



20th Annual Report
2011-2012

HERITAGE FOODS (INDIA) LIMITED

AN ISO 22000 COMPANY

10 Years Financials

(₹ in Crores)

	2011-12	2010-11	2009-10	08-09	07-08	06-07	05-06	04-05	03-04	02-03
Turnover	1393.41	1096.08	900.38	796.02	588.03	346.33	292.07	266.13	234.49	192.83
Other Income	3.21	4.81	2.93	3.23	40.13	1.29	1.27	0.78	1.35	0.86
Total Income	1396.61	1100.89	903.31	799.25	628.16	347.62	293.34	266.91	235.84	193.68
Earnings before Depreciation, Interest and Tax (EBDIT)	52.58	38.85	47.03	3.43	23.66	12.17	25.23	20.91	31.60	27.86
Depreciation	21.19	19.94	19.64	17.22	10.55	6.78	4.80	4.01	3.94	4.50
Interest	17.82	15.97	16.67	14.58	12.43	1.84	0.40	0.60	0.28	0.13
Provision for Taxation (Including Deferred Tax & FBT)	4.24	1.83	4.98	6.58	(0.26)	1.82	6.39	6.14	9.75	8.33
Profit /(Loss) after Tax	9.33	1.12	5.60	(35.61)	0.94	1.72	13.64	10.16	17.62	14.91
Cash Profit/ (Loss)	34.76	22.88	30.35	(11.15)	11.49	8.51	18.44	14.17	21.57	19.41
Equity Dividend (%)	20.00	12.00	18.00	Nil	18.00	30.00	30.00	30.00	27.50	27.50
Dividend Payout (Including Tax on Dividend)	2.68	1.61	2.42	Nil	2.13	3.51	3.42	3.42	3.10	3.10
Equity Share Capital	11.53	11.53	11.53	11.53	11.53	9.99	9.99	9.99	9.99	9.99
Reserves and Surplus	81.60	75.01	75.35	69.24	104.17	59.31	62.50	52.65	45.84	34.53
Networth	93.13	86.53	86.87	80.77	115.70	69.30	72.49	62.64	55.83	44.52
Gross Fixed Assets	345.90	317.50	294.24	264.47	206.45	128.88	80.15	72.69	63.87	53.62
Net Fixed Assets	230.26	221.72	215.24	203.68	162.41	95.38	53.33	50.38	45.49	38.82

Key Indicators

	2011-12	2010-11	2009-10	08-09	07-08	06-07	05-06	04-05	03-04	02-03
Earnings per share - ₹.	8.10	0.97	4.85	(30.89)	0.92	1.73	13.65	10.17	17.64	14.93
Cash Earnings per share - ₹.	26.47	19.84	26.32	(9.67)	9.96	8.51	18.46	14.19	21.59	19.43
Book Value per share - ₹.	80.77	75.05	75.35	70.05	100.35	69.37	72.57	62.70	55.88	44.56
Debt* : Equity Ratio	0.99:1	1.15:1	1.34:1	1.50:1	0.96:1	0.79:1	0.00:1	0.00:1	0.01:1	0.01:1
EBDIT/Turnover %	3.77	3.52	5.22	0.43	4.02	3.51	8.63	7.86	13.48	14.45
Net Profit Margin %	0.67	0.10	0.62	(4.47)	0.16	0.50	4.65	3.81	7.47	7.70
Return on Networth %	10.00	1.29	6.45	(44.09)	0.81	2.48	18.81	16.22	31.56	33.49

* Long Term Debt

Sri D Seetharamaiah, Chairman



Dear Shareholders,

Financial Year 2011-12 has been a challenging year with unprecedented economic uncertainty and slowing down of economic growth across Asia. These events had a profound effect on demand and margin outlook for industrial and consumer products across the world. In many ways, we are still feeling the after-shocks of the financial meltdown of 2008 and 2009 with leading economies continuing to suffer from low growth and the resultant adverse impact on demand for most products and services. We have been successful in insulating and de-risking our portfolio of businesses by following a prudent operating discipline and further strengthening our rock solid foundation for investments in future growth engines.

