



A N N U A L
R E P O R T
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Agro Tech Foods Limited

Board of Directors

Directors

I Troop	Chairman
D L Briffett	
H G Buffett	
S Kulkarni	
Lt Gen D B Singh	
R V Smither	
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
R Krishnamoorthy	Vice President – Supply Chain
M Manvi	Vice President – Commodity Sourcing & Exports
K S Shyam	Head – Human Resources and Asst. Vice President
A Sinha	Vice President – Branded Edible Oils

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 Eighteenth Annual General Meeting of the Members of Agro Tech Foods Limited will be held on Thursday the 28th July, 2005 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, 2005 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 Mr. Howard G. Buffett, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. R.V. Smither, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Rajiv Tandon, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration. M/s Lovelock & Lewes, the retiring Auditors are eligible for reappointment.

SPECIAL BUSINESS

6. To appoint Mr. Sanjaya Kulkarni, an Additional Director of the Company, 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, Mr. Sanjaya Kulkarni 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 Mr. Sanjaya Kulkarni 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 reappointment of Mr. Tushar Chudgar as Wholetime Director of the Company for a period of one year with effect from 30th July, 2005 till 29th July, 2006 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 Mr. Tushar Chudgar.”

BOOK CLOSURE

The Register of Members and Share Transfer Books of the Company shall remain closed from Saturday 23rd July, 2005 till Thursday 28th July, 2005 (both days inclusive).

Dated: 23rd June, 2005

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 No. 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 Share 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. 6

Mr. Sanjaya Kulkarni was appointed as an Additional Director of the Company in terms of Section 260 of the Companies Act, 1956 on 11th January, 2005 and he holds office upto the date of this Annual General Meeting. 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 Mr. Sanjaya Kulkarni as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation. Mr. Sanjaya Kulkarni 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:

Mr. Sanjaya Kulkarni 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 Mr. Tushar Chudgar as Wholetime Director of the Company for a further period of one year with effect from 30th July, 2005 on the following remuneration:

(i) Salary:

Rs. 50,000 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, Mr. 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. 800,000/- 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, Mr. 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.

Mr. 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 Mr. Tushar Chudgar may be further varied, altered or modified as may be agreed to by the Board of Directors and Mr. 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.

Mr. 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 sixteen 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 Wholetime 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 Wholetime Director for a further period of one year from 30th July, 2005 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. Mr. 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 Mr. 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: 23rd June, 2005

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:

Howard G. Buffett serves on the Corporate Board of Berkshire Hathaway, Inc., and Lindsay Manufacturing. A businessman from Decatur, Illinois, Howard G. Buffett is also President of the Howard G. Buffett Foundation, President of Buffett Farms and President of Biolmages, a photography and publishing Company, he is also a non-executive Director on ConAgra Foods' Board of Directors.

Howard G. Buffett serves on several nonprofit boards that support conservation and education issues. Some of the boards include the Commission on Presidential Debates, the World Wildlife Fund National Council, The Nature Conservation Trust, Ecotrust and the Africa Foundation. He has published books authored numerous editorial pieces and is an accomplished wildlife photographer. Howard G. Buffett received the Aztec Eagle award from the President of Mexico, the highest honour bestowed to a foreign citizen by that Country.

R.V. Smither

R.V. Smither is an Executive Director of Tiger Brands Ltd. The Company is the leading Food and Healthcare business in South Africa. It is listed on the Johannesburg Stock Exchange and currently has a market capitalization of approx. 1.2 billion US\$.

R.V. Smither's responsibilities include Sea Harvest and Oceana two Companies which represent the group's fishing interests (turnover ± 500 million US\$), its offshore interests, which include an investment in ConAgra Malt jointly with ConAgra Foods and a 24% interest in Empresas Carozzi Ltd., which is a leading food business in Chile, South America.

R.V. Smither also has responsibility for the group's investor relations function. His formal qualifications include a Bachelor of Commerce degree and he is registered as a Chartered Accountant.

Rajiv Tandon

Rajiv Tandon is Head of Corporate Finance of ITC. He is a Chartered Accountant and has been with ITC for the past 19 years. He has held various positions in ITC's finance function including Finance Advisor, Divisional Financial Controller, IBD. He is a member on the Boards of the various Companies.

Sanjaya Kulkarni

Sanjaya Kulkarni graduated with an Engineering Degree from the Indian Institute of Technology, Mumbai and an MBA from Indian Institute of Management, Ahmedabad. He then embarked upon a career in finance by joining Citibank N.A. in 1973. After working in the Merchant Banking and Corporate Banking divisions of Citibank in both New Delhi and Mumbai for 7 years, Sanjaya Kulkarni founded 20th Century Leasing Corporation along with a number of his colleagues. Sanjaya Kulkarni was responsible for setting up the merchant banking division of 20th Century Finance Corporation Limited in the early 1980's and had oversight of this department, which included public issue management and underwriting, private equity, venture capital and advisory services.

Sanjaya Kulkarni has been appointed to various committees of the Bombay Chamber of Commerce, the Bombay Management Association and the Reserve Bank of India. Sanjaya Kulkarni has been Co-Chairman from 1989 to 1993 and then Chairman of the Equipment Leasing Association of India from 1993 to 1995. Sanjaya Kulkarni has over 30 years of experience in the Indian financial services sector.

Sanjaya Kulkarni is the founder and Managing Director of India Direct Equity Advisors ("IDEA"), the local advisor to the IEP India Direct Fund.. He represents IDEA as Chairman of the IDF Investment Committee since inception. He is also the Chairman of the eTEC investment committee. Sanjaya Kulkarni co-manages, eTEC ventures and IDEA which have corporates of approximately \$60 M. eTEC ventures Limited is part of IEP Milestone.



Agro Tech Foods Limited

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 sixteen 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, 2005.

FINANCIAL RESULTS

The summarized financial results are:

	(Rs. Millions)	
	2004-2005	2003-2004
Turnover	10,539	12,604
Total Expenditure	10,443	12,502
Operating Profit	96	102
Other Income	61	59
Profit before Interest/ Finance Charges & Depreciation	157	161
Interest/Finance Charges	62	54
Depreciation/Amortization	24	22
Profit Before Deferred Taxation	71	85
Profit After Deferred Taxation	90	89
Extraordinary Item	89	62
Net Profit after Extraordinary item	1	26

Your Company reported a turnover of Rs. 10,539 million, which is down by 16% as compared to last year. This is primarily on account of Bulk and Processed Commodities (BPC) segment scaling down part of its activities in the second half of the current year due to market volatilities. Changes in Government policy on subsidising grains exports also adversely impacted turnover of Bulk and Processed Commodities segment.

The Company achieved underlying profit after tax (before extraordinary item) of Rs. 90 million for the financial year ended March 31, 2005 as compared to Rs. 89 million in the previous year. The net profit after tax is Rs. 1 million for the year, after absorbing the cost of Rs. 89 million (which is higher than the last year charge of Rs. 62 million) associated with the settlement of Mantralayam undertaking and the discontinuance of its operations.

The significant events during the year were:

- The business took initiative to strengthen the Sundrop brand by focusing its 'Heart' variant on the heart health platform. The activities

included brand endorsement by a well-known celebrity, doctors' detailing, communications on world heart day, etc. This had a positive impact on Sundrop brand in general and its 'Heart' variant in particular.

- The above activities also had a positive impact on Sundrop market share, which had come under pressure during the first half of the year. The brand's market share for quarter ending March '05 increased to 9.4% in the Refined Oils Consumer Packs (ROCP) market as against 9.0% during the corresponding period in the previous year.
- Sundrop NutriLite has been reformulated with 100% Soyabean oil as against the previous offering of a blend of Soyabean with sunflower oil. The new Sundrop NutriLite offering is better packaged with competitive pricing alongwith initiatives to improve visibility and distribution.
- Rath volumes and margins came under pressure during the year due to overall sluggishness in the market. Price reduction achieved due to cost rationalisation measures helped in improving volumes during the second half of the year. The year ended with an overall volume reduction of 8.7%, almost in line with degrowth in the Vanaspati consumer pack market.
- Ready-to-eat (RTE) snacks under the ACT II brand was rolled out nationally between July and November '04 starting with the top towns. A limited burst of advertising on mass media supported the launch aimed at communicating the introduction of the new range of snacks under ACT II brand. The year proved to be a useful learning experience in understanding the impulse driven snack market.
- The popcorn vending business has shown very promising growth in volume. Growth has been driven by conversion of multiplexes and amusement parks to ACT II vending popcorn, as well as increase in retail locations.



- During the year, IPC (Instant Popcorn) has grown by 17.5% in units and 11.4% in tonnage. This growth has been driven by a number of factors including increased availability riding on the RTE range, growth of modern trade and ACT II presence in media. A display-friendly string pack format was launched in fourth quarter to enhance in-store visibility in grocery stores.

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 began with a high price table on account of tight oil supplies. A good monsoon forecast for the year 2004-05 was a welcome sign for the agriculture fraternity. This was coupled with exceedingly good weather in the US and South America, leading to forecasts of huge crops harvests in the American continents. On the east, palm production in Malaysia also increased steadily. With the expectation of significantly higher oilseed production across the world, edible oil prices moved in a narrow range post October '04. The domestic price table remained high till about October '04 due to delay in winter oilseed harvest.

The Government of India announced excise exemptions to new units in Kutch (Gujarat) area post the devastating earthquake in 2003. This initiated lot of players to set up large capacities of edible oil refining in the west coast to take advantage of this exemption leading to excess refining capacity creation. This caused severe price competition due to palpable compulsion of selling the daily production instead of maintaining the price. This had an adverse impact on the processors in the hinterland.

India continued imports, with about 5.0 million MT of edible oils imported during the year. The duty differentials were also tweaked in favour of soyabean oil as the duties on palm oil and its derivatives were increased upwards. The import

duty difference between sunflower oil and soyabean oil continued to be 30%. Thus, the element of uncertainty continued due to frequent changes in tax structures including frequent changes in tariff values on edible oil imports.

A very positive step taken by the Government was to withdraw excise duty on edible oils and vanaspati from 1st March, 2005. This also helped control inflation and sustain demand.

Vanaspati supply from Nepal, at nil import duty under the FTA, was continued to be deterrent for the Industry. Not only did this adversely impact the local Industry, but also maintained status quo of a non-level playing field for the domestic vanaspati players.

On a good note, the industry saw the emergence of National Commodity Exchanges during the last year. The exchanges provide avenues to hedge commodities against price volatilities in the domestic markets. The exchanges have participation from Nationalised banks and other apex bodies. The growth of volume on the domestic exchanges has been more than encouraging. This has helped in better price discovery for the market and also the grower to get the right price.

BUSINESS FOCUS AND DIRECTION

2004-05: A Focused Approach

The objective of your Company for the year under reference was to ensure Sundrop remained the most profitable brand in the branded edible oils category, while achieving volume and market share growth. Volume growth had been difficult to come by in the first half of the year due to high prices of sunflower crude and consequent pressure on profitability. Various initiatives, including promoting Sundrop Heart (variant with a blend of rice bran and sunflower oils), coupled with significant cost reduction by adapting the manufacturing strategy to the changed circumstances delivered results in the second half of the year. The formulation of NutriLite, another variant of Sundrop, was modified to 100% soya to reduce cost and price, so that NutriLite could better combat competition and participate more effectively in the rapidly growing economy

segment. All this helped Sundrop to reverse the volume decline trend in the first half and help volume to grow by 3% in the second half of the year over the corresponding period of the previous year and lay the foundation for further growth the following year. Cost savings through the reworked manufacturing strategy helped the Company maintain competitive pricing without diluting margins.

ACT II is being positioned as a snack brand. It has been available in the Indian market as popcorn in three formats, microwave, instant and vending. During the current year, Ready-to-eat (RTE) snacks under the ACT II brand was rolled out nationally in a phased manner starting July 2004, after evaluating its test market in Karnataka and Pune. Reorienting the Company's distribution system, which has been designed to cater to the grocery trade, to address snacks outlets is proving to be a challenge.

Besides Sundrop and ACT II, activities on Crystal, Rath and Healthy World have been as follows:

Crystal and Rath also benefited from cost reduction arising out of the reworked manufacturing arrangements. For both brands, a cost competitive supply chain in its target markets is the key to strategy. This gave Crystal an opportunity to compete more aggressively in its focus markets. For Rath, the cost reduction helped sustain margins and scope to compete in a wider selection of markets.

The strategy to shift focus to value added products resulted in withdrawal of Healthy World Atta from unprofitable markets. This has enabled your Company to eliminate losses from this category. It is intended to position Healthy World as a brand for healthy and nutritional foods – a category that is small at present but will grow, as people become more health conscious, and can support value added offerings with desired margins. Due to the focus on ACT II RTE snacks this year, plans for Healthy World have been deferred.

The BPC segment continues to provide quality raw materials at competitive prices to the Branded Foods business of the Company. Part of the activities of BPC segment was curtailed during the second half of the financial year due to market volatility.

2005-06 – The Beginning of Sustainable Profitability

During the coming year, your Company plans to continue to grow its business profitably along the following lines:

Branded Foods Business Sundrop

The strategy is to re-ignite Sundrop growth by leveraging each of its variants in their relevant segments. Sundrop as a brand will continue to stand for 'the healthy oil for healthy people'. Its lead variant SuperLite will compete more aggressively by reducing cost and, thereby, its price premium in the key sunflower oil markets of the South and West. The strategic initiative will be to gain market share in the heart care segment through Sundrop Heart and the reformulated NutriLite as a 100% soya variant will compete more effectively in the soya oil markets of the North and East.

Crystal

Your Company has a presence in the growing economy priced segment through Crystal. As this category is growing rapidly, the strategy is to build preference for the brand through targeted marketing activities in key markets

Rath

Your Company has been focusing on cost reduction to maintain margins in a very competitive market. In view of declining trend in the vanaspati market, your Company intends to continue with this strategy in the coming year also.

