



9th
Annual Report
2000 - 2001

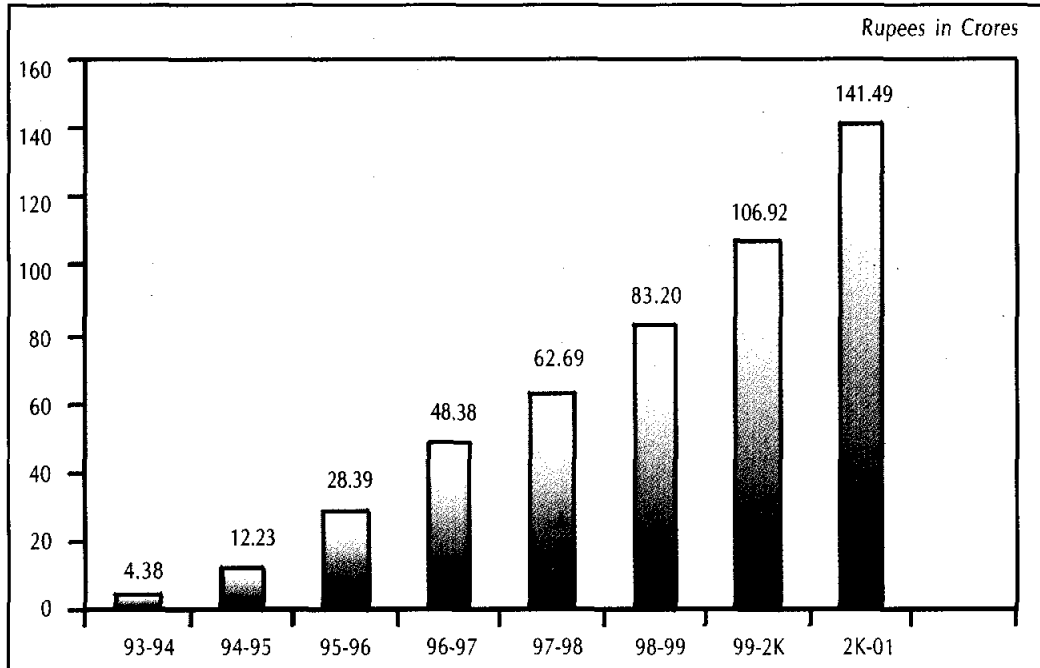


Heritage FOODS (INDIA) LIMITED

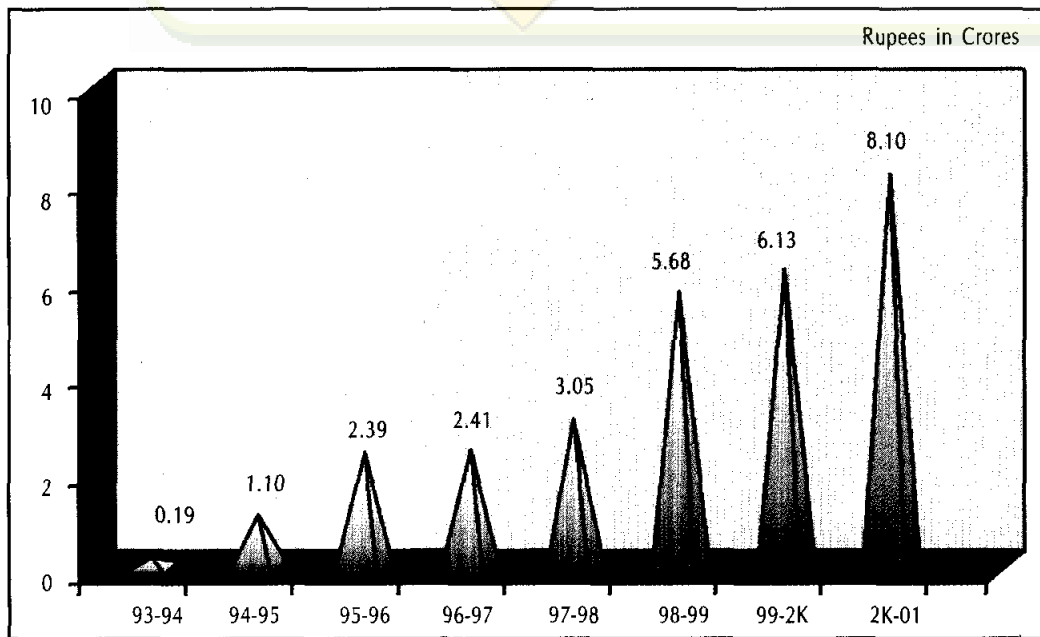
An ISO 9002 Company

Performance at a Glance

Turnover



Profit after Tax





Heritage

FOODS (INDIA) LIMITED

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

The Team

Board of Directors	<p>Sri D Seetharamaiah Sri N P Ramakrishna Dr N R Sivaswamy Dr A Appa Rao Smt N Bhuvaneswari, Executive Director Dr V Nagaraja Naidu, Whole-Time Director</p>
Senior Executives	<p>Sri E N Rao, President Sri K Durga Prasada Rao, Vice President - Operations Sri Krishna S Kodali, Vice President - Marketing 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 P A Sessa Sai, AGM - HR & Admin</p>
Company Secretary	<p>Sri N Murali Krishna</p>
Auditors	<p>M/s. Raju & Prasad, 401, "DAIMOND HOUSE" Adj. Amrutha Hills, Panjagutta, Hyderabad - 500 082</p>
Bankers	<p>Bank of Baroda and Andhra Bank</p>
Listed with	<p>The Hyderabad Stock Exchange Limited The Stock Exchange, Mumbai National Stock Exchange of India Limited Madras Stock Exchange Limited</p>
Registrar & Share Transfer Agent	<p>Karvy Consultants Limited, Karvy House, 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500 034</p>

CONTENTS

	Page No.
Notice	3
Directors' Report	7
Management Discussion & Analysis	11
Report on Corporate Governance	13
Shareholders' Information	17
Auditors' Report	20
Balance Sheet	22
Profit & Loss Account	23
Schedules to the Accounts	24
Notes on Accounts	30
Balance Sheet Abstract	34
Cash Flow Statement	35
Auditor's Certificate	36
Nomination Form	37
Attendance Slip and Proxy Form	39

NOTICE

Notice is hereby given that the Ninth Annual General Meeting of the Members of M/s. **Heritage Foods (India) Limited** will be held on Friday, the September 28, 2001 at 11.30 a.m. at Hari Hara Kala Bhavan, Sardar Patel Road, Secunderabad to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2001 and the Profit and Loss Account for the year ended on that date together with the Reports of the Directors' and the Auditors' thereon.
2. To declare Dividend.
3. To appoint a Director in place of Sri D Seetharamaiah, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors of the Company.

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 till 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

5. 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 the resolution passed at the 8th Annual General Meeting held on 22.09.2000 for the re-appointment and terms of remuneration of Dr. V Nagaraja Naidu, Whole-Time Director of the Company and in accordance with the provisions of Section 269, 309 and 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to pay Dr V Nagaraja Naidu, Whole-Time Director, in addition to the remuneration approved at the

8th Annual General Meeting, a commission @ 0.5% p.a. of the net profits of the Company computed in accordance with section 349 of the Companies Act, 1956, with effect from the Financial Year 2000-2001."

6. 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 Madras Stock Exchange Limited in accordance with the 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 the Whole-Time Director or Company Secretary or any other person whom the Whole-Time Director may consider suitable 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 : August 20, 2001

