



16th Annual Report
2007-2008

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 progress and evolution of your company, its brand and its people in many ways reflect the changing social and economic landscape of India more particularly in South India. The success and progress of Heritage has been closely intertwined with the development and progress of its people. Since its inception in 1992, your Company has always lived by a single belief that “What is good for society is good for Heritage”. This belief continued and will continue to be our guiding principle in everything that we do now and in the future. Your company’s business strategy is being benefited from the enormous experience of its Board of Directors, who possess rich experience and professional expertise. Majority of the Directors on the Board are Non-executive and Independent.

During the year, sales of the company registered a growth of 70% to reach Rs. 588.03 crores as against the sales of Rs. 346.33 crores in 2006-07. The gross Fixed Assets increased from Rs.129 crores to Rs. 206 crores. This is an extremely impressive growth, when viewed from the perspective of 59.68 percent growth that we had achieved last year.

Total milk procurement by the company during the year 2007-08 averaged 6.95 lakh litres per day, representing a growth of 33 percent over 5.23 lakh litres per day achieved during 2006-07. The highest procurement as usual was recorded during December 2007 at 7.72 lakh litres per day. The increase in milk procurement is very impressive.

You will be pleased to note that your Company has done remarkably well in most of the value-added consumer packs. Sales of Heritage Milk in pouches have grown by 35 % in value terms. Similarly, sales of Pouch Curd in Heritage brands have also grown by 26%. Butter Milk has also shown an impressive value growth of 11.25 %. Our sale value in the Flavored Milk segment has seen an exponential increase of 32%.

The advent of modern format retailing has led to a sea change in purchasing behaviour of consumers. While large retail chains do provide some convenience to consumers, historically they have rarely any beneficial impact on farmers who supply agricultural produce to them. Across the world, it is observed that the farmer’s share in the consumer’s rupee, keeps on declining due to the rising bargaining power of supermarket chains. This phenomenon will definitely take place in India, as well, within the next few years. To counter this, we have decided to set up our own Fresh@ Outlets, in South India.

We have made our presence felt by creating several strategically located outlets, during this period. The Retailing operations would not only help farmers and small entrepreneurs to counter the onslaught of Modern Format stores but would also help consumers with

hygienic, affordable and convenient supply of “Fresh and Healthy” food products with complete Heritage brand experience.

Your Company has two Integrated Pack Houses at Mattam in Chittoor district and Mulugu in Medak district. The commercial operations started in the first quarter of the financial year. Your Company initiates to provide extension services to farmers for adopting GAP (Good Agricultural Practices), IPM (Integrated Pest Managements), INM (Integrated Nutritional Managements) & training for reduction of pre & post harvest losses.

Overall economic growth, higher disposable incomes, changing attitude of consumers towards spending, in various alternative consumption forms, and emergence of Organized Retail, throws up challenges and also opportunities to the Distribution function of the Company. To keep pace with the changing market scenario, in the previous year, we have increased our distribution network in small towns too.

Your Company has further advanced its Information Technology solutions by enhancing its customized ERP System to improve its operational efficiencies.

I have special words to acknowledge the collective efforts of Company’s Management team under the able leadership of our Vice Chairman and Managing Director Smt. N. Bhuvanawari, and all the employees working tirelessly to realize the corporate agenda, meeting stakeholders’ aspirations and moving towards growth and success of the Company. I would also like to thank my colleagues on the Board for their support and guidance. I also take this opportunity to recognize the support of our customers, suppliers, all regulatory authorities, our bankers, auditors, consultants and other business associates.

Last but not the least, I am really grateful to all our shareholders for their continued patronage, confidence and interest in our Company. Our Company is built over a decade and draws its strength from transparency, accountability, fairness, merit based on professional environment and mutual confidence & trust. I would like to assure you that all our efforts would be directed at strong growth in the future so as to outperform our previous records.

Sincerely,
D Seetharamaiah
Chairman

10 Years Financials

Consistent Growth

(Rs.in crores)

	2007-08	06-07	05-06	04-05	03-04	02-03	01-02	00-01	99-00	98-99
Turnover	588.03	346.33	292.07	266.13	234.49	192.83	165.07	141.49	106.92	83.20
Other Income	40.13	1.22	1.27	0.78	1.35	0.86	0.42	0.38	0.30	0.17
Total Income	628.16	347.56	293.34	266.91	235.84	193.68	165.49	141.87	107.23	83.38
Earnings before Depreciation, Interest and Tax (EBDIT)	23.66	12.17	25.23	20.91	31.60	27.86	20.10	14.48	11.24	9.51
Depreciation	10.55	6.78	4.80	4.01	3.94	4.50	2.49	2.29	1.93	1.67
Interest	12.43	1.84	0.40	0.60	0.28	0.13	0.38	1.24	1.24	1.36
Provision for Taxation (Including Deferred Tax & FBT)	(0.26)	1.82	6.39	6.14	9.75	8.33	6.12	2.85	1.95	0.79
Profit after Tax	0.94	1.72	13.64	10.16	17.62	14.91	11.11	8.10	6.13	5.68
Cash Profit	11.49	8.50	18.44	14.17	21.57	19.41	13.60	10.39	8.05	7.35
Equity Dividend (%)	18.00	30.00	30.00	30.00	27.50	27.50	20.00	16.00	13.50	12.00
Dividend Payout (Including Tax on Dividend)	2.13	3.51	3.42	3.42	3.10	3.10	2.00	1.90	1.78	1.43
Equity Share Capital	11.53	9.99	9.99	9.99	9.99	9.99	10.78	10.80	10.80	10.80
Reserves and Surplus	115.70	59.31	62.50	52.65	45.84	34.53	24.14	19.97	13.83	9.62
Networth	127.22	69.30	72.49	62.64	55.83	44.52	34.92	30.69	24.51	20.02
Gross Fixed Assets	206.45	128.88	80.15	72.69	63.87	53.62	43.77	40.69	36.61	30.14
Net Fixed Assets	162.41	95.38	53.33	50.38	45.49	38.82	32.96	32.15	30.02	25.27

Key Indicators

	2007-08	06-07	05-06	04-05	03-04	02-03	01-02	00-01	99-00	98-99
Earnings per share - Rs.	0.92	1.73	13.65	10.17	17.64	14.93	10.29	7.50	5.67	5.26
Cash Earnings per share - Rs.	9.96	8.51	18.46	14.19	21.59	19.43	12.61	9.62	7.46	6.81
Book Value per share - Rs.	110.35	69.37	72.57	62.70	55.88	44.56	32.38	28.42	22.69	18.53
Debt* : Equity Ratio	0.88:1	0.79 : 1	0.00 : 1	0.00 : 1	0.01 : 1	0.01 : 1	0.14 : 1	0.19 : 1	0.27 : 1	0.33 : 1
EBDIT/Turnover %	0.04	0.04	8.64	7.86	13.48	14.45	12.18	10.23	10.51	11.43
Return on Networth %	0.74	2.48	18.81	16.22	31.57	33.49	31.82	26.39	24.99	28.38

* Long Term Debt

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CORPORATE INFORMATION

Registered Office	: # 6-3-541/C, Panjagutta, Hyderabad-500082
Statutory Auditors	: M/s. Raju & Prasad, Chartered Accountants 401, "DAIMOND HOUSE" Adj. Amrutha Hills, Panjagutta, Hyderabad - 500 082
Bankers	: Bank of Baroda, Andhra Bank, ICICI Bank Limited, HDFC Bank
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

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 Bhuvanewari	<i>Vice Chairman & Managing Director</i>
Sri N Lokesh	<i>Executive Director</i>

Company Secretary:

CS Umakanta Barik

Senior Management :

Dr M Sambasiva Rao, CA A Prabhakara Naidu,	<i>President</i> <i>Sr.GM- Finance & Accounts</i>
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Dairy Division

Sri Ashok George,
Chief Operating Officer
Sri K Durga Prasada Rao
Sr. VP - Operations & Project
Sri T Venkateswara Rao,
VP - Operation
Sri P A Anil Kimar,
Sr GM - QA & PD
Sri J Samba Murthy,
Head - Sales & Marketing
Sri C V S Kaleswara Rao,
GM - HR
Sri Raja Babu,
AGM - IT
Sri G Vinod Kumar,
AGM - Materials
Sri L Sreenivas
Head - Project

Retail Division

Sri S Jagdish,
Vice President
Sri Santhosh Unni,
Head - Marketing & Operations
Sri P Satya Pradeep,
Head - QA & PD
Sri Raja Babu,
Head Projects
Sri Dharmendher,
Head -HR
Sri Manoj Warriar,
Head-IT
Sri Vipul Bushan
Head- B & M (FMCG)
Sri Ramesh Sharma,
Head-B&M(F&V and Staples)
Sri Arulnandam,
Head-L&W

Agri Division

Sri I.V.Subba Rao,
Advisor - Agri Business
Sri Ramachandram
Head - Agri Business
Sharan Bhupal
Head IPH Mulugu
Sri Senthil Kumar
Head - IPH Mattam

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

Share Transfer & Shareholders' Grievance Redressal Committee

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

Management Committee

Sri D Seetharamaiah, *Chairman*
Dr V Nagaraja Naidu
Smt N Bhuvanewari

Members of Heritage Foods (India) Limited are hereby given notice for the 16th Annual General Meeting of the Company, the schedule of which and the business to be transacted therein, are given below:

Day and Date : **Friday, 26th September, 2008**
 Time : **11.00 a.m.**
 Venue : **'Our Place', No. 8-2-602/E,
 Charan Pahadi Road, Road No.10,
 Banjara Hills, HYDERABAD - 500 034
 Phone : 040-23353422, 23354234**

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2008 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 declare dividend for the year.
3. To appoint a Director in place of Dr N R Sivaswamy, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Sri N P Ramakrishna, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors of the Company and to fix their remuneration.

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

"RESOLVED THAT M/s. Raju & Prasad, Chartered Accountants, Hyderabad, who retire at this meeting, being eligible and willing to act as Auditors, be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company, at a remuneration to be fixed by the Board of Directors of the Company."

SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to Section 94 and other applicable provisions, if any of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the Authorized Share Capital of the Company be and is hereby increased from Rs. 15,00,00,000 (Rupees Fifteen Crores only) 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 (Rupees Ten 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 (Rupees Ten only) each".

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

"RESOLVED THAT pursuant to the provisions of Section 16 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the existing Clause V of the Memorandum of Association of the Company relating to Share Capital be and is hereby substituted by the following clause:

V. The Authorized Share Capital of the Company is 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 (Rupees Ten only) each with powers to consolidate, convert, sub-divide, reduce or increase the capital and to issue any new shares with any preferential or special rights and conditions attached thereto from time to time in accordance with the Articles of Association of the Company and the provisions of the Companies Act, 1956."

8. 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 Section 31 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the existing Article 5 of the Articles of Association of the Company relating to Share Capital be and is hereby substituted by the following Article:

5. The Authorised Share Capital of the Company is 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 (Rupees Ten only) each."

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

"RESOLVED THAT Sri. Nara Lokesh, who was appointed as an Additional Director by the Board of Directors and who cease to hold office as per Section 260 of the Companies Act, 1956 by 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 each notice, 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 Director of the company."

10. To consider and, if thought fit, to pass with or without modification, the following Resolution as a **Special Resolution:**

"**RESOLVED** that subject to the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII thereto (including any statutory modifications or re-enactments thereof, for the time being in force) and subject to such sanctions and approvals as may be necessary, and the provisions of the Articles of Association of the Company, consent of the Company be and is hereby accorded to the appointment of Sri. Nara Lokesh as a Whole-time Director (designated as Executive Director) of the company, with effect from July 01, 2008 for a period of three years, on payment of the following remuneration as approved by the Remuneration Committee:

Salary: Rs. 3.35 lakhs per month and Company car for official purpose

Commission: 2% of Net Profits of the Company 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 his tenure and the total cost to the Company on account of such revision for any year during the currency of his tenure is subject to the limits set out under Sections 198 and 309 of the Companies Act, 1956 read with Schedule XIII thereto.

RESOLVED further that, in case of losses or inadequacy of profits in any financial year during his tenure he will be eligible for a remuneration of Rs. 3.35 lakhs per month as minimum salary and Company car for official purpose.

RESOLVED further that over and above the said minimum remuneration, Sri Nara Lokesh shall be eligible for the following perquisites/benefits, which shall not be included in the minimum remuneration as specified above:

- (a) Company contribution to provident fund, superannuation fund or annuity fund up to the non taxable limits under Income Tax Act, 1961
- (b) Gratuity at the rate of half month's salary for each completed year of service
- (c) Encashment of leave at the end of the 3 years tenure and
- (d) Vehicle maintenance - Fuel, maintenance and drivers expenses.

RESOLVED further that Sri. Nara Lokesh shall not be subject to retirement by rotation during his tenure as Whole-time Director."

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

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

Date : July 30, 2008

UMAKANTA BARIK
Company Secretary

NOTES:

1. **The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item no 6 to 10 as set out in the Notice is annexed hereto.**
2. **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.**
3. **MEMBERS/PROXIES SHOULD PRODUCE AT THE ENTRANCE OF THE VENUE DULY FILLED ATTENDANCE SLIP FOR ATTENDING THE MEETING.**
4. **MEMBERS MAY PLEASE NOTE THAT A RESOLUTION WILL BE DEEMED TO HAVE BEEN PASSED AS SPECIAL RESOLUTION IF THE VOTES CAST IN FAVOUR ARE ATLEAST 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.**
5. 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).
6. The Register of Members and the Transfer Books of the Company will remain closed from Monday, the 22nd September 2008 to Friday, the 26th September 2008 (both days inclusive).
7. The dividend as recommended by the Board of Directors for the year ended 31st March 2008, when declared at the Annual General Meeting will be paid on or after 26th September 2008 to the members whose names appear:
 - i) As Beneficial Owners as per list to be furnished by the Depositories in respect of the shares held in demat form; and
 - ii) As members on the Register of Members of the Company on 26th September 2008 after giving effect to all valid share transfers in physical form which would be received by the Company up to end of business hours on 21st September, 2008.
8. In order to provide protection against fraudulent encashment of the Dividend Warrants, shareholders holding shares in physical form are requested to intimate the company under the signature of the sole / first & joint holder, the following information to be incorporated on the Dividend Warrants:
 - (i) Name of the sole / first & joint holder and the folio number.
 - (ii) Particulars of Bank Account, viz.:

- a. Name of the Bank, Branch and Complete Address of the Bank
 - b. Account type, whether Savings (SB) or Current Account (CA)
 - c. Bank Account Number allotted by the bank
9. Shareholders holding shares in electronic form may kindly note that their bank account details as furnished by their Depositories to the Company will be printed on the Dividend Warrants and the Company will not entertain any direct request from such shareholders for deletion of / change in such bank account details. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in electronic mode. Shareholders who wish to change such Bank Account details are therefore requested to advise their Depository Participants about such change along with details of Bank Account

10. Electronic Clearing Service (ECS) Facility:

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

Ahmedabad, Bangalore, Bhubaneshwar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagapur, New Delhi, Patna and Thiruvananthapuram.

Shareholders holding shares in physical form, who wish to avail ECS facility, may authorise the Company with their ECS mandate in the prescribed form given at the end of this Annual Report and requests for payment of dividend through ECS should be lodged with M/s Karvy Computershare Private Limited on or before 22nd September, 2008.

11. Pursuant to provisions of sub-section (5) of Section 205A of 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 1999-2K 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
2000-01	28.09.2001	27.09.2008
2001-02	22.08.2002	21.08.2009
2002-03	30-07-2003	29-07-2010
2003-04	29-07-2004	28-07-2011
2004-05	15-07-2005	14-07-2012
2005-06	31-07-2006	30-07-2013
2006-07	22-08-2007	21-08-2014

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.

