



17th Annual Report
2008-2009

HERITAGE FOODS (INDIA) LIMITED

AN ISO 22000 COMPANY

A symbol of trust and quality



Bring Home Health and Happiness

Heritage has been a symbol for trust and quality to all its stakeholders viz Farmers, Suppliers, Customers, Shareholders and the Society as a whole since its inception.

Sri D Seetharamaiah, Chairman



Dear Shareholders

The year that has passed, has been one of the most challenging for the world economy. The unpredicted financial crisis led to the failure of large Financial Institutions in the West and shook the foundations of some of the strongest economies of the world. Consequently our country's economy also was adversely affected, resulting in fall of the G.D.P growth rate. For the year 2008-09 worldwide commodities were the worst affected in this meltdown. Though there are signs of little recovery, it is still too early to predict a full revival.

Despite the very difficult external economic environment, your company has shown remarkable performance in dairy and trends of recovery in retail business.

The gross income for the year grew by 27% to Rs.799.25 crores when compared to Rs.628.16/- crores of the previous year. The growth in the Dairy business is due to a healthy performance by the valued added product segments. The retail business portfolio now accounts for 25 % of the Company's gross income. During the year company incurred losses of Rs.35.07 crores due to the retail division and because of the economic slowdown in the country.

The strategic thrust placed on opening Heritage Parlors during the year under review has now started yielding the desired results. We had anticipated the paradigm shift in macro economic scenario and the burgeoning threat of organized retailers. Heritage Parlors will enable us to counter the potential threat from competitors. They will also increase the visibility of the Heritage brand in the retail market. Our own retail outlets enable us to interface directly with consumers and provide an ideal platform to showcase our entire range of products.

Through a concerted team effort, we could create around 400 Heritage Parlors in 2008-09. Our outlets have not only helped brand Heritage to become ubiquitous but also have managed to provide a very rewarding employment opportunity to hundreds of entrepreneurs across south India. During the current year, we have projected a goal of setting up 1,000

outlets. To achieve this challenging goal, we have identified certain potential locations such as Railways, Airports, Universities, Shopping Malls etc.

Consumers expect marketers to deliver products in their locations. To meet expectations of such demanding consumers, alignments of our Distribution of Fresh, Chilled, Frozen and Ambient products were already made certain improvement in our distribution network. Consequently, a major initiative was taken to enhance distribution network in smaller towns. Simultaneously, to augment fresh milk distribution in various markets of India, approximately 400 exclusive Milk Distributors have been appointed.

Over the years, your Company has reinforced its core strengths by building new competencies that efficiently serve the emerging needs of a fast paced economy. Supported by substantial investments in cutting edge technology, outstanding talent, your Company has created several trusted brands that enhance the quality of life of the discerning consumer. Deep farmer relationships and proven expertise in productivity enhancing agri interventions have added new dimensions to your Company's capability profile.

We respect and value our people. Our employees are our value creators whose efforts and bonds, we cherish. We create our environment in which our people are motivated to actualize their full potential. We provide the required support to them.

We at Heritage make all efforts to capitalize on the existing industrial opportunities. We strive our best to reach your expectations.

Thank you

D Seetharamaiah

Chairman

10 Years Financials

Consistent Growth

(Rs. in crores)

	2008-09	07-08	06-07	05-06	04-05	03-04	02-03	01-02	00-01	99-00
Turnover	792.56	588.03	346.33	292.07	266.13	234.49	192.83	165.07	141.49	106.92
Other Income	6.70	40.13	1.22	1.27	0.78	1.35	0.86	0.42	0.38	0.30
Total Income	799.26	628.16	347.56	293.34	266.91	235.84	193.68	165.49	141.87	107.23
Earnings before Depreciation, Interest and Tax (EBDIT)	3.43	23.66	12.17	25.23	20.91	31.60	27.86	20.10	14.48	11.24
Depreciation	17.22	10.55	6.78	4.80	4.01	3.94	4.50	2.49	2.29	1.93
Interest	14.58	12.43	1.84	0.40	0.60	0.28	0.13	0.38	1.24	1.24
Provision for Taxation (Including Deferred Tax & FBT)	6.58	(0.26)	1.82	6.39	6.14	9.75	8.33	6.12	2.85	1.95
Profit /(Loss) after Tax	(35.61)	0.94	1.72	13.64	10.16	17.62	14.91	11.11	8.10	6.13
Cash Profit/ (Loss)	(11.15)	11.49	8.50	18.44	14.17	21.57	19.41	13.60	10.39	8.05
Equity Dividend (%)	Nil	18.00	30.00	30.00	30.00	27.50	27.50	20.00	16.00	13.50
Dividend Payout (Including Tax on Dividend)	Nil	2.13	3.51	3.42	3.42	3.10	3.10	2.00	1.90	1.78
Equity Share Capital	11.53	11.53	9.99	9.99	9.99	9.99	9.99	10.78	10.80	10.80
Reserves and Surplus	69.24	104.17	59.31	62.50	52.65	45.84	34.53	24.14	19.97	13.83
Networth	80.77	115.70	69.30	72.49	62.64	55.83	44.52	34.92	30.69	24.51
Gross Fixed Assets	264.47	206.45	128.88	80.15	72.69	63.87	53.62	43.77	40.69	36.61
Net Fixed Assets	203.68	162.41	95.38	53.33	50.38	45.49	38.82	32.96	32.15	30.02

Key Indicators

	2008-09	07-08	06-07	05-06	04-05	03-04	02-03	01-02	00-01	99-00
Earnings per share - Rs.	(30.27)	0.92	1.73	13.65	10.17	17.64	14.93	10.29	7.50	5.67
Cash Earnings per share - Rs.	(9.67)	9.96	8.51	18.46	14.19	21.59	19.43	12.61	9.62	7.46
Book Value per share - Rs.	70.05	100.35	69.37	72.57	62.70	55.88	44.56	32.38	28.42	22.69
Debt* : Equity Ratio	1.50:1	0.96:1	0.79 : 1	0.00 : 1	0.00 : 1	0.01 : 1	0.01 : 1	0.14 : 1	0.19 : 1	0.27 : 1
EBDIT/Turnover %	0	0.04	0.04	8.64	7.86	13.48	14.45	12.18	10.23	10.51
Return on Networth %	(44.09)	0.74	2.48	18.81	16.22	31.57	33.49	31.82	26.39	24.99

* Long Term Debt

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Board of Directors:	Sri D Seetharamaiah	<i>Non Executive Independent Chairman</i>
	Sri N P Ramakrishna	<i>Independent Director</i>
	Dr N R Sivaswamy	<i>Independent Director</i>
	Dr A Appa Rao	<i>Independent Director</i>
	Dr V Nagaraja Naidu	<i>Non Executive Director</i>
	Smt N Bhuvaneshwari	<i>Vice Chairperson & Managing Director</i>
	Sri N Lokesh	<i>Executive Director</i>
	Sri K Kannan	<i>Additional Director (w.e.f. 30.07.09)</i>
Company Secretary:	CS Umakanta Barik	
Senior Management :	Dr M Sambasiva Rao	<i>President</i>
	CA A Prabhakara Naidu	<i>Sr.GM- Finance & Accounts</i>
	Sri K Durga Prasad Rao	<i>Chief Operating Officer-Dairy Division</i>
	Sri S Jagdish Krishnan	<i>Chief Operating Officer-Retail Division</i>
	Sri Anil Kumar Srivastava	<i>Chief Operating Officer-Agri Division</i>

Board Committees

Audit Committee

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

Remuneration Committee

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

Share Transfer & Shareholders/Investors' Grievance Redressal Committee

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

Management Committee

Sri D Seetharamaiah, Chairman
Dr V Nagaraja Naidu
Smt N Bhuvaneshwari
Sri N. Lokesh

Registered Office	: 6-3-541/C, Panjagutta, Hyderabad-500082.
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	: Bombay Stock Exchange Limited, Mumbai, National Stock Exchange of India Limited.
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 , www.freshat.in

Members of Heritage Foods (India) Limited are hereby given notice for the 17th Annual General Meeting of the Company, the schedule of which and the business to be transacted therein, are given below:

Day and Date : **Tuesday, 29th September, 2009**
 Time : **11.00 a.m.**
 Venue : **Auditorium Hall, 2nd Floor,
 Training Block,
 National Institute for Micro,
 Small and Medium Enterprises
 (formerly NISIET), Yousufguda,
 Hyderabad-45**

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2009 and Profit and Loss Account for the year ended as on that date together with the Reports of the Directors' and the Auditors' thereon.
2. To appoint a Director in place of Dr A Appa Rao, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Dr V Nagaraja Naidu, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special 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 members of the Company be and is hereby accorded to the re-appointment of Smt N Bhuvanewari, as Whole-Time Director of the Company under the designation "Vice Chairperson and Managing Director", for a further period of three years commencing from 1st April 2009 on the following remuneration as recommended by the remuneration Committee and approved by the Board of Director:

Salary : Rs. 3.50 lakhs (Rupees Three Lakh Fifty Thousand only) per month and fully maintained company car for official purpose.

Commission : 3% of Net Profit of the Company per annum computed as per the provisions of the Companies Act, 1956

RESOLVED FURTHER THAT the Board of Directors of the Company on the recommendation of the Remuneration Committee is hereby authorized 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 Smt.N Bhuvanewari, Vice-Chairperson and Managing Director shall also be eligible for the following perquisites/benefits, which shall not be included in the minimum remuneration specified below:

- a) Company's contribution towards pension scheme or Superannuation Fund together with provident fund not exceeding 25% of the salary wherein contribution towards provident fund shall not exceed 12% of the salary;
- b) Gratuity payable as per the rules of the company;
- c) Re-imbusement of actual Club fees;
- d) Books & Periodicals and outfit requirements amounting to Rs.10,000/- (Rupees Ten Thousand only) per month;
- e) Personal accident insurance premium & premium on mediclaim policy;
- f) Insurance of House-hold goods: Actual premium to be paid by the Company;
- g) Free telephone facility at residence and Mobile phone facility for official purpose;
- h) Medical expenses shall be reimbursed for the self and family subject to a ceiling of one month's salary in a year;
- i) Leave Travel concession shall be reimbursed to the extent of one month's salary for self and family;
- j) Encashment of un-availed leaves as per the rules of the company at the time of retirement/cessation of service;
- k) All other payments in the nature of perquisites and allowances agreed by the Board of Directors from time to time.

RESOLVED FURTHER THAT in case of losses or inadequacy of profits in any financial year during her tenure she will be eligible for a remuneration of Rs. 3.50 lakhs (Rupees Three Lakh Fifty Thousand only) per month as minimum salary and fully maintained company car.

RESOLVED FURTHER THAT Smt. N Bhuvanewari shall not be subject to retirement by rotation during her tenure as Vice Chairperson and Managing Director."

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

"RESOLVED THAT in supercession of the resolution at item no.7 passed at the 13th Annual General Meeting of shareholders of the Company held on 15th July 2005 and pursuant to the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges in India and applicable



provisions of the Companies Act, 1956 and Rules thereof, the approval of the members of the Company be and is hereby accorded for payment of Rs. 10,000 (Rupees Ten Thousand only) as sitting fees plus travelling and other conveyance for each meeting of the Board of Directors attended by the Non-Executive Directors of the Company .

FURTHER RESOLVED THAT in supercession to the resolution at item no.7 passed at the 13th Annual General Meeting of shareholders of the Company held on 15th July 2005 and pursuant to the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges in India, the approval of the members of the Company be and is hereby accorded for payment of Rs. 5000 (Rupees Five Thousand only) as sitting fees plus travelling and other conveyance for each meeting of the Committee of the Board of Directors, attended by the Non-Executive Directors of the Company."

7. To consider and, if thought fit, to pass with or without modification, the following Resolution as an **Ordinary Resolution:**

Resolved that Sri. K. Kannan, who was appointed as an Additional Director by the Board with effect from 30th July, 2009 and who holds office as per Section 260 of the Companies Act, 1956 upto the conclusion of this Annual General Meeting in respect of whom the company has received notices in writing along with a deposit of Rs. 500/- for notices, from some Members proposing him as a candidate for the office of director under the provisions of Section 257 of the Companies Act, 1956 and who is eligible for appointment to the office of director, be and is hereby appointed as a Non-Executive Director of the company and liable to retirement by rotation."

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

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

Date : July 30, 2009

UMAKANTA BARIK
Company Secretary

NOTES:

- The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item no 5, 6 & 7 as set out in the Notice is annexed hereto.**
- 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.**
- MEMBERS/PROXIES SHOULD PRODUCE AT THE ENTRANCE OF THE VENUE DULY FILLED ATTENDANCE SLIP FOR ATTENDING THE MEETING.**
- MEMBERS MAY PLEASE NOTE THAT A RESOLUTION WILL BE DEEMED TO HAVE BEEN PASSED AS SPECIAL RESOLUTION IF THE VOTES CAST IN FAVOUR ARE AT LEAST THREE TIMES THAN THE VOTES CAST AGAINST AND IN CASE OF ORDINARY RESOLUTION THE VOTES CAST IN FAVOUR SHOULD BE MORE THAN THE VOTES CAST AGAINST AND WOULD BE DEEMED TO HAVE BEEN PASSED AT THE ANNUAL GENERAL MEETING REFERRED TO ABOVE.**
- M/s Karvy Computershare Private Limited (Karvy) is the Registrar and Share Transfer Agent for physical shares of the Company. Karvy is also the depository interface of the Company with National Securities Depository Limited (NSDL) and Central Depository Services India Limited (CDSL).
- The Register of Members and the Transfer Books of the Company will remain closed from 25th to 29th September 2009 (both days inclusive).

7. 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 2000-2001 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 ended	Date of declaration of Dividend	Last date for claiming unpaid Dividend
2001-02	22-08-2002	21-08-2009
2002-03	30-07-2003	29-07-2010
2003-04	29-07-2004	28-07-2011
2004-05	15-07-2005	14-07-2012
2005-06	31-07-2006	30-07-2013
2006-07	22-08-2007	21-08-2014
2007-08	26-09-2008	25-09-2015

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 with complete name, branch, account type, account number and address of the bank, 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, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081.**
11. Consequent upon the introduction of Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their request in Form No. 2B in duplicate to the company.
12. 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.
13. Members seeking any information relating to the Accounts may write to the Company at 6-3-541/C, Punjagutta, Hyderabad - 500082, for attention of Mr. Umakanta Barik, 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 up to the date of the Meeting.
15. At the ensuing Annual General Meeting, Dr V Nagaraja Naidu and Dr A Appa Rao retire by rotation and being eligible offer themselves for re-appointment and the Board of Directors re-appointed Smt.N Bhuvanewari as Vice Chairperson and Managing Director for a period of three years with effect from 1st April 2009. The Board of Directors appointed Sri K Kannan as an Additional Director. The information or details pertaining to these directors are provided in terms of Clause 49 of the Listing Agreement with the Stock Exchanges.

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

Item No.5

As per the terms of appointment, the term of Smt. N Bhuvanewari, Vice Chairperson and Managing Director of the Company expired on 31st March, 2009. The Board of Directors at their meeting held on 30th March 2009 has recommended for re-appointment of Smt.N.Bhuvanewari as the Vice Chairperson and Managing Director of the Company with effect from 1st April 2009 for a period of three years upon the recommendation of the Remuneration Committee of the Directors and subject to the approval of the Members of the Company. The said appointment and remuneration are within the stipulations of Section 198, 269, 309 and 310 of the Act and Schedule XIII thereto. Members of the Company are requested to pass the above resolution as a Special Resolution. Information as required under Scheduled XIII in respect of the appointee is furnished hereto.

The Directors recommend the resolution for your approval. None of the Directors of the Company, except Smt. N Bhuvanewari and Sri.N.Lokesh are interested in the resolution.

Item No. 6

The members of the company at their meeting held on 15th July 2005 has approved for the payment of sitting fees to the Non-Executive directors for attending the meetings of the Board and Committee thereof. Now the Board of Directors at their meeting held on 30th July 2009, recommended the enhancement of the sitting fees of the Board Meeting from Rs.5000/- to Rs.10,000/- and Committee Meetings from Rs.2500/- to Rs.5000/-since the sitting fees are fixed four years back needs revision.

In view of the revised Clause 49 of the Listing Agreement, the approval of the Members is required for revision of sitting fees to Non-Executive Directors of the Company. The Board recommends the approval of the resolution set out in Item No. 6 of the Notice convening the Meeting.

Sri D Seetharamaiah, Sri N P Ramakrishna, Dr N R Sivaswamy, Dr A Appa Rao, Dr V Nagaraja Naidu and Sri K Kannan Directors of the Company are considered as interested in the resolution.

Item No. 7

Sri K Kannan, who has been appointed as an Additional Director under Section 260 of the Companies Act, 1956 effective from 30th July 2009 holds office up to the conclusion of the 17th Annual General Meeting of the Company as per the provisions under Article 96 of the Articles of Association and is eligible for re-appointment. In terms of section 257 of the Companies Act, 1956, the company has received notices in writing from some members along with a deposit of Rs.500/- for each notice, signifying their intention to propose Sri K Kannan for the office of the Director.

Sri K Kannan has a vast experience in the fields of Finance and Banking. The Board is of the opinion that the association of Sri K Kannan as a Director on the Board would be of immense help to the Company's operation, expansion and diversification programs.

STATEMENT OF INFORMATION GIVEN TO THE SHAREHOLDERS PURSUANT TO SCHEDULE XIII OF THE COMPANIES ACT, 1956:

I. General Information:

- | | |
|---|---|
| (1) Nature of industry | a. Procurement, processing, packaging and distribution of Milk & Milk Products (Dairy Division)
b. Food Retailing (Retail Division)
c. Custom Farming (Agri Division) |
| (2) Date or expected date of commencement of commercial production: | a. Dairy Division – 26-04-1993
b. Retail Division – 29-11-2006
c. Agri Division – 10-03-2008 |
| (3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: Not applicable | |
| (4) Financial performance based on given indicators: | |

(Rs. in lakhs)

Financial parameters	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Turnover (Rs. in lakhs)	23449	26613	29207	34633	58803	79255
Net Profit as computed under Section 198 (Rs. in lakhs)	2906	1760	2167	436	(3483)	(2776)
Net Profit as per Profit and Loss Account (Rs. in lakhs)	1762	1016	1364	173	94	(3496)
Amount of Dividend Paid (including dividend tax) (Rs. in lakhs)	310	342	342	351	213	Nil
Rate of Dividend declared	27.5%	30%	30%	30%	18%	Nil

- (5) Export performance and net foreign exchange collaborations: Nil
 (6) Foreign investments or collaborators, if any: Nil

II. Information about the appointee:

- (1) Background details:
 Smt.N Bhuvanewari, aged 47 years, is a graduate in Arts and has about 15 years Industry experience. She is also director in Heritage Finlease Limited, Heritage Foods Retail Limited and several other Private Limited companies.
- (2) Past remuneration: Rs. 3.50 Lakhs per month.
- (3) Recognition or awards: Nil
- (4) Job profile and his/ her suitability:
 Smt. N Bhuvanewari is responsible to discharge the duties entrusted by the Board of Directors from time to time, which may include for day-to-day management and administration of the Company
- (5) Remuneration proposed:
 As set out in the resolution No. 5 as approved by the Remuneration Committee.
- (6) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin):
 Taking into consideration the size of the Company, the profile of Smt. N Bhuvanewari, Vice Chairperson and Managing Director, the responsibilities shouldered by her, the aforesaid remuneration package is commensurate with the remuneration package paid to managerial position in other companies.
- (7) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any:

Smt. N Bhuvaneshwari, Vice Chairperson and Managing Director rented her premises situated at 6-3-541/C, Punjagutta, Hyderabad to the Company for its Registered Office and the rent paid by the Company during the year was Rs. 31.77 Lakhs.

III. Other information:

- (1) Reasons of loss or inadequate profits: The Company has been expanding the Retail Chain which is yet to reach the optimum level of operations and also due to charging of start up expenses of new stores to revenue as per the Accounting Standard (AS) 26, there was a loss in Financial Year 2008-09.
- (2) Steps taken or proposed to be taken for improvement: With proposal of marketing existing dairy products more in consumer packs instead of bulk sales, introduction of more value added products besides overall increase in capacity utilization of the existing plants, resulted to reduced the cost of capital and increase of sales as well as margins also and moreover scaling up of retail operations with strong support from backend agri division activities, the overall margins of the company would progress in the coming years.

IV. Disclosures:

All the elements of remuneration package, of the managerial person have been given elsewhere in the Annual Report. The Directors recommend the resolutions for your approval. Except, Smt. N Bhuvaneshwari, Vice Chairperson and Managing Director of the Company and Sri Nara Lokesh, no other directors of the Company are concerned or interested in the proposed resolution.

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 memberships/chairmanships of Board Committees and their shareholding in the Company are provided below:

- a) **Dr A Appa Rao**, aged 83 years, is a graduate in Agriculture and has a doctorate in Agriculture from Madras University. He completed his postdoctoral work at Kansas State University as TCM-USA Scholar. He was formerly the Vice Chancellor of the Andhra Pradesh Agricultural University. He is an author of around forty papers published in the fields of Plant Pathology and Agricultural research & Education. Being associated with the IDRC financed Agricultural Research Management (Asia) Project, was instrumental in implementing SEARCA, Philippines for over 5 years. He is also a Director of Usha Kiran Movies Limited and chairman of the Audit Committee of the Board of Directors of Usha Kiran Movies Limited and The Andhra Sugars Limited.
- b) **Dr V Nagaraja Naidu**, aged 62 years is a postgraduate in Commerce and Doctorate in Financial Management. Dr. Naidu starting 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 Professor 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, 2009
- c) **Smt. N Bhuvaneshwari**, aged 47 years is a Bachelor in Arts and has about 15 years Industry experience. She is also director in Heritage Finlease Limited, Heritage Foods Retail Limited and several other Private Limited companies. She holds 2665413 (23.12%) equity shares in the company as on 31st March 2009
- d) **Sri K Kannan**, aged 69 years is an F.C.A and I.C.W.A and Honorary Member of the Indian Institute of Bankers. He started his career as a direct recruited officer in 1965 in Bank of Baroda and worked in various capacities in the same Bank upto 1992. Thereafter he was appointed as its Chairman and Managing Director and served between 1995 to 1999. He had the occasion to render its services overseas as Vice-President between 1982-84 at New York and General Manager of U.K. Operations of Bank of Baroda. Apart from this he was also the Chairman of IBU "international Finance Limited, honking, Chairman BOB Cards Ltd. He had held the position as Director in several companies like discount and finance house of India, Visa International Pacific, Agricultural Finance Corporation, New India fire and General Assurance Co.Ltd, Andhra Pradesh State Financial Corporation. Apart from this he is also on the Board of directors of several Limited Companies. He had the core banking experience for over 30 years and handled successfully several cases of reviving, rehabilitating and reconstruction of the sick industries. The company reckons his presence on the Board of the company as invaluable.

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

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

Date : July 30, 2009

UMAKANTA BARIK
Company Secretary

Dear Shareholders,

Your Directors have pleasure in presenting the 17th Annual Report of the Company together with the audited statement of accounts for the year ended 31st March 2009.

FINANCIAL RESULTS

The financial performance for fiscal 2009 is summarised in the following table:

(Rupees in lakhs)		
Particulars	2008-09	2007-08
Net Sales / Income from Operations	79255.54	58803.44
Add: Other Income	669.88	4012.99
Less: Total Expenditure	79582.55	60450.19
Profit before Interest, Depreciation and Tax	342.86	2366.24
Less: Interest	1458.31	1243.28
Depreciation & Amortisation	1722.43	1055.16
Profit/(Loss) before tax	(2837.87)	67.80
Less: Provision for current taxation	0.00	2.76
Less: Provision for deferred tax	612.89	(75.23)
Less: Provision for Fringe Benefit Tax	45.02	46.74
Profit/(Loss) after tax	(3495.77)	93.53
Less: Prior period expenses & taxation	65.52	(0.41)
Profit after prior period expenses	(3561.30)	93.94
Balance brought forward	1210.70	1340.16
Amount available for appropriation	(2350.60)	1434.10
Appropriations		
General Reserve	0.00	10.00
Dividend	0.00	182.41
Tax on Dividend	0.00	31.00
Balance carried to Balance Sheet	(2350.60)	1210.69
Total	(2350.60)	1434.10

OPERATIONS

The financial year 2008-09 was significant for the company in terms of growth. The company has further strengthened its leadership position in the fields of Dairy, Retail and Agri Divisions.

BUSINESS REVIEW

Dairy Business: In line with the Company's growth plans, an amount of over Rs. 15.42 Crores has been spent during the year on the expansion of dairy business, as a result of which milk sales volume growth of 22.54% has been achieved. During the year, milk and various milk products were launched and new markets in the States of Maharashtra, Kerala and Orissa have been covered. New facilities for making various products such as Cup curd, Doodh Peda, Paneer, Ice Cream, Ghee are added in the existing plants at Uppal, Gokul, Bayyavaram & Narketpally. Your Company's market share with respect to milk and milk products in South India increased substantially during the year under review.

During the current financial year, your Company proposes to invest over Rs.8.51Crores for setting up of supporting facilities to improve the performance and effective utilisation of existing installed capacities of packing and processing plants. To maximise the revenue from products, your Company is establishing / increasing the production capacities for value added products and planning to tie up for UHT milk packaging for Milk, Cream and Flavoured Milk.

Retail Business: Fresh@ is a unique chain of retail stores promoted by your company. Designed to meet the needs of the modern Indian consumer, the store rediscovers the taste of nature everyday, making grocery shopping a never before experience.

The uniqueness of fresh@ is built around the following key pillars

Wide range of the choicest fresh fruits and vegetables, are directly sourced from the farmers and reached the stores through our integrated cold chain investment.

"Farmers Pride", our house brand under which we offer a full range of staples (rice, pulses, spices & dry fruits) of the highest quality are sourced from the best growing areas in the country which also ensures that the customer get them at the most competitive prices

Agri Division: Your Company has undertaken custom farming activity directly with farmers for certain fruits, vegetables and pulses and established two pack houses, with cleaning, sorting, grading, ripening, pre-cooling and cold storage facilities, one near Hyderabad and the other in Chittoor District of Andhra Pradesh

DIVIDEND

The Board of Directors have not recommended any dividend for the year 2008-09 in view of the losses incurred by the company.

EQUITY SHARE CAPITAL

During the year, the Authorised Capital of the Company has been increased from Rs.15,00,00,000 divided into 1,30,00,000 (One Crore Thirty Lakhs) Equity Shares of Rs.10 (Rupees Ten only) each and 20,00,000 (Twenty Lakhs) Preference Shares of Rs.10 (RupeesTen only) each to Rs.20,00,00,000 (Rupees Twenty Crores only) divided into 1,80,00,000 (One Crore Eighty Lakhs) Equity Shares of Rs.10 (Rupees Ten only) each and 20,00,000 (Twenty Lakhs) Preference Shares of Rs.10 (RupeesTen only) each.

SUBSIDIARY COMPANY

During the Financial Year under review your company has incorporated a subsidiary company called Heritage Foods Retail Limited. As required under Section 212 of the Companies Act, 1956, the Balance Sheet, Profit and Loss account, Directors' Report and Auditors' Report of the subsidiary company have been attached.

Consolidated Financial Statements

Pursuant to Clause 41 of the Listing Agreement with Stock Exchanges, applicable provisions of the Companies Act, 1956 and as per Accounting Standard (AS) 21, (AS) 17 and other applicable accounting standards, Consolidated Financial Statements and the Segment Reporting for the year ended on 31st March 2009 have been provided

DIRECTORS

In accordance with Article 107 of the Articles of Association of your Company and provisions of Section 255, 256 and other applicable provisions, of the Companies Act, 1956, Dr A Appa Rao and Dr V Nagaraja Naidu, directors of your Company retire by rotation and being eligible, offered themselves for re-appointment.

The term of appointment of Smt. N Bhuvaneswari, Vice Chairperson and Managing Director expired on 31st March 2009. The Board of Directors at their meeting held on 30th March 2009 has recommended for re-appointment of Smt.N.Bhuvaneswari as the Vice Chairperson and Managing Director of the Company with effect from 1st April 2009 for a period of three years. The said appointment and remuneration are within the stipulations of Section 198, 269, 309 and 310 of the Companies Act, 1956 and Schedule XIII thereto.

At its meeting held on July 30, 2009, the Board appointed Sri K. Kannan, as an Additional Director in accordance with Section 260 of the Companies Act, 1956 and in terms of Article 96 of the Articles of Association of the Company. Sri. K. Kannan has been appointed as a Non-Executive Independent Director liable to retire by rotation effective from July 30, 2009. Approval of the Members is being sought at the forthcoming Annual General Meeting for his appointment.

