given below:

Day and Date : **Wednesday, the 30th July, 2003**
Time : **10.00 a.m.**
Venue : **Sri Sathya Sai Nigamagmam
6-3-987/2, Srinagar Colony
HYDERABAD – 500 073
Phone : 040-23742745/55573813**

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2003 and Profit and Loss Account for the year ended as on that date and the Reports of the Directors' and the Auditors' thereon.
2. To declare dividend for the year.
3. To appoint a Director in place of Dr A Appa Rao, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Sri N P Ramakrishna, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors of the Company and to fix their remuneration.

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

"RESOLVED THAT M/s. Raju & Prasad, Chartered Accountants, Hyderabad, be and are hereby appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, at a remuneration to be fixed by the Board of Directors of the Company."

SPECIAL BUSINESS

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

"RESOLVED THAT in partial modification of earlier resolution(s) passed at the 8th Annual General Meeting of the Members held on 22nd September, 2000 and subsequently modified at the 10th Annual General Meeting held on 22nd August, 2002 and in accordance with the provisions of Section 198, 269, 309, 310 and all other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the consent of the members of the Company be and is hereby accorded to increase the commission payable to Smt N Bhuvaneshwari, Executive Director of the Company from 2% to 3% with effect from 1st April, 2003 for the remainder of her tenure i.e. upto 11th December, 2004:

RESOLVED FURTHER THAT the Board of the directors of the Company be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

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

"RESOLVED THAT in partial modification of earlier resolution(s) passed at the 8th Annual General Meeting of the Members held on 22nd September, 2000 and subsequently modified at the 9th and 10th Annual General Meetings held on 28th September, 2001 and 22nd August, 2002, respectively, and in accordance with the provisions of Section 198, 269, 309, 310 and all other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, the consent of the members of the Company be and is hereby accorded to increase the commission payable to Dr V Nagaraja Naidu, Whole-Time Director of the Company from 1% to 1.25% with effect from 1st April, 2003 for the remainder of his tenure i.e. upto 31st January, 2005.

RESOLVED FURTHER THAT the Board of the directors of the Company be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

8. De-listing of shares from The Hyderabad Stock Exchange Limited



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

“RESOLVED THAT the Equity Shares of the Company be de-listed from The Hyderabad Stock Exchange Limited in accordance with the provisions of Securities and Exchange Board of India (De-listing of Securities) Guidelines, 2003 and relevant laws, rules, regulations and guidelines (including statutory modification(s) or re-enactment(s) thereof for the time being in force and as may be enacted hereafter) and subject to such approvals, permissions and sanctions from such authorities for compliance with such conditions and modifications as may be necessary for this purpose.

RESOLVED FURTHER THAT the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall be deemed to include any committee thereof for the time being exercising the powers conferred by this resolution), be and is hereby authorized to seek voluntary de-listing at such time as they may, in the absolute discretion, consider appropriate on the terms and conditions as may be stipulated and mutually agreed to in the best interests of the Company, to take all necessary steps in this regard and to do all such acts, deeds, matters and things as it may deem necessary, proper or desirable and to settle any questions, doubts or issues that may arise in regard to de-listing of the Equity shares and to execute all such deeds, documents, writings as may be necessary, desirable or expedient and for this purpose to delegate the authority and the duty vested in it by virtue hereof to Dr V Nagaraja Naidu, Whole-Time Director or the Company Secretary to do the various acts and things required to be done in this behalf.”

By Order of the Board
For **Heritage Foods (India) Limited**

Place : Hyderabad
Date : 28th May, 2003

Murali Krishna Narne
Company Secretary

NOTES

1. **A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote on Poll in his stead. A Proxy need not be a Member of the Company. A blank form of proxy is enclosed. The instrument appointing Proxy should, in order to be effective, be duly stamped, completed and signed and deposited with the Company or its Registrar and Share Transfer Agent not less than forty eight hours before the commencement of meeting.**
2. An explanatory statement, pursuant to Section 173(2) of the Companies Act, 1956, relating to the special business to be transacted at the meeting is annexed hereto
3. Members/proxies should fill the Attendance Slip for attending the meeting.
4. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID numbers and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting.
5. The company has already notified the closure of Register of Members and the Transfer Books thereof from Tuesday, the 1st July, 2003 to Monday, 7th July, 2003 (both days inclusive) for determining the names of members eligible for dividend, if approved, for the financial year 2002-03. In respect of shares in electronic form, the dividend will be paid on the basis of particulars of beneficial ownership furnished by the Depositories for the purpose.
6. The dividend as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid on or after 30th July, 2003.
7. Members please may note that the dividend warrants are payable at par at the designated branches of the Bank printed on reverse on the Dividend Warrant for an initial period of 3 months only. There after, the dividend warrant on revalidation is payable only at limited centers/branches. The members are, therefore, advised to encash Dividend Warrants within the initial validity period.
8. In order to provide protection against fraudulent encashment of the warrants, shareholders holding shares in physical form are requested to intimate the company under the signature of the sole/first joint holder, the following information to be incorporated on the Dividend Warrants:



- (i) Name of the sole/first joint holder and the folio number.
 - (ii) Particulars of Bank Account, viz.:
 - a. Name of the Bank
 - b. Name of the Branch
 - c. Complete Address of the Bank with Pin Code Number
 - d. Account type, whether Savings (SB) or Current Account (CA)
 - e. Bank Account Number allotted by the bank
9. Shareholders holding shares in electronic form may kindly note that their bank account details as furnished by their Depositories to the Company will be printed on the Dividend Warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such shareholders for deletion of / change in such Bank details. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in electronic mode. Shareholders who wish to change such Bank Account details are therefore requested to advise their Depository Participants about such change, with details of Bank Account
10. Electronic Clearing Service (ECS) Facility
- With respect to payment of dividend, the Company provides the facility of ECS to all shareholders, holding shares in electronic and physical forms, residing in the following cities:
- Ahmedabad, Bangalore, Bhubaneshwar, Chandigarh, Chennai, Delhi, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagapur and Thiruvananthapuram.**
- Shareholders holding shares in physical form, who wish to avail ECS facility, may authorise the Company with their ECS mandate in the prescribed form given at the end of this Annual Report. Requests for payment of dividend through ECS for the year 2002-03 should be lodged with M/s Karvy Consultants Limited on or before 15th July, 2003.
11. The Company has already transferred all unclaimed dividends declared upto the financial year ended 31st March, 1995 to the

General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978. Shareholders who have not encashed or collected the Dividend Warrants for the said period are requested to claim the dividend from the Office of the Registrar of Companies, Andhra Pradesh, CPWD Building, Kendriya Sadan, Sultan Bazar, Hyderabad – 500 001, Telephone (091) (040) 2465 6114, in the prescribed form which will be furnished on receipt of request by the Registrar and Transfer Agents, M/s Karvy Consultants Limited.

12. Pursuant to provisions of sub-section (5) of Section 205A of the Companies Act, 1956 the dividend for the financial year ended 31st March, 1996 and thereafter, which remain unclaimed for a period of 7 years will be transferred by the Company to the **Investor Education and Protection Fund (IEPF)** established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

Information in respect of such unclaimed dividend when due for transfer to the said fund is given below:

Financial year ended	Date of declaration of Dividend	Last date for claiming unpaid Dividend	Due for transfer to IEP Fund
1995-96	25.09.1996	24.09.2003	12.11.2003
1996-97	25.09.1997	24.09.2004	12.11.2004
1997-98	29.09.1998	28.09.2005	16.11.2005
1998-99	22.09.1999	21.09.2006	09.11.2006
1999-2K	22.09.2000	21.09.2007	09.11.2007
2000-01	28.09.2001	27.09.2008	03.11.2008
2001-02	22.08.2002	21.08.2009	27.09.2009

Shareholders, who have not so far encashed the dividend warrant(s) are requested to seek issue of duplicate warrant(s) by writing to the Company's Registrar and Transfer Agents, M/s Karvy Consultants Limited immediately. **Shareholders are requested to note that no claims lie against the Company or the said fund in respect of any amounts which were unclaimed**



and unpaid for a period of seven years from the date that they first became due for payment and no payment shall be made in respect of any such claims.

13. Non-resident Indian shareholders are requested to inform M/s Karvy Consultants Limited immediately:
 - i. The change in the residential status on return to India for permanent settlement; and
 - ii. The particulars of Bank Account maintained in India with complete name, branch, account type, account number and address of the bank, if not furnished earlier.
14. Corporate Members intending to send their authorised representatives are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting
15. Shareholders, holding shares in physical form, are requested to notify immediately change of address, if any, to the Company's Registrar & Share Transfer Agent, **M/s. Karvy Consultants Limited, Karvy House, 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034.**
16. All documents referred to in the notice and explanatory statement are open for inspection

at the Registered Office of the Company during office hours on all working days except Saturdays between 11.00 A.M. to 1.00 P.M. upto the date of the Annual General Meeting.

17. The Register of Directors' shareholdings shall be open for inspection to any member of the Company during the period beginning 14 days before the date of Company's Annual General Meeting and ending 3 days after the date of its conclusion. The said register shall also remain open and accessible during the Annual General Meeting to any person having right to attend the meeting.
18. Members desiring any information regarding the Annual accounts are requested to write to the Company, at least ten days before the date of the meeting, to enable the management to keep the information ready at the Meeting.
19. Information on Directors seeking appointment/reappointment:

At the ensuing Annual General Meeting, Dr A Appa Rao and Sri N P Ramakrishna, retire by rotation and being eligible offer themselves for re-appointment. The information or details pertaining to these directors to be provided in terms of Clause 49 of the Listing Agreement with the Stock Exchanges are furnished in the statement on Corporate Governance published in this Annual Report.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956****Item Nos. 6 & 7 (Ordinary Resolutions)**

The members, in partial modification of resolutions passed at 8th and 9th annual general meetings, approved the revised remuneration of Smt N Bhuvanewari, Executive Director and Dr. V. Nagaraja Naidu, Whole-time Director of the Company at the 10th Annual General Meeting of the Company held on 22nd August, 2002.

Smt N Bhuvanewari and Dr V. Nagaraja Naidu are working successfully as Whole-Time Directors of the Company. With their dedicated efforts, the Company has performed exceedingly well during last four years.

Smt N Bhuvanewari is a Bachelor of Arts. Dr V Nagaraja Naidu is a Post-Graduate in Commerce and Doctorate in Financial Management. Both Smt N Bhuvanewari and Dr V. Nagaraja Naidu have been associated with the Company from the date of inception and have made substantial contribution to the Company and were instrumental in expanding the operations of the Company to its present level.

In line with the general increase in remuneration levels of management personnel in the Corporate Sector and considering the size of and increase in the responsibilities shouldered by Smt N Bhuvanewari and Dr V Nagaraja Naidu, on account of the expanded activities of the Company, the Board of Directors at their meeting held on 28th May 2003 enhanced the commission payable to Smt N Bhuvanewari from 2% to 3% and Dr V Nagaraja Naidu from 1% to 1.25% of Net Profits of the Company computed in accordance with section 349 and 350 of the Companies Act, 1956. This increase in remuneration is in accordance and within the limits specified in Schedule XIII of the Companies Act, 1956. The particulars may be treated as the abstract of the terms of remuneration required

to be sent to every member of the Company pursuant to Section 302 of the Companies Act, 1956.

In compliance with the provisions of the Companies Act, 1956 the increase in the remuneration specified above is now being placed before the members in the Annual General Meeting for their approval. None of the Directors of the Company, except Smt N Bhuvanewari for Item no. 6 and Dr V Nagaraja Naidu for item no. 7, is interested in the resolution.

