

Making the food India loves.

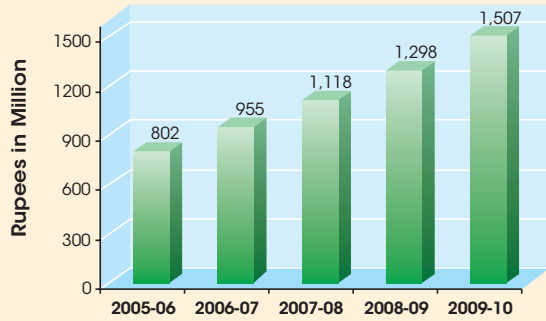


Agro Tech Foods Limited

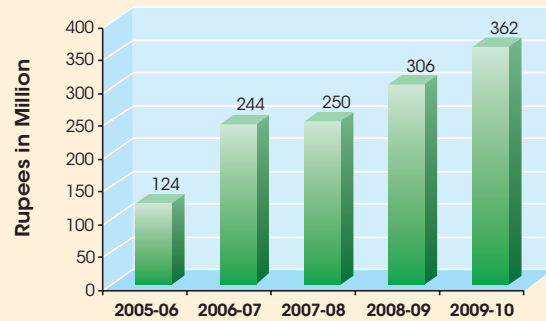
Annual Report 2010

Performance Highlights

Net Worth CAGR - 17%

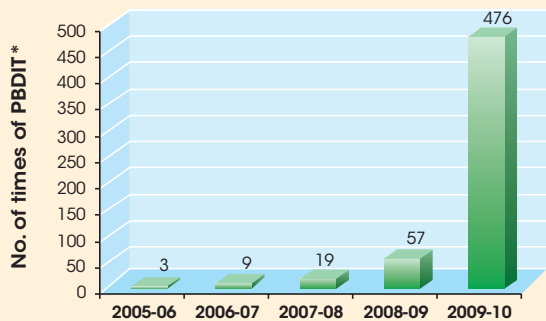


PBDIT* CAGR - 31%



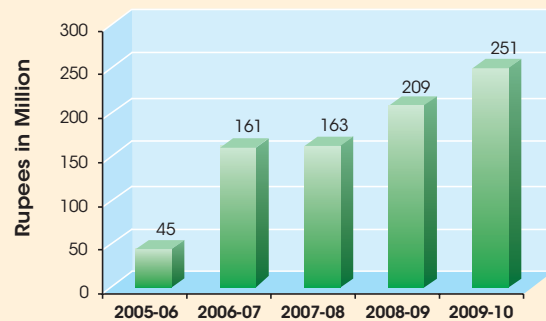
* After extraordinary & exceptional items

Debt Service Coverage Ratio*



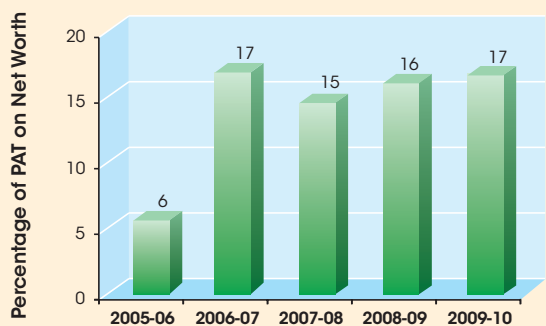
* After extraordinary & exceptional items

Profit After Tax*



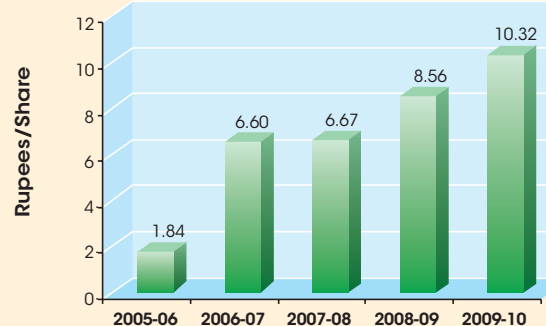
* After extraordinary & exceptional items

Return on Investment*



* After extraordinary & exceptional items

Earnings per share*



* After extraordinary & exceptional items

Board of Directors

Directors

Gregory Carl Estep Chairman

Alejandro Castro

Michael D Walter

Lt Gen D B Singh

Sanjaya Kulkarni

Nihal Kaviratne, CBE

Arun Bewoor

Pradip Ghosh Chaudhuri Whole-time Director

Leadership Team

Sachin Gopal President & CEO

Asheesh Sharma Head of Marketing

Dharmesh K Srivastava General Manager – Supply Chain & Procurement

Hemant Kumar Ruia CFO and Head of Information Systems & Legal

N Narasimha Rao Vice President – Human Resources

Pradip Ghosh Chaudhuri General Manager – Manufacturing

R Gopalakrishnan Head of Sales

Satish Kumar Singh Head of Research, Quality & Innovation

Company Secretary

Phani K Mangipudi

Auditors

B S R and Associates
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 Shirdi Sai Baba Temple
Punjagutta
Hyderabad – 500 034

NOTICE

Notice is hereby given that the Twenty Third Annual General Meeting of the Members of Agro Tech Foods Limited will be held on Wednesday the 28th July, 2010 at 10.00 A.M. at Residency Hall, Hotel Green Park, Greenlands, Hyderabad - 500 016, Andhra Pradesh to transact the following businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2010 and the Profit and Loss Account for the year ended on that date and the Report of the Directors and Auditors thereon.
2. To declare a dividend for the Financial Year ended 31st March, 2010.
3. To appoint a Director in place of Lt. Gen. D.B. Singh, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Sanjaya Kulkarni, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint M/s. B S R and Co., Chartered Accountants bearing registration number 128510W with the Institute of Chartered Accountants of India, as the Statutory Auditors of the Company, to hold office from the conclusion of this 23rd Annual General Meeting until the conclusion of the 24th Annual General Meeting of the Company, in place of M/s. B S R and Associates, retiring Auditors, who have not offered themselves for reappointment as Auditors of the Company and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

6. To appoint Mr. Gregory Carl Estep, a Director of the Company, who has been appointed in the casual vacancy arising out of the resignation of Mr. Ian F Troop 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 along with a deposit of Rs. 500/- has been received by the Company. Mr. Gregory Carl Estep 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. Gregory Carl Estep 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 appoint Mr. Alejandro Castro, a Director of the Company, who has been appointed in the casual vacancy arising out of the resignation of Mr. Derek L Briffett, 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 along with a deposit of Rs. 500/- has been received by the Company. Mr. Alejandro Castro 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. Alejandro Castro 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."

8. To consider and if thought fit, to pass, with or without modification, the following Resolution as an 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 including the Central Government as may be necessary or required, the reappointment of Dr. Pradip Ghosh Chaudhuri as a Whole-time Director of the Company, with effect from 29th July, 2010 till 30th July, 2011 or the date of the next Annual General Meeting, whichever is earlier, (both days inclusive) on such remuneration including salary and perquisites as have been set out in the Explanatory Statement attached to the Notice convening this Annual General Meeting, a copy whereof initialed by the Chairman for the purposes of identification is placed before this Meeting, including a variation of such terms in salary and perquisites as approved by the Board on the recommendation of the Remuneration and Nominations Committee and agreed to by Dr. Pradip Ghosh Chaudhuri, be and the same is hereby approved."

BOOK CLOSURE

The Register of Members and Share Transfer Books of the Company shall remain closed from Tuesday, 20th July, 2010 to Wednesday, 28th July, 2010 (both days inclusive). Share Transfers received in order by 6.00 P.M. on 19th July, 2010, will be in time to be passed for payment of dividend, if declared, to the transferees or to their mandatees and the dividend, if declared, will be paid on or after 29th July, 2010, to those Members entitled thereto and whose names shall appear on

the Register of Members of the Company on 28th July, 2010, or to their mandatees, subject however to the provisions of Section 206A of the Companies Act, 1956, or any amendment or modification thereof. In respect of dematerialized shares, the dividend will be payable on the basis of beneficial ownership as on 19th July, 2010, as per details to be furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for this purpose.

Date: 19th May, 2010

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

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

Phani K Mangipudi
Company Secretary

NOTES:

1. In accordance with the Provisions of Section 173 of the Companies Act, 1956 and the Listing Agreement, an Explanatory Statement in respect of item Nos. 6, 7 and 8, being items of Special Business, is annexed.
2. A Member entitled to attend and vote on a poll is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a Member. Proxies in order to be effective must be received by the Company not less than forty eight hours before the Annual General Meeting.
3. Members are requested to bring their copies of the Reports and Accounts to the Meeting.
4. Members are requested to notify any change in their address immediately to the Company's Registrars and Transfer Agents, Sathguru Management Consultants Private Limited, Plot No. 15, Hindinagar, Behind Shirdi Sai Baba Temple, Punjagutta, Hyderabad - 500 034.

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

Item No. 6

Mr. Gregory Carl Estep was appointed as a Director of the Company in terms of Section 262 of the Companies Act, 1956 with effect from 14th May, 2008 in the casual vacancy caused by the resignation of Mr. Ian F Troop pursuant to Article 129 of the Articles of Association of the Company and he holds office up to the date of this Annual General Meeting till which, Mr. Ian F Troop, in whose vacancy he is appointed would have held office. Notice under Section 257 of the Companies Act, 1956 along with the requisite deposit of Rs. 500/- has been received from a Member proposing the appointment of Mr. Gregory Carl Estep as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation. Mr. Gregory Carl Estep 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. Gregory Carl Estep 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

Mr. Alejandro Castro was appointed as a Director of the Company in terms of Section 262 of the Companies Act, 1956 with effect from 14th May, 2008 in the casual vacancy caused by the resignation of Mr. Derek L Briffett pursuant to Article 129 of the Articles of Association of the Company and he holds office up to the date of this Annual General Meeting till which, Mr. Derek L Briffett, in whose vacancy he is appointed would have held office. Notice under Section 257 of the Companies Act, 1956 along with the requisite deposit of Rs.500/- has been received from a Member proposing the appointment of Mr. Alejandro Castro as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation. Mr. Alejandro Castro 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. Alejandro Castro 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. 8

The Board of Directors on the recommendation of the Remuneration and Nominations Committee recommended for approval of the Members, the reappointment of Dr. Pradip Ghosh Chaudhuri as Whole-time Director of the Company with effect from 29th July, 2010 till 30th July, 2011 or the date of the next Annual General Meeting, whichever is earlier on the following remuneration:

i) Salary:

Rs. 1,24,933/- per month with annual increments (which in accordance with the Rules of the Company is 1st July every year) up to a maximum of 25% with liberty to the Board of Directors to sanction any further increase over and above the mentioned percentage as it may in its absolute discretion determine.

ii) Perquisites:

In addition to the aforesaid Salary, Dr. Pradip Ghosh Chaudhuri 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, ESOP, performance linked incentive by whatever name called, etc., in accordance with the Rules of the Company, the monetary value of such perquisites being limited to Rs. 25/- Lakhs 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 there under 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, Dr. Pradip Ghosh Chaudhuri 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 Companies Act from time to time.

Dr. Pradip Ghosh Chaudhuri 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 Dr. Pradip Ghosh Chaudhuri may be further varied, altered or modified as may be agreed to by the Board of Directors and Dr. Pradip Ghosh Chaudhuri, 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.

Dr. Pradip Ghosh Chaudhuri is the General Manager – Manufacturing of your Company. He is M.Tech, Ph.D with more than 35 years experience in Industry. He joined the Company in 1996. Before joining Agro Tech Foods Limited he has worked in various

capacities in manufacturing and research in leading Indian oil industries engaged in inland and export business.

Dr. Pradip Ghosh Chaudhuri has done his M.Tech in Chemical Engineering & Chemical Technology from Applied Chemistry Dept, Calcutta University and completed his Doctoral from same Institute under Prof. D. K. Bhattacharjee. He published research papers in National & International Journals. He has 35 years of Research & Industrial experience in Oils & fats and Allied fields and worked in past with Swastik Industries, Gem Refineries and K. N. Oil Industries in various parts of India who are pioneers in processing/export of edible Ricebran oil and exotic confectionary fat of Indian origin. His contributions to the Company have been made invaluable. In recognition of his accomplishments, the Board of Directors has reappointed him as Whole-time Director subject to approval of the Shareholders. Your Directors consider that it would be appropriate and desirable to reappoint him as his experience will be beneficial to the Company. The Board has no hesitation in commending his reappointment. Dr. Pradip Ghosh Chaudhuri continues to hold office as General Manager - Manufacturing. 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 Dr. Pradip Ghosh Chaudhuri, 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.

Your Directors recommend the Resolution for your approval.

Date: 19th May, 2010

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

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

Phani K Mangipudi
Company Secretary

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:

Lt. Gen. D. B. Singh

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

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

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 as a member of Citibank N.A.'s Merchant Banking department in 1973. After working in the Merchant Banking and Corporate Banking Division 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.

20th Century grew to be one of India's largest finance companies and had interests in Car Finance, Retail Finance, Mutual Funds and Commercial Banking. 20th Century had tie-ups with large Multinational like Zurich Insurance, GMAC, IFC Washington and Asian Development Bank.

20th Century set up 20th Century Venture Capital Limited in the early 90's, one of the first Venture Capital companies in India. Sanjaya Kulkarni was heading this Company and was also responsible for Private Equity Investments made by 20th Century from their proprietary funds. Sanjaya Kulkarni has hence been associated with the Venture Capital / Private Equity industry since the outset.

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 29 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, L.P. 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 corpuses of approximately \$60M.

Gregory Carl Estep

Gregory Carl Estep is the President and General Manager of Gilroy Foods & Flavors, a ConAgra Foods brand. Gilroy Foods & Flavors is a leading provider of vegetables, seasoning blends, flavors, and culinary bases to food service and food manufacturing customers around the world. ConAgra Foods, headquartered in Omaha, Nebraska is one of North America's leading packaged food companies, serving grocery retailers, as well as restaurants and other food service establishments.

He joined ConAgra Foods in 1999 starting in the ConAgra Trade Group with responsibility for international grain merchandising & logistics. He has progressed in the Company with increasing responsibility in the Food & Ingredients division. Prior to joining ConAgra Foods, Gregory Carl Estep worked 14 years with Continental Grain Company. From 1997-1999, he was based in Hong Kong as Commercial Manager for the Asia/Pacific Division. He also held various international grain merchandising, ocean freight and facility

management positions in Chicago, Minneapolis and Portland, Oregon. Gregory Carl Estep has served on numerous joint venture and trade association boards in his career. He has a bachelor's degree in agricultural economics from Virginia Tech and an MBA from the Fuqua School of Business, Duke University.

Alejandro Castro

Alejandro Castro is responsible for finance functions for the Gilroy Foods and Flavours businesses of Gilroy Foods, one of North America's leading packaged food companies.

Since joining ConAgra Foods in 2001, he has held several management positions in Finance, including leading projects in Mexico, Singapore, Spain, Portugal, Argentina, Chile, Puerto Rico, the U.S. and Canada. He has also served as Senior Financial Officer for Barilla Mexico, as well as Chief Operating Officer COO for WSM Services de Mexico (formerly Weyerhaeuser). Alejandro also held several Finance positions of increased responsibility at GE Capital Fleet Services and PriceWaterhouseCoopers in Mexico.

