



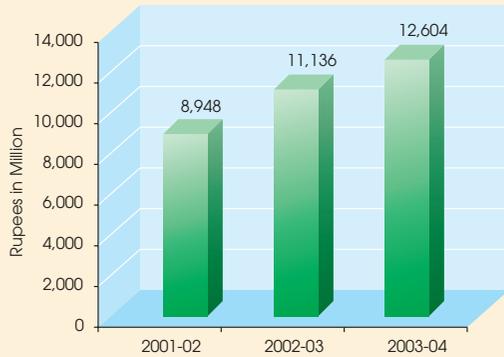
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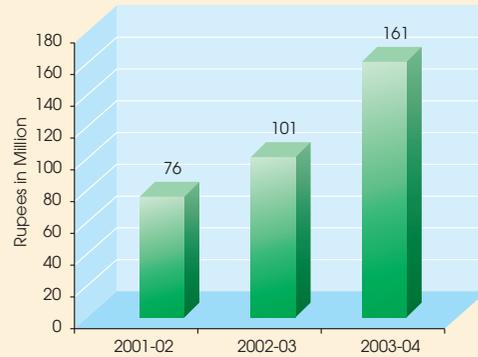
Agro Tech Foods Limited

Performance Highlights

Turnover CAGR 19%

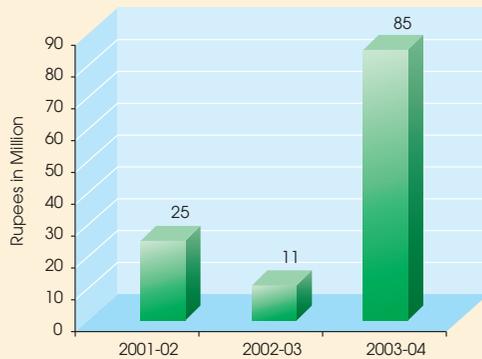


PBDIT* CAGR 46%



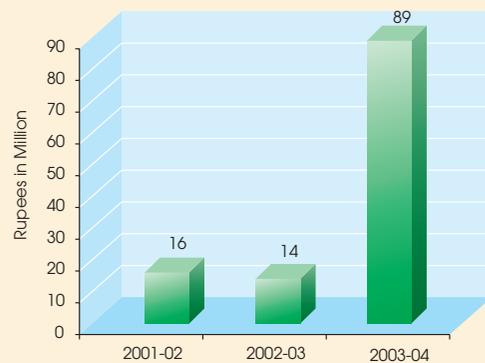
* Before Extraordinary item

Profit before Tax*



* Before Extraordinary item

Profit after Tax*



* Before Extraordinary item

Board of Directors

Directors

I Troop Chairman
D L Briffett
H G Buffett
Lt Gen D B Singh
R V Smither
N Srinivasan
R Tandon
K Vaidyanath
(Alternate: S Sivakumar)
T I Chudgar Wholetime Director

Management Committee

U Sen Gupta President
A Ahuja Chief Financial Officer and Asst. Vice President
G Ambady Vice President — Commodity Sourcing & Exports
R Krishnamoorthy Vice President — Supply Chain
S Madan Vice President — Branded Edible Oils
K S Shyam Head-Human Resources and Asst. Vice President

Company Secretary

T I Chudgar

Auditors

Lovelock & Lewes
Chartered Accountants
Hyderabad

Registered Office

31, Sarojini Devi Road
Secunderabad-500 003
Andhra Pradesh
India
Website: www.atfoods.com

Registrars & Share Transfer Agents

Sathguru Management Consultants Private Limited
Plot No. 15, Hindinagar
Behind Sirdi Sai Temple
Punjagutta
Hyderabad-500 034

NOTICE TO MEMBERS

Notice is hereby given that the Seventeenth Annual General Meeting of the Members of Agro Tech Foods Limited will be held on Tuesday the 27th July, 2004 at 10.00 A.M. at House of Windsor-I, Viceroy Convention Centre, Opp. Hussain Sagar Lake, Tank Bund Road, Hyderabad – 500 080, Andhra Pradesh to transact the following businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2004 and the Profit and Loss Account for the year ended on that date and the Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Lt. Gen. D.B. Singh, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri K. Vaidyanath, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration. M/s Lovelock & Lewes, the retiring Auditors are eligible for reappointment.

SPECIAL BUSINESS

5. To appoint Shri Ian F. Troop, a Director of the Company, who has been appointed in the casual vacancy arising out of the resignation of Shri Larry A. Carter who vacates office at this Meeting and to consider and, if thought fit, to pass, with or without modification, the following Ordinary Resolution of which the prescribed notice under Section 257 of the Companies Act, 1956 alongwith a deposit of Rs.500/- has been received by the Company, Shri Ian F. Troop has filed his consent pursuant to the provisions of Section 264(1) of the Companies Act, 1956 to act as Director, if appointed:

“RESOLVED that Shri Ian F. Troop be and is hereby appointed a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation.”

6. To appoint Shri Derek L. Briffett, a Director of the Company, who has been appointed in the casual vacancy arising out of the resignation of Shri Mike Sullivan who vacates office at this Meeting and to consider and, if thought fit, to pass, with or without modification, the following Ordinary Resolution of which the prescribed notice under Section 257 of the Companies Act, 1956 alongwith a deposit of Rs.500/- has been received by the Company, Shri Derek L. Briffett has filed his consent pursuant to the provisions of Section 264(1) of the Companies Act, 1956 to act as Director, if appointed:

“RESOLVED that Shri Derek L. Briffett be and is hereby appointed a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation.”

7. To consider and if thought fit, to pass, with or without modification, the following Resolution as a SPECIAL RESOLUTION:

“RESOLVED that pursuant to the provisions of Sections 198, 269, 309, 310, 314 read with Schedule XIII thereto and other applicable provisions, if any of the Companies Act, 1956 or any amendment or modification or re-enactment thereof, and subject to such approval or consents as may be necessary or required, the re-appointment of Shri Tushar Chudgar as Wholetime Director of the Company for a period of one year with effect from 30th July, 2004 till 29th July, 2005 on such salary and perquisites as have been set out in the Explanatory Statement attached to the Notice convening this Annual General Meeting a copy where of initialled by the Chairman for the purposes of identification is placed before this Meeting, be and the same is hereby approved, with such modifications as may be required by any applicable law and as may be agreed to by the Board of Directors of the Company and Shri Tushar Chudgar.”

BOOK CLOSURE

The Register of Members and Share Transfer Books of the Company shall remain closed from Friday 23rd July, 2004 till Tuesday 27th July, 2004 (both days inclusive).

Dated: 12th May, 2004

Registered Office:
31, Sarojini Devi Road,
Secunderabad-500 003
Andhra Pradesh
India.

By Order of the Board
for **Agro Tech Foods Limited**

TUSHAR CHUDGAR
Secretary & Director

NOTES:

1. In accordance with the Provisions of Section 173 of the Companies Act, 1956 and the Listing Agreements an Explanatory Statement in respect of item Nos. 5, 6 and 7 being items of Special Business is annexed.
2. A member entitled to attend and vote on a poll is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a member. Proxies in order to be effective must be received by the Company not less than forty eight hours before the Annual General Meeting.
3. Members are requested to bring their copies of the Reports and Accounts to the Meeting.
4. Members are requested to notify any change in their address immediately to the Company's Registrars and Transfer Agents, Sathguru Management Consultants Private Limited, Plot No. 15, Hindinagar, Behind Sirdi Sai Temple, Punjagutta, Hyderabad - 500 034.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 AND THE LISTING AGREEMENTS.

Item No. 5

Shri Ian F. Troop was appointed as a Director of the Company in terms of Section 262 of the Companies Act, 1956 with effect from 24th June, 2003 in the casual vacancy arising out of the resignation of Shri Larry A. Carter pursuant to Article 129 of the Articles of Association of the Company and he holds office upto the date of this Annual General Meeting till which Shri Larry A. Carter, in whose vacancy he is appointed would have held office. Notice under Section 257 of the Companies Act, 1956 along with the requisite deposit of Rs.500/- has been received from a member proposing the appointment of Shri Ian F. Troop as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation. Shri Ian F. Troop has filed his consent pursuant to the provisions of Section 264(1) of the Companies Act, 1956 to act as Director, if appointed.

Interest of Directors:

Shri Ian F. Troop may be deemed to be interested in the above Resolution in so far as the same relates to him. No other Director of your Company is interested in this Resolution.

Your Directors recommend the Resolution for your approval.

Item No. 6

Shri Derek L. Briffett was appointed as a Director of the Company in terms of Section 262 of the Companies Act, 1956 with effect from 12th May, 2004 in the casual vacancy arising out of the resignation of Shri Mike Sullivan pursuant to Article 129 of the Articles of Association of the Company and he holds office upto the date of this Annual General Meeting till which Shri Mike Sullivan , in whose vacancy he is appointed would have held office. Notice under Section 257 of the Companies Act, 1956 along with the requisite deposit of Rs.500/- has been received from a member proposing the appointment of Shri Derek L. Briffett as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation. Shri Derek L. Briffett has filed his consent pursuant to the provisions of Section 264(1) of the

Companies Act, 1956 to act as Director, if appointed.

Interest of Directors:

Shri Derek L. Briffett may be deemed to be interested in the above Resolution in so far as the same relates to him. No other Director of your Company is interested in this Resolution.

Your Directors recommend the Resolution for your approval.

Item No. 7

The Board of Directors on the recommendation of the Remuneration Committee recommended for approval of the members, the reappointment of Shri Tushar Chudgar as Wholetime Director of the Company for a further period of one year with effect from 30th July, 2004 on the following remuneration:

(i) Salary:

Rs. 38,500 per month with annual increments up to a maximum of 25% with liberty to the Board of Directors to sanction such increase as it may in its absolute discretion determine, provided that the salary does not exceed the remuneration stipulated above.

(ii) Perquisites:

In addition to the aforesaid Salary, Shri Tushar Chudgar shall be entitled to perquisites like gas, electricity, water, furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance, etc in accordance with the Rules of the Company, the monetary value of such perquisites being limited to Rs. 8,00,000 per annum, for the purposes of which limit perquisites shall be evaluated as per Income Tax Rules, wherever applicable, and in absence of any such Rule, perquisites shall be evaluated at actual cost. However, the following shall not be included in the aforesaid perquisite limit:

- a. Rent free furnished accommodation owned/ leased / rented by the Company or Housing Allowance in lieu thereof, as per the Rules of the Company.

- b. Contribution to Provident Fund and Superannuation Fund upto 27% of salary and contribution to Gratuity Fund upto 5% of salary as defined in the Rules of the respective Funds, or upto such other limit as may be prescribed under the Income Tax Act, 1961 and the Rules thereunder for this purpose.
- c. Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.
- d. Use of Company car for official purposes and telephone at residence (including payment for local calls and long distance official calls).
- e. Encashment of unavailed leave as per the Rules of the Company at the time of retirement/cessation of service.
- f. Long service award as per the Rules of the Company.
- g. Costs and expenses incurred by the Company in connection with joining/transfer from one location to another as per the Rules of the Company.

(iii) Minimum Remuneration:

In the event of loss or inadequacy of profits in any year during the period of his reappointment, Shri Tushar Chudgar will be paid remuneration including perquisites as per Schedule XIII of the Companies Act, 1956 or such other limit as may be prescribed under the Act from time to time.

Shri Tushar Chudgar will not be entitled to any sitting fee for attending Meetings of the Board or of any Committee thereof.

The aforesaid reappointment and remuneration payable to Shri Tushar Chudgar may be further varied, altered or modified as may be agreed to by the Board of Directors and Shri Tushar Chudgar, in the light of any amendment/modification of the Companies Act or any re-enactment thereof within the limit prescribed under Schedule XIII of the Companies Act, 1956.

Shri Tushar Chudgar is the Secretary & Director of your Company. He is a Chartered

Accountant and Chartered Secretary. He has been in the employment of your Company for over fifteen years and has exposure and experience in various and diversified divisions/functions of your Company with varied professional and expertise in a broad spectrum of Corporate Laws, Economic Laws, Taxation laws and intellectual property rights. He joined the Company in 1989 as Assistant Company Secretary and was appointed a Wholtime Director of the Company in the year 1998. He has made several significant contributions to the Company's growth and implementation of investment plans and business strategies and restructuring. His contributions have been invaluable. In recognition of his accomplishments the Board of Directors has reappointed him as a Wholtime Director for a further period of one year from 30th July, 2004 subject to approval of the Shareholders. Your Directors consider that it would be appropriate and desirable to re-appoint him as his rich experience will be beneficial to the Company. The Board has no hesitation in commending his reappointment. Shri Tushar Chudgar continues to hold office as Company Secretary. As appointment and remuneration are subject to compliance with the requirement of Section 314 and other applicable provisions of the Companies Act, 1956, your Directors commend passing of the Special Resolution set out in the Notice of the Meeting.

Interest of Directors

Excepting Shri Tushar Chudgar, who is interested in his reappointment and the remuneration/minimum remuneration payable to him, no other Director of your Company is concerned or interested in the said Resolution.

This may be treated as his memorandum issued pursuant to the provisions of Section 302 of the Companies Act, 1956.

Dated: 12th May, 2004

Registered Office:
31, Sarojini Devi Road,
Secunderabad-500 003
Andhra Pradesh
India.

By Order of the Board
for **Agro Tech Foods Limited**

TUSHAR CHUDGAR
Secretary & Director

ADDITIONAL INFORMATION ON DIRECTORS RECOMMENDED FOR APPOINTMENT OR SEEKING ELECTION AT THE ANNUAL GENERAL MEETING

Following is the bio-graphical data about the Directors seeking re-election or recommended for appointment as a Director:

Lieutenant General D.B. Singh, PVSM, AVSM is a retired General Officer of the Indian Army. He was commissioned through the prestigious National Defence Academy and rose to virtually the senior-most rank in the Army.

A qualified engineer with management skills, Lt. Gen. Singh has held multifarious assignment in the Indian Army. He is a graduate of the Defence Services Staff College and the National Defence College. He was awarded the prestigious awards of Param Vishisht Sewa Medal and Ati Vishisht Sewa Medal by the President of India for exemplary service. After retirement from Defence Services on 31st May, 2001, he was President of an engineering concern manufacturing EOT cranes and construction equipment for two and half years. The General is presently engaged in consultancy services on re-structuring services for logistics and engineering support.

K. Vaidyanath

K. Vaidyanath was inducted into the ITC Board on 17th January, 2001. He holds responsibility for the Company's Finance function, its investment subsidiary, Agri Business and Corporate Communications. Before his elevation to the Board he was the Company's Chief Financial Officer.

An MBA from XLRI, Jamshedpur, Vaidyanath has been with ITC for the past 29 years. He has held various positions in the Company's Finance function including that of Head of Finance of ITC's Packaging, Hotels and International Businesses. He has also been Head of Corporate Planning & Treasury, as well as Internal Audit.

Vaidyanath is a Director on the Boards of ITC Hotels Limited and ITC Infotech India Limited, among others. He is also a Committee Member of the Bengal Chamber of Commerce and Industry.

Ian F. Troop, Chairman

Ian Troop, President and Chief Operating Officer for Canada and Latin America Retail Products for ConAgra Foods Grocery, has more than 20 years of experience in international retail markets and management. In his new position, Troop will build ConAgra Foods' consumer franchises and Retail

presence in Canada, Latin America and around the Globe.

Prior to joining ConAgra Foods Grocery, Troop enjoyed a successful 20 year career in General Management with Procter & Gamble, building brands and building businesses in North America, Latin America and Europe. He held numerous leadership positions at Procter & Gamble including Vice President of North America Juice Products, Vice President of Strategic Planning for Global Baby Care, Vice President and General Manager of P&G Poland, and General Manager of P&G Mexico Paper Products.

Troop completed his degree in Business Administration in Wilfrid Laurier University in Ontario, Canada.

Derek L. Briffett

Derek Briffett, Senior Financial Officer, ConAgra Foods – International Foods Group has more than 20 years experience in the fast moving consumer goods business. In his current position he is responsible for managing the accounting, finance and IT organizations for International.

Briffett brings a wealth of industry experience to this position including tenure with Procter & Gamble, Kraft Foods, and most recently Canada's largest Food Retailer Loblaw Companies Limited. Briffett has held a broad range of positions in Canada and in the U.S. including, Controller of Kraft Foods US Meals Division and Vice-President of Finance and Information Systems and Vice President, Finance and Strategy at Kraft Canada. Most recently he was Senior Vice President, Controller, Eastern Canada for Loblaw Companies Limited.

Briffett, a Canadian, holds a B Comm. (Hons) from Memorial University, Canada and an MBA from Queen's University, Canada.

Tushar I. Chudgar

Tushar I. Chudgar is the Secretary & Director of the Company. He is a Chartered Accountant and Chartered Secretary. He has been in the employment of the Company for over fifteen years and has exposure and experience in various and diversified divisions/functions of the Company with varied professional and expertise in a broad spectrum of corporate laws and taxation laws and intellectual property rights.

REPORT OF THE DIRECTORS AND MANAGEMENT DISCUSSION & ANALYSIS

Your Directors hereby present their Annual Report, together with the audited accounts of the Company for the financial year ended March 31, 2004.

FINANCIAL RESULTS

The summarized financial results are:

	(Rs. Millions)	
	<u>2003-2004</u>	<u>2002-2003</u>
Turnover	12,604	11,136
Total Expenditure	12,502	11,091
Operating Profit	102	45
Other Income	59	56
Gross Profit/ before Interest/ Finance Charges & Depreciation	161	101
Interest/Finance Charges	54	79
Less: Depreciation/Amortization	22	11
Profit/Before Deferred Taxation	85	11
Profit/After Deferred Taxation and Extraordinary Item	89	14
Extraordinary Item	62	139
Net Profit (Loss)	26	(125)

Your Company reported a turnover of Rs. 12,604 Mln., growing by 13% compared to last year.

The Company achieved a profit (before Deferred Tax and Extraordinary Item) of Rs. 85 Mln. as against Rs. 11 Mln. last year. The net profit is Rs. 26 Mln for the year after absorbing the cost of Rs. 62 Mln. associated with the settlement of the Mantralayam Undertaking and the discontinuance of its operations.

The significant events during the year were:

- Sundrop is the largest brand in the premium segment of the Refined Oil Consumer Packs (ROCP) market. The Sundrop resurgence strategy continued to pay dividend this year too. The brand ended the year with a 14% volume growth over the previous year in a market that grew by 4.7%.
- Sundrop Heart, the new variant from the brand stable, was extended nationally. Developed by

company's inhouse R & D, Sundrop Heart has been clinically tested in India by Apollo Health Street Ltd (a part of the Apollo Hospitals Group)

- 'Operation Sunshine', a sales and marketing initiative was undertaken in select markets to drive distribution width. A cost rationalisation and supply chain optimization exercise initiated last year continued to provide gains leading to improvement in margins.
- Crystal, an economy segment brand, grew strongly by 27% over last year. Effort on Crystal is focused in certain key markets.
- Rath delivered strong profit performance driven by cost rationalisation and focus on profitable markets. Volume declined by 9% as unprofitable markets were exited. This decline was lower than the decline of the vanaspati market. Strong focus on profitability helped the brand exceed its profitability target for the year and helped the brand increase gross contribution compared to the previous year.
- The branded atta market continued to be highly competitive and margins were under pressure. Presence of Healthy World Whole Wheat Atta has been restricted to core profitable markets where margins are sustainable.
- Healthy World Sugar Control atta, a unique formulation of wheat and specially grown imported barley was test marketed in Hyderabad. The marketing effort involved establishing direct contact with consumers with high blood sugar and communicating the benefits of the product to them. A doctor contact programme was also undertaken.
- The volume of the ACT II brand grew by 9% over last year. This was fuelled largely by a vending operation which makes hot and fresh popcorn available to consumers at a variety of outdoor locations in the major metros from branded kiosks. Key locations include large multiplexes, cinema theatres, amusement parks and shopping malls. The vending operation, in addition to being a business

opportunity in its own right, provides consumers opportunity to experience and increases the salience of the brand ACT II.

