



**Ref: SECT: STOC: 33 - 13**

24<sup>th</sup> June, 2013

To  
The Secretary,  
**The Stock Exchange, Mumbai**  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai - 400 001

To  
**The Manager,**  
**Listing Department,**  
**National Stock Exchange of India**  
**Limited,**  
Exchange Plaza, C-1,  
G Block, Bandra-Kurla Complex,  
Bandra (East), Mumbai - 400 051

Dear Sir / Madam,

Sub: **Annual Reports for the Financial Year 2012-13**

Ref: **Stock Code: 519552 / HERITGFOOD**

In compliance with the SEBI Circular No.DCS/COMP/Cir-04/2010-11, dated May 14<sup>th</sup> 2010, and as per the requirements of the Clause 31 of the Listing Agreement with the stock exchange(s), enclosed herewith, please find a soft copy (CD) and six copies of 21<sup>st</sup> Annual Report for the Financial Year 2012-13 of our Company.

This is for your information and record.

Thanking you,

Yours Faithfully,  
For **HERITAGE FOODS (INDIA) LTD**

**UMAKANTA BARIK**  
Company Secretary

**Encls:** 1) CD  
2) Annual Reports for the year 2012-13



**HERITAGE FOODS (INDIA) LTD.**

**AN ISO: 22000 CERTIFIED COMPANY**





# Point of you!

21st Annual Report ■ 2012-13  
Heritage Foods (India) Limited

## Caution regarding forward-looking statements

This document contains statements about expected future events and financial and operating results of Heritage Foods (India) Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of the Heritage Foods (India) Limited Annual Report 2012-13.

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For some, we are an alarm clock.

For many, we are away by just a block.

For some, we are the spring of wealth.

For many, we are the source of health.

For some, we are the glorious past.

For many, we are the glowing future.

**Our point of view is**

**actually our point of you!**



We are South India's first Dairy Company listed on the country's largest Stock Exchanges (BSE and NSE).

With a responsible 'farm to fork' approach to business through the Dairy and Retail, we reach out to over 15 lakh customers every single day.



At Heritage Foods, our business is built on the foundation of three pillars:

1

**An enduring connection of trust with consumers through the strength of the 'Heritage' brand**

- Our extensive product basket comprises milk and other value-added products including curd, ice cream, paneer, flavoured milk and sweets, among others
- We are the only packaging partner for curd for Nestle in South India.
- We also operate 1,176 Heritage Parlours (modern stores selling Heritage products and other authorized products) and 67 Heritage Fresh stores (large-size multi-product retail formats)

2

**A track record of growth, profitability and shareholder value creation**

- We are among the top private sector dairy companies in India in terms of both volumes and sales
- We enjoy one of the highest operating margins in the dairy business (6.46 percent overall EBIDTA margin and 10.92 percent margin in value-added milk products in 2012-13)
- Our turnover and net profit have grown at a substantial CAGR of 22.19 percent and 121.36 percent, respectively over the last five years (ending 2012-13)

3

**Positioned for sustainable growth**

- We enjoy an entrenched regional presence through operations and sales in states of Andhra Pradesh, Tamil Nadu, Karnataka, Maharashtra, Kerala and Odisha
- We are committed to enhancing our milk processing capacities and retail presence, especially in markets outside of south India also.
- We are focused on growing sales of our branded value-added product categories to emerge as the most-preferred choice for these products among our consumers and enhance our overall margins

### Our mission

Bringing prosperity into rural families of India through co-operative efforts and providing customers with hygienic, affordable and convenient supply of 'Fresh and Healthy' food products

### Our vision

- To be a progressive billion dollar organization with a pan-India footprint by 2015
- To achieve this by delighting customers with 'Fresh and Healthy'

food products, which represent a benchmark for quality in the industry

- We are committed to enhanced prosperity and the empowerment of the farming community through our unique 'Relationship Farming' model
- To be a preferred employer by nurturing entrepreneurship, managing career aspirations and providing innovative avenues for enhanced employee prosperity

### Our founder

Heritage Foods was founded by Shri N Chandrababu Naidu in 1992 with the express objective of assuring remunerative prices to milk producers, who needed better marketing opportunities.



## **Our point of view on business and sustainability**

"The year 2012-13 has seen considerable success for Heritage Foods and I am excited when I look at our strengths. We have great brands and our marketing is based on powerful consumer insights, supported by superior products and market-leading innovations."

Sri D. Seetharamaiah, *Chairman*

### **Dear fellow stakeholders,**

At Heritage Foods (India) Limited, our overarching objective is to build the corporate with a relentless focus on our customers, our societies and our neighbourhoods.

Our intent is derived from the fact that we are one of the few companies in India to be a direct reference and touch-point for thousands at the grassroots (milk producers) and several thousands more across a wide range of demographics (our consumers). This inherent responsibility has given us the impetus to supply consistently high-quality, nutritious and wholesome milk, dairy and other consumer food products just when and where our customers need them.

It is precisely this reason that we have continually invested in the creation of state-of-the-art milk processing assets and distribution infrastructure that is perhaps the best anywhere in India. Our daily milk procurement of 9 lakh litres is well-complemented by our chilling capacity of 14 lakh litres per day across 123 chilling units and 13 packing plants with a packing capacity of 12.50 lakh litres per day (as on 31 March 2013). In addition to this, we also operate 1,176 Heritage Parlours exclusively stocking our Heritage brand of dairy and other authorised products and 67 company-owned Heritage Fresh stores stocking a wide range of consumer products strategically spread across south India (as on 31 March 2013).

With  
a basket of 22  
products, Heritage Foods  
possesses the widest  
range of dairy products  
in India

### Corporate performance 2012-13

To counter the headwinds in terms of economic and consumer-centric slowdown, we continued to improve our productivity in 2012-13 as we further addressed our cost base through optimum resource utilisation, systems standardization, productivity savings and focus on increasing sales of value-added products. This helped us achieve a respectable increase in operating margins from 3.77 percent in 2011-12 to 6.46 percent in 2012-13. We also reported a 14.96 percent increase in turnover to our highest-ever level of ₹1,601.81 cr and 435.48 percent growth in net profit to ₹49.96 cr in 2012-13. To reward shareholders for their faith in our performance, we have proposed a dividend of ₹3 per equity share (face value of ₹10) for 2012-13, which will absorb a total outgo of ₹3.46 cr (excluding dividend distribution tax) subject to approval by the shareholders.

### Strengthening our business, migrating up the value chain

At Heritage Foods, we are focused on strengthening the bonds we have created with our consumers and to this extent, are introducing value-added extensions of existing products in addition to undertaking several other measures.

- Focusing on branded margins-accrue milk products comprising pouch curd, ice cream, paneer, flavoured milk and sweets, among others, resulting in their proportion of sales going up from 6.01 percent in 2008-09 to 14.96 percent in 2012-13, strengthening our overall EBIDTA margins

- Focusing on reinforcing the price premium (pegged approximately 8 percent higher in 2012-13) vis-à-vis other players through the consistent supply of high-quality dairy products

- Focusing on enhancing retail penetration through expanding our Heritage Parlours, which is a modern kirana format that is positioned as the only organized chain of parlours to sell non-dairy products as well. The number of Heritage Parlours stood at 963 (1.25 lakh sq. ft) in 2011-12 with the addition of 213 Heritage Parlours (0.27 lakh sq. ft) in 2012-13

- Focusing on strengthening same-store sales and revenue per sq. ft at our company-owned Heritage Fresh stores (67 with a trading space of 2.15 lakh sq. ft) in 2012-13

- Focusing on consolidating our distribution network and infrastructure for continual replenishment directly to our customers as

well as through our Heritage Parlours and Heritage Fresh stores

### Outlook

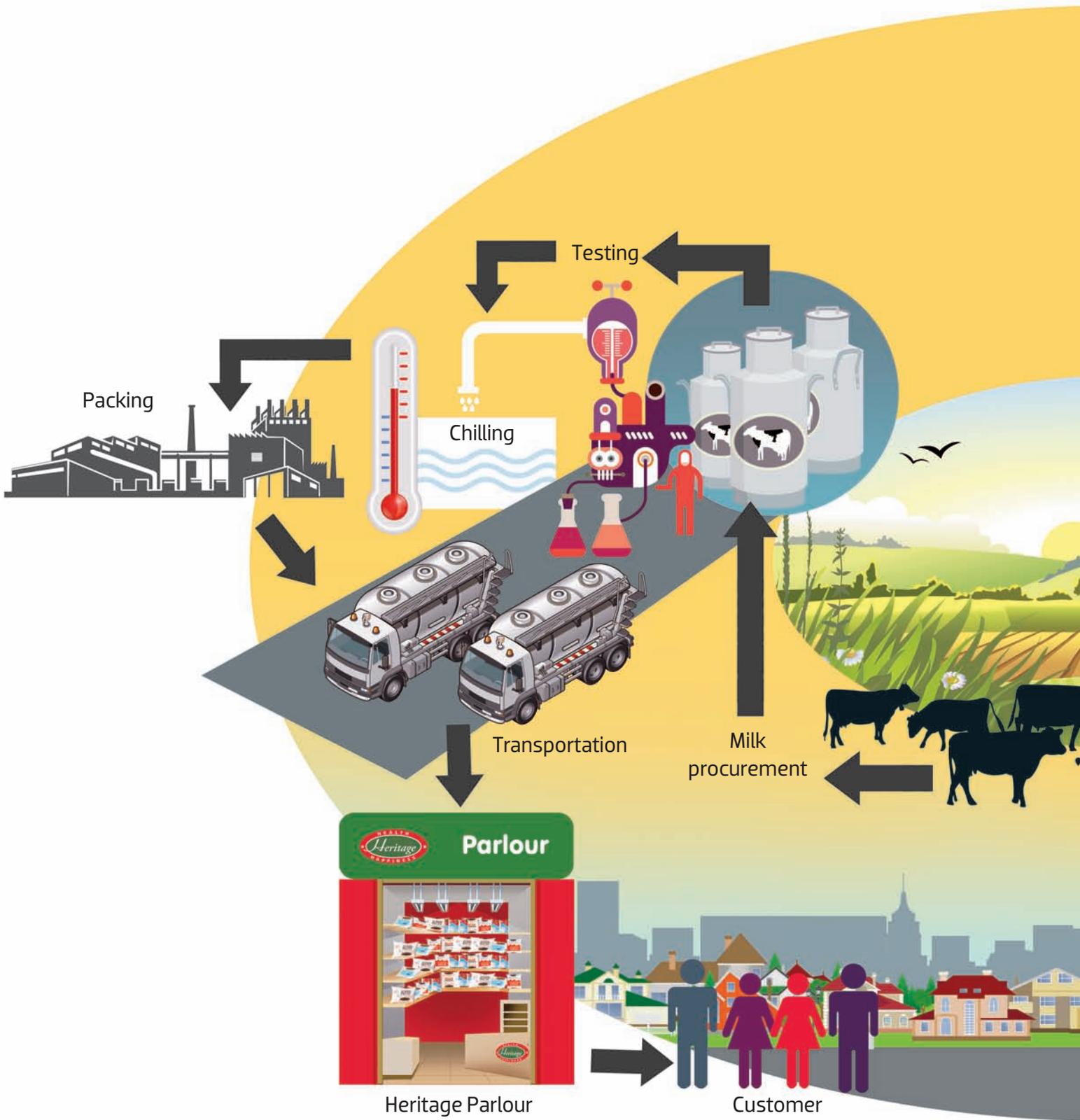
Leveraging our high-quality products, wide product basket and robust distribution infrastructure, we will continue to create in-roads into markets, strengthen penetration across our existing points of presence and introduce new value-added products/product variants. Through these initiatives, we will continue to ride the dairy and retail markets and continue to make meaningful difference to the lives of our stakeholders.

### Acknowledgement

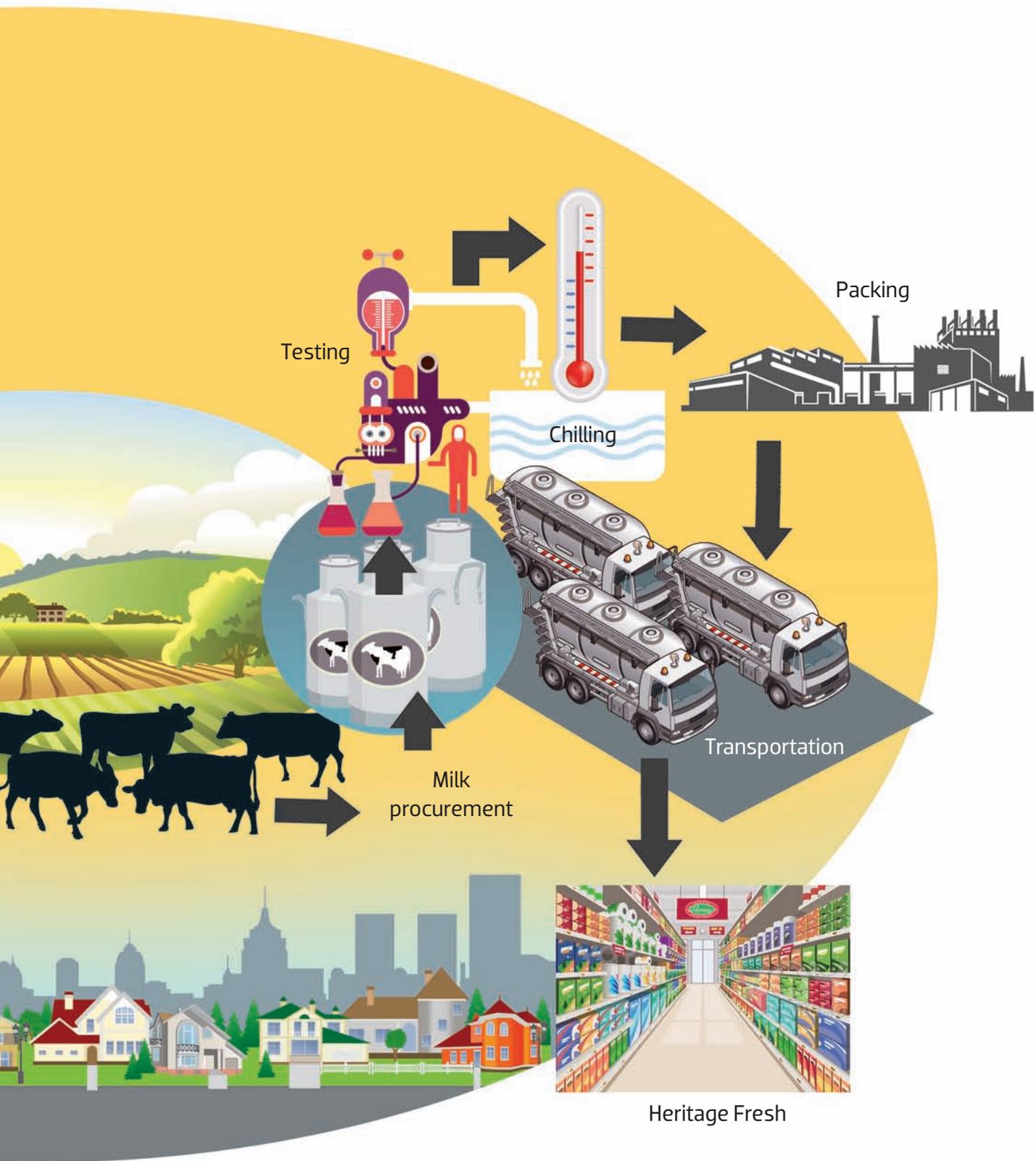
I am grateful to the Board of Directors for their steadfast support and guidance and I take this opportunity to express my deep gratitude to all our stakeholders who have reposed trust in us and extended their constant support. We will continue to deliver value to all those who depend upon us and invest in us.

With my very best regards,

**D. Seetharamaiah**  
Chairman



**Our value chain**



At Heritage Foods, our value chain commences right from the grassroots as we engage with over 3 lakh farmers to procure 9 lakh litres of milk daily, process and deliver this milk to over 15 lakh customers located across India as well as supply milk and a bouquet of value-added milk products to our 1,176 Heritage Parlours and 67 Heritage Fresh stores.

# Key financial highlights, 2012-13

Net turnover (₹ cr)  
1,601.81

14.96 percent increase  
over 2011-12

EBIDTA (₹ cr)  
103.43

96.71 percent increase  
over 2011-12

EBIDTA margin  
(percent)  
6.46

269 basis points increase  
over 2011-12

Cash profit (₹ cr)  
71.98

136 percent increase  
over 2011-12

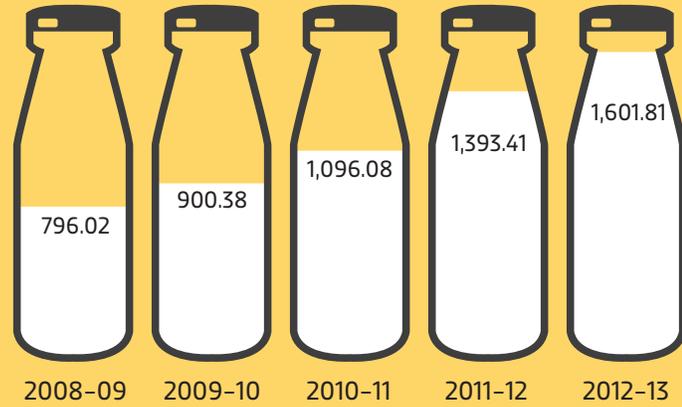
Net profit (₹ cr)  
49.96

435.48 percent increase  
over 2011-12

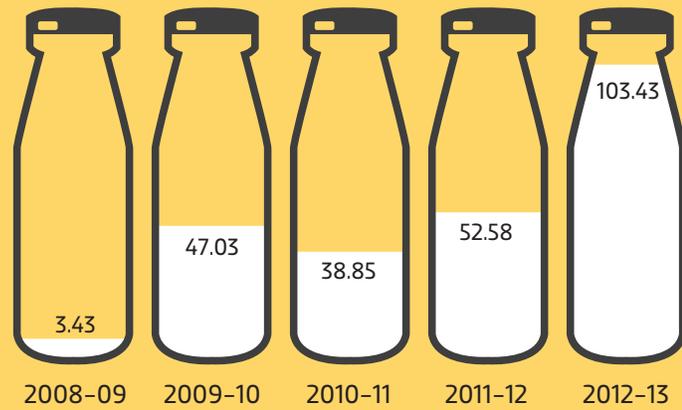
ROCE (percent)  
19.50

532 basis points increase  
over 2011-12

Turnover (₹ cr)



EBDIT (₹ cr)



Post-tax profit (₹ cr)



Dividend (percent)



## Food items – Farmers' Pride



## Food items – Others





# DAIRY

## Ice-cream



# PROD

## Milk products (short / long life)



# U C T R

## Fermented products



# ANGGE

Milk



# Welfare activities for milk producers

Heritage Foods is engaged in strengthening the bottom-of-the-pyramid through extensively assisting milk producers (farmers).

## Input activities

- Cattle feed & fodder seed supply
- Cattle productivity improvement
- Providing equipment comprising milking machines and chaff cutters
- Veterinary medicines and services
- Cattle insurance

## Training

- Established the prestigious Heritage Institute of Milk Sciences
- The institute offers industry-recognised Diploma in Milk Sciences/Technology
- Priority is given to farmers' children
- Also offers entrepreneurial skills development

## Farmer loans

- Heritage Foods is the preferred channel milk partner for banks to disburse loans to milk producers
- Heritage Finlease Limited, associated with Heritage Foods (India) Limited, is engaged in disbursing loans to farmers

## Heritage Farmers Welfare Trust (HFWT)

- Cooperative effort between Heritage Foods and milk producers to create a village-based fund pool with equal contribution used for a wide range of developmental activities
- Non-milk supplying members can also participate in the welfare activities

## Notice to Shareholders

Members of Heritage Foods (India) Limited are hereby given notice for the 21<sup>st</sup> Annual General Meeting of the Company, the schedule of which and the business to be transacted therein, are given below:

Day and Date: **Wednesday 17<sup>th</sup> July, 2013**

Time : **10.30 a.m.**

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

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2013, the Statement of Profit & Loss and Cash flow statement 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 Sri D. Seetharamaiah, 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.

### 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 Sections 16, 94 and other applicable provisions, if any of the Companies Act, 1956 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) the Authorized Share Capital of the Company be and is hereby increased from ₹20,00,00,000/- (Rupees Twenty Crores Only) divided into 1,80,00,000 (One Crore Eighty Lakhs) Equity Shares of ₹10/- each and 20,00,000 (Twenty Lakhs) Preference Shares of ₹10/- each to ₹50,00,00,000/- (Rupees Fifty Crores Only) divided into 4,80,00,000 (Four Crores Eighty Lakhs) Equity Shares of ₹10/- each and 20,00,000 (Twenty Lakhs only) Preference Shares of ₹10/- each

**“RESOLVED FURTHER THAT** Clause V of the Memorandum of Association of the Company be and is hereby altered by substituting the following new Clause V in the place of existing clause:

### Clause V:

The Authorized Share Capital of the Company shall be ₹50,00,00,000/- (Rupees Fifty Crores Only) divided into 4,80,00,000 (Four Crores Eighty Lakhs) Equity Shares of ₹10/- each and 20,00,000 (Twenty Lakhs) Preference Shares of ₹10/- each with power to consolidate, convert, subdivide, increase and reduce 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 Associations of the Company and the provisions of the Companies Act, 1956 as amended from time to time.

**“RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to do all such deeds, acts, matters and things necessary to give effect to the above resolution including signing and filing the necessary forms with the Registrar of Companies.”

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

**“RESOLVED THAT** pursuant to Sections 31 and other applicable provisions, if any of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the existing Articles of Association of the Company be and is here by altered by substituting the existing Article 5 to read as follows.

The Authorized Share Capital of the Company shall be ₹50,00,00,000/- (Rupees Fifty Crores Only) divided into 4,80,00,000 (Four Crores Eighty Lakhs) Equity Shares of ₹10/- each and 20,00,000 (Twenty Lakhs) Preference Shares of ₹10/- each with power to consolidate, convert, subdivide, increase and reduce the capital and to issue any new shares with any preferential or special rights and conditions attached thereto from time to time.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby authorized to do all such deeds, acts, matters and things necessary to give effect to the above resolution, including signing and filing the necessary forms with the Registrar of Companies.”

8. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as **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(s) thereof for the time being in force) and other Rules and Regulations as may be applicable, the following change shall be made:

- the first line of Sub-Clause 1 of Article 160 of the Articles of Association be and is hereby amended by deleting the words "The Company in General Meeting, may on the recommendation of the Board, resolve : " and substituting it with the words "The Board may resolve :

**"RESOLVED FURTHER THAT** the remaining sub clauses of the Article 160 of the Articles of Association of the Company remain unchanged."

**"RESOLVED FURTHER THAT** the Board of Directors (including the committee thereof) be and is hereby authorised to perform all acts, deeds and things, execute documents, and make all filings, as may be necessary to give effect to the above resolution and to take all such steps for giving any such direction as may be necessary or desirable and to settle any questions or difficulties whatsoever that may arise for the purpose of giving effect to this resolution."

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

**"RESOLVED THAT** in accordance with the provisions of Section 21 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and subject to the approval of the Central Government, the name of the Company be and is hereby changed from Heritage Foods (India) Limited to Heritage Foods Limited;

**RESOLVED FURTHER THAT** upon fresh Certificate of Incorporation consequent to change of name of the Company being issued by the Registrar of Companies, the name "Heritage Foods Limited" be inserted in place of the present name of the Company wherever appearing in the Memorandum and Articles of Association of the Company and that the Board of Directors (which term shall be deemed to include any Committee(s) constituted/to be constituted by the Board of Directors to exercise its powers including the powers conferred by this resolution), be and is hereby authorized to do all such acts, deeds, matters and things as may be necessary to give effect to this resolution.

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

**"RESOLVED THAT** in supersession of the resolution passed on 09<sup>th</sup> May, 2012 and pursuant to the provisions of the Sections 198, 269, 309, 310 and read with Schedule XIII and other applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and subject to such consent(s), approval(s) and permission(s) as may be required, consent of the members be and is hereby accorded for revision of terms of appointment of Smt.N.Bhuvaneshwari, Vice Chair person and Managing Director of the company for a period of 5 years with effect from 1<sup>st</sup> July, 2013 on the remuneration, perquisites and allowances as given below:

Smt.N.Bhuvaneshwari shall be paid remuneration partly by way of monthly Remuneration, Perquisites and Allowances and partly by way of commission on net profits calculated as per Sections 198, 309, 349 and 350 read with Schedule XIII of the Companies Act 1956 but subject to aggregate remuneration, perquisite, allowances and commission paid to her shall not exceed 5% of the net profit of the Company calculated as per applicable provisions of the Companies Act 1956.

**Remuneration:**

- i. Basic Salary : ₹10.00 lakhs (Rupees Ten Lakhs only) per month

**Perquisites & Allowances**

- ii. Books & Periodicals : Books & Periodicals and outfit requirements not exceeding of ₹35,000/- (Rupees thirty five thousand only) per month
- iii. Leave Travel Allowance : For self and family, once a year subject to ceiling of one month's basic salary
- iv. Car & Telephone : The Company shall provide a car with driver, telephone, other communication devices at the residence and Mobile phone for the Companies business purpose
- v. Club Fees : Fee of Clubs subject to a maximum of two clubs. This will not include admission and Life Membership fees.
- vi. Personal Accident Insurance : For an amount, Premium of which shall not exceed ₹50,000 (rupees fifty thousand only) per Annum

- vii. Medical Reimbursement : Payment/Reimbursement of Medical expenses incurred for self and family subject to a ceiling of one month's basic salary in a year or as is provided by the companies' group medical insurance policy.
- viii. PF Contribution : Contribution to Provident Fund shall be as per rules of the Company.
- ix. Gratuity : Gratuity payable shall not exceed half a month's basic salary for each completed year of service.
- x. Encashment of un-availed leaves : encashment of un-availed leaves as per the rules of the Leaves Company at the time of retirement/cession of service.

**“RESOLVED FURTHER THAT** the Board of Directors (hereinafter referred to as the Board which term shall be deemed to include any committee including the Remuneration Committee which may exercise its powers including the powers conferred by this resolution) be and is hereby authorized to vary, alter, widen the scope of the remuneration as they deem fit in the interest of the Company”

**“RESOLVED FURTHER THAT** in case of losses or inadequacy of profits in any financial year during her tenure she will be eligible for a remuneration of ₹10 lakhs (Rupees Ten lakhs only) per month, perquisites, allowances as mentioned above as minimum remuneration and fully maintained Company car.”

**“RESOLVED FURTHER THAT** Smt.N. Bhuvaneshwari shall not be subject to retirement by rotation during her tenure as a Vice Chairperson & Managing Director.” and she is not eligible for sitting fee of any Board/Committee meeting.

**“RESOLVED FURTHER THAT** the Board be and is hereby authorized to do all such acts, deeds, matters and things as may be considered necessary, desirable, or expedient for the purpose of giving effect to this resolution.”

11. To consider and, if thought fit, to pass with or without modification (s), the following Resolution as an **Ordinary Resolution**:  
**“RESOLVED THAT** Smt. Nara Brahmani, whose appointment notice under Section 257 of the Companies Act, 1956 has been received from member of the Company, be and is hereby appointed as a director of the Company, not liable to retire by rotation”.
12. 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 the Sections 198,269,309,310 and read with Schedule XIII and other applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and subject to such consent(s), approval(s) and permission(s) as may be required, consent of the members be and is hereby accorded to the appointment of Smt. Nara Brahmani as a Whole-time Director (designated as Executive Director) of the Company, with effect from 1<sup>st</sup> June, 2013 for a period of 5 (Five) years, on the remuneration, perquisites and allowances as given below.

Smt.N.Brahmani shall be paid remuneration partly by way of monthly remuneration, perquisites and allowances and partly by way of commission on net profits calculated as per Sections 198, 309, 349 and 350 read with Schedule XIII of the Companies Act 1956 but subject to aggregate remuneration, perquisite, allowances and commission paid to her shall not exceed 4% of the net profit of the Company calculated as per the applicable provisions of the Companies Act 1956.

**Remuneration:**

- i. Basic Salary : ₹5.00 lakhs (Rupees Five Lakhs only) per month

**Perquisites & Allowances**

- ii. Books & Periodicals : Books & Periodicals and outfit requirements not exceeding of ₹25,000/-(rupees twenty five thousand only) per month
- iii. Leave Travel Allowance : For self and family, once a year subject to ceiling of one month's basic salary
- iv. Car & Telephone : The Company shall provide a car with driver and telephone, other communication devices at the residence and Mobile phone for the Companies business
- v. Club Fees : Fee of Clubs subject to a maximum of two clubs. This will not include admission and Life Membership fees.

- vi. Personal Accident Insurance : For an amount, Premium of which shall not exceed ₹40,000 (Rupees Forty thousand only) per annum
- vii. Medical Reimbursement : Payment/Reimbursement of Medical expenses incurred for self and family subject to a ceiling of one month's basic salary in a year or as is provided by the companies group medical insurance policy.
- viii. PF Contribution : Contribution to Provident Fund shall be as per rules of the Company.
- ix. Gratuity : Gratuity payable shall not exceed half a month's basic salary for each completed year of service.
- x. Encashment of un-availed leaves : encashment of un-availed leaves as per the rules of the Leaves Company at the time of retirement/cession of service.

**“RESOLVED FURTHER THAT** the Board of Directors (hereinafter referred to as the Board which term shall be deemed to include any committee including the Remuneration Committee which may exercise its powers including the powers conferred by this resolution) be and is hereby authorized to vary, alter, widen the scope of the remuneration as they deem fit in the interest of the Company”

**“RESOLVED FURTHER THAT** in case of losses or inadequacy of profits in any financial year during her tenure she will be eligible for a remuneration of ₹5 lakhs (Rupees Five lakhs only) per month, perquisites, allowances as mentioned above as minimum remuneration and fully maintained company car.”

**“RESOLVED FURTHER THAT** Smt. N. Brahmani shall not be subject to retirement by rotation during her tenure as an Executive Director.” As she is not eligible for sitting fee of any Board/Committee meeting.”

**“RESOLVED FURTHER THAT** the Board be and is hereby authorized to do all such acts, deeds, matters and things as may be considered necessary, desirable, or expedient for the purpose of giving effect to this resolution.”

**By Order of the Board of Directors**

Registered Office:  
6-3-541/C, Punjagutta,  
Hyderabad – 500 082  
Date: 30<sup>th</sup> May, 2013

**UMAKANTA BARIK**  
Company Secretary

## NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON POLL INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES TO BE EFFECTIVE, SHOULD BE DULY STAMPED, COMPLETED, SIGNED AND DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY OR ITS REGISTRAR AND SHARE TRANSFER AGENT NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF MEETING.
2. MEMBERS/PROXIES SHOULD PRODUCE AT THE ENTRANCE OF THE VENUE DULY FILLED ATTENDANCE SLIP FOR ATTENDING THE MEETING.
3. M/s. Karvy Computershare Private Limited is the Registrar and Share Transfer Agent of the Company.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday 21<sup>st</sup> June, 2013 to Monday 24<sup>th</sup> June, 2013 (both days inclusive).
5. The dividend as recommended by the Board of Directors for the year ended 31<sup>st</sup> March, 2013, when declared at the Annual General Meeting will be paid to the members whose names appear:
  - (i) as Beneficial Owners as per list to be furnished by the Depositories in respect of the shares held in Demat form; and
  - (ii) As members on the Register of Members of the Company on record date after giving effect to all valid share transfers in physical form which would be received by the Company upto end of business hours on Record date.
6. Pursuant to provisions of Sub-Section (5) of Section 205A the Companies Act, 1956 the dividend, which remain Unclaimed/Unpaid for a period of 7 years shall be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956. The Company has already transferred Unclaimed/Unpaid amount of dividends declared up to the Financial Year 2004-05 to the Investor Education and Protection Fund of the Central Government as required under Section 205A and 205C of the Companies Act, 1956. Information in respect of such unclaimed dividend and the last date for claiming the same are given below:-

Financial year ended	Date of Declaration of Dividend	Last date for claiming unpaid Dividend
2005-06	31-07-2006	30-07-2013
2006-07	22-08-2007	21-08-2014
2007-08	26-09-2008	25-09-2015
2009-10	30-07-2010	29-07-2017
2010-11	29-09-2011	28-09-2018
2011-12	29-09-2012	28-09-2019

Shareholders, who have not so far encashed the dividend, are requested to seek issue of Demand Draft by writing to the Company's Registrar and Transfer Agents, M/s. Karvy Computershare Private Limited immediately.

7. 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.
8. 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.
9. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account number (PAN) by every participant in securities market, members holding shares in electronic form are, therefore requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company's Registrars and Transfer Agents.
10. All the documents referred to in the Notice will be available to the members at the Registered Office of the Company between 10.30 A.M to 12.30 P.M on all working days from the date hereof upto the date of the Meeting.
11. Sri.N.Lokesh has resigned from the office of Executive Director and continues as a Non Executive Director in the Board of the Company. He is eligible for sitting fee for attending the Board/Committees meetings, as in the case of other Non Executive Directors. He is having 11, 83,200 Equity Shares (10.20% of the total capital) of the Company as on 31<sup>st</sup> March, 2013. This statement may be treated as an abstract of the revision of the terms of appointment pursuant to Section 302 of the Companies Act, 1956
12. At the ensuing Annual General Meeting, Sri.D.Seetharamaiah and Sri.N.P.Rama Krishna retire by rotation and being eligible offer themselves for re-appointment. The information/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

The present Authorized Share Capital of the Company is ₹20,00,00,000/- (Rupees Twenty Crores Only) divided into 1,80,00,000 (One Crore Eighty Lakhs) equity shares of ₹10/- (Rupees Ten) each and 20,00,000 (Twenty Lakhs) Preference Shares of ₹10/- (Rupees Ten) each and Issued, Subscribed and Paid up Share capital of ₹11,59,95,000/- ( Rupees Eleven Crore Fifty Nine Lakhs Ninty Five Thousand only) divided into 1,15,99,500 (One Crore Fifteen Lakhs Ninety-nine Thousand Five Hundred) Equity shares of ₹10/- (Rupees Ten only) each.

It is proposed to increase the Authorised Share Capital from ₹20,00,00,000/- (Rupees Twenty Crores Only to ₹50,00,00,000/- (Rupees Fifty Crores).

Pursuant to Section 94(a) of the Companies Act, 1956, the above proposal requires approval of the shareholders by passing a Special Resolution. The resolution for increase of Authorized Share Capital, if approved, would also result into consequent amendment of Clause V of the Memorandum of Association and Article 5 of the Articles of Association of the Company. The approval of the shareholders for the proposed amendment(s) would be required in accordance to inter-alia, Section 16 and Section 31 of the Companies Act, 1956. Hence your Directors recommend the resolution for your approval.

None of the Directors of the Company are in any way concerned /interested in the Resolution.

### Item No.8

The Article 160 of the Articles of Association authorises the Company to capitalise, inter- alia by way of issue of Bonus Shares out of the amount standing to the credit of the Capital Redemption Reserve/General Reserves/Securities Premium Account/the Reserve Fund or other funds of the Company.

The Article prescribes that the capitalisation is to be approved by the Members in a General Meeting. It is felt that seeking the approval of the Members of the Company each time would prolong the time between the recommendation by the Board and the actual allotment of Bonus Shares after receipt of members approval in a General Meeting. In order to enable the Board to expeditiously complete the process of issue of Bonus Shares whenever the Board decides for the same, it is proposed that the Board be authorised to capitalise the reserves of the Company in a manner as they may deem expedient without seeking further

approval from the Members of the Company. This amendment in the Articles of Association will enable the Company to give effect to the Board's proposal in an expeditious manner. The Board, therefore, recommends the resolution for the approval of the members.

None of the Directors are concerned or interested in the resolution.

### Item No.9

The Company has started exporting its own products and various other products as part of exploring the global Market for marketing the products, so as to have the presence of the company in other countries. Therefore it is proposed to change the name of the Company from “Heritage Foods (India) Limited to “Heritage Foods Limited” by deleting the word ‘(India)’ in the existing name of the Company.

The Board recommends the resolution at item no. 9 of the Notice to the members for approval.

A copy of the Memorandum and Articles of Association of the Company along with the alterations as aforesaid of the Name Clause of the Memorandum and the letter of the ROC approving the availability of name are available for inspection at the Registered Office of the Company during normal business hours.

None of the Directors of the Company are in any way interested in the Resolution.

### Item No.10

**Smt. N. Bhuvanewari**, aged 50 years is a Graduate in Arts and has about 19 years of Industry experience. She joined the Company in 1994 as whole time Director and now she is working in the Company as Vice Chairperson and Managing Director. During last 19 years she devoted her entire time, attention and abilities to achieve the targets fixed by the Board of Directors of the company and carried out the business with highest standards of business ethics, complied in all respects with the directions and regulations made by the Board,

The shareholders of the company approved the re-appointment of Smt. N. Bhuvanewari, as Vice Chairperson and Managing Director, at the Extra ordinary General Meeting conducted through Postal Ballot, result of which was declared on 09<sup>th</sup> May 2012 for a period of 3 years with effect from 1<sup>st</sup> April, 2012 with the remuneration approved by the Central Government as per

the Section II part II of the Scheduled XIII of the Companies Act, 1956. The current financial year the profitability position of the Company has improved substantially and it will be continued in future years also. Therefore revision of terms of appointment is necessary as per the part II section I of the Scheduled XIII of the Companies Act, 1956.

The Board of Directors of the Company at its meeting held on 30<sup>th</sup> May, 2013 (based on recommendation of the Remuneration Committee) had revised the terms of appointment of Smt. N. Bhuvanewari as the Whole Time Director designated as Vice-Chairperson & Managing Director of the Company for a period of 5 years with effect from 1<sup>st</sup> July, 2013 at a remuneration, Perquisites, allowances and commission mentioned in the resolution no.10. The remuneration, perquisite, allowances are to be paid on monthly basis, unless specifically mentioned otherwise in the resolution No.10 and the commission shall be paid on annually. The aggregate of above “Remuneration, perquisites, allowances and commission taken together shall be 5% of the net profit of the Company, calculated as per Section 198 and 309 other applicable propositionative act. read with Schedule XIII to the Companies Act, 1956.”

The Company has not granted any stock option to her. She is having 26,65,413 equity share (23.12% of the total capital) of the company as on 31st March, 2013. She is also a director in other Public Companies like M/s. Heritage Finlease Limited, M/s. Heritage Foods Retail Limited and M/s. Heritage Conpro Limited and other Private Companies. Members are requested to approve the resolution at item no 10 as an ordinary resolution.

The terms as set out in the resolution and explanatory statement may be treated as an abstract of the terms of appointment pursuant to Section 302 of the Companies Act, 1956.

None of the directors, except, appointee, Sri. N. Lokesh, Director and Smt. Nara Brahmani Executive Director of the Company are concerned or interested in the said resolution.

#### **Item No.11**

The Board of Directors at its meeting held on 22<sup>nd</sup> April, 2013 appointed Smt. Nara Brahmani, as an Additional Director (Non

executive Director) of the Company. As per the terms of Section 260 of the Companies Act, 1956 the appointment expires at the 21<sup>st</sup> Annual General Meeting. The Company has received notice under Section 257 of the Companies Act, 1956 along with the requisite deposit from members proposing her candidature for the office of director. Members are requested to approve the resolution at item no 11 as an ordinary resolution.

None of the directors, except, appointee, Sri. N. Lokesh, Director and Smt. N. Bhuvanewari Vice –Chairperson & Managing Director of the Company is concerned or interested in the said resolution.

#### **Item No.12**

The Board of Directors of the Company at its meeting held on 30<sup>th</sup> May,2013 (based on a recommendation of the Remuneration Committee) had appointed Smt. Nara Brahmani as the Whole Time Director designated as Executive Director of the Company for a period of 5 years with effect from 1<sup>st</sup> June, 2013 at a remuneration, perquisite, allowances and commission mentioned in the resolution No 12, subject to necessary approval from members. The aggregate of above remuneration, perquisites, allowances and commission taken together shall be 4% of the net profit of the Company. The remuneration, perquisite, allowances are to be paid on monthly basis, unless specifically mentioned otherwise in the resolution No.10 and the commission shall be paid annually. She is having 50,500 equity share (0.44% of the total capital) of the company as on 31st March, 2013. The Company has not granted any stock option to her. Members are requested to approve the resolution at item no 12 as an ordinary resolution.

The terms as set out in the resolution and explanatory statement may be treated as an abstract of the terms of appointment pursuant to Section 302 of the Companies Act, 1956.

None of the directors, except, appointee, Sri. N. Lokesh, Director and Smt. N. Bhuvanewari Vice-Chairperson & Managing Director of the Company is any way concerned or interested in the said resolution.

