



10th Annual Report

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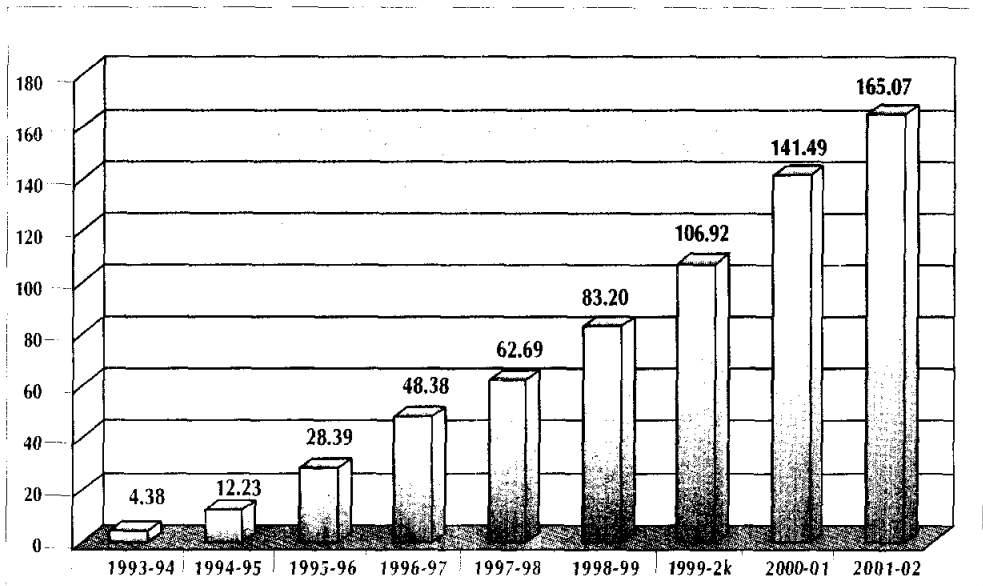


Heritage FOODS (INDIA) LTD.

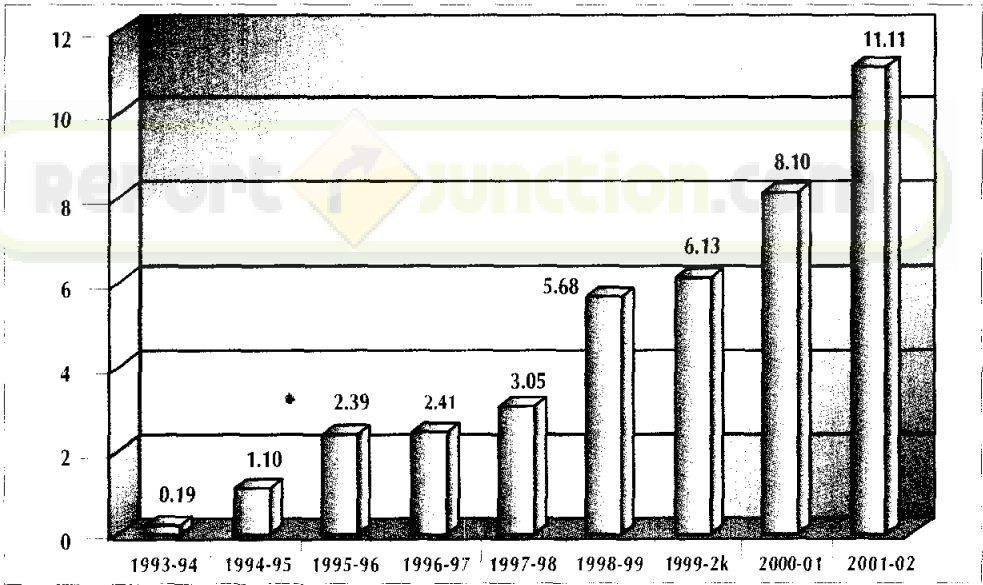
An ISO 9002 Company

Performance at a Glance

Turnover (Rs. in Crores)