Item No. 8 (Special Resolution)

The Equity shares of the Company are listed on Hyderabad, Mumbai and National Stock Exchanges. The trading volumes at the Hyderabad Stock Exchange have been nil for almost 5 years. Your Directors are of the view that no particular benefit is available to the shareholders of the Company by continuing the listing of the shares on this Stock Exchange. Such de-listing will also not affect trading facilities of the shareholders of the Company in view of the listing of shares at The Stock Exchange, Mumbai (BSE) and National Stock Exchange of India Limited (NSE) and availability of on-line trading on these stock exchanges at Hyderabad. The Company is, therefore, contemplating the possibility of de-listing its shares from the aforesaid Stock Exchange. None of the Directors of the Company is in any way, concerned or interested in the said resolution. Your Directors, therefore, commend the resolution to be passed as a special resolution.

By Order of the Board
For **Heritage Foods (India) Limited**

Place : Hyderabad
Date : 28th May, 2003

Murali Krishna Narne
Company Secretary

**DIRECTORS' REPORT**

To the Members,

Your Directors have pleasure in presenting their Report together with Audited Statement of Accounts of the Company for the year ended 31st March, 2003. The performance of the Company for the financial year ended 31st March, 2003 is summarised below

(Rupees in lakhs)

Particulars	2002-2003	2001-2002
Net Sales/Income from Operations	19282.68	16507.23
Other Income	85.73	42.11
Total Expenditure	16582.04	14539.30
Profit before Interest, Depreciation and Tax	2786.37	2010.05
Interest	12.53	38.06
Depreciation	449.80	248.83
Profit before tax	2324.04	1723.16
Provision for Taxation	832.97	611.92
Profit after tax	1491.07	1111.24
Balance available for appropriation	2000.32	1210.83
Appropriations		
General Reserve	750.00	500.00
Dividend	274.73	199.80
Tax on Dividend	35.20	-
Balance carried to Balance Sheet	940.39	511.03

Your directors take immense pleasure in reporting another year of impressive performance. For the year under review, your Company has achieved a turnover of 19282.68 lakhs as against 16507.23 in the previous year, thus registering an increase of 16.81%. During the year Profit before Tax and after Tax have surged ahead by 34.87% and 34.18% respectively.

Dividend

Taking into account the satisfactory growth in profits during the year and the expansion programme of your

Company, The Board of Directors at their meeting held on 28th May, 2003 have recommended the dividend at 27.5% i.e. Rs. 2.75/- per equity share on 99,90,000 equity shares of Rs.10/- each. The dividend payout will aggregate to Rs. 3,09,92,414/- (Rs. 2,74,72,500/- dividend + Rs. 35,19,914/- tax on dividend). The dividend, if approved at the forthcoming Annual General Meeting, will be paid to all eligible equity shareholders on or after 30th July, 2003. Electronic Clearing Service (ECS) Facility is also provided at specified centres to pay dividend directly to the Shareholders' Bank Accounts.

Depository System

Your Company shares have been made available for dematerialisation through the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited. As on 31st March, 2003, 68.35% of the shares in your company have been dematerialised.

Buy-back of shares

Your Company has successfully completed the Buy-back programme during the year. An amount of Rs. 2,23,70,260/- was invested in the Buy-back programme to buy-back 8,10,000 shares of Rs. 10/- each at an average price of Rs. 27.62/- per share. All shares bought back were extinguished by 31st May, 2002 and consequently the paid-up capital of the Company stands reduced from Rs. 10,80,00,000/- to Rs. 9,99,00,000/- comprising of 99,90,000 equity shares of Rs.10/- each on that date.

Code of Conduct for prohibition of Insider Trading

Pursuant to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 as amended in 2002, your company framed a code of conduct named "HERITAGE FOODS (INDIA) LIMITED CODE OF CONDUCT RULES FOR PREVENTION OF INSIDER TRADING" and the same is being strictly implemented at the Company. The Company Secretary of the Company has been appointed as "Compliance Officer".

Voluntary De-listing of Company shares

The Equity shares of your Company are presently listed on Hyderabad, Mumbai and National Stock Exchanges. The Mumbai and the National Stock Exchanges are accessible for on-line dealings across the Country. As explained in the Explanatory note to item no. 8 of the notice of this Annual General Meeting, there has been "nil" trading in the Hyderabad Stock Exchange for almost 5 years now. In view of this, the



Company proposes to voluntarily de-list its shares from the said Stock Exchange. The interests of the shareholders in the said region will not be affected adversely as the on-line trading services of the National and Mumbai Stock Exchanges are available at Hyderabad. Listing fee for the year 2003-2004 has been paid to all the above Stock Exchanges.

Transfer of Un-claimed Dividend Amount for the year 1995-96 to Investor Education and Protection Fund

Pursuant to section 205C (2) of the Companies Act, 1956 read with The Investor Education and Protection Fund (awareness and protection of Investors) Rules, 2001, the unclaimed dividend amount for the year 1995-96 is due for transfer to Investor Education and Protection Fund, since a period of seven years elapses by September 2003.

Fixed Deposits

The Company has not accepted any fixed deposits from the public during the year.

New Plants

During the year your Company commissioned two milk procurement, processing and packing plants, one at Vadamadhurai, Dindigal District, Tamil Nadu and the other at Battiprolu, Guntur District, Andhra Pradesh in December 2002 and one Procurement and processing plant at Brahmanapalle, Guntur District, Andhra Pradesh in May 2002. Two more sales offices were also started during the year at Madurai and Mysore.

Future Plans

Your company is establishing more procurement and processing centres to further strengthen the liquid milk market. One plant at Namakkal, Tamil Nadu State is already in progress and expected to be inaugurated by July 2003. Another plant at Nandyal in Kurnool District of A.P. is also in progress. Three more procurement and processing centres are planned in the State of Andhra Pradesh. Your Company is also expanding Narketpalle and Bangalore packing stations by making them full-fledged dairy units with facilities for manufacture and storage of Butter, Flavoured Milk, Ghee and other products.

Your Company, in addition to strengthening the milk market, is also planning simultaneously to introduce value added products. The Main Dairy, 'Gokul' is being strengthened to focus on product development to suit the Indian tastes. Some of the products introduced for the first time in the market like

"Pro-biotic Curd" and "Natural Flavoured Milks" have been a great success.

Quality Assurance

Your Company being an ISO 9001 Company has also initiated the process of implementing HACCP systems.

Directors

In accordance with Article 107 of the Articles of Association of the Company and provisions of Section 255, 256 and other applicable provisions, if any, of the Companies Act, 1956, Dr A Appa Rao and Sri N P Ramakrishna retire by rotation and being eligible, offer themselves for re-appointment.

Auditors

M/s. Raju & Prasad, Auditors of the Company, hold office until the conclusion of this Annual General Meeting and are eligible for re-appointment.

Conservation of Energy/Technology Absorption, Foreign Exchange Earnings and Outgo

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, is set out in Annexure-1, which forms part of this Report.

Personnel

Your directors would like to place on record their deep sense of appreciation of the devoted services of the executives, staff and workers of the Company. Industrial Relations continued to be cordial throughout the year at all locations. The information required under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, is given in Annexure - 2 forming part of this Report.

Corporate Governance

A separate section on Corporate governance and a Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, are annexed to and form part of the Annual Report.

Director's Responsibility Statement

In accordance with Section 217(2AA) of the Companies Act, 1956 the Directors of the Company hereby state that:



- In the preparation of the Annual Accounts, the applicable accounting standards have been followed;
- The Directors have selected such accounting policies and applied them consistently and made judgements 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;
- The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

- The Directors have prepared the annual accounts on a going concern basis.

Acknowledgements

Your Directors would like to express their grateful appreciation for the continued co-operation, support and patronage received from the Bankers, Suppliers, Customers and Shareholders.

For and on behalf of
Heritage Foods (India) Limited

N Bhuvanewari
Executive Director

V Nagaraja Naidu
Whole-Time Director

Place : Hyderabad
Date : 28th May, 2003


ANNEXURE - 1
FORM A

(Form for disclosure of particulars with respect to Conservation of Energy)

	2002-03	2001-2002
A. POWER AND FUEL CONSUMPTION		
1. Electricity		
a. Purchased		
Units – KWH	8098806	7039205
Total Amount – Rs.	34824866	29804949
Rate/Unit – Rs.	4.30	4.23
b. Own generation		
Through Diesel generator		
Units – KWH	2573995	1940674
Unit per liter of diesel oil	2.88	2.70
Cost/Unit - Rs.	7.23	7.02
2. Furnace Oil		
Quantity (Ltr)	786589	703000
Total cost – Rs.	10508824	6882710
Average rate – Rs.	13.36	9.79
B. CONSUMPTION PER UNIT OF PRODUCTION STANDARD		
Electricity (KWH/Ltr of milk)	0.058	0.058
Furnace oil (Ltr of milk)	0.018	0.022

FORM B

(Form for disclosure of particulars with respect to absorption)

	(Rs.)	
	2002-03	2001-2002
Research & Development (R & D)	Nil	Nil
Technology absorption, adaptation & innovation	Nil	Nil
Foreign Exchange Earnings	Nil	Nil
Foreign Exchange Outgo (Professional fee for ISO certification)	499729	4818

**ANNEXURE - 2**

Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended and forming part of Director's Report for the year ended 31st March, 2003.

(a)(i). The employees who were in the Company's employment throughout the year under review and were in receipt of remuneration for the year which in the aggregate, was not less than Rs. 24,00,000/- including perquisites, if any.

Name of the Employee	Age Yrs.	Designation & nature of duties	Remuneration (Rs.)	Qualification	Experience (Yrs.)	Date of commencement of employment	Last employment
N Bhuvaneswari	40	Executive Director	7336757	B.A	8	12.12.1994	-
V Nagaraja Naidu	54	Whole-Time Director	4892530	M.Com, PhD	31	01.02.1995	Director Dr B R Ambedkar University

(a)(ii). There were no employees who were in the Company's employment for a part of the year under review and were in receipt of remuneration for any part of the financial year at a rate which in the aggregate, was not less than Rs. 2,00,000/- per month.



MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Developments

India is the largest producer and processor of liquid milk in the world with a share of 16% of the total milk production worldwide. Dairy industry in India has come a long way from dependence to self-reliance as the total amount of milk produced more than tripled from 23 million tonnes in 1973 to 81 million tonnes in 2002. The per capita availability of milk for consumption has increased considerably from 197 gm. in the year 1997 to 216 gm. in 2001. There are around 100 million milch animals and 70 million milk farmers in India. Most of the milk farmers in India have only one milch animal with average milch animal per milk farmer being 1.43. As per the India Development Report 2002, Indians would move towards consuming more milk and milk products over next two decades than cereals at present. Consumption of milk and milk products is likely to increase from 64 million tonnes in 2000 to 166 million tonnes by 2020. The 2002 consumption was 84 million tonnes - an average annual growth of 15% in last two years, as against projected growth of 5% per annum till 2020.

Opportunities

Of the total liquid milk production in India, the producers themselves consume 40%. Of the saleable balance, only around 20% is packaged and traditional milkmen sell the rest 80% in loose form. The loose milk is quite adulterated and bacteria level is high due to shabby handling and storage. Therefore, the market is shifting towards packaged milk from loose milk. Also out of the 3700 cities and towns in India, only about 800 cities and towns are served by the organized milk sector. This leaves the organized sector with huge untapped market.