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

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

<b>1. Name of the Director</b>	<b>Sri. D Seetharamaiah</b>
Date of Birth	22-04-1926
Date of First Appointment	26-08-1992
Expertise in Specific Functional Area	He has vast experience in the field of Taxation, Finance. He is in practice for last Five decades.
Qualification	B.Com, FCA
Directorships held in other Public Companies (Excluding Foreign and Private Companies)	Tera Software Limited Heritage Finlease Limited Jeevan Scientific Technologies Limited Heritage Foods Retail Limited Prithvi Asset Reconstruction and Securitization Company Limited Heritage Conpro Limited
Chairmanships/Membership of Committees of other Public Companies (includes only Audit Committee and Shareholders'/ Investors' Grievance Committee)	<b>Audit Committee</b> Member : Jeevan Scientific Technologies Limited Tera Software Limited Prithvi Asset Reconstruction and Securitization Company Limited <b>Shareholders'/Investors' Grievance Committee</b> Chairman: Jeevan Scientific Technologies Limited Member: Nil
Shareholding in the Company	Nil
<b>2. Name of the Director</b>	<b>Sri N P Ramakrishna</b>
Date of Birth	09-01-1947
Date of First Appointment	20-01-1993
Expertise in Specific Functional Area	He has vast experience in transport business, has 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.
Qualification	(B.Sc)
Directorships held in other Public Companies (Excluding Foreign and Private Companies)	Nil
Chairmanships/Membership of Committees of other Public Companies (includes only Audit Committee and Shareholders'/ Investors' Grievance Committee)	Nil
Shareholding in the Company	50,000

3. Name of the Director	Smt N Bhuvaneswari
Date of Birth	20-06-1962
Date of First Appointment	12-12-1994
Expertise in Specific Functional Area	She has 20 years of Industry experience.
Qualification	B.A
Directorships held in other Public Companies (Excluding Foreign and Private Companies)	<ol style="list-style-type: none"> <li>Heritage International Limited</li> <li>Heritage Foods Retail Limited</li> <li>Heritage Conpro Limited</li> <li>Heritage Finlease Limited</li> </ol>
Chairmanships/Membership of Committees of other Public Companies (includes only Audit Committee and Shareholders'/ Investors' Grievance Committee)	Nil
Shareholding in the Company	2665413 (23.12% of the total equity capital)

4. Name of the Director	Smt N Brahmani
Date of Birth	21-12-1987
Date of First Appointment	22-04-2013
Expertise in Specific Functional Area	She worked as an Investment Associate in M/s.Vertex Venture Management Pte. Ltd., Singapore for a period of two years before joining in HFIL as Vice President (Business Development).
Qualification	<ul style="list-style-type: none"> <li>Bachelor of Science in Electrical Engineering from Santa Clara University, USA</li> <li>Bachelor of Engineering with specialization of Electronics and Communications from Chaitanya Bharathi Institute of Technology, Hyderabad</li> <li>Master's Degree in Business Administration from Stanford University, USA</li> </ul>
Directorships held in other Public Companies (Excluding Foreign and Private Companies)	Nil
Chairmanships/Membership of Committees of other Public Companies (includes only Audit Committee and Shareholders'/ Investors' Grievance Committee)	Nil
Shareholding in the Company	50,500 (0.44% of the total equity capital)

By Order of the Board of Directors

Registered Office:  
6-3-541/C, Punjagutta,  
Hyderabad – 500 082  
Date: 30<sup>th</sup> May, 2013

**UMAKANTA BARIK**  
Company Secretary

## Directors' Report

### Dear Members,

Your Directors have great pleasure in presenting the 21st Annual Report of the Company together with the Audited statement of accounts for the Financial Year ended 31<sup>st</sup> March, 2013.

### FINANCIAL RESULTS

The financial performance for the Financial Year 2012-13 is summarised in the following table:

Particular	(Rupees in Lakhs)	
	Year ended March 31, 2013	Year ended March 31, 2012
Revenue from Operations (net)	160181.28	139340.57
Other Income (net)	419.95	320.73
Total Income	160601.23	139661.30
Operating Expenditure	150072.33	134207.70
Profit before Finance Cost, Depreciation & Amortization and Tax	10528.90	5453.59
Finance cost	1670.20	1977.28
Depreciation & Amortization	2202.03	2118.65
Profit before Taxes and Extraordinary items	6656.67	1357.67
Extraordinary Items	291.34	0.00
Profit before Taxes	6365.33	1357.67
Tax Expenses	1369.17	424.24
Net Profit for the Year	4996.16	933.42

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

### PERFORMANCE OF THE COMPANY

Your Company, during the year under review earned revenue from operations (net) of ₹160181.29 Lakhs representing an increase of 14.96% over the previous year. Your Company has registered a net profit of ₹4996.16 Lakhs, as compared to previous year's net profit of ₹933.42 Lakhs.

The increase in the profitability is due to economies of scale, leveraging on a pan India presence of milk products leading to increased turnover and better margins, rationalization of logistics costs, elimination of wastages and effective cost control measures.

### DIVIDEND

Your Directors have recommended a dividend of ₹3 per Equity Share (30%) face value of ₹10/- each for the Financial Year ended March 31, 2013, amounting to ₹405.13 Lakhs (₹346.28 Lakhs as dividend and ₹58.85 lakhs tax on dividend). The dividend will be paid, subject to the approval of the members at the ensuing Annual General Meeting to those members whose names appear in the Register of Members as on record date.

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

### SHARE CAPITAL

The Paid up Capital of the Company has increased from ₹11,52,95,000/- (Rupees Eleven Crore Fifty Two Lakhs Ninty Five Thousand only) divided into 1,15,29,500 (One Crore Fifteen Lakh Twenty Nine Thousand Five Hundred ) Equity Shares of ₹10/- each to. ₹11,59,95,000/- (Rupees Eleven Crores Fifty Nine Lakhs Ninty Five Thousand only) divided into 1,15,99,500 (One Crore Fifteen Lakh Ninty Nine Thousand Five Hundred) Equity Shares of ₹10/- each, due to allotment of 70,000 (Seventy Thousand only) Sweat Equity Shares during the year. The details of the above issue is as follows as per the provisions of Act

Number of shares issued to an employee of the company	70,000 (Seventy Thousand only) face value of ₹10/- each to Dr. M. Sambasiva Rao, President of the Company
The pricing formula	the pricing of the Share arrived as per the SEBI (Issue of Sweat equity shares) Regulations, 2002
The total number of shares arising as a result of issue of sweat equity shares	70,000 (Seventy Thousand only) face value of ₹10/- each
Money realized or benefit accrued to the company from the issue of sweat equity shares	The share issued to Dr. M. Sambasiva Rao, Employee of the company designated as president for a consideration other than cash in recognition of value addition to the business of the Company and for creating the aspiration and motivation to achieve the further growth of the company.
Diluted earnings per share after issuance of sweat equity shares	43.28

Your Board of Directors had obtained a certificate from the M/s. Raju & Prasad Statutory Auditors of the Company regarding the issue of Sweat Equity shares in accordance with the SEBI (Issue of Sweat Equity Shares) Regulations 2002 & applicable provisions of the Companies Act 1956. The copy of the certificate is forming part of the Annual Report.

### CHANGE OF NAME OF THE COMPANY

The Board of Directors had approved to change the name of the company from "Heritage Foods (India) Limited" to "Heritage Foods Limited" by deleting the word '(India)' in the existing name of the Company subject to approval of share holders and

statutory Authorities. The Company has received the approval for name availability from Registrar of Companies, Andhra Pradesh, Hyderabad. The change of name of the Company as aforesaid does not change the legal status or constitution of the Company, nor does it affect any rights or obligations of the Company.

### TRANSFER TO RESERVE

The Company proposes to transfer ₹2500.00 Lakhs to General Reserve.

### BUSINESS REVIEW

**Dairy Business:** Dairy industry is of crucial importance to the growth of Indian economy. Our country is the world's largest milk producer, accounting for more than 17% of world's total milk production. It is also the world's largest consumer of dairy products, consuming almost 100% of its own milk production. Dairy products are a major source of nutritious food to millions of people in India and the only acceptable source of animal protein for large vegetarian segment of Indian population. Dairying has been considered as one of the activities aimed at alleviating the poverty and unemployment especially in the rain-fed and drought-prone rural regions. In India, about three-fourth of the population live in rural areas. The progress in this sector will result in a more balanced development of the rural economy, particularly among the landless, small or marginal farmers.

Considering the current scenario, the Milk demand is expected to reach 180 Million MT by 2021-22. An Annual Incremental growth of 5-6 million MT is estimated over the next 10 years to meet the growing demand of Milk in the country. The Industry is to witness a boom in the demand for milk in the next decade due to the following factors:

- Milk serves as an important source of protein for a sizeable portion of India's large vegetarian population
- Rising income and aspiration levels further accelerated by impact of the 6<sup>th</sup> pay commission in urban India.
- Advent of urbanization leading to demand for greater variety of value added dairy products.
- Rising health consciousness driving product innovations in the global dairy market like pro-biotics and other fortified dairy products.

During the financial year 2012-13, Dairy Division of your Company has increased milk procurement capacity by 72000 LPD by commissioning of 21 units which includes Bulk Coolers/Mini Chilling Units and Franchisee units to increase the milk procurement and to maintain the quality. The Turnover has grown by 15.96% from ₹109397.20 Lakhs to ₹126862.15 Lakhs. The liquid milk Turnover grown by 12.08% and Value Added Products by 27.43%.

**Retail Business:** The Indian Retail Industry is the largest among all the industries, accounting for over 10% of the country's GDP and around 8% of the employment. The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. But all of them have not yet tasted success because of the heavy initial investments that are required to break-even.

Recently the Government of India had allowed Foreign Direct Investment (FDI) upto 51% in multi brand retail and the impact of this policy is to be seen yet.

Purchasing power of Indian urban consumer is growing and branded merchandise in categories like Apparels, Cosmetics, Shoes, Watches, Beverages, Food and Jewellery are widely accepted by the urban consumers.

The Retail Division of your Company has achieved a sale of ₹32657.46 Lakhs during the year 2012-13. The Institutional sales segment achieved a sales of 2063 Lakhs and sales delivered by General Trade FMCG distribution business of ₹1438 Lakhs. For comparable stores in both the years Retail business has grown by 6.51%. Average bill value has grown by 14% and also the new stores which are opened this year have delivered more throughput.

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

**Agri Division:** Agriculture is the third largest sector of India's economy after services and industry. It requires consistent monitoring, creating a conducive environment for farmers to increase their productivity and sell their products at competitive prices. There is still a lot of scope for increasing the productivity in India by adopting scientific methods of cultivation. India has emerged as the second largest producer of fruits and vegetables in the world besides to being the largest overseas exporter of cashews and spices.

Agri Division of your Company had achieved the turnover of ₹3993.67 Lakhs and 26479 MT with respect to Value and Volume. There is an improvement in Volume of 62% over the financial year 2011-12.

### EXEMPTION FROM ATTACHING THE BALANCE SHEETS, ETC. OF THE SUBSIDIARY COMPANIES WITH THE BALANCE SHEET OF THE COMPANY

The Ministry of Corporate Affairs ("MCA") has vide its Circular No. 02/2011 dated 8th February, 2011, granted a general exemption under Section 212(8) of the Companies Act, 1956 from attaching copies of the Balance Sheet, Statement of Profit and Loss, Directors' Report and Auditors' Report of its subsidiary

companies with the Balance Sheet of the Company, subject to fulfillment of certain conditions.

In terms of the said circular, copies of the Balance Sheet, Statement of Profit and Loss, Report of the Board of Directors and the Report of the Auditors of the Subsidiary Companies have not been attached to the Balance Sheet of the Company. The Company has presented Consolidated Financial Statements comprising Heritage Foods (India) Ltd and its subsidiaries duly audited by the Statutory Auditors of the Company. The Consolidated Financial Statements prepared by the Company are in compliance with the Accounting Standard AS-21 as prescribed by the Companies (Accounting Standards) Rules, 2006 and the Listing Agreement with the Stock Exchanges. The statement required under Section 212 of the Companies Act, 1956 is attached to the annual accounts of the Company. The annual accounts and related documents of all the Subsidiary Companies shall be made available for inspection to the shareholders of the Company and its subsidiaries at the Registered Office of the Company from Monday to Friday between 11.00 a.m. to 1.00 p.m. The Company will also make available physical copies of such documents upon request by any Member of the Company (or its subsidiaries) interested in obtaining the same and the same would also be made available on the website of the Company.

## DIRECTORS

Sri D.Seetharamaiah, Chairman and Sri N.P Ramakrishna, Directors retire by rotation and being eligible offer themselves for reappointment at the ensuing Annual General Meeting.

The Board at its meeting held on May 30, 2013 on recommendation of Remuneration Committee and subject to the approval of the members at the ensuing Annual General Meeting had appointed Smt. N.Bhuvanewari as Vice Chairperson & Managing Director of the Company, for a period of 5 (five) years with effect from 1<sup>st</sup> July, 2013.

During the year on the recommendation of Remuneration Committee, the Board of Directors had recommended to the Shareholders for the re-appointment and revision of remuneration of Sri. Nara Lokesh as Executive Director of the Company for a period of three years w.e.f 1<sup>st</sup> October, 2012. The Shareholders had approved the appointment through postal Ballot, the result of which was declared on 08<sup>th</sup> December, 2012.

Smt. N.Brahmani was appointed as an Additional Director of the Company w.e.f 22<sup>nd</sup> April 2013, to hold office upto date of the ensuing Annual General Meeting. Notice was received from members under Section 257 of the Companies Act, 1956 proposing her candidature as the Director of the Company. The Board at its meeting held on May 30, 2013, on recommendation of Remuneration Committee and subject to the approval of the members at the ensuing Annual General Meeting had appointed Smt. N.Brahmani as a Wholtime Director designated as an

Executive Director of the Company, for a period of 5 (five) years with effect from 1<sup>st</sup> June, 2013.

Sri N.Lokesh has submitted his resignation from the office of Executive Director, but he will continue as non Executive Director in the Board of the Company, with the same terms as applicable to the Non-executive Directors of the Board. The Members of the Board place on record their deep sense of appreciation for services rendered by Sri N. Lokesh during his tenure as an Executive Director of the Company.

## AUDITORS AND AUDITORS' REPORT

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

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

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

**Cost Auditor:** M/s. Sagar & Associates, Cost Accountants, Hyderabad were appointed as the Company's Cost Auditors subject to the consent of the Government of India to conduct an audit of Cost Accounting records relating to Packaged Food Products and for issuance of Cost Audit Report for the financial year 2013 - 2014.

**Secretarial Auditor:** As a measure of good corporate governance practice, the Board of Directors of the Company appointed Ms. Savita Jyoti, Practicing Company Secretary, to conduct Secretarial Audit. The Secretarial Audit Report for the financial year ended March 31, 2013, is provided in the Annual Report.

## INTERNAL AUDIT & CONTROL SYSTEMS

Your Company has a well-defined and documented internal control system, which is adequately monitored. Checks & balances and control systems have been established to ensure that assets are safe guarded, utilized with proper authorization and recorded in the books of account. The Internal control systems are improved and modified continuously to meet the changes in business conditions, statutory and accounting requirements.

These are supplemented by internal audit carried out by reputed firms of Chartered Accountants. Your Company has an Audit Committee consisting of four Directors; all of them are Non-Executive Independent Directors. The Audit Committee of the Board of Directors, Statutory Auditors and the Business Heads are periodically apprised of the internal audit findings and

corrective actions taken. The Audit Committee of the Board of Directors reviews the adequacy and effectiveness of internal control system and suggest improvement(s) if any. The Company has a robust Management Information System which is an integral part of the control mechanism.

## **CORPORATE SOCIAL RESPONSIBILITY**

The core theme of your company's Corporate Social Responsibility policy (CSR Policy) is giving back to the society from which it draws its resources by extending a helping hand to the needy and the underprivileged. To implement the CSR policy effectively, the Company makes need based allocation of funds from its earnings through Heritage Farmers Welfare Trust (The Trust). The trust has chosen Health, Safe drinking water and Livelihoods as the thrust areas for discharging its Corporate Social Responsibility. Apart from the above thrust areas, your company strives to serve the society through various other measures like distribution of clothes and relief materials during natural calamities etc.

Your Company has been extending help to villages where the Company plants are located, as part of our Corporate Social Responsibility. Your Company had started through the trust, free veterinary services through mobile veterinary clinic with a fully equipped instruments and trained Doctors/Staff, and through audio visuals presentations. Your company organized several free health camps at various places at part of the CSR activities during the year under review.

## **INDUSTRIAL RELATIONS**

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

## **OTHER EVENTS**

The following unfortunate incidents happened after close of the Financial year before the date of the Board's Report.

On Sunday the 07th April 2013 at the refrigeration section 2 (under trial commissioning) at Bayyavaram packing station, Vishakhapatnam district, fire broke due to an electro-mechanical failure, resulting in loss of life of three workers employed by M/s. Thermal Engineers and contractors, executing the works and damaging the assets worth around ₹30 Lakhs. There is proper insurance coverage for the assets. In addition to the financial assistance available under workmen's compensation act covered by the contractor, the company has decided to extend an additional financial assistance of ₹10 Lakhs per each family of the deceased. One willing member of each family will be provided regular employment in Company and further support towards education of the children will also be extended.

Another incident occurred at Pamarru Packing Station at Endagandi Village, East Godavari District on 06th of May 2013. Two Children brought their Cattle for grazing at open land of

the company outside the compound wall, unfortunately these two children had got in to the pond adjacent to the open land for swimming and drowned. The Company had extended a financial assistance of ₹5 Lakhs to each family of deceased persons.

Another incident occurred on 21st of May 2013 at Pamarru Packing station. One of the workers had attempted to unplug the electronic weighing machine without switching of the supply and died due to electric shock. The Company had extended a financial assistance of ₹10 Lakhs to deceased family and offered regular employment to one of his family members.

There was no impact on the performance/operations of the Plants/Company. Your company has taken various preventive measures, such as safety training to the employees, warning boards at appropriate places, safety rules displayed at the prominent places of the plants.

## **PARTICULARS OF EMPLOYEES**

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 from time to time, the names and other particulars of the employees required are annexed to the Directors' Report. Having regard to the provisions of Section 219(1) (b) (iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Any member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

## **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 as amended from time to time, the unclaimed dividend of ₹9,74,208 (Rupees Nine Lakh Seventy Four Thousand and Two Hundred and Eight Only) for the year 2004-05 was transferred to the Investor Education and Protection Fund during the year and the unclaimed dividend for the year 2005-06 is due for transfer to the fund.

## **FIXED DEPOSITS**

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

## **ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

The particulars relating to energy conservation, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are provided in the Annexure to this Report.

## MANAGEMENT DISCUSSION AND ANALYSIS

An Annexure to this Report contains a detailed Management Discussion and Analysis, which, inter alia, covers the following:

- Over view of the Economy
- Industry structure and development
- Opportunities and Threats
- Risks and Concerns
- Internal control systems and their adequacy
- Discussion on financial and operational performance
- Segment-wise performance

## CORPORATE GOVERNANCE

The Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report.

The Certificate from the Statutory Auditors of the Company confirming compliance with the conditions of Corporate Governance as stipulated under the aforesaid Clause 49 of the listing Agreement is attached to this Report.

## DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that,

- In the preparation of the annual accounts, applicable accounting standards have been followed along with proper explanation relating to material departures.

- They 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 at the end of the financial year 2012-13 and of the profit for that period;
- They 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
- They have prepared the annual accounts of the company on a going concern basis.

## ACKNOWLEDGEMENT

The Board takes this opportunity to thank all its employees for their dedicated service and firm commitment to the goals of the Company. The Board also wishes to place on record its sincere appreciation for the wholehearted support received from shareholders, suppliers, farmers, customers, bankers and all other business associates, and from the neighborhood communities of the various locations.

Your Directors look forward to the future with confidence.

**For and on behalf of the Board of Directors**

Place: Hyderabad  
Date: 30<sup>th</sup> May 2013

**D. SEETHARAMAIAH**  
Chairman

## ANNEXURE TO THE DIRECTOR'S REPORT:

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

The Company has taken up green initiatives, by adopting laudable practices like reducing the carbon foot prints, maximizing the utilization of natural light and reducing the electric light fittings, use of re-cycled material for the work stations' wood boards, provision of task lights for every work station to minimize the power consumption, central control switch for entire work station, rain water harvesting etc. Sufficient greenery is maintained at all the facilities of the Company.

Company uses LED bulbs in all retail stores and the common area of the offices to reduce power consumption and also planning to use the solar powered street lights for its plants.

Adequate measures have been taken to conserve and reduce the energy consumption by using energy efficient hardware and other equipment. Air conditioners are used only when required and air-conditioned areas have been treated with heat resistant material like sun control film to reduce heat absorption.

We believe that energy saved is energy produced.

At periodic intervals, the management sends emails to the employees of the Company creating awareness on the energy conservation, pollution control and efficient use and disposal of paper.

The board is regularly updated about the various environmental conservation and pollution control measures implemented by the company.

Your Company continues to use state-of-the-art technology for improving the productivity and quality of its products. To create adequate infrastructure, your Company continues to invest in the latest design of plant machinery, hardware, software etc.

The above measures have resulted in savings on account of consumption of power and fuel. In recognition of our efforts, the Ministry of Energy, Govt. of India, had awarded first prize on conservation of energy in Dairy sector during the year. This is the Third time we have received the Award from The Ministry of Energy, Govt. of India in a period of last five years.

## A. CONSERVATION OF ENERGY

### a. Energy Conservation Measures taken:

#### FORM A

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

	2012-13	2011-12
<b>A. POWER AND FUEL CONSUMPTION</b>		
1. <b>Electricity (Dairy)</b>		
<b>a. Purchased</b>		
Units - KWH	22373032	22091606
Total Amount - ₹	134677983	103314577
Rate/Unit - ₹	6.02	4.68
<b>b. Own generation</b>		
Through Diesel generator		
Units - KWH	3921794	2792225
Unit per liter of diesel oil	2.48	2.98
Cost/Unit - ₹	19.83	19.56
2. <b>Furnace Oil</b>		
Quantity (Ltr)	2371836	2934374
Total cost - ₹	110994336	127662662
Average rate - ₹	46.80	43.51
<b>B. CONSUMPTION PER UNIT OF PRODUCTION STANDARD</b>		
Electricity (KWH/Ltr of milk)	0.22	0.18
Furnace oil (Ltr of milk)	0.18	0.22

## TECHNOLOGY ABSORPTION (ENCLOSED IN FORM B)

#### FORM B

(Form for disclosure of particulars with respect to absorption)

(₹ in lakhs)

	2012-13	2011-12
Research & Development (R & D)	Nil	Nil
Technology absorption, adaptation & innovation	Nil	Nil
Foreign Exchange Earnings	293.66	184.91
<b>Foreign Exchange Outgo:</b>		
Assets Purchases	36.03	Nil
Term Loan repayment (incl. Interest)	1668.25	1511.07
Software Support	Nil	Nil
Others	0.05	1.09
	1704.33	1512.16

# Management Discussion and Analysis

## OVERVIEW OF THE ECONOMY

The Economic Environment in 2012-13 has been tough and the growth in India moderated for one more year. The effect of the uncertainty and recessionary trends in the global economies was compounded by the complexity in the domestic environment. Unpredictable weather and fear of delayed monsoons again triggered a negative focus on the output gap and high food inflation persisted at uncomfortable levels and remained a concern. The economic sentiment remained subdued as the government policy and measures were keenly watched for their impact on the fiscal deficit and interest rates. There is underlying confidence that consumption will continue to sustain on the back of rising aspiration urbanization, more working professionals, favorable demographics, low penetration of consumer products, premiumisation trends and the ongoing shift to branded products.

Your company anticipated that the moderation in the growth rates will show steady recovery in the short term and the growth momentum will revive soon. In this new reality of a volatile, uncertain environment your company believes that to ensure long term profitable and sustainable growth, we have to think ahead and constantly ask ourselves how we can be creating shared value. Your company maintained a forward looking approach to ensure that it is well prepared to seize new opportunities and handle new challenges with speed. Since the success of your company depends on the ability of the business to keep understanding the changing environment and to keep adapting its responses in a seamless manner it continued to focus on realigning its initiatives internally and externally. Your company remained focused on the principles of continuous excellence to drive efficiencies and strengthen the basic businesses and focused on strengthening of its ability to provide nutrition, Health and Wellness through deeper insights bigger innovations faster responses and adequate capacity.

## INDUSTRY STRUCTURE AND DEVELOPMENTS

The Shifting food baskets towards high value agriculture produce like fruits and vegetables, Dairy Products, Meat and Meat Products, Organic food etc., has added a new dimension to Indian agriculture. The growing demand for high value food commodities has opened up opportunities for farmers to diversify towards commodities that have promising growth and higher returns on the factors of production.

Fourteen years ago, India scripted history by achieving the pole position in global milk production. This was made possible by one of the World's most successful rural developments programs- "Operation Flood" (OF) which ushered in the White Revolution transforming India from a milk deficient country to a self sufficient one. India has retained the leadership position in milk production estimated at 135 Million MT during 2012-13 accounting for 17% of global milk production. This fact emphasizes the importance of dairying which has played a crucial role in the agro-based Indian economy and has been

acknowledged as the most successful transformational enterprises in India. More than 70 million of the 147 million rural households depend upon dairy in varying degrees for the livelihood.

The Industry is stated to witness a boom in the demand for milk in the next decade due to the following factors

- Milk serves as important sources of protein for a sizeable portion of India's large vegetarian population.
- Rising income and aspiration levels further accelerated by impact of the 6<sup>th</sup> Pay commission.
- Advent of urbanization leading to demand for greater variety of value added dairy products.
- Rising health consciousness driving product innovation in the global dairy market like pro-biotic and other fortified dairy products

The processed milk market is estimated to reach ₹5 Lakh Crores by 2015 with an annual growth rate of 10%. The markets for dairy products like butter, cheese, ice cream etc., are growing at 8-10% every year. Approximately half of the milk produced is marketed. About 30% of the marketed milk is handled by the organized sector both private and cooperatives. The total milk distributed jointly by the organized and unorganized sectors, about 46% is consumed in fluid form and the balance is converted into various milk products like powder, butter, yoghurt etc.

Despite a slowdown in economic growth and a depreciating rupee, the retailing industry grew strongly. With the efforts to curb rising inflation resulting in single digit inflation, the value of sales of independent grocers and other retailers received a strong impetus which helped ensure that all categories witnessed growth throughout the year. Other major factors driving retail growth in India included growing urbanization, a greater variety of new stores coming into the picture, as well as international brands entering the Indian market. Indian retail is dominated by a large number of small retailers consisting of local kirana shops, green grocers etc. which together make up the so-called unorganized retail or traditional retail. The value sales of these traditional stores accounted for more than 90% of the sales. The unorganized sector will expand further due to its proximity, goodwill, bargaining, loose items, convenient timings and home delivery. The last decade has witnessed the entry of a number of organized retailers opening stores in various modern formats in metros and other important cities. Still, the overall share of organized retailing in total retail business has remained low. The traditional grocery retail is the largest contributor to the total grocery retailing in India. But more than that, it is a major employment provider accounting for 10% of the total employment in the country.

Agriculture in India is improving with collaboration in technology, using tractors, fertilizers and also new methods for farming. India is among 15 leading exporters of agricultural produce in the world.

Good quality seed is one of the most important inputs for enhancing agricultural productivity and production. Further, FDI policy for agricultural sector was amended to allow 100 percent FDI under automatic route for ‘development of seed’ as compared to the earlier provision of ‘development of seed under controlled condition’.

Agri inputs form indispensable structural and functional components of Agriculture. The quality as well as quantity of these inputs determines the strength and sustainability of the Agri Sector. The major farm inputs include seed, fertilizers and plant protection chemicals. Farmers have traditionally been using these inputs to enhance the productivity, but the judicious use of these inputs are lacking in India. With the changing cropping pattern and shift towards high value agricultural products a new approach is required for the use of the farm inputs. Exports have given a boost to High Value Agriculture crops but the producers need to maintain the sanitary and phyto sanitary standards and monitor the pesticide residues in food and agricultural commodities. The way out is to proactively train and educate farmers regarding the quantity to be used, the right application methodology and appropriate chemicals to be used for identified pest problems. The plant protection chemicals industry also needs to re orient itself and broaden the product offerings to address the changing needs of the farmers as they

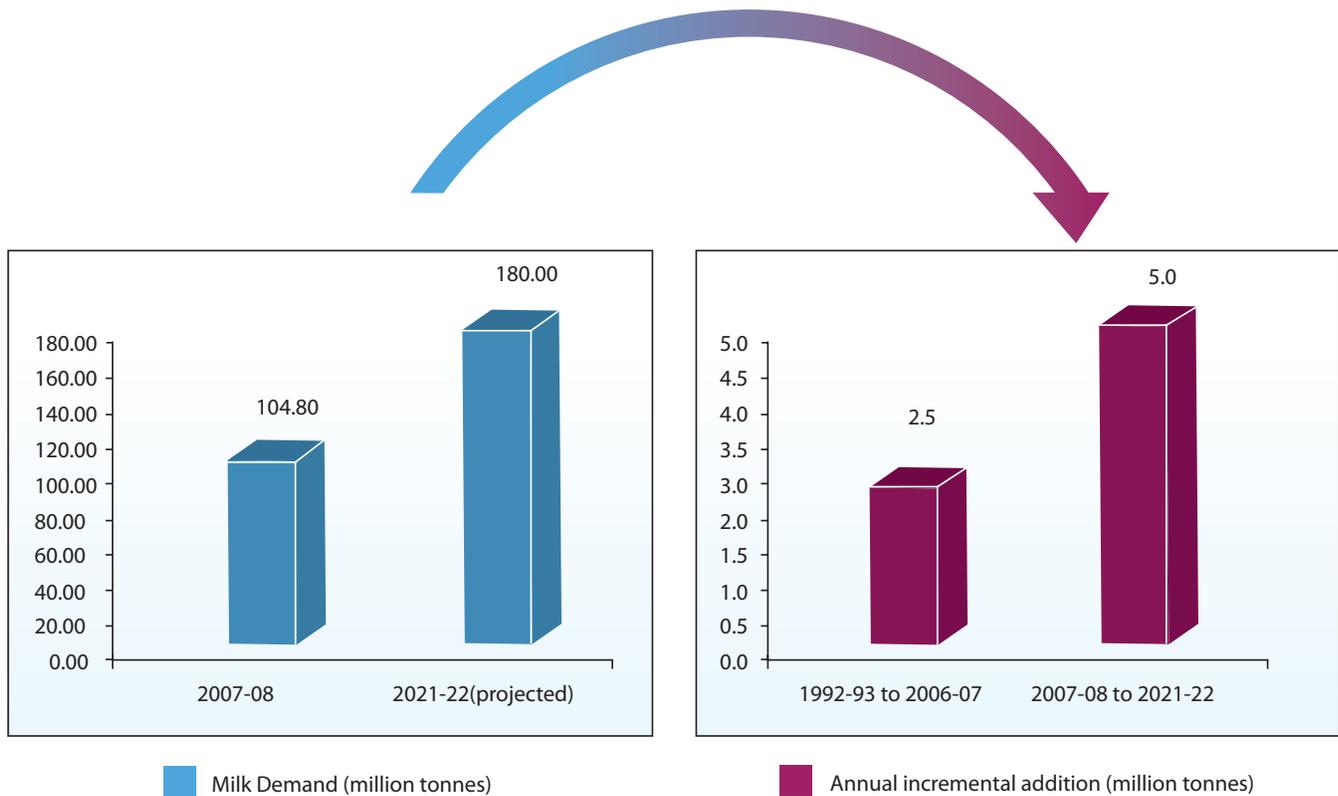
move towards GM crops, integrated pest management and organic farming.

### OPPORTUNITIES

Milk consumption in India is regular part of the dietary program irrespective of the region. Hence demand is likely to rise continuously and there is substantial growth potential for your Company. Increase in population and rise in income levels will see shift in the consumption pattern in favour of value added products besides the growth in demand for liquid milk. Milk apart from being consumed as such, is used in producing a large variety of milk products like curd, cream, butter, ghee, milk powders, paneer etc.

The Dairy sector plays an important role in India’s socio-economic development as milk & milk products provide livelihood at a faster pace to millions of homes in villages, ensuring supply of quality dairy products in urban as well as rural areas. The Indian dairy industry has been witnessing an impressive growth for the past few years on back of rising milk production. It is estimated that the milk production will increase in the Country at a Compound Annual Growth Rate (CAGR) of around 4% during 2011-2015. The projected milk demand is increasing at a faster pace where as the annual incremental additions are increasing at a lower rate. The below mentioned figures show the huge opportunities available in the dairy sector in next 10 years.

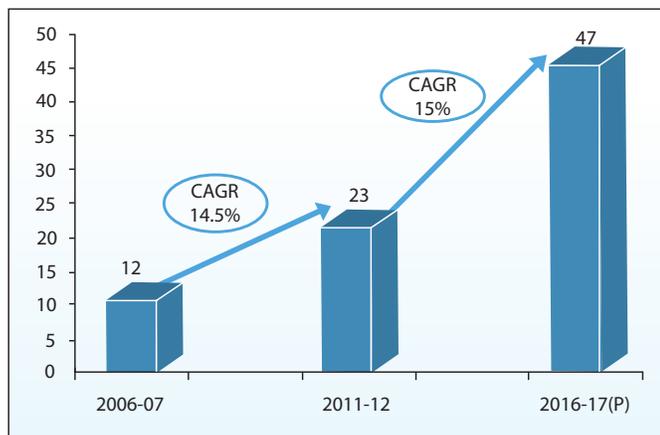
### Projected Milk Demand and Annual Increment Addition required for achieving 2021-22 Production target



Nowadays, most of the consumers prefer quality products rather than cheaper ones. One can also see a shift from artificial ingredients to natural ones in dairy products. Consumers prefer traditional beverages like butter milk, lassi, etc., as compared to carbonated beverages. Your Company has leveraged the above factors by following stringent quality measures in ensuring manufacture of quality products and making them available to consumers at an affordable price. Your Company is also fully aware of the importance of brand building in generating loyal customers. There is a phenomenal scope for innovations in product development, packaging and presentation. With technological advancement and availability of balancing equipment, flexibility of product mix your Company can keep on adding to its product line. The main advantage of your Company's strength lies in its efficient and effective supply and cold chain management. This allows it wide reach and targeted coverage in the market.

The overall retail market (organized and unorganized) is expected to grow at a compounded rate of 15 % over the next 5 years from INR 23 trillion in 2011-12 to INR 47 trillion in 2016-17. Organized retail is expected to grow faster than total retail at 24 % by 2016-17 as compared to 15% growth of total retail during the same period. This growth will be driven by increasing affluence among urban consumers, growing preference for branded products and higher aspirations among youth.

### Retail growth in India (INR trillion)



One of the key drivers of the growth in retailing is the increased consumer demand resulting due to the growth of consumer groups with disposable income between USD 2,500 and USD 10,000 per annum which grew from 50% in 2011 to 60% in 2012. In grocery retailing, hyper markets were growing rapidly boosting growth in modern retailing. Private label products for grocery retailers were most prominent across supermarkets and hypermarkets, accounting for between 15% and 30% of total value sales of these two sectors respectively. Foreign Direct Investment (FDI), up to 51%, in the multi Brand Retail sector was permitted during the year 2012 by Government of India

subject to certain conditions. Due to the Government policy the organized Retail penetration is likely to increase to 10% in 2016-17 from 7 % in 2010-11

### Organized Retail Penetration

	2006-07	2011-12	2016-17(P)
Total Retail	INR 10 trillion	INR 23 trillion	INR 47 trillion
Organized Retail	INR 0.6 trillion	INR 1.6 trillion	INR 4.8 trillion
ORP	5.40%	7%	10%

Declining per capita cereal intake and rising F &V and other cash crop consumption will continue on the back of rising incomes and awareness, this will be helped by food retailing, bio-energy demand and create new opportunities for farmers and businesses. A consistent movement of labour away from agricultural occupations will lead to rising wages. The provision of greater finance to agriculture will continue to increase; through bank lending, the Kissan credit card scheme, and the possible introduction of trade-able deficits (for directed bank lending) as well as private- sector micro-finance programs, this will raise farmer incomes and hence, rural demand. There is shift in Government priority from an overwhelming emphasis on food-grains and cereals to a more broad-based focus on profitable and sustainable farming, this will have cascading benefits for the entire agriculture-to-food value chain in the long term. Individual states are taking the lead on issues like private participation, land reforms and other measures- this can create opportunities in the absence of a concerted push from the centre.

### CHALLENGES

Some of the key challenges in the dairy sector are:

- The momentum of milk production has declined over the last decade with growth stagnating at about 5% per annum. Some of the key bottlenecks hindering growth in milk production are:
  - Rapidly shrinking and degrading grazing areas resulting in shortage of green fodder. By 2020 the deficit of dry fodder, concentrates and green fodder is estimated to be around 11%,35% and 45% respectively from the current deficit of 10%,33% and 35% respectively.
  - Increasing feed prices resulting in use of low quality feed. Low milk productivity of indigenous breeds. Low technology based system of production in rural areas.

- Rise in heat stress among cattle on account of global warming resulting in loss of close to 2% of total milk production. Lack of required infrastructure of chilling plants and bulk coolers leading to deterioration in the quality of milk.
- Unable to get fair and remunerative prices for milk, farmers are moving away from dairying.
- India, being a tropical country, has a hot and humid climate which affects the animals resulting in fluctuations in milk production. The seasonality factor leads to surplus of milk exceeding the processing capacity on one hand during flush season and the underutilization of the processing plants in the lean period on the other hand.
- High level of taxation and duties on dairy equipment and machinery amounting to almost 35 to 40% of the basic prices lead to increase in the final price of the product and thus lesser utilization of the quality equipment and machinery at farm as well as processing levels.

The challenges faced by the retail sector are:

- Shortage of desirable talent and lack of skilled manpower.
- The inefficiencies in the current supply chain and the presence of numerous intermediaries are difficult to curtail.
- The rapid growth of the organized retail segment is constrained by the numerous clearances that are required to set up a retail outlet.
- Lack of basic infrastructure like roads, power, water etc. is a major shortcoming that needs to be addressed in order to procure as well as supply on a pan India basis.

The challenges faced by the Agri sector are:

- The lack of new technologies after the benefits of the Green Revolution have worn off, is becoming worrisome; very few promising seeds have been commercialized and most other innovations are still languishing due to poor extension or lack of investment.
- Corrective action regarding fertilizer subsidy, inadequate seed production, market rigidities and other market- intervention policies desperately needed.
- Achievement of irrigation potential unlikely to surpass 50% of targeted acreage, given the large backlog of previous projects to be completed and the fact that no tangible change has been made in the strategy, hence, monsoon dependence and erratic growth will continue to plague the sector.
- Fundamental degradation in environmental parameters and lack of good agricultural practices are not likely to be addressed in the foreseeable future, this will create a serious long term challenge.

## RISK & CONCERNS

The major challenges in agriculture sector include marginal land holdings, improvement in yield, adoption of farm mechanization, declining per capita availability of food grains, storage capacity, irrigation facilities and development of food processing industry.

Organized dairy industry handles only around 30% of the milk produced. Cost effective technologies, mechanization and quality control measures are seldom exercised in un-organized sector and remain as key issues to be addressed. Milk, which is perishable, needs efficient cold chain management that can be provided only by organized players as the same involves more capital investment. Lack of proper infrastructure facilities like good roads, power supply and adequate transport support are major deterrent factors faced by the Dairy Industry. The increase in prices of petroleum products and the increasing cost of power is also an important threat faced by the manufacturers of dairy products.

Continuous availability of good quality feed and scientifically tested and properly managed animal husbandry practices play a vital role in improving milk yields.

Your Company is however continuously developing and applying scientific methods to improve the quality of milk processed and extend its shelf life. Your Company is in the forefront of such initiatives in establishing this infrastructure.

## INTERNAL CONTROL SYSTEMS AND ADEQUACY:

Your company has a well established and comprehensive internal control structure across the value chain, to ensure that all assets are safe guarded and protected against loss from unauthorized use or disposition, transactions are authorized, recorded and reported correctly and the operations are conducted in an efficient and cost effective manner. The key constituents of the internal control system are:

- Establishment and review of business plans
- Identification of key risks and opportunities
- Clear and well defined organization structure and limits of financial authority
- Continuous identification of areas requiring strengthening of internal controls
- Operating procedures to ensure effectiveness of business processes
- Systems of monitoring compliance with statutory regulations
- Well-defined principles and procedures for evaluation of new business proposals / capital expenditure, a robust management information system

The internal control system is backed up by well-documented policies, guidelines and procedures and concurrent reviews are

carried out by the internal auditors, The work of internal auditors is coordinated by an internal team. This combination of internal team and expertise of a professional firm ensures independence as well as effective value addition. Internal audits are undertaken on a continuous basis, covering various aspects across the value chain like manufacturing, operations, sales and distribution, marketing and finance. Reports of the internal auditors are regularly reviewed by the Audit Committee of the Board of Directors & management and corrective action if required be initiated to strengthen the controls and enhance the effectiveness of the existing systems. Summaries of the reports are presented to the Audit Committee of the Board of Directors on monthly basis.

