

*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 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 M S Ramesh, DGM - Marketing
Company Secretary	Sri P A Sesha Sai, AGM - HR & Admin
Auditors	Sri Murali Krishna Narne
Bankers	M/s. Raju & Prasad, 401, "DAIMOND HOUSE"
	Adj. Amrutha Hills, Panjagutta, Hyderabad - 500 082
Listed with	Bank of Baroda
	Andhra Bank
Registrar & Share Transfer Agent	The Hyderabad Stock Exchange Limited
	The Stock Exchange, Mumbai
	National Stock Exchange of India Limited
	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 Nigamagamam
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 Bhuvaneswari, 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 Bhuvaneswari, 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 Bhuvaneswari 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 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 meeting held on 28th May 2003 enhanced the commission payable to Smt N Bhuvaneswari 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 Bhuvaneswari 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 Bhuvaneswari
Executive Director

V Nagaraja Naidu
Whole-Time Director

Place : Hyderabad
Date : 28th May, 2003