Alejandro graduated as a Certified Public Accountant (CPA) from La Salle University and received his MBA from ITAM University in Mexico. He is an active member of the Mexican Institute of Finance Professionals (IMEF) and member of NSHMBA (National Society of Hispanic MBA's).

Pradip Ghosh Chaudhuri

Pradip Ghosh Chaudhuri has done his M. Tech in Chemical Engineering & Chemical Technology from Applied Chemistry Dept, Calcutta University and completed his Doctoral from same Institute under Prof. D. K. Bhattacharjee. He published research papers in National & International Journals. He has 35 years of Research & Industrial experience in Oils & fats and Allied fields and worked in past with Swastik Industries, Gem Refineries and K. N. Oil Industries in various parts of India who are pioneer in processing /export of edible Ricebran oil and exotic confectionary fat of Indian origin. His contributions to the Company have been made invaluable.

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 31st March, 2010.

1. PERFORMANCE OF THE COMPANY

1.1 Results

Your Company's performance for the year ended 31st March, 2010 is as follows:

	(Rs. Millions)	
	2009-10	2008-09
Net Sales	6,496	7,736
Other Income	105	111
Total Income	6,601	7,847
Operating Expenses	6,239	7,582
PBDIT	362	265
Depreciation	30	24
Interest	1	5
Exceptional Item	—	(40)
Profit Before Tax (PBT)	331	276
Taxes	80	68
Profit After Tax (PAT)	251	208

Net Sales for the year at Rs. 6,496 Million are lower than Prior Year by 16% reflecting the impact of (a) lower unit price realization on the Rath & Crystal brands where lower commodity prices were passed on to the consumer and (b) a mix of price and volumes for the Sundrop oils portfolio as a consequence of our margin improvement program. This was offset in part by robust growth in Act II popcorn. Steady improvement in profitability continued with profit after tax up by 21% versus previous year and Profit before tax up by 20% versus the previous year.

1.2 Turnover by Segment

	(Rs. Millions)	
	2009-10	2008-09
Branded Foods	5,534	6,253
Sourcing & Institutional Business (SIB)	962	1,483
Gross Margin (GM)	1,505	1,310
GM %	23.2%	16.9%
Advertising & Sales Promotion	614	515
A&P %	9.5%	6.7%

Gross Margin of the Company improved from Rs. 1,310 Million to Rs. 1,505 Million driven by improved mix and pricing recovery. The incremental

Gross Margin earned during the year was partly invested in increased A&P (supporting new product launches, volume growth in Act II popcorn and margin improvement) and partly used to improve profitability.

2. DIVIDEND

Given the strong performance of the Company, your Directors are pleased to recommend a dividend of Re. 1.50 per equity share of the face value of Rs. 10/- each for the period ended 31st March, 2010 subject to the approval of the share holders at the Annual General Meeting to be held on 28th July, 2010.

	(Rs. Millions)	
	2009-10	2008-09
Profit After Tax	251	208
Profit brought forward from previous year	333	153
Surplus available for appropriation	584	361
Transfer to General Reserve	13	—
Proposed dividend for the financial year at the rate of Re. 1.50 each (previous year: Re. 1/-)	36	24
Tax on proposed dividend	6	4
Retained profit carried forward to the following year	529	333

3. RESPONSIBILITY STATEMENT

The Directors confirm that:

- i) 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) 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 and of the profit or loss of the Company for that period;
- iii) 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) they have prepared the annual accounts on a going concern basis.

4. CORPORATE GOVERNANCE

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

Additionally, this contains compliance report signed by the CEO of the Company in connection with compliance with the Code of Conduct, and also CEO/CFO Certification as required by the amended Clause 49 of the Listing Agreement.

5. MANAGEMENT DISCUSSION & ANALYSIS REPORT (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.

6. INDUSTRY STRUCTURE & DEVELOPMENTS

The year saw a gradual improvement in the economy with an improved economic outlook for the country. However, while consumer confidence returned there was still considerable uncertainty, necessitating that while we could continue to be aggressive in driving the growth and testing of new categories there should also be a sense of caution in pricing in existing categories. Together with a steady hardening of commodity prices, this caution resulted in an increasing pressure on margins as the year progressed.

Your Company responded to this challenging environment by on the one hand working to reduce the cost of entry into new categories and on the other introducing variants to cover more price points in existing categories. This was accompanied by a continued strengthening of retail coverage in line with the goal of being amongst India's "Best Performing Most Respected Foods Companies."

7. PRODUCT CATEGORIES

7.1 Branded Foods:

7.1.1 On a full year basis Net Sales of the Branded Foods business at Rs. 5,534 Million was lower than prior year by 11% reflecting a drop in price per unit on Rath & Crystal due to lower commodity prices and lower pricing/volume on Sundrop due to our focus on margin improvement. A continued strengthening of

volumes in Sundrop during the year meant however that we ended 2009-10 successfully consolidating your Company's Gross Margin at a level of 20% and a return to top line growth against previous year by the fourth Quarter - Net Sales for Quarter 4 were up 8% against the previous year on the Branded Foods Business.

7.1.2 In the Edible Oils category your Company focused on volume opportunities through the launch of new variants to increase presence across price points and address unmet consumer needs. Both the new variants launched viz. Sundrop Goldlite and Sundrop Freshlite have been well received by consumers.

7.1.3 In the Snacks Category your Company continued its focus on ACT II Popcorn, through sustained national media presence for the brand, significant increase in retail distribution and increasing awareness of the category.

7.1.4 In the Hydrogenated Vegetable Oils category, your Company continued to effectively manage the Rath brand.

7.1.5 In March 2009, your Company had entered the Bread Spreads category with the launch of Sundrop Peanut Butter. In FY'10 your Company continued to develop this category with investments behind the brand. Your Company also started work on building the Desserts & Puddings category in India with the launch of Sundrop Snack Break, a shelf stable pudding which has been well received by consumers.

7.2 Sourcing & Institutional Business:

Trading operations in Oils were progressively reduced and as a consequence the segment turnover was reduced from Rs. 1,483 Million in 2008-09 to Rs. 962 Million in 2009-10. This is part of the de-risking of the portfolio and consistent with our choice of focusing on the Branded Foods Business.

8. RESEARCH, QUALITY & INNOVATION (RQI)

Your Company successfully launched two new variants of oils under the Sundrop portfolio, viz. Sundrop Goldlite and Sundrop Freshlite. Both the variants had new oil species, Corn Oil in GoldLite and Canola Oil (Imported Rapeseed Oil) in FreshLite.

To increase penetration of the growing popcorn category, your Company also introduced a Rs. 2/- sachet in Andhra Pradesh which is currently under test market.

9. CONSERVATION, TECHNOLOGY AND FOREIGN EXCHANGE

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, is attached and forms part of this report.

10. HUMAN RESOURCES

- 10.1 Developing a High Performing organization is a key requirement to delivering against our vision of being amongst India's "Best Performing, Most Respected Foods Companies". Your Company continued to show strong improvement in the area of employee retention with key talent attrition now standing at less than 5%.
- 10.2 To improve communication with the front line sales force and enhance analytical capabilities and initiative execution, your Company equipped all sales officers of the Company with laptop computers.
- 10.3 Your Company continued to work with a "Promote from Within" policy supported by strong capability building initiatives and 40% of all vacancies during the year were filled through internal talent.
- 10.4 Building a common corporate culture and the right set of values is a key component of creating a high performance organization. Your Company has identified the theme of "Make a Difference" as the pillar for our activities and a full scale roll out of this has been done during the year.

11. PARTICULARS OF EMPLOYEES

The information required under Section 217(2A) of the Companies Act, 1956 and the Rules there under in respect of the employees who were in receipt of remuneration aggregating Rs. 24 lakhs or more or were employed for part of the year and were in receipt of remuneration aggregating Rs. 2 lakhs per month or more during the financial year ending 31st March, 2010 is provided in the Annexure

forming part of this Report. In terms of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to the Members excluding the aforesaid Annexure. The Annexure is available for inspection by Members at the Registered office of the Company during business hours on working days up to the date of the ensuing AGM, and if any Member is interested in obtaining a copy thereof, such Member may write to the Company Secretary whereupon a copy would be sent.

12. EMPLOYEE STOCK OPTION PLAN

Details of the shares issued under the Agro Tech Employee Stock Option Plan, as also the disclosures in compliance with Clause 12 of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are set out in the Annexure to this Report.

13. CORPORATE SOCIAL RESPONSIBILITY

Your Company is committed to making a contribution to the societies in which we live and work. Focus has been maintained on "Feeding Children Better", a program to address malnutrition among the under privileged children studying in schools with no aid. Under the program, children are provided with one nutritious meal a day. Currently the program covers more than 1500 under privileged children including physically challenged children.

Your Company has been recognized by the Bombay Stock Exchange for having the Best Corporate Social Responsibility Practices at the 5th Social and Corporate Governance Awards 2010.

14. INFORMATION SYSTEMS

Significant enhancements were made during the year in the area of information systems. The Oracle operating system was upgraded to improve the quality of information available, eliminate manual interfaces, and enable faster access to information. This has considerably improved the quality and speed of decision making and aided significantly the progress achieved by your Company in the area of profitability.

15. FINANCE AND ACCOUNTS

15.1 Segment Wise Results:

Your Company continued to see steady improvement in profitability driven by focus on the Branded Foods Business.

The audited financial results of the two segments for the year ended 31st March, 2010 are:

Segment-wise Revenue, Results and Capital Employed

(Rs.Millions)

Sl.No. Particulars	2009-10	2008-09
1. Segment Revenue		
a) Branded Foods	5,534	6,253
b) SIB	962	1,483
Sales from Operation	6,496	7,736
2. Segment Results		
Profit / Loss before Tax and interest from each segment		
a) Branded Foods	511	422
b) SIB	9	26
	520	448
Less:		
i) Interest	1	5
ii) Other Un-allocable Expenditure net off un-allocable Income	188	167
Total Profit Before Tax	331	276
3. Capital Employed		
Segment Assets-Segment Liabilities		
a) Branded Foods	581	468
b) SIB	2	4
c) Other un-allocable net assets	923	826
Total Capital Employed	1,506	1,298

15.2 Internal Controls

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

Your Company has established standard operating procedures for smooth and efficient operations in addition to ensuring internal controls. Your Company has also documented:

- A comprehensive Code of Conduct for the Board Members and employees of your Company.
- An Employee Handbook.
- Whistle Blower policy defined to provide channel of communication without fear.
- Comprehensive framework for Risk Management, and

- CEO/CFO Certification for Financial Reporting Controls to the Board.

The Company has reappointed Deloitte Haskins & Sells as its Internal Auditor to ensure 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 Internal and 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.

15.3 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.

15.4 Outlook

Your Company had a strong performance in Financial Year '10, with Gross Margin improving from Rs. 131 crores to Rs. 150 crores and GM percentage improving from 16.9% to 23.2%. We did however see margin pressure in the last quarter of the year and expect to continue to face this in the near term. We will seek to mitigate this through profitable volume growth in the Oils category driven by a wider variant range, while we continue to invest behind the key growth driver of Act II popcorn and lay the foundation for future growth by working on localization of the new products already launched and increased A&P efficiencies for future new products.

16. DIRECTORS

Mr. Gregory Carl Estep and Mr. Alejandro Castro were appointed as Directors with effect from 14th May, 2008 in place of Mr. Ian F Troop and Mr. Derek L Briffett respectively to represent the interests of CAG-Tech (Mauritius) Limited, pursuant to the provisions of Section 262 of the Companies Act, 1956 and Article 129 of the Articles of Association of the Company.

They hold office up to the date of the ensuing Annual General Meeting. Notices together with the deposits,

as required under Section 257 of the Companies Act, 1956 have been received from Members proposing the appointment of Mr. Gregory Carl Estep and Mr. Alejandro Castro as Directors of the Company at the Annual General Meeting. A brief profile of these Directors is given in the Notice to the 23rd Annual General Meeting.

Mr. Arun Bewoor was appointed as Director with effect from 21st October, 2009 due to the sudden demise of Mr. Satish Lal Tandon, pursuant to the provisions of Section 262 of the Companies Act, 1956 and Article 129 of the Articles of Association of the Company.

In accordance with the Provisions of Article 143 of the Articles of Association of the Company, Lt. Gen. D.B. Singh and Mr. Sanjaya Kulkarni retire by rotation and being eligible, offer themselves for reappointment. A brief profile of these Directors is given in the Notice of the 23rd Annual General Meeting.

17. AUDITORS

M/s. B S R and Co., Chartered Accountants, are recommended for appointment as the Statutory

Auditors of your Company, to hold office from the conclusion of the 23rd Annual General Meeting until the conclusion of the 24th Annual General Meeting, in place of M/s. B S R and Associates, retiring Auditors, who have not offered themselves for reappointment as Auditors of the Company. The Company has received a certificate from M/s. B S R and Co., to the effect that their appointment, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956.

18. SUBSIDIARY COMPANY

There has been no business activity during the year by Heera Seeds Trading and Warehousing Limited, a non-material unlisted subsidiary of your Company.

19. APPRECIATION

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

On behalf of the Board

Sachin Gopal
President & CEO

Lt. Gen. D.B. Singh
Director

Dr. Pradip Ghosh Chaudhuri
Whole-time Director

Date: 19th May, 2010

ANNEXURE TO DIRECTORS' REPORT

Disclosures in compliance with Clause 12 of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 as amended are set out below:

Sl. No.	Description	Details
1.	Name of the Scheme	Agro Tech Employee Stock Option Plan
2.	Total number of options granted under the plan during the year	229,178
3.	Pricing Formula	The closing market price of the ordinary shares of the Company on NSE on the day preceding the date of grant, i.e. 27th July, 2009
4.	Exercise Price	Rs. 147.40
5.	Options vested as of 31st March, 2010	175,700
6.	Options exercised during the year	18,179
7.	Total number of Ordinary Shares arising as a result of exercise of options till 31st March, 2010	NIL, as stock options are granted by purchase of shares from the market
8.	Options lapsed/cancelled during the year	32,965
9.	Variation of terms of options	During the year there has been no variation in the terms of options
10.	Money realised by exercise of options during the year	Rs. 23,64,805/-
11.	Total number of options in force at the end of the year	609,404
12.	Employee wise details of Stock Options granted to:	

i) Senior Managerial Personnel

Name	Designation	No. of Options granted during the financial year	No. of Options granted till the last financial year
Utpal Sen Gupta*	President	—	164,927
Sachin Gopal	President & CEO	65,064	46,980
N Narasimha Rao	VP - Human Resources	18,307	29,696
Raj Kanwar Singh*	GM - Sales	—	26,338
Dharmesh K Srivastava	GM - Supply Chain & Procurement	7,058	5,094
Pradip Ghosh Chaudhuri	GM - Manufacturing	5,029	6,487
Asheesh Sharma	Head of Marketing	12,304	15,586
K Prem Kumar*	Head of Food Services	—	6,389
Hemant Kumar Ruia	CFO, Head of Information Systems & Legal	18,908	9,055
Mehul Pathak	Head of Sourcing - Emerging Markets	10,500	21,994

Agro Tech Foods Limited

Shalini Srivastava	GM – Human Resources	5,362	11,814
Syed Azizur Rahman*	GM – Sourcing and Institutional Business	—	13,428
Satish Kumar Singh	Head of Research, Quality and Innovation	8,111	11,474
R Gopalakrishnan	Head of Sales	9,016	13,054
Chetankumar D Borkar*	Financial Controller	4,651	8,792

- ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of the options granted during that year
- iii) Identified employees who were granted options in any one year equal to or exceeding 1% of the issued capital of the Company at the time of grant

NA

NA

13. Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share'

Not applicable as there is no fresh issue of shares involved.