ACT II

The strategic shift in direction of Branded Foods business to value added and profitable categories in the foods business led to launch of differentiated snack foods under the ACT II brand. The other major focus in ACT II will be to strengthen and expand the popcorn offerings, including the vending operation. The growth in Instant and microwave popcorn will be driven by increased visibility riding on the RTE range, growth of modern trade and ACT II presence in media. It is expected that activities behind the ACT II franchise, microwave, IPC, vending and RTE, will act synergistically to strengthen and develop the brand.

Bulk and Processed Commodities Business

Bulk and Processed Commodity segment will continue to focus on providing the branded foods segment with consistent quality of raw materials with time and place utility at competitive prices and improve the value chain by growing the seed crushing business. It will also use its commodity expertise in exploiting opportunities for downstream distribution of bulk oils, grains, packaged commodities and value added agri products. It is also proposed to enter the food service business during the current year.

Building for Future

Further to the efforts undertaken by each of the segment, the Company as a whole will also focus on the following initiatives, which will improve performance in the short term and enhance prospects for future profitable growth.

1. Divestment of Advanta

To increase focus on its strategic brands and business, the Company has decided to sell its entire investment in Advanta India Limited to Advanta Finance B.V., a wholly owned subsidiary of Advanta Netherlands Holding B.V. The Board has approved the sale of the Company's investment in the equity shares of Advanta India Limited at a total consideration of Rs. 288.15 million. The cost of investment in your Company's books is Rs. 94.5 million. This approval is subject to signing of the Sale and Purchase Agreement and ancillary agreements and such regulatory approvals as may be required by the purchaser from the Indian authorities for the acquisition.

This sale will enable your Company to capture value from this non-strategic asset and invest in value added brands in its foods business. The realization from the sale will also unlock cash, reduce borrowings and further strengthen your Company's balance sheet.

2. IT Initiative

After successful implementation of Phase I of its IT strategy by June '02, your Company completed Phase II of the IT strategy in January '04 which included providing solutions to integrated supply chain initiatives, enabling

optimum utilization of Oracle functionalities for materials planning, scheduling and product costing. During the coming year, your Company plans to improve process and integrity of data coupled with improved responsiveness to business requirements by implementing Phase III. The emphasis will be on implementation of solution for human capital management and exploring new technology platforms for enhancing and making optimum use of Oracle functionalities for the entire enterprise.

3. Integrated Supply Chain

During the year, your Company restructured the supply chain activities such as manufacturing, logistics and purchasing under an Integrated Supply Chain function. This change has brought sharp focus on supply chain costs and is playing a key role in making your Company more competitive. Among many initiatives, new third party locations in Hyderabad, Karnataka and in port locations are expected to improve cost competitiveness of edible oils and fats. This manufacturing strategy has brought together the oil and fats manufacturing locations for both Branded Foods and Bulk & Processed Commodities to gain synergies, improve quality and reduce complexity and number of manufacturing locations.

VAT has replaced erstwhile Sales Tax Act in 22 states with effect from 1st April, 2005. The supply chain will have to adapt to the change. Recent changes in the Company's manufacturing and distribution strategy are compatible with the post VAT scenario.

4. Sales and Distribution

A collaborative Company-wide initiative between the supply chain function and sales and distribution, Project LINK (Let's INtegrate our Knowledge), is intended to integrate processes from raw material sourcing through manufacturing, up to the customer. This will use the IT and communications infrastructure of your Company and is designed to improve customer service, increase sales, and reduce total supply chain costs. Project LINK has been tested in selected markets for over a year and a phased roll out to all regions has commenced.

5. Human Resources

Your Company aspires to be the most preferred employer amongst Companies in similar business. The Human Resource policy is structured to attract and retain the best talent in the Industry. Our practice of hiring talent from India's best management schools and from reputed Organisations is designed to give a competitive advantage to the business. Initiatives include improved communications, streamlined systems for performance management and training and development activities to improve competencies in key functional areas.

As a part of meeting the Company's responsibilities to the community, the Company runs a programme of Feeding Children Better in select schools across the Country. This programme will be expanded in line with improvement in the Company's financial performance.

ADVANTA INDIA LTD.

Subsequent to the year-end, the Board of Directors of the Company has approved the sale of the Company's investment in the equity shares of Advanta India Limited. Pending regulatory approvals in respect of the sale and execution of sale agreement, financial statements of Advanta India Limited for the year ended March 31, 2005 have been consolidated. This consolidation is 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.

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 and the seed crushing operation of the Company.

The audited financial results of these segments for the year ended March 31, 2005 are:

Segment-wise Revenue, Results and Capital Employed

		(Rs. Millions)	
S. No	Particulars	2004-05	2003-04
1	Segment Revenue		
	a) Branded Foods	5,220	5,528
	b) Bulk & Processed Commodities	7,169	9,375
		12,389	14,903
	Less: Inter Segment Revenue	1,850	2,299
	Sales from Operations	10,539	12,604
2	Segment Results		
	Profit/Loss before Tax and interest from each segment		
	a) Branded Foods	159	113
	b) Bulk & Processed Commodities	(21)	119
		138	232
	Less:		
	i) Interest (Net)	62	54
	ii) Other Un-allocable Expenditure net off un-allocable Income	5	93
	Total Profit Before Tax	71	85
3	Capital Employed		
	Segment Assets-Segment Liabilities		
	a) Branded Foods	296	240
	b) Bulk & Processed Commodities	277	402
	c) Other unallocable net assets	184	114
	Total Capital Employed	757	756

INTERNAL CONTROL SYSTEMS AND ADEQUACY

Your Company is continuing to maintain 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 the Company's 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 carry-forward losses, your Directors are unable to recommend any dividend this year.

DIRECTORS

Shri. N. Srinivasan who represented interests of CDC Group Plc resigned as Independent Director with effect from close of business hours on 1st September '04 consequent to CDC Group Plc disposing off its equity shares held in your Company.

Your Company has appointed Mr. Sanjaya Kulkarni as an Additional Director pursuant to Section 260 of the Companies Act, 1956 and Article 130 of the Articles of Association of the Company with effect from 11th January '05. Mr. Sanjaya Kulkarni is a Non-Executive Independent Director of your Company.

He holds office upto the date of the ensuing Annual General Meeting. Notice together with the deposit,

as required under Section 257 of the Companies Act, 1956 has been received from a Member proposing the appointment of Mr. Sanjaya Kulkarni as Director of the Company at the Annual General Meeting. A brief profile of this Director is given in the notice of the 18th Annual General Meeting.

In accordance with the provisions of Article 143 of the Articles of Association of the Company, Mr. Howard G. Buffett, Mr. R.V. Smither and Mr. Rajiv Tandon retire by rotation and being eligible, offer themselves for re-appointment. A brief profile of these Directors is given in the notice of the 18th Annual General Meeting.

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

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.

CORPORATE GOVERNANCE

In terms of the Listing Agreements, a report on Corporate Governance along with 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 judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the



Agro Tech Foods Limited

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 for the contribution of employees at all levels, customers, co-packers, suppliers and all other stakeholders towards performance of the Company during the year under review.

On behalf of the Board

Utpal Sen Gupta
President

Lt. Gen. D.B. Singh
Director

Dated: 23rd June, 2005

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, 2004 to 31st March, 2005	For the year 1st April, 2003 to 31st March, 2004
A. Power and fuel consumption			
1. Electricity			
a) Purchased			
Units (in 000's)		550.93	933.13
Total Amount (Rs. Millions)		2.62	4.44
Rate/Unit (Rs.)		4.76	4.76
b) Own Generation			
i) Through diesel generator			
Units (in 000's)		24.42	49.58
Units per ltr. of diesel oil		3.70	3.70
Cost/Unit (Variable) (Rs.)		6.50	5.65
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)		1,180.59	11,972.01
Total Cost (Rs. Millions)		4.37	6.13
Average Rate per tonne (Rs.)		3,699.15	3,109.41
3. 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, 2004 to 31st March, 2005	For the year 1st April, 2003 to 31st March, 2004
Electricity	(KWH)	76.25	76.19
Coal ('E' Grade & Steam Coal)	(Tonne)	0.16	0.15

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 new flavours for RTE Snacks
— New products under Sugar Control Range
— New Packaging development.
2. Benefits derived as a result of the above R&D : — National launch of RTE snacks – Corn Chips and Potato Hearts & Stars
— Launch of new flavours Saucy Salsa & Fundoo Masala
— Improved shelf life performance of products
— Reduction in packaging damages in supply chain
3. Future plan of action : — Extend the range of RTE snacks
— Extend RTE flavours
4. Expenditure on R & D

	<u>Rs. Millions</u>
a) Capital	0.31
b) Recurring	6.23
c) Total	6.54
d) Total R & D expenditure as percentage of Turnover	0.06%

Technology Absorption, Adaptation and Innovation

1. Efforts in brief, made towards technology absorption and innovation : — Incorporated the new technology of dry dewaxing using HPLF
— State of the art mono enclosure energy efficient “Quali stock” de-odourisation system.
2. Benefits derived as a result of the above effort : — The new dry-dewaxing technology gives better quality of the product in terms of winterisation as also lower oil losses.
— Improved product shelf life, colour as also improved energy efficiencies
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year)

<ol style="list-style-type: none"> 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
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FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Activities relating to Exports : Export of Rice and Soya meal continued and Wheat export was also done during the year. Additionally export of Maize was also carried out in the current year.
2. Initiatives taken to increase Exports and development of new export market for products and Services and export plans. : A total of 1033 tons of Maize was exported.

	Rs. Millions
3. Total Foreign Exchange	
Earnings: Exports	178.78
Others	14.49
	<hr style="width: 100%;"/>
	193.27
Outgo: CIF Value of Imports	502.64
Foreign Travel	0.86
Interest/Finance charges	21.66
Software Licences	0.38
Others	0.95
	<hr style="width: 100%;"/>
	<u>526.49</u>

Utpal Sen Gupta
President

On behalf of the Board

Lt. Gen. D.B. Singh
Director

Dated: 23rd June, 2005

Tushar Chudgar
Wholetime Director

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY

AGRO TECH FOODS LIMITED AIMS TO BUILD –

- One of the largest and most profitable food businesses in India.
- Offer superior value to customers by meeting their specific food preferences with relevant and tailored quality products and services, delivered at competitive prices, using world-class systems and processes.

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. Derek L. Briffett *		–	–	–	–
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	–	5	–	–
7	Mr. Sanjaya Kulkarni ***	Independent Director	–	10	–	–
8	Mr. Rajiv Tandon		–	4	2	–
9	Mr. K. Vaidyanath		4	4	3	1
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 as at the year end 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, 2, 5 Representing interests of CAG-Tech (Mauritius) Limited in the Company.

- 8,9 Representing interests of ITC Affiliates in the Company
- 10 Wholetime Director
- 2 * Appointed as Director w.e.f 12th May '04 in the casual vacancy caused by the resignation of Mr. Mike Sullivan.
- 6 ** Representing interests of CDC Group Plc (formerly Commonwealth Development Corporation) and resigned as Independent Director w.e.f the close of business hours of 1st September'04 consequent to CDC Group Plc disposing off its equity shares held in the Company.
- 7 *** Appointed as Independent Director with effect from 11th January'05.

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	-	-

B. Number of Board Meetings held in Financial Year 2004-2005 with dates and attendance of Directors:

Four Board Meetings were held during the Financial Year 2004-2005. They were held on 12th May, 2004, 27th July, 2004, 29th October, 2004 and 20th January, 2005.

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	2	No
2	Mr. Derek L. Briffett *	1	No
3	Mr. Howard G. Buffett	2	No
4	Lt. Gen. D.B. Singh	4	Yes
5	Mr. R.V. Smither	1	No
6	Mr. N. Srinivasan **	1	No
7	Mr. Sanjaya Kulkarni ***	1	No
8	Mr. Rajiv Tandon	1	No
9	Mr. K. Vaidyanath	-	No
10	Mr. Tushar Chudgar	4	Yes

2 * Appointed as Director w.e.f 12th May '04 in the casual vacancy caused by the resignation of Mr. Mike Sullivan.

6 ** Representing interests of CDC Group Plc (formerly Commonwealth Development Corporation) and resigned as Independent Director w.e.f the close of business hours of 1st September '04 consequent to CDC Group Plc disposing off its equity shares held in the Company.

7 *** Appointed as Independent Director w.e.f. 11th January, 2005.

Alternate Directors

S. No.	Name of Director	No. of Board Meetings attended	Attendance at AGM
1	Mr. S. Sivakumar (Alternate for Mr. K. Vaidyanath)	3	No

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 was reconstituted on 12th May '04 and on 20th January '05. On 12th May '04 Mr. Howard G. Buffett and Mr. R.V. Smither resigned as members of Audit Committee and Mr. Derek L. Briffett was appointed as a member of the Audit Committee in the casual vacancy caused by the resignation of Mr. Mike Sullivan. On 20th January '05, the Audit Committee was reconstituted (i) to be in line with the amended clause 49 of the Listing Agreement (ii) by appointing Mr. Sanjaya Kulkarni in place of Mr. N. Srinivasan who had resigned as a Director. The Company's Audit Committee now comprises of 3 Directors, all are non-executive and majority being Independent Directors. Lt. Gen. D.B. Singh an Independent Director is the Chairman of the Committee while Mr. Sanjaya Kulkarni and Mr Derek L. Briffett 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 3 times during the year 2004-2005 on 12th May, 2004, 27th July, 2004, and 20th January, 2005.

The attendance record of each Director was as under:

S. No	Name of Director	No. of Meetings attended
1	Mr. Howard G. Buffett	-
2	Mr. R.V. Smither	-
3	Lt. Gen. D.B. Singh	3
4	Mr. Derek L. Briffett *	1
5	Mr. N. Srinivasan **	2
6.	Mr. Sanjaya Kulkarni	1

1,2 Consequent to reconstitution, they resigned from the Audit Committee.

4 * Appointed as Director w.e.f 12th May '04 in the casual vacancy caused by the resignation of Mr. Mike Sullivan.

5 ** Resigned as Independent Director w.e.f the close of business hours of 1st September '04.

6 *** Appointed as Independent Director of the Company with effect from 11th January '05.

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 Role, Powers etc. of the Audit Committee were reconstituted w.e.f 20th January, 2005 to be in line with the proposed amended Clause 49 of the Listing Agreement and performs the following functions: (SEBI has allowed time to ensure compliance by 31st December, 2005).

