

Agro Tech Foods Limited

Board of Directors

Directors

William Lyon Hutton*	Chairman
Patrick Douglas Linehan@	
Javier Eduardo Alarcon Ruiz#	
Michael D Walter	
Lt Gen D B Singh	
Sanjaya Kulkarni	
Arun Bewoor	
Narendra Ambwani	
Pradip Ghosh Chaudhuri	Whole-time Director

Leadership Team

Sachin Gopal	President & CEO
Asheesh Sharma	Head of Marketing
Dharmesh K Srivastava	General Manager – Supply Chain & Procurement
Hemant Kumar Ruia	CFO, Head of Information Systems & Legal
N Narasimha Rao	Vice President – Human Resources
Pradip Ghosh Chaudhuri	General Manager – Manufacturing
R Gopalakrishnan	Head of Sales
Satish Kumar Singh	Head of Research, Quality & Innovation

Company Secretary

Phani K Mangipudi

Auditors

B S R and Co
Chartered Accountants
Hyderabad.

Registered Office

31, Sarojini Devi Road
Secunderabad – 500 003
Andhra Pradesh
India.
Website: www.atffoods.com

Registrars & Share Transfer Agents

Karvy Computershare Private Limited
Plot No.17-24, Vithal Rao Nagar
Madhapur, Hyderabad - 500081

* Appointed as Director and Chairman with effect from 25th July, 2012.

@ Resigned as Director with effect from 8th April, 2013.

Appointed as Director in the casual vacancy caused by the resignation of Mr. Patrick D Linehan with effect from 24th April, 2013.

NOTICE TO MEMBERS

Notice is hereby given that the Twenty Sixth Annual General Meeting of the Members of Agro Tech Foods Limited will be held on Friday the 26th July, 2013 at 10.00 A.M. at Residency Hall, Hotel Green Park, Greenlands, Hyderabad – 500 016, Andhra Pradesh to transact the following businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2013 and the Statement of Profit and Loss for the year ended on that date and the Report of the Directors and Auditors thereon.
2. To declare dividend for the Financial Year ended 31st March, 2013.
3. To appoint a Director in place of Mr. Michael D Walter, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Arun Bewoor, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration. M/s. B S R and Co, Chartered Accountants (ICAI Registration No.128510W), the retiring Auditors are eligible for reappointment.

SPECIAL BUSINESS

6. To appoint Mr. William Lyon Hutton, an Additional Director of the Company, who vacates office at this Meeting and to consider and, if thought fit, to pass, with or without modification, the following Ordinary Resolution of which the prescribed Notice under Section 257 of the Companies Act, 1956 along with a deposit of ₹500/- has been received by the Company. Mr. William Lyon Hutton has filed his consent pursuant to the provisions of Section 264(1) of the Companies Act, 1956 to act as Director, if appointed.

“RESOLVED that Mr. William Lyon Hutton be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation.”

7. To consider and if thought fit, to pass, with or without modification, the following Resolution as a SPECIAL RESOLUTION:

“RESOLVED that pursuant to the provisions of Sections 198, 269, 309, 310, 314 read with Schedule XIII thereto and other applicable provisions, if any of the Companies Act, 1956 or any amendment or modification or re-enactment thereof, and subject to such approval or consents including the Central Government as may be necessary or required, the reappointment of Dr. Pradip Ghosh Chaudhuri as a Whole-time Director of the Company, with effect from 27th July, 2013 till 30th July, 2014 or the date of the next Annual General Meeting, whichever is earlier, (both days inclusive) on such remuneration including salary and perquisites as have been set out in the Explanatory Statement attached to the Notice convening this Annual General Meeting, a copy whereof, initialed by the Chairman for the purposes of identification, is placed before this Meeting, including a variation of such terms in salary and perquisites as approved by the Board on the recommendation of the Remuneration and Nominations Committee and agreed to by Dr. Pradip Ghosh Chaudhuri, be and the same is hereby approved.”

8. To consider and if thought fit, to pass, with or without modification, the following Resolution as a SPECIAL RESOLUTION:

“RESOLVED that in accordance with the applicable laws, consent and approval of the Members is hereby accorded to withdraw, the approval granted by the Members vide resolution dated 10th June, 2013 passed by way of postal ballot to buy back 1,000,000 fully paid-up equity shares through tender offer route.”