14. In case, the Company has calculated the employee compensation cost using the intrinsic value of stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the options and the impact of this difference on profits and on EPS of the Company

The effect of adopting the fair value method on the net income and Earnings Per Share is presented below:

Profit After Tax	Rs. Millions
As reported	251.40
Less: Fair Value Compensation Cost (net of tax)	15.88
Adjusted Profit After Tax	235.52
EPS (Basic & Diluted)	
— as reported	10.32
— as adjusted	9.67

15. Weighted average exercise price and weighted average fair value for options whose exercise price either equals or exceeds or is less than the market price of the stock
16. Description of the method and significant assumptions used during the year to estimate the fair value of options.

NA

The fair value of options is calculated by using the Black Scholes model after applying the following key assumptions:

- | | |
|---|---------|
| i) Risk-free interest rate | 7% |
| ii) Expected life | 7 years |
| iii) Expected volatility | 60.18% |
| iv) Expected dividends | 0.68% |
| v) The value of underlying shares in market at the time of option grant | 147.40 |

* Represents people who have left the organisation.

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, 2009 to 31st March, 2010	For the year 1st April, 2008 to 31st March, 2009
A. Power and fuel consumption		
1. Electricity		
a) Purchased		
Units (in 000's)	1568.47	1000.56
Total Amount (Rs. Millions)	7.37	4.29
Rate/Unit (Rs.)	4.70	4.28
b) Own Generation		
i) Through diesel generator		
Units (in 000's)	923.00	517.49
Units per ltr. of diesel oil	3.39	3.50
Cost/Unit (Variable) - (Rs.)	10.08	9.70
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)	N/A	N/A
Total Cost (Rs. Millions)	N/A	N/A
Average Rate per tonne (Rs.)	N/A	N/A
3. Others/Internal Generation		
Quantity		
Total Cost	N/A	N/A
Rate/Unit		

B. Consumption per tonne of Refined Edible Oils/Popcorn

	Standards (if any)	For the year 1st April, 2009 to 31st March, 2010	For the year 1st April, 2008 to 31st March, 2009
Electricity	(KWH/Units)		
Consumption per MT of Refined Edible Oils		48.65	33.65
Consumption per MT of Popcorn		85.95	120.11

FORM B

Form for disclosure of particulars with respect of absorption

Research and Development (R & D)

- | | | |
|---|---|--|
| 1. Specific areas in which R & D carried out by the Company | : | <ul style="list-style-type: none"> — Development of scientific blends in the Oils category. — Development of Tomato Chili flavor for Instant Popcorn and local Manufacture of Sweet n Salt Popcorn (Kettle Corn) for microwave popcorn. — Development of low cash ring SKU's for Instant Popcorn. |
| 2. Benefits derived as a result of the above R&D | : | <ul style="list-style-type: none"> — Acquisition of new consumers for Sundrop with the launch of Sundrop Goldlite & Freshlite in the Oils category. — Increased penetration of Popcorn. |
| 3. Future plan of action | : | <ul style="list-style-type: none"> — New flavors for Instant, Microwave popcorn & Vending Corn. — Local production/packaging of currently imported food items. |
| 4. Expenditure on R & D | | Rs. Millions |
| a) Capital | | 0.91 |
| b) Recurring | | 22.04 |
| c) Total | | 22.95 |
| d) Total R & D expenditure as percentage of Turnover | | 0.35% |

Technology Absorption, Adaptation and Innovation

- | | | |
|--|---|--|
| 1. Efforts in brief, made towards technology absorption and innovation | : | <ul style="list-style-type: none"> — Improvements in the Customization center at Kothur to add automation for stickering of Snack Break and Peanut Butter. — Initiation of new Rs. 2/- packing line at Kothur on a trial basis for sale in Andhra Pradesh. — New slurry based system extended to all the Instant Popcorn lines. |
| 2. Benefits derived as a result of the above effort | : | <ul style="list-style-type: none"> — Increase in productivity & reliability in application of stickers due to removal of manual operations. — Introduction of new SKU to increase trials of Instant Popcorn thereby increasing penetration and sale of this product. — Improvement in working conditions and consistency in taste of product. |

3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year)

- a) Technology Imported
- b) Year of Import
- c) Has technology been fully absorbed
- d) If not fully absorbed, areas where this has not taken place and future plans of action

} Not applicable

FOREIGN EXCHANGE EARNINGS AND OUTGO

- 1. Activities relating to exports : Export of ACT II – Popcorn 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 21 tons of ACT II – Popcorn was exported.

	Rs. Millions
3. Total Foreign Exchange	
Earnings : Exports	2.22
Others	12.83
	15.05
Outgo : CIF Value of Imports	347.23
Foreign Travel	1.97
Interest/Finance charges	0.16
Professional Fees	26.99
Royalty	7.61
Software Licence	1.00
Others	0.29
	385.25

Sachin Gopal
President & CEO

On behalf of the Board
Lt. Gen. D.B. Singh
Director

Dr. Pradip Ghosh Chaudhuri
Whole-time Director

Date: 19th May, 2010

REPORT ON CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreement, the Directors present the Company's Report on Corporate Governance.

1. COMPANY'S PHILOSOPHY AGRO TECH FOODS LIMITED AIMS TO BUILD -

- The Best Performing Most Respected Foods Company 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 amended 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.

2. COMPLIANCE WITH MANDATORY REQUIREMENTS

I. 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 amended Listing Agreement with the Indian Stock Exchanges. Details of the Board of Directors and their Directorships/Memberships in Board/Board Committees respectively, of other Companies (excluding Agro Tech Foods Limited and Foreign Companies) are as under:

Sl. No.	Name of Director	Category of Director	Relationship with Other Directors	No. of Directorships in other Companies		Committee Memberships	
				Chairman	Member	Chairman	Member
Non-Executive							
1.	Mr. Gregory Carl Estep @	Chairman	None	—	—	—	—
2.	Mr. Alejandro Castro @	—	None	—	—	—	—
3.	Mr. Michael D Walter	Independent	None	—	—	—	—
4.	Lt. Gen. D.B. Singh	Independent	None	—	—	—	—
5.	Mr. Sanjaya Kulkarni	Independent	None	1	9	3	1
6.	Mr. Nihal Kaviratne, CBE	Independent	None	—	5	3	3
7.	Mr. Satish Lal Tandon ^	Independent	None	—	5	1	8
8.	Mr. Arun Bewoor #	Independent	None	—	4	—	2
Executive							
9.	Dr. Pradip Ghosh Chaudhuri	—	None	—	1	—	—

Independent Director is as defined in the amended Clause 49 of the Listing Agreement.

@ 1 & 2 Representing interests of CAG-Tech (Mauritius) Limited in the Company.

^ 7 Ceased to be a Director due to death.

8 Appointed on 21st October, 2009 in the casual vacancy caused by the death of Mr. Satish Lal Tandon.

None of the Non-Executive Independent Directors have any pecuniary relationship or transactions with the Company, its promoters, its Senior Management or its subsidiaries which in the judgement of Board may affect the independence of the Director except receiving sitting fees for attending Board/Committee Meetings and commission from the Company.

B) Non-Executive Directors' compensation and disclosures

All fees paid to Non-Executive Directors including Independent Directors are fixed by the Board of Directors. The Company has no Employee Stock Option Scheme for Non-Executive Directors and hence, no stock options are granted to Non-Executive Directors, including Independent Directors.

C) Other provisions as to Board and Committees

i) Number of Board Meetings held in Financial Year 2009-2010 with dates and attendance of Directors:

Five Board Meetings were held during the Financial Year 2009-2010. They were held on 14th May, 2009, 26th May, 2009, 29th July, 2009, 21st October, 2009 and 21st January, 2010.

The attendance record of each Director was as under:

Sl.No.	Name of Director	No. of Board Meetings held	No. of Board Meetings attended	Attendance at last AGM
1.	Mr. Gregory Carl Estep	5	4	Yes
2.	Mr. Alejandro Castro	5	3	Yes
3.	Mr. Michael D Walter	5	4	Yes
4.	Lt. Gen. D.B. Singh	5	5	Yes
5.	Mr. Sanjaya Kulkarni	5	5	Yes
6.	Mr. Nihal Kaviratne, CBE	5	4	Yes
7.	Mr. Satish Lal Tandon @	5	3	Yes
8.	Mr. Arun Bewoor*	5	2	No
9.	Dr. Pradip Ghosh Chaudhuri	5	5	Yes

AGM - Annual General Meeting

@ 7 Ceased to be Director due to death.

* 8 Appointed with effect from 21st October, 2009 in the casual vacancy caused by the death of Mr. Satish Lal Tandon.

ii) Information to be made available to the Board:

Among others this includes:

- Review of annual operating plans of business, capital budgets and updates.
- Quarterly results of the Company and its operating divisions or business segments.
- Minutes of Meeting of Audit Committee and other Committees of the Board.
- 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 the Company 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 during the course of the Board Meetings.

iii) Secretarial Standards relating to Meetings:
The Institute of Company Secretaries of India (ICSI) has established Secretarial Standards

relating to the Meetings of the Board and Committees thereof, Annual General Meetings, Dividends, Registers & Records, Minutes and Transmission of Shares & Debentures, etc. At this stage, these are only recommendatory and are likely to become mandatory in due course. It is the intention of the Company to generally comply with these Standards.

iv) As at the year end, none of the Directors is a Member of more than ten Board-level Committees or a Chairman of more than five such Committees, as required under Clause 49 of the Listing Agreement.

D) Code of Conduct

A Code of Conduct has been approved by the Board of Directors on 24th January, 2006 and amended on 21st October, 2009, has been communicated to all Board Members and Employees of the Company and also posted on Corporate Governance link of the Company's web site, www.atfoods.com. As required by the amended Clause 49 of the Listing Agreement, all Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct.

Certificate of Compliance with the Code of Conduct for Board Members and Senior Management Personnel

To
The Members of
Agro Tech Foods Limited.

I, Sachin Gopal, President and CEO of the Company, hereby certify that the Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct for the year ended 31st March, 2010.

Date: 19th May, 2010

For Agro Tech Foods Limited
Sachin Gopal
President & CEO

II. AUDIT COMMITTEE

A) Composition:

The Company's Audit Committee presently comprises of five Directors, all except one are non-executive and Independent Directors. This is in compliance with the amended Clause 49 of the Listing Agreement. Lt. Gen. D.B. Singh an Independent Director is the Chairman of the Committee while Mr. Sanjaya Kulkarni, Mr Nihal Kaviratne, CBE, Mr. Arun Bewoor and Mr. Alejandro Castro

are its current Members. The Chief Executive Officer and Chief Financial Officer, the Internal Auditors and the Statutory Auditors attend the Meetings by invitation.

The Committee met 5 times during the year 2009-2010 on 14th May, 2009, 26th May, 2009, 28th July, 2009, 21st October, 2009 and 21st January, 2010.

The attendance record of each Director was as under:

Sl. No.	Name of Director	No. of Meetings held	No. of Meetings attended
1.	Lt. Gen. D.B. Singh	5	5
2.	Mr. Sanjaya Kulkarni	5	5
3.	Mr. Nihal Kaviratne, CBE	5	4
4.	Mr. Satish Lal Tandon*	5	3
5.	Mr. Alejandro Castro	5	3
6.	Mr. Arun Bewoor @	5	2

* 4 Ceased to be Director due to death.

@ 6 Appointed on 21st October, 2009 in the casual vacancy caused by the death of Mr. Satish Lal Tandon.

Permanent Invitees

Mr. Sachin Gopal the President & CEO and Mr. Hemant Kumar Ruia, Chief Financial Officer and Head of IS & Legal.

B) Powers of Audit Committee

The primary objective of Audit Committee is to monitor and provide effective supervision of the Management's financial reporting process with a view to ensure accurate, timely and proper disclosures and transparency, integrity and quality of financial reporting. The audit committee has powers to:

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

C) Role of the Audit Committee

The role of the Audit Committee is in line with the amended Clause 49 of the Listing Agreement and the Committee performs the following functions:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
2. Recommending to the Board, the appointment, reappointment 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, and 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 on 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, if any.
12. To review the functioning of the Whistle Blower mechanism from time to time.
- 12A. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

III. SUBSIDIARY COMPANIES

The Company currently has one wholly owned subsidiary, Heera Seeds Trading and Warehousing Limited. There has been no material business activity during the year by this Company. This is a non-material and unlisted Company.

IV. DISCLOSURES

A) Basis of related party transactions

There have been no material significant related party transactions that may have potential conflict with the interest of the Company at large.

The particulars of transactions between the Company and its related parties (As specified in AS - 18 "Related Party Disclosures"), is set out in Note xii of Schedule 16 forming part of the accounts. These transactions are not likely to have any conflict with the Company's interests.

All details relating to financial and commercial transactions where Directors may have a potential interest are provided to the Board and interested Directors neither participate in the discussions, nor do they vote on such matters.

The details of transactions with related parties are placed before the Audit Committee and the Committee has reviewed the same for the year ended 31st March, 2010.

B) Disclosure of Accounting Treatment

The Company has complied with the appropriate accounting policies and has ensured that they have been applied consistently. There have been no deviations from the treatment prescribed in the Accounting Standards. The Management reviews the accounting treatments adopted and wherever deviations noted, will be presented in the Financial

Statements. A detailed report on significant accounting policies is provided elsewhere in the Annual Report.

C) Board Disclosures – Risk Management

The Company has formulated and adopted risk assessment and minimization framework which has been adopted by the Board at the Board Meeting held on 1st May, 2006. The Company has framed a risk management policy and testing in accordance with the laid down policy is being carried out periodically.

D) Proceeds from public issues, rights issues, preferential issues etc.

During the year, your Company has not raised any money through public issue, rights issue or preferential issues.

E) Remuneration of Directors

Remuneration and Nominations Committee

The Remuneration and Nominations Committee (formerly Remuneration Committee) has been constituted to formulate and recommend to the Board amongst others, all elements of the remuneration package of the Executive Director, stock options and other requisites.

Composition

The Company's Remuneration and Nominations Committee presently comprises of seven Directors, majority being non-executive and Independent Directors. Lt. Gen. D.B. Singh an Independent Director is the current Chairman of the Committee while Mr. Gregory Carl Estep, Mr. Alejandro Castro, Mr. Michael D Walter, Mr. Sanjaya Kulkarni, Mr Nihal Kaviratne, CBE and Mr. Arun Bewoor are its Members.

The attendance record of each Director was as under:

Sl. No.	Name of Director	No. of Meetings held	No. of Meetings attended
1.	Lt. Gen. D.B. Singh	2	2
2.	Mr. Sanjaya Kulkarni	2	2
3.	Mr. Nihal Kaviratne, CBE	2	2
4.	Mr. Satish Lal Tandon*	2	2
5.	Mr. Arun Bewoor \$	2	0
6.	Mr. Gregory Carl Estep	2	2
7.	Mr. Alejandro Castro	2	1
8.	Mr. Michael D Walter	2	2

* 4 Ceased to be a Director due to death.

