



# ANNUAL REPORT

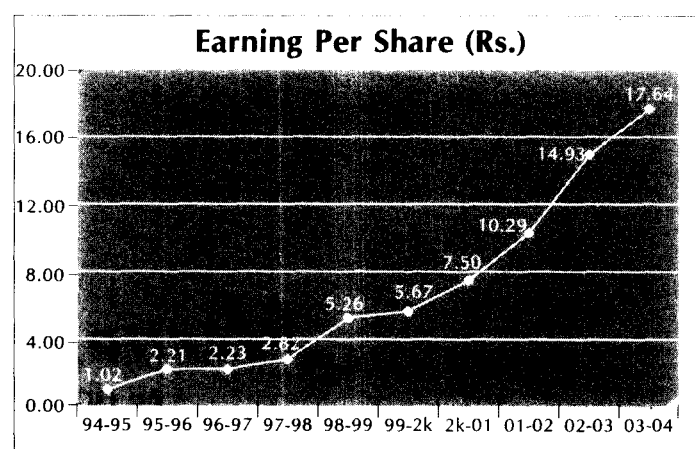
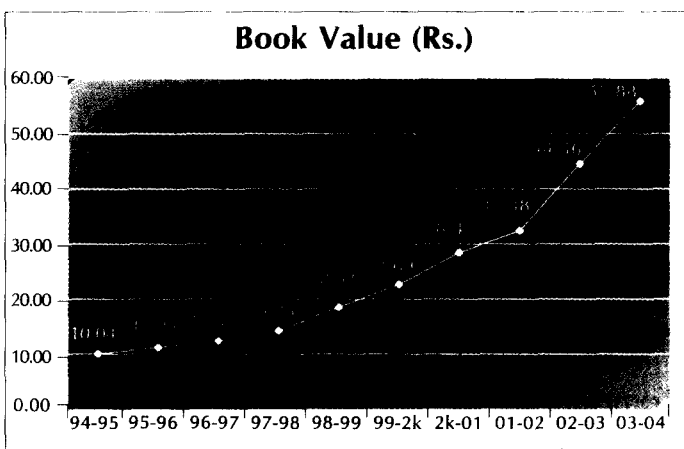
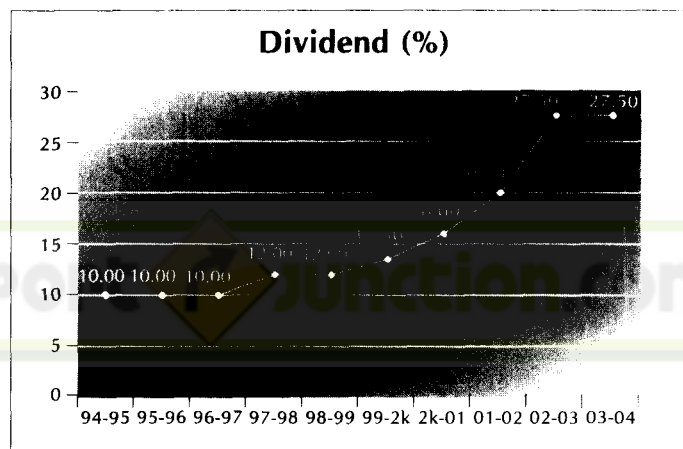
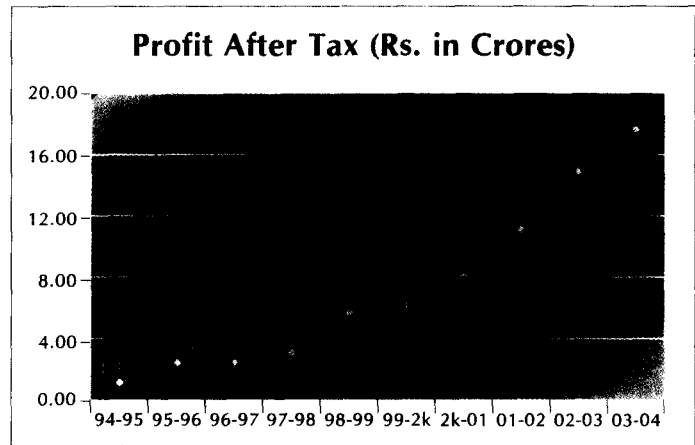
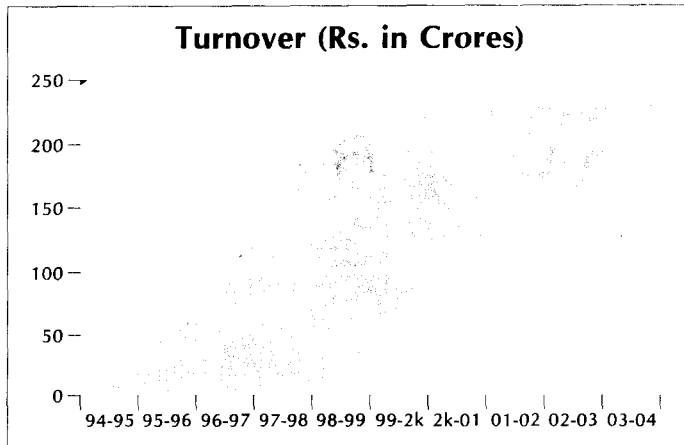
## 2003-2004