12. 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.
13. 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.
14. 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.**
15. 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.
16. 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.
17. 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.
18. 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.
19. At the ensuing Annual General Meeting, Dr N R Siva Swamy and Sri N P Ramakrishna retire by rotation and being eligible offer themselves for re-appointment and the Board of Directors appointed Sri Nara Lokesh 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.6, 7 & 8

As you are aware that the Company has allotted Share Warrants to the Promoters of the Company and Equity Shares to M/s Kotak India Focus Fund in the last financial year, conversion of these Share Warrants into Equity Shares increases the Authorized Capital of the Company. As per provisions of the Companies Act, 1956, members' approval is required for increasing the Authorized Capital and amending the Memorandum and Articles of Association of the Company. A copy of the Memorandum and Articles of Association of the Company showing proposed alteration is available for inspection at the Registered Office of the Company during office hours on all working days between 10.30 a.m. and 12.30 p.m. up to the date of the ensuing Annual General Meeting.

The requisite resolutions, seeking approval of the shareholders, are proposed in the notice. Your Directors recommend the passing of the resolutions.

None of the Directors of the Company is, in any way, concerned or interested in the said resolutions.

Item No. 9 & 10

Sri. Nara Lokesh, who has been appointed as an Additional Director under Section 260 of the Companies Act, 1956 effective from 1st July 2008 holds office up to the conclusion of the 16th 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. Nara Lokesh for the office of the Director.

Sri. Nara Lokesh has experience in Dairy, Retail and Agri businesses. The Board is of the opinion that the association of Sri. Nara Lokesh as a Director 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	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Turnover	19283	23449	26613	29207	34633	58803
Net Profit as computed under Section 198	2453	2906	1760	2167	436	(3483)
Net Profit as per Profit and Loss Account	1491	1762	1016	1364	173	94
Amount of Dividend Paid (including dividend tax)	309	309	342	342	351	213
Rate of Dividend declared	27.5%	27.5%	30%	30%	30%	18%

- (5) Export performance and net foreign exchange collaborations: Not applicable
- (6) Foreign investments or collaborators, if any: Not Applicable.

II. Information about the appointee:

(1) Background details:

Sri Nara Lokesh, aged 26 years, is post-graduate in Business Administration and Management from the Stanford University, USA and was associated with World Bank in various World Bank Projects.

- (2) Past remuneration: Rs. 2.28 Lakhs per annum.
- (3) Recognition or awards: Nil

(4) Job profile and his suitability:

Sri Nara Lokesh is responsible to discharge the duties entrusted by the Board of Directors from time to time, which may include initiating speedy and stable growth strategies for the organization in line with the vision and mission of the company, diversification to various other potential businesses, day-to-day management and administration of the Company

(5) Remuneration proposed:

As set out in the resolution for the Item No. 9 & 10, the proposed remuneration has been 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 Sri Nara Lokesh, the responsibilities shouldered by him, 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:

Sri Nara Lokesh is son of Smt. N Bhuvanewari, Vice Chairman and Managing Director of the Company and he is holding 11,83,200 Equity shares and 8,00,000 convertible warrants of the company.

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 start up expenses of new stores have been charged to revenue as per the Accounting Standard (AS) 26.

(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 back end 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 personnel have been given in the Report on Corporate Governance.

The Directors recommend the resolutions for your approval. Except, Smt. N Bhuvanewari, Vice Chairman and Managing Director of the Company, (Relative of Sri N Lokesh) and Sri Nara Lokesh, no other Directors of the Company are concerned or interested in the proposed resolution.

The terms of appointment of the above Director as stated in the notice, may be treated as abstract under Section 302 of the Companies Act, 1956. The copies of relevant resolutions of the Board in respect of appointment is available for

inspection by members at the Registered Office of the Company during working hours of any working day till the date of this Annual General Meeting.

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 N R Sivaswamy**, aged 71 years is LL.B., M.A. (Economics), M.A. (Public Administration) and Ph.D. in Economics (from University of Wisconsin, Madison, USA) and also a Fellowship holder of the Ford Foundation, U.S.A., and has over 46 years of experience in the field of Taxation, Finance, Commerce, Management and Administration. He retired as the Chairman of Central Board of Direct Taxes. He is also a Director of Sri Sarvaraya Sugars Limited and Heritage International Limited. He is a member of the Audit Committee of the Board of Directors of Sri Sarvaraya Sugars Limited. He does not hold any shares in the Company as on 31st March 2008.
- b) **Sri N P Ramakrishna**, aged 61 years, is a P.U.C (B.Sc), has substantial experience in transport business, has a thorough understanding of the systems of milk procurement and transportation and has enabled Heritage Foods to strengthen its main milk procurement base at Chittoor, Bangalore and nearby areas. He is also the Managing Director of Hotel Ramakrishna Private Limited situated at Chittoor. He holds 49,000 (0.42%) equity shares in the Company as on 31st March 2008.
- c) **Sri. Nara Lokesh**, aged 26 years, has done his MBA from Stanford University, USA, and Bachelor of Science with specialization in Management Information Systems from Carnegie Mellon University, Pittsburgh. He was Management Trainee in General Electric (May 2002 to August 2002) and Daimler Chrysler AG (May 2003 to August 2003). During his association with World Bank from August 2004 to January 2006, Sri. N. Lokesh involved in various World Bank Projects including, Government of Ethiopia's e-Governance Capacity Building, Government of South Sudan and Liberia's Public Sector, ICT and e-Governance Capacity Building, Global Development Marketplace, Global Support Center and Global Connectivity Solutions. He holds 11,83,200 Equity shares in the Company as on 31st March 2008.

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

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

Date : July 30, 2008

UMAKANTA BARIK
Company Secretary

Dear Shareholders,

Your Directors have pleasure in presenting the 16th Annual Report of the Company together with the audited statement of accounts for the year ended 31st March 2008.

FINANCIAL RESULTS

The financial performance for fiscal 2008 is summarised in the following table:

	(Rupees in lakhs)	
Particulars	2007-08	2006-07
Net Sales / Income from Operations	58803.44	34633.08
Add: Other Income	4012.99	122.48
Less: Total Expenditure	60450.19	33538.49
Profit before Interest, Depreciation and Tax	2366.25	1217.07
Less: Interest	1243.29	184.48
Depreciation & Amortisation	1055.16	677.68
Profit before tax	67.80	354.93
Less: Provision for current taxation	2.76	41.35
Less: Provision for deferred taxation	(75.23)	117.69
Less: Provision for Fringe Benefit Tax	46.74	23.33
Profit after tax	93.53	172.55
Less: Prior period expenses & taxation	(0.41)	141.08
Profit after prior period expenses	93.94	31.48
Balance brought forward	1340.16	1709.31
Amount available for appropriation	1434.10	1740.79
Appropriations		
General Reserve	10.00	50.00
Dividend	182.41	299.70
Tax on Dividend	31.00	50.93
Balance carried to Balance Sheet	1210.69	1340.16
Total	1434.10	1740.79

DIVIDEND

The Board of Directors are happy to recommend a dividend of Rs. 1.80 per Equity Share (18 percent) aggregating to Rs.2.13 Crores (including dividend tax) for the year 2007-08. The dividend, if approved at the forthcoming Annual General Meeting, will be paid to all eligible equity shareholders on or after 26th September 2008. The dividend payout for the year under review has been formulated in accordance with the Company's policy of striving to pay stable dividend linked to performance, keeping in view the company's need for capital, for its growth plans and the intention to finance such plans through internal accruals to the maximum. Your Directors believe that this would increase shareholders value and eventually lead to a higher return and wealth creation to all the stakeholders.

EQUITY SHARE CAPITAL

During the year the Authorised Capital of the Company had been subdivided into 1,30,00,000 (One Crore Thirty lakhs) Equity Shares of Rs.10/- each and 20,00,000 (Twenty Lakhs) preference shares of Rs.10/- each. During the year under review your Company has allotted 8,00,000 Warrants convertible within the period of 18 months from the date of allotment to Smt. N. Bhuvaneshwari, Vice-Chairman & Managing Director of the company, out of which 5,39,500 warrants were converted into Equity shares, 8,00,000 Warrants convertible within the period of 18 months from the date of allotment to Sri. N. Lokesh and 10,00,000 Equity Shares to M/s Kotak India Focus Fund, a SEBI registered Foreign Institutional Investor on preferential basis. The issued and paid-up equity share capital of your Company has gone up to Rs. 11,52,95,000/- (Eleven crores fifty two lakhs ninety five thousand only) divided into 1,15,29,500 (One crore fifteen lakhs twenty nine thousand and five hundred only) equity shares of Rs. 10/- each. There was no other change in the equity share capital during the year 2007-08.

BUSINESS REVIEW

Dairy Business: In line with the Company's growth strategies, an amount of over Rs. 36.82 Crores has been spent during the year for the expansion of dairy business, as a result of which milk sales volume growth of 9.41% has been achieved. During the year various milk & milk products were launched and new markets in the States of Maharashtra, Kerala have been covered. 22 new units have been commissioned with procurement capacity of 2.51 LLPD in States of Andhra Pradesh and Maharashtra and three milk packing stations have been added totalling to 1.2 LLPD capacity in the States of Andhra Pradesh and Karnataka, New facilities such as Cup curd, Doodh Peda, Paneer, Ice Cream, consumer pack 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 financial year your company introduced new milk products in the existing markets.

During the current financial year, your Company proposes to invest over Rs.23 Crores for setting up of supporting facilities to improve the performance and effective utilisation of existing installed capacities of packing and processing plants. To increase the revenue share from products, your Company is establishing / increasing the production capacities for value added products such as Ice Cream, Panneer, Cooking Butter, Curd etc.

Retail Business: During the financial year under review, your Company has ventured into a high growth retail food business and has made investment in all aspects of business and also has engaged Independent Top-notch consultants in the key areas of business requirements in addition to acquiring best talent. As a result, the overall business processes are being streamlined and being benchmarked with industry standards.

Your Company has launched its first retail store in the last week of November 2006. Thereafter company has launched some more stores in Hyderabad, Bangalore & Chennai and in all 70 stores were operating during the financial year 2007-08. The Customer response has been extremely encouraging and the average customer walk-ins have been constantly increasing month to month.

During the current financial year, your Company plans to launch 30 more stores thus aggregating to a total of 100 stores by the end of Financial Year 2008-09 with a spread of more than 30 stores each in Hyderabad, Chennai and Bangalore Cities.

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, which is closer to Chennai and Bangalore Markets to support the backend activities and to supply and deliver excellent quality fresh and healthy farm produce directly to Customers.

SUBSIDIARY COMPANY

During the Financial year under review, your Company has disinvested the entire Equity shareholding of M/s Heritage Infra Developers Limited. The particulars relating to the transactions are provided elsewhere in the notes on accounts, which forms part of the Annual Report. 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, Consolidated Financial Statements and the Segment Reporting are not required for the year ended on 31st March 2008.

DIRECTORS

In accordance with Article 107 of the Articles of Association of your Company and provisions of Section 255, 256 and other applicable provisions, if any, of the Companies Act, 1956, Dr N R Sivaswamy and Sri N P Ramakrishna, retire by rotation and being eligible, offer themselves for re-appointment.

At its meeting held on June 30,2008, the Board appointed Sri N. Lokesh, 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. N. Lokesh has been appointed as a Whole time Director in accordance with the provisions of Section 269 and Schedule XIII of the Companies Act, 1956,designated as Executive Director, for a period of three years, effective from July 01,2008.Approval of the Members is being sought at the forthcoming Annual General Meeting.

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 directorships and membership/ chairmanship of the Board/Committee as stipulated by Clause 49 of the listing agreement with the stock exchange are

provided in the Report on Corporate Governance forming part of 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.

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

The particulars required 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 1999-2000 was transferred to the Investor Education and Protection Fund during the year and the unclaimed dividend for the year 2000-01 is due for transfer in September 2008. The dividend once transferred to Investor Education and Protection Fund cannot be claimed. Your Company has already sent letters individually to all the shareholders, whose dividend remains unclaimed and the detailed list also available in company's web site i.e., www.heritagefoods.co.in

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) Corporate Governance practices and have implemented the stipulations prescribed. 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.

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 all its secretarial records maintained under various statutes and rules, regulations, bye-laws etc. made thereunder. The Secretarial Audit report, given by Ms. Savita Jyoti, Practicing Company Secretary, forms part of this Annual Report.

PERSONNEL

Your directors would like to place on record their deep sense of appreciation of the devoted services of the executives, staff and workers of 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 are required to be set out in the Annexure to the Directors report. The information required under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, is given in Annexure - 2 forming part of this Report.

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, 2008 and of the profit or 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 would like to express their grateful appreciation for the assistance and co-operation received from Banks, Government authorities, Customers, Vendors, Members, Legal Advisors, and Consultants during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services of the executives, staff and workers of the Company.

For and on behalf of
HERITAGE FOODS (INDIA) LIMITED

Place : Hyderabad
Date : July 30, 2008

D. SEETHARAMAIAH
Chairman

ANNEXURE-1

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

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. Energy audits and benchmarking are done regularly to identify areas of improvement and steps are taken to implement the measures required for such improvement.

(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.

(c) Impact of the above measures

The above measures have resulted in savings on account of consumption of power and fuel.

(d) Total Energy Consumption and energy Consumption per unit of production as per Form 'A' attached hereto

FORM A

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

	2007-08	2006-07
A. POWER AND FUEL CONSUMPTION		
1. Electricity		
a. Purchased		
Units - KWH	16962970.40	12961081.00
Total Amount	68839415.45	52233155.00
Rate/Unit - Rs.	4.06	4.03
b. Own generation		
Through Diesel generator		
Units - KWH	3577493.26	1206544.00
Unit per liter of diesel oil	3.10	3.10
Cost/Unit - Rs.	11.26	10.44
2. Furnace Oil		
Quantity (Ltr)	1956359.51	1118963.00
Total cost	51346565.57	22809480.00
Average rate - Rs.	26.25	20.38
B. CONSUMPTION PER UNIT OF PRODUCTION STANDARD		
Electricity (KWH/Ltr of milk)	0.09	0.08
Furnace oil (Ltr of milk)	0.01	0.01

B. TECHNOLOGY ABSORPTION (IN FORM B)

FORM B

(Form for disclosure of particulars with respect to absorption)

	2007-08	2006-07
Research & Development (R & D)	Nil	Nil
Technology absorption, adaptation & innovation	Nil	Nil
Foreign Exchange Earnings	Nil	Nil

Foreign Exchange Outgo:	USD	Rs. In Lakhs	USD	Rs. In Lakhs
Assets Purchases	2082563	848.80	Nil	Nil
Term Loan repayment (Incl. Interest)	2179525	869.88	Nil	Nil
Software Support	326994	123.85	118855	870.22
Others	391	0.15	Nil	Nil
Total	4589473	1842.68	118855	870.22

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, 2008.

(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	46	Vice Chairman & Managing Director	4200000	B.A	13	12.12.1994	—
M Sambasiva Rao	51	President	5420196	M.Sc., Ph.D.	24	23-01-2006	Joint Secretary, Department of Commerce, Ministry of Commerce and Industry
S. Jagadish Krishnan	36	Vice President	3802692	MBA, MS (CM)	12	03-10-2006	Business Head-Retail Cavinkare Group, Chennai
Santhosh Unnikrishnan	40	Head - Operations & Marketing	3798600	B.Com, PGDIM	18	05-06-2006	Business Head - US AFT GmbH, Bangalore

(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
Ashok George	37	Chief Operating Officer (Dairy Division)	1233833	MBA	14.01	31-10-2007	Mother Dairy
Anil K.Srivastava	50	Chief Operating Officer (Agri Division)	833334	MBA	28.25	21-12-2007*	Mother Dairy

* has resigned and relieved on 30-04-2008

FORWARD LOOKING STATEMENTS

This report contains forward-looking statements, which may be identified by their use of words like 'plans' 'expects' 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to the statements about the company's strategy for growth, product development, market position, expenditure, and financial results are forward looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The company cannot guarantee that these assumptions and expectations are accurate or will be realised. The company's actual results, performances or achievements could thus differ materially from those projected in any such forward-looking statements. The company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, informations or events.

GROWTH IN FOCUS

We harness our creative energies through a strong teamwork, a spirit of enterprise and financial acumen, proven qualities that collectively determine our path of growth.

We are poised to test new waters, grow more business, increase our returns and create greater stockholder value, bringing heightened levels of confidence and satisfaction to every stakeholder.

We are poised to take on new challenges and move on to creating products and markets for tomorrow.

