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## Consistent Growth

(Rs.in crores)

	2004-05	03-04	02-03	01-02	00-01	99-00	98-99	97-98	96-97	95-96
Turnover	266.13	234.49	192.83	165.07	141.49	106.92	83.20	62.69	48.38	28.39
Other Income	0.78	1.35	0.86	0.42	0.38	0.30	0.17	0.20	0.25	0.11
Total Income	266.91	235.84	193.68	165.49	141.87	107.23	83.38	62.89	48.63	28.50
Earnings before Depreciation, Interest and Tax (EBDIT)	20.91	31.60	27.86	20.10	14.48	11.24	9.51	6.51	4.72	2.94
Depreciation	4.01	3.94	4.50	2.49	2.29	1.93	1.67	1.51	0.96	0.44
Interest	0.60	0.28	0.13	0.38	1.24	1.24	1.36	1.59	0.96	0.02
Provision for Taxation (Including Deferred Tax)	6.14	9.75	8.33	6.12	2.85	1.95	0.79	0.37	0.38	0.09
Profit after Tax	10.16	17.62	14.91	11.11	8.10	6.13	5.68	3.05	2.41	2.39
Cash Profit	14.17	21.57	19.41	13.60	10.39	8.05	7.35	4.56	3.38	2.83
Equity Dividend (%)	30.00	27.50	27.50	20.00	16.00	13.50	12.00	12.00	10.00	10.00
Dividend Payout (Including Tax on Dividend)	3.42	3.10	3.10	2.00	1.90	1.78	1.43	1.43	1.19	1.08
Equity Share Capital	9.99	9.99	9.99	10.78	10.80	10.80	10.80	10.80	10.80	10.80
Reserves and Surplus	52.65	45.84	34.53	24.14	19.97	13.83	9.62	5.26	3.56	2.25
Networth	62.64	55.83	44.52	34.92	30.69	24.51	20.02	15.42	13.43	12.12
Gross Fixed Assets	72.69	63.87	53.62	43.77	40.69	36.61	30.14	25.46	23.49	20.76
Net Fixed Assets	50.38	45.49	38.82	32.96	32.15	30.02	25.27	22.26	21.80	20.02

## Key Indicators

Earnings per share - Rs.	10.17	17.64	14.93	10.29	7.50	5.67	5.26	2.82	2.23	2.21
Cash Earnings per share - Rs.	14.19	21.59	19.43	12.61	9.62	7.46	6.81	4.22	3.13	2.62
Book Value per share - Rs.	62.70	55.88	44.56	32.38	28.42	22.69	18.53	14.28	12.43	11.22
Debt : Equity Ratio	0.19 : 1	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
EBDIT/Turnover %	7.86	13.48	14.45	12.18	10.23	10.51	11.43	10.39	9.76	10.37
Net Profit Margin %	3.81	7.47	7.70	6.71	5.71	5.71	6.81	4.85	4.96	8.38
RONW %	16.22	31.57	33.49	31.82	26.39	24.99	28.38	19.78	17.96	19.72

**BOARD OF DIRECTORS**

Sri D Seetharamaiah, Non Executive Independent Chairman  
Sri N P Ramakrishna, Independent Director  
Dr N R Sivaswamy, Independent Director  
Dr A Appa Rao, Independent Director  
Smt N Bhuvaneswari, Vice Chairman & Managing Director  
Dr V Nagaraja Naidu, Managing Director

**SENIOR EXECUTIVES**

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 Kimar, GM - Quality Assurance  
Sri K Sambasiva Rao, GM - Finance & Accounts  
Sri C V S Kaleswara Rao, DGM - Personnel & Admin

**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

**COMPANY LOCATIONS**

Refer Page No.24

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



Dear Shareholders,

### DEMATERIALIZATION OF SECURITIES

We are happy to inform you that over 82% 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.



*Sri D. Seetharamaiah, Chairman*

Dear Shareholders,

This is my first address to you after being appointed as chairman of the company. I am indeed honoured and privileged to be elected to the August Office of this esteemed organisation. I would like to place on record my sincere thanks for the trust reposed in me and I assume this trust with all humility and seek your support and co-operation in discharging the onerous responsibilities.