- Butter Pepper, a new flavour in the retail All-In-One popcorn format was introduced in December 2003
- A range of Ready To Eat (RTE) snacks, under the ACT II brand name, is being test marketed in Karnataka and Pune. The new range, which includes differentiated products like Corn Chips and 3-D potato snacks in exciting flavours, was introduced in October 2003. A significant distribution expansion was undertaken in Bangalore and Pune to make the new range available in outlets suitable for such a range. The consumer response to the product has been positive.
- The Bulk & Processed Commodities (BPC) business achieved a 14% increase in turnover and a 32% increase in contribution compared to last year. A good monsoon offered opportunities, which were harnessed. Reduction in export of grains due to changes in Government policy was compensated by increase of domestic operations.
- The BPC segment continues to provide quality raw materials at competitive prices to the Branded Foods business of the company. It has also increased focus on the distribution of packed commodities, a value added business that has the potential to be a key driver of profitability and volume growth. Similarly, the seed crushing operation was further expanded during the year and offers opportunities in the future.

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

Based on feedback from members on the Annual Report and Accounts, this report includes MD&A as appropriate so that duplication and overlap between the Directors' Report and a separate MD&A is avoided and the entire material is provided in a composite and comprehensive document.

INDUSTRY STRUCTURE & DEVELOPMENTS

The year under reference experienced good monsoon after drought in three consecutive years, resulting in smart recovery in the agriculture sector

after a year of negative growth. This accelerated growth in industry, services and exports and led to buoyancy in the economy, apart from improvement in general sentiment. The growth forecast for the economy is expected to be about 8%.

The increase in agricultural production accompanied by steep increase in international and domestic commodity prices meant increase in the income of the farming community. This fuelled growth in the economy as a whole due to higher disposable income in rural India. This shows how monsoon continues to determine the health of the economy of this country.

High commodity prices meant high input costs for the industry, which continued to adopt innovative methods to control costs and ultimate price to the consumer. Therefore, the inflation was managed at below 5% and did not adversely impact growth.

A good monsoon and continued growth oriented policies of the Government will be important for the growth of the economy and the company.

The edible oil sector witnessed significant changes during the year. International markets started an upward price rally from August 2003 and the trend continued unabated till February 2004. The rally in prices in international markets resulted in significant premia on domestic oil, cake and meal, despite increase in the domestic production of major oilseeds to the extent of 59% during 2003-04 over the previous year. Increase in production of rice and coarse grains were also about 20% and 30% respectively.

While increased domestic oilseed production offered opportunity in domestic trade, the element of uncertainty continued due to frequent changes in tariff value on edible oil imports. The import duty difference between sunflower oil and soyabean oil also continued to be 30%.

BUSINESS FOCUS AND DIRECTION

2003-04: A Year of Turnaround

The year under reference started with the threat of imposition of excise duty at 8% on branded oils proposed in the Union budget for the year 2003-04. Fortunately the government responded to representations by the more responsible sections of the edible oils industry and the levy was reduced and also made applicable on all refined oils - whether branded or not.

On a more optimistic note, the key brand Sundrop had withstood the challenges it had faced in the previous year and started growing in volume again as a result of the various actions taken by the business. The brand had also emerged stronger in terms of presence in other oil species and an improved cost structure. It was satisfying to witness the positive results yielded by the initiatives in the market place.

In a declining Hard Fats markets, your company consciously decided to focus on cost cutting and margin improvement. A focused market working also ensured Rath volume decline was lower than overall market decline. The brand achieved its profitability targets.

Recognising the highly price-based nature of competition in the atta market, the company restricted presence of Healthy World atta to only such markets where there was opportunity for sustainable margin. At the same time, focus was brought on higher value-added business of ACT II. Besides expanding the popcorn range, ready-to-eat (RTE) snacks were test marketed under this brand name. It is expected that these moves will positively impact the company's results in the coming years.

The BPC business took several steps during the year to effectively manage commodity risks in a highly volatile environment. It has also initiated steps to move to relatively higher value-added businesses. One area that progressed satisfactorily in the year was seed crushing, which continues to offer opportunities for the future.

Action has also been initiated on streamlining and integrating the supply chain, which has the potential for significant improvement in the efficiency of operations and cost savings for the future.

2004-05 – Looking Ahead

Initiatives implemented during the year have positioned your company for future performance. During the coming year, your company plans to continue to grow its business profitably along the following lines:

Branded Foods Business Sundrop

Your Company plans to further expand its branded oils business by building on the success achieved during 2003-04. The plan is to grow Sundrop and

further strengthen its brand equity by focusing on the various offerings under the brand. It will remain the most profitable offering in the branded edible oils category.

Crystal

Besides retaining a dominant position in the premium segment of the edible oils market with Sundrop, it is important for the business to have a viable presence in the growing popular priced segment through Crystal. The strategy combining the sourcing and wholesale market capabilities of the Bulk and Processed Commodities business and the retail distribution and marketing strengths of the Branded Foods business has yielded results. Part of this strategy is to build preference for the brand through targeted marketing activities in key markets.

Rath

Your company has focused on cost reduction to contain prices and promotional activities to strengthen consumer loyalty enjoyed by Rath in its core markets. In view of declining trend in the Vanaspati market, it is intended to continue with this strategy.

Healthy World

The focus will be on developing a range of value added products offering health and nutrition benefits under the Healthy World brand. Healthy World Sugar Control atta, a unique formulation of wheat and specially grown imported barley aimed at consumers who need to control the level of sugar in their blood, was test marketed in Hyderabad. Other products offering similar benefits are also planned.

ACT II

The vending operation of ACT II popcorn will be further strengthened and expanded. The test market of RTE snacks under ACT II has proved to be a learning experience for the company. The business has started working on the learnings as plans are formulated to move into newer geographical markets.

Bulk and Processed Commodities Business

The BPC business sees potentials as the forecast for the coming year's monsoon is positive while international commodity prices continue to be friendly. Learnings from domestic operations during the year gone by will be harnessed to grow volumes profitably. Distribution of packed

commodities will be strengthened to build sustainable markets. The business is also looking at other opportunities for value added operations to build a foundation for future growth.

Sourcing of quality raw materials at competitive prices for the branded business will continue to be a focus area. To this end, the seed crushing operation will be a source of strength.

Management of commodity risk will continue to receive due attention. The government's encouragement to develop commodity exchanges is expected to help achieve this objective.

Building for Future

Besides the efforts undertaken by each of the businesses, your company will also focus on the following initiatives to improve performance in the short term and enhance prospects for future profitable growth:

1. IT Initiative

Your company has successfully implemented a business driven IT strategy that brings together people, processes and technology to support businesses in achieving their profitability and growth objectives. After implementation of Phase-I of its IT strategy by June 2002, your company completed Phase-II of its IT strategy during the year gone by. This included providing solutions to integrated supply chain initiatives, enabling optimum utilization of Oracle functionalities for materials planning, scheduling and product costing. Your company revisited and optimized the connectivity platform for the enterprise. Your company also successfully implemented its corporate web site for providing information about your company, products, corporate functions, company financials for the benefit of the public and the shareholders.

2. Integrated Supply Chain Initiative and Project LINK

Project LINK is a company-wide end-to-end supply chain integration project covering all businesses. It seeks to streamline the supply chain and improve customer service. Initial results have demonstrated the potential of the project. Project LINK has been introduced in the larger sales regions for key dealers and will

be further extended during the coming year to other dealers and sales regions.

3. Manufacturing Strategy

Your company's manufacturing strategy is based on leveraging co-packer manufacturing facilities across the country for its various products. As such, the strength and efficiency of the network of co-packers is a very important part of the company's competitive ability.

4. Quality Assurance

Given our chosen manufacturing strategy, ensuring quality of our products requires new and innovative approaches. A system of rating our co-packers and also measuring quality – both at the manufacturing location as well as through the supply chain, has been put in place. Training of the various key resources involved is also an important part of this initiative.

5. Value Analysis

The in-depth review of cost structure benchmarked against the most efficient competitors was extended to other product areas during the year. It is intended that periodic benchmarking will help keep the business cost-efficient in this highly competitive industry.

6. Human Resources

To deliver competitive advantage to the businesses by leveraging human capital, your company continues to focus on attracting and retaining the best talent. It has undertaken various training, development and other initiatives to enhance employee skills with sharper focus on performance, improved two-way communication and developing leadership capabilities.

ADVANTA INDIA LTD.

In compliance with Accounting Standard 21 and 27 on Consolidated Financial Statements and Financial Reporting of interests in Joint Ventures issued by the Institute of Chartered Accountants of India the results of Advanta India Ltd in which your Company holds 50% equity have been consolidated.

SEGMENT WISE PERFORMANCE

As mentioned earlier, your company has identified two segments in line with Accounting Standard on Segment Reporting (AS-17). These are:

- **Branded Foods**, which includes products sold under the brands of Sundrop, Crystal, Rath, Sudham, Healthy World and Act II, and
- **Bulk & Processed Commodities**, which includes oils, grains and other commodities procured, processed and distributed by the Commodity Sourcing & Exports operation of the company.

The audited financial results of these segments for the year ended March 31, 2004 are:

Segment-wise Revenue, Results and Capital Employed

(Rs. Millions)

Sl No	Particulars	2003-04	2002-03
1	Segment Revenue		
	a) Branded Foods	5,528	5,035
	b) Bulk & Processed Commodities	9,375	8,255
		14,903	13,290
	Less: Inter Segment Revenue	2,299	2,154
	Sales/Income from Operations	12,604	11,136
2	Segment Results		
	Profit/Loss before Tax and interest from each segment		
	a) Branded Foods	113	55
	b) Bulk & Processed Commodities	119	90
		233	145
	Less:		
	i) Interest (Net)	54	79
	ii) Other Un-allocable Expenditure net off un-allocable Income	93	55
	Total Profit Before Tax	85	11
3	Capital Employed		
	Segment Assets-Segment Liabilities		
	a) Branded Foods	240	312
	b) Bulk & Processed Commodities	402	258
	c) Other unallocable net assets	114	125
	Total Capital Employed	756	695

INTERNAL CONTROL SYSTEMS AND ADEQUACY

Your Company is committed to maintaining high standards of internal controls designed to provide accuracy of information, efficiency of operations and security of assets.

The Company has an adequate system of internal controls commensurate with the size and nature of its operations, to ensure orderly and efficient conduct of business. These controls ensure the safeguarding of assets, prevention and detection of fraud and error, accuracy and completeness of the accounting records, timely preparation of reliable financial information and adherence to companies policies, procedures and statutory obligations.

The Company has reappointed Deloitte Haskins & Sells as its Internal Auditor to ensure the adequacy of internal control systems and make recommendations thereto. Audit reports are circulated to management, which takes prompt action as necessary.

The Audit Committee of the Board meets periodically to review the performance as reported by Auditors. The External Auditors also attend the meetings and convey their views on the adequacy of internal control systems as well as financial disclosures. The Audit Committee also issues directives and/or recommendations for enhancement in scope and coverage of specific areas, wherever felt necessary.

CAUTIONARY STATEMENT

Statements in this Directors' Report and Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results may differ materially from those either expressed or implied.

DIVIDEND

In view of the carry-forward losses, your Directors are unable to recommend any dividend this year.

DIRECTORS

Shri Ian F. Troop was appointed as Director and Chairman with effect from June 24, 2003 in place of Shri Larry A. Carter, pursuant to the provisions of Section 262 of the Companies Act, 1956 and Article 129 of the Articles of Association of the Company.

Shri Derek L. Briffett was appointed as a Director with effect from May 12, 2004 in place of Shri Mike Sullivan, pursuant to the provisions of Section 262 of the Companies Act, 1956 and Article 129 of the Articles of Association of the Company.

They hold office upto the date of the ensuing Annual General Meeting. Notices together with the deposits, as required under Section 257 of the Companies Act, 1956 have been received from Members proposing the appointment of Messers Ian F. Troop and Derek L. Briffett as Directors of the Company at the Annual General Meeting. A brief profile of these Directors is given in the notice of the 17th Annual General Meeting.

In accordance with the provisions of Article 143 of the Articles of Association of the Company, Lt. Gen. D.B. Singh and Shri K. Vaidyanath retire by rotation and being eligible, offer themselves for re-appointment. A brief profile of these Directors is given in the notice of the 17th Annual General Meeting.

The Directors place on record their appreciation of the valuable services rendered and wise counsel given by Shri Mike Sullivan during his tenure of Office as a Director.

Shri Tushar Chudgar has been re-appointed as the Wholetime Director. The proposal regarding his re-appointment as Wholetime Director and payment of remuneration to him in accordance with Schedule XIII of the Companies Act, 1956 is placed for your approval.

AUDITORS

M/s. Lovelock & Lewes, Chartered Accountants, Statutory Auditors of your Company, hold office until the conclusion of the Seventeenth Annual General Meeting and are recommended for re-appointment. The Company has received a certificate from them to the effect that their reappointment, if made, would be within the limits prescribed under Section 224 (1) of the Companies Act, 1956.

DE-LISTING OF SHARES

The Board of Directors sought to de-list its shares from the Hyderabad Stock Exchange (being the Regional Stock Exchange) and the Kolkata Stock Exchange Association Ltd, as the shares of the company are actively traded at the Stock

Exchange, Mumbai and the National Stock Exchange, having nationwide terminals under the provisions of the Securities and Exchange Board of India (De-Listing of Securities) Guidelines, 2003. Approval from the Hyderabad Stock Exchange has been received, and the same is awaited from the Kolkata Stock Exchange.

CORPORATE GOVERNANCE

In terms of the Listing Agreements, a report on Corporate Governance along with the Auditors' Report on its compliance is annexed, forming part of the Annual Report.

RESPONSIBILITY STATEMENT

The Directors confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- (ii) that 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 and of the profit or loss of the Company for that period;
- (iii) that they have taken proper and sufficient care for 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;
- (iv) that they have prepared the annual accounts on a going concern basis.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, EXPORTS & FOREIGN EXCHANGE EARNINGS AND OUTGO AND PARTICULARS OF EMPLOYEES.

A Statement giving details of conservation of energy, technology absorption, exports and foreign exchange earnings and outgo in accordance with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, as required under section 217(1)(e) of the Companies Act, 1956, together with particulars of Employees as required under Section 217 (2A) of

the Companies Act, 1956 is attached and forms part of this report.

SUBSIDIARY COMPANY

There has been no business activity during the year by Heera Seeds Trading and Warehousing Limited, a subsidiary of your company.

ACKNOWLEDGEMENTS

The Board places on record their appreciation of the contribution of employees at all levels, customers, co-packers, suppliers and all other stakeholders towards the performance of the company during the year under review.

Utpal Sen Gupta
President

On behalf of the Board

Lt. Gen. D.B. Singh
Director

Dated: 12th May, 2004

Tushar Chudgar
Wholetime Director

ANNEXURE TO DIRECTORS' REPORT

Information under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 and forming part of Directors' Report.

CONSERVATION OF ENERGY

FORM A

Form for disclosure of particulars with respect to conservation of energy

	For the year 1st April, 2003 to 31st March, 2004	For the year 1st April, 2002 to 31st March, 2003
A. Power and fuel consumption		
1. Electricity		
a) Purchased		
Units (in 000's)	933.13	2580.19
Total Amount (Rs.Millions)	4.44	12.33
Rate/Unit (Rs.)	4.76	4.78
b) Own Generation		
i) Through diesel generator		
Units (in 000's)	49.58	136.22
Units per ltr. of diesel oil	3.70	3.14
Cost/Unit(Variable)-(Rs.)	5.65	6.06
ii) Through Steam turbine/generator		
Units	N/A	N/A
Units per ltr. of fuel oil/gas		
Cost/Unit		
2. Coal		
Quality 'E' & 'Steam Coal', used in Boiler for Steam Generation		
Quantity(tonnes)	1,972.01	1,840.38
Total Cost (Rs.Millions)	6.13	5.67
Average Rate per tonne (Rs.)	3.109.41	3,082.94
3. Paddy Husk		
Quantity(tonnes)	-	6,510.65
Total Cost (Rs.Millions)	-	11.44
Average Rate per tonne (Rs.)	-	1,757.29
4. Others/Internal Generation		
Quantity		
Total Cost	N/A	N/A
Rate/Unit		

B. Consumption per tonne of Refined Edible Oils

	Standards (if any)	For the year 1st April, 2003 to 31st March, 2004	For the year 1st April, 2002 to 31st March, 2003
Electricity	(KWH)	76.19	110.46
Coal ('E' Grade & Steam Coal)	(Tonne)	0.15	0.13
Husk	(Tonne)	—	0.60

FORM B

Form for disclosure of particulars with respect to absorption

Research and Development (R & D)

1. Specific Areas in which R & D carried out by the Company : — Development of Sugar Control Range – Biscuits, Sooji
— Development of new flavours for ACT II Popcorn & RTE Snacks
— New Packaging development.
2. Benefits derived as a result of the above R&D : — Launch of Butter Pepper, a variant of ACT II Popcorn, nationally.
— Test launch of RTE Snacks – Corn chips, Potato Hearts
— Reduction in packing material cost and damages.
3. Future plan of action : — Extend Sugar Control Range – Soups, Daliya
— Extend RTE flavours

Rs. Millions

4. Expenditure on R & D
 - a) Capital 0.01
 - b) Recurring 5.68
 - c) Total 5.69
 - d) Total R & D expenditure as percentage of Turnover 0.05%

Technology Absorption, Adaptation and Innovation

1. Efforts in brief, made towards technology absorption and innovation : — Scrapped surface crystallisation
2. Benefits derived as a result of the above effort : — New Product as speciality fats for Bakery applications.
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year)
 - a) Technology Imported
 - b) Year of Import
 - c) Has technology been fully absorbed
 - d) If not fully absorbed, areas where this has not taken place and future plans of action

Not applicable

FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Activities relating to Exports : Export of Rice and Soya meal continued and Wheat export were started during the year
2. Initiatives taken to increase Exports and development of new export market for products and Services and export plans. : With Government policy of promoting export of Wheat/ Rice, prospective markets and customers were contacted to utilise company's expertise in these items.

Rs. Millions

3. Total Foreign Exchange	
Earnings: Exports	335.46
Others	12.79
	<hr/>
	348.25
Outgo: CIF Value of Imports	1,425.45
Foreign Travel	0.60
Interest/Finance charges	5.99
Software Licences	2.91
Others	9.51
	<hr/>
	<u>1,444.46</u>

On behalf of the Board

Utpal Sen Gupta
President

Lt. Gen. D.B. Singh
Director

Tushar Chudgar
Wholetime Director

Dated: 12th May, 2004

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY

Agro Tech Foods Limited's philosophy is to be one of the top three food companies in India.

This will be made possible by offering superior value to customers with relevant quality products and services by:

- Building/acquiring Strong profitable brands and businesses
- Using World class systems and processes
- Leveraging Infrastructure, expertise and scale
- Operating across the Food chain and
- Building an organization where capable and motivated Teams / individuals thrive in a **POWER** (Performance-oriented, Open, Willing to innovate, Empowered and Rewarding) Culture.

In so far as compliance with the requirement of Clause 49 of the Listing Agreement with the Indian Stock Exchanges is concerned, the Company is in full compliance with the norms and disclosures that have to be made on Corporate Governance format.

2. BOARD OF DIRECTORS

A. Composition of the Board:

The composition of the Board of Directors of the Company is in conformity with the Code of Corporate Governance under the Listing Agreement with the Indian Stock Exchanges. Details of the Board of Directors and their directorships/memberships in Committees of other companies (excluding Agro Tech Foods Ltd and foreign Companies) are as under:

S. No	Name of Director	Category of Director	No. of Directorships in other companies		Committee Memberships	
			Chairman	Member	Chairman	Member
Non-Executive Directors						
1	Mr. Ian F. Troop *		-	-	-	-
2	Mr. Larry Carter **		-	-	-	-
3	Mr. Howard G. Buffett	Independent Director	-	-	-	-
4	Lt. Gen. D.B. Singh	Independent Director	-	-	-	-
5	Mr. R.V. Smither		-	-	-	-
6	Mr. N. Srinivasan	Independent Director	-	2	-	-
7	Mr. Mike Sullivan ***		-	-	-	-
8	Mr. Rajiv Tandon		-	5	3	-
9	Mr. K. Vaidyanath		4	5	2	6
Executive Director						
10	Mr. Tushar Chudgar		-	-	-	-

Independent Director means a Director who, apart from receiving a Director's remuneration, does not have

any other material pecuniary relationship or transactions with the Company, its promoters, its management, or its subsidiaries, which in the judgement of the Board may affect the independence of judgement of the Director.