Even under these tough times, Heritage delivered sustained operating and financial results from its core businesses. Heritage achieved a turnover of 1393.41 Crore when compared to Rs. 1096.08 crores of the previous year and a net profit of 9.33 Crore when compared to Rs1.12 Crore of the previous year. This was mainly achieved as a result of resilient demand for milk and milk products, repetition of demand in India.

Growth in organized retail business is reflective of the changing habits and increasing aspirations of millions of fellow Indians who seek modern conveniences without losing focus on value. In a short period and as a reflection of consumer preferences, Heritage now has leadership positions in food retailing in south India. The retail business portfolio now accounts for 22 % of the Company's gross income. During the current year, we have projected a goal of setting up more number of Heritage parlours.

We have strengthened our balance sheet and are focused on managing our costs and prudent use of capital. Our investment, cash balance and low net gearing ratio place us in a unique position for creating a foundation for growth. At Heritage, we have been and continue to remain focused on creating long term shareholder value.

We are happy to announce a final dividend of Rs. 2/- per equity (20%) on equity shares of Rs.10/- each. The dividends are payable on the equity shares outstanding as on record date and are subject to approval by the shareholders.

We are passionate towards investing in Heritage's future. I know that I am not alone in this passion and that over 3000 Heritage employees share this hunger for outperformance and growth. We are committed to doing so with integrity and humility and are steadfast in our endeavour in achieving our goals.

I am grateful to the Board of Directors for their unwavering support and guidance. I take this opportunity to express my gratitude to all our stakeholders, who have reposed trust in us and extended their constant support.