“RESOLVED FURTHER that all acts and deeds done by the Board till date pursuant to the authority granted by the Members of the Company vide its resolution dated 10th June, 2013, be and are hereby ratified and approved.”

“RESOLVED FURTHER that Dr. Pradip Ghosh Chaudhuri, Director and Mr. Phani K Mangipudi, Company Secretary of the Company be and are hereby severally authorised to do all such acts, deeds, matters and things and to sign, seal and execute any documents, letters, papers etc. as may be necessary or expedient to give effect to the above resolutions.”

Agro Tech Foods Limited

BOOK CLOSURE

The Register of Members and Share Transfer Books of the Company shall remain closed from Thursday, 18th July, 2013 to Friday, 26th July, 2013 (both days inclusive). Share Transfers received in order by 6.00 p.m. on 17th July, 2013, will be in time to be passed for payment of dividend, if declared, to the transferees or to their mandatees and the dividend, if declared, will be paid on 23rd August, 2013, to those Members entitled thereto and whose names shall appear on the Register

of Members of the Company on 26th July, 2013, or to their mandatees, subject however to the provisions of Section 206A of the Companies Act, 1956, or any amendment or modification thereof. In respect of dematerialized shares, the dividend will be payable on the basis of beneficial ownership as on 23rd August, 2013, as per details to be furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for this purpose.

Date: 26th June, 2013

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

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

Phani K Mangipudi
Company Secretary

NOTES:

1. In accordance with the Provisions of Section 173 of the Companies Act, 1956 and the Listing Agreement an Explanatory Statement in respect of item Nos. 6, 7 and 8 being items of Special Business is annexed.
2. A Member entitled to attend and vote on a poll is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a Member. Proxies in order to be effective must be received by the Company not less than forty eight hours before the Annual General Meeting.
3. Members are requested to bring their copies of the Reports and Accounts to the Meeting.
4. Members are requested to notify any change in their address immediately to Karvy Computershare Private Limited, Plot No. 17-24, Vithal Rao Nagar, Madhapur, Hyderabad - 500 081.
5. As part of the Green Initiative of the Ministry of Corporate Affairs, the Members who wish to receive notice/documents through e-mail, may kindly intimate their e-mail addresses to the Company's Compliance Officer at phani.mangipudi@atfoods.com.

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

Item No. 6

Mr. William Lyon Hutton was appointed as an Additional Director of the Company in terms of Section 260 of the Companies Act, 1956 on 25th July, 2012 and he holds office up to the date of this Annual General Meeting. Notice under Section 257 of the Companies Act, 1956 along with the requisite deposit of ₹500/- has been received from a Member proposing the appointment of Mr. William Lyon Hutton as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation. Mr. William Lyon Hutton filed his consent pursuant to the provisions of Section 264(1) of the Companies Act, 1956 to act as Director, if appointed.

Interest of Directors :

Mr. William Lyon Hutton may be deemed to be interested in the above Resolution in so far as the same relates to him. No other Director of your Company is interested in this Resolution.

Your Directors recommend the Resolution for your approval.

Item No. 7

The Board of Directors on the recommendation of the Remuneration & Nominations Committee recommended for approval of the Members, the reappointment of Dr. Pradip Ghosh Chaudhuri as Whole-time Director of the Company with effect from 27th July, 2013 till 30th July, 2014 or till the date of the next Annual General Meeting, whichever is earlier on the following remuneration:

(I) Salary:

₹1,85,000/- per month with annual increments (which in accordance with the Rules of the Company is 1st July every year) up to a maximum of 25% with liberty to the Board of Directors to sanction any further increase over and above the mentioned percentage, as it may in its absolute discretion, determine.

(II) Perquisites:

In addition to the aforesaid salary, Dr. Pradip Ghosh Chaudhuri shall be entitled to perquisites like medical reimbursement, leave travel concession for self and family, club fees, personal accident insurance, ESOP, performance linked incentive by whatever name called, etc. in accordance with the rules of the Company, the

monetary value of such perquisites being limited to ₹40/- Lakhs per annum, for the purposes of which limit perquisites shall be evaluated as per Income Tax Rules, wherever applicable, and in absence of any such Rule, perquisites shall be evaluated at actual cost. However, the following shall not be included in the aforesaid perquisite limit:

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

(iii) Minimum Remuneration:

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

Dr. Pradip Ghosh Chaudhuri will not be entitled to any sitting fee for attending Meetings of the Board or of any Committee thereof.