None of the Directors is a member of more than ten Board – level Committees or a Chairman of more than five such Committees, as required under Clause 49 of the Listing Agreement.

- 1, 5, Representing interests of CAG-Tech (Mauritius) Limited in the company.
- 6 Representing interests of CDC Group Plc (formerly Commonwealth Development Corporation) in the company.
- 8, 9 Representing interests of ITC Affiliates in the company.
- 10 Wholetime Director
- 1* Appointed as Director and Chairman w.e.f. 24th June, 2003 in the casual vacancy caused by the resignation of Mr. Larry A. Carter.
- 2** Resigned as Director and Chairman w.e.f. 31st March, 2003 accepted at the Board Meeting held on 24th June, 2003.
- 7*** Resigned as Director w.e.f. the close of business hours of 24th June, 2003.

Alternate Directors

S. No	Name of Director	No. of Directorships in other companies		Committee Memberships	
		Chairman	Member	Chairman	Member
Non-Executive Directors					
1	Mr. S. Sivakumar (Alternate for Mr. K. Vaidyanath)	-	2	-	-
2	Mr. Benedicto C. Sison (Alternate)*	-	1	-	-
2 *	Alternate for Mr. R.V. Smither (for the Board Meeting held on 8 th May, 2003).				

B. Number of Board Meetings held in Financial Year 2003-2004 with dates and attendance of Directors:

Five Board Meetings were held during the Financial Year 2003-2004. They were held on 8th May, 2003, 24th June, 2003, 30th July, 2003 31st October, 2003 and 28th January, 2004.

The attendance record of each Directors was as under:

S. No.	Name of Director	No. of Board Meetings attended	Attendance at last AGM
1	Mr. Ian F. Troop *	1	Yes
2	Mr. Larry Carter **	-	-
3	Mr. Howard G. Buffett	1	No
4	Lt. Gen. D.B. Singh	5	Yes
5	Mr. R.V. Smither	-	No
6	Mr. N. Srinivasan	4	Yes
7	Mr. Mike Sullivan ***	1	No
8	Mr. Rajiv Tandon	4	No
9	Mr. K. Vaidyanath	-	No
10	Mr. Tushar Chudgar	5	Yes

- 1* Appointed as Director and Chairman w.e.f. 24th June, 2003 in the casual vacancy caused by the resignation of Mr. Larry A. Carter.
- 2 ** Resigned as Director and Chairman w.e.f. 31st March, 2003 accepted at the Board Meeting held on 24th June, 2003.
- 7 *** Resigned as Director w.e.f. the close of business hours of 24th June, 2003.

Alternate Directors

S. No.	Name of Director	No. of Board Meetings attended	Attendance at AGM
1	Mr. S. Sivakumar (Alternate for Mr. K. Vaidyanath)	2	No
2	Mr. Benedicto C. Sison (Alternate)*		

*Alternate for Mr. R.V. Smither (for the Board Meeting held on 8th May, 2003)

Information to be made available to the Board

Among others, this includes:

- Review of annual operating plans of business, capital budgets, updates.
- Quarterly results of the Company and its operating divisions or business segments.

- Minutes of meeting of audit committee and other committees.
- Information on recruitment and remuneration of senior officers just below the Board level including appointment or removal of Chief Financial Officer and the Company Secretary.
- Materially important show cause, demand, prosecution and penalty notices.
- Fatal or serious accidents or dangerous occurrences.
- Any materially significant effluent or pollution problems.
- Any materially relevant default in financial obligations to and by the Company or substantial non-payment for goods sold by the Company.
- Any issue which involves possible public or product liability claims of a substantial nature including any judgement or order which, may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that can have negative implications on the company.
- Details of any joint venture or collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- Significant labour problems and their proposed solutions.
- Significant development on human resources and industrial relations fronts. Sale of material nature of investments, subsidiaries, assets, which is not in the normal course of business.
- Quarterly details of foreign exchange exposure and the steps taken by management to limit the risks of adverse exchange rate movement and Non-compliance of any regulatory or statutory provision or listing requirements as well as shareholder services such as non-payment of dividend and delays in share transfer.
- The Board of Agro Tech Foods Limited is/will be routinely presented with all information under the above heads whenever applicable and materially significant. These are/will be submitted either as part of the agenda papers well in advance of the Board meetings or are/will be tabled in the course of the Board Meetings.

3. AUDIT COMMITTEE

A. Composition:

The Company's Audit Committee comprises of 5 Directors, all are non-executive and majority being Independent Directors. Mr. N. Srinivasan an Independent Director is the Chairman of the Committee while Mr. Howard G. Buffett, Lt. Gen. D.B. Singh, Mr. R.V. Smither and Mr. Mike Sullivan (currently vacant) are its Members. The Company Secretary acts as the Secretary to the Committee. The Assistant Vice President and C.F.O., the Internal Auditors and the Statutory Auditors attend the Meetings by invitation.

The Committee met 4 times during the year 2003-2004 on 8th May, 2003, 30th July, 2003, 31st October, 2003 and 28th January, 2004.

The attendance record of each Director was as under:

S. No	Name of Director	No. of Meetings attended
1	Mr. Howard G. Buffett	1
2	Lt. Gen. D.B. Singh	4
3	Mr. R.V. Smither	-
4	Mr. N. Srinivasan	4
5	Mr. Mike Sullivan* (currently vacant)	1

* Resigned w.e.f. close of business hours of 24th June, 2003.

Permanent Invitees

Mr. Arvind Ahuja, Assistant Vice President and C.F.O.

B. Brief description of terms of reference:

1 Role of the Audit Committee

The Audit Committee performs the following functions:

- (a) 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.
- (b) Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.

- (c) Reviewing with management the annual financial statements before submission to the board.
- (d) Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- (e) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- (f) Discussion with internal auditors any significant findings and follow up thereon.
- (g) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- (h) Discussion with external auditors before the audit commences nature and scope of audit as well as have post audit discussion to ascertain any area of concern.
- (i) Reviewing the company's financial and risk management policies.
- (j) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors, if any.
- (k) Reviewing any other areas which may be specified as role of the Audit Committee under amendments, if any, to the Listing Agreements, Companies Act and other statutes.

4. REMUNERATION COMMITTEE

No separate remuneration committee has been constituted during the year. Matters of remuneration of Executive Director is considered by the Board of Directors of the Company with the interested Executive Director, not participating or

voting. The terms of remuneration of Executive Director is approved by the shareholders at the Annual General Meeting.

Remuneration policy:

The Wholetime Director and Secretary is paid remuneration as per the terms approved by the Board of Directors of the Company and approved by the shareholders of the Company and subject

to such other statutory approvals as may be necessary. The remuneration of the Wholetime Director and Secretary comprises of salary, perquisites and allowances, contributions to provident fund and superannuation and gratuity.

Remuneration paid/payable to Wholetime Director for the year ended 31st March, 2004:

Name of the Director	Sitting Fees (incl. Committee Meetings)	Salary	Contribution to PF & other funds	(in Rupees)	
				Other perquisites & allowances	Total
Mr. Tushar Chudgar	Nil	4,49,622	1,43,879	4,73,911	10,67,412

The Company does not have any stock option scheme.

As such the Company currently does not pay any remuneration including sitting fees to its Non-Executive Directors. The Company had after obtaining approval from its shareholders at the AGM held on 30th July '02 applied to the Central Government for payment of remuneration to its Non-Executive Independent Directors. In absence of clear-cut policy/guidelines for payment of remuneration by loss making Companies approval has not been forthcoming. The Company is proposing to pay sitting fees to its Non-Executive Independent Directors as permitted by the provisions of the Companies Act, 1956.

queries in relation to transfer of shares, non-receipt of Balance Sheets, declaration of dividends, approval of sub-division, consolidation, transmission and issue of duplicate shares.

The Committee met two times, however, all queries have been resolved to the satisfaction of the shareholders / investors. The Committee focus on the strengthening of investor relations.

Mr. Tushar Chudgar, Company Secretary has been designated as the Compliance Officer.

5. COMMITTEE FOR THE SHAREHOLDERS

A. Share Transfer Committee

The present members of the Committee are the Company Secretary and Mr. Raghunathan, Director of Sathguru Management Consultants Pvt. Ltd., the Registrars and Share Transfer Agents. Committee met 24 times during the year 2003-2004. All the applications for share transfers received during the year 2003-2004 have been approved.

Investor Communications:

The Company received 137 communications during the financial year ended 31st March, 2004 and none of the communications received were pending as on that date.

	Received	Redressed	Pending
Shareholders/Investors	133	133	Nil
Stock Exchanges	Nil	N\A	N\A
Securities & Exchange Board of India	Nil	N\A	N\A
Depositories	Nil	N\A	N\A
Court/Department of Company Affairs/Custodians	4	4	Nil
Total	137	137	Nil

B. Shareholders/Investor Grievances Committee

The Committee comprises of two Independent Directors and one Executive Director. Mr. N.Srinivasan is the Chairman and Lt. Gen D.B. Singh and Mr. Tushar Chudgar, are other members of the Committee. The terms of reference are to review and redress the shareholders' and investors grievances and

The Company has attended to the shareholders/ investors grievances/ correspondence generally within a period of 7 to 10 days except in cases where constrained by disputes of legal impediments.

Nature of Communications

	No. of Communica- tions	% of Communica- tions
Non-receipt of Dividend Warrants	3	2
Transfer of Shares	-	-
Transmission of shares	-	-
Non-receipt of share Certificates	5	4
Issue of Duplicate share Certificates	-	-
Dematerialisation of shares	18	13
Others (see note below)*	111	81
Total	137	100

* This includes:

- Exchange of Share certificate due to change of name.
- Disposing of shares
- Non-receipt of interest on debentures
- Non-receipt of Annual Report
- Procedure for Deletion of name
- Address of the company
- Procedure for demat of shares
- Enquiry about stamp affixing
- Procedure for transfer of shares
- Procedure for transmission of shares
- Procedure for consolidation/split of shares
- Address of registrar & transfer agents

As mentioned earlier in this chapter, the Company has constituted a Shareholders/Investors Grievances Committee for redressing shareholders and investors complaints. The status on compliance is reported to the Shareholders/Investors Grievances Committee as an agenda item.

Legal Proceedings

There are some pending cases relating to disputes over title to shares, in which the Company has been made a party. These cases are however not material in nature.

6. GENERAL BODY MEETINGS

Annual General Meetings

The Annual General Meetings of the shareholders of the Company for the last three years were held as under:

Year	Venue	Date	Time
2001	Hari Hara Kala Bhavan MCH Complex & Auditorium Sarojini Devi Road/ Sardar Patel Road Secunderabad - 500 003, A.P.	31st July, 2001	10.30 AM
2002	Hari Hara Kala Bhavan MCH Complex & Auditorium Sarojini Devi Road/ Sardar Patel Road Secunderabad - 500 003, A.P.	30th July, 2002	10.00 AM
2003	House of Windsor-I Viceroy Convention Centre Opp. Hussain Sagar Lake Tank Bund Road Hyderabad - 500 080, A.P.	30th July, 2003	10.30 AM

The resolutions at the above Annual General Meetings (AGM) were passed by requisite majority/ unanimously.

Special Resolutions related to:

Year

- 2003 De-list equity shares of Company from the Stock Exchanges Hyderabad and Kolkata.
- 2002 Alteration of Articles of Association.
- 2001 Re-appointment of Wholetime Director.

No special resolution requiring a postal ballot was placed before the last Annual General Meeting. Also, no special resolution requiring a postal ballot is being placed at the ensuing Annual General Meeting.

7. DISCLOSURES

Materially significant related party transaction which may have potential conflict with the interests of the Company at large.

Related Party Transactions:

	For the year ended March, 2004 Rs. Millions	For the year ended March, 2003 Rs. Millions
1. Subsidiary Company Heera Seeds Trading and Warehousing Ltd.		
Expenses incurred on behalf	0.02	0.01
Year end balance - payable	14.79	14.82
2. Companies - CAG-Tech (Mauritius) Ltd Holding Company - ConAgra Inc, USA Group having significant influence - Lamb Weston Meijer & Inc - Advanta India Limited Associate		
Transactions with ConAgra Inc, USA Group		
- Purchase of materials	16.89	3.28
- Recovery of expenses	3.66	6.68
- Income earned on services rendered	3.70	-
Year end balances		
- Receivable	6.19	-
- Payable	-	1.56
Transactions with Lamb Weston Meijer & Inc		
- Purchase of materials	23.49	6.93
Year end balances		
- Payable	3.84	1.57
Transactions with Advanta India Limited - Associate		
- Dividend received	23.63	-
Year end balances		
- Payable	0.04	0.04
3. Key Management Personnel Wholtime Director - Mr. Tushar I. Chudgar		

Other Key Management
Personnel

Mr. Utpal Sen Gupta
Mr. Ravi Krishnamoorthy
Mr. Sachidanand Madan
Mr. Govind Ambady
Mr. K.S. Shyam
Mr. Arvind Ahuja

Loans advanced during the year	0.03	0.31
Loans repayments received	6.60	0.02
Interest received during the year	0.19	0.51
Remuneration	28.05	26.30

Details of non-compliance, penalties or structures imposed on the Company by the Stock Exchanges/SEBI/Statutory authority, on any matter relating to the capital markets, during the last three years.

None.

Pecuniary relationships or transactions with the Non-Executive Directors.

None.

8. MEANS OF COMMUNICATION

Half-Yearly report to shareholders, Quarterly Results, Newspaper in which published, Website etc.

The Quarterly, Half-Yearly and Annual Results are generally published by the Company in Hyderabad editions of the Business Standard and Andhra Bhoomi. The Half-Yearly reports are not sent to the household of shareholders. W.e.f. QE 31st December, 2003 the results are being posted on the Company's website

"www.atfoods.com"

Management Discussion and Analysis Report

This is forming part of the Directors Report.

9. GENERAL SHAREHOLDER INFORMATION

A. Annual General Meeting

Date and Time	:	27th July, 2004 at 10.00 AM
Venue	:	House of Windsor-I Viceroy Convention Centre Opp. Hussain Sagar Lake Tank Bund Road, Hyderabad – 500 080 Andhra Pradesh.

B. Financial Year 2004-2005

First quarter results	:	July, 2004
Half yearly results	:	October, 2004
Third quarter results	:	January, 2005
Annual results	:	May, 2005

C. Directors Biographical Data

: Given in Annual General Meeting Notice and Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956 and the Listing Agreements. Particulars of Directorship of other companies and Memberships of other Committees are given in the Annexure hereto.

D. Dates of Book Closure

: 23rd to 27th July, 2004 (both days inclusive)

E. Dividend payment date

: N.A.

F. Listing on Stock Exchanges

: The Company's equity shares are listed on Mumbai, Kolkata (application made for delisting but awaiting approval) and National Stock Exchange. The listing fees for the year 2004-2005 have been paid to Mumbai and National Stock Exchanges.

The Company's equity shares have been de-listed from Hyderabad Stock Exchange w.e.f. 2nd December, 2003 and as already mentioned above it is awaiting approval from Kolkata Stock Exchange for de-listing.

G. Stock Code

	Stock Exchange	Code
CSE	Physical	019057
	Demat	10019057
BSE	Scrip code	500215
	Co. code	1311
NSE	Scrip Code	ATFL
	Series	EQ – Rolling Settlement

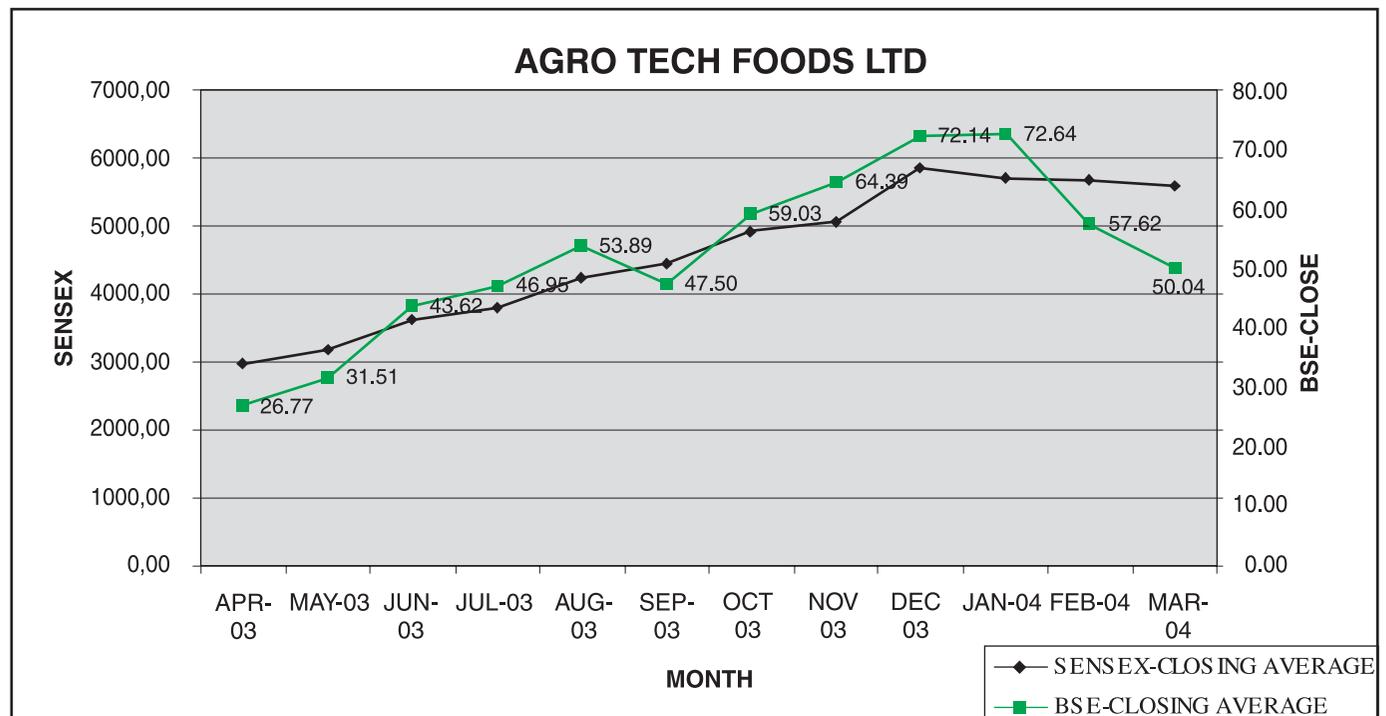
H. Stock Price data:

(in Rupees)

Month	Mumbai Stock Exchange		National Stock Exchange *	
	High	Low	High	Low
April, 2003	29.00	24.00	29.90	24.50
May, 2003	36.90	25.50	37.00	24.90
June, 2003	52.95	34.75	52.50	35.00
July, 2003	54.80	41.15	54.25	41.00
August, 2003	62.00	44.60	62.00	44.50
September, 2003	57.40	42.00	55.60	41.50
October, 2003	72.40	43.50	73.00	43.65
November, 2003	73.50	57.40	74.50	58.20
December, 2003	86.20	66.00	86.45	66.55
January, 2004	92.60	57.15	93.00	58.10
February, 2004	62.95	53.10	62.90	53.25
March, 2004	57.75	44.85	58.70	44.60

* Source: Business Line

I. Stock Price data:



* Source: Business Line

J. Registrars and Share Transfer Agents

The Company's equity shares being in compulsory demat list are transferable through the depository system for which the Company has established connectivity through M/s.Sathguru Management Consultants Private Limited, Plot No.15,Hindi Nagar,Behind Shirdi Saibaba Temple, Punjagutta, Hyderabad - 500 034 and they are the Registrars & Transfer Agents (Both Physical and Depository).

K. Share Transfer System

The applications for transfer of shares received by the Company in physical form are processed and registered within 20 days of receipt of the documents valid in all respects. After such processing, the option of simultaneous dematerialisation of the shares is provided to the shareholders till 10th February, 2004 by which date SEBI has withdrawn the circular sending option letters to shareholders. Shares under objection are returned within a week's time. The Share Transfer committee meet generally once in 2 weeks to consider the transfer applications and other proposals to transmission, etc.