Brief resume of the Directors proposed to be appointed/re-appointed, nature of their expertise in specific functional areas and names of companies in which they hold directorship and membership/ chairmanship of the Board/Committee as stipulated by Clause 49 of the listing agreement with the stock exchange are provided elsewhere in the Annual Report.

AUDITORS

M/s. Raju & Prasad, Chartered Accountants, Statutory Auditors of the company hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The company has received letters from the Auditors to the effect that their re-appointment, if made, would be within the prescribed limits under section 224 (1B) of the Companies Act, 1956 and that they are not disqualified for such re-appointment within the meaning of Section 226 of the said act. The notes on accounts referred to in the Auditors' Report are self - explanatory and therefore do not call for any further comments.

Internal Control Systems

The company has established a good system of internal controls in all spheres of its activities. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding with assets from unauthorised uses (or losses), executing transactions with proper authorisation and ensuring compliance of corporate policies.

The company uses ERP to record data for accounting and management information, purposes and connects to different locations for efficient exchange of information in Dairy and Retail divisions respectively.

The company has also appointed leading Chartered Accountant firms across the business locations to carryout internal audit of the company's activities. The audit is based on the internal audit plan, which is reviewed each year in consultation with the Statutory Auditors and the Audit Committee.

The Company has an Audit Committee on the Board, the details of which have been provided in the Corporate Governance Report. The Audit Committee reviews Audit Reports submitted by the internal auditors in the presence of the Statutory Auditors.

The committee also meets the Company's Statutory Auditors to ascertain inter alia, their views on the adequacy of the internal control systems in the company and keeps the Board of Directors informed of its major observations from time to time.

INDUSTRIAL RELATIONS

Industrial relations in all the units and branches of your Company remained cordial and peaceful throughout the year.

CONSERVATION OF ENERGY/TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars required to be furnished in the report of the Board of Directors in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, in respect of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are furnished in the prescribed format as Annexure -1 to this report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis on the Industry structure, developments, opportunities, threats and review of operational performance and risk as required under clause 49 of the listing agreement with the stock exchanges, is given as a separate statement in the Annual Report.

TRANSFER OF UN-CLAIMED DIVIDENDS

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 2000-01 was transferred to the Investor Education and Protection Fund during the year and the unclaimed dividend for the year 2001-02 is due for transfer in August 2009.

FIXED DEPOSITS

Your Company has not accepted any fixed deposits from the public during the year.

CORPORATE GOVERNANCE

Your Company is committed to maintain the highest standards of Corporate Governance. Your Directors and senior management team adhere to the requirements set out by the Securities and Exchange Board of India (SEBI). Your Company has also decided to implement several best practices, though not mandatory at present, as part of the Corporate Governance.

Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement forming part of this Annual Report is attached.

Certificate from the statutory Auditors of the Company, M/s. Raju & Prasad, Chartered Accountants, confirming compliance of the conditions of Corporate Governance as stipulated under the aforesaid Clause 49 is annexed to this Report.

SECRETARIAL AUDIT REPORT

In tune with your Company's belief in transparent Corporate Governance practices, Company has voluntarily subjected to Audit of all its secretarial records maintained under various statutes and rules, regulations, bye-laws etc. made there under. The Secretarial Audit report, given by Ms. Savita Jyoti, Practising Company Secretary, forms part of the Annual Report.

PERSONNEL

Your directors would like to place on record their deep sense of appreciation of the dedicated services of the executives, staff and workers of your Company. Industrial Relations continued to be cordial throughout the year at all locations. In terms of the provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees as required to be set out are given in the Annexure-II to the Directors report.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Director's Responsibility Statement, it is hereby confirmed that,

- (i) in the preparation of the annual accounts, applicable accounting standards have been followed.

- (ii) 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 as at 31st March, 2009 and of the loss of the Company for the year ended on that date;
- (iii) the Directors have taken Proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- (iv) the Directors have prepared the annual accounts of the company on a going concern basis.

ACKNOWLEDGEMENTS

Your Directors thank the Company's Bankers and the Financial Institutions for their help and co-operation extended throughout the year. Your Directors place on record their appreciation for the support and co-operation that the Company received from its stakeholders. Your Directors also record their appreciation for the excellent operational performance of the staff of the Company that contributed to the achievements of the Company. The Directors also acknowledge with much gratitude, the continued trust and confidence reposed by the franchisees of the Company.

For and on behalf of
HERITAGE FOODS (INDIA) LIMITED

Place : Hyderabad
Date : July 30, 2009

D. SEETHARAMAIAH
Chairman

ANNEXURE-1

**PARTICULARS REQUIRED TO BE FURNISHED UNDER SECTION 217 (1)(e) READ WITH THE COMPANIES
(DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988**

A. A. CONSERVATION OF ENERGY**(a) Energy Conservation Measures taken**

Improvement in energy efficiency is a continuous process at your company and conservation of energy is given a very high priority in all our plants and offices.

(b) Additional Investments and Proposals for Reduction of Consumption of Energy

The company will be implementing various measures to automate the process, recovery of energy, which will result in reduction of energy consumption. The company erected De Super Heaters at various plants of the company for conservation of energy and erection works of Ammonia Chillers have been started at various plants for the conservation of energy.

(c) Impact of the above measures

The above measures have resulted in good savings in consumption of power and fuel. In recognition of the Company's efforts in conserving the power, the company was awarded the second prize in the Dairy Sector at the National Energy Conservation Awards-2008 from Ministry of Power, Govt. of India, on 14th December 2008.

(d) Total Energy Consumption and energy Consumption per unit of production are furnished in Form 'A' as under**FORM A**

(Form for disclosure of particulars with respect to Conservation of Energy)

	2008-09	2007-08
A. POWER AND FUEL CONSUMPTION		
1. Electricity		
a. Purchased		
Units – KWH	19505631	16962970
Total Amount	79579732	68839415
Rate/Unit – Rs.	4.08	4.06
b. Own generation		
Through Diesel generator		
Units – KWH	4268112	3577493
Unit per liter of diesel oil	2.86	3.10
Cost/Unit - Rs.	13.68	11.26
2. Furnace Oil	1076821	
Quantity (Ltr)	2244144	1956359
Total cost	67587123	51346565
Average rate - Rs.	30.12	26.25
B. CONSUMPTION PER UNIT OF PRODUCTION STANDARD		
Electricity (KWH/Ltr of milk)	0.09	0.09
Furnace oil (Ltr of milk)	0.01	0.01

B. TECHNOLOGY ABSORPTION (ENCLOSED IN FORM B)

FORM B

(Form for disclosure of particulars with respect to absorption)

	(Rs. lakhs)	
	2008-2009	2007-08
Research & Development (R & D)	Nil	Nil
Technology absorption, adaptation & innovation	Nil	Nil
Foreign Exchange Earnings	81.38	Nil
Foreign Exchange Outgo	1887.04	1842.68
Foreign Exchange Outgo:	2008-2009	2007-08
	Rs. In Lakhs	Rs. In Lakhs
Assets Purchases	5.60	848.80
Term Loan repayment (Incl. Interest)	1869.04	869.88
Software Support	10.80	123.85
Others	1.60	0.15
Total	1887.04	1842.68

ANNEXURE-2

Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of Director's Report for the year ended March 31, 2009.

(a). Employed throughout the year:

Name of the Employee	Age (Yrs.)	Designation & Nature of Duties	Remuneration (Rs.)	Qualification	Experience (Yrs.)	Date of Commencement of Employment	Last Employment
N Bhuvanewari	47	Vice Chairman & Managing Director	4200000	B.A	14	12.12.1994	---
M Sambasiva Rao	52	President	5420196	M.Sc., Ph.D.	25	23-01-2006	Joint Secretary, Ministry of Commerce and Industry Government of India
S. Jagadish	38	COO – Retail	4202262	MBA, MS	13	03.10.2006	CavinKare Group.

(b). Employed for part of the year:

Name of the Employee	Age (Yrs.)	Designation & Nature of Duties	Remuneration (Rs.)	Qualification	Experience (Yrs.)	Date of Commencement of Employment	Last Employment
N. Lokesh	26	Executive Director	2903333	B.Sc., M.B.A	6	11-07-2008	World Bank
Ashok George*	37	Chief Operating Officer (Dairy Division)	1233833	MBA	14	30-10-2007	Mother Dairy
Anil K.Srivastava	50	Chief Operating Officer(Agri Division)	1401809	MBA	28	01-11-2008	Vishal Retail Ltd.
M Ramesh Sharma**	39	GM-B & M	1449278	M.Sc	10	23.04.2008	Aditya Birla Retail

* Upto 31-08-2008

** Upto 31-12-2008

Some of the statements contained in this report may be forward-looking in nature and may involve risks and uncertainties. Actual results, performances or achievements could differ materially from those expressed or implied in such forward-looking statements. Readers are cautioned not to place undue reliance on these statements. The following discussion and analysis should be read in conjunction with the financial statements included herein and the notes thereto.

GROWTH IN FOCUS

We have grown, and intend to grow, focusing on harnessing our willingness to innovate, our ability to transform and our drive towards excellence in quality, our people-first attitude and our strategic direction. The future of the Organization rests on these enablers, which shall be the investment, Heritage makes for carving itself.

BUSINESS REVIEW

The Indian economy has managed to sustain a GDP growth of about 8.7% for the year 2008 despite the increase in the prices of primary commodities. The growth of agriculture has also been encouraging at around 5%. This growth rate in agriculture can be increased by creating a conducive environment for dairy farmers to increase their productivity and sell their products at competitive prices. There is still a lot of scope for increasing the milk production in India by adopting scientific methods of breeding, nutrition and calving. An increase in the production of milk can really pay rich dividends to the farmers. In India, milk farming is still regarded as a subsidiary and collateral activity to agriculture. This trend has to change since milk farming offers a steady and constant source of income to the farmers.

DAIRY BUSINESS

Industry Structure and Developments

India is the largest producer of milk in the world with production of more than 100 million tonnes per annum. The Indian Dairy industry was valued at USD 45.4 Bn in 2007 and it grew to more than USD 60 Bn in 2009. The major value in dairy industry in India comes from the processed category, which is 73% in value terms and 35% in volume terms. Of the processed category, the organised sector contributes 24%. The Indian Dairy industry, which is growing at CAGR 5% is expected to grow at more than 7.5% with increased living standards.

Your Company while being alert to this situation is focused on long term, sustainable and profitable growth. This long-term perspective stems mainly from the strength of its brands, and in its varied portfolio, which have over the years built a relationship of trust and confidence with consumers. Your Company therefore remains confident of its long-term business prospects.

Opportunities

In spite of the current inflationary conditions, the long-term prospects for the Indian economy remains very upbeat due to the growing per capita income, the positive demographic skew towards a growing and young population, the constantly increasing number in the middle class and the resultant changes in life styles and aspirations etc. All these factors present a tremendous opportunities

for your Company since there is a increasing demand for quality products at affordable prices.

Your Company has set high standards of quality and safety practices, which gives it an inherent advantage. Your company has a diversified product portfolio and well differentiated brands, which have become very popular with the consumer since they offer value at affordable prices. There is also a constant and conscious effort to add further value to the consumer by offering new products and better quality of services in the distribution chain. The improvement in the standard of living of consumers and the higher disposable incomes has increased the demand for high quality dairy products that provide nutrition and health, thus opening up more avenues for introduction of such products. The production infrastructure of the company is constantly being upgraded to take advantage of this opportunity.

Your Company's strength is in its efficient and effective supply chain. This allows it wide reach and coverage in the target markets. Your Company also has talented and committed human resources who work as a team to the attainment of organizational objectives.

Threats

Milk, being a perishable commodity demands an efficient cold chain management. Many new processes are being developed to improve the quality of milk so processed and to extend its shelf life. Your company is in the forefront of such initiatives in establishing this infrastructure.

The industry has become highly competitive with diverse players. Your Company is well positioned to face these challenges as it has already created the infrastructure to leverage on economies of scale.

Product / Market-wise Performance

During the year 2008-09, your Company's processed milk output was valued at Rs.47057.16 Lakhs. The ice cream segment contributed sales of Rs.181.86 Lakhs during the year. Other value added products segment contributed sales of Rs.12203.81 Lakhs. The Company has a milk market share of about 14% in Andhra Pradesh, 7.4% in Karnataka and 6% rest of South India. The market share for value added products in South India is around 8%. Your Company recorded a turnover of Rs.59442.83 Lakhs in the dairy ingredient section in both export and domestic market.

RETAIL BUSINESS:

Your company is one of the leading retail in South India and operates 75 retail stores in three cities and 17 rural stores in various places in Andhara Pradesh. These 75 stores are spread over about 1,50,000 square feet trading areas. In our efforts to strengthen our supply chain, we have set up three regional distribution centers one in each region.

The Indian retail industry is highly competitive. Competition is characterized by many factors, including assortment, advertising, price, quality, service, location, reputation and credit availability and availability of retail space. Your Company follows the concept of value retail in India. In other words, our business approach is to sell quality goods at reasonable prices by either manufacturing ourselves or directly procuring from manufacturers (primarily from small and medium size vendors and manufacturers). We endeavour



to facilitate one-stop-shop convenience for our customers and to cater to the needs of the entire family.

Strengths

Your Company believes that the following are our principal competitive strengths, which have contributed to our current position in the retail sector in south India:

- Strong understanding of the 'value retail' segment
- Strong and efficient supply chain management
- Strong and efficient logistics and distribution network
- Strong understanding to leverage our geographical spread
- Effectively use information technology systems
- Highly experienced and competent management team

Opportunity

Organized retail in India is on a high growth trajectory and is growing at the rate of 24-26% annually. The size of the total retail industry market is estimated to be around Rs.15,000 billion in 2008-09, with organized retailing accounting for a mere 4.5% of the India's total retail market. In its Annual Review, CRIS INFAC estimated the organized retail penetration to increase to 8% by 2010 at a Cummulative Annual Growth Rate (CAGR) of 26%.

Threats

The company may face competition from international players if foreign participation in the retail sector is further liberalized. Moreover, as the industry is highly fragmented and we also face competition from local stores, who may, for a variety of reasons such as easier access and personal relationships with the customers, is able to cater to local demands better than us. Our inability if any to compete successfully in this industry would materially affect our business prospects and financial condition.

AGRI BUSINESS

Under custom farming, your company identifies a particular zone, which is the best for certain crops and maps each zone into different clusters after tie-up with the farmers. Based on forecasted demand, trained team from Agri division of your company prepares cropping plans and crop rotations for each cluster and accordingly crops will be grown depending upon the zone and the season. Under this custom farming there is no contractual obligation between the farmer and your company and the farmer is at liberty to sell his produce to any one. Your company is operating from two locations , one in Mattam in Shanthipuram Mandal in Chittoor Dist. and another is from Mulugu (mandal) in Medak Dist. of Andhra Pradesh.

RISKS AND CONCERNS

All key functions and divisions are independently responsible to monitor risk associates within their respective areas of operations such as production, procurement, treasury, insurance, legal and other issues like health, safety and environment.

INTERNAL CONTROL SYSTEMS

Your Company has put in place an adequate system of internal controls to ensure that transactions are properly recorded, authorized and the assets are continuously monitored and safeguarded. The

internal control system is backed up by well documented policies, guidelines and procedures and concurrent reviews are carried out by the Company's internal audit department, which submits reports quarterly to the Audit Committee of the Board and the Management. The Audit Committee reviews significant observations made in the internal audit reports along with actions initiated and reported to the Board periodically.

FINANCIAL PERFORMANCE

(Rs. In Lakhs)

Particulars	2008-09	2007 - 08
Turnover	79255.54	58803.44
Other Income	669.88	4012.99
PBIDT	342.86	2366.25
Interest	1458.31	1243.28
Depreciation	1722.43	1055.16
Profit before Tax	(2837.88)	67.80
Current and deferred taxation & FBT	657.91	(25.74)
Profit after Tax	(3495.79)	93.54
EPS	(30.32)	0.92

HUMAN RESOURCES

Your Company has a favorable work environment that motivates performance, customer focus and innovation while adhering to the highest degree of quality and integrity. Your Company provides a congenial working atmosphere, which will foster creative thinking. As part of manpower development and to enhance operational efficiency, training programs have been organized for employees at all levels, wherever necessary. Your Company values its human resource as the most significant asset and the key focus is to attract, retain and develop talent as a resource.

To meet the diversification into Retail sector, as well the rapid expansion of the Dairy division in 2008-09 financial year, your company has employed around 2840 employees directly on the rolls of the company

INDUSTRIAL RELATIONSHIP

Industrial relationship during the year under review between the employees at various levels and the management continued to be peaceful.

INFORMATION TECHNOLOGY

Your Company is using the ERP package of Oracle Applications. This facilitates an effective online MIS system, which facilitates centralized control of operations at all the units of the Company. Your company is currently upgrading and reconfiguring this application to effectively monitor the increasing scale of operations of the company. The hardware and network infrastructure is being constantly reviewed to increase the bandwidth and reduce operational cost. This is an ongoing process and your Company is committed to leverage the benefits of IT to enhance and optimize benefits to itself and its customers

Your Company has complied with the requirements of Corporate Governance code as per the provisions of the listing agreement.

Company's Philosophy on Code of Corporate Governance:

The Company has been continuously committed to maximizing the shareholder value on a sustained basis, while catering to the welfare of multiple stakeholders. Your Directors perceive their role as a trustee of the stakeholders in particular and the society at large, inculcating a culture of transparency, accountability and integrity across the Company.

The Company has been maintaining high standards of auditing, disclosure and reporting. These standards and the innate transparent culture continue to define the Company's corporate governance philosophy based on strong systems, policies and procedures.

The Company respects and provides information to stakeholders about the performance and strives to be ahead of competition by taking all the risk assessment well in advance.

A brief report on the practices and compliances by your company for 2008-09 is as follows.

BOARD OF DIRECTORS

Composition

The strength of the Board of Directors is eight, comprising of a non-executive independent Chairman Sri D Seetharamaiah, five non-executive Directors, Sri N P Ramakrishna, Dr N R Sivaswamy, Dr A Appa Rao, Sri K kannan and Dr V Nagaraja Naidu out of which the first four are Independent Directors and two Executive Directors, Sri Nara Lokesh, Executive Director and Smt. N Bhuvanewari, Vice Chairperson and Managing Director.

The composition of the Board is in conformity with Clause 49 of the listing agreement, which stipulates that not less than fifty percent of the Board should comprise of non-executive Directors and, at least one-third of board should comprise of independent directors, in case of a non-executive chairman.

The Board of Directors met seven times during the year 2008-2009 on 19th May 2008, 30th June 2008, 30th July 2008, 26th September 2008, 30th October 2008, 30th January 2009 and 30th March 2009. The maximum gap between any two meetings was less than 3 months.

The attendance of each director at the Board Meetings held during Year 2008-2009, at the last AGM and number of other directorships and chairmanship/ memberships of Committee of each director in various companies are given below:

Name of Director	Category	Attendance Particulars		No. of other Directorships \$	Committee memberships # (Including Heritage Foods)	
		Board Meetings	Last AGM		Member	Chairman
Sri D Seetharamaiah	Non Executive Independent	7	Yes	6	4	4
Sri N P Ramakrishna	Non Executive Independent	7	Yes	–	–	–
Dr N R Sivaswamy	Non Executive Independent	7	Yes	2	3	–
Dr A Appa Rao	Non Executive Independent	7	Yes	2	3	1
Smt. N Bhuvanewari	Executive	7	Yes	3	1	–
Dr V Nagaraja Naidu	Non Executive	7	Yes	2	2	–
Sri N Lokesh*	Executive	5	Yes	2	–	–
Sri K Kannan**	Non Executive Independent	NA	NA	NA	NA	NA

\$ The directorships held by directors as mentioned above, do not include directorships in Private Limited Companies

In accordance with clause 49 of the Listing Agreement, Memberships / Chairmanships of only Audit Committee, Shareholders'/Investors' Grievance Committee and Remuneration Committee of all Public Limited Companies have been considered.

* Joined the Board with effect from 30-06-08.

** Joined the Board with effect from 30-07-09.

None of the Directors is a member of more than ten Board level committees or Chairman of more than five such committee as per Clause 49 requirement.

Board Meetings and procedures

With a view to institutionalise all corporate affairs and set up systems and procedures for proper planning for matters requiring discussion/ decisions by the Board, the Company has defined the guidelines for the meetings of the Board.

Information placed before the Board

The Board has complete access to all information, with the Company. Inter-alia, the following information is regularly provided to the Board, whenever applicable and materially significant, either as a part of the agenda papers well in advance of the Board meetings or tabled in the course of the Board meeting or tabled before the appropriate Committees of the Board;

- Annual Operating plans & budgets and any updates thereof.
- Capital budgets and any updates thereof.
- Quarterly results for the Company and operating divisions and business segments.
- Minutes of the meetings of audit committee and other committees of the Board.
- The information on recruitment and remuneration of senior officers just below the Board level, including the appointment or removal of Chief Financial Officer and Company Secretary.
- Materially important show cause, demand, prosecution notices and penalty notices.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company.
- Details of any joint venture or collaboration agreement.
- Significant labour problems and their proposed solutions. Any significant development in human resources/industrial relations' front like signing of wage agreement, implementation of voluntary retirement scheme etc.
- Sale of material nature, of investments, subsidiaries, assets, which is not in the normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by the management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

The Board has established procedures to enable the Board to periodically review compliance reports of all laws applicable to the Company, prepared by the company as well as steps taken by the Company to rectify instances of non-compliances.

Board materials Distributed in advance

Agenda and Notes on agenda are circulated to the Directors, in advance, in the defined Agenda format. All material information is incorporated in the Notes on Agenda for facilitating meaningful and focussed discussions at the meeting for taking proper decisions.

BOARD COMMITTEES

Audit Committee

The Audit Committee of the Board comprises of three Non- Executive Independent Directors and one Non-Executive Director. Majority members of the Audit Committee possess financial / accounting expertise. The constitution of audit committee meets the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing agreement.

Audit Committee met seven times during the year 2008-09 on 19th May 2008, 30th June 2008, 30th July 2008, 30th October 2008, 30th January 2009, 7th March 2009 and 30th March 2009. The time gap between any two meetings was less than four months.

The functions of the Audit Committee include the following

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the Statutory Auditor and the fixation of audit fees.
- Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors.
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:

- ♦ Matters required being included in the Director’s Responsibility Statement to be included in the Board’s report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
- ♦ Changes, if any, in accounting policies and practices and reasons for the same.
- ♦ Major accounting entries involving estimates based on the exercise of judgment by management.
- ♦ Significant adjustments made in the financial statements arising out of audit findings.
- ♦ Compliance with listing and other legal requirements relating to financial statements.
- ♦ Disclosure of any related party transactions.
- ♦ Qualifications in the draft audit report.
- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
- Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors any significant findings and follow up there on.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern.
- To review the functioning of the Whistle Blower mechanism.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee is empowered to

- Investigate any activity within its terms of reference.
- Seek information from any employee.
- Obtain outside legal or other professional advice.
- Secure attendance of outsiders with relevant expertise, if it considers necessary.

The Company has systems in place to ensure that the Audit Committee reviews:

- Management discussion and analysis of financial condition and results of operations;
- Statement of significant related party transactions (as defined by the audit committee), submitted by management;
- Internal audit reports relating to internal control weaknesses; and
- The appointment, removal and terms of remuneration of the internal auditors shall be subject to review by the Audit Committee.

The Constitution of the Audit Committee and the attendance of each member of the said committee is as under:

Name	Designation	Category	No. of Meetings attended
Sri D Seetharamaiah	Chairman	Non-Executive Independent Director	7
Dr V Nagaraja Naidu	Member	Non-Executive Director	7
Dr N R Siva Swamy	Member	Non-Executive Independent Director	7
Dr A Appa Rao	Member	Non-Executive Independent Director	7

Sri Umakanta Barik, Company Secretary is the Secretary to the Audit Committee.

Remuneration Committee

The Remuneration Committee of the Board comprises of three Non-Executive Independent Directors. The Remuneration Committee has been constituted to recommend / review the remuneration of Managing Directors / Whole Time Directors / Executive Director, based on their performance. While deciding the remuneration, the Committee takes into account the financial position of the Company, trend in the Industry, appointee’s qualification, experience, past performance, past remuneration etc.

Remuneration Committee met five times during the year 2008-09 on 17th April 2008, 19th May 2008, 30th June 2008, 6th September 2008 and 30th March 2009.

The Constitution of the Remuneration Committee and the attendance of each member of the said committee is as under:

Name	Designation	Category	No. of Meetings attended
Sri D Seetharamaiah	Chairman	Non-Executive Independent Director	5
Dr N R Siva Swamy	Member	Non-Executive Independent Director	5
Dr A Appa Rao	Member	Non-Executive Independent Director	5

Details of remuneration paid/payable to directors for the year ended 31st March 2009 is as under:

Name	Relationship with Company	Loans from Company	Sitting Fees	Salary & perks	Commission	Total
Sri D Seetharamaiah	None	NIL	110000	0	0	110000
Sri N P Ramakrishna	None	NIL	35000	0	0	35000
Dr N R Siva Swamy	None	NIL	65000	0	0	65000
Dr A Appa Rao	None	NIL	87500	0	0	87500
Smt N Bhuvaneswari	Promoter Director	NIL	0	4200000	0	4200000
Dr V Nagaraja Naidu	None	NIL	105000	0	0	105000
Sri N. Lokesh	Promoter Director	NIL	0	2903333	0	2903333

The Company has not granted any stock option to any of its directors.

The shareholding of each of the Non-Executive Directors in the company is as follows:

Name of the Director	No. of equity shares held
Sri D Seetharamaiah	Nil
Sri N P Ramakrishna	49000
Dr N R Siva Swamy	Nil
Dr A Appa Rao	Nil
Dr V Nagaraja Naidu	29000

Besides dividend on equity shares, if any, held by the Directors, and payments as mentioned above, no other payments have been made nor have the Directors of the company entered into transactions of pecuniary nature.

Share Transfer and Shareholder/Investor Grievance Committee

The Share transfer and Shareholder/Investor Grievance Committee of the Board comprises of three Non-executives and one Executive Director. The committee met nine times during the year 2008-09 on 9th April 2008, 19th May 2008, 11th June 2008, 12th July 2008, 13th August 2008, 6th September 2008, 8th October 2008, 30th January 2009 and 20th February 2009.

The Committee supervises the mechanism for redressal of Investor grievances and ensures cordial investor relations. The Committee takes care of investor grievances on the following matters:

- Transfer/Transmission of shares.
- Split-up/Sub-division and Consolidation of shares.
- Issue of new and duplicate share certificates.
- Registration of Power of Attorneys, Probate Letters of transmission or similar other documents.
- Redressal of Shareholders' and investors' complaints like transfer of Shares, non-receipt of Balance Sheet, non-receipt of declared dividend etc.

- Oversee the performance of the Registrar & Transfer Agent and recommends measures for overall improvement of the quality of service.
- Any allied matter(s) out of and incidental to these functions and not here in above specifically provided for.

There were no pending complaints as on 31st March 2009.

The Constitution of Share Transfer and Shareholder/Investor Grievance Committee and the attendance of each member of the said committee is as under:

Name	Designation	Category	No. of Meeting attended
Sri D Seetharamaiah	Chairman	Non-executive Independent Director	9
Dr V Nagaraja Naidu	Member	Non-executive Director	9
Smt N Bhuvaneshwari	Member	Vice Chairperson & Managing Director	8
Dr. A. Appa Rao	Member	Non-executive Independent Director	8

Details of status of the references / complaints received and replied / resolved during the year are given in the following statements:

Sl. No	Nature of Reference/ Complaints	Received (in no.s)	Resolved (in no.s)	Pending (in no.s)
1	Transfer/ Transmission, Change of Address & Dividend	205	205	Nil
2	Legal proceedings on Share Transfer issues and complaints from SEBI, Department of Company Affairs, if any	Nil	Nil	Nil
3	Others	666	666	Nil

Share Transfers during the year – 2008-2009:

Transfer Period(In days)	2 008 – 2009		
	No. of transferees(Folios)	No. of Shares	%
1 - 15	34	15200	88.89
16 - 20	8	1900	11.11
21 – 30	–	–	–
31 and above	–	–	–
No. of pending Transfers	–	–	–

Code of Conduct

The Board has laid down a Code of Conduct for its members and Senior Management Personnel of the Company. The code of conduct is available on the website of the Company www.heritagefoods.co.in. All Board members and senior management personnel have affirmed compliance with the Code of Conduct.

The Vice Chairperson & Managing Director of the Company has affirmed that this Code of Conduct has been complied by the Board members and Senior Management.