- (1) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- (2) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- (3) Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- (4) Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956
 - b) Changes, if any, in accounting policies and practices and reasons for the same
 - c) Major accounting entries involving estimates based on the exercise of judgment by management
 - d) Significant adjustments made in the financial statements arising out of audit findings
 - e) Compliance with listing and other legal requirements relating to financial statements
 - f) Disclosure of any related party transactions.

- g) Qualifications in the draft audit report.
- (5) Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
- (6) Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- (7) Reviewing the adequacy of internal audit function, if any, 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.
- (8) Discussion with internal auditors any significant findings and follow up there on.
- (9) 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.
- (10) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- (11) 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.
- (12) To review the functioning of the Whistle Blower mechanism, in case the same is existing.
- (13) Carrying out any other function as is

mentioned in the terms of reference of the Audit Committee.

4. REMUNERATION COMMITTEE

Remuneration Committee has been constituted pursuant to schedule XIII of the Companies Act, 1956 and not as per Clause 49 of the Listing Agreement listed in the Stock Exchanges. The composition was as follows:

1. Mr. Howard G. Buffett,
2. Lt. Gen. D.B. Singh and
3. Mr. N. Srinivasan, all Non-Executive Independent Directors as required.

Consequent to the resignation of Mr. N. Srinivasan and the appointment of Mr. Sanjaya Kulkarni as Independent Director, the Remuneration Committee has been reconstituted w.e.f 12th May '04. The present Members are as follows :

1. Mr. Howard G. Buffett
2. Lt. Gen. D.B. Singh
3. Mr. Sanjaya Kulkarni

The Remuneration Committee met once on 12th May '04 to consider the remuneration of the Executive Director.

Remuneration policy:

The Wholetime Director and Secretary is paid remuneration as per the terms approved by the Remuneration Committee, the Board of Directors of the Company and 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, 2005:

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	482,790/-	154,493/-	816,559/-	1,453,842/-

The Company does not have any stock option scheme.

The Company currently pays sitting fees to its Non-Executive Independent Directors as permitted by the Provisions of the Companies Act, 1956 for attending Meetings of the Board and other Committees of the Board. The sitting fees are Rs. 20,000/- for attending each of such meetings.

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 30 times during the year 2004-2005. All the applications for share transfers received during the year 2004-2005 have been approved.

B. Shareholders/Investor Grievances Committee

The Shareholders Grievances Committee was reconstituted on 20th January '05 after the resignation of Mr. N. Srinivasan. The Committee currently comprises of two Non-Executive Independent Directors and one Executive Director. Lt. Gen. D.B. Singh is the Chairman. Mr. Sanjaya Kulkarni and Mr. Tushar Chudgar, are the other members of the Committee. The terms of reference are to review and redress the shareholders' and investors grievances and 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 focuses on the strengthening of investor relations.

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

Investor Communications:

The Company received 250 communications during the financial year ended 31st March, 2005 and none of the communications received were

pending as on that date.

	Received	Redressed	Pending
Shareholders/Investors	249	249	Nil
Stock Exchanges	Nil	NA	NA
Securities & Exchange Board of India	1	1	Nil
Depositories	Nil	NA	NA
Court/Department of Company Affairs/Custodians	Nil	NA	NA
Total	250	250	Nil

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 Communications	% of Communications
Non-receipt of Dividend Warrants	4	2
Transfer of Shares	-	-
Transmission of shares	-	-
Non-receipt of share Certificates	4	2
Issue of Duplicate share Certificates	8	3
Dematerialisation of shares	15	6
Others*	219	87
Total	250	250

* This includes:

- a) Change of address
- b) Loss/Misplacement of shares
- c) Registration of Power of attorney
- d) Registration of Nomination
- e) SEBI letter regarding non credit of demat shares
- f) Bank mandate
- g) Name change stickers
- h) Revalidation of dividend warrant
- i) Disposing of shares
- j) Non-receipt of interest on debentures
- k) Non-receipt of annual report
- l) Address of Registrar & Share Transfer Agents

- Payable		
Transactions with Lamb Weston Meijer & Inc		
- Purchase of materials	1.06	23.49
Year end balances		
- Payable	-	3.84
Transactions with Advanta India Limited – Associate		
- Dividend	31.50	23.63
Year end balances		
- Receivable	22.05	-
- Payable	0.04	0.04

3. Key Management Personnel

Wholetime Director – Mr. Tushar I. Chudgar		
Other Key Management Personnel		
Mr. Utpal Sen Gupta		
Mr. Ravi Krishnamoorthy		
Mr. Atul Sinha *		
Mr. Madhusudan Marvi *		
Mr. Govind Ambady *		
Mr. Sachidanand Madan *		
Mr. K.S. Shyam		
Mr. Arvind Ahuja		
* part of the year.		
Loans advanced during the year	0.06	0.03
Loans repayments received	1.16	6.60
Interest received during the year	-	0.19
Remuneration	35.20	28.05

Details of non-compliance, penalties or strictures 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. The results are also 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	:	28th July, 2005 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 2005-2006

First quarter results	:	July, 2005
Half yearly results	:	October, 2005
Third quarter results	:	January, 2006
Annual results	:	May, 2006

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 28th July, 2005 (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 2005-2006 have been paid to Mumbai and National Stock Exchanges.

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

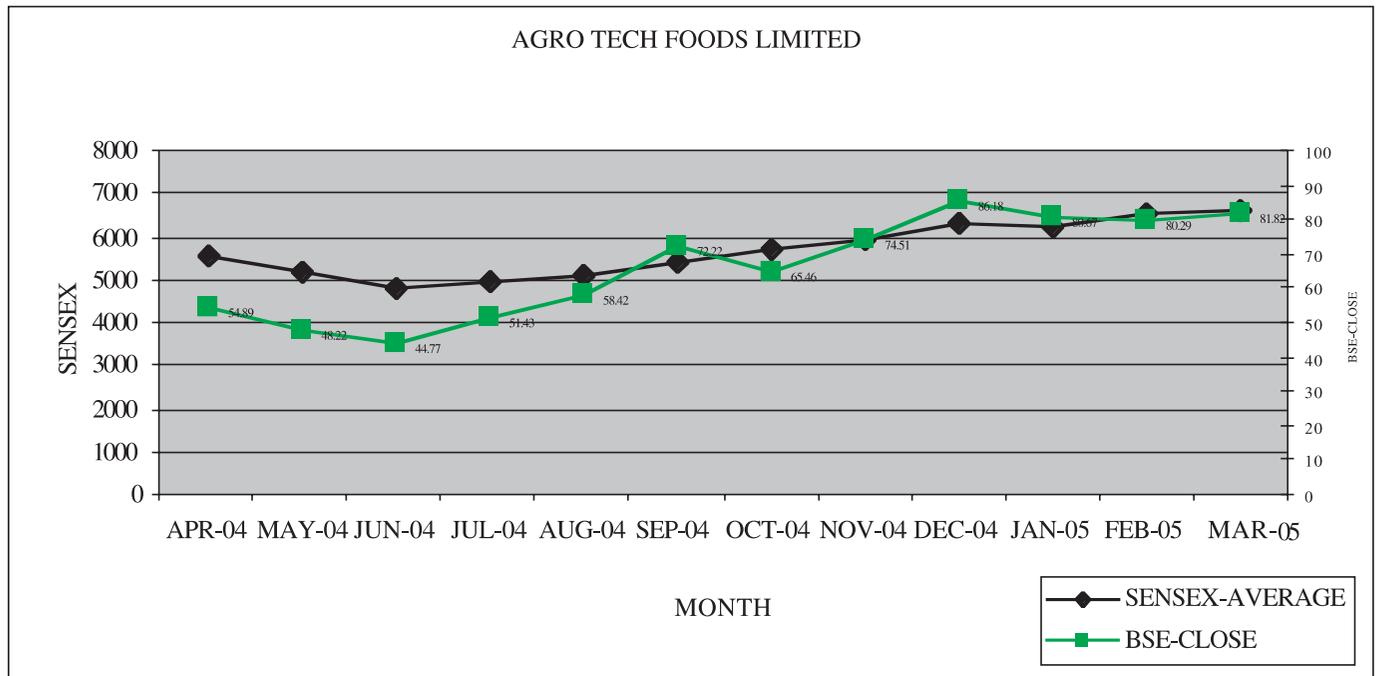
H. Stock Price data:

(in Rupees)

Month	Mumbai Stock Exchange		National Stock Exchange *	
	High	Low	High	Low
April, 2004	60.20	51.00	59.45	49.10
May, 2004	53.35	42.50	53.20	42.70
June, 2004	52.00	41.30	51.80	41.00
July, 2004	60.10	45.40	59.25	44.05
August, 2004	72.50	50.55	72.90	48.10
September, 2004	80.90	68.30	80.50	68.50
October, 2004	71.00	62.00	72.00	65.05
November, 2004	78.50	61.85	79.00	62.00
December, 2004	99.00	70.00	98.45	73.00
January, 2005	93.40	70.00	90.35	69.60
February, 2005	90.00	75.05	87.25	74.50
March, 2005	89.90	61.20	88.35	60.60

* 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 Sirdi Sai Temple, Punjagutta, Hyderabad -500 034 and they are the Registrar & Share 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 duly transferred share certificates shall be despatched to transferee who lodged the shares for transfer. 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, 2005 was as under:

Range	No. of shareholders	% of total shareholders	No. of shares held	% of shareholding
1 – 500	14653	91.65	1,831,927	7.52
501 – 1000	677	4.23	558,754	2.29
1001 – 2000	311	1.95	478,324	1.96
2001 – 3000	115	0.72	291,404	1.20
3001 – 4000	58	0.36	212,258	0.87
4001 – 5000	49	0.31	233,799	0.96
5001 – 10000	63	0.39	459,875	1.89
10000 – Above	62	0.39	20,302,923	83.31
TOTAL	15988	100.00	24,369,264	100.00

The categories of Shareholding as on 31st March, 2005 was as under:

Category	No. of shares held	% of shareholding
CAG – Tech (Mauritius) Limited	12,500,000	51.29
ITC Affiliates	4,085,800	16.77
Non-resident individuals/FIIs/OCBs	96,716	0.40
Bank/Financial Institutions, Insurance Companies and Mutual Funds	651,640	2.67
Directors and their relatives	—	—
Other Bodies Corporates	1,405,923	5.77
General Public	5,629,185	23.10
Total	24,369,264	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 11,066,368 equity shares forming 45.41% of the total paid up equity share capital of 24,369,264 stands dematerialised. All requests for dematerialisation of shares are processed within the time frame of 1 – 4 days time.

As the members are aware, Your Company's shares are tradable compulsorily in electronic form and your Company has established connectivity with both the depositories, i.e., NSDL and CDSL. SEBI has directed that "No Custody Charge" shall be levied on any investor who would be opening a demat account on or after 1st February 2005. This is an added benefit over and above the existing advantages offered by the Depository System. Members are requested to avail of the facility of dematerialisation of the Company's shares on either of the Depositories as aforesaid.

N. 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 Sai 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 under Corporate Governance Clause of the Listing Agreement has been constituted during the year by the Board of Directors, though a Remuneration Committee pursuant to schedule XIII of the Companies Act, 1956 has been formed to consider the remuneration of the Executive Director.
- 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. The results of the Company are also 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.

Auditors' Certificate on Corporate Governance

As required by Clause 49 of the Listing Agreement with the Stock Exchange the Auditors' 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. Howard Buffett	-Nil-	-Nil-	-Nil-	-Nil-	-Nil-
3	Mr. Derek L. Briffett*	-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-
		ICS Group Ltd.	Director			
		Sea Harvest Corporation Ltd.	Director			
		Oceana Group Ltd.	Director			
		Tiger Food Brands Ltd.	Director			
		Empresas Carozzi, SA	Director			
		Tiger Brands Ltd.	Director			
6	Mr. N. Srinivasan **	Nila Bauart Engineering Ltd.	Director	-Nil-	-Nil-	-Nil-
		Chamundi Textiles (Silk Mills) Limited	Director	-Nil-	-Nil-	-Nil-
		Precision Camshafts Ltd.	Director	-Nil-	-Nil-	-Nil-
		India Infoline Ltd.	Director			
		International Auto Ltd.	Director			
7	Mr. Sanjaya Kulkarni ***	Time Packing Ltd.	Director	-Nil-	-Nil-	-Nil-
		Drish Shoes Ltd.	Director			
		S.L. Poultry (P) Ltd.,	Director			
		Mistral Software Pvt. Ltd.	Director			
		India Direct Equity Advisors Pvt. Ltd.	Director			
		Tracmail (India) Pvt.Ltd.	Director			
		UTV Software Communications Ltd.	Director			
		Protect Insurance Services Pvt. Ltd.	Director			
		Indiaco Ventures Pvt. Ltd.	Director			
		Eureka Capital Management Pvt. Ltd.	Director			
8	Mr. Rajiv Tandon	Landbase India Ltd.	Director	Landbase India Ltd.	Audit Committee	Chairman
		Greenacre Holdings Ltd.	Director	Classic Infrastructure & Development	Audit Committee	Chairman

S.No	Name of the Director	Other Directorships		Other Committee Memberships		
		Name of the Company	Position	Name of the Company	Committee	Position
				Ltd.		
		Classic Infrastructure & Development Ltd.	Director			
		Russell Credit Ltd.	Director			
9	Mr. K. Vaidyanath	ITC Limited	Wholetime Director	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
		Wills Corporation Ltd.	Chairman & Director	ITC Infotech India Ltd.	Audit Committee	Member
		Greenacre Holdings Ltd.	Chairman & Director			
		ITC Infotech India Ltd.	Director			
		Classic Infrastructure & Development Ltd.	Director			
		ITC Hotels Ltd.	Director (till 23/03/05)			

3* Appointed as Director w.e.f. 12th May, 2004 in the casual vacancy caused by the resignation of Mr. Mike Sullivan.

6** Resigned as Independent Director w.e.f. the close of business hours of 1st September 2004.