*Heritage* FOODS (INDIA) LTD.

An ISO 9001 Company

## Performance at a Glance





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## Consistent Growth

(Rs.in crores)

	2003-04	02-03	01-02	00-01	99-00	98-99	97-98	96-97	95-96	94-95
Turnover	234.49	192.83	165.07	141.49	106.92	83.20	62.69	48.38	28.39	12.23
Other Income	1.35	0.86	0.42	0.38	0.30	0.17	0.20	0.25	0.11	0.70
Total Income	235.84	193.68	165.49	141.87	107.23	83.38	62.89	48.63	28.50	12.93
Earnings before Depreciation, Interest and Tax (EBDIT)	31.60	27.86	20.10	14.48	11.24	9.51	6.51	4.72	2.94	1.39
Depreciation	3.94	4.50	2.49	2.29	1.93	1.67	1.51	0.96	0.44	0.21
Interest	0.28	0.13	0.38	1.24	1.24	1.36	1.59	0.96	0.02	0.08
Provision for Taxation	9.75	8.33	6.12	2.85	1.95	0.79	0.37	0.38	0.09	0.00
Profit after Tax	17.62	14.91	11.11	8.10	6.13	5.68	3.05	2.41	2.39	1.10
Cash Profit	21.57	19.41	13.60	10.39	8.05	7.35	4.56	3.38	2.83	1.31
Equity Dividend (%)	27.50	27.50	20.00	16.00	13.50	12.00	12.00	10.00	10.00	10.00
Dividend Payout (Including Tax on Dividend)	3.10	3.10	2.00	1.90	1.78	1.43	1.43	1.19	1.08	0.36*
Equity Share Capital	9.99	9.99	10.78	10.80	10.80	10.80	10.80	10.80	10.80	10.80
Reserves and Surplus	45.84	34.53	24.14	19.97	13.83	9.62	5.26	3.56	2.25	0.94
Networth	55.83	44.52	34.92	30.69	24.51	20.02	15.42	13.43	12.12	10.85
Gross Fixed Assets	63.87	53.62	43.77	40.69	36.61	30.14	25.46	23.49	20.76	4.90
Net Fixed Assets	45.49	38.82	32.96	32.15	30.02	25.27	22.26	21.80	20.02	4.61

## Key Indicators

Earnings per share - Rs.	17.64	14.93	10.29	7.50	5.67	5.26	2.82	2.23	2.21	1.02
Cash Earnings per share - Rs.	21.59	19.43	12.61	9.62	7.46	6.81	4.22	3.13	2.62	1.21
Book Value per share - Rs.	55.88	44.56	32.38	28.42	22.69	18.53	14.28	12.43	11.22	10.04
Debt : Equity Ratio	0.41:1	0.13:1	0.06:1	0.30:1	0.41:1	0.45:1	0.64:1	0.64:1	0.71:1	0.04:1
EBDIT/Turnover %	13.48	14.45	12.18	10.23	10.51	11.43	10.39	9.76	10.37	11.39
Net Profit Margin %	7.47	7.70	6.71	5.71	5.71	6.81	4.85	4.96	8.38	8.51
RONW %	31.57	33.49	31.82	26.39	24.99	28.38	19.78	17.96	19.72	10.14