\$ 5 Appointed with effect from 21st October, 2009 in the casual vacancy caused by the death of Mr. Satish Lal Tandon.

The Remuneration and Nominations Committee Meeting was held twice during the year 2009-10 on 14th May, 2009 and 28th July, 2009 to consider the remuneration of the Whole-time Director and grant of Stock Options under the Employee Stock Option Scheme formulated by the Company and most of the Committee Members were present during the Meeting.

Remuneration Policy

The Whole-time Director is paid remuneration as per the terms approved by the Remuneration and Nominations 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 Whole-time Director comprises of salary, perquisites and allowances, contributions to Provident Fund and Superannuation and Gratuity. Further, Whole-time Director is entitled to performance incentive for each financial year, as may be determined by the Board on the recommendation of the Remuneration and Nominations Committee.

Remuneration paid/payable to Whole-time Director for the year ended 31st March, 2010:

(in Rupees)

Name of the Director	Sitting Fees (incl. Committee Meetings)	Salary	Contribution to PF and other funds	Other perquisites and allowances	Total
Dr. Pradip Ghosh Chaudhuri	Nil	11,26,800	3,60,576	14,22,726	29,10,102

The Company granted stock options to eligible employees including the Whole-time Director at its Remuneration and Nominations Committee Meeting held on 28th July, 2009.

Criteria for making payments to Non-Executive Directors

Non-Executive Directors of the Company are entitled to remuneration by way of commission for each financial year, up to a maximum of Rs. 2,50,000/- individually, as approved by the Shareholders. Payment of commission is determined inter alia, on the basis of the Company's performance and regulatory provisions.

The Company also 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 is Rs. 20,000/- for attending each of such Meetings.

The appointment of Executive Directors is governed by Resolutions passed by the Board of Directors and the Shareholders of the Company, which covers the terms and conditions of such appointment. The Non-Executive Directors do not hold any shares or convertible instruments of the Company.

F) Management

- i) The Management Discussion and Analysis Report as part of Directors' Report to the shareholders is provided elsewhere in the Annual Report.
- ii) For the year ended 31st March, 2010 your Company's Board has obtained Senior Management affirmations that there have been no material, financial and commercial transactions where they have personal interest that may have a potential conflict with the interests of the Company at large.

G) Shareholders Information

- i) The quarterly results are sent to the stock exchange on which the Company is listed so as to display the same on its own web-site.

ii) Share Transfer Committee

The present Members of the Committee are, the Company Secretary and Mr. Raghunathan, Director of Sathguru Management Consultants Private Limited, the Registrars and Share Transfer Agents. Committee met 21 times during the year 2009-2010. All the applications for share transfers received during the year 2009-2010 have been approved.

iii) Shareholders/Investor Grievances Committee

The Shareholders Grievances Committee presently comprises of four Non-Executive Independent Directors namely:

1. Lt. Gen.D.B. Singh (Chairman)
2. Mr. Sanjaya Kulkarni
3. Mr. Nihal Kaviratne, CBE
4. Mr. Satish Lal Tandon *
5. Mr. Arun Bewoor #

* 4 Ceased to be a Director due to death.

5 Appointed with effect from 21st October, 2009 in the casual vacancy caused by the death of Mr. Satish Lal Tandon.

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 four times during the year 2009-10. All queries have been resolved to the satisfaction of the Shareholders/Investors. The Committee focuses on the strengthening of investor relations.

Mr. Phani Mangipudi, Company Secretary has been designated as the Compliance Officer.

Investor Communications

The Company received 305 communications during the financial year ended 31st March, 2010 and none of the communications received were pending as on that date.

	Received	Redressed	Pending
Shareholders/ Investors	305	305	—
Stock Exchanges Securities and Exchange Board of India	—	—	—
Depositories	—	—	—
Court/Dept of Company Affairs/ Custodians	—	—	—
Total	305	305	—

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	18	5.9
Transfer of shares	—	—
Transmission of shares	—	—
Non-receipt of share certificates	—	—
Issue of Duplicate share certificates	1	0.3
Dematerialisation of shares	—	—
Others *	286	93.8
Total	305	100

* This includes the following

- a) Change of address
- b) Loss/Misplacement of shares
- c) Registration of Power of attorney
- d) SEBI letter regarding non credit of demat shares
- e) Bank mandate
- f) Non-receipt of transfer/Split/ Consolidation/Duplicate issue
- g) Revalidation of Dividend/Warrant/ Correction letter/ Correction of Dividend Warrant
- h) Non-receipt of Dividend Warrant
- i) Non-receipt of Annual Report
- j) Procedure for transmission/split/ consolidation/duplicates
- k) Enquiry about shareholding in Company
- l) Non-receipt of share certificate

As mentioned earlier, the Company has constituted a Shareholders/Investors Grievances Committee for redressing Shareholders and Investors complaints. The status on compliance is reported to the Board of Directors as an agenda item.

Legal Proceedings

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

V. CEO/CFO CERTIFICATION

Mr. Sachin Gopal, President and CEO and Mr. Hemant Kumar Ruia, CFO, Head of IS & Legal have given CEO/CFO Certificate to the Board. The Board noted the said CEO/CFO Certificate as per the format given under Clause 49(V), at its meeting held on 19th May, 2010.

VI. REPORT ON CORPORATE GOVERNANCE

Your Company complies with the revised Clause 49 of the Listing Agreement which is in force and as amended from time to time.

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

3. COMPLIANCE WITH NON MANDATORY REQUIREMENTS

i) Chairman of the Board

The present Chairman of the Board is a foreign national and Non-Executive Director. The expenses in connection with his official foreign travel to India are paid for by the Company he is employed with i.e. ConAgra Foods Inc.

ii) 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.

iii) Whistle Blower Policy

A Whistle Blower Policy has been approved by the Board of Directors on 24th January, 2006. This Whistle Blower Policy of your Company provides opportunities to employees to access in good faith, to the Management, concerns (in certain cases to the Audit Committee) in case they observe unethical or improper practices (not necessarily a violation of law) in the Company and to secure those employees from unfair termination and unfair prejudicial employment practices.

The Whistle Blower Policy has been communicated to all Board Members and Employees of the Company and also posted under Investor Relations (Corporate Governance) link of the Company's web site, **www.atfoods.com** as required by the amended Clause 49 of the Listing Agreement.

The Company affirms that it has not denied any personnel, access to the Audit Committee of the Company (in respect of matters involving alleged misconduct) and it will provide protection to "whistle blowers" from unfair termination and other unfair prejudicial employment practices.

4. GENERAL BODY MEETINGS

Annual General Meetings

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

Year	Venue	Date	Time
2009	Residency Hall, Hotel Green Park Greenlands Hyderabad - 500 016, A.P.	29th July, 2009	10.00 a.m.
2008	Residency Hall, Hotel Green Park Greenlands Hyderabad - 500 016, A.P.	30th July, 2008	10.00 a.m.
2007	Residency Hall, Hotel Green Park Greenlands Hyderabad - 500 016, A.P.	25th July, 2007	10.00 a.m.

Special Resolutions related to:

Year

- 2009 Appointment of Whole-time Director and payment of commission to Non-Executive Independent Directors of the Company.
- 2008 Appointment of Whole-time Director and Appointment of a relative of the Whole time Director as a Business Accountant.
- 2007 N.A.

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

5. MEANS OF COMMUNICATION

The Quarterly, Half-Yearly and Annual Results are generally published by the Company in Hyderabad editions of the Business Standard / Financial Express and Andhra Bhoomi / Andhra Prabha. 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**".

There have been no issues 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.

Management Discussion and Analysis Report forms part of the Annual Report.

6. GENERAL SHAREHOLDER INFORMATION

A. Annual General Meeting

Date and Time	:	28th July, 2010 at 10.00 A.M.
Venue	:	Residency Hall Hotel Green Park Greenlands Hyderabad – 500 016 Andhra Pradesh

B. Financial Year 2009-2010

First quarter results	:	July, 2009
Half yearly results	:	October, 2009
Third quarter results	:	January, 2010
Annual results	:	May, 2010

C. Dates of Book Closure : 20th to 28th July, 2010 (both days inclusive)

D. Dividend payment date : 29th July, 2010

E. Listing on Stock Exchanges : The Company's equity shares are listed on Mumbai and National Stock Exchange. The listing fees for the year 2009-2010 has been paid to Mumbai and National Stock Exchanges.

F. Stock Code	:	Stock Exchange	Code
		BSE Scrip Code	500215
		Co. Code	1311
		NSE Scrip Code	ATFL
		Series	EQ – Rolling Settlement

G. Stock Price Data

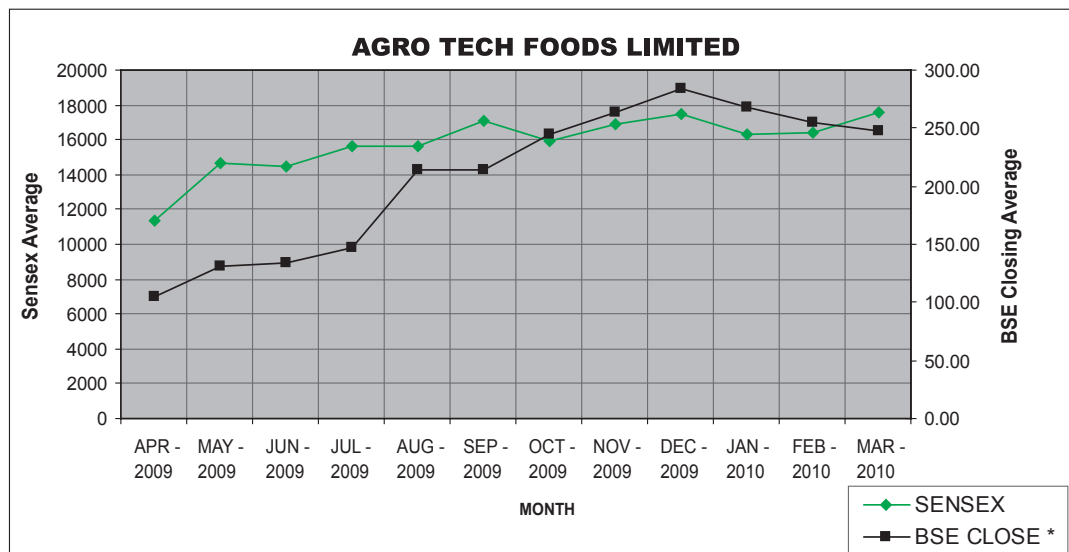
Monthly High/Low quotation of shares traded on Bombay Stock Exchange Limited, (BSE) and National Stock Exchange of India Limited (NSE) for 2009-2010 is given below:

Year	Month	Bombay Stock Exchange *			National Stock Exchange *			Total Volumes BSE & NSE (Nos)
		High Rs.	Low Rs.	Volumes (Nos)	High Rs.	Low Rs.	Volumes (Nos)	
2009	April	114.30	92.15	91,906	115.45	90.00	92,554	184,460
2009	May	151.90	100.05	603,827	151.50	91.00	476,780	1,080,607
2009	June	168.00	120.00	788,284	173.00	117.00	679,413	1,467,697
2009	July	159.95	123.50	461,698	160.45	124.00	383,225	844,923
2009	August	248.00	146.00	1,974,461	247.90	149.00	2,144,689	4,119,150
2009	September	228.00	200.00	524,753	227.00	194.95	574,499	1,099,252
2009	October	264.50	202.00	673,231	265.00	201.10	848,544	1,521,775
2009	November	294.00	224.30	453,574	294.00	220.00	467,599	921,173
2009	December	304.70	262.00	863,751	308.75	252.10	1,267,042	2,130,793
2010	January	292.00	255.00	143,982	294.90	251.50	173,096	317,078
2010	February	290.00	252.50	95,581	289.70	243.00	187,303	282,884
2010	March	266.50	240.50	386,538	265.00	240.15	306,183	692,721

* Source: Websites of BSE and NSE

H. Stock Performance

Graph – BSE Sensex vs. share price from April'09 to March'10



* Source: Website of BSE

I. Registrars and Share Transfer Agents

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

J. 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 meets generally once in 2 weeks to consider the transfer applications and other proposals to transmission, etc.

K. Shareholding Pattern

The distribution of Shareholding as on 31st March, 2010 was as under:

Range	No. of Shareholders	% of total Shareholders	No. of Shares held	% of Shareholding
1 — 5000	12,525	93.09	1,350,974	5.54
5001 — 10000	444	3.30	366,580	1.50
10001 — 20000	214	1.59	321,743	1.32
20001 — 30000	70	0.52	184,813	0.76
30001 — 40000	41	0.30	148,442	0.62
40001 — 50000	29	0.22	138,857	0.57
50001 — 100000	64	0.48	506,937	2.08
100000 & Above	67	0.50	21,350,918	87.61
TOTAL	13,454	100.00	24,369,264	100.00

Agro Tech Foods Limited

The categories of Shareholding as on 31st March, 2010 was as under:

Category	No. of Shares held	% of Shareholding
CAG – Tech (Mauritius) Limited	11,723,154	48.11
ITC Limited	3,393,064	13.92
Non-resident individuals/FIIs/OCBs	824,953	3.39
Bank/Financial Institutions, Insurance Companies and Mutual Funds	222,577	0.90
Directors and their relatives	—	—
Other Bodies Corporates	2,296,298	9.42
General Public	5,909,218	24.26
Total	24,369,264	100.00

Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity : Not Applicable

L. 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 23,818,985 equity shares forming 97.74 % 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.