7*** Appointed as Independent Director of the Company with effect from 11th January 2005.

Executive Director

10 Mr. Tushar Chudgar -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-

**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, 2005, 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 Company and submitted to Shareholders / Investors Grievance Committee.

Place : Hyderabad
Date : 23rd June, 2005

Tuhin Bagchi
Partner
Membership Number 50497
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 on straight line method based on the useful life of the fixed assets as estimated by the management as specified below, or the rates specified in accordance with the provisions of Schedule XIV of the Companies Act, 1956, whichever is higher.

- | | |
|--|---------------|
| • Office equipment, Computer and related hardware and software | 19% |
| • Plant and Machinery | 6.33% to 9.5% |
| • Furniture and Fixtures | 10% |

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.

All the fixed assets are assessed for any indication of impairment, at the end of each financial year. On such indication, the impairment loss being the excess of carrying value over the recoverable value of the assets are charged to the profit and loss account in the respective financial years. The impairment loss recognised in the prior years is reversed in such cases where the recoverable value exceeds the carrying value, upon re-assessment in the subsequent years.

Significant Brands acquired by the Company, the value of which is not expected to diminish in the foreseeable future are capitalised 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.

Place : Secunderabad
Date : 11th May, 2005

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

Lt. Gen. D.B. Singh
Director

Sanjaya Kulkarni
Director

Tushar Chudgar
Director & Secretary

BALANCE SHEET AS AT 31st MARCH, 2005

	Schedules	31st March, 2005		31st March, 2004	
		Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
I. SOURCES OF FUNDS					
Shareholders' Funds					
Capital	1	243.69		243.69	
Reserves & Surplus	2	730.49		730.49	
			974.18		974.18
Loan Funds					
Secured Loans	3		413.29		416.89
TOTAL			1,387.47		1,391.07
II. APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	4	570.48		573.32	
Less: Depreciation / Amortisation		157.44		135.61	
Net Block		413.04		437.71	
Less: Impairment Provision		38.02		39.45	
Adjusted Net Book Value		375.02		398.26	
Capital Work-in-Progress		3.23		2.62	
			378.25		400.88
Investments	5		109.10		109.10
Deferred Tax Asset	6		64.64		45.51
Current Assets, Loans & Advances					
Inventories	7	443.10		857.74	
Sundry Debtors	8	282.15		651.41	
Cash and Bank Balances	9	9.36		14.05	
Other Current Assets	10	22.88		1.83	
Loans & Advances	11	501.25		284.06	
		1,258.74		1,809.09	
Less:					
Current Liabilities & Provisions	12				
Liabilities		641.94		1,198.48	
Provisions		10.15		9.76	
		652.09		1,208.24	
Net Current Assets			606.65		600.85
Deferred Payment Liability: (Refer Note (iv) on Schedule 19)			(249.50)		(338.60)
Miscellaneous Expenditure (to the extent not written off or adjusted)	13		260.90		355.26
Profit and Loss Account	14		217.43		218.07
TOTAL			1,387.47		1,391.07
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

Lt. Gen. D.B. Singh
Director

Sanjaya Kulkarni
Director

For and on behalf of
Lovelock & Lewes
Chartered Accountants

Tushar Chudgar
Director & Secretary

Place : Hyderabad
Date : 11th May, 2005

Place : Secunderabad
Date : 11th May, 2005

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2005

Schedules	For the year ended 31st March, 2005 Rs. Millions	For the year ended 31st March, 2004 Rs. Millions
INCOME		
Sales (Gross)	10,548.53	12,621.87
Less: Excise Duty	9.37	18.31
Sales (Net)	10,539.16	12,603.56
Other income	15 60.56	59.35
	10,599.72	12,662.91
EXPENDITURE		
Material Consumption	16 9,321.24	11,313.70
Manufacturing, Selling etc., expenses	17 1,121.45	1,188.59
Interest and Finance Charges	18 61.69	53.67
	10,504.38	12,555.96
PROFIT BEFORE DEPRECIATION / AMORTISATION		
Depreciation / Amortisation	95.34	106.95
	24.72	22.38
PROFIT BEFORE TAXATION AND EXTRAORDINARY ITEM		
Provision for Taxation		84.57
– Current	—	—
– Deferred	(19.12)	(4.22)
PROFIT BEFORE EXTRAORDINARY ITEM		
	89.74	88.79
EXTRAORDINARY ITEM: (Refer Note (iv) on Schedule 19)		
	89.10	62.40
NET PROFIT		
Loss brought forward	(353.00)	(379.39)
Surplus / (Deficit) carried to Schedule 14	(352.36)	(353.00)
EPS (Basic and Diluted) before Extraordinary item (Rs.)	3.68	3.64
EPS (Basic and Diluted) after Extraordinary item (Rs.)	0.03	1.08

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

Lt. Gen. D.B. Singh
Director

Sanjaya Kulkarni
Director

For and on behalf of
Lovelock & Lewes
Chartered Accountants

Tushar Chudgar
Director & Secretary

Place : Hyderabad
Date : 11th May, 2005

Place : Secunderabad
Date : 11th May, 2005

SCHEDULES TO THE ACCOUNTS

	31st March, 2005		31st March, 2004	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
1. Share Capital				
Authorised:				
25,000,000 Equity Shares of Rs. 10 each		250.00		250.00
1,000,000 Cumulative, Redeemable Preference Shares of Rs. 100 each		100.00		100.00
		350.00		350.00
Issued:				
24,372,139 Equity Shares of Rs. 10 each		243.72		243.72
Subscribed and Paid-up:				
24,369,264 Equity Shares of Rs. 10 each fully paid		243.69		243.69
– Of the above shares 12,500,000 shares are held by CAG – Tech (Mauritius) Limited, the holding company				
		243.69		243.69
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 (Refer Schedule 14)	(147.81)	—	(147.81)	—
		730.49		730.49
3. Secured Loans				
Short Term Loans				
– From Banks	390.53		371.44	
– Interest accrued and due	—	390.53	0.16	371.60
Cash Credit and Export Packing Credit				
– From Banks		22.76		45.29
		413.29		416.89

The above loans are secured by hypothecation of current assets including inventory and book debts both present and future

SCHEDULES TO THE ACCOUNTS

4. Fixed Assets

	Free- hold Land Rs. Millions	Lease- hold Land Rs. Millions	Buildings Rs. Millions	Plant & Machinery Rs. Millions	Furniture & Fixtures Rs. Millions	Trade Marks Rs. Millions	Vehicles Rs. Millions	Total 2005 Rs. Millions	Total 2004 Rs. Millions
ORIGINAL COST (GROSS BLOCK)									
Cost at the beginning of the year	0.60	0.69	53.26	115.75	16.83	370.84	15.35	573.32	568.41
Additions/Transfers during the year	—	—	—	4.19	4.40	—	0.35	8.94	16.14
	0.60	0.69	53.26	119.94	21.23	370.84	15.70	582.26	584.55
Withdrawals/Transfers during the year	—	—	8.12	3.12	0.23	—	0.31	11.78	11.23
Cost(Gross Block) as at 31st March 2005	0.60	0.69	45.14	116.82	21.00	370.84	15.39	570.48	573.32
DEPRECIATION/AMORTISATION									
At the beginning of the year	—	0.29	5.93	46.20	8.69	68.81	5.69	135.61	59.81
For the year	—	0.02	0.89	10.08	1.70	9.28	2.75	24.72	81.91*
	—	0.31	6.82	56.28	10.39	78.09	8.44	160.33	141.72
Withdrawals/Transfers during the year	—	—	0.94	2.87	(1.22)	—	0.30	2.89	6.11
As at 31st March 2005	—	0.31	5.88	53.41	11.61	78.09	8.14	157.44	135.61
NET BOOK VALUE (NET BLOCK)									
As at 31st March 2005 (a)	0.60	0.38	39.26	63.41	9.39	292.75	7.25	413.04	437.71
Provision for Impairment as at 1st April 2004	—	—	17.16	16.97	5.19	—	0.13	39.45	—
For the Year	—	—	—	0.84	0.07	—	—	0.91	—
	—	—	17.16	17.81	5.26	—	0.13	40.36	—
Withdrawals during the year	—	—	2.00	0.29	0.03	—	0.02	2.34	—
As at 31st March 2005 (b)	—	—	15.16	17.52	5.23	—	0.11	38.02	39.45
Adjusted Net Book Value									
As at 31st March 2005 (a-b)	0.60	0.38	24.10	45.89	4.16	292.75	7.14	375.02	398.26
As at 31st March 2004	0.60	0.40	30.17	52.58	2.95	302.03	9.53	398.26	
Capital Work-in-Progress at cost (includes advances – unsecured and considered good)								3.23	2.62

Note:

- Buildings (including cost of shares in Co-operative Societies) include Rs. 8.08 million (2004 – Rs. 8.08 million) 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. 292.75 million (2004-Rs. 302.03 million).
- The unexpired amortisation period for "Sundrop" is 30 years and for "Rath" is 35 years.
- The Company has re-assessed all the fixed assets for impairment. The opening balance of impairment provision has been allocated to individual assets at the beginning of the year and the current year provision of Rs. 0.91 million has been charged to the profit and loss account.

*Includes an amount of Rs. 59.53 million adjusted with the debit balance of Profit and Loss Account

SCHEDULES TO THE ACCOUNTS

	31st March, 2005		31st March, 2004	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
5. Investments				
Long Term: At Cost				
a) Trade: (Unquoted)				
ITC Classic Real Estate Finance Limited, – 5,000,000 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, 3,150,000 Equity Shares of Rs. 10 each fully paid (Refer Note No. xiii on Schedule 19)		94.97		94.97
b) Subsidiaries: (Unquoted)				
Heera Seeds Trading and Warehousing Limited, 2,000,000 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 –				
Templeton Liquid Fund – Growth Option (18,331,804 units)		—		—
HDFC High Interest Short Term Plan – Growth Option (44,135,068 units)		—		—
		<u>109.10</u>		<u>109.10</u>
6. Deferred tax asset				
On Depreciation		19.40		23.69
On Provision for Debts / Assets		37.38		9.36
On Expenditure on payment basis		4.95		6.76
Voluntary Separation Scheme		2.91		5.70
		<u>64.64</u>		<u>45.51</u>

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

SCHEDULES TO THE ACCOUNTS

	31st March, 2005 Rs. Millions	31st March, 2004 Rs. Millions
7. Inventories		
Raw Materials* (including in transit)	236.35	523.64
Packing Materials*	26.88	20.51
Finished Goods** (including in transit)	179.87	313.59
	<u>443.10</u>	<u>857.74</u>
* at cost or below		
** at cost or net realisable value whichever is lower		
(Finished Goods include Goods sent on Consignment Rs. 2.87 million; 2004 – Rs. 2.45 million).		
8. Sundry Debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
– Considered good	8.81	5.02
– Considered doubtful	95.81	25.29
Other debts		
– Considered good	273.34	646.39
– Considered doubtful	1.69	—
	<u>379.65</u>	<u>676.70</u>
– Less: Provision for doubtful debts	97.50	25.29
	<u>282.15</u>	<u>651.41</u>
9. Cash and Bank Balances		
Cash and Cheques on hand	0.24	0.15
With Scheduled Banks:		
On Current Accounts	6.17	10.66
On Fixed Deposit Account*	2.82	3.12
Unclaimed Fixed Deposit account	0.13	0.12
	<u>9.36</u>	<u>14.05</u>
*Lodged as security deposit Rs. 2.82 million (2004 – Rs. 2.98 million).		
10. Other Current Assets		
Interest Receivable	0.19	0.17
Dividend Receivable	22.05	—
Sales Promotion Material at Cost	0.64	1.66
	<u>22.88</u>	<u>1.83</u>

SCHEDULES TO THE ACCOUNTS

	31st March, 2005		31st March, 2004	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
11. Loans and Advances				
(Secured-considered good)				
- Advances Recoverable in cash or in kind or for value to be received		20.00		—
(Unsecured-considered good)				
- Loans*		8.32		10.18
- Advances Recoverable in cash or in kind or for value to be received		301.83		106.14
- Advances with Government and Public Bodies		22.35		16.07
- Deposits with Government, Public Bodies and Others		18.43		20.60
- Advance Income Tax (Including TDS)		130.32		131.07
(Unsecured-considered Doubtful)				
- Advances recoverable in cash or in kind or for value to be received		9.64		5.00
		<u>510.89</u>		<u>289.06</u>
- Less: Provision for doubtful Advances		9.64		5.00
		<u>501.25</u>		<u>284.06</u>
* Includes amounts due from Directors Rs. 0.04 million (2004 – Rs. 0.003 million). The maximum amount due at anytime during the year - Rs. 0.06 million (2004 – Rs. 0.01 million).				
12. Current Liabilities and Provisions				
A) Liabilities				
Acceptances		174.69		489.41
Sundry Creditors				
- Due to Small Scale Industrial undertakings	1.21		0.98	
- Due to Others #	<u>393.34</u>		<u>544.46</u>	
		394.55		545.44
Advance from customers		11.17		28.83
Investor Education and Protection Fund shall be credited by the following amount:				
Unclaimed Fixed Deposits		0.24		0.24
Interest accrued but not due on loans		2.43		10.70
Other Liabilities		58.86		123.86
		<u>641.94</u>		<u>1,198.48</u>
# Includes amounts due to subsidiary Rs. 14.78 million (2004 – Rs. 14.79 million).				
B) Provisions				
Provision for Retiral Benefits		10.15		9.76
		<u>10.15</u>		<u>9.76</u>

SCHEDULES TO THE ACCOUNTS

	For the year ended 31st March, 2005		For the year ended 31st March, 2004	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
17. Manufacturing, Selling, etc., Expenses				
Salaries, Wages and Bonus	126.43		128.33	
Contribution to Provident and Other Funds (net)*	11.09		19.55	
Workmen and Staff Welfare Expenses	13.78		16.25	
		151.30		164.13
Consumption of Stores and Spare parts		0.58		0.10
Processing Charges		108.21		165.21
Power and Fuel		2.62		4.45
Rent**		34.92		36.47
Rates and Taxes		37.23		66.32
Insurance		6.57		7.54
Repairs and Maintenance				
– Buildings		0.01		0.02
– Machinery		1.11		1.35
– Others		5.00		8.02
Printing and Stationery		4.31		3.95
Communication Expenses		14.84		18.96
Travelling		39.32		40.79
Auditors' Remuneration		2.28		1.74
Outward Freight		215.40		205.53
Brokerage / Commission		24.04		19.34
Distribution Expenses		105.43		110.80
Discounts and Quality Rebates		5.00		5.24
Legal Charges		1.43		5.14
Professional Charges		21.27		21.16
Advertisement and Sales Promotion		234.83		259.90
Amortisation of Miscellaneous Expenditure		5.26		5.26
Impairment		0.91		1.30
Miscellaneous Expenses		24.19		23.43
Provision for Doubtful Advances		4.65		5.00
Provision for Doubtful Debts		72.21		5.41
(Profit)/Loss on Fixed Assets Discarded/Sold (Net)		(0.68)		2.57
		1,122.24		1,189.13
Deduct: Recovery of Costs		0.79		0.54
		1,121.45		1,188.59

* Contribution to Superannuation Fund is net of adjustment amounting to Rs. 7.87 million made out of contributions made in the earlier years lying in the forfeiture account of the Retiral Benefit Fund books.