Your Company's performance during the Financial Year 2004-05 has demonstrated its ability to cope with the emerging challenges especially due to deficient monsoon conditions, intensified competition, etc.

Before I continue upon the performance of your Company, it is pertinent to present the Economic Scenario and the Industry Scenario in which your company operated during the year.

**Economic Scenario**

The Economy has managed to maintain the growth momentum inspite of the deficient monsoon, hardening international prices of oil and steel, effect of the destructive Tsunami etc. The Economic Survey projected the GDP growth rate for the year 2004-05 at 6.9% as against 8.5% in 2003-04. The year 2004-05, after starting a point-to-point annual inflation rate of 4.5% on 3<sup>rd</sup> April 2005 witnessed a peak level of inflation at 8.7% on 28<sup>th</sup> August 2004, the highest in the last four years but later declined to 5% by the end of March 2005.

During the year, growth momentum in exports was maintained; India's exports registered a growth of 24%

from the last period but India's position was down from 30th to 31st rank in the top exporting countries of the world. The foreign exchange reserves (including gold, SDRs and reserve position in IMF) reached an estimated level of USD \$141.20 billion at the end of March 2005 in excess of India's total external debt of USD 114 billion at the end of September 2004.

During the year 2004-05, the SENSEX crossed 6800 mark but high stock market volatility remained higher in India compared to other Asian countries.

**Dairy Scenario**

World milk production is estimated at 613 million tonnes growing at a CAGR (Compounded Annual Growth Rate) of 1.1% India ranks first in the world in terms of milk production. Indian production stands at 91 million tonnes growing at a CAGR of 4%. Hence, India contributes 4 million tonnes to the world's incremental production of 7.5 million tonnes.

Despite a higher growth rate, the per capita availability of milk in India (229 grams per day) is lower than the world average (285 grams per day). Buffalo milk is now estimated to account for 57% of the total milk production in India.

India has a unique pattern of production, processing and marketing / consumption of milk, which is not comparable with any large milk producing country. Approximately 70 million rural households (primarily small and marginal farmers and landless labourers) in the country are engaged in milk production.



### **Your Company**

Keeping pace with the changing business environment, your Company has been continuously striving to achieve excellence in quality of its products and systems. During the year under report, your Company commissioned two chilling centres one at Bapatla, Guntur Dt. and the other one Kallur, Khammam Dt. and one Packing Station at Pamarru, East Godavari Dt. all in Andhra Pradesh.

Milk procurement has faced tough challenges including intensified competition in milk procurement, insufficient monsoon and severe drought in different parts of South India, where your Company is operating, resulting in shortage of milk and exorbitant increase in milk procurement prices. In reverse, the selling prices of fat related milk products prices have fallen by over 19% during the year. This has resulted in lesser operating margins.

I am happy to inform you that your company won “CSO 2004” (Consumer Standard Organisation 2004) Award of Southern Districts Consumer Awareness Council, Chennai.

As a Corporate Citizen, your Company, responding to the Asian Tsunami, which has caused one of the greatest disasters in recent times, contributed Rs. 5 lakhs each to the Chief Minister’s Relief Fund of Tamil Nadu and Andhra Pradesh to extend support to the people, who were greatly distressed by it.

Your Company had redesigned its website [www.heritagefoods.co.in](http://www.heritagefoods.co.in) and the same was inaugurated by Smt. N Bhuvaneswari, Vice Chairman & Managing Director. Your Company’s website provides the details of Company Locations, Products, Annual Reports, Quarterly and Half-yearly Financial Results, Shareholding Patterns and other Investor information, which is being

updated regularly. You are requested to visit the website and give your valuable suggestions.

By undertaking several integrated social responsibility activities your Company continued to act as a catalyst in the Dairy Sector. Emphasis on animal health has become more of a routine feature. Regular Inputs viz., feed, fodder, hybrid seeds, mineral mixtures at economical prices, seasonal cattle vaccinations through a trained team of veterinarians, de-worming etc., have not only resulted in preventing the out-break of cattle diseases, but also in improving the milk productivity and quality. As a part of agenda your Company provides security and cattle insurance to farmers for purchase of milch animals.