L. Shareholding Pattern

The distribution of shareholding as on 31st March,2004 was as under:

Range	No. of shareholders	% of total shareholders	No. of shares held	% of shareholding
1 - 500	15,241	93.17	18,43,840	7.58
501 - 1000	565	3.45	4,56,712	1.87
1001 - 2000	271	1.66	4,07,523	1.67
2001 - 3000	89	0.54	2,26,743	0.93
3001 - 4000	46	0.28	1,68,473	0.69
4001 - 5000	41	0.25	1,96,482	0.81
5001 - 10000	42	0.26	3,04,941	1.25
10000 - Above	63	0.39	2,07,64,550	85.20
TOTAL	16,358	100.00	2,43,69,264	100.00

The categories of Shareholding as on 31st March,2004 was as under:

Category	No. of shares held	% of shareholding
CAG - Tech (Mauritius) Limited	1,25,00,000	51.29
ITC Affiliates	40,85,800	16.77
CDC Group Plc	2,56,841	1.06
Non-resident individuals/FIIs/OCBs	39,320	0.16
Bank/Financial Institutions, Insurance Companies and Mutual Funds	7,09,742	2.91
Directors and their relatives	—	—
Other Bodies Corporates	9,71,851	3.99
General Public	58,05,710	23.82
Total	2,43,69,264	100.00

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

: Not Applicable

M. Dematerialisation of Shares

The equity shares of the Company which are in compulsory demat list with effect from 26th June, 2000 are available for trading under National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The International Securities Identification Number allotted to the Company's equity shares is INE209A01019. As on date, a total of 1,09,55,427 equity shares forming 44.95 % of the total paid up equity share capital of 2,43,69,264 stands dematerialised. All requests for dematerialisation of shares are processed within the time frame of 1 - 4 days time.

N. Plant Locations

Manufacturing Facilities (Leased Units) :

- i) Premier Soya Oil Limited
100, Industrial Area
Jhotwara
Jaipur - 302012.

O. Address for correspondence

The addresses for correspondence are as under:

For both Physical and electronic form :

Sathguru Management Consultants Pvt.Ltd.
Plot No.15, Hindi Nagar,
Behind Sirdi Saibaba Temple, Punjagutta,
Hyderabad - 500 034.
Phone: 040-23356507 / 23356975 / 23350586
Fax: 040-23354042
Email: sta@sathguru.com

For any other matter and unresolved Complaints :

In addition to our Registrars, shareholders can contact the Registered Office of the Company and contact person name is given below:
Mr. Tushar Chudgar
Director & Secretary
Agro Tech Foods Limited
31, Sarojini Devi Road,
Secunderabad - 500 003.
Phone: 040-27801205 / 55333444 / 55650350
Fax: 040-27800947
Email: tushar.chudgar@atfoods.com

Compliance with Non-mandatory requirements

i) Chairman of the Board

The present Chairman of the Board is foreign national and non-executive Director. The expenses in connection with his official visits to India are paid for by the Company he is employed with i.e. ConAgra Foods Retail Products Company – International Foods Group.

ii) Remuneration Committee

No formal Remuneration Committee has been constituted during the year by the Board of Directors.

iii) Shareholder rights

The Company publishes its half yearly financial results in leading newspapers such as the Business Standard and Andhra Bhoomi (Hyderabad editions). The Half-Yearly reports are not sent to the household of shareholders. W.e.f. QE 31st December, 2003 the results of the Company are being posted on the Company's website: www.atfoods.com

iv) Postal Ballot

No special resolution requiring a postal ballot was placed before the last AGM. Similarly no special resolution requiring a postal ballot is being proposed at the ensuing AGM.

Auditor's Certificate on Corporate Governance

As required by Clause 49 of the Listing Agreement with the Stock Exchange the Auditor's Certificate is given as an annexure to this Report.

ANNEXURE

PARTICULARS OF DIRECTORSHIPS OF OTHER COMPANIES INCLUDING FOREIGN COMPANIES AND MEMBERSHIPS OF OTHER COMMITTEES

S.No	Name of the Director	Other Directorships		Other Committee Memberships		
		Name of the Company	Position	Name of the Company	Committee	Position
Non-Executive Directors						
1	Mr. Ian F. Troop *	-Nil-	-Nil-	-Nil-	-Nil-	-Nil-
2	Mr. Larry Carter **	-Nil-	-Nil-	-Nil-	-Nil-	-Nil-
3	Mr. Howard Buffett	-Nil-	-Nil-	-Nil-	-Nil-	-Nil-
4	Lt. Gen. D.B. Singh	-Nil-	-Nil-	-Nil-	-Nil-	-Nil-
5	Mr. R.V. Smither	ICS Holdings Ltd.	Director	-Nil-	-Nil-	-Nil-
		Sea Harvest Corporation Ltd.	Director			
		Oceana Group Ltd.	Director			
		Tiger Food Brands Ltd.	Director			
		The Spar Group Ltd.	Director			
		Empresas Carozzi, SA	Director			
		Tiger Brands Ltd.	Director			
6	Mr. N. Srinivasan	Chamundi Textiles (Silk Mills) Limited	Director	-Nil-	-Nil-	-Nil-
		Nila Bauart Engineering Ltd.	Director	-Nil-	-Nil-	-Nil-
7	Mr. Mike Sullivan ***	-Nil-	-Nil-	-Nil-	-Nil-	-Nil-
8	Mr. Rajiv Tandon	Landbase India Ltd.	Director	Landbase India Ltd.	Audit Committee	Chairman
		Greenacre Holdings Ltd.	Director	Classic Infrastructure & Development Ltd.	Audit Committee	Chairman
		Classic Infrastructure & Development Ltd.	Director	Greenline Construcitons Ltd.	Audit Committee	Chairman
		Greenline Constructions Ltd.	Director			
		Russell Credit Ltd.	Director			
9	Mr. K. Vaidyanath	ITC Limited	Wholetime Direcor	Russell Credit Ltd.	Audit Committee	Chairman
		Russell Credit Ltd.	Chairman & Director	Gold Flake Corporation Ltd.	Audit Committee	Chairman
		Gold Flake Corporation Ltd.	Chairman & Director	Greenacre Holdings Ltd.	Audit Committee	Member

S.No	Name of the Director	Other Directorships		Other Committee Memberships		
		Name of the Company	Position	Name of the Company	Committee	Position
		Wills Corporation Ltd.	Chairman & Director	ITC Hotel Ltd.	Audit Committee	Member
		Greenacre Holdings Ltd.	Chairman & Director	ITC Hotels Ltd.	Investor Grievances Committee	Member
		ITC Hotels Ltd.	Director	ITC Hotels Ltd.	Nominations & Remuneration Committee	Member
		ITC Infotech India Ltd.	Director	ITC Infotech India Ltd.	Audit Committee	Member
		Classic Infrastructure & Development Ltd.	Director	The Bengal Chamber of Commerce & Industry	Managing Committee	Member
		Greenline Constructions Ltd.	Director			
		The Bengal Chamber of Commerce & Industry	Directors			
1*	Appointed as Director and Chairman w.e.f. 24th June, 2003 in the casual vacancy caused by the resignation of Mr. Larry A. Carter.					
2**	Resigned as Director and Chairman w.e.f. 31st March, 2003 accepted at the Board Meeting held on 24th June, 2003.					
7***	Resigned as Director w.e.f. close of business hours of 23rd June, 2003.					
	Executive Director					
10	Mr. Tushar Chudgar	-Nil-	-Nil-	-Nil-	-Nil-	-Nil-
	Alternate Directors					
	Non-Executive Directors					
1.	Mr. S. Sivakumar (Alternate for Mr. K. Vaidyanath)	Minota Aqua Tech Ltd.	Director	-Nil-	-Nil-	-Nil-
		ITC Infotech India Ltd.	Director	-Nil-	-Nil-	-Nil-
2.	Mr. Benedicto C. Sison (Alternate)*	Heera Seeds Trading and Warehousing Ltd.	Director	-Nil-	-Nil-	-Nil-

2* Alternate for Mr. R.V. Smither (for the Board Meeting held on 8th May, 2003).

**AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER
CLAUSE 49 OF THE LISTING AGREEMENTS**

To the Members of Agro Tech Foods Limited

We have reviewed the implementation of Corporate Governance procedures by Agro Tech Foods Limited during the year ended March 31, 2004, with the relevant records and documents maintained by the Company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.

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

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.

On the basis of our review and according to the information and explanations given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreements with the stock exchanges have been complied with in all material respect by the Company and that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders / Investors Grievance Committee.

Place : Hyderabad
Date : 12th May, 2004

Tuhin Bagchi
Partner
For and on behalf of
Lovelock & Lewes
Chartered Accountants

STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION OF ACCOUNTS

The Financial statements have been prepared on the basis of going concern, under the historic cost convention on accrual basis, to comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

REVENUE RECOGNITION

Sales are recognised when goods are despatched or as per the terms of contract.

Dividend / Income from Investments are recognised when declared/accrued.

Export entitlements under the Duty Entitlement Pass Book (DEPB) Scheme are recognised in the Profit and Loss account when the right to receive credit as per the tenure of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

FIXED ASSETS AND INTANGIBLE ASSETS

Fixed Assets including computers and related assets are accounted for at cost of acquisition inclusive of inward freight, duties, taxes and incidentals related to acquisition. In respect of major projects involving construction, relative pre-operative expenditure forms a part of the assets capitalized. Assets under installation or under construction as at the Balance Sheet date are shown as Capital Work-in-Progress.

Depreciation is provided for in the accounts on straight line method at the rates computed in accordance with schedule XIV of the Companies Act, 1956 except for assets as on 1st April, 1993 for which specified period has been recomputed as per the revised rates in Schedule XIV and depreciation charge calculated by allocating the unamortised value over the remaining part of the recomputed specified period. In respect of assets given to the employees under a scheme, depreciation is provided at rates determined on the basis of the useful economic life of these assets

(5 years), and the rates are higher than Schedule XIV rates.

Significant Brands acquired by the Company, the value of which is not expected to diminish in the foreseeable future are capitalized and recorded in the Balance Sheet as Trade Marks. These are amortized on straight-line method over the estimated useful life of forty years determined by persuasive evidences of expected usage contributing towards the performance and significant expenditure incurred to sustain the useful life of brands. Recoverable value of such brands is assessed in each financial year.

INVESTMENTS

Investments are classified into current and long-term investments. Current investments are stated at the lower of cost and fair value. Long-term investments are stated at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long-term investments.

INVENTORIES

Inventories are valued at weighted average cost or below. Consumption and/or other stock diminution is accounted for at the aforesaid weighted average cost. In the case of finished goods, cost comprises material, labour and applicable overhead expenses and duties including excise duty paid/payable thereon.

Goods in transit / with third parties and at godowns are valued at cost which represents the costs incurred upto the stage at which the goods are in transit / with third parties and at godowns.

FOREIGN EXCHANGE CONVERSION

The transactions in foreign currency are accounted for at the exchange rate prevailing at the date of the transactions. Gains/losses arising out of fluctuations in exchange rates are accounted for on subsequent realisation / payment. The differences between forward exchange rates and the exchange rates at the date of transaction are recognised as income or expense over the life of the contracts.

Current Assets and Current Liabilities covered by forward contracts are stated at forward contract rates while those not covered by forward contracts are restated at the rate prevailing on Balance Sheet date and the resultant gains / losses are recognised in the Profit and Loss Account.

The original cost of Fixed Assets acquired through foreign currency loans at the end of each financial year is adjusted for any change in liability arising out of expressing the outstanding foreign currency

loan at the rate of exchange prevailing on the date of the Balance Sheet.

PAYMENTS AND BENEFITS TO EMPLOYEES

Liabilities in respect of retirement and death benefits are provided for by payments to retiral funds. The amounts of the payments to pension, gratuity and leave encashment benefit are determined on an actuarial basis as at the end of the accounting period.

On behalf of the Board

Utpal Sen Gupta
President

N. Srinivasan
Director

Lt. Gen. D.B. Singh
Director

Tushar Chudgar
Director & Secretary

Place : Secunderabad

Date : 12th May, 2004

BALANCE SHEET AS AT 31st MARCH, 2004

Schedules	31st March, 2004		31st March, 2003	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
I. SOURCES OF FUNDS				
Shareholders' Funds				
Capital	1	243.69	243.69	
Reserves & Surplus	2	<u>730.49</u>	<u>730.49</u>	
				974.18
Loan Funds				
Secured Loans	3	<u>426.54</u>	<u>426.54</u>	468.88
TOTAL		<u>1,400.72</u>	<u>1,400.72</u>	<u>1443.06</u>
II. APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	4	573.32	568.41	
Less: Depreciation		<u>135.61</u>	<u>59.81</u>	
Net Block		437.71	508.60	
Capital Work-in-Progress		<u>1.48</u>	<u>0.39</u>	
				508.99
Investments	5		109.10	109.10
Deferred Tax Asset / (Liability)	6		45.51	(53.49)
Current Assets, Loans & Advances				
Inventories	7	857.74	577.13	
Sundry Debtors	8	651.40	334.90	
Cash and Bank Balances	9	14.05	78.99	
Other Current Assets	10	1.83	3.55	
Loans & Advances	11	<u>285.20</u>	<u>402.25</u>	
		<u>1,810.22</u>	<u>1,396.82</u>	
Less:				
Current Liabilities & Provisions				
Liabilities	12	1,188.53	774.55	
Provisions		<u>49.49</u>	<u>45.44</u>	
		<u>1,238.02</u>	<u>819.99</u>	
Net Current Assets			572.20	576.83
Deferred Payment Liability (Refer Note (iv) on Schedule 19)			(338.60)	(401.00)
Miscellaneous Expenditure (to the extent not written off or adjusted)	13		355.26	422.92
Profit and Loss Account	14		218.06	279.71
TOTAL		<u>1,400.72</u>	<u>1,400.72</u>	<u>1,443.06</u>
Notes to the Accounts				
	19			

The Schedules referred to above and the Statement on Significant Accounting Policies form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

On behalf of the Board

Tuhin Bagchi
Partner

Utpal Sen Gupta
President

N. Srinivasan
Director

Lt. Gen. D.B. Singh
Director

For and on behalf of
Lovelock & Lewes
Chartered Accountants

Tushar Chudgar
Director & Secretary

Place : Hyderabad
Date : 12th May, 2004

Place : Secunderabad
Date : 12th May, 2004

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2004

Schedules	For the year ended 31st March, 2004 Rs. Millions	For the year ended 31st March, 2003 Rs. Millions
INCOME		
Sales (Gross)	12,621.87	11,145.62
Less: Excise Duty	18.31	9.29
Sales (Net)	12,603.56	11,136.33
Other income	15 59.35	55.58
	<u>12,662.91</u>	<u>11,191.91</u>
EXPENDITURE		
Material Consumption	16 11,313.58	9,965.11
Manufacturing, Selling etc., expenses	17 1188.71	1,126.17
Interest and Finance Charges	18 53.67	78.82
	<u>12,555.96</u>	<u>11,170.10</u>
PROFIT BEFORE DEPRECIATION / AMORTISATION	106.95	21.81
Depreciation / Amortisation	22.38	10.72
PROFIT BEFORE TAXATION AND EXTRAORDINARY ITEM	84.57	11.09
Provision for Taxation		
— Current	—	—
— Deferred	(4.22)	(3.36)
PROFIT BEFORE EXTRAORDINARY ITEM	88.79	14.45
EXTRAORDINARY ITEM (Refer Note (iv) on Schedule 19)	62.40	139.60
NET PROFIT / (LOSS)	26.39	(125.15)
Loss brought forward	(379.39)	(254.24)
Surplus / (Deficit) carried to Schedule 14	(353.00)	(379.39)
EPS (Basic and Diluted) before Extraordinary item (Rs.)	3.64	0.59
EPS (Basic and Diluted) after Extraordinary item (Rs.)	1.08	(5.14)
Notes to the Accounts	19	

The Schedules referred to above and the Statement on Significant Accounting Policies form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our report of even date.

On behalf of the Board

Tuhin Bagchi
Partner

Utpal Sen Gupta
President

N. Srinivasan
Director

Lt. Gen. D.B. Singh
Director

For and on behalf of
Lovelock & Lewes
Chartered Accountants

Tushar Chudgar
Director & Secretary

Place : Hyderabad
Date : 12th May, 2004

Place : Secunderabad
Date : 12th May, 2004

SCHEDULES TO THE ACCOUNTS

	31st March, 2004		31st March, 2003	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
1. Share Capital				
Authorised:				
2,50,00,000 Equity Shares of Rs. 10 each		250.00		250.00
10,00,000 Cumulative, Redeemable Preference Shares of Rs. 100 each		100.00		100.00
		<u>350.00</u>		<u>350.00</u>
Issued:				
2,43,72,139 Equity Shares of Rs. 10 each		243.72		243.72
Subscribed and Paid-up:				
2,43,69,264 Equity Shares of Rs. 10 each fully paid		243.69		243.69
— Of the above shares 1,25,00,000 shares are held by CAG – Tech (Mauritius) Limited, the holding company				
		<u>243.69</u>		<u>243.69</u>
2. Reserves and Surplus				
Share Premium Account		721.29		721.29
Investment Allowance Reserve		9.20		9.20
General Reserve	147.81		147.81	
Less: As per contra	<u>(147.81)</u>	—	<u>(147.81)</u>	—
		<u>730.49</u>		<u>730.49</u>
3. Secured Loans				
Short Term Loans				
— From Banks	371.44		388.62	
— Interest accrued and due	<u>9.68</u>	<u>381.12</u>	<u>6.88</u>	395.50
Cash Credit and Export Packing Credit				
— From Banks	45.29		72.71	
— Interest accrued and due	<u>0.13</u>	<u>45.42</u>	<u>0.67</u>	73.38
The above loans are secured by hypothecation of inventories and book debts				
		<u>426.54</u>		<u>468.88</u>

SCHEDULES TO THE ACCOUNTS

4. Fixed Assets

	Free- hold Land Rs. Millions	Lease- hold Land Rs. Millions	Buildings Rs. Millions	Plant & Machi- nery Rs. Millions	Furniture & Fixtures Rs. Millions	Trade Marks Rs. Millions	Vehicles Rs. Millions	Total 2004 Rs. Millions	Total 2003 Rs. Millions
ORIGINAL COST (GROSS BLOCK)									
Cost at the beginning of the year	0.60	0.69	53.26	108.26	19.26	370.84	15.50	568.41	586.27
Additions during the year	—	—	—	13.57	0.03	—	2.54	16.14	22.94
	0.60	0.69	53.26	121.83	19.29	370.84	18.04	584.55	609.21
Withdrawals during the year	—	—	—	6.08	2.46	—	2.69	11.23	40.80
Cost(Gross Block) as at 31st March	0.60	0.69	53.26	115.75	16.83	370.84	15.35	573.32	568.41
DEPRECIATION AND AMORTISATION									
At the beginning of the year	—	0.27	5.03	40.92	8.58	—	5.01	59.81	65.83
For the year	—	0.02	0.90	8.18	1.14	68.81*	2.86	81.91	10.72
	—	0.29	5.93	49.10	9.72	68.81	7.87	141.72	76.55
Withdrawals during the year	—	—	—	2.90	1.03	—	2.18	6.11	16.74
As at 31st March	—	0.29	5.93	46.20	8.69	68.81	5.69	135.61	59.81
NET BOOK VALUE (NET BLOCK)									
As at 31st March 2004	0.60	0.40	47.33	69.55	8.14	302.03	9.66	437.71	508.60
As at 31st March 2003	0.60	0.42	48.23	67.34	10.68	370.84	10.49	508.60	—
Capital Work-in-Progress at cost (includes advances - unsecured and considered good)								1.48	0.39

Note:

- Buildings (including cost of shares in Co-operative Societies) include Rs. 8.08 Millions (2003-Rs.8.08 Millions) pending registration in the name of the Company.
- Carrying value of Trade Marks represents the value of brands viz, "Sundrop" and "Rath" amounting to Rs. 199.47 Millions (2003-Rs. 257.5 Millions) and Rs. 102.56 Millions (2003 - Rs. 113.34 Millions) respectively.
- The unexpired amortisation period for "Sundrop" is 31 years and for "Rath" is 36 years.