** Rent includes Lease Rentals of Rs. 1.6 million (2004 – Rs. 2.4 million).

SCHEDULES TO THE ACCOUNTS

	For the year ended 31st March, 2005		For the year ended 31st March, 2004	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
18. Interest and Finance Charges				
Interest paid				
– Other Interest		42.07		50.63
Bank/Finance charges		10.32		27.07
Exchange (Gain) / Loss – (net)		12.91		(20.90)
		<u>65.30</u>		<u>56.80</u>
Less: Interest received on Loans, Deposits, Advances etc.*		3.61		3.13
		<u>61.69</u>		<u>53.67</u>
		<u>61.69</u>		<u>53.67</u>

* Interest received on Loans, Deposits, Advances etc., is stated Gross, the amount of Income Tax Deducted thereon is Rs. 0.32 million (2004 – Rs. 0.05 million).

SCHEDULES TO THE ACCOUNTS

19. NOTES TO THE ACCOUNTS

- i) Capital and other commitments Rs. 0.87 million (2004 – Rs. 0.24 million).
- ii) Contingent Liabilities:
- a) Income Tax matters under appeal Rs.129.36 million (2004 – Rs.128.70 million).
 - b) Claims under dispute Rs.1.00 million (2004 – Rs.1.13 million).
 - c) Counter Guarantees given to the Bankers in respect of guarantees furnished by them Rs. 0.73 million (2004 – Rs. 2.80 million).
- (iii) The Company has reviewed and revised the estimated useful life of Fixed assets with effect from April 1, 2004. Based on this review, such assets are being depreciated over the remaining useful life. Consequently, the depreciation charge for the year is higher by Rs. 3.84 million with corresponding decrease in profit for the year.
- (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 million 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. 89.1 million (2004 – Rs. 62.4 million) 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. 249.5 million (2004 – Rs. 338.6 million) 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 cancellable lease agreements.
- (vi) Small Scale Industrial undertaking where the dues are outstanding for more than 30 days.
Name of the Party
SPP Poly Pack Pvt Ltd.
Vivala Cartons (P) Ltd.
M M Plastics
- (vii) Intangible Assets
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 million (2004 – Rs. 9.28 million) being the amortization relating to these brands. On the Balance Sheet date, the management has assessed the value of these brands through an independent valuer of repute to ensure that the recoverable amount of the asset is not lower than its carrying amount.
- (viii) 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.
- (ix) Purchases shown under Schedule 16 are net of rebates, discounts, claims and settlements/commodity futures amounting to Rs. 28.59 million (Credit) (2004 – Rs. 8.80 million (Debit)).

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

	For the year ended 31st March, 2005 Rs. Millions	For the year ended 31st March, 2004 Rs. Millions
Salary	0.48	0.45
Retirement Benefits	0.15	0.14
Other Benefits	0.82	0.47
Sitting Fee	0.40	—
	1.85	1.06

(xi) Auditors' Remuneration included in Schedule 17 are:

Auditors Fee	1.32	0.97
Fees for Certification	0.91	0.67
Reimbursement of Expenses	0.05	0.10
	2.28	1.74

(xii) Related Party Transactions

1. Subsidiary Company		
Heera Seeds Trading and Warehousing Limited		
Expenses incurred on behalf	0.01	0.02
Year end balance – Payable	14.78	14.79
2. Companies		
– Cag Tech Mauritius Limited – Holding Company		
– ConAgra Inc, USA Group – having significant influence		
– Tiger Management Services		
– Lamb Weston Meijer & Inc		
– Advanta India Limited – Associate		

Transactions with ConAgra Inc, USA – Group

– Purchase of materials	14.75	16.89
– Recovery of expenses	6.04	3.66
– Income earned on services rendered	6.42	3.70

Year end balances

– Receivable	3.28	6.19
– Payable	0.90	—

Transactions with Tiger Management Services

– Payment of Travel Expenses	0.18	—
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Transactions with Lamb Weston Meijer & Inc

– Purchase of material	1.06	23.49
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Year end balances

– Payable	—	3.84
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Transactions with Advanta India Limited – Associate

– Dividend	31.50	23.63
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Year end balances

– Receivable	22.05	—
– Payable	0.04	0.04

For the year ended
31st March, 2005
Rs. Millions

For the year ended
31st March, 2004
Rs. Millions

3. Key Management Personnel

Whole time Director – Mr. Tushar I Chudgar

Other Key Management Personnel

Mr. Utpal Sen Gupta

Mr. Arvind Ahuja

Mr. Ravi Krishnamoorthy

Mr. Madusudan Manvi

Mr. K.S. Shyam

Mr. Atul Sinha

Mr. Sachidanand Madan

Mr. Govvind Ambady

Loans advanced during the year	0.06	0.03
Loans repayments received	1.16	6.60
Interest received during the year	—	0.19
Remuneration	35.20	28.05

xiii) Subsequent to the year end, the Board of Directors of the Company has approved the sale of the Company's investment in the equity shares of Advanta India Limited for which the execution of sale agreement is pending. Since these investments were intended to be held for long term purpose at the time of acquisition, such investments are continued to be shown as long term investments.

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	
		2005	2004	2005	2004	2005	2004
– Edible Oils	MT	N.A.	N.A.	N.A.	N.A.	8,868 +*	13,655 +*
– Refined Edible Oils	MT	N.A.	N.A.	N.A.	30,000	34,941 +	40,976 +
– De Oiled Cake	MT	N.A.	N.A.	N.A.	N.A.	10,291 +	17,950 +
– Atta	MT	N.A.	N.A.	N.A.	N.A.	3,302 +	17,538 +
– Others	MT	N.A.	N.A.	N.A.	N.A.	1,245 +	555 +

@ 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 5,014 M T (2004 – 9,822 M T).

b) Particulars in respect of Sales/Stocks:

	Unit	For the year ended 31st March, 2005		For the year ended 31st March, 2004	
		Quantity	Value Rs. Millions	Quantity	Value Rs. Millions
1. Sales					
Refined Edible Oils	MT	117,705	6,141.79	123,308	6,450.37
Edible Oils	MT	44,686	1,276.68	67,184	1,860.01
Seed	MT	25,933	468.81	99,957	1,471.28
Vanaspati	MT	28,053	1,436.08	29,933	1,499.59
Others	—	—	1,225.17	—	1,340.62
			10,548.53		12,621.87
2. Purchase of Finished Goods					
Refined Edible Oils	MT	109,104	4,872.96	114,647	5,279.99
Others	—	—	24.01	—	82.15
			4,896.97		5,362.14
3. Purchase of Raw Material for Trading					
Edible Oils	MT	38,858	997.32	65,086	1701.83
			997.32		1701.83
4. Stock in Trade					
Opening					
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
			562.42		361.78
Closing					
Refined Edible Oils	MT	3,486	159.42	5,438	273.64
Edible Oils	MT	3,655	142.46	5,947	248.84
Others	—	—	20.45	—	39.94
			322.33		562.42

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	49,657	854.80	134,951	2,042.46
Edible Oils**	MT	81,271	2,359.17	110,118	2,901.33
Wheat***	MT	97,632	688.13	90,926	651.60
Others****	—	—	191.67	—	260.37
			4,093.77		5,855.76

* includes quantity used for resale 25,933 MT (2004 – 99,957 MT).

** includes quantity used for resale 44,686 MT (2004 – 67,184 MT).

*** includes quantity used for resale 93,429 MT (2004 – 71,531 MT).

**** includes quantity used for resale 13,427 MT (2004 – 32,003 MT).

d) Packing materials consumed during the year

196.79

217.40

	For the year ended 31st March, 2005		For the year ended 31st March, 2004	
	Value		Value	
	Rs. Millions	%	Rs. Millions	%
e) Consumption of Raw Materials, Stores and Spare Parts during the year:				
Raw Materials:				
– Indigenous	3,585.92	87.59	4,744.36	81.02
– Imported	<u>507.85</u>	<u>12.41</u>	<u>1,111.40</u>	18.98
	<u>4,093.77</u>	<u>100.00</u>	<u>5,855.76</u>	<u>100.00</u>
Stores and Spare Parts:				
– Indigenous	<u>0.58</u>	<u>100.00</u>	0.10	100.00
	<u>0.58</u>	<u>100.00</u>	<u>0.10</u>	<u>100.00</u>
f) CIF Value of imports:				
Raw Materials	495.25		1,098.93	
Finished Goods	<u>7.39</u>		<u>326.52</u>	
	<u>502.64</u>		<u>1,425.45</u>	
g) Earnings in Foreign Exchange during the year:				
Exports of goods on FOB basis	178.78		335.46	
Others	14.49		12.79	
h) Expenditure in Foreign Currency during the year (Cash Basis):				
Foreign Travel	0.86		0.60	
Interest/Finance Charges	21.66		5.99	
Software Licence	0.38		2.91	
Others	0.95		9.51	
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

Lt. Gen. D.B. Singh
Director

Sanjaya Kulkarni
Director

Tushar Chudgar
Director & Secretary

Place: Secunderabad
Date : 11th May, 2005

Cash Flow Statement for the year ended 31st March, 2005

	2005 Rs. Millions	2004 Rs. Millions
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit /(Loss) before Tax and after Extraordinary Item	(18.48)	22.18
Adjustments:		
Depreciation and Brand Amortisation	24.72	22.38
(Profit) / Loss on Disposal of Fixed Assets (net)	(0.68)	2.57
Profit on Sale of Investments (net)	(0.63)	(0.57)
Interest (net)	51.37	26.61
Provision for Doubtful Debts	72.21	5.41
Provision for Doubtful Advances	4.64	5.00
Amortisation of Miscellaneous Expenditure	94.36	67.66
Impairment Provision	0.92	1.30
Dividend Received	(31.50)	(23.63)
Operating Profit/ (Loss) before Working Capital Changes and Extraordinary Item	196.93	128.91
Adjustments for:		
Trade and other Receivables	53.00	(209.79)
Inventories	414.62	(280.62)
Trade Payables	(556.88)	418.03
Cash Flow from Operations before Extraordinary Item	107.67	56.53
Direct Taxes refund received	1.15	0.28
Net Cash Flow from Operating activities before Extraordinary Item	108.82	56.81
Extraordinary Item	(89.10)	(62.40)
Net Cash Flow from Operating activities after Extraordinary Item	19.72	(5.59)
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(8.95)	(17.23)
Sale of Fixed Assets (net)	7.36	2.55
Purchase of Short Term Investments	(1,714.59)	(415.00)
Sale of Short Term Investments	1,715.23	415.57
Dividend Received	31.50	23.63
Interest Received	3.61	3.21
Net cash from Investing Activities after Extraordinary Item	34.16	12.73

	2005 Rs. Millions	2004 Rs. Millions
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from/(Repayments of) Borrowings	(3.58)	(44.61)
Hedging Costs Gain/(Losses)(net)	(12.92)	20.90
Interest Paid	(42.07)	(48.37)
Net cash used in Financing Activities	(58.57)	(72.08)
Net (Decrease) / Increase in Cash and Cash Equivalents	(4.69)	(64.94)
Opening Cash and Cash Equivalents	14.05	78.99
Closing Cash and Cash Equivalents	9.36	14.05

Notes:

- 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

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

Utpal Sen Gupta
President

Lt. Gen. D.B. Singh
Director

Sanjaya Kulkarni
Director

Tushar Chudgar
Director & Secretary

Place : Hyderabad
Date : 11th May, 2005

Place : Secunderabad
Date : 11th May, 2005

Information pursuant to Schedule VI – Part IV:

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No. 01 - 06957 State Code 01

Balance Sheet Date 31 03 05
Date Month Year

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

Public Issue N I L	Rights Issue N I L
Bonus Issue N I L	Private Placement/Preferential Offer N I L

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

Total Liabilities 1 3 8 7 4 7 4	Total Assets 1 3 8 7 4 7 4
Sources of Funds Paid-Up Capital 2 4 3 6 9 3	Reserves & Surplus 7 3 0 4 8 8
Secured Loans 4 1 3 2 9 3	Unsecured Loans N I L
Application of Funds Net Fixed Assets 3 7 8 2 4 9	Investments 1 0 9 0 9 7
Net Current Assets 6 0 6 6 5 3	Miscellaneous Expenditure 2 6 0 9 0 0
Accumulated Losses 2 1 7 4 3 4	Deferred Tax Asset 6 4 6 4 1
Deferred Payment Liability - 2 4 9 5 0 0	

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

Turnover 1 0 5 3 9 1 5 8	Total Expenditure 1 0 5 2 9 0 9 9
+ - Profit/Loss Before Tax and extraordinary item + 7 0 6 2 4	+ - Profit/Loss After Tax + 6 4 0