\* Dividend on Prorata basis (Year of Public Issue)

**COMPANY INFORMATION****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 MANAGEMENT**

Sri K Durga Prasada Rao, Senior Vice President - Operations  
 Sri T Venkateswara Rao, GM - Plant & Engineering  
 Sri A Jeevaratnam Naidu, GM - Procurement & Inputs  
 Sri P A Anil Kumar, GM - Quality Assurance  
 Sri K Pandu Ranga Rao, GM - HR & Admin  
 Sri A Prabhakara Naidu, DGM - Finance & Accounts  
 Sri M S Ramesh, DGM - Marketing

**COMPANY SECRETARY**

Sri Murali Krishna Narne

**AUDITORS**

M/s. Raju & Prasad, 401, "DIAMOND HOUSE"  
 Adj. Amrutha Hills, Panjagutta, Hyderabad - 500 082

**BANKERS**

Bank of Baroda  
 Andhra Bank

**LISTED WITH**

The Stock Exchange, Mumbai  
 National Stock Exchange of India Limited

**REGISTRARS**

Karvy Computershare Private Limited,  
 Karvy House, 46, Avenue 4, Street No.1,  
 Banjara Hills, Hyderabad – 500 034

**REGISTERED OFFICE**

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

**OFFICE & PLANT LOCATIONS**

Refer Page No. 21

Website : [www.heritagefoods.co.in](http://www.heritagefoods.co.in)

*Bring Home Health and Happiness*

**CIRCULAR TO SHARE HOLDERS**

Dear Shareholders,

### DEMATERIALISATION OF SECURITIES

We are happy to inform you that over 79% of the equity share capital of your Company is held in dematerialised form. We request those investors still holding shares in physical form to convert their shares in dematerialised form.

#### Why dematerialise shares?

##### 1. Compulsory Demat

As you may be aware, trading in the shares of Heritage Foods (India) Limited is under compulsory demat segment.

##### 2. Elimination of Odd lot

The concept of an "Odd Lot" in respect of dematerialised shares stands abolished i.e. in the DEMAT MODE market lot becomes ONE share.

##### 3. Demat – Most Preferred

Dematerialised securities are most preferred by the Banks and other financiers for providing credit facility against securities. Generally, demat securities attract lower margin and lower interest rate compared to physical securities. Registered Brokers at the Stock Exchange prefer demated Stock for dealing.

##### 4. Safety

Securities in dematerialised form reduce all risk of loss of certificates. Under your specific instructions the same can be kept in "Frozen Mode" by your Depository Participant (DP)

#### How to dematerialise Shares?

Please follow the following procedure for dematerialising your shares:

- ◆ Open a Demat Account in the name of shareholder(s) as appearing on the share certificate with any of the Depository Participants (DPs).
- ◆ Submit Demat request Form (DRF) duly signed by all the holders along with the share certificates only to the DPs.
- ◆ Obtain acknowledgment from the DP for having accepted the share certificates.
- ◆ Receive a confirmation statement of holding from your DP within 15 days from the lodgement of securities with DPs.

**PLEASE DO NOT SEND THE SHARE CERTIFICATES/ DOCUMENTS TO THE COMPANY OR OUR REGISTRAR & SHARE TRANSFER AGENT, M/s KARVY COMPUTERSHARE PRIVATE LIMITED**

In case you have already dematerialised your holdings kindly ignore this communication.

### NOMINATION FACILITY

Section 109A of the Companies Act, 1956 provides inter-alia, the facility of nomination to share/debenture holders. This facility is mainly useful for all holders holding the shares/ debentures in single name. In case where the securities are held in joint names, the nomination will be effective only in the event of the death of all the holders. Investors are advised to avail of this facility, especially investors holding securities in single

name, to avoid the process of transmission by law.

Investors holding shares in **physical form** may send nomination form provided in this Annual Report to the Registrar and Share Transfer Agent of the Company at Hyderabad. However, if the shares are held in dematerialised form, the nomination has to be conveyed to your Depository Participant directly, as per the format prescribed by them.