*Includes an amount of Rs. 59.53 Millions adjusted with the debit balance of Profit and Loss Account (Refer Note (viii) of schedule 19)

SCHEDULES TO THE ACCOUNTS

	31st March, 2004		31st March, 2003	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
5. Investments –				
Long Term: At Cost				
a) Trade: (Unquoted)				
ITC Classic Real Estate Finance Limited, — 50,00,000 Equity Shares of Rs. 10 each fully paid.	100.50		100.50	
Less: Provision for Diminution in value	<u>100.50</u>	—	<u>100.50</u>	—
Advanta India Limited, 31,50,000 Equity Shares of Rs. 10 each fully paid.		94.97		94.97
b) Subsidiaries: (Unquoted)				
Heera Seeds Trading and Warehousing Limited, 20,00,000 Equity Shares of Rs. 10 each fully paid.	20.00		20.00	
Less: Provision for Diminution in value	<u>6.00</u>		<u>6.00</u>	
		14.00		14.00
c) Government Securities		0.13		0.13
Short Term: At cost or below				
Others (Unquoted)				
Investment in Mutual Funds Purchased and sold during the year –				
Zurich Liquidity Fund (4,308,210 units worth Rs. 70 Millions)		—		—
Templeton Floating Rate – Short Growth Option (11,676,712 units worth Rs. 130 Millions)		—		—
Templeton Liquid Fund – Growth Option (6,331,318 units worth Rs. 70 Millions)		—		—
HDFC High Interest Short Term Plan-Growth Option (4,385,880 units worth Rs. 50 Millions)		—		—
Alliance Short Term Plan – Growth Option (8,556,386 units worth Rs. 95 Millions)		—		—
		<u>109.10</u>		<u>109.10</u>
6. Deferred tax asset / (liabilities)				
On Depreciation		23.69		(75.95)
On Provision for Debts / Assets		9.36		9.53
On Expenditure on payment basis		6.76		4.17
Voluntary Separation Scheme		5.70		8.76
		<u>45.51</u>		<u>(53.49)</u>

SCHEDULES TO THE ACCOUNTS

	31st March, 2004 Rs. Millions	31st March, 2003 Rs. Millions
7. Inventories		
Stores & Spare Parts*	—	0.35
Raw Materials*+ (including in transit)	523.64	351.63
Packing Materials*	20.51	33.16
Finished Goods** (including in transit)	313.59	191.99
	<u>857.74</u>	<u>577.13</u>
*at cost or below		
+at cost or net realisable value whichever is lower for Raw Material held for trading		
** at cost or net realisable value whichever is lower		
(Finished Goods include Goods sent on Consignment Rs. 2.45 Millions; 2003 – Rs. 0.99 Millions)		
8. Sundry Debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
— Considered good	5.81	6.16
— Considered doubtful	26.08	20.67
Other debts	645.59	328.74
	<u>677.48</u>	<u>355.57</u>
— Less: Provision for doubtful debts	26.08	20.67
	<u>651.40</u>	<u>334.90</u>
9. Cash and Bank Balances		
Cash and Cheques on hand	0.15	0.21
With Scheduled Banks:		
On Current Accounts	10.66	72.10
On Fixed Deposit Account*	3.12	6.50
Unclaimed Fixed Deposit account	0.12	0.06
Unclaimed Debenture Interest account	—	0.12
	<u>14.05</u>	<u>78.99</u>
*Lodged as security deposit Rs. 2.98 Millions (2003 — Rs. 1.90 Millions)		
10. Other Current Assets		
Interest Receivable	0.17	0.24
Sales Promotion Material at Cost	1.66	3.31
	<u>1.83</u>	<u>3.55</u>

SCHEDULES TO THE ACCOUNTS

	31st March, 2004		31st March, 2003	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
11. Loans and Advances				
(Unsecured-considered good)				
- Loans*		10.18		20.28
- Advances Recoverable in cash or in kind or for value to be received.		108.16		211.46
- Advances with Government and Public Bodies		15.19		11.44
- Deposits with Government, Public Bodies and Others		20.60		22.94
- Advance Income Tax (net of provision)		131.07		131.13
(Unsecured-considered Doubtful)				
- Advances recoverable in cash or in kind or for value to be received		5.00		5.00
		<u>290.20</u>		<u>402.25</u>
- Less: Provision for doubtful Advances		5.00		—
		<u>285.20</u>		<u>402.25</u>
*Includes amounts due from Directors Rs. 0.003 Millions (2003— Rs. 0.01 Millions). The maximum amount due at anytime during the year — Rs. 0.01 Millions (2003 — Rs. 0.01 Millions)				
12. Current Liabilities and Provisions				
A) Liabilities				
Acceptances		489.41		269.55
Sundry Creditors				
— Due to Small Scale Industrial undertakings	0.98		2.60	
— Due to Others #	<u>572.72</u>		<u>415.86</u>	
		573.70		418.46
Advance from customers		0.56		5.00
Investor Education and Protection Fund shall be credited by the following amounts:				
Unclaimed Fixed Deposits		0.24		0.43
Unclaimed Debenture Interest		—		0.10
Interest accrued but not due on loans		1.04		1.91
Other Liabilities		123.58		79.10
		<u>1188.53</u>		<u>774.55</u>
# Includes amounts due to subsidiary Rs. 14.79 Millions (2003 – Rs. 14.82 Millions)				
B) Provisions				
Provision for Retiral Benefits		9.76		7.01
Provision for Diminution in the value of assets		39.73		38.43
		<u>49.49</u>		<u>45.44</u>

SCHEDULES TO THE ACCOUNTS

	For the year ended 31st March, 2004		For the year ended 31st March, 2003	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
17. Manufacturing, Selling, etc., Expenses				
Salaries, Wages and Bonus	128.33		114.15	
Contribution to Provident and Other Funds	19.55		16.29	
Workmen and Staff Welfare Expenses	16.25		14.25	
		164.13		144.69
Consumption of Stores and Spare parts		0.10		0.39
Processing Charges		165.21		166.76
Power and Fuel		4.45		21.68
Rent*		36.47		41.03
Rates and Taxes		66.32		32.29
Excise Duty		0.12		5.70
Insurance		7.54		4.97
Repairs and Maintenance				
— Buildings		0.02		0.19
— Machinery		1.35		2.75
— Others		8.02		6.73
Printing and Stationery		3.95		5.45
Communication Expenses		18.96		21.66
Travelling		40.79		38.22
Auditors' Remuneration		1.74		1.49
Outward Freight		205.53		167.71
Brokerage / Commission		19.34		16.13
Distribution Expenses		110.80		135.21
Discounts and Quality Rebates		5.24		2.64
Legal Charges		5.14		1.68
Professional Charges		21.16		25.33
Advertisement and Sales Promotion		259.90		256.68
Amortisation of Miscellaneous Expenditure		5.26		4.38
Miscellaneous Expenses		23.43		18.53
Provision for Doubtful Advances		5.00		—
Provision for Doubtful Debts		5.41		4.54
Loss on Fixed Assets Discarded / Sold (Net)		2.57		0.05
Provision for Diminution value of assets		1.30		—
		1,189.25		1,126.88
Deduct: Recovery of Costs		0.54		0.71
		1,188.71		1,126.17

*Rent includes Lease Rentals of Rs. 2.4 Millions
(2003 – Rs. 10.95 Millions)

SCHEDULES TO THE ACCOUNTS

	For the year ended 31st March, 2004		For the year ended 31st March, 2003	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
18. Interest and Finance Charges				
Interest paid				
— Other Interest		50.63		61.94
Bank/Finance charges		27.07		18.77
Exchange (Gain) / Loss – (net)		(20.90)		2.08
		<u>56.80</u>		<u>82.79</u>
Less: Interest received on Loans, Deposits, Advances etc.*		<u>3.13</u>		<u>3.97</u>
		<u>53.67</u>		<u>78.82</u>
		<u>53.67</u>		<u>78.82</u>

*Interest received on Loans, Deposits, Advances etc., is stated Gross, the amount of Income Tax Deducted thereon is Rs. 0.05 Millions (2003 – Rs. 0.84 Millions)

SCHEDULES TO THE ACCOUNTS

19. NOTES TO THE ACCOUNTS

- i) Capital and other commitments Rs 0.24 Millions (2003 - Rs.1.44 Millions).
- ii) Contingent Liabilities:
 - a) Income Tax matters under appeal Rs. 128.70 Millions (2003 - Rs.130.27 Millions)
 - b) Claims under dispute Rs. 1.13 Millions (2003 - Rs.19.21 Millions).
 - c) Counter Guarantees given to the Bankers in respect of guarantees furnished by them Rs.2.8 Millions (2003 - Rs. 1.94 Millions)
 - d) Bills of Exchange Discounted Rs. Nil (2003- Rs.39.85 Millions)

iii) Inventory Valuation

During the year, the Company has adopted weighted average method of valuation of closing stock, which hitherto was valued at FIFO basis. Consequently, the value of inventory as at 31st March 2004 is lower by Rs. 0.15 Millions with corresponding decrease in profit for the year.

iv) Extraordinary Item

Company had license arrangement in respect of Mantralayam Undertaking owned by ITC Limited (ITC), which expired on 26th September 2001. The matter pertaining to extension of such arrangement was referred to arbitration and accordingly a settlement agreement was signed with ITC, which resolved the matters involving the extension of licensing arrangement. This settlement required a payment of Rs. 430 Millions over a period of five years. This settlement cost is being amortized on the basis of enduring benefits expected in future due to decentralization of manufacturing operations and accordingly settlement cost amounting to Rs. 62.4 Millions (2003 - Rs. 29 Millions) has been charged as an extraordinary item in these accounts. The balance cost has been carried forward as settlement cost on Schedule 13 under Miscellaneous Expenditure (to the extent not written off or adjusted). Corresponding liability of Rs. 338.6 Millions (2003 - Rs. 401 Millions) has been shown under Deferred Payment Liability in the Balance Sheet.

v) Leases

The Company has entered into various operating lease agreements and the amounts paid during the year under such agreements have been charged to revenue. These agreements are cancelable lease agreements.

vi) Small Scale Industrial undertaking where the dues are outstanding for more than 30 days.

Name of the Party

Kanhan Packages Pvt Ltd.
Sai Cans
Anjani Packs
Vivala cartons (P) Ltd
Navratan Polymers
Navbharat Packaging
Rohini Packs
Aksa Stick-on
Vinayaka Plasto Pack
M M Plastics
Alok Packaging (P) Ltd

vii) Deferred Taxation

Pursuant to the adoption of the Accounting Standard-22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India with effect from April 1, 2001 transitional deferred tax liabilities of Rs. 48.13 Millions was computed after considering the timing difference of the book value of certain brand and written down value of such brand under Income Tax Act. On review as at the balance sheet date, such difference has been considered as a permanent difference and accordingly an amount of Rs. 91.93 Millions has been adjusted with the transitional deferred tax liability.

Deferred tax assets and liabilities are computed on the timing differences applying the enacted tax rates.

viii) Intangible Assets

Pursuant to adoption of Accounting Standard - 26 "Intangible Assets" issued by the Institute of Chartered Accountants of India with effect from April 1, 2003, brands purchased by the Company are being amortized on straight line method based on their estimated useful life. Consequently, depreciation/amortization cost for the year includes a sum of Rs 9.28 Millions being the amortization relating to these brands. Further, transitional amortization cost in respect of such brands up to March 31, 2003 amounting to Rs. 59.53 Millions has been adjusted with the debit balance of Profit and Loss Account as at the beginning of the year. During the year the management has assessed the value of these brands through an independent valuer of repute. As per assessment the value of such brands amount to Rs. 1,761 Millions against Rs.302.03 Millions at which these are carried in these accounts.

ix) Earning Per Share

The earnings considered in ascertaining the Company's Earnings Per Share comprise net profit after tax (and includes the post tax effect of any Extraordinary Items). The number of shares (nominal value of Rs. 10) used in computing Basic Earnings Per Share is the weighted average number of shares outstanding during the year.

x) Purchases shown under Schedule 15 are net of rebates, discounts, claims and settlements/commodity futures amounting to Rs. 8.80 Millions (Debit) (2003 - Rs.45.93 Millions (Debit)).

xi) Directors' Remuneration included under various heads of Accounts are:

	For the year ended 31st March, 2004 Rs. Millions	For the year ended 31st March, 2003 Rs. Millions
Salary	0.45	0.40
Retirements Benefits	0.14	0.13
Other Benefits	0.47	0.46
	1.06	0.99
xii) Auditors' Remuneration included in Schedule 16 are:		
Auditors Fee	0.97	0.95
Fees for Certification	0.67	0.45
Reimbursement of Expenses	0.10	0.09
	1.74	1.49

xiii) Related Party Transactions

1. Subsidiary Company

Heera Seeds Trading and Warehousing Limited

Expenses incurred on behalf	0.02	0.01
Year end balance - Payable	14.79	14.82

2. Companies

- Cag Tech Mauritius Limited-Holding Company
- ConAgra Inc USA Group - having significant influence
- Lamb Weston Meijer & Inc
- Advanta India Limited -Associate

	For the year ended 31st March, 2004 Rs. Millions	For the year ended 31st March, 2003 Rs. Millions
Transactions with ConAgra Inc, USA – Group		
— Purchase of materials	16.89	3.28
— Recovery of expenses	3.66	6.68
— Income earned on services rendered	3.70	—
Year end balances		
— Receivable	6.19	—
— Payable	—	1.56
Transactions with Lamb Weston Meijer & Inc		
— Purchase of materials	23.49	6.93
Year end balances		
— Payable	3.84	1.57
Transactions with Advanta India Limited - Associate		
— Dividend received	23.63	—
Year end balances		
— Payable	0.04	0.04
3. Key Management Personnel		
Whole time Director – Mr. Tushar I Chudgar		
Other Key Management Personnel		
Mr. Utpal Sen Gupta		
Mr. Ravi Krishnamoorthy		
Mr. Sachidanand Madan		
Mr. Govvind Ambady		
Mr. K.S. Shyam		
Mr. Arvind Ahuja		
Loans advanced during the year	0.03	0.31
Loans repayments received	6.60	0.02
Interest received during the year	0.19	0.51
Remuneration	28.05	26.30

xiv) Additional information pursuant to the provisions of paragraph 3, 4c and 4d of Part II of Schedule VI of Companies Act, 1956.

a) Class of Goods, Capacity and Production:

Class of Goods	Unit	Licenced Capacity		Installed Capacity @		Actual Production	
		2004	2003	2004	2003	2004	2003
– Edible Oils	M T	N.A.	N.A.	N.A.	N.A.	13,655 +*	9,402 +*
– Refined Edible Oils	M T	N.A.	N.A.	30,000	66,000	40,976 +	53,813 +
– De Oiled Cake	M T	N.A.	N.A.	N.A.	N.A.	17,950 +	13,985 +
– Atta	M T	N.A.	N.A.	N.A.	N.A.	17,538 +	24,167 +
– Others	M T	N.A.	N.A.	N.A.	N.A.	555 +	500 +

@ This is as certified by the Management and includes capacity taken on lease.

+ Actual Production includes quantities produced out of capacity taken on lease and third party operations.

* Includes captive consumption of 9,822 M T (2003 – 9,402 M T)

b) Particulars in respect of Sales/Stocks:

	Unit	For the year ended 31st March, 2004		For the year ended 31st March, 2003	
		Quantity	Value Rs. Millions	Quantity	Value Rs. Millions
1. Sales					
Refined Edible Oils	MT	123,308	6,450.37	130,832	6,239.84
Edible Oils	MT	67,184	1,860.01	64,069	1,576.64
Seed	MT	99,957	1,471.28	27,677	362.60
Vanaspati	MT	29,933	1,499.59	32,394	1,523.91
Others	—	—	1,340.62	—	1,442.63
			<u>12,621.87</u>		<u>11,145.62</u>
2. Purchase of Finished Goods					
Refined Edible Oils	MT	114,647	5,279.99	106,605	3,894.30
Others	—	—	82.15	—	87.84
			<u>5,362.14</u>		<u>3,982.14</u>
3. Purchase of Raw Material for Trading					
Edible Oils	MT	65,086	1701.83	64,863	2,044.62
			<u>1701.83</u>		<u>2,044.62</u>
4. Stock in Trade					
Opening					
Refined Edible Oils	MT	3,560	161.39	7,165	248.60
Edible Oils	MT	4,173	169.78	8,456	296.48
Others	—	—	30.61	—	22.00
			<u>361.78</u>		<u>567.08</u>
Closing					
Refined Edible Oils	MT	5,438	273.64	3,560	161.39
Edible Oils	MT	5,947	248.84	4,173	169.78
Others	—	—	39.94	—	30.61
			<u>562.42</u>		<u>361.78</u>

Closing stock quantities are after adjustment of samples, transit claims/loss and also quantities used for other products.

c) Raw materials consumed during the year:

Seeds*	MT	134,951	2,042.46	51,439	747.35
Edible Oils**	MT	110,118	2,901.33	121,140	3,843.81
Wheat***	MT	90,926	651.60	52,542	212.43
Others****	—	—	260.25	—	876.51
			<u>5,855.64</u>		<u>5,680.10</u>

* includes quantity used for resale 99,957 MT (2003— 27,677 MT)

** includes quantity used for resale 67,184 MT (2003 — 64,069 MT)

*** includes quantity used for resale 71,531 MT (2003 — 25,218 MT)

**** includes quantity used for resale 32,003 MT (2003 — 123,252 MT)

d) Packing materials consumed during the year

217.40

224.27

	For the year ended 31st March, 2004		For the year ended 31st March, 2003	
	Value	%	Value	%
	Rs. Millions		Rs. Millions	
e) Consumption of Raw Materials, Stores and Spare Parts during the year:				
Raw Materials:				
— Indigenous	4,744.24	81.02	5,590.21	98.42
— Imported	1,111.40	18.98	89.89	1.58
	<u>5,855.64</u>	<u>100.00</u>	<u>5,680.10</u>	<u>100.00</u>
Stores and Spare Parts:				
— Indigenous	0.10	100.00	0.39	100.00
	<u>0.10</u>	<u>100.00</u>	<u>0.39</u>	<u>100.00</u>
f) CIF Value of imports:				
Raw Materials	1,098.93		1,142.46	
Finished Goods	326.52		19.94	
	<u>1,425.45</u>		<u>1,162.40</u>	
g) Earnings in Foreign Exchange during the year:				
Exports of goods on FOB basis	335.46		858.44	
Others	12.79		7.18	
h) Expenditure in Foreign Currency during the year (Cash Basis):				
Foreign Travel	0.60		0.83	
Interest/Finance Charges	5.99		0.85	
Software Licence	2.91		—	
Others	9.51		16.54	
xv) Comparative figures of the previous year have been regrouped wherever necessary to conform to those of the current year.				

On behalf of the Board

Utpal Sen Gupta
President

N. Srinivasan
Director

Lt. Gen. D.B. Singh
Director

Tushar Chudgar
Director & Secretary

Place: Secunderabad
Date : 12th May, 2004

Cash Flow Statement for the year ended 31st March, 2004

	2004 Rs. Millions	2003 Rs. Millions
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit /(Loss) before Tax and after Extraordinary Item	22.18	(128.51)
Adjustments:		
Depreciation and Brand Amortisation	22.38	10.72
(Profit) / Loss on Disposal of Fixed Assets (net)	2.57	0.05
Profit on Sale of Investments (net)	(0.57)	(0.69)
Interest (net)	26.61	60.09
Provision for Doubtful Debts	5.41	4.54
Provision for Doubtful Advances	5.00	—
Amortisation of Miscellaneous Expenditure	67.66	4.38
Provision for Diminution in value of assets	1.30	—
Dividend Received	(23.63)	—
Operating Profit/ (Loss) before Working Capital Changes and Extraordinary Item	128.91	(49.42)
Adjustments for:		
Trade and other Receivables	(209.79)	(60.98)
Inventories	(280.62)	86.96
Trade Payables	418.04	225.76
Deferred Revenue Expenses	—	(15.80)
Cash Flow from Operations before Extraordinary Item	56.54	186.52
Direct Taxes refund received	0.28	—
Net Cash Flow from Operating activities before Extraordinary Item	56.82	186.52
Extraordinary Item	(62.40)	53.58
Net Cash Flow from Operating activities after Extraordinary Item	(5.58)	240.10
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(17.23)	(12.04)
Sale of Fixed Assets (net)	2.55	5.21
Purchase of Short Term Investments	(415.00)	(585.01)
Sale of Short Term Investments	415.57	585.69
Dividend Received	23.63	—
Interest Received	3.20	3.97
Net cash used in Investing Activities before Extraordinary Item	—	(2.18)
Extraordinary Item (net)	—	5.00
Net cash from Investing Activities after Extraordinary Item	12.72	2.82

2004
Rs. Millions

2003
Rs. Millions

C. CASH FLOW FROM FINANCING ACTIVITIES:

Proceeds from/(Repayments of) Long Term Borrowings	(44.61)	(115.94)
Hedging Costs(net)	20.90	(2.08)
Interest Paid	(48.37)	(59.10)
Net cash used in Financing Activities	(72.08)	(177.12)
Net (Decrease) / Increase in Cash and Cash Equivalents	(64.94)	65.80
Opening Cash and Cash Equivalents	78.99	13.19
Closing Cash and Cash Equivalents	14.05	78.99

Notes:

- a) Comparative figures of previous year have been regrouped to conform to those of the current year.
- b) The above cash flow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.