Agro Tech Foods Limited

The aforesaid reappointment and remuneration payable to Dr. Pradip Ghosh Chaudhuri may be further varied, altered or modified as may be agreed to by the Board of Directors and Dr. Pradip Ghosh Chaudhuri, in the light of any amendment/modification of the Companies Act or any re-enactment thereof within the limit prescribed under Schedule XIII of the Companies Act, 1956.

Dr. Pradip Ghosh Chaudhuri is the General Manager – Manufacturing of your Company. He is M.Tech, Ph.D with more than 38 years' experience in Industry. He joined the Company in 1996. Dr. Pradip Ghosh Chaudhuri has done his M. Tech in Chemical Engineering & Chemical Technology from Applied Chemistry Dept, Calcutta University and completed his Doctoral from same institute under Prof. D. K. Bhattacharjee. He published research papers in national & international Journals. He has 38 years of research & industrial experience in oils & fats and allied fields and worked in past with Swastik Industries, Gem Refineries and K. N. Oil Industries in various parts of India, who are pioneers in processing /export of edible ricebran oil and exotic confectionary fat of Indian origin. His contributions to the Company have been invaluable.

Your Directors consider that it would be appropriate and desirable to reappoint him as his experience will be beneficial to the Company. Dr. Pradip Ghosh Chaudhuri continues to hold office as General Manager - Manufacturing. As appointment and remuneration are subject to compliance with the requirement of Section 314 and other applicable provisions of the Companies Act, 1956, your Directors commend passing of the Special Resolution set out in the Notice of the Meeting.

Interest of Directors

Excepting Dr. Pradip Ghosh Chaudhuri, who is interested in his reappointment and the remuneration /minimum remuneration payable to him, no other Director of your Company is concerned or interested in the said Resolution.

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

Your Directors recommend the Resolution for your approval.

Item No. 8

The Members of the Company had approved the buy-back of 1,000,000 fully paid up equity shares at a maximum buy back price of ₹520/- per share, vide resolution dated 10th June, 2013 passed by way of postal ballot. However, when the offer was due to be made, the market price of the Company shares were over and above the buyback offer price of ₹520/- per share. Hence, the Board of Directors, pursuant to the authorization given by the shareholders, in its absolute discretion and in the interests of the Company, decided not to take further steps in the buy back process and to call off the buyback.

Accordingly, the Company seeks your consent to rescind the approval granted by the Members vide resolution dated 10th June, 2013 passed by way of postal ballot to buy back 1,000,000 fully paid-up equity shares through tender offer route.

Interest of Directors

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

Your Directors recommend the Resolution for your approval.

Date: 26th June, 2013

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

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

Phani K Mangipudi
Company Secretary

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

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

Michael D Walter

Mike Walter's background spans over 35 years in trading and trade-related activities with an emphasis on agriculture, working for such notable firms as Central Soya, General Mills and ConAgra Foods. Mr. Walter has extensive domestic and international operating experience managing commodity trading and grain processing businesses in the U.S., Australia, Canada, South America, UK, Germany and China. In addition, he led large, consolidated corporate functions consisting of purchasing, transportation, real estate and government affairs for a \$20+ billion corporation.

After serving 18 years in executive management positions at ConAgra Foods, Mr. Walter founded Mike Walter and Associates - a risk management consulting firm that provides strategic guidance in general business and economic trends. He recently served as President of the Commodity Markets Council (CMC) - a Washington, D.C. - based trade organization representing the major commodity exchanges and their customers.

He currently serves on the international boards of European Oat Millers in the UK, and Richardson International of Canada.

Additionally, he serves as a Director for Lindsay Manufacturing (LNN), trustee for the Howard G Buffett Foundation, Member of the business advisory boards for both the University of Nebraska at Omaha and Creighton University where he taught graduate level derivative trading courses.

Mr. Walter previously served six years as a Director for the Chicago Board of Trade (CBOT) prior to its merger with the Chicago Mercantile Exchange (CME) in 2007. He also held past memberships within the Minneapolis Grain Exchange (MGE) and the Kansas City Board of Trade (KCBOT).

Mr. Walter earned a Bachelor of Science degree in business from Eastern Illinois University and has completed numerous Harvard Business School Advance Management Programs.