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

Earnings per share in Rs. 0 . 0 3	Dividend Rate % N I L
--	--

V. Generic Names of Principal Products/Services of Company (Not Applicable)

Product Description	Sunflower Seed Oil
Item Code No. (ITC CODE)	1 5 1 2 1 1
Product Description	RBD Palm Oil
Item Code No. (ITC Code)	1 5 1 1 9 0
Product Description	Oil Cake and Oil Cake meal of Sunflower Seed solvent extracted
Item Code No. (ITC Code)	2 3 0 6 3 0

On behalf of the Board

Place : Secunderabad
Date : 11th May, 2005

Utpal Sen Gupta
President

Lt. Gen. D.B. Singh
Director

Sanjaya Kulkarni
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, 2005, 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 the 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 the 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, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, 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 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, 2005 and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2005 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, 2005;
 - 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
 Membership Number 50497
 Partner
 For and on behalf of
Lovelock & Lewes
 Chartered Accountants

Place : Hyderabad
 Dated: 11th May, 2005

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 on the financial statements for the year ended March 31, 2005)

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, have been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
- 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 has been physically verified by the management during the year. In respect of inventory lying with consignment agents, these have substantially been 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 book records were not material.
3. The Company has neither granted nor taken any loans, 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 Companies, firms or other parties covered in the register maintained under Section 301 of the Act, Clauses iii(b), iii(c), iii(d), iii(e), iii(f) and iii (g) of the Companies (Auditors' Report) Order, 2003, as amended by the Companies (Auditors' Report) (Amendment) Order, 2004, 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 is an adequate internal control system 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 and services. 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 continuing failure to correct major weakness in the aforesaid internal control system.
5. According to the information and explanations given to us, there have been no contracts or arrangements referred to in section 301 of the Act during the year to be entered into in the register required to be maintained under that section. Accordingly commenting on transactions made in pursuance of such contracts or arrangements does not arise.
6. The Company has not accepted during the year any deposits from the public within the meaning 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 products 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 the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise 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, dues on account of Customs Duties, Sales Tax and Income Tax as at March 31, 2005 amounting to Rs.10.43 million, Rs. 24.47 million and Rs. 0.66 million respectively, have not been deposited on account of disputes. 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. Millions)	Period to which the amount relates	Forum where the dispute is pending
Customs Act	Customs duty rate change	9.20	2001-2002	High Court of Andhra Pradesh
Customs Act	EPCG Export Commitment	1.23	1993-1994	Director General Of Foreign Trade
Andhra Pradesh General Sales Tax Act	Deemed Sales Tax	13.39	2001-2002	Sales Tax Appellate Tribunal
		5.60	2002-2003 to 2004-2005	Deputy Commissioner, Appellate
Bihar Sales Tax Act	Non submission of Form 'CH'	2.35	2001-2002 and 2002-2003	Deputy Commissioner, Appellate
Bombay Sales Tax Act	Tax set-off	0.19	1997-1998	Appellate Assistant Commissioner
Gujarat Sales Tax Act	Non submission of Declaration Forms (Form 19)	0.37	1998-1999	Assistant Commissioner, Appellate
Central Sales Tax Act	Sales Tax	0.15	1999-2000	Assistant Commissioner, Ahmedabad
West Bengal Sales Tax Act	Non allowance of Consignment sales	0.60	2000-2001	Revenue Board, Appellate
		0.72	2001-2002	Appellate Deputy Commissioner
Assam Sales Tax Act	Non submission of Form A	1.10	1999-2000	Appellate Deputy Commissioner
The Income Tax Act	Minimum Alternate Tax	0.66	2001-2002	Commissioner of Income Tax (Appeals)

10. The Company has accumulated losses as at March 31, 2005 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanation 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 and 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 loan.
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 a short-term basis which have been used for long-term investment.
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
 Membership Number 50497
 Partner
 For and on behalf of
Lovelock & Lewes
 Chartered Accountants

Place : Hyderabad
 Dated : 11th May, 2005

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:
2,000,000 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, 2005 | — |
| 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, 2005 | — |
| ii) for the previous financial years | (6.00) |

On behalf of the Board

Utpal Sen Gupta
President

Lt. Gen. D.B. Singh
Director

Sanjaya Kulkarni
Director

Place : Secunderabad

Date : 11th May, 2005

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 balances and 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 on straight line method based on the useful life of the fixed assets as estimated by the management as specified below, or the rates specified in accordance with the provisions of Schedule XIV of the Companies Act, 1956, whichever is higher.

- Office equipment, Computer and related hardware and software 19%
- Plant and Machinery 6.33% to 9.5%
- Furniture and Fixtures 10%

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.

All the fixed assets are assessed for any indication of impairment, at the end of each financial year. On such indication, the impairment loss being the excess of carrying value over the recoverable value of the assets are charged to the profit and loss account in the respective financial years. The impairment loss recognised in the prior years is reversed in such cases where the recoverable value exceeds the carrying value, upon re-assessment in the subsequent years.

Significant Brands acquired by the Company, the value of which is not expected to diminish in the foreseeable future are capitalised 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

Lt. Gen. D.B. Singh
Director

Sanjaya Kulkarni
Director

Tushar Chudgar
Director & Secretary

Place : Secunderabad

Date : 11th May, 2005

BALANCE SHEET AS AT 31st MARCH, 2005

	Schedules	31st March, 2005		31st March, 2004	
		Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
I. SOURCES OF FUNDS					
Shareholders' Funds					
Capital	1	243.69		243.69	
Reserves & Surplus	2	782.89		811.69	
			1,026.58		1,055.38
Loan Funds					
Secured Loans	3		413.30		416.88
TOTAL			1,439.88		1,472.26
II. APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	4	742.10		740.79	
Less: Depreciation / Amortisation		203.60		175.38	
Net Block		538.50		565.41	
Less: Impairment Provision		38.02		39.45	
Adjusted Net Book Value		500.48		525.96	
Capital Work-in-Progress		3.23		2.62	
			503.71		528.58
Investments	5		0.15		0.15
Deferred Tax Assets	6		54.91		33.46
Current Assets, Loans & Advances					
Inventories	7	489.21		892.61	
Sundry Debtors	8	301.33		667.16	
Cash and Bank Balances	9	61.66		56.76	
Other Current Assets	10	1.23		2.29	
Loans & Advances	11	564.78		373.73	
		1,418.21		1,992.55	
Less:					
Current Liabilities & Provisions					
Liabilities	12	714.48		1,266.80	
Provisions		15.55		13.44	
		730.03		1,280.24	
Net Current Assets			688.18		712.31
Deferred Payment Liability: (Refer Note (vii) on Schedule 19)			(249.50)		(338.60)
Miscellaneous Expenditure (to the extent not written off or adjusted)	13		260.90		355.26
Profit and Loss Account	14		181.53		181.10
TOTAL			1,439.88		1,472.26
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

Lt. Gen. D.B. Singh
Director

Sanjaya Kulkarni
Director

For and on behalf of
Lovelock & Lewes
Chartered Accountants

Tushar Chudgar
Director & Secretary

Place : Hyderabad
Date : 11th May, 2005

Place : Secunderabad
Date : 11th May, 2005

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2005

Schedules	For the year ended 31st March, 2005 Rs. Millions	For the year ended 31st March, 2004 Rs. Millions
INCOME		
Sales (Gross)	10,804.12	12,850.53
Less: Excise Duty	9.37	18.31
Sales (Net)	10,794.75	12,832.22
Other income	31.11	40.53
	10,825.86	12,872.75
EXPENDITURE		
Material Consumption	9,311.84	11,319.05
Manufacturing, Selling etc., expenses	1,343.67	1,374.96
Interest and Finance Charges	58.15	53.40
	10,713.66	12,747.41
PROFIT BEFORE DEPRECIATION / AMORTISATION	112.20	125.34
Depreciation / Amortisation	31.44	26.88
PROFIT BEFORE TAXATION AND EXTRAORDINARY ITEM	80.76	98.46
Provision for Taxation		
– Current	7.85	3.00
– Deferred	(21.45)	3.09
Prior Period (Refer Note (vi) on Schedule 19)	27.50	—
Less: Contingency Reserve	(27.50)	—
PROFIT BEFORE EXTRAORDINARY ITEM	94.36	92.37
EXTRAORDINARY ITEM (Refer Note (vii) on Schedule 19)	89.10	62.40
NET PROFIT	5.26	29.97
Transfer to General Reserve	3.65	2.75
Transfer (from) / to Contingency Reserve	(1.30)	3.95
Dividend on Share Capital:		
Interim Dividend	6.30	15.75
Dividend Tax on Interim Dividend	0.83	2.02
Proposed Dividend	22.05	1.57
Dividend Tax	3.09	0.20
Loss brought forward	(380.52)	(384.25)
Deficit carried to Schedule 14	(409.88)	(380.52)
EPS (Basic and Diluted) before Extraordinary Item (Rs.)	3.87	3.79
EPS (Basic and Diluted) after Extraordinary Item (Rs.)	0.22	1.23

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

Lt. Gen. D.B. Singh
Director

Sanjaya Kulkarni
Director

For and on behalf of
Lovelock & Lewes
Chartered Accountants

Tushar Chudgar
Director & Secretary

Place : Hyderabad
Date : 11th May, 2005

Place : Secunderabad
Date : 11th May, 2005

SCHEDULES TO THE ACCOUNTS

	31st March, 2005		31st March, 2004	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
1. Share Capital				
Authorised:				
25,000,000 Equity Shares of Rs. 10 each		250.00		250.00
1,000,000 Cumulative, Redeemable Preference Shares of Rs. 100 each		100.00		100.00
		<u>350.00</u>		<u>350.00</u>
Issued:				
24,372,139 Equity Shares of Rs. 10 each		243.72		243.72
Subscribed and Paid-up:				
24,369,264 Equity Shares of Rs. 10 each fully paid		243.69		243.69
– Of the above shares 12,500,000 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				
As at the commencement of the year	80.20		76.25	
Transferred (to) / from Profit and Loss Account	<u>(28.80)</u>		<u>3.95</u>	
		51.40		80.20
General Reserve	245.33		216.40	
Less: As per contra (Refer Schedule 14)	<u>(245.33)</u>		<u>(216.40)</u>	
		<u>782.89</u>		<u>811.69</u>
3. Secured Loans				
Short Term Loans				
– From Banks	390.53		371.43	
– Interest accrued and due	<u>—</u>		<u>0.16</u>	
		390.53		371.59
Cash Credit and Export Packing Credit				
– From Banks		22.77		45.29
		<u>413.30</u>		<u>416.88</u>

The above loans are secured by hypothecation of current assets including inventory and book debts both present and future

SCHEDULES TO THE ACCOUNTS

4. Fixed Assets

	Goodwill	Free- hold Land	Lease- hold Land	Buildings	Plant & Machi- nery	Furniture & Fixtures	Trade Marks	Technical Know- how	Vehicles	Total 31st March 2005	Total 31st March 2004
	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	76.97	149.79	19.77	370.84	25.77	16.88	740.77	725.56
Additions/Transfers during the year	—	0.45	—	1.14	5.57	4.61	—	—	1.84	13.61	26.79
	63.47	17.04	0.69	78.11	155.36	24.38	370.84	25.77	18.72	754.38	752.35
Withdrawals/Transfers during the year	—	—	—	8.12	3.44	0.23	—	—	0.49	12.28	11.56
Cost (Gross Block) as at 31st March 2005	63.47	17.04	0.69	69.99	151.92	24.15	370.84	25.77	18.23	742.10	740.79
DEPRECIATION/AMORTISATION											
At the beginning of the year	—	—	0.30	9.32	61.20	9.80	68.81	19.47	6.47	175.37	95.31
For the year	—	—	0.02	1.41	12.46	1.94	9.28	3.15	3.18	31.44	86.42*
	—	—	0.32	10.73	73.66	11.74	78.09	22.62	9.65	206.81	181.73
Withdrawals during the year	—	—	—	0.94	3.12	(1.22)	—	—	0.37	3.21	6.35
As at 31st March 2005	—	—	0.32	9.79	70.54	12.96	78.09	22.62	9.28	203.60	175.38
NET BOOK VALUE (NET BLOCK)											
As at 31st March, 2005 (a)	63.47	17.04	0.37	60.20	81.38	11.19	292.75	3.15	8.95	538.50	565.41
Provision for Impairment As at 1st April, 2004	—	—	—	17.16	16.97	5.19	—	—	0.13	39.45	—
For the Year	—	—	—	—	0.84	0.07	—	—	—	0.91	—
	—	—	—	17.16	17.81	5.26	—	—	0.13	40.36	—
Withdrawals/Transfers during the year	—	—	—	2.00	0.29	0.03	—	—	0.02	2.34	—
As at 31st March 2005 (b)	—	—	—	15.16	17.52	5.23	—	—	0.11	38.02	39.45
ADJUSTED NET BOOK VALUE											
As at 31st March, 2005 (a-b)	63.47	17.04	0.37	45.04	63.86	5.96	292.75	3.15	8.84	500.48	525.96
As at 31st March, 2004	63.47	16.59	0.39	50.50	71.62	4.78	302.03	6.30	10.28	525.96	
Capital Work-in-Progress at cost (includes advances – unsecured and considered good)										3.23	2.62

Note:

- Building (including cost of shares in Co-operative Societies) include Rs. 8.08 million (2004 – Rs. 8.08 million) 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. 292.75 million (2004 – Rs. 302.03 million).
- The unexpired amortisation period for "Sundrop" is 30 years and for "Rath" is 35 years.
- The Company has re-assessed all the fixed assets for impairment. The opening balance of impairment provision has been allocated to individual assets at the beginning of the year and the current year provision of Rs. 0.91 million has been charged to the current year profit and loss account.

* Includes an amount of Rs. 59.53 million adjusted with the debit balance of Profit and Loss Account.