M. Address for correspondence

The addresses for correspondence are as under:

For both Physical and electronic form : Sathguru Management Consultants Private Limited
Plot No.15, Hindi Nagar
Behind Shirdi Sai Baba Temple, Punjagutta
Hyderabad – 500 034
Phone: 040-23356507/23356975/23350586
Fax: 040-40040554
Email: sta@sathguru.com

For any other matter and unresolved complaints : In addition to our Registrar, shareholders can contact the Registered Office of the Company and contact person name is given below:

Mr. Phani K Mangipudi

Company Secretary & Compliance Officer
Agro Tech Foods Limited
31, Sarojini Devi Road
Secunderabad – 500 003
Phone: 040-27801205/66333444
Fax: 040-27800947
Email: phani.mangipudi@atfoods.com

ANNEXURE

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

Sl. 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. Gregory Carl Estep	Hunt's Universal Robina Corp. Hunt's Chalkis Co. Limited	Director Director	-Nil-	-Nil-	-Nil-
2.	Mr. Alejandro Castro	Hunt's Universal Robina Corp. Hunt's Chalkis Co. Limited	Director Director	-Nil-	-Nil-	-Nil-
3.	Mr. Michael D Walter	Changing World Technologies	Director	Changing World Technologies	Audit / Compensation	Member
		European Oat Millers	Director			
		Ag Processors Alliance	Director			
		Lindsay Manufacturing	Director			
4.	Lt. Gen. D.B. Singh	-Nil-	-Nil-	-Nil-	-Nil-	-Nil-
5.	Mr. Sanjaya Kulkarni	TPL Plastech Limited	Chairman	TPL Plastech Limited	Audit/Remuneration	Chairman
		UTV Software Communications Ltd.	Director	UTV Software Communications Ltd.	Audit/Investor Grievance /Share Transfer	Chairman
		S.L. Poultry (P) Ltd.	Director			
		Indian- Direct Equity Advisors Pvt. Ltd.	Director			
		Time Technoplast Ltd.	Director	Time Technoplast Ltd	Audit /Remuneration	Member
		Protect Insurance Services (India) Pvt. Ltd.	Director			
		Eureka Capital Advisors Pvt. Ltd.	Director			
		NED Energy Ltd.	Director			
		UTV Global Broadcasting Ltd.	Director			
		Treehouse Education & Accessories Pvt. Ltd.	Director			
		YPA (Thailand) Limited	Director			
		Mastek Foundation	Trustee			

Agro Tech Foods Limited

Sl. No.	Name of the Director	Other Directorships		Other Committee Memberships		
		Name of the Company	Position	Name of the Company	Committee	Position
	Non-Executive Directors					
6.	Mr. Nihal Kaviratne, CBE	Fullerton India Credit Company Ltd.	Director	Fullerton India Credit Company Ltd.	Audit / Remuneration / Integrated Risk Oversight/ Community Care Steering H R Committee	Chairman / Member
		Glaxo Smithkline Pharmaceuticals India Ltd.	Director	Glaxo Smithkline Pharmaceuticals India Ltd.	Audit / Remuneration	Member
		Titan Industries Ltd.	Director	Titan Industries Ltd.	Audit	Chairman
		Star Hub Ltd., Singapore	Director	Star Hub Ltd., Singapore	Audit / Strategy	Member/ Chairman
		TVS Motor Company (Europe) B.V. Netherlands	Director			
		ICI India Limited	Director	ICI India Limited	Audit / Remuneration	Member / Chairman
		PTVS Motor Company, Indonesia	President Commissioner			
		Foosti PTE Limited, Singapore	Director			
		Wildlife Reserves, Singapore Pte Ltd., Singapore	Director	Wildlife Reserves Singapore	Project and Tender	Member
		Fullerton Securities & Wealth Advisors Ltd.	Director	Fullerton Securities & Wealth Advisors Ltd.	Audit / Integrated Risk Oversight	Chairman/ Member
7.	Mr. Satish Lal Tandon \$	Modern Diaries Limited.	Director	Modern Diaries Ltd.	Audit / Investor Grievance / Remuneration	Member
		Precision Pipes & Profiles Co. Ltd.	Director	Precision Pipes & Profiles Co. Ltd.	Investor Grievance	Member
		Jindal Steel Limited	Director			
		ESAB India Limited	Director	ESAB India Ltd.		Member
		Kolte-Patil Developers Ltd.	Director	Kolte-Patil Developers Ltd.	Audit / Investor Grievance / Remuneration	Member
8.	Mr. Arun Bewoor #	BASF India Limited.	Director	BASF India Limited	Audit/Investor Grievance	Member
		Jasmine Concrete Exports Pvt. Ltd.	Director			
		Bombay Gymkhana Limited.	Director			
		IMA India Private Limited.	Director			
	Executive Director					
9.	Mr. Chetankumar D Borkar @	Heera Seeds Trading and Warehousing Limited	Director	—	—	—
10.	Dr. Pradip Ghosh Chaudhuri *	Heera Seeds Trading and Warehousing Limited	Director	—	—	—

\$ 7 Ceased to be Director due to death.

8 Appointed on 21st October, 2009 in the casual vacancy caused by the death of Mr. Satish Lal Tandon.

@ 9 Resigned as Director with effect from 30th April, 2009.

* 10 Appointed on 14th May, 2009 as a Director.

AUDITORS' CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To the Members of Agro Tech Foods Limited

We have examined the compliance of conditions of Corporate Governance by Agro Tech Foods Limited ('the Company') for the year ended 31 March 2010, as stipulated in Clause 49 of the Listing Agreement of the Company with stock exchanges.

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

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

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

for **B S R and Associates**
Chartered Accountants
Firm Registration Number: 128901W

Zubin Shekary
Partner
Membership Number: 48814

Place : Gurgaon
Date : 19 May 2010

BALANCE SHEET AS AT 31 MARCH 2010

(all amounts in Indian rupees millions, except share data and where otherwise stated)

	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	243.69	243.69
Reserves and surplus	2	<u>1,262.94</u>	<u>1,054.30</u>
		1,506.63	1,297.99
APPLICATION OF FUNDS			
Fixed assets			
Gross block	3	601.63	589.12
Less: Accumulated depreciation and amortisation		<u>(185.36)</u>	<u>(201.04)</u>
		416.27	388.08
Less: Provision for impairment		<u>(6.17)</u>	<u>(19.89)</u>
Net block		410.10	368.19
Capital work-in-progress (including capital advances)		<u>124.00</u>	<u>7.06</u>
		534.10	375.25
Investments			
	4	14.00	14.00
Amount recoverable from employee stock option trust	16(xiii)	81.45	62.41
Deferred tax asset, net	16(vi)	13.94	16.88
Current assets, loans and advances			
Inventories	5	574.07	435.74
Sundry debtors	6	178.17	159.36
Cash and bank balances	7	890.31	876.76
Other current assets	8	32.63	16.14
Loans and advances	9	<u>164.35</u>	<u>156.79</u>
		1,839.53	1,644.79
Less:			
Current liabilities and provisions			
Current liabilities	10	910.70	759.14
Provisions	11	<u>65.69</u>	<u>56.19</u>
		976.39	815.33
Net current assets		863.14	829.45
		1,506.63	1,297.99
Significant accounting policies	16(i)		
Notes to accounts	16		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for **B S R and Associates**
Chartered Accountants

for **Agro Tech Foods Limited**

Sachin Gopal
President

Dr. Pradip Ghosh Chaudhuri
Director

Lt. Gen. D.B. Singh
Director

Zubin Shekary
Partner
Membership No: 48814

Phani K Mangipudi
Company Secretary

Place : Gurgaon
Date : 19 May 2010

Place : Gurgaon
Date : 19 May 2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

(all amounts in Indian rupees millions, except share data and where otherwise stated)

	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
INCOME			
Sales (net)		6,495.71	7,736.10
Other income	12	105.36	111.05
		6,601.07	7,847.15
EXPENDITURE			
Material costs	13	4,596.45	6,052.22
Manufacturing, administration and selling expenses	14	1,642.34	1,528.97
Finance charges	15	0.76	5.36
Depreciation and amortisation	3	30.40	24.42
		6,269.95	7,610.97
Profit before exceptional items and taxation		331.12	236.18
Exceptional item		—	40.17
PROFIT BEFORE TAXATION		331.12	276.35
Provision for taxation			
- Current tax		108.56	43.90
- Fringe benefit tax		—	12.96
- Deferred tax		2.94	25.00
- MAT credit entitlement		(31.78)	(14.00)
PROFIT AFTER TAXATION		251.40	208.49
Balance in Profit and Loss Account brought forward		333.01	153.03
Amount available for appropriations		584.41	361.52
Appropriations:			
- Proposed dividend		36.55	24.37
- Dividend distribution tax		6.21	4.14
- Transferred to general reserve		12.57	—
Balance in Profit and Loss Account brought forward		529.08	333.01
Earnings per share			
Basic and diluted - Par value Rs.10 per share	16 (vii)	10.32	8.56
Significant accounting policies	16(i)		
Notes to accounts	16		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached
for **B S R and Associates**
Chartered Accountants

for **Agro Tech Foods Limited**

Sachin Gopal
President

Dr. Pradip Ghosh Chaudhuri
Director

Lt. Gen. D.B. Singh
Director

Zubin Shekary

Partner
Membership No: 48814

Phani K Mangipudi
Company Secretary

Place : Gurgaon
Date : 19 May 2010

Place : Gurgaon
Date : 19 May 2010

SCHEDULES TO THE ACCOUNTS

(all amounts in Indian rupees millions, except share data and where otherwise stated)

	As at 31 March 2010	As at 31 March 2009
Schedule 1: Share Capital		
Authorised :		
25,000,000 (previous year: 25,000,000) Equity Shares of Rs. 10 each	250.00	250.00
1,000,000 (previous year: 1,000,000) Cumulative, Redeemable Preference Shares of Rs. 100 each	100.00	100.00
	350.00	350.00
Issued :		
24,372,139 (previous year: 24,372,139) Equity Shares of Rs. 10 each	243.72	243.72
Subscribed and Paid up :		
24,369,264 (previous year: 24,369,264) Equity Shares of Rs. 10 each fully paid up	243.69	243.69
	243.69	243.69
Schedule 2: Reserves and Surplus		
Securities Premium Account	721.29	721.29
General reserve:		
Balance at the beginning of the year	—	—
Add: Transferred from Profit and Loss Account	12.57	—
	12.57	—
Profit and Loss Account	529.08	333.01
	1,262.94	1,054.30

SCHEDULES TO THE ACCOUNTS (continued)

(All amounts in Indian rupees millions, except share data and where otherwise stated)

Schedule 3 - Fixed assets

Description	GROSS BLOCK		ACCUMULATED DEPRECIATION		PROVISION FOR IMPAIRMENT			NET BLOCK	
	As at 1 April 2009	Additions	Deletions	As at 31 March 2010	As at 1 April 2009	Charge for the year	Released (Note 3)	As at 31 March 2010	As at 31 March 2009
Freehold land	0.60	—	—	—	—	—	—	0.60	0.60
Leasehold land	0.69	—	—	0.41	—	—	—	0.28	0.30
Buildings	21.64	6.86	8.19	1.16	2.60	—	2.60	19.15	17.04
Plant & machinery	164.31	82.37	54.05	54.27	14.40	—	8.27	6.13	79.85
Furniture & fittings	15.90	1.98	12.11	1.01	2.89	—	2.85	0.04	4.03
Vehicles	15.14	—	4.35	4.02	—	—	—	6.77	10.74
Intangibles Trademarks (Note 1 and 2)	370.84	—	—	124.49	—	—	—	246.35	255.63
Total	589.12	91.21	78.70	601.63	201.04	30.40	46.08	185.36	410.10
Previous Year	565.70	65.97	42.55	589.12	202.42	24.42	25.80	201.04	368.19
					19.89	—	13.72	6.17	368.19

Note:

- 1) Carrying value of Trademarks represents the purchase consideration paid for the brands viz 'Sundrop' and 'Rath'
- 2) The unexpired amortisation period for Sundrop is 25 years and for Rath is 30 years.
- 3) Represents the reversal made on account of disposal of assets on which provision for impairment was created in earlier years.

SCHEDULES TO THE ACCOUNTS (continued)

(all amounts in Indian rupees millions, except share data and where otherwise stated)

	As at 31 March 2010	As at 31 March 2009
Schedule 4: Investments		
Non-traded, long term investments (unquoted)		
Equity in Subsidiary Company (fully paid up)		
2,000,000 (previous year : 2,000,000) equity shares of Heera Seeds Trading and Warehousing Limited, at cost	20.00	20.00
Less: Provision for decline in value of long term investment	6.00	6.00
	14.00	14.00
Schedule 5: Inventories		
Raw materials	303.28	190.37
Packing materials	41.40	48.92
Finished goods	229.39	196.45
	574.07	435.74
Schedule 6: Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
- Considered good	13.64	16.54
- Considered doubtful	101.37	94.42
Other debts		
- Considered good	164.52	142.82
- Considered doubtful	0.04	2.86
	279.57	256.64
Less: Provision for bad and doubtful debts	101.40	97.28
	178.17	159.36
Schedule 7: Cash and bank balances		
Cash on hand	—	—
Balances with scheduled banks		
- in current accounts	78.41	141.55
- in fixed deposit account*	811.90	735.21
	890.31	876.76
*Lodged as security deposit Rs. 1.94 (previous year : 0.05)		
Schedule 8: Other current assets		
Interest accrued on bank deposits	32.63	16.14
	32.63	16.14

SCHEDULES TO THE ACCOUNTS (continued)

(all amounts in Indian rupees millions, except share data and where otherwise stated)

	As at 31 March 2010	As at 31 March 2009
Schedule 9: Loans and advances		
(Unsecured)		
Considered good		
Loans to employees	6.56	2.62
Advances recoverable in cash or in kind or for value to be received	77.48	51.07
Advances with Government and public bodies	54.37	76.50
Deposits with Government, public bodies and others	17.47	11.64
Advance Income tax (Including MAT credit)	3.69	10.33
[Net of provision for tax Rs. 199.68 (Previous year: Rs. 91.12)]		
Advance fringe benefit tax	4.78	4.63
[Net of provision for tax Rs. 44.21 (Previous year: Rs. 44.36)]		
Considered doubtful		
Advances recoverable in cash or in kind or for value to be received/ advances and deposits with Government and public bodies	45.32	45.32
	209.67	202.11
Less: Provision for doubtful advances	45.32	45.32
	164.35	156.79
Schedule 10: Current liabilities		
Sundry creditors		
- dues to micro and small enterprises (Refer Note xix of Schedule 16)	—	—
- others	798.81	646.47
Payable to subsidiary	14.70	14.72
Advance from customers	23.46	31.00
Unclaimed dividend	0.35	—
Other liabilities	73.38	66.95
	910.70	759.14
Schedule 11: Provisions		
Proposed dividend	36.55	24.37
Tax on proposed dividend	6.21	4.14
Provision for employee benefits (Refer Note xi of Schedule 16)	22.93	27.68
	65.69	56.19

SCHEDULES TO THE ACCOUNTS (continued)

(all amounts in Indian rupees millions, except share data and where otherwise stated)

	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 12: Other income		
Interest received on loans, deposits, advances (Gross)	64.43	48.76
[Tax deducted at source Rs. 7.41 (Previous year: Rs. 11.20)]		
Sundry claims/excess provisions/unclaimed credits (net)	3.34	47.18
Profit on fixed assets discarded/sold (net)	8.91	—
Miscellaneous income	28.68	15.11
	105.36	111.05
Schedule 13: Material costs		
Opening stock		
Raw materials	190.37	300.65
Packing materials	48.92	37.74
Finished goods	196.45	396.34
	435.74	734.73
Add: Purchases		
Raw materials	2,144.90	2,441.90
Packing materials	328.38	331.92
Finished goods	2,261.50	2,979.41
	4,734.78	5,753.23
Less: Closing stock		
Raw materials	303.28	190.37
Packing materials	41.40	48.92
Finished goods	229.39	196.45
	574.07	435.74
	4,596.45	6,052.22

SCHEDULES TO THE ACCOUNTS (continued)

(all amounts in Indian rupees millions, except share data and where otherwise stated)

	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 14: Manufacturing, administration and selling expenses		
Salaries, wages and bonus (net)	220.09	224.28
Contribution to provident and other funds (net)	19.55	36.20
Workmen and staff welfare expenses	23.09	21.96
Consumption of stores and spare parts	1.50	0.51
Processing charges	93.37	92.42
Power and fuel	16.69	9.32
Rent	52.12	41.88
Rates and taxes	31.56	28.68
Insurance	6.10	5.85
Repairs and maintenance		
- Buildings	0.29	0.25
- Machinery	4.64	4.40
- Others	9.49	5.29
Printing and stationery	4.09	4.42
Software expenses	7.93	16.92
Communication expenses	26.22	22.71
Travelling	61.80	63.08
Auditors' remuneration	3.02	2.69
Outward freight	195.90	192.40
Brokerage/commission	18.31	21.15
Distribution expenses	95.25	97.11
Legal charges	6.51	0.81
Professional charges	81.21	63.29
Advertisement and sales promotion	614.06	514.75
Loss on fixed assets discarded/sold (net)	—	4.18
Royalty	9.54	7.52
Exchange loss/(gain)	(1.27)	11.50
Bank/finance charges	2.72	3.63
Advances/deposits written off	—	5.48
Provision for doubtful debts/advances (net)	4.12	5.68
Miscellaneous expenses	34.44	20.61
	1,642.34	1,528.97
Schedule 15: Finance charges		
Interest - others	0.76	5.36
	0.76	5.36

SCHEDULE 16

i) STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION OF ACCOUNTS

The financial statements of Agro Tech Foods Limited have been prepared and presented in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, the provisions of Companies Act, 1956 and guidelines issued by Securities and Exchange Board of India.