**NOTICE OF 12<sup>th</sup> AGM**

Members of Heritage Foods (India) Limited are hereby given notice for the 12<sup>th</sup> Annual General Meeting of the Company, the schedule of which and the business to be transacted therein, are given below:

Day and Date : **Thursday, the 29<sup>th</sup> July, 2004**

Time : **11.00 a.m.**

Venue : **Sri Sathya Sai Nigamagmam  
6-3-987/2, Srinagar Colony  
HYDERABAD – 500 073  
Phone : 040-23742745/55573813**

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2004 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 Sri D. Seetharamaiah, 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, who retire at this meeting, being eligible and willing to act as Auditors, be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this 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."

By Order of the Board

Place : Hyderabad  
Date : 19<sup>th</sup> June, 2004

**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 INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES TO BE EFFECTIVE, SHOULD BE DULY STAMPED, COMPLETED, SIGNED AND DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY OR ITS REGISTRAR AND SHARE TRANSFER AGENT NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF MEETING.**
2. **MEMBERS/PROXIES SHOULD FILL THE ATTENDANCE SLIP FOR ATTENDING THE MEETING.**
3. M/s Karvy Computershare Private Limited (Karvy), Karvy House, 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034 is the Registrar and Share Transfer Agent (RTA) for physical shares of the Company. Karvy is also the depository interface of the Company with the Depositories i.e NSDL and CDSL.
4. The Register of Members and the Transfer Books of the Company will remain closed from Friday, 16<sup>th</sup> July, 2004 to Tuesday, 20<sup>th</sup> July, 2004 (both days inclusive)
5. The dividend as recommended by the Board of Directors for the year ended 31<sup>st</sup> March, 2004, when declared at the Annual General Meeting will be paid on or after 29<sup>th</sup> July, 2004 to the members whose names appear:
  - i) As beneficial owners as per list to be furnished by the Depositories in respect of the shares held in demat form; and
  - ii) As members on the Register of Members of the Company on 20<sup>th</sup> July, 2004 after giving effect to all valid share transfers in physical form which would be received by the Company upto end of business hours on 15<sup>th</sup> July, 2004.
6. 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:

*Bring Home Health and Happiness*



NOTICE OF 12<sup>TH</sup> AGM

(i) Name of the sole / first & joint holder and the folio number.

(ii) Particulars of Bank Account, viz.:

- a. Name of the Bank, Branch and Complete Address of the Bank
- b. Account type, whether Savings (SB) or Current Account (CA)
- c. Bank Account Number allotted by the Bank

7. 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 and the Company will not entertain any direct request from such shareholders for deletion of / change in such bank account 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 along with details of Bank Account

8. Electronic Clearing Service (ECS) Facility:

With respect to payment of dividend, the Company provides the facility of ECS to all shareholders residing in the following cities -

Ahmedabad, Bangalore, Bhubaneswar, Chandigarh, Chennai, Delhi, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagapur, Patna 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 and requests for payment of dividend through ECS should be lodged with M/s Karvy Computershare Private Limited on or before 20th July 2004.

9. Pursuant to provisions of sub-section (5) of Section 205A the Companies Act, 1956 the dividend, 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. The Company has already

transferred unclaimed amounts of dividends pertaining to the financial years 1994-95 and 1995 - 96 to the General Revenue Account / Investor Education and Protection Fund of the Central Government as required under section 205A and 205C of the Companies Act, 1956.

Information in respect of such unclaimed dividend and the last date for claiming the same are given below:-

Financial year	Date of declaration	Last date for claiming
1996-97	25.09.1997	24.09.2004
1997-98	29.09.1998	28.09.2005
1998-99	22.09.1999	21.09.2006
1999-2K	22.09.2000	21.09.2007
2000-01	28.09.2001	27.09.2008
2001-02	22.08.2002	21.08.2009
2002-03	30.07.2003	29.07.2010

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 or its RTA 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 and no payment shall be made in respect of any such claims.**

10. Non-resident Indian shareholders are requested to inform the Company's RTA 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.

11. 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.