With best wishes,

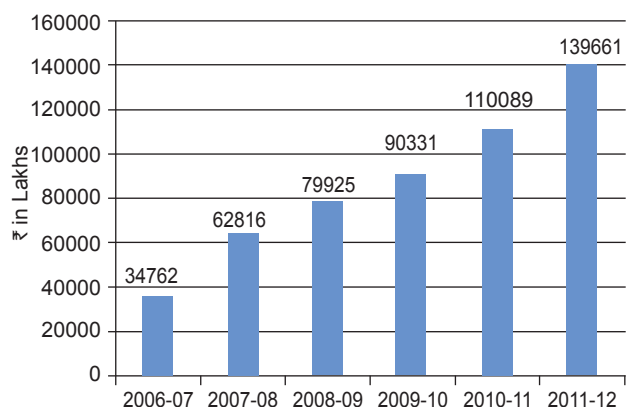
Sincerely,

D Seetharamaiah

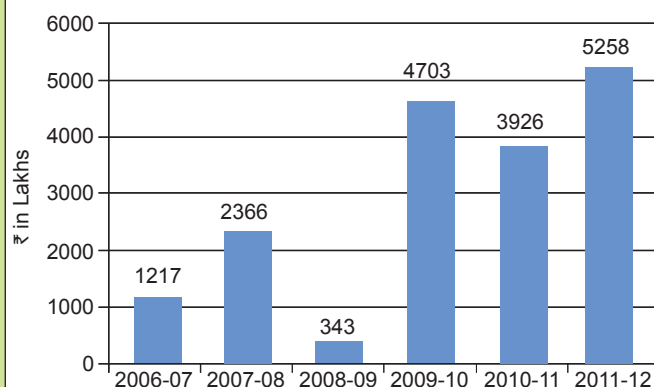
Chairman

Company Financial performance at a glance for the Financial Year 2011-12

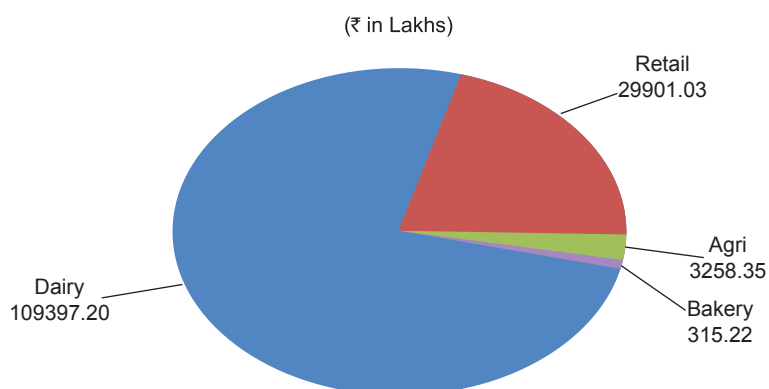
Total Income



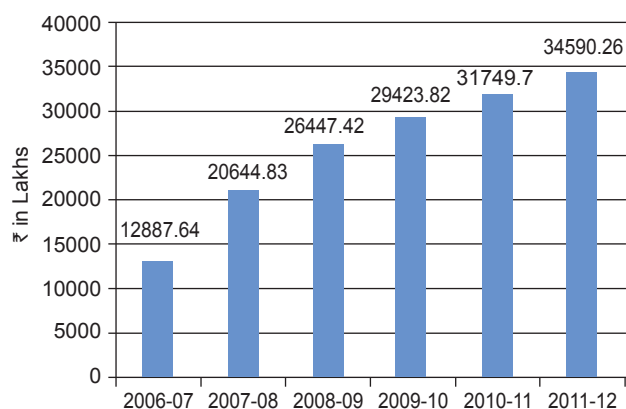
EBITDA



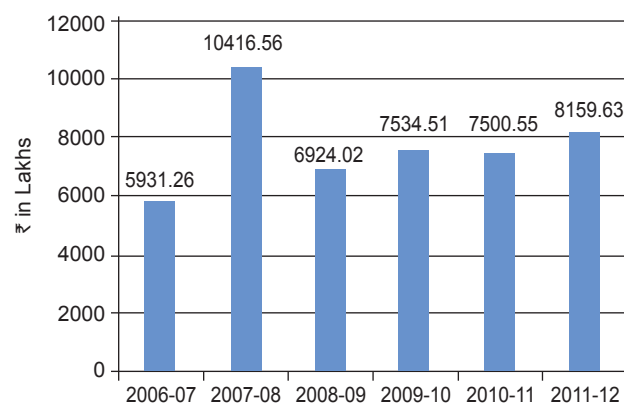
Segment wise Revenue



Gross Fixed Assets



Reserves & Surplus



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Important Communication to Members

The Ministry of Corporate Affairs has taken a **"Green Initiative in the Corporate Governance"** by allowing paperless compliances by the companies and has issued circulars stating that service of notice/ documents including Annual Report can be send by e-mail to the members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses. The e-registration form is available in Pg. No. 93 of this Annual Report

Board of Directors:

Sri D Seetharamaiah	<i>Non Executive Independent Chairman</i>
Sri N P Ramakrishna	<i>Non Executive Independent Director</i>
Dr N R Sivaswamy	<i>Non Executive Independent Director</i>
Dr A Appa Rao	<i>Non Executive Independent Director</i>
Dr V Nagaraja Naidu	<i>Non Executive Director</i>
Smt N Bhuvaneswari	<i>Vice Chairperson & Managing Director</i>
Sri N Lokesh	<i>Executive Director</i>

Company Secretary:

CS Umakanta Barik

Senior Management :

Dr M Sambasiva Rao	<i>President</i>
CA A Prabhakara Naidu	<i>Vice President - Finance & Accounts</i>
Sri K Durga Prasad Rao	<i>Chief Operating Officer-Dairy Division</i>
Sri S Jagdish Krishnan	<i>Chief Operating Officer-Retail & Bakery Divisions</i>
Sri Anil Kumar Srivastava	<i>Chief Operating Officer-Agri Division</i>