REVENUE RECOGNITION

Revenue from sale of goods is recognized when significant risks and rewards in respect of ownership of products are transferred to customers. Sales are recognized when goods are dispatched or as per the terms of contract.

Income from interest on deposits, loans and interest bearing securities is recognized on the time proportionate method.

FIXED ASSETS AND DEPRECIATION

Fixed assets are accounted for at cost of acquisition or construction inclusive of inward freight, duties, taxes and directly attributable costs of bringing the asset to its working condition for its intended use.

Advances paid towards the acquisition of fixed assets outstanding at each Balance Sheet date and 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 at rates 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 to the Companies Act, 1956, whichever are higher.

- Office equipment, Computer and related hardware and software 19% to 20% (Included in Plant and Machinery)
- Plant and Machinery 6.33% to 9.5%
- Furniture and Fixtures 10%

- Buildings
 - Factory Premises 3.34%
 - Non Factory Premises 1.63% to 16.67%
- Vehicles 19%

In respect of assets given to the employees under a scheme, depreciation is provided at rates determined on the basis of the economic useful life of these assets (5 years), and these rates are higher than those specified in Schedule XIV to the Companies Act, 1956.

INTANGIBLE ASSETS AND AMORTIZATION

Brands acquired by the Company, the value of which is not expected to diminish in the foreseeable future, are capitalized and recorded in the Balance Sheet as Trade Marks at cost of acquisition less accumulated amortisation. These are being 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.

IMPAIRMENT OF ASSETS

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, impairment provision is created to bring down the carrying value to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Profit and Loss Account. If at the Balance Sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the impairment provision created earlier is reversed to bring it at the recoverable amount subject to a maximum of depreciated historical cost.

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 lower of weighted average cost and estimated net realizable value after providing for cost of obsolescence, where necessary. 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. Exchange differences arising on foreign currency transactions settled during the year are recognized in the Profit and Loss Account.

Monetary assets and liabilities denominated in foreign currencies as at the Balance Sheet date, not covered by forward exchange contracts, are translated at year end rates. The resultant exchange differences are recognized in the Profit and Loss Account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

In respect of forward contracts, 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.

EMPLOYEE BENEFITS

Gratuity and long term compensated absences, which are defined benefit plans, are accrued based on an actuarial valuation at the Balance Sheet date.

Provident Fund, wherein Company provides the guarantee of a specified return on contribution are considered as defined benefit plans and are accrued based on an actuarial valuation at the Balance Sheet date.

All actuarial gains and losses arising during the year are recognized in the Profit and Loss Account of the year.

EMPLOYEE STOCK OPTION SCHEME

Stock options granted to the employees under the stock option scheme are evaluated as per the accounting treatment prescribed by Employee Stock Option Scheme (ESOP) and Employee Stock Purchase Scheme Guidelines, 1999 issued by the Securities and Exchange Board of India. Accordingly, the excess of market price of the shares as on the date of grant over the exercise price of the options and the excess of purchase price of the shares purchased by the ESOP Trust of the Company over the exercise price of the options is recognized as employee compensation in the Profit and Loss Account and in the case where exercise price is higher than the purchase price, the gain is accounted in the period, when the options are allotted to the employees.

LEASES

Leases that do not transfer substantially all the risks and rewards of ownership are classified as operating leases and recorded as expense in Profit and Loss Account.

EARNINGS PER SHARE

The basic earnings per share ("EPS") is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year.

INCOME-TAX EXPENSE

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantially enacted by the Balance Sheet date.

Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. Deferred tax assets are reviewed at each Balance Sheet date and is written-down or written-up to reflect the amount that is reasonably certain to be realized. The break-up of the major components of the deferred tax assets and liabilities as at Balance Sheet date has been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

PROVISIONS AND CONTINGENT LIABILITIES

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

for **Agro Tech Foods Limited**

Sachin Gopal
President

Dr. Pradip Ghosh Chaudhuri
Director

Lt. Gen. D.B. Singh
Director

Phani K Mangipudi
Company Secretary

Place : Gurgaon
Date : 19 May 2010

SCHEDULES TO THE ACCOUNTS (continued)

(all amounts in Indian rupees millions, except share data and where otherwise stated)

16. NOTES TO THE ACCOUNTS

ii) Commitments and contingent liabilities

	As at 31 March 2010	As at 31 March 2009
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	110.48	14.14
Contingent liabilities:		
Guarantees given by bank *	6.95	2.79
Claims against the Company not acknowledged as debts in respect of :		
Sales tax matters, under dispute **	615.21	4.71
Other matters, under dispute	44.41	49.71

The amounts included above, represent the best possible estimates arrived at on the basis of available information. The uncertainties and possible reimbursements are dependent on the outcome of the different legal processes which have been invoked by the Company or the claimants as the case may be and therefore cannot be predicted accurately. The Company engages reputed professional advisors to protect its interests and has been advised that it has strong legal positions against such disputes.

* Represent guarantees given in the normal course of the Company's operations and are not expected to result in any loss to the Company on the basis of the beneficiaries fulfilling their ordinary commercial obligations.

** No provision has been made in the books as in the opinion of the management the outflow of resources required to settle the obligation is not probable given the merits of the case.

- iii) Exceptional item represents interest on refund of income tax Rs. Nil (Previous year: Rs. 40.17) received relating to the demand of Rs. 128.70 raised on the sale of Mantralayam undertaking for the Assessment Year 1997-98. The Company had received the refund order along with the interest of Rs. 40.17 against the advance tax paid in earlier years and had accordingly accounted it in the year ended 31 March 2009.

iv) Operating lease

The Company leases office facilities under cancellable and non-cancellable operating lease agreements. Total rental expense under cancellable operating leases was Rs. 48.30 (Previous year: Rs. 41.88) and under non-cancellable portion was Rs. 3.82 (Previous year: Rs. Nil), which has been disclosed as rent.

The total of future minimum lease payments (MLP) under non-cancellable operating lease is as follows:

	As at 31 March 2010	As at 31 March 2009
Due within one year	9.81	—
Due later than one year and not later than five years	16.17	—
	25.98	—

v) Intangible assets

Brands purchased by the Company are being amortised on straight line method based on their estimated useful lives. Consequently, amortisation cost for the year includes a sum of Rs. 9.28 (Previous year: Rs. 9.28) being the amortisation relating to these brands. On the Balance Sheet date, the management has reassessed the value of these brands through an independent valuer to ensure that the recoverable amounts of these assets are not lower than their carrying amounts.

SCHEDULES TO THE ACCOUNTS (continued)

(all amounts in Indian rupees millions, except share data and where otherwise stated)

16. NOTES TO THE ACCOUNTS (continued)

vi) Deferred taxation

Deferred tax asset, net included in the Balance Sheet comprises the following :

Particulars	As at 31 March 2010	As at 31 March 2009
Deferred tax asset		
On provision for doubtful advances and other asset, on expenditure allowed on payment basis and on voluntary retirement scheme	49.83	46.62
Deferred tax liability		
On depreciation	(35.89)	(29.74)
Deferred tax asset, net	13.94	16.88

vii) Earnings per share

Computation of earnings per share (EPS):

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Profit after tax	251.40	208.49
Weighted average number of equity shares of Rs.10 each outstanding during the year	24,369,264	24,369,264
Earnings per share of par value Rs. 10 (Basic and Diluted)	10.32	8.56

Since, the Company does not have any potential equity shares hence, the basic and diluted earnings per share are the same.

viii) Particulars of managerial remuneration

Managerial remuneration included under various heads of accounts are :

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Salary	1.50	1.17
Retirement benefits *	0.17	0.13
Other benefits	1.05	1.39
	2.72	2.69
Sitting fee to Directors	1.48	0.90
Commission to Non-executive Directors	1.00	—

* Remuneration as given above does not include compensated absences, provident fund and gratuity benefit accrued since the same are computed actuarially for all the employees and the amounts attributable to the Directors cannot be ascertained separately.

SCHEDULES TO THE ACCOUNTS (continued)

(all amounts in Indian rupees millions, except share data and where otherwise stated)

16. NOTES TO THE ACCOUNTS (continued)

Computation of net profit and Directors' commission under section 309(5) of the Companies Act, 1956 and commission payable to Directors:

Particulars	For the year ended 31 March 2010
Profit after taxation as per Profit and Loss Account	251.40
Add:	
Income tax expense	79.72
Provision for wealth tax	0.04
Directors' sitting fees	1.48
Managerial remuneration to Directors	3.72
Depreciation as per books of account	30.40
Loss on sale of fixed assets	—
	366.76
Less:	
Depreciation as envisaged under Section 350 of the Companies Act, 1956	30.40
Profit on sale of fixed assets, net	8.91
Profit for the purpose of calculating Directors' commission as per the provisions of the Companies Act, 1956	327.45
Commission payable to Whole-time Directors	—
Commission payable to Non-executive Directors	1.00
Maximum allowed as per the Companies Act, 1956 (1% of profit)	3.27
Maximum approved by the shareholders (1% of profit or Rs. 250,000 per Non-executive Director which ever is less)	1.00
Commission approved by the Board	1.00

ix) Purchases shown under Schedule 13 are net of rebates, discounts, claims and settlements etc., amounting to Rs.0.55 (Previous year - Rs.4.87).

x) Auditor's remuneration (including service tax) :

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Audit fees	1.88	1.65
Other charges		
- Tax audit	0.17	0.32
- Other matters	0.71	0.69
Reimbursement of expenses	0.26	0.03
	3.02	2.69

SCHEDULES TO THE ACCOUNTS (continued)

(all amounts in Indian rupees millions, except share data and where otherwise stated)

16. NOTES TO THE ACCOUNTS (continued)**xi) Employee benefits**

a) The employee benefit schemes are as under:

i. Provident fund :

All employees of the Company receive benefits under the provident fund which is a defined benefit plan wherein the Company provides the guarantee of a specified return on contribution. The contribution is made both by the employee and the Company equal to 12% of the employees' salary. These contributions are made to the fund administered and managed by the Company's own Trust.

ii. Superannuation fund :

The Company has a defined contribution scheme to provide pension to the eligible employees. The Company makes monthly contributions equal to a specified percentage of the covered employees' salary. These contributions are administered by Company's own Trust which has subscribed to "Group superannuation policy" of ICICI Prudential Life Insurance Company Limited. The Company's monthly contributions are charged to the Profit and Loss Account.

iii. Gratuity :

In accordance with the payment of 'Gratuity Act, 1972' of India, the Company provides for gratuity, a defined retirement benefit scheme (the Gratuity Plan), covering eligible employees. Liabilities with regard to such gratuity plan are determined by an actuarial valuation as at the end of the year and are charged to Profit and Loss Account. The gratuity plan is a funded plan administered by Company's own Trust which has subscribed to "Group gratuity scheme" of ICICI Prudential Life Insurance Company Limited.

iv. Compensated absences :

The accrual for unutilised leave is determined for the entire available leave balance standing to the credit of the employees at the year end. The value of such leave balances that are eligible for carry forward, is determined by an actuarial valuation as at the end of the year and is charged to the Profit and Loss Account.

SCHEDULES TO THE ACCOUNTS (continued)

(all amounts in Indian rupees millions, except share data and where otherwise stated)

16. NOTES TO THE ACCOUNTS (continued)

- b) The following table sets out the particulars of the employee benefits as required under the Accounting Standard 15 (Revised) - "Employee benefits"

	For the year ended 31 March 2010	For the year ended 31 March 2009
Reconciliation of opening and closing balances of the present value of the defined obligation :		
Opening defined benefit obligation	162.20	221.33
Current service cost	14.92	13.31
Interest cost	13.69	11.01
Actuarial (gain)/loss	(1.24)	22.57
Contribution by employee	14.09	13.37
Benefits paid	(31.46)	(119.89)
Transfer in	3.54	0.50
Closing defined benefit obligation	175.74	162.20
Change in the fair value of plan assets		
Opening fair value of plan assets	135.13	210.93
Expected return on plan assets	12.39	6.88
Contribution by employer	20.36	11.03
Contribution by employee	14.09	13.37
Benefits paid	(25.75)	(115.43)
Asset gain/(loss)	(1.41)	8.35
Closing fair value of plan assets	154.81	135.13
Expense recognized in statement of Profit and Loss Account		
Current service cost	14.92	13.31
Interest cost	13.69	11.01
Expected return on plan assets	(12.39)	(6.88)
Net actuarial (gains)/losses recognized during the year	0.17	14.22
Total *	16.39	31.66
Actual return on plan assets	10.99	15.24

Amount recognized in the Balance Sheet as at 31 March 2010	Gratuity and provident fund (Funded)	Compensated absences (Unfunded)	Total
Present value of obligation	155.37	20.37	175.74
Less: Fair value of plan assets	(154.81)	—	(154.81)
Net liability/(asset) **	0.56	20.37	20.93

Amount recognized in the Balance Sheet as at 31 March 2009	Gratuity and provident fund (Funded)	Compensated absences (Unfunded)	Total
Present value of obligation	143.16	19.04	162.20
Less: Fair value of plan assets	(135.13)	—	(135.13)
Net liability/(asset) **	8.03	19.04	27.07

SCHEDULES TO THE ACCOUNTS (continued)

(all amounts in Indian rupees millions, except share data and where otherwise stated)

16. NOTES TO THE ACCOUNTS (continued)

	As at 31 March 2010	As at 31 March 2009
Govt. of India securities	13.00%	13.31%
PSU bonds	33.46%	35.41%
Special deposits	6.62%	7.30%
State govt. securities	34.65%	36.84%
Others	12.27%	7.14%
	100.00%	100.00%
Discount rate	8.00%	7.61%
Expected rate of return on plan assets	8.00%	7.61%
Salary escalation rate	7.00%	7.00%

Discount rate : The discount rate is based on the prevailing market yields of Indian Government securities as at the Balance Sheet date for the estimated term of the obligations.

Expected rate of return on plan assets : This is based on the expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

Salary escalation rate : The estimates of future salary increase considered in the actuarial valuation takes into account factors like inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

*It represents the employee benefit expense which has been included under salaries,wages and bonus in Schedule 14.

** The Company has not recognised an asset amounting to Rs. 2.01 (previous year Rs. 0.61) as there are no future economic benefits available to the Company in the form of reduction in future contribution or a cash refund.