We have grown, and intend to grow, focusing on harnessing our willingness to experiment and innovate, our ability to transform, 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

Heritage Foods (India) Limited (HFIL) has been in Dairy Business successfully for more than a decade and presently it is one of the leading dairies in India. During the last Financial Year HFIL has ventured into a high growth retail food business under the brand name "fresh@" followed by locality name and Agri business for Custom Farming format. As a result, HFIL's presence in the market has been very quickly recognized as unique and one of the best retail business models in the Industry.

DAIRY BUSINESS

Industry Structure and Developments

India's Annual Milk production is growing @ 3% per annum, per capita milk availability growing only @ 1.5% per annum, ghee consumption is growing @ 8% per annum and butter and cheese consumption is growing @ 10% per annum, if the same trend is continued, demand for dairy products will soon exceed supply. The milk production in India accounted for more than 13% of the world's total output and 57% of Asia's total production. However the animal productivity in India is very low as compared to Western Countries. The world's average milk yield per animal per year is 2100 kgs whereas India's average milk yield per animal per year is 1000 kgs.

The unique aspects of dairying in India include:

- Production of milk from buffalo exceeds cow milk production. Buffalo yield less milk than crossbred cows, but are well adapted to the extreme heat and humidity of India. Moreover, many Indians prefer buffalo milk over cow milk because of its higher butterfat content
- Feed for Indian dairy animals consists mainly of crop residues and by-products. Forage and feed grain production is limited due to pricing incentives to grow cereals and pulses to feed India's vast population.
- India has an extensive government-supported dairy co-operative structure. Co-operatives not only market their members' milk, but also supply feeds and many dairy services. Private dairy companies tend to duplicate the operating procedures of the co-operatives.

Opportunities

There has been sharp increase in the urban population in India due to strong growth of Indian Economy both in Industrial and Service sectors particularly the Business Process Outsourcing (BPO) and Information Technology (IT). By 2009, the urban population is expected to increase by more than 115 million to touch 355 million a growth rate of about 30 percent. The expected rise in urban population and their purchasing power would be a boon to Indian Dairy. About 800 cities and towns are served by the organized milk sector out of the 3700 cities and towns in India. This leaves the organized sector with huge untapped market. As your company is predominantly in the liquid milk and various innovative milk product market, there exists a vast opportunity for increasing the share in the liquid milk market and various milk products market also.

Threats

The unpredictable Monsoon conditions and the Central government's decision with regard to export and import policy also pose challenge for the growth of private sector organised dairy industry in India.

Outlook

The future of the dairy industry has to be built on quality. Your company emphasis the regulation that will not just enable the healthy and orderly growth of dairy industry but will ensure that milk and milk products are produced, processed, manufactured, stored and sold by observing the best standards of sanitation, hygiene, quality and food safety. To achieve this object, your Company is undertaking major expansion in Dairy Business by investing over Rs.36.82 Crores during 2007-08 and over Rs.23 Crores during the current year.

Product / Market-wise Performance

The total Turnover during the financial year 2007-08 was Rs.484.00 crores as against the turnover of 341.00 crores in 2006-07. Today Heritage distributes quality milk and milk products in the states of Andhra Pradesh, Maharastra, Karnataka, Kerala and Tamil Nadu.

During the year 2007-08 liquid milk sales was Rs. 380.50 crores against Rs. 283.30 crores in the previous year. The Sales of Milk Products including Bulk sales of Cream, Ghee, and Butter were recorded at Rs. 103.50 crores against Rs.57.82 crores in the previous year.

RETAIL BUSINESS:

The Indian retail market, which is the fifth largest retail destination globally, according to industry estimates is to grow from the US\$ 330 billion in 2008 to US\$ 427 billion by 2010 and US\$ 637 billion by 2015. Simultaneously, modern retail is likely to increase its share in the total retail market to 22 per cent by 2010. India is one of the countries having largest numbers of retail outlets in the world. Of the 12 million retail outlets present in the country, nearly 5 million sell food and related products. The market has been dominated by unorganised players, the entry of domestic organised players is set to change the scenario.

Organised retail segment has been growing at a blistering pace, exceeding all previous estimates. According to a study organised retail has increased its share from 8 per cent of total retail sales in 2007 to 10 per cent in 2008. The fastest growing segments have been the wholesale cash and carry stores (150 per cent) followed by supermarkets (100 per cent) and hypermarkets (75-80 per cent). Further, it estimates the organised segment to account for 25 per cent of the total sales by 2011.

Cities in South India have taken to the supermarket style of shopping very keenly and so the maximum number of organized grocery and department stores are in Chennai, Bangalore and Hyderabad. Organised retail, which is 3% of the whole, currently, is in turn pegged to grow to \$637 billion by 2015.

Strengths

- Better Understanding of 'Fresh' as a category including supply chain because of dairy business.
- Established credentials and linkages with farmer community.
- Established organisation credentials in the Milk business.
- Store Format & Positioning.

Weakness

- Seen as a relatively regional / niche player in terms of both expansion plans, pace and geographical spread. This at times leads to challenges in recruitment.
- Size and scale of operations in comparison to current and expected future entrants

Opportunity

- To realise better gross margins than competitors led by the backward integration effort and business mix
- To structure home delivery as a service differentiator and attractive revenue stream

Threats

- Existing large players rapidly expanding in all areas and threatening market share
- Imminent entry of big MNC retail organisation once FDI policy on retail is liberalised further
- Availability of quality retail space will be a key determinant for the growth of the sector
- With most Indian cities undergoing rapid urbanisation and spiralling rental costs.

Strategy- Urban

The objective of the urban strategy is to address the planned food and grocery purchases of household with an element of convenience built into the model through Home deliveries. Moreover the business aims to retain and attract new customers through quality of Fresh products. The value proposition is not to be an ELVP (Everyday Low Value Prices) Retailer but to provide value to the customer through quality, exceptional service and convenience.

Due to the high importance of touch and feel factor, it was decided to have some retail interface that will help HFIL to connect to the consumers through their traditional buying process and then gradually work towards converting them to the home delivery model. It would require consistent interaction with the customer that would be facilitated through detailed business procedures, training and IT initiatives.

To take on the retail opportunity, HFIL has put up Fresh@ store which are positioned as a complete daily need store with a distinct focus on fresh Fruits, Vegetables, Dairy, Bakery and Grocery. Another important element is the Private label to differentiate the offerings from the competitor as well as give superior products to consumers at value pricing. When fully deployed, almost 50% of the entire products including fruits and vegetables in the store will be own sourced or private label. At present the total trading area of 75 stores is 158,567 square feet. The total productivity of the stores at chain level is Rs. 927 per square feet for the FY 2007-08 for 70 stores. The company have also introduced 'fresh@ privileges'- a distinctive facility for their customers by providing a range of special rewards & schemes on a regular basis.

Strategy - Rural

HFIL has an established supply chain of their own dairy business, which procures milk from farmers in Rural Areas (mainly in Andhra Pradesh and some parts of Karnataka, Maharashtra and Tamil Nadu). The starting point will be to harness the current infrastructure to penetrate into the rural market. e.g. instead of direct retail presence, milk collection agents will be mobilized for selling products, reverse logistics in the supply chain can be used to transfer of goods from the urban markets to rural markets; thus able to disinter-mediate the supply chain cost, provide benefits to the rural customer and improve better penetration into the rural areas.

It will connect to consumers through Representatives (predominantly current Milk Collection Representatives of HFIL) who will sell the goods (mainly FMCG) to the consumers. The value proposition for the rural customer will be the availability of the quality/genuine FMCG products mostly branded ones at a better price. This will also provide opportunity to HFIL to launch & strengthen their private label in rural markets, which is slightly easier turf for private label than the urban markets.

Heritage Rural Retail network has increased to 1515 stores with 13 distribution centers. A Typical Rural store is of 100 square feet size and based on franchisee model to cater to village with less than 5000 population. The objective is to reach popular FMCG products and quality groceries at affordable prices to the interior villages across South India, leveraging on the milk procurement network.

CUSTOM FARMING

Custom farming allows a landowner who wishes to remain classified as a farmer and the ability to retain close control of the farm business but not be actively involved in performing day-to-day activities. The landowner would make all the farming decisions such as purchasing all inputs and receive all income from sales.

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.

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

The company has established a good system of internal controls in all spheres of its activities. The internal control is supplemented by effective Internal Audit. The Audit Committee of Board of Directors regularly reviews the business process and effective steps to implement the suggestions, which are taken and monitored regularly. In the opinion of the Board, an effective internal control system adequate to the size of the company is in place and as and when need arises resources are augmented in these systems.

In production process, the company has its own efficient Distribution Control Systems. The system automatically controls all the fluctuations of parameter of producing/retail process and do not give any chance to excessive losses and wastages. It provides the process a continuous flow of working without any interruption by any reasons. This definitely improved on productivity and profitability.

FINANCIAL PERFORMANCE

	(Rs. In Lakhs)		
Particulars	2007-08	2006-07	% of Change
Turnover	58803.44	34633.08	69.80
Other Income	4012.99	122.48	3176.45
PBIDT	2366.25	1217.08	94.24
Interest	1243.28	184.48	573.94
Depreciation	1055.16	677.68	55.70
Profit before Tax	67.80	354.93	(81.52)
Current and deferred taxation & FBT	(25.74)	182.37	(115.32)
Profit after Tax	93.54	172.55	(45.80)
EPS	0.92	1.73	(53.18)

During the current financial year 2007-2008, HFIL'S gross turnover increased to Rs.58803.44 lakhs from Rs 34633.08 lakhs in the previous year, registering a growth of 69.80 %.

There is a decrease in operating profit of the company due to commencement of more number of retail store operations during the year and incurred substantial start-up expenses and the same have been charged to revenue as per the Accounting Standard (AS) 26. There is a shortfall of net profit 45.80 % when compared to previous year.

Interest cost has increased from Rs.184.48 lakhs to Rs.1243.28 lakhs during the current financial year due to increased utilisation of short-term working capital loans and new term loans for Retail Business.

HUMAN RESOURCES

The Company's human resources philosophy is to establish and build a strong performance and competency driven culture with greater sense of accountability and responsibility. The company has taken pragmatic steps to strengthen organisational competency through involvement and development of employees as well as installing effective systems to improve the quality and accountability at all functional levels. With the changing and turbulent business scenario our basic focus is to upgrade the skill and knowledge level of its existing human assets to the required level by providing appropriate leadership at all levels, motivating them and inspiring them to stretch and take-up higher responsibility. The recruitment process is in complete synchronized with the organization Vision and Mission.

To meet the diversification into Retail sector, as well as the rapid expansion of the Dairy division in 2007-2008 financial year, your company has employed around 2997 employees (Dairy -1430, Retail -1459 and Agri - 108) directly on the rolls of the company and simultaneously complied to all the requirements as per the statutes. Your company continue to believe that, stakeholders growth is directly proportional to the organization growth and hence, continuous efforts are being made to satisfy the stakeholder, to realize the same across the organization.

Changing global business scenario, faster globalisation process, booming Indian economy as well as the industry, increased employment opportunities and acute talent shortage in the industry has thrown a great challenge in recruitment and retention of talent. Hence compensation management is set to meet the industry standards and which more closely matches and monitors the business goals and objectives. The vibrant Compensation management policy of your company is completely integrated with the long term and short-term business goals of the organization.

In the competitive world of business, your company strongly believes in developing the Human Potential to meet the growing challenges. Hence "HUMAN POTENTIAL DEVELOPMENT" is obvious for growth. Your company aims at getting best out of every professional in the organization to realize the business goals. Simultaneously your company is putting in lot of efforts at an organizational level to take a leap growth and success across the organization.

INDUSTRIAL RELATIONSHIP

Industrial relationship during the year under review between the employees at various levels and the management continued to be peaceful. Employees are given training by attending seminars / workshops to enhance their skills and knowledge based on training identification system. Company has introduced a Suggestion Scheme since last three years for continual improvement of the working of the company and to encourage employees' participation.

SAFETY, HEALTH AND ENVIRONMENT

Safety: Safety is accorded high priority and concerted efforts are made to ensure safe working conditions for employees. Employees are trained for safe practices to be followed at work place.

Health: Health of employee is also accorded equal importance. Periodic checkup of all employees is done to monitor their health. Regular work area monitoring to check concentration of chemicals, noise level and quality of ambient air is done.

Environment: The Company also attaches importance to environment protection and adherence to pollution control norms.

Air Emissions: Emissions from various sources are monitored regularly and compliance to statutory requirement is ensured. Measures are taken for reduction of emissions.

Liquid Waste Treatment: The Company has integrated Effluent Treatment Plants and outlet standards are maintained within the prescribed limits. Continuous efforts are made to minimize the quantity of effluents generated

eHERITAGE

Your Company has further advanced its Information Technology solutions by enhancing its customized ERP System to improve its operational efficiencies. "Communication" is the key word to achieve highest level of performance in today's competitive business environment. To strengthen the Business Linkages with the business location we have deployed "e-Heritage System". The said system facilitates two-way online communication with the business locations and helps in improving the performance.

Key Benefits

- Enables better decision making via a more complete view of key business information.
- Reduced costs by consolidating multiple legacy systems hampered by inconsistent and redundant information.
- Low administration costs and improve return on software investment.
- Scalable and reliable Oracle database protects software investment.

Business Benefits

- Single point of access for all users.
- Robust security.
- Rapid implementation.

FUTURE OUTLOOK

The outlook for margins and profitability depends greatly upon the overall global economic outlook, the industry demand supply scenario and trends in feedback and product prices.

Over the decade, the company has assimilated the following strategic strengths:

- a) Technical and Managerial capabilities to operate complex Dairy plants more productively.
- b) Sunrise product-mix leading to cost economies as well as flexibilities.
- c) Wide end-product market portfolios to cater to different sectors like retail, agro, bakery, power, infrastructure etc for providing in-built resilience from sartorial swings. Building on these strategic strengths, the company has embarked upon following strategy for growth.

- * Maximisation of the Present
- * Expanding the present
- * Diversifying from the present.

Corporate Governance is concerned with holding the balance between economic and social goals and between individual and community goals. The Governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society, which will help in value addition to the owner, protect the interest of lenders, promote welfare of the employees, and ensure satisfactory service to the customers and last but not the least add wealth to the nation.

1. Company's Philosophy on Code of Corporate Governance:

Corporate Governance is a system with which an organisation is structured. Corporate Governance integrates multi functions of an organisation to fulfil the objectives within the framework of all the Stakeholders, Society, Law of Government, and People at large.

The company has integrated the value system in all spheres of activities involving people from all functional areas. Your company has initiated to comply with code of conduct for all the Directors, Senior Staff and Functional Heads. The main focus is on integrity, transparency responsibility and accountability. It is about best practices of business to be imbibed into the culture of the organisation and complying with value systems, ethical business practices, laws and regulations to achieve the main objectives of the company.

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.

At Heritage Foods (India) Limited the focus is on its core strengths, value systems, hard working and strategic moves to be in the leading edge of new technology.

The company has set highest standards of Corporate Governance and implemented the code of Corporate

Governance in accordance with Clause 49 of the Listing Agreement with the Stock Exchanges.

A brief report on the practices and compliances by your company for 2007-08 is as follows.

2. Board of Directors

Composition

The company has been one of the front runners in establishing broad based Directors with a balanced composition of Executive Directors to Non executive Independent Directors ever since it went public.

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

The functions, responsibility, role and accountability of the Board are well defined. The detailed reports of the company's activities and performances are periodically placed before the Board for effective decision-making.

During the financial year 2007-2008, 14(Fourteen) Board Meetings were held on 4th May 2007, 18th May 2007, 29th June 2007, 16th July 2007, 30th July 2007, 22nd August 2007, 30th October 2007, 11th December 2007, 26th December 2007, 4th January 2008, 31st January 2008, 8th February 2008, 7th March 2008 and 29th March 2008.