SCHEDULES TO THE ACCOUNTS

	31st March, 2005		31st March, 2004	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
5. Investments				
Long Term: At Cost				
A Trade: (Unquoted)				
ITC Classic Real Estate Finance Limited,				
– 5,000,000 Equity Shares of Rs. 10 each fully paid	100.50		100.50	
Less: Provision for Diminution in Value	100.50	—	100.50	—
B Government Securities		0.12		0.12
6 year National Saving Certificate		0.02		0.02
Indira Vikas patra				
(2004 – Rs. 1000 Redeemed during the year) –		0.01		0.01
Short Term: At cost or below				
Others (Unquoted)				
Purchased and sold during the year –				
Templeton Liquid Fund – Growth Option (18,331,804 units)		—		—
HDFC Liquid Fund (198,430.416 units purchased and sold 199,302.292)		—		—
Templeton India Treasury Management (3,306,960 Units purchased and sold 3,334,654)		—		—
HDFC High Interest Short Term Plan – Growth Option (44,135,068 Units)		—		—
HDFC Cash Management Fund (611,280.277 Units purchased and sold 613,467.582)		—		—
HSBC Floating Rate Fund (499,340.87 Units purchased and sold 500,132)		—		—
Grindlays Cash Fund – Inst. Plan – B (703,637.331 Units purchased and sold 708,678.075)		—		—
Deutsche Short Term Maturity Plan (655,276.187 Units purchased and sold 657,569.030)		—		—
		0.15		0.15

SCHEDULES TO THE ACCOUNTS

	31st March, 2005 Rs. Millions	31st March, 2004 Rs. Millions
6. Deferred tax asset		
On Depreciation	8.32	10.92
On Provision for Debts / Assets	38.73	9.39
On Expenditure on payment basis	4.95	7.45
Voluntary Separation Scheme	2.91	5.70
	54.91	33.46
Deferred tax assets and liabilities are computed on the timing differences applying the enacted tax rates.		
7. Inventories		
Raw Materials*+ (including in transit)	236.60	523.74
Packing Materials*	29.78	21.75
Work in Process**	5.97	6.39
Finished Goods** (including in transit)	216.86	340.73
	489.21	892.61
* 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. 2.87 million; 2004 – Rs. 2.45 million).		
8. Sundry Debtors		
Debts outstanding for a period exceeding six months		
Secured – Considered good	0.03	0.03
Unsecured – Considered good	9.31	6.64
– Considered doubtful	97.14	25.31
Other debts		
Secured – Considered good	1.03	0.70
Unsecured – Considered good	290.96	659.79
– Considered doubtful	1.68	—
	400.15	692.47
– Less: Provision for doubtful debts	98.82	25.31
	301.33	667.16

SCHEDULES TO THE ACCOUNTS

	31st March, 2005 Rs. Millions	31st March, 2004 Rs. Millions
9. Cash and Bank Balances		
Cash and Cheques on hand	0.31	0.16
With Scheduled Banks:		
On Current Accounts	8.40	13.36
On Fixed Deposit Account*	52.82	43.12
Unclaimed Fixed Deposit account	0.13	0.12
	61.66	56.76
*Lodged as Security Deposit Rs. 2.82 million (2004 – Rs. 2.97 million).		
10. Other Current Assets		
Interest Receivable	0.60	0.63
Sales Promotion Material at Cost	0.63	1.66
	1.23	2.29
11. Loans and Advances		
Loans		
Secured*		
Considered good**	20.00	5.96
Unsecured		
Considered good #	10.93	12.48
Considered doubtful	0.06	0.06
	30.99	18.50
– Less: Provision for doubtful loans	0.06	0.06
	30.93	18.44
Advances recoverable in cash or in kind or for value to be received	313.88	118.82
Advances with Government and Public Bodies	22.27	15.19
Deposits with Government, Public Bodies and Others	23.91	25.60
Advance Income Tax (net of provision) (Unsecured – considered doubtful)	173.79	195.68
Advances recoverable in cash or in kind or for value to be received	9.64	5.00
	574.42	378.73
Less: Provision for doubtful advances	9.64	5.00
	564.78	373.73

* Secured by deposit of title deeds.

** Includes amounts due from Directors Rs. Nil (2004 – Rs. 1.69 million). Maximum indebtedness during the year Rs. 1.69 million (2004 – Rs. 1.78 million).

Includes amounts due from Directors Rs. 0.04 million (2004 – Rs. 0.21 million). Maximum indebtedness during the year Rs. 0.06 million (2004 – Rs. 0.21 million).

SCHEDULES TO THE ACCOUNTS

	31st March, 2005		31st March, 2004	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
12. Current Liabilities and Provisions				
A. Liabilities				
Acceptances		174.69		489.42
Sundry Creditors				
– Due to Small Scale Industrial undertakings	1.21		0.97	
– Due to Others #	417.12		563.17	
		418.33		564.14
Advance from customers		54.83		79.31
Investor Education and Protection Fund shall be credited by the following amounts:				
Unclaimed Fixed Deposits		0.24		0.24
Interest accrued but not due on loans		2.43		10.70
Other Liabilities		63.96		122.99
		714.48		1,266.80
# Includes due to Directors Rs. 0.38 million (2004 – Rs. 0.58 million).				
B. Provisions				
Provision for Retiral Benefits		12.46		11.66
Provision for Proposed Dividend (Other Venturer's Share) (Refer Note (i) on Schedule 19)		—		1.58
Provision for dividend Tax (Other Venturer's Share)		3.09		0.20
		15.55		13.44
13. Miscellaneous Expenditure				
(to the extent not written off or adjusted)				
Expenditure on				
– Settlement Cost	249.50		338.60	
– Software Expenses	11.40		16.66	
		260.90		355.26
		260.90		355.26
14. Profit and Loss Account				
Balance as per Profit and Loss Account		409.88		380.52
Add: Transitional Deferred Tax Liability Adjustment during the year	(39.70)		52.23 (91.93)	
		(39.70)		(39.70)
Add: Transitional amortisation of Trade Marks Deferred Tax Assets on above	56.68		59.53 (2.85)	
		56.68		56.68
Less: As Per Contra (Refer Schedule 2)		(245.33)		(216.40)
		181.53		181.10

	For the year ended 31st March, 2005		For the year ended 31st March, 2004	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
15. Other Income				
Income from long term Trade Investments		0.16		0.65
Profit on Sale of Investments		0.63		0.62
Rents Received		0.02		0.31
Sundry Claims/Excess Provisions/unclaimed credits (net)		19.82		11.21
Miscellaneous Sales		0.05		3.81
Miscellaneous Income		10.43		23.93
		<u>31.11</u>		<u>40.53</u>
16. Material Consumption				
Opening 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
Add: Purchases				
Raw Materials	3,806.49		6,027.76	
Packing Materials	203.17		204.75	
Finished Goods	<u>4,896.98</u>		<u>5,362.14</u>	
		8,906.64		11,594.65
Less: Closing Stock				
Raw Materials	236.36		523.64	
Work in Process	19.51		17.00	
Packing Materials	26.88		20.51	
Finished Goods	<u>203.32</u>		<u>330.12</u>	
		486.07		891.27
		<u>9,311.84</u>		<u>11,319.05</u>

SCHEDULES TO THE ACCOUNTS

	For the year ended 31st March, 2005		For the year ended 31st March, 2004	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
17. Manufacturing, Selling, etc., Expenses				
Salaries, Wages and Bonus	152.48		151.68	
Contribution to Provident and Other Funds (net)*	14.66		21.76	
Workmen and Staff Welfare Expenses	16.25		18.55	
		183.39		191.99
Consumption of Stores and Spare parts		11.04		10.50
Processing Charges		153.87		190.60
Power and Fuel		4.89		6.45
Rent**		62.96		59.19
Rates and Taxes		38.87		68.68
Insurance		7.30		8.35
Repairs and Maintenance				
– Buildings		0.20		0.20
– Machinery***		2.44		2.58
– Others		5.43		8.55
Printing and Stationery		4.90		4.41
Communication Expenses		16.60		20.74
Travelling		49.20		49.91
Auditors' Remuneration		2.65		2.04
Outward Freight		228.38		217.30
Brokerage / Commission		27.37		21.52
Distribution Expenses		105.43		110.80
Discounts and Quality Rebates		39.70		33.43
Legal Charges		1.88		5.24
Professional Charges		21.27		21.17
Advertisement and Sales Promotion		250.35		276.32
Amortisation of Miscellaneous Expenditure		5.26		5.27
Impairment		0.91		1.30
Miscellaneous Expenses		31.79		31.84
Bad debts / Advances written off		—		2.45
Provision for Doubtful Advances		4.64		5.00
Provision for Doubtful Debts		73.51		5.41
Production and Farm Expenses (Net)		3.79		4.87
Royalty		7.11		6.94
(Profit) / Loss on Fixed Assets Discarded / Sold (Net)		(0.67)		2.45
		1,344.46		1,375.50
Deduct: Recovery of Costs		0.79		0.54
		1,343.67		1,374.96

* Contribution to Superannuation Fund is net of adjustment amounting to Rs. 7.87 million made out of contributions made in the earlier years lying in the forfeiture account of the Retiral Benefit Fund books.

** Rent includes lease rentals of Rs. 24.74 million (2004 – Rs. 21.39 million).

*** Repairs to machinery includes consumption of stores and spare parts of Rs. 0.09 million (2004 – Rs. 0.42 million).

SCHEDULES TO THE ACCOUNTS

	For the year ended 31st March, 2005		For the year ended 31st March, 2004	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
18. Interest and Finance Charges				
Interest paid				
– Other Interest		42.66		50.64
– Bank / Finance Charges		10.33		28.41
– Exchange (Gain) / Loss – (net)		13.10		(20.90)
		<u>66.09</u>		<u>58.15</u>
Less: Interest received on Loans, Deposits, Advances etc.*		<u>7.94</u>		<u>4.75</u>
		58.15		53.40
		<u>58.15</u>		<u>53.40</u>

* Interest received on Loans, Deposits, Advances etc., is stated Gross, the amount of Income Tax deducted thereon is Rs. 0.42 million (2004 – Rs. 0.06 million).

SCHEDULES TO THE ACCOUNTS

19. NOTES TO THE ACCOUNTS

- (i) The Consolidated Financial Statements of the Company for the year ended 31 March, 2005 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 '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 million.

Dividend received by the Company from jointly controlled entity during the current year amounting to Rs. 31.50 million has been added back to consolidated general reserves as at March 31, 2005.

- (ii) Subsequent to the year end, the Board of Directors of the Company has approved the sale of the Company's investment in the equity shares of Advanta India Limited. Pending execution of sale agreement and regulatory approvals in respect of such sale, Financial Statements of Advanta India Limited for the year ended March 31, 2005 have been consolidated.

- (iii) Capital and other commitments Rs. 1.19 million (2004 – Rs. 0.42 million).

- (iv) Contingent Liabilities:

- Income Tax/ Sales Tax matters under appeal Rs. 162.49 million (2004 – Rs. 205.13 million).
- Claims under dispute Rs. 3.76 million (2004 – Rs. 3.97 million).
- Counter Guarantees given to the Bankers in respect of guarantees furnished by them Rs. 0.73 million (2004 – Rs. 2.80 million).

- (v) The group has reviewed and revised the estimated useful life of Fixed assets with effect from April 1, 2004. Based on this review, such assets are being depreciated over the remaining useful life. Consequently, the depreciation charge for the year is higher by Rs. 5.95 million with corresponding decrease in profit for the year.

- (vi) Prior period represents provision for Income-tax in respect of agricultural income claimed in earlier years.

- (vii) 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 million 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. 89.10 million (2004 – Rs. 62.40 million) 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. 249.50 million (2004 – Rs. 338.60 million) has been shown under Deferred Payment Liability in the Balance Sheet.

- (viii) 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 Item). 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.

(ix) Intangible Assets

Brands purchased by the group 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 million (2004 – Rs. 9.28 million) being the amortization relating to these brands. On the Balance Sheet date, the management has assessed the value of these brands through an independent valuer of repute to ensure that the recoverable amount of the asset is not lower than its carrying amount.

(x) Related party transactions

	For the Year ended 31st March 2005 Rs. Millions	For the Year ended 31st March 2004 Rs. Millions
1. Companies		
– Cag Tech Mauritius Limited – Holding Company		
– ConAgra Inc USA – Group – having significant influence		
– Tiger Management Services		
– Lamb Weston Meijer & Inc		
Transactions with ConAgra Inc, USA – Group		
– Purchase of materials	14.75	16.89
– Recovery of expenses	6.04	3.66
– Income earned on services rendered	6.42	3.70
Year end balances		
– Receivable	3.28	—
– Payable	0.90	1.56
Transactions with Tiger Management Services		
– Payment of Travel Expenses	0.18	—
Transactions with Lamb Weston Meijer & Inc		
– Purchase of materials	1.06	23.49
Year end balances		
– Payable	—	3.84
2. Key Management Personnel		
Whole time Director – Mr.Tushar I Chudgar		
Other Key Management Personnel		
Mr. Utpal Sen Gupta		
Mr. Arvind Ahuja		
Mr. Ravi Krishnamoorthy		
Mr. Madhusudan Manvi		
Mr. Atul Sinha		
Mr. K.S. Shyam		
Mr. Sachidanand Madan		
Mr. Govvind Ambady		
Mr. D. Mullick		
Loans advanced during year	0.06	0.03
Loans repayments received	1.16	6.60
Interest received during the year	—	0.19
Remuneration	37.71*	30.51*

* The jointly controlled entity has filed applications with the Central Government for the excess amount of managerial remuneration for the years 2003-04 and 2004-05 the approvals for which are still awaited.

xi) 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)