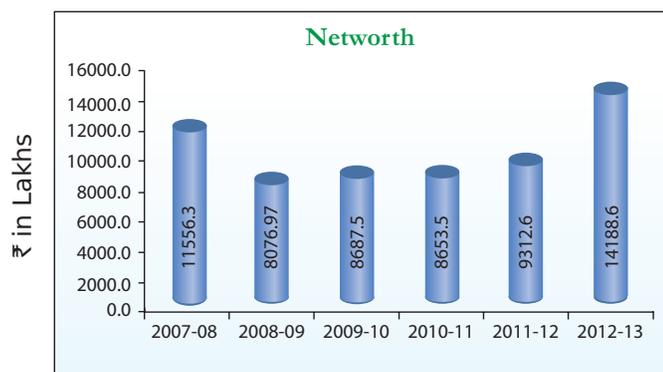
### PERFORMANCE TREND

Over the years, your Company has created significant wealth for all its stakeholders.

#### Value Addition since last five years

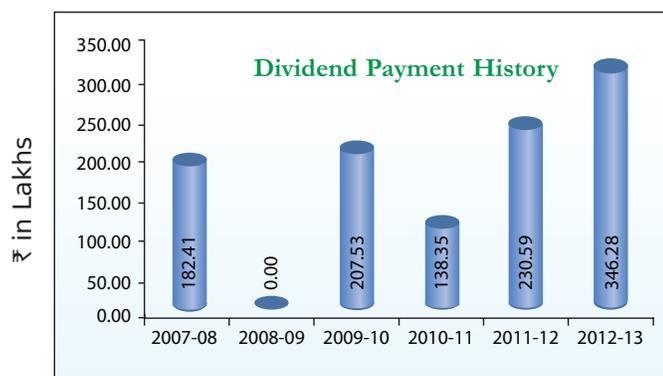
##### Increase in Net worth:

The current Net worth of the Company for the Financial year 2012-13 is at ₹14188.6 Lakhs



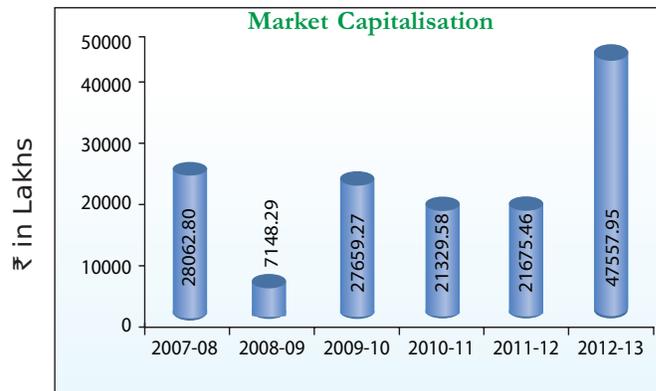
#### Dividend Payment History

The Company has a track record of dividend payment.



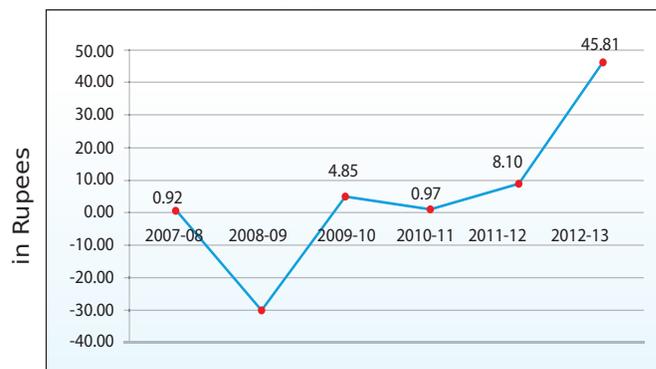
#### Market Capitalisation

Market capitalization in the financial year 2012-13 ₹47557.95 Lakhs.



#### Earnings per Share

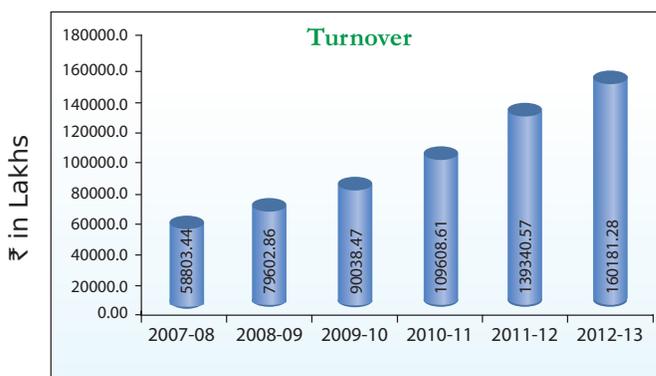
##### EPS For Equity Shares of ₹ 10/- each



### OPERATIONAL EXCELLENCE

#### Revenue Trend

Revenues grew to a record high of ₹160181.28 Lakhs in 2012-13.



## STANDALONE FINANCIAL PERFORMANCE REVIEW

### A. FINANCIAL PERFORMANCE

The following information is a Standalone information of your company and it should be read in conjunction with the financial statements and related notes for the Financial Year ended March 31, 2013.

#### Overview of Standalone Financial Results

Particulars	2012-13		2011-12	
	₹ In Lakhs	% of Revenue	₹ In Lakhs	% of Revenue
Net Sales	158030.00	98.66	137685.10	98.81
Other operating income	2151.28	1.34	1655.47	1.19
<b>Total Revenue</b>	<b>160181.28</b>	<b>100.00</b>	<b>139340.57</b>	<b>100.00</b>
Total Expenditure	150072.33	93.69	134207.70	96.31
Other Income	419.95	0.26	320.73	0.23
Profit before Interest, Depreciation and Tax	10528.90	6.57	5453.60	3.91
Finance Cost	1670.20	1.04	1977.28	1.41
Depreciation & Amortisation	2202.03	1.37	2118.65	1.52
Profit/(Loss) before Extraordinary Items and Tax	6656.67	4.16	1357.67	0.97
Extraordinary Items	291.34	0.18	–	–
Profit/(Loss) before Tax	6365.33	3.97	1357.67	0.97
Provision for current taxation (Including taxation of earlier year)	1231.41	0.76	289.20	0.21
Provision for deferred taxation	137.76	0.09	135.04	0.10
Profit/(Loss) after tax	4996.16	3.11	933.42	0.67

#### Standalone Segment results:

Particulars	2012-13		2011-12	
	₹ In Lakhs	% of Revenue	₹ In Lakhs	% of Revenue
<b>1. Segment Revenue</b>				
(Incl other operating income)				
a. Dairy	126862.15	77.39	109397.20	76.57
b. Retail	32657.45	19.92	29901.03	20.93
c. Agri	3993.67	2.44	3258.35	2.28
d. Bakery	405.62	0.25	315.22	0.22
<b>Total Segment Revenue</b>	<b>163918.89</b>	<b>100</b>	<b>142871.80</b>	<b>100.00</b>
Less: Inter Segment Revenue	3737.61		3531.23	
<b>Net Sales/Income from Operations</b>	<b>160181.28</b>		<b>139340.57</b>	
<b>2. Segment Results</b>				
(Profit (+))/(Loss) (-) before tax and finance costs				
a. Dairy	10927.45	8.61	6073.18	5.55
b. Retail	(2194.51)	(6.72)	(2305.24)	(7.71)
c. Agri	(254.77)	(6.38)	(306.19)	(9.40)
d. Bakery	(153.16)	(37.76)	(128.69)	(40.83)
<b>Total Segment Results</b>	<b>8325.01</b>	<b>5.20</b>	<b>3333.06</b>	<b>2.39</b>
Less: i. Finance Costs	1670.20	1.04	1977.28	1.41
ii. Other un-allocable Expenditure net off			–	
Add: iii. Other un-allocable Income	1.86	0.00	1.88	0.00
<b>Total Profit before Extraordinary Items and Tax</b>	<b>6656.67</b>	<b>4.16</b>	<b>1357.67</b>	<b>0.97</b>

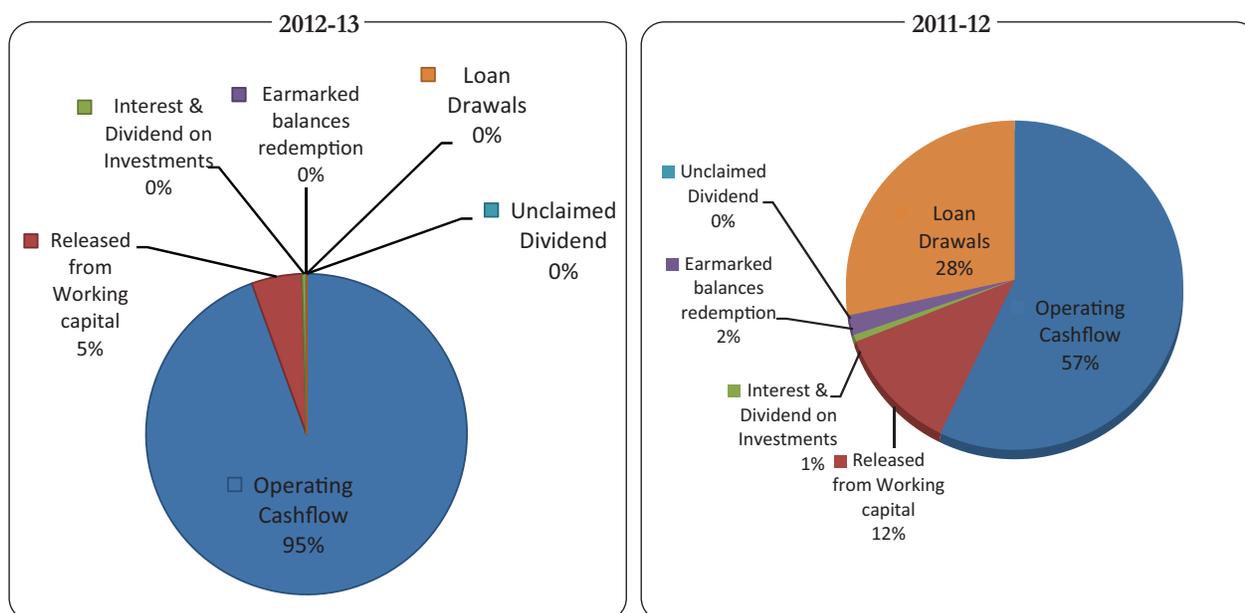
## CASH FLOW ANALYSIS (Standalone)

### Cash inflows

(₹ In Lakhs)

Particulars	2012-13		2011-12	
	Amount	%	Amount	%
Operating Cashflow	10413.36	94.47	5214.69	56.97
Released from Working capital	561.32	5.09	1098.28	12.00
Interest & Dividend on Investments	46.11	0.42	55.15	0.60
Earmarked balances redemption	0.00	0.00	183.01	2.00
Unclaimed Dividend	2.34	0.02	3.04	0.03
Loan Drawals	0.00	0.00	2600.00	28.40
<b>Total</b>	<b>11023.13</b>	<b>100.00</b>	<b>9154.16</b>	<b>100.00</b>

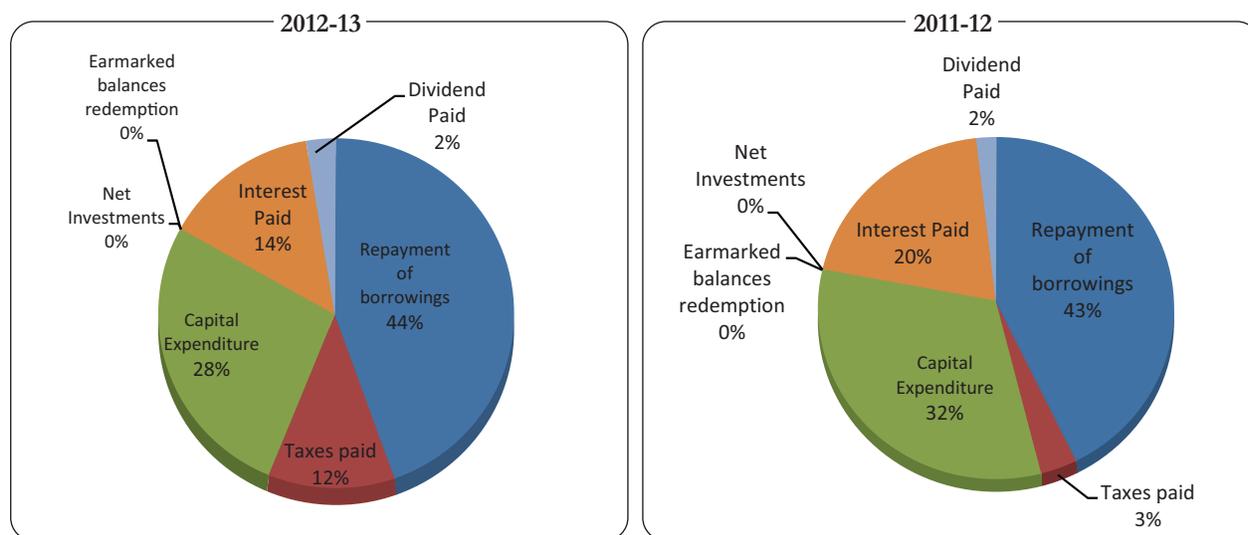
### CASH INFLOWS



**Cash outflows**

(₹ In Lakhs)

Particulars	2012-13		2011-12	
	Amount	%	Amount	%
Repayment of borrowings	4767.44	44.42	3797.44	42.68
Taxes paid	1245.16	11.60	297.51	3.34
Capital Expenditure	2960.10	27.58	2849.86	32.03
Earmarked balances redemption	8.67	0.08		
Net Investments	0.44	0.00	10.35	0.12
Interest Paid	1483.86	13.82	1782.17	20.03
Dividend Paid	268.00	2.50	160.80	1.81
<b>Total</b>	<b>10733.66</b>	<b>100.00</b>	<b>8898.13</b>	<b>100.00</b>
Net increase/(decrease) in cash and cash equivalents	289.47		256.04	
Add: Opening Cash and Cash Equivalents	2871.90		2615.86	
Cash and Cash Equivalents at the end of the period	3161.37		2871.90	

**CASH OUTFLOWS**

**MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/INDUSTRIAL RELATIONS FRONT**

The Human Resource programs of the Company focus on building capabilities and engaging employees through various initiatives to help the Organization to consolidate and achieve sustainable future growth for the business. Your Company provides a congenial working atmosphere which will foster creative thinking. As part of manpower development and to enhance operational efficiency, training programs have been organized for employees at all levels, wherever necessary. Your Company values its human resource as the most significant asset and the key focus is to attract, retain and develop talent as a resource.

Industrial Relations remained cordial at all locations of the Company during the year ended 31<sup>st</sup> March 2013. Effective employee communication through various channels ensured that all the employees are kept abreast of the current business situation. This has helped your Company to build mutual trust and confidence with the employees.

**FORWARDLOOKING STATEMENTS**

Statements in this report describing the Company's objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations that involve risks and uncertainties. Such statements represent the intention of the Management and the efforts being put into place by them to achieve certain goals. Actual results might differ materially from those either expressed or implied in the statement depending on the circumstances. Therefore, the investors are requested to make their own independent assessments and judgments by considering all relevant factors before making any investment decision.

## Report on Corporate Governance

A Company which is proactively compliant with the law and which adds value to itself through Corporate Governance initiatives would also command a higher value in the eyes of present and prospective shareholders. Your Company therefore believes that Corporate Governance is not an end in itself but is a catalyst in the process towards maximisation of shareholder value.

Corporate Governance as a concept has gained considerable importance of late, primarily because of the proposal to enshrine many of the accepted good governance principles into corporate law. For Heritage, however, good corporate governance has been a cornerstone of the entire management process, the emphasis being on professional management, with a decision making model based on decentralisation, empowerment and meritocracy. Together, the management & Board ensure that Heritage remains a company of uncompromised integrity and excellence.

### BOARD OF DIRECTORS

Your Company's policy towards the composition of the Board is to have an appropriate mix of Executive and Non- executive Independent Directors to maintain the independence of the Board and to separate its functions of governance and management. The company is having a Non-Executive Independent Chairman and the number of Independent Directors is more than 1/3 rd of the total number of directors on the Board. The Board consists of 7 members, 2 of whom are Executive/Whole-time Directors and 5 are Non -Executive Directors as on 31<sup>st</sup> March, 2013.

None of the Directors on the Board is a member of more than 10 Committees and Chairman of more than 5 Committees as specified in Clause 49 of the Listing Agreement, across all the companies in which he/she is a director. The Directors have made the necessary disclosures regarding Committee positions.

#### i. Composition and Categories of Board of Directors as on 31<sup>st</sup> March, 2013.

Name	Category
Sri D Seetharamaiah	Non Executive Independent
Sri N P Ramakrishna	Non Executive Independent
Dr N R Sivaswamy	Non Executive Independent
Dr A Appa Rao	Non Executive Independent
Dr V Nagaraja Naidu	Non Executive
Smt.N Bhuvaneswari	Whole time
Sri N.Lokesh	Whole time

#### ii. Attendance of Each Director at the Board Meetings and the Previous Annual General Meeting

During the financial year 2012-13, 5 (Five) meetings of the Board of Directors were held on 29<sup>th</sup> May, 2012, 30<sup>th</sup> July, 2012, 30<sup>th</sup> October, 2012, 22<sup>nd</sup> January, 2013 and 16<sup>th</sup> March, 2013. All material information is circulated to the directors before the meeting or placed at the meeting, including information required to be made available to the Board under Clause 49 of the Listing Agreement with stock exchanges. The attendance record of each director is as under:-

Name	No of Board Meetings		Attendance at previous AGM held on 29.09.2012
	Held	Attended	
Sri D Seetharamaiah	5	5	Yes
Sri N P Ramakrishna	5	5	Yes
Dr N R Sivaswamy	5	5	Yes
Dr A Appa Rao	5	5	Yes
Dr V Nagaraja Naidu	5	2	No
Smt. N Bhuvaneswari	5	5	Yes
Sri N.Lokesh	5	5	Yes

#### iii. Number of Board/Committees of which a Director is a member or chairman.

Director	No. of other Directorships <sup>#</sup>	Committee memberships <sup>§</sup> (Including Heritage Foods)	
		Member	Chairman
Sri D Seetharamaiah	7	3	3
Sri N P Ramakrishna	-	-	-
Dr N R Sivaswamy	2	2	-
Dr A Appa Rao	2	2	-
Smt.N Bhuvaneswari	3	1	-
Dr V Nagaraja Naidu	2	2	-
Sri N.Lokesh	4	-	-

<sup>#</sup> The directorships held by directors as mentioned above, do not include directorships in Private Companies

<sup>§</sup> In accordance with Clause 49 of the Listing Agreement, Memberships / Chairmanships of only Audit Committee, Shareholders'/Investors' Grievance Committee of all Public Limited Companies have been considered

## BOARD COMMITTEES

Currently, the Board has 4 (four) Committees i.e. Audit Committee, Remuneration Committee, Share Transfer & Shareholders'/Investors' Grievances Redressal Committee and Management Committee.

The quorum for meetings is either two members or one-third of the members of the committee, whichever is higher.

### Audit Committee

The Audit Committee covers the areas as contemplated under Clause 49 of the Listing Agreement and Section 292A of the Companies Act 1956, besides other terms as may be referred by the Board of Directors.

#### a) The Audit Committee Comprises of :-

Name	Designation
Sri D Seetharamaiah	Chairman
Dr V Nagaraja Naidu	Member
Dr N R Siva Swamy	Member
Dr A Appa Rao	Member

All members of the Audit Committee are financially literate. The Statutory Auditors and the lead Internal Auditors are also invited to the Meetings of the Audit Committee. The President and Vice President – Finance & Accounts are permanent invitees to the Meetings of the Audit Committee. The Company Secretary acts as the Secretary to the Audit Committee.

#### b) Attendance of the Members at the Committee Meeting

The Audit Committee had 5 (five) meetings during the period from April, 2012 to March, 2013 viz., 29th May, 2012, 30th July, 2012, 30th October, 2012, 22nd January, 2013, 16th March, 2013. The attendance of members are follows:-

Name	No. of Meetings	
	Held	Attended
Sri D Seetharamaiah	5	5
Dr V Nagaraja Naidu	5	3
Dr N R Siva Swamy	5	5
Dr A Appa Rao	5	5

#### c) The terms of reference

The terms of reference of the Audit Committee are as stated in Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956 and include:

- Overseeing of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the Statutory Auditor and the fixation of audit fees.
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - Matters required being included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
  - Changes, if any, in accounting policies and practices and reasons for the same.
  - Major accounting entries involving estimates based on the exercise of judgement by management
  - Compliance with listing and other legal requirements relating to financial statements
  - Disclosure of related party transactions, if any
- Reviewing, with the management, the Quarterly/Halfyearly/Annually Financial Statements before submission to the Board for approval.
- Reviewing, with the management, performance of Statutory and Internal Auditors, and adequacy of the internal control systems.
- Reviewing the adequacy of Internal Audit function.
- Discussion with Internal Auditors any significant findings and follow up there on.
- 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.
- Reviewing mandatorily the following information:
  - Management discussion and analysis of financial condition and results of operations;
  - Statement of significant related party transactions, submitted by management;
  - Internal audit reports relating to internal control weaknesses; and
  - The appointment, removal and terms of remuneration of the Internal Auditors.

## Remuneration Committee

The Remuneration Committee of the Board comprises of three Non-Executive Independent Directors and the Executive Director. The Remuneration Committee has been constituted to recommend/review the remuneration of Managing Directors/Whole Time Directors/Executive Director and Executives two level below the Board based on their performance and expertise.

The Remuneration Committee comprises of:

Name	Designation	No. of Meetings	
		Held	Attended
Sri D Seetharamaiah	Chairman	2	2
Dr N R Siva Swamy	Member	2	2
Dr A Appa Rao	Member	2	2
Sri N Lokesh	Member	2	1

Details of remunerations paid/payable to directors for the year ended 31<sup>st</sup> March, 2013 is as under:

(Rs in Rupees)

Name	Sitting Fees# (In ₹)	Remuneration	Perquisites/ Perks	Commission	Total (In ₹)
D Seetharamaiah	1,35,000	–	–	–	1,35,000
N P Ramakrishna	50,000	–	–	–	50,000
N R Siva Swamy	85,000	–	–	–	85,000
A Appa Rao	1,30,000	–	–	–	1,30,000
V Nagaraja Naidu	45,000	–	–	–	45,000
Smt. N. Bhuvaneshwari	–	90,00,000	11,68,474	–	1,01,68,474
Sri. N. Lokesh	–	62,10,000	6,01,158	1,12,33,000*	1,80,44,158

# Excluding Service Tax reverse charge.

\* The Commission will be paid subject to the approval of the Ministry of Corporate Affairs, Govt of India.

The Company has not granted any stock option to any of its directors. Dr. V. Nagaraja Naidu and Sri N.P Ramakrishna, Non Executive Directors of the Company are holding 29000 and 50000 equity shares of the Company as on 31st March, 2013 respectively.

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 any transactions of pecuniary nature during the financial year 2012-13.

## Management Committee

The terms of reference of the Management Committee is to consider and dispose of any day to day matters, with a view to ensuring smooth operation and timely action/compliances. The Committee meets at frequent intervals and disposes matters which are of routine but urgent in nature without having to wait for the next Board Meeting.

The Management Committee comprises the following members

Name	Designation
Sri D Seetharamaiah	Chairman
Dr. A Appa Rao	Member
Smt. N Bhuvaneshwari	Member
Sri N.Lokesh	Member

Dr.M.Sambasiva Rao President and Sri.A. Prabhakar Naidu, Vice President - Finance & Accounts of the company are the permanent invitees of the Committee, Sri.Umakanta Barik Company Secretary is the Secretary to the Committee.

The Committee met 6 (Six) times during the financial year 2012-13

## Share Transfer & Shareholder/Investors' Grievance Redressal Committee

The terms of reference of the Share transfer and Shareholder/Investors' Grievance Redressal Committee is to approve, transfer and transmission of shares and to approve Sub-division, Consolidation and issue of new/duplicate share certificates, whenever requested for by the share holders of the company. The Committee authorised Vice-Chairperson & Managing Director and Executive Director of the company to sign the Memorandum of Share Transfer/Transmissions submitted by

RTA and counter signed by Company Secretary of the company and same to be rectified by the Committee in subsequent meeting.

The Share transfer and Shareholder/Investors' Grievance Redressal Committee comprises the following members

Name	Designation
Sri D Seetharamaiah	Chairman
Dr V Nagaraja Naidu	Member
Smt N Bhuvaneswari	Member
Dr. A. Appa Rao	Member

The committee met 4 (four) times during the financial year 2012-13 on 18th April 2012, 30th July 2012, 30th October 2012 and 22<sup>nd</sup>. January 2013.

The attendance of the members are as follows:

Name	No. of Meetings	
	Held	Attended
Sri D Seetharamaiah	4	4
Dr V Nagaraja Naidu	4	2
Smt N Bhuvaneswari	4	4
Dr. A. Appa Rao	4	4

Sri Umakanta Barik, Company Secretary acts as the Secretary to the Committee who is designated as Compliance Officer pursuant to Clause 47(a) of the Listing Agreement with the Stock Exchanges.

### Status Report of investor's complaint/ request for the year ended 31<sup>st</sup> March, 2013

Number of Complaint/request Received- 46

Number of Complaint/request Resolved- 46

Number of Complaint/request Pending - NIL

All valid requests for share transfer received during the year have been acted upon and no such transfer is pending.

### Annual General Meetings

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

Year	Date	Venue	Time
2010	30-07-10	Auditorium Hall, 2 <sup>nd</sup> Floor, Training Block, National Institute for Micro, Small and Medium Enterprises, Yousufguda, Hyderabad – 500045	11.00 a.m
2011	29-09-2011	Auditorium Hall, 2 <sup>nd</sup> Floor, Training Block, National Institute for Micro, Small and Medium Enterprises, Yousufguda, Hyderabad – 500045	11.00 a.m
2012	29-09-2012	Auditorium Hall, 2 <sup>nd</sup> Floor, Training Block, National Institute for Micro, Small and Medium Enterprises, Yousufguda, Hyderabad – 500045	11.00 a.m

b. All the Special Resolutions were passed only on show of hands at the Annual General Meeting held on 29-09-2011.

c. The following resolutions were passed by the Company's shareholders through Postal Ballot during the year ended 31<sup>st</sup> March,2013

i. Postal Ballot Result Declared on 09<sup>th</sup> May,2012 details of result is as follows

Resolution	Total Votes received	Votes in favour of resolution	Votes against resolution	Invalid Votes
Re-appointment of Smt. N. Bhuvaneswari as Vice Chairperson & Managing Director	6596694	6587883	5704	3107

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

ii. Postal Ballot Result Declared on 08<sup>th</sup> December, 2012

Resolution	Total Votes received	Votes in favour of resolution	Votes against resolution	Invalid Votes
1. Alteration of Articles of Association of the Company	6702635	6699306	3029	300
2. Issue of Sweat Equity Shares	6702635	6698106	3029	1500
3. Re-appointment of Sri. N. Lokesh, Executive Director	6702635	6700496	839	1300

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

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

### Disclosures

During the financial year 2012-13, the Company had no materially significant related party transaction, which is considered to have potential conflict with the interest of the company at large. Transaction with related parties is disclosed in the notes on accounts forming part of the Annual Report.

The Company has complied with the requirements of regulatory authorities on capital markets and no penalties or strictures have been imposed or passed on the Company by Stock Exchange, SEBI or any other statutory authority, on any matter relating to the capital markets, during the last three years.

The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

**The status of adoption of the non-mandatory requirements of Clause 49 of the Listing Agreement is as under:**

- (a) **Tenure of Independent Director:** No specific tenure has been prescribed for Independent Directors.
- (b) **Remuneration Committee:** Separate Remuneration Committee has been constituted.
- (c) **Shareholders Rights:** Quarterly/Half Yearly/Annually Financial Statements are published in newspapers and uploaded on Company website [www.heritagefoods.co.in](http://www.heritagefoods.co.in)
- (d) **Audit Qualification:** The Company already has a record of un-qualified financial statements. Auditors have raised no qualification on the financial statements.
- (e) **Whistle Blower Policy:** The Company have established a mechanism for employees to report concerns about unethical behaviour, actual or suspected fraud or violation of our code of conduct or ethics policy. This mechanism also provides for adequate safeguards against victimization of employees who avail of the mechanism and also provide for direct access to the Chairman of the Audit Committee. The guidelines are meant for all members of the Organization from the day they join and are designed to ensure that they may raise any specific concern on integrity, value adherence without fear of being punished for raising that concern. The guidelines also cover our associates who partner us in our organizational objectives and customers for whom we exist.

**Means of Communication**

The Quarterly/Half yearly/Annual Financial Results are published in the Financial Express and Business Standard (in English) and Andhra Prabha (in Regional Language) dailies. The shareholders are provided with the necessary information with notices sent for the Annual General Meeting/Extraordinary General Meeting. Any other information sought by shareholders is being provided on request.

**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](http://www.heritagefoods.co.in)

**Website:** The Company's website i.e., [www.heritagefoods.co.in](http://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 as per the requirement of Clause 47 of the Listing Agreement.

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

**General Shareholder Information**

Annual General Meeting	
Date and Time/Venue	Wednesday, 17 <sup>th</sup> July, 2013 at 10.30 am Auditorium Hall, 2 <sup>nd</sup> Floor, Training building, National Institute For Micro, Small And Medium Enterprises (Formerly NISEIT), Yousufguda, Hyderabad-45
Financial Year	April 1 <sup>st</sup> to March 31 <sup>st</sup>
Date of Book Closure	On Friday 21 <sup>st</sup> June, 2013 to Monday 24 <sup>th</sup> June, 2013 (both days inclusive).
Dividend payment date	On 24 <sup>th</sup> July, 2013, subject to shareholder's approval.
Listing on StockExchanges	BSE Limited (BSE), Mumbai/National Stock Exchange of India Limited (NSE), Mumbai/The Annual Listing the for the year 2013-14 has been paid.
Stock /Scrip Code	BSE - 519552NSE - HERITGFOOD
ISIN Number	NSDL & CDSL - INE978A01019
Company Identification No. (CIN)	L15209AP1992PLC014332

**Outstanding ADRs/GDRs/Warrants or any convertible instruments, conversion date and likely impact on equity:** NIL

**Dematerialisation**

95.01 % of the Company's paid-up Equity share capital has been dematerialised as on 31st March, 2013. The total holdings of shares of promoters / PAC are in Demat form. 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 as on 31<sup>st</sup> March, 2013

Category Holders	No. of Shares	Total Equity	% To
Physical	2366	579327	4.99
NSDL	3795	9534757	82.20
CDSL	1641	1485416	12.81
<b>Total</b>	<b>7802</b>	<b>11599500</b>	<b>100.00</b>

### Plant Locations

Plant Locations are attached to the report.

### Code of Conduct

The Board has adopted the Code of ethics and business conduct for Directors and Senior Management. The code of conduct is available on the website of the Company [www.heritagefoods.co.in](http://www.heritagefoods.co.in).

The Vice Chairperson & Managing Director of the company has affirmed that the Directors and Senior Management have given an annual affirmation of compliance with the code of conduct during the financial year 2012-13

### Code for Prevention of Insider Trading Practices

In compliance with the SEBI regulation on prevention of insider trading, the Company has framed a comprehensive code of conduct for its management and staff. The code for prevention of Insider Trading is available on the website of the Company [www.heritagefoods.co.in](http://www.heritagefoods.co.in).

### Secretarial Audit

A qualified practicing Company Secretary has carried out Secretarial Audit every quarter to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued / paid up capital is in agreement with the aggregate total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

As a measure of good corporate governance practice, the Board of Directors of the Company appointed Ms. Savita Jyoti, Practicing Company Secretary, to conduct Secretarial Audit. The Secretarial Audit Report for the financial year ended March 31, 2013, is form part of the Annual Report.

### Compliance Certificate from Auditors

Certificate from Statutory Auditors of the Company M/s Raju & Prasad, Chartered Accountants Hyderabad confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is forming part of the Annual Report.

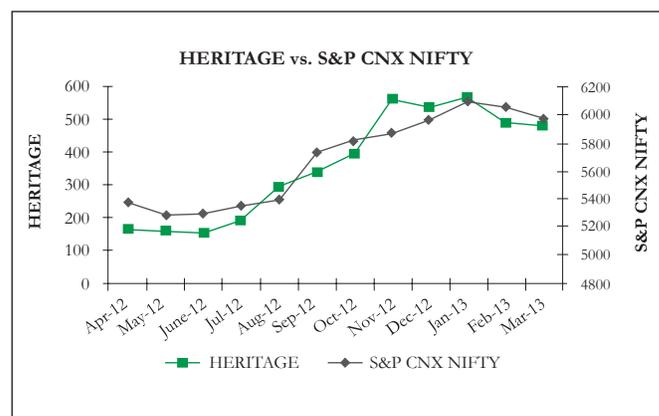
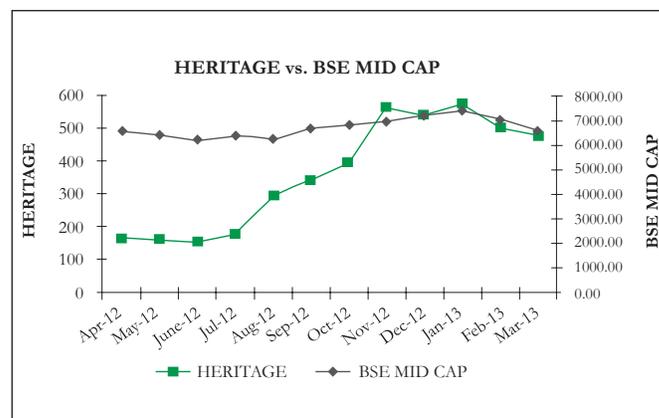
This Certificate has been forwarded to the Stock Exchange where the securities of the Company are listed

### Market Price Data:

Closing high/low SharePrice during each month of the financial year 2012-13.

Month	NSE		BSE	
	(in ₹ per share)		(in ₹ per share)	
	HIGH	LOW	HIGH	LOW
April, 2012	164.90	140.25	164.25	141.50
May, 2012	159.80	132.00	161.00	133.15
June, 2012	155.00	123.95	153.00	134.15
July, 2012	188.00	144.40	177.80	141.50
August, 2012	293.00	170.00	293.70	171.00
September, 2012	340.00	251.25	339.00	250.00
October, 2012	395.75	281.10	394.80	283.10
November, 2012	562.70	378.05	562.50	378.45
December, 2012	538.45	458.00	536.40	458.00
January, 2013	566.50	448.10	569.75	447.00
February, 2013	488.00	404.20	498.80	409.95
March, 2013	479.00	390.15	478.40	390.10

### Performance in comparison to broad based indices –BSE MID CAP & NSE NIFTY



## Share Transfer Systems

Transfer in physical form are registered by the Register and share Transfer Agents immediately on receipt of completed documents and certificates are issued within 10 days of date of lodgement of transfer. Invalid share transfer are returned within 7 days of receipt.

The Share Transfer Committee generally meets as may be warranted by the number of share transaction requests received by the company.

## Register and Transfer Agent

M/s Karvy Computershare Private Limited, Plot No. 17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081, Phone: 040-23420815-28.

## Distribution of Shareholding as on 31<sup>st</sup> March 2013

Category (No. of Shares) From To	No. of Share holders	% of Share holders	No. of Shares	% of Shares
1 - 500	7139	91.50	742670	6.40
501 - 1000	284	3.64	233915	2.02
1001 - 2000	150	1.92	230628	1.99
2001 - 3000	77	0.99	193572	1.67
3001 - 4000	19	0.24	66920	0.58
4001 - 5000	35	0.45	172121	1.48
5001 - 10000	34	0.44	266552	2.30
10001 & Above	64	0.82	9693122	83.56
<b>Total</b>	<b>7802</b>	<b>100.00</b>	<b>11599500</b>	<b>100.00</b>

## Categories of Shareholding Pattern as on 31<sup>st</sup> March,2013

Description	No. of Share holders	No. of Shares hold	% of the Total Equity
Clearing Members	20	3151	0.03
Resident Individuals	7269	3833390	33.05
H U F	111	194291	1.67
Bodies Corporate	243	2456152	21.17
Mutual Funds	7	81263	0.70
Non Resident Indians	120	97473	0.84
Foreign Institutional Investor	4	213806	1.84
Overseas Corporate Bodies	2	5600	0.05
Employees	11	71701	0.62
Persons Acting In Concert	12	182160	1.57
Promoters -Bodies Corporate	1	611900	5.28
Promoters	2	3848613	33.18
<b>Total</b>	<b>7802</b>	<b>11599500</b>	<b>100.00</b>

## Address for Correspondence

### Share holding related queries

Karvy Computershare Private Limited,  
Plot No 17-24,  
Vittal Rao Nagar  
Madhapur,  
Hyderabad-500081  
Andhra Pradesh  
Phone No: +91-40-23420818, 23420814  
Email: inward@karvy.com

### General Correspondence

Heritage Foods (India) Ltd,  
H.No.:-6-3-541/C,  
Punjagutta,  
Hyderabad-500082  
Phone No: +91-40-23391221, 23391222  
Email: hfil@heritagefoods.co.in

## Plant Locations

### Processing and Packing Stations

1. **Main Dairy Plant - Gokul**  
Kasipentla Village  
Chittoor (Dt) AP-517112
2. **Chittoor**  
Sundarajapuram VII,  
E.R Palli Post, G.D Nellore Mandal,  
Chittoor Dt- 517125
3. **B.Kotha Kota**  
Beerangai Village, Sankarapuram (Post)  
B. Kotha Kota Mandal,  
Chittoor Dst-517370
4. **Bhattiprolu**  
Battiprolu Village & Mandal  
Guntur Dist, AP- 522256
5. **Kalluru**  
Korlagudem (V), Kalluru (M),  
Khammam Dist., AP
6. **Pamaru**  
Yendagandi (Via), Pamaru  
East Godavari Dist, AP
7. **Bayyavaram**  
Bayyavaram (V), Kasimkota (M),  
Vishakhapatnam Dist, AP
8. **Bobbili**  
Mettavalasa (V), Bobbili (M),  
Vizianagaram Dist., AP
9. **Narketpally**  
Cherugattu Village,  
Narketpally, Nalgonda, AP.
10. **Uppal**  
C-10, Road No: 7, IDA Uppal,  
Hyderabad - 500 039.
11. **Vadamadurai,**  
Morepatti Village,  
Dindigul Dist, Tamilnadu. 624802
12. **Bangalore**  
Yadavanhalli Village,  
Bangalore(South), Karnataka-562107
13. **Sangvi**  
Vijayanagar Sangvi,  
Satara District, Maharashtra

### Chilling Centers

1. **Atmakuru**  
Atmakuru Post, Nellore Dist., AP
2. **Hindupur**  
Cholasamudram (V),  
Lepakshi (M), Hindupur,  
Anantapur Dist.AP
3. **Piler**  
Yerraguntla (V),  
Piler (M), Chittoor Dist., AP
4. **Madanapalli**  
Basinikonda Village,  
Madanapalli Mandal,  
Chittoor Dist., AP
5. **Darsi**  
Darsi Post, Prakasam Dist., AP
6. **Kandukuru**  
Katuturu Grampanchayat,  
Veletivaripalem(M),Kandukuru,  
Prakasam Dist., AP

7. **Kondepi**  
Kondepi Village & Mandal,  
Prakasam Dist., AP
8. **Muppavaram**  
Bytamanjuluru Post,  
J Pangaluru Mandal,  
Prakasam Dist., AP
9. **Santhamaguluru**  
Puthavaripalem (V),  
Santhamaguluru (M),  
Prakasam Dist., AP
10. **Kavali**  
Gouravaram (V),  
Kavali (M), Potti Sree Ramulu,  
Nellore Dist, AP-524142
11. **Guraja**  
Mudinepalli Mandal,  
Krishna Dist., AP
12. **Madhira**  
Rayapatnam Village, Madhira (M),  
Khammam Dist, AP
13. **Gantyada**  
Gantyada (V&M)  
Vizianagaram Dist., AP
14. **L.Kota**  
C/o. Sree Sravani Milk Chilling Center,  
L.Kota (V&M), Vizianagaram Dist.
15. **Somavaram**  
Kirlampudi Mandalam,  
Visakhapatanam, AP
16. **Kotananduru**  
Indugapalli (V), Kotananduru (M),  
East Godavari Dist., AP
17. **Namakkal**  
Navani Vellali Patti Village,  
Namakkal Dist., Tamilnadu
18. **Tiruvannamalai**  
Somasipadi Pudhur,  
Tiruvannamalai Dist., Tamilnadu
19. **Uthangarai**  
Koorampatti Village,  
Dharmapuri Dist., Tamilnadu
20. **Santhipuram**  
Chittoor (Dt), AP.
21. **Mulugu**  
Adivi Masjid Village  
Medak Dist, AP-50227

### Mini Chilling Centers

1. **Kalakada**  
Kalakada Mandal, Chittoor Dt,
2. **Podalakuru**  
Nellore Dist. AP-524345
3. **Chagarlamarri**  
Kallugotlapalli (V), Allagadda (M)  
Kurnool Dist. AP
4. **Kanigiri**  
Kanigiri (Md), Prakasam (Dt),
5. **Vinukonda**  
Guntur (Dt), AP
6. **Kaligiri**  
Basireddypalem (V), Kaligiri (M)  
Potti Sree Ramulu Nellore Dist,  
AP-524224

7. **Challagundla,**  
Nakrikal (M), Guntur Dist,  
AP-522615
8. **Kodada**  
Nalgonda Dist., AP
9. **Satyawada**  
Undrajavaram (M), West Godavari, AP
10. **Velvadam**  
Mylavaram (M), Krishna Dt., AP
11. **Veeravalli**  
Bapulapadu Mandal, Krishna Dt., AP
12. **Nandigama**  
Krishna Dist. AP - 521185
13. **Ravikamatam**  
Visakhapatnam Dist. AP
14. **Poosapatirega**  
Vizianagaram Dist., AP
15. **Berigai**  
Berigai (V) & (P), Krishnagiri (Dt),  
Tamil Nadu.
16. **Bestavaripeta**  
Prakasam Dt, AP.
17. **Rapthadu**  
SY. NO.486/1, Near Railway Gate,  
Rapthadu V & M - 515721  
Ananthapur (Dt), AP.
18. **Kothacheruvu**  
Sy.No.232/1, Near Railway Gate,  
Penukonda Road,  
Kothacheruvu V &M,  
Anantapuram Dt - 515133., AP
19. **Redihalli**  
Adhiyaman Kotai-Hosur By-Pas Road,  
Reddihalli panchayt, Sogathur (Post),  
Dharmapuri(Dt), TN., Pin: 636705.
20. **Devarajapalem**  
Devarajapalem Village, Molaiyanur (post),  
Papireddipati Taluk, Dharmapuri (Dt),  
TN., Pin: 636905.