DECLARATION

TO THE MEMBERS OF HERITAGE FOODS (INDIA) LIMITED

This is to declare that the Code of Conduct envisaged by the Company for members of the Board and the Senior Management Personnel have been complied with by all the members of the Board and the Senior Management Personnel of the Company respectively.

For **HERITAGE FOODS (INDIA) LIMITED**

Sd/-

N. BHUVANESWARI

Vice-Chairperson & Managing Director

Place : Hyderabad

Date : July 30, 2009

Code for prevention of insider trading practices

In compliance with the SEBI regulation on prevention of insider trading, the Company has instituted a comprehensive code of conduct for its management and staff. The code lays down guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with shares of Heritage, and cautioning them of the consequences of violations.

CEO & CFO Certification

The CEO and CFO certification of the financial statements and the cash flow statement for the year is enclosed and forms part of this report.

Annual General Meetings

a. The last three Annual General Meetings were held as under:

Year	Date	Location	Time
2007-2008	26-09-2008	'Our Place' Charan Pahadi Road, Rd. No. 10, Banjara Hills, Hyderabad	11.00 a.m
2006-2007	22-08-2007	'Our Place' Charan Pahadi Road, Rd. No. 10, Banjara Hills, Hyderabad	10.00 a.m.
2005-2006	31-07-2006	'Our Place' Charan Pahadi Road, Rd. No. 10, Banjara Hills, Hyderabad	10.00 a.m.

- b. All the special resolutions were passed only on show of hands at the Annual General Meeting held on 26-09-2008 and 22-08-2007 there was no special resolutions passed at the Annual General Meetings held on 31-07-2006.
- c. The following resolutions were passed by the Company's shareholders through postal ballot during the year ended 31st March 2009.

Resolution Matter	Total Votes received	Votes in favour of resolution	Votes against resolution	Invalid Votes
Mortgage or charge-Section 293(1)(a) of the Companies Act, 1956	5246147	5239340	1840	4967
To increase the Borrowing powers-Section 293(1)(d) of the Companies Act, 1956	5246147	5244414	1433	300

Smt. Savita Jyothi, Practising Company Secretary acted as Scrutinizer and conducted the Postal Ballot Process.

- d. At the ensuing Annual General Meeting, there is no resolution proposed to be passed by postal ballot.

Disclosures

- a. There are no transactions of material nature undertaken by the company with its promoters, directors, their relatives or the management that may have a potential conflict with the interest of the company.
- Disclosure on transactions with related parties as required under Accounting Standard 18 has been incorporated in the notes on Accounts forming part of the Annual Report.
- b. There has been no non-compliance of any legal requirements by the company; nor has there been any strictures imposed by any stock exchange, SEBI or any statutory authority, on any matters relating to the capital market over the last three years.
- c. The Board regularly discusses the significant business risks identified by the management and the mitigation process being taken up.

- d. The Company has complied with all mandatory requirements under Corporate Governance and also complied non-mandatory requirements like Chairman's Office, Remuneration Committee and unqualified financial statements.

Means of Communication

Quarterly /Half yearly results: The Quarterly / half yearly results are usually published in the Financial Express (in English) and Andhra Prabha (in Regional Language) dailies.

News Releases, Presentations etc: The Quarterly results, Shareholding Patterns, official news releases, analysis and information to investors, etc are displayed on the company's website: www.heritagefoods.co.in

Website: The Company's website www.heritagefoods.co.in contains a separate dedicated section 'Investor Relations' where shareholders information is available. Full text of Annual Report is also available on the website in a user friendly and downloadable format.

Annual Report: Annual Report containing inter-alia Audited Annual Accounts, Financial Statements, Directors' Report, Auditors' Report, Management Discussion and Analysis (MD & A) Report, Report on Corporate Governance and other important information is circulated to Members and others entitled thereto.

SEBI EDIFAR: Quarterly, Half yearly & Annual Financial results, Shareholding pattern etc., of the company are posted on the SEBI EDIFAR Web site, www.sebiedifar.nic.in

General Shareholder Information

- **Annual General Meeting:**

Date and Time

: 29th September, 2009 at 11.00 a.m

Venue

: Auditorium Hall, 2nd Floor, Training Block,
National Institute For Micro, Small and Medium Enterprises
(Formerly NISEIT), Yousufguda, Hyderabad-45
Phone: 040-23608577

- **Financial calendar (tentative)**

: The Financial Year of the Company begins from 1st April and ends by 31st March. The following is the tentative financial calendar for the financial year 2009-2010 of the Company, which is subject to change:

1st Quarter results by	last week of July, 2009
2nd Quarter / Half-yearly results by	last week of October, 2009
3rd Quarter results by	last week of January, 2010
4th Quarter & Annual result by	last week of June, 2010
AGM for the year 2009-10	August, 2010

- **Date of Book Closure**

: 25th September 2009 to 29th September 2009 (both days inclusive).

- **Listing**

: At present, the Equity Shares of the company are listed on Bombay Stock Exchange Limited (BSE), Mumbai and National Stock Exchange of India Limited (NSE), Mumbai. The annual listing fees for the year 2008-09 (as applicable) has been paid.

- **Stock Code**

: The Stock Exchange Ltd, Mumbai
Scrip code: 519552
Scrip ID: HERITGFOOD

National Stock Exchange of India Limited, Mumbai
Scrip code: HERITGFOOD

- **Demat ISIN in NSDL & CDSL for Equity Shares**

: ISIN: INE978A01019

- **Dematerialisation**

: 88.49 % of the Company's paid-up equity share capital has been dematerialised as on 31st March 2009. The trading of the Equity shares of the company is permitted only in dematerialised form as per the notification issued by SEBI.

Total Shares in Demat and Physical form

S. No	Category	No. of Holders	Total Shares	% To Equity
1	Physical	2666	1327331	11.51
2	NSDL	3896	9691029	84.06
3	CDSL	1078	511140	4.43
	Total	7640	11529500	100.00

- **Registrar and Share Transfer Agents (RTA)**

M/s Karvy Computershare Private Limited
 Plot no.17 to 24, Vittal Rao Nagar
 Madhapur, Hyderabad - 500 081
 Ph: 040-23420815-28 Extn-187
 Fax: 040-23420814 / 23420857
 E-mail: einward.ris@karvy.com

- **Share Transfer System**

The share transfers in physical form are presently processed and the share certificates returned within a period of 30 days from the date of receipt, subject to the documents being clear in all respects. M/s Karvy Computershare Private Limited, a SEBI approved Registrar and Share Transfer Agent has been appointed to effect the transfer of shares and other related jobs. The transfer of shares in physical mode is approved by the Share Transfer Committee.

The company obtains half yearly Certificate of Compliance with the Shares Transfer formalities as required under clause 47 (C) of the Listing Agreement with Stock exchanges from a Company Secretary in practice and same is submitted to the Stock Exchange within the period prescribed.



● **Market Price Data:**

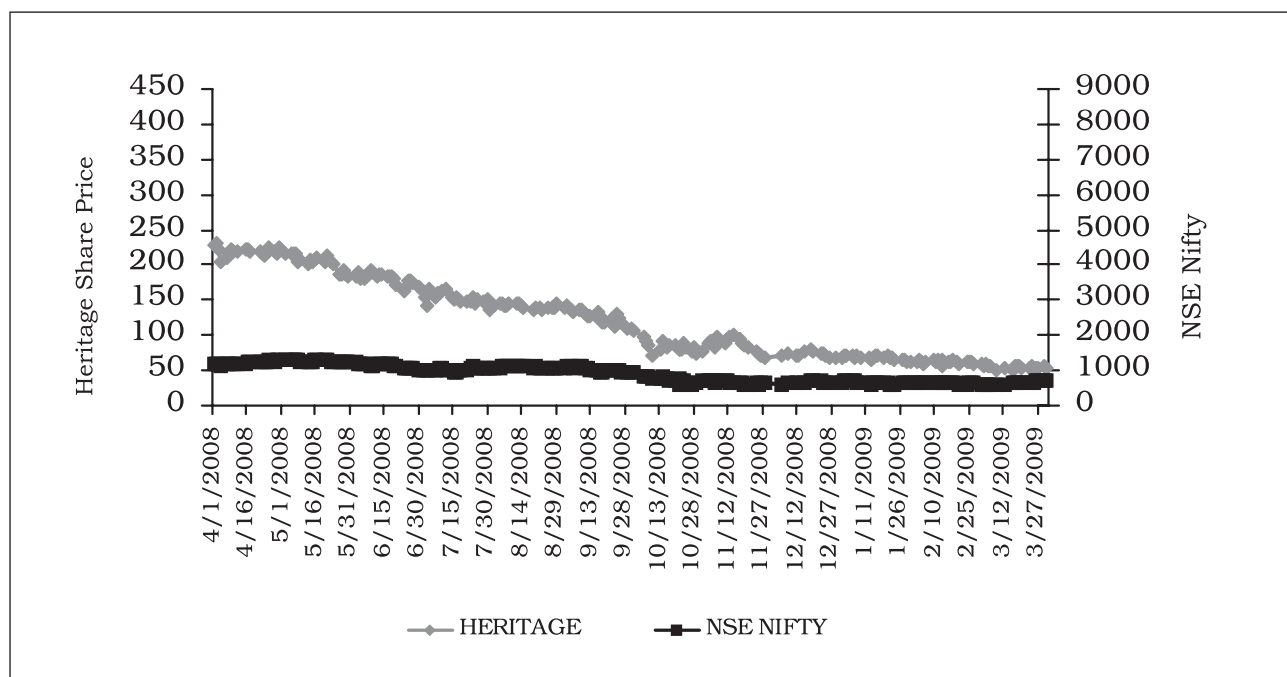
Market price data – High / Low during each month of the financial year 2008-09.

(Rs.)

Month	NSE		BSE	
	HIGH	LOW	HIGH	LOW
April, 2008	246.50	201.50	243.00	209.80
May, 2008	228.00	181.20	228.00	180.05
June, 2008	212.00	150.00	199.00	140.10
July, 2008	189.45	125.05	178.90	128.00
August, 2008	149.00	132.50	149.45	135.00
September, 2008	158.00	95.00	140.10	98.05
October, 2008	115.00	68.00	118.00	64.40
November, 2008	103.30	69.00	96.25	71.75
December, 2008	79.00	67.00	83.00	70.00
January, 2009	74.90	61.70	75.95	61.50
February, 2009	65.75	57.00	67.30	57.00
March, 2009	62.00	50.00	60.00	49.55

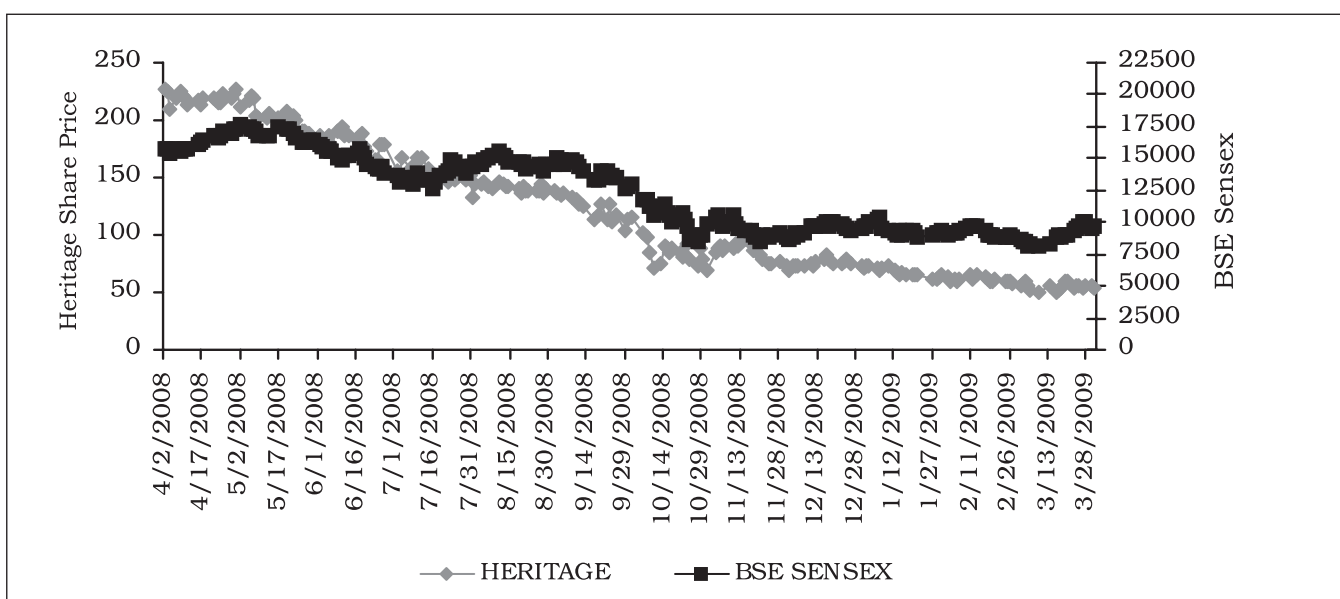
● **Heritage Share price performance in comparison to broad based indices – NSE NIFTY and BSE SENSEX:**

HERITAGE vs. NSE Nifty





HERITAGE vs. BSE



■ Distribution of Shareholding as on 31st March 2009

Category	No. of Share Holders	% of Share holders	No. of Shares	% of Shares
From To				
1 - 5000	6276	91.55	7362540	6.39
5001 - 10000	253	3.69	2178260	1.89
10001 - 20000	122	1.78	1917750	1.66
20001 - 30000	76	1.11	1952850	1.69
30001 - 40000	16	0.23	560220	0.49
40001 - 50000	42	0.61	2016860	1.75
50001 - 100000	29	0.42	2148340	1.86
100001 & Above	41	0.60	97158180	84.27
Total	6855	100.00	115295000	100.00

■ Shareholding Pattern as on 31/03/2009

Sl. No.	Category	No. of Shareholders	No. of Shares	% of Shares
1.	Clearing Members	8	601	0.00
2.	Employees	10	1900	0.01
3.	Foreign Institutional Investor	3	2583052	22.40
4.	HUF	63	20536	0.17
5.	Bodies Corporate	193	859331	7.45
6.	Mutual Funds	12	465472	4.03
7.	Non-Resident Indians	100	84257	0.73
8.	Overseas Corporate Bodies	2	5700	0.04
9.	Persons Acting in Concert	14	926434	8.03
10.	Promoters Bodies Corporate	1	494200	4.28
11.	Company Promoter	3	3848613	33.38
12.	Resident Individuals	6446	2239404	19.42
	TOTAL	6855	11529500	100

- **Liquidity**

The Company's shares are regularly traded on NSE and BSE. Relevant data of turnover of shares of the Company for the Financial Year 2008-09 is given below:

Trading Particulars	The Stock Exchange, Mumbai (BSE)	National Stock Exchange (NSE)
In number of shares	1176568	1824845
In Value terms (Rs.)	340945516.00	494551894.00

- **Outstanding Warrants:**

8,00,000 warrants have been allotted to Sri Nara Lokesh, on February 8th, 2008.

There are no outstanding GDRs/ ADRs instruments.

- **Address for Correspondence**

1. **Investor Correspondence** – If the shares held by you are in physical mode, for Change of address, change of bank mandate, nomination, transfer of shares etc., you may approach the R&T Agents, Karvy Computershare Pvt Ltd. If they are held in electronic mode, contact your Depository Participant.

For dematerialization of shares, the share certificates are to be lodged with your Depository Participant.

All queries pertaining to dividends, Annual Reports etc. are to be referred to Karvy Computershare Pvt Ltd whether they are held in physical mode or electronic mode.

2. **Any query on Annual Report –**

Secretarial Department,
Heritage Foods (India) Limited
6-3-541/C, Punjagutta,
Hyderabad - 500 082
Phone: 040-23391221/222
Fax: 040-23318090
E-mail: umakanta@heritagefoods.co.in

- **Compliance Certificate from Auditors**

Certificate from Auditors of the Company M/s Raju & Prasad, Chartered Accountants confirming compliance with the conditions of Corporate Governance as stipulated under clause 49 of the listing Agreement is annexed to the Directors' Report forming part of the Annual Report.

This Certificate has been forwarded to the Stock Exchanges where the securities of the company are listed.

- **NON-MANDATORY REQUIRMENTS**

1. **Remuneration Committee**

The company has constituted a Remuneration Committee prescribed under Clause 49 of the Listing Agreement.

2. **Whistle Blower Policy**

The Company has put in place an un-codified system through which employees and business associates may report unethical business practices at work place without the fear of reprisal. The Company has set up a direct contact initiative under which all employees/business associates have direct access to the Chairman of the Audit Committee. The "Whistleblower Protection Policy" aims to:

- Allow and encourage employees and business associates to bring to the management's notice concerns about suspected unethical behaviour, malpractice, wrongful conduct, fraud, violation of policies etc.
- Ensure timely and consistent organizational response.
- Build and strengthen a culture of transparency and trust.
- Provide protection against victimization.

For and on behalf of Board of Directors
HERITAGE FOODS (INDIA) LIMITED

N Bhuvanewari
Vice Chairperson & Managing Director

Place : Hyderabad
Date : July 30th 2009

Office & Plant Locations

DAIRY DIVISION

MAIN PLANT

Main Dairy Plant (Gokul)
Chittoor-Tirupathi Road
Chandragiri Mandal
Chittoor (Dt) AP.

PROCESSING & PACKING STATIONS

1. **BAYYAVARAM**,
Vishakhapatnam Dist,AP
2. **PAMARRU**
East Godavari Dist, AP
3. **BHATTIPROLU**
Guntur Dist, AP
4. **VADAMADHURI**,
Dindigul Dist, Tamilnadu.
5. **BANGALORE**
Karnataka.
6. **UPPAL**
Ranga Reddy Dist,AP
7. **NARKETPALLY**
Nalgonda Dist, AP
8. **CHITTOOR**
Chittoor Dist, AP
9. **B.KOTHA KOTA**
Chittoor Dist, AP
10. **SANGVI**
Satara Dist,
Maharashtra
11. **BOBBILI**
Industrial Growth Center,
Bobbili, Vizianagaram Dist., AP

PROCUREMENT & PROCESSING CENTERS

1. **ATMAKURU**
Atmakuru Post, Nellore Dist., AP
2. **BAPATLA**
Mulapalem Village,
Bapatla-Ponnur Road,
Bapatla Mandal, Guntur (Dt).
3. **DARSI**
Darsi Post, Prakasam Dist., AP
4. **KALLURU**
Korlagudem village,
Kalluru Mandal, Khammam Dist., AP
5. **KANDUKURU**
Katuturu Grampanchayat,
Veletivaripalem mandal,
Kandukuru, Prakasam Dist., AP
6. **KONDEPI**
Kondepri Village & Mandal,
Prakasam Dist., AP

7. **MADANAPALLI**
Basinikonda Village,
Madanapalle Mandal,
Chittoor Dist., AP
8. **MADHIRA**
Rayapatnam Village,
Madhira Mandal, Khammam Dist., AP
9. **MUPPAVARAM**
Bytamanjuluru Post,
J Panjaluru Mandal,Prakasam Dist., AP
10. **NAMAKKAL**
Navani Vellali Patti Village,
Pudusatram-P.O
Namakkal Dist., Tamilnadu
11. **NANDYALA**
Sambavaram Village,
Gosapadu Mandal, Kurnool Dist., AP
12. **PILER**
Yerraguntla Village,
Piler Mandal, Chittoor Dist., AP
13. **SANTHAMAGULURU**
Puthavaripalem Village,
Santhamaguluru Mandal,
Prakasam Dist., AP
14. **TIRUVANNAMALAI**
Somasipadi, Tiruvannamalai Dist.,
Tamilnadu
15. **UTHANGARAI**
Koorsampatti Village,
Uthangarai Taluq,
Dharmapuri Dist., Tamilnadu.
16. **GURAJA**
Guraja, Krishna Dist., AP
17. **KOTANANDURU**
Kotananduru, East Godavari Dist., AP
18. **GANTYADA**
Gantyada (V&M)
Vizianagaram Dist.,AP
19. **L.KOTA**
C/o Sree Sravani Milk Chilling Centre,
L.Kota (V&M), Vizianagaram Dist.
20. **ATTUR**
Thalavaipatty Post, Attur Taluk,
Salem District, Tamilnadu.
21. **SANTHIPURAM**
Chittoor Dist, AP
22. **SOMAVARAM**
East Godavari Dist, AP
23. **PANCHAM**
Kolhapur, Maharashtra.

MINI CHILLING CENTRES

1. **KALAKADA**
Chittoor Dist., AP
2. **KANIGIRI**
Prakasam Dist., AP
3. **KODADA**
Nalgonda Dist., AP
4. **VINUKONDA**
Guntur Dt, AP
5. **PODALAKURU**
Nellore Dist. AP
6. **RAVIKAMATAM**
Opp. Govt Veterinary Hospital,
Ravikamatam Village
Visakhapatnam Dist. AP
7. **SATYAWADA**
West Godavari., AP
8. **VELVADAM**
Krishna Dt., AP
9. **KALIGIRI**
Nellore Dist. AP
10. **CHAGARLAMARRI**
Kallugotlapalli Village
Allagadda Mandal, Kurnool Dist. AP
11. **HINDUPUR**
Srikantapuram Village,
Kaggallu Panchayat, Hindupur Mandal,
Anantaput Dist. AP
12. **VEERAVALLI**
Veeravalli Village,
Bapulapadu Mandal,
Krishna Dt., AP
13. **NANDIGAMA**
Krishna Dist., AP
14. **ALAGADAPA**
Nalagoda Dist, AP

BULK COOLERS

1. **GAJAPATINAGARAM**
Gajapatnagaram Post,
Vizianagaram Dist., AP
2. **REVEDI**
Vizianagaram Dist., AP
3. **SAMARLAKOTA**
East Godavari Dist. AP
4. **KATHIPUDI**
East Godavari Dist. AP
5. **POOSAPATIREGA**
Poosapatirega Village
Vizianagaram Dist., AP
6. **VATSAVAI**
Vatsavai Mandal, Krishna Dist., AP
7. **VENKATAGIRI**
Sri Kalahasti Mandal, Chittoor Dist., AP.

8. **VEPANAPALLI**
Vepanapalli Post, Krishnagiri Thaluk, & Dist, Tamilnadu.
9. **DUTTALURU**
Duttaluru Mandal, Nellore Dist., AP
10. **SATTENAPALLI**
Sathenapalli Mandal, Guntur Dist., AP
11. **SRI KALAHASTI**
Pedda Kannali Village & Post, Chittoor Dist., AP.
12. **WYRA**
Gundrathimadugu Village, Konigerla Mandal, Wyra Post, Khammam Dist. AP
13. **HUKKERI**
Belguam Dist, Maharashtra.
14. **PANGIRE**
Kolhapur Dist, Maharashtra
15. **NORTH RAJUPALEM**
Nellore Dist, AP.
16. **BRAHMANAPALLI,**
Guntur, AP.
17. **K VENKATAPAURAM,**
Khammam, AP.
18. **NAKERIKALLU,**
Guntur, AP.
19. **PALAMANERU,**
Chittoor, AP.
20. **Chinnagumuluru**
East Godavari, A.P.

ICE PLANTS

1. **AMALAPURAM**
Amalapuram, East Godavari Dist., AP
2. **NACHUGUNTA**
Nachugunta Village
Unguturu Mandal, West Godavari Dt
3. **DHARMAPURI**
Dharmapuri Dt, Tamilnadu.

SALES OFFICES

Andhra Pradesh

- Hyderabad Sales Office 1**
No: C-10, IDA, Uppal
Phone: 040 - 27202689
- Hyderabad Sales Office 2**
No: 8-3-166/5/2, Register Office Road, Behind Bata Show Room, Erragadda, Hyderabad . Phone: 040 - 23705402
- Hyderabad Sales Office 4**
D.No: 1-30-418/1, Plot No:1, Venkateswara Colony, Kanaji Guda, Tirumalghiri, Secunderabad -15.
Phone: 040 - 32456425
- Hyderabad Sales Office 5**
Shop No:192 Cellar, Mamatha Estates, Allwyn Indhra reddy Colony, Besides Subcourt, Miyapur
Phone: 9912344401

- Chittoor Sales Office**
Sundararaja Puram, E.R PalliPost, Chittoor - Puttoor Road, Chittoor.
Phone: 08572 - 226708
- Visakhapatnam Sales Office**
D.No: 50-48-15/2, P&T Colony, NH-5 Facing, Seethammadhara, Visakhapatnam - 13.
Phone: 0891 - 2729043, 2707715
- Tirupati Sales Office**
D.No: 19-12-154, RC Road, Bairagipatteda, Tirupati.
Phone: 0877 - 3205997
- Rajahmundry Sales Office**
D.No: 75-8-12, First Floor, Vimmalamma Hospital Junction., Gandipuram-2, Rajahmundry.
Phone: 9912344403
- Vijayawada Sales Office**
No: 54-18/1-2, ITI Road, Prasanthi Nagar, Vijayawada - 8.
Phone: 0866 - 3295568

Karnataka

- Bangalore Sales Office 1**
No:42, Survey No:5&6, Bikasipura, Banashankari 5th Stage, Near Saibaba Temple.
Phone: 080 -32965688
- Bangalore Sales Office 2**
Door No: 220, 3 rd Cross, 2 nd Floor, Shivakrupa Complex, Kasturinagar - 560 016. Phone: 080 - 32965689
- Bangalore Sales Office 3**
Yadavanahalli Village, Anekal Taluk, Gudahatti Road, Bangalore.
Phone: 0811 - 0325496

Tamil Nadu

- Chennai Sales Office 1**
Survey No:16/6, Pariwakkam Main Road, Seneerkuppam Village, Poonamalle, Chennai - 600 056
Phone: 044 - 32955688
- Chennai Sales Office 2**
Plot No: 219, Ganeshan Street, Bhuvanewari Nagar Extension, Vellachery, Chennai - 600 042
Phone: 044 - 32512788
- Vadamadurai Sales Office**
Moorpatti Village, Vadamadurai Post, Dindigul District - 624 802
Phone: 04551 - 238841

Maharashtra

- Mumbai Sales Office**
Bajarang Cold Storage, A2, MAFCO Yard, Sector-18, Vashi, Navi Mumbai, Phone: 022 - 27881816

- Pune Sales Office**
VDDPL, at Gat No: 143, Chandkhed Village, Pachane Road, Taluq Maval, Pune- 28.
Phone: 9922966803
- Sangvi Sales Office**
Vijayanagar Sangvi, Phaltan Taluk, Satara District. Phone: 021 - 66264352, 66264252

RETAIL DIVISION

Bangalore

- 1 **Basaveshwara Nagar**
Chamundi Towers, Coporation No.104, LIC Colony, WOC Road, Sri Siddiah Puranik Marg, Bhimajyothi Co-operative Housing Society Basaveshwara Nagar, Bangalore - 560 079
- 2 **Jayanagar**
Municipal No.23, 100 FT Road, 2nd Block, Jaya Nagar, Bangalore.
- 3 **Indira Nagar**
Sai Shakti , Municipal No.2207, HAL III Stage, Ward No.74, 80 Feet Road, Kodihalli, Bangalore.
- 4 **RajajiNagar**
Corporation No.63/9, 19th Main, 2nd Block, Rajaji Nagar, Bangalore - 560 010
- 5 **Frazer Town**
"Azeem Gold", B.M.P No.13, Mosque Road, Frazer Town, Bangalore
- 6 **Uttarahalli**
Corporation No.131, Subramanyapura Main Road, Muneshwara Block, Bangalore - 560061
- 7 **Banashankari**
Corporation No.1036, 14th C Main, BSK IIInd Stage, Bangalore – 560 050
- 8 **Yelahanka**
Corporation No.325, HIG 1st Stage, Sector A, Yelahanka,
- 9 **Hessarghatta Main Road**
Corporation No.19 & 43, Bangalore Hessarghatta Main Road, Bangalore - 560 057
- 10 **Malleshwaram**
Corporation No.92, 3rd Main Road, Margosa Road, Bangalore - 560 003
- 11 **Banaswadi**
Corporation No.345, New No.51, 10th Main, 100ft Road, B.V.Reddy Garden, Kalyan Nagar, Dodda Banaswadi, Bangalore - 560 043