The attendance of each director at the Board Meetings held during Financial Year 2007-2008, 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	Date of Joining	Attendance Particulars		No. of other Directorships \$	Committee memberships # (Including Heritage Foods)	
			Board Meetings	Last AGM		Member	Chairman
Sri D Seetharamaiah	Non Executive Independent	26-08-1992	14	Yes	6	3	3
Sri N P Ramakrishna	Non Executive Independent	20-01-1993	13	Yes	-	-	-
Dr N R Sivaswamy	Non Executive Independent	19-08-1999	12	Yes	2	3	-
Dr A Appa Rao	Non Executive Independent	27-01-2000	14	Yes	2	3	1
Smt. N Bhuvanewari	Executive	12-12-1994	13	Yes	2	1	-
Dr V Nagaraja Naidu	Non Executive	05-06-1992	14	Yes	3	2	-
Sri N.Lokesh*	Executive	01-07-2008	-	-	-	-	-

* N.Lokesh was appointed as an additional director by the Board of Directors at their meeting held on 30-06-2008.

\$ 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.

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.

Scheduling and Selection of Agenda items for Board Meetings

- (a) Minimum four Board Meetings are held in each year, which are pre-scheduled after the end of the each financial year. Apart from the pre-schedule Board Meetings; additional Board Meetings are convened by giving appropriate notice to address the specific needs of the Company.
- (b) The meetings are held at the Company's Registered office at 6-3-541/C, Panjagutta, Hyderabad-500 082, Andhra Pradesh, India.
- (c) The information placed before the Board includes
 - Quarterly results of the Company and its operating divisions or business segments
 - Quarterly MIS reports on division/ business segment-wise
 - Minutes of the meeting of the Audit Committee and other committees of the Board
 - Non-compliance of any regulatory, statutory nature or listing requirements and shareholders services such as non payment of dividend, delay in share transfer etc.
 - Quarterly summary of all long term borrowings, bank guarantees issued and investments made etc
 - Recommending/ Declaring dividend
 - General Notice of Interest of Directors
 - Terms of reference of the Board Committees
 - Any material default in financial obligations to and by the Company etc.

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.

Recording Minutes of proceedings at Board Meeting

The Company Secretary records the minutes of the proceedings of each Board and Committee meetings. Draft minutes are circulated to all the members of the Board/ Committee for their comments. The finalised minutes of proceedings of a meeting are entered in the Minutes Book within 30 days from the conclusion of that meeting.

Compliance

The Company Secretary while preparing the Agenda, Notes on agenda, Minutes etc., is responsible for and is required to ensure adherence to all the applicable laws, regulations including the Companies Act, 1956 read with the Rules issued

thereunder and to the extent feasible, the Secretarial Standards recommended by the Institute of Company Secretaries of India, New Delhi.

3. Audit Committee

The Board has constituted Audit Committee comprising 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.

The primary objective of the Audit Committee is to monitor and effectively supervise the Company's financial reporting process with a view to provide accurate, timely and proper disclosures and the integrity and quality of the financial reporting. The representatives of Statutory Auditors and Internal Auditors and the Head of Finance are being regularly invited to attend the Audit Committee Meetings.

During the financial year 2007-2008, 6(Six) Audit Committee Meetings were held on 4th May 2007, 29th June 2007, 30th July 2007, 30th October 2007, 31st January 2008, and 7th March 2008

The terms of reference/powers of the Audit Committee have been specified by the Board of Directors as under:

- A. The Audit Committee shall have the following powers: -
 - 1. To investigate any activity within its terms of reference.
 - 2. To seek information from any employee.
 - 3. To obtain outside legal or other professional advice.
 - 4. To secure attendance of outsiders with relevant expertise, if it considers necessary.
- B. The role of the Audit Committee shall include the following:
 - 1. 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.
 - 2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of Statutory Auditors and fixation of audit fees.
 - 3. 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 Directors' Responsibility Statement in the Directors' Report in terms of sub-section (2AA) of Section 217 of the Companies Act, 1956.
 - Changes, if any, in accounting policies and practices and reasons for the same.



- Compliance with listing and other legal requirements relating to financial statements.
 - Disclosure of related party transactions.
 - Qualifications in draft audit report.
4. Reviewing with the management, the quarterly/half yearly financial statements before submission to the Board for approval.
 5. Reviewing with the management, the performance of Statutory and Internal Auditors, adequacy of internal control systems.
 6. Reviewing the adequacy of internal audit function, reporting structure, coverage and frequency of internal audit.
 7. Discussion with Internal Auditors any significant findings and follow up thereon.
 8. 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.
 9. 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.
 10. To look into the reasons for substantial defaults in the payment to the shareholders (in case of non payment of declared dividends) and creditors.
 11. Carrying out such other function as may be specifically referred to the Committee by the Board of Directors and/ or other Committees of Directors of the Company.
 12. To review the following information:
 - The management discussion and analysis of financial condition and results of operations;
 - Statement of significant related party transactions, submitted by management;
 - Management letters / letters of internal control weaknesses issued by the Statutory Auditors;
 - Internal audit reports relating to internal control weaknesses; and
 - The appointment, removal and terms of remuneration of Internal Auditors.

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

Name	Designation	Date of Joining	Category	No. of Meetings attended
Sri D Seetharamaiah	Chairman	31-03-1997	Non-Executive Independent Director	6
Dr V Nagaraja Naidu	Member	31-03-1997	Non-Executive Director	6
Dr N R Siva Swamy	Member	27-01-2000	Non-Executive Independent Director	5
Dr A Appa Rao	Member	27-01-2000	Non-Executive Independent Director	6

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

4. Remuneration Committee

The Remuneration Committee of the Company consists 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. The remuneration policy of the Company is directed towards rewarding performance, based on review of achievements on

a periodic basis and attracting new talents and retaining them. 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.

During the financial year 2007-2008, 4(Four) Remuneration Committee Meetings were held on 27th June 2007, 17th September 2007, 16th November 2007 and 31st January 2008.

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

Name	Designation	Date of Joining	Category	No. of Meetings attended
Sri D Seetharamaiah	Chairman	31-03-2004	Non-Executive Independent Director	4
Dr N R Siva Swamy	Member	31-03-2004	Non-Executive Independent Director	4
Dr A Appa Rao	Member	31-03-2004	Non-Executive Independent Director	4

Details of remuneration paid/payable to Directors for the year ended 31st March 2008 is as under:

Name	Relationship with Company	Loans from Company	Sitting Fees	Salary & perks	Commission	Total
Sri D Seetharamaiah	None	NIL	142500	0	0	142500
Sri N P Ramakrishna	None	NIL	65000	0	0	65000
Dr N R Siva Swamy	None	NIL	82500	0	0	82500
Dr A Appa Rao	None	NIL	125000	0	0	125000
Smt N Bhuvanewari	Promoter Director	NIL	0	4200000	0	4200000
Dr V Nagaraja Naidu	None	NIL	122500	0	0	122500
Sri N. Lokesh*	Promoter Director	NA	NA	NA	NA	NA

* Sri N. Lokesh was appointed as additional director by the Board of Directors at their meeting held on 30-06-08.

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:

Sr. No	Name of the Director	No. of equity shares held
01	Sri D Seetharamaiah	Nil
02	Sri N P Ramakrishna	49000
03	Dr N R Siva Swamy	Nil
04	Dr A Appa Rao	Nil
05	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.

5. Share Transfer and Shareholder/Investor Grievance Redressal Committee

Terms of reference

The Board has constituted Shareholders'/ Investors' Redressal Committee, to look into grievance/issue of share holders/investors relating to non-receipt of dividend, non-receipt of Balance Sheet, shares sent for transfer etc. The Committee meets once in a month to approve physical share transfers and to resolve the investor grievances. The Committee periodically reviews the investor's complaints received and redressed.

The committee also reviewed the performance of Share Transfer Agent and recommended improving overall quality services to share holders whenever required.

Sri. Umakanta Barik is the Compliance Officer for complying with the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992 and the Listing Agreements with the Stock Exchanges.

During the financial year 2007-2008, 12(Twelve) Share Transfer and Shareholder/Investor Grievance Redressal Committee Meetings were held on 11th April 2007, 11th May 2007, 13th June 2007, 13th July 2007, 10th August 2007, 13th September 2007, 24th October 2007, 14th November 2007, 11th December 2007, 9th January 2008, 13th February 2008 and 12th March 2008.

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

Name	Designation	Date of Joining	Category	No. of Meeting attended
Sri D Seetharamaiah	Chairman	05-04-2001	Non-executive Independent Director	12
Dr V Nagaraja Naidu	Member	11-12-1994	Non-executive Director	10
Smt N Bhuvaneswari	Member	12-12-1994	Vice Chairman & Managing Director	06
Dr. A. Appa Rao	Member	20-02-2007	Non-executive Independent Director	12

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 etc.,	196	196	Nil
2	Legal proceedings on Share Transfer issues and complaints from SEBI, Department of Company Affairs, if any	Nil	Nil	Nil
3	Others	951	951	Nil

Share Transfers during the year:

Transfer Period(In days)	2007 - 2008		
	No. of transferees(Folios)	No. of Shares	%
1 - 15	60	9300	75.00
16 - 20	18	2200	17.74
21 - 30	7	900	7.26
31 and above	Nil	Nil	Nil
No. of pending Transfers	Nil	Nil	Nil

6. Code of Business Conduct and Ethics for Directors and Senior Management

The Company circulated the Code of Conduct among all the Board Members and Senior Management team an affirm that they are complying with the code on an annual basis. The total text of the Code of Conduct is posted on the company's website at www.heritagefoods.co.in.

A declaration by Smt. N. Bhuvaneswari, Vice Chairman & Managing Director of the company is given below:

I hereby confirm that:

The Company has obtained from all the members of the Board and Senior Management team, affirmation that they have complied with the Code of Conduct and Ethics for Directors and Senior Management in respect of the financial year 2007-08.

Place : Hyderabad
Date : July 30, 2008

N. BHUVANESWARI
Vice Chairman & Managing Director

7. Annual General Meetings

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

Year	Date	Location	Time
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.
2004-2005	15-07-2005	Sri Satya Sai Nigamagamam, Srinagar Colony, Hyderabad	10.00 a.m.



- b. All the special resolutions were passed only on show of hands at the Annual General Meeting held on 22-08-2007 and there were no special resolutions passed at the Annual General Meetings held on 31-07-2006 and 15-07-2005.
- c. No resolutions were passed by the Company's shareholders through postal ballot during the year ended 31st March 2008.
- d. At the ensuing Annual General Meeting, there are resolutions proposed to be passed by postal ballot.

8. 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 party 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.
- e. The Vice Chairman & Managing Director certified that the company has complied with the provisions of clause 49 (V) of the Listing Agreement.

9. 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.sebidifar.nic.in

10. General Shareholder Information

● **Annual General Meeting :**

Date and Time : 26th September, 2008 at 11.00 a.m
Venue : 'Our Place', No. 8-2-602/E, Charan Pahadi Road, Road No.10, Banjara Hills, HYDERABAD - 500 034
 Phone: 040-23353422, 23354234

- **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 2008-2009 of the Company, which is subject to change:

1st Quarter results by	last week of July, 2008
2nd Quarter/Half-year results by	last week of October, 2008
3rd Quarter results by	last week of January, 2009
4th Quarter & Annual results by	last week of June, 2009
AGM for the year 2008-09	August, 2009

- **Date of Book Closure** : 22nd September 2008 to 26th September 2008 (both days inclusive).
- **Dividend Payment Date** : On or after September 26, 2008(subject to the approval of shareholders at the ensuing Annual General Meeting.)



- **Company's shares are listed in the following Stock Exchanges** :
 - i) National Stock Exchange of India Limited (NSE)
Exchange Plaza, Bandra-Kurla Complex, Bandra (E),
MUMBAI - 400 051. Phone: 022-26598100.
 - ii) The Stock Exchange Ltd, Mumbai (BSE)
Phiroze Jeejeebhoy Towers, Dalal Street,
MUMBAI - 400 001. Phone: 022-22721234

Note: Annual listing fees for the year 2008-09 (as applicable) has been paid by the company to the respective stock exchanges.
- **Stock Code** : The Stock Exchange Ltd, Mumbai
Scrip code: 519552

National Stock Exchange of India Limited, Mumbai
Scrip code: HERITGFOOD
- **Demat ISIN in NSDL & CDSL for Equity Shares** : INE978A01019

- **Dematerialisation** :
88.15 % of the Company's paid-up equity share capital has been dematerialised as on 31st March 2008. 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	2798	1366031	11.85
2	NSDL	3140	9874726	85.65
3	CDSL	734	288743	2.50
	Total	6672	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**

Presently, the share transfers, which are received in physical form are processed and the share certificates are returned within 10 to 15 days from the date of receipt, subject to the documents being valid and complete in all respects.

The Board has delegated the authority for approving transfer, transmission etc of the company's securities to the sub committee of the Board called Share Transfer and Shareholder/Investor Grievance Redressal Committee. Summaries of share transfer/transmission of the securities of the company so approved by the committee are placed at every Board Meeting.

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:**

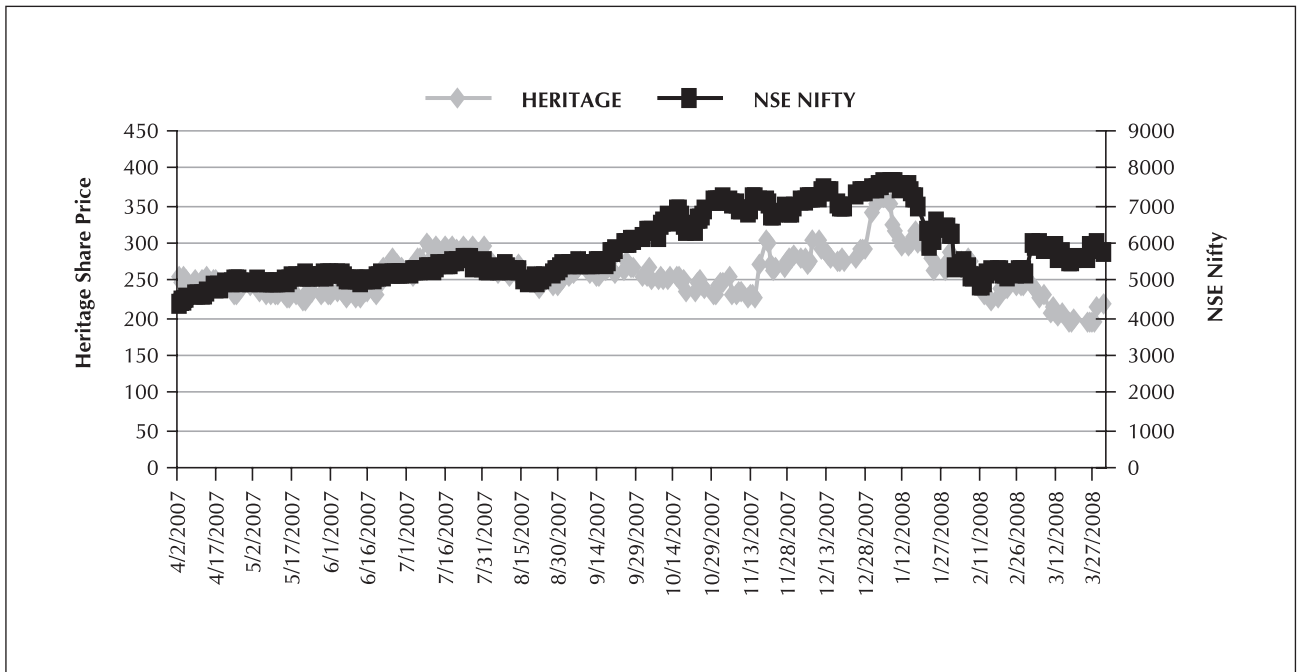
Market price data - High / Low during each month of the financial year 2007-08.