### Bulk Coolers

1. **Banaganapalli,**  
Yagantipalli (V) & PO,  
Kurnool, AP-518124
2. **Venkatagiri**  
Anjaneya Puram(V), Sri Kalahasti(M),  
Chittoor Dist., AP.
3. **Sri Kalahasti**  
PeddaKannali (V) & Post,  
Chittoor Dist., AP.
4. **Sathenapalli**  
Industrial Estate,  
Guntur Dist., AP
5. **Duttaluru**  
Nellore Dist., AP
6. **Alagadapa**  
Miryalaguda (M), Nalgoda Dist, AP
7. **Vatsavai**  
Krishna Dist., AP
8. **Wyra**  
Khammam Dist. AP
9. **K Venkatapuram, Kandukuru (V),**  
Vemsur (M), Khamman Dt.

10. **Dubacharla**  
Nachugunta (V), Unguturu (M),  
West Godavari Dist. AP
  11. **Modavalasa**  
Denkada (M), Vijayanagaram District.
  12. **Samarlakota**  
E-1 Industrial Estate,  
East Godavari Dist.
  13. **Chinnagammuluru**  
Kota Vuratla (M), Vizag Dist.
  14. **Narsingi**  
Chegunta (M), Medak (Dt), AP.
  15. **Veapanapalli**  
Thalipalli (V), Krishnagiri (Dist), Tamilnadu
  16. **Avanigadda**  
D.No-1-360, Yalavarthy Complex, 1st  
Ward, Mandali Nagar, Koduru Road,  
Avanigadda, Krishna (Dt), AP,  
Pin: 521121
  17. **Kanaganapalli**  
Kanaganapalli (V&M),  
Ananthapur (Dt), A.P., Pin: 515641
  18. **Sompeta**  
Chandi puttada (Village), Rajupuram  
(post), Kaviti (M), Srikakulam (Dist),  
Pin: 532322
  19. **Seethanagaram (V&M)**  
East Godavari (Dt), A.P., Pin: 533287
  20. **Nirgudi**  
Phaltan (Taluk), Satara(Dt),  
Maharashtra. Pin: 515523.
  21. **Laveru**  
Laveru (V&M), Srikakulam(Dt), AP.,  
Pin: 532407
  22. **Garividi**  
Garbam road, near surya pittam  
Kondapalli village, Garividi (M)  
Vijayanagaram Dt.
  23. **Korukonda**  
Sairam chilling center,  
Jambhupatnam road  
Korukonda V & M,  
East Godavari(Dt)
  24. **Sakharwadi**  
Phaltan(Tal), Satara Dt - 415522  
Maharashtra.
  25. **Dhammapeta**  
Dammmapeta (V & M),  
Khammam (Dt). Pin - 507306, AP.
  26. **P.Gannavaram**  
Amalapuram road,  
Near Gromore fertilizers,  
P.Gannavaram V & M  
East Godavari(Dt), AP
  27. **Surawadi**  
Phaltan (Tal), Satara District - 415523  
Maharashtra.
  28. **Algudewadi**  
Phaltan(Tal), Satara District - 415523  
Maharashtra.
  29. **T.Narasapuram**  
C/o Aditya rice mill,  
Guruvai Gudem Road,  
T.Narasapuram (V & M),  
West Godavari (Dt), AP.
  30. **Kakkadasam**  
Kakkadasam Village & Post,  
D.Kotta to Tally Road,  
Denkanikotta Taluk,  
Krishnagiri Dt, TN.
  31. **Ponduru**  
Ponduru village, Srikakulam Dt.
  32. **Gara**  
Boravanipeta village, Gara (M),  
Srikakulam Dt., AP
  33. **Bikavolu**  
Vulpalli road, Bikkavolu V&M,  
East Godavari(Dt), AP
  34. **Nagamangalam**  
Nagamangalam (V) & (P),  
Denkanikotta Taluk,  
Krishnagiri Dt., TN.
  35. **Nandyala**  
Sambavaram (V), Gosapadu (M),  
Kurnool Dist., AP
  36. **Tekkali**  
Tekkali(V&M), Srikakulam(Dt)., A.P.,  
Pin: 533201
  37. **Venkannapalem,**  
Venkannapalem(Village),  
Chowdaram(Mandal),  
Vishakapatnam (Dt), A.P., Pin:
  38. **Porumamilla,**  
Kammavaripalli (Village),  
Porumamilla (Mandal),  
Kadapa (Dist)., A.P.,
  39. **Nira**  
Purandar(Taluk), Pune(Dt),  
Maharashtra, Pin: 412102.
  40. **Taradgoan**  
Phaltan (Taluk), Satara(Dt),  
Maharashtra. A.P., Pin:
- Bulk Coolers - Franchisee**
1. **Toopran**  
Medchal (M), Medak Dist: 502334
  2. **Medchal**  
Ranga Reddy Dist, AP-501401
  3. **Gummadidhala**  
Medak District. AP
  4. **Narsapur**  
Gummadidhala (V),  
Narsapur Mandal, Medak District
  5. **Kowdipalli**  
Medak (Dt), AP.
  6. **Pragnapur**  
Ibrahimpur (V), Chegunta (M),  
Medak (Dt), AP.
  7. **Masaipeta**  
Chegunta (M),  
Medak (Dt), AP. Pin: 502247
  8. **Kanchanaballa,**  
V.Kota Mandal, Chittoor (Dt), AP.
  9. **Patrapalli**  
V. Kota (M), Chittoor Dist
  10. **Kothaindlu**  
P.B.Natham post, Kuppam (M),  
Chittoor dist, AP.
  11. **Settepalli**  
Gudipalli mandal, Chittoor Dist.
  12. **Aushapur**  
Aushapur (V), Ghatkesar (M),  
R.R. District, Pin: 501301. AP.
  13. **Konganapalli**  
Konganapalli (V) & (P),  
Ramkuppam (M), Chittoor dist,AP  
Pin:517 401
  14. **Kandukur**  
Kandukur (V & M), R.R. District  
Pin: 501359, AP.
  15. **Ragolu**  
Ragolu village, Srikakulam(M) & Dt. AP.
  16. **Ghatkesar**  
Ghatkesar (V & M,) R.R. District  
Pin:501301., AP
  17. **Juluru**  
Julur (V) & (M) Nalgonda (Dt)  
Pin: 508284, AP.
  18. **Manasanpalli**  
Mansanpally (V), Maheswaram (M), R.R.  
District, Pin: 501325, AP.
  19. **Doulatabad**  
Doulatabad(V&M), Medak(Dt)
  20. **Jagdevpur**  
Bhonagiri road,  
Jagadevpur (V&M), Medak(Dt)
  21. **Dabilpur**  
Dabilpur(V), Medchal (M),  
Rangareddy(Dt)
  22. **Aler**  
Kolanpaka road, Aler (V&M),  
Nalgonda(Dt)
  23. **Medak**  
Chegunta road opp balaji function hall,  
Medak (V&M), Medak(Dt).
  24. **Sivampet**  
Narsapur main road, Sivampet(V&M),  
Medak(Dt)
  25. **Kothapet**  
Kothapet(Village),  
Kesvapatanam(M), Mahabubnagar
  26. **Haveli**  
Siddipet main road, Mulugu(V&M), Medak
  27. **V.D. Mallanur**  
V.D.Mallanur (Village & Post),  
Kuppam(M), Chittoor(Dt), A.P.,  
Pin: 517425
  28. **Dhanamaiahgaripalli**  
Dhanamaiahgaripalli(Village & Post),  
V.Kota (Mandal), Chittoor(Dt), A.P.,  
Pin: 517424
  29. **Dwarapudi**  
Dwarapudi (Village),  
Mandapeta (M), East Godavari (Dist),  
Pin Code:533341
  30. **Palakonda**  
Gopalapuram (Village),  
Palakonda (M), Srikakulam (Dt),  
Pin code:532440
  31. **Peruru**  
Perur Village, Ramagiri Mandal,  
Ananthapur District, AP-515 621

## Milk chilling at Ice Plants

- Amalapuram**  
Batinavilli, Amalapuram,  
East Godavari Dist., AP

## Regional Offices

- Ongole Regional Office**  
D.No: 5-356,  
Alluri Seetharamaraju Street,  
Opp.Power Office, Kurnool Road,  
Ongole, AP Pin: 523 002.
- Vijayawada Regional Office**  
Door No: 54-20-6,  
Kanaka Durga Gazetted Officers Colony,  
Opp. Excise Police Station,  
Gurunanak Nagar,  
Vijayawada - 520 008
- Krishnagiri Regional Office**  
D.No:1/35-4, Wahab Nagar,  
Opp.Sandhya College, RajKottah, Road,  
Krishnagiri Pin-635 001
- Vizag Regional Office**  
Door No: 50-48-15/2,  
3rd Floor, P&T Colony,  
Near Gurudwara junction,  
Seethammadhara, vizag-13.
- Tirupati Regional Office**  
D.No: 8-49, Megana Apartments,  
Opp. All India Radio,  
Tirupati, Pin: 517 501.
- Sangvi Regional Office**  
Vijayanagar Sangvi, Phaltan Taluk,  
Satara District.

## Sales Offices

### Andhra Pradesh

- Hyderabad Sales Office 1 & 6**  
No: C-8, IDA, Uppal,  
Hyderabad-500039
- Hyderabad Sales Office 2**  
No: 8-3-166/5/2, Register Office Road,  
Behind Bata Show Room, Erragadda,  
Hyderabad.
- Hyderabad Sales Office 4**  
H.No:3-8-113, Shop No:23 & 24,  
Road No:5, Chandrapuri colony,  
L.B Nagar, Hyderabad
- Hyderabad Sales Office 5**  
Shop No: 192 Cellar, Mamatha Estates,  
Allwyn Indhra Reddy Colony, Besides  
Subcourt, Miyapur
- Hyderabad Sales Office 7**  
C/O. P.M.Madava Rao,  
H.No 1.4-164/2, Old Alwal  
Mangloni Chilaka , Opp to Mediplus  
Near Reliance Fresh, Hyd-500010
- Visakhapatnam Sales Office**  
Anakapalli (V), Kasimkota (M),  
Vishakhapatnam Dist, AP

- Tirupati Sales Office**  
D.No: 19-12-154, RC Road,  
Bairagipatteda, Tirupati.
- Rajahmundry Sales Office**  
D.No:75-8-12, Gandhipuram 2,  
Vimalamma  
Hospital Junction, Rajahmundry.
- Vijayawada Sales Office**  
Plot No:188, Block No: C6, Enkepadu,  
Kanuru Road, Auto Nagar,  
Vijayawada - 523008
- Bobbili Sales Office**  
Plot No.248&249,  
Growth Centre, Bobbili,  
Vizianagaram Dist., Andhra Pradesh
- Chittoor Sales Office**  
Sundararaja Puram, E.R Palli Post,  
Chittoor - Puttoor Road, Chittoor

## Karnataka

- Bangalore Sales Office 1**  
No: 42, Survey No: 5&6, Bikasipura,  
Banashankari 5th Stage,  
Near Saibaba Temple, Bangalore
- Bangalore Sales Office 2**  
HFIL, D.No: 525, 2 nd floor,  
7 th cross, 6 th main, HBR Layout  
(Near BDA Complex), Bangalore 560043
- Bangalore Sales Office 3**  
Yadavanahalli Village, Anekal Taluk,  
Gudahatti Road,  
Bangalore (South) - 562107

## Tamil Nadu

- Chennai Sales Office 1**  
Survey No: 16/6,  
Pariwakkam Main Road,  
Seneerkuppam Village, Poonamalle,  
Chennai - 600056
- Chennai Sales Office 2**  
Plot NO.63, 14 th Street,  
Balaji Nagar, Adambakkam,  
Chennai - 600088,TN
- Chennai Sales Office 3**  
No:43, Mari Ammal Nagar,  
Kavangarai(East), Puzhal, Chennai - 66
- Chennai Sales Office 4**  
No:377/B, 1st Street, Samayapuram,  
Karambakkam, Porur, Chennai - 116
- Chennai Sales Office 5**  
No:28, Agasthiyar street,  
East Tambaram,  
Opp to Gandhi Park, Chennai - 45
- Vadamadurai Sales Office**  
Moorpatti Village, Vadamadurai Post,  
Dindigul District - 624802

## Maharashtra

- Mumbai Sales Office**  
Plot No: 15, Shop No: 5,  
Punit Plaza, Sector 30,  
Near Sanpada Railway Station,  
Sanpada, Vashi, Navi Mumbai - 400705

- Pune Sales Office**  
Sai Sadan, Flat No. 16, Survey No. 52/10,  
Behind Gold Age Ashram, Near Mumbai  
Katrej Highway, Narhe Post, Haveli - TQ,  
Pune-411042.
- Sangvi Sales Office**  
Vijayanagar Sangvi, Phaltan Taluk,  
Satara District.

## Delhi

- Delhi Sales Office**  
Flat No.301, Satya Mansion  
A-1 & A-2, Ranjit Nagar  
Commercial Complex  
New Delhi - 110008

## Addresses of Retail Stores: Hyderabad

- AS Rao Nagar**  
Yasmai Arcade P.no. A-6/1,  
A-6/3, SY no. 500, Kapra,  
AS Rao Nagar, Hyderabad - 500 062  
Carpet Area:3850 Sqft.
- Bachupally**  
Ground Floor, Plot no.1  
(Northern & Southern Portion),  
House No.3-1 & 3-1/P,  
Survey no.20 & 28/1,  
Miyapur Residential Complex,  
HUDA Colony, Hyderabad  
Carpet Area:4195 Sqft.
- Banjara Hills**  
8-2-686/k3/1, P.no. 3,  
Kimtee Banjara Heights, Road No.12,  
Banjara Hills, Hyderabad - 500 034  
Carpet Area:4476 Sqft.
- Banjara Hills Road no.2**  
Ground Floor,  
H.No.8-2-120/86/9/A/7 & 8,  
Road no.2, Banjara Hills,  
Hyderabad - 500 034  
Carpet Area:1782 Sqft.
- D.D Colony**  
Ashoka Satyam Enclave, P.No. 2-2-7/1,  
Durgabai Deshmukh Colony,  
Hyderabad - 500 007  
Carpet Area:4303 Sqft.
- Film Nagar**  
H No 8-2-293/82/F/11 Sy No 403  
Saikpet Village Film Nagar Co Op  
Housing Societ Ltd  
Opp To café Coffee Day  
Beside SBH ATM  
Film Nagar, Hyderabad - 34  
Carpet Area:9194Sqft.
- Gacchi Bowli**  
Plot No.2, Survey No.91, Ground Floor,  
Telecom Employees Co-Operative  
Housing Society Ltd, Gacchi Bowli,  
Hyderabad - 500 032  
Carpet Area:1950Sqft.

8. **Gaddiannaram**  
Ground Floor,  
Plot No.10 to 13 & 18 to 20,  
Sy No.317/2, Premises No.16-11-740/9,  
16-11-740/9/7,  
Gaddiannaram, Hyderabad  
Carpet Area:9662 Sqft.
9. **HMT Nagar (Habsiguda)**  
Plot No. A 128, A 129,  
Bapuji Nagar, Nacharam Road,  
(Beside Trinetra Super Market),  
Habsiguda, Hyderabad - 500 004  
Carpet Area:2031 Sqft.
10. **Jubilee Hills Road No. 36**  
Ground Floor, Plot no.1244,  
Jubilee Hills Colony, Road no.36,  
Banjara Hills Locality, Hyderabad  
Carpet Area:5249 Sqft.
11. **Kompally**  
Sree Vensai Towers varuna Block,  
Shop no.GF2, Sy. No. 128 (P),  
Grampanchayath of Kompally,  
Qutbullapur mandal, R.R. District  
Carpet Area:2690 Sqft.
12. **Kondapur**  
"Park View", Plot no.5, Sy.No.6,  
Kondapur Village, Serilingampally  
Municipality, R.R. District  
Carpet Area:3184 Sqft.
13. **Kondapur Camelot Layout**  
Ground Floor, Dr.Raju Center,  
Botanical Garden Road,  
Camelot Layout, Kondapur, Hyderabad  
Carpet Area:7200 Sqft.
14. **Madinaguda**  
Rajamma Commercial Complex,  
Sy.No.95, 96, Plot no. 5,6,7,8,  
Madinaguda,  
Serilingampally (M), Hyderabad  
Carpet Area:3570 Sqft.
15. **Malkajiri**  
22-1-1/1, Radha Krishna Nagar,  
Beside Bank of Maharashtra,  
Malkajiri, Hyderabad  
Carpet Area:1871 Sqft.
16. **Manikonda Secretariat Colony**  
Ground Floor, Plot No.202& 209  
Sri Ram Nagar Colony  
(Secretariat Colony)  
Puppalaguda Village,  
Rajendra Nagar Mandal,R R District,  
Hyderabad - 500 089  
Carpet Area:4553 Sqft.
17. **Moti Nagar**  
Ground Floor, Plot No.32,  
Survey No.19 & 20, Babbuguda village,  
Moosapet Gram Panchayat,  
Kukatpalli Municipality, R R District.  
Carpet Area:2773 Sqft.

18. **Miyapur**  
Ground Floor  
Survey No.44/1,50 & 51,  
Shop No.2/A, 2/B, 2/C & 2/D,  
Miyapur Village,  
Serilingampally Mandal, R R District  
Carpet Area:4751 Sqft.
19. **Nagole**  
1 to 6, Survey No. 128, Part and 129/2,  
Nagole (Village),  
LB Nagar Municipality,  
Hyderabad - 500 035  
Carpet Area:2021 Sqft.
20. **Nizampet**  
Sy.No.57, MCK Block, No.2,  
Hyder nagar Village (Nizampet Rd),  
Kukatpally municipal sub Division,  
GHMC, Bala nagar Mandal,  
Hyderabad - 500 072  
Carpet Area:1936 Sqft.
21. **Nizampet Village**  
Ground Floor,  
Shop No.G1/A, G1/B,  
G2, G3/A & G3/B  
Plot No.34,35,36 & 37,  
Balaji Nagar,  
Nizampet Village, Hyderabad  
Carpet Area:13066 Sqft.
22. **PadmaRao Nagar**  
Plot no 15, H.no. 6-1-289/9,  
Besides komati Reddy Function Hall,  
Secunderabad - 500 025  
Carpet Area:1675 Sqft.
23. **Pragati Nagar**  
Ground Floor, Plot No.159,  
160,161,178,179 & 180, Pragati Nagar,  
Opp: JNTU, Kukatpally,  
Quthbullapur, Hyderabad - 500 090  
Carpet Area:7050 Sqft.
24. **Red Hills**  
11-6-872/1 to 6,872/A&B, 872/A/1,  
Lakdikapool, Hyderabad - 500 026  
Carpet Area:2236 Sqft.
25. **Santhosh Nagar**  
Gilbert Plaza, 12-1-210/4,  
Near More Super Market,1S-7,  
Hyderabad - 500 028  
Carpet Area:2161 Sqft.
26. **Sindhi Colony**  
H-no. 1-8-142 & 143, Prendergasth Road,  
Secunderabad - 500 003  
Carpet Area:2940 Sqft.
27. **Srinagar Colony**  
Door No.8-3-986 & 986/1  
Plot No.124, Srinagar Colony,  
Hyderabad  
Carpet Area:2091 Sqft.
28. **Tirmalagiri**  
Ground Floor,  
Plot No.84, Durga Vihar Colony,  
Tirumalagiri, Hyderabad - 500 015  
Carpet Area:2301 Sqft.

29. **Vanasthalipuram**  
Plot No. 1 & 2, Sy. No. 53 & 54,  
Saheb Nagar Khund, Vanasthalipuram,  
R R District  
Carpet Area:2304 Sqft.
30. **Vengalrao Nagar**  
Plot No. 63/A,  
Municipal No. 8-3-191/67,  
Vengalrao Nagar, Hyd-500038  
Carpet Area:1724 Sqft.
31. **Vivekananda Nagar Colony**  
Plot no.2, Sy.No.116/A/P,  
MCK Block No.22,  
(Leading Road to Allwyn colony),  
Kukatpally Village & Municipality,  
Balanagar Mandal, R.R. District  
Carpet Area:1440 Sqft.
32. **West Marredpally**  
H.no. 10-2-98 & 99, Tejaswini Arcade,  
Plot No. 78, Secunderabad - 500 080  
Carpet Area:2872 Sqft.
33. **Yousufguda**  
Ground Floor, H.No.8-3-224/4/1  
Plot No.4, Yellareddyguda,  
Hyderabad-500080.  
Carpet Area:3258 Sqft.

## Chennai

1. **Adambakkam**  
New No. 17, Old No. 16A,  
Secretariat Colony Main Road,  
Adambakkam, Chennai-600088  
Carepet Area: 1610 Sqft.
2. **Adayar**  
Ground floor, Old no.6/1,  
New No.17/1,  
Indira Nagar, 1st Avenue, Adyar,  
Chennai -600 020  
Carepet Area:1739 Sqft.
3. **Ayanavaram**  
No. 9/5, VP Colony South Street  
(Next to ESI Hospital), Ayanavaram,  
Chennai - 600 023  
Carepet Area:1315 Sqft.
4. **Choolaimedu**  
Ground floor, Commercial Shop,  
Greata Pearl Apartments, No. 174,  
Choolaimedu High Road,  
Chennai-600 094  
Carepet Area:1985 Sqft.
5. **Gopalapuram**  
No.17&19, Conron smith road,  
Gopalapuram, Chennai - 600 086  
Carpet Area:3141 Sqft.
6. **KB Dasan Road**  
New Door No.32, (Old -43),  
Kavingnar Bharathi Dasan Road,  
Teynampet, Chennai - 600 018  
Carpet Area:1943 Sqft.
7. **Kotturpuram**  
No.1, 3rd Main Road, Kottur Garden,  
Kotturpuram, Chennai - 600 085  
Carpet Area:1893 Sqft.

8. **Madipakkam**  
Baggyam Ceilo, No.1 & 2, Bazaar Road, Baliah Garden, Madipakkam, village Chennai - 600 091  
Carpet Area:1910 Sqft.
9. **Madipakkam (New Store)**  
No.9, Madipakkam Main Road, Balaiah Garden, Madipakkam, Chennai - 600 061  
Carpet Area:5190 Sqft.
10. **Mogalivakkam**  
Plot no.10 & 11, Mugalivakkam Main Rd, Sriram Nagar, Porur, Chennai - 600 016  
Carpet Area:1309 Sqft.
11. **Mogapiyyar West**  
No. PC-1, 80 Feet Road (Poison Biotech), Mogappair west, Chennai - 600 037  
Carpet Area:3093 Sqft.
12. **Mylapore**  
Rabiya Building, Old 187/1, New 238, Rayapeta High Road, Mylapur, Chennai. Carpet Area:1738 Sqft.
13. **Nanganallur (New Store);**  
Old No.37, New No.23, First Main Road, Nanganallur, Chennai - 600 061  
Carpet Area:3452 Sqft.
14. **Pallikaranai**  
Plot No.36, Natwest Venkatramana Apartments, Kamokoti Nagar main Rd. (Opp. road to Balaji Dental College), Pallikaranai, Chennai - 601 100  
Carpet Area:1994 Sqft.
15. **Perungudi**  
Plot No.60, 2nd Main Road, Thirumalai Nagar Annexe, Perungudi, Chennai - 600 096  
Carpet Area:1643 Sqft.
16. **Shenoy Nagar**  
No.1/2, 7th Cross Street, Tulasi Apartments, Pulla Reddy Avenue Road, Shenoy Nagar (west), Chennai-600 030  
Carepet Area:1909 Sqft.
17. **T. Nagar**  
19/3, Bajullah Road, T. Nagar, Chennai-600017  
Carepet Area:1807 Sqft.
18. **Tambaram East**  
457/152, Velachery Main Road (Opp. To Air Force station Road, Next to UCO Bank), East Tambaram, Chennai - 600 059  
Carepet Area:2730 Sqft.
19. **Tambaram West**  
No.2, Venkatesan Street, Tambaram West, Chennai - 600 045  
Carepet Area:1932 Sqft.

20. **TTK Road (Alwarpet)**  
No.26, TT Krishnamachari Road, Alwarpet, Chennai 600 018  
Caroet Area:1933 Sqft.
  21. **Valasaravakkam**  
Green's Riviera, Door no.75, Dr. Radhakrishnan Road, Valasaravakkam, Chennai-600 087  
Carepet Area:2199 Sqft.
  22. **Venkatnarayana Road**  
16/5, Venkatanarayana Road, T. Nagar, Chennai-600017  
Carepet Area:2204 Sqft.
- Bangalore**
1. **Banashankari 2nd Stage**  
Corporation No.1036, 14th C Main, BSK II nd Stage, Bangalore - 560 050  
Carpet Ara:2647 Sqft.
  2. **Basaveshwara Nagar**  
Chamundi Towers, Coporation No.104, LIC Colony, WOC Road, Sri Siddiah Puranik Marg, Bhimajyothi Co-operative Housing Society  
Basaveshwara Nagar, Bangalore - 560 079  
Carpet Area:5177 Sqft.
  3. **BTM Layout**  
37/-1, 16th main Road, Opposite to lake, Nayanappasetty pallya, BTM Layout, Bangalore  
Carpet Area:4346 Sqft.
  4. **Coffee Board Colony**  
Site No 3, Village Khata No650, Sy No.10/1,12/1, Kemapura Village, Yelahanka Hobli, Bangalore  
Carpet Area: 2015 Sqft.
  5. **Indira Nagar**  
Sai Shakti , Municipal No.2207, HAL III Stage, Ward No.74, 80 Feet Road, Kodihalli, Bangalore  
Carpet Area:2681 Sqft.
  6. **Jayanagar 5th Block**  
Ground Floor, BBMP Khatha No.68. Ward No.58. 10th Main Road, 36th Creoss, 5th Block. Jayanagar, Bangalore-560041.  
Carpet Area:1523 Sqft.
  7. **Koramangala**  
Ground Floor on 383, T.V.R Pride, 16th Main Road, 3rd Block, Koramangala Extension, Bangalore - 560034  
Carpet Area:2007 Sqft.
  8. **Malleswaram**  
Corporation No.92, 3rd Main Road, Margosa Road, Bangalore - 560 003  
Carpet Area:3595 Sqft.
  9. **Rammurthy Nagar**  
No.7, Khata No.81/89/1, Kowdenahalli, Rammurthy nagar Hobli, Bangalore South Taluk, Bangalore  
Carpet Area:1942 Sqft.

10. **Uttarahalli**  
No.007, Beneka Towers, Subramanyapura Main Road, Chikalasandra, Padmanaba Nagar, Bangalore - 560061  
Carpet Area:7000 Sqft.
11. **Yelahanka**  
Corporation No.325, HIG 1st Stage, Sector A, Yelahanka, Bangalore - 560 064  
Carpet Area:2885 Sqft.
12. **Vijaya Bank Colony**  
Site No.441, Vijaya Bank Employees Housing  
Co-Operative Society Limited Layout  
Situatd at Bilekahali, Begur Hobli, Bangalore South Taluk, Bangalore  
Carpet Area:1800 Sqft.

### Addresses of Distribution Centers

1. **Hyderabad DC**  
Survey No. 171, Opp: M/s. Coca Cola, Ameenpur, Sanga Reddy Taluk, Medak-502294
2. **Chennai DC (FMCG and F&V)**  
Survey No.16/4, Parivakkam Road, Sennurkupam Village, Poonamalli Taluq, Chennai-600056
3. **Bangalore DC (FMCG, F&V and Staples)**  
Survey no: 178/2,Hullahally, C K Palya, Sakalavasa Post, B.G. Road, Bangalore -83.

### Addresses of Regional Offices

1. **Bangalore RO**  
3rd Floor, BTM Layout 37/1, 16th Main Road, opposite to lake, Narayanappasetty Pallya, BTM Layout Bangalore-560076
2. **Chennai RO**  
No.26., 1st Floor, TTK Road, Opp:Raj Park Hotel, Alwarpet, Chennai-600018
3. **Hyderabad RO**  
6-3-542/B, Panjagutta, Hyderabad 500 082.

### Addresses of Agri Division

#### Integrated Pack Houses:

1. **Mulugu**  
Adavi Masjid Village, Mulugu Mandal, Medak Dist. AP-502279
2. **Mattam**  
Mattam Village, Shanthipuram, Chittoor Dist. 517423

### Addresses of Bakery Division

1. **Uppal (Bakery)**  
C-10, IDA, Uppal, Hyderabad-500039

## CEO & CFO Certification

To  
The Board of Directors,  
**Heritage Foods (India) Limited,**  
Hyderabad.

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

- a. We have reviewed the Financial Statements and the Cash Flow Statement for the year ended 31<sup>st</sup> March, 2013 and to the 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

For **M/s.Heritage Foods (India) Ltd.**

**N. Bhuvanewari**  
Vice Chairperson & Managing Director

Place : Hyderabad  
Date : 30<sup>th</sup> May, 2013

**A. Prabhakara Naidu**  
Vice President - F&A

## Auditors' Certificate on Corporate Governance

To  
The Members of  
**HERITAGE FOODS (INDIA) LIMITED**  
HYDERABAD.

We have examined the compliance of conditions of Corporate Governance by **HERITAGE FOODS (INDIA) LIMITED**, for the year ended on 31<sup>st</sup> March, 2013, as stipulated in clause 49 of the listing agreement of the said Company with stock exchanges in India.

The compliance of the 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 statement of the Company.

In our opinion and to the best 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 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  
(FRN: 003475S)

**M. Sivaram Prasad**  
Partner  
M No. 018943

Place : Hyderabad  
Date : 30-05-2013

## Auditors' Certificate

### Certificate under Regulation 10 of the SEBI (Issue of Sweat Equity Shares) Regulations, 2002

According to Information and Explanations provided to us, we certify that the issue of 70,000 (Seventy thousand) Sweat Equity shares by M/s. Heritage Foods (India) Limited (herein after referred to as "the company") to its president Dr.M.Sambasiva Rao for the value added by him to the company since his appointment has been made in accordance with Regulation 10 of the SEBI (Issue of Sweat Equity Shares) Regulations, 2002

and in accordance with the resolution passed by the company authorizing the issue of such sweat equity shares.

For **Raju and Prasad**  
Chartered Accountants  
FRN 0034755

**Sd/-**  
Partner

**M. Sivaram Prasad**  
M No. 018943

Place: Hyderabad  
Date: 7<sup>th</sup> May, 2013

## Secretarial Audit Report

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

I have conducted, the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by the company. Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the M/s. HERITAGE FOODS (INDIA) LIMITED books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31/03/2013 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by M/s. HERITAGE FOODS (INDIA) LIMITED for the financial year ended on 31/03/2013 according to the provisions of:

- (i) The Companies Act, 1956 and the Rules made there under ;
- (ii) The Securities Contracts (Regulation) Act, 1956 (SCRA) and the Rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Byelaws framed there under;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (SEBI Act) :
  - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
  - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;

- (vi) The Listing Agreements entered into by the Company with BSE Limited (Bombay Stock Exchange) and National Stock Exchange of India Limited, Mumbai.

Based on my examination and verification of the books, papers, minute books, forms and returns filed and other records produced to me and according to 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 and the Rules made there under, the Memorandum and Articles of Association of the Company and also applicable provisions of the aforesaid laws, standards, guidelines, agreements, etc.

### **I report that, during the year under review:**

1. The status of the Company is Listed Public Company.
2. The Company has two subsidiary companies i.e Heritage Foods Retail limited and Heritage Conpro Limited. The Company has not been a Government Company.
3. The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda are sent at least seven days in advance, a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. Majority decision is carried.

4. The Directors have complied with the disclosure requirements in respect of their eligibility of appointment, independence and compliance with the code of Business Conduct & Ethics for Directors and Management Personnel.
5. The 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.
6. The Company has not advanced loans, given guarantees and provided securities to directors and/or persons or firms or companies in which directors were interested, and has complied with the provisions of the Companies Act, 1956.
7. The Company has not made loans and investments; or given guarantees or provided securities to other business entities other than Subsidiary Companies and has complied with the provisions of the Companies Act, 1956 and any other statutes as may be applicable.
8. The amount borrowed by the Company from bank(s)/ financial institution(s) and others were within the borrowing limits of the Company. Such borrowings were made by the Company in compliance with applicable laws.

9. The Company has not defaulted in the repayment of unsecured loans, facilities granted by Bank(s)/Financial Institution(s).
10. The Company has created & modified charges on the assets of the Company and complied with the applicable laws.
11. All registrations under the various state and local laws as applicable to the Company are valid as on the date of report.
12. The Company has declared and paid dividends to its shareholders as per the provisions of the Companies Act, 1956 and other relevant statutes.
13. The Company has credited and paid to the Investor Education and Protection Fund within the stipulated time, all the unpaid dividends as required to be so credited to the Fund.
14. The Company has paid all its statutory dues and satisfactory arrangements have been made for arrears of any such dues.
15. The Company, being a listed entity has complied with the provisions of the Listing Agreement.

16. The Company has provided a list of statutes in addition to the laws as mentioned above and it has been observed that there are proper systems in place to ensure compliance of all laws applicable to the Company.

**I further report that:**

There are adequate systems and processes in the Company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

For **Savita Jyoti Associates**  
Company Secretaries

**Sd/-**  
**Savita Jyoti**  
Member Ship No. F3738  
CP No.: 1796

Place: Hyderabad  
Date: 24/04/2013

## Independent Auditors' Report

To  
The Members of  
**HERITAGE FOODS (INDIA) LIMITED.**

### Report on the Financial Statements:

We have audited the accompanying financial statements of **M/s. Heritage Foods (India) Limited**, which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility:

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion:

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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 the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- b) In the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### Report on other legal and Regulatory Requirements:

1. As required by the Companies (Auditors' Report) Order, 2003, as amended by the companies (Auditor' Report) Order 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
  - a) 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;
  - b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books
  - c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts.
  - d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of Section 211 of the Companies Act, 1956;
  - e) On the basis of written representations received from the Directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.
  - f) Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under Section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For **Raju & Prasad**  
Chartered Accountants  
(FRN: 003475S)

**M. Sivaram Prasad**  
Partner  
M No. 018943

Place : Hyderabad  
Date : 30-05-2013

## Annexure to the Auditors' report

The Annexure referred to in our Report of even date to the members of Heritage Foods (India) Limited on the accounts of the company for the year ended 31<sup>st</sup> March, 2013.

- i. a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) These fixed assets have been physically verified by the management during the year and discrepancies noticed on such verification have been properly dealt with in the books of account. In our opinion, the frequency of verification is reasonable having regard to the size of the company and the nature of the assets.
- c) No substantial part of fixed assets has been disposed off during the year.
- ii. a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii. a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act 1956 or to companies under the same management as defined in Section 370(1-B) of the Companies Act, 1956. Consequently, clauses (iii) (b), (iii) (c) and (iii)(d) are not applicable.
- e) The Company had taken unsecured loan from a Company, covered in the register maintained under Section 301 of the Companies Act 1956. The maximum amount involved during the year was ₹1 crore and the year-end balance of loan is Nil.
- f) In our opinion, the rate of interest and other terms and conditions on which loan taken from the above company are not, prima facie, prejudicial to the interest of the company
- g) As per the agreed terms, no repayment of loan was required during the Financial Year 2012-13. The Company has been regular in the payment of interest.
- iv. In our opinion and according to the information and explanations given to us, considering the size of the Company and nature of business of various divisions of the Company with regard to purchase of inventory and fixed assets and with regard to sale of goods and services, the internal control system commensurate with the size of the company and nature of its business. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- v. a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding value of rupees five lakhs in respect of any party during the year, have been made at prices which are reasonable, having regard to prevailing market prices at the relevant time.
- vi. The Company has not accepted deposits from the public governed by Section 58A and 58AA of the Companies Act, 1956 for the year under reference.
- vii. In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
- viii. The Central Government has prescribed maintenance of Cost Records under Section 209 (1) (d) of the Companies Act, 1956, in respect of its products manufactured during the year. We are of the opinion that, prima facie, the prescribed accounts and records are properly prepared and maintained. We have not, however, carried out detailed examination of the same.
- ix. a) The Company is regular in depositing undisputed statutory dues with the appropriate authorities including Provident Fund, Investor Education and Protections Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax and Other Statutory dues applicable to it. There are no undisputed statutory dues outstanding for more than six months as on 31.3.2013.

- b) According to the information and explanations given to us following are the disputed dues relating to income tax, wealth tax, cess and sales tax, which have not been deposited as at 31<sup>st</sup> March, 2013:

Name of the statute	Nature of the dispute	Amount (₹ in lakhs)	Period to which the amounts relate (FY)	Forum where the disputes is pending
The A.P.G.S.T ACT 1957	General sales tax	7.41	2001 to 2003	Commercial Tax Officer.
The A.P.G.S.T ACT 1957	General sales tax	83.76	2001-02	Writ petition filed with H.C (WP No: 3814/2013).
AP VAT ACT	Input tax credit disallowance	127.06	2007-08	A.P.S.T.A.T (Tribunal)
The C.S.T ACT	General sales tax	37.34	2002-03	A.P.S.T.A.T (Tribunal)
AP C.S.T ACT	Filing of C Forms	1.42	1998-99	Appeal Pending before AP H.C (WP No: 3818/2013).
Central Excise Tariff Act, 1985	Exemption Claim Vide Tariff No:21069099	0.62	2012-13	Pending at Asst. Commissioner of Excise.
AP VAT ACT	Stamp Duty	8.76	2012-13	Commercial Tax Officer.

- 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 cash loss in the financial year under reference and in the financial year immediately preceding such financial year.
- xi. The Company has not defaulted in the repayment of its dues to financial institutions or banks.
- xii. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the Company is not a chit fund or nidhi/mutual benefit fund/society. Therefore the provisions of Clause 4 (xiii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Investments have been held by the company in its own name.
- xv. The Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi. In our opinion, the term loans taken by the Company were applied for the purpose for which they were taken.
- xvii. In our opinion and according to explanations and information given to us, funds raised on short-term basis have not been used for long term investment.
- xviii. According to the information and explanation given to us, during the year the Company has not made any preferential allotment of equity shares/warrants to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- xix. The Company has not issued any debentures
- xx. The Company, during the year, has not raised money by public issues.
- xxi. According to explanations and information given to us no material frauds on or by the Company has been noticed during the year.