At present, India faces an unfair competition from some of the developed countries like the US and EU, where milk products get high export subsidies. The domestic ghee industry faces such unfair competition from butter oil imports from Australia and New Zealand. The EU and the US subsidize exports by as much as 30%-60% in case of major dairy products like skimmed milk powder (SMP), whole milk powder (WMP), and butter. Butter export subsidy in the EU is at present at a five-year high. To protect the domestic ghee industry, import duty on butter oil has been kept at 40%, which

is effective by 2004. In fact, milk products category is the only significant category that has import duties higher than the peak import duty of 25%. Further under WTO regime, all subsidies on exports are expected to be removed in the coming years. In such a scenario, Indian dairy products can compete in a better manner in the international market.

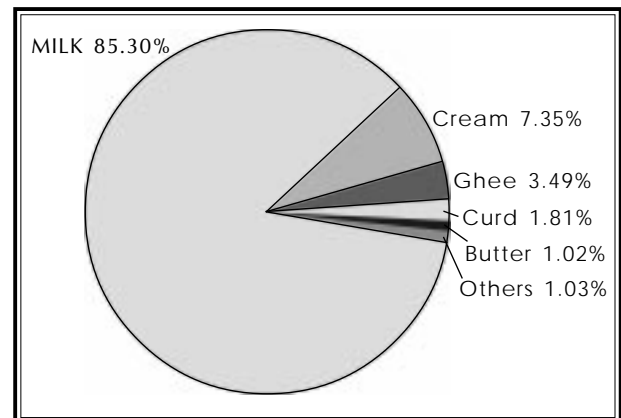
Another noticeable feature in the recent times has been a sharp shift in the consumer tastes from aerated drinks to natural products like milk and fruit juices, which are nutritious and healthy. This trend will lead to more opportunities for the Dairy Sector to grow.

Threats

Competition will intensify with the relaxation of the MMPO and the MNC's entering the milk market. But then competition has to be faced as a ground reality. The co-operative sector is the biggest competitor with 50-60% market share. The co-operative sector gets government support, which is not available to corporate sector. An enhancement in support to co-operative sector in any form may affect the company.

Product / Market wise Performance

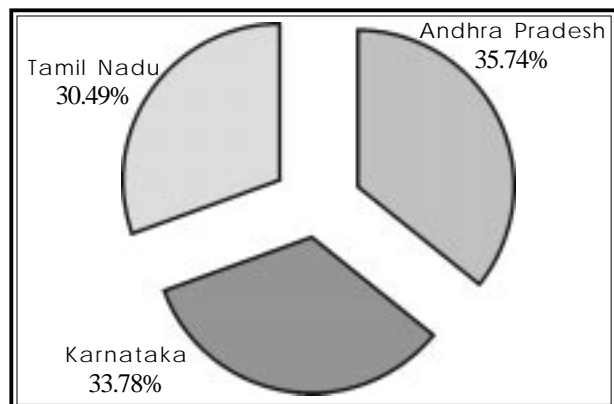
During the year 2002-2003, liquid milk sale was 1376.69 lakh litres against 1231.28 lakh litres in the previous year. Butter - 226.27 Metric Tonnes (MT), Cream - 2094.78 MT, Curd - 2416.17 MT and Ghee - 607.46 MT was sold during the year. The following pie-diagram shows the product wise contribution:





MANAGEMENT DISCUSSION AND ANALYSIS

Your Company's presence in south India is mainly in the States of Andhra Pradesh, Karnataka and Tamil Nadu. The contribution of these states is as follows:



Outlook

Your Company has drawn plans for expansion to achieve the desired growth of business and improve profitability for the present as well as future years. New business opportunities for marketing of liquid milk are being explored to cover all major cities and towns in the entire south India.

Risks and Concerns

Drought in procurement areas leads to shortage of milk output. However, a prolonged drought has a positive impact on the company. In a prolonged drought, farmers shift from agriculture to animal husbandry. With the rise in competition in pouch milk, retail margins are rising. New challenges will emerge testing your Company's ability to grow in the Competitive market.

Internal Control Systems and Adequacy

The Company has adequate internal control procedures commensurate with its size and nature of the business. These business control procedures ensure efficient use and protection of the resources and compliance with the policies, procedures and statutes. The internal control system provide for well documented policies, guidelines, authorisations and approval procedures. Further, the effectiveness and efficiency of internal control systems has been improved through successful implementation of the integrated ORACLE and Developer 2000 based financial, Human Resources, Marketing and other management systems, which provides a high level of

system based checks and controls. The Company has leading professional firms on its Internal Audit Panel, who carries out audits extensively throughout the year. The prime objective of such audits is to test the adequacy and effectiveness of all internal controls laid down by the management and to suggest improvements. The management at all levels every month and the Audit Committee of the Board periodically review the Internal Auditors findings and recommendations.

Financial Performance

Highlights

Particulars	2002-2003	2001-2002	% of Change
	(Rs. in lakhs)		
Turnover	19282.68	16507.23	16.81
Other Income	85.73	42.11	103.57
PBIDT	2786.37	2010.05	38.62
Operating Profit	2238.31	1688.95	32.53
Interest	12.53	38.06	(67.07)
Depreciation	449.80	248.83	80.77
Profit before Tax	2324.04	1723.16	34.87
Tax	832.97	611.92	36.12
Profit after Tax	1491.07	1111.24	34.18
EPS (Rs.)	14.93	10.29	45.10

During the current financial year 2002-2003, the Company has achieved a turnover of Rs. 19282.68 lakhs as against Rs. 16507.23 lakhs during the previous year recording a growth of 16.81% mainly on account of increase in milk sales volume by 11.80% as compared to the previous year. Other income includes interest on bank, inter-corporate and other deposits, interest on cattle loans, dividend income, profit on sale of assets and scrap sales.

Operating Profit has increased to Rs.2238.31 lakhs as against Rs. 1688.95 lakhs during the previous year resulting in an increase of 32.53%. Interest cost has come down by 67.07% during the current financial year due to repayment of long-term loans out of internal accruals and reduction in the Interest rates.

During the year under review, the depreciation has gone up to Rs.449.80 lakhs from 248.83 during the



previous year showing an increase of 80.77% over the previous year. This is mainly due to adoption of higher rate of depreciation in respect of certain items of Plant & Machinery (Cans & Crates) as per Schedule XIV of the Companies Act, 1956, commissioning three new plants (Dindigal, Battiprolu packing plants and Brahmanapalli chilling centre) and expanding the capacity of some existing plants.

Provision for Taxation has gone up from Rs. 611.92 lakhs to Rs.832.97 lakhs due to increase in Profit Before Tax by 34.87% as compared to the previous year and provision of Deferred Tax for the current financial year in compliance with the Accounting Standard (AS)-22 "Accounting for Taxes on Income".

The Company has achieved an impressive growth of 34.18% in Net Profit during the year amounting to Rs.1491.07 lakhs as against Rs. 1111.24 lakhs during the previous year.

During the year 2002-03, the Company bought back 60,201 Equity shares of Rs.10/- each at an average price of Rs.28.85/- per share aggregating to Rs. 17,36,938.00. However, a total of 8,10,000 equity shares were bought back during the year 2001-02 and 2002-03 under the Buyback programme by the Company each at an average price of Rs.27.62/- per share aggregating to Rs. 2,23,70,260.10. Consequently

the paid-up Capital of the Company reduced from Rs. 10,80,00,000/- to Rs. 9,99,00,000/- comprising of 99,90,000 equity shares of Rs.10/- each.

The Earnings per share (EPS) has improved by 45.10% i.e. from Rs. 10.29 to Rs.14.93 per share during the current financial year.

Human Resources

The Company regards its human resources amongst its most valuable assets and proactively reviews and evolves policies and processes to attract and retain its substantial pool of technical and managerial resources through a work environment that encourages initiative, provides challenges and opportunities and recognizes the performance and potential of its people. In order to improve the performance appraisal and reward system, the Company has developed a state of art performance management software and implemented across the organisation during the year.

The Company invested over 4000 man-hours in training and development of its staff during the Year. Almost 75% employees out of the total strength of 610 of the Company have undergone training during the Year. Industrial relations have been cordial during the Year under review.



REPORT ON CORPORATE GOVERNANCE

REPORT ON CORPORATE GOVERNANCE

1. Company's philosophy on code of Governance:

"Your" Company philosophy of Corporate Governance envisages attainment of the highest level of transparency, accountability and equity in all its dealings with Shareholders, Employees, Government and Lenders and your Company believes that good Corporate Governance contemplates that corporate actions, which balance the interests of all stakeholders and satisfy the tests of Transparency, independence, accountability, responsibility, fairness, and social responsibility.

2. Board of Directors

a. As on 31st March, 2003 the strength of the Board of Directors was six comprising of four non-executive Directors, all of whom are also independent directors, viz., Sri D Seetharamaiah, Sri N P Ramakrishna, Dr N R Sivaswamy and Dr A Appa Rao, and two Whole-Time Directors, viz., Smt. N Bhuvaneshwari, Executive Director and Dr V Nagaraja Naidu, Whole-Time Director.

b. Brief resume of Directors seeking re-appointment

Dr A Appa Rao, aged 78 years, is a graduate in Agriculture and has a doctorate in Agriculture from Madras University. He completed his postdoctoral work at Kansas State University as TCM-USA Scholar. He was formerly the Vice Chancellor of the Andhra Pradesh Agricultural University. He is an author of around 40 papers published in the fields of Plant Pathology and Agricultural Research & Education. Being associated with the IDRC financed Agricultural Research Management (Asia) Project, was instrumental in implementing SEARCA, Philippines for over 5 years. He is also a Director of Usha Kiran Movies Limited and chairman of the Audit Committee of the Board of Directors of Usha Kiran Movies Limited.

Sri N P Ramakrishna, aged 56 years, is a P.U.C (B.S.C), has substantial experience in the transport business, has a thorough understanding of the systems of milk procurement and transportation and has enabled the Company to strengthen its main milk procurement base at Chittoor, Bangalore and nearby areas. He is also the Managing Director of Hotel Ramakrishna Private Limited situated at Chittoor.

c. During the financial year 2002-2003, 6 Board Meetings were held on 28th June, 2002, 31st July, 2002, 22nd August, 2002, 30th October, 2002, 29th January, 2003 and 28th March, 2003.

d. The attendance of each director at the Board Meetings held during the Financial Year 2002-2003, at the last AGM and number of other directorships and committee chairmanships/memberships of directors is given below:

Name of Director	Attendance Particulars		No. of other Directorships held as on date	Committee Membership as on date (including Heritage)	
	Board Meetings	Last AGM		Member	Chairman
	D Seetharamaiah	6		Yes	9
N P Ramakrishna	5	No	1	1	-
Dr N R Siva Swamy	6	Yes	2	2	-
Dr A Appa Rao	6	Yes	1	1	1
N Bhuvaneshwari	6	Yes	4	1	-
Dr V Nagaraja Naidu	6	Yes	5	2	-

3. Audit Committee

Composition, name of members and Chairperson

Audit Committee of your Company consist of three Non-Executive Independent Directors namely Dr A Appa Rao, Dr N R Siva Swamy, Sri D Seetharamaiah and one Whole-Time Director namely Dr V Nagaraja Naidu. Sri D Seetharamaiah is the Chairman of the Committee.