N Murali Krishna
Company Secretary

NOTES

1. **A Member entitled to attend and vote at this meeting is entitled to appoint one or more Proxies to attend and vote on Poll, instead of himself. The Proxy need not be a Member of the Company. The instrument appointing Proxy, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.**
2. Members/Proxies should fill the attendance slip for attending the meeting.
3. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
4. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of item nos. 5 and 6, as set above, is annexed.
5. The Register of Members and the Share Transfer Books of the Company will remain closed from September 18, 2001 to September 28, 2001 (both days inclusive).
6. The dividend on shares, as recommended by the Board of Directors, if declared at the meeting, will be made payable on and after October 08, 2001, to those Members or their mandates whose names appear in the Register of Members/Beneficial Owners of the Company, as on September 28, 2001.
7. Pursuant to Section 205C inserted by Clause 12 of the Companies (Amendment) Act, 1999, the unpaid dividends/refund amounts shall be transferred to "Investor Education and Protection Fund" established by the Central Government after the expiry of seven years from the date of transfer to the unpaid dividend account/refund account. Members/Investors, who have not encashed their dividend/refund amount for the under mentioned financial years, may claim or approach the Company to revalidate Dividend Warrants/Refund orders before the due dates respectively mentioned therein.
- | Dividend for the year | Date of declaration | Due for transfer on |
|-------------------------|---------------------|---------------------|
| 1995-96 | 25.09.96 | 12.11.2003 |
| 1996-97 | 25.09.97 | 12.11.2004 |
| 1997-98 | 29.09.98 | 16.11.2005 |
| 1998-99 | 22.09.99 | 09.11.2006 |
| 1999-00 | 22.09.2K | 09.11.2007 |
| Unclaimed Refund amount | | 27.01.2002 |
8. Pursuant to clause 43A of the Listing Agreement with the Hyderabad Stock Exchange, it is informed that the Listing fee for the Financial Year 2000-2001 has been paid to all the Stock Exchanges, where the Company shares are listed.
9. Members 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.**
10. Non-resident Indian shareholders are requested to inform the following immediately:
- Change in the residential status, if any, on return to India for permanent settlement.
 - The particulars of NRO/ NRE account, if not furnished earlier.
11. 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.

12. Information required to be furnished under the Listing Agreement for re-appointment of Director of the Company.

Name	D Seetharamaiah
Age	75 years
Qualifications	A commerce graduate and a Fellow Member of the Institute of Chartered Accountants of India
Expertise	Vast experience in finance, accounts and industry as a senior partner of Brahmayya & Co., a leading Chartered Accountants firm in Andhra Pradesh, in practice for the last four decades. Director of the Company since 1992. He is the Chairman of the Audit Committee and the Share Transfer and Shareholder/ Investor Grievance Redressal Committee.
Directorship in other Companies	The Hyderabad Stock Exchange Limited Andhra Bank Housing Finance Limited Tera Software Limited Jeevan Softech Limited Grey Gold Cements Limited Hitech Print Systems Limited Heritage Finlease Limited Heritage International Limited Sona Finance Limited
Membership(s) in Committees of other Company(s) Board	Tera Software Limited - Member of the Audit Committee Jeevan Softech Limited - Member of the Audit Committee Andhra Bank Housing Finance Limited - Chairman of Audit Committee

EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956

The Explanatory Statement for Item Nos. 5 & 6 of the accompanying Notice, set out hereinabove, is as under

Item Nos. 5

At the 8th Annual General Meeting of the Company held on 22.09.2000 the members approved the re-appointment of Dr. V Nagaraja Naidu as Whole-Time Director of the Company on such remuneration as was specified in the resolution (s) at item no. 6 of the notice of the said Annual General Meeting for the year 1999-2000.

Dr. V Nagaraja Naidu is a Post-Graduate in Commerce and Literature and Doctorate in Financial Management. He is a specialist in Business Economics and Financial Management. He has been associated with the Company from the date of inception and has been a Whole-Time Director of the Company from 01.02.1995. Dr V Nagaraja Naidu has made a substantial contribution to the Company and was instrumental in expanding the operations of the Company to its present level.

The Board of Directors approved the payment of commission to Dr V Nagaraja Naidu, @ 0.5% p.a. of net profits of the Company computed in accordance with Section 349 of the Companies Act, 1956 with effect from the Financial Year 2000-2001. 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. The other terms and conditions of his appointment and remuneration remains unchanged.

In compliance with the provisions of the Companies Act, 1956 the increase in the remuneration specified above is now being placed before the members for approval. None of the Directors of the Company, except Dr. V Nagaraja Naidu, is interested in the resolution.