- 12 Hennur Main Road**
No.9, Ankanna Reddy Layout,
Kacharakana Halli,
Bangalore North Taluk,
Hennur Main Road, Bangalore
- 13 Rammurthy Nagar**
No.7, Khata No.81/89/1, Kowdenahalli,
Rammurthy Nagar Hobli,
Bangalore South Taluk, Bangalore
- 14 White Field**
No.6, BBMP Katha No.205/155,
Thubarahalli Village,
Ramagondanahalli Post,
Varthur Main Road, Bangalore - 560 066
- 15 Prashanth Nagar**
Site No.1, Hari Ram Aildas Layout
(Prashanth Nagar), Govindarajanagara,
Thimmenahalli Main Road,
Kempapura Agrahara,
Bangalore North Taluk, Bangalore
- 16 Banshankari 3rd Stage**
Site No.38/113, 2nd A Cross,
Kathariguppa Main Road,
Banashankari 3rd Stage, Bangalore
- 17 Vijaya Bank Colony**
Site No.441,
Vijaya Bank Employees Housing
Co-Operative Society Limited Layout
Situating at Bilekahali, Begur Hobli,
Bangalore South Taluk, Bangalore
- 18 Kagdaspura**
Site No.21, Kagdaspura Main Road,
K.R.Puram Hobli, Bangalore
- 19 Malleshpalya**
No.2 66/1, Vibhudhipura village
Gramatana area, KR puram hobli
HASB Area, Malleshpalya main Road,
Bangalore South Taluk
- 20 Coffee board Colony**
Site No 3, Village Khata No.650,
Sy No. 10/1, 12/1,

Chennai

- 1 Madipakkam**
No.1 & 2, Bazaar Road,
Baliah Garden, Madipakkam, village
Chennai – 600 091
- 2 Gopalapuram**
No.17&19, Conron smith road,
Gopalapuram, Chennai – 600 086
- 3 Kotturpuram**
No.1, 3rd Main Road, Kottur Garden,
Kotturpuram, Chennai – 600 085
- 4 4Ashok Nagar**
Rajni's Kothanda Gvaha
No.83, 10th Avenue,
Ashok nagar, Chennai – 600 083

- 5 Velachery**
VSR complex, P. No.2, 7th Main Road,
Velachery Taramani Link Road,
Velachery, Chennai – 600 041
- 6 Nanganallur**
No.1, 5th Street, Laxmi Nagar,
Nanganallur, Chennai – 600 061
- 7 Mylapore**
Rabiya Building, Old 187/1,
New 238, Rayapeta High Road,
Mylapur, Chennai.
- 8 Kolathur**
Door No. 2, Plot No.2,
Velavan Nagar, Paper Mills Road
(next to SAI Mahal), Kolathur, Chennai
- 9 Valasaravakkam**
Green's Riviera, Door no.75,
Dr. Radhakrishnan Road,
Valasaravakkam,
Chennai – 600 087
- 10 Shenoy Nagar**
No.1/2, 7th Cross Street,
Tulasi Apartments,
Pulla Reddy Avenue Road,
Shenoy Nagar (west),
Chennai – 600 030
- 11 Adambakkam**
New No. 17, Old No. 16A,
Secretariat Colony Main Road,
Adambakkam, Chennai-600088
- 12 Mugalivakkam**
Plot no.10 & 11,
Mugalivakkam Main Road,
Sriram Nagar, Porur,
Chennai – 600 016
- 13 Perungudi**
Plot No.60, 2nd Main Road,
Thirumalai Nagar Annexe,
Perungudi, Chennai – 600 096
- 14 Mogappair**
No.1427, V.O.C. Street,
Thiruvalluvar nagar,
Mogappair, Chennai – 600 037
- 15 Tambaram West**
No.10, Venkatesan Street,
Tambaram West,
Chennai – 600 045
- 16 Alwarthirunagar**
New No. 29 and 30,
SriPriya's Nakshatra, Gandhi Road
(Next to GRK Kalyana Mandapam),
Alwar, Thirunagar, Chennai-600 087
- 17 Mogapiyyar West**
No. PC-1, 80 Feet Road
(Poison Biotech), Mogappair west,
Chennai – 600 037
- 18 East Tambaram**
457/152, Velachery Main Road
(opp. To Air force
station Road, Next to UCO Bank),
East Tambaram, Chennai-600 059

- 19 Kodambakkam**
Door no.29/1,
Viswanathapuram Main Road
(opp. To Ragavendra
Kalyana mandapam),
Kodambakkam, Chennai – 600 024
- 20 Choolaimedu**
Ground Floor Commercial Shop,
Greta Pearl Apartments,
No. 174, Choolaimedu High Road,
Chennai – 600 094
- 21 Pallikaranai**
Plot No.36,
Natwest Venkatramana Apartments,
Kamokoti Nagar main Road
(opp. road to Balaji Dental College),
Pallikaranai, Chennai – 601 100
- 22 Ayanavaram**
No. 9/5, VP Colony South Street,
(Next to ESI Hospital),
Ayanavaram, Chennai – 600 023
- 23 T.Nagar**
19/3, Bajjullah Road, T. Nagar,
Chennai-600017
- 24 Aminjikarai**
Old Door No. 73 & 74,
New No. 37, Govindan Street,
Ayavoo Colony, Aminjikarai,
Chennai-600029
- 25 Venkatnarayana Road**
16/5, Venkatanarayana Road,
T. Nagar, Chennai-600017

Hyderabad

- 1 Vikrampuri**
V.V Towers, Survey No 59/1/2/1,
Kakaguda Village,
Vikrampuri, Secunderabad – 500 015
- 2 Banjara Hills**
8-2-686/k3/1, P.no. 3,
Kimtee Banjara Heights,
Road12, Banjara Hills, Hyderabad-34
- 3 Film Nagar**
Previously UTI Bank,
(Opp. to More Super Market),
Film Nagar, Hyderabad – 500 034
- 4 Vengalrao Nagar**
Plot No. 63/A,
Municipal No. 8-3-191/67,
Vengalrao Nagar Colony,
Hyderabad – 500 038
- 5 Ameerpet**
Anand Capital,
Municipal No. 7-1-79/5,79/6,7-1-80,
Ameerpet, Hyderabad – 500 000
- 6 Sindhi Colony**
H-no. 1-8-142 & 143,
Prendergasth Road,
Secunderabad – 500 003

<p>7 West Marredpally H.no. 10-2-98 & 99, Tejaswini Arcade, Plot No. 78, Secunderabad – 500 080</p> <p>8 Vijay Nagar Colony 10-3-550, Ground Floor, Sri Krishna Classic, Vijay Nagar Colony, Hyderabad – 500 037</p> <p>9 Malkajgiri 22-1-1/1, Radha Krishna Nagar, Beside Bank of Maharashtra, Malkajgiri, Hyderabad</p> <p>10 HMT Nagar Plot No. A 128, A 129, Bapuji Nagar, Nacharam Road, (Beside Trinetra Super Market), Habsi Guda, Hyderabad – 500 004</p> <p>11 AS Rao Nagar Yasmai Arcade P.no. A-6/1, A-6/3, SY no. 500, Kapra, AS Rao Nagar, Hyderabad – 500 062</p> <p>12 D.D Colony Ashoka Satyam Enclave, P.No. 2-2-7/1, Durgabai Deshmukh Colony, Hyderabad – 500 007</p> <p>13 Himayat Nagar 3-6-430, Sri Laxmi Nilayam, Himayat Nagar, Hyderabad-500 029</p> <p>14 Ashok Nagar 1-10-209/135, Ashok Nagar, Hyderabad – 500 020</p> <p>15 PadmaRao Nagar Plot no 15, H.no. 6-1-289/9, Opp. Swarajya Printing Press, Secunderabad – 500 025</p> <p>16 Dilsukh Nagar Survey no. 24,23,34, Door no. 5-25, (Opp. R.S.Brothers) Dilsukh Nagar, Hyderabad – 500 060</p> <p>17 Nagole 1 to 6, Survey No. 128, Part and 129/2, Nagole (Village), LB Nagar Municipality, Hyderabad – 500 035</p>	<p>18 Santhosh Nagar Gilbert Plaza, 12-1-210/4, Near 1S-7, Hyderabad – 500 028</p> <p>19 Bowenpally Plot no. 6, Krishna Reddy Nagar, (Near Gulf Bakery) Beside Petrol Bank, Bowenpally 'X' Roads, Secunderabad</p> <p>20 Vanasthalipuram Plot No. 1 & 2, Sy. No. 53 & 54, Saheb Nagar Khund, Vanasthalipuram, R R District</p> <p>21 Nizampet Sy.No.57, MCK Block, No.2, Hyder nagar Village (Nizampet Rd), Kukatpally municipal sub Division, GHMC, Bala nagar Mandal, Hyderabad – 500 072</p> <p>22 Red Hills 11-6-872/1 to 6, 872/A&B, 872/A/1, Lakdikapool, Hyderabad – 500 026</p> <p>23 Kukatpally "Shiva's Castle" Shop No.G3 & G4, MCK No.15-24-412 & 15-24-353, KPHB Colony, Phase I & II, Kukatpally Village & Municipality, Balanagar Mandal, R.R.District</p> <p>24 Vivekananda Nagar Colony Plot no.2, Sy.No.116/A/P, MCK Block No.22, (Leading Road to Allwyn colony), Kukatpally Village & Municipality, Bala nagar Mandal, R.R. District</p> <p>25 Kompally Sree Vensai Towers varuna Block, Shop no.GF2, Sy. No. 128 (P), Grampanchayath of Kompally, Qutbullapur mandal, R.R. District</p> <p>26 Kondapur "Park View" Plot no.5, Sy.No.6, Kondapur Village, Serilingampally Municipality, R.R. District</p> <p>27 BN Reddy Nagar "Saraswati Nilayam", H.No.05-03-635/2, Sy. No. 228 & 229, Saheb Nagar Kalan Village, L.B. Nagar Municipal Sub Division, R.R. District</p>	<p>28 Madinaguda Rajamma Commercial Complex, Sy.No.95, 96, Plot no. 5,6,7,8, Madinaguda, Sherilingampally (M), Hyderabad</p> <p>29 Miyapur "Sri Kalki Mansion", Flat no.G1, G2, G3, Plot no.10 & 13, Survey No.221, Madeenaguda Village, Serilingampally Mandal, R R District</p> <p>30 Prashasan Nagar 1st Floor, Prasassan Nagar, Co-operative Housing Building Society Ltd, Road No.72, Jubilee Hills, Hyderabad.</p> <p>Distribution Centres</p> <p>Hyderabad Heritage Foods (India) Limited 9/4, I.D.A. Uppal, Credence Technology, Hyderabad.</p> <p>Chennai Heritage Foods (India) Limited., Survey No. 16/4, Parivakkam Road, Sennurkupam Village, Poonamalli Taluq, Chennai-600056</p> <p>Bangalore Heritage Foods (India) Limited. Survey No: 99, Segahalli Village, Bidarhalli Hobli, Opp. Sai Garden Apartments, Kannamangala Post, Bangalore – 560 067</p> <p>AGRI DIVISION</p> <p>Integrated Pack Houses:</p> <ol style="list-style-type: none"> Adavi Masjid Village Mulugu Mandal, Medak Dist Mattam Village, Shanthipuram Mandal, Chittoor Dist
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AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of
HERITAGE FOODS (INDIA) LIMITED

We have examined the compliance of conditions of Corporate Governance by Heritage Foods (India) Limited, for the year ended on 31st March, 2009, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that in respect of investor grievances received during the year ended 31st March, 2009, no investor grievances are pending against the company for a period exceeding one month as per records maintained by the company which are presented to the shareholders/Investor Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **RAJU & PRASAD**
Chartered Accountants

M. Sivaram Prasad
Partner
Membership No. 18943

Place : Hyderabad
Date : July 30, 2009

CEO AND CFO CERTIFICATION

We, N. Bhuvanewari, Vice-Chairperson and Managing Director and A. Prabhakara Naidu, Sr. General Manager (Finance & Accounts) of Heritage Foods (India) Limited certify that

- a. We have reviewed the financial statements and the cash flow statements for the year and that to best of our knowledge and belief:
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading
 - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of Company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls and we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which

we are aware and the steps we have taken or propose to take to rectify these deficiencies.

- d. We have indicated to the auditors and the Audit Committee
 - i. significant changes in internal controls during the year;
 - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements;
 - iii. that there have been no instances of significant fraud of which we have become aware, involving the management or an employee having a significant role in the Company's internal control system.

N. Bhuvanewari
Vice Chairperson and Managing Director

Place : Hyderabad
Date : June 30, 2009

A. Prabhakara Naidu
Sr. General Manager (F&A)

To

The Members of
M/s. **HERITAGE FOODS (INDIA) LIMITED**,
HYDERABAD.

1. We have audited the attached Balance Sheet of M/s. **HERITAGE FOODS (INDIA) LIMITED**, as at 31st March, 2009 and also the Profit and Loss Account for the year ended on that date annexed thereto and cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An Audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. Further to our comments in (4) below, we report that
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - ii. In our opinion the Company as required by law has kept proper books of account so far as it appears from our examination of the books and proper returns adequate for the purpose of our audit have been received from the units not visited by us.
 - iii. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account maintained.
 - iv. In our opinion The Balance sheet, Profit and Loss account and the cash flow statement comply with the accounting standards referred to in Sec.211 (3C) of the Companies Act.1956.
 - v. On the basis of written representation given to us, no director of the company, as at 31st March 2009 and taken on record by the Board of Directors we report that none of the Director as on 31st march 2009 is disqualified from being appointed as a director under clause (g) of Sub-Section 274 of the Companies Act, 1956.
 - vi. As per the information and explanation given by the company there is no cess payable within the meaning of sec 441A of the companies act as on 31st march 2009.
 - vii. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. In the case of Balance Sheet, of the state of affairs of the Company, as at 31st March 2009.
 - b. In the case of the Profit and Loss account, of the loss for the year ended on that date and
 - c. In the case of cash flow statement, of the cash flows for the year ended on that date.
4. As required by the Companies (Auditors' Report) Order 2003, as amended by the Companies (Auditors' Report) Order 2004, issued by the Government of India, in terms of sub-section (4A) of section 227 of the Companies Act 1956, we report that:
 - i. a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) These fixed assets have been physically verified by the management during the year and discrepancies noticed on such verification have been properly dealt with in the books of account. In our opinion, the frequency of verification is reasonable having regard to the size of the company and the nature of the assets.
 - c) No substantial part of fixed assets has been disposed off during the year.
 - ii a) the inventory has been Physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
 - iii a) The company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the companies act 1956 or to companies under the same management as defined in section 370(1-B) of the companies act,1956. Consequently, clauses (iii)(b), (iii)(c) and (iii)(d) are not applicable.
 - b) the company has not taken any loans secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the companies act 1956 or to companies under the same management as defined in section 370(1-B) of the companies act,1956. Consequently, clauses (iii) (f) and (iii)(g) are not applicable.
 - iv. In our opinion and according to the information and explanation given to us, considering the size and nature of business in various divisions of the company with regard to purchase of inventory and fixed assets and with regard to sale of goods and services , the internal control procedures need to be reviewed and strengthened.

- During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- v. a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding value of rupees five lakhs in respect of any party during the year, have been made at prices which are reasonable, having regard to prevailing market prices at the relevant time.
- vi. The company has not accepted deposits from the public governed by section 58A and 58AA of the Companies Act, 1956 for the year under reference.
- vii. In our opinion, the company has an adequate internal audit system commensurate with the size and nature of its business.
- viii. As per the information and explanation given by the company, the provisions of Section 209(1)(d) of the Companies Act, 1956 for maintenance of cost records are not applicable to the products manufactured by the company. Hence, the reporting requirements under clause 4 (viii) are not applicable.
- ix. a) The Company is regular in depositing undisputed statutory dues with the appropriate authorities including Provident Fund, Investor Education and Protections Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax and Other Statutory dues applicable to it .
- b) According to the information and explanations given to us following are the disputed dues relating to income tax, wealth tax, cess and sales tax, which have not been deposited as at 31st March, 2009:

Name of the statute	Nature of the dispute	Amount (Rs.in Lakhs)	Period to which the amounts relate(F.Y)	Forum where the disputes is pending
Income Tax Act,1961	Income tax act	266.50	2004-05 & 2005-06	Income tax appellate tribunal
The A.P.G.S.T Act,1957	General sales tax	12.80	1999-00 to 2004-05	Commercial tax officer
The A.P.G.S.T ACT,1957	General sales tax	95.11	2001-02	Writ petition filed with H.C.G.O has been issued by the GOVT/ A.P removing rule 6a purchase tax on milk, the G.O will be given effect to the appeal at the time of hearing.
The C.S.T ACT	Central sales tax	18.78	2001-02	W.P of 15498/2004 file with high court

- x. The company does not have any accumulated losses as at the end of the financial year under reference and the company has incurred cash loss of Rs.11,15,44,064/- (loss before depreciation and amortization) in the financial year under reference and there were no cash loss in the financial year immediately proceeding such financial year.
- xi. The Company has not defaulted in the repayment of its dues to financial institutions or banks.
- xii. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the company is not a chit fund or nidhi / mutual benefit fund / society. Therefore the provisions of clause 4 (xiii) of the companies (Auditors' Report) Order, 2003 are not applicable to the company.
- xiv. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Investments have been held by the company in its own name.
- xv. The company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi. In our opinion, the term loans taken by the Company were applied for the purpose for which they were taken.

- xvii. In our opinion and according to explanations and information given to us, funds raised on short-term basis have not been used for long term investment and vice versa.
- xviii. According to the information and explanation given to us, during the year the company has not made any preferential allotment of equity shares/warrants to parties and companies covered in the register maintained under section 301 of the companies act, 1956.
- xix. The company has not issued any debentures
- xx. The company, during the year, has not raised money by public issues.
- xxi. During the year under reference, except cash misappropriation of Rs. 18.44 lakhs by the employees, no material fraud on or by the company has been noticed or reported..The Company has taken corrective steps legally.

For **RAJU & PRASAD**
Chartered Accountants

M. Sivaram Prasad

Partner

Membership No. 18943

Place : Hyderabad
Date : 30th June 2009

BALANCE SHEET AS AT 31ST MARCH 2009

	Schedule Ref.	Rs.	As At 31.03.2009 Rs.	Rs.	As At 31.03.2008 Rs.
SOURCES OF FUNDS:					
Shareholders Funds:					
Share Capital	01	115295000		115295000	
Reserves & Surplus	02	692402211	807697211	1041656162	1156951162
Warrant Application Money			31868800		31868800
Loan Funds:					
Secured Loans	03	1720065030		1462289174	
Unsecured Loans	04	75884119	1795949149	59918388	1522207561
Deferred Tax Liability			125743840		64455339
TOTAL			2761259000		2775482862
APPLICATION OF FUNDS:					
Fixed Assets:					
Gross Block	05	2644741999		2064483507	
Less: Depreciation		607951733		440378950	
Net Block			2036790266		1624104557
Capital Work-in-Progress			139808929		467580555
Investments	06		2682710		2118210
Current Assets, Loans and Advances:					
Inventories	07	493866460		453860715	
Sundry Debtors	08	114598312		92886314	
Cash and Bank Balances	09	310447980		515117638	
Loans and Advances	10	344069246		332142447	
Sub-total		1262981997		1394007113	
Less: Current Liabilities and Provisions	11				
A. Current Liabilities		680984562		690083971	
B. Provisions		20340		22243602	
Net Current Assets			581977095		681679540
TOTAL			2761259000		2775482862
Significant Accounting policies	19				
Notes on Accounts	20				

As per our report attached
For **Raju & Prasad**
Chartered Accountants

For and on behalf of the Board

M. Sivaram Prasad
Partner
Membership No. 18943

N. Bhuvanewari
Vice Chairperson & Managing Director

N. Lokesh
Executive Director

Date : June 30, 2009
Place : Hyderabad

A. Prabhakara Naidu
Senior General Manager - Finance & Accounts

Umakanta Barik
Company Secretary

PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31ST MARCH 2009

	Schedule Ref.	YEAR ENDED 31.03.2009 RS.	YEAR ENDED 31.03.2008 RS.
INCOME :			
Sales	12	792553807	5880344201
Other Income	13	66987998	401298814
TOTAL		7992541805	6281643015
EXPENDITURE:			
Materials Consumed	14	4764543249	3811647671
Purchase Cost of Traded Goods		1503086584	1006528433
Power and Fuel		206641369	168975052
Employee Remuneration	15	487951008	350383597
Interest	16	145830558	124327994
Other expenses	17	958419002	791188609
(Increase)/ Decrease in Stocks	18	37614101	(83704858)
TOTAL		8104085871	6169346499
PROFIT/(LOSS) BEFORE DEPRECIATION AND AMORTISATION		(111544066)	112296517
Less: Depreciation and Amortisation		172242602	105516119
PROFIT/(LOSS) FOR THE YEAR		(283786668)	6780398
Less :Provision for taxation			
Current Tax		0	275631
Deferred tax Liability / (Asset)		61288501	(7523341)
Fringe Benefit Tax		4501760	4673801
NET PROFIT/(LOSS) AFTER TAX		(349576929)	9354307
Less:Prior period expenses		4869266	2790740
		(354446195)	6563567
Less: Taxation of Earlier Years		1682756	(2832109)
NET PROFIT/(LOSS)		(356128951)	9395676
Balance brought forward		121069762	134015716
Amount available for Appropriation		(235059189)	143411392
Appropriations			
Proposed Dividend		0	18241489
Provision for Tax on Dividend		0	3100141
Transfer to General Reserve		0	1000000
Balance carried to Balance Sheet		(235059189)	121069762
TOTAL		(235059189)	143411392
Basic and diluted earning per share of Rs.10/- each		(30.32)	0.92
Significant Accounting policies	19		
Notes on Accounts	20		

As per our report attached
For **Raju & Prasad**
Chartered Accountants

For and on behalf of the Board

M. Sivaram Prasad
Partner
Membership No. 18943

N. Bhuvanewari
Vice Chairperson & Managing Director

N. Lokesh
Executive Director

Date : June 30, 2009
Place : Hyderabad

A. Prabhakara Naidu
Senior General Manager - Finance & Accounts

Umakanta Barik
Company Secretary

	Rs.	As At 31.03.2009 Rs.	Rs.	As At 31.03.2008 Rs.
SCHEDULE 1 : SHARE CAPITAL				
Authorised:				
1,80,00,000 Equity Shares of Rs.10/- each (Previous year 1,30,00,000 Equity Shares of Rs.10/- each)		180000000		130000000
20,00,000 Convertible cumulative Preference Shares of Rs.10/- each (Previous year 20,00,000 Preference Shares of Rs.10/- each)		20000000		20000000
		200000000		150000000
Issued, Subscribed & paid-up				
1,15,29,500 Equity Shares of Rs.10/- each fully paid-up (Previous year 1,15,29,500 Equity Shares of Rs.10/- each fully paid-up)		115295000		115295000
SCHEDULE 2: RESERVES AND SURPLUS				
Capital Reserve (State Subsidy)				
Opening Balance	2881260		8381260	
Add: Subsidy received during the year	6875000		0	
	9756260		8381260	
Less: Subsidy transferred to P&L A/c during the year	0		5500000	
Closing Balance		9756260		2881260
Capital Redemption Reserve		8100000		8100000
Securities Premium account		465975400		465975400
General Reserve:				
Opening Balance	443629740		442629740	
Add: Transferred during the year	0		1000000	
Closing Balance		443629740		443629740
Surplus / (Deficit) in Profit and Loss Account		(235059189)		121069762
TOTAL		692402211		1041656162
SCHEDULE 3: SECURED LOANS				
Term Loans from Banks		1212118664		1109151268
Working Capital Loans from Banks		507946366		353137906
TOTAL		1720065030		1462289174
SCHEDULE 4: UNSECURED LOANS				
Sales Tax Deferment		75884119		59918388
TOTAL		75884119		59918388

SCHEDULE 5 : FIXED ASSETS

PARTICULARS	GROSS BLOCK			DEPRECIATION/AMORTISATION*					NET BLOCK	
	As At 01.04.2008 Rs.	Additions Rs.	Deletions Rs.	As At 31.03.2009 Rs.	As At 01.04.2008 Rs.	For the Year Rs.	On Deletions Rs.	As At 31.03.2009 Rs.	As At 31.03.2009 Rs.	As At 31.03.2008 Rs.
FREEHOLD LAND	136574464	6224757		142799221	-			142799221	142799221	136574464
BUILDINGS	419666289	187120568		606786857	63409036	19659276	100198	606786857	523818743	356257253
CIVIL WORKS IN LEASEHOLD PROPERTY	110981916	57213619		168195535	9068012	12958462	-	168195535	146169061	101913904
PLANT & MACHINERY	952455048	300289407	5088455	1247656000	301393550	89690209	3619643	1247656000	860191884	651061498
FURNITURE & FIXTURES	91195188	14621001	-	105816189	7736402	6294937	-	105816189	91784850	83458786
OFFICE EQUIPMENT	157920259	13817092	1032735	170704616	34263973	21819464	936993	170704616	115558171	123656286
INTANGIBLE ASSET - SOFTWARE	78912402	3594944	-	82507346	18441728	15959766	-	82507346	48105853	60470674
ASSETS ON LEASE (Operating Lease)	100795552	2298345	-	103093897	901337	4329709	-	103093897	97862851	99894215
VEHICLES	15982389	1269690	69740	17182339	5164912	1530778	12984	17182339	10499634	10817477
TOTAL	2064483507	586449423	6190930	2644742000	440378950	172242602	4669818	2644742000	2036790266	1624104557
PREVIOUS YEAR	1288764262	779980771	4261526	2064483507	334926609	105516119	63778	2064483507	1624104557	
Capital Work-in-Progress	467580555	212815029	540586655	139808929						

	As At 31.03.2009 Rs.	As At 31.03.2008 Rs.
SCHEDULE 6 : INVESTMENTS		
Government Securities:		
National Savings Certificate	70000	5500
Un-quoted: (Non-Trade, Long Term, at cost)		
200000 Equity Shares of Rs 10/- each fully paid up in Heritage Finlease Ltd.	2000000	2000000
Investments in Subsidiary Companies		
Un-quoted: (Non-Trade, Long Term, at cost)		
50000 Equity Shares of Rs 10/- each fully paid up in Heritage Foods Retail Ltd.,	500000	0
Quoted: (Non-Trade, Long Term, at cost)		
348 Equity Shares of Rs.10/- each at a premium of Rs.220/- each fully paid up in Bank of Baroda	80040	80040
363 Equity Shares of Rs.10/- each at a premium of Rs.80/- each fully paid up in Andhra Bank	32670	32670
TOTAL	2682710	2118210
Note : Aggregate market value of quoted investments (Rs.97940/- Previous year Rs.125695/-)		
SCHEDULE 7: INVENTORIES (As verified and certified by Management)		
Stores and Spares	26467753	34800626
Raw Materials (including Packing Material)	179364941	93412221
Stocks under Process	1330178	1087787
Finished Goods	163932491	155548322
Tradable Goods	122771097	169011758
TOTAL	493866460	453860714
SCHEDULE 8: SUNDRY DEBTORS		
Outstanding for more than six months:		
Unsecured and considered good	11591206	7031233
Unsecured and considered doubtful	8030090	1289912
	19621296	8321145
Other Debtors:		
Unsecured and considered good	103007107	85855080
Total	122628403	94176225
Less: Provision for bad and doubtful debts	8030090	1289912
TOTAL	114598312	92886314

	As At 31.03.2009 Rs.	As At 31.03.2008 Rs.
SCHEDULE 9 : CASH AND BANK BALANCES		
A. Cash on hand	24065241	18461553
B. Cheques on hand	602006	200451781
C. Funds in Transit	400000	0
D. Balances with Scheduled Banks in :		
Current Accounts	266140041	275959960
Deposit Accounts	10908493	0
Margin Money	2783730	13519311
Unclaimed Dividend Accounts	5420540	5825301
Other Accounts	5000	5000
E. Balances with other Banks in Current Accounts:		
The Dharmapuri Dist. Central Co-op. Bank Ltd., T.N.	13413	13413
Prakasam Dist. Co-op. Central Bank Ltd., A.P.	104441	529483
TSDCCB - Pudunchandai - Namakkal, T.N.	5075	351836
Total	310447980	515117638
SCHEDULE 10: LOANS AND ADVANCES		
a. Advances to Subsidiaries	603583	0
b. Advances recoverable in cash or kind or for value to be received	205978023	172113501
Less: Provision for doubtful advances	1817921	200000
Net Advances considered good	204160102	171913501
c. Total Advances (Unsecured and considered good)(a+b)	204763685	171913501
d. Deposits	128004981	113944791
e. Tax Deducted At Source & Advance Tax	11300580	46284154
TOTAL	344069246	332142447
SCHEDULE 11: CURRENT LIABILITIES AND PROVISIONS		
A. Current Liabilities:		
Sundry Creditors:		
Dues to Micro and Small Enterprises	18199737	25430093
Dues to Others	344073359	379501194
Creditors for Expenses	231860366	200116626
Other Current Liabilities	24522957	32453378
Interest accrued but not due on loans	11939053	13312054
Unclaimed Dividend	5420540	5825301
Trade Deposits	44968551	33445326
TOTAL (A)	680984562	690083971
B. PROVISIONS:		
Provision for Taxation	3987	891532
Proposed Dividend	0	18241489
Provision for tax on Dividend	0	3100141
Provision for diminution in value of investments	16353	10440
TOTAL (B)	20340	22243602
TOTAL (A + B)	681004902	712327573