Profit After Tax (Rs. in Crores)



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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 Bhuvaneswari, Executive Director Dr V Nagaraja Naidu, Whole-Time Director
Senior Executives	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 Kumar, GM - Quality Assurance Sri A Prabhakara Naidu, DGM - Finance & Accounts 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



NOTICE

Notice is hereby given that the 10th Annual General Meeting of the Members of **Heritage Foods (India) Limited** will be held on **Thursday, the August 22, 2002 at 11.00 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, 2002 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 N R Sivaswamy, who retires by rotation and being eligible, offers himself for re-appointment.
4. 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

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 earlier Resolution(s) passed at the 8th Annual General Meeting of the Members held on 22nd September, 2000 and in accordance with the provisions of Section 198, 269, 309, 310 and all other applicable provisions, if any, read with Schedule XIII to the Companies Act, 1956, the Company hereby accords approval for the variation in the terms of remuneration of Smt N Bhuvaneshwari, Executive Director of the Company (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year) with effect from 1st April, 2002 for the remainder of her tenure i.e. upto 11th December 2004 as follows:

Salary : Rs.1,25,000.00 per month

Commission : 2% of the net profits of the Company, computed in accordance with Section 349 of the Companies Act, 1956.

Perquisites:

- i) Housing:
 - a. The expenditure incurred by the Company on hiring furnished accommodation shall be subject to a ceiling of 50% of salary; or
 - b. In case the accommodation is owned by the Company, 10% of the salary shall be deducted by the Company; or
 - c. In case no accommodation is provided by the Company, the said Director shall be entitled to house rent allowance subject to the ceiling laid down in clause (a).

Explanation: The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income-Tax Rules, 1962, subject to a ceiling of 10% of the Salary.

- ii) Medical Reimbursement: Reimbursement of the expenses incurred for self and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
- iii) Leave Travel Concession: LTC for self and family once in a year, incurred in accordance with the rules of the Company.

Explanation: Family for (ii) and (iii) means the spouse, the dependent children and dependent parents.

- iv) a. Company's contribution towards Provident Fund as per the rules of the Company.
- b. Gratuity as per the rules of the Company.
- c. Company's contribution towards Superannuation Fund as per the rules of the Company.
- v) Earned Leave: On full pay and allowances and perquisites as per the rules of the Company not exceeding one month's salary for every 11 months of service completed. Encashment of Leave at the end of the tenure shall not be included in the computation of the aforesaid ceiling on perquisites and/or Salary.



- vi) Car with driver for use on Company's business and telephone at residence shall not be considered as perquisites.

RESOLVED FURTHER THAT the salary, commission, perquisites/allowances mentioned above (all put together) be subject to a ceiling of 5% of net profits of the Company in a financial year, computed in accordance with Section 349 of the Companies Act, 1956.

RESOLVED FURTHER THAT, notwithstanding anything contained above, where in any financial year, the Company incurs losses or its profits are inadequate, the Board of Directors may determine the remuneration payable to the Executive Director in accordance with the provisions stated in Section II of Part II of Schedule XIII to the Companies Act, 1956. The aforesaid perquisites stated in (iv) (a), (b) and (c) shall not be included in the computation of the aforesaid ceiling on perquisites.

RESOLVED FURTHER THAT in the event of any statutory amendment(s) or modification(s) or relaxation by the Central Government to Schedule XIII to the Companies Act, 1956, the Board of Directors, be and are hereby authorized to increase, alter and vary the remuneration including the salary, commission, perquisites and other allowances, and in such manner as the Board in its absolute discretion deem fit and acceptable to Smt N Bhuvaneswari, within the limit specified in the Schedule XIII to the Companies Act, 1956 and the aforesaid resolution be suitably amended to give effect to such modification, relaxation or variance, subject to the approval of the Company at the General Meeting."

RESOLVED FURTHER THAT Dr V Nagaraja Naidu, Whole-Time Director of the Company, be and is hereby authorized to take steps necessary and desirable to give effect to this resolution."