Rs. Millions

	Branded Foods		Bulk & Processed Commodities		Others		Unallocable		Eliminations		Consolidated	
	31st March 2005	31st March 2004	31st March 2005	31st March 2004	31st March 2005	31st March 2004	31st March 2005	31st March 2004	31st March 2005	31st March 2004	31st March 2005	31st March 2004
Revenue												
External Sales	5,219.45	5,522.37	5,319.70	7,081.20	255.59	228.66	-	-	-	-	10,794.75	12,832.22
Inter Segment Revenue	0.33	5.47	1,849.40	2,293.91	-	-	-	-	(1,849.73)	(2,299.38)	-	-
Total Revenue	5,219.78	5,527.84	7,169.10	9,375.11	255.59	228.66	-	-	(1,849.73)	(2,299.38)	10,794.75	12,832.22
Result	159.46	112.75	(22.02)	118.86	38.13	37.26	-	-	31.50	23.63	144.07	245.24
Unallocated Corporate Expenses	-	-	-	-	-	-	5.16	93.38	-	-	5.16	93.38
Interest & Finance Costs	-	-	-	-	-	-	-	-	-	-	58.15	53.40
Profit Before Tax	-	-	-	-	-	-	-	-	-	-	80.76	98.46
Provision for Tax												
Current											7.85	3.00
Deferred											(21.45)	3.09
Profit before Extraordinary Item											94.36	92.37
Extraordinary Item											89.10	62.40
Net Profit											5.26	29.97
Other Information												
Segment Assets	770.28	761.37	618.83	1,279.51	-	-	-	-	-	-	1,389.11	2,040.88
Unallocated Corporate Assets	-	-	-	-	243.53	247.70	629.77	728.71	(60.32)	(60.33)	812.98	916.08
Total Assets	770.28	761.37	618.83	1,279.51	243.53	247.70	629.77	728.71	(60.32)	(60.33)	2,202.09	2,956.96
Segment Liabilities	474.78	519.58	341.56	875.57	-	-	-	-	-	-	816.34	1,395.15
Unallocated Corporate Liabilities	-	-	-	-	124.54	98.88	430.95	603.48	(14.82)	(14.83)	540.68	687.53
Total Liabilities	474.78	519.58	341.56	875.57	124.54	98.88	430.95	603.48	(14.82)	(14.83)	1,357.02	2,082.68
Depreciation / Amortisation	14.97	13.13	1.02	0.74	-	-	-	-	-	-	15.99	13.87
Unallocated Corporate Depreciation	-	-	-	-	6.72	4.50	8.73	8.51	-	-	15.45	13.01
Total Depreciation / Amortisation	14.97	13.13	1.02	0.74	6.72	4.50	8.73	8.51	-	-	31.44	26.88
Capital Expenditure	6.92	3.75	0.21	2.51	-	-	-	-	-	-	7.12	6.26
Unallocated Corporate Capital Expenditure	-	-	-	-	4.66	10.65	1.82	9.89	-	-	6.48	20.53
Total Capital Expenditure	6.92	3.75	0.21	2.51	4.66	10.65	1.82	9.89	-	-	13.60	26.79
Non-Cash Expenditure	1.38	4.80	3.46	0.61	-	-	-	-	-	-	4.84	5.41
Unallocated Corporate Non-Cash Expenditure	-	-	-	-	1.30	-	11.82	11.56	-	-	13.12	11.56
Total Non-Cash Expenditure	1.38	4.80	3.46	0.61	1.30	-	11.82	11.56	-	-	17.95	16.97

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.

4. Inter segment sales are accounted for at market prices.

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

	As on 31st March 2005	As on 31st March 2004
	Rs. Millions	Rs. Millions
Fixed Assets	62.00	64.22
Investments	0.03	0.03
Current Assets	181.51	183.45
Current Liabilities and Provisions	114.83	89.50
Deferred Tax Liability	9.72	12.05
Income	261.76	232.74
Expenses	213.36	190.71
Depreciation	6.72	4.50

xiii) 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

Lt. Gen D.B. Singh
Director

Sanjaya Kulkarni
Director

Tushar Chudgar
Director & Secretary

Place : Secunderabad
Date : 11th May, 2005

Consolidated Cash Flow Statement for the year ended 31st March, 2005

	2005 Rs. Millions	2004 Rs. Millions
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit / (Loss) before Tax and after Extraordinary Item	(8.32)	36.06
Adjustments:		
Depreciation and Brand Amortisation	31.44	26.88
(Profit) / Loss on Disposal of Fixed Assets (Net)	(0.67)	2.45
Profit on Sale of Investments (Net)	(0.63)	(0.62)
Interest (Net)	47.12	24.99
Provision for Doubtful Debts	73.51	5.41
Provision for Doubtful Advances	4.64	5.00
Impairment Provision	0.91	1.30
Dividend Received	(0.16)	(0.65)
Amortisation of Miscellaneous Expenditure	94.36	67.67
Operating Profit / (Loss) before Working Capital Changes and Extraordinary Item	242.20	168.49
Adjustments for:		
Trade and Other receivables	53.30	(198.78)
Inventories	403.37	(275.48)
Trade payables	(525.19)	450.49
Cash Flow from Operations before Extraordinary Item	173.68	144.72
Direct Taxes refund received	(9.59)	0.28
Net Cash Flow from Operating activities before Extraordinary Item	164.09	145.00
Extraordinary Item	(89.10)	(62.40)
Net Cash Flow from Operating activities after Extraordinary Item	74.99	82.60
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(13.60)	(24.37)
Sale of Fixed Assets (Net)	7.52	2.77
Purchase of Short Term Investments	(1,747.09)	(479.50)
Sale of Short Term Investments	1,747.73	485.12
Dividend Received	0.16	0.65
Interest Received	4.51	4.36
Net cash used in Investing Activities after Extraordinary Item	(0.77)	(10.97)

	2005 Rs. Millions	2004 Rs. Millions
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Dividends Paid	(9.45)	(23.63)
Dividend Tax Paid	(1.23)	(3.02)
Proceeds from / (Repayments of) Borrowings	(3.59)	(44.61)
Hedging Costs (net)	(12.91)	20.90
Interest Paid	(42.14)	(48.36)
Net cash used in Financing Activities	(69.32)	(98.72)
Net (Decrease) / Increase in Cash and Cash Equivalents	4.90	(27.09)
Opening Cash and Cash equivalents	56.76	83.85
Closing Cash and Cash equivalents	61.66	56.76

Note:

- 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

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

Utpal Sen Gupta
President

Lt. Gen. D.B. Singh
Director

Sanjaya Kulkarni
Director

Tushar Chudgar
Director & Secretary

Place : Hyderabad
Date : 11th May, 2005

Place : Secunderabad
Date : 11th May, 2005

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, 2005, 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, 2005;
 - 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: 11th May, 2005

Tuhin Bagchi
Membership Number 50497
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 Fifteenth Annual Report for the financial year ended 31st March, 2005 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:

	2004-2005	2003-2004
	Rupees	Rupees
Profit / (Loss) before Taxation	(16,871)	(30,174)
Income Tax	-	-
Profit / (Loss) after Tax	(16,871)	(30,174)
(Loss) brought forward	(5,285,124)	(5,254,950)
Profit / (Loss) available for		
Appropriation and carried forward.	(5,301,995)	(5,285,124)

Directors

Mr. Partha Dattagupta was appointed as a Director of the Company in terms of Section 262 of the Companies Act, 1956 with effect from 31st August, 2004 in the vacancy caused by the resignation of Mr. Sachidanand Madan.

Mr. Kunal Sen was appointed as a Director of the Company in terms of Section 262 of the Companies Act, 1956 with effect from 31st August, 2004 in the vacancy caused by the resignation of Mr. Asis Kumar Sengupta.

Pursuant to Section 255 of the Companies Act, 1956, Mr. Arvind Ahuja retires at the Fifteenth Annual General Meeting and being eligible offers himself for reappointment.

Directors' Responsibility Statement

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

- i) That in the preparation of the annual accounts for the year ended 31st March 2005, the applicable accounting standards have been followed and that no material departures have been made from the same.
- ii) 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, 2005, and at the loss of the Company for that period.
- iii) 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.
- iv) They have prepared the annual accounts for the year ended 31st March, 2005, on a going concern basis.

Auditors

The Auditors of the Company, Lovelock & Lewes, Chartered Accountants, hold office upto the Fifteenth 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.

Companies (disclosure of particulars in the report of board of directors) rules, 1998

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

Partha Dattagupta
Director

Place : Secunderabad
Dated : 10th May, 2005

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

1. We have audited the attached Balance Sheet of Heera Seeds Trading and Warehousing Limited, as at March 31 2005, and 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.
2. We conducted our audit in accordance with the 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 the 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, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, 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 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 and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet and 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;
 - e) On the basis of written representations received from the directors, as on March 31 2005 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2005 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 2005, and
 - ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date.

Tuhin Bagchi
Membership Number 50497
Partner
For and on behalf of
Lovelock & Lewes
Chartered Accountants

Place: Hyderabad
Date: 10th May, 2005

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, 2005)

1. The Company has neither granted nor taken any loans, 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 Companies, firms or other parties covered in the register maintained under Section 301 of the Act, Clauses iii(b), iii(c), iii(d), iii(e), iii(f) and iii(g) of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable to the Company for the current year.
2. According to the information and explanations given to us, there have been no contracts or arrangements referred to in section 301 of the Act during the year to be entered into in the register required to be maintained under that section. Accordingly commenting on transactions made in pursuance of such contracts or arrangements does not arise.
3. The Company has not accepted any deposits from the public within the meaning 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 the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise 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, service 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, 2005 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 upon under the aforesaid Order.

Tuhin Bagchi
Membership Number 50497
Partner
For and on behalf of
Lovelock & Lewes
Chartered Accountants

Place : Hyderabad
Date : 10th May, 2005

Heera Seeds Trading and Warehousing Limited

Balance Sheet as at 31st March, 2005

	Schedules	31st March, 2005		31st March, 2004	
		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	7,208,961		7,222,481	
Cash & Bank Balances	4	58,264		61,095	
Loans & Advances	5	7,571,116		7,571,116	
		<u>14,838,341</u>		<u>14,854,692</u>	
Current Liabilities & Provisions					
Liabilities	6	11,020		10,500	
Provisions		4,316		4,316	
		<u>15,336</u>		<u>14,816</u>	
Net Current Assets					
Profit and Loss Account	7	14,823,005		14,839,876	
		<u>5,176,995</u>		<u>5,160,124</u>	
		<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 : 10th May, 2005

On behalf of the Board

Arvind Ahuja
Director

Partha Dattagupta
Director

Place : Secunderabad
Date : 10th May, 2005

Profit and Loss Account for the year ended 31st March, 2005

	Schedules	For the		For the	
		Year ended	Year ended	Year ended	Year ended
		31st March, 2005	31st March, 2004	31st March, 2005	31st March, 2004
		Rupees	Rupees	Rupees	Rupees
Income					
Other Income		—		—	
		<u>—</u>		<u>—</u>	
Expenditure					
Administration, Selling expenses	8	16,871		30,174	
		<u>16,871</u>		<u>30,174</u>	
(Loss) before Taxation					
		<u>(16,871)</u>		<u>(30,174)</u>	
Provision for Taxation		—		—	
(Loss) after Taxation					
		<u>(16,871)</u>		<u>(30,174)</u>	
(Loss) brought forward		(5,285,124)		(5,254,950)	
Surplus / (Deficit) carried forward to Balance Sheet		<u>(5,301,995)</u>		<u>(5,285,124)</u>	
EPS (Basic and Diluted)					
		<u>(0.01)</u>		<u>(0.02)</u>	
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 : 10th May, 2005

On behalf of the Board

Arvind Ahuja
Director

Partha Dattagupta
Director

Place : Secunderabad
Date : 10th May, 2005

Heera Seeds Trading and Warehousing Limited

Schedules to the Accounts

	31st March, 2005 Rupees	31st March, 2004 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 (Refer Schedule 7)	125,000	125,000
	—	—
3. Sundry Debtors		
(Unsecured – Considered good)		
Debts outstanding for a period exceeding six months*	7,208,961	7,222,481
	7,208,961	7,222,481
*Due from Holding Company Rs. 7,208,961 (2004 – Rs. 7,222,481)		
4. Cash and Bank Balances		
Cash on hand	711	711
With Scheduled Banks		
– on Current Account	57,553	60,384
	58,264	61,095
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 (2004 – Rs. 7,571,116)		
6. Current Liabilities & Provisions		
A. Liabilities		
Sundry Creditors due to		
– Small Scale Industrial undertaking	—	—
– Others	11,020	10,500
	11,020	10,500
B. Provisions		
Provision for Taxation (net of advance payment)	4,316	4,316
	4,316	4,316

	31st March, 2005 Rupees	31st March, 2004 Rupees
7. Profit & Loss Account		
Debit balance as per Profit and Loss Account	(5,301,995)	(5,285,124)
Less: As per Contra (Refer Schedule 2)	125,000	125,000
	(5,176,995)	(5,160,124)
8. Administration, Selling Expenses		
Rates and Taxes	2,500	1,500
Audit Fee	11,540	10,500
Legal and Professional Charges	—	10,000
Miscellaneous Expenses	2,831	8,174
	16,871	30,174

9. Notes to Accounts

- i) Earning Per Share
The earnings 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 computed Basic Earning Per Share is the weighted average number of shares outstanding during the year.
- ii) 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.
- iii) 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 : 10th May, 2005

Partha Dattagupta
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 recognised 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.



Regd. Office: 31, Sarojini Devi Road, Secunderabad-500 003.

PROXY FORM

I/We _____ of _____ being a member/members of **Agro Tech Foods Limited** holding shares in Folio No./ Client ID/DPID No _____ hereby appoint _____ of _____ or failing him _____ of _____ or failing him _____ of _____ as my/our Proxy to attend and vote for me/us and on my/our behalf at the EIGHTEENTH ANNUAL GENERAL MEETING of the said Company to be held on 28th July, 2005 at 10.00 a.m. and at any adjournment thereof.

Signed this _____ day of _____ 2005.

Signature(s) of the Shareholder(s) _____

Affix 15 P.
Revenue
Stamp

- N.B. (i) This form must be deposited at the Registered Office of the Company not later than 48 hours before the time of the Meeting.
(ii) A PROXY NEED NOT BE A MEMBER



- Tear Here -



Regd. Office: 31, Sarojini Devi Road, Secunderabad-500 003.

ATTENDANCE SLIP

To be headed over at the entrance of the Meeting Hall

I hereby record my presence at the EIGHTEENTH ANNUAL GENERAL MEETING held at House of Windsor-I, Viceroy Convention Centre, Opp. Hussain Sagar Lake, Tankbund Road, Hyderabad-500 080 on 28th July, 2005 at 10.00 a.m.

Folio No./ Client ID/DPID No.....

Full Name of the Shareholder
(in block letters)

Signature

* Full Name of Proxy
(in block letters)

Signature

* (To be filled in if the Proxy attends instead of the Member)

Tear Here