	Year Ended 31.03.2009 Rs.	Year Ended 31.03.2008 Rs.
SCHEDULE 12: SALES		
Domestic Sales	7917461397	5880344201
Export Sales	8092410	0
Total	7925553807	5880344201
SCHEDULE 13: OTHER INCOME		
Interest on Bank and Other Deposits (TDS Rs.223151 /- (Previous period : Rs.484309/-)	5116074	6970287
Miscellaneous Income	7255846	5313910
Lease Rental Income	17634000	4923926
Concessionary Income	10370571	2020310
Promo and Visibility Income	24361768	9824119
Profit on sale of investments	0	336579600
Profit on sale of assets	2145503	23344156
Income on Investment : Dividend	104236	63467
Foreign Exchange Gains	0	12259039
Total	66987998	401298814
SCHEDULE 14: MATERIALS CONSUMED & PURCHASE COST OF TRADED GOODS		
a. Raw Materials :		
Opening Stock	66778430	167856901
Add: Purchases	4571290231	3530876486
	4638068661	3698733387
Less: Closing Stock	136548272	66778430
Consumption (a)	4501520389	3631954957
b. Packing Materials :		
Opening Stock	26633791	17403435
Add: Purchases	279205737	188923070
	305839528	206326505
Less: Closing Stock	42816668	26633791
Consumption (b)	263022860	179692714
TOTAL (a + b)	4764543249	3811647671
c. Purchase Cost of Traded Goods	1503086584	1006528433
TOTAL (c)	1503086584	1006528433
SCHEDULE 15: EMPLOYEE REMUNERATION		
Salaries, Wages, Bonus & allowances	443967049	318429690
Contribution to Provident and Other funds	24318136	19008237
Gratuity	4425532	2800000
Staff Welfare	15240291	10145669
TOTAL	487951008	350383597

	Year Ended 31.03.2009 Rs.	Year Ended 31.03.2008 Rs.
SCHEDULE 16: INTEREST		
On Term Loans to Banks	94055912	64164668
On Working Capital Loans to Banks	51774646	17213165
On Other Loans	0	42950162
TOTAL	145830558	124327994
SCHEDULE 17: OTHER EXPENSES		
Stores and Spares	74879967	51146687
Rent	150649602	104524415
Rates and Taxes	13367504	9062677
Bank charges	59014731	49575877
Insurance	8260823	6245344
Travelling and Conveyance	29297980	29952861
Office Maintenance	5879320	5306547
House Keeping Expenses	12649546	9174240
Books and Periodicals	1769636	1449150
Electricity Charges	53374886	35490719
Safety and Security	26416658	19912108
Communication costs	28019013	34437753
Printing and Stationery	9607470	10700491
Repairs and Maintenance:		
Buildings	1892868	1730352
Plant and Machinery	5925285	4510885
Others	18572149	10775786
Auditors' Remuneration:		
As Auditors	882400	702130
For tax audit	206886	84270
Certification, Tax matters and other services	461778	153152
Expenses reimbursed	150779	96129
Legal and professional charges	32028673	59475939
Freight Outwards	310993926	238434507
Selling and distribution expenses	35651493	31829784
Advertisement	16972923	24334602
Warehouse and Logistics	31560288	30864538
Directors' Remuneration	7103333	4200000
Directors' sitting fees	402500	537500
Bad debts written off	1522435	1871901
Provision for doubtful debts	8030090	0
Bad and doubtful advances	1617921	200000
Loss on sale of Assets	71323	78904
Loss on Impairment of Assets	753826	-
Recruitment and Training Expenses	4764422	8889603
Diminution in value of Investment	5913	0
Miscellaneous expenses	5210696	5439759
Foreign Exchange Fluctuation	449959	0
Total	958419002	791188609

	Year Ended 31.03.2009 Rs.	Year Ended 31.03.2008 Rs.
SCHEDULE 18: (INCREASE) / DECREASE IN STOCKS		
Finished Goods, Stocks under Process & Tradable Goods:		
Opening Stocks		
Stocks under process	1087787	543241
Finished Goods	155548322	197152866
Tradable Goods	169011758	44246903
Total	325647867	241943010
Closing Stocks		
Stocks under process	1330178	1087787
Finished Goods	163932491	155548322
Tradable Goods	122771097	169011758
Total	288033766	325647867
(INCREASE) / DECREASE IN STOCKS	37614101	(83704858)

SCHEDULE 19: SIGNIFICANT ACCOUNTING POLICIES

- a) **Basis of preparation of financial statements:** The financial statements have been prepared under historical cost convention and in conformity with the generally accepted accounting principles, applicable provisions of the Companies Act, 1956, and as per the Accounting Standards, notified under the Companies Act, 1956.
- b) **Income and Expenditure:** All items of income and expenditure shown in the statement having material bearing on the accounts are accounted on accrual basis.
- c) **Revenue Recognition :** Sales are recognised upon delivery of products and are recorded net of trade discounts and applicable taxes. Sales also include product conversion charges earned.
- d) **Fixed Assets:** Fixed Assets are carried at cost, less accumulated depreciation. Cost includes all expenditure incurred to bring the assets to its present location and condition. Both direct and indirect cost incurred till the commencement of commercial operation are capitalized to identifiable and qualifying assets after considering the borrowing cost and making necessary adjustments to taxes and foreign exchange variations.
- e) **Intangible Assets:** Intangible assets are stated at cost of acquisition less accumulated amortization. Cost of acquisition, considering the future economic benefit is amortized over the useful life estimated by management not exceeding five years.
- f) **Leased Assets:** Operating leases: Civil works and improvement of enduring nature are capitalized and being written off over the period of lease of such properties.
- g) **Depreciation:** Depreciation on fixed assets is provided on the basis of straight line method at the rates and the manner prescribed in Schedule XIV of the Companies Act, 1956. Civil works in the leased properties are depreciated over the operating lease period. Depreciation on assets which are commissioned during the year is charged on pro rata basis from the date of commissioning.
- h) **Capital Work-in-progress:** Cost of capital work in progress is recognized at cost and includes capital advances, capital assets and capital stores issued.
- i) **Inventories:** Inventories are valued as under:
- | | | |
|---|---|--|
| 1) Raw Materials | : | cost or net realizable value whichever is lower. |
| 2) Finished Goods | : | cost or net realizable value whichever is lower. |
| 3) Stores and Spares | : | at cost |
| 4) Work - in - progress
Cost has been ascertained on FIFO basis | : | cost or net realizable value whichever is lower. |
| 5) Tradable Goods
Cost has been ascertained on moving weighted average basis | : | cost or net realizable value whichever is lower. |
- j) **Impairment of assets:** An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value and the resultant impairment loss is charged to profit and loss account in the year in which impairment is identified. Impairment loss of earlier years is reversed in the event the estimated recoverable amount is higher.
- k) **Investments:** Un-quoted Investments are valued at cost. Quoted Investments are valued at lower of cost or market value.
- l) **Government Grants :** The investment subsidies (Non-refundable) received from Government in lieu of promoters contribution are treated as capital reserve. Subsidies received towards acquisition of assets and are reduced from the respective assets.
- m) **Employee Retirement Benefits:**
- a) **Gratuity :** Accrued liability is determined on actuarial valuation basis and provided in accounts.
- b) **Leave Encashment:** Accrued liability for leave encashment including sick leave is determined on actuarial valuation basis and provided in accounts.
- c) **Provident Fund :** The company makes contribution to Provident Fund administered by the Central Government under the Provident Fund Act, 1952.
- n) **Foreign Exchange transactions:** Transactions made during the year in foreign currency are recorded at the exchange rate prevailing at the time of transaction. Assets and Liabilities related to foreign currency transaction remaining unsettled at the year end are translated at the contract rates, when covered by firm commitment forward cover contracts and at the year end rates in other cases. Realized gains and losses on foreign currency transactions are recognized in the profit and loss account as per AS-11.
- o) **EPS :** Earnings per share is calculated on the weighted average number of paid-up equity shares during the year.
- p) **Segment Reporting:** The reportable segments are identified on the basis of criteria prescribed in Accounting Standard (AS - 17) on "Segment Reporting". Revenues and Expenses have been identified to segments on the basis of the operating activities of the segment. Unallocated revenue, expenses, assets and liabilities are reported distinctly.

- q) **Borrowing Costs:** Borrowing costs which are directly attributable to the acquisition/construction of qualifying assets, till the time such assets are ready for intended use, are capitalised as part of the cost of such assets as defined in Accounting Standard (AS) - 16 on "Borrowing Costs". Other Borrowing costs are recognised as expense in the year in which they are incurred.
- r) **Taxes on Income:** Income Taxes are accounted for in accordance with Accounting Standard (AS) 22 on "Accounting for Taxes on Income". Income tax expense comprises current tax (i.e, amount of tax for the period determined in accordance with the Income Tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax liability/assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.
- Fringe Benefit Tax (FBT) payable under the provisions of Section 115WC of the Income Tax Act, 1961 is in accordance with the Guidance Note on Accounting for Fringe Benefit Tax issued by the ICAI regarded as an additional Income Tax and considered in determination of profits for the year. Tax on distributed profits payable in accordance with the Guidance note on "Accounting for Corporate Dividend Tax" regarded as a tax on distribution of profits and is not considered in determination of profits for the year.
- s) **Cash Flow Statement:** The Cash flow statement is prepared by the "Indirect method" set out in Accounting Standard (AS) - 3 on "Cash Flow Statements" and presents the cash flows by operating, investing and financing activities of the company. Cash and cash equivalents presented in the Cash Flow Statement consists of cash on hand, with Banks in current accounts and demand deposits.
- t) **Changes in Accounting policies:** Accounting policies have been consistently applied except where a newly issued Accounting Standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised Accounting Standards on an ongoing basis and accordingly changes the Accounting policies as applicable.

SCHEDULE 20: NOTES ON ACCOUNTS

1.	PARTICULARS	As at 31.03.2009 Rs.	As at 31.03.2008 Rs.
A. Contingent Liabilities not provided for			
(a) Tax matters in appeal :			
	i) Income Tax	26649931	26649931
	ii) Sales Tax	12669000	12669000
	iii) The Andhra Pradesh VAT Act	11399898	-
	(b) Bank Guarantees	15731047	12454711
	(c) 'C' Forms under collection	8773812	-
	B. Estimated amount of Contracts remaining to be executed on capital account and not provided for (Net of Advances)	37404493	28031243
	C. Claims not acknowledged as debts	71015	-
2. SECURED LOANS			
Term Loan: The term loan includes Rs.20.83 crores from Andhra Bank and Rs.24.04 crores from Bank of Baroda under FCNR(B) Loan and Rs.46.26 Crores from Bank of Baroda under FCTL and Rs.30.07 crores from ICICI Bank fully secured by first Pari Pasu charge on the present and future fixed assets of the Company and second Pari Pasu charge on current assets of the Company. The loan availed from ICICI Bank of Rs.30 Crores is further secured by pledging of shares of promoters.			
Working Capital Loan: The Company has availed working capital facilities from Bank of Baroda, Andhra Bank and ICICI Bank of Rs.50.79 Crores (Previous year : Rs.35.31 Crores) secured by hypothecation of stocks and book debts on pari pasu basis and for Bank of Baroda and Andhra Bank also secured by equitable mortgage of fixed assets.			
3. UNSECURED LOANS :			
Amount shown under the head Unsecured Loans represents sales tax collected under deferment scheme of State Government of Andhra Pradesh Rs.7.59 crores (Previous year Rs.5.99 crores) and is being repaid as per the Sales Tax Deferrment Scheme.			
		Year Ended	As at
4. MANAGERIAL REMUNERATION PAID / PAYABLE		31.03.2009	31.03.2008
		Rs.	Rs.
a)	Salaries	7103333	4200000
b)	Commission	0	0
d)	Others	0	0

COMPUTATION OF NET PROFIT U/S.198 READ WITH SECTION 309(5) OF THE COMPANIES ACT, 1956

	Year Ended 31.03.2009 Rs.	As at 31.03.2008 Rs.
Profit before Income Tax (as per Profit and Loss account)	(283786667)	6780398
Add: Directors' remuneration	7103333	4200000
Directors' commission	0	0
Directors' Sitting fees	402500	537500
Depreciation	172242602	105516119
Loss on Assets Sold/Impairment/ Written off	825149	78904
Profit on Assets Sold	(2145503)	(23344156)
Profit on Sale of Investments	0	(336579600)
	178428081	(249591233)
	(105358585)	(242810835)
Less: Depreciation as per Section 350 of the Companies Act, 1956	172242602	105516119
Net (Profit)/ Loss on Assets sold / written off	0	0
Profit as per Section 309(5) of the Companies Act, 1956	(277601187)	(348326954)
Commission is payable to two Directors at 5.00 per cent	0	0
5. UNCLAIMED DIVIDEND:	2008 - 09	2007 - 08
Opening Balance	5825301	5677241
Less: Transfer to IEPF	589600	471420
Less Claims during the year	152735	152735
Add: Current year's unclaimed dividend	337574	772215
Closing Balance	5420540	5825301
There is no amount due and outstanding to be credited to the Investor Education and Protection Fund		
6. As per the Accounting Standards AS-15 -"Employee Benefits" the disclosures of the Employee benefits as defined in the Accounting Standard are given below		
Defined Contribution Plan		(Rs. In lakhs)
	2008-09	2007-08
Employers Contribution to Provident Fund	199.61	156.71
Defined Benefit Plan		
Gratuity (Funded)		
	As on 31.03.2009	As on 31.03.2008
1. Assumption		
Discount Rate	8.00%	8.00%
Salary Escalation	4.00%	4.00%
2. Table showing change in present value of obligation as on 31.03.2009		
Present value of obligations as at beginning of year	7175152.00	4241685.00
Interest cost	574012.00	339335.00
Current Service Cost	2782245.00	1343791.00
Benefit Paid	(503626.00)	1035276.00
Actuarial (gain)/ loss on obligations	(1088190.00)	(2285617.00)
Present value of obligations as at end of year	8939593.00	7175152.00
3. Table showing changes in the fair value of plan assets as on 31.03.2009		
Fair value of plan assets at beginning of year	8069384.00	6162278.00

	As on 31.03.2009	As on 31.03.2008
Expected return on plan assets	723814.00	515482.00
Contributions	4117394.00	2426900.00
Benefits paid	(503626.00)	1035276.00
Actuarial gain / (loss) on plan assets	NIL	NIL
Fair value of plan assets at end of year	12406966.00	8069384.00
4. Table showing fair value of plan assets		
Fair value of plan assets at beginning of year	8069384.00	6162278.00
Actual return on plan assets	723814.00	515482.00
Contributions	4117394.00	2426900.00
Benefits paid	(503626.00)	1035276.00
Fair value of plan assets at the end of year	12406966.00	8069384.00
Funded Status	3467373.00	894232.00
Excess of Actual over estimated return on plan assets	NIL	
(Actual rate of return - Estimated reate of return as ARD falls on 31st March)		
5. Actuarial Gain / Loss recognised		
Actuarial (gain)/ loss on obligations	1088190.00	2285617.00
Actuarial (gain)/ loss for the year -plan assets	NIL	0.00
Total (gain) / loss for the year	(1088190.00)	(2285617.00)
Actuarial (gain)/ loss recognised in the year	(1088190.00)	(2285617.00)
6. The amounts to be recognised in the balance sheet and statement of profit and loss		
Present value of obligations as at the end of year	8939593.00	7175152.00
Fair value of plan assets as at the end of the year	12406966.00	8069384.00
Funded Status	3467373.00	894232.00
Net asset/ (liability) recognised in balance sheet	(3467373.00)	(894232.00)
7. Expenses Recognised in statement of profit and loss		
Current Service Cost	2782245.00	1343791.00
Interest cost	574012.00	339335.00
Expected return on plan assets	(723814.00)	515482.00
Net Actuarial (gain) / loss recognised in the year	(1088190.00)	(2285617.00)
Expenses recognised in statement of profit and loss	1544253.00	3453261.00

Leave Encashment (Unfunded)

1 Assumptions

Particulars	31-03-2009	31-03-2008
Discount Rate	7.86%	8%
Rate of increase in Compensation levels	5% p.a.	5% p.a.
Rate of Return on Plan Assets	0%	0%
Expected Average remaining working lives of employees (years)	29 yrs	29 yrs

2. Reconciliation of Defined benefit obligation

Particulars	31-03-2009	31-03-2008
Present Value of Obligation as at the beginning of the year	1,65,40,491	78,49,591
Acquisition adjustment	-	-
Interest Cost	13,00,083	6,27,967
Past Service Cost	-	-
Current Service Cost	96,69,090	86,90,900
Curtailment Cost / (Credit)	-	-
Settlement Cost / (Credit)	-	-

Particulars	31-03-2009	31-03-2008
Benefits paid	(48,43,699)	(40,41,992)
Actuarial (gain)/ loss on obligations	35,64,897	34,14,025
Present Value of Obligation as at the end of the year	2,62,30,862	1,65,40,491
3. Reconciliation of fair value of provisions		
Particulars	31-03-2009	31-03-2008
Value of Provision at the beginning of the year	1,65,40,491	–
Acquisition Adjustments	–	–
Expected Return on Plan Assets	–	–
Contributions	–	–
Benefits Paid	(48,43,699)	(40,41,992)
Actuarial Gain /(loss) on Plan Assets	–	–
Value of Provision at the end of the year	1,16,96,792	(40,41,992)
4. Plan provision and plan obligation		
Particulars	31-03-2009	31-03-2008
Value of Provision at the beginning of year	1,65,40,491	–
Acquisition Adjustments	–	–
Actual return on plan assets	–	–
Contributions	–	–
Benefits Paid	(48,43,699)	(40,41,992)
Value of Provision at the end of year	1,16,96,792	–
Funded Status	(1,45,34,070)	(2,05,82,483)
Excess of actual over estimated return on plan assets	–	–
5. Actuarial Gain / Loss Recognised		
Particulars	31-03-2009	31-03-2008
Actuarial (gain)/loss for the year – Obligation	(35,64,897)	(34,14,025)
Actuarial gain/(loss) for the year - Plan Assets	–	–
Total (gain) / loss for the year	35,64,897	34,14,025
Actuarial (gain) / loss recognized in the year	35,64,897	34,14,025
Unrecognized actuarial (gains) / losses at the end of year	–	–
6. The amounts to be recognised in Balance Sheet and Statement of Profit and Loss		
Particulars	31-03-2009	31-03-2008
Present Value of Obligation as at the end of the year	2,62,30,862	1,65,40,491
Value of Plan Provisions as at the end of the year	1,16,96,792	(40,41,992)
Funded Status	(1,45,34,070)	(2,05,82,483)
Unrecognized Actuarial (gains) / losses	–	–
Net Asset / (Liability) Recognized in Balance Sheet	(2,62,30,862)	(1,65,40,491)
7. Expenses Recognized in the statement of Profit & Loss		
Particulars	31-03-2009	31-03-2008
Current Service Cost	96,69,090	86,90,900
Past Service Cost	–	–
Interest Cost	13,00,083	6,27,967
Expected Return on Plan Assets	–	–
Curtailment Cost / (Credit)	–	–
Settlement Cost / (Credit)	–	–
Net actuarial (gain)/ loss recognized in the year	35,64,897	34,14,025
Expenses Recognized in the statement of Profit & Loss	1,45,34,070	1,27,32,892

Defined Benefit Plan

Sick Leave

1 Assumptions

Particulars	31-03-2009
Discount Rate	8%
Rate of increase in Compensation levels	5% p.a.
Rate of Return on Plan Assets	0%
Expected Average remaining working lives of employees (years)	31.46 yrs

2. Reconciliation of Defined benefit obligation

Particulars	31-03-2009
Present Value of Obligation as at the beginning of the year	-
Acquisition adjustment	-
Interest Cost	-
Past Service Cost	-
Current Service Cost	26,28,417
Curtailment Cost / (Credit)	-
Settlement Cost / (Credit)	-
Benefits paid	-
Actuarial (gain)/ loss on obligations	-
Present Value of Obligation as at the end of the year	26,28,417

3. Reconciliation of fair value of provisions

Particulars	31-03-2009
Value of Provision at the beginning of the year	-
Acquisition Adjustments	-
Expected Return on Plan Assets	-
Contributions	-
Benefits Paid	-
Actuarial Gain /(loss) on Plan Assets	-
Value of Provision at the end of the year	-

4. Plan provision and plan obligation

Particulars	31-03-2009
Value of Provision at the beginning of year	-
Acquisition Adjustments	-
Actual return on plan assets	-
Contributions	-
Benefits Paid	-
Value of Provision at the end of year	-
Funded Status	(26,28,417)
Excess of actual over estimated return on plan assets	-

5. Actuarial Gain / Loss Recognised

Particulars	31-03-2009
Actuarial (gain)/loss for the year – Obligation	-
Actuarial gain/(loss) for the year - Plan Assets	-
Total (gain) / loss for the year	-
Actuarial (gain) / loss recognized in the year	-
Unrecognized actuarial (gains) / losses at the end of year	-

6. The amounts to be recognised in Balance Sheet and Statement of Profit and Loss

Particulars	31-03-2009
Present Value of Obligation as at the end of the year	26,28,417
Value of Plan Provisions as at the end of the year	-
Funded Status	(26,28,417)
Unrecognized Actuarial (gains) / losses	-
Net Asset / (Liability) Recognized in Balance Sheet	(26,28,417)

7. Expenses Recognized in the statement of Profit & Loss

Particulars	31-03-2009
Current Service Cost	26,28,417
Past Service Cost	-
Interest Cost	-
Expected Return on Plan Assets	-
Curtailment Cost / (Credit)	-
Settlement Cost / (Credit)	-
Net actuarial (gain)/ loss recognized in the year	-
Expenses Recognized in the statement of Profit & Loss	26,28,417

Note: Since There was no sick leave encashment for the year 2007-08 previous year figure have not been shown.

7. **Borrowing Cost as per AS-16 : During the year an amount of Rs.28.50 lacs paid towards processing charges on loans obtained from ICICI Bank have been capitalised.**

8. SEGMENT REPORTING:**SEGMENT REPORTING FOR THE YEAR ENDED 31st MARCH, 2009**

(Rs. In lakhs)

PARTICULARS	2008 - 2009	2007 - 2008
1. Segment Revenue		
a. Dairy	59442.83	48509.82
b. Retail	20634.71	10721.08
c. Agri	2187.17	0.00
Total Segment Revenue	82264.71	59230.90
Less: Inter Segment Revenue	3009.17	427.46
Net Sales / Income from Operations	79255.54	58803.44
2. Segment Results		
(Profit / (Loss) before Interest and tax)		
a. Dairy	3968.11	2292.95
b. Retail	(4836.20)	(4566.03)
c. Agri	(512.52)	(138.29)
Total Segment Results	(1380.60)	(2411.38)
Less: i. Interest	1458.31	1243.28
ii. Net Unallocable Expenditure	0.00	0.00
Add: Net Unallocable Income / (Expenditure)	1.04	3722.46
Profit before Tax	(2837.87)	67.80
Less: Taxation for the year	657.90	(25.74)
Less: Earlier years Taxation and Expenditure	65.52	(0.41)
Net Profit	(3561.29)	93.96

			(Rs. In lakhs)
		As at 31.03.2009	As at 31.03.2008
3.	Total Capital Employed (Segment Assets - Segment Liabilities)		
a.	Dairy	12509.22	11643.11
b.	Retail	7346.09	7220.70
c.	Agri	3920.23	3309.57
	Total Segment Capital Employed	23775.55	22173.38
	Add: Unallocated Assets	710.14	634.15
	Less: Unallocated Liabilities	4.20	2.62
	Total Capital Employed	24481.49	22804.91
4.	Capital Expenditure		
a.	Dairy	1541.83	3252.35
b.	Retail	516.72	4628.58
c.	Agri	466.32	2589.05
	Total Segment Capital Expenditure	2524.87	10469.99
	Add: Unallocated Capital Expenditure	0.00	12.86
	Total Capital Expenditure	2524.87	10482.84
5.	Depreciation/Amortisation/Impairment		
	Segment Depreciation	1722.43	1055.16
	Add: Unallocated Depreciation	0.00	0.00
	Total Depreciation	1722.43	1055.16
6.	Significant Non Cash Expenditure (excluding depreciation & amortisation)	290.93	138.39

9. RELATED PARTY DISCLOSURES as per AS-18 :

Name of the related party	N Bhuvanewari	N Lokesh	Heritage Foods Retail Limited	Bonsante Baking Comapany Ltd
Description of the Relationship between the parties	Key Management Personnel (Vice Chairman & Managing Director)	Key Management Personnel Executive Director	Key Management Personnel Director	Director of Bonsante Baking Company Ltd is relative of Heritage Foods (India) Ltd Key Management Personnel
Description of the nature of transactions	a) Receiving of Services b) Rental agreement	a) Receiving of Services	a) Investment	Rental agreement
Volume of the transactions either as an amount or as appropriate proportion	a) Managerial Remuneration of Rs.42.00 lakhs b) Office rent of Rs.31.77 lakhs paid by Company	a) Managerial Remuneration of Rs.29.03 lakhs	a) Share Capital Rs.5 lakhs b) Advance Rs.6.04 lakhs	Lease rental income of Rs.136.53 lakhs recd by the company Sales to Bonsante Rs.80.60 lakhs Purchases from Bonsante Rs.229.78 lakhs Other services provided to Bonsante of Rs.22.85 lakhs
Any other elements of the related party transactions in the financial statements	Managerial Remuneration was approved by Shareholders	Managerial Remuneration was approved by Shareholders	NIL	NIL
The amounts or appropriate proportions of outstanding items pertaining to related parties at the Balance Sheet date	NIL	NIL	NIL	Sales proceeds to be received Rs.40.34 lakhs
Provisions for doubtful debts due from such parties at that date and amounts written off or written back in the period in respect of debts due from or to related parties	NIL	NIL	NIL	NIL
Provision for diminution in value of Investments	NIL	NIL	NIL	NIL

10. DEFERRED TAX : In accordance with Accounting Standard (AS - 22) " Accounting for Taxes on Income " deferred tax has been calculated as under

	As on 31.03.2009 Rs.	As on 31.03.2008 Rs.
Opening Deferred Tax Liability	64455339	71978680
a) Deferred tax liability is as under		
Difference between Book and Tax depreciation		
i) On Depreciation	70159964	27754160
ii) On Foreign Exchange Fluctuation gain / (loss)	0	3342251
	70159964	31096411
b) Deferred tax asset is as under		
i) Unabsorbed Business loss / depreciation	-	34685289
ii) Provision for Leave Encashment	8871463	3934463
	8871463	38619752
Deferred Tax liability thereon	125743840	64455339

11. IMPAIRMENT OF ASSETS : In accordance with AS-28 the company has identified and accounted for loss on assets impaired to the extent of Rs.7.53 lakhs.