Terms of reference

1. To oversee the Company's financial reporting process and disclosure of its financial information;
2. To recommend the appointment, re-appointment & removal of Statutory Auditors and fixation of the audit fee;
3. To recommend appointment, re-appointment, removal, & fixation of remuneration of Internal auditors;
4. To review and discuss with the Auditors about internal control systems, the scope of audit including observations of the Auditors, adequacy of the Internal Audit function, major accounting policies and practices, compliance with accounting standards and with the stock exchange and legal requirements concerning financial statements and related party transactions, if any;
5. To review the Company's financial and risk management policies and discuss with the internal auditors any significant findings for follow-up thereon;
6. To review the financial statements before submission to the Board of Directors;
7. To ensure that adequate mechanism for prevention & detection of frauds is in place;

Meetings and attendance during the year

The Committee met three times during the financial year on 26th June, 2002, 4th December, 2002 and 28th March, 2003.

Details of attendance of each member at the Audit Committee meetings are as follows:

Name of the member	No. of meetings held	No. of meetings attended
Sri D Seetharamaiah	3	3
Dr N R Sivaswamy	3	3
Dr A Appa Rao	3	3
Dr V Nagaraja Naidu	3	3

4. Directors' remuneration and interest in the Company

Your Company's commitment to transparency goes beyond statutory requirement. It has, therefore, decided to make full disclosure regarding the interests of and payments to, all the Directors on the Board.

Director	Relationship with other Directors	Business relation with the Company if any	Loans & advances received from the Company	Remuneration paid/ to be paid for Financial Year 2002-03 (In Rs.)			
				Sitting fees	Salary & Perks	Commission	Total
D Seetharamaiah	-	-	-	9000	0	0	9000
N P Ramakrishna	-	-	-	5000	0	0	5000
N R Siva Swamy	-	-	-	9000	0	0	9000
A Appa Rao	-	-	-	9000	0	0	9000
N Bhuvanewari	-	-	-	0	2430000	4906757	7336757
V Nagaraja Naidu	-	-	-	0	2439151	2453379	4892530



5. Share Transfer and Shareholder/Investor Grievance Redressal Committee

Composition, name of members and Chairperson

The Committee comprises of Sri D Seetharamaiah, Sri N P Ramakrishna, Non-Executive Independent Directors, Smt N Bhuvaneswari, Executive Director and Dr V Nagaraja Naidu, Whole-Time Director. Sri D Seetharamaiah is the chairman of the Committee.

Name and designation of the Compliance Officer

Mr. N Murali Krishna, Company Secretary

Investor Complaints received and resolved during the year:

Nature of Complaint	2002 – 2003		2001-2002	
	Received	Cleared	Received	Cleared
a. Relating to Transfer, Transmission, Transposition, Dividend & Change of Address	525	525	499	499
b. Others	396	396	793	793
c. Legal Proceedings on Share transfer issues and Complaints from SEBI, Department of Company Affairs, if any	0	0	0	0

Share Transfers during the year

Transfer Period (In days)	2002 – 2003			2001-2002		
	No. of transferees (Folios)	No. of Shares	%	No. of transferees (Folios)	No. of Shares	%
1 – 15	380	233800	98.73	4199	620200	99.20
16 – 20	12	2800	1.18	1	100	0.02
21 – 30	2	200	0.09	23	4900	0.78
31 and above	Nil	Nil	Nil	Nil	Nil	Nil
No. of pending Transfers	Nil	Nil	Nil	Nil	Nil	Nil

6. Annual General Meetings

The last three Annual General Meetings were held as under.

Year	Date	Location	Time
2001-2002	22-08-2002	Hari Hara Kala Bhavan, Sardar Patel Road, Secunderabad	11.00 a.m.
2000-2001	28.09.2001	Hari Hara Kala Bhavan, Sardar Patel Road, Secunderabad	11.30 a.m.
1999-2000	22.09.2000	Hari Hara Kala Bhavan, Sardar Patel Road, Secunderabad	11.00 a.m.

Whether any special resolutions were put through postal ballot last year? NO

Are votes proposed to be conducted through postal ballot this year? NO



7. Disclosures

There have been no transactions of material nature with the Promoters, Directors or the management or their subsidiaries or relatives during the year under review. There has been no non-compliance of any legal requirements by the company; nor has there been any strictures imposed by any stock exchange, SEBI or any statutory authority, on any matters relating to the capital market over the last three years.

8. Means of Communication

- a. The Quarterly results are usually published in the Business Line / Business Standard / Financial Express (in English) and Andhra Bhoomi / Andhra Jyothi (in Regional Language) dailies.
- b. The Quarterly results, Shareholding Patterns are displayed on the Company's website: www.heritagefoods.co.in
- c. The "Management's discussion and analysis" forms part of this Annual report.

9. General Shareholder Information

● Annual General Meeting:

Day, Date and Time : Wednesday, 30th July, 2003 at 10.00 a.m.

Venue : Sri Sathya Sai Nigamagamam
6-3-987/2, Srinagar Colony
Hyderabad - 500 073
Phone: 040-23742745/55573813

- **Financial Calendar (2003-2004)** : the following is the tentative financial calendar of the Company which is subject to change:

1 st quarter results	2 nd half of July 2003
2 nd quarter/Half-year results	2 nd half of October 2003
3 rd quarter results	2 nd half of January 2004
4 th quarter & Annual results	May 2004
AGM for the year 2003-04	July 2004

- **Date of Book Closure** : 1st July, 2003 to 7th July, 2003 (both days inclusive)

- **Dividend Payment Date** : On or after 30th July, 2003

- **Listing on Stock Exchanges** : The Hyderabad Stock Exchange Limited (HSE)
National Stock Exchange of (India) Limited (NSE)
The Stock Exchange, Mumbai (BSE)

- **Stock Code** : HSE - HERFOOD
NSE - HERITGFOOD
BSE - 519552

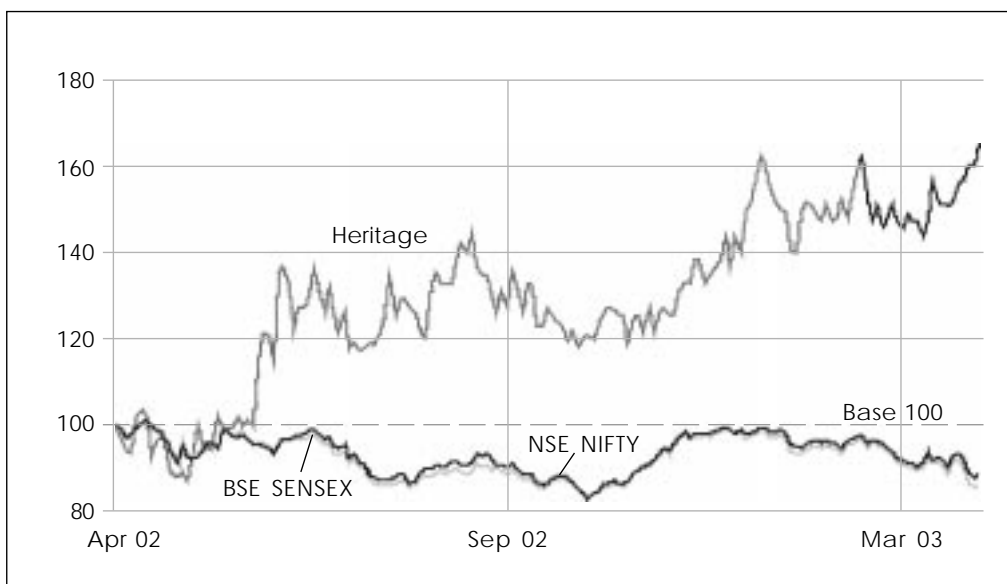


● **Market Price Data**

(Rs.)

Month	NSE		BSE	
	HIGH	LOW	HIGH	LOW
April, 2002	31.00	25.00	30.90	24.70
May, 2002	34.80	24.75	29.00	24.60
June, 2002	38.00	26.10	38.45	25.90
July, 2002	40.00	31.60	41.90	32.00
August, 2002	40.90	34.00	41.00	33.60
September, 2002	40.00	35.10	38.35	35.00
October, 2002	39.50	34.00	36.50	32.00
November, 2002	36.25	32.00	35.50	33.15
December, 2002	39.90	31.90	40.10	35.00
January, 2003	45.00	37.00	45.90	38.00
February, 2003	49.50	40.00	45.00	41.00
March, 2003	43.90	37.70	46.20	40.00

● **Share price performance in comparison to broad based indices – BSE SENSEX and NSE NIFTY:**





REPORT ON CORPORATE GOVERNANCE

- **Registrar and Share Transfer Agent (RTA)** : M/s Karvy Consultants Limited
"KARVY HOUSE", 46, Avenue 4,
Street No.1, Banjara Hills,
Hyderabad – 500 034
Phone : 040-23376715 (Complaints)
 : 040-23312454 (Share Transfers)
Fax : 040-23311968/ 23323049
E-mail : mailmanager@karvy.com
- **Share Transfer System** : Presently, the share transfers, which are received in physical form are processed and the share certificates returned within a period of 10 to 15 days from the date of receipt, subject to the documents being valid and complete in all respects. The Company has, as per SEBI guidelines been offering the facility of transfer cum demat. Under the said system, after the share transfer is effected, an option letter is sent to the transferee indicating the details of the transferred shares and requesting him in case he wishes to demat the shares, to approach a Depository participant (DP) with the option letter. The DP based on the option letter, generates a demat request and sends the same to the Company along with the option letter issued by the Company. On receipt of the same, the Company dematerialise the shares. In case the transferee does not wish to dematerialise the shares, he need not exercise the option and the company will despatch the share certificates after 30 days from the date of such option letter.

- **Distribution of Shareholding as on 31-03-2003 :**

Sl. No.	Category		No. of Holders	% of holders	No. of shares	% of shares
	From	To				
1	1	– 100	7464	66.69	735642	7.36
2	101	– 500	2528	22.59	747627	7.48
3	501	– 1000	553	4.94	471961	4.72
4	1001	– 5000	506	4.52	1299509	13.01
5	5001	– 10000	81	0.72	639529	6.41
6	10001	and above	60	0.54	6095732	61.02
	Total		11192	100.00	9990000	100.00

- **Shareholding Pattern as on 31-03-2003:**

Sl. No.	Category	No. of shares	% of shares
1	Promoters	4320324	43.25
2	Mutual Funds and UTI	48126	0.48
3	Private Corporate Bodies	229456	2.30
4	Indian Public	5151993	51.57
5	NRI's / OCB's	220150	2.20
6	Others	19951	0.20
	Total	9990000	100.00



● Dematerialisation of shares

68.35% of the Company's Paid-up capital has been dematerialised upto 31st March, 2003 as per the following details. Trading in shares of the Company is permitted in dematerialised form by all classes of investors as per the notification issued by the Securities and Exchange Board of India (SEBI).

Particulars	Number of shares	% of share Capital
NSDL	6698411	67.05
CDSL	130284	1.30
Physical	3161305	31.65
Total	9990000	100.00

● Liquidity

The Company shares are regularly traded on NSE and BSE. Relevant data of turnover of shares of the Company for the Financial Year 2002-03 is given below:

Trading Particulars	The Stock Exchange, Mumbai (BSE)	National Stock Exchange (NSE)	Total (NSE + BSE)
In number of shares (lakhs)	2.21	11.32	13.53
In Value terms (Rs. In lakhs)	78.91	393.18	472.09

● There are no outstanding GDRs/ ADRs/ Warrants or any Convertible instruments.