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 9th Annual General Meeting held on 28th September, 2001 and in accordance with the provisions of Section 198, 269, 309, 310 and all other applicable provisions, if any, read with Schedule XIII to the Companies Act, 1956, the Company hereby

accords approval for the variation in the terms of remuneration of Dr V Nagaraja Naidu, Whole-Time Director of the Company (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year) with effect from 1st April, 2002 for the remainder of his tenure i.e. upto 31st January, 2005 as follows:

Salary : Rs.1,25,000.00 per month

Commission : 1% of the net profits of the Company, computed in accordance with Section 349 of the Companies Act, 1956.

Perquisites:

i) Housing:

- The expenditure incurred by the Company on hiring furnished accommodation shall be subject to a ceiling of 50% of salary; or
- In case the accommodation is owned by the Company, 10% of the salary shall be deducted by the Company; or
- In case no accommodation is provided by the Company, the said Director shall be entitled to house rent allowance subject to the ceiling laid down in clause (a).

Explanation: The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income-Tax Rules, 1962, subject to a ceiling of 10% of the Salary.

ii) Medical Reimbursement: Reimbursement of the expenses incurred for self and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.

iii) Leave Travel Concession: LTC for self and family once in a year, incurred in accordance with the rules of the Company.

Explanation: Family for (ii) and (iii) means the spouse, the dependent children and dependent parents.

- Company's contribution towards Provident Fund as per the rules of the Company.
- Gratuity as per the rules of the Company.
- Company's contribution towards Superannuation Fund as per the rules of the Company.



v) Earned Leave: On full pay and allowances and perquisites as per the rules of the Company not exceeding one month's salary for every 11 months of service completed. Encashment of Leave at the end of the tenure shall not be included in the computation of the aforesaid ceiling on perquisites and/or Salary.

vi) Car with driver for use on Company's business and telephone at residence shall not be considered as perquisites.

RESOLVED FURTHER THAT the salary, commission, perquisites/allowances mentioned above (all put together) be subject to a ceiling of 5% of net profits of the Company in a financial year, computed in accordance with Section 349 of the Companies Act, 1956.

RESOLVED FURTHER THAT, notwithstanding anything contained above, where in any financial year, the Company incurs losses or its profits are inadequate, the Board of Directors may determine the remuneration payable to the Whole-Time Director in accordance with the provisions stated in Section II of Part II of Schedule XIII to the Companies Act, 1956. The aforesaid perquisites stated in (iv) (a), (b) and (c) shall not be included in the computation of the aforesaid ceiling on perquisites.

RESOLVED FURTHER THAT in the event of any statutory amendment(s) or modification(s) or relaxation by the Central Government to Schedule XIII to the Companies Act, 1956, the Board of Directors, be and are hereby authorized to increase, alter and vary the remuneration including the salary, commission, perquisites and other allowances, and in such manner as the Board in its absolute discretion deem fit and acceptable to Dr V Nagaraja Naidu, within the limit specified in the Schedule XIII to the Companies Act, 1956 and the aforesaid resolution be suitably amended to give effect to such modification, relaxation or variance, subject to the approval of the Company at the General Meeting."

RESOLVED FURTHER THAT Smt N Bhuvaneshwari, Executive Director of the Company, be and is hereby authorized to take steps necessary and desirable to give effect to this resolution."