12. Foreign Currency Transactions:

Particulars	(In Rupees)	
	2008-2009 Rs.	2007-2008 Rs.
A. Earnings in foreign exchange		
Export Sales on FOB basis	8138049	Nil
Total	8138049	0
B. CIF Value of Imports		
Capital Goods	560333	86753432
Total	560333	86753432
C. Expenditure in foreign currency (Excluding Loan Repayment)		
Software Maintenance	1079735	12384749
Travel Expenditure	159909	-
Interest	62317434	35600611
Hedging Premium	2419804	-
Others	0	330813
Dividend in foreign currency	-	-
Total	65976882	48316173

13. QUANTITATIVE INFORMATION & CAPACITY

Particulars	2008 - 09		2007 - 08	
	Quantity	Value (Rs. In Lakhs)	Quantity	Value (Rs. In Lakhs)
a) Licenced Capacity: (Lakh Litres of Milk)	N.A		N.A	
b) Installed Capacity :				
Milk (Lakh Litres)	4573		4422	
Ghee (MT)	3869		3869	
Skimmed Milk Powder (MT)	2920		2920	
Doodh Peda (MT)	409		409	
Panner (MT)	1533		1533	
Curd (MT)	13761		13761	
Butter Milk (Lakh Litres)	117		117	
Lassi (Lakh Litres)	4		4	
Ice Cream (Litres)	912500		-	
Flavoured Milk (Lakh Litres) (As certified by Management)	37		37	
c) Actual Production:				
Milk (Lakh Litres)	2770.12		2691.80	
Cream (MT)	2979.85		3774.46	
Ghee (MT)	1735.94		1325.46	
Skimmed Milk Powder (MT)	1406.84		2138.64	
Butter (MT)	2967.98		2516.15	
Curd (MT)	9314.89		7235.90	
Butter Milk (Lakh Litres)	18.77		17.76	
Doodh Peda (MT)	151.99		69.75	
Khoa (MT)	0.60		1.16	
Flavored Milk (Lakh Litres)	13.05		8.71	
Panneer (in MT)	195.20		46.47	
Lassi (Lakh Litres)	0.37		0.00	
Ice Cream (Litres)	257528.26		56575.20	

d) Turnover (Including exports):

Particulars	2008 - 09		2007 - 08	
	Quantity	Value (Rs. In Lakhs)	Quantity	Value (Rs. In Lakhs)
Milk (Lakh Litres)	2372.38	46484.58	2256.16	38049.67
Cream (MT)	2454.73	2416.26	2931.62	2436.61
Ghee (MT)	1636.55	2714.73	1263.62	1766.99
Skimmed Milk Powder (MT)	578.39	661.60	687.58	789.48
Butter (MT)	2080.54	2636.63	2648.32	2885.60
Curd (MT)	8947.86	2150.10	6884.32	1354.39
Butter Milk (Lakh Litres)	18.14	237.88	17.34	163.46
Doodh Peda (MT)	111.56	140.26	66.49	72.73
Khoa (MT)	0.60	0.83	1.14	1.16
Flavored Milk (Lakh Litres)	10.74	462.15	7.07	284.16
Panneer (in MT)	141.87	159.70	33.43	34.70
Lassi (Lakh Litres)	0.25	10.49	0.00	0.02
Ice Cream (Litres)	185697.42	133.57	18309.26	14.01
Conversion Charges / Other Products Earned		168.29		231.27
Tradable Goods		13.21		-
Total		58390.28		48084.24

e) Opening Stock of Finished Goods :

Particulars	2008 - 09		2007 - 08	
	Quantity	Value (Rs. In Lakhs)	Quantity	Value (Rs. In Lakhs)
Milk (Lakh Litres)	19.64	327.08	13.50	190.93
Cream (MT)	45.13	39.71	68.84	47.12
Ghee (MT)	42.56	60.46	42.12	54.56
Skimmed Milk Powder (Finished Goods) (MT)	282.07	354.47	629.91	771.88
Butter (MT)	611.05	732.08	794.10	893.70
Curd (MT)	73.50	12.62	49.76	6.45
Butter Milk (Lakh Litres)	0.08	0.51	0.13	0.73
Doodh Peda (MT)	0.57	0.51	0.30	0.19
Flavored Milk (Lakh Litres)	0.65	18.21	0.21	5.94
Panneer (MT)	0.68	0.60	0.03	0.02
Ice Cream (Litres)	66.33	0.03	17.00	0.01
Total		1546.28		1971.53

f) Closing Stock of Finished Goods :

Milk (Lakh Litres)	19.71	340.98	19.64	327.08
Cream (MT)	64.70	73.76	45.13	39.71
Ghee (MT)	79.20	134.04	42.56	60.46
Skimmed Milk Powder (Finished Goods) (MT)	42.33	50.18	282.07	354.47
Butter (MT)	666.43	929.39	611.05	732.08
Curd (MT)	90.49	15.82	73.50	12.62
Butter Milk (Lakh Litres)	0.12	1.07	0.08	0.51
Doodh Peda (MT)	1.21	1.39	0.57	0.51
Flavored Milk (Lakh Litres)	1.27	49.31	0.65	18.21
Panneer (in MT)	1.47	1.25	0.68	0.60
Lassi (Lakh Litres)	0.02	0.43	—	—
Ice Cream (Litres)	8984.84	5.41	66.33	0.03
Tradable Goods		0.07	—	—
Total		1603.08		1546.28

g) Inter Segment Transfers :

Milk (Lakh Litres)	29.10	572.58	13.45	249.44
Flavored Milk (Lakh Litres)	1.33	57.32	1.01	38.25
Ghee (MT)	62.75	137.92	59.20	86.40
Butter (MT)	11.34	15.48	4.04	4.83
Curd (MT)	292.80	105.09	80.73	12.70
Butter Milk (Lakh Litres)	0.26	3.01	0.02	0.22
Doodh Peda (MT)	38.84	47.81	2.15	2.27
Panneer (MT)	51.63	55.92	11.38	12.02
Ice Cream (Litres)	62912.33	48.29	30900.87	19.47
Skimmed Milk Powder (MT)	0.87	1.15	—	—
Cream (MT)	2.46	2.24	—	—
Lassi (Lakh Litres)	0.07	3.13	—	—
Tradable Goods	1847.25	2.59	—	—
Total		1052.55		425.58

h) Work-in-Progress (Cream /MT)

	19.48	13.30	16.90	10.88
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Particulars	2008 - 09		2007 - 08	
	Quantity	Value (Rs. In Lakhs)	Quantity	Value (Rs. In Lakhs)
i) Captive Consumption (Incl. Losses):				
Milk (Lakh Litres)	368.57		416.05	
Flavored Milk (Lakh Litres)	0.37		0.19	
Ghee (MT)	0.00		2.20	
Butter (MT)	820.72		46.84	
Curd (MT)	57.24		247.11	
Butter Milk (Lakh Litres)	0.33		0.45	
Doodh Peda (MT)	0.94		0.84	
Panneer (MT)	0.91		1.01	
Ice Cream (Litres)	0.00		7315.74	
Cream (MT)	503.09		866.55	
Skimmed Milk Powder (MT)	1067.32		1798.90	
j) Raw Materials consumed:				
Milk (Lakh Litres)	2750.41	40563.65	2672.16	35703.79
Other Products		2535.73		1285.42
Total		43099.38		36989.21
14. CONSUMPTION OF MATERIALS				
a) Raw Materials	%		%	
i) Indigenous	100.00	43099.38	100.00	36989.21
ii) Imported	0.00	0.00	0.00	0.00
b) Spare Parts & Consumables				
i) Indigenous	100.00	740.85	100.00	502.98
ii) Imported	0.00	0.00	0.00	0.00
15. MERCHANDISE DETAILS				(Rs. In lakhs)
Particulars	Opening Value	Purchases Value	Sales Value	Closing Stock Value
i) Retail Division				
FMCG- Food	401.18	6211.43	6450.64	389.70
FMCG- Non -Food	750.12	3171.48	3666.16	437.67
Agri in Units & Bulk	547.40	8547.61	10517.91	400.11
ii) Agri Division				
Fruits and Vegetables		1940.01	1932.44	36.24
Total	1698.70	19870.53	22567.15	1263.72
iii) Inter Segment Purchases / Revenue		2008-09	2007-08	
a. Retail		2984.98	425.58	
b. Agri		254.73		

Note: The quantitative details of the merchandise in Retail Division and Agri Divisions are not provided as the Company has got exemption from Central Government under Sec 211(4) of the Companies Act,1956 vide letter no. 46/135/2009 CL III Dt.21.05.2009

16. EARNINGS PER SHARE:	2008 - 09	2007 - 08
a) Calculation of weighted average number of equity shares of Rs.10/-each :		
Number of Shares at the beginning of the year	11529500	9990000
Number of Equity shares outstanding at the end of the year	11529500	11529500
Weighted average number of equity shares outstanding during the year	11529500	10201625
b) Net Profit / (Loss) after tax	(349576929)	9354307
c) Basic and diluted Earnings per share of Rs.10 each (Rs.)	(30.32)	0.92

17. MAXIMUM BALANCES HELD DURING THE YEAR WITH NON-SCHEDULED BANKS:

Name of the Bank	During the Year ended 31.03.2009	During the Year ended 31.03.2008
The Dharmapuri District Central Co-Operative Bank Ltd.,T.N.,India	0.13	0.13
The Prakasam Dist.Co-Op.Central Bank Ltd.,A.P., India	6.93	5.15
The Salem District Central Co-Op.Bank Ltd., T.N., India	3.66	3.52

The Company is dealing with the above banks for making payments towards milk purchases.

18. STATEMENT OF DISPUTED DUES:

Name of the Statute	Nature of the Dispute	Amount (Rs. In Lakhs)	Period to which the amounts relates	Forum where the dispute is pending
Income Tax Act, 1961	Income Tax	266.5	2004-05 & 2005-06	CIT (Appeals)/ITAT
The Andhra Pradesh General Sales Tax Act, 1957	General Sales Tax	12.80	1999-2000 to 2004-2005	Commercial Tax Offier
The Andhra Pradesh General Sales Tax Act, 1957	General Sales Tax	95.11	2001-2002	Writ petition filed with H.C.
The Andhra Pradesh General Sales Tax Act, 1957	General Sales Tax	18.78	2001-2002	Commercial Tax Offier
The Andhra Pradesh VAT Act	Sales Tax	113.99	2007-2008	A.P.S.T.A.T (Tribunal)

19. The names of the Small Scale Industrial (SSI) Undertaking to whom the Company owes money which is outstanding for more than 30 days :

Acto Vetpharma	Global Environmental Engineering Ltd	Sai Eshwar Enviro Systems	Sri Vatsa Enterprises
AGI Glasspac	International Cans (P) Ltd	Schmidt-Bretten India Pvt Ltd	Venkateswara Bitumen
Aikyaa Industries	J M Plastic Industries	Sri Devi Engineering Works	Vet Pharma Agencies
Ashish Engineers	Khandelwal Polymers Pvt Ltd.,	Sri Engineers & Consultants	Ntek Services
Cache Peripherals	Sreeven the creative Company	Sri Krishna Strapping and Lable	Paran Polymers (P) Ltd
Dairy-Tech Equipments	Paragaon Paper Packaging Pvt Ltd	Sri Pumps and Fittings Industrial	Dairy Mashkin Fabrik
Dairy-Tech India	PEC Electricals Pvt Ltd	Sri Pumps Mfg.Co.,	Ashmit Packaging
Deccan Crowns & Cans Pvt Ltd	Prince Multiplast Pvt Ltd	Sri Saibaba Chemicals	Avis Press Pvt Ltd
Delaval Pvt Limited	Quality Electric Company	United Packaging Industries	Swathi Enterprises
Domino Printech India Pvt Ltd	R M C Packaging Systems (P) Ltd	Universal Enviro Associates	Mask Pack
Eesha Packaging	Raghava Rama Automations	Vedsri I T Solutions	Print n Pack
Essge Plastics Pvt Ltd	S V Packaging Agencies	Viraja Universal Packaging Company	Sai Durga Industries
Finecab Wires & Cables Pvt Ltd	Industrial Pallets Company	Viscot Surgicals Pvt Ltd	Sri Polyflex
S V S Polymers	Sabari Packaing Industries Pvt Ltd	Pragathi Plasto Form Pvt Ltd	G N Packaging Ltd
Monika Packaging	Srinidhiraja Corrugators	Parek Plas India Pvt Ltd	

The amounts outstanding to the above parties as on March 31,2009 is mainly due to the amounts not falling due contractually. The list of SSI Undertakings were determined by the Company on the basis of information available with the Company and relied upon by the auditors.

20. The Company has identified Micro and Small enterprises as per Micro Samll and Medium Enterprises Development Act 2006. The outstanding for more than 45 days as at 31st March 2009 for the enterprises is Rs.52.62 lakhs.
21. Confirmation of balances from Sundry Debtors/ Creditors, Loans and advances and others have been received from some parties only. Wherever confirmation of balances have not been received, they are subject to adjustment and reconciliation if any.
22. There is no extraordinary item incurred by the company during the year 2008-09.
23. Paise is rounded off to the nearest Rupee.
24. The company has presented the financial results as per schedule VI of Companies Act,1956 and in or form as near as thereto. The items which are not applicable as per schedule VI are not disclosed.
25. Previous Year figures are regrouped wherever necessary.

26. Balance Sheet Abstract and Company's General Business Profile

Additional Information Pursuant to Part IV of Schedule VI of Companies Act, 1956 (as amended)

I. Registration Details

Registration No.	<input type="text"/> <input type="text"/> <input type="text"/> 1 4 3 3 2	State Code	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 0 1
Balance Sheet	<input type="text"/> 3 <input type="text"/> 1 <input type="text"/> 0 <input type="text"/> 3 <input type="text"/> 2 <input type="text"/> 0 <input type="text"/> 0 <input type="text"/> 9		
	Date Month Year		

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L	Right Issue	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L
Bonus Issue	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L	Private Placement	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	<input type="text"/> 2 <input type="text"/> 7 <input type="text"/> 6 <input type="text"/> 1 <input type="text"/> 2 <input type="text"/> 5 <input type="text"/> 9	Total Assets	<input type="text"/> 2 <input type="text"/> 7 <input type="text"/> 6 <input type="text"/> 1 <input type="text"/> 2 <input type="text"/> 5 <input type="text"/> 9
Sources of Funds			
Paid-up Capital	<input type="text"/> <input type="text"/> <input type="text"/> 1 4 7 1 6 4	Reserves & Surplus	<input type="text"/> <input type="text"/> <input type="text"/> 6 9 2 4 0 2
<small>(Includes Share Warrant application Money)</small>			
Secured Loans	<input type="text"/> 1 <input type="text"/> 7 <input type="text"/> 2 <input type="text"/> 0 <input type="text"/> 0 <input type="text"/> 6 <input type="text"/> 5	Unsecured Loans	<input type="text"/> <input type="text"/> <input type="text"/> 7 5 8 8 4
Deferred Tax Liability	<input type="text"/> <input type="text"/> <input type="text"/> 1 2 5 7 4 4		
Application of Funds			
Net Fixed Assets	<input type="text"/> 2 <input type="text"/> 1 <input type="text"/> 7 <input type="text"/> 6 <input type="text"/> 5 <input type="text"/> 9 <input type="text"/> 9	Investments	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 2 6 8 3
Net Current Assets	<input type="text"/> <input type="text"/> <input type="text"/> 5 8 1 9 7 7	Misc. Expenditure	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L
Accumulated Losses	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L		

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover*	<input type="text"/> 7 <input type="text"/> 9 <input type="text"/> 9 <input type="text"/> 2 <input type="text"/> 5 <input type="text"/> 4 <input type="text"/> 2	Total Expenditure	<input type="text"/> 8 <input type="text"/> 2 <input type="text"/> 7 <input type="text"/> 6 <input type="text"/> 3 <input type="text"/> 2 <input type="text"/> 8
(*includes other income)			
+ -	Profit before Tax	+ -	Profit after Tax
<input type="text"/> <input type="text"/> -	<input type="text"/> - 2 8 3 7 8 7	<input type="text"/> <input type="text"/> -	<input type="text"/> - 3 4 9 5 7 7
Earnings Per Share in Rs. (Annualised)	<input type="text"/> <input type="text"/> - 3 0 . 3 2	Dividend Rate %	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L

V. Generic Name of Three Principal Products / Services of the Company

Item Code No. (ITC Code)	<input type="text"/> <input type="text"/> <input type="text"/> 4 0 2 1 0
Production Description	M I L K & M I L K P R O D U C T S

As per our report attached
For **Raju & Prasad**
Chartered Accountants

For and on behalf of the Board

M. Sivaram Prasad
Partner
Membership No. 18943

N. Bhuvanewari
Vice Chairperson & Managing Director

N. Lokesh
Executive Director

Date : June 30, 2009
Place : Hyderabad

A. Prabhakara Naidu
Sr. GM - Finance & Accounts

Umakanta Barik
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

(pursuant to Clause 32 of Listing Agreement)

PARTICULARS	Year ended 31.03.2009		Year ended 2007 - 08	
	Rs.	Rs.	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit /(Loss) before tax	(283786668)		6780398	
Adjustment for				
Depreciation	172242602		105516119	
Interest	145830558		124327994	
Profit on sale of Fixed Assets	(2145503)		(23344156)	
Loss on sale of Fixed Assets / Impairment of Assets	825149		78904	
Profit on sale of Investments	0		(336579600)	
Prior period expenses	(4869266)		(2790740)	
Unrealized Foreign Exchange gains	0		(11767387)	
Interest received	(5116074)		(6970287)	
Dividend received	(104236)		(63467)	
Operating Profit before Working Capital Changes (Foreign Exchange gains - realised / unrealised)	22876562		(144812222)	
Adjustment for :				
Inventories	(40005744)		(5106885)	
Trade and Other Receivables	(68622371)		(91289389)	
Trade Payables	(30435126)		333754232	
Cash Generated from operations	(116186679)		92545736	
Direct taxes paid (incl. taxation of earlier years) (net of refund)	27911513		(8632560)	
Net Cash (used) / generated for / from Operations		(88275166)		83913176
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(258677797)		(1052545890)	
Proceeds from sale of Fixed Assets	2841466		27463000	
Purchase of Investments	(564500)		0	
Proceeds from sale of Investments	(0)		356979600	
State Subsidy received /transferred	6875000		(5500000)	
Interest received	5116074		6970287	
Dividend received	104236		63467	
Net Cash used in Investing Activities		(244305522)		(666569536)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issue of Equity Shares	0		481370400	
Share Application Money	0		31868800	
Borrowings from Banks and others(Net)	273741588		497485695	
Interest paid	(145830558)		(124327994)	
Dividend paid	0		(35063402)	
Net Cash from Financing Activities		127911030		851333499
Net increase in cash and cash equivalents		(204669658)		268677139
Cash and Cash equivalents as at 1st Apr, 2008		515117638		246440499
Cash and Cash equivalents as at 31st March, 2009		310447980		515117638

Notes: Previous year's figures have been regrouped / reclassified wherever necessary to conform to the current year's classification.

As per our report attached
For **Raju & Prasad**
Chartered Accountants

For and on behalf of the Board

M. Sivaram Prasad
Partner
Membership No. 18943

N Bhuvaneshwari
Vice Chairperson & Managing Director

N. Lokesh
Executive Director

Date : June 30, 2009
Place : Hyderabad

A.Prabhakara Naidu
Sr. GM - Finance & Accounts

Umakanta Barik
Company Secretary

To

Heritage Foods (India) Limited

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

I have examined the registers, records and documents of Heritage Foods (India) Limited ("the Company") for the financial year ended on March 31, 2009 according to the provisions of:

- The Companies Act, 1956 and the Rules made under that Act;
- The Depositories Act, 1996 and the Bye-laws framed under the Act;
- The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997
- The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992; and
- The Listing Agreement with the Mumbai Stock Exchange Limited and National Stock Exchange of India Limited

1. Based on my examination and verification of the records produced to me and according to the information and explanations given to me by the Company, I report that the Company has, in my opinion, complied with the provisions of the Companies Act, 1956 ("the Act") and the Rules made under the Act and Memorandum and Articles of Association of the Company, with regard to:

- (a) maintenance of various statutory registers and documents and making necessary entries therein;
- (b) closure of Register of Members;
- (c) forms, returns, documents and resolutions required to be filed with the Registrar of Companies;
- (d) service of documents by the company on its Members, and Registrar of Companies.
- (e) Notice of Board meetings and Committee meetings of Directors;
- (f) the meetings of Directors and Committees of Directors including passing of resolutions by circulation;
- (g) the 16th Annual General Meeting held on September 26th 2008;
- (h) minutes of proceedings of General Meetings and of Board and other meetings;
- (i) approvals of shareholders, the Board of Directors, the Committee of Directors and Government Authorities, wherever required;
- (j) constitution of the Board of Directors and appointment, retirement and re-appointment of directors;
- (k) remuneration paid to the Directors other than Managing and Whole-time Directors;
- (l) appointment and remuneration of the Managing and Whole-time Directors;
- (m) appointment and remuneration of Auditors ;

- (n) transfers and transmissions of the Company's shares and issue and delivery of original and duplicate certificates of shares;
- (o) declaration and payment of dividends;
- (p) transfer of certain amounts as required under the Act to the Investor Education and Protection Fund;
- (q) borrowings and registration, modification and satisfaction of charges;
- (r) Investment of Company's funds;
- (s) contracts, common seal, registered office and publication of name of the Company; and
- (t) generally, all other applicable provisions of the Act and the Rules made under that Act.

2. I further report that:

- (a) the Company's Directors have complied with the requirements as to disclosure of interests and concerns in contracts and arrangements and directorships in other companies and interests in other entities.
- (b) Company has obtained all necessary approvals of the Central Government, Company Law Board, Registrar of Companies or such other authorities, as the case may be, under the various provisions of the Act.

3. I further report that the Company has complied with the provisions of the Depositories Act, 1996 and the Bye-laws framed thereunder by the Depositories with regard to dematerialisation / rematerialisation of securities and reconciliation of records of dematerialized securities with all securities issued by the Company.

4. I further report that:

- (a) the Company has complied with the requirements under the Listing Agreements entered into with The Stock Exchange Limited, Mumbai and National Stock Exchange of India Limited, Mumbai.
- (b) the Company has complied with the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 with regard to the disclosures and maintenance of records required under the Regulations.
- (c) the Company has complied with the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 with regard to disclosures and maintenance of records required under the Regulations.

SAVITA JYOTI

Practicing Company Secretary
Certificate of Practice No: 1796
Membership No: FCS 3738

Place : Hyderabad
Dated : June 10, 2009

To
The Board of Directors,
M/s. HERITAGE FOODS (INDIA) LIMITED
Hyderabad.

We have audited the attached Consolidated Balance sheet of HERITAGE FOODS (INDIA) LIMITED and its subsidiary as at March 31, 2009 and the consolidated Profit and Loss Account and the consolidated Cash flow Statement for the year ended on that Date annexed thereto. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in India which require that we plan and perform the audit to obtain reasonable assurance that the financial statements are prepared, in all material respects, in accordance with an identified financial reporting frame work and are free from material misstatements. An audit includes assessing the accounting principle used and significant estimates made by the management, as well as evaluating the over all financial statements. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the company's management in accordance with the requirements of Accounting Standards 21 "consolidated Financial Statements" {accounting standards (AS) 23,"accounting for investments in associates in consolidated financial statements" and accounting standard (AS) 27,"financial reporting of interest in joint ventures"} ,issued by the institute of Chartered accountants of India.

In our opinion and to the best of our information and according to the explanations given to us, the consolidate financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) In the case of the consolidated balance sheet, of the state of affairs of HERITAGE FOODS [INDIA] LIMITED as at 31st march 2009
- b) In the case of the consolidated profit and loss account, of the profit/ loss for the year ended on that date; and
- c) In the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For **RAJU & PRASAD**
Chartered Accountants

M. Sivaram Prasad
Partner
Membership No. 18943

Place : Hyderabad
Date : June 30, 2009

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2009

	Schedule	As At 31.03.2009
		Rs.
SOURCES OF FUNDS:		
Shareholders Funds:		
Share Capital	01	115295000
Reserves & Surplus	02	691300751
Sub-total		806595751
Warrant Application Money		31868800
Minority Interest		(7265)
Loan Funds:		
a. Secured Loans	03	1720065031
b. Unsecured Loans	04	75884119
Total (a + b)		1795949149
Deferred Tax Liability		125743840
TOTAL		2760150275
APPLICATION OF FUNDS:		
Fixed Assets:		
Gross Block	05	2644741999
Less: Depreciation		607951733
Net Block		2036790266
Capital Work-in-Progress (Incl. Assets intended for Lease)		139808929
Investments	06	2182710
Current Assets and Loans and Advances:		
Inventories	07	493866459
Sundry Debtors	08	114598312
Cash and Bank Balances	09	310453868
Loans and Advances	10	343465663
Total Current Assets & Loans & Advances		1262384302
Less: Current Liabilities and Provisions		
A. Current Liabilities	11	680995592
B. Provisions		20340
Net Current Assets		581368369
TOTAL		2760150275

As per our report attached
For **Raju & Prasad**
Chartered Accountants

For and on behalf of the Board

M. Sivaram Prasad
Partner
Membership No. 18943

N. Bhuvanewari
Vice Chairperson & Managing Director

N. Lokesh
Executive Director

Date : June 30, 2008
Place : Hyderabad

A. Prabhakara Naidu
Senior General Manager - Finance & Accounts

Umakanta Barik
Company Secretary

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

	Schedule	Year Ended 31.03.2009
		Rs.
INCOME:		
Sales	12	7925553807
Total Sales		7925553807
Other Income	13	66987997
TOTAL SEGMENTAL INCOME		7992541804
EXPENDITURE:		
Materials Consumed	14	4764543249
Purchase of Goods		1503086584
Power and Fuel		206641369
Employee Remuneration	15	487951007
Interest	16	145830558
Other expenses	17	959533727
(Increase)/ Decrease in Stocks	18	37614101
TOTAL		8105200595
PROFIT/(LOSS) BEFORE DEPRECIATION AND AMORTISATION		(112658791)
Less: Depreciation & Amortization		172242602
PROFIT/(LOSS) FOR THE PERIOD		(284901393)
Less :Provision for taxation		
Deferred tax Liability		61288501
Fringe Benefit Tax		4501760
NET PROFIT/(LOSS) AFTER TAX		(350691654)
Less:Prior period expenses		4869266
NET PROFIT/(LOSS)		(355560921)
Less: Taxation of Earlier Years		1682756
		(357243677)
Less: Minority Interest's share of profit		(13265)
		(357230412)
Balance brought forward		121069762
Amount available for Appropriation		(236160650)
Appropriations		
Balance carried to Balance Sheet		(236160650)
TOTAL		(236160650)
Basic and diluted earnings per share of Rs.10/- each		(30.42)
Significant Accounting Policies	19	
Notes on Accounts	20	

As per our report attached
For **Raju & Prasad**
Chartered Accountants

For and on behalf of the Board

M. Sivaram Prasad
Partner
Membership No. 18943

N. Bhuvanewari
Vice Chairperson & Managing Director

N. Lokesh
Executive Director

Date : June 30, 2008
Place : Hyderabad

A. Prabhakara Naidu
Senior General Manager - Finance & Accounts

Umakanta Barik
Company Secretary

As At 31.03.2009

Rs.

SCHEDULE 1: SHARE CAPITAL

Authorised:

1,80,00,000 Equity Shares of Rs.10/- each	180000000
(Previous year 1,30,00,000 Equity Shares of Rs.10/- each)	
20,00,000 Convertible cumulative Preference Shares of Rs.10/- each (Previous year 20,00,000 Preference Shares of Rs.10/- each)	20000000

Issued, Subscribed & paid-up

1,15,29,500 Equity Shares of Rs.10/- each fully paid-up (Previous year 1,15,29,500 Equity Shares of Rs.10/- each fully paid-up)	115295000
---	------------------

SCHEDULE 2: RESERVES AND SURPLUS

Capital Reserve (State Subsidy)	2881260
Opening Balance	6875000
Add: Subsidy received during the period	9756260

Less: Subsidy transferred to P&L A/c during the period	0
	9756260

Capital Redemption Reserve	8100000
Securities Premium account	465975400

General Reserve:

Opening Balance	443629740
Add: Transferred during the year	0

Closing Balance	443629740
-----------------	------------------

Surplus in Profit and Loss Account	(236160648)
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TOTAL	691300752
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SCHEDULE 3: SECURED LOANS

Term Loans from Banks	1212118664
Working Capital Loans from Banks	507946366

TOTAL	1720065030
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SCHEDULE 4: UNSECURED LOANS

Sales Tax Deferment	75884119
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TOTAL	75884119
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CONSOLIDATED SCHEDULES TO BALANCE SHEET

SCHEDULE 5 : FIXED ASSETS

PARTICULARS	GROSS BLOCK			DEPRECIATION/AMORTISATION*			NET BLOCK	
	As At 01.04.2008 Rs.	Additions Rs.	Deletions Rs.	As At 31.03.2009 Rs.	For the Year Rs.	Deletions Rs.	As At 31.03.2009 Rs.	As At 31.03.2008 Rs.
FREEHOLD LAND	136574464	6224757		142799221	0		142799221	136574464
BUILDINGS	419666289	187120568		606786857	63409036	100198	523818743	356257253
CIVIL WORKS IN LEASEHOLD PROPERTY	110981916	57213619		168195535	9068012	0	146169061	101913904
PLANT & MACHINERY	952455048	300289407	5088455	1247656000	301393550	3619643	860191884	651061498
FURNITURE & FIXTURES	91195188	14621001	0	105816188	7736402	0	91784850	83458786
OFFICE EQUIPMENT	157920259	13817092	1032735	170704616	34263973	936993	115558171	123656286
INTANGIBLE ASSET - SOFTWARE	78912402	3594944	0	82507346	18441728	0	48105853	60470674
ASSETS ON LEASE (Operating Lease)	100795552	2298345	0	103093897	901337	0	97862851	99894215
VEHICLES	15982389	1269690	69740	17182339	5164912	12984	10499634	10817477
TOTAL	2064483507	586449423	6190930	2644741999	440378950	172242602	2036790266	1624104557
PREVIOUS YEAR	1288764262	779980771	4261526	2064483507	334926609	105516119	1624104557	
Capital Work-in-Progress	467580555	212815029	540586655	139808929				



As At 31.03.2009

Rs.