Item No. 6

The Equity shares of the Company are listed on Hyderabad, Mumbai, National and Madras Stock Exchanges. They are traded in the Stock Exchanges compulsorily in demat mode with effect from April 30, 2001. Consequent to the rapid technological changes in the trading system at Stock Exchanges, substantial volume of trading has been taking place only through Mumbai and National Stock Exchanges. The trading volumes at the Madras Stock Exchange have been nil for almost 3 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 delisting will also not affect trading facilities of the shareholders of the Company in view of the dematerialization of shares, listing of shares at BSE & NSE and availability of on-line trading at Chennai. The Company is, therefore, contemplating the possibility of delisting 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 : August 20, 2001

N Murali Krishna
Company Secretary

DIRECTORS' REPORT

Your Directors have great pleasure in presenting the Ninth Annual Report and the Audited Accounts for the year ended March 31, 2001.

Financial Results

(Rupees in lakhs)

Particulars	2000-2001	1999-2000
Net Sales/Income from Operations	14149.06	10692.24
Other Income	37.90	30.41
Total Expenditure	12739.04	9598.44
Profit before Interest, Depreciation and Tax	1447.92	1124.21
Interest	124.29	124.49
Depreciation	229.12	192.72
Profit before tax	1094.51	807.01
Provision for Taxation	284.50	194.50
Profit after tax	810.01	612.50
Balance available for appropriation	1232.43	905.42
Appropriations		
General Reserve	450.00	300.00
Dividend	172.80	145.80
Tax on Dividend	17.63	32.08
Balance carried to Balance Sheet	592.00	427.55

Your Directors are happy to place before you another successful year of performance with excellent growth in Turnover and Operating Profit. The Turnover, PAT and EPS recorded an impressive growth of more than 30% during the year.

Dividend

Your Directors recommend the payment of a Dividend of Rs. 1.60 per Equity Share on 1,08,00,000 Equity shares of Rs. 10/- each amounting to Rs. 1,90,42,560 (including

tax on dividend) for the Financial Year 2000-2001 which, if approved at the forthcoming Annual General Meeting, will be paid to all those equity shareholders whose names appear in the Register of Members/Beneficial Owners of the Company as on September 28, 2001.

Future Plan

Your Company has initiated the process of entering into branded food segment of the growing food retailing sector. Your Company plans to launch the "Heritage" brand Agro processed food products during the current year of operations. Your Company is also exploring the avenues of milk based nutritional products in collaboration with a US based Company.

Depository System

Your Company has entered into separate tripartite agreements with the National Securities Depository Limited, Central Depository Services of India Limited and Karvy Consultants Limited for dematerialization of Equity shares. Almost 47% of your company shares have already been dematerialized. Facilities for dematerialization have become fully operational.

Voluntary delisting from Madras Stock Exchange

The Equity shares of your Company, which are under Compulsory Demat, are presently listed on Hyderabad, Mumbai, National and Madras 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. 7 of the notice of this Annual General Meeting, there has been "nil" trading in the Madras Stock Exchange for almost 3 years now. In view of this, the Company proposes to voluntarily delist 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 services of the National and Mumbai Stock Exchanges are available at Chennai. Listing fee for the year 2001-2002 has been paid to all the Stock Exchanges.

Directors

In accordance with Article 107 of the Articles of Association of the Company, Sri D Seetharamaiah retires by rotation and being eligible, offers himself for re-appointment. Your Directors recommend his re-appointment.

Auditors

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

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

Information as per Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of 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

The Board of Directors wishes to place on record its sincere appreciation for the all round co-operation and contribution made by the employees at all levels. Industrial Relations continued to be cordial throughout the year at all locations. Annexure - 2, which forms part of this Report, sets out the information to be given pursuant to Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended.

Corporate Governance

Though Clause 49 of the Listing Agreement is not applicable to the Company for the Financial Year 2000-2001, the disclosures under the said clause has been annexed to this report voluntarily as a Good Corporate Practice under the heads Management Discussion and Analysis, Report on Corporate Governance and Shareholders' information.

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 reflecting and detecting fraud and other irregularities; and
- The Directors have prepared the annual accounts on a going concern basis.

Acknowledgements

Your Company wishes to place on record the appreciation of continued co-operation, support and patronage received from the Bankers, Suppliers, Customers and Shareholders.

For and on behalf of
Heritage Foods (India) Limited

D Seetharamaiah
Director

V Nagaraja Naidu
Whole-Time Director

Place : Hyderabad

Date : August 20, 2001