Board Committees**Audit Committee**

Sri D Seetharamaiah, Chairman
Dr A Appa Rao
Dr N R Sivaswamy
Dr V Nagaraja Naidu

Remuneration Committee

Sri D Seetharamaiah, Chairman
Dr A Appa Rao
Dr N R Sivaswamy
Sri N Lokesh

Share Transfer & Shareholders' Grievance Redressal Committee

Sri D Seetharamaiah, Chairman
Dr A Appa Rao
Dr V Nagaraja Naidu
Smt N Bhuvaneswari

Management Committee

Sri D Seetharamaiah, Chairman
Dr A Appa Rao
Smt N Bhuvaneswari
Sri N Lokesh

Registered Office	: 6-3-541/C, Panjagutta, Hyderabad - 500 082.
Statutory Auditors	: M/s. Raju & Prasad, Chartered Accountants 401, "DIAMOND HOUSE" Adj. Amrutha Hills, Panjagutta, Hyderabad - 500 082.
Bankers	: Bank of Baroda, Andhra Bank, ICICI Bank Limited.
Listed with	: BSE Limited, Mumbai, National Stock Exchange of India Limited, Mumbai.
Registrar and Transfer Agents	: M/s Karvy Computershare Private Limited. Plot no.17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081.
Website	: www.heritagefoods.co.in

Members of Heritage Foods (India) Limited are hereby given notice for the 20th Annual General Meeting of the Company, the schedule of which and the business to be transacted therein, are given below:

Day and Date : **Saturday 29th September, 2012**

Time : **11.00 a.m.**

Venue : **Auditorium Hall, 2nd Floor, Training Block, National Institute for Micro, Small and Medium Enterprises (formerly NISIET), Yousufguda, Hyderabad – 500 045**

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2012, the Statement of Profit and Loss for the year ended as on that date together with 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 Dr. V. Nagaraja Naidu, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors of the Company and to fix their remuneration.

By Order of the Board
For HERITAGE FOODS (INDIA) LIMITED

Registered Office:
6-3-541/C, Punjagutta,
Hyderabad – 500 082

Date : 30th July, 2012

UMAKANTA BARIK
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/ HERSELF 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 PRODUCE AT THE ENTRANCE OF THE VENUE DULY FILLED ATTENDANCE

SLIP FOR ATTENDING THE MEETING.

3. M/s Karvy Computershare Private Limited (Karvy) is the Registrar and Share Transfer Agent of the Company.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from Wednesday 26th September, 2012 to Saturday 29th September, 2012 (both days inclusive).
5. The dividend as recommended by the Board of Directors for the year ended 31st March, 2012, when declared at the Annual General Meeting will be paid 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 record date after giving effect to all valid share transfers in physical form which would be received by the Company upto end of business hours on record date.
6. In order to provide protection against fraudulent encashment of the Dividend 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.
7. Pursuant to provisions of sub-section (5) of Section 205A the Companies Act, 1956 the dividend, which remain unclaimed / unpaid for a period of 7 years shall 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/unpaid amount of dividends declared upto the Financial Year 2003-04 to the 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 ended	Date of declaration of Dividend	Last date for claiming unpaid Dividend
2005-06	31-07-2006	30-07-2013
2006-07	22-08-2007	21-08-2014
2007-08	26-09-2008	25-09-2015
2009-10	30-07-2010	29-07-2017
2010-11	29-09-2011	28-09-2018

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.