Arun Bewoor

Mr. Bewoor is currently a Management Consultant and had retired as Vice President - India Region from International Flavours & Fragrances (IFF) which he held since 2001. Prior to this, he was Managing Director of Bush Boake Allen India which was subsequently taken over by IFF and held the position of Vice President (Sales & Marketing) with Procter & Gamble. He also held various honorary industry positions at different points in time as President - American Chamber of Commerce, Tamil Nadu, Madras Management Association, Madras Chamber of Commerce & Industry, Chairman of different Committees at CII, Member-Advisory Council - IMA and was Board Member of Dakshina Chitra, Chesire and Interface.

Mr. Bewoor graduated from the Pune University with a Honors Degree in Physics and Mathematics and holds a Post Graduate Diploma from the Indian Institute of Management, Ahmedabad and attended Management Development Program at Columbia University, New York, USA.

William Lyon Hutton

Mr. Hutton has served ConAgra Foods, Inc. as President of the Consumer International business since June 2012. Prior to joining ConAgra Foods, Inc. Mr. Hutton held several senior leadership positions with Fast Moving Consumer Goods (FMCG) companies. Mr. Hutton's experience has spanned developed markets across North America and emerging markets such as China and Central European countries.

Pradip Ghosh Chaudhuri

Dr. Chaudhuri has done his M. Tech in Chemical Engineering & Chemical Technology from Applied Chemistry Dept, Calcutta University and completed his Doctoral from same institute under Prof. D. K. Bhattacharjee. He published research papers in national & international Journals. He has 38 years of research & industrial experience in oils & fats and allied fields and worked in past with Swastik Industries, Gem Refineries and K. N. Oil Industries in various parts of India who are pioneers in processing / export of edible ricebran oil and exotic confectionary fat of Indian origin.

REPORT OF THE DIRECTORS AND MANAGEMENT DISCUSSION & ANALYSIS

Your Directors hereby present their Annual Report, together with the audited accounts of the Company for the financial year ended 31st March, 2013.

1. PERFORMANCE OF THE COMPANY

1.1 Results

Your Company's performance for the year ended 31st March, 2013 is as follows:

	(₹ Millions)	
	2012-13	2011-12
Net Sales	7,871.60	7,021.40
Other Income	46.37	48.66
Total Income	7,917.97	7,070.06
Operating Expenses	7,246.50	6,506.61
PBDIT	671.47	563.45
Depreciation	66.74	56.87
Interest	0.30	0.65
Profit Before Tax (PBT)	604.43	505.93
Taxes	188.01	144.50
Profit After Tax (PAT)	416.42	361.43

Net Sales for the year increased by 12%, driven by a strong performance across categories. Profit Before Tax increased by 19.5% and Profit after Tax by 15% over Prior Year at ₹ 416.42 MM.

1.2 Key Indicators

	(₹ Millions)	
	2012-13	2011-12
Gross Margin (GM)	1,916.48	1,654.62
GM %	24.4%	23.6%
Advertising & Sales Promotion	451.23	330.70
A&P %	5.7%	4.7%

Gross Margin of the Company at ₹1,916.48 MM was 16% higher than prior year of ₹1,654.62 MM reflecting the positive impact of pricing & mix. Continued improvement in efficiencies in A&P spends enabled the Company to deliver an 80 basis points improvement in Gross margin with a 19.5% increase in Profit before Tax and 15% in Profit after Tax. Your Company continued to receive tax benefits as a consequence of the R&D facility resulting in an Effective Tax Rate of 31%.

2. DIVIDEND

Given the continued strong performance of the Company, your Directors are pleased to recommend a Dividend of ₹2/- per equity share of the face value

of ₹10/- each for the period ended 31st March, 2013 subject to the approval of the share holders at the Annual General Meeting to be held on 26th July, 2013.

	(₹ Millions)	
	2012-13	2011-12
Profit After Tax	416.42	361.43
Profit brought forward from Previous year	1,058.17	773.42
Surplus available for Appropriation	1,474.59	1,134.85
Transfer to General Reserve	31.23	27.11
Proposed Dividend for the Financial year at the rate of ₹ 2 each (previous year: ₹ 1.75)	48.74	42.65
Tax on Proposed Dividend	8.28	6.92
Forward to the following year	1,386.34	1,058.17

3. RESPONSIBILITY STATEMENT

The Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- they 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;
- they have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- they have prepared the annual accounts on a going concern basis.