● Address for Correspondence

1. **Investor Correspondence** – For Change of Address, Change of Bank Mandate, Nomination, transfer/ dematerialisation of shares, payment of dividend on shares and other query relating to the shares of the Company

● For Shares held in Physical Form

Karvy Consultants Limited,
46, Avenue 4, Street No. 1,
Banjara Hills, Hyderabad – 500 034.
E-Mail : sreedharamurthy@karvy.com /
mailmanager@karvy.com

● For Shares held in Demat Form

To the Depository Participant, with whom
Investor have Demat Account



REPORT ON CORPORATE GOVERNANCE

2. Any query on Annual Report : Secretarial Department,
Heritage Foods (India) Limited
6-3-541/C, Panjagutta,
Hyderabad – 500 082
Phone : 040-23391221/222
Fax : 040-23318090
E-mail : murali@heritagefoods.co.in

- The Company has not adopted any non-mandatory items prescribed under clause 49 of the Listing Agreement

Place : Hyderabad
Date : 28th May, 2003

N Bhuvanewari
Executive Director

V Nagaraja Naidu
Whole-Time Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of
HERITAGE FOODS (INDIA) LIMITED

We have examined the compliance of conditions of Corporate Governance by Heritage Foods (India) Limited, for the year ended on 31st March, 2003, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of investor grievances received during the year ended 31st March, 2003, no investor grievances are pending against the company for a period exceeding one month as per records maintained by the company which are presented to the shareholders/Investor Grievance Committee.

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

for **Raju & Prasad**
Chartered Accountants

Place : Hyderabad
Date : 28th May, 2003

M. Sivaram Prasad
Partner



AUDITORS' REPORT

To
The Members of
M/S. HERITAGE FOODS (INDIA) LIMITED,
HYDERABAD.

none of the directors are disqualified as on 31st March, 2003 from being appointed as directors in term of clause (g) of sub-section (1) of Sec 274 of the Act.

1. We have audited the attached Balance Sheet of **M/s. HERITAGE FOODS (INDIA) LIMITED**, as at 31st March, 2003 and also the Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow statement for the year ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An Audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. Further to our comments in (4) below, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our Audit.
 - ii. In our opinion, proper Books of Account as required by law have been kept by the Company, so far as it appears from our examination of the Books.
 - iii. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the Books of Account maintained.
 - iv. In our opinion, the Profit & Loss Account and the Balance Sheet comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
 - v. In our opinion and to the best of our information and explanations given to us,
4. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Central Government of India, in terms of Sub-Section (4A) of Section 227 of the Companies Act, 1956 we report that:
 - i) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. Physical verification of fixed assets has been conducted by the management during the year and discrepancies noticed on such verification have been properly dealt with in the books of account. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of the Assets.
 - ii) The Company has not revalued its Fixed Assets during the year.
 - iii) Physical verification has been conducted by the management at reasonable intervals in respect of finished goods, stores, spare parts and raw materials. In our opinion, the frequency of verification is reasonable.
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said Financial statements read together with the Significant Accounting policies and other notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of Balance Sheet, of the State of Affairs of the Company as on 31st March, 2003
 - b) in the case of Profit and Loss Account of the profit for the year ended on that date and
 - c) in the case of cash flow statement, of the Cash Flows for the year ended on that date.



- iv) In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- v) The discrepancies on physical verification of stocks as compared to the book records were not material and have been properly dealt with in the books of account.
- vi) In our opinion, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the last year.
- vii) The Company has not taken any loans from Companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956, or from Companies under the same management as defined in Section 370 (1-B) of the Companies Act, 1956.
- viii) The Company has not granted any loans, secured or unsecured, to Companies, firms or other parties listed in the register, maintained under section 301 of the Companies Act, 1956 or to companies under the same management as defined in Section 370 (1-B) of the Companies Act, 1956.
- ix) In respect of advances in the nature of loans given by the Company, the parties are repaying the principal and interest amount thereon, if any, as stipulated.
- x) In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.
- xi) In our opinion and according to the information and explanations given to us, there are no transactions of purchase of goods, materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in value thereof from subsidiaries, firms or companies or other parties in which directors are interested.
- xii) As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials or finished goods and provision for the loss is made where applicable.
- xiii) The Company has not accepted any deposits from the public during the year under reference.
- xiv) The Company is maintaining reasonable records for the sale and disposal of realisable by-products and scrap.
- xv) In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
- xvi) As per the information given to us, the Central Government has not prescribed maintenance of Cost Records under Section 209 (1) (d) of the Companies Act, 1956.
- xvii) The Company is regular in depositing Provident Fund and Employee State Insurance dues with the appropriate authorities.
- xviii) According to the information and explanations given to us, there are no undisputed amounts of Income Tax, Sales Tax, Wealth Tax, Customs Duty, Excise Duty which are outstanding as at 31st March, 2003 for a period of more than six months from the date that they became payable.
- xix) No personal expenses of employees or directors have been charged to the revenue account other than those payable under the contractual obligations or in accordance with the generally accepted business practices.
- xx) The Company is not a Sick Industrial Company within the meaning of Clause (o) of Sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

for **Raju and Prasad**
Chartered Accountants

Place : Hyderabad
Date : 28th May, 2003

M. Sivaram Prasad
Partner

BALANCE SHEET**BALANCE SHEET AS AT 31ST MARCH, 2003**

	Schedule	Rs.	As at 31.03.2003 Rs.	Rs.	As at 31.03.2002 Rs.
SOURCES OF FUNDS:					
Shareholders Funds					
Share Capital	01	99900000		107838510	
Reserves & Surplus	02	<u>345269216</u>		<u>241387887</u>	
Sub Total			445169216		349226397
Loan Funds					
Secured Loans	03	3055123		13643672	
Unsecured Loans	04	<u>53938068</u>		<u>9002794</u>	
Sub Total			56993191		22646466
Deferred Tax Liability			<u>48260174</u>		<u>47963312</u>
TOTAL			<u>550422581</u>		<u>419836175</u>
APPLICATION OF FUNDS:					
Fixed Assets					
Gross Block	05	536170613		437726887	
Less : Depreciation		<u>148004618</u>		<u>108128680</u>	
Net Block			388165995		329598207
Capital Work-in-Progress			14628047		4311220
Investments	06		3174900		11220778
Current Assets and Loans and Advances:					
Inventories	07	127855261		50914247	
Sundry Debtors	08	9018693		8149707	
Cash and Bank Balances	09	115336554		76724191	
Loans and Advances	10	<u>133795364</u>		<u>106593366</u>	
Sub Total		386005872		242381511	
Less : Current Liabilities and Provisions	11	<u>241552233</u>		<u>167675541</u>	
Net Current Assets			144453639		74705970
TOTAL			<u>550422581</u>		<u>419836175</u>
Significant Accounting Policies	19				
Notes on Accounts	20				

As per our report attached
For Raju & Prasad
Chartered Accountants

For and on behalf of the Board

M. Sivaram Prasad
Partner

N Bhuvanewari
Executive Director

V Nagaraja Naidu
Whole-time Director

Place : Hyderabad
Date : 28th May, 2003

A Prabhakara Naidu
DGM-Finance & Accounts

N Murali Krishna
Company Secretary

PROFIT AND LOSS ACCOUNT



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003

	Schedule	Year Ended 31.03.2003		Year Ended 31.03.2002	
		Rs.	Rs.	Rs.	Rs.
INCOME:					
Sales			1928267723		1650723206
Other Income	12		<u>8573388</u>		<u>4211454</u>
TOTAL			<u>1936841111</u>		<u>1654934660</u>
EXPENDITURE:					
Materials consumed	13		1437593457		1183521698
Power and Fuel			63943675		50301802
Employee Remuneration	14		54314203		49021393
Interest	15		1253321		3805840
Other expenses	16		157152954		143861865
(Increase) / Decrease in Stocks	17		<u>(54800572)</u>		<u>26433473</u>
TOTAL			<u>1659457038</u>		<u>1456946071</u>
PROFIT BEFORE DEPRECIATION AND AMORTISATION			277384073		197988589
Less:					
Depreciation			44980182		24882617
Miscellaneous Expenditure written off	18		<u>—</u>		<u>789718</u>
PROFIT FOR THE YEAR			232403891		172316254
Provision for current taxation			<u>83000000</u>		<u>55850000</u>
PROFIT AFTER CURRENT TAX			149403891		116466254
Less : Provision for deferred taxation			<u>296862</u>		<u>5342486</u>
NET PROFIT AFTER TAX			149107029		111123768
Less : Prior period expenses			<u>28424</u>		<u>54728</u>
NET PROFIT			149078605		111069040
Less : Taxation of earlier years			<u>149714</u>		<u>6565877</u>
			148928891		104503163
Balance brought forward		51102999		59200662	
Less : Deferred tax liability of earlier years		<u>—</u>		<u>42620826</u>	
			51102999		16579836
Amount available for Appropriation			<u>200031890</u>		<u>121082999</u>
Appropriations					
Proposed Dividend			27472500		19980000
Provision for Tax on Dividend			3519914		—
Transfer to General Reserve			75000000		50000000
Balance carried to Balance Sheet			<u>94039476</u>		<u>51102999</u>
TOTAL			<u>200031890</u>		<u>121082999</u>
Basic and diluted earnings per share of Rs.10 each (Rs.)			14.93		10.29
Significant Accounting Policies	19				
Notes on Accounts	20				

As per our report attached
For Raju & Prasad
Chartered Accountants

For and on behalf of the Board

M. Sivaram Prasad
Partner

N Bhuvanewari
Executive Director

V Nagaraja Naidu
Whole-time Director

Place: Hyderabad
Date : 28th May, 2003

A Prabhakara Naidu
DGM-Finance & Accounts

N Murali Krishna
Company Secretary

SCHEDULES TO BALANCE SHEET



	Rs.	As at 31.03.2003 Rs.	Rs.	As at 31.03.2002 Rs.
SCHEDULE 1 : SHARE CAPITAL				
Authorised:				
1,20,00,000 Equity Shares of Rs.10/- each (Previous year 1,20,00,000 Equity Shares of Rs.10/- each)		<u>120000000</u>		<u>120000000</u>
Issued, Subscribed & paid-up				
99,90,000 Equity Shares of Rs. 10/- each fully Paid up (Previous Year 1,07,83,851 Equity Shares of Rs.10/- each fully paid up)		<u>99900000</u>		<u>107838510</u>
SCHEDULE 2 : RESERVES & SURPLUS				
Capital Reserve (State Subsidy)		5500000		5500000
Capital Redemption Reserve		8100000		161490
General Reserve :				
Opening Balance	184623398		135000000	
Less : Utilised for Buy-Back of Equity Shares	<u>21993658</u>		<u>376602</u>	
Sub-total	162629740		134623398	
Add : Transferred during the year	<u>75000000</u>		<u>50000000</u>	
Closing Balance		237629740		184623398
Surplus in Profit and Loss Account		<u>94039476</u>		<u>51102999</u>
TOTAL		<u>345269216</u>		<u>241387887</u>
SCHEDULE 3 : SECURED LOANS				
Term Loans from Banks		3055123		4210238
Working Capital Loans from Banks		—		9433434
TOTAL		<u>3055123</u>		<u>13643672</u>
SCHEDULE 4 : UNSECURED LOANS				
Sales Tax Deferment		3938068		3938068
Short Term Working Capital Loans from Banks		<u>50000000</u>		<u>5064726</u>
TOTAL		<u>53938068</u>		<u>9002794</u>