8. Non-resident Indian shareholders are requested to inform M/s Karvy Computershare Private 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 if not furnished earlier.
9. Corporate Members intending to send their authorized 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.
10. 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, Plot No.17 to 24, VittalRao Nagar, Madhapur, Hyderabad-500081.
11. 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.
12. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account number (PAN) by every participant in securities market, Members holding shares in electronic form are, therefore requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company's Registrars and Transfer Agents.
13. Members seeking any information relating to the Accounts may write to the Company at the Regd. office at 6-3-541/C, Punjagutta, Hyderabad - 500 082, for attention of Company Secretary at the earliest.
14. All the documents referred to in the Notice will be available to the members at the registered office of the Company between 10.30 A.M to 12.30 P.M on all working days from the date hereof upto the date of the Meeting.
16. At the ensuing Annual General Meeting, Dr. A. Appa Rao and Dr. V. Nagaraja Naidu retire by rotation and being eligible offer themselves for re-appointment. The information or details pertaining to these directors are provided in terms of Clause 49 of the Listing Agreement with the Stock Exchanges.

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, following information is furnished about the directors proposed to be appointed / re – appointed

Brief resume of the Directors, nature of their expertise in specific functional areas, names of companies in which they hold directorships and chairmanships of Board Committees and their shareholding in the Company are provided below:

- a) Dr A Appa Rao, aged 86 years, is a graduate in Agriculture and has a doctorate in Agriculture from Madras University. He completed his Post doctoral work at Kansas State University as TCM-USA Scholar. He was formerly the Vice Chancellor of the Andhra Pradesh Agricultural University. Before taking charge of Vice Chancellor, he was Director of Research, heading the Research activities of the University in the fields of Agriculture, Animal Husbandry and Home Science. He had also a three year stint with World Bank, as an Agriculturalist, at it's New Delhi office. Besides being associated with the IDRC financed Agricultural Research Management (Asia) Project implemented by SEARCA, Philippines for 5 years, Dr. Rao was on the Governing Body of the Indian council of Agricultural Research (ICAR) for two terms. He also served as Chairman / Member of several committees of the Council. Dr. Rao is also on the Board of Directors of Ushakiron Movies Limited (Ramoji Film City) and Andhra Sugars Ltd.
- b) Dr.V.Nagaraja Naidu, aged 65 years is a postgraduate in Commerce and Doctorate in Financial Management. Dr. Naidu started his career from Administrative Staff College of India, Hyderabad in 1972 held various positions in reputed Universities viz., Professor, Dean, Director etc and taught in the fields of Finance and Business Economics at Post graduate and Doctorate levels. He had been the Registrar (Administrative Head) of the Dr B R Ambedkar Open University for about 10 years. He is also director in Heritage International Limited, Northgate Infra Developers Limited, Gold Coast Land Development (P) Ltd and Heritage Agro Marine (P) Limited. He holds 29,000(0.25%) equity shares in the company as on 31st March, 2012

By Order of the Board
For **HERITAGE FOODS (INDIA) LIMITED**

Registered Office:
6-3-541/C, Panjagutta,
Hyderabad – 500 082

Date: 30th July, 2012

UMAKANTA BARIK
Company Secretary

Dear Members,

Your Directors have pleasure in presenting the 20th Annual Report of the Company together with the audited statement of accounts for the year ended 31st March, 2012.

FINANCIAL RESULTS

The financial performance for the Financial Year 2011-12 is summarised in the following table:

(₹ in Lakhs)

Particulars	2011-12	2010-11
Total Income from operations	139340.57	109608.61
Total Expenditure	136332.90	108020.76
Profit from operations before other Income, finance costs & exceptional items	3007.67	1587.84
Other Income	320.73	480.66
Profit from ordinary activities after finance costs and exceptional items	1357.57	294.61
Profit from ordinary activities before Tax	1357.67	294.61
Net Profit for the period	933.42	111.93
Basic and diluted EPS before Extraordinary items for the period	8.10	0.97

The above figures are standalone figures, as the subsidiary companies, are yet to commence business; hence consolidated figures are not given.

DIVIDEND

Your Directors have recommended a dividend of ₹ 2 per Equity Share (20%) for the financial year ended March 31, 2012, amounting to ₹ 268.00 lakhs (₹. 230.59 Lakhs dividend + ₹. 37.41 lakhs tax on dividend). The dividend will be paid to members whose names appear in the Register of Members as on record date if, approved at the forth coming Annual General Meeting.