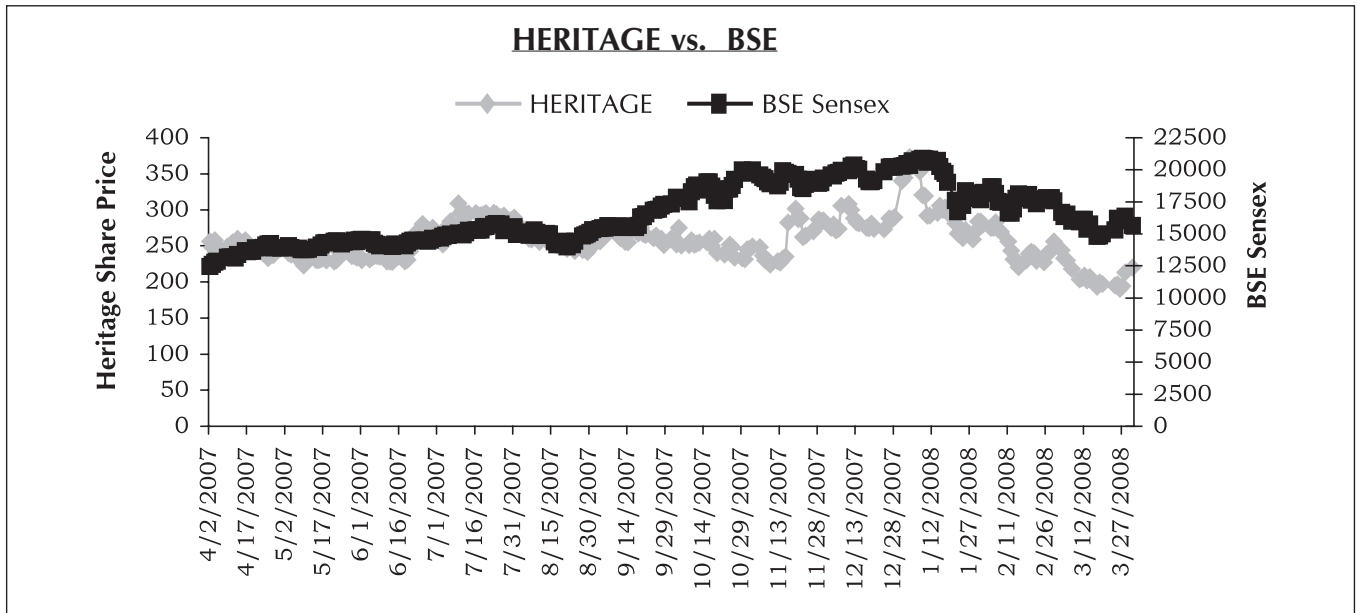
(Rs.)

Month	NSE		BSE	
	HIGH	LOW	HIGH	LOW
April, 2007	270.50	222.00	277.50	231.00
May, 2007	245.00	220.00	250.00	217.10
June, 2007	295.40	220.00	294.50	223.00
July, 2007	308.30	250.25	315.00	248.05
August, 2007	315.60	237.00	293.00	231.00
September, 2007	289.90	250.10	279.50	250.00
October, 2007	270.00	230.05	280.00	220.00
November, 2007	326.10	196.05	338.50	216.50
December, 2007	344.00	234.70	343.90	270.00
January, 2008	406.00	252.00	398.00	252.00
February, 2008	288.00	217.10	288.75	218.60
March, 2008	250.00	182.35	254.85	180.25

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

HERITAGE vs. NSE





■ **Distribution of Shareholding as on 31st March 2008:**

Category	No. of Share Holders	% of Share holders	No. of Shares	% of Shares
From To				
1 - 5000	6087	91.38	7288020	6.32
5001 - 10000	256	3.84	2202490	1.91
10001 - 20000	115	1.72	1839990	1.59
20001 - 30000	79	1.18	2014650	1.74
30001 - 40000	19	0.28	673860	0.58
40001 - 50000	34	0.51	1659590	1.43
50001 - 100000	28	0.42	216359	1.87
100001 & Above	44	0.66	9745281	84.56
Total	6672	100.00	11529500	100.00

■ **Shareholding Pattern as on 31st March 2008:**

Sl. No.	Category	No. of Shareholders	No. of Shares	% of Shares
1	Clearing Members	25	3152	0.03
2	Banks	1	2000	0.02
3	Employees	10	1900	0.02
4	Foreign Institutional Investor	6	2580365	22.38
5	Foreign Nationals	1	1650	0.01
6	H U F	56	19900	0.17
7	Bodies Corporate	204	170003	1.47
8	Mutual Funds	14	1244743	10.80
9	Non Resident Indians	98	90044	0.74
10	Overseas Corporate Bodies	2	5700	0.05
11	Persons Acting In Concert	14	926434	8.05
12	Promoters Bodies Corporate	1	494200	4.29
13	Company Promoters	3	3848613	33.39
14	Resident Individuals	6237	2140796	18.58
	Total	6672	11529500	100.00

▪ **Liquidity**

The Company shares are regularly traded on NSE and BSE. Relevant data of turnover of shares of the Company for the Financial Year 2007-08 is given below:

Trading Particulars	The Stock Exchange, Mumbai (BSE)	National Stock Exchange (NSE)	Total (BSE + NSE)
In number of shares	1176568	1824845	3001413
In Value terms (Rs.)	340945516.00	494551894.00	835497410.00

● **Outstanding Warrants:**

8,00,000 share warrants have been allotted to Smt. N Bhuvanewari, Vice-Chairman and Managing Director, out of which 5,39,500 warrants have been converted into equity shares and the balance 2,60,500 warrants are to be converted into equity shares on or before June 10, 2009.

8,00,000 share warrants have been allotted to Sri Nara Lokesh. These 8,00,000 warrants are to be converted into equity shares on or before August 07, 2009.

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 Resistrar and Share Transfer 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, Panjagutta,
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 Exchange where the securities of the company are listed.

- The Company has adopted the non-mandatory item relating to the Remuneration Committee prescribed under Clause 49 of the Listing Agreement.

Place : Hyderabad
Date : July 30, 2008

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

D SEETHARAMAIAH
Chairman

Office & Plant Locations

DAIRY DIVISION

MAIN DAIRY PLANT

Gokul, Chittoor-Tirupathi Road
Kasipentla
Chandragiri Mandal
Chittoor (Dt) AP.

PROCESSING & PACKING STATIONS

1. **BANGALORE**
Yadavanahalli Village, Anekal Taluq,
Bangalore South, Karnataka
2. **BATTIPROLU**
Battiprolu Village, Velaturu Mandal,
Guntur Dist., AP
3. **BAYYAVARAM**
Bayyavaram Village, Anakapalli Taluq,
Vizag Dist., AP
4. **CHITTOOR**
Sundarajapuram, E R Palte Post,
Chittoor Dist., AP
5. **UPPAL**
C10, IDA, Uppal, Hyderabad
6. **DINDIGAL**
Vadamadhurai Village,
Dindigul Dist., Tamil Nadu
7. **NARKETPALLE**
Cherugattu Village,
Nalgonda Dist., AP
8. **PAMARRU**
Near Ramachandrapuram,
East Godavari Dist., AP
9. **SHANTIPURAM**
Shantipuram Village, V Kota Raod,
Chittoor Dist., AP
10. **Sangavi**
Satara Dist. Maharashtra.
11. **B. Kotha Kota**
Chittoor Dist. A.P.
12. **Gadingluj**
Satara Dist, Maharashtra

PROCUREMENT & PROCESSING CENTRES

1. **Atmakuru**
Atmakuru Post, Nellore Dist., AP
2. **Bapatla**
Mulapalem Village,
Bapatla-Ponnur Road,
Bapatla Mandal, Guntur (Dt).
3. **Brahmanapalli**
Pidiguralla Village,
Guntur (Dt). AP

4. **Darsi**
Darsi Post, Prakasam Dist., AP
5. **Kalluru**
Korlagudem village,
Kalluru Mandal,
Khammam Dist., AP
6. **Kandukuru**
Katuturu Grampanchayat,
Veletivaripalem mandal,
Kandukuru, Prakasam Dist., AP
7. **Kondepi**
Kondepi Village & Mandal,
Prakasam Dist., AP
8. **Madanapalli**
Basinikonda Village,
Madanapalle Mandal,
Chittoor Dist., AP
9. **Madhira**
Rayapatnam Village,
Madhira Mandal,
Khammam Dist., AP
10. **Muppavaram**
Bytamanjulu Post,
J Panjaluru Mandal,
Prakasam Dist., AP
11. **Namakkal**
Navani Vellali Patti Village,
Pudusatram-P.O
Namakkal, Dist., Tamilnadu
12. **Nandyala**
Sambavaram Village,
Gosapadu Mandal,
Kurnool Dist., AP
13. **Piler**
Yerraguntla Village,
Piler Mandal,
Chittoor Dist., AP
14. **Santhamaguluru**
Puthavaripalem Village,
Santhamaguluru Mandal,
Prakasam Dist., AP
15. **Tiruvannamalai**
Somasipadi, Tiruvannamalai Dist.,
Tamilnadu
16. **Uthangarai**
Koorampatti Village,
Uthangarai Taluq, Dharmapuri Dist.,
Tamilnadu.
17. **Bobbili**
Industrial Growth Center, Bobbili,
Vizianagaram Dist., AP
18. **GurajaGuraja,**
Krishna Dist., AP
19. **Metcheri**
Metcheri, Salem Dist., Tamilnadu.

20. **Kotananduru**
Kotananduru, East Godavari Dist., AP
21. **Gantyada**
Gantyada (V&M),
Vizianagaram Dist.,AP
22. **L.Kota**
C/o Sree Sravani Milk Chilling Centre,
L.Kota (V&M), Vizianagaram Dist.
23. **Attur**
Thalavaipatty Post, Attur Taluk,
Salem District, Tamilnadu.

MINI CHILLING CENTRES

1. **Jaggampeta**
East Godavari Dist, AP
2. **Kalakada**
Chittoor Dist., AP
3. **Kanigiri**
Prakasam Dist., AP
4. **Kodada**
Nalgonda Dist., AP
5. **Vinukonda**
Guntur Dt, AP
6. **Podalakuru**
Nellore Dist. AP
7. **Ravikamatam**
Opp. Govt Veternary Hospital,
Ravikamatam Village,
Visakhapatnam Dist. AP
8. **Satyawada**
West Godavari., AP
9. **Velvadam**
Krishna Dt., AP
10. **Kaligiri**
Nellore Dist. AP
11. **Chagarlamarri**
Kallugotlapalli Village,
Allagadda Mandal,
Kurnool Dist. AP
12. **Hindupur**
Srikantapuram Village,
Kaggallu Panchayat,
Hindupur Mandal, Anantaput Dist. AP
13. **Veeravalli**
Veeravalli Village,
Bapulapadu Mandal, Krishna Dt., AP

BULK COOLERS

1. **Anaparthi**
Doppalapudi Post,
Anaparthi Mandal,
East Godavari Dist. AP
2. **Gajapatnagaram**
Gajapatnagaram Post,
Vizianagaram Dist., AP

3. **Nandigama**
Krishna Dist., AP
4. **Ravulapalem**
East Godavari Dist. AP
5. **Revedi**
Vizianagaram Dist., AP
6. **Samarlakota**
East Godavari Dist. AP
7. **Tallarevu**
East Godavari Dist. AP
8. **Kathipudi**
East Godavari Dist. AP
9. **Poosapatirega**
Poosapatirega Village
Vizianagaram Dist., AP
10. **Rangampeta**
Rangampeta Mandal,
East Godavari Dist. AP
11. **Vatsavai**
Vatsavai Mandal,
Krishna Dist., AP
12. **Venkatagiri**
Sri Kalahasti Mandal,
Chittoor Dist., AP.
13. **Vepanapalli**
Vepanapalli Post,
Krishnagiri thaluk, Tamilnadu.
14. **Duttaluru**
Duttaluru Mandal, Nellore Dist., AP
15. **Sathenapalli**
Sathenapalli Mandal, Guntur Dist., AP
16. **Sri Kalahasti**
Pedda Kannali Village & Post,
Chittoor Dist., AP.
17. **Wyra**
Gundrathimadugu Village,
Konigerla Mandal,
Wyra Post, Khammam Dist. AP
18. **Saswad**
Satara Dist, Maharashtra
19. **Sansar**
Satara Dist, Maharashtra
20. **Pusesawali**
Satara Dist, Maharashtra.

ICE PLANTS

1. **Amalapuram**
Amalapuram, East Godavari Dist., AP
2. **Nachugunta**
Nachugunta Village,
Unguturu Mandal, West Godavari Dt
3. **Challapalli**
Avanigadda Road,
Challapalli, Krishna Dt.
4. **Dharmapuri**
Dharmapuri Dt, Tamilnadu.
5. **Vargur**
Vargur Post,
Namakkal (Taluq & Dist),
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 3

Shop No:192 Cellar, Mamatha Estates,
Allwyn Indhra reddy Colony,
Besides Subcourt, Miyapur.
Phone: 9912344401

Hyderabad Sales Office 4

D.No: 1-30-418/1, Plot No:1,
Venkateswara Colony, Kanaji Guda,
Tirumalghiri, Secunderabad -15.
Phone: 040 - 32456425

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: 540/1, GM Complex,
Jayanagar - VII th Block, West of
Kanakapura Road, Bangalore - 82.
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

No: 2/14B, Kamarajar Street,
Arunachalam Nagar, 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

44/6, Igloo Cold Storage,
APM Yard, Sector - 18, Vashi,
Navi Mumbai - 400 705
Phone: 022 - 27881816

Pune Sales Office

No: 9, Akashvani Kendra - B, Munnalal
Paradise, Pune - Sholapur Road,
Hadapasar, 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,
Corporation 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 IInd Stage, Bangalore – 560 050
- 8 Yelahanka**
Corporation No.325, HIG 1st Stage,
Krishna Dt., AP Sector A,
Yelahanka, Bangalore - 560 064
- 9 Gandhi Bazar**
R.S.R Building, Corporation No.70,
Gandhi Bazar Main Road,
Basavanagudi, Bangalore
- 10 Hessarghatta Main Road**
Corporation No.19 & 43,
Bangalore Hessarghatta Main Road,
Bangalore – 560 057
- 11 Malleshwaram**
Corporation No.92, 3rd Main Road,
Margosa Road,
Bangalore – 560 003
- 12 Banaswadi**
Corporation No.345, New No.51,
10th Main, 100ft Road,
B.V.Reddy Garden, Kalyan Nagar,
Dodda Banaswadi,
Bangalore – 560 043
- 13 Hennur Main Road**
No.9, Ankanna Reddy Layout,
Kacharakana Halli,
Bangalore North Taluk, Hennur Main
Road, Bangalore
- 14 Rammurthy Nagar**
No.7, Khata No.81/89/1,
Kowdenahalli,
Rammurthy Nagar Hobli, Bangalore
South Taluk, Bangalore
- 15 HSR Layout**
No.2627, Sector - 1, HSR Layout,
Bangalore
- 16 White Field**
No.6, BBMP Katha No.205/155,
Thubarahalli Village,
Ramagondanahalli Post, Varthur Main
Road, Bangalore
- 17 Prashanth Nagar**
Site No.1, Hari Ram Aildas Layout
(Prashanth Nagar),
Govindarajanagara,
Thimmenahalli Main Road,
Kempapura Agrahara,
Bangalore North Taluk, Bangalore
- 18 RT Nagar**
site no.695, HMT Layout,
Mezzanine floor of Building,
Vishveshvaraiyah Nagar,
Ganga Nagar, Bangalore
- 19 Banshankari 3rd Stage**
Site No.38/113, 2nd A Cross,
Kathariguppa Main Road,
Banashankari 3rd Stage, Bangalore
- 20 Vijaya Bank Colony**
Site No.441,
Vijaya Bank Employees Housing
Co-Operative Society Limited Layout
Situating at Bilekahali, Begur Hobli,
Bangalore South Taluk, Bangalore
- 21 Kagdaspura**
Site No.21, Kagdaspura Main Road,
K.R.Puram Hobli, Bangalore
- 22 Malleshpalya**
NO.2 66/1, Vibhudhipura village,
Gramatana area, KR puram hobli,
HASB Area, Malleshpalya main Road,
Bangalore South Taluk
- 23 Coffee board Colony**
Site No 3, Village Khata No.650,
Sy No. 10/1, 12/1, Kempapura Village,
Yelahanka Hobli, Coffee Board
Layout, Bangalore
- Chennai**
- 1 Madipakkam**
No.1 & 2, Bazaar Street,
Baliah Garden, Madipakkam,
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 Ashok Nagar**
No.83, 10th Avenue,
Ashok nagar Chennai – 600 083
- 5 Velachery**
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**
Old 187/1, New 238,
Rayapeta High Road,
Mylapur, Chennai.
- 8 Kolathur**
Plot No.2, Velavan Nagar,
Paper Mills Road (next to SAI Mahal),
Kolathur, Chennai – 600 099
- 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**
No.3A, Brindavan Nagar Main Road,
Adambakkam, Chennai – 600 088
- 12 Mugalivakkam**
Plot no.10 & 11,
Mugalivakkam Main Road,
Sriram Nagar, Porur, Chennai 16
- 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
(Poiseon 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,
GreataPearl 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