SCHEDULE 6: INVESTMENTS

Government Securities:

National Savings Certificate 70000

Un-quoted: (Non-Trade, Long Term, at cost)

200000 Equity Shares of Rs 10/- each fully paid up in Heritage Finlease Ltd. 2000000

Quoted: (Non-Trade, Long Term, at cost)

348 Equity Shares of Rs.10/- each at a premium of Rs.220/- each fully paid up in Bank of Baroda 80040

363 Equity Shares of Rs.10/- each at a premium of Rs.80/- each fully paid up in Andhra Bank 32670

TOTAL 2182710

SCHEDULE 7: INVENTORIES

(As verified and certified by Management)

Stores and Spares 26467753

Raw Materials (including Packing Material) 179364941

Stocks under Process 1330178

Finished Goods 163932491

Tradable Goods 122771097

TOTAL 493866460

SCHEDULE 8: SUNDRY DEBTORS

Outstanding for more than six months:

Unsecured and considered good 11591206

Unsecured and considered doubtful 8030090

19621296

Other Debtors :

Unsecured and considered good 103007107

TOTAL 122628403

Less: Provision for bad and doubtful debts 8030090

TOTAL 114598312

As At 31.03.2009

Rs.

SCHEDULE 9: CASH AND BANK BALANCES

A. Cash on hand	24065241
B. Cheques on hand	602006
C. Funds in Transit	400000
D. Balances with Scheduled Banks in :	
Current Accounts	266145929
Deposit Accounts	10908493
Margin Money	2783730
Unclaimed Dividend Accounts	5420540
Other Accounts	5000
E. Balances with other Banks in Current Accounts:	
The Dharmapuri Dist. Central Co-op. Bank Ltd., T.N.	13413
Prakasam Dist. Co-op. Central Bank Ltd., A.P.	104441
TSDCCB - Pudunchandai - Namakkal, T.N.	5075
TOTAL	310453868

SCHEDULE 10: LOANS AND ADVANCES

(Unsecured and Considered good)

a. Advances recoverable in cash or kind or for value to be received	205978023
Less : Provision for doubtful advances	0
Net Advances considered good	1817921
Total Advances (Unsecured and considered good)(a + b)	204160102
b. Deposits	128004981
c. Tax Deducted At Source & Advance Tax	11300580
TOTAL	343465663

SCHEDULE 11: CURRENT LIABILITIES AND PROVISIONS

A. Current Liabilities:	
Sundry Creditors:	
Dues to SSI Undertakings	18199737
Dues to Others	344084389
Creditors for Expenses	231860366
Other Current Liabilities	24522957
Interest accrued but not due on loans	11939053
Unclaimed Dividend	5420540
Trade Deposits	44968551
TOTAL (A)	680995592
B. PROVISIONS:	
Provision for Taxation	3987
Provision for diminution in value of investments	16353
TOTAL (B)	20340
TOTAL (A + B)	681015932

Year Ended 31.03.2009

Rs.

SCHEDULE 12: SALES

Domestic Sales (Net off Intersegment sales)	7917461397
Export Sales	8092410
Total	7925553807

SCHEDULE 13: OTHER INCOME

Interest on Bank and Other Deposits	5116074
(TDS Rs.223151 /- (Previous period : Rs.1743174/-)	
Miscellaneous Receipts	7255846
Lease Rental Income	17634000
Concessionary Income	10370570
Promo and Visibility Income	24361768
Profit on sale of assets	2145503
Dividend Income	104236
Total	66987997

SCHEDULE 14: MATERIALS CONSUMED & PURCHASE COST OF TRADED GOODS

a. Raw Materials :	
Opening Stock	66778430
Add: Purchases	4571290231
Total	4638068661
Less: Closing Stock	136548272
Consumption (a)	4501520389
b. Packing Materials :	
Opening Stock	26633791
Add: Purchases	279205737
Total	305839528
Less: Closing Stock	42816668
Consumption (b)	263022860
TOTAL (a + b)	4764543249
c. Purchase cost of Traded Goods	1503086584
TOTAL	1503086584

SCHEDULE 15: EMPLOYEE REMUNERATION

Salaries, Wages, Bonus & allowances	443967049
Contribution to Provident and Other funds	24318136
Gratuity	4425532
Staff Welfare	15240291
TOTAL	487951008

SCHEDULE 16: INTEREST

On Term Loans from Banks	94055912
On Working Capital Loans from Banks	51774646
TOTAL	145830558

As At 31.03.2009

Rs.

SCHEDULE 17: OTHER EXPENSES

Stores and Spares	74879967
Rent	150649602
Rates and Taxes	14470594
Bank charges	59014843
Insurance	8260823
Travelling and Conveyance	29298207
Office Maintenance	5879320
House Keeping Expenses	12649546
Books and Periodicals	1769636
Electricity Charges	53374886
Safety and Security	26416658
Communication costs	28019013
Printing and Stationery	9607736
Repairs and Maintenance:	0
Buildings	1892868
Plant and Machinery	5925285
Others	18572149
Auditors' Remuneration:	0
As Auditors	893430
For tax audit	206886
Certification, Tax matters and other services	461778
Expenses reimbursed	150779
Legal and professional charges	32028673
Freight Outwards	310993926
Selling and distribution expenses	35651493
Advertisement	16972923
Warehouse and Logistics	31560288
Directors' Remuneration	7103333
Directors' sitting fees	402500
Bad Debts Written Off	1522435
Provision for doubtful Debts	8030090
Bad and doubtful advances	1617921
Loss on sale of Assets	71323
Loss on Impairment of Assets	753826
Recruitment and Training Expenses	4764422
Dimunition in value of Investment	5913
Miscellaneous expenses	5210696
Foreign Exchange Fluctuations	449959
TOTAL	959533727

SCHEDULE 18: (INCREASE) / DECREASE IN STOCKS

Finished Goods, Stocks-under-Process and Tradable Goods

Opening Stocks	
Stocks under process	1087787
Finished Goods	155548322
Tradable Goods	169011758
Total	325647867
Closing Stocks	
Stocks under process	1330178
Finished Goods	163932491
Tradable Goods	122771097
Total	288033766.12
(INCREASE) / DECREASE IN STOCKS	37614101



SCHEDULE 19: SIGNIFICANT ACCOUNTING POLICIES

- a) **Basis of preparation of financial statements:** The consolidated financial statements of Heritage Foods (India) Limited (referred to as "the Company") and its Subsidiary, Heritage Foods Retail Limited (collectively referred to as "the Group") are prepared under historical cost convention on the accrual basis in accordance with the Generally Accepted Accounting Principles (GAAP) in India, and materially comply with the mandatory Accounting Standards ("AS") issued by The Institute of Chartered Accountants of India (ICAI) and the applicable provisions of the Companies Act, 1956. Accounting policies have been consistently applied except where a newly issued Accounting Standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised Accounting Standards on an ongoing basis.
- b) Inter company transactions and balances and resulting unrealized profits are eliminated in full. Un realized losses resulting from such transactions are also eliminated unless cost cannot be recovered. Unrealized profits and losses resulting from transactions between the Company and the Associate are eliminated to the extent of the Company's interest in the associate.
- c) Minority Interest's share of net profit of consolidated subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholder's of the Company.
- d) Minority Interest's share of net assets of consolidated subsidiaries is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the Company's shareholders.
- e) **Principles of Consolidation:** The consolidated Financial Statements have been prepared on the following basis:
 - The Financial Statements of the Company and its Subsidiary have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses.
 - The Subsidiary considered in the Consolidated Financial Statements is:

	Country of Incorporation	% voting power held as at March 31, 2009
Heritage Foods Retail Limited	India	98.81

(As 31st March, 2009 is the first financial year end of the Subsidiary, the previous year voting power details are not mentioned)

- f) **Income and Expenditure:** All items of income and expenditure shown in the Consolidated Financial Statements having material bearing on the accounts are accounted on accrual basis.
- g) **Revenue Recognition :** Sales are recognised upon delivery of products and are recorded net of trade discounts and taxes. Sales also include product conversion charges earned.
- h) **Fixed Assets:** Fixed Assets are carried at cost, less accumulated depreciation. Cost includes all expenditure incurred to bring the assets to its present location and condition. The Group has capitalised the direct and indirect cost incurred till the commencement of commercial operations to identifiable and qualifying assets after considering the borrowing cost and making necessary adjustments to taxes and foreign exchange variations.
- i) **Intangible Assets:** Intangible assets are stated at cost of acquisition less accumulated amortization. Cost of acquisition, considering the future economic benefit is amortized over the useful life estimated by management not exceeding five years.
- j) **Leased Assets:** Operating leases: Civil works and improvement of enduring nature are capitalized and being written off over the period of lease of such properties.
- k) **Depreciation:** Depreciation on fixed assets is provided on the basis of straight line method at the rates and the manner prescribed in Schedule XIV to the Companies Act, 1956. Civil works to the leased properties are depreciated over the operating lease period. Depreciation on assets which are commissioned during the year is charged on pro rata basis from the date of commissioning.
- l) **Capital Work-in-progress:** Cost of capital work in progress is recognized at cost and includes capital advances, capital assets and capital stores issued.
- m) **Inventories:** Inventories are valued as under:
 - 1) Raw Materials : cost or net realizable value whichever is lower.
 - 2) Finished Goods : cost or net realizable value whichever is lower.
 - 3) Stores and Spares : at cost
 - 4) Work - in - progress : cost or net realizable value whichever is lower.
Cost has been ascertained on FIFO basis.
 - 5) Tradable Goods : cost or net realizable value whichever is lower.
Cost has been ascertained on moving weighted average basis

- n) **Impairment of assets:** An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable cost as impairment loss and is charged to profit and loss account in the year in which impairment is identified. Impairment loss of earlier years is reversed in the event the estimated recoverable amount is higher.
- o) **Investments:** Un-quoted Investments are valued at cost. Quoted Investments are valued at lower of cost and market value as on the date of Balance Sheet. The Group provides for diminution in value of investments.
- p) **Government Grants:** The investment subsidy(s) (Non-refundable) received from Government in lieu of promoters contribution are treated as Capital Reserve. Subsidies received towards acquisition of assets and are reduced from the respective assets.
- q) **Employee Retirement Benefits:**
 - a) **Gratuity :** Accrued liability is determined on actuarial valuation basis and provided in accounts.
 - b) **Leave Encashment:** Accrued liability is determined on actuarial valuation basis and provided in accounts.
 - c) **Provident Fund :** The company makes contribution to Provident Fund administered by the Central Government under the Provident Fund Act ,1952.
- r) **Foreign Exchange transactions:** Transactions made during the year in foreign currency are recorded at the exchange rate prevailing at the time of transaction. Assets and Liabilities related to foreign currency transaction remains unsettled at the year end are translated at the contract rates, when covered by forward cover contracts and at the year end rates in other cases. Realized gains and losses on foreign currency transactions other than those relating to fixed assets are recognized in the profit and loss account. Gain or loss on transaction of long term liabilities incurred to acquire fixed assets is adjusted to the cost of such fixed assets.
- s) **EPS :** Earnings per share is calculated on the weighted average number of paid-up equity shares during the year.
- t) **Segment Reporting:** The reportable segments are identified on the basis of criteria prescribed in Accounting Standard (AS - 17) on "Segment Reporting". Revenues and Expenses have been identified to segments on the basis of the operating activities of the segment. Unallocated revenue, expenses, assets and liabilities are reported distinctly.
- u) **Borrowing Costs:** Borrowing costs which are directly attributable to the acquisition/construction of fixed assets,till the time such assets are ready for intended use, are capitalised as part of the cost of such assets as defined in Accounting Standard (AS) - 16 on "Borrowing Costs". Other Borrowing costs are recognised as expense in the year in which they are incurred.
- v) **Taxes on Income:** Income Taxes are accounted for in accordance with Accounting Standard (AS) 22 on "Accounting for Taxes on Income". Income tax expense comprises current tax (I.e, amount of tax for the period determined in accordance with the incometax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax liabilities are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.
Fringe Benefit Tax (FBT) payable under the provisions of Section 115WC of the Income Tax Act,1961 is in accordance with the Guidance Note on "Accounting for Fringe Benefit Tax" issued by the ICAI regarded as an additional incometax and considered in determination of profits for the year. Tax on distributed profits payable in accordance with the Guidance note on "Accounting for Corporate Dividend Tax" regarded as a tax on distribution of profits and is not considered in determination of profits for the year.
- w) **Cash Flow Statement:** The Cash flow statement is prepared by the "Indirect method" set out in Accounting Standard (AS) - 3 on "Cash Flow Statements" and presents the cash flows by operating, investing and financing activities of the company. Cash and cash equivalents presented in the Cash Flow Statement consists of cash on hand,with Banks in current accounts and demand deposits.
- x) **Changes in Accounting policies:** Accounting policies have been consistently applied except where a newly issued Accounting Standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised Accounting Standards on an ongoing basis and accordingly changes the Accounting policies as applicable.

SCHEDULE 20 : NOTES ON ACCOUNTS

SEGMENT REPORTING FOR THE YEAR ENDED 31st MARCH, 2009

(Rs.in Lakhs)

PARTICULARS	2008 -2009	2007-2008
1. Segment Revenue		
a. Dairy	59274.54	48381.44
b. Retail	20634.71	10721.08
c. Agri	2187.17	-
d. HIDL	0.00	0.00
Total Segment Revenue	82096.42	59102.52
Less: Inter Segment Revenue	3009.17	427.46
Net Sales / Income from Operations	79087.25	58675.06
2. Segment Results		
(Profit / (Loss) before Interest and tax)		
a. Dairy	3968.11	2292.95
b. Retail	(4836.20)	(4566.03)
c. Agri	(512.52)	(138.29)
d. HFRL	(11.15)	-
Total Segment Results	(1391.75)	(2411.37)
Less: Interest	1458.31	1243.28
Add: Net Unallocable Income / (Expenditure)	1.04	3722.46
Profit before Tax	(2849.02)	67.80
Less: Taxation for the year	657.90	(25.74)
Less: Earlier years Taxation and Expenditure	65.52	(0.41)
Net Profit	(3572.45)	93.94
3. Total Capital Employed	As at	As at
(Segment Assets - Segment Liabilities)	31.03.2007	31.03.2006
a. Dairy	12509.22	11643.11
b. Retail	7346.09	7220.70
c. Agri	3920.23	3309.57
d. HFRL	(6.15)	0.00
Total Segment Capital Employed	23769.39	22173.38
Add: Unallocated Assets	710.14	634.15
Less: Unallocated Liabilities	4.20	2.62
Total Capital Employed	24475.33	22804.91
4. Capital Expenditure		
a. Dairy	1541.83	3252.35
b. Retail	516.72	4628.58
c. Agri	466.32	2589.05
d. HFRL	0.00	0.00
Segment Capital Expenditure	2524.87	10469.99
Add: Unallocated Capital Expenditure	0.00	12.86
Total Capital Expenditure	2524.87	10482.84
5. Depreciation/Amortisation/Impairment		
Segment Depreciation	1722.43	1055.16
Add: Unallocated Depreciation	0.00	0.00
Total Depreciation	1722.43	1055.16
6. Significant Non Cash Expenditure (excluding depreciation & amortisation)	290.93	138.39

2. RELATED PARTY DISCLOSURES as per AS-18 :

Name of the related party	N Bhuvanewari	N Lokesh	Heritage Foods Retail Limited
Description of the Relationship between the parties	Key Management Personnel (Vice Chairman & Managing Director)	Key Management Personnel Executive Director	Key Management Personnel Director
Description of the nature of transactions	a) Receiving of Services b) Rental agreement	a) Receiving of Services	a) Investment
Volume of the transactions either as an amount or as appropriate proportion	a) Managerial Remuneration of Rs.42.00 lakhs in HFIL b) Office rent of Rs.31.77 lakhs paid by Company	a) Managerial Remuneration of Rs.29.03 lakhs	a) Share Capital Rs.5 lakhs
Any other elements of the related party transacting of the financial statements	Managerial Remuneration was approved by Shareholders	Managerial Remuneration was approved by Shareholders	NIL
The amounts or appropriate proportions of outstanding items pertaining to related parties at the Balance Sheet date	NIL	NIL	NIL
Provisions for doubtful debts due from such parties at that date and amounts	NIL	NIL	NIL
written off or written back in the period	NIL	NIL	NIL
in respect of debts due from or to related parties	NIL	NIL	Advance taken from Heritage Foods (India) Ltd. Rs. 6.04 lakhs
Provision for diminution in value of Investments	NIL	NIL	NIL

3. DEFERRED TAX : In accordance with Accounting Standard (AS - 22) " Accounting for Taxes on Income " deferred tax has been calculated as under

(Rs.in Lakhs)

PARTICULARS	As on 31.03.2009 Rs.	As on 31.03.2008 Rs.
Opening Deferred Tax Liability	64455339	71978680
a) Deferred tax liability is as under		
Difference between Book and Tax depreciation		
i) On Depreciation	70159964	27754160
ii) On Foreign Exchange Fluctuation gain / (loss)	0	3342251
	70159964	31096411
b) Deferred tax asset is as under		
i) Unabsorbed Business loss / depreciation	-	34685289
ii) Provision for Leave Encashment	8871463	3934463
	8871463	38619752
Deferred Tax liability thereon	125743840	64455339

4. **IMPAIRMENT OF ASSETS** : In accordance with AS-28 the company has identified and accounted for loss on assets impaired to the extent of Rs.7.53 lakhs.

5. **Foreign Currency Transactions:** (In Rupees)

Particulars	2008-2009	2007-2008
A. Earnings in foreign exchange		
Export Sales on FOB basis	8138049	Nil
Total	8138049	0
B. CIF Value of Imports		
Capital Goods	560333	86753432
Total	560333	86753432
C. Expenditure in foreign currency (Excluding Loan Repayment)		
Software Maintenance	1079735	12384749
Travel Expenditure	159909	-
Interest	62317434	35600611
Hedging Premium	2419804	-
Others	0	330813
Dividend in foreign currency	-	-
Total	65976882	48316173

6. QUANTITATIVE INFORMATION & CAPACITY	2008-2009		2007- 2008	
	Quantity	Value	Quantity	Value
		(Rs. In Lakhs)		(Rs. In Lakhs)
a) Licenced Capacity: (Lakh Litres of Milk)	N.A		N.A	
b) Installed Capacity :				
Milk (Lakh Litres)	4573		4422	
Ghee (MT)	3869		3869	
Skimmed Milk Powder (MT)	2920		2920	
Doodh Peda (MT)	409		409	
Panner (MT)	1533		1533	
Curd (MT)	13761		13761	
Butter Milk (Lakh Litres)	117		117	
Lassi (Lakh Litres)	4		4	
Ice Cream (Litres)	912500		-	
Flavoured Milk (Lakh Litres) (As certified by Management)	37		37	
c) Actual Production:				
Milk (Lakh Litres)	2770.12		2691.80	
Cream (MT)	2979.85		3774.46	
Ghee (MT)	1735.94		1325.46	
Skimmed Milk Powder (MT)	1406.84		2138.64	
Butter (MT)	2967.98		2516.15	
Curd (MT)	9314.89		7235.90	
Butter Milk (Lakh Litres)	18.77		17.76	
Doodh Peda (MT)	151.99		69.75	
Khoa (MT)	0.60		1.16	
Flavored Milk (Lakh Litres)	13.05		8.71	
Panneer (in MT)	195.20		46.47	
Lassi (Lakh Litres)	0.37		0.00	
Ice Cream (Litres)	257528.26		56575.20	

Particulars	2008-2009		2007- 2008	
	Quantity	Value	Quantity	Value
		(Rs. In Lakhs)		(Rs. In Lakhs)
d) Turnover (Including exports):				
Milk (Lakh Litres)	2372.38	46484.58	2256.16	38049.67
Cream (MT)	2454.73	2416.26	2931.62	2436.61
Ghee (MT)	1636.55	2714.73	1263.62	1766.99
Skimmed Milk Powder (MT)	578.39	661.60	687.58	789.48
Butter (MT)	2080.54	2636.63	2648.32	2885.60
Curd (MT)	8947.86	2150.10	6884.32	1354.39
Butter Milk (Lakh Litres)	18.14	237.88	17.34	163.46
Doodh Peda (MT)	111.56	140.26	66.49	72.73
Khoa (MT)	0.60	0.83	1.14	1.16
Flavored Milk (Lakh Litres)	10.74	462.15	7.07	284.16
Panneer (in MT)	141.87	159.70	33.43	34.70
Lassi (Lakh Litres)	0.25	10.49	0.00	0.02
Ice Cream (Litres)	185697.42	133.57	18309.26	14.01
Conversion Charges / Other Products Earned		168.29		231.27
Tradable Goods		13.21		-
Total		58390.28		48084.24
e) Opening Stock of Finished Goods :				
Milk (Lakh Litres)	19.64	327.08	13.50	190.93
Cream (MT)	45.13	39.71	68.84	47.12
Ghee (MT)	42.56	60.46	42.12	54.56
Skimmed Milk Powder (Finished Goods) (MT)	282.07	354.47	629.91	771.88
Butter (MT)	611.05	732.08	794.10	893.70
Curd (MT)	73.50	12.62	49.76	6.45
Butter Milk (Lakh Litres)	0.08	0.51	0.13	0.73
Doodh Peda (MT)	0.57	0.51	0.30	0.19
Flavored Milk (Lakh Litres)	0.65	18.21	0.21	5.94
Panneer (MT)	0.68	0.60	0.03	0.02
Ice Cream (Litres)	66.33	0.03	17.00	0.01
Total		1546.28		1971.53
f) Closing Stock of Finished Goods :				
Milk (Lakh Litres)	19.71	340.98	19.64	327.08
Cream (MT)	64.70	73.76	45.13	39.71
Ghee (MT)	79.20	134.04	42.56	60.46
Skimmed Milk Powder (Finished Goods) (MT)	42.33	50.18	282.07	354.47
Butter (MT)	666.43	929.39	611.05	732.08
Curd (MT)	90.49	15.82	73.50	12.62
Butter Milk (Lakh Litres)	0.12	1.07	0.08	0.51
Doodh Peda (MT)	1.21	1.39	0.57	0.51
Flavored Milk (Lakh Litres)	1.27	49.31	0.65	18.21
Panneer (in MT)	1.47	1.25	0.68	0.60
Lassi (Lakh Litres)	0.02	0.43	-	-
Ice Cream (Litres)	8984.84	5.41	66.33	0.03
Tradable Goods	0.07	-	-	-
Total		1603.08		1546.28

Particulars	2008-2009		2007- 2008	
	Quantity	Value	Quantity	Value
		(Rs. In Lakhs)		(Rs. In Lakhs)
g) Inter Segment Transfers :				
Milk (Lakh Litres)	29.10	572.58	13.45	249.44
Flavored Milk (Lakh Litres)	1.33	57.32	1.01	38.25
Ghee (MT)	62.75	137.92	59.20	86.40
Butter (MT)	11.34	15.48	4.04	4.83
Curd (MT)	292.80	105.09	80.73	12.70
Butter Milk (Lakh Litres)	0.26	3.01	0.02	0.22
Doodh Peda (MT)	38.84	47.81	2.15	2.27
Panneer (MT)	51.63	55.92	11.38	12.02
Ice Cream (Litres)	62912.33	48.29	30900.87	19.47
Skimmed Milk Powder	0.87	1.15	---	---
Cream (MT)	2.46	2.24	---	---
Lassi (Lakh Litres)	0.07	3.13	---	---
Tradable Goods	1847.25	2.59	---	---
Total		1052.55		425.58
h) Work-in-Progress (Cream /MT)	19.48	13.30	16.90	10.88
i) Captive Consumption (Incl. Losses):				
Milk (Lakh Litres)	368.57		416.05	
Flavored Milk (Lakh Litres)	0.37		0.19	
Ghee (MT)	0.00		2.20	
Butter (MT)	820.72		46.84	
Curd (MT)	57.24		247.11	
Butter Milk (Lakh Litres)	0.33		0.45	
Doodh Peda (MT)	0.94		0.84	
Panneer (MT)	0.91		1.01	
Ice Cream (Litres)	0.00		7315.74	
Cream (MT)	503.09		866.55	
Skimmed Milk Powder	1067.32		1798.90	
j) Raw Materials consumed:				
Milk (Lakh Litres)	2750.41	40563.65	2672.16	35703.79
Other Products		2535.73		1285.42
Total		43099.38		36989.21

7. CONSUMPTION OF MATERIALS

a) Raw Materials	%		%	
i) Indigenous	100.00	43099.38	100.00	36989.21
ii) Imported	0.00	0.00	0.00	0.00
b) Spare Parts & Consumables				
i) Indigenous	100.00	740.85	100.00	502.98
ii) Imported	0.00	0.00	0.00	0.00

8. MERCHANDISE DETAILS

(Rs. In lakhs)

Particulars	Opening Value	Purchases Value	Sales Value	Closing Stock Value
i) Retail Division				
FMCG- Food	401.18	6211.43	6450.64	389.70
FMCG- Non -Food	750.12	3171.48	3666.16	437.67
Agri in Units & Bulk	547.40	8547.61	10517.91	400.11
ii) Agri Division				
Fruits and Vegetables		1940.01	1932.44	36.24
Total	1698.70	19870.53	22567.15	1263.72

iii) **Inter Segment Purchases / Revenue**

- a. Retail
- b. Agri

	2008-09	2007-08
a. Retail	2984.98	425.58
b. Agri	254.73	

Note: The quantitative details of the merchandise in Retail Division and Agri Divisions are not provided as the Company has got exemption from Central Government under Sec 211(4) of the Companies Act,1956 vide letter no. 46/135/2009 CL III Dt.21.05.2009.

9. EARNINGS PER SHARE:

- a) Calculation of weighted average number of equity shares of Rs.10/-each :
 - Number of Shares at the beginning of the year
 - Number of Equity shares outstanding at the end of the year
 - Weighted average number of equity shares outstanding during the year
- b) Net Profit / (Loss) after tax
- c) Basic and diluted Earnings per share of Rs.10 each (Rs.)

	2008 - 09	2007 - 08
Number of Shares at the beginning of the year	11529500	9990000
Number of Equity shares outstanding at the end of the year	11529500	11529500
Weighted average number of equity shares outstanding during the year	11529500	10201625
Net Profit / (Loss) after tax	(350691654)	9354307
Basic and diluted Earnings per share of Rs.10 each (Rs.)	(30.42)	0.92

10. MAXIMUM BALANCES HELD DURING THE YEAR WITH NON-SCHEDULED BANKS:

(Rs. In lakhs)

Name of the Bank	During the Year ended 31.03.2009	During the Year ended 31.03.2008
The Dharmapuri District Central Co-Operative Bank Ltd.,T.N.,India	0.13	0.13
The Prakasam Dist.Co-Op.Central Bank Ltd.,A.P., India	6.93	5.15
The Salem District Central Co-Op.Bank Ltd., T.N., India	3.66	3.52
The Company is dealing with the above banks for making payments towards milk purchases.		

11. STATEMENT OF DISPUTED DUES:

Name of the Statute	Nature of the Dispute	Amount (Rs. In Lakhs)	Period to which the amounts relates	Forum where the dispute is pending.
Income Tax Act, 1961	Income Tax	266.5	2004-05 & 2005-06	CIT (Appeals)/ITAT
The Andhra Pradesh General Sales Tax Act, 1957	General Sales Tax	12.80	1999-2000 to 2004-2005	Commercial Tax Officer
The Andhra Pradesh General Sales Tax Act, 1957	General Sales Tax	95.11	2001-2002	Writ petition filed with H.C.
The Andhra Pradesh General Sales Tax Act, 1957	General Sales Tax	18.78	2001-2002	Commercial Tax Officer
The Andhra Pradesh VAT Act	Sales Tax	113.99	2007-2008	A.P.S.T.A.T (Tribunal)

12. The names of the Small Scale Industrial (SSI) Undertaking to whom the Company owes money which is outstanding for more than 30 days :

Acto Vetpharma	Global Environmental Engineering Ltd	Sai Eshwar Enviro Systems	Sri Vatsa Enterprises
AGI Glasspac	International Cans (P) Ltd	Schmidt-Bretten India Pvt Ltd	Venkateswara Bitumen
Aikyaa Industries	J M Plastic Industries	Sri Devi Engineering Works	Vet Pharma Agencies
Ashish Engineers	Khandelwal Polymers Pvt Ltd.,	Sri Engineers & Consultants	Ntek Services
Cache Peripherals	Sreeven the creative Company	Sri Krishna Strapping and Lable	Paran Polymers (P) Ltd
Dairy-Tech Equipments	Paragaon Paper Packaging Pvt Ltd	Sri Pumps and Fittings Industrial	Dairy Mashkin Fabrik
Dairy-Tech India	PEC Electricals Pvt Ltd	Sri Pumps Mfg.Co.,	Ashmit Packaging

Deccan Crowns & Cans Pvt Ltd	Prince Multiplast Pvt Ltd	Sri Saibaba Chemicals	Avis Press Pvt Ltd
Delaval Pvt Limited	Quality Electric Company	United Packaging Industries	Swathi Enterprises
Domino Printech India Pvt Ltd	R M C Packaging Systems (P) Ltd	Universal Enviro Associates	Mask Pack
Eesha Packaging	Raghava Rama Automations	Vedsri I T Solutions	Print n Pack
Essge Plastics Pvt Ltd	S V Packaging Agencies	Viraja Universal Packaging Company	Sai Durga Industries
Finecab Wires & Cables Pvt Ltd	Industrial Pallets Company	Viscot Surgicals Pvt Ltd	Sri Polyflex
S V S Polymers	Sabari Packaing Industries Pvt Ltd	Pragathi Plasto Form Pvt Ltd	G N Packaging Ltd
Monika Packaging	Srinidhiraja Corrugators	Parek Plas India Pvt Ltd	

The amounts outstanding to the above parties as on March 31,2009 is mainly due to the amounts not falling due contractually. The list of SSI Undertakings were determined by the Company on the basis of information available with the Company and relied upon by the auditors.