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

Sd/-

Murali Krishna Name
Company Secretary

Place : Hyderabad
Date : June 28, 2002

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, in order to be effective, should be duly stamped, completed and signed and deposited with the Company' or its Registrar and Share Transfer Agent not less than 48 hours before the commencement of meeting.
2. The relative explanatory statements, pursuant to Section 173(2) of the Companies Act, 1956, in respect of the special business under item nos. 5 and 6, as set above, are hereto annexed.
3. The Register of Members and the Share Transfer Book of the Company will remain closed **from 14-08-2002 to 22-08-2002** (both days inclusive) in terms of the provisions of section 154 of the Companies Act, 1956.
4. Pursuant to Section 205A of the Companies Act, 1956, the unclaimed dividend for the financial year 1994-95 paid by the Company on or after September 27, 1995 has been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the Dividend Warrants for the said period are requested to claim the amount from the Office of the Registrar of Companies, Andhra Pradesh, CPWD Building, Kendriya Sadan, Sultan Bazar, Hyderabad - 500 001.
5. The dividend declared at the Meeting will be made payable after deducting TDS as per the provisions of The Income Tax Act **on or after 25-08-2002** in respect of shares held in physical form to those members whose names appear on the Register of Members of the Company after giving effect to all valid transfers lodged with the Company or its Registrar and Share Transfer Agent on or before the end of business hours of August 14, 2002 and in respect of shares held in electronic form, to those "Beneficial Owners" whose names appear in the statement of Beneficial Ownership furnished by the National Securities Depository Services Limited and the Central Depository Services (India) Limited as at the end of the Business hours on August 13, 2002.
6. No Tax will be deducted at source from dividend, in case the shareholder is a Resident individual and such dividend does not exceed Rs.1000. Any member who is otherwise entitled to exemption should submit a Certificate from Assessing Officer

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(in Form 15) or a declaration (in Form 15G) in duplicate, to the Company by August 14, 2002.

7. Consequent to the amendment w.e.f. 31st October, 1998 to sub-section (5) of Section 205A vide Companies (Amendment) Act, 1999 the unclaimed dividend(s) starting from the financial year 1995-96 will be transferred to the Investor Education and Protection Fund as follows:

Dividend for the year	Date of declaration	Due for transfer on
1995-96	25.09.1996	12.11.2003
1996-97	25.09.1997	12.11.2004
1997-98	29.09.1998	16.11.2005
1998-99	22.09.1999	09.11.2006
1999-2K	22.09.2000	09.11.2007
2000-01	28.09.2001	03.10.2008

Members/Investors, who have not encashed their dividend amount for the above-mentioned financial years, may claim or approach the Company to revalidate Dividend Warrants before the due dates respectively mentioned therein.

8. Pursuant to clause 43A of the Listing agreement with the Hyderabad Stock Exchange, it is informed that the Listing fee for the year 2002-2003 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 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 on Directors seeking appointment/ reappointment as required under Clause 49 (VI)(A) of the listing agreement entered into with the Stock exchanges:

Dr N R Sivaswamy, aged 66 years is LL.B., M.A. (Economics), M.A. (Public Administration) and Ph.D. in Economics (from University of Wisconsin, Madison, USA) and also a Fellowship holder of the Ford Foundation, U.S.A., and has an experience of 45 years in the field of Taxation, Finance, Commerce, Management and Administration. He retired as the Chairman of the Central Board of Direct Taxes. He is also a director of S J k Steel Corporation Limited, Sri Sarvaraya Sugars Limited and Heritage International Limited and member of the Audit Committee of the Board of Directors of Sri Sarvaraya Sugars Limited.

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**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956****Item Nos. 5 & 6 (Ordinary Resolutions)**

The members approved the re-appointment of Smt N Bhuvaneswari as Whole-Time Director of the Company under the designation of "Executive Director" and Dr. V. Nagaraja Naidu as Whole-time Director of the Company for a period of 5 years with effect from December 12, 1999 and February 01, 2000 respectively on such remuneration as was specified in the resolution (s) at Item no. 6 and 7 of the notice of the 8th Annual General Meeting of the Company for the year 1999-2000 held on 22.09.2000. Subsequently the members, at the 9th Annual General Meeting of the Company for the year 2000-01 held on September 28, 2001, approved the payment of commission @ 0.5% of net profits of the Company to Dr V Nagaraja Naidu, computed in accordance with Section 349 of the Companies Act, 1956 with effect from the financial year 2000-2001.