Hyderabad

- 1 Vikrampur**
V.V Towers, Survey No 59/1/2/1,
Kakaguda Village, Vikrampur,
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
- 7 West Marredpally**
H.no. 10-2-98 & 99,
Tejaswini Arcade, Plot No. 78,
Secunderabad – 500 080
- 8 Vijay Nagar Colony**
10-3-550, Ground Floor,
Sri Krishna Classic, Vijay Nagar Colony,
Hyderabad – 500 037
- 9 Malkajgiri**
22-1-1/1, Radha Krishna Nagar,
Beside Bank of Maharashtra,
Malkajgiri, Hyderabad
- 10 HMT Nagar**
Plot No. A 128, A 129,
Bapuji Nagar, Nacharam Road,
(Beside Trinetra Super Market),
Habsi Guda, Hyderabad – 500 004
- 11 AS Rao Nagar**
Yasmai Arcade P.no. A-6/1,
A-6/3, SY no. 500, Kapra,
AS Rao Nagar, Hyderabad – 500 062

- 12 D.D Colony**
Ashoka Satyam Enclave,
P.No. 2-2-7/1,
Durgabai Deshmukh Colony,
Hyderabad – 500 007
- 13 Himayat Nagar**
3-6-430, Sri Laxmi Nilayam,
Himayat Nagar, Hyderabad-500 029
- 14 Ashok Nagar**
1-10-209/135, Ashok Nagar,
Hyderabad – 500 020
- 15 PadmaRao Nagar**
Plot no 15, H.no. 6-1-289/9,
Opp. Swarajya Printing Press,
Secunderabad – 500 025
- 16 Dilsukh Nagar**
Survey no. 24,23,34, Door no. 5-25,
(Opp. R.S.Brothers)
Dilsukh Nagar, Hyderabad – 500 060
- 17 Nagole**
1 to 6, Survey No. 128,
Part and 129/2, Nagole (Village),
LB Nagar Municipality,
Hyderabad – 500 035
- 18 Santhosh Nagar**
Gilbert Plaza, 12-1-210/4,
Near 1S-7, Hyderabad – 500 028
- 19 Bowenpally**
Plot no. 6, Krishna Reddy Nagar,
(Near Gulf Bakery) Beside Petrol Bank,
Bowenpally 'X' Roads, Secunderabad
- 20 Vanasthalipuram**
Plot No. 1 & 2, Sy. No. 53 & 54,
Saheb Nagar Khund,
Vanasthalipuram, R R District
- 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
- 22 Red Hills**
11-6-872/1 to 6, 872/A&B,
872/A/1, Lakdikapool,
Hyderabad – 500 026
- 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
- 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

- 25 Kompally**
Sree Vensai Towers varuna Block,
Shop no.GF2, Sy. No. 128 (P),
Grampanchayath of Kompally,
Qutbullapur mandal, R.R. District
- 26 Kondapur**
"Park View" Plot no.5, Sy.No.6,
Kondapur Village, Serilingampally
Municipality, R.R. District
- 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
- 28 Madinaguda**
Rajamma Commercial Complex,
Sy.No.95, 96, Plot no. 5,6,7,8,
Madinaguda, Sherilingampally (M),
Hyderabad
- 29 Miyapur**
"Sri Kalki Mansion",
Flat no.G1, G2, G3,
Plot no.10 & 13, Survey No.221,
Madenaguda Village,
Serilingampally Mandal, R R District
- 30 Prashasan Nagar**
1st Floor, Prasassan Nagar,
Co-operative Housing Building
Society Ltd, Road No.72,
Jubilee Hills, Hyderabad

Distribution Centres

Hyderabad

4-97, ST. John's Regional Seminary
Society, Ramanthapur, Hyderabad – 39

Chennai

C/o Agility Logistics, No: 8/1 A1, A2,
GNT Road, Vijayanallur, (Near to
Vijayanallur Indian Oil Pump)
Sholaravam, Chennai - 600 097

Bangalore

Survey No: 99, Segahalli Village,
Bidarhalli Hobli, Opp. Sai Garden
Apartments, Kannamangala Post,
Bangalore – 560 067

AGRI DIVISION

Integrated Pack Houses:

1. Adavi Masjid Village
Mulugu Mandal,
Medak Dist
2. Mattam Village,
Shanthipuram Mandal,
Chittoor Dist

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, 2008, 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, 2008, 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

Place : Hyderabad
Date : July 30, 2008

CEO AND CFO CERTIFICATION

We, N. Bhuvaneshwari, Vice-Chairman and Managing Director and A. Prabhakara Naidu, Senior 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 Bhuvaneshwari
Vice Chairman and
Managing Director

Place : Hyderabad
Date : June 30, 2008

A. Prabhakara Naidu
Senior 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 2008 and also the Profit and Loss Account for the year ended on that date annexed thereto and the 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, proper Books of Account as required by law have been kept by the Company, so far it appears from our examination of the Books and proper returns adequate for the purpose of our audit have been received from the branches not visited by us.
 - iii. The Balance Sheet, Profit and Loss Account and cash flow statement dealt with by this report are in agreement with the Books of Account maintained.
 - iv. In our opinion the Profit and Loss Account, the Balance Sheet and the cash flow statement comply with the Accounting Standards referred to in Section 211 (3C) on the Companies Act 1956.
 - v. On the basis of written representations received from the directors, as on 31st March 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said Financial statements read together with the Significant Accounting policies and other notes thereon 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 on 31st March 2008,
 - b) In the case of Profit and Loss Account, of the profit 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 (Auditor's Report) Order 2003 issued by the Central Government of India, in terms of sub-section (4A) of Section 227 of the Companies Act 1956, we report that.
 - i.
 - a) The Company is maintaining 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 have 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 had 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.
 - b) The Company has not granted any loans, secured or unsecured, to Companies, forms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 or to Companies under the management as defined in Section 370 (1-B) of the Companies Act, 1956.
 - c) In our opinion, the rate of interest and other terms and conditions on which loan have been granted to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company.
 - d) In respect of the loans granted, the party has repaid the principal amounts as stipulated and has been regular in the payment of interest.
 - e) There is no over due amount of loans granted to companies, firms or other parties listed in the register

- maintained under Section 301 of the Companies Act, 1956.
- iv. In our opinion and according to the information and explanations 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, 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 controls.
- 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, there are no transactions made in pursuance of contracts or arrangements with the parties entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs hence the reporting requirement under this clause does not apply.
- vi. The company has not accepted deposits from the public governed by Sections 58 A 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. However the scope of internal audit of retail division needs to be reviewed and strengthened.
- viii. As per the information given to us, the Central Government has not prescribed maintenance of cost records under Section 209 (1) (d) of the companies Act 1956.
- ix. a) The company is regular in depositing undisputed statutory dues with the appropriate authorities including Provident Fund, Investor Education and Protection 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 there are no disputed dues relating to Income Tax, Wealth Tax, Cess and Sales Tax, which have not been deposited as at 31st March, 2008 other than disputed Income Tax and Sales Tax dues as indicated in Note no. 24 of Schedule 19.
- x. The company does not have any accumulated losses as at the end of the financial year under reference and the company has not incurred any cash losses in the financial year under reference and in the financial year immediately preceding such financial year.
- xi. The company has not defaulted in 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 (Auditor's 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 explanations given to us, the price at which the Company has made preferential allotment of equity shares/warrants to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 is prima facie not prejudicial to the interests of the Company.
- 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 fraud on or by the company has been noticed or reported during the year.

For RAJU & PRASAD
Chartered Accountants

M. Sivaram Prasad
Partner
Membership No. 18943

Place : Hyderabad
Date : June 30, 2008

BALANCE SHEET AS AT 31ST MARCH, 2008

	Schedule	As At		As At	
		Rs.	31.03.2008 Rs.	Rs.	31.03.2007 Rs.
SOURCES OF FUNDS:					
Shareholders Funds:					
Share Capital	01	115295000		99900000	
Reserves & Surplus	02	<u>1041656162</u>	<u>1156951162</u>	<u>593126716</u>	693026716
Share Warrant Application Money			31868800		0
Loan Funds:					
Secured Loans	03	1475601227		627687921	
Unsecured Loans	04	<u>59918388</u>	<u>1535519615</u>	<u>422113386</u>	1049801307
Deferred Tax Liability			64455339		71978680
TOTAL			<u>2788794916</u>		<u>1814806703</u>
APPLICATION OF FUNDS:					
Fixed Assets:					
Gross Block	05	2064483507		1288764262	
Less: Depreciation		<u>440378950</u>		<u>334926609</u>	
Net Block			1624104557		953837653
Capital Work-in-Progress			467580555		193199640
Assets intended for Lease			0		1815796
Investments	06		2118210		22518210
Current Assets, Loans and Advances:					
Inventories	07	453860715		448753830	
Sundry Debtors	08	92686314		43828071	
Cash and Bank Balances	09	515117638		246440499	
Loans and Advances	10	<u>332342447</u>		<u>287488141</u>	
Sub-total		1394007114		1026510541	
Less: Current Liabilities and Provisions	11				
A. Current Liabilities		676782358		343028125	
B. Provisions		<u>22233162</u>		<u>40047012</u>	
Net Current Assets			694991594		643435404
TOTAL			<u>2788794916</u>		<u>1814806703</u>
Significant Accounting policies	18				
Notes on Accounts	19				

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 Chairman & Managing Director

V. Nagaraja Naidu
Director

Date : June 30, 2008
Place : Hyderabad

A. Prabhakara Naidu
Senior General Manager - Finance & Accounts

Umakanta Barik
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

	Schedule	YEAR ENDED 31.03.2008 RS.	YEAR ENDED 31.03.2007 RS.
INCOME :			
Sales		5880344201	3463308361
Other Income	12	401298814	12248466
TOTAL		6281643015	3475556827
EXPENDITURE:			
Materials Consumed	13	3811647671	2686635409
Purchase of Goods		1006528433	97352818
Power and Fuel		168975052	114987868
Employee Remuneration	14	350383597	146212442
Interest	15	124327994	18447898
Other expenses	16	791188609	387005128
(Increase)/ Decrease in Stocks	17	(83704858)	(78345027)
TOTAL		6169346498	3372296536
PROFIT/(LOSS) BEFORE DEPRECIATION AND AMORTISATION		112296517	103260291
Less: Depreciation and Amortisation		105516119	67767752
PROFIT/(LOSS) FOR THE YEAR		6780398	35492539
Less :Provision for taxation			
Current Taxation		275631	4135000
Deferred tax Liability / (Asset)		(7523341)	11769363
Fringe Benefit Tax		4673801	2332683
NET PROFIT/(LOSS) AFTER TAX		9354307	17255493
Less:Prior period expenses		2790740	7074021
		6563567	10181472
Less: Taxation of Earlier Years		(2832109)	7033513
NET PROFIT/(LOSS) AFTER PRIOR PERIOD ITEMS		9395676	3147959
Balance brought forward		134015716	170931159
Amount available for Appropriation		143411392	174079118
Appropriations			
Proposed Dividend		18241489	29970000
Provision for Tax on Dividend		3100141	5093402
Transfer to General Reserve		1000000	5000000
Balance carried to Balance Sheet		121069762	134015716
TOTAL		143411392	174079118
Basic and diluted earning per share of Rs.10/- each		0.92	1.73
Significant Accounting policies	18		
Notes on Accounts	19		

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 Chairman & Managing Director

V. Nagaraja Naidu
Director

Date : June 30, 2008
Place : Hyderabad

A. Prabhakara Naidu
Senior General Manager - Finance & Accounts

Umakanta Barik
Company Secretary

	As At 31.03.2008 Rs.	As At 31.03.2007 Rs.
SCHEDULE 1 : SHARE CAPITAL		
Authorised:		
1,50,00,000 Equity Shares of Rs.10/- each	<u>150000000</u>	<u>150000000</u>
Issued, Subscribed & paid-up		
1,15,29,500 Equity Shares of Rs.10/- each fully paid-up (Previous year 99,90,000 Equity Shares of Rs.10/- each fully paid-up)	<u>115295000</u>	<u>99900000</u>
SCHEDULE 2: RESERVES AND SURPLUS		
Capital Reserve (State Subsidy)	8381260	8381260
Add: Subsidy received during the period	<u>0</u>	<u>0</u>
	8381260	8381260
Less: Subsidy transferred to P&L A/c during the period	<u>5500000</u>	<u>0</u>
Capital Redemption Reserve	2881260	8381260
Securities Premium account	8100000	8100000
	465975400	0
General Reserve:		
Opening Balance	442629740	437629740
Add: Transferred during the year	<u>1000000</u>	<u>5000000</u>
Closing Balance	443629740	442629740
Surplus in Profit and Loss Account	121069762	134015716
TOTAL	<u>1041656162</u>	<u>593126716</u>
SCHEDULE 3: SECURED LOANS		
Term Loans from Banks	1122463322	549237810
Working Capital Loans from Banks	353137905	78450111
TOTAL	<u>1475601227</u>	<u>627687921</u>
SCHEDULE 4: UNSECURED LOANS		
Sales Tax Deferment	59918388	44588602
Short Term Loan from Banks	0	377524784
TOTAL	<u>59918388</u>	<u>422113386</u>

SCHEDULE 5 : FIXED ASSETS

PARTICULARS	GROSS BLOCK			DEPRECIATION/AMORTISATION*				NET BLOCK	
	As At 01.04.2007 Rs.	Additions Rs.	Deletions Rs.	As At 01.04.2007 Rs.	For the Year Rs.	Deletions Rs.	As At 31.03.2008 Rs.	As At 31.03.2008 Rs.	As At 31.03.2007 Rs.
LAND	120292296	20363040	4080872	136574464	-	-	136574464	136574464	120292296
BUILDINGS	318696972	100969317	0	419666289	11809627	0	63409036	356257253	267097563
CIVIL WORKS IN LEASEHOLD PROPERTY	44011914	66970002		110981916	8334777	0	9068012	101913904	43278679
PLANT & MACHINERY	586408132	366073634	26718	952455048	46620073	18746	301393550	651061498	331615909
FURNITURE & FIXTURES	32000552	59194635	0	91195188	3948352	0	7736402	83458785	28212501
OFFICE EQUIPMENT	101882024	56147766	109531	157920259	17504920	14754	34263973	123656286	85108217
SOFTWARE	70628483	8283919	0	78912402	14958615 *	0	18441728	60470675	67145370
ASSETS ON LEASE	0	100795552	0	100795552	901337	0	901337	99894215	0
VEHICLES	14843888	1182906	44405	15982389	1438420	30278	5164912	10817477	11087118
TOTAL	1288764262	779980771	4261526	2064483507	105516119	63778	440378950	1624104557	953837652
PREVIOUS YEAR	801498968	488386172	1120878	1288764262	67767752	1089434	334926609	953837652	533250678

	As At 31.03.2008 Rs.	As At 31.03.2007 Rs.
SCHEDULE 6 : INVESTMENTS		
Government Securities:		
National Savings Certificate	5500	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
2040000 Equity Shares of Rs 10/- each fully paid up in Heritage Infra Developers Ltd.,	0	20400000
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	2118210	22518210
Note: The aggregate market value of quoted investments is Rs.125695/- (Previous Year Rs.102270/-)		
SCHEDULE 7: INVENTORIES		
(As verified and certified by Management)		
Stores and Spares	34800626	21550484
Raw Materials (including Packing Material)	93412221	185260336
Stocks under Process	1087787	543241
Finished Goods	155548322	197152866
Tradable Goods	169011758	44246903
TOTAL	453860715	448753830
SCHEDULE 8: SUNDRY DEBTORS		
Outstanding for more than six months:		
Unsecured and considered good	7031233	1705924
Unsecured and considered doubtful	1289912	1308168
	8321145	3014092
Other Debtors:		
Unsecured and considered good	85855080	42122147
Total Debtors	94176225	45136239
Less: Provision for bad and doubtful debts	1489912	1308168
TOTAL	92686314	43828071