4. CORPORATE GOVERNANCE

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

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

5. MANAGEMENT DISCUSSION & ANALYSIS REPORT (MD&A)

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

6. INDUSTRY STRUCTURE & DEVELOPMENTS

Despite a steady deterioration in the overall Indian economic climate, the overall trends in food industry consumption remained positive. The development of the food industry in India will require investments in both building of food processing capabilities and the expansion of distribution reach. Together, these will ensure that we are capable of reaching out to large numbers of Indian consumers with products that are relevant, affordable and profitable.

Your Company is taking advantage of the continuing strong trends in food consumption through capital investments which will enable us to offer the Indian consumer a broad range of high quality food products. Simultaneously we are continuing to expand our distribution footprint across India. Together, these will enable us to progress towards our goal of being amongst India's "Best Performing Most Respected Food Companies".

7. PRODUCT CATEGORIES

7.1 Edible Oils:

During FY'13, the Company continued to focus brand support behind the flagship Sundrop Heart product with the clear and technically established promise of Cholesterol reduction. This has been extremely well received by consumers and enabled the Company to deliver profitable growth in the Edible Oils portfolio. Distribution of your Company's Edible Oils continued to show strong growth enabling a continued improvement in category profitability. The Crystal brand, largely sold in Andhra Pradesh also continued to perform well.

7.2 Snacks:

Your Company continued its focus on Act II Popcorn including both Ready to Cook and Ready to Eat Popcorn. New price points for premium variants have been successfully established across the range in FY'13. The establishment of these price points will enable a robust growth in the Snacks category in a profitable and sustainable manner. The successful establishment of Act II as a leading Snacks brand in India will also enable us to make a broader play in the Snacks category.

7.3 Spreads:

Sundrop Peanut Butter performed well during the year. The Peanut Butter plant in Gujarat is in completion stage and on line testing of equipment having commenced as per schedule in the last Quarter of FY'13. The investment reflects your Company's commitment to participate in and lead the development of new categories in the Indian food market and establish a strong position in the growing processed foods industry in India.

7.4 Soups, Puddings & Desserts:

Snack Break chocolate pudding continued to perform well. The Company has also started making investments which will enable us to test the Desserts category through local manufacture.

7.5 Meals & Meal Enhancers:

Basis the consumer acceptance of the Convenience Meals limited launch in FY'12, your Company has started the process for own manufacture of this category. Once this is completed the infrastructure will also enable the manufacture of Meal Enhancers.

8. RESEARCH, QUALITY & INNOVATION (RQI)

Your Company continues to focus on innovation as a driver of growth. FY'13 saw the introduction of new flavors in Ready to Cook & Ready to Eat Popcorn. During the year a new blended Oil, Sundrop Lite, was also introduced in Southern and Western India.

9. CONSERVATION, TECHNOLOGY, FOREIGN EXCHANGE AND EMPLOYEE PARTICULARS

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

Agro Tech Foods Limited

under Section 217 (2A) of the Companies Act, 1956 and Companies (Particulars of Employees) Amendment Rules, 2011 is attached and forms part of this report.

10. HUMAN RESOURCES

To deliver against the vision of being amongst India's "Best Performing, Most Respected Foods Companies" it is imperative that we have a highly engaged organization. In FY'13 your Company participated in the "Great Place to Work Survey" and received a "Trust" score of 77%. This is line with the score of 76% received in the last Engagement survey conducted by Hewitt Associates. Both scores reflect the high level of engagement in the Company imperative to deliver shareholder value.

11. PARTICULARS OF EMPLOYEES

The information required under Section 217(2A) of the Companies Act, 1956 and the Rules there under in respect of the employees who were in receipt of remuneration aggregating ₹60 lakhs or more or were employed for part of the year and in receipt of remuneration aggregating ₹5 lakhs per month or more during the financial year ending 31st March, 2013 is provided in the Annexure forming part of this Report. In terms of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to the Members excluding the aforesaid Annexure. The Annexure is available for inspection by Members at the Registered Office of the Company during business hours on all working days up to the date of the ensuing AGM, and if any Member is interested in obtaining a copy thereof, such Member may write to the Company Secretary whereupon a copy would be sent.

12. EMPLOYEE STOCK OPTION PLAN

Details of the shares issued under the Agro Tech Employee Stock Option Plan, as also the disclosures in compliance with Clause 12 of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are set out in the Annexure to this Report.