SCHEDULE 5 : FIXED ASSETS

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	AS AT 31.03.2002 Rs.	ADDITIONS Rs.	DELETIONS Rs.	AS AT 31.03.2002 Rs.	FOR THE YEAR Rs.	DEDUCTIONS Rs.	AS AT 31.03.2003 Rs.	AS AT 31.03.2002 Rs.
LAND	25265726	4582793	325949	—	—	—	29522570	25265726
BUILDINGS	122953440	35363454	282328	17755787	4464071	23446	135838154	105197653
PLANT AND MACHINERY	267836936	60208562	2927803	83326130	38413164	2927803	206306204	184510806
FURNITURE AND FIXTURES	4402226	656692	—	1308992	308858	—	3441068	3093234
OFFICE EQUIPMENT	12486959	2496950	2618649	4679673	1290331	2020596	8415852	7807286
VEHICLES	4781600	1544599	254595	1058098	503758	132399	4642147	3723502
TOTAL	437726887	104853050	6409324	108128680	44980182	5104244	388165995	329598207
PREVIOUS YEAR	406862065	38136727	7271905	85364178	24882617	2118115	329598207	108128680

SCHEDULES TO BALANCE SHEET



	As at 31.03.2003 Rs.	As at 31.03.2002 Rs.
SCHEDULE 6 : INVESTMENTS		
Government Securities :		
National Savings Certificate	500	2100
Un-quoted : (Non-trade, Long term, at cost)		
143000 Equity Shares of Rs 10/- each fully paid up in Sree Lakshmi Narashima Dairy Specialities (Pvt.) Ltd	890400	890400
200000 Equity Shares of Rs 10/- each fully paid up in Heritage Finlease Ltd.	2000000	2000000
Quoted : (Non-trade, Long term, at cost)		
2000 Equity Shares of Rs.10/- each at a premium of Rs.75/- each fully paid up in Bank of Baroda	170000	170000
11400 Equity Shares of Rs.10/- each at par each fully paid up in Andhra Bank	114000	114000
HDFC Liquid Fund : Current year : NIL (Previous year : 803928 Units)	—	8044278
TOTAL	<u>3174900</u>	<u>11220778</u>

Note : The aggregate market value of the quoted Investments is Rs.475310/- (Previous year Rs.8242208/-)

SCHEDULE 7 : INVENTORIES

(As verified and certified by Management)

Stores and Spares	13585531	12324146
Raw Materials	30993922	10114865
Work-in-Progress	319600	136894
Finished Goods	82956208	28338342
TOTAL	<u>127855261</u>	<u>50914247</u>

SCHEDULE 8 : SUNDRY DEBTORS

(Unsecured and considered good)

Outstanding for more than six months	780372	100398
Other Debtors	8554872	8049309
Total Debtors	9335244	8149707
Less : Considered doubtful	316551	—
TOTAL	<u>9018693</u>	<u>8149707</u>

SCHEDULES TO BALANCE SHEET



	As at 31.03.2003 Rs.	As at 31.03.2002 Rs.
SCHEDULE 9 : CASH AND BANK BALANCES		
Cash and Cheques on hand	8543590	8585432
Funds in Transit	2097521	8124348
Balances with Scheduled Banks in :		
a) Current Accounts	83610307	57660409
b) Other Accounts	20112644	619665
Balance with Non-Scheduled Banks in Current Accounts :		
a) Shri Venkateswara Grameena Bank, A.P.,	397217	1565790
b) Nagarjuna Grameena Bank, A.P.,	420	420
c) The Dharmapuri Dist. Central Co-op. Bank Ltd., T.N.,	19459	20693
d) Prakasam Dist. Co-op. Central Bank Ltd., A.P.,	464819	147434
e) Chaitanya Grameena Bank, A.P.,	90577	—
TOTAL	115336554	76724191
SCHEDULE 10 : LOANS AND ADVANCES (Unsecured and Considered good)		
Inter Corporate Deposits	3044613	5611841
Shares Buy-Back Advance	—	20256720
Advances recoverable in cash or kind or for value to be received	44944732	20300929
Deposits	10976002	10298444
Tax Deducted at Source and Advance Tax	74830017	50125432
TOTAL	133795364	106593366
SCHEDULE 11 : CURRENT LIABILITIES AND PROVISIONS		
A. CURRENT LIABILITIES :		
Sundry Creditors :		
Dues to SSI Undertakings	11192369	1355425
Dues to Others	58371316	51197690
Creditors for Expenses	42990743	30587592
Trade Deposits	11307793	8618834
TOTAL	123862221	91759541
B. PROVISIONS		
Proposed Dividend	27472500	19980000
Provision for Taxation	86697598	55850000
Provision for tax on Dividend	3519914	—
Provision for diminution in value of Investments	—	86000
TOTAL	117690012	75916000
TOTAL	241552233	167675541

SCHEDULES TO PROFIT AND LOSS ACCOUNT



	Year Ended 31.03.2003 Rs.	Year Ended 31.03.2002 Rs.
SCHEDULE 12 : OTHER INCOME		
Interest on Bank and Other Deposits (TDS Rs.212134/- (Previous Year : Rs.91717/-))	4890680	1977099
Miscellaneous Receipts	2193545	1020132
Profit on Sale of Assets	2794	515585
Dividend Income (TDS Rs.117883/- (Previous Year : Rs. Nil))	1486369	698638
TOTAL	8573388	4211454
SCHEDULE 13 : MATERIALS CONSUMED		
Raw Materials :		
Opening Stock	5765079	9276788
Add : Purchases	1398752434	1126348315
	1404517513	1135625103
Less : Closing Stock	24895080	5765079
Consumption (a)	1379622433	1129860024
Packing Materials :		
Opening Stock	4349785	5181511
Add : Purchases	59720081	52829948
	64069866	58011459
Less : Closing Stock	6098842	4349785
Consumption (b)	57971024	53661674
TOTAL (a + b)	1437593457	1183521698
SCHEDULE 14 : EMPLOYEE REMUNERATION		
Salaries, Wages, Bonus & allowances	50476837	43421455
Contribution to Provident and Other funds	1910723	1688397
Gratuity	328609	2633372
Staff Welfare	1598034	1278169
TOTAL	54314203	49021393
SCHEDULE 15 : INTEREST		
On Term Loans from Banks	964854	3278775
On Working Capital Loans from Banks	288467	527065
TOTAL	1253321	3805840

SCHEDULES TO PROFIT AND LOSS ACCOUNT



	Year Ended 31.03.2003 Rs.	Year Ended 31.03.2002 Rs.
SCHEDULE 16 : OTHER EXPENSES		
Stores and Spares	15466606	13155291
Rent	2217538	1749063
Rates and Taxes	1665976	3422641
Bank Charges	3877547	4046733
Insurance	1802771	1902825
Travelling and Conveyance	4704931	4651127
Office Maintenance	1345463	1577424
Books and Periodicals	128594	130483
Electricity Charges	766754	623430
Safety and Security	3341894	2945511
Communication Cost	2766245	2946102
Printing and Stationery	2059309	1694134
Repairs and Maintenance:		
Buildings	322948	457684
Plant and Machinery	1318472	2178085
Others	1245220	1260514
Auditors' Remuneration:		
As Auditors	200000	175000
For taxation matters	127100	60000
For tax audit	65000	40000
Legal and Professional Charges	2601447	2151899
Freight Outwards	90344329	77971503
Selling and Distribution Expenses	2204060	3185022
Advertisement	4119337	3985107
Directors' Remuneration	12229287	7371814
Directors' Sitting Fees	32000	48000
Bad debts written off	360793	1406074
Provision for doubtful debts	316551	—
Loss on Sale of assets	602849	—
Cans and Crates written off	—	3668255
Recruitment and Training Expenses	390149	499727
Miscellaneous expenses	529784	558417
TOTAL	157152954	143861865
SCHEDULE 17 : (INCREASE) / DECREASE IN STOCKS		
Finished Goods & Work-in-Progress :		
Opening Stocks	28475236	54908709
Closing Stocks	83275808	28475236
(INCREASE) / DECREASE IN STOCKS	(54800572)	26433473
SCHEDULE 18 : MISCELLANEOUS EXPENDITURE WRITTEN OFF		
Deferred Revenue Expenditure	—	789718
TOTAL	—	789718



SCHEDULE 19 : SIGNIFICANT ACCOUNTING POLICIES

- a) **Basis of preparation of financial statements** : The financial statements have been prepared under historical cost convention and conformity to the generally accepted accounting principles, applicable provisions of the Companies Act, 1956 and as per the Accounting Standards issued by the Institute of Chartered Accountants of India.
- b) **Income and Expenditure** : All items of income and expenditure shown in the statement having material bearing on the accounts are accounted on accrual basis.
- c) **Fixed Assets** : Fixed Assets are carried at cost, which includes freight, insurance, erection and commissioning and pre-operative expenses confirmity the date of commissioning of assets.
- d) **Depreciation** : Depreciation on assets has been provided on the basis of Straight Line Method at the rates specified in Schedule XIV of the Companies Act, 1956.
- e) **Capital Work-in-progress** : Includes advances given for capital goods and materials at site.
- f) **Investments** : Investments are valued at cost.
- g) **Sales** : Sales are inclusive of Conversion Charges earned.
- h) **Inventories** : Inventories are valued as under :
 - i) Raw Materials : cost or net realisable value whichever is lower.
 - ii) Finished Goods : cost or net realisable value whichever is lower.
 - iii) Stores and Spares : at cost
 - iv) Work-in-progress : cost or net realisable value whichever is lower.

Cost has been ascertained on FIFO basis.
- i) **Employee Retirement Benefits** :
 - i) **Gratuity** : Accrued liability is determined actuarially and provided in accounts.
 - ii) **Provident Fund** : The company makes contribution to Provident Fund administered by the Central Government under the Provident Fund Act, 1952.
- j) Foreign Exchange transactions are recorded at the rates prevailing on the date of transactions.
- k) In respect of cans and crates, depreciation is provided at 100% as the cost of individual items does not exceed Rs.5000/- whereas in the earlier years as the aggregate cost constituted more than 10% of total actual cost of plant and machinery, depreciation was provided at normal rates. Due to this change in depreciation rate in accordance with schedule XIV of the Companies Act, 1956, the depreciation in the current financial year is higher by Rs.173.27 lakhs and the profit is lower by Rs.173.27 lakhs.



SCHEDULE 20 : NOTES ON ACCOUNTS

	As at 31.03.2003 Rs.	As at 31.03.2002 Rs.
1 (a) Contingent Liabilities not provided for		
Tax matters in appeal	2043755	1091278
Bank Guarantees	200000	500000
Claims against the Company not acknowledged as debts	408607	408607
(b) Estimated amount of Contracts remaining to be executed on capital account and not provided for (Net of Advances)	2865492	2973110

2. In terms of the resolution passed by the Board of Directors of the Company at their meeting held on 04.01.2002 authorising the Company to buyback its equity shares, the Company has bought back 810000 Equity Shares of Rs.10/- each at an average price of Rs.27.62 per share during the offer period 24.01.2002 to 05.04.2002 as follows :

Shares bought back		Shares Extinguishment		Paid-up Capital (Rs.in lakhs)	
Upto 31-03-2002	After 31-03-2002	Upto 31-03-2002	After 31-03-2002	As on 31-03-2002	As on 31-05-2002
749799	60201	16149	793851	1078.39	999.00

The nominal value of the shares bought back and extinguished has been reduced from the paid-up equity share capital and the corresponding amount has been transferred to Capital Redemption Reserve account. The consideration paid for the equity shares bought back and extinguished has been appropriated from General Reserve.