	As At 31.03.2008 Rs.	As At 31.03.2007 Rs.
SCHEDULE 9 : CASH AND BANK BALANCES		
A. Cash and Cheques on hand	218913334	12230514
B. Funds in Transit	0	6448112
C. Balances with Scheduled Banks in :		
Current Accounts	271551375	212329449
Unclaimed Dividend Accounts	5825301	5677241
Margin Money Accounts	13519311	538939
Other Accounts	5000	5000
D. Balances with other Banks :		
Sapthagiri Grameena Bank A.P.	2994698	5955277
The Dharmapuri Dist. Central Co-op. Bank Ltd., T.N.	13413	9841
Prakasam Dist. Co-op. Central Bank Ltd., A.P.	529483	187884
Chaitanya Grameena Bank, A.P.	124252	74557
Rayalaseema Grameena Bank, A.P.	167996	1061812
A.P. Grameena Vikas Bank, A.P.	733183	1028225
Pinakini Grameena Bank, A.P	388456	846127
TSDCCB - Pudunchandai - Namakkal, T.N.	351836	47520
Total	515117638	246440499
SCHEDULE 10: LOANS AND ADVANCES		
(Unsecured and Considered good)		
Advances recoverable in cash or kind or for value to be received	172113501	189760963
Deposits	113944791	53866183
Tax Deducted At Source & Advance Tax	46284154	43860995
TOTAL	332342447	287488141
SCHEDULE 11: CURRENT LIABILITIES AND PROVISIONS		
A. Current Liabilities:		
Sundry Creditors:		
Dues to SSI Undertakings	25430093	21242718
Dues to Others	379501194	146808091
Creditors for Expenses	232580444	145867743
Unclaimed Dividend	5825301	5677241
Trade Deposits	33445326	23432332
TOTAL (A)	676782358	343028125
B. PROVISIONS:		
Provision for Taxation	891532	4983610
Proposed Dividend	18241489	29970000
Provision for tax on Dividend	3100141	5093402
TOTAL (B)	22233162	40047012
TOTAL (A+B)	699015520	383075137

	Year Ended 31.03.2008 Rs.	Year Ended 31.03.2007 Rs.
SCHEDULE 12: OTHER INCOME		
Interest on Bank and Other Deposits (TDS Rs.1743174/- (Previous year : Rs.860995/-)	6970287	8002801
Miscellaneous Receipts	22082265	3542565
Profit on sale of investments	336579600	0
Profit on sale of assets	23344156	0
Dividend Income	63467	703100
Foreign Exchange Gains	12259039	0
Total	401298814	12248466
SCHEDULE 13: MATERIALS CONSUMED & PURCHASE OF GOODS		
a. Raw Materials :		
Opening Stock	167856901	66587357
Add: Purchases	3530876486	2647124935
	3698733387	2713712292
Less: Closing Stock	66778430	167856901
Consumption (a)	3631954957	2545855391
b. Packing Materials :		
Opening Stock	17403435	9562789
Add: Purchases	188923070	148620664
	206326505	158183453
Less: Closing Stock	26633791	17403435
Consumption (b)	179692714	140780018
TOTAL (a + b)	3811647671	2686635409
c. Purchase of Goods:		
	1006528433	97352818
TOTAL (c)	1006528433	97352818
SCHEDULE 14: EMPLOYEE REMUNERATION		
Salaries, Wages, Bonus & allowances	318429690	134623133
Contribution to Provident and Other funds	19008237	7342929
Gratuity	2800000	927229
Staff Welfare	10145669	3319151
TOTAL	350383597	146212442
SCHEDULE 15: INTEREST		
On Term Loans from Banks	64164668	1187915
On Working Capital Loans from Banks	17213165	3348933
On Other Loans	42950161	13911050
TOTAL	124327994	18447898

	Year Ended 31.03.2008 Rs.	Year Ended 31.03.2007 Rs.
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SCHEDULE 16 : OTHER EXPENSES

Stores and Spares	51146687	32852894
Rent	104524415	15149111
Rates and Taxes	9062677	5323561
Bank charges	49575877	8162954
Insurance	6245344	3865172
Travelling and Conveyance	29952861	12807340
Office Maintenance	5306547	2762880
House Keeping Expenses	9174240	840471
Books and Periodicals	1449150	552134
Electricity Charges	35490719	4357606
Safety and Security	19912108	8850361
Communication costs	34437753	12667095
Printing and Stationery	10700491	3808871
Repairs and Maintenance:		
Buildings	1730352	910196
Plant and Machinery	4510885	2345046
Others	10775786	4736801
Auditors' Remuneration:		
As Auditors	702130	690070
For tax audit	84270	99880
Certification, Tax matters and other services	153152	81323
Expenses reimbursed	96129	68773
Legal and professional charges	59475939	53970406
Freight Outwards	238434507	176479872
Selling and distribution expenses	31829783	9845206
Advertisement	24334602	7138401
Warehouse and Logistics	30864538	2159693
Directors' Remuneration	4200000	8400000
Directors' sitting fees	537500	325000
Bad debts written off	1871901	1308168
Provision for doubtful debts	200000	0
Loss on sale of Assets	78904	6944
Recruitment and Training Expenses	8889603	4697697
Dimunition in value of Investment	0	10440
Miscellaneous expenses	5439759	1730762
Total	791188609	387005128

SCHEDULE 17: (INCREASE) / DECREASE IN STOCKS

Finished Goods & Work-in-Progress:		
Opening Stocks	241943010	163597983
Closing Stocks	325647868	241943010
(INCREASE) / DECREASE IN STOCKS	(83704858)	(78345027)

SCHEDULE 18: 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 issued by the Institute of Chartered Accountants of India.
- 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 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 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.
- h) **Capital Work-in-progress:** Cost of capital work in progress is recognized at cost and includes advances, assets and 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 or net realizable value whichever is lower. |
| Cost has been ascertained on FIFO basis | | |
| 5) Tradable Goods | : | Cost has been ascertained on moving weighted average basis |
-
- 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 are reduced from the respective assets.
- m) **Employee Retirement Benefits:**
- Gratuity : Accrued liability is determined on actuarial valuation basis and provided in accounts.
 - Leave Encashment: Accrued liability is determined on actuarial valuation basis and provided in accounts.
 - 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 remains 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 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.

- 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 liabilities are reviewed 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 19: NOTES ON ACCOUNTS

1.	As At 31.03.2008 Rs.	As At 31.03.2007 Rs.
A. Contingent Liabilities not provided for		
(a) Tax matters in appeal :		
i) Income Tax	26649931	31106214
ii) Sales Tax	12669000	17097000
(b) Bank Guarantees	12454711	5082000
(c) Claims against the Company not acknowledged as debts	408607	408607
B. Estimated amount of Contracts remaining to be executed on capital account and not provided for (Net of Advances)	28031243	32641913

2. SECURED LOANS

Term Loan: The term loan includes Rs.25 crores from Andhra Bank and Rs.32.06 crores from Bank of Baroda under FCNR(B) Loan and Rs.62.00 Crores from Bank of Baroda under FCTL fully secured by Pari Pasu first charge on the present and future fixed assets of the Company.

Working Capital Loan: The Company has availed working capital facilities from Bank of Baroda, Andhra Bank and ICICI Bank of Rs.35.31 Crores (Previous year : Rs.7.85 Crores) secured by hypothecation of stocks and book debts on pari pasu and also secured by equitable mortgage of fixed assets.

3. UNSECURED LOANS :

Amount shown under the head Unsecured Loans (schedule 4) includes sales tax collected under deferral scheme of State Government of Andhra Pradesh and is repayable at the end of the 14th Year from the year in which it is collected and the earliest year to repay is 2009-2010 except for the plant at Narketpalle. In the case of plant at Narketpalle, the repayment of sales tax collected under deferral scheme started from the year 2005 - 06.

4. The Company has issued 1000000 Equity Shares of Rs. 10/- each to M/s Kotak India Focus Fund, at a price of Rs.350/- per Share during the Quarter ended 31st March, 2008.
5. The Company has issued 800,000 Share warrants during the quarter convertible into equity of Rs.10/- each @Rs.315/- per warrant allotted on preferential basis to the promoters.
6. The Company has converted 539500 Share warrants, each warrant convertible into one Equity Share of Rs.10/- each, issued to promoters at a price of Rs.256/- per Share, into Equity Shares of Rs. 10/- each during the quarter ended 31st March, 2008
7. During the year Company has identified certain plant and machinery which are working on single shift basis. Depreciation of Rs. 3063089 on such plant and machinery is charged at the rates prescribed in the Schedule XIV of the Companies Act, 1956.

The useful life of cans and crates are reviewed .After the review depreciation has been charged at 50% . The total effect of the above has resulted in lowering the depreciation by Rs.90,99,857 and increasing the net asset value by Rs.90,99,857.

8. MANAGERIAL REMUNERATION PAID / PAYABLE

PARTICULARS	Year Ended	Year Ended
	31.03.2008	31.03.2007
	Rs.	Rs.
a) Salaries	4200000	6881964
b) Commission	0	0
d) Others	0	1518036

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

PARTICULARS	Year Ended		Year Ended	
	31.03.2008		31.03.2007	
	Rs.	Rs.	Rs.	Rs.
Profit before Income Tax (as per Profit and Loss account)		6780398		35492539
Add: Directors' remuneration	4200000		8400000	
Directors' commission	0		0	
Directors' Sitting fees	537500		325000	
Depreciation	105516119		67767752	
Loss on Assets Sold / Written off	78904		6944	
Profit on Assets Sold	(23344156)		0	
Profit on Sale of Investments	(336579600)			
		(249591233)		76499696
		(242810835)		111992235
Less: Depreciation as per Section 350 of the Companies Act, 1956		105516119		67767752
Net (Profit)/ Loss on Assets sold / written off				616251
Profit as per Section 309(5) of the Companies Act, 1956		(348326954)		43608231
Commission is payable to Director at 3.00 per cent		0		0

9. UNCLAIMED DIVIDEND:

PARTICULARS	2007-08	2006-07
	Rs.	Rs.
Opening Balance	5677241	5548544
Less: Transfer to IEPF	471420	424800
Less Claims during the year	152735	185434
Add: Current year's unclaimed dividend	772215	738931
Closing Balance	5825301	5677241

10. As per the Accounting Standards AS-15 -"Employee Benefits" the disclosures of the Employee benefits as defined in the Accounting Standard are given below

PARTICULARS	(Rs.in Lakhs)	
	2007 - 08	2006 - 07
Employers Contribution to Provident Fund	156.71	58.31
Gratuity (Funded)	28.00	15.08
Defined Benefit Plan		
Leave Encashment (Unfunded)	49.09	78.24

11. SEGMENT REPORTING:

SEGMENT REPORTING FOR THE YEAR ENDED 31st MARCH, 2008

(Rs.in Lakhs)

PARTICULARS	2007 - 08	2006 - 07
1. Segment Revenue		
a. Dairy	48509.82	33983.44
b. Retail	10721.08	669.39
c. Agri	0.00	0.00
Total Segment Revenue	59230.90	34652.83
Less: Inter Segment Revenue	427.46	19.75
Net Sales / Income from Operations	58803.44	34633.08
2. Segment Results		
(Profit / (Loss) before Interest and tax)		
a. Dairy	2292.95	1774.46
b. Retail	(4566.03)	(1225.55)
c. Agri	(138.29)	(16.54)
Total Segment Results	(2411.38)	532.36
Less: i. Interest	1243.28	184.47
ii. Net Unallocable Expenditure	0.00	0.00
Add: Net Unallocable Income / (Expenditure)	3722.46	7.03
Profit before Tax	67.80	354.92
Less: Taxation for the year	(25.74)	182.37
Less: Earlier years Taxation and Expenditure	(0.41)	141.08
Net Profit	93.96	31.48
3. Total Capital Employed		
(Segment Assets - Segment Liabilities)		
a. Dairy	11681.37	11400.37
b. Retail	7291.17	2536.71
c. Agri	3333.85	1634.09
Total Segment Capital Employed	22306.39	15571.17
Add: Unallocated Assets	634.15	621.29
Less: Unallocated Liabilities	2.62	333.51
Total Capital Employed	22937.92	15858.95
4. Capital Expenditure		
a. Dairy	3252.35	2623.29
b. Retail	4628.58	2535.12
c. Agri	2589.05	1279.81
Total Segment Capital Expenditure	10469.99	6438.22
Add: Unallocated Capital Expenditure	12.86	120.59
Total Capital Expenditure	10482.84	6558.81
5. Depreciation/Amortisation/Impairment		
Segment Depreciation	1055.16	615.09
Add: Unallocated Depreciation	0.00	62.59
Total Depreciation	1055.16	677.68
6. Significant Non Cash Expenditure (excluding depreciation & amortisation)	138.39	12.58

12. RELATED PARTY DISCLOSURES :

Name of the related party	N Bhuvaneswari	Bon Sante Baking Company Ltd
Description of the Relationship between the parties	Key Management Personnel (Vice Chairman & Managing Director)	Director of Bon Sante 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	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.21.56 lakhs paid by Company	Lease rental income of Rs.48.49 lakhs received by the company Sales to Bon Sante Baking Co. Ltd. Rs.53.23 lakhs Purchases from Bon Sante Baking Co. Ltd. Rs.113.64 lakhs
Any other elements of the related party transacting of the financial statements	Managerial Remuneration was approved by Shareholders	
The amounts or appropriate proportions of outstanding items pertaining to related parties at the Balance Sheet date	NIL	Sale proceeds to be received Rs.68.48 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
Provision for diminution in value of Investments	NIL	NIL

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

	As on 31.03.2008 Rs.	As on 31.03.2007 Rs.
Opening Deferred Tax Liability	71978680	60209317
a) Deferred tax liability is as under		
i) On Depreciation	27754160	11769363
ii) On Foreign Exchange Fluctuation	3342251	0
	31096411	11769363
b) Deferred tax asset is as under		
i) Unabsorbed Business loss / depreciation	34685289	0
ii) Provision for Leave Encashment	3934463	
	38619752	0
Deferred Tax liability thereon	64455339	71978680

14. IMPAIRMENT OF ASSETS :No asset were identified as impaired during the year.

15. EXPENDITURE IN FOREIGN CURRENCY:

Year Ended 31.03.2008 Rs.	Year Ended 31.03.2007 Rs.
186141930	87022243

The total foreign exchange outgo during the year is \$4589473 equivalent to Rs.184268181 and Euro 33139 equivalent to Rs.1873749/-. The liability in foreign currency as on 31st March,2007 is restated at Rs.565400000 US Dollar equivalent as against liability of Rs.576216346 as on the date of transactions (Misc Income includes Rs.1,22,59,039/- towards foreign exchange fluctuation)

16. SECURITIES PREMIUM

(Rs.4659.75 lakhs is net of share Issue Expenses)