SCHEDULES TO THE ACCOUNTS (continued)

(all amounts in Indian rupees millions, except share data and where otherwise stated)

16. NOTES TO THE ACCOUNTS (continued)

xii) Related party transactions

A) Parties where control exists

S.No.	Name of the Company	Relationship
1.	Heera Seeds Trading and Warehousing Limited	Subsidiary Company

Other related parties

S.No.	Name of the Company	Relationship
1.	CAG-Tech (Mauritius) Limited	Entity which has significant influence over the Company
2.	ConAgra Foods Inc	Entity which has significant influence over the Company
3.	Lamb Weston Inc	Associates of the companies having significant influence
4.	ConAgra Foods Export Company	Associates of the companies having significant influence
5.	ConAgra Foods S.R.L	Associates of the companies having significant influence
6.	ConAgra Foods Ingredient	Associates of the companies having significant influence

Key management personnel (KMP)

S.No.	Name of the person	
1.	Dr. Pradip Ghosh Chaudhuri	Whole-time Director
2.	Mr. Sachin Gopal	President & CEO
3.	Mr. Hemant Kumar Ruia	CFO, Head of IS and Legal
4.	Mr. N. Narasimha Rao	Vice-President - Human Resources

SCHEDULES TO THE ACCOUNTS (continued)

(all amounts in Indian rupees millions, except share data and where otherwise stated)

16. NOTES TO THE ACCOUNTS (continued)

B) Particulars of related party transactions

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Transactions with Heera Seeds Trading and Warehousing Limited		
- Expenses incurred on behalf of the subsidiary	0.02	—
Transactions with ConAgra Foods Export Company		
- Purchase of materials	60.17	52.77
Transactions with ConAgra Foods S.R.L		
- Purchase of materials	312.11	204.80
Transactions with ConAgra Foods Inc		
- Professional charges	21.39	3.82
- Royalty	9.54	7.52
- Recovery of expenses	9.79	8.57
- Income earned on services rendered	10.34	10.81
Transactions with CAG-Tech (Mauritius) Limited		
- Dividend	17.58	11.72
Transactions with Lamb Weston Inc		
- Purchase of materials	2.79	32.75
C) Remuneration to KMP (Refer note (a) below)	34.53	45.97
Relative of key management personnel		
- Remuneration to Ms. Priti Borkar	—	0.58
D) The Company has the following amounts due from/to related parties:		
Receivable from related parties		
ConAgra Foods S.R.L	36.05	21.11
ConAgra Foods Inc	7.64	1.93
KMP (Loans)	4.94	—
Payable to related parties		
Heera Seeds Trading and Warehousing Limited	14.70	14.72
ConAgra Foods Export Company	—	9.38
ConAgra Foods S.R.L	8.35	—
CAG-Tech (Mauritius) Limited	17.58	11.72
Lamb Weston Inc	0.01	1.26

Note:

- (a) Remuneration as given above does not include compensated absences, provident fund and gratuity benefit accrued since the same are computed based on actuarial valuation for all the employees and the amounts attributable to the managerial personnel cannot be ascertained separately.

SCHEDULES TO THE ACCOUNTS (continued)

(all amounts in Indian rupees millions, except share data and where otherwise stated)

16. NOTES TO THE ACCOUNTS (continued)

xiii) Agro Tech Foods Limited Employee Stock Option Plan

The Company instituted the 'Agro Tech Foods Limited Employee Stock Option Plan' ("Plan") to grant equity-based incentives to its eligible employees. The Company has established a trust called the 'Agro Tech ESOP Trust' ("Trust") to implement the Plan.

Under the Plan a maximum of 1,218,463 (Previous year: 1,218,463) options will be granted to the eligible employees. All these options are planned to be settled in equity at the time of exercise. These options have an exercise price of Rs. 75.10, Rs. 170.10, Rs. 131.70 and Rs. 147.40 per share, granted during the years ended 31 March 2007, 31 March 2008, 31 March 2009 and 31 March 2010 respectively and vest on a graded basis as follows:

Vesting period from the grant date	Vesting schedule
On completion of 12 months	25%
On completion of 24 months	25%
On completion of 36 months	25%
On completion of 48 months	25%

Stock option activity under the Plan was as follows:

	For the year ended 31 March 2010	For the year ended 31 March 2009
Number of equity shares:		
Outstanding at the beginning of the year	431,370	236,884
Granted during the year	229,178	226,544
Exercised during the year	(18,179)	—
Forfeited during the year	(32,965)	(32,058)
Outstanding at the end of the year	609,404	431,370

The Company follows the intrinsic value method to calculate employee compensation cost. There is no charge to the Profit and Loss Account as the exercise price of the shares is greater than or equal to the market value of the shares. Amount recoverable from employee stock option trust disclosed in the Balance Sheet represents balance recoverable from the trust on account of the shares purchased and held by the trust.

Proforma disclosure

In accordance with Securities Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 had the compensation cost for stock option plans been recognised based on the fair value at the date of grant in accordance with Black Scholes model, the proforma amounts of the Company's net profit and earnings per share would have been as follows:

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Profit after taxation		
- As reported	251.40	208.49
- Proforma	235.52	195.08
Earnings per share		
Basic		
- Number of shares	24,369,264	24,369,264
- EPS as reported (Rs.)	10.32	8.56
- Proforma EPS (Rs.)	9.67	8.00

The following assumptions were used for calculation of fair value of grants:

	For the year ended 31 March 2010	For the year ended 31 March 2009
Weighted average fair value (Rs.)	88.52	86.28
Dividend yield (%)	0.68	—
Expected volatility (%)	60.18	57.50
Risk-free interest (%)	7.00	9.19
Expected term (in years)	5.50 to 7	5.50 to 7

SCHEDULES TO THE ACCOUNTS (continued)

(all amounts in Indian rupees millions, except share data and where otherwise stated)

16. NOTES TO THE ACCOUNTS (continued)

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	Licensed capacity		Installed capacity @		Actual production	
		As at 31 March 2010	As at 31 March 2009	As at 31 March 2010	As at 31 March 2009	As at 31 March 2010	As at 31 March 2009
- Edible oils	MT	N .A.	N .A.	N .A.	N .A.	N .A.	1,896+ *
- Refined edible oils	MT	N .A.	N .A.	24,000	13,500	38,836+	40,518+
- De oiled cake	MT	N .A.	N .A.	N .A.	N .A.	N .A.	2,427+
- Others	MT	N .A.	N .A.	N .A.	N .A.	6,714+	3,423+

Notes:

- @ Licensed and installed capacities are as certified by Management and have not been verified by the auditors as this is a technical matter.
- + Actual production includes quantities produced out of capacity taken on lease and third party operations.
- * Includes captive consumption of Nil (Previous year - 1431 MT)

		For the year ended 31 March 2010		For the year ended 31 March 2009	
b) Particulars in respect of sales / stocks :					
	Unit	Quantity	Value	Quantity	Value
1. Sales					
Refined edible oils	MT	78,523	5,544.55	82,959	6,612.35
Edible oils	MT	30	2.35	1,549	93.83
Others			948.81		1,029.92
			<u>6,495.71</u>		<u>7,736.10</u>
2. Purchase of goods					
Refined edible oils	MT	39,902	1,994.50	41,071	2,422.31
Edible oils	MT	14	0.86	1,031	61.10
Others			266.14		557.10
			<u>2,261.50</u>		<u>3,040.51</u>
3. Stock in trade					
Opening					
Refined edible oils	MT	3,236	141.65	5,309	365.79
Edible oils	MT	22	1.59	85	5.83
Others			53.21		24.72
			<u>196.45</u>		<u>396.34</u>
Closing*					
Refined edible oils	MT	3,316	180.58	3,236	141.65
Edible oils	MT	—	—	22	1.59
Others			48.81		53.21
			<u>229.39</u>		<u>196.45</u>

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

SCHEDULES TO THE ACCOUNTS (continued)

(all amounts in Indian rupees millions, except share data and where otherwise stated)

16. NOTES TO THE ACCOUNTS (continued)

	For the year ended 31 March 2010		For the year ended 31 March 2009	
	Quantity	Value	Quantity	Value
c) Raw materials consumed:				
Seeds MT	—	—	4,798	137.04
Edible oils MT	45,323	1,743.41	49,858	2,237.48
Others		288.58		177.65
		2,031.99		2,552.17
d) Packing materials consumed		335.90		320.74

e) Consumption of raw materials, stores and spare parts :

	For the year ended 31 March 2010		For the year ended 31 March 2009	
	Value	%	Value	%
Raw materials:				
- Indigenous	1,777.49	87.48	2,433.35	95.99
- Imported	254.50	12.52	118.83	4.01
	2,031.99	100.00	2,552.17	100.00
Stores and spare parts:				
- Indigenous	1.50	100.00	0.51	100.00
	1.50	100.00	0.51	100.00

xv) CIF value of imports:

	For the year ended 31 March 2010	For the year ended 31 March 2009
Raw materials	297.50	233.80
Finished goods	42.45	28.98
Capital goods	7.28	1.39
	347.23	264.17

xvi) Earnings in foreign exchange :

	For the year ended 31 March 2010	For the year ended 31 March 2009
Export of goods on FOB basis	2.22	0.09
Others	12.83	15.93
	15.05	16.02

SCHEDULES TO THE ACCOUNTS (continued)

(all amounts in Indian rupees millions, except share data and where otherwise stated)

16. NOTES TO THE ACCOUNTS (continued)

xvii) Expenditure in foreign currency (cash basis):

	For the year ended 31 March 2010	For the year ended 31 March 2009
Foreign travel	1.97	3.66
Finance charges	0.16	1.80
Professional charges	26.99	5.82
Royalty	7.61	5.15
Software expenses	1.00	0.41
Import purchases	—	23.76
Others	0.29	0.15
	38.02	40.75

xviii) Segment information

In accordance with AS-17 "Segment Reporting", segment information has been given in the consolidated financial statements of the Company and therefore no separate disclosure on segment information is given in these financial statements.

xix) Amounts payable to micro, small and medium enterprises

There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31 March 2010. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with Company.

xx) Disclosure regarding Derivative instruments

The Company uses forward exchange contracts to hedge against its foreign currency exposures relating to the underlying transactions and firm commitments. The use of this foreign exchange forward contracts reduces the risk or cost to the Company and the Company does not use the foreign exchange forward contracts for trading or speculation purposes.

The information on such Derivative instruments is as follows:

a) Forward exchange contracts outstanding as at the year end:

		As at 31 March 2010		As at 31 March 2009	
Currency Pair	Currency	Buy	Sell	Buy	Sell
USD / INR	USD	0.19	—	0.14	—

(In Millions)

b) Foreign exchange currency exposure recognised by the Company that have not been hedged by a derivative instrument or otherwise as at the year end:

		As at 31 March 2010		As at 31 March 2009	
Currency Pair	Currency	Buy	Sell	Buy	Sell
USD / INR	USD	0.17	0.05	0.12	0.02

(In Millions)

xxi) Previous year figures

Previous year figures have been regrouped/reclassified wherever necessary, to conform to current year classification.

for **Agro Tech Foods Limited**

Sachin Gopal
President

Dr. Pradip Ghosh Chaudhuri
Director

Lt. Gen. D.B. Singh
Director

Place : Gurgaon
Date : 19 May 2010

Phani K Mangipudi
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

(all amounts in Indian rupees millions, except share data and where otherwise stated)

	For the year ended 31 March 2010	For the year ended 31 March 2009
A. CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Net profit before tax and after exceptional items	331.12	276.35
Adjustments :		
Depreciation and amortisation	30.40	24.42
(Profit)/Loss on fixed assets discarded/sold (net)	(8.91)	4.18
Interest (net)	(63.67)	(43.40)
Advances/deposits written off	—	5.48
Provision for doubtful debts/advances (net)	4.12	5.68
Sundry claims/excess provisions/unclaimed credits (net)	(0.22)	(45.62)
Exceptional items (net)	—	(40.17)
Operating cash flows before working capital changes and exceptional item	292.84	186.92
Adjustments for :		
Decrease/(Increase) in sundry debtors, loans and advances and other current assets	(36.99)	155.74
Decrease/(Increase) in inventories	(138.33)	298.98
Increase in trade payables	111.42	133.38
Increase in amount recoverable from employee stock option trust	(19.04)	(30.28)
Cash generated from operations before exceptional item	209.90	744.74
Income taxes paid (net)	(70.29)	77.82
Net cash provided by operating activities before exceptional item	139.61	822.56
Exceptional item - Deferred payment liability	—	(5.48)
Exceptional item - Interest on Mantralayam tax refund	—	40.17
Net cash provided by operating activities	139.61	857.25
B. CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Purchase of fixed assets	(172.88)	(70.95)
Proceeds from sale of fixed assets	27.80	6.53
Interest received	47.94	38.98
Net cash used in investing activities	(97.14)	(25.44)

Agro Tech Foods Limited

	For the year ended 31 March 2010	For the year ended 31 March 2009
C. CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Proceeds from short term loans	228.50	160.00
Repayment of short term loans	(228.50)	(160.00)
Proceeds/(Repayment) from borrowings	—	(112.74)
Interest paid (net)	(0.76)	(7.13)
Dividend paid (Including dividend distribution tax)	(28.16)	—
Net cash used in financing activities	(28.92)	(119.87)
Net increase in cash and cash equivalents	13.55	711.94
Cash and cash equivalents at the beginning of the period (Refer Schedule 7)	876.76	164.82
Cash and cash equivalents at the end of the period (Refer Schedule 7)	890.31	876.76

Note :

- a) The above cash flow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statements, notified under the Companies (Accounting Standard) Rules, 2006.

As per out report attached
for **B S R and Associates**
Chartered Accountants

for **Agro Tech Foods Limited**

Sachin Gopal
President

Dr. Pradip Ghosh Chaudhuri
Director

Lt. Gen. D.B. Singh
Director

Zubin Shekary
Partner
Membership No: 48814

Phani K Mangipudi
Company Secretary

Place : Gurgaon
Date : 19 May 2010

Place : Gurgaon
Date : 19 May 2010

AUDITORS' REPORT TO THE MEMBERS OF AGRO TECH FOODS LIMITED

1. We have audited the attached Balance Sheet of Agro Tech Foods Limited ("the Company") as at 31 March 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - i) 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;
 - ii) 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;
 - iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable;
 - v) on the basis of written representations received from the Directors, as on 31 March 2010, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31 March 2010 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956; and
 - vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date.
 - c) in the case of Cash Flow Statement, of the Cash Flows of the Company for the year ended on that date.

For **B S R and Associates**
Chartered Accountants
Firm Registration Number: 128901W

Zubin Shekary
Partner
Membership No: 48814

Place : Gurgaon
Date : 19 May 2010

ANNEXURE TO THE AUDITORS' REPORT

The Annexure referred to in the auditors' report to the members of Agro Tech Foods Limited ("the Company") for the year ended 31 March 2010. We report that:

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
2. The Company has a regular program of physical verification of its fixed assets by which all fixed assets are verified every year. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noted on such verification.
3. Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
4. The inventory, except goods-in-transit and stocks lying with third parties, have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. For stocks lying with third parties at the year-end, written confirmations have been obtained.
5. In our opinion, the procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
6. The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
7. The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
8. In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories are for the Company's specialised requirements and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal control system. We have not observed any major weakness in the internal control system during the course of the audit.
9. In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under section 301 of the Companies Act, 1956.
10. The Company has not accepted any deposits from the public.
11. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
12. We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
13. According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of investor education and protection fund. Further, there were no dues on account of Cess under Section 441A of the Act, since the date from which the aforesaid section comes into force has not yet been notified by the Central Government.

ANNEXURE TO AUDITORS' REPORT (continued)

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues were in arrears as at 31 March 2010 for a period of more than six months from the date they became payable.