13. CORPORATE SOCIAL RESPONSIBILITY

Your Company is committed to making a contribution to the societies in which we live and work. In addition to the existing "Feeding Children Better" program,

in FY'13 work was started on the "Poshan" program which specifically targets malnourishment in children through Government run Anganwadi and Child Malnourishment Treatment Centres (CMTC). The products used in this program were Sundrop Peanut Butter and Ready to Use Therapeutic Foods and the results have been excellent with a 28% reduction in "Red" cases (defined as children with severe malnutrition). With the implementation of "Poshan" we have, in a single year, more than doubled the number of children being impacted by our CSR work to about 3000 children in FY'13 up from 1500 children in FY'12.

14. INFORMATION SYSTEMS

The increasing use of technology and automation is critical for the Company to be both efficient and effective. During FY'13 there was a strong thrust on automation of Distributors and as a consequence 75% of our distributor business was brought into the fold of computerized invoicing and inventory replenishment Management. The year also saw the commencement of EDI (Electronic Data Interchange) with our modern trade customers, bringing us to the forefront amongst FMCG companies in India. In the area of Demand Forecasting as well, considerable progress was made with the successful integration of Oracle forecasting tools in the Sales & Operational Planning process.

15. FINANCE AND ACCOUNTS

15.1 Internal Controls

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

Your Company has established standard operating procedures for smooth and efficient operations in addition to ensuring internal controls. Your Company has also documented:

- a comprehensive Code of Conduct for the Board Members and employees of your Company
- An Employee Handbook

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- Whistle Blower Policy defined to provide channel of communication without fear
- Comprehensive framework for Risk Management, and
- CEO/CFO Certification for Financial Reporting Controls to the Board

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

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

15.2 Cautionary Statement

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

15.3 Outlook

Expansion of distribution combined with enhancement of manufacturing capacities should enable your Company to continue to see positive momentum in the business in FY'14. The key growth drivers for the Company will be Sundrop Heart, Act II Popcorn and Sundrop Peanut Butter. They will be supported by other existing and new products which will enable us to gain scale in Manufacturing, Supply Chain & Distribution to enable us to continue to deliver sustained and profitable growth.

16. DIRECTORS

Mr. William Lyon Hutton representing the interests of CAG-Tech (Mauritius) Limited has been appointed as an Additional Director in the Company pursuant to Section 260 of the Companies Act, 1956 and Article 130 of the Articles of Association of the Company. Mr. William Lyon Hutton was also nominated as Chairman by your Board. He holds office up to the

date of the ensuing Annual General Meeting. Notice together with a deposit, as required under section 257 of the Companies Act, 1956 has been received from a Member proposing his appointment as a Director of the Company at the Annual General Meeting. A brief profile of Mr. William Lyon Hutton is given in the Notice of the 26th Annual General Meeting.

In accordance with the Provisions of Article 143 of the Articles of Association of the Company, Mr. Michael D Walter and Mr. Arun Bewoor retire by rotation and being eligible, offer themselves for re-appointment. A brief profile of Mr. Michael D Walter and Mr. Arun Bewoor is given in the notice of the 26th Annual General Meeting.

Mr. Patrick Douglas Linehan has resigned as a Director with effect from 8th April, 2013. The Directors place on record their appreciation of the valuable services rendered and wise counsel given by him during his tenure of office as Director.

Mr. Javier Eduardo Alarcon Ruiz was appointed as a Director with effect from 24th April, 2013 under casual vacancy caused by the resignation of Mr. Patrick Douglas Linehan pursuant to the provisions of Section 262 of the Companies Act, 1956 and Article 129 of the Articles of Association of the Company.

17. AUDITORS

M/s. B S R and Co, Chartered Accountants, Statutory Auditors of your Company, hold office until the conclusion of the 26th Annual General Meeting and are recommended for reappointment. The Company has received a certificate from M/s. B S R and Co, to the effect that their appointment, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956.

18. COST AUDITORS

Complying with the provisions of Section 233B of the Companies Act, 1956 and the MCA General Circulars, the Audit Committee has recommended and the Board of Directors had appointed M/s. Narasimha Murthy & Co., Cost Accountants, as Cost Auditors of the Company.

19. SUBSIDIARY COMPANIES

Your subsidiary, Sundrop Foods India Limited has continued to perform the role of aiding the expansion of distribution and display of your products. At the end of FY'13 the number of sales staff on the rolls of the Company were 311.