On behalf of the Board

Utpal Sen Gupta
President

N. Srinivasan
Director

Lt. Gen. D.B. Singh
Director

Tushar Chudgar
Director & Secretary

Place: Secunderabad
Date : 12th May, 2004

Information pursuant to Schedule VI – Part IV:

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No. - State Code

Balance Sheet Date
Date Month Year

II. Capital raised during the Year (Amount in Rs. Thousands)

Public Issue <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>	Rights Issue <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>
Bonus Issue <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>	Private Placement/Preferential Offer <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>

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

Sources of Funds	Total Assets
Total Liabilities <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="1"/>	Total Assets <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="1"/>
Paid-Up Capital <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="9"/> <input type="text" value="3"/>	Reserves & Surplus <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="7"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="4"/> <input type="text" value="8"/> <input type="text" value="7"/>
Secured Loans <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="1"/>	Unsecured Loans <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>
Application of Funds	Investments
Net Fixed Assets <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="3"/> <input type="text" value="9"/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="5"/>	Investments <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="9"/> <input type="text" value="8"/>
Net Current Assets <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="2"/>	Miscellaneous Expenditure <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="5"/> <input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="1"/>
Accumulated Losses <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="0"/> <input type="text" value="6"/> <input type="text" value="3"/>	Deferred Tax Asset / (Liability) <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="5"/> <input type="text" value="5"/> <input type="text" value="1"/> <input type="text" value="2"/>
Deferred Payment Liability <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="-"/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="0"/>	

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

Turnover <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="6"/> <input type="text" value="2"/> <input type="text" value="9"/> <input type="text" value="1"/> <input type="text" value="9"/>	Total Expenditure <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="8"/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="3"/>
Profit/Loss Before Tax + - <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="8"/> <input type="text" value="4"/> <input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="6"/>	Profit/Loss After Tax + - <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="3"/> <input type="text" value="9"/> <input type="text" value="9"/>

(Tick appropriate box + for Profit, - for Loss)

Earnings per share in Rs. .

Dividend Rate %

V. Generic Names of three Principal Products/Services of Company:

Product Description	Sunflower Seed Oil
Item Code No. (ITC CODE)	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="1"/>
Product Description	RBD Palm Oil
Item Code No. (ITC Code)	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="0"/>
Product Description	Oil Cake and Oil Cake meal of Sunflower Seed solvent extracted
Item Code No. (ITC Code)	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="6"/> <input type="text" value="3"/> <input type="text" value="0"/>

On behalf of the Board

Place : Secunderabad
Date : 12th May, 2004

Utpal Sen Gupta
President

N. Srinivasan
Director

Lt. Gen. D.B. Singh
Director

Tushar Chudgar
Director & Secretary

AUDITORS' REPORT TO THE MEMBERS OF AGRO TECH FOODS LIMITED

1. We have audited the attached Balance Sheet of Agro Tech Foods Limited as at March 31, 2004, the related Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, 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 purposes 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, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - e) On the basis of written representations received from the directors, as on March 31, 2004, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2004;
 - ii. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - iii. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Tuhin Bagchi
Partner

For and on behalf of
Lovelock & Lewes
Chartered Accountants

Place : Hyderabad
Dated : 12th May, 2004

ANNEXURE TO THE AUDITORS' REPORT TO THE MEMBERS OF AGRO TECH FOODS LIMITED

(Annexure referred to in Paragraph 3 of the Auditors' Report of even date to the Members of Agro Tech Foods Limited for the year ended March 31, 2004)

- 1
 - a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) The fixed assets of the Company, except the intangible assets, are physically verified by the management according to a phased programme designed to cover all the items during the year which in our opinion, is reasonable having regard to the size of the Company and nature of its assets. Pursuant to the programme, a portion of the fixed assets of the Company has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
 - c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
- 2
 - a) The inventory of the Company (excluding stocks with third parties) has been physically verified by the management during the year according to a phased programme normally so designed that each material item is physically verified at least once in a year and at more frequent intervals in appropriate cases. In respect of inventory lying with third parties, these have been substantially confirmed by them. In our opinion the frequency of verification is reasonable.
 - b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to the book records were not material.
- 3 The Company has neither granted nor taken any loan, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act. As the Company has not granted/ taken any loan, secured or unsecured to/ from parties covered in the register maintained under Section 301 of the Act, clauses (iii) (b), (iii) (c) and (iii) (d) of Paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company for the current year.
- 4 In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of goods. Further on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have been informed of any instances of major weaknesses in the aforesaid internal control procedures.
- 5 In our opinion and according to the information and explanations given to us, there is no transaction that needs to be entered into the register in pursuance of Section 301 of the Act. In view of the above, clause (v) (b) of Paragraph 4 of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company for the current year.
- 6 In our opinion and according to the information and explanations given to us, the Company has not accepted any deposit under the provisions of Sections 58A and 58AA of the Act and the rules framed there under.
- 7 In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- 8 We have broadly reviewed the books of account maintained by the company in respect of Refined Vegetable Oils where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

9 a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, excise duty, customs duty, cess and other material statutory dues as applicable, with the appropriate authorities.

9 b) According to the information and explanations given to us and the records of the Company examined by us, dues on account of Custom duties and Sales Tax as at March 31, 2004 amounting to Rs. 29.03 millions have not been deposited on account of dispute. Particulars of such outstanding amounts and the forum in which such disputes are pending are detailed below:

Name of the statute	Nature of dues	Amount (Rs. million)	Period to which the amount relates	Forum where the dispute is pending
Sales Tax	Deemed sales tax	17.97	2001-02 & 2002-03	Deputy Commissioner, Appellate
Sales Tax	Non-allowance of consignment sales	0.07	2000-01	Deputy Commissioner, Commercial Taxes
Sales Tax	Tax Set-off	0.19	1997-98	Sales Tax Tribunal
Sales Tax	Declaration Forms	0.37	1998-99	Assistant Commissioner, Appellate
Customs duty	Customs duty rate change	9.20	2001-02	High Court of Andhra Pradesh
Customs duty	EPCG Export Commitment	1.23	1993-94	Director General of Foreign Trade

10 The Company has accumulated losses as at March 31, 2004 and has not incurred any cash losses in the financial year ended on that date. However in the immediately preceding financial year the Company has incurred cash losses.

11 According to the records of the company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the Balance Sheet date.

12 The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13 The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/societies are not applicable to the company.

14 In our opinion, the Company is not a dealer or trader in shares, securities, debentures or other investments.

15 In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.

16 The Company has not obtained any term loans.

17 On the basis of an overall examination of the Balance Sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on short-term basis which have been used for long-term investment, and vice versa.

18 The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.

19 The Company has not issued any debentures and hence commenting under this clause does not arise.

20 The Company has not raised any money by public issues during the year.

21 During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year nor have we been informed of such case by the management.

Tuhin Bagchi
Partner

For and on behalf of
Lovelock & Lewes
Chartered Accountants

Place : Hyderabad
Dated : 12th May, 2004

STATEMENT REGARDING SUBSIDIARY COMPANY

Pursuant to Section 212 of the Companies Act, 1956

Rs. Millions

1. Heera Seeds Trading and Warehousing Limited

- | | |
|---|--------|
| a) Holding Company's interest:
20,00,000 Equity Shares of Rs. 10 each fully paid | |
| b) Net aggregate amount of Subsidiary's Profits/(Losses)
not dealt with in the Holding Company's accounts: | |
| i) for the subsidiary's financial year ended 31st March, 2004 | — |
| ii) for the previous financial years | — |
| c) Net aggregate amount of Subsidiary's Profits/(Losses)
dealt with in the Holding Company's accounts: | |
| i) for the subsidiary's financial year ended 31st March, 2004 | — |
| ii) for the previous financial years | (6.00) |

On behalf of the Board

Utpal Sen Gupta
President

N. Srinivasan
Director

Lt. Gen. D.B. Singh
Director

Place: Secunderabad
Date : 12th May, 2004

Tushar Chudgar
Director & Secretary



Agro Tech Foods Limited

Consolidated Financial Statements

STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION OF ACCOUNTS

The Financial statements have been prepared on the basis of going concern, under the historic cost convention on accrual basis, to comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

Financial statements of the subsidiary company are consolidated on line-by-line basis by adding together like items of assets, liabilities, income and expenses. Any significant inter-group balances and transactions, and any unrealized gains from inter-group transactions, are eliminated in preparing the consolidated financial statements.

Financial statements of the jointly controlled entity are consolidated on a line-by-line basis, using proportionate consolidation method, adding together like items of assets, liabilities, income and expenses. Any significant inter-group transactions, and any unrealized gains from inter-group transactions, are eliminated in preparing the consolidated financial statements.

Consolidated Financial Statements are prepared by applying accounting policies, as followed by the Company and its subsidiary/ jointly controlled entity, to the extent it is practicable. Significant differences in the accounting policies, if any, are appropriately disclosed by way of Notes to the Consolidated Financial Statements.

REVENUE RECOGNITION

Sales are recognised when goods are despatched or as per the terms of contract.

Dividend / Income from Investments are recognised when declared/accrued.

Export entitlements under the Duty Entitlement Pass Book (DEPB) Scheme are recognised in the Profit and Loss account when the right to receive credit as per the tenure of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds

FIXED ASSETS AND INTANGIBLE ASSETS

Fixed Assets including computers and related assets are accounted for at cost of acquisition inclusive of inward freight, duties, taxes and incidentals related to acquisition. In respect of major projects involving construction, relative pre-operative expenditure forms a part of the assets capitalized. Assets under installation or under construction as at the Balance Sheet date are shown as Capital Work-in-Progress.

Depreciation is provided for in the accounts on straight line method at the rates computed in accordance with schedule XIV of the Companies Act, 1956 except for assets as on 1st April, 1993 for which specified period has been recomputed as per the revised rates in Schedule XIV and depreciation charge calculated by allocating the unamortised value over the remaining part of the recomputed specified period. In respect of assets given to the employees under a scheme, depreciation is provided at rates determined on the basis of the useful economic life of these assets (5 years), and the rates are higher than Schedule XIV rates.

Significant Brands acquired by the Company, the value of which is not expected to diminish in the foreseeable future are capitalized and recorded in the Balance Sheet as Trade Marks. These are amortized on straight-line method over the estimated useful life of forty years determined by persuasive evidences of expected usage contributing towards the performance and significant expenditure incurred to sustain the useful life of brands. Recoverable value of such brands is assessed in each financial year.

RESEARCH AND DEVELOPMENT EXPENDITURE

Research and Development Expenditure are charged to revenue in the year in which these are incurred.

INVESTMENTS

Investments are classified into current and long-term investments. Current investments are stated at the lower of cost and fair value. Long-term investments are stated at cost. A provision for

diminution is made to recognise a decline, other than temporary, in the value of long-term investments.

INVENTORIES

Inventories are valued at weighted average cost or below. Consumption and/or other stock diminution is accounted for at the aforesaid weighted average cost. In the case of finished goods, cost comprises material, labour and applicable overhead expenses and duties including excise duty paid/payable thereon.

Goods in transit / with third parties and at godowns are valued at cost which represents the costs incurred upto the stage at which the goods are in transit / with third parties and at godowns.

FOREIGN EXCHANGE CONVERSION

The transactions in foreign currency are accounted for at the exchange rate prevailing at the date of the transactions. Gains/losses arising out of fluctuations in exchange rates are accounted for on subsequent realisation / payment. The differences between forward exchange rates and

the exchange rates at the date of transaction are recognised as income or expense over the life of the contracts.

Current Assets and Current Liabilities covered by forward contracts are stated at forward contract rates while those not covered by forward contracts are restated at the rate prevailing on Balance Sheet date and the resultant gains / losses are recognised in the Profit and Loss Account.

The original cost of Fixed Assets acquired through foreign currency loans at the end of each financial year is adjusted for any change in liability arising out of expressing the outstanding foreign currency loan at the rate of exchange prevailing on the date of the Balance Sheet.

PAYMENTS AND BENEFITS TO EMPLOYEES

Liabilities in respect of retirement and death benefits are provided for by payments to retiral funds. The amounts of the payments to pension, gratuity and leave encashment benefit are determined on an actuarial basis as at the end of the accounting period.

On behalf of the Board

Utpal Sen Gupta
President

N. Srinivasan
Director

Lt. Gen. D.B. Singh
Director

Tushar Chudgar
Director & Secretary

Place : Secunderabad
Date : 12th May, 2004

BALANCE SHEET AS AT 31st MARCH, 2004

	Schedules	31st March, 2004		31st March, 2003	
		Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
I. SOURCES OF FUNDS					
Shareholders' Funds					
Capital	1	243.69		243.69	
Reserves & Surplus	2	<u>811.69</u>		<u>807.74</u>	
			1,055.38		1,051.43
Loan Funds					
Secured Loans	3		<u>426.54</u>		<u>468.88</u>
TOTAL			<u>1,481.92</u>		<u>1,520.31</u>
II. APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	4	740.79		725.56	
Less: Depreciation		<u>175.38</u>		<u>95.31</u>	
Net Block		565.41		630.25	
Capital Work-in-Progress		<u>1.48</u>		<u>3.89</u>	
			566.89		634.14
Investments	5		0.15		5.15
Deferred Tax Assets / (Liabilities)	6		33.46		(58.23)
Current Assets, Loans & Advances					
Inventories	7	892.61		617.13	
Sundry Debtors	8	669.53		372.75	
Cash and Bank Balances	9	56.76		83.85	
Other Current Assets	10	2.29		3.55	
Loans & Advances	11	<u>372.50</u>		<u>482.56</u>	
		<u>1,993.69</u>		<u>1,559.84</u>	
Less:					
Current Liabilities & Provisions					
Liabilities	12	1,256.86		837.40	
Provisions		<u>53.17</u>		<u>51.57</u>	
		<u>1,310.03</u>		<u>888.97</u>	
Net Current Assets			683.66		670.87
Deferred Payment Liability: (Refer Note (v) on Schedule 19)			(338.60)		(401.00)
Miscellaneous Expenditure (to the extent not written off or adjusted)	13		355.26		422.93
Profit and Loss Account	14		<u>181.10</u>		<u>246.45</u>
TOTAL			<u>1,481.92</u>		<u>1,520.31</u>
Notes to the Accounts					
	19	The Schedules referred to above and the Statement on Significant Accounting Policies form an integral part of the Balance Sheet.			

This is the Balance Sheet referred to in our report of even date.

On behalf of the Board

Tuhin Bagchi
Partner

Utpal Sen Gupta
President

N. Srinivasan
Director

Lt. Gen. D.B. Singh
Director

For and on behalf of
Lovelock & Lewes
Chartered Accountants

Tushar Chudgar
Director & Secretary

Place : Hyderabad
Date : 12th May, 2004

Place : Secunderabad
Date : 12th May, 2004

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2004

Schedules	For the year ended 31st March, 2004 Rs. Millions	For the year ended 31st March, 2003 Rs. Millions
INCOME		
Sales (Gross)	12,850.53	11,322.44
Less: Excise Duty	18.31	9.29
Sales (Net)	12,832.22	11,313.15
Other income	15 40.53	59.48
	12,872.75	11,372.63
EXPENDITURE		
Material Consumption	16 11,318.93	9,967.92
Manufacturing, Selling etc., expenses	17 1,375.08	1,284.99
Interest and Finance Charges	18 53.40	81.74
	12,747.41	11,334.65
PROFIT BEFORE DEPRECIATION / AMORTISATION	125.34	37.98
Depreciation / Amortisation	26.88	14.15
PROFIT BEFORE TAXATION AND EXTRAORDINARY ITEM	98.46	23.83
Provision for Taxation		
— Current	3.00	1.00
— Deferred	3.09	(2.71)
PROFIT BEFORE EXTRAORDINARY ITEM	92.37	25.54
EXTRAORDINARY ITEM (Refer Note (iv) on Schedule 19)	62.40	139.60
NET PROFIT / (LOSS)	29.97	(114.06)
Transfer to General Reserve	2.75	1.25
Transfer to contingency Reserve	3.95	—
Proposed Dividend	1.57	3.94
Dividend Tax	0.20	0.50
Interim Dividend	15.75	—
Dividend Tax on Interim Dividend	2.02	—
Profit / (Loss) brought forward	(384.25)	(264.50)
Surplus / (Deficit) carried to Schedule 14	(380.52)	(384.25)
EPS (Basic and Diluted) before Extraordinary Item (Rs.)	3.79	1.05
EPS (Basic and Diluted) after Extraordinary Item (Rs.)	1.23	(4.68)

Notes to the Accounts

19

The Schedules referred to above and the Statement on Significant Accounting Policies form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our report of even date.