13. The Company has identified Micro and Small enterprises as per Micro Samll and Medium Enterprises Development Act 2006. The outstanding for more than 45 days as at 31st March 2009 for the enterprises is Rs.52.62 lakhs.
14. Confirmation of balances from Sundry Debtors/ Creditors, Loans and advances and others have been received from some parties only. Wherever confirmation of balances have not been received, they are subject to adjustment and reconciliation if any.
15. There is no extraordinary item incurred by the company during the year 2008-09.
16. Paise is rounded off to the nearest Rupee.
17. The company has presented the financial results as per schedule VI of Companies Act,1956 and in or form as near as thereto. The items which are not applicable as per schedule VI are not disclosed.
18. Previous Year figures are regrouped wherever necessary.

19. Statement Pursuant to Section 212 of the Companies Act, 1956 related to subsidiary Companies

Sl No.	Name of the Subsidiary	Heritage Foods Retail Limited
1.	Financial period of the Subsidiary	December 1, 2008 to 31st March 2009
2.	Shares of the subsidiary held by the Company on the above date]	
	(a) Number	50000
	Face Value Equity Shares of Rs.10/- each	Equity shares of Rs.10/- each
	(b) Extent of Holding	98.81%
3.	Net aggregate amount of profits / (losses) of the subsidiary for the above financial period of the subsidiary so far as they concern members of the company:	
	(a) dealt with in the accounts of the Company for the period ended 31st March 2009 (Rupees in Lakhs)	499978.60
	(b) not dealt with in the accounts of the Company for the period ended 31st March 2009 (Rupees in Lakhs)	NIL
4.	Net Aggregate amount of profits/(losses) of the subsidiary since it became a subsidiary so far as they concern members the company:	
	(a) dealt with in the accounts of the Company for the period ended 31st March 2009 (Rupees in Lakhs)	(7.59)
	(b) not dealt with in the accounts of the Company for the period ended 31st March 2009 (Rupees in Lakhs)	NIL

Notes: (a) Previous year's figures have not been given since the above company have been subsidiary of the company during the current year.

20. Summary of the Financial Information of the Subsidiary company

(Rs. In Lakhs)

Name of the Subsidiary	Heritage Foods Retail Limited
Funds Employed:	
A. Capital	5.06
B. Reserves	-
C. Liabilities	-
Secured Loans	-
Unsecured Loans	-
Deferred Tax Liability	-
Minority Interest	-
Total Liabilities	-
D. Total Funds Employed	5.06
Application of Funds:	
E. Assets	-
Net Block(Including Capital WIP)	-
Investments	-
Net Current Assets	(6.09)
Miscellaneous Expenditure (to the extent not written off)	-
Profit & Loss Account	11.15
Total Assets (Net)	5.06
F. Turnover	-
G. Profit before Taxes	(11.15)
H. Provision for Taxation	(11.15)
I. Profit after Taxes	-
J. Proposed Dividend	-

21. Prior Period Items

Prior period expenditure includes Rs.16.83 lakhs of Sales Tax and Rs.48.69 lakhs of other expenditure related to earlier years.

22. There is no extraordinary items incurred by the company during the year 2008-09.

23. Paise is rounded off to the nearest Rupee.

24. The consolidated financial results of the previous year are related to Heritage Foods (India) Limited only.

25. Previous Year figures are regrouped wherever necessary.

As per our report attached
For **Raju & Prasad**
Chartered Accountants

For and on behalf of the Board

M. Sivaram Prasad
Partner
Membership No. 18943

N. Bhuvanewari
Vice Chairperson & Managing Director

N. Lokesh
Executive Director

Date : June 30, 2009
Place : Hyderabad

A.Prabhakara Naidu
Sr. GM - Finance & Accounts

Umakanta Barik
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

(pursuant to Clause 32 of Listing Agreement)

PARTICULARS	Year Ended 2008 - 09		Year Ended 2007 - 08	
	Rs.	Rs.	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit /(Loss) before tax	(284901393)		6780398	
Adjustment for				
Depreciation	172242602		105516119	
Interest 145830558	124327994			
Profit on sale of Fixed Assets	(2145503)		(23344156)	
Loss on sale of Fixed Assets / Impairment of Assets	825149		78904	
Profit on sale of Investments	-		(336579600)	
Prior period expenses	(4869266)		(2790740)	
Unrealized Foreign Exchange gains	-		(11767387)	
Interest received	(5116074)		(6970287)	
Dividend received	(104236)		(63467)	
Operating Profit before Working Capital Changes (Foreign Exchange gains - realised / unrealised)	21761837		(144812221)	
Adjustment for :				
Inventories	(40005744)		(5106886)	
Trade and Other Receivables	(68622371)		(91289389)	
Trade Payables	(29820513)		333754232	
Cash Generated from operations	(116686791)		92545736	
Direct taxes paid (incl. taxation of earlier years) (net of refund)	27911513		(8632560)	
Net Cash (used) / generated for / from Operations		(88775278)		83913176
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(258677797)		(1052545890)	
Proceeds from sale of Fixed Assets	2841466		27463000	
Purchase of Investments	(564500)			
Proceeds from sale of Investments	(0)		356979600	
State Subsidy received /transferred	6875000		(5500000)	
Interest received	5116074		6970287	
Dividend received	104236		63467	
Net Cash used in Investing Activities	(244305522)		(666569536)	
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issue of Equity Shares			481370400	
Share Application Money	506000		31868800	
Borrowings from Banks and others(Net)	273741588		497485695	
Interest paid	(145830558)		(124327994)	
Dividend paid			(35063402)	
Net Cash from Financing Activities		128417030		851333499
Net increase in cash and cash equivalents		(204663770)		268677139
Cash and Cash equivalents as at 1st Apr, 2008		515117638		246440499
Cash and Cash equivalents as at 31st March, 2009		310453868		515117638

Notes: Previous year's figures have been regrouped / reclassified wherever necessary to conform to the current year's classification.

As per our report attached
For **Raju & Prasad**
Chartered Accountants

For and on behalf of the Board

M. Sivaram Prasad
Partner
Membership No. 18943

N. Bhuvaneshwari
Vice Chairperson & Managing Director

N. Lokesh
Executive Director

Date : June 30, 2009
Place : Hyderabad

A. Prabhakara Naidu
Sr. GM - Finance & Accounts

Umakanta Barik
Company Secretary

DIRECTORS' REPORT

Your Directors are pleased to present the audited accounts for the year ended 31st March 2009.

Financial Results

The company was incorporated on 1st December 2008 and received the Certificate of Commencement of Business on 31st of December 2008. And the company is in the process to start its business operations.

Equity Share Capital

The Authorised Capital is Rs. 15,00,00,000 divided into 1,50,00,000 equity shares of Rs.10/- each. The paid-up equity share capital as on 31-03-2009 is Rs.5,06,000 comprising of 50600 equity shares of Rs.10/- each.

Directors

In accordance with Article 61 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, Sri N Lokesh retire by rotation and being eligible, offers himself for re-appointment.

Auditors

The Auditors of the Company, M/s Raju & Prasad, Chartered Accountants, Hyderabad will retire at the conclusion of the first Annual General Meeting.

Dividend

The Board of Directors of the Company has not recommended any dividend for the financial year ended 31st March 2009.

Material changes and commitments between the end of financial year and the date of the report.

There are no material changes since 31st March 2009 and until the date of this report .

Conservation of Energy/Technology Absorption, Foreign Exchange Earnings and Outgo

Particulars of Conservation of Energy/Technology absorption, Foreign Earnings : Nil

Particulars of Employees

Statement of Particulars of Employees, pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956, no employee comes under these provisions during the year under review.

Director's Responsibility Statement

In accordance with Section 217(2AA) of the Companies Act, 1956 the Directors of your 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 your Company at the end of the financial year and of the profit or loss of your 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 your Company and for preventing and detecting fraud and other irregularities; and
- The Directors have prepared the annual accounts on a going concern basis.

For and on behalf of the Board
HERITAGE FOODS RETAIL LIMITED

Dr M Sambasiva Rao
Director

Sri.N Lokesh
Director

Place : Hyderabad
Date : August 1st 2009

AUDITORS' REPORT

To
The Members of
M/s. HERITAGE FOODS RETAIL LIMITED,
HYDERABAD.

1. We have audited the attached Balance Sheet of **M/s. HERITAGE FOODS RETAIL LIMITED**, as at 31st March, 2009 and also the Profit and Loss Account for the year ended on that date annexed thereto and cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An Audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. Further to our comments in (4) below, we report that
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - ii. In our opinion the Company as required by law has kept proper books of account so far as it appears from our examination of the books and proper returns adequate for the purpose of our audit have been received from the units not visited by us.
 - iii. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account maintained.
 - iv. In our opinion The Balance sheet, Profit and Loss account and the cash flow statement comply with the accounting standards referred to in Sec.211 (3C) of the Companies Act,1956.
 - v. On the basis of written representation given to us, no director of the company, as at 31st March 2009 and taken on record by the Board of Directors we report that none of the Director as on 31st march 2009 is disqualified from being appointed as a director under clause (g) of Sub-Section 274 of the Companies Act, 1956.
 - vi. As per the information and explanation given by the company there is no cess payable within the meaning of sec 441A of the companies act as on 31st march 2009.
 - vii. In our opinion and to the best of our information and according to the explanations given to us, the said

accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a. In the case of Balance Sheet, of the state of affairs of the Company, as at 31st March 2009.
 - b. In the case of the Profit and Loss account, of the loss for the year ended on that date and
 - c. In the case of cash flow statement, of the cash flows for the year ended on that date.
4. As required by the Companies (Auditors' Report) Order 2003, as amended by the Companies (Auditors' Report) Order 2004, issued by the Government of India, in terms of sub-section (4A) of section 227 of the Companies Act 1956, we report that:
 - i. since the company is newly incorporated and also not commenced its business has no fixed assets .consequently clause (i)(a), (i) (b) and (i) (c) are not applicable.
 - ii since the company is newly incorporated and has no inventory, clause (ii)(a), (ii) (b) and (ii) (c) are not applicable.
 - iii) a) The company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the companies act 1956 or to companies under the same management as defined in section 370(1-B) of the companies act,1956. Consequently, clauses (iii)(b), (iii)(c) and (iii)(d) are not applicable.
 - b) the company has not taken any loans secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the companies act 1956 or to companies under the same management as defined in section 370(1-B) of the companies act,1956. Consequently, clauses (iii) (f) and (iii) (g) are not applicable.
 - iv. The company has not purchased any inventory or fixed assets .therefore clause (iv) is not applicable.
 - v. a) According to the information and explanations given to us, we are of the opinion that there are no transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956.
 - b) Since there are no transactions clause (v) (b) is not applicable..
 - vi. The company has not accepted deposits from the public governed by section 58A and 58AA of the Companies Act, 1956 for the year under reference.
 - vii. Since the Company has not commenced it's operations the requirements of internal audit system in not applicable.

- viii. As per the information and explanation given by the company, the Central Government has not prescribed maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956.
- ix. Since the company is newly incorporated there are no undisputed dues by the company and consequently sub-clause (a) & (b) are not applicable.
- x. The company has accumulated losses of Rs 1114725/- as at the end of the financial year 31.03.2009.
- xi. The Company has not taken any amount from financial institutions or banks.
- xii. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the company is not a chit fund or nidhi / mutual benefit fund / society. Therefore the provisions of clause 4 (xiii) of the companies (Auditors' Report) Order, 2003 are not applicable to the company.
- xiv. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. There are no Investments held by the company.
- xv. The company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi. In our opinion, no term loans have been taken by the Company.
- xvii. In our opinion and according to explanations and information given to us, no funds have been raised on short-term basis.
- xviii. According to the information and explanation given to us, during the year the company has not made any preferential allotment of equity shares/warrants to parties and companies covered in the register maintained under section 301 of the companies act, 1956.
- xix. The company has not issued any debentures
- xx. The company, during the year, has not raised money by public issues.
- xxi. In our opinion and according to explanations and information given to us no frauds has been noticed or reported during the year by the company.

For RAJU & PRASAD
Chartered Accountants

M.Siva Ram Prasad
Partner
Membership No: 18943

Place : Hyderabad
Date : June 20, 2009

BALANCE SHEET AS AT 31ST MARCH 2009

	Schedule	As At 31.03.2009
		Rs.
SOURCES OF FUNDS:		
Share Capital	01	506000
Loan Funds:		
a. Secured Loans		Nil
b. Unsecured Loans		Nil
Total (a + b)		
TOTAL		506000
APPLICATION OF FUNDS:		
Fixed Assets:		
Gross Block		Nil
Less: Depreciation		Nil
Net Block		Nil
Capital Work-in-Progress (Incl. Assets intended for Lease)		
Investments		
Current Assets and Loans and Advances:		
Inventories		
Sundry Debtors		
Cash and Bank Balances	02	5888
Loans and Advances		
Total Current Assets & Loans & Advances		5888
Less: Current Liabilities and Provisions		
A. Current Liabilities	03	614613
B. Provisions		
Net Current Assets		(608725)
Profit and Loss Account	04	1114725
TOTAL		506000
Significant Accounting policies	06	
Notes on Accounts	07	

As per our report attached
For **Raju & Prasad**
Chartered Accountants

For and on behalf of the Board

M. Sivaram Prasad
Partner
Membership No. 18943

Dr. M. Sambasiva Rao
Director

N. Lokesh
Director

Date : June 20, 2009
Place : Hyderabad

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

Schedule		Year Ended 31.03.2009	Rs.
INCOME:			
Sales			-
Total Sales			<u>-</u>
Other Income			-
TOTAL SEGMENTAL INCOME			<u>-</u>
EXPENDITURE:			
Purchase of Goods			-
Other expenses	05		1114725
TOTAL			<u>1114725</u>
PROFIT/(LOSS) BEFORE DEPRECIATION AND AMORTISATION			(1114725)
Less: Depreciation & Amortization			-
PROFIT/(LOSS) FOR THE PERIOD			<u>(1114725)</u>
Less :Provision for taxation			-
NET PROFIT/(LOSS) AFTER TAX			<u>(1114725)</u>
Less:Prior period expenses			-
NET PROFIT/(LOSS)			<u>(1114725)</u>
Less: Taxation of Earlier Years			-
			<u>(1114725)</u>
Balance brought forward			-
Amount available for Appropriation			<u>(1114725)</u>
Appropriations			-
Balance carried to Balance Sheet			<u>(1114725)</u>
TOTAL			<u>(1114725)</u>
Significant Accounting policies	06		
Notes on Accounts	07		

As per our report attached
For **Raju & Prasad**
Chartered Accountants

For and on behalf of the Board

M. Sivaram Prasad
Partner
Membership No. 18943

Dr. M. Sambasiva Rao
Director

N. Lokesh
Director

Date : June 20, 2009
Place : Hyderabad

SCHEDULE TO BALANCE SHEET

Schedule	As At 31.03.2009
	Rs.
SCHEDULE 1: SHARE CAPITAL	
Authorised:	
1,50,00,000 Equity Shares of Rs.10/- each (Previous year 1,50,00,000 Equity Shares of Rs.10/- each)	<u>150000000</u>
Issued, Subscribed & paid-up 50,600 Equity shares of Rs.10/- each	<u>506000</u>
SCHEDULE 2: CASH AND BANK BALANCES	
A. Cash on hand	-
B. Funds in Transit	-
C. Balances with Scheduled Banks in : Current Accounts	<u>5888</u>
D. Balances with other Banks :	-
TOTAL	<u><u>5888</u></u>
SCHEDULE 3: CURRENT LIABILITIES AND PROVISIONS	
A. Current Liabilities:	
Sundry Creditors:	-
Dues to SSI Undertakings	<u>11030</u>
Dues to Others	<u>603583</u>
TOTAL (A)	<u><u>614613</u></u>
B. PROVISIONS:	
Provision for Taxation	-
TOTAL (B)	-
TOTAL (A + B)	<u><u>614613</u></u>
SCHEDULE 4: PROFIT AND LOSS ACCOUNT	
Deficit in Profit and Loss Account	<u>(1114725)</u>
TOTAL	<u><u>(1114725)</u></u>

SCHEDULE TO PROFIT AND LOSS ACCOUNT

Schedule	Year Ended 31.03.2009
	Rs.
SCHEDULE 05: OTHER EXPENSES	
Rates and Taxes	1103090
Bank charges	112
Travelling and Conveyance	227
Printing and Stationery	266
Auditors' Remuneration: As Auditors (Incl.Tax Audit)	11030
TOTAL	1114725

SCHEDULE 6: SIGNIFICANT ACCOUNTING POLICIES

1. a) **Basis of preparation of financial statements:** The financial statements have been prepared under historical cost convention and in conformity with the generally accepted accounting principles, applicable provisions of the Companies Act, 1956, and as per the Accounting Standards issued by the Institute of Chartered Accountants of India.
- b) **Income and Expenditure:** All items of expenditure shown in the statement having material bearing on the accounts are accounted on accrual basis.

**For the period ended
31.03.2009**

2. Expenditure in Foreign Currency:	NIL
3. Earnings in Foreign Currency	NIL
4. Remittance in Foreign Currency	NIL

SCHEDULE 7: NOTES ON ACCOUNTS

1.

Particulars	As at 31.03.2009
a. Contingent Liabilities not provided for	NIL
b. Estimated amount of Contracts remaining to be executed on capital account and not provided for	NIL

2. **Segment Reporting :** Since the Company has not started its commercial operations and no reportable segment is identified, the Accounting Standard (AS-17) on "Segment Reporting" issued by The Institute of Chartered Accountants of India

3. **Related Party disclosures as per AS-18**

Name of the related party	Heritage Foods (India) Limited	N Bhuvanewari	N Lokesh	M Sambasiva Rao
Description of the Relationship between the parties	Holding Company	Key Management Personnel (Director)	Key Management Personnel (Director)	Key Management Personnel (Director)
Description of the nature of transactions	Inter company transactions	a) Receiving of Services	Receiving of Services	Receiving of Services
Volume of the transactions either as an amount or as appropriate proportion	a) Allotment of Equity Shares of Rs.5 lakhs	NIL	NIL	NIL
Any other elements of the related party transacting of the financial statements	NIL	NIL	NIL	NIL
The amounts or appropriate proportions of outstanding items pertaining to related parties at the Balance Sheet date	NIL	NIL	NIL	NIL
Provisions for doubtful debts due from such parties at that date and amounts written off or written back in the period in respect of debts due from or to related parties	NIL	NIL	NIL	NIL
Provision for diminution in value of Investments	NIL	NIL	NIL	NIL

4. The start up expenses have been charged to revenue as per the Accounting Standard (AS-26)
5. There are no amount or interest which are outstanding for more than 30 days payable to small scale industrial undertakings as at 31st March' 2009.
6. Paise is rounded off to the nearest Rupee.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2009

Particulars	Year ended 31.03.2009 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES	
Net Profit /(Loss) before tax	(1114725)
Adjustment for	
Depreciation	-
Interest	-
Operating Profit before Working Capital Changes	(1114725)
(Foreign Exchange gains - realised / unrealised)	
Adjustment for :	
Inventories	-
Trade and Other Receivables	-
Trade Payables	614613
Cash Generated from operations	
Direct taxes paid (incl.taxation of earlier years) (net of refund)	
Net Cash (used) / generated for / from Operations	(500112)
B. CASH FLOW FROM INVESTING ACTIVITIES	
Net Cash used in Investing Activities	
C. CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from issue of Equity Shares	
Share Application Money	506000
Net Cash from Financing Activities	5888
Net increase in cash and cash equivalents	0
Cash and Cash equivalents as at 1st Apr, 2008	5888
Cash and Cash equivalents as at 31st March, 2009	

Notes: Previous year's figures have been regrouped / reclassified wherever necessary to conform to the current year's classification.

As per our report attached
For **Raju & Prasad**
Chartered Accountants

M. Sivaram Prasad
Partner
Membership No. 18943

Date : June 20, 2009
Place : Hyderabad

For and on behalf of the Board

Dr. M. Sambasiva Rao
Director

N. Lokesh
Director

18. Balance Sheet Abstract and Company's General Business Profile

Additional Information Pursuant to Part IV of Schedule VI of Companies Act, 1956 (as amended)

I. Registration Details

Registration No.	<input type="text"/> <input type="text"/> 0 6 2 0 5 4	State Code	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 0 1
Balance Sheet	<input type="text"/> 3 <input type="text"/> 1 <input type="text"/> 0 <input type="text"/> 3 <input type="text"/> 2 <input type="text"/> 0 <input type="text"/> 0 <input type="text"/> 9		
	Date Month Year		

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L	Right Issue	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L
Bonus Issue	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L	Private Placement	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 5 0 6	Total Assets	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 5 0 6
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Sources of Funds

Paid-up Capital	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 5 0 6	Reserves & Surplus	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L
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(Includes Share Warrant application Money)

Secured Loans	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L	Unsecured Loans	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L
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Deferred Tax Liability	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L
------------------------	---

Application of Funds

Net Fixed Assets		Investments	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L
------------------	--	-------------	---

Net Current Assets	<input type="text"/> <input type="text"/> <input type="text"/> - 6 0 9	Misc. Expenditure	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L
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Accumulated Losses	<input type="text"/> <input type="text"/> <input type="text"/> 1 1 1 5
--------------------	--

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover*	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L	Total Expenditure	<input type="text"/> <input type="text"/> <input type="text"/> 1 1 1 5
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(*includes other income)

	+	-	Profit before Tax		+	-	Profit after Tax
<input type="text"/>	-		<input type="text"/> <input type="text"/> - 1 1 1 5		<input type="text"/>	-	<input type="text"/> <input type="text"/> - 1 1 1 5

Earnings Per Share in Rs. (Annualised)

 N I L

Dividend Rate %

 N I L**V. Generic Name of Three Principal Products / Services of the Company**Item Code No. (ITC Code) Production Description R E T A I L B U S I N E S S

As per our report attached

For **Raju & Prasad**

Chartered Accountants

M. Sivaram Prasad

Partner

Membership No. 18943

Date : June 20, 2009

Place : Hyderabad

For and on behalf of the Board

Dr. M. Sambasiva Rao

Director

N. Lokesh

Director

NOMINATION FORM

[To be filled in by individual(s)]

To, Karvy Computershare Private Limited UNIT : Heritage Foods (India) Limited Plot No. 17 to 24, Vittalarao Nagar, Madhapur, Hyderabad - 500 081	From Name of shareholder and address _____ _____ Folio No. _____ No. of Shares _____
--	---

I am / we are holder(s) of Shares of the Company as mentioned above. I/We nominate the following person in whom all rights of transfer and / or amount payable in respect of Equity Shares shall vest in the event of my / our death.

Nominee's Name							Age					
To be furnished in case the nominee is a minor						Date of Birth						
Guardian's Name & Address*												
Occupation of	1	Service	2	Business	3	Student	4	Household				
Nominee Tick (✓)	5	Professional	6	Farmer	7	Others						
Nominee's Address												
							Pin Code					
Telephone No.								Fax No.				
Email Address							STD Code					
Specimen signature of Nominee / Guardian (in case nominee is minor)												

* To be filled in case nominee is a minor

Kindly take the aforesaid details on record.

Thanking you,
Yours faithfully,

Date :

Name and address of equity shareholder {as appearing on the Certificate(s)}	Signature (as per specimen with company)
Sole/1st holder (address)	
2nd holder	
3rd holder	
4th holder	

Witness (two)	
Name and Address	Signature & Date
1.	
2.	

INSTRUCTIONS :

1. Please read the instructions given below very carefully and follow the same to the letter. If the form is not filled as per instructions, the same will be rejected.
2. The nomination can be made by individuals only. This facility is not available to non individuals including society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family and holders of power of attorney. If the Shares are held jointly all joint holders must sign (as per the specimen registered with the Company) the nomination form.
3. A minor can be nominated by a holder of Shares and in that event the name and address of the Guardian should be given by the holder.
4. The nominee cannot be a trust, society, body corporate, partnership firm, Karta of Hindu Undivided Family, or a power of attorney holder. A non-resident Indian can be a nominee on re-patriable basis.
5. Transfer of Shares in favour of a nominee shall be a valid discharge by the Company against the legal heir(s).
6. Only one person can be nominated for a given folio.
7. Details of all holders in a folio need to be filled in, else the request will be rejected.
8. The nomination will be registered only when it is complete in all respects including the signature of (a) all registered holders (as per specimen lodged with the Company) and (b) the nominee.
9. This nomination will stand rescinded whenever the Shares in the given folio are entirely transferred or dematerialised.
10. Upon receipt of a duly executed nomination form, the Registrar and Transfer Agent of the Company will register the form and allot a registration number. The registration number and folio no. should be quoted by the nominee in all future correspondence.
11. The nomination can be varied or cancelled by executing fresh nomination form.
12. The Company will not entertain any claim other than that of a registered nominee, unless so directed by any competent court.
13. The intimation regarding nomination / nomination form should be filed in duplicate with the Registrar and Transfer Agents of the Company who will return one copy thereof to the Shareholders.
14. For shares held in dematerialised mode nomination is required to be filed with the Depository Participant in their prescribed form.

FOR OFFICE USE ONLY
Nomination Registration Number
Date of Registration

Checked by (Name and Signature)



Heritage Foods (India) Limited

ATTENDANCE SLIP

Regd.Office: 6-3-541/C, Panjagutta, Hyderabad - 500 082

(Please fill this attendance slip and hand it over at the entrance of the Meeting Hall)

DP ID*

Folio Number

Client ID*

Name (in BLOCK letters) :

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company. I hereby record my presence at the 17th Annual General Meeting of the Company to be held at Auditorium Hall, 2nd Floor, Training Block, National Institute for Micro, Small And Medium Enterprises, (formerly NISIET), Yousufguda, Hyderabad-45 on Tuesday, the 29th September, 2009 at 11 a.m.

.....
Signature of the Shareholder /Authorized Representative/Proxy **

* Applicable for investors holding shares in electronic form

** Strike out whichever is not applicable

No Gifts
will be
given



Heritage Foods (India) Limited

PROXY FORM

Regd.Office: 6-3-541/C, Panjagutta, Hyderabad - 500 082

DP ID*

Folio Number

Client ID*

I/we _____ resident(s) of _____ being a member/members of Heritage Foods (India) Limited, hereby appoint Ms./Mr. _____ of _____ or failing her/him Ms./Mr. _____ of _____ as my/our proxy to attend and vote for me/us and on my/our behalf for or against any resolution at the 17th Annual General Meeting of the Company to be held on Tuesday, the 29th September, 2009 at 11 a.m. and at any adjournment thereof.

Affix a
15 paise
Revenue
Stamp

Signed this _____ day of _____, 2009.

Signature of the First/ Sole holder

* Applicable for investors holding shares in electronic form

Note: A Proxy need not be a member. The Proxy in order to be effective should be duly stamped, completed, signed and deposited at the Registered Office of the Company not less than **48 HOURS** before the commencement of the meeting.

Main Dairy Plant - "GOKUL", Kasipentla, Chittoor Dist, A.P.



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- ◆ Fresh Cream- Tetrapack ◆ Ice Cream ◆ Dairy Whitner ◆ Skimmed Milk Power

If undelivered, Please return To :

Heritage Foods (India) Limited

6-3-541/C, Panjagutta, Hyderabad-82

Ph : 040-23391221 /222 Fax : 040-30685458, 23318090

Website : www.heritagefoods.co.in

Customer Care : 1-800 -425-2931