Besides this, your Company is instrumental in organising “Rythu Sadassu’s”. The main aim of these “Rythu Sadassu’s” is providing facilities to adapt such trends in realising higher quality milk yield along with motivating the farmers to adopt better and latest practices in Dairy farming & preventive health measures.

Your Company will continue to build trust with customers, suppliers, creditors and diverse investors trust that your Company’s Milk and Milk Products can be relied on, that the Company will be managed properly, will successfully perpetuate its business, protect and enhance the capital of its investors, and will increase corporate value.

Reiterating your Company’s commitment to further augment its share in the competitive market and its continuous endeavour towards excellence in quality, I take this opportunity to convey my thanks to the shareholders for their confidence in the Company and I expect the same kind of support in future.

Thank You,

**D. SEETHARAMAIAH**  
Chairman



Members of Heritage Foods (India) Limited are hereby given notice for the 13<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 : **Friday, the 15<sup>th</sup> July, 2005**

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 31<sup>st</sup> March 2005 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, 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."

#### **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 pursuant to the provisions of Sections 198, 269, 309, 310 and 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force) and subject to such sanctions and approvals as may be necessary, consent of the Company be and is hereby accorded to the re-appointment of Smt N Bhuvaneswari, as Whole-Time Director of the Company under the

designation "Vice Chairman and Managing Director", for a further period of five years commencing from 12<sup>th</sup> December 2004 on the remuneration as set out in the Explanatory Statement.

RESOLVED further that the Board of Directors of the Company on the recommendation of the Remuneration Committee is hereby authorised to revise the said remuneration during the currency of her tenure and the total cost to the Company on account of such revision for any year during the currency of her tenure is subject to the limits set out under section 198 and 309 of the Companies Act, 1956 read with schedule XIII thereto.

RESOLVED further that, in the event of absence or inadequacy of net profits for any financial year during her tenure, the salary and perquisites so determined by the Board of Directors shall be treated as the minimum remuneration payable to Smt. N Bhuvaneswari, Vice Chairman and Managing Director."

6. To consider and, if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution.

"RESOLVED that pursuant to the provisions of Sections 198, 269, 309, 310 and 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force) and subject to such sanctions and approvals as may be necessary, consent of the Company be and is hereby accorded to the re-appointment of Dr. V Nagaraja Naidu, as the Whole-Time Director of the Company under the designation "Managing Director", for a period of five years commencing from 12<sup>th</sup> December 2004 on the remuneration as set out in the Explanatory Statement.

RESOLVED further that the Board of Directors of the Company on the recommendation of the Remuneration Committee is hereby authorised to revise the said remuneration during the currency of his tenure and the total cost to the Company on account of such revision for any year during the currency of his tenure is subject to the limits set out under section 198 and 309 of the Companies Act, 1956 read with schedule XIII thereto.

RESOLVED further that, in the event of absence or inadequacy of net profits for any financial year during his tenure, the salary and perquisites so determined by the Board of Directors shall be treated as the





minimum remuneration payable to Dr. V Nagaraja Naidu, Managing Director."

7. To consider and, if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution.

"RESOLVED that in pursuance of the revised Clause - 49 of the Listing Agreement issued by SEBI vide circular SEBI/CFD/DIL/CG/1/2004/12/10 dated 29<sup>th</sup> October 2004, the approval of the members of the Company be and is hereby accorded for payment of Rs. 5,000 (Rupees Five Thousand only) or such other amount as may be approved by the Board of Directors, subject to the ceiling as may be prescribed under the Companies Act, 1956, or any statutory modifications or enactment thereof and/or any rules or under regulations framed thereunder and/or by the Central Government, as sitting fees for each meeting of the Board of Directors, attended by the Non-Executive Directors of the Company.