The dividend payout for the year under review has been formulated in accordance with shareholders' aspirations and the Company's policy to pay sustainable dividend linked to long term growth objectives of the Company to be met by internal cash accruals.

RESULTS FROM OPERATIONS

The Financial Year 2011-12 was a challenging year. The global economy, continue to witness lower growth, resulting primarily from the Euro Zone debt crisis. India being one of the growth engines of the global economy was forced to tighten liquidity to tame rising inflation. Despite of these constraints and the challenging environment, the Company performed reasonably well and the highlights of the performance are as under:

- Revenue from operations increased by 27 % to ₹ 139340.57 lakhs
- Profit from operations before other income, finance costs & exceptional items increased by 89% to ₹ 30.07 Crores

- Profit from ordinary activities after finance costs and operational items increased by 361% to ₹ 13.57 Crores
- Net Profit increased by 733 % to ₹ 9.33 Crores

BUSINESS REVIEW

Dairy Business: The Dairy Industry plays a vital role in the development of Agriculture Sector. Demand for milk and milk products is increasing day by day. Milk and milk products are second largest agricultural commodity produced in our country next to rice. Milk is the only agro-based commodity that offers immediate marketability and consistent revenue to the farmers. Considering the demand for milk and milk products, there is still a lot of scope for increasing the milk production in India by adopting scientific methods of breeding and nutrition.

During the financial year Dairy Division has increased milk handling capacity by 1,06,000 LPD by commissioning of 33 units which includes Bulk Coolers / Mini Chilling Units and Franchisees units to increase the milk procurement and to maintain the quality. The Turnover has grown by 21.2% from ₹ 860.60 Crores to ₹.1093.97 Crores. The liquid milk Turnover grown by 22.7% and Value Added Products by 60%. During the year Dairy Division has exported 25 Metric Tonnes of butter to Kingdom of Bahrain.

During the year the Dairy Division of the company has taken-up effective measures to reduce / minimize inward freight cost by altering the route distances or re-organizing milk routes and closure of unviable milk routes. Several steps were taken up to improve the clean milk production across all locations, reduced the operational costs as compared to previous year. The Kalluru Chilling Centre has been upgraded as a Packing Station and commenced packing operations w.e.f 27th June' 2011. To encourage the farmers for increasing their milk production, technical inputs program is being implemented across the location which includes animal health camps, supply of feed and fodder seeds, Vaccination etc.

During the financial year Heritage Institute of Milk Sciences (HIMS) first batch of 23 students have successfully completed their Dairymen course and were placed at various locations in Dairy Division. Second batch of 26 students have completed the theory classes. Admission process for the 3rd batch has been initiated in the months of April/May 2012.

Retail Business: Organized retail represents a large untapped market in India that is likely to see tremendous growth in the coming years. The Retail Industry in India is evolving as one of the most dynamic and fast growing industry. New entrants are bound to see large returns. However, they must adapt themselves to the unique state of retail in India where infrastructure and regulations provide little support. They must also understand the tastes of the Indian consumers, who have only recently started treating retail as a form of leisure.

Your Retail Division achieved a sale of ₹ 250.28 crores during the year 2011-12. The Institutional sales segment achieved a sales of 18.75 Crores and sales delivered by General Trade FMCG distribution business of ₹.13.31 crores. For comparable stores in both the years Retail business has grown by 8%. On all inclusive store bases we have grown by 17%. Average bill value has grown

by 14% and also the new stores which are opened this year have delivered more throughput than previous year.

Private Label Strategy is built around providing exceptional value to customers. It was focused on optimising private Label sales mix, which witnessed tremendous customer acceptability across categories like instant food, snacks, beverages, culinary etc. During the year Retail Division has initiated several measures through private label to create new business comprising general trade, parlor etc., During the year the private label products reached to 149 distributors and 20649 Outlets.