On behalf of the Board

Tuhin Bagchi
Partner

Utpal Sen Gupta
President

N. Srinivasan
Director

Lt. Gen. D.B. Singh
Director

For and on behalf of
Lovelock & Lewes
Chartered Accountants

Tushar Chudgar
Director & Secretary

Place : Hyderabad
Date : 12th May, 2004

Place : Secunderabad
Date : 12th May, 2004

SCHEDULES TO THE ACCOUNTS

	31st March, 2004		31st March, 2003	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
1. Share Capital				
Authorised:				
2,50,00,000 Equity Shares of Rs. 10 each		250.00		250.00
10,00,000 Cumulative, Redeemable Preference Shares of Rs. 100 each		100.00		100.00
		<u>350.00</u>		<u>350.00</u>
Issued:				
2,43,72,139 Equity Shares of Rs. 10 each		243.72		243.72
Subscribed and Paid-up:				
2,43,69,264 Equity Shares of Rs. 10 each fully paid		243.69		243.69
— Of the above shares 1,25,00,000 shares are held by CAG - Tech (Mauritius) Limited, the holding company				
		<u>243.69</u>		<u>243.69</u>
2. Reserves and Surplus				
Share Premium Account		721.29		721.29
Investment Allowance Reserve		9.20		9.20
State Investment Subsidy		1.00		1.00
Contingency Reserve		80.20		76.25
General Reserve	216.40		190.03	
Less: As per contra	<u>(216.40)</u>		<u>(190.03)</u>	
		<u>—</u>		<u>—</u>
		<u>811.69</u>		<u>807.74</u>
3. Secured Loans				
Short Term Loans				
— From Banks	371.43		388.62	
— Interest accrued and due	<u>9.69</u>		<u>6.87</u>	
		381.12		395.49
Cash Credit and Export Packing Credit				
— From Banks	45.29		72.72	
— Interest accrued and due	<u>0.13</u>		<u>0.67</u>	
		45.42		73.39
The above loans are secured by hypothecation of inventories and book debts				
		<u>426.54</u>		<u>468.88</u>

SCHEDULES TO THE ACCOUNTS

4. Fixed Assets

	Goodwill	Free- hold Land	Lease- hold Land	Buildings	Plant & Machi- nery	Furniture & Fixtures	Vehicles	Trade Marks	Technical Know- how	Total 31st March 2004	Total 31st March 2003
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
ORIGINAL COST (GROSS BLOCK)											
Cost at the beginning of the year	63.47	16.59	0.69	75.82	140.88	21.88	16.87	370.84	18.52	725.56	741.03
Additions during the year	—	—	—	1.21	15.16	0.41	2.76	—	7.25	26.79	26.37
Withdrawals during the year	—	—	—	0.06	6.24	2.52	2.74	—	—	11.56	41.84
Cost (Gross Block) as at 31st March	63.47	16.59	0.69	76.97	149.80	19.77	16.89	370.84	25.77	740.79	725.56
DEPRECIATION AND AMORTISATION											
At the beginning of the year	—	—	0.27	7.92	53.53	9.45	5.62	—	18.52	95.31	98.65
For the year	—	—	0.03	1.41	10.69	1.45	3.08	68.81*	0.95	86.42	14.15
Withdrawals during the year	—	—	0.30	9.33	64.22	10.90	8.70	68.81	19.47	181.73	112.80
As at 31st March	—	—	0.30	9.32	61.19	9.82	6.47	68.81	19.47	175.38	95.31
NET BOOK VALUE (NET BLOCK)											
As at 31st March, 2004	63.47	16.59	0.39	67.65	88.61	9.95	10.42	302.03	6.30	565.41	630.26
As at 31st March, 2003	63.47	16.59	0.42	67.90	87.35	12.43	11.25	370.84	—	630.26	
Capital Work-in-Progress at cost (includes advances - unsecured and considered good)										1.48	3.89

Note:

- Freehold land includes Rs. 7.06 Millions (2003 - Rs. 7.06 Millions) in respect of land pending registration in the name of the Group.
 - Buildings (includes cost of shares in co-operative Societies) include Rs. 8.08 Millions (2003 - Rs. 8.08 Millions) pending registration in the name of the Company.
 - Carrying value of Trade Marks represents the value of brands viz, "Sundrop" and "Rath" amounting to Rs. 199.47 Millions (2003 - Rs. 257.50 Millions) and Rs. 102.56 Millions (2003 - Rs. 113.34 Millions) respectively.
 - The unexpired amortisation period for "Sundrop" is 31 years and for "Rath" is 36 years.
 - The unexpired amortisation period for Technical Know how is 6 years.
- * Includes an amount of Rs. 59.53 Millions adjusted with the debit balance of Profit and Loss Account. (Refer Note (vii) of schedule 19)

SCHEDULES TO THE ACCOUNTS

	31st March, 2004		31st March, 2003	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
5. Investments –				
Long Term: At Cost				
A Trade: (Unquoted)				
ITC Classic Real Estate Finance Limited, — 50,00,000 Equity Shares of Rs. 10 each fully paid	100.50		100.50	
Less: Provision for Diminution in Value	<u>100.50</u>	—	<u>100.50</u>	—
B Government Securities		0.12		0.12
6 year National Saving Certificate (Purchased during the year Rs. NIL, 2003 – Rs. 0.02 Millions)		0.02		0.02
Indira Vikas Patra (Rs. 0.001 Millions Redeemed during the year)		0.01		0.01
Short Term (At cost or below)				
Others (Unquoted)				
Investments in Mutual Funds*				
J M High Liquidity Fund – Growth Plan (299,415,541 units worth Rs. 16.6992 each)		—		2.50
Prudential ICICI Liquid Plan (337,272,678 units worth Rs. 14.8248 each)		—		2.50
Purchased and sold during the year –				
Zurich Liquidity Fund – Saving Plan Growth Option (4,308,210 units worth Rs. 70 Millions)		—		—
Templeton Floating Rate – Short Growth Option (11,676,712 units worth Rs. 130 Millions)		—		—
Templeton Liquid Fund – Growth Option (6,331,318 units worth Rs. 70 Millions)		—		—
HDFC High Interest Short Term Plan – Growth Option (4,810,614 units worth Rs. 54.25 Millions)		—		—
Alliance Short Term Plan – Growth Option (8,556.386, units worth Rs. 95 Millions)		—		—
Grindlays Super Saver Income Fund (246,449 units worth Rs. 2.50 Millions)		—		—
Prudential ICICI Short Term Plan (235,347 units worth Rs. 2.50 Millions)		—		—
Templeton India short Term Plan (2,437 Units worth Rs. 2.50 Millions)		—		—
Deutsche Short Term Maturity Plan (732,906 units worth Rs. 7.5 Millions)		—		—
Grindlays Super Saver/Cash Fund (616,060 Units Worth Rs. 6.25 Millions)		—		—
HSBC Cash Fund (760,743 units worth Rs. 7.75 Millions)		—		—
Templeton India Treasury Management (5,244 Units worth Rs. 7.50 Millions)		—		—
Deutsche Insta Cash Plus Fund (784,871 Units worth Rs. 8.00 Millions)		—		—
HDFC Short Term Plan (493,204 Units worth Rs. 5.00 Millions)		—		—
HDFC Cash management Fund (540,855 Units worth Rs. 5.75 Millions)		—		—
Templeton India Floating Rate ST Plan (424,735 Units worth Rs. 4.25 Millions)		—		—
Reliance FMP Plan (500,230 Units worth Rs. 5.00 Millions)		—		—
		<u>0.15</u>		<u>5.15</u>
*Market value of Short Term Investments – Rs. Nil (2003 – Rs. 5.026 Millions)				

SCHEDULES TO THE ACCOUNTS

	31st March, 2004 Rs. Millions	31st March, 2003 Rs. Millions
6. Deferred tax asset / (Liabilities)		
On Depreciation	10.92	(82.32)
On Provision for Debts / Assets	9.39	10.53
On Expenditure on payment basis	7.45	4.80
Voluntary Separation Scheme	5.70	8.76
	33.46	(58.23)
7. Inventories		
Stores & Spare Parts*	—	0.59
Raw Materials*+ (including in transit)	523.74	349.21
Packing Materials*	21.75	32.23
Work in Process**	6.39	2.70
Finished Goods** (including in transit)	340.73	232.40
	892.61	617.13
* at cost or below		
+at cost or net realisable value whichever is lower for Raw Material held for Trading.		
** at cost or net realisable value whichever is lower (Finished goods include Goods sent on Consignment Rs. 2.45 Millions; 2003 – Rs. 0.99 Millions)		
8. Sundry Debtors		
Debts outstanding for a period exceeding six months		
Secured — Considered good	0.03	1.38
Unsecured — Considered good	8.73	11.56
— Considered doubtful	26.11	23.35
Other debts		
Secured — Considered good	0.70	0.38
Unsecured — Considered good	660.07	359.43
	695.64	396.10
— Less: Provision for doubtful debts	26.11	23.35
	669.53	372.75

SCHEDULES TO THE ACCOUNTS

	31st March, 2004 Rs. Millions	31st March, 2003 Rs. Millions
9. Cash and Bank Balances		
Cash and Cheques on hand	0.16	0.25
With Scheduled Banks:		
On Current Accounts	13.36	76.92
On Fixed Deposit Account*	43.12	6.50
Unclaimed Fixed Deposit account	0.12	0.06
Unclaimed Debenture Interest	—	0.12
	56.76	83.85
*Lodged as Security Deposit Rs. 2.98 Millions (2003 – Rs. 1.90 Millions)		
10. Other Current Assets		
Interest Receivable	0.63	0.24
Sales Promotion Material at Cost	1.66	3.31
	2.29	3.55
11. Loans and Advances		
Loans		
Secured*		
Considered good**	5.96	6.44
Unsecured		
Considered good #	12.48	22.74
Considered doubtful	0.06	0.06
	18.50	29.24
– Less: Provision for doubtful loans	0.06	0.06
	18.44	29.18
Advances recoverable in cash or in kind or for value to be received	117.59	218.38
Advances with Government and Public Bodies	15.19	19.25
Deposits with Government, Public Bodies and Others	25.60	27.83
Advance Income Tax (net of provision) (Unsecured – considered doubtful)	195.68	182.92
Advances recoverable in cash or in kind or for value to be received	5.00	5.00
	377.50	482.56
Less: Provision for doubtful advances	5.00	—
	372.50	482.56

* Secured by deposit of title deeds

** Includes amounts due from Directors Rs. 1.69 Millions
(2003 – Rs. 1.79 Millions). Maximum indebtedness during
the year Rs. 1.78 Millions (2003 – Rs. 1.89 Millions)

Includes amounts due from Director Rs. 0.21 Millions
(2003 – Rs. 0.15 Millions). Maximum indebtedness during
the year Rs. 0.21 Millions (2003 – Rs. 0.16 Millions)

SCHEDULES TO THE ACCOUNTS

	31st March, 2004		31st March, 2003	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
12. Current Liabilities and Provisions				
A. Liabilities				
Acceptances		489.41		269.55
Sundry Creditors				
— Due to Small Scale Industrial undertakings	0.97		2.60	
— Due to Others #	<u>591.43</u>		<u>441.03</u>	
		592.40		443.63
Advance from customers		51.05		39.48
Investor Education and Protection Fund shall be credited by the following amounts:				
Unclaimed Fixed Deposits		0.24		0.43
Unclaimed Debenture Interest		—		0.10
Interest accrued but not due on loans		1.04		1.91
Other Liabilities		<u>122.72</u>		<u>82.30</u>
		<u>1,256.86</u>		<u>837.40</u>
# Includes due to Director Rs. 0.58 Millions (2003 – Rs. 0.37 Millions)				
B. Provisions				
Provision for Retiral Benefits		11.66		8.70
Provision for Diminution in the value of assets		39.73		38.43
Provision for Proposed Dividend (Other Venturer's Share) (Refer Note (i) on Schedule 19)		1.58		3.94
Provision for dividend Tax (Other Venturer's Share)		<u>0.20</u>		<u>0.50</u>
		<u>53.17</u>		<u>51.57</u>
13. Miscellaneous Expenditure				
(to the extent not written off or adjusted)				
Expenditure on				
— Preliminary Expenses	—		0.01	
— Settlement Cost	338.60		401.00	
— Software Expenses	<u>16.66</u>		<u>21.92</u>	
		355.26		422.93
		<u>355.26</u>		<u>422.93</u>
14. Profit and Loss Account				
Balance as per Profit and Loss Account		380.52		384.25
Add: Transitional Deferred Tax Liability	52.23		52.23	
Adjustment during the year (Refer Note (v) on Schedule 19)	<u>(91.93)</u>		<u>—</u>	
		(39.70)		52.23
Add: Transitional amortisation of Trade Marks (Refer Note (vii) on Schedule 19)	59.53		—	
Deferred Tax Assets on above	<u>(2.85)</u>		<u>—</u>	
		56.68		—
Less: As Per Contra		<u>(216.40)</u>		<u>(190.03)</u>
		<u>181.10</u>		<u>246.45</u>

SCHEDULES TO THE ACCOUNTS

	For the year ended 31st March, 2004		For the year ended 31st March, 2003	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
15. Other Income				
Income from long term Trade Investments		0.65		—
Profit on Sale of Investments		0.62		0.69
Rents Received		0.31		0.46
Sundry Claims/Excess Provisions/unclaimed credits (net)		11.21		29.20
Miscellaneous Sales		3.81		2.92
Miscellaneous Income		23.93		26.21
		<u>40.53</u>		<u>59.48</u>
16. Material Consumption				
Opening Stock				
Raw Materials	351.63		373.29	
Work in Process	2.70		2.47	
Packing Materials	33.16		24.47	
Finished Goods	<u>228.18</u>		<u>309.65</u>	
		615.67		709.88
Add: Purchases				
Raw Materials	6,027.64		5,657.74	
Packing Materials	204.75		233.83	
Finished Goods	<u>5,362.14</u>		<u>3,982.14</u>	
		11,594.53		9,873.71
Less: Closing Stock				
Raw Materials	523.64		351.63	
Work in Process	17.00		2.70	
Packing Materials	20.51		33.16	
Finished Goods	<u>330.12</u>		<u>228.18</u>	
		891.27		615.67
		<u>11,318.93</u>		<u>9,967.92</u>

SCHEDULES TO THE ACCOUNTS

	For the year ended 31st March, 2004		For the year ended 31st March, 2003	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
17. Manufacturing, Selling, etc., Expenses				
Salaries, Wages and Bonus	150.70		131.67	
Contribution to Provident and Other Funds	22.11		19.06	
Workmen and Staff Welfare Expenses	19.23		18.06	
		192.04		168.79
Consumption of Stores and Spare parts		10.50		9.18
Processing Charges		190.60		199.26
Power and Fuel		6.45		23.87
Rent*		59.19		60.55
Rates and Taxes		68.68		33.33
Excise Duty		0.12		5.70
Insurance		8.35		5.69
Repairs and Maintenance				
– Buildings		0.20		0.34
– Machinery		2.58		3.83
– Others		8.55		7.08
Printing and Stationery		4.41		5.86
Communication Expenses		20.74		23.37
Travelling		49.91		46.16
Auditors' Remuneration		2.04		1.69
Outward Freight		217.30		179.81
Brokerage / Commission		21.52		18.19
Distribution Expenses		110.80		135.21
Discounts and Quality Rebates		33.43		24.38
Legal Charges		5.24		1.68
Professional Charges		21.17		25.59
Advertisement and Sales Promotion		276.32		268.65
Amortisation of Miscellaneous Expenditure		5.27		4.40
Miscellaneous Expenses		31.79		25.29
Bad debts / Advances written off		2.45		—
Provision for Doubtful Advances		5.00		—
Provision for Doubtful Debts		5.41		4.56
Production and Farm Expenses (Net)		4.87		3.39
Royalty		6.94		5.18
Loss on Fixed Assets Discarded / Sold (Net)		2.45		(5.33)
Diminution on Value of Assets		1.30		—
		1,375.62		1,285.70
Deduct: Recovery of Costs		0.54		0.71
		1,375.08		1,284.99

*Rent includes lease rentals of Rs. 21.39 Millions (2003 – Rs. 27.40 Millions)

SCHEDULES TO THE ACCOUNTS

	For the year ended 31st March, 2004		For the year ended 31st March, 2003	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
18. Interest and Finance Charges				
Interest paid				
— Other Interest		50.64		65.21
— Bank / Finance Charges		28.41		18.77
— Exchange (Gain) / Loss - (net)		(20.90)		2.07
		<u>58.15</u>		<u>86.05</u>
Less: Interest received on Loans, Deposits, Advances etc.*		<u>4.75</u>		<u>4.31</u>
		53.40		81.74
		<u>53.40</u>		<u>81.74</u>

*Interest received on Loans, Deposits, Advances etc., is stated Gross, the amount of Income Tax deducted thereon is Rs. 0.06 Millions (2003 - Rs. 0.84 Millions)

SCHEDULES TO THE ACCOUNTS

19. NOTES TO THE ACCOUNTS

- i) The consolidated financial statements of the Company for the year ended 31 March, 2004 comprise the Company, its wholly owned subsidiary Heera Seeds Trading and Warehousing Limited (incorporated in India) and the Company's proportionate share (50%) in Jointly Controlled Entity, Advanta India Limited (incorporated in India). These entities have together been referred to as the 'Group' for disclosure purpose.

The consolidated financial statements have been prepared in accordance with Accounting Standard ("AS") 21, "Consolidated Financial Statements", and AS 27, "Financial Reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India.

Investment in jointly controlled entity was accounted for as Long Term Investment upto March 31, 2002. Pursuant to the adoption of AS 27, with effect from April 1, 2002, opening balance of consolidated general reserves has been increased by Rs. 11.03 Millions.

Dividend received by the company from jointly controlled entity during the current year amounting to Rs 23.63 Millions has been added back to consolidated general reserves as at March 31, 2004.

In accordance with the accounting policy, dividend (pertaining to the Parent) proposed by the board of directors of the jointly controlled entity has not been considered in the consolidated financial statements. However, proportionate share of proposed dividend payable to the other venture has been considered in these accounts.

- ii) Capital and other commitments Rs 0.42 Millions (2003 - Rs.5.22 Millions).
- iii) Contingent Liabilities:
- a) Income Tax/ Sales Tax matters under appeal Rs.205.13 Millions (2003 - Rs.200.33 Millions)
 - b) Claims under dispute Rs 3.97 Millions (2003 - Rs.22.05 Millions).
 - c) Counter Guarantees given to the Bankers in respect of guarantees furnished by them Rs.2.80 Millions (2003 - Rs. 1.94 Millions)
 - d) Bills of Exchange Discounted. Rs.Nil (2003- Rs. 39.85 Millions)
- iv) Extraordinary Item

Company had license arrangement in respect of Mantralaym Undertaking owned by ITC Limited (ITC), which expired on 26th September 2001. The matter pertaining to extension of such arrangement was referred to arbitration and accordingly a settlement agreement was signed with ITC, which resolved the matters involving the extension of licensing arrangement. This settlement required a payment of Rs. 430 Millions over a period of five years. This settlement cost is being amortized on the basis of enduring benefits expected in future due to decentralization of manufacturing operations and accordingly settlement cost amounting to Rs. 62.40 Millions (2003 - Rs. 29 Millions) has been charged as an extraordinary item in these accounts. The balance cost has been carried forward as settlement cost on Schedule 13 under Miscellaneous Expenditure (to the extent not written off or adjusted). Corresponding liability of Rs. 338.60 Millions (2003 - Rs. 401 Millions) has been shown under Deferred Payment Liability in the Balance Sheet.

- v) Deferred Taxation

Pursuant to the adoption of the Accounting Standard - 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, transitional deferred tax liabilities as computed after considering the timing differences as on

April 1, 2001	Rs. 48.13 Millions
April 1, 2002	Rs. 4.10 Millions

were added to debit balance of Profit and Loss account. Such transitional deferred tax liabilities were computed after considering the timing differences of the book values of certain brand and written down value of such brand under Income Tax Act.