RESOLVED further that in pursuance of the revised Clause - 49 of the Listing Agreement issued by SEBI vide circular SEBI/CFD/DIL/CG/1/2004/12/10 dated 29<sup>th</sup> October 2004, the approval of the members of the Company be and is hereby accorded for payment of Rs. 2,500 (Rupees Two Thousand Five Hundred only) or such other amount as may be approved by the Board of Directors, subject to the ceiling as may be prescribed under the Companies Act, 1956, or any statutory modifications or enactment thereof and/or any rules or under regulations framed thereunder and/or by the Central Government, as sitting fees for each meeting of the Committee of the Board of Directors, attended by the Non-Executive Directors of the Company."

**Registered Office:**  
6-3-541/C, Panjagutta,  
Hyderabad – 500 082  
Date : 30<sup>th</sup> May 2005

**By Order of the Board**  
  
**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 for physical shares of the Company. Karvy is also the depository interface of the Company with NSDL and CDSL.
4. The Register of Members and the Transfer Books of the Company will remain closed from Friday, the 01<sup>st</sup> July 2005 to Friday, 08<sup>th</sup> July 2005 (both days inclusive)
5. The dividend as recommended by the Board of Directors for the year ended 31<sup>st</sup> March 2005,

when declared at the Annual General Meeting will be paid on or after 15<sup>th</sup> July 2005 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 08<sup>th</sup> July 2005 after giving effect to all valid share transfers in physical form which would be received by the Company upto end of business hours on 30<sup>th</sup> June 2005.
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:
    - (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 Bank (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 and the particulars are provided at page No. 46 of this Report.

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 declared upto the financial year 1996-97 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
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
2003-04	29-07-2004	28-07-2011

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 Computershare Private 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.**

10. Non-Resident Indian shareholders are requested to inform M/s Karvy Computershare Private Limited immediately:
- The change in the residential status on return to India for permanent settlement; and
  - 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
12. 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 Computershare Private Limited, Karvy House, 46 Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034.**
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' 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.
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.



## Explanatory Statement Pursuant to Section 173 (2) of the Companies Act, 1956

### Item No. 5

Smt N Bhuvanewari has been Whole-Time Director of the Company under the designation "Executive Director" for the past five years and had contributed immensely towards the growth and development of the Company. The Board of Directors, on the recommendation of Remuneration Committee, at their meeting held on 09<sup>th</sup> December 2004 resolved to re-appoint Smt. N Bhuvanewari as Whole-Time Director under the designation "Vice Chairman and Managing Director", for a further period of five years i.e. from 12<sup>th</sup> December 2004 till 11<sup>th</sup> December 2009 and recommended the following remuneration:

#### Salary:

Rs. 1,40,000.00 per month

#### Commission:

3% of the net profit of the Company per annum computed in accordance with Section(s) 198 and 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 Directors 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): 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 dependant 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 for use on Company's business and telephone at residence shall not be considered as perquisites.

The Directors recommend the resolutions for your approval. None of the directors of the Company, except Smt. N. Bhuvanewari is interested in the resolution.

The terms of re-appointment of Smt. N. Bhuvanewari as stated in this notice, may be treated as abstract under section 302 of the Companies Act, 1956. The Copies of relevant resolutions of the Board in respect of re-appointment is available for inspection by members at the Registered Office of the Company during working hours of any working day till the date of this Annual General Meeting.

### Item No. 6

The Board of Directors, on the recommendation of Remuneration Committee, at their meeting held on 09<sup>th</sup> December 2004 resolved to re-appoint Dr. V. Nagaraja Naidu as Whole-Time Director under the designation "Managing Director", for a further period of five years i.e. from 12<sup>th</sup> December 2004 till 11<sup>th</sup> December 2009. Dr V. Nagaraja Naidu has been Whole-Time Director of the Company for the past five years. With his dedicated efforts, the Company has performed exceedingly well during the last five years. The Board of Directors recommended the following remuneration to Dr V. Nagaraja Naidu:

#### Salary:

Rs. 1,40,000.00 per month

#### Commission :

1.5% of the net profit of the Company per annum computed in accordance with Section(s) 198 and 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 Directors shall be entitled to house rent allowance subject to the ceiling laid down in clause (a).