2007-08 (Rs. in lakhs)	2006-07 (Rs. in lakhs)
67.41	Nil

17. QUANTITATIVE INFORMATION & CAPACITY

	2007 - 08		2006 - 07	
	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)	4422		3969	
Ghee (MT)	3869		3869	
Skimmed Milk Powder (MT) (As certified by Management)	2920		2920	
c) Actual Production:				
Milk (Lakh Litres)	2691.80		2182.68	
Cream (MT)	3774.46		1620.38	
Ghee (MT)	1325.46		844.49	
Skimmed Milk Powder (MT)	2138.64		273.10	
Dairy whitener (MT)	0.00		0.00	
Butter (MT)	2516.15		2296.59	
Curd (MT)	7235.90		5313.20	
Butter Milk (Lakh Litres)	17.76		15.76	
Doodh Peda (MT)	69.75		57.06	
Khoa (MT)	1.16		0.48	
Flavored Milk (Lakh Litres)	8.71		5.06	
Panneer (in MT)	46.47		11.18	
Lassi (Litres)	111.00		-	
Ice Cream (Softy) (Litres)	56575.20		7074.33	
d) Turnover:				
Milk (Lakh Litres)	2256.16	38049.67	2004.72	28304.83
Cream (MT)	2931.62	2436.61	1163.96	1020.96
Ghee (MT)	1263.62	1766.99	820.62	1102.25
Skimmed Milk Powder (MT)	687.58	789.48	6.60	9.17
Dairy Whitener (MT)	0.00	0.00	0.00	0.00
Butter (MT)	2648.32	2885.60	2192.62	2255.74
Curd (MT)	6884.32	1354.39	5197.04	827.21
Butter Milk (Lakh Litres)	17.34	163.46	15.76	119.87
Doodh Peda (MT)	66.49	72.73	56.98	57.28
Khoa (MT)	1.14	1.16	0.48	0.74
Flavored Milk (Lakh Litres)	7.07	284.16	4.94	186.61
Panneer (in MT)	33.43	34.70	11.14	9.36
Lassi (Litres)	63.00	0.02	0.00	0.00
Ice Cream (Softy) (Litres)	18309.26	14.01	7089.39	5.44
Conversion Charges/ Other Products Earned		231.27		64.22
Total		48084.24		33963.69

	2007 - 08		2006 - 07	
	Quantity	Value (Rs. In Lakhs)	Quantity	Value (Rs. In Lakhs)
e) Opening Stock of Finished Goods :				
Milk (Lakh Litres)	13.50	190.93	12.13	138.13
Cream (MT)	68.84	47.12	55.51	43.63
Ghee (MT)	42.12	54.56	18.29	21.88
Skimmed Milk Powder (Finished Goods) (MT)	629.91	771.88	767.75	633.39
Butter (MT)	794.10	893.70	789.25	786.83
Curd (MT)	49.76	6.45	38.42	4.49
Butter Milk (Lakh Litres)	0.13	0.73	0.14	0.58
Doodh Peda (MT)	0.30	0.19	0.22	0.12
Khoa (MT)	—	—	0.01	0.01
Flavored Milk (Lakh Litres)	0.21	5.94	0.15	3.82
Panneer (MT)	0.03	0.02	0.00	0.00
Ice Cream (Softy) (Litres)	17.00	0.01	32.06	0.01
Total		1971.53		1632.90
f) Closing 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
Khoa (MT)	—	—	—	—
Khoa (MT)	0.00	0.00	0.00	0.00
Flavored Milk (Lakh Litres)	0.65	18.21	0.21	5.94
Panneer (in MT)	0.68	0.60	0.03	0.02
Ice Cream (Softy) (Litres)	66.33	0.03	17.00	0.01
Total		1546.28		1971.53
g) Inter Segment Transfers :				
Milk (Lakh Litres)	13.45	248.85	0.67	11.74
Flavored Milk (Lakh Litres)	1.01	38.25	0.05	1.92
Ghee (MT)	59.20	86.40	0.05	6.09
Butter (MT)	4.04	4.83		
Curd (MT)	80.73	12.70		
Butter Milk (Lakh Litres)	0.02	0.22		
Doodh Peda (MT)	2.15	2.27		
Panneer (MT)	11.38	12.02		
Ice Cream (Softy) (Litres)	30900.87	19.47		
		424.99		19.75
h) Work-in-Progress (Cream /MT)	16.90	10.88		5.43
i) Captive Consumption:				
Milk (Lakh Litres)	416.05		175.91	
Flavored Milk (Lakh Litres)	0.19		—	
Ghee (MT)	2.20		—	
Butter (MT)	46.84		99.14	
Curd (MT)	247.11		104.82	
Butter Milk (Lakh Litres)	0.45		—	
Doodh Peda (MT)	0.84		—	
Panneer (MT)	1.01		—	
Ice Cream (Softy) (Litres)	7315.74		—	
Cream (MT)	866.55		443.08	
Skimmed Milk Powder	1798.90		404.34	
j) Raw Materials consumed:				
Milk (Lakh Litres)	2672.16	35703.79	2169.18	22877.15
Other Products		1285.42		2581.40
Total		36989.21		25458.55

18. CONSUMPTION OF MATERIALS

(Rs. In lakhs)

	2007 - 08		2006 - 07	
	%	Rs.	%	Rs.
a) Raw Materials				
i) Indigenous	100.00	36989.21	100.00	25458.55
ii) Imported	0.00	0.00	0.00	0.00
b) Spare Parts & Consumables				
i) Indigenous	100.00	502.98	100.00	328.53
ii) Imported	0.00	0.00	0.00	0.00

19. MERCHANDISE DETAILS

i) (Rs. In lakhs)

	Opening Value	Purchases Value	Sales Value	Closing Stock Value
FMCG- Food	92.68	425.58	3344.34	401.18
FMCG- Non -Food	146.94	6557.65	1867.54	750.12
Agri in Units	105.45	2898.16	3642.67	530.84
Agri in Bulk & Others	97.65	544.24	1864.65	16.56
Total	442.72	10425.62	10719.20	1698.70

Note: The quantitative details of the merchandise in Retail Division are not provided as it is impractical to summarise the wide variety of Stock Keeping Units(SKU) of merchandise with different unit of measurements. Application submitted for exemption to the Central Government under Section 211(4) of the Companies Act, 1956.

	2007 - 08	2006 - 07
ii) Inter Segment Purchases / Revenue	425.58	19.75

20. EARNINGS PER SHARE:

	2007 - 08	2006 - 07
a) Calculation of weighted average number of equity shares of Rs.10/-each :		
Number of Shares at the beginning of the year	9990000	9990000
Number of Equity shares outstanding at the end of the year	11529500	9990000
Weighted average number of equity shares outstanding during the year	10201625	9990000
b) Net Profit / (Loss) after tax	9354306	17255492
c) Basic and diluted Earnings per share of Rs.10 each (Rs.)	0.92	1.73

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

(Rs. In lakhs)

Name of the Bank	During the Year ended 31.03.2008	During the Year ended 31.03.2007
Saptagiri Grameena Bank, A.P. India	20.16	17.53
The Dharmapuri District Central Co-Operative Bank Ltd.,T.N.,India	0.13	0.10
The Prakasam Dist.Co-Op.Central Bank Ltd.,A.P., India	5.15	4.31
Chaitanya Grameena Bank, A.P., India	1.24	0.75
Andhra Pragathi Grameena Bank	1.68	1.07
Andhra Pradesh Grameena Vikas Bank	5.50	-
Pinakini Grameena Bank, A.P., India	3.83	12.84
The Salem District Central Co-Op.Bank Ltd., T.N., India	3.52	0.16

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

22. 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

23. 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
AGI Glasspac	International Cans (P) Ltd	Schmidt-Bretten India Pvt Ltd
Aikyaa Industries	J M Plastic Industries	Sri Devi Engineering Works
Ashish Engineers	Khandelwal Polymers Pvt Ltd.,	Sri Engineers & Consultants
Cache Peripherals	Ntek Services	Sri Krishna Strapping and Lable
Dairy-Tech Equipments	Paran Polymers (P) Ltd	Sri Pumps and Fittings Industrial
Dairy-Tech India	PEC Electricals Pvt Ltd	Sri Pumps Mfg.Co.,
Deccan Crowns & Cans Pvt Ltd	Prince Multiplast Pvt Ltd	Sri Saibaba Chemicals
Delaval Pvt Limited	Quality Electric Company	Swathi Enterprises
Domino Printech India Pvt Ltd	R M C Packaging Systems (P) Ltd	Universal Enviro Associates
Eesha Packaging	Raghava Rama Automations	Vedsri I T Solutions
Essge Plastics Pvt Ltd	S V Packaging Agencies	Viraja Universal Packaging Company
Finecab Wires & Cables Pvt Ltd	Sai Durga Industries	Viscot Surgicals Pvt Ltd

The amounts outstanding to the above parties as on March 31,2008 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.

24. The Company has identified Micro and Small enterprises as per Micro Small and Medium Enterprises Development Act 2006. The outstanding for more than 45 days as at 31st March 2008 for the enterprises is Rs. Nil.

25. STATEMENT OF DISPUTED LIABILITIES

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	245.83	2004-2005	CIT APPEAL
Income Tax Act, 1961	Income Tax	20.67	2005-2006	Commissioner of Income Tax (Appeals).
The Andhra Pradesh General Sales Tax Act, 1957	Sales Tax	12.8	1999-2000 to 2004-2005	Commissioner (CT) Commercial Tax Officer
The Central Sales Tax Act, 1956	Sales Tax	95.11	2001-2002	
The Andhra Pradesh General Sales Tax Act, 1957	Sales Tax	18.78	2001-2002	Writ petition filed with H.C.

26. There is no extraordinary item incurred by the company during the year 2007-08.

27. Paise is rounded off to the nearest Rupee.

28. Previous Year figures are regrouped wherever necessary.

29. 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"/> 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"/> 8		
	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"/> 1 5 3 9 5

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

Total Liabilities	<input type="text"/> <input type="text"/> 2 7 8 8 7 9 5	Total Assets	<input type="text"/> <input type="text"/> 2 7 8 8 7 9 5
Sources of Funds			
Paid-up Capital	<input type="text"/> <input type="text"/> 1 4 7 1 6 4	Reserves & Surplus	<input type="text"/> <input type="text"/> 1 0 4 1 6 5 6
(Includes Share Warrant application Money)			
Secured Loans	<input type="text"/> <input type="text"/> 1 4 7 5 6 0 1	Unsecured Loans	<input type="text"/> <input type="text"/> <input type="text"/> 5 9 9 1 9
Deferred Tax Liability	<input type="text"/> <input type="text"/> <input type="text"/> 6 4 4 5 5		
Application of Funds			
Net Fixed Assets	<input type="text"/> <input type="text"/> 2 0 9 1 6 8 5	Investments	<input type="text"/> <input type="text"/> <input type="text"/> 2 1 1 8
Net Current Assets	<input type="text"/> <input type="text"/> 6 9 4 9 9 2	Misc. Expenditure	<input type="text"/> <input type="text"/> <input type="text"/> N I L
Accumulated Losses	<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"/> <input type="text"/> 6 2 8 1 6 4 3	Total Expenditure	<input type="text"/> <input type="text"/> 6 2 7 4 8 6 3
(*includes other income)			
+ - Profit before Tax	<input type="text"/> <input type="text"/> <input type="text"/> 6 7 8 0	+ - Profit after Tax	<input type="text"/> <input type="text"/> <input type="text"/> 9 3 5 4
<input type="text"/> <input type="text"/> + <input type="text"/>		<input type="text"/> <input type="text"/> + <input type="text"/>	
Earnings Per Share in Rs. (Annualised)	<input type="text"/> <input type="text"/> <input type="text"/> 0 . 9 2	Dividend Rate %	<input type="text"/> <input type="text"/> <input type="text"/> 1 8

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 Chairman & Managing Director

V. Nagaraja Naidu
Director

Date : June 30, 2008
Place : Hyderabad

A. Prabhakara Naidu
Senior General Manager - Finance & Accounts

Umakanta Barik
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

(pursuant to Clause 32 of Listing Agreement)

PARTICULARS	2007 - 08		2006 - 07	
	Rs.	Rs.	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit /(Loss) before tax	6780398		35492539	
Adjustment for				
Depreciation	105516119		67767752	
Interest	124327994		18447898	
Profit on sale of Fixed Assets	(23344156)		0	
Loss on sale of Fixed Assets	78904		6944	
Profit on sale of Investments	(336579600)		0	
Prior period expenses	(2790740)		(7074021)	
Unrealized Foreign Exchange gains	(11767387)		0	
Interest received	(6970287)		(8002801)	
Dividend received	(63467)		(703100)	
Operating Profit before Working Capital Changes (Foreign Exchange gains - realised / unrealised)	(144812221)		105935211	
Adjustment for :				
Inventories	(5106886)		(191454512)	
Trade and Other Receivables	(91289389)		(135828145)	
Trade Payables	333754232		152418533	
Cash Generated from operations	92545736		(68928913)	
Direct taxes paid (incl.taxation of earlier years) (net of refund)	(8632560)		(53721142)	
Net Cash (used) / generated for / from Operations		83913176		(122650055)
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(1052545890)		(657001678)	
Proceeds from sale of Fixed Assets	27463000		24500	
Purchase of Investments	0		(20400000)	
Proceeds from sale of Investments	356979600		0	
State Subsidy received /transferred	(5500000)		0	
Interest received	6970287		8002801	
Dividend received	63467		703100	
Net Cash used in Investing Activities		(666569536)		(668671276)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issue of Equity Shares	481370400		0	
Share Application Money	31868800		0	
Borrowings from Banks and others(Net)	497485695		862484693	
Interest paid	(124327994)		(18447898)	
Dividend paid	(35063402)		(34173293)	
Net Cash from Financing Activities		851333499		809863502
Net increase in cash and cash equivalents		268677139		18542170
Cash and Cash equivalents as at 1st April, 2007		246440499		227898329
Cash and Cash equivalents as at 31st March, 2008		515117638		246440499

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 Bhuvanewari
 Vice Chairman & Managing Director

V. Nagaraja Naidu
 Director

 Date : June 30, 2008
 Place : Hyderabad

A. Prabhakara Naidu
 Senior General Manager - 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, 2008 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 15th Annual General Meeting held on August 22nd 2007;
 - (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 and Cost 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, shareholdings 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.
- (c) there was no prosecution initiated against or show cause notice received by the Company and no fines or penalties were imposed on the Company under the Act against the Company, its Directors and Officers.

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 : July 30, 2008

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ELECTRONIC CLEARING SERVICES (ECS) MANDATE FORMAT

To
 Karvy Computershare Private Limited,
 UNIT : Heritage Foods (India) Limited
 Plot No. 17 to 24, Vittalarao Nagar,
 Madhapur, Hyderabad - 500 081

Dear Sirs,

FORM FOR ELECTRONIC CLEARING SERVICES FOR PAYMENT OF DIVIDEND

Please fill-in the information in CAPITAL LETTERS in English Only. Please Tick [✓] wherever is applicable.

For shares held in physical form

Master Folio No.

--	--	--	--	--	--	--	--	--	--

----- For Office Use Only -----
ECS Ref.No.

Name of First holder											
Bank name											
Branch name											
Branch code	<table border="1" style="width: 100%; height: 25px;"> <tr> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> </tr> </table> <p style="font-size: small; margin-top: 5px;">(9 Digits Code Number appearing on the MICR Band of the cheque supplied by the Bank). Please attach a xerox copy of a cheque or a blank cheque of your bank duly cancelled for ensuring accuracy of the banks name, branch name and code number.</p>										

Account type	→	Savings 	Current 	Cash Credit 															
A/c. No. (as appearing in the cheque book)	→	<table border="1" style="width: 100%; height: 25px;"> <tr> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> </tr> </table>																	
Effective date of this mandate	→	<table border="1" style="width: 100%; height: 25px;"> <tr> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> </tr> </table>																	

I, hereby, declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reasons of incompleteness or incorrectness of information supplied as above, Karvy Computershare Private Limited will not be held responsible. I agree to avail the ECS facility provided by RBI, as and when implemented by RBI/Heritage Foods (India) Limited.

I further undertake to inform the Company any change in my Bank/branch and account number.

Dated : _____

 (Signature of First holder)

- Notes: 1. Whenever the shares in the given folio are entirely dematerialised, then this ECS form will stand rescinded.
2. For shares held in dematerialised form, ECS is required to be filled with the Depository Participant in their prescribed form.

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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 16th Annual General Meeting of the Company to be held at **Our Place', No. 8-2-602/E, Charan Pahadi Road, Road No. 10, Banjara Hills, Hyderabad - 500 034** on Friday, the 26th September, 2008 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 16th Annual General Meeting of the Company to be held on Friday, the 26th September, 2008 at 11 a.m. and at any adjournment thereof.

Affix a
15 paise
Revenue
Stamp

Signed this _____ day of _____, 2008.

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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If undelivered, Please return to:

Heritage Foods (India) Limited

6-3-541/C, Punjagutta, Hyderabad - 500 082.

Tel : 91-40-23391221/2. Fax : 91-40-30685458

Website : www.heritagefoods.co.in

www.freshat.in

e-mail : hfil@heritagefoods.co.in