3. SECURED LOANS

- a) **Term Loan** : Loan from Bank of Baroda and Andhra Bank - fully secured by a first charge on Land, Buildings and Plant and Machinery situated at various locations and also guaranteed by the Executive Director of the Company.
- b) **Working Capital Loan** : Secured by hypothecation of stocks, book debts and by extension of charge on Land, Buildings and Plant and Machinery situated at various locations and also guaranteed by the Executive Director of the Company.
4. Amount shown under the head Unsecured Loans (schedule 4) includes sales tax collected under deferral scheme of State Government and is repayable at the end of the 14th Year from the year in which it is collected and the earliest year to repay is 2009-2010.

	Year Ended 31.03.2003 Rs.	Year Ended 31.03.2002 Rs.
5. MANAGERIAL REMUNERATION PAID / PAYABLE		
a) Salaries	4500000	2520000
b) Commission	7360136	4543374
c) Provident Fund	360000	216000
d) Others	9151	92440



COMPUTATION OF NET PROFIT UNDER SECTION 198 READ WITH SECTION 309(5) OF COMPANIES ACT, 1956

	Year Ended 31.03.2003 Rs.	Year Ended 31.03.2002 Rs.
Profit before Income Tax (as per Profit and Loss account)	232403891	172316254
Add : Directors' remuneration	4869151	2828440
Directors' commission	7360136	4543374
Directors' Sitting fees	32000	48000
Depreciation	44980182	24882617
Loss on Assets Sold / Written off	602849	3668255
Profit on Assets Sold / Written off	<u>(2794)</u>	<u>(515585)</u>
	<u>57841524</u>	<u>35455101</u>
	<u>290245415</u>	<u>207771355</u>
Less: Depreciation as per Section 350 of the Companies Act, 1956	44980182	24882617
Net (Profit) / Loss on Assets sold / written off as per Written Down Value Method	(72631)	1153795
Net Profit as per Section 309(5) of the Companies Act, 1956	<u>245337864</u>	<u>181734943</u>
COMMISSION PAYABLE		
Commission payable to two Directors at 3.0 per cent (Previous year at 2.5 per cent)	7360136	4543374

- 6. Segment Reporting :** The Company is primarily engaged in the business of Milk and Milk products. Since the inherent nature of both these activities are integrated and governed by the same set of risks and returns and operating in the same economic environment, these have been grouped as a single segment in the financial statements. The said treatment is in accordance with the Accounting Standard (AS) - 17 on "Segment Reporting".



7. Related Party disclosures :

a) Names of Related Parties & relationship

<u>Party Name</u>	<u>Relation</u>
Heritage Finlease Ltd	Associate
Sree Lakshmi Narashima Dairy Specialities (P) Ltd.,	Associate
N. Bhuvaneshwari	Key Management Personnel (Executive Director)
V Nagaraja Naidu	Key Management Personnel (Whole-Time Director)

b) Transactions with related parties :

Nature of Transaction	Heritage Finlease Limited	Sree Lakshmi Narashima Dairy Specialities (P) Ltd	N Bhuvaneshwari	V Nagaraja Naidu
Description of the Relationship between the parties	Associate	Associate	Key Management Personnel (Executive Director)	Key Management Personnel (Whole-Time Director)
Description of the nature of transactions	Dividend received	Purchase of goods	a) Receiving of Services b) Rental agreement	Receiving of Services
Volume of the transactions either as an amount or as appropriate proportion	Dividend of Rs.1.0 lakh has been received from Heritage Finlease Ltd.,	2.99% of the total cost of rawmilk purchase from Sree Lakshmi Narashima Dairy Specialities (P) Ltd	a) Managerial Remuneration of Rs.73.37 lakhs b) Office rent of Rs.6 lakhs	Managerial Remuneration of Rs.48.93 lakhs
Any other elements of the related party transacting of the financial statements	NIL	NIL	Managerial Remuneration was approved by Shareholders	
The amounts or appropriate proportions of outstanding items pertaining to related parties at the Balance Sheet date	NIL	Rs.14.20 lakhs is payable to Sree Lakshmi Narashima Dairy Specialities (P) Ltd towards purchase of goods	NIL	NIL
Provisions for doubtful debts due from such parties at that date and amounts written off or written back in the period in respect of debts due from or to related parties	NIL	NIL	NIL	NIL



8. Deferred Tax :

(a) In accordance with Accounting Standard (AS) - 22 "Accounting for Taxes on Income", an amount of Rs. 2.97 lakhs has been provided towards deferred tax liability for the year ended March 31, 2003 and the corresponding figure for the previous year ended March 31, 2002 is Rs.53.42 lakhs.

b) The breakup of deferred tax liability as on March 31, 2003 is as under :	Rs.
Difference between Book and Tax depreciation	131320200
Deferred Tax liability thereon	48260174

	Year Ended	Year Ended
	31.03.2003	31.03.2002
	Rs.	Rs.

9. Expenditure in Foreign Currency:

Foreign Travel Expenditure	—	—
Stores & Spares	18579	—
Other Matters (ISO 9002 Certification)	36193	4818

	2002 - 2003		2001 - 2002	
	Quantity	Value	Quantity	value
		(Rs. in Lakhs)		(Rs. in Lakhs)

10. QUANTITATIVE INFORMATION & CAPACITY

a) Licensed Capacity :	N.A	N.A
(Lakh Litres of Milk)		
b) Installed Capacity :		
Milk (Lakh Litres)	2848	2482
Ghee (MT)	1522	1522
Skimmed Milk Powder (MT)	2920	2920
(As certified by Management)		
c) Actual Production :		
Milk (Lakh Litres)	1515.99	1307.88
Cream (MT)	2177.00	1445.81
Ghee (MT)	618.23	867.49
Skimmed Milk Powder (MT)	678.76	237.28
Dairy whitener (MT)	0.16	19.80
Butter (MT)	454.57	119.88
Curd (MT)	2568.10	2082.02
Butter Milk (Lakh Litres)	9.73	3.89
Doodh Peda (MT)	7.57	0.33
Khoa (MT)	0.16	—
Flavored Milk (Lakh Litres)	0.79	—
Panneer (in Kgs)	91.70	—

Note : The above Production figures include 136.83 Lakh ltrs of Milk, 48.66 MT of Cream, 208.28 MT of Skimmed Milk Powder, 0.12 MT of Dairy Whitener and 152.05 MT of Curd used for Captive consumption (Previous year : 76.6 Lakh Litres of Milk, 32.81 MT of Cream, 134.36 MT of Skimmed Milk Powder and 0.15 MT of Dairy Whitener used for Captive Consumption).



	2002 - 2003		2001 - 2002	
	Quantity	Value (Rs. in Lakhs)	Quantity	value (Rs. in Lakhs)
d) Turnover :				
Milk (Lakh Litres)	1376.69	16448.59	1231.28	14006.18
Cream (MT)	2094.78	1417.38	1429.04	834.10
Ghee (MT)	607.46	673.38	1161.62	1086.39
Skimmed Milk Powder (MT)	79.77	61.29	92.24	74.40
Dairy Whitener (MT)	0.16	0.16	26.25	18.73
Butter (MT)	226.27	195.96	123.20	100.74
Curd (MT)	2416.17	349.09	2068.46	300.03
Butter Milk (Lakh Litres)	9.69	71.09	3.88	29.30
Doodh Peda (MT)	7.50	6.53	0.33	0.23
Khoa (MT)	0.16	0.13	—	—
Flavored Milk (Lakh Litres)	0.60	21.80	—	—
Panneer (in Kgs)	88.20	0.06	—	—
Conversion Charges Earned	—	37.22	—	57.13
Total		19282.68		16507.23
e) Opening Stock of Finished Goods :				
Milk (Lakh Litres)	7.80	74.47	7.80	71.63
Cream (MT)	16.04	10.45	32.08	16.87
Ghee (MT)	35.53	33.49	329.66	273.75
Skimmed Milk Powder (Finished Goods) (MT)	266.62	160.74	255.94	176.78
Dairy Whitener (MT)	0.12	0.08	6.72	4.36
Butter (MT)	1.38	1.15	4.70	3.94
Curd (MT)	28.94	2.70	15.38	1.54
Butter Milk (Lakh Litres)	0.07	0.30	0.06	0.22
Total		283.38		549.09
f) Closing Stock of Finished Goods :				
Milk (Lakh Litres)	10.27	102.49	7.80	74.47
Cream (MT)	49.60	33.72	16.04	10.45
Ghee (MT)	46.30	51.49	35.53	33.49
Skimmed Milk Powder (Finished Goods) (MT)	657.33	421.65	266.62	160.74
Dairy Whitener (MT)	—	—	0.12	0.08
Butter (MT)	229.68	212.52	1.38	1.15
Curd (MT)	28.82	2.77	28.94	2.70
Butter Milk (Lakh Litres)	0.11	0.37	0.07	0.30
Doodh Peda (MT)	0.07	0.03	—	—
Flavored Milk (Lakh Litres)	0.19	4.52	—	—
Panneer (in Kgs)	3.50	0.002	—	—
Total		829.56		283.38
g) Raw Materials consumed :				
Milk (Lakh Litres)	1508.19	12702.54	1300.08	10598.68
Others		1093.68		699.92
Total		13796.22		11298.60



	2002 - 2003		2001 - 2002	
	Quantity	Value (Rs. in Lakhs)	Quantity	value (Rs. in Lakhs)
11. CONSUMPTION OF MATERIALS				
a) Raw Materials	%		%	
i) Indigenous	99.97	13791.77	100.00	11298.60
ii) Imported	0.03	4.45	—	—
b) Spare Parts & Consumables				
i) Indigenous	99.88	154.48	100.00	131.55
ii) Imported	0.12	0.19	—	—
			Year Ended 31.03.2003	Year Ended 31.03.2002

12. Earnings Per Share :

a) Calculation of weighted average number of equity shares of Rs.10/-each :		
Number of Shares at the beginning of the year	10783851	10800000
Shares bought back and extinguished during the year	793851	16149
Number of Equity shares outstanding at the end of the year	9990000	10783851
Weighted average number of equity shares outstanding during the year	9990279	10797525
b) Net Profit after tax	149107029	111123768
c) Basic and Diluted Earnings per share of Rs.10 each (Rs.)	14.93	10.29

13. Maximum Balances held during the year with Non-Scheduled Banks : (Rs. in Lakhs)

Name of the Bank	During the Year ended 31.03.2003	During the Year ended 31.03.2002
Shri Venkateswara Grameena Bank, A.P. India	57.20	42.03
Nagarjuna Grameena Bank, A.P., India	—	0.01
The Dharmapuri District Central Co-operative Bank Ltd., T.N., India	24.39	10.10
The Prakasam Dist. Co-op. Central Bank Ltd., A.P., India	26.07	27.48
Chaitanya Grameena Bank, Pidiguralla	5.10	—

The Company is dealing with the above banks for making payments towards milk purchases.

14. The names of the Small Scale Industrial (SSI) Undertaking to whom the Company owes money which is outstanding for more than 30 days :

Pragna Industries	Ekasila Chemicals Ltd
Sree Ram Tech	Sri Saibaba Chemicals
Swathi Enterprises	Sree Venkata Sai Packaging
Essge Plastics Private Limited	Acto Products
J M Plastic Industries	Raj Paper Products
J M Polymers - Unit - II	Rubber Age India
Paran Polymers Private Limited	G B R Associates

The amounts outstanding to the above parties as on 31st March, 2003 is mainly due to the amounts not falling due contractually. The list of SSI Undertakings were determined by the Company on the basis of information available with the Company and relied upon by the auditors.