For **Raju & Prasad**  
Chartered Accountants  
(FRN: 003475S)

**M. Sivaram Prasad**  
Partner  
M No. 018943

Place : Hyderabad  
Date : 30-05-2013

## Balance Sheet as at March 31, 2013

(₹ in lakhs)

Particulars	Note No.	As at March 31, 2013	As at March 31, 2012
<b>A. EQUITY AND LIABILITIES</b>			
<b>1. SHAREHOLDERS' FUNDS</b>			
a. Share Capital	2	1159.95	1152.95
b. Reserves and Surplus	3	13028.65	8159.63
<b>Sub-Total Shareholders' funds</b>		<b>14188.60</b>	<b>9312.58</b>
<b>2. NON-CURRENT LIABILITIES</b>			
a. Long-term borrowings	4	4056.29	6993.24
b. Deferred tax liabilities (Net)	5	1952.92	1815.16
c. Other Long term liabilities	6	754.78	665.06
d. Long term provisions	7	77.23	74.74
<b>Sub-Total Non-Current Liabilities</b>		<b>6841.22</b>	<b>9548.20</b>
<b>3. CURRENT LIABILITIES</b>			
a. Short-term borrowings	8	5761.72	7058.44
b. Trade payables	9	5681.76	6523.85
c. Other current liabilities	9	7764.67	7537.83
d. Short-term provisions	10	841.89	636.76
<b>Sub-Total Current Liabilities</b>		<b>20050.04</b>	<b>21756.87</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>41079.86</b>	<b>40617.65</b>
<b>B. ASSETS</b>			
<b>1. NON-CURRENT ASSETS</b>			
a. Fixed assets			
i) Tangible assets	11	23305.29	22772.30
ii) Intangible assets	11	374.04	254.04
iii) Capital work-in-progress	11	827.49	892.38
		<b>24506.83</b>	<b>23918.72</b>
b. Non-current investments	12	112.43	111.99
c. Long term loans and advances	13	1746.99	1811.59
d. Other non-current assets	14	44.45	104.42
<b>Sub-Total Non-Current Assets</b>		<b>26410.71</b>	<b>25946.71</b>
<b>2. CURRENT ASSETS</b>			
a. Inventories	15	8209.19	9344.95
b. Trade receivables	16	1507.26	1120.27
c. Cash and Bank balances	17	3294.82	2999.02
d. Short-term loans and advances	13	1657.88	1206.70
<b>Sub-Total Current Assets</b>		<b>14669.15</b>	<b>14670.94</b>
<b>TOTAL ASSETS</b>		<b>41079.86</b>	<b>40617.65</b>
Significant Accounting Policies and Notes on Accounts	(1 to 46)		

As per our report attached  
For **Raju & Prasad**  
Chartered Accountants  
(Firm No. 003475S)

**M Sivaram Prasad**  
Partner  
Membership No. 018943  
Date : May 30, 2013  
Place : Hyderabad

For and on behalf of the Board

**N. Bhuvanewari**  
Vice Chairperson & Managing Director

**N Lokesh**  
Executive Director

**A.Prabhakara Naidu**  
Vice President - Finance & Accounts

**Umakanta Barik**  
Company Secretary

## Statement of Profit and Loss for the year ended March 31, 2013

(₹ in lakhs)

Particulars	Note No.	Year ended March 31, 2013	Year ended March 31, 2012
<b>1. Revenue from operations (Gross)</b>	18	<b>160259.49</b>	139378.87
Less: Excise Duty		78.21	38.30
<b>Revenue from operations (Net)</b>		<b>160181.28</b>	139340.57
<b>2. Other Income</b>	19	<b>419.95</b>	320.73
<b>3. TOTAL REVENUE (1 +2)</b>		<b>160601.23</b>	139661.30
<b>4. Expenses:</b>			
a. Cost of materials consumed	20	<b>93973.45</b>	93735.69
b. Purchase of Stock-in-Trade	21	<b>26274.64</b>	22932.32
c. Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	22	<b>3441.50</b>	(4761.96)
d. Power and fuel		<b>3640.63</b>	3085.72
e. Employee benefits expense	23	<b>8718.25</b>	6916.28
f. Finance costs	24	<b>1670.20</b>	1977.28
g. Depreciation and amortization expense	25	<b>2202.03</b>	2118.65
h. Other expenses	26	<b>14023.86</b>	12299.65
<b>TOTAL EXPENSES</b>		<b>153944.56</b>	138303.63
5. Profit before exceptional and extraordinary items and tax (3-4)		<b>6656.67</b>	1357.67
6. Exceptional Items		–	–
7. Profit before extraordinary items and tax (5 -6)		<b>6656.67</b>	1357.67
8. Extraordinary Items	27	<b>291.34</b>	–
<b>9. Profit before tax (7 - 8)</b>		<b>6365.33</b>	1357.67
10. Tax expense:			
a. Current tax		<b>1275.80</b>	290.00
b. Prior period tax		<b>(44.39)</b>	(0.80)
c. Deferred tax		<b>137.76</b>	135.04
<b>11. Profit for the year (9-10)</b>		<b>4996.16</b>	933.42
12. Earning per equity share of ₹10/-each:			
a. Before Extraordinary items			
i. Basic		<b>45.81</b>	8.10
ii. Diluted		<b>45.81</b>	8.10
b. After Extraordinary items			
i. Basic		<b>43.28</b>	8.10
ii. Diluted		<b>43.28</b>	8.10

Significant Accounting Policies and Notes on Accounts

(1 to 46)

As per our report attached  
For **Raju & Prasad**  
Chartered Accountants  
(Firm No. 003475S)

For and on behalf of the Board

**M Sivaram Prasad**  
Partner  
Membership No. 018943  
Date : May 30, 2013  
Place: Hyderabad

**N. Bhuvanewari**  
Vice Chairperson & Managing Director

**N Lokesh**  
Executive Director

**A.Prabhakara Naidu**  
Vice President - Finance & Accounts

**Umakanta Barik**  
Company Secretary

## Cash Flow Statement for the year ended March 31, 2013

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) before tax	6656.67	1357.67
Non-cash adjustment to reconcile profit before tax to net cash flows		
Depreciation/amortization	2202.03	2118.65
(Profit)/loss on sale or write off Fixed Assets	122.92	12.57
Loss on Impairment of Assets	0.34	5.11
Interest expense	1483.86	1782.17
Subsidy transferred to P&L	(6.34)	(6.34)
Interest income	(44.25)	(53.27)
Dividend received	(1.86)	(1.88)
Operating Profit before Working Capital Changes	10413.36	5214.69
Movements in working capital :		
Increase/(decrease) in trade payables	(842.09)	2677.37
Increase/(decrease) in long term provisions	2.48	(1.69)
Increase/(decrease) in short term provisions	68.00	62.40
Increase/(decrease) in other current liabilities	760.61	338.67
Increase/(decrease) in other long term liabilities	89.72	117.92
Decrease/(increase) in trade receivables	(386.99)	323.58
Decrease/(increase) in inventories	1135.76	(2738.17)
Decrease/(increase) in long term loans and advances	111.29	(85.93)
Decrease/(increase) in short term loans and advances	(437.44)	393.52
Decrease/(increase) in other non-current assets	59.96	10.61
Cash Generated from/(used in) operations	10974.68	6312.97
Direct taxes paid (net of refunds)	(1245.16)	(297.51)
<b>Net Cash flow from/(used) in Operating activities (A)</b>	<b>9729.52</b>	<b>6015.45</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets, including intangible assets, cwip and capital advances	(3069.34)	(2895.61)
Proceeds from sale of Fixed Assets	109.24	45.75
Purchase of non-current investments	(0.44)	(0.35)
Investment in Subsidiaries	–	(10.00)
(Investment) in/redemption of bank deposits having original maturity more than three months	(8.67)	183.01
State Subsidy received	–	–
Interest received	44.25	53.27
Dividend received	1.86	1.88
<b>Net Cash used in Investing Activities (B)</b>	<b>(2923.11)</b>	<b>(2622.06)</b>

## Cash Flow Statement (Contd.)

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term borrowings	–	2600.00
Repayment of long-term borrowings	(3470.71)	(3174.07)
Short-term borrowings (net)	(1296.72)	(623.36)
Interest paid	(1483.86)	(1782.17)
Unclaimed dividend paid	2.34	3.04
Dividend paid (including dividend tax)	(268.00)	(160.80)
<b>Net Cash flow from/(Used) in Financing Activities (C)</b>	<b>(6516.95)</b>	<b>(3137.36)</b>
Net increase/(decrease) in cash and cash equivalents (A+B+C)	289.47	256.04
Cash and Cash equivalents at the beginning of the year	2871.90	2615.86
Cash and Cash equivalents at the end of the period	<b>3161.37</b>	<b>2871.90</b>
<b>Components of cash and cash equivalents</b>		
Cash on hand	701.57	296.30
Cheques/drafts on hand	47.56	84.87
Balances with banks in current accounts	2412.25	2490.73
Total cash and cash equivalents	<b>3161.37</b>	<b>2871.90</b>
<b>Significant accounting policies and notes on accounts (1 to 46)</b>		

As per our report attached  
For **Raju & Prasad**  
Chartered Accountants  
(Firm No. 003475S)

**M Sivaram Prasad**  
Partner  
Membership No. 018943  
Date : May 30, 2013  
Place: Hyderabad

For and on behalf of the Board

**N. Bhuvanewari**  
Vice Chairperson & Managing Director

**A.Prabhakara Naidu**  
Vice President - Finance & Accounts

**N Lokesh**  
Executive Director

**Umakanta Barik**  
Company Secretary

# Significant Accounting Policies and Notes on Accounts

## 1. SIGNIFICANT ACCOUNTING POLICIES

### 1.1. Basis of Preparation of financial statements

The financial statements of the Company have been prepared under the historical cost convention and on accrual basis in accordance with Indian Generally Accepted Accounting Principles (Ind GAAP) which comprises mandatory accounting standards prescribed by the Companies (Accounting Standards) Rules, 2006 and the applicable provisions of the Companies Act, 1956.

### 1.2 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 or for the purpose of better presentation of financial statements. Management evaluates all recently issued or revised Accounting Standards on an ongoing basis and accordingly changes the Accounting policies as applicable.

During the financial year ended March 31, 2013, financial statements have been presented as per the revised Schedule VI notified under the Companies Act, 1956.

### 1.3 Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make judgments, estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the end of financial statements and reported amounts of income and expenses during the period.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

### 1.4 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue from operations includes revenue from sale of products, services and other operating revenue.

**Revenue from sale of products:** Revenue from sale of products is recognized when all the significant risks and rewards of ownership of products have been passed to the buyer, usually on delivery of the products. The revenue from sale of products is inclusive of Excise duty and net of discounts, value added taxes and sales tax.

**Interest Income:** Interest is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate.

**Dividend Income:** Dividend income is recognized when the Company's right to receive dividend is established by the reporting date.

### 1.5 Fixed Assets

**Tangible Assets:** Tangible Assets are stated at cost net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price (net of discounts and rebates), borrowing costs if capitalization criteria are met and any attributable cost of bringing the asset to its working condition and location for the intended use.

Subsequent expenditure related to an item of fixed assets is added to its book value only if it increases the future economic benefits from the existing assets beyond its previously assessed standard of performance.

**Intangible Assets:** Intangible assets that are acquired are recognized at cost initially and carried at cost less accumulated amortization and accumulated impairment loss, if any.

**Capital Work-in-Progress:** Capital work-in-progress is recognized at cost. It comprises of fixed assets that are not yet ready for their intended use at the reporting date and capital stores issued

Gain or loss arising from de-recognition of fixed assets (tangible and intangible) are measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in the Statement of Profit and Loss when the asset is de-recognized.

### 1.6 Depreciation and Amortization

**Depreciation on Tangible Assets:** Depreciation on tangible assets is provided on the basis of straight line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956 except depreciation on cans and crates which is based on the estimated useful life of two years. Improvements to leasehold property is depreciated over a period of nine years. Depreciation on assets which are commissioned during the year is charged on pro-rata basis from the date of commissioning.

**Amortization on Intangible Assets:** Intangible assets are amortized over their respective individual estimated useful lives not exceeding five years on a straight-line basis, commencing from the date the asset is available to the Company for its use.

### 1.7 Borrowing Cost

Borrowing cost directly attributable to the acquisition,

construction or production of qualifying assets, till the time such assets are ready for intended use, are capitalized as part of the cost of such assets as defined in Accounting Standard (AS-16) on "Borrowing Costs". Other Borrowing costs are recognized as expenses in the year in which they are incurred.

Borrowing cost includes interest, amortization of ancillary cost incurred in connection with arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

### 1.8 Impairment of Fixed 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 of the estimated recoverable amount is higher.

### 1.9 Investments

Investments, which are readily realizable and intended to be held for not more than one year from the date of such investments are classified as current investments. Current investments are carried at the lower of cost and fair value of each investment individually. All other investments are classified as long-term investments which are carried at cost less provisions for decline (if any), other than temporary, in the carrying value of each investment.

### 1.10 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 treated as deferred Government grants and the amount in proportion to the depreciation is transferred to statement of profit and loss.

### 1.11 Employee Retirement Benefits

**Provident Fund:** Retirement benefit in the form of provident fund is a defined contribution scheme. The contributions to the provident fund administered by the Central Government under the Provident Fund Act, 1952, are charged to the statement of profit and loss for the year in which the contributions are due. The company has no obligation, other than the contribution payable to the provident fund.

**Gratuity:** Accrued liability is determined on actuarial valuation basis using PUC Method at the end of the year and provided in accounts as per AS-15

**Leave Encashment:** Accrued liability for leave encashment including sick leave is determined on actuarial valuation basis

using PUC Method at the end of the year and provided in accounts as per AS-15.

### 1.12 Foreign Exchange transactions

Transactions made during the year in foreign currency are recorded at the exchange rate prevailing at the time of transaction. Foreign currency monetary items remaining unsettled at the year end are translated at the contract rates, when covered by firm commitment forward cover contracts and at the year end rates in other cases. Gains and losses on foreign currency transactions are recognized in the profit and loss account as per AS-11.

### 1.13 Leases

**Operating leases (Lessee):** The Company has taken properties on operating lease, Civil works and other improvements of enduring nature are capitalized. Operating lease payments for properties and other assets are recognized as an expense in the statement of profit and loss.

### 1.14 Inventories

Inventories are valued as under

Sl. No.	Particulars	Valuation	Method
1.	Raw Materials	Cost or net realizable value whichever is lower	Cost has been ascertained on FIFO basis
2.	Finished Goods	Cost or net realizable value whichever is lower	Cost has been ascertained on FIFO basis
3.	Stores, Spares and Consumables	at cost	Cost has been ascertained on FIFO basis
4.	Work- in-progress	Cost or net realizable value whichever is lower	Cost has been ascertained on FIFO basis
5.	Tradable Goods	Cost or net realizable value whichever is lower	Cost has been ascertained on moving weighted average basis

### 1.15 Taxes on Income

Income Taxes are accounted for in accordance with Accounting Standard (AS-22) on "Accounting for Taxes on Income". Income tax expenses 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 recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax liability/assets are reviewed

as at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized. Taxes 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. MAT credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal tax during the specific period.

#### **1.16 Cash flow statement**

The cash flow statement is prepared as per the "Indirect Method" set out in Accounting Standard (AS-3) "Cash Flow Statements" and presents the cash flows by operating, financing and investing activities of the Company. Operating cash flows are arrived by adjusting profit or loss before tax for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

#### **1.17 Cash and Cash Equivalents**

Cash and cash equivalents comprises cash on hand, cash at bank, cash on deposits with banks.

#### **1.18 Earnings Per Share**

Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the profit after tax by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares.

#### **1.19 Segment Reporting**

The Company is engaged in Dairy, Retail, Agri and Bakery businesses which are identified as reportable segments as per the Accounting Standard (AS-17) - "Segment Reporting". The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

The Company accounts for inter-segment sales and transfers at cost plus appropriate margins. Allocation of common allocable costs allocated to each segment according to the relative contribution of each segment to the total common costs.

#### **1.20 Provisions**

Provision is recognized when the company has a present obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the year end. These estimates are reviewed at each year end and adjusted to reflect the current best estimates.

#### **1.21 Contingent Liabilities**

A contingent liability is a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

**Note 2 : Share Capital**

(₹ in lakhs)

Particulars	As at March 31, 2013	As at March 31, 2012
<b>a) Authorised Share Capital</b>		
<b>i) Equity Share Capital</b>		
1,80,00,000 Equity Shares of ₹10/- each (Previous year : 1,80,00,000 Equity Shares of ₹10/- each )	<b>1800.00</b>	1800.00
<b>ii) Convertible cumulative Preference Share Capital</b>		
20,00,000 Preference Shares of ₹10/- each (Previous Year 20,00,000 Convertible cumulative Preference Shares of ₹10/- each)	<b>200.00</b>	200.00
<b>TOTAL</b>	<b>2000.00</b>	2000.00
<b>b) Issued,Subscribed and Paidup Share Capital</b>		
<b>Equity Share Capital</b>		
1,15,99,500 Equity Shares of ₹10/- each (Previous year 1,15,29,500 Equity Shares of ₹10/- each)	<b>1159.95</b>	1152.95

**c) Reconciliation of number of equity shares outstanding and the amount of share capital**

Particulars	March 31, 2013		March 31, 2012	
	Number of Shares	Amount (₹ in lakhs)	Number of Shares	Amount (₹ in lakhs)
Shares Outstanding at the beginning of the year	11529500	1152.95	11529500	1152.95
Shares issued during the year	70000	7.00	—	—
Shares bought back during the year	—	—	—	—
Shares outstanding at the end of the year	11599500	1159.95	11529500	1152.95

**d) Rights, preferences and restrictions attached to equity shares**

The Company has only one class of Issued, subscribed and paid up equity shares having a par value of ₹10/- each per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the share holders.

**e) Details of Shareholders holding more than 5% shares in the Company**

Name of the Share Holder	March 31, 2013		March 31, 2012	
	No. of Shares held	% of holding	No. of Shares held	% of holding
<b>Equity Shares of ₹10/- each fully paid</b>				
1. Nara Bhuvanewari	2665413	22.98	2665413	23.12
2. Nirvana Holdings Private Limited	1286421	11.09	1286421	11.16
3. Nara Lokesh	1183200	10.20	1183200	10.26
4. Kotak India Focus Fund	—	—	1029356	8.93
5. V Sudha Sarada	660500	5.69	795674	6.90
6. Megabid Finance & Investment Pvt Ltd	611900	5.28	—	—

**f) Aggregate number of shares issued for consideration other than cash during the period of five years immediately preceding the reporting date :**

	March 31, 2013 No. of Shares	March 31, 2012 No. of Shares
Equity Shares allotted as fully paid-up as Sweat Equity shares for consideration other than cash (70,000 Equity Shares are issued to an employee valuing ₹291.34 lakhs during the financial year ended March 31, 2013)	<b>70000</b>	—

**Note 3: Reserves and Surplus**

(₹ in lakhs)

Particulars	As at March 31, 2013	As at March 31, 2012
<b>a) Capital Redemption Reserve</b>		
Opening Balance	81.00	81.00
Add: Current year transfer	–	–
Less: Written back in current year	–	–
Closing Balance	81.00	81.00
<b>b) Securities Premium Reserve</b>		
Opening Balance	4659.75	4659.75
Add: Securities premium credited on share issue*	284.34	–
Less: Premium utilized	–	–
Closing Balance	4944.09	4659.75
*Security premium credited during the financial year ended March 31, 2013 relate to Equity Shares issued to an employee of the Company as fully paid-up shares for a consideration other than cash.		
<b>c) Deferred Government Grants</b>		
Opening Balance	80.33	86.68
Add: Subsidy Received during the year	–	–
Less: Transfer to Profit and Loss statement	6.34	6.34
Closing Balance	73.99	80.33
<b>d) Warrants Money Appropriated</b>		
Opening Balance	318.69	318.69
Add: Current year transfer	–	–
Less: Written back in current year	–	–
Closing Balance	318.69	318.69
<b>e) General Reserve</b>		
Opening Balance	2500.71	2150.71
Add: Transfer from Surplus	2500.00	350.00
Closing Balance	5000.71	2500.71
<b>f) Surplus/(Deficit)</b>		
Opening Balance	519.15	203.72
Add: Net Profit/(Net Loss) after tax transferred from Statement of Profit and Loss	4996.16	933.42
Amount available for appropriations	5515.31	1137.15
Appropriations :		
Transferred to General Reserve	2500.00	350.00
Proposed Dividend amount per share ₹3.00 (Previous Year: ₹2.00 per share)	346.28	230.59
Tax on Proposed Dividend	58.85	37.41
Closing Balance	2610.18	519.15
<b>TOTAL</b>	13028.65	8159.63

## NON-CURRENT LIABILITIES :

### Note 4: Long-Term Borrowings

(₹ in lakhs)

Particulars	Non-Current portion		Current Maturities	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>a) Term Loans</b>				
i) From Banks (secured)				
- Indian rupee loans	<b>3119.06</b>	5435.82	<b>2295.13</b>	2319.67
- Foreign currency loans	—	514.00	<b>514.00</b>	1028.00
<b>b) Deferred Payment liabilities</b>				
Sales tax deferment (secured)	<b>937.24</b>	943.42	<b>6.18</b>	1.42
<b>c) Loans and Advances from related parties</b>				
Loan (unsecured)	—	100.00	—	—
<b>Total</b>	<b>4056.29</b>	6993.24	<b>2815.32</b>	3349.09

Installments falling due in respect of the above loans upto March 31, 2014 (Previous Year: March 31, 2013) have been grouped under "Current maturities of long term borrowings" (Ref Note 9)

#### Term Loan from Banks (Secured) includes :

(₹ in lakhs)

Type of Loan	Name of the Bank	Loan Outstanding As on		Loan Drawn	Rate of Interest	Security/ Guarantee	Repayment Terms
		31.03.2013	31.03.2012				
<b>a. Foreign Currency Loans</b>							
1. Foreign Currency Term Loan (FCTL)	Bank of Baroda	<b>514.00</b>	1542.00	6285.99	@200 bps over 6 months US\$ LIBOR (Previous year: '@200 bps over 6 months US\$ LIBOR )	First pari pasu charge on all present and future fixed assets of the Company, second pari pasu charge on current assets of the Company	Repayable in 24 quarterly installments commencing from December 2007
<b>Total Foreign Currency Loans</b>		<b>514.00</b>	1542.00				
<b>b. Rupee Term Loans</b>							
1. Rupee Term Loan (Previous Year: Foreign Currency Non-Resident (B) Loan (FCNRB))	Bank of Baroda	<b>264.75</b>	798.84	3206.00	@base rate plus 4%(Previous year:'@625 bps over 6 months US\$ LIBOR)	First pari pasu charge on all present and future fixed assets of the Company, second pari pasu charge on current assets of the Company.	Repayable in 24 quarterly installments commencing from December 2007
2. Rupee Term Loan	Bank of Baroda	<b>416.91</b>	704.03	1435.00	@base rate plus 4% (Previous year : '@base rate plus 4%)	First pari pasu charge on all present and future fixed assets of the Company, second pari pasu charge on current assets of the Company	Repayable in 20 quarterly installments commencing from Nov, 2009
3. Rupee Term Loan	Andhra Bank	<b>245.04</b>	495.30	1500.00	@BMPLR minus 0.50% plus TP (Previous year : '@BMPLR minus 1 plus 0.25)	First pari pasu charge on entire fixed assets (present and future) of the Company along with consortium bankers	Repayable in 24 quarter installments commencing from April' 2008
4. Rupee Term Loan	Andhra Bank	<b>166.67</b>	354.85	1000.00	@BMPLR (Previous year : '@BMPLR)	First pari pasu charge on entire fixed assets (present and future) of the Company along with consortium bankers	Repayable in 24 quarter installments commencing from April' 2008

Contd...

**Term Loan from Banks (Contd.)**

(₹ in lakhs)

Type of Loan	Name of the Bank	Loan Outstanding As on		Loan Drawn	Rate of Interest	Security/ Guarantee	Repayment Terms
		31.03.2013	31.03.2012				
5. Rupee Term Loan	ICICI Bank	800.00	1439.96	3000.00	1.75% per annum below the sum of I-BAR and term premia prevailing on the date plus applicable interest tax or other statutory levy (Previous year: 1.75% per annum below the sum of I-BAR and term premia prevailing on the date plus applicable interest tax or other statutory levy)	First pari pasu charge on fixed assets of the Company and Second charge on current assets of the Company	Repayable in 21 quarterly installments commencing from April 2009
6. Rupee Term Loan	ICICI Bank	–	325.00	500.00	8% per annum (Previous year :8% per annum)	First charge on fixed assets both immovable and movable excluding entire stocks of raw materials, work-in-progress, semi-finished and finished goods, consumable stores and spares and such other movables including book debts, bills whether documentary or clean both present and future of the Company	Repayable in 20 quarterly installments commencing from August 2010 (ACE Term loan of ₹500 lakhs was converted into ICICI Rupee Term Loan of ₹ 300 lakhs from May 31, 2012)
7. Rupee Term Loan	ICICI Bank	225.00	–	300.00	Sum of I Base and "spread" per annum plus applicable interest tax or other statutory levy, if any (Previous year :0% per annum)	First charge on fixed assets both immovable and movable excluding entire stocks of raw materials, work-in-progress, semi-finished and finished goods, consumable stores and spares and such other movables including book debts, bills whether documentary or clean both present and future of the Company	Repayable in 12 quarterly installments commencing from August 2012
8. Rupee Term Loan	ICICI Bank	920.82	1137.50	1300.00	9.5% per annum (Previous year :9.5% per annum)	First pari pasu charge on both on both movable and immovable fixed assets of the Company, second charge on current assets, present and future of other Company , along with other term lenders	Repayable in 24 quarterly installments commencing from August, 2011

Contd...

**Term Loan from Banks (Contd.)**

(₹ in lakhs)

Type of Loan	Name of the Bank	Loan Outstanding As on		Loan Drawn	Rate of Interest	Security/ Guarantee	Repayment Terms
		31.03.2013	31.03.2012				
9. Rupee Term Loan	ICICI Bank	2375.00	2500.00	2500.00	a) IBASE and spread per annum plus applicable interest tax or other statutory levy if any b) For sub-limit of FCNR(B) the rate of interest 8.80% plus six months USD LIBOR (Previous year: IBASE and spread per annum plus applicable interest tax or other statutory levy if any b) For sub-limit of FCNR(B) the rate of interest 8.80% plus six months USD LIBOR )	First pari pasu charge on both movable and immovable fixed assets of the Company, second charge on current assets, present and future of other Company, along with other term lenders	Repayable in 16 quarterly installments commencing from December, 2012
<b>Total Rupee Term Loans</b>		<b>5414.19</b>	<b>7755.48</b>				
<b>Total (Foreign Currency Loans + Rupee Term Loans)</b>		<b>5928.19</b>	<b>9297.48</b>				

**Deferred Payment Liabilities**

Deferred Payment Liabilities represent sales tax collected under deferral scheme of State Government of Andhra Pradesh and is being repaid as per the sales tax deferral scheme. The Company availed scheme for Gokul, Narketpalle and Bayyavaram Dairy plants respectively. Sales Tax deferred in a year should be repaid at the end of 14th year for Gokul, 10th year for Bayyavaram and Narketpally plants without interest and is secured by fixed assets of the respective dairy plants.

**Loans and advances from related parties**

Unsecured loan outstanding: Nil (Previous year: ₹ 100 lakhs and the loan carries interest @9% per annum and is repayable in September, 2016 (with a role over for every 360 days))

**Note 5: Deferred Tax Liability (Net)**

(₹ in lakhs)

Particulars	As at March 31, 2013	As at March 31, 2012
<b>a) Deferred Tax Liability :</b>		
Opening Deferred Tax Liability	1959.06	1804.31
Add: Deferred Tax Liability during the year on account of:		
Depreciation	168.57	154.74
Closing Deferred Tax Liability	2127.62	1959.06
<b>b) Deferred Tax Asset :</b>		
Opening Deferred Tax Asset	143.90	124.20
Add: Deferred Tax Asset during the year on account of :		
Provision for unavailed leave	30.81	19.70
Closing Deferred Tax Asset	174.71	143.90
<b>Net Deferred Tax Liability there on (a-b)</b>	<b>1952.92</b>	<b>1815.16</b>

**Note 6: Other Long-Term Liabilities**

(₹ in lakhs)

Particulars	As at	As at
	March 31, 2013	March 31, 2012
Other payables:		
Security Deposits	754.78	665.06
<b>Total</b>	<b>754.78</b>	<b>665.06</b>

**Note 7: Long-Term Provisions**

(₹ in lakhs)

Particulars	Long-Term		Short-Term	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>Provision for employee benefits</b>				
Unavailed Leave	77.23	74.74	436.76	368.76
<b>Other Provisions</b>				
Proposed Dividend	–	–	346.28	230.59
Provision for tax on dividend	–	–	58.85	37.41
<b>Total</b>	<b>77.23</b>	<b>74.74</b>	<b>841.89</b>	<b>636.76</b>

**CURRENT LIABILITIES :****Note 8: Short-Term Borrowings**

(₹ in lakhs)

Particulars	As at	As at
	March 31, 2013	March 31, 2012
a) Working Capital Loan from banks (secured)	5667.22	6058.44
b) Loan Repayable on demand: Short Term Loans from banks (secured)	94.50	1000.00
<b>Total</b>	<b>5761.72</b>	<b>7058.44</b>

**Working Capital Loans from Banks:**

(₹ in lakhs)

Name of the Bank	Type of Loan facility	Loan Outstanding As on		Working capital Loan Limit	Rate of Interest	Security/Guarantee
		31.03.2013	31.03.2012			
<b>Bank of Baroda</b>	Cash Credit	<b>2298.10</b>	2676.91	3000	Base rate plus 2.50%	First pari pasu charge on current assets of the Company by way of hypothecation of raw material, work-in-progress, finished goods such as Milk, Milk Powder, Ghee, Skimmed Milk, Butter, Curd etc., and packing materials, spares, stores. Extension of first pari pasu charge on the fixed assets of the Company
<b>Andhra Bank</b>	Open Cash Credit	<b>1161.51</b>	1134.62	1500	Base rate plus 2.75%	Hypothecation of inventory, receivables and advances to suppliers by way of first pari pasu charge under consortium arrangement with Bank of Baroda and ICICI Bank Ltd.,

Contd...

Name of the Bank	Type of Loan facility	Loan Outstanding As on		Working capital Loan Limit	Rate of Interest	Security/Guarantee
		31.03.2013	31.03.2012			
ICICI Bank	1. Cash Credit	707.61	294.91	3000 (with sublimit of WCDL-FCNR(B), WCDL- Rupee)	IBASE plus "spread" per annum subject to minimum rate of I Base plus 3.25% per annum plus applicable interest tax or other statutory levy, if any.	First pari pasu charge on Companies entire stocks of raw materials, semi finished and finished goods, consumable stores and spares and such other movables including book debts, bills whether documentary or clean, outstanding moneys, receivables, both present and future, in a form and manner satisfactory to the bank, ranking pari pasu with other participating banks. First pari pasu charge on all the Borrower's fixed assets both immovable and movable
	2. WCDL-FCNR(B)	1200.00	1952.00	3000 (with sublimit of WCDL-FCNR(B), WCDL- Rupee)	The rate of interest (Spread plus Libor) for each drawl of the facility will be stipulated by ICICI Bank at the time of disbursement plus applicable interest tax or other statutory levy, if any	First pari pasu charge on Companies entire stocks of raw materials, semi finished and finished goods, consumable stores and spares and such other movables including book debts, bills whether documentary or clean, outstanding moneys, receivables, both present and future, in a form and manner satisfactory to the bank, ranking pari pasu with other participating banks. First pari pasu charge on all the Borrower's fixed assets both immovable and movable
	3. WCDL - Rupee	300.00	-	3000 (with sublimit of WCDL-FCNR(B), WCDL- Rupee)	IBASE plus "spread" per annum subject to minimum rate of I Base plus 2.75% per annum plus applicable interest tax or other statutory levy, if any.	First pari pasu charge on Companies entire stocks of raw materials, semi finished and finished goods, consumable stores and spares and such other movables including book debts, bills whether documentary or clean, outstanding moneys, receivables, both present and future, in a form and manner satisfactory to the bank, ranking pari pasu with other participating banks. First pari pasu charge on all the Borrower's fixed assets both immovable and movable
		5667.22	6058.44	7500		

#### Short Term Loans from Banks

- The short term working capital loan as on March 31, 2013 is Nil (Previous year :₹1000 lakhs) from Axis Bank Limited carries interest rate @ base rate plus 1.5% repayable after 180 days from the date of disbursement and is secured by second charge by way of extension of equitable mortgage on the commercial land of Vice Chairperson & Managing Director of the Company and personal guarantee given by Vice Chairperson & Managing Director of the Company.
- The Company has overdraft facility outstanding as on March 31, 2013 of ₹94.50 lakhs (Previous year: Nil) (Sanction limit: ₹100 lakhs) from Kotak Mahindra Bank carries interest @12.50% which is secured by exclusive mortgage of property belonging to spouse of Executive Director of the Company and by personal guarantees of Vice Chairperson & Managing Director, Executive Director and spouse of Executive Director.

**Note 9: Trade Payables and Other Current Liabilities**

(₹ in lakhs)

Particulars	As at March 31, 2013	As at March 31, 2012
Trade Payables (Including acceptances)	5681.76	6523.85
<b>Other Current Liabilities</b>		
Current maturities of long-term borrowings (Ref Note 4)	2809.13	3347.67
Interest Accrued but not due on borrowings	12.60	31.03
Interest accrued and due on borrowings	–	11.95
Unpaid Dividends	36.95	39.29
<b>Other Payables :</b>		
Employee Related payables	1293.48	664.10
Advance from Customers	519.32	449.95
Capital Creditors	693.23	770.36
Statutory Payables	252.30	217.28
Security Deposits	328.50	304.51
Deferred sales tax liability (Ref Note 4)	6.18	1.42
Other payables	1812.97	1700.27
<b>Total</b>	<b>7764.67</b>	<b>7537.83</b>

**Note 10: Short Term Provisions**

(₹ in lakhs)

Particulars	As at March 31, 2013	As at March 31, 2012
Provision for employee benefits		
Unavailed Leave	436.76	368.76
<b>Other Provisions :</b>		
Proposed Dividend	346.28	230.59
Provision for tax on proposed dividend	58.85	37.41
<b>Total</b>	<b>841.89</b>	<b>636.76</b>

## NON-CURRENT ASSETS

### Note 11 Fixed Assets

(₹ in lakhs)

Particulars	Gross Block		Accumulated Depreciation / Amortization				Net Block			
	Balance as at 01.04.2012	*Additions/ other adjustments during the year	Deductions/ Retirement during the year	Balance as at 31.03.2013	Balance as at 01.04.2012	Depreciation charge for the year	Deductions/ adjustments during the year	Impairment loss for the year	Balance as at 31.03.2013	Balance as at 01.04.2012
<b>a. Tangible Assets</b>										
Land	1515.39	14.67	-	1530.07	-	-	-	-	0.00	1515.39
Buildings	8671.38	396.09	3.90	9063.58	1669.57	296.53	0.37	-	1965.72	7001.82
Improvements to leasehold property	1501.27	84.94	134.05	1452.17	574.25	153.91	68.64	-	659.52	927.03
Plant and Machinery	17976.81	1993.13	1084.35	18885.60	6769.91	1287.35	942.49	-	7114.77	11206.90
Furniture and Fixtures	1504.48	132.36	1.27	1635.57	373.62	105.06	0.12	-	478.56	1130.87
Office Equipment	2091.58	149.85	70.99	2170.44	1235.28	198.99	64.99	0.34	1369.62	856.31
Vehicles	214.09	58.02	35.60	236.51	80.11	21.74	21.40	-	80.45	133.98
<b>Total - a</b>	33475.02	2829.07	1330.16	34973.93	10702.72	2063.59	1098.01	0.34	11668.65	22772.30
<b>b. Intangible Assets</b>										
Computer Software	1115.24	258.45	-	1373.69	861.20	138.44	-	-	999.64	254.04
<b>Total - b</b>	1115.24	258.45	-	1373.69	861.20	138.44	-	-	999.64	254.04
<b>Total (a+b)</b>	34590.26	3087.52	1330.16	36347.62	11563.92	2202.03	1098.01	0.34	12668.29	23026.34
<b>Previous year</b>	31749.70	3036.27	195.71	34590.26	9577.54	2118.65	137.38	5.11	11563.92	23026.34
<b>c. Capital Work-in-progress</b>										
										892.38

\* Borrowing cost as per AS-16 : During the year , borrowing cost of ₹31.35 lakhs has been capitalized to Plant & Machinery and ₹2.82 lakhs to Buildings (Previous year: ₹95.94 lakhs has been capitalized to Plant and machinery and ₹15.45 lakhs to Buildings) and it is included in other adjustments.