Your company entered with the trading & manufacturing (except Bread) of Bakery products. The business shall be nurtured during the financial year. Bakery product Sales remains same over the last financial year with the improvement in Dairy & Retail Channel. The direct sales channel de grew in sales as it discontinued few kiosk models out of IT Parks and Fresh Outlets due to non viability.

Agri Division: The agriculture sector requires consistent monitoring, creating a conducive environment for farmers to increase their productivity and sell their products at competitive prices. There is still a lot of scope for increasing the productivity in India by adopting scientific methods of cultivation and farming.

Agri Division had achieved the turnover of ₹. 33.04 Crores and 31749 MT with respect to Value & Volume. However, there is an improvement in Volume of 18% over the financial year 10-11.

The present fill rate is 69% against the requirement of Retail Business & efforts are being made to deliver 75% supply across regions, Developing new sourcing bases in coordination with other retailers to meet the Retail requirement of off season & non local SKU's, Procurement of SKUs at competitive price through all available channels.

Agri Division has planned for extension of services i.e. Strengthened extension activities to the custom farmers and facilitating farmers to get crop loans, subsidies on power tiller and drip irrigation schemes, weekly training classes for field staff on Pests and disease control, trained the farmers and field staff on Soil treatment & Land Management and the importance of Crop Rotation and water conversation.

SUBSIDIARY COMPANIES

During the year under review the Company has two subsidiary Companies namely M/s. Heritage Foods Retail Limited and M/s. Heritage Conpro Limited. M/s SKIL Raigam Power (India) Limited ceased to be a subsidiary of the Company as per the provision of the Section 4 of the Companies Act, 1956. In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Statement of Profit and Loss and other documents of the subsidiary companies need not be attached with the Balance Sheet of the Company. However the financial information of the subsidiary companies is disclosed in the Annual Report in compliance with the said circular. The Company will make available the annual accounts of the subsidiary companies and the related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept

open for inspection at the Registered Office of the Company. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies.

CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to Clause 32 of the Listing Agreement with Stock Exchanges and in accordance with the Accounting Standard AS-21 on Consolidated Financial Statements read with Accounting Standard AS-23 on Accounting for Investments in Associates, the audited Consolidated Financial Statements are provided in the Annual Report.

ENVIRONMENT AND SAFETY

The Company is conscious of the importance of environmentally clean and safe operations. The Company's policy requires the conduct of all operations in such a manner so as to ensure safety of all concerned, compliance of statutory and industrial requirements for environment protection and conservation of natural resources to the extent possible.

DIRECTORS

Dr. A. Appa Rao and Dr. V. Naga Raja Naidu Directors retire by rotation and being eligible; offer themselves for reappointment at the ensuing Annual General Meeting.

During the year on the recommendation of Remuneration Committee, the Board of Directors had recommended to the Shareholders for the re-appointment of Smt. Nara Bhuvaneshwari as Vice Chairperson & Managing Director of the Company for a period of three years w.e.f 1st April, 2012. The Shareholders had approved the appointment through postal Ballot, the result of which was declared on 9th May, 2012.

AUDITORS AND AUDITORS' REPORT

Statutory Auditors: M/s. Raju & Prasad, Chartered Accountants, Hyderabad Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

The Company has received letters from them to the effect that their reappointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for re-appointment within the meaning of Section 226 of the said Act.

The Notes on Financial Statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments.

Cost Auditor: As per the requirement of the provisions of Sec. 209(1)(d) and Section 233B of the Companies Act, 1956 and pursuant to the Companies (Cost Accounting Records) Rules, 2011, your Company carries out an audit of Cost Accounting records relating to Packaged Food Products for the year 2011-12. Subject to the approval of the Central Government, the Company has appointed M/s. Sagar & Associates, Cost Accountants, as Cost Auditor of the Company for the Financial Year 2012-13.

Secretarial Auditor: As a measure of good corporate governance practice, the Board of Directors of the Company appointed Ms.