15. Paise is rounded off to the nearest Rupee.

16. Previous Year figures are regrouped wherever necessary.



BALANCE SHEET ABSTRACT

17. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

Additional Information Pursuant to Part IV of Schedule VI of Companies Act, 1956 (as amended)

I. Registration Details

Registration No. 1 4 3 3 2 State Code 0 1

Balance Sheet 3 1 0 3 2 0 0 3

Date Month Year

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue N I L Right Issue N I L

Bonus Issue N I L Private Placement N I L

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities 5 5 0 4 2 2 Total Assets 5 5 0 4 2 2

Sources of Funds

Paid-up Capital 9 9 9 0 0 Reserves & Surplus 3 4 5 2 6 9

Secured Loans 3 0 5 5 Unsecured Loans 5 3 9 3 8

Deferred Tax Liability 4 8 2 6 0

Application of Funds

Net Fixed Assets 4 0 2 7 9 4 Investments 3 1 7 5

Net Current Assets 1 4 4 4 5 4 Misc. Expenditure N I L

Accumulated Losses N I L

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover (includes other income) 1 9 3 6 8 4 1 Total Expenditure 1 7 0 4 4 3 7

+ - Profit before Tax 2 3 2 4 0 4

+ - Profit after Tax 1 4 9 1 0 7

Earnings Per Share in Rs. (Annualised)

1 4 . 9 3

Dividend Rate %

2 7 . 5 0

V. Generic Name of Principal Product / Service of the Company

Item Code No. (ITC Code) 4 0 2 1 0

Production Description M I L K & M I L K P R O D U C T S

As per our report attached
For Raju & Prasad
Chartered Accountants

For and on behalf of the Board

M. Sivaram Prasad
Partner

N Bhuvanewari
Executive Director

V Nagaraja Naidu
Whole-time Director

Place: Hyderabad
Date: 28th May, 2003

A Prabhakara Naidu
DGM-Finance & Accounts

N Murali Krishna
Company Secretary



CASH FLOW STATEMENT

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2003

(pursuant to clause 32 of Listing Agreement)

PARTICULARS	2002 - 2003		2001 - 2002	
	Rs.	Rs.	Rs.	Rs.
A. CASH FLOWS FROM OPERATING ACTIVITIES				
Net Profit before tax	232403891		172316254	
Adjustment for				
Depreciation	44980182		24882617	
Interest	1253321		3805840	
Misc. exps written off	—		789718	
Profit on sale of Fixed Assets	(2794)		(515585)	
Loss on sale of Fixed Assets	602849		3668255	
Profit on sale of Investments	(1358453)		(579238)	
Prior period expenses	(28424)		(54728)	
Interest received	(4890680)		(1977099)	
Dividend received	(127916)		(119400)	
Operating Profit before Working Capital Changes	272831976		202216634	
Adjustment for				
Inventories	(76941014)		28733164	
Trade and Other Receivables	(23623120)		(9049116)	
Trade Payables	32016680		14561421	
Cash Generated from Operations before Tax	204284522		236462103	
Direct taxes paid (incl. taxation of earlier years) (net of refund)	(77006701)		(57084458)	
Net Cash Generated from Operations		127277821		179377645
B. CASH FLOWS FROM INVESTMENT ACTIVITIES				
Purchase of Fixed Assets	(115169877)		(42040003)	
Proceeds from sale of Fixed Assets	705026		2001120	
Purchase of Investments	(88000000)		(60172500)	
Proceeds from sale of Investments	97404331		52537060	
Interest received	4890680		1977099	
Dividend received	127916		119400	
Net Cash used for Investing Activities		(100041924)		(45577824)
C. CASH FLOWS FROM FINANCING ACTIVITIES				
Buy-back of Equity Share Capital	(602010)		(7497990)	
Premium on Buy-back of Equity Share Capital	(1134928)		(13135332)	
Borrowings from Banks and others (Net)	34756566		(66280518)	
Interest paid	(1663162)		(7425943)	
Dividend paid	(19980000)		(19042560)	
Net Cash Flow from Financing Activities		11376466		(113382343)
Net increase in cash and cash equivalents		38612363		20417478
Opening Balance as at 1 st April, 2002		76724191		56306713
Closing Balance as at 31 st March, 2003		115336554		76724191

Notes : Previous year's figures have been regrouped / reclassified wherever necessary to conform to the current year's classification.

For and on behalf of the Board

N Bhuvanewari
Executive Director

V Nagaraja Naidu
Whole-time Director

Place : Hyderabad
Date : 28th May, 2003

A Prabhakara Naidu
DGM-Finance & Accounts

N Murali Krishna
Company Secretary

AUDITOR'S CERTIFICATE

We have examined the above Cash Flow Statement of M/s. Heritage Foods (India) Limited, for the year ended on 31st March, 2003. The statement has been prepared by the Company in accordance with the requirement of clause 32 of the Listing agreement with the Stock Exchanges and is based on and in agreement with the corresponding Profit and Loss and Balance Sheet of the Company covered by our report of 28th May, 2003 to the Members of the Company.

For **Raju & Prasad**
Chartered Accountants

Place : Hyderabad
Date : 28th May, 2003

M. Sivaram Prasad
Partner

ECS MANDATE FORM



ELECTRONIC CLEARING SERVICES (ECS) MANDATE FORMAT

To
Karvy Consultants Limited,
UNIT : Heritage Foods (India) Limited
46, Avenue 4,
Street No.1, Banjara Hills
Hyderabad - 500 034

Dear Sirs,

FORM FOR ELECTRONIC CLEARING SERVICES FOR PAYMENT OF DIVIDEND

Please fill-in the information in Capital Letters in English Only. Please Tick [✓] wherever is applicable.

For shares held in physical form

Master Folio No.

For shares held in electronic form

DP ID

Client ID

----- For Office Use Only -----

ECS
Ref.No.

Name of First holder	
Bank name	
Branch name	
Branch code	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>

(9 Digits Code Number appearing on the MICR Band of the cheque supplied by the Bank).
Please attach a xerox copy of a cheque or a blank cheque of your bank duly cancelled for ensuring accuracy of the banks name, branch name and code number.

Account type	→	Savings <input type="checkbox"/>	Current <input type="checkbox"/>	Cash Credit <input type="checkbox"/>
A/c. No. (as appearing in the cheque book)	→	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>		
Effective date of this mandate	→	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>		

I, hereby, declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reasons of incompleteness or incorrectness of information supplied as above, Karvy Consultants Limited, will not be held responsible. I agree to avail the ECS facility provided by RBI, as and when implemented by RBI/ Heritage Foods (India) Limited.

I further undertake to inform the Company any change in my Bank/branch and account number.

Dated : _____

(Signature of First holder)

Note : On dematerialisation of existing physical shares, for which you have availed ECS facility, the above form needs to be re-submitted.

Nomination Form

[To be filled in by individual(s)]

To, Karvy Consultants Limited UNIT : Heritage Foods (India) Limited 46, Avenue 4, Street No. 1 Banjara Hills Hyderabad 500 034	From Name of shareholder and address _____ _____ Folio No. _____ No. of Shares _____
---	---

I am / we are holder(s) of Shares of the Company as mentioned above. I/We nominate the following person in whom all rights of transfer and / or amount payable in respect of Equity Shares shall vest in the event of my / our death.

Nominee's name							Age					
To be furnished in case the nominee is a minor						Date of Birth						
Guardian's Name & Address*												
Occupation of	1	Service	2	Business	3	Student	4	Household				
Nominee Tick (✓)	5	Professional	6	Farmer	7	Others						
Nominee's Address												

						Pin Code						
Telephone No.						Fax No.						
Email Address								STD Code				
Specimen signature of Nominee / Guardian (in case nominee is minor)												

* To be filled in case nominee is a minor

Kindly take the aforesaid details on record.

Thanking you,
Yours faithfully,

Date :

Name and address of equity shareholder {as appearing on the Certificate(s)}	Signature (as per specimen with company)
Sole/1st holder (address)	
2nd holder	
3rd holder	
4th holder	

Witness (two)	
Name and Address	Signature & Date
1.	
2.	

INSTRUCTIONS :

1. Please read the instructions given below very carefully and follow the same to the letter. If the form is not filled as per instructions, the same will be rejected.
2. The nomination can be made by individuals only. This facility is not available to non individuals including society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family and holders of power of attorney. If the Shares are held jointly all joint holders must sign (as per the specimen registered with the Company) the nomination form.
3. A minor can be nominated by a holder of Shares and in that event the name and address of the Guardian should be given by the holder.
4. The nominee cannot be a trust, society, body corporate, partnership firm, Karta of Hindu Undivided Family, or a power of attorney holder. A non-resident Indian can be a nominee on re-patriable basis.
5. Transfer of Shares in favour of a nominee shall be a valid discharge by the Company against the legal heir(s).
6. Only one person can be nominated for a given folio.
7. Details of all holders in a folio need to be filled in, else the request will be rejected.
8. The nomination will be registered only when it is complete in all respects including the signature of (a) all registered holders (as per specimen lodged with the Company) and (b) the nominee.
9. This nomination will stand rescinded whenever the Shares in the given folio are entirely transferred or dematerialised.
10. Upon receipt of a duly executed nomination form, the Registrar and Transfer Agent of the Company will register the form and allot a registration number. The registration number and folio no. should be quoted by the nominee in all future correspondence.
11. The nomination can be varied or cancelled by executing fresh nomination form.
12. The Company will not entertain any claim other than that of a registered nominee, unless so directed by any competent court.
13. The intimation regarding nomination / nomination form should be filed in duplicate with the Registrar and Transfer Agents of the Company who will return one copy thereof to the Shareholders.
14. For shares held in dematerialised mode nomination is required to be filed with the Depository Participant in their prescribed form.

FOR OFFICE USE ONLY
Nomination Registration Number
Date of Registration
Checked by (Name and Signature)



Heritage Foods (India) Limited

Regd. Office: 6-3-541/C, Panjagutta, Hyderabad - 500 082

ATTENDANCE SLIP

(Please fill this attendance slip and hand it over at the entrance of the Meeting Hall)

DP ID*	
--------	--

Folio Number	
--------------	--

Client ID*	
------------	--

Name :

Address :

I hereby record my presence at the **11th Annual General Meeting** of the Company held on **Wednesday the 30th July, 2003 at 10.00 A.M. at Sri Satya Sai Nigamagamam, Srinagar Colony, Hyderabad.**

Signature of the Shareholder/Proxy/ Authorised Representative **

* Applicable for investors holding shares in electronic form

** Strike out whichever is not applicable

No Gifts
will be
given



Heritage Foods (India) Limited

Regd. Office: 6-3-541/C, Panjagutta, Hyderabad - 500 082

PROXY FORM

DP ID*	
--------	--

Folio Number	
--------------	--

Client ID*	
------------	--

I/We _____ resident of _____
_____ being a member/members of
Heritage Foods (India) Limited, hereby appoint Ms./Mr. _____
of _____ or failing her/him Ms./Mr. _____ of
_____ as my/our proxy to vote for me/us on
my/our behalf for or against any resolution at the **11th Annual General Meeting** of the Company to be held on
Wednesday the 30th July, 2003 at 10.00 A.M. at Sri Satya Sai Nigamagamam, Srinagar Colony, Hyderabad and
at any adjournment thereof.

Dated this _____ day of _____, 2003.

Affix
30 Paise
Revenue
Stamp

Signature of the First/Sole holder

Note: A Proxy need not be a member. The instrument appointing 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 48 hours before the time for holding the aforesaid meeting.