### Disclosure of details of impairment losses pursuant to Note.1(iv) and J(iii) of Part I of Schedule VI to the Companies Act, 1956

(₹ in lakhs)

Particulars	2012-2013	2011-2012	2010-2011
Asset details:			
Balance as at the beginning of the period	5.53	0.42	0.00
Impairment loss during the period	0.34	5.11	0.42
Balance as at the end of the period	5.87	5.53	0.42

**Note 12 :Non-current Investments**

(₹ in lakhs)

Particulars	As at March 31, 2013	As at March 31, 2012
<b>Other Investments at cost</b>		
Investment in Equity Instruments		
a) Subsidiaries	24.10	24.10
b) Associates	65.00	65.00
Investment in Government securities	2.21	1.76
Other non-current investments	21.13	21.13
<b>Total</b>	<b>112.43</b>	<b>111.99</b>

(₹ in lakhs)

Particulars	Book Value		Market Value	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Aggregate of quoted investments	1.13	1.13	2.70	3.19
Aggregate of un-quoted investments	111.31	110.86	–	–
<b>Total</b>	<b>112.43</b>	<b>111.99</b>	<b>2.70</b>	<b>3.19</b>

**Details of Other Investments**

(₹ in lakhs)

Name of the Body Corporate	Quoted/ Unquoted	As at March 31, 2013	As at March 31, 2012
<b>Investment in Subsidiaries:</b>			
<b>Heritage Foods Retail Limited</b>	Unquoted	16.50	16.50
165000 Equity Shares of ₹10/- each fully paid up (Previous year: 165000 Equity Shares of ₹10/- each fully paid up)			
<b>Heritage Conpro Limited</b>	Unquoted	7.60	7.60
76000 Equity Shares of ₹10/- each fully paid up (Previous year: 76000 Equity Shares of ₹10/- each fully paid up)			
<b>Total</b>		<b>24.10</b>	<b>24.10</b>
<b>Investment in Associates :</b>			
<b>Skil Raigam Power (India) Limited</b>	Unquoted	65.00	65.00
650000 Equity Shares of ₹10/- each fully paid up (Previous year: 650000 Equity Shares of ₹10/- each fully paid up)			
<b>Total</b>		<b>65.00</b>	<b>65.00</b>
<b>Investment in Government securities</b>			
National Savings Certificates	Unquoted	2.21	1.76
<b>Total</b>		<b>2.21</b>	<b>1.76</b>
<b>Other investments in :</b>			
<b>Andhra Bank</b>	Quoted	0.33	0.33
363 Equity Shares of ₹10/- each at a premium of ₹80/- each fully paid up (Previous year: 363 Equity shares of ₹10/- each at a premium of ₹80/- each fully paid up)			
<b>Bank of Baroda</b>	Quoted	0.80	0.80
348 Equity shares of ₹10/- each at a premium of ₹220/- each fully paid up (Previous year: 348 Equity shares of ₹10/- each at a premium of ₹220/- each fully paid up)			
<b>Heritage Finlease Limited</b>	Unquoted	20.00	20.00
200000 Equity shares of ₹10/- each fully paid up (Previous year: 200000 Equity Shares of ₹10/- each fully paid up)			
<b>Total</b>		<b>21.13</b>	<b>21.13</b>
<b>Total</b>		<b>112.43</b>	<b>111.99</b>

**Note: 13 Loans and Advances**

(₹ in lakhs)

Particulars	Non-Current		Current	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>a) Capital Advances</b>				
Unsecured, considered good	211.62	164.92		
<b>b) Security Deposits</b>				
Unsecured, considered good	1339.07	1417.82	304.86	243.53
Doubtful	–	–	18.35	6.40
	1339.07	1417.82	323.21	249.93
Less: Provision for doubtful security deposit	–	–	18.35	6.40
<b>Total</b>	<b>1339.07</b>	<b>1417.82</b>	<b>304.86</b>	<b>243.53</b>
<b>c) Advances recoverable in cash or kind</b>				
Doubtful	–	79.59	1016.46	742.78
	–	14.13	31.38	13.80
	–	93.71	1047.84	756.58
Less: Provision for doubtful advances	–	14.13	31.38	13.80
<b>Total</b>	<b>–</b>	<b>79.59</b>	<b>1016.46</b>	<b>742.78</b>
<b>d) Other loans and advances</b>				
Unsecured, considered good				
Advance income tax and TDS receivable (Net of provision for taxation)	–	–	114.82	101.08
Prepaid expenses	2.68	1.04	114.81	58.70
Loans and advances to employees	66.55	21.15	104.76	55.69
Balances with Statutory/Government Authorities	127.07	127.07	2.17	4.92
<b>Total</b>	<b>196.30</b>	<b>149.26</b>	<b>336.57</b>	<b>220.39</b>
<b>Total (a+b+c+d)</b>	<b>1746.99</b>	<b>1811.59</b>	<b>1657.88</b>	<b>1206.70</b>

**Loans and advances due by directors or other officers etc.**

(₹ in lakhs)

Particulars	Non-Current		Current	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>Loans and advances to employees include dues from</b>				
Other officers of the Company	60.53	18.04	63.05	11.96

**Note: 14 Other non-current assets**

(₹ in lakhs)

Particulars	Non-Current	
	As at March 31, 2013	As at March 31, 2012
<b>A. Unsecured, considered good unless stated otherwise</b>		
Non-current bank balances (Ref Note 17)	38.69	100.46
<b>Total -A</b>	<b>38.69</b>	<b>100.46</b>
<b>B. Others</b>		
Interest accrued on margin money and other deposits	5.77	3.96
<b>Total - B</b>	<b>5.77</b>	<b>3.96</b>
<b>Total (A+B)</b>	<b>44.45</b>	<b>104.42</b>

**Note 15 : Inventories**

(₹ in lakhs)

Particulars	As at March 31, 2013	As at March 31, 2012
Raw Materials	2746.20	472.03
Work-in-Progress	36.76	18.76
Finished Goods	2188.42	5832.98
Stock-in-Trade (Includes in-transit of ₹Nil (Previous Year of ₹48.01 lakhs)	2489.80	2304.75
Packing Material	565.45	496.11
Stores and spares	182.57	220.34
<b>Total</b>	<b>8209.19</b>	<b>9344.95</b>

**Details of Inventory**

(₹ in lakhs)

Particulars	As at March 31, 2013	As at March 31, 2012
<b>A. Inventory : Raw Materials</b>		
<b>a) Dairy</b>		
Skimmed milk powder	2702.07	409.96
Other materials	35.40	56.57
<b>Total</b>	<b>2737.47</b>	<b>466.53</b>
<b>b) Bakery</b>		
Bakery raw materials	8.73	5.50
<b>Total</b>	<b>8.73</b>	<b>5.50</b>
<b>Total (a + b)</b>	<b>2746.20</b>	<b>472.03</b>
<b>B. Inventory: Work-in-Progress</b>		
a) Dairy-in-process material	32.85	15.05
b) Bakery-in-process material	3.91	3.70
<b>Total</b>	<b>36.76</b>	<b>18.76</b>
<b>C. Inventory: Finished Goods</b>		
<b>a) Dairy</b>		
Milk	684.66	702.59
Value Added Products	271.31	265.96
Fat Products	901.60	2937.54
Skimmed milk powder	270.17	1837.39
<b>Total</b>	<b>2127.74</b>	<b>5743.48</b>
<b>b) Agri</b>		
Fruits and vegetables	59.48	89.50
<b>Total</b>	<b>59.48</b>	<b>89.50</b>
<b>c) Bakery</b>		
Bakery products	1.20	—
<b>Total</b>	<b>1.20</b>	<b>—</b>
<b>Total (a + b + c)</b>	<b>2188.42</b>	<b>5832.98</b>

*Contd.*

(₹ in lakhs)

Particulars	Current	
	As at March 31, 2013	As at March 31, 2012
<b>D. Inventory: Stock-in-Trade</b>		
<b>a) Dairy</b>		
Tradable goods	38.50	95.37
<b>Total</b>	<b>38.50</b>	<b>95.37</b>
<b>b) Retail</b>		
FMCG - Food	970.88	1071.50
FMCG - Non-food	1440.52	1023.78
Fruits and vegetables	36.71	64.27
<b>Total</b>	<b>2448.11</b>	<b>2159.56</b>
<b>c) Agri</b>		
Fruits	–	48.01
Others	3.18	1.81
<b>Total</b>	<b>3.18</b>	<b>49.82</b>
<b>Total (a + b + c)</b>	<b>2489.80</b>	<b>2304.75</b>

**Note: 16 Trade Receivables**

(₹ in lakhs)

Particulars	Current	
	As at March 31, 2013	As at March 31, 2012
<b>A. Trade receivables outstanding for a period exceeding six months from the date they are due for payment</b>		
a) Unsecured, considered good	137.32	77.17
b) Unsecured, considered doubtful	66.73	93.11
<b>Total (a+b)</b>	<b>204.04</b>	<b>170.28</b>
Less: Provision for bad and doubtful receivables	66.73	93.11
<b>Total - A</b>	<b>137.32</b>	<b>77.17</b>
<b>B. Other trade receivables</b>		
a) Unsecured, considered good	1369.94	1043.10
b) Unsecured, considered doubtful	0.41	–
<b>Total (a+b)</b>	<b>1370.35</b>	<b>1043.10</b>
Less : Provision for bad and doubtful receivables	0.41	–
<b>Total - B</b>	<b>1369.94</b>	<b>1043.10</b>
<b>Grand total (A+B)</b>	<b>1507.26</b>	<b>1120.27</b>

**Note: 17 Cash and Bank Balances**

(₹ in lakhs)

Particulars	Non-Current		Current	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>i) Cash and Cash Equivalents :</b>				
<b>a) Balances with banks:</b>				
In current accounts			2412.25	2490.73
Deposits with original maturity of less than three months			—	—
<b>b) Cheques, drafts on hand</b>			47.56	84.87
<b>c) Cash on hand</b>			701.57	296.30
<b>Total</b>			<b>3161.37</b>	<b>2871.90</b>
<b>ii) Other Bank balances :</b>				
<b>a) Earmarked balance with bank:</b>				
- Unpaid dividend	—	—	36.95	39.29
- Other deposits	14.10	79.25	68.75	—
<b>b) Margin money deposit</b>	30.35	25.17	27.58	87.70
<b>c) Deposits with original maturity for more than 12 months</b>	—	—	0.17	0.13
<b>Total</b>	44.45	104.42	133.44	127.12
<b>Grand Total (i + ii)</b>	<b>44.45</b>	<b>104.42</b>	<b>3294.82</b>	<b>2999.02</b>

Non-current portion of other bank balances are included in other assets (Ref. Note 14)

**Note : 18 Revenue from operations**

(₹ in lakhs)

Particulars	As at March 31, 2013	As at March 31, 2012
<b>Revenue from operations:</b>		
<b>A) Sale of Products</b>		
<b>i) Finished goods</b>		
Domestic Sales	123728.07	107431.96
Export Sales	236.78	47.48
<b>Total</b>	<b>123964.84</b>	<b>107479.44</b>
<b>ii) Traded goods</b>		
Domestic Sales	33189.59	29576.08
Export Sales	180.41	137.43
<b>Total</b>	<b>33370.00</b>	<b>29713.50</b>
<b>Total sale of product:</b>		
Domestic Sales	156917.66	137008.03
Export Sales	417.19	184.91
<b>Total - A (i+ii)</b>	<b>157334.84</b>	<b>137192.94</b>
<b>B) Sale of services</b>		
Job work	773.37	530.47
<b>C) Other operating revenues</b>		
Scrap Sales	72.80	70.84
Others :		
i) Display & Visibility Income	284.59	231.88
ii) Promotional Income	1660.61	1255.64
iii) Concessionary income	133.28	97.11
<b>Total - C</b>	<b>2151.28</b>	<b>1655.47</b>
<b>Revenue from operations (gross) (A+B+C)</b>	<b>160259.49</b>	<b>139378.87</b>
Less: Excise duty	78.21	38.30
<b>Revenue from operations (net)</b>	<b>160181.28</b>	<b>139340.57</b>

**Revenue from operations (Contd.)**

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>A. Details of products sold</b>		
<b>i) Finished goods sold</b>		
<b>a) Dairy</b>		
Milk	88827.53	79669.08
Value Added Products	18462.23	14404.87
Fat Products	14309.46	11563.87
Skimmed milk powder	66.76	165.09
<b>Total</b>	<b>121665.98</b>	<b>105802.91</b>
<b>b) Agri</b>		
Fruits and Vegetables	2052.96	1480.18
<b>c) Bakery</b>		
Bakery products	245.90	196.34
<b>Total (a+b+c)</b>	<b>123964.84</b>	<b>107479.44</b>
<b>ii) Traded goods sold</b>		
<b>a) Dairy</b>		
Tradable goods	2856.20	1460.50
<b>b) Retail</b>		
FMCG - Food	18178.84	18017.06
FMCG - Non-Food	7250.46	5658.20
Fruits and Vegetables	4831.49	4415.65
<b>Total</b>	<b>30260.79</b>	<b>28090.91</b>
<b>c) Agri</b>		
Fruits and Vegetables	180.41	137.43
Other Tradable goods	72.60	24.67
<b>Total</b>	<b>253.01</b>	<b>162.09</b>
<b>Total (a+b+c)</b>	<b>33370.00</b>	<b>29713.50</b>
<b>B) Details of sale of services</b>		
a) Dairy	692.19	406.19
b) Agri	81.18	124.28
<b>Total (a+b)</b>	<b>773.37</b>	<b>530.47</b>
<b>C) Details of other operating revenues</b>		
a) Dairy	43.16	43.60
b) Retail	2107.40	1611.36
c) Agri	0.72	0.51
<b>Total (a+b+c)</b>	<b>2151.28</b>	<b>1655.47</b>

**Note: 19 Other Income**

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
a) Interest Income on :		
Bank and other deposits	22.40	36.71
Others	21.85	16.56
b) Dividend Income on :		
Long-term investments	1.86	1.88
c) Subsidy transferred from Deferred Govt.grants	6.34	6.34
d) Lease rental income	107.69	105.10
e) Provisions no longer required	188.42	82.47
f) Exchange differences (net)	—	2.48
g) Export Incentives	9.99	—
h) Other non-operating income	61.40	69.19
	<b>419.95</b>	<b>320.73</b>

**Note : 20 Cost of materials consumed**

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
a) <b>Raw material :</b>		
Inventory at the beginning of the year	472.03	2297.40
Add: Purchases	91958.35	88198.17
	<b>92430.38</b>	<b>90495.57</b>
Less: Inventory at the end of the year	2746.20	472.03
Raw Material consumed (a)	<b>89684.17</b>	<b>90023.54</b>
b) <b>Packing material :</b>		
Inventory at the beginning of the year	496.11	670.71
Add: Purchases	4358.61	3537.55
	<b>4854.72</b>	<b>4208.26</b>
Less: Inventory at the end of the year	565.45	496.11
Packing Material Consumed (b)	<b>4289.27</b>	<b>3712.15</b>
Cost of materials consumed (a+b)	<b>93973.45</b>	<b>93735.69</b>

**Details of Raw materials consumed**

a) <b>Dairy</b>		
Raw Milk	81872.26	80398.41
Skimmed Milk Powder	3423.03	6012.07
Other Raw materials	976.28	891.74
<b>Total</b>	<b>86271.56</b>	<b>87302.22</b>
b) <b>Agri</b>		
Fruits and Vegetables	3216.35	2587.07
<b>Total</b>	<b>3216.35</b>	<b>2587.07</b>
c) <b>Bakery</b>		
Bakery raw materials	196.26	134.25
<b>Total</b>	<b>196.26</b>	<b>134.25</b>
<b>Total (a + b + c)</b>	<b>89684.17</b>	<b>90023.54</b>

**Note : 21 Purchase of Stock-in-Trade**

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
FMCG - Food	13042.94	13930.09
FMCG - Non-Food	6162.58	5181.56
Fruits and Vegetables	4183.92	2415.11
Others	2885.20	1405.57
<b>Total</b>	<b>26274.64</b>	<b>22932.32</b>
<b>Details of purchase of Stock-in-Trade</b>		
<b>a) Dairy</b>		
Tradable Goods	2857.59	1405.57
<b>b) Retail</b>		
FMCG - Food	13042.94	13930.09
FMCG - Non-Food	6162.58	5181.56
Fruits and Vegetables	4063.90	2233.80
<b>Total</b>	<b>23269.43</b>	<b>21345.45</b>
<b>c) Agri</b>		
Fruits and Vegetables	120.02	181.31
Other Tradable goods	27.60	–
<b>Total</b>	<b>147.62</b>	<b>181.31</b>
<b>Total (a + b + c)</b>	<b>26274.64</b>	<b>22932.32</b>

**Note : 22 Changes in inventories of finished goods, work-in-progress and Stock-in-Trade**

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>A) Inventory at the end of the year :</b>		
Work-in-progress	36.76	18.76
Finished goods	2185.32	5832.98
Stock-in-Trade	2492.90	2304.75
<b>Total - A</b>	<b>4714.98</b>	<b>8156.48</b>
<b>B) Inventory at the beginning of the year :</b>		
Work-in-progress	18.76	16.36
Finished goods	5832.98	1573.52
Stock-in-Trade	2304.75	1804.64
<b>Total - B</b>	<b>8156.48</b>	<b>3394.52</b>
<b>Changes in inventories of finished goods, work-in-progress and stock-in-trade</b>	<b>3441.50</b>	<b>(4761.96)</b>

**Note : 23 Employee benefit expense**

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Salaries, wages, bonus and allowances (Refer Note No.35)	8004.48	6308.56
Contribution to Provident and other funds	410.28	356.20
Contribution to gratuity fund	107.52	70.70
Staff Welfare Expenses	195.97	180.82
<b>Total</b>	<b>8718.25</b>	<b>6916.28</b>

**Note: 24 Finance costs**

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Interest Expense	1483.86	1782.17
Other borrowing cost	167.49	188.49
Applicable loss on foreign currency transactions and translation	0.25	0.07
Interest on income tax	18.60	6.55
<b>Total</b>	<b>1670.20</b>	<b>1977.28</b>

**Note: 25 Depreciation and amortization expense**

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Depreciation on tangible assets	2063.59	1981.16
Amortization of Intangible assets	138.44	137.49
<b>Total</b>	<b>2202.03</b>	<b>2118.65</b>

**Note: 26 Other expenses**

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Consumption of Stores ,spares and consumables	1334.50	1087.42
Rent	1930.50	1785.00
Bank Charges	271.38	232.48
Insurance	70.36	69.93
Travelling and conveyance	372.23	321.10
Communication cost	219.05	221.42
Safety and Security	388.75	335.96
Printing and Stationery	99.24	93.78
Office Maintenance	48.47	51.63
House Keeping Expenses	118.91	106.52
Books and periodicals	0.71	1.67
Electricity Charges	683.21	591.14
Rates and taxes	189.25	159.99
Repairs and maintenance		
Buildings	60.47	53.10
Machinery	204.08	164.12
Others	411.20	362.24
Legal and Professional Charges	354.96	341.82
Payment to Auditors :		
As Auditor:		
Audit Fee	13.48	12.13
Tax Audit fee	4.49	1.38
Limited Review	3.37	2.48
Corporate Governance	1.12	0.55
In other capacity :		
Taxation matters	3.68	2.59
Certification fee	1.36	0.89
Reimbursement of expenses	3.73	2.93
Advertisement expenses	157.95	174.09
Selling and Distribution expenses	874.94	738.81
Warehouse and logistics	232.71	235.20

(Contd.)

**Other expenses (Contd.)**

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Loss on commodity trading	–	108.49
Freight outwards	5451.01	4660.56
Directors' sitting fees	4.90	5.65
Provision for bad and doubtful advances	46.31	40.30
Bad Debts written off	26.83	0.55
Bad and doubtful advances written off	39.39	–
Provision for doubtful debts	70.65	81.07
Loss on sale/discard of fixed assets (net)	122.92	12.57
Impairment loss on fixed assets	0.34	5.11
Recruitment and Training expenses	35.36	30.32
Contribution to Heritage Farmers Welfare Trust	106.41	65.41
Exchange differences (net) (other than considered as finance cost)	1.52	0.00
Prior Period items (net)*	44.73	121.43
Miscellaneous expenses	19.40	17.80
<b>Total</b>	<b>14023.86</b>	<b>12299.65</b>
<b>*Prior period items (net):</b>		
Debits relating to earlier years	44.73	148.07
Credits relating to earlier years	–	26.64
<b>Total</b>	<b>44.73</b>	<b>121.43</b>

**Note : 27 Extra-ordinary item represents:**

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
70,000 Equity Shares allotted to employee fully paid-up for consideration other than cash	291.34	–

**Note: 28 Contingent liabilities and commitments (to the extent not provided for)**

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>A. Contingent Liabilities</b>		
i. Claims against the company not acknowledged as debt :		
a) Tax matters in appeal :		
Income Tax	423.24	367.68
Sales Tax	150.06	141.29
The Andhra Pradesh VAT Act	127.07	127.07
Excise duty	0.85	3.99
b) Others	29.88	16.50
ii. Other money for which the company is contingently liable		
'C' forms under collection	59.27	64.22
<b>B. Commitments</b>		
i. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	609.11	489.11
ii. Other commitments :		
- Export obligation upto the year 2021-22 against import of capital goods under EPCG scheme	3913.69	3956.58

Counter guarantees given by the Company in respect of Bank guarantees of ₹276.56 lakhs (Previous year: ₹433.32 lakhs) are not treated as contingent liability.

**Note: 29 Investor Education and Protection Fund**

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>Unclaimed Dividend</b>		
Opening Balance	39.29	42.34
Less Claims during the year	0.41	0.07
Less: Transfer to IEPF	9.74	7.83
Add: Current year's unclaimed dividend	7.81	4.86
<b>Closing Balance</b>	<b>36.95</b>	<b>39.29</b>

There is no amount outstanding to be credited to the Investor Education and Protection Fund

**Note: 30** As per the Accounting Standards AS-15 - "Employee Benefits" the disclosures of the Employee benefits as defined in the Accounting Standard are given below

**Defined Contribution Plan :**

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Employers Contribution to Provident Fund	332.21	283.32

**Defined Benefit Plan :****Gratuity (Funded) : As per Actuarial Report dated 15.04.2013**

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>1. Assumption</b>		
Discount Rate	8.20%	8.70%
Salary Escalation	5.00%	5.00%
Rate of Return on Plan Assets	9.25%	9.25%
Expected Average remaining working lives of employees (years)	29 yrs	29 yrs
<b>2. Table showing change in present value of obligations</b>		
Present value of obligations as at beginning of year	271.00	199.14
Acquisition adjustments	-	-
Interest cost	23.58	15.93
Current Service Cost	71.65	56.12
Curtailement Cost/(Credit)	-	-
Settlement Cost/(Credit)	-	-
Benefit Paid	(33.57)	(16.05)
Actuarial (gain)/.loss on obligations	37.25	15.86
Present value of obligations as at end of year	369.92	271.00
<b>3. Table showing changes in the fair value of plan assets</b>		
Fair value of plan assets at beginning of year	280.21	191.37
Acquisition adjustments	-	-
Expected return on plan assets	24.96	17.21
Contributions	110.46	87.67
Benefits paid	(33.57)	(16.05)
Actuarial gain/(loss) on plan assets	-	-
Fair value of plan assets at end of year	382.06	280.21
<b>4. Table showing fair value of plan assets</b>		
Fair value of plan assets at beginning of year	280.21	191.37
Acquisition adjustments	-	-
Actual return on plan assets	24.96	17.21
Contributions	110.46	87.67

**Gratuity (Funded) : As per Actuarial Report dated 15.04.2013 (Contd.)**

(₹ in lakhs)

Particulars	Year ended	
	March 31, 2013	March 31, 2012
Benefits paid	(33.57)	(16.05)
Fair value of plan assets at the end of year	382.06	280.21
Funded Status	12.14	9.20
Excess of Actual over estimated return on plan assets	–	–
<b>5. Actuarial Gain/Loss recognised</b>		
Actuarial (gain)/loss on obligations	(37.25)	(15.86)
Actuarial (gain)/loss for the year-plan assets	–	–
Total (gain)/loss for the year	37.25	15.86
Actuarial (gain)/loss recognised in the year	37.25	15.86
<b>6. The amounts to be recognised in the balance sheet and statement of profit and loss</b>		
Present value of obligations as at the end of year	369.92	271.00
Fair value of plan assets as at the end of the year	382.06	280.21
Funded Status	12.14	9.20
Net asset/(liability) recognised in balance sheet	12.14	9.20
<b>7. Expenses Recognised in the statement of profit and loss</b>		
Current Service Cost	71.65	56.12
Past Service Cost	–	–
Interest cost	23.58	15.93
Expected return on plan assets	(24.96)	(17.21)
Curtailment Cost/(Credit)	–	–
Settlement Cost/(Credit)	–	–
Net Actuarial (gain)/loss recognised in the year	37.25	15.86
Expenses recognised in statement of profit and loss	107.52	70.70

**Defined Benefit Plan :**
**Leave Encashment & Sick Leave(Unfunded): As per Actuarial Report dated 15.04.2013**

(₹ in lakhs)

Particulars	Leave Encashment		Sick Leave	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>1. Assumptions</b>				
Discount Rate	8.20%	8.70%	8.20%	8.70%
Rate of increase in Compensation levels	5% p.a.	5% p.a.	5% p.a.	5% p.a.
Rate of Return on Plan Assets	–	–	–	–
Expected Average remaining working lives of employees (years)	28 yrs	29 yrs	25 Yrs	25 Yrs
<b>2. Reconciliation of Defined benefit obligation</b>				
Particulars				
Present Value of Obligation as at the beginning of the year	381.06	332.33	62.44	50.46
Acquisition adjustment	–	–	–	–
Interest Cost	33.15	26.59	5.43	4.04
Past Service Cost	–	–	–	–
Current Service Cost	48.49	48.73	21.99	11.98
Curtailment Cost/(Credit)	–	–	–	–
Settlement Cost/(Credit)	–	–	–	–
Benefits paid	(120.64)	(79.93)	(11.56)	(8.58)
Actuarial (gain)/loss on obligations	87.49	53.35	6.13	4.54
Present Value of Obligation as at the end of the year	429.55	381.06	84.43	62.44

### Defined Benefit Plan (Contd.)

Leave Encashment & Sick Leave(Unfunded): As per Actuarial Report dated 15.04.2013

(₹ in lakhs)

Particulars	Leave Encashment		Sick Leave	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>3. Actuarial Gain/Loss Recognised</b>				
Particulars				
Actuarial (gain)/loss for the year - Obligation	(87.49)	(53.35)	(6.13)	(4.54)
Actuarial gain/(loss) for the year - Plan Assets	—	—	—	—
Total (gain)/loss for the year	87.49	53.35	6.13	4.54
Actuarial (gain)/loss recognized in the year	87.49	53.35	6.13	4.54
Unrecognized actuarial (gains)/losses at the end of year	—	—	—	—
<b>4. The amounts to be recognised in Balance Sheet and Statement of Profit and Loss</b>				
Particulars				
Present Value of Obligation as at the end of the year	429.55	381.06	84.43	62.44
Value of Plan Provisions as at the end of the year	—	—	—	—
Funded Status	(429.55)	(381.06)	(84.43)	(62.44)
Unrecognized Actuarial (gains)/losses	—	—	—	—
Net Asset/(Liability) Recognized in Balance Sheet	(429.55)	(381.06)	(84.43)	(62.44)
<b>5. Expenses Recognized in the statement of Profit &amp; Loss</b>				
Particulars				
Current Service Cost	48.49	48.73	21.99	11.98
Past Service Cost	—	—	—	—
Interest Cost	33.15	26.59	5.43	4.04
Expected Return on Plan Assets	—	—	—	—
Curtailement Cost/(Credit)	—	—	—	—
Settlement Cost/(Credit)	—	—	—	—
Net actuarial (gain)/loss recognized in the year	87.49	53.35	6.13	4.54
Expenses Recognized in the statement of Profit & Loss	169.13	128.66	33.56	20.55

Note: 31 Segment reporting for the year ended March 31, 2013

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>1. Segment Revenue</b>		
a. Dairy	126862.15	109397.20
b. Retail	32657.45	29901.03
c. Agri	3993.67	3258.35
d. Bakery	405.62	315.22
<b>Total Segment Revenue</b>	<b>163918.89</b>	<b>142871.80</b>
Less: Inter Segment Revenue	3737.61	3531.23
Net Sales/Income from Operations	160181.28	139340.57
<b>2. Segment Results</b>		
Profit/(Loss) before finance costs and tax		
a. Dairy	10927.45	6073.18
b. Retail	(2194.51)	(2305.24)
c. Agri	(254.77)	(306.19)
d. Bakery	(153.16)	(128.69)
<b>Total Segment Results</b>	<b>8325.01</b>	<b>3333.06</b>

(Contd.)

**Note: 31 Segment reporting for the year ended March 31, 2013 (Contd.)**

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Less: Finance costs	1670.20	1977.28
Add: Net Unallocable Income	1.86	1.88
Profit/(Loss) before Extra-ordinary items and Tax	6656.67	1357.67
Less: Extra-ordinary items	291.34	—
Profit/(Loss) before Tax	6365.33	1357.67
<b>Less:</b>		
a. Current tax	1275.80	290.00
b. Prior period tax	(44.39)	(0.80)
c. Deferred tax	137.76	135.04
Net Profit/(Loss)	4996.16	933.42
<b>3. Total Capital Employed</b> (Segment Assets - Segment Liabilities)		
a. Dairy	14837.28	14202.59
b. Retail	5851.02	6071.70
c. Agri	3404.07	3671.62
d. Bakery	1124.35	1166.17
<b>Total Segment Capital Employed</b>	25216.73	25112.08
Add: Unallocated Assets	1119.87	952.88
Less: Unallocated Liabilities	723.14	573.02
<b>Total Capital Employed</b>	25613.46	25491.95
<b>4. Capital Expenditure incurred during the year</b>		
a. Dairy	2341.03	1980.17
b. Retail	517.98	961.42
c. Agri	51.15	53.00
d. Bakery	10.37	12.81
<b>Total Segment Capital Expenditure</b>	2920.53	3007.40
Add: Unallocated Capital Expenditure	166.99	28.88
<b>Total Capital Expenditure</b>	3087.52	3036.28
<b>5. Depreciation and Amortisation for the year</b>		
Segment Depreciation		
a. Dairy	1351.74	1254.33
b. Retail	601.43	609.72
c. Agri	196.25	201.03
d. Bakery	52.61	53.58
<b>Total Segment Depreciation and Amortisation</b>	2202.03	2118.65
Add: Unallocated Depreciation	0.00	0.00
<b>Total Depreciation and Amortisation</b>	2202.03	2118.65
<b>6. Significant Non Cash Expenditure (excluding depreciation and amortisation)</b>	319.98	279.13

**Note: 32 Related party disclosures as per AS-18 :**

Name of the related party	N Bhuvanewari	N Lokesh	N Brahmani	Heritage Finlease Limited	Heritage Foods Retail Limited	Heritage Conpro Limited	SKIL Raigam Power (India) Ltd	Nirvana Holdings Private Limited	Heritage Farmers Welfare Trust
<b>Particulars</b>									
Description of the Relationship between the parties	Key Management Personnel (Vice Chairperson & Managing Director)	Key Management Personnel (Executive Director)	Relative of Key Management Personnel (Vice President - Business Development)	Two Key Management Personnel of Heritage Foods (India) Ltd are Directors of Heritage Finlease Ltd	Subsidiary	Subsidiary	Associate	Two Key Management Personnel of Heritage Foods (India) Ltd are Directors of Nirvana Holdings Private Limited	Key Management Personnel of Heritage Foods (India) Ltd are Trustees of Heritage Farmers Welfare Trust
Description of the nature of transactions	a) Receiving of Services b) Rental agreement	Receiving of Services	Receiving of Services	a) Investment b) Cattle loans given by Heritage Finlease Limited (HFL) to the milk producers are recovered by the Company and remitted subsequently to HFL.	Investment	Investment	Investment	Loan taken by the Company	Contributions made by the Company
Volume of the transactions either as an amount or as appropriate proportion	a) Managerial Remuneration of ₹90 lakhs b) PF contribution of ₹6.48 lakhs c) Perks ₹7.93 lakhs d) Leave Encashment of ₹3.75 lakhs e) Office rent of ₹41.83 lakhs paid by Company	a) Managerial Remuneration of ₹22.10 lakhs b) PF contribution of ₹3.73 lakhs c) Perks ₹6.01 lakhs d) Commission: 112.33 lakhs	Nil	a) Share Capital ₹20 lakhs b) Dividend Received ₹1.80 lakhs	a) Share Capital ₹16.50 lakhs	a) Share Capital ₹7.60 lakhs	a) Share Capital ₹65 lakhs	Repayment of unsecured loan of ₹100 lakhs taken from Nirvana Holdings Private Limited	Contributions by the Company during the year: ₹106.41 lakhs
Any other elements of the related party transactions in the financial statements	Managerial Remuneration was approved by Shareholders	Managerial Remuneration was approved by Shareholders	Remuneration was approved by Shareholders	NIL	NIL	NIL	NIL	NIL	NIL

(Contd.)

**Note: 32 Related party disclosures as per AS-18 (Contd.)**

Name of the related party	N Bhuvanewari	N Lokesh	N Brahmani	Heritage Finlease Limited	Heritage Foods Retail Limited	Heritage Conpro Limited	SKIL Raigam Power (India) Ltd	Nirvana Holdings Private Limited	Heritage Farmers Welfare Trust
<b>Particulars</b>									
Guarantees and collaterals									
1. Given personal guarantee for the overdraft facility of ₹100 lakhs availed by the Company from Kotak Mahindra Bank.	Given personal guarantee for the overdraft facility of ₹100 lakhs availed by the Company from Mahindra Bank	Given personal guarantee for the overdraft facility of ₹100 lakhs availed by the Company from Kotak Mahindra Bank and the loan is also secured by exclusive mortgage of property belonging to Vice-President Business Development	Given personal guarantee for the overdraft facility of ₹100 lakhs availed by the Company from Kotak Mahindra Bank and the loan is also secured by exclusive mortgage of property belonging to Vice-President Business Development	NIL	NIL	NIL	NIL	NIL	NIL
2. Given personal guarantee for the short term working capital loan of ₹1000 lakhs availed by the Company from Axis Bank and the loan is also secured by second charge by way of equitable mortgage on the commercial land of Vice Chairperson & Managing Director of the Company. The loan was repaid during the year and guarantee was discharged.	Given personal guarantee for the overdraft facility of ₹100 lakhs availed by the Company from Kotak Mahindra Bank	Given personal guarantee for the overdraft facility of ₹100 lakhs availed by the Company from Mahindra Bank	Given personal guarantee for the overdraft facility of ₹100 lakhs availed by the Company from Kotak Mahindra Bank and the loan is also secured by exclusive mortgage of property belonging to Vice-President Business Development	NIL	NIL	NIL	NIL	NIL	NIL
The amounts or appropriate proportions of outstanding items pertaining to related parties at the Balance Sheet date	₹4.80 lakhs	₹118.37 lakhs	NIL	₹83.60 lakhs is outstanding to Heritage Finlease Ltd., towards cattle loans amount recovered from the milk producers and the same has been remitted subsequently	NIL	NIL	NIL	NIL	Contribution amount outstanding: ₹13.50 lakhs the same has been remitted subsequently
Provisions for doubtful debts due from such parties at that date and amounts written off or written back in the period in respect of debts due from or to related parties	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Provision for diminution in value of Investments	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL

**Note: 33 Lease**

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>Data Processing Equipments taken on Operating Lease:</b>		
The total future minimum lease rentals payable at the Balance Sheet is as under:		
- for a period not later than one year	–	39.44
- for a period later than one year and not later than five years	–	–
- for a period later than five years	–	–
Total operating lease expenses debited to statement of profit and loss is ₹1903.95 lakhs (Previous year : ₹1757.36 lakhs)		
Total sub-lease payments received/(receivable) credited to statement of profit and loss is ₹14.75 lakhs (Previous year : ₹40.42 lakhs)		

**Note: 34 Earning per share (EPS)**

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
a) Calculation of weighted average number of equity shares of ₹10/-each :		
Number of Equity Shares outstanding at the beginning of the year	11529500	11529500
Number of Equity shares outstanding at the end of the year	11599500	11529500
Weighted average number of equity shares outstanding during the year	11542733	11529500
b) Net Profit/(Loss) after tax (₹ in lakhs)	4996.16	933.42
c) Basic and diluted Earnings per share (Before Extraordinary items) of ₹10 each (₹)	45.81	8.10
d) Basic and diluted Earnings per share (After Extraordinary items) of ₹10 each (₹)	43.28	8.10

**Note: 35**

Managerial remuneration provided during the year 2012-13 is ₹180.44 lakhs to the Executive Director has exceeded the limits specified by the Central Government by ₹112.33 lakhs. The Company has filed the application to the Central Government seeking its clarification for the remuneration provided over the limits earlier specified. However the said excess remuneration is payable subject to the approval of the Central Government.

**Note: 36**

M/s SKIL Raigaim Power (India) Limited is an associate of the Company as on March 31, 2013 (It ceased to be subsidiary of the Company on March 27, 2012 and became an associate).

**Note: 37**

Disclosure under Micro, Small and Medium Enterprises Development Act, 2006 The particulars of outstanding (for more than 45 days) to Micro, Small and Medium Scale business enterprises are given below

(₹ in lakhs)

Principle amount outstanding as at 31/3/2013	Interest amount outstanding as at 31/3/2013	interest paid by the company in terms of section 16 of the Act, 2006 and the amount of the payment made beyond the appointed day during the year;	Interest due and payable on delayed payments made during the year	The amount of interest accrued and remaining unpaid as at 31/3/2013.	Interest remaining due until such date when the interest dues are actually paid to the small enterprise (even if paid in succeeding years)
89.98	1.58	Nil	1.58	1.58	1.58

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>Note: 38 Value of Imports calculated on CIF basis in respect of :</b>		
Capital Goods	36.03	—
<b>Total</b>	<b>36.03</b>	<b>—</b>
<b>Note: 39 Expenditure in Foreign Currency on account of :</b>		
a) Interest	253.86	236.35
b) Foreign travel	0.06	1.09
<b>Total</b>	<b>253.92</b>	<b>237.45</b>

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>Note: 40 Earnings in Foreign Currency :</b>		
Export of goods calculated on FOB basis *	293.66	184.91
<b>Total</b>	<b>293.66</b>	<b>184.91</b>

\* Exports to Nepal in INR during the year 2012-13 ₹123.53 lakhs is not included in Earnings in Foreign Currency

**Note: 41 Remittance in Foreign Currency on account of dividends :**

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
a) Year to which the dividend relate	2012 - 13	2011 - 12
b) Amount remitted in Foreign Currency	Nil	Nil
c) Number of non-resident shareholders to whom remittances were made	NA	NA
d) Number of shares on which remittances were made	NA	NA

**Note: 42 Disclosures in respect of derivative instruments :**

a) Derivative instruments outstanding at the balance sheet date

(₹ in lakhs)

Particulars	March 31, 2013		March 31, 2012	
	USD	INR	USD	INR
i) Forward :				
FCNR(B) - Principal	22.22	1258.22	80.61	4160.90
FCNR(B) - Interest	0.40	22.55	2.17	117.44
ii) Option :				
FCTL - Principal	12.85	507.58	38.55	1522.73
FCTL - Interest	19.28	761.36	44.98	1776.51
iii) Swap :				
FCTL - Interest	19.28	1048.35	44.98	2300.47

- b) The derivative instruments have been acquired for hedging purposes
- c) Foreign currency exposures that are not hedged by derivatives :

Particulars	March 31, 2013		March 31, 2012	
	Forreign Currency	INR (in lakhs)	Forreign Currency	INR (in lakhs)
Trade receivables	\$0.66 lakhs Euro 1.01 lakhs	36.00 70.43	2.09	143.13

**Note: 43** Confirmation of balances for Trade Receivables/Payables, Loans and advances and others have been received from many parties. Wherever conformation of balances have not been received, they are subject to adjustment and reconciliation, if any.

**Note: 44** The financial statements for the year ended March 31, 2013 are prepared as per revised Schedule VI of the Companies Act, 1956 and in or form as near as thereto. The items which are not applicable as per revised Schedule VI are not disclosed.