**NOTICE OF 12<sup>TH</sup> AGM**

12. Shareholders, holding shares in physical form, are requested to notify immediately change of address, if any, to the Company or its RTA.
13. The documents referred to in the proposed resolutions are available for inspection at the Registered Office of the Company during working hours between 10.00 A.M. to 1.00 P.M. except on holidays.
14. The Register of Directors' Shareholding 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.
15. Members seeking any information relating the Accounts may write to the Company at 6-3-541/C, Panjagutta, Hyderabad – 500082, for attention of Mr. N Murali Krishna, Company Secretary at the earliest.
16. As there is no special business to be transacted at this meeting, no explanatory statement is given under section 173(2) of the Companies Act, 1956.
17. **Information on Directors seeking appointment/reappointment:**

At the ensuing Annual General Meeting, Sri D Seetharamaiah, retires by rotation and being

eligible offers him-self for re-appointment. The information or details pertaining to the director to be provided in terms of Clause 49 of the Listing Agreement with the Stock Exchanges is furnished below:

**Brief resume of Director seeking re-appointment:**

Sri D Seetharamaiah, aged 78 years is a graduate in Commerce and a Fellow Member of the Institute of Chartered Accountants of India. He being a senior partner of M/s Brahmayya & Co., a leading Chartered Accountants Firm, has vast experience in the fields of Finance, Accounts and Industry. He joined the Board of Directors of the Company in the year in 1992.

**Directorship / Membership in the Committees of the Board of other Companies:**

He is also a Director of Grey Gold Cements Limited (Chairman – APIDC Nominee), Heritage Finlease Limited, Heritage International Limited, Tera Software Limited and Jevan Softech Limited and member of Audit Committee of the Board of Directors of Tera Software Limited and Jevan Softech Limited.

By Order of the Board

Place : Hyderabad  
Date : 19<sup>th</sup> June, 2004

**Murali Krishna Narne**  
Company Secretary

**DIRECTORS' REPORT**

Dear Members,

Your directors take great pleasure in reporting another year of impressive performance. The performance of the Company for the financial year ended 31<sup>st</sup> March, 2004 as compared to previous financial year is summarised below

(Rupees in lakhs)		
Particulars	2003-2004	2002-2003
Net Sales/Income from Operations	<b>23449.37</b>	19282.68
Other Income	<b>134.55</b>	85.73
Total Expenditure	<b>20424.07</b>	16582.04
Profit before Interest, Depreciation and Tax	<b>3159.85</b>	2786.37
Interest	<b>28.08</b>	12.53
Depreciation	<b>394.44</b>	449.80
Profit before tax	<b>2737.33</b>	2324.04
Provision for Taxation	<b>975.02</b>	832.97
Profit after tax	<b>1762.31</b>	1491.07
Less: Prior period of Expenses and Taxation	<b>326.16</b>	1.78
Profit after prior period Items	<b>1436.15</b>	1489.29
Add: Balance brought forward	<b>940.39</b>	511.03
Balance available for appropriation	<b>2376.55</b>	2000.32
<b>Appropriations</b>		
General Reserve	<b>750.00</b>	750.00
Dividend	<b>274.73</b>	274.73
Tax on Dividend	<b>35.20</b>	35.20
Balance carried to Balance Sheet	<b>1316.62</b>	940.39

Sales of the Company for the year ended 31<sup>st</sup> March, 2004 were Rs. 23449.37 lakhs up by 21.61% and Profit after Tax was Rs.1762.31 lakhs increased by 18.19% over the previous year.

#### TAXATION OF EARLIER YEARS

Your Company claimed deduction under section 80-IA (Concession for new Industrial Undertakings) of the Income Tax Act, 1961 on profits from the manufacturing

operations. Income Tax Department has reduced the quantum of deduction in respect of the previous accounting years resulting in an additional liability of Rs. 324.55 lakhs. Notwithstanding the fact that the matter is in appeal, your Company has paid the demand raised by the Income Tax Department and the amount has been debited to Profit and Loss Account below the line i.e. Profit after tax.

#### DIVIDEND

Taking into account the additional cash out flows with regard to taxation of earlier years and the expansion programme of your Company, the Board of Directors 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).

#### EQUITY SHARE CAPITAL

There was no change in the equity share capital of the Company during the year.

#### MANAGEMENT DISCUSSION AND ANALYSIS

A detailed discussion on the Industry Structure, development, opportunities, threats, review of operational performance and risk is forming part of this report and is provided in this report.

#### CORPORATE GOVERNANCE

A separate section on Corporate governance and a Certificate from the Statutory 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.

#### SHARES DEMAT

Your Company shares have been made available for dematerialisation through the National Securities