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

Smt N Bhuvaneswari is a Bachelor of Arts. Dr V Nagaraja Naidu is a Post-Graduate in Commerce and Doctorate in Financial Management. Both Smt N Bhuvaneswari 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 Bhuvaneswari and Dr V Nagaraja Naidu, on account of the expanded activities of the Company, the Board of Directors at their meetings held on 29th March 2002 and June 28, 2002 enhanced the remuneration payable to Smt N Bhuvaneswari and Dr V Nagaraja Naidu in the manner and to the extent laid down in the text of the resolution which is self-explanatory. This increase in remuneration is in accordance and within the limits specified in Schedule XIII to 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 for approval. None of the Directors of the Company, except Smt N Bhuvaneswari for Item no. 5 and Dr V Nagaraja Naidu for item no. 6, is interested in the resolution.

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

Place : Hyderabad
Date : June 28, 2002

Sd/-
Murali Krishna Narne
Company Secretary

10th Annual Report**DIRECTORS' REPORT**

To the Members

Your Directors take pleasure in presenting the 10th Annual Report of the Company for the year ended March 31, 2002.

Summarised Financial Results

(Rupees in lakhs)

Particulars	2001-2002	2000-2001
Net Sales/Income from Operations	16507.23	14149.06
Other Income	42.11	37.90
Total Expenditure	14539.29	12739.04
Profit before Interest, Depreciation and Tax	2010.05	1447.92
Interest	38.06	124.29
Depreciation	248.83	229.12
Profit before tax	1723.16	1094.51
Provision for Taxation	611.92	284.50
Profit after tax	1111.24	810.01
Balance available for appropriation	1210.83	1232.43
Appropriations		
General Reserve	500.00	450.00
Dividend	199.80	172.80
Tax on Dividend	-	17.63
Balance carried to Balance Sheet	511.03	592.00

During the year under review, total turnover of the Company was Rs. 16507.23 lakhs as compared to Rs. 14149.06 lakhs for the previous year thereby registering an increase of 16.67 %. During the year, Profit before Tax and after Tax have surged ahead by 57.44% and 37.19 % to Rs. 1723.16 lakhs and Rs. 1111.24 lakhs respectively.

Dividend

With satisfactory growth in profit during the year, your Directors at their meeting held on June 28, 2002 were pleased to recommend a Dividend of Rs.2/- per Equity Share (20%) on 99,90,000 Equity shares of

Rs.10/- each for the financial year 2001-2002. The dividend payout will aggregate to Rs.1,99,80,000 and the dividend, if approved at the forthcoming Annual General Meeting, will be paid to all eligible equity shareholders after deducting the TDS as per the provisions of the Income Tax Act.

Payment of Dividend through Electronic Clearing

For the smooth and speedy payment of Dividend, Electronic Clearing Service (ECS) Facility is provided to pay dividend directly to the shareholders' Bank Accounts. This avoids non-receipt / late-receipt of dividend warrants due to change of address and revalidation of dividend warrants after validity period.

Hence all the shareholders holding shares in physical form are advised to compulsorily provide correct Bank Account Particulars in the Mandate Form given at page 45 in this Annual Report to the Company's Registrar and Transfer Agent viz. **M/s. Karvy Consultants Limited, Karvy House, 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034**. Shareholders holding shares in Demat Form are advised to provide the Bank Account particulars to their respective Depository Participants, where they have Demat Accounts. Further the Company is not responsible for in-correct bank account particulars.

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 March 31, 2002, 60.18% of the shares in your Company have been dematerialised.

Share Buy-back Programme

During the year under review, the Board of Directors at their meeting held on January 04, 2002 approved the buy-back of equity shares of Rs.10/- each at a price not exceeding Rs.30/- per share ("Maximum Offer Price") to the extent of Rupees three crores being an amount not exceeding 10% of the Paid-up Capital and Free reserves as on March 31, 2001 in accordance with the Provisions of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 2001. The Company has bought back 8,10,000 shares and utilized a total amount of Rs. 2,23,70,260/-. 16,149 shares were extinguished before March 31, 2002 and the balance 7,93,851 shares by May 31, 2002. Consequently, the capital structure of the Company is as under: -