**Note: 45** Previous year figures are regrouped/reclassified, wherever necessary.

**Note: 46** The amounts in the financial statements are presented in Indian Rupees in lakhs.

As per our report attached  
For **Raju & Prasad**  
Chartered Accountants  
(Firm No. 003475S)

**M Sivaram Prasad**  
Partner  
Membership No. 018943  
Date : May 30, 2013  
Place : Hyderabad

**For and on behalf of the Board**

**N. Bhuvanewari**  
Vice Chairperson & Managing Director

**A.Prabhakara Naidu**  
Vice President - Finance & Accounts

**N Lokesh**  
Executive Director

**Umakanta Barik**  
Company Secretary

## Auditors' Report on Consolidated Financial Statements

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

We have audited the attached Consolidated Balance Sheet of **HERITAGE FOODS (INDIA) LIMITED** and its subsidiaries as at 31<sup>st</sup> March, 2013 and the consolidated statement of Profit and Loss and the consolidated Cash Flow Statement for the year ended on that Date annexed thereto. These Consolidated Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

### Management's Responsibility for the Financial Statements:

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility:

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit

procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

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

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

- a) In the case of the Consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- b) In the case of the Consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
- c) In the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For **Raju & Prasad**  
Chartered Accountants  
(FRN: 003475S)

**M. Sivaram Prasad**  
Partner  
M No. 018943

Place : Hyderabad  
Date : 30-05-2013

## Consolidated Balance Sheet as at March 31, 2013

(₹ in lakhs)

Particulars	Note No.	As at March 31, 2013	As at March 31, 2012
<b>A. EQUITY AND LIABILITIES</b>			
<b>1. SHAREHOLDERS' FUNDS</b>			
a. Share Capital	2	1159.95	1152.95
b. Reserves and Surplus	3	13006.44	8124.12
<b>Sub-Total Shareholders' funds</b>		<b>14166.39</b>	<b>9277.07</b>
<b>2. MINORITY INTEREST</b>			
		1.82	5.84
<b>3. NON-CURRENT LIABILITIES</b>			
a. Long-term borrowings	4	4056.29	6993.24
b. Deferred tax liabilities (Net)	5	1952.92	1815.16
c. Other Long term liabilities	6	754.78	665.06
d. Long term provisions	7	77.23	74.74
<b>Sub-Total Non-Current Liabilities</b>		<b>6841.21</b>	<b>9548.20</b>
<b>4. CURRENT LIABILITIES</b>			
a. Short-term borrowings	8	5761.72	7058.44
b. Trade payables	9	5681.76	6523.85
c. Other current liabilities	9	7765.51	7613.54
d. Short-term provisions	10	841.89	636.76
<b>Sub-Total Current Liabilities</b>		<b>20050.88</b>	<b>21832.59</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>41060.30</b>	<b>40663.70</b>
<b>B. ASSETS</b>			
<b>1. NON-CURRENT ASSETS</b>			
a. Fixed assets			
i) Tangible assets	11	23305.29	22772.30
ii) Intangible assets	11	374.04	254.04
iii) Capital work-in-progress	11	827.49	923.51
		<b>24506.83</b>	<b>23949.85</b>
b. Non-current investments	12	80.85	15.65
c. Long term loans and advances	13	1746.99	1909.75
d. Other non-current assets	14	44.45	104.42
<b>Sub-Total Non-Current Assets</b>		<b>26379.12</b>	<b>25979.67</b>
<b>2. CURRENT ASSETS</b>			
a. Inventories	15	8209.19	9344.95
b. Trade receivables	16	1507.26	1120.27
c. Cash and Bank balances	17	3306.85	3012.11
d. Short-term loans and advances	13	1657.88	1206.70
<b>Sub-Total Current Assets</b>		<b>14681.18</b>	<b>14684.03</b>
<b>TOTAL ASSETS</b>		<b>41060.30</b>	<b>40663.70</b>
<b>Significant Accounting Policies and Notes on Accounts</b>	(1 to 48)		

As per our report attached  
For **Raju & Prasad**  
Chartered Accountants  
(Firm No. 003475S)

**M Sivaram Prasad**  
Partner  
Membership No. 018943  
Date : May 30, 2013  
Place : Hyderabad

For and on behalf of the Board

**N. Bhuvaneshwari**  
Vice Chairperson & Managing Director

**N Lokesh**  
Executive Director

**A. Prabhakara Naidu**  
Vice President - Finance & Accounts

**Umakanta Barik**  
Company Secretary

## Consolidated Statement of Profit and Loss for the year ended March 31, 2013

(₹ in lakhs)

Particulars	Note No.	Year ended March 31, 2013	Year ended March 31, 2012
<b>1. Revenue from operations (Gross)</b>	18	<b>160259.49</b>	139378.87
Less : Excise Duty		78.21	38.30
<b>Revenue from operations (Net)</b>		<b>160181.28</b>	139340.57
<b>2. Other Income</b>	19	<b>419.95</b>	320.73
<b>3. TOTAL REVENUE (1 +2)</b>		<b>160601.23</b>	139661.30
<b>4. Expenses:</b>			
a. Cost of materials consumed	20	<b>93973.45</b>	93735.69
b. Purchase of Stock-in-Trade	21	<b>26274.64</b>	22932.32
c. Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	22	<b>3441.50</b>	(4761.96)
d. Power and fuel		<b>3640.63</b>	3085.72
e. Employee benefits expense	23	<b>8718.25</b>	6916.28
f. Finance costs	24	<b>1670.20</b>	1977.28
g. Depreciation and amortization expense	25	<b>2202.03</b>	2118.65
h. Other expenses	26	<b>14024.92</b>	12314.52
<b>TOTAL EXPENSES</b>		<b>153945.62</b>	138318.50
5. Profit before exceptional and extraordinary items and tax (3-4)		<b>6655.61</b>	1342.80
6. Exceptional Items			
7. Profit before extraordinary items and tax (5 -6)		<b>6655.61</b>	1342.80
8. Extraordinary Items	27	<b>291.34</b>	–
<b>9. Profit before tax (7 - 8)</b>		<b>6364.27</b>	1342.80
10. Tax expense:			
a. Current tax		<b>1275.80</b>	290.00
b. Prior period tax		<b>(44.39)</b>	(0.80)
c. Deferred tax		<b>137.76</b>	135.04
<b>11. Profit for the year (9-10) before minority interest and share of profit/(loss) of associates</b>		<b>4995.10</b>	918.56
Less: Minority interest		<b>(0.13)</b>	(0.92)
Add: Share of profit/(loss) of associates		<b>(0.25)</b>	(0.25)
<b>Profit for the year after minority interest and share of profit/(loss) of associates</b>		<b>4994.98</b>	919.22
<b>12. Earning per equity share of ₹10/-each:</b>			
a. Before Extraordinary items			
i. Basic		<b>45.80</b>	7.97
ii. Diluted		<b>45.80</b>	7.97
b. After Extraordinary items			
i. Basic		<b>43.27</b>	7.97
ii. Diluted		<b>43.27</b>	7.97

### Significant Accounting Policies and Notes on Accounts

(1 to 48)

As per our report attached  
For **Raju & Prasad**  
Chartered Accountants  
(Firm No. 003475S)

For and on behalf of the Board

**M Sivaram Prasad**  
Partner  
Membership No. 018943  
Date : May 30, 2013  
Place: Hyderabad

**N. Bhuvanewari**  
Vice Chairperson & Managing Director

**N Lokesh**  
Executive Director

**A. Prabhakara Naidu**  
Vice President - Finance & Accounts

**Umakanta Barik**  
Company Secretary

## Consolidated Cash Flow Statement for the year ended March 31, 2013

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) before tax	6,364.27	1342.80
Non-cash adjustment to reconcile profit before tax to net cash flows	–	
Depreciation/amortization	2,202.03	2118.65
(Profit)/loss on sale or write off Fixed Assets	122.92	12.57
Loss on Impairment of Assets	0.34	5.11
Deminution in value of investments	–	6.98
Interest expense	1,483.86	1782.17
Subsidy transferred to P&L	(6.34)	(6.34)
Interest income	(44.25)	(53.27)
Dividend received	(1.86)	(1.88)
Operating Profit before Working Capital Changes	10,120.96	5206.80
Movements in working capital :		
Increase/(decrease) in trade payables	(842.09)	2677.37
Increase/(decrease) in long term provisions	2.48	(1.69)
Increase/(decrease) in short term provisions	68.00	62.40
Increase/(decrease) in other current liabilities	760.78	380.54
Increase/(decrease) in other long term liabilities	89.72	117.92
Decrease/(increase) in trade receivables	(386.99)	323.58
Decrease/(increase) in inventories	1,135.76	(2738.17)
Decrease/(increase) in long term loans and advances	111.29	(153.61)
Decrease/(increase) in short term loans and advances	(437.44)	457.30
Decrease/(increase) in other non-current assets	59.96	10.61
Cash Generated from/(used in) operations	10,973.78	6343.07
Direct taxes paid (net of refunds)	(1,245.16)	(297.51)
<b>Net Cash flow from/(used) in Operating activities (A)</b>	<b>9,728.63</b>	<b>6045.56</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets, including intangible assets, cwip and capital advances	(3,069.34)	(2926.75)
Proceeds from sale of Fixed Assets	109.24	45.75
Purchase of non-current investments	(0.44)	(0.35)
Investment in Subsidiaries	–	(10.00)
(Investment) in/redemption of bank deposits having original maturity more than three months	(8.67)	183.01
Interest received	44.25	53.27
Dividend received	1.86	1.88
<b>Net Cash used in Investing Activities (B)</b>	<b>(2,923.11)</b>	<b>(2653.20)</b>

## Consolidated Cash Flow Statement (Contd.)

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of equity shares	—	10.00
Proceeds from long-term borrowings	—	2600.00
Repayment of long-term borrowings	(3,470.71)	(3174.07)
Short-term borrowings (net)	(1,296.72)	(623.36)
Interest paid	(1,483.86)	(1782.17)
Unclaimed dividend paid	2.34	3.04
Dividend paid (including dividend tax)	(268.00)	(160.80)
<b>Net Cash flow from/(Used) in Financing Activities (C)</b>	<b>(6,516.95)</b>	<b>(3127.36)</b>
<b>Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>	<b>288.57</b>	<b>265.00</b>
Cash and Cash equivalents at the beginning of the year	<b>2,884.83</b>	<b>2619.98</b>
Cash and Cash equivalents at the end of the period	<b>3173.40</b>	<b>2884.99</b>
<b>Components of cash and cash equivalents</b>		
Cash on hand	<b>701.68</b>	296.42
Cheques/drafts on hand	<b>47.56</b>	84.87
Balances with banks in current accounts	<b>2424.16</b>	2503.70
Total cash and cash equivalents	<b>3173.40</b>	2884.99
<b>Significant accounting policies and notes on accounts (1 to 48)</b>		

As per our report attached  
For **Raju & Prasad**  
Chartered Accountants  
(Firm No. 003475S)

**M Sivaram Prasad**  
Partner  
Membership No. 018943  
Date : May 30, 2013  
Place: Hyderabad

For and on behalf of the Board

**N. Bhuvanewari**  
Vice Chairperson & Managing Director

**A.Prabhakara Naidu**  
Vice President - Finance & Accounts

**N Lokesh**  
Executive Director

**Umakanta Barik**  
Company Secretary

# Consolidated Notes to Accounts

## Significant Accounting Policies and Notes on Accounts

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### 1.1 Basis of Preparation of financial statements

The consolidated financial statements of Heritage Foods (India) Limited (referred to as "the Company") and its Subsidiaries Heritage Foods Retail Limited, Heritage Conpro Limited (collectively referred to as "the Group") have been prepared under the historical cost convention and on the accrual basis of accounting in accordance with Indian Generally Accepted Accounting Principles (Ind GAAP) which comprises mandatory accounting standards prescribed by the Companies (Accounting Standards) Rules, 2006 and the applicable provisions of the Companies Act, 1956.

#### 1.2 Principles of Consolidation: The consolidated Financial Statements have been prepared on the following basis:

- i) The Financial Statements of the Company and its Subsidiaries have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses.
- ii) Intra group balances and intra group transactions and resulting unrealized profits are eliminated in full. Unrealized losses resulting from such transactions are also eliminated unless cost cannot be recovered.
- iii) Minority Interest's share of net profit/loss of consolidated subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholder's of the Company.
- iv) Minority Interest's share of net assets of consolidated subsidiaries as on March 31, 2013 is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the Company's shareholders.

The Subsidiaries considered in the Consolidated Financial Statements are:

Company Name	Country of Incorporation	%voting power held as at Mach 31, 2013	%voting power held as at Mach 31, 2012
Heritage Foods Retail Limited	India	99.64%	99.64%
SKIL Raigam Power (India) Limited	India	44.83%	92.86% (up to March 26, 2012) 44.83% (as on March 31, 2012)
Heritage Conpro Limited	India	75.70%	75.70%

- 1.3 Unrealized profits and losses resulting from transactions between the Company and the Associate are eliminated to the extent of the Company's interest in the associate.

#### 1.4 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 or for the purpose of better presentation of financial statements. Management evaluates all recently issued or revised Accounting Standards on an ongoing basis and accordingly changes the Accounting policies as applicable.

During the financial year ended March 31, 2013, financial statements have been presented as per the revised Schedule VI notified under the Companies Act, 1956.

#### 1.5 Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make judgments, estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the end of financial statements and reported amounts of income and expenses during the period.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

## 1.6 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue from operations includes revenue from sale of products, services and other operating revenue.

**Revenue from sales of products:** Revenue from sale of products is recognized when all the significant risks and rewards of ownership of products have been passed to the buyer, usually on delivery of the products. The revenue from sale of products is inclusive of Excise duty and net of discounts, value added taxes and sales tax.

**Interest Income:** Interest is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate.

**Dividend Income:** Dividend income is recognized when the Company's right to receive dividend is established by the reporting date.

## 1.7 Fixed Assets

**Tangible Assets:** Tangible Assets are stated at cost net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price (net of discounts and rebates), borrowing costs if capitalization criteria are met and any attributable cost of bringing the asset to its working condition and location for the intended use.

Subsequent expenditure related to an item of fixed assets is added to its book value only if it increases the future economic benefits from the existing assets beyond its previously assessed standard of performance.

**Intangible Assets:** Intangible assets that are acquired are recognized at cost initially and carried at cost less accumulated amortization and accumulated impairment loss, if any.

**Capital Work-in-Progress:** Capital work-in-progress is recognized at cost. It comprises of fixed assets that are not yet ready for their intended use at the reporting date and capital stores issued.

Gain or loss arising from de-recognition of fixed assets (tangible and intangible) are measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in the Statement of Profit and Loss when the asset is de-recognized.

## 1.8 Depreciation and Amortization

**Depreciation on Tangible Assets:** Depreciation on tangible assets is provided on the basis of straight line method at the rates and in the manner prescribed in Schedule XIV of

the Companies Act, 1956 except depreciation on cans and crates which is based on the estimated useful life of two years. Improvements to leasehold property is depreciated over a period of nine years. Depreciation on assets which are commissioned during the year is charged on pro-rata basis from the date of commissioning.

**Amortization on Intangible Assets:** Intangible assets are amortized over their respective individual estimated useful lives not exceeding five years on a straight-line basis, commencing from the date the asset is available to the Company for its use.

## 1.9 Borrowing Cost

Borrowing cost directly attributable to the acquisition, construction or production of qualifying assets, till the time such assets are ready for intended use, are capitalized as part of the cost of such assets as defined in Accounting Standard (AS-16) on "Borrowing Costs". Other Borrowing costs are recognized as expenses in the year in which they are incurred.

Borrowing cost includes interest, amortization of ancillary cost incurred in connection with arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

### 1.10 Impairment of Fixed 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 of the estimated recoverable amount is higher.

### 1.11 Investments

Investments, which are readily realizable and intended to be held for not more than one year from the date of such investments are classified as current investments. Current investments are carried at the lower of cost and fair value of each investment individually. All other investments are classified as long-term investments which are carried at cost less provisions for decline (if any), other than temporary, in the carrying value of each investment.

### 1.12 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 treated as deferred Government grants and the amount in proportion to the depreciation is transferred to statement of profit and loss.

## Consolidated Notes to Accounts

### 1.13 Employee Retirement Benefits

**Provident Fund :** Retirement benefit in the form of provident fund is a defined contribution scheme. The contributions to the provident fund administered by the Central Government under the Provident Fund Act, 1952, are charged to the statement of profit and loss for the year in which the contributions are due. The company has no obligation, other than the contribution payable to the provident fund.

**Gratuity :** Accrued liability is determined on actuarial valuation basis using PUC Method at the end of the year and provided in accounts as per AS-15

**Leave Encashment :** Accrued liability for leave encashment including sick leave is determined on actuarial valuation basis using PUC Method at the end of the year and provided in accounts as per AS-15.

### 1.14 Foreign Exchange transactions :

Transactions made during the year in foreign currency are recorded at the exchange rate prevailing at the time of transaction. Foreign currency monetary items remaining unsettled at the year end are translated at the contract rates, when covered by firm commitment forward cover contracts and at the year end rates in other cases. Gains and losses on foreign currency transactions are recognized in the profit and loss account as per AS-11.

### 1.15 Leases

Operating leases (Lessee): The Company has taken properties on operating lease, Civil works and other improvements of enduring nature are capitalized. Operating lease payments for properties and other assets are recognized as an expense in the statement of profit and loss.

### 1.16 Inventories : Inventories are valued as under

Sl. No.	Particulars	Valuation	Method
1.	Raw Materials	Cost or net realizable value whichever is lower	Cost has been ascertained on FIFO basis
2.	Finished Goods	Cost or net realizable value whichever is lower	Cost has been ascertained on FIFO basis
3.	Stores, Spares and Consumables	at cost	Cost has been ascertained on FIFO basis
4.	Work- in-progress	Cost or net realizable value whichever is lower	Cost has been ascertained on FIFO basis
5.	Tradable Goods	Cost or net realizable value whichever is lower	Cost has been ascertained on moving weighted average basis

### 1.17 Taxes on Income

Income Taxes are accounted for in accordance with Accounting Standard (AS-22) on "Accounting for Taxes on Income". Income tax expenses 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 recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax liability/assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized. Taxes 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. MAT credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal tax during the specific period.

### 1.18 Cash flow statement

The cash flow statement is prepared as per the "Indirect Method" set out in Accounting Standard (AS-3) "Cash Flow Statements" and presents the cash flows by operating, financing and investing activities of the Company. Operating cash flows are arrived by adjusting profit or loss before tax for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

### 1.19 Cash and Cash Equivalents

Cash and cash equivalents comprises cash on hand, cash at bank, cash on deposits with banks.

### 1.20 Earnings Per Share

Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the profit after tax by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares.

### 1.21 Segment Reporting

The Company is engaged in Dairy, Retail, Agri and Bakery businesses which are identified as reportable segments as per the Accounting Standard (AS-17) - "Segment Reporting".

## Consolidated Notes to Accounts

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

The Company accounts for inter-segment sales and transfers at cost plus appropriate margins. Allocation of common allocable costs allocated to each segment according to the relative contribution of each segment to the total common costs.

### 1.22 Provisions

Provision is recognized when the company has a present obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can

be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the year end. These estimates are reviewed at each year end and adjusted to reflect the current best estimates.

### 1.2 Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

## Consolidated Notes to Accounts

### Note 2 : Share Capital

(₹ in lakhs)

Particulars	As at March 31, 2013	As at March 31, 2012
<b>a) Authorised Share Capital</b>		
<b>i) Equity Share Capital</b>		
1,80,00,000 Equity Shares of ₹10/- each (Previous year : 1,80,00,000 Equity Shares of ₹10/- each )	1800.00	1800.00
<b>ii) Convertible cumulative Preference Share Capital</b>		
20,00,000 Preference Shares of ₹10/- each (Previous Year 20,00,000 Convertible cumulative Preference Shares of ₹10/- each)	200.00	200.00
<b>Total</b>	<b>2000.00</b>	<b>2000.00</b>
<b>b) Issued, Subscribed and Paidup Share Capital</b>		
<b>Equity Share Capital</b>		
1,15,99,500 Equity Shares of ₹10/- each (Previous year 1,15,29,500 Equity Shares of ₹10/- each)	1159.95	1152.95

### c) Reconciliation of number of equity shares outstanding and the amount of share capital

Particulars	March 31, 2013		March 31, 2012	
	Number of Shares	Amount (₹ in lakhs)	Number of Shares	Amount (₹ in lakhs)
Shares Outstanding at the beginning of the year	11529500	1152.95	11529500	1152.95
Shares issued during the year	70000	7.00	—	—
Shares bought back during the year	—	—	—	—
Shares outstanding at the end of the year	11599500	1159.95	11529500	1152.95

### d) Rights, preferences and restrictions attached to equity shares

The Company has only one class of Issued, subscribed and paid up equity shares having a par value of ₹10/- each per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the share holders.

### e) Details of Shareholders holding more than 5% shares in the Company

Name of the Share Holder	March 31, 2013		March 31, 2012	
	No. of Shares held	% of holding	No. of Shares held	% of holding
<b>Equity Shares of ₹10/- each fully paid</b>				
1. Nara Bhuvanewari	2665413	22.98	2665413	23.12
2. Nirvana Holdings Private Limited	1286421	11.09	1286421	11.16
3. Nara Lokesh	1183200	10.20	1183200	10.26
4. Kotak India Focus Fund	—	—	1029356	8.93
5. V Sudha Sarada	660500	5.69	795674	6.90
6. Megabid Finance & Investment Pvt Ltd	611900	5.28	—	—

### f) Aggregate number of shares issued for consideration other than cash during the period of five years immediately preceding the reporting date :

	March 31, 2013 No. of Shares	March 31, 2012 No. of Shares
Equity Shares allotted as fully paid-up as Sweat Equity shares for consideration other than cash (70,000 Equity Shares are issued to an employee valuing ₹291.34 lakhs during the financial year ended March 31, 2013)	70000	—

## Consolidated Notes to Accounts

### Note 3: Reserves and Surplus

(₹ in lakhs)

Particulars	As at March 31, 2013	As at March 31, 2012
<b>a) Capital Redemption Reserve</b>		
Opening Balance	81.00	81.00
Add: Current year transfer	–	–
Less: Written back in current year	–	–
Closing Balance	81.00	81.00
<b>b) Securities Premium Reserve</b>		
Opening Balance	4659.75	4659.75
Add: Securities premium credited on share issue*	284.34	0.00
Less: Premium utilized	–	–
Closing Balance	4944.09	4659.75
*Security premium credited during the financial year ended March 31, 2013 relate to Equity Shares issued to an employee of the Company as fully paid-up shares for a consideration other than cash.		
<b>c) Deferred Government Grants</b>		
Opening Balance	80.33	86.68
Add: Subsidy Received during the year	–	–
Less: Transfer to Profit and Loss statement	6.34	6.34
Closing Balance	73.99	80.33
<b>d) Warrants Money Appropriated</b>		
Opening Balance	318.69	318.69
Add: Current year transfer	–	–
Less: Written back in current year	–	–
Closing Balance	318.69	318.69
<b>e) General Reserve</b>		
Opening Balance	2500.71	2150.71
Add: Transfer from Surplus	2500.00	350.00
Closing Balance	5000.71	2500.71
<b>f) Surplus/(Deficit)</b>		
Opening Balance	498.11	182.41
Add: Net Profit/(Net Loss) after tax transferred from Statement of Profit and Loss	4994.98	919.22
Amount available for appropriations	5493.10	1101.63
Appropriations :		
Transferred to General Reserve	2500.00	350.00
Proposed Dividend amount per share ₹3.00 (Previous Year : ₹2.00 per share)	346.28	230.59
Tax on Proposed Dividend	58.85	37.41
Closing Balance	2587.96	483.64
<b>Total</b>	13006.44	8124.12

## Consolidated Notes to Accounts

### NON-CURRENT LIABILITIES :

#### Note 4: Long-Term Borrowings

(₹ in lakhs)

Particulars	Non-Current portion		Current Maturities	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>a) Term Loans</b>				
i) From Banks (secured)				
- Indian rupee loans	<b>3119.06</b>	5435.82	<b>2295.13</b>	2319.67
- Foreign currency loans	<b>0.00</b>	514.00	<b>514.00</b>	1028.00
<b>b) Deferred Payment liabilities</b>				
Sales tax deferment (secured)	<b>937.24</b>	943.42	<b>6.18</b>	1.42
<b>c) Loans and Advances from related parties</b>				
Loan (unsecured)	<b>0.00</b>	100.00	<b>0.00</b>	0.00
<b>Total</b>	<b>4056.29</b>	6993.24	<b>2815.32</b>	3349.09

Installments falling due in respect of the above loans upto March 31, 2014 (Previous Year: March 31, 2013) have been grouped under "Current maturities of long term borrowings" (Ref Note 9)

#### Term Loan from Banks (Secured) includes :

(₹ in lakhs)

Type of Loan	Name of the Bank	Loan Outstanding As on		Loan Drawn	Rate of Interest	Security/ Guarantee	Repayment Terms
		31.03.2013	31.03.2012				
<b>a. Foreign Currency Loans</b>							
1. Foreign Currency Term Loan (FCTL)	Bank of Baroda	<b>514.00</b>	1542.00	6285.99	@200 bps over 6 months US\$ LIBOR (Previous year: '@200 bps over 6 months US\$ LIBOR )	First pari pasu charge on all present and future fixed assets of the Company, second pari pasu charge on current assets of the Company	Repayable in 24 quarterly installments commencing from December 2007
<b>Total Foreign Currency Loans</b>		<b>514.00</b>	1542.00				
<b>b. Rupee Term Loans</b>							
1. Rupee Term Loan (Previous Year: Foreign Currency Non-Resident (B) Loan (FCNRB))	Bank of Baroda	<b>264.75</b>	798.84	3206.00	@base rate plus 4%(Previous year: '@625 bps over 6 months US\$ LIBOR)	First pari pasu charge on all present and future fixed assets of the Company, second pari pasu charge on current assets of the Company.	Repayable in 24 quarterly installments commencing from December 2007
2. Rupee Term Loan	Bank of Baroda	<b>416.91</b>	704.03	1435.00	@base rate plus 4% (Previous year : '@base rate plus 4%)	First pari pasu charge on all present and future fixed assets of the Company, second pari pasu charge on current assets of the Company	Repayable in 20 quarterly installments commencing from Nov, 2009
3. Rupee Term Loan	Andhra Bank	<b>245.04</b>	495.30	1500.00	@BMPLR minus 0.50% plus TP (Previous year : '@BMPLR minus 1 plus 0.25)	First pari pasu charge on entire fixed assets (present and future) of the Company along with consortium bankers	Repayable in 24 quarter installments commencing from April' 2008
4. Rupee Term Loan	Andhra Bank	<b>166.67</b>	354.85	1000.00	@BMPLR (Previous year : '@BMPLR)	First pari pasu charge on entire fixed assets (present and future) of the Company along with consortium bankers	Repayable in 24 quarter installments commencing from April' 2008

Contd...

## Consolidated Notes to Accounts

### Term Loan from Banks (Contd.)

(₹ in lakhs)

Type of Loan	Name of the Bank	Loan Outstanding As on		Loan Drawn	Rate of Interest	Security/ Guarantee	Repayment Terms
		31.03.2013	31.03.2012				
5. Rupee Term Loan	ICICI Bank	800.00	1439.96	3000.00	1.75% per annum below the sum of I-BAR and term premia prevailing on the date plus applicable interest tax or other statutory levy (Previous year: 1.75% per annum below the sum of I-BAR and term premia prevailing on the date plus applicable interest tax or other statutory levy)	First pari pasu charge on fixed assets of the Company and Second charge on current assets of the Company	Repayable in 21 quarterly installments commencing from April 2009
6. Rupee Term Loan	ICICI Bank	0.00	325.00	500.00	8% per annum (Previous year : 8% per annum)	First charge on fixed assets both immovable and movable excluding entire stocks of raw materials, work-in-progress, semi-finished and finished goods, consumable stores and spares and such other movables including book debts, bills whether documentary or clean both present and future of the Company	Repayable in 20 quarterly installments commencing from August 2010 (ACE Term loan of ₹500 lakhs was converted into ICICI Rupee Term Loan of ₹ 300 lakhs from May 31, 2012)
7. Rupee Term Loan	ICICI Bank	225.00	—	300.00	Sum of I Base and "spread" per annum plus applicable interest tax or other statutory levy, if any (Previous year :0% per annum)	First charge on fixed assets both immovable and movable excluding entire stocks of raw materials, work-in-progress, semi-finished and finished goods, consumable stores and spares and such other movables including book debts, bills whether documentary or clean both present and future of the Company	Repayable in 12 quarterly installments commencing from August 2012
8. Rupee Term Loan	ICICI Bank	920.82	1137.50	1300.00	9.5% per annum (Previous year :9.5% per annum)	First pari pasu charge on both on both movable and immovable fixed assets of the Company, second charge on current assets, present and future of other Company , along with other term lenders	Repayable in 24 quarterly installments commencing from August, 2011

Contd...

## Consolidated Notes to Accounts

### Term Loan from Banks (Contd.)

(₹ in lakhs)

Type of Loan	Name of the Bank	Loan Outstanding As on		Loan Drawn	Rate of Interest	Security/ Guarantee	Repayment Terms
		31.03.2013	31.03.2012				
9. Rupee Term Loan	ICICI Bank	2375.00	2500.00	2500.00	a) IBASE and spread per annum plus applicable interest tax or other statutory levy if any b) For sub-limit of FCNR(B) the rate of interest 8.80% plus six months USD LIBOR (Previous year: IBASE and spread per annum plus applicable interest tax or other statutory levy if any b) For sub-limit of FCNR(B) the rate of interest 8.80% plus six months USD LIBOR )	First pari pasu charge on both movable and immovable fixed assets of the Company, second charge on current assets, present and future of other Company, along with other term lenders	Repayable in 16 quarterly installments commencing from December, 2012
<b>Total Rupee Term Loans</b>		<b>5414.19</b>	<b>7755.48</b>				
<b>Total (Foreign Currency Loans + Rupee Term Loans)</b>		<b>5928.19</b>	<b>9297.48</b>				

#### Deferred Payment Liabilities

Deferred Payment Liabilities represent sales tax collected under deferrment scheme of State Government of Andhra Pradesh and is being repaid as per the sales tax deferrment scheme. The Company availed scheme for Gokul, Narketpalle and Bayyavaram Dairy plants respectively. Sales Tax deferred in a year should be repaid at the end of 14th year for Gokul, 10th year for Bayyavaram and Narketpally plants without interest and is secured by fixed assets of the respective dairy plants.

#### Loans and advances from related parties

Unsecured loan outstanding: Nil (Previous year: ₹100 lakhs and the loan carries interest @9% per annum and is repayable in September, 2016 (with a role over for every 360 days))

### Note 5: Deferred Tax Liability (Net)

(₹ in lakhs)

Particulars	As at March 31, 2013	As at March 31, 2012
<b>a) Deferred Tax Liability :</b>		
Opening Deferred Tax Liability	1959.06	1804.31
Add: Deferred Tax Liability during the year on account of:		
Depreciation	168.57	154.74
Closing Deferred Tax Liability	2127.62	1959.06
<b>b) Deferred Tax Asset :</b>		
Opening Deferred Tax Asset	143.90	124.20
Add: Deferred Tax Asset during the year on account of:		
Provision for unavailed leave	30.81	19.70
Closing Deferred Tax Asset	174.71	143.90
<b>Net Deferred Tax Liability there on (a-b)</b>	<b>1952.92</b>	<b>1815.16</b>

## Consolidated Notes to Accounts

### Note 6: Other Long-Term Liabilities

(₹ in lakhs)

Particulars	As at March 31, 2013	As at March 31, 2012
Other payables:		
Security Deposits	754.78	665.06
<b>Total</b>	<b>754.78</b>	<b>665.06</b>

### Note 7: Long-Term Provisions

(₹ in lakhs)

Particulars	Long-Term		Short-Term	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>Provision for employee benefits</b>				
Unavailed Leave	77.23	74.74	436.76	368.76
<b>Other Provisions</b>				
Proposed Dividend	–	–	346.28	230.59
Provision for tax on dividend	–	–	58.85	37.41
<b>Total</b>	<b>77.23</b>	<b>74.74</b>	<b>841.89</b>	<b>636.76</b>

## CURRENT LIABILITIES :

### Note 8: Short-Term Borrowings

(₹ in lakhs)

Particulars	As at March 31, 2013	As at March 31, 2012
a) Working Capital Loan from banks (secured)	5667.22	6058.44
b) Loan Repayable on demand: Short Term Loans from banks (secured)	94.50	1000.00
<b>Total</b>	<b>5761.72</b>	<b>7058.44</b>

### Working Capital Loans from Banks:

(₹ in lakhs)

Name of the Bank	Type of Loan facility	Loan Outstanding As on		Working capital Loan Limit	Rate of Interest	Security/Guarantee
		31.03.2013	31.03.2012			
<b>Bank of Baroda</b>	Cash Credit	2298.10	2676.91	3000	Base rate plus 2.50%	First pari pasu charge on current assets of the Company by way of hypothecation of raw material, work-in-progress, finished goods such as Milk, Milk Powder, Ghee, Skimmed Milk, Butter, Curd etc., and packing materials, spares, stores. Extension of first pari pasu charge on the fixed assets of the Company
<b>Andhra Bank</b>	Open Cash Credit	1161.51	1134.62	1500	Base rate plus 2.75%	Hypothecation of inventory, receivables and advances to suppliers by way of first pari pasu charge under consortium arrangement with Bank of Baroda and ICICI Bank Ltd.,

Contd...

## Consolidated Notes to Accounts

### Working Capital Loans from Banks (Contd.)

Name of the Bank	Type of Loan facility	Loan Outstanding As on		Working capital Loan Limit	Rate of Interest	Security/Guarantee
		31.03.2013	31.03.2012			
ICICI Bank	1. Cash Credit	707.61	294.91	3000 (with sublimit of WCDL-FCNR(B), WCDL- Rupee)	IBASE plus "spread" per annum subject to minimum rate of I Base plus 3.25% per annum plus applicable interest tax or other statutory levy, if any.	First pari pasu charge on Companies entire stocks of raw materials, semi finished and finished goods, consumable stores and spares and such other movables including book debts, bills whether documentary or clean, outstanding moneys, receivables, both present and future, in a form and manner satisfactory to the bank, ranking pari pasu with other participating banks. First pari pasu charge on all the Borrower's fixed assets both immovable and movable
	2. WCDL-FCNR(B)	1200.00	1952.00	3000 (with sublimit of WCDL-FCNR(B), WCDL- Rupee)	The rate of interest (Spread plus Libor) for each drawl of the facility will be stipulated by ICICI Bank at the time of disbursement plus applicable interest tax or other statutory levy, if any	First pari pasu charge on Companies entire stocks of raw materials, semi finished and finished goods, consumable stores and spares and such other movables including book debts, bills whether documentary or clean, outstanding moneys, receivables, both present and future, in a form and manner satisfactory to the bank, ranking pari pasu with other participating banks. First pari pasu charge on all the Borrower's fixed assets both immovable and movable
	3. WCDL - Rupee	300.00	—	3000 (with sublimit of WCDL-FCNR(B), WCDL- Rupee)	IBASE plus "spread" per annum subject to minimum rate of I Base plus 2.75% per annum plus applicable interest tax or other statutory levy, if any.	First pari pasu charge on Companies entire stocks of raw materials, semi finished and finished goods, consumable stores and spares and such other movables including book debts, bills whether documentary or clean, outstanding moneys, receivables, both present and future, in a form and manner satisfactory to the bank, ranking pari pasu with other participating banks. First pari pasu charge on all the Borrower's fixed assets both immovable and movable
		5667.22	6058.44	7500		

#### Short Term Loans from Banks

- The short term working capital loan as on March 31, 2013 is Nil (Previous year : ₹1000 lakhs) from Axis Bank Limited carries interest rate @ base rate plus 1.5% repayable after 180 days from the date of disbursement and is secured by second charge by way of extention of equitable mortgage on the commercial land of Vice Chairperson & Managing Director of the Company and personal guarantee given by Vice Chairperson & Managing Director of the Company.
- The Company has overdraft facility outstanding as on March 31, 2013 of ₹94.50 lakhs (Previous year: Nil) (Sanction limit: ₹100 lakhs) from Kotak Mahindra Bank carries interest @12.50% which is secured by exclusive mortgage of property belonging to spouse of Executive Director of the Company and by personal guarantees of Vice Chairperson & Managing Director, Executive Director and spouse of Executive Director.

## Consolidated Notes to Accounts

### Note 9: Trade Payables and Other Current Liabilities

(₹ in lakhs)

Particulars	As at March 31, 2013	As at March 31, 2012
Trade Payables (Including acceptances)	5681.76	6523.85
<b>Other Current Liabilities</b>		
Current maturities of long-term borrowings (Ref Note 5)	2809.13	3347.67
Interest Accrued but not due on borrowings	12.60	31.03
Interest accrued and due on borrowings	–	11.95
Unpaid Dividends	36.95	39.29
<b>Other Payables :</b>		
Employee Related payables	1293.48	664.10
Advance from Customers	519.32	523.51
Capital Creditors	693.23	770.36
Statutory Payables	252.30	218.74
Security Deposits	328.50	304.51
Deferred sales tax liability (Ref Note 5)	6.18	1.42
Other payables	1813.81	1700.96
<b>Total</b>	<b>7765.51</b>	<b>7613.54</b>

### Note 10: Short Term Provisions

(₹ in lakhs)

Particulars	As at March 31, 2013	As at March 31, 2012
Provision for employee benefits		
Unavailed Leave	436.76	368.76
<b>Other Provisions :</b>		
Proposed Dividend	346.28	230.59
Provision for tax on proposed dividend	58.85	37.41
<b>Total</b>	<b>841.89</b>	<b>636.76</b>

**NON-CURRENT ASSETS****Note 11 Fixed Assets**

(₹ in lakhs)

Particulars	Gross Block			Accumulated Depreciation/Amortization				Net Block	
	Balance as at 01.04.2012	*Additions/other adjustments during the year	Deductions/Retirement during the year	Balance as at 31.03.2013	Depreciation charge for the year	Deductions/adjustments during the year	Impairment loss for the year	Balance as at 31.03.2013	Balance as at 01.04.2012
<b>a. Tangible Assets</b>									
Land	1515.39	14.67	0.00	1530.07	0.00	0.00	0.00	1530.07	1515.39
Buildings	8671.38	396.09	3.90	9063.58	296.53	0.37	0.00	7097.85	7001.82
Improvements to leasehold property	1501.27	84.94	134.05	1452.17	153.91	68.64	0.00	659.52	927.03
Plant and Machinery	1797.681	1993.13	1084.35	18885.60	1287.35	942.49	0.00	7114.77	11206.90
Furniture and Fixtures	1504.48	132.36	1.27	1635.57	105.06	0.12	0.00	478.56	1130.87
Office Equipment	2091.58	149.85	70.99	2170.44	198.99	64.99	0.34	1368.94	856.31
Vehicles	214.09	58.02	35.60	236.51	21.74	21.40	0.00	80.45	133.98
<b>Total - a</b>	33475.02	2829.07	1330.16	34973.93	2063.59	1098.01	0.34	11667.96	22772.30
<b>b. Intangible Assets</b>									
Computer Software	1115.24	258.45	0.00	1373.69	138.44	0.00	0.00	999.64	254.04
<b>Total - b</b>	1115.24	258.45	0.00	1373.69	138.44	0.00	0.00	999.64	254.04
<b>Total (a+b)</b>	34590.26	3087.52	1330.16	36347.62	2202.03	1098.01	0.34	12667.60	23026.34
<b>Previous year</b>	31749.70	3036.27	195.71	34590.26	2118.65	137.38	5.11	11563.92	23026.34
<b>c. Capital Work-in-progress</b>									
									923.51

\* Borrowing cost as per AS-16 : During the year, borrowing cost of ₹31.35 lakhs has been capitalized to Plant & Machinery and ₹2.82 lakhs to Buildings (Previous year: ₹95.94 lakhs has been capitalized to Plant and machinery and ₹15.45 lakhs to Buildings) and it is included in other adjustments.

**Disclosure of details of impairment losses pursuant to Note.1(iv) and J(iii) of Part I of Schedule VI to the Companies Act, 1956**

(₹ in lakhs)

Particulars	2012-2013	2011-2012	2010-2011
Asset details:			
Balance as at the beginning of the period	5.53	0.42	0.00
Impairment loss during the period	0.34	5.11	0.42
Balance as at the end of the period	5.87	5.53	0.42

## Consolidated Notes to Accounts

### Note 12 :Non-current Investments

(₹ in lakhs)

Particulars	As at	As at
	March 31, 2013	March 31, 2012
<b>Other Investments at cost</b>		
Investment in Equity Instruments		
a) Subsidiaries	–	(65.00)
b) Associates	57.76	65.00
Less: Diminution in value of investments	–	6.98
Cost of investment in Associate	57.76	58.02
Less: Share of Loss	0.25	0.25
<b>Total -i(b)</b>	57.51	57.76
Investment in Government securities	2.21	1.76
Other non-current investments	21.13	21.13
<b>Total</b>	<b>80.85</b>	<b>15.65</b>

(₹ in lakhs)

Particulars	Book Value		Market Value	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Aggregate of quoted investments	1.13	1.13	2.70	3.19
Aggregate of un-quoted investments	79.97	79.78	–	–
<b>Total</b>	<b>81.10</b>	<b>80.91</b>	<b>–</b>	<b>–</b>

### Details of Other Investments

(₹ in lakhs)

Name of the Body Corporate	Quoted/ Unquoted	As at	As at
		March 31, 2013	March 31, 2012
<b>Investment in Equity Shares of Associates :</b>			
<b>Skil Raigam Power (India) Limited</b>	Unquoted	65.00	65.00
Less: Diminution value of investments *		6.98	6.98
Cost of investment in Associate		58.02	58.02
Less: Share of accumulated losses		0.25	–
		57.76	58.02
Less : Share of current loss		0.25	0.25
Carrying Value		57.51	57.76
* Diminution in value of investments recognized during the financial year 2011-12 when SKIL Raigam Power (India) Limited ceased to be Subsidiary and became Associate			
<b>Investment in Government securities</b>			
National Savings Certificates	Unquoted	2.21	1.76
<b>Total</b>		<b>2.21</b>	<b>1.76</b>
<b>Other investments in :</b>			
<b>Andhra Bank</b>	Quoted	0.33	0.33
363 Equity Shares of ₹10/- each at a premium of ₹80/- each fully paid up (Previous year:363 Equity shares of ₹10/- each at a premium of ₹80/- each fully paid up)			
<b>Bank of Baroda</b>	Quoted	0.80	0.80
348 Equity shares of ₹10/- each at a premium of ₹220/- each fully paid up (Previous year:348 Equity shares of ₹10/- each at a premium of ₹220/- each fully paid up)			
<b>Heritage Finlease Limited</b>	Unquoted	20.00	20.00
200000 Equity shares of ₹10/- each fully paid up (Previous year: 200000 Equity Shares of ₹10/- each fully paid up)			
<b>Total</b>		<b>21.13</b>	<b>21.13</b>

## Consolidated Notes to Accounts

### Note: 13 Loans and Advances

(₹ in lakhs)

Particulars	Non-Current		Current	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>a) Capital Advances</b>				
Unsecured, considered good	211.62	164.92		
<b>b) Security Deposits</b>				
Unsecured, considered good	1339.07	1417.82	304.86	243.53
Doubtful	–	0.00	18.35	6.40
	1339.07	1417.82	323.21	249.93
Less: Provision for doubtful security deposit	–	–	18.35	6.40
<b>Total</b>	<b>1339.07</b>	<b>1417.82</b>	<b>304.86</b>	<b>243.53</b>
<b>c) Advances recoverable in cash or kind</b>				
Doubtful	–	177.75	1016.46	742.78
	–	14.13	31.38	13.80
	–	191.87	1047.84	756.58
Less: Provision for doubtful advances	–	14.13	31.38	13.80
<b>Total</b>	<b>–</b>	<b>177.75</b>	<b>1016.46</b>	<b>742.78</b>
<b>d) Other loans and advances</b>				
Unsecured, considered good				
Advance income tax and TDS receivable (Net of provision for taxation)	–	–	114.82	101.08
Prepaid expenses	2.68	1.04	114.81	58.70
Loans and advances to employees	66.55	21.15	104.76	55.69
Balances with Statutory/Government Authorities	127.07	127.07	2.17	4.92
<b>Total</b>	<b>196.30</b>	<b>149.26</b>	<b>336.57</b>	<b>220.39</b>
<b>Total (a+b+c+d)</b>	<b>1746.99</b>	<b>1909.75</b>	<b>1657.88</b>	<b>1206.70</b>

### Loans and advances due by directors or other officers etc.

(₹ in lakhs)

Particulars	Non-Current		Current	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>Loans and advances to employees include dues from</b>				
Other officers of the Company	60.53	18.04	63.05	11.96

### Note: 14 Other non-current assets

(₹ in lakhs)

Particulars	Non-Current	
	As at March 31, 2013	As at March 31, 2012
<b>A. Unsecured, considered good unless stated otherwise</b>		
Non-current bank balances (Ref Note 17)	38.69	100.46
<b>Total -A</b>	<b>38.69</b>	<b>100.46</b>
<b>B. Others</b>		
Interest accrued on margin money and other deposits	5.77	3.96
<b>Total - B</b>	<b>5.77</b>	<b>3.96</b>
<b>Total (A+B)</b>	<b>44.45</b>	<b>104.42</b>

## Consolidated Notes to Accounts

### Note 15 : Inventories

(₹ in lakhs)

Particulars	As at March 31, 2013	As at March 31, 2012
Raw Materials	2746.20	472.03
Work-in-Progress	36.76	18.76
Finished Goods	2188.42	5832.98
Stock-in-Trade (Includes in-transit of ₹Nil (Previous Year of ₹48.01 lakhs)	2489.80	2304.75
Packing Material	565.45	496.11
Stores and spares	182.57	220.34
<b>Total</b>	<b>8209.19</b>	<b>9344.95</b>

### Details of Inventory

(₹ in lakhs)

Particulars	As at March 31, 2013	As at March 31, 2012
<b>A. Inventory : Raw Materials</b>		
<b>a) Dairy</b>		
Skimmed milk powder	2702.07	409.96
Other materials	35.40	56.57
<b>Total</b>	<b>2737.47</b>	<b>466.53</b>
<b>b) Bakery</b>		
Bakery raw materials	8.73	5.50
<b>Total</b>	<b>8.73</b>	<b>5.50</b>
<b>Total (a + b)</b>	<b>2746.20</b>	<b>472.03</b>
<b>B. Inventory: Work-in-Progress</b>		
a) Dairy : Cream	32.85	15.05
b) Bakery-in-process material	3.91	3.70
<b>Total</b>	<b>36.76</b>	<b>18.76</b>
<b>C. Inventory: Finished Goods</b>		
<b>a) Dairy</b>		
Milk	684.66	702.59
Value Added Products	271.31	265.96
Fat Products	901.60	2937.54
Skimmed milk powder	270.17	1837.39
<b>Total</b>	<b>2127.74</b>	<b>5743.48</b>
<b>b) Agri</b>		
Fruits and vegetables	59.48	89.50
<b>Total</b>	<b>59.48</b>	<b>89.50</b>
<b>c) Bakery</b>		
Bakery products	1.20	0.00
<b>Total</b>	<b>1.20</b>	<b>0.00</b>
<b>Total (a + b + c)</b>	<b>2188.42</b>	<b>5832.98</b>

Contd.