On review as at the balance sheet date, such difference has been considered as a permanent difference and accordingly an amount of Rs.91.93 Millions has been adjusted with the transitional deferred tax liabilities

Deferred tax assets and liabilities are computed on the timing differences applying the enacted tax rates.

vi) Earning Per Share

The earnings considered in ascertaining the company's Earnings Per Share comprise net profit after tax (and includes the post tax effect of any Extraordinary Items). The number of shares (nominal value of Rs. 10) used in Earnings Per Share is the weighted average number of shares outstanding during the year.

vii) Intangible Assets

Pursuant to adoption of Accounting Standard - 26 "Intangible Assets" issued by the Institute of Chartered Accountants of India with effect from April 1, 2003, brands purchased by the Company are being amortized on straight line method based on their estimated useful life. Consequently, depreciation/amortization cost for the year includes a sum of Rs 9.28 Millions being the amortization relating to these brands. Further, transitional amortization cost in respect of such brands up to March 31, 2003 amounting to Rs. 59.53 Millions has been adjusted with the debit balance of Profit and Loss Account as at the beginning of the year. During the year the management has assessed the value of these brands through an independent valuer of repute. As per assessment the value of such brands amount to Rs. 1,761 Millions against Rs.302.03 Millions at which these are carried in these accounts.

viii) Related Party Transactions

For the Year ended 31st March 2004 Rs. Millions	For the Year ended 31st March 2003 Rs. Millions
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1. Companies

- Cag Tech Mauritius Limited - Holding Company
- ConAgra Inc USA - having significant influence
- Lamb Weston Meijer & Inc

Transactions with ConAgra Inc, USA - Group

- Purchase of materials	16.89	3.28
- Recovery of expenses	3.66	6.68
- Income earned on services rendered	3.70	—

Year end balances

- Receivable	6.19	—
- Payable	—	1.56

Transactions with Lamb Weston Meijer & Inc

- Purchase of materials	23.49	6.93
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Year end balances

- Payable	3.84	1.57
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2. Key Management Personnel

Whole time Director - Mr.Tushar I Chudgar

Other Key Management Personnel

Mr. Utpal Sen Gupta

Mr. Ravi Krishnamoorthy

Mr. Sachidanand Madan

Mr. Govvind Ambady

Mr. K.S.Shyam

Mr. Arvind Ahuja

Mr. D. Mullick

Loans advanced during year	0.03	0.31
Loans repayments received	6.60	0.02
Interest received during the year	0.19	0.51
Remuneration	30.51	28.06

ix) Segment Reporting

1. The Group considers business segments as the primary segment for reporting. Based on the nature of products and services risks and returns, organisation structure and internal financial reporting, the following segments have been identified
 - Branded Foods segment includes products sold under the brands of Sundrop, Crystal, Rath, Sudham, Healthy World and Act II
 - Bulk & Processed Commodities segment includes oils and grains procured, processed and distributed by the Commodity Sourcing & Exports and the Seed Buying Operations
 - Others (consisting of seed operations of joint venture Advanta India Ltd)

	Branded Foods		Bulk & Processed Commodities		Others		Unallocable		Eliminations		Consolidated	
	31st March 2004	31st March 2003	31st March 2004	31st March 2003	31st March 2004	31st March 2003	31st March 2004	31st March 2003	31st March 2004	31st March 2003	31st March 2004	31st March 2003
Revenue												
External Sales	5,522.37	4,944.78	7,081.20	6,191.54	228.66	176.82	-	-	-	-	12,832.22	11,313.15
Inter Segment Revenue	5.47	89.50	2,293.91	2,063.88	-	-	-	-	(2,299.38)	(2,153.38)	-	-
Total Revenue	5,527.84	5,034.28	9,375.11	8,255.43	228.66	176.82	-	-	(2,299.38)	(2,153.38)	12,832.22	11,313.15
Result	112.75	54.52	118.86	89.81	37.26	15.69	-	-	23.63	-	245.24	160.02
Unallocated Corporate Expenses	-	-	-	-	-	-	93.38	54.44	-	-	93.38	54.44
Interest & Finance Costs	-	-	-	-	-	-	-	-	-	-	53.40	81.74
Profit Before Tax	-	-	-	-	-	-	-	-	-	-	98.46	23.83
Provision for Tax												
Current											3.01	1.01
Deferred											3.08	(2.71)
Profit before Extraordinary Item											92.37	25.54
Extraordinary Item											62.40	139.60
Net Profit/(loss)											29.97	(114.06)
Other Information												
Segment Assets	761.37	944.74	1,279.51	662.41	-	-	-	-	-	-	2,040.88	1,607.15
Unallocated Corporate Assets	-	-	-	-	247.70	221.90	728.71	718.49	(60.33)	(60.32)	916.08	880.08
Total Assets	761.37	944.74	1,279.51	662.41	247.70	221.90	728.71	718.49	(60.33)	(60.32)	2,956.96	2,487.23
Segment Liabilities	519.58	632.68	875.57	404.91	-	-	-	-	-	-	1,395.15	1,037.59
Unallocated Corporate Liabilities	-	-	-	-	98.88	80.76	603.48	578.71	(14.83)	(14.82)	687.53	644.65
Total Liabilities	519.58	632.68	875.57	404.91	98.88	80.76	603.48	578.71	(14.83)	(14.82)	2,082.68	1,682.24
Depreciation / Amortisation												
Unallocated Corporate Depreciation	-	-	-	-	4.50	3.41	8.51	6.95	-	-	13.00	10.37
Total Depreciation / Amortisation	13.13	3.15	0.74	0.63	4.50	3.41	8.51	6.95	-	-	26.88	14.15
Capital Expenditure												
Unallocated Corporate Expenditure	3.75	10.92	2.51	1.80	-	-	-	-	-	-	6.26	12.72
Total Capital Expenditure	3.75	10.92	2.51	1.80	10.65	3.42	9.89	10.22	-	-	20.53	13.64
Non-Cash Expenditure												
Unallocated Corporate Expenditure	-	-	-	-	10.65	3.42	9.89	10.22	-	-	26.79	26.36
Total Non-Cash Expenditure	4.80	1.91	0.61	2.63	-	-	-	-	-	-	5.41	4.54
Cash Expenditure												
Unallocated Corporate Expenditure	-	-	-	-	-	0.03	11.56	4.38	-	-	11.56	4.42
Total Cash Expenditure	4.80	1.91	0.61	2.63	-	0.03	11.56	4.38	-	-	16.97	8.96

2. Allocation of segment assets and liabilities have been done to the maximum extent possible

3. Geographical Segments considered for disclosure are

- Sales within India
- Sales outside India

The entire activity pertaining to sales outside India is carried out from India

Based on geographical segments identified there is no item to be reported under this, since the information pertaining to segments results, assets and liabilities and sales outside India is below the threshold limit

x) The Company's Interest in the Jointly Controlled Entity

	As on 31st March 2004	As on 31st March 2003
	Rs. Millions	Rs. Millions
Fixed Assets	64.22	61.68
Investments	0.03	5.03
Current Assets	183.45	155.19
Current Liabilities and Provisions	89.50	(80.46)
Deferred Tax Liability	12.05	(4.74)
Income	232.82	186.44
Expenses	190.79	170.26
Depreciation	4.50	3.40

xi) Comparative figures of the previous year have been regrouped wherever necessary to conform to those of the current year.

On behalf of the Board

Utpal Sen Gupta
President

N. Srinivasan
Director

Lt. Gen. D.B. Singh
Director

Tushar Chudgar
Director & Secretary

Place : Secunderabad
Date : 12th May, 2004

Consolidated Cash Flow Statement for the year ended 31st March, 2004

	2004 Rs. Millions	2003 Rs. Millions
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit/ (Loss) before Tax and after Extraordinary Item	36.06	(115.77)
Adjustments:		
Depreciation and Brand Amortisation	26.88	14.15
(Profit) / Loss on Disposal of Fixed Assets(Net)	2.45	(5.33)
Profit on Sale of Investments (Net)	(0.62)	(0.69)
Interest (Net)	24.99	62.98
Provision for Doubtful Debts	5.41	4.56
Provision for Dimunition in value of Assets	1.30	—
Provision for Doubtful Advances	5.00	—
Dividend Received	(0.65)	—
Amortisation of Miscellaneous Expenditure	67.67	4.40
Operating Profit/ (Loss) before Working Capital Changes and Extraordinary Item	<u>168.49</u>	<u>(35.70)</u>
Adjustments for:		
Trade and Other receivables	(198.78)	(84.21)
Inventories	(275.48)	87.02
Trade payables	450.49	264.75
Deferred Revenue Expenses	—	(15.80)
Cash Flow from Operations activities before Extraordinary Item	<u>144.72</u>	<u>216.06</u>
Direct Taxes refund received	0.28	—
Net Cash Flow from Operating activities before Extraordinary Item	<u>145.00</u>	<u>216.06</u>
Extraordinary Item	(62.40)	56.08
Net Cash Flow from Operating activities after Extraordinary Item	<u>82.60</u>	<u>272.14</u>
B CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(24.37)	(18.96)
Sale of Fixed Assets (Net)	2.77	10.88
Purchase of Short Term Investments	(479.50)	(590.02)
Sale of Short Term Investments	485.12	585.69
Divident Received	0.65	—
Interest Received	4.36	4.32
Net cash used in Investing Activities before Extraordinary Item	<u>(10.97)</u>	<u>(8.09)</u>
Extraordinary Item (net)	—	5.00
Net cash used in Investing Activities after Extraordinary Item	<u>(10.97)</u>	<u>(3.09)</u>

	2004 Rs. Millions	2003 Rs. Millions
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Dividend Paid	(23.63)	—
Dividend Tax Paid	(3.02)	—
Proceeds from/(Repayments of) Long Term Borrowings	(44.61)	(136.26)
Hedging Costs(net)	20.90	(2.07)
Interest Paid	(48.36)	(62.37)
Net cash used in Financing Activities	<u>(98.72)</u>	<u>(200.70)</u>
Net (Decrease) / Increase in Cash and Cash Equivalents	(27.09)	68.35
Opening Cash and Cash equivalents	83.86	15.50
Closing Cash and Cash equivalents	56.77	83.85

Note:

- Comparative figures of previous year have been regrouped to conform to those of the current year.
- The above cash flow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.

On behalf of the Board

Utpal Sen Gupta
President

N. Srinivasan
Director

Lt. Gen. D.B. Singh
Director

Tushar Chudgar
Director & Secretary

Place : Secunderabad

Date : 12th May, 2004

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF AGRO TECH FOODS LIMITED

1. We have audited the attached consolidated balance sheet of Agro Tech Foods Limited as at March 31, 2004, the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These consolidated financial statements are the responsibility of Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 – Consolidated Financial Statements, and Accounting Standard 27 – Financial Reporting of Interests in Joint Ventures, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Agro Tech Foods Limited and its consolidated entities included in the consolidated financial statements.
4. On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of Agro Tech Foods Limited and its consolidated entities, in our opinion, the 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 consolidated state of affairs of Agro Tech Foods Limited and its consolidated entities as at March 31, 2004;
 - b) in the case of the consolidated profit and loss account, of the consolidated results of operations of Agro Tech Foods Limited and its consolidated entities for the year ended on that date; and
 - c) in the case of the consolidated cash flow statement, of the consolidated cash flows of Agro Tech Foods Limited and its consolidated entities for the year ended on that date.

Place: Hyderabad
Dated: 12th May, 2004

Tuhin Bagchi
Partner

For and on behalf of
Lovelock & Lewes
Chartered Accountants

Heera Seeds Trading and Warehousing Limited

DIRECTORS' REPORT TO THE MEMBERS

The Directors are pleased to present the Fourteenth Annual Report for the financial year ended 31st March, 2004 together with the Balance Sheet and the Profit and Loss Account.

Operations:

During the year under review, the Company did not undertake any trading / Manufacturing Operations. As stated in the report for last year, the Company is exploring various viable business options for entry in the near future. The operating results are as under.

	2003-2004 Rupees	2002-2003 Rupees
Profit / (Loss) before Taxation	(30,174)	(27,667)
Income Tax	-	-
Profit / (Loss) after Tax	(30,174)	(27,667)
Profit brought forward	(5,254,950)	(5,227,283)
Profit / (Loss) available for Appropriation and carried forward.	(5,285,124)	(5,254,950)

Directors

Shri Sachidanand Madan was appointed as a Director of the Company in terms of Section 262 of the Companies Act, 1956 with effect from 26th May, 2003 in the vacancy caused by the resignation of Mr. Bendicto C Sison.

Pursuant to Section 255 of the Companies Act, 1956, Shri Arvind Ahuja retires at the Fourteenth Annual General Meeting and being eligible offers himself for re-appointment.

Directors' Responsibility Statement

As per the provisions of Section 217 (2AA) of the Companies Act, 1956, the Directors state:

- that in the preparation of the annual accounts for the year ended 31st March 2004, the applicable accounting standards have been followed and that no material departures have been made from the same.
- They have selected such accounting policies and applied them consistently and made judgments 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 ended 31st March, 2004, and at the loss of the Company for that period.
- They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities
- They have prepared the annual accounts for the year ended 31st March, 2004, on a going concern basis.

Auditors

The Auditors of the Company, Lovelock & Lewes, Chartered Accountants, hold office upto the Fourteenth Annual General Meeting and are recommended for re-appointment. The Company has received a Certificate from them to the effect that their re-appointment if made, would be within the limits prescribed under Section 224(1) of the Companies Act, 1956.

Companies (disclosure of particulars in the report of board of directors) rules, 1988

The Company had no activities relating to the Conservation of Energy Technology Absorption and did not have any foreign exchange earnings or outflow during the year under review.

Particulars of Employees

The Company had no employee covered by Sub section (2A) of Section 217 of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975

Acknowledgement

Yours Directors wish to place on record their appreciation for the contribution and support received from various agencies during the year.

On behalf of the Board

Arvind Ahuja
Director

Sachidanand Madan
Secretary & Director

Place : Secunderabad
Dated : 11th May, 2004

AUDITORS' REPORT TO THE MEMBERS OF HEERA SEEDS TRADING AND WAREHOUSING LIMITED

- We have audited the attached Balance Sheet of Heera Seeds Trading and Warehousing Limited, as at March 31, 2004, the related Profit and Loss Account for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - 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;
 - The Balance Sheet, the Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - In our opinion, the Balance Sheet, the Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - On the basis of written representations received from the directors, as on March 31, 2004, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2004;
 - in the case of the Profit and Loss Account, of the loss for the year ended on that date; and

Tuhin Bagchi
Partner

For and on behalf of
Lovelock & Lewes
Chartered Accountants

Place: Hyderabad
Date: 11th May, 2004

ANNEXURE TO THE AUDITORS' REPORT TO THE MEMBERS OF HEERA SEEDS TRADING AND WAREHOUSING LIMITED

(Annexure referred to in paragraph 3 of the Auditors' Report of even date to the Members of Heera Seeds Trading and Warehousing Limited on the financial statements for the year ended March 31, 2004)

1. The Company has neither granted nor taken any loan, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act. As the Company has not granted/ taken any loan, secured or unsecured to/ from parties covered in the register maintained under Section 301 of the Act, clauses (iii) (b), (iii) (c) and (iii) (d) of Paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company for the current year.
2. In our opinion and according to the information and explanations given to us, there is no transaction that needs to be entered into the register in pursuance of Section 301 of the Act. In view of the above, clause (v) (b) of Paragraph 4 of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company for the current year.
3. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposit under the provisions of Sections 58A and 58AA of the Act and the rules framed there under.
4. The Company has not carried out any internal audit during the year.
5. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, excise duty, customs duty, cess and other material statutory dues as applicable, with the appropriate authorities.
(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of sales tax, income tax, custom duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.
6. The Company has accumulated losses as at March 31, 2004 and has incurred cash losses in the financial year ended on that date, and in the immediately preceding financial year.
7. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year nor have we been informed of such case by the management.

Other clauses of the Order (i), (ii), (iv), (viii), (xi), (xii), (xiii), (xiv), (xv), (xvi), (xvii), (xviii), (xix) and (xx) are not applicable to the Company since in our opinion there is no matter which arises to be reported as per the aforesaid Order.

Tuhin Bagchi
Partner

For and on behalf of
Lovelock & Lewes
Chartered Accountants

Place: Hyderabad
Date: 11th May, 2004

Heera Seeds Trading and Warehousing Limited

Balance Sheet as at 31st March, 2004

	Schedules	31st March, 2004		31st March, 2003	
		Rupees	Rupees	Rupees	Rupees
SOURCES OF FUNDS					
Shareholders' Funds					
a) Capital	1	20,000,000		20,000,000	
b) Reserves & Surplus	2	—		—	
			<u>20,000,000</u>		<u>20,000,000</u>
			<u>20,000,000</u>		<u>20,000,000</u>
APPLICATION OF FUNDS					
Current Assets,					
Loans & Advances					
Sundry Debtors	3	7,222,481		7,245,481	
Cash & Bank Balances	4	61,095		69,269	
Loans & Advances	5	7,571,116		7,571,116	
		<u>14,854,692</u>		<u>14,885,866</u>	
Current Liabilities & Provisions					
Liabilities	6	10,500		11,500	
Provisions		4,316		4,316	
		<u>14,816</u>		<u>15,816</u>	
Net Current Assets		14,839,876		14,870,050	
Profit and Loss Account	7	5,160,124		5,129,950	
		<u>20,000,000</u>		<u>20,000,000</u>	
Notes to the Accounts	9				

The Schedules referred to above and the Statement on Significant Accounting Policies form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

Tuhin Bagchi
Partner

For and on behalf of Lovelock & Lewes
Chartered Accountants

Place : Hyderabad
Date : 11th May, 2004

On behalf of the Board

Arvind Ahuja
Director

Sachidanand Madan
Secretary & Director

Place : Secunderabad
Date : 11th May, 2004

Profit and Loss Account for the year ended 31st March, 2004

	Schedules	For the	
		Year ended 31st March, 2004	Year ended 31st March, 2003
		Rupees	Rupees
Income			
Other Income		—	—
		<u>—</u>	<u>—</u>
Expenditure			
Administration, Selling expenses	8	30,174	27,667
		<u>30,174</u>	<u>27,667</u>
(Loss) before Taxation		(30,174)	(27,667)
Provision for Taxation		—	—
(Loss) after Taxation		(30,174)	(27,667)
Loss brought forward		(5,254,950)	(5,227,283)
Balance carried to Schedule 7		<u>(5,285,124)</u>	<u>(5,254,950)</u>
EPS (Basic and Diluted)		(0.02)	(0.01)
Notes to the Accounts	9		

Note: The Schedules referred to above and the Statement on Significant Accounting Policies form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our report of even date.

Tuhin Bagchi
Partner

For and on behalf of Lovelock & Lewes
Chartered Accountants

Place : Hyderabad
Date : 11th May, 2004

On behalf of the Board

Arvind Ahuja
Director

Sachidanand Madan
Secretary & Director

Place : Secunderabad
Date : 11th May, 2004

Heera Seeds Trading and Warehousing Limited

Schedules to the Accounts

	31st March, 2004 Rupees	31st March, 2003 Rupees
1. Capital		
Authorised:		
2,000,000 Equity Shares of Rs. 10/- each	20,000,000	20,000,000
Issued and Subscribed:		
2,000,000 Equity Shares of Rs. 10/- each fully paid	20,000,000	20,000,000
(The entire Share Capital is held by the holding company Agro Tech Foods Ltd. and its Nominees)	20,000,000	20,000,000
2. Reserves and Surplus		
General Reserve:	125,000	125,000
Less: As per Contra	125,000	125,000
	—	—
3. Sundry Debtors (Unsecured — Considered good)		
Debts outstanding for a period exceeding six months*	7,222,481	7,245,481
	7,222,481	7,245,481
*Due from Holding company Rs. 7,222,481 (2003 – Rs. 7,245,481)		
4. Cash and Bank Balances		
Cash on hand	711	711
With Scheduled Banks — on Current Account	60,384	68,558
	61,095	69,269
5. Loans and Advances (Unsecured — Considered good)		
Advances recoverable in cash or in kind or for value to be received*	7,571,116	7,571,116
	7,571,116	7,571,116
*Due from Holding Company Rs. 7,571,116 (2003 – Rs. 7,571,116)		
6. Current Liabilities & Provisions		
A. Liabilities		
Sundry Creditors due to		
— Small Scale Industrial undertaking	—	—
— Others	10,500	11,500
	10,500	11,500
B. Provisions		
Provision for Taxation (net of advance payment)	4,316	4,316
	4,316	4,316

	31st March, 2004 Rupees	31st March, 2003 Rupees
7. Profit & Loss Account		
Debit balance as per Profit and Loss Account	(5,285,124)	(5,254,950)
Less: As per Contra	125,000	125,000
	(5,160,124)	(5,129,950)
8. Administration, Selling Expenses		
Rates and Taxes	1,500	5,000
Audit Fee	10,500	10,500
Legal and Professional Charges	10,000	12,000
Miscellaneous Expenses	8,174	167
	30,174	27,667
9. Notes to Accounts		

- i) The company has changed the method of valuation of closing stock during the year from FIFO to weighted average method. However this does not have any impact on loss for the year.
- ii) Earning Per Share
The earning considered in ascertaining the company's Earnings Per Share comprise net profit after tax.
The number of shares (nominal value of Rs.10) used in computing Basic Earning Per Share is the weighted average number of shares outstanding during the year.
- iii) Information with regard to matters specified in clauses 3,4,4-A,4-B, 4-C and 4- D of Part II of Schedule VI of Companies Act,1956 to the extent that they are either NIL or not applicable to the Company has not been given.
- iv) Comparative figures of the previous year have been regrouped, wherever necessary, to conform to those of the current year.

On behalf of the Board
Arvind Ahuja
Director

Place : Secunderabad
Date : 11th May, 2004

Sachidanand Madan
Secretary & Director

Statement on Significant Accounting Policies

The Financial statements have been prepared on the basis of going concern, under the historic cost convention on accrual basis to comply in all material aspects with applicable accounting principles in India, the Accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

Fixed Assets

Fixed Assets are accounted for at cost of acquisition inclusive of inward freight, duties, taxes and incidentals related to acquisition.

Depreciation is provided for in the accounts on straight line method at the rates computed in accordance with Schedule XIV of the Companies Act, 1956.

Investments

All investments are stated at cost. Income from investments is recognized in the accounts in the year in which it is accrued and stated at gross values.

Inventories

Inventories are valued at weighted average cost or below. Consumption and/or other stock diminution is accounted for at the aforesaid weighted average cost. In the case of finished goods, cost comprises material, labour and applicable overhead expenses and duties including excise duty paid/payable thereon.

Goods in transit / with third parties are valued at cost which represents the costs incurred up to the stage at which the goods are in transit / with third parties.