## Consolidated Notes to Accounts

Particulars	(₹ in lakhs)	
	As at March 31, 2013	As at March 31, 2012
<b>D. Inventory: Stock-in-Trade</b>		
<b>a) Dairy</b>		
Tradable goods	38.50	95.37
<b>Total</b>	<b>38.50</b>	<b>95.37</b>
<b>b) Retail</b>		
FMCG - Food	970.88	1071.50
FMCG - Non-food	1440.52	1023.78
Fruits and vegetables	36.71	64.27
<b>Total</b>	<b>2448.11</b>	<b>2159.56</b>
<b>c) Agri</b>		
Fruits	–	48.01
Others	3.18	1.81
<b>Total</b>	<b>3.18</b>	<b>49.82</b>
<b>Total (a + b + c)</b>	<b>2489.80</b>	<b>2304.75</b>

### Note: 16 Trade Receivables

Particulars	(₹ in lakhs)	
	As at March 31, 2013	As at March 31, 2012
<b>A. Trade receivables outstanding for a period exceeding six months from the date they are due for payment</b>		
a) Unsecured, considered good	137.32	77.17
b) Unsecured, considered doubtful	66.73	93.11
<b>Total (a+b)</b>	<b>204.04</b>	<b>170.28</b>
Less: Provision for bad and doubtful receivables	66.73	93.11
<b>Total - A</b>	<b>137.32</b>	<b>77.17</b>
<b>B. Other trade receivables</b>		
a) Unsecured, considered good	1369.94	1043.10
b) Unsecured, considered doubtful	0.41	–
<b>Total (a+b)</b>	<b>1370.35</b>	<b>1043.10</b>
Less : Provision for bad and doubtful receivables	0.41	–
<b>Total - B</b>	<b>1369.94</b>	<b>1043.10</b>
<b>Grand total (A+B)</b>	<b>1507.26</b>	<b>1120.27</b>

## Consolidated Notes to Accounts

### Note: 17 Cash and Bank Balances

(₹ in lakhs)

Particulars	Non-Current		Current	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>i) Cash and Cash Equivalents :</b>				
<b>a) Balances with banks:</b>				
In current accounts			2424.16	2503.70
Deposits with original maturity of less than three months			—	—
<b>b) Cheques, drafts on hand</b>			47.56	84.87
<b>c) Cash on hand</b>			701.68	296.42
<b>Total</b>			<b>3173.40</b>	<b>2884.99</b>
<b>ii) Other Bank balances :</b>				
<b>a) Earmarked balance with bank:</b>				
- Unpaid dividend	—	—	36.95	39.29
- Other deposits	14.10	79.25	68.75	—
<b>b) Margin money deposit</b>	30.35	25.17	27.58	87.70
<b>c) Deposits with original maturity for more than 12 months</b>	—	—	0.17	0.13
<b>Total</b>	<b>44.45</b>	<b>104.42</b>	<b>133.44</b>	<b>127.12</b>
<b>Grand Total</b>	<b>44.45</b>	<b>104.42</b>	<b>3306.85</b>	<b>3012.11</b>

Non-current portion of other bank balances are included in other assets (Ref. Note 14)

### Note : 18 Revenue from operations

(₹ in lakhs)

Particulars	As at March 31, 2013	As at March 31, 2012
<b>Revenue from operations :</b>		
<b>A) Sale of Products</b>		
<b>i) Finished goods</b>		
Domestic Sales	123728.07	107431.96
Export Sales	236.78	47.48
<b>Total</b>	<b>123964.84</b>	<b>107479.44</b>
<b>ii) Traded goods</b>		
Domestic Sales	33189.59	29576.08
Export Sales	180.41	137.43
<b>Total</b>	<b>33370.00</b>	<b>29713.50</b>
<b>Total sale of product:</b>		
Domestic Sales	156917.66	137008.03
Export Sales	417.19	184.91
<b>Total - A (i+ii)</b>	<b>157334.84</b>	<b>137192.94</b>
<b>B) Sale of services</b>		
Job work	773.37	530.47
<b>C) Other operating revenues</b>		
Scrap Sales	72.80	70.84
Others :		
i) Display & Visibility Income	284.59	231.88
ii) Promotional Income	1660.61	1255.64
iii) Concessionary income	133.28	97.11
<b>Total - C</b>	<b>2151.28</b>	<b>1655.47</b>
<b>Revenue from operations (gross) (A+B+C)</b>	<b>160259.49</b>	<b>139378.87</b>
Less: Excise duty	78.21	38.30
<b>Revenue from operations (net)</b>	<b>160181.28</b>	<b>139340.57</b>

## Consolidated Notes to Accounts

### Revenue from operations (Contd.)

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>A. Details of products sold</b>		
<b>i) Finished goods sold</b>		
<b>a) Dairy</b>		
Milk	88827.53	79669.08
Value Added Products	18462.23	14404.87
Fat Products	14309.46	11563.87
Skimmed milk powder	66.76	165.09
<b>Total</b>	<b>121665.98</b>	<b>105802.91</b>
<b>b) Agri</b>		
Fruits and Vegetables	2052.96	1480.18
<b>c) Bakery</b>		
Bakery products	245.90	196.34
<b>Total (a+b+c)</b>	<b>123964.84</b>	<b>107479.44</b>
<b>ii) Traded goods sold</b>		
<b>a) Dairy</b>		
Tradable goods	2856.20	1460.50
<b>b) Retail</b>		
FMCG - Food	18178.84	18017.06
FMCG - Non-Food	7250.46	5658.20
Fruits and Vegetables	4831.49	4415.65
<b>Total</b>	<b>30260.79</b>	<b>28090.91</b>
<b>c) Agri</b>		
Fruits and Vegetables	180.41	137.43
Other Tradable goods	72.60	24.67
<b>Total</b>	<b>253.01</b>	<b>162.09</b>
<b>Total (a+b+c)</b>	<b>33370.00</b>	<b>29713.50</b>
<b>B) Details of sale of services</b>		
a) Dairy	692.19	406.19
b) Agri	81.18	124.28
<b>Total (a+b)</b>	<b>773.37</b>	<b>530.47</b>
<b>C) Details of other operating revenues</b>		
a) Dairy	43.16	43.60
b) Retail	2107.40	1611.36
c) Agri	0.72	0.51
<b>Total (a+b+c)</b>	<b>2151.28</b>	<b>1655.47</b>

## Consolidated Notes to Accounts

### Note: 19 Other Income

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
a) Interest Income on :		
Bank and other deposits	22.40	36.71
Others	21.85	16.56
b) Dividend Income on :		
Long-term investments	1.86	1.88
c) Subsidy transferred from Deferred Govt.grants	6.34	6.34
d) Lease rental income	107.69	105.10
e) Provisions no longer required	188.42	82.47
f) Exchange differences (net)	—	2.48
g) Export Incentives		
h) Other non-operating income	61.40	69.19
	<b>409.96</b>	<b>320.73</b>

### Note : 20 Cost of materials consumed

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>a) Raw material :</b>		
Inventory at the beginning of the year	472.03	2297.40
Add: Purchases	91958.35	88198.17
	<b>92430.38</b>	<b>90495.57</b>
Less: Inventory at the end of the year	2746.20	472.03
Raw Material consumed (a)	<b>89684.17</b>	<b>90023.54</b>
<b>b) Packing material :</b>		
Inventory at the beginning of the year	496.11	670.71
Add: Purchases	4358.61	3537.55
	<b>4854.72</b>	<b>4208.26</b>
Less: Inventory at the end of the year	565.45	496.11
Packing Material Consumed (b)	<b>4289.27</b>	<b>3712.15</b>
Cost of materials consumed (a+b)	<b>93973.45</b>	<b>93735.69</b>
<b>Details of Raw materials consumed</b>		
<b>a) Dairy</b>		
Raw Milk	81872.26	80398.41
Skimmed Milk Powder	3423.03	6012.07
Other Raw materials	976.28	891.74
<b>Total</b>	<b>86271.56</b>	<b>87302.22</b>
<b>b) Agri</b>		
Fruits and Vegetables	3216.35	2587.07
<b>Total</b>	<b>3216.35</b>	<b>2587.07</b>
<b>c) Bakery</b>		
Bakery raw materials	196.26	134.25
<b>Total</b>	<b>196.26</b>	<b>134.25</b>
<b>Total (a + b + c)</b>	<b>89684.17</b>	<b>90023.54</b>

## Consolidated Notes to Accounts

### Note : 21 Purchase of Stock-in-Trade

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
FMCG - Food	13042.94	13930.09
FMCG - Non-Food	6162.58	5181.56
Fruits and Vegetables	4183.92	2415.11
Others	2885.20	1405.57
<b>Total</b>	<b>26274.64</b>	<b>22932.32</b>
<b>Details of purchase of Stock-in-Trade</b>		
<b>a) Dairy</b>		
Tradable Goods	2857.59	1405.57
<b>b) Retail</b>		
FMCG - Food	13042.94	13930.09
FMCG - Non-Food	6162.58	5181.56
Fruits and Vegetables	4063.90	2233.80
Other Tradable goods	—	—
<b>Total</b>	<b>23269.43</b>	<b>21345.45</b>
<b>c) Agri</b>		
Fruits and Vegetables	120.02	181.31
Other Tradable goods	27.60	—
<b>Total</b>	<b>147.62</b>	<b>181.31</b>
<b>Total (a + b + c)</b>	<b>26274.64</b>	<b>22932.32</b>

### Note : 22 Changes in inventories of finished goods, work-in-progress and Stock-in-Trade

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>A) Inventory at the end of the year :</b>		
Work-in-progress	36.76	18.76
Finished goods	2185.32	5832.98
Stock-in-Trade	2492.90	2304.75
<b>Total - A</b>	<b>4714.98</b>	<b>8156.48</b>
<b>B) Inventory at the beginning of the year :</b>		
Work-in-progress	18.76	16.36
Finished goods	5832.98	1573.52
Stock-in-Trade	2304.75	1804.64
<b>Total - B</b>	<b>8156.48</b>	<b>3394.52</b>
<b>Changes in inventories of finished goods, work-in-progress and stock-in-trade</b>	<b>3441.50</b>	<b>(4761.96)</b>

### Note : 23 Employee benefit expense

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Salaries, wages, bonus and allowances (Refer Note No.35)	8004.48	6308.56
Contribution to Provident and other funds	410.28	356.20
Contribution to gratuity fund	107.52	70.70
Staff Welfare Expenses	195.97	180.82
<b>Total</b>	<b>8718.25</b>	<b>6916.28</b>

## Consolidated Notes to Accounts

### Note: 24 Finance costs

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Interest Expense	1483.86	1782.17
Other borrowing cost	167.49	188.49
Applicable loss on foreign currency transactions and translation	0.25	0.07
Interest on income tax	18.60	6.55
<b>Total</b>	<b>1670.20</b>	<b>1977.28</b>

### Note: 25 Depreciation and amortization expense

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Depreciation on tangible assets	2063.59	1981.16
Amortization of Intangible assets	138.44	137.49
<b>Total</b>	<b>2202.03</b>	<b>2118.65</b>

### Note: 26 Other expenses

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Consumption of Stores ,spares and consumables	1334.50	1087.42
Rent	1930.50	1785.00
Bank Charges	271.38	232.48
Insurance	70.36	69.93
Travelling and conveyance	372.23	321.99
Communication cost	219.05	221.42
Safety and Security	388.75	335.96
Printing and Stationery	99.24	94.21
Office Maintenance	48.47	51.63
House Keeping Expenses	118.91	106.52
Books and periodicals	0.71	1.67
Electricity Charges	683.21	591.14
Rates and taxes	189.48	160.21
Repairs and maintenance	–	–
Buildings	60.47	53.10
Machinery	204.08	164.12
Others	411.20	362.24
Legal and Professional Charges	355.57	347.80
Payment to Auditors :	–	–
As Auditor:	–	–
Audit Fee	13.71	12.36
Tax Audit fee	4.49	1.38
Limited Review	3.37	2.48
Corporate Governance	1.12	0.55
In other capacity :	–	0.00
Taxation matters	3.68	2.59
Certification fee	1.36	0.89
Reimbursement of expenses	3.73	2.99
Advertisement expenses	157.95	174.09
Selling and Distribution expenses	874.94	738.81
Warehouse and logistics	232.71	235.20

(Contd.)

## Consolidated Notes to Accounts

### Other expenses (Contd.)

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Loss on commodity trading	–	108.49
Freight outwards	5451.01	4660.56
Directors' sitting fees	4.90	5.65
Provision for bad and doubtful advances	46.31	40.30
Bad Debts written off	26.83	0.55
Bad and doubtful advances written off	39.39	–
Provision for doubtful debts	70.65	81.07
Loss on sale of fixed assets (net)	122.92	12.57
Impairment loss on fixed assets	0.34	5.11
Recruitment and Training expenses	35.36	30.32
Contribution to Heritage Farmers Welfare Trust	106.41	65.41
Exchange differences (net)	1.52	–
Prior Period items*	44.73	121.43
Miscellaneous expenses	19.40	17.89
Diminution in value of investments		6.98
<b>Total</b>	<b>14024.92</b>	<b>12314.52</b>
<b>*Prior period items:</b>		
Debits relating to earlier years	44.73	148.07
Credits relating to earlier years	–	26.64
<b>Total</b>	<b>44.73</b>	<b>121.43</b>

### Note : 27 Extra-ordinary item represents:

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
70,000 Equity Shares allotted to employee fully paid-up for consideration other than cash	291.34	–

### Note: 28 Contingent liabilities and commitments (to the extent not provided for)

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>A. Contingent Liabilities</b>		
i. Claims against the company not acknowledged as debt :		
a) Tax matters in appeal :		
Income Tax	423.24	367.68
Sales Tax	150.06	141.29
The Andhra Pradesh VAT Act *	127.07	127.07
Excise duty	0.85	3.99
b) Others	29.88	16.50
ii. Other money for which the company is contingently liable 'C' forms under collection	59.27	64.22
<b>B. Commitments</b>		
i. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	609.11	489.11
ii. Other commitments :		
- Export obligation upto the year 2021-22 against import of capital goods under EPCG scheme	3913.69	3956.58

Counter guarantees given by the Company in respect of Bank guarantees of ₹276.56 lakhs (Previous year: ₹433.32 lakhs) are not treated as contingent liability.

## Consolidated Notes to Accounts

### Note: 29 Investor Education and Protection Fund

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>Unclaimed Dividend</b>		
Opening Balance	39.29	42.34
Less Claims during the year	0.41	0.07
Less: Transfer to IEPF	9.74	7.83
Add: Current year's unclaimed dividend	7.81	4.86
<b>Closing Balance</b>	<b>36.95</b>	<b>39.29</b>

There is no amount outstanding to be credited to the Investor Education and Protection Fund

**Note: 30** As per the Accounting Standards AS-15 -“Employee Benefits” the disclosures of the Employee benefits as defined in the Accounting Standard are given below

#### Defined Contribution Plan :

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Employers Contribution to Provident Fund	332.21	283.32

#### Defined Benefit Plan :

##### Gratuity (Funded) : As per Actuarial Report dated 15.04.2013

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>1. Assumption</b>		
Discount Rate	8.20%	8.70%
Salary Escalation	5.00%	5.00%
Rate of Return on Plan Assets	9.25%	9.25%
Expected Average remaining working lives of employees (years)	29 yrs	29 yrs
<b>2. Table showing change in present value of obligations</b>		
Present value of obligations as at beginning of year	271.00	199.14
Acquisition adjustments	—	—
Interest cost	23.58	15.93
Current Service Cost	71.65	56.12
Curtailement Cost/(Credit)	—	—
Settlement Cost/(Credit)	—	—
Benefit Paid	(33.57)	(16.05)
Actuarial (gain)/loss on obligations	37.25	15.86
Present value of obligations as at end of year	369.92	271.00
<b>3. Table showing changes in the fair value of plan assets</b>		
Fair value of plan assets at beginning of year	280.21	191.37
Acquisition adjustments	—	—
Expected return on plan assets	24.96	17.21
Contributions	110.46	87.67
Benefits paid	(33.57)	(16.05)
Actuarial gain/(loss) on plan assets	—	—
Fair value of plan assets at end of year	382.06	280.21
<b>4. Table showing fair value of plan assets</b>		
Fair value of plan assets at beginning of year	280.21	191.37
Acquisition adjustments	—	—
Actual return on plan assets	24.96	17.21
Contributions	110.46	87.67

## Consolidated Notes to Accounts

### Gratuity (Funded) : As per Actuarial Report dated 15.04.2013 (Contd.)

(₹ in lakhs)

Particulars	Year ended	Year ended
	March 31, 2013	March 31, 2012
Benefits paid	(33.57)	(16.05)
Fair value of plan assets at the end of year	382.06	280.21
Funded Status	12.14	9.20
Excess of Actual over estimated return on plan assets	–	–
<b>5. Actuarial Gain/Loss recognised</b>		
Actuarial (gain)/loss on obligations	(37.25)	(15.86)
Actuarial (gain)/loss for the year-plan assets	–	–
Total (gain)/loss for the year	37.25	15.86
Actuarial (gain)/loss recognised in the year	37.25	15.86
<b>6. The amounts to be recognised in the balance sheet and statement of profit and loss</b>		
Present value of obligations as at the end of year	369.92	271.00
Fair value of plan assets as at the end of the year	382.06	280.21
Funded Status	12.14	9.20
Net asset/(liability) recognised in balance sheet	12.14	9.20
<b>7. Expenses Recognised in the statement of profit and loss</b>		
Current Service Cost	71.65	56.12
Past Service Cost	–	–
Interest cost	23.58	15.93
Expected return on plan assets	(24.96)	(17.21)
Curtailement Cost/(Credit)	–	–
Settlement Cost/(Credit)	–	–
Net Actuarial (gain)/loss recognised in the year	37.25	15.86
Expenses recognised in statement of profit and loss	107.52	70.70

### Defined Benefit Plan :

#### Leave Encashment & Sick Leave(Unfunded): As per Actuarial Report dated 15.04.2013

(₹ in lakhs)

Particulars	Leave Encashment		Sick Leave	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>1. Assumptions</b>				
Discount Rate	8.20%	8.70%	8.20%	8.70%
Rate of increase in Compensation levels	5% p.a.	5% p.a.	5% p.a.	5% p.a.
Rate of Return on Plan Assets	–	–	–	–
Expected Average remaining working lives of employees (years)	28 yrs	29 yrs	25 Yrs	25 Yrs
<b>2. Reconciliation of Defined benefit obligation</b>				
Particulars				
Present Value of Obligation as at the beginning of the year	381.06	332.33	62.44	50.46
Acquisition adjustment	–	–	–	–
Interest Cost	33.15	26.59	5.43	4.04
Past Service Cost	–	–	–	–
Current Service Cost	48.49	48.73	21.99	11.98
Curtailement Cost/(Credit)	–	–	–	–
Settlement Cost/(Credit)	–	–	–	–
Benefits paid	(120.64)	(79.93)	(11.56)	(8.58)
Actuarial (gain)/loss on obligations	87.49	53.35	6.13	4.54
Present Value of Obligation as at the end of the year	429.55	381.06	84.43	62.44

## Consolidated Notes to Accounts

### Defined Benefit Plan (Contd.)

Leave Encashment & Sick Leave(Unfunded): As per Actuarial Report dated 15.04.2013

(₹ in lakhs)

Particulars	Leave Encashment		Sick Leave	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>3. Actuarial Gain/Loss Recognised</b>				
Particulars				
Actuarial (gain)/loss for the year - Obligation	(87.49)	(53.35)	(6.13)	(4.54)
Actuarial gain/(loss) for the year - Plan Assets	—	—	—	—
Total (gain)/loss for the year	87.49	53.35	6.13	4.54
Actuarial (gain)/loss recognized in the year	87.49	53.35	6.13	4.54
Unrecognized actuarial (gains)/losses at the end of year	—	—	—	—
<b>4. The amounts to be recognised in Balance Sheet and Statement of Profit and Loss</b>				
Particulars				
Present Value of Obligation as at the end of the year	429.55	381.06	84.43	62.44
Value of Plan Provisions as at the end of the year	—	—	—	—
Funded Status	(429.55)	(381.06)	(84.43)	(62.44)
Unrecognized Actuarial (gains)/losses	—	—	—	—
Net Asset/(Liability) Recognized in Balance Sheet	(429.55)	(381.06)	(84.43)	(62.44)
<b>5. Expenses Recognized in the statement of Profit &amp; Loss</b>				
Particulars				
Current Service Cost	48.49	48.73	21.99	11.98
Past Service Cost	—	—	—	—
Interest Cost	33.15	26.59	5.43	4.04
Expected Return on Plan Assets	—	—	—	—
Curtailement Cost/(Credit)	—	—	—	—
Settlement Cost/(Credit)	—	—	—	—
Net actuarial (gain)/loss recognized in the year	87.49	53.35	6.13	4.54
Expenses Recognized in the statement of Profit & Loss	169.13	128.66	33.56	20.55

Note: 31 Segment reporting for the year ended March 31, 2013

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>1. Segment Revenue</b>		
i. Heritage Foods (India) Limited		
a. Dairy	126862.15	109397.20
b. Retail	32657.45	29901.03
c. Agri	3993.67	3258.35
d. Bakery	405.62	315.22
ii. HFRL	—	—
iii. Power SPV	—	—
iv. Heritage Conrpo Limited	—	—
<b>Total Segment Revenue</b>	<b>163918.89</b>	<b>142871.80</b>
Less: Inter Segment Revenue	3737.61	3531.23
<b>Net Sales/Income from Operations</b>	<b>160181.28</b>	<b>139340.57</b>
<b>2. Segment Results</b>		
Profit/(Loss) before finance costs and tax		
i. Heritage Foods (India) Limited		
a. Dairy	10927.45	6073.18
b. Retail	(2194.51)	(2305.24)
c. Agri	(254.77)	(306.19)
d. Bakery	(153.16)	(128.69)

(Contd.)

## Consolidated Notes to Accounts

### Note: 31 Segment reporting for the year ended March 31, 2013 (Contd.)

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
ii. HFRL	(0.53)	(0.66)
iii. Power SPV	–	(6.53)
iv. Heritage Conrpo Limited	(0.53)	(0.69)
<b>Total Segment Results</b>	<b>8323.95</b>	<b>3325.18</b>
Less: i. Finance costs	1670.20	1977.28
Add/(Less): Net Unallocable Income/(Expenditure)	1.86	(5.11)
<b>Profit/(Loss) before Extra-ordinary items and Tax</b>	<b>6655.61</b>	<b>1342.80</b>
Less: Extra-ordinary items	291.34	–
<b>Profit/(Loss) before Tax</b>	<b>6364.27</b>	<b>1342.80</b>
<b>Less:</b>		
a. Current tax	1275.80	290.00
b. Prior peiod tax	(44.39)	(0.80)
c. Deferred tax	137.76	135.04
<b>Net Profit/(Loss)</b>	<b>4995.10</b>	<b>918.56</b>
<b>3. Total Capital Employed</b> (Segment Assets - Segment Liabilities)		
i. Heritage Foods (India) Limited		
a. Dairy	14837.28	14202.59
b. Retail	5851.02	6071.70
c. Agri	3404.07	3671.62
d. Bakery	1124.35	1166.17
ii. HFRL	(0.42)	(0.34)
iii. Power SPV	–	23.11
iv. Heritage Conrpo Limited	(0.42)	(0.34)
<b>Total Segment Capital Employed</b>	<b>25215.89</b>	<b>25134.52</b>
Add: Unallocated Assets	1119.87	952.88
Less: Unallocated Liabilities	723.14	573.02
<b>Total Capital Employed</b>	<b>25612.62</b>	<b>25514.39</b>
<b>4. Capital Expenditure incurred during the year</b>		
i. Heritage Foods (India) Limited		
a. Dairy	2449.90	1980.17
b. Retail	511.22	961.42
c. Agri	51.15	53.00
d. Bakery	10.37	12.81
ii. HFRL	–	–
iii. Power SPV	–	–
iv. Heritage Conrpo Limited	–	–
<b>Total Segment Capital Expenditure</b>	<b>3022.64</b>	<b>3007.40</b>
Add: Unallocated Capital Expenditure	166.99	28.88
<b>Total Capital Expenditure</b>	<b>3189.62</b>	<b>3036.28</b>
<b>5. Depreciation and Amortisation for the year</b>		
Segment Depreciation		
i. Heritage Foods (India) Limited		
a. Dairy	1351.74	1254.33
b. Retail	601.43	609.72
c. Agri	196.25	201.03
d. Bakery	52.61	53.58
ii. HFRL	–	–
iii. Power SPV	–	–
iv. Heritage Conrpo Limited	–	–
<b>Total Segment Depreciation and Amortisation</b>	<b>2202.03</b>	<b>2118.65</b>
Add: Unallocated Depreciation	–	–
<b>Total Depreciation and Amortisation</b>	<b>2202.03</b>	<b>2118.65</b>
<b>6. Significant Non Cash Expenditure</b> (excluding depreciation, amortisation and impairment)	<b>319.98</b>	<b>279.13</b>

Consolidated Notes to Accounts

**Note: 32 Related party disclosures as per AS-18 :**

Name of the related party	N Bhuvanewari	N Lokesh	N Brahmani	Heritage Finlease Limited	Heritage Foods Retail Limited	Heritage Conpro Limited	SKIL Raigam Power (India) Ltd	Nirvana Holdings Private Limited	Heritage Farmers Welfare Trust
<b>Particulars</b>									
Description of the Relationship between the parties	Key Management Personnel (Vice Chairperson & Managing Director)	Key Management Personnel (Executive Director)	Relative of Key Management Personnel (Vice President - Business Development)	Two Key Management Personnel of Heritage Foods (India) Ltd are Directors of Heritage Finlease Ltd	Subsidiary	Subsidiary	Associate	Two Key Management Personnel of Heritage Foods (India) Ltd are Directors of Nirvana Holdings Private Limited	Key Management Personnel of Heritage Foods (India) Ltd are Trustees of Heritage Farmers
Description of the nature of transactions	a) Receiving of Services b) Rental agreement	Receiving of Services	Receiving of Services	a) Investment b) Cattle loans given by Heritage Finlease Limited (HFL) to the milk producers are recovered by the Company and remitted subsequently to HFL	Investment	Investment	Investment	Loan taken by the Company	Contributions made by the Company
Volume of the transactions either as an amount or as appropriate proportion	a) Managerial Remuneration of ₹90 lakhs b) PF contribution of ₹6.48 lakhs c) Perks ₹7.93 lakhs d) Leave Encashment of ₹3.75 lakhs e) Office rent of ₹41.83 lakhs paid by Company	a) Managerial Remuneration of ₹62.10 lakhs b) PF contribution of ₹3.73 lakhs c) Perks ₹6.01 lakhs d) Commission: 112.33 lakhs	Nil	a) Share Capital ₹20 lakhs b) Dividend Received ₹1.80 lakhs	a) Share Capital ₹16.50 lakhs	a) Share Capital ₹7.60 lakhs	a) Share Capital ₹65 lakhs	Repayment of unsecured loan of ₹100 lakhs taken from Nirvana Holdings Private Limited	Contributions by the Company during the year: ₹106.41 lakhs
Any other elements of the related party transactions in the financial statements	Managerial Remuneration was approved by Shareholders	Managerial Remuneration was approved by Shareholders	Remuneration was approved by Shareholders	Nil	Nil	Nil	Nil	Nil	Nil

(Contd.)

**Note: 32 Related party disclosures as per AS-18 (Contd.)**

Name of the related party	N Bhuvanewari	N Lokesh	N Brahmani	Heritage Finlease Limited	Heritage Foods Retail Limited	Heritage Conpro Limited	SKIL Raigam Power (India) Ltd	Nirvana Holdings Private Limited	Heritage Farmers Welfare Trust
<b>Particulars</b>									
Guarantees and collaterals									
	1. Given personal guarantee for the overdraft facility of ₹100 lakhs availed by the Company from Kotak Mahindra Bank. 2. Given personal guarantee for the short term working capital loan of ₹1000 lakhs availed by the Company from Axis Bank and the loan is also secured by second charge by way of equitable mortgage on the commercial land of Vice Chairperson & Managing Director of the Company . The loan was repaid during the year and guarantee was discharged.	Given personal guarantee for the overdraft facility of ₹100 lakhs availed by the Company from Kotak Mahindra Bank and the loan is also secured by exclusive mortgage of property belonging to Vice-President Business Development	Given personal guarantee for the overdraft facility of ₹100 lakhs availed by the Company from Kotak Mahindra Bank and the loan is also secured by exclusive mortgage of property belonging to Vice-President Business Development	NIL	NIL	NIL	NIL	NIL	NIL
The amounts or appropriate proportions of outstanding items pertaining to related parties at the Balance Sheet date	₹4.80 lakhs	₹118.37 lakhs	NIL	₹83.60 lakhs is outstanding to Heritage Finlease Ltd., towards cattle loans amount recovered from the milk producers and the same has been remitted subsequently	NIL	NIL	NIL	NIL	Contribution amount outstanding: ₹13.50 lakhs the same has been remitted subsequently
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>									
Provisions for doubtful debts due from such parties at that date and amounts written off or written back in the period in respect of debts due from or to related parties	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Provision for diminution in value of Investments	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL

## Consolidated Notes to Accounts

### Note: 33 Lease

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>Data Processing Equipments taken on Operating Lease:</b>		
The total future minimum lease rentals payable at the Balance Sheet is as under:		
- for a period not later than one year	—	39.44
- for a period later than one year and not later than five years	—	—
- for a period later than five years	—	—
Total operating lease expenses debited to statement of profit and loss is ₹1883.74 lakhs (Previous year : ₹1757.36 lakhs)		
Total sub-lease payments received/(receivable) credited to statement of profit and loss is ₹14.75 lakhs (Previous year : ₹40.42 lakhs)		

### Note: 34 Earning per share (EPS)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
a) Calculation of weighted average number of equity shares of ₹10/- each :		
Number of Equity Shares outstanding at the beginning of the year	11529500	11529500
Number of Equity shares outstanding at the end of the year	11599500	11529500
Weighted average number of equity shares outstanding during the year	11542733	11529500
b) Net Profit/(Loss) after tax (₹ in lakhs)	4994.98	919.22
c) Basic and diluted Earnings per share (Before Extraordinary items) of ₹10 each (₹)	45.80	7.97
d) Basic and diluted Earnings per share (After Extraordinary items) of ₹10 each (₹)	43.27	7.97

### Note: 35

Managerial remuneration provided during the year 2012-13 is ₹180.44 lakhs to the Executive Director has exceeded the limits specified by the Central Government by ₹112.33 lakhs. The Company has filed the application to the Central Government seeking its clarification for the remuneration provided over the limits earlier specified. However the said excess remuneration is payable subject to the approval of the Central Government.

### Note: 36

M/s SKIL Raigam Power (India) Limited is an associate of the Company as on March 31, 2013 (It ceased to be subsidiary of the Company on March 27, 2012 and became an associate).

### Note: 37

Disclosure under Micro, Small and Medium Enterprises Development Act, 2006 The particulars of outstanding (for more than 45 days) to Micro, Small and Medium Scale business enterprises are given below

(₹ in lakhs)

Principle amount outstanding as at 31/3/2013	Interest amount outstanding as at 31/3/2013	interest paid by the company in terms of section 16 of the Act, 2006 and the amount of the payment made beyond the appointed day during the year;	Interest due and payable on delayed payments made during the year	The amount of interest accrued and remaining unpaid asat 31/3/2013.	Interest remaining due until scuh date when the interest dues are actually paid to the small enterprise (even if paid in succeeding years)
89.98	1.58	Nil	1.58	1.58	1.58

## Consolidated Notes to Accounts

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>Note: 38 Value of Imports calculated on CIF basis in respect of :</b>		
Capital Goods	36.03	–
<b>Total</b>	<b>36.03</b>	<b>0.00</b>

### Note: 39 Expenditure in Foreign Currency on account of :

a) Interest	253.86	236.35
b) Foreign travel	1.12	1.09
<b>Total</b>	<b>254.98</b>	<b>237.45</b>

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>Note: 40 Earnings in Foreign Currency :</b>		
Export of goods calculated on FOB basis	411.92	11.82
<b>Total</b>	<b>411.92</b>	<b>11.82</b>

### Note: 41 Remittance in Foreign Currency on account of dividends :

(₹ in lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
a) Year to which the dividend relate	2012 - 13	2011 - 12
b) Amount remitted in Foreign Currency	Nil	Nil
c) Number of non-resident shareholders to whom remittances were made	NA	NA
d) Number of shares on which remittances were made	NA	NA

### Note: 42 Disclosures in respect of derivative instruments :

a) Derivative instruments outstanding at the balance sheet date (₹ in lakhs)

Particulars	March 31, 2013		March 31, 2012	
	USD	INR	USD	INR
i) Forward :				
FCNR(B) - Principal	22.22	1258.22	80.61	4160.90
FCNR(B) - Interest	0.40	22.55	2.17	117.44
ii) Option :				
FCTL - Principal	12.85	507.58	38.55	1522.73
FCTL - Interest	19.28	761.36	44.98	1776.51
iii) Swap :				
FCTL - Interest	19.28	1048.35	44.98	2300.47

## Consolidated Notes to Accounts

- b) The derivative instruments have been acquired for hedging purposes  
c) Foreign currency exposures that are not hedged by derivatives :

Particulars	March 31, 2013		March 31, 2012	
	Foreign Currency	INR (in lakhs)	Foreign Currency	INR (in lakhs)
Trade receivables	\$0.066 million Euro 1.101 million	36.00 70.43	2.09	143.13

### Note: 43 Statement pursuant to Section 212 of the Companies Act, 1956 related to subsidiary companies

(₹ in lakhs)

Sl. No.	Name of the Subsidiary	Heritage Foods Retail Limited		SKIL Raigam Power (India) Limited **	Heritage Conpro Limited	
		01.04.2012 to 31.03.2013	01.04.2011 to 31.03.2012	01.04.2011 to 26.03.2012	01.04.2012 to 31.03.2013	01.04.2011 to 31.03.2012
1.	Financial period of the Subsidiary					
2.	Shares of the subsidiary held by the Company on the above date					
	(a) Number	165000	165000	650000	76000	76000
	Face Value	Equity Shares of ₹10/- each 99.64%	Equity Shares of ₹10/- each 99.64%	Equity Shares of ₹10/- each 92.86%	Equity Shares of ₹10/- each 75.70%	Equity Shares of ₹10/- each 75.70%
3.	Net aggregate amount of profits(losses) of the subsidiary for the above financial period of the subsidiary so far as they concern members of the company:					
	(a) dealt with in the accounts of the Company for the period ended 31st March 2013 (Previous year: 31st March 2012)	(0.53)	(0.66)	(6.06)	(0.53)	(0.52)
	(b) not dealt with in the accounts of the Company for the period ended 31st March 2013 (Previous year: 31st March 2012)	NIL	NIL	NIL	NIL	NIL
4.	Net Aggregate amount of profits/(losses) of the subsidiary since it became a subsidiary so far as they concern members the company:					
	(a) dealt with in the accounts of the Company for the period ended 31st March 2013 (Previous year: 31st March 2012)	(12.81)	(12.28)	(15.59)	(2.59)	(2.06)
	(b) not dealt with in the accounts of the Company for the period ended 31st March 2013 (Previous year: 31st March 2012)	NIL	NIL	NIL	NIL	NIL

\*\* As SKIL Raigam Power (India) Limited is an associate of the Company during the financial year ended March 31, 2013, the details required under Section 212 of the Companies Act, 1956 for the financial year 2012-13 have not been disclosed.

## Consolidated Notes to Accounts

### Note 44.

The details of subsidiaries in terms of General circular No. 2/2011 Dated 8th February, 2011 issued by Government of India, Ministry of Corporate Affairs under Section 212 (8) of the Companies Act, 1956, is as under:

(₹ in lakhs)

Sl No.	Name of the Subsidiary ==> Particulars	Heritage Foods Retail Limited	Heritage Conpro Limited
1	Share Capital	16.56	10.04
2	Reserves and Surplus	(12.81)	(2.59)
3	Total Assets	4.17	7.86
4	Total Liabilities	4.17	7.86
5	Details of Investments	–	–
6	Turnover and Other Income	–	–
7	Profit/(Loss) Before Taxation	(0.53)	(0.53)
8	Provision for Taxation	–	–
9	Profit/(Loss) after Taxation	(0.53)	(0.53)
10	Proposed Dividend	–	–

### Note: 45

Confirmation of balances for Trade Receivables/Payables, Loans and advances and others have been received from many parties. Wherever conformation of balances have not been received, they are subject to adjustment and reconciliation, if any.

### Note: 46

The financial statements for the year ended March 31, 2013 are prepared as per revised Schedule VI of the Companies Act, 1956 and in or form as near as thereto. The items which are not applicable as per revised Schedule VI are not disclosed.

**Note: 47** Previous year figures are regrouped/reclassified, wherever necessary.

**Note: 48** The amounts in the financial statements are presented in Indian Rupees in lakhs

As per our report attached  
For **Raju & Prasad**  
Chartered Accountants  
(Firm No. 003475S)

**M Sivaram Prasad**  
Partner  
Membership No. 018943  
Date : May 30, 2013  
Place: Hyderabad

**For and on behalf of the Board**

**N. Bhuvaneswari**  
Vice Chairperson & Managing Director

**A.Prabhakara Naidu**  
Vice President - Finance & Accounts

**N Lokesh**  
Executive Director

**Umakanta Barik**  
Company Secretary



## HERITAGE FOODS (INDIA) LIMITED

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

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

### Attendance Slip

DP ID*	
Client ID*	

Folio Number	
--------------	--

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 21<sup>st</sup> Annual General Meeting of the Company to be held at **NATIONAL INSTITUTE FOR MICRO, SMALL AND MEDIUM ENTERPRISES, YOUSUFGUDA, and HYDERABAD-45** on Wednesday, the 17<sup>th</sup> July, 2013 at 10.30 a.m.

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

\* Applicable for investors holding shares in electronic form

\*\* Strike out whichever is not applicable



## HERITAGE FOODS (INDIA) LIMITED

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

### Proxy Form

DP ID*	
Client ID*	

Folio Number	
--------------	--

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 21<sup>st</sup> Annual General Meeting of the Company to be held on Wednesday, the 17<sup>th</sup> July 2013 at 10.30 a.m. and at any adjournment thereof.

Affix a  
15 paise  
Revenue  
Stamp

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2013

Signature of the First/ Sole holder

**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.

# Corporate information

## Board of Directors:

Sri D Seetharamaiah	Non Executive Independent Chairman
Dr A Appa Rao	Non Executive Independent Director
Dr N R Sivaswamy	Non Executive Independent Director
Sri N P Ramakrishna	Non Executive Independent Director
Dr V Nagaraja Naidu	Non Executive Director
Smt N Bhuvaneshwari	Vice Chairperson & Managing Director
Sri N Lokesh	Executive Director
Smt N Brahmani*	Additional Director

\* Appointed as an Additional Director on 22-04-2013

## Company Secretary:

CS Umakanta Barik

## Senior Management:

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

## Board Committees

### Audit Committee

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

### Remuneration Committee

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

### Share Transfer & Shareholders/ Investors' Grievance Redressal Committee

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

### Management Committee

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

## Registered Office

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

## Statutory Auditors

: M/s. Raju & Prasad, Chartered Accountants  
401, "DIAMOND HOUSE" Adj. Amrutha Hills, Panjagutta, Hyderabad – 500 082.

## Bankers

: Bank of Baroda, Andhra Bank, IICI Bank Limited.

## Listed with

: BSE Limited, Mumbai, National Stock Exchange of India Limited, Mumbai.

## Registrar and Transfer Agents

: M/s Karvy Computershare Private Limited.  
Plot No.17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad – 500 081.

## Website

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



1st Prize received on Conservation of Energy in Dairy Sector from the Ministry of Energy, Govt. of India for the Year 2012

If undelivered, Please return to:



Heritage Foods (India) Limited

6-3-541/C, Panjagutta

Hyderabad – 82

Phone: 040 23391221/ 222

Fax: 040 3068 5458, 23318090

Website: www.heritagefoods.co.in