14. According to the information and explanations given to us, there are no dues of income tax, wealth tax, service tax and customs duty which have not been deposited with the appropriate authorities on account of any dispute. According to the information and explanations given to us, the following dues of sales tax, excise duty and entry tax have not been deposited by the Company on account of disputes:

Name of the Statute	Nature of Dues	Amount (Rs. Million)	Period to which the amount relates	Forum Where the dispute is pending
Central Excise Act, 1944	Excise Duty – CENVAT credit	0.78	2004 – 2005	Central Excise and Service Tax Appellate Tribunal
Andhra Pradesh General Sales Tax Act, 1956	Sales Tax	0.10	1997 – 1998	Sales Tax Appellate Tribunal
		3.90	2001 – 2002	Sales Tax Appellate Tribunal
		2.68	2002 – 2003	Appellate Deputy Commissioner, Commercial Taxes
Bombay Sales Tax Act, 1958	Sales Tax	0.19	1997 – 1998	Sales Tax Appellate Tribunal
		0.63	2002 – 2003	Joint Commissioner of Sales Tax (Appeals)
Gujarat Sales Tax Act, 1970	Sales Tax	0.40	1998 – 1999	Sales Tax Appellate Tribunal
		0.12	1999 – 2000	Sales Tax Appellate Tribunal
West Bengal Sales Tax Act, 1994	Sales Tax	0.72	2001 – 2002	Sales Tax Appellate Tribunal
Bihar Sales Tax Act, 1981	Sales Tax	0.62	2001 – 2002	Sales Tax Appellate Tribunal
		2.26	2002 – 2003	Joint Commissioner, Commercial Taxes
Delhi Sales Tax Act, 1975	Sales Tax	0.91	2003 – 2004	Additional Commissioner, Commercial Taxes
Uttar Pradesh Sales Tax Act, 1948 Central Sales Tax Act, 1956	Sales Tax and CST	0.78	2003 – 2004	Deputy Commissioner (Appeals), Commercial Taxes
		359.55	2005 – 2006	Deputy Commissioner, Commercial Taxes
		251.45	2006 – 2007	Deputy Commissioner, Commercial Taxes
Rajasthan Sales Tax Act, 1954	Sales Tax	0.30	2001 – 2002	High Court, Jodhpur
Tamilnadu Sales Tax Act, 1959	Sales Tax	0.26	2002 – 2003	Assistant Commissioner, Commercial Taxes
		2.23	2003 – 2004	Assistant Commissioner (CT), Koyambedu, Chennai
Andhra Pradesh Entry Tax Act, 2001	Entry Tax	2.71	2005 – 2006	Deputy Commissioner (Appeals), Commercial Taxes

15. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.

16. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers. The Company did not have any outstanding dues to any financial institution or debenture holders during the year.

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

18. In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/mutual benefit fund/society.

19. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

20. 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.

21. The Company did not have any term loans outstanding during the year.

ANNEXURE TO AUDITORS' REPORT (continued)

22. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
23. The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under Section 301 of the Companies Act, 1956.
24. The Company did not have any outstanding debentures during the year.
25. The Company has not raised any money by public issues.
26. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **B S R and Associates**
Chartered Accountants
Firm Registration Number: 128901W

Zubin Shekary
Partner
Membership No: 48814

Place : Gurgaon
Date : 19 May 2010

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 31 March 2010	—
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 31 March 2010	—
ii) for the previous financial years	(6.00)

for **Agro Tech Foods Limited****Sachin Gopal**
President**Dr. Pradip Ghosh Chaudhuri**
Director**Lt. Gen. D.B. Singh**
Director**Phani K Mangipudi**
Company SecretaryPlace : Gurgaon
Date : 19 May 2010

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2010

(all amounts in Indian rupees millions, except share data and where otherwise stated)

	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	243.69	243.69
Reserves and surplus	2	<u>1,263.69</u>	<u>1,055.06</u>
		1,507.38	1,298.75
APPLICATION OF FUNDS			
Fixed assets			
Gross block	3	601.63	589.12
Less: Accumulated depreciation and amortisation		<u>(185.36)</u>	<u>(201.04)</u>
		416.27	388.08
Less: Provision for impairment		<u>(6.17)</u>	<u>(19.89)</u>
Net block		410.10	368.19
Capital work-in-progress (including capital advances)		<u>124.00</u>	<u>7.06</u>
		534.10	375.25
Amount recoverable from employee stock option trust	15(xiii)	81.45	62.41
Deferred tax asset, net	15(vii)	13.94	16.88
Current assets, loans and advances			
Inventories	4	574.07	435.74
Sundry debtors	5	178.17	159.36
Cash and bank balances	6	890.37	876.82
Other current assets	7	32.63	16.14
Loans and advances	8	<u>164.35</u>	<u>156.79</u>
		1,839.59	1,644.85
Less:			
Current liabilities and provisions			
Current liabilities	9	896.01	744.45
Provisions	10	<u>65.69</u>	<u>56.19</u>
		961.70	800.64
Net current assets		877.89	844.21
		1,507.38	1,298.75
Significant accounting policies	15(i)		
Notes to accounts	15		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for **B S R and Associates**
Chartered Accountants

for **Agro Tech Foods Limited**

Sachin Gopal
President

Dr. Pradip Ghosh Chaudhuri
Director

Lt. Gen. D.B. Singh
Director

Zubin Shekary
Partner
Membership No: 48814

Phani K Mangipudi
Company Secretary

Place : Gurgaon
Date : 19 May 2010

Place : Gurgaon
Date : 19 May 2010

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

(all amounts in Indian rupees millions, except share data and where otherwise stated)

	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
INCOME			
Sales (net)		6,495.71	7,736.10
Other income	11	<u>105.36</u>	<u>111.05</u>
		6,601.07	7,847.15
EXPENDITURE			
Material costs	12	4,596.45	6,052.22
Manufacturing, administration and selling expenses	13	1,642.35	1,528.98
Finance charges	14	0.76	5.36
Depreciation and amortisation	3	<u>30.40</u>	<u>24.42</u>
		6,269.96	7,610.98
Profit before exceptional items and taxation		331.11	236.17
Exceptional item		—	40.17
Profit before taxation		331.11	276.34
Provision for taxation			
- Current tax		108.56	43.90
- Fringe benefit tax		—	12.96
- Deferred tax		2.94	25.00
- MAT credit entitlement		<u>(31.78)</u>	<u>(14.00)</u>
Profit after taxation		251.39	208.48
Balance in Profit and Loss Account brought forward		333.77	153.80
Amount available for appropriation		585.16	362.28
Appropriations:			
- Proposed dividend		36.55	24.37
- Dividend distribution tax		6.21	4.14
- Transferred to general reserve		<u>12.57</u>	<u>—</u>
Balance in Profit and Loss Account brought forward		529.83	333.77
Earnings per share			
Basic and diluted - Par value Rs. 10 per share	15(viii)	10.32	8.56
Significant accounting policies	15(i)		
Notes to accounts	15		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached
for **B S R and Associates**
Chartered Accountants

for **Agro Tech Foods Limited**

Zubin Shekary
Partner
Membership No: 48814

Sachin Gopal
President

Dr. Pradip Ghosh Chaudhuri
Director

Lt. Gen. D.B. Singh
Director

Phani K Mangipudi
Company Secretary

Place : Gurgaon
Date : 19 May 2010

Place : Gurgaon
Date : 19 May 2010

SCHEDULES TO THE ACCOUNTS

(all amounts in Indian rupees millions, except share data and where otherwise stated)

	As at 31 March 2010	As at 31 March 2009
Schedule 1: Share capital		
Authorised :		
25,000,000 (previous year : 25,000,000) equity shares of Rs.10 each	250.00	250.00
1,000,000 (previous year : 1,000,000) Cumulative, Redeemable preference shares of Rs. 100 each	100.00	100.00
	350.00	350.00
Issued :		
24,372,139 (previous year : 24,372,139) equity shares of Rs.10 each	243.72	243.72
Subscribed and paid-up :		
24,369,264 (previous year : 24,369,264) equity shares of Rs.10 each fully paid up	243.69	243.69
	243.69	243.69
Schedule 2: Reserves and surplus		
Securities premium account	721.29	721.29
General reserve;		
Balance at the beginning of the year	—	—
Add: Transferred from Profit and Loss Account	12.57	—
	12.57	—
Profit and Loss Account	529.83	333.77
	1,263.69	1,055.06

SCHEDULES TO THE ACCOUNTS (continued)

(All amounts in Indian rupees millions, except share data and where otherwise stated)

Schedule 3 - Fixed assets

Description	GROSS BLOCK		ACCUMULATED DEPRECIATION		PROVISION FOR IMPAIRMENT			NET BLOCK	
	As at 1 April 2009	As at 31 March 2010	As at 1 April 2009	As at 31 March 2010	As at 1 April 2009	Charge for the year	Released (Note 3)	As at 31 March 2010	As at 31 March 2009
Freehold land	0.60	0.60	—	—	—	—	—	0.60	0.60
Leasehold land	0.69	0.69	0.39	0.41	—	—	—	0.28	0.30
Buildings	21.64	20.31	2.00	1.16	2.60	—	2.60	19.15	17.04
Plant & machinery	164.31	192.63	70.06	54.27	14.40	—	8.27	132.23	79.85
Furniture & fittings	15.90	5.77	8.98	1.01	2.89	—	2.85	4.72	4.03
Vehicles	15.14	10.79	4.40	4.02	—	—	—	6.77	10.74
Intangibles Trademarks (Note 1 and 2)	370.84	370.84	115.21	124.49	—	—	—	246.35	255.63
Total	589.12	601.63	201.04	185.36	19.89	—	13.72	410.10	368.19
Previous Year	565.70	589.12	202.42	201.04	25.93	—	6.04	368.19	—

Note:

- 1) Carrying value of Trademarks represents the purchase consideration paid for the brands viz 'Sundrop' and 'Rath'
- 2) The unexpired amortisation period for Sundrop is 25 years and for Rath is 30 years.
- 3) Represents the reversal made on account of disposal of assets on which provision for impairment was created in earlier years.

SCHEDULES TO THE ACCOUNTS (continued)

(all amounts in Indian rupees millions, except share data and where otherwise stated)

	As at 31 March 2010	As at 31 March 2009
Schedule 4: Inventories		
Raw materials	303.28	190.37
Packing materials	41.40	48.92
Finished goods	229.39	196.45
	574.07	435.74
Schedule 5: Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
- Considered good	13.64	16.54
- Considered doubtful	101.37	94.42
Other debts		
- Considered good	164.52	142.82
- Considered doubtful	0.04	2.86
	279.57	256.64
Less: Provision for bad and doubtful debts	101.40	97.28
	178.17	159.36
Schedule 6: Cash and bank balances		
Cash on hand	—	—
Balances with scheduled banks		
- in current accounts	78.47	141.61
- in fixed deposit account*	811.90	735.21
	890.37	876.82
*Lodged as security deposit Rs. 1.94 (previous year : 0.05)		
Schedule 7: Other current assets		
Interest accrued on bank deposits	32.63	16.14
	32.63	16.14

SCHEDULES TO THE ACCOUNTS (continued)

(all amounts in Indian rupees millions, except share data and where otherwise stated)

	As at 31 March 2010	As at 31 March 2009
Schedule 8: Loans and advances		
(Unsecured)		
Considered good		
Loans to employees	6.56	2.62
Advances recoverable in cash or in kind or for value to be received	77.48	51.07
Advances with Government and public bodies	54.37	76.50
Deposits with Government, public bodies and others	17.47	11.64
Advance Income tax (Including MAT credit)	3.69	10.33
[Net of provision for tax Rs. 199.68 (Previous year: Rs. 91.12)]		
Advance fringe benefit tax	4.78	4.63
[Net of provision for tax Rs. 44.21 (Previous year: Rs. 44.36)]		
Considered doubtful		
Advances recoverable in cash or in kind or for value to be received/ advances and deposits with Government and public bodies	45.32	45.32
	209.67	202.11
Less: Provision for doubtful advances	45.32	45.32
	164.35	156.79
Schedule 9: Current liabilities		
Sundry creditors		
- dues to micro and small enterprises	—	—
- others	798.82	646.49
Advance from customers	23.46	31.00
Unclaimed dividend	0.35	—
Other liabilities	73.38	66.96
	896.01	744.45
Schedule 10: Provisions		
Proposed dividend	36.55	24.37
Tax on proposed dividend	6.21	4.14
Provision for employee benefits	22.93	27.68
(Refer Note ix of Schedule 15)	65.69	56.19

SCHEDULES TO THE ACCOUNTS (continued)

(all amounts in Indian rupees millions, except share data and where otherwise stated)

	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 11: Other income		
Interest received on loans, deposits, advances (Gross) [Tax deducted at source Rs. 7.41 (Previous year: Rs. 11.20)]	64.43	48.76
Sundry claims/excess provisions/unclaimed credits (net)	3.34	47.18
Profit on fixed assets discarded/sold (net)	8.91	—
Miscellaneous income	28.68	15.11
	105.36	111.05
Schedule 12: Material costs		
Opening stock		
Raw materials	190.37	300.65
Packing materials	48.92	37.74
Finished goods	196.45	396.34
	435.74	734.73
Add: Purchases		
Raw materials	2,144.90	2,441.90
Packing materials	328.38	331.92
Finished goods	2,261.50	2,979.41
	4,734.78	5,753.23
Less: Closing stock		
Raw materials	303.28	190.37
Packing materials	41.40	48.92
Finished goods	229.39	196.45
	574.07	435.74
	4,596.45	6,052.22

SCHEDULES TO THE ACCOUNTS (continued)

(all amounts in Indian rupees millions, except share data and where otherwise stated)

	For the year ended 31 March 2010	For the year ended 31 March 2009
Schedule 13: Manufacturing, administration and selling expenses		
Salaries, wages and bonus (net)	220.09	224.28
Contribution to provident and other funds (net)	19.55	36.20
Workmen and staff welfare expenses	23.09	21.96
Consumption of stores and spare parts	1.50	0.51
Processing charges	93.37	92.42
Power and fuel	16.69	9.32
Rent	52.12	41.88
Rates and taxes	31.56	28.68
Insurance	6.10	5.85
Repairs and maintenance		
- Buildings	0.29	0.25
- Machinery	4.64	4.40
- Others	9.49	5.29
Printing and stationery	4.09	4.42
Software expenses	7.93	16.92
Communication expenses	26.22	22.71
Travelling	61.80	63.08
Auditors' remuneration	3.03	2.70
Outward freight	195.90	192.40
Brokerage/commission	18.31	21.15
Distribution expenses	95.25	97.11
Legal charges	6.51	0.81
Professional charges	81.21	63.29
Advertisement and sales promotion	614.06	514.75
Loss on fixed assets discarded/sold (net)	—	4.18
Royalty	9.54	7.52
Exchange loss/(gain)	(1.27)	11.50
Bank finance charges	2.72	3.63
Advances/deposits written off	—	5.48
Provision for doubtful debts/advances (net)	4.12	5.68
Miscellaneous expenses	34.44	20.61
	1,642.35	1,528.98
Schedule 14: Finance charges		
Interest - others	0.76	5.36
	0.76	5.36

SCHEDULE 15

i) STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION OF ACCOUNTS

The financial statements of Agro Tech Foods Limited have been prepared and presented in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, the provisions of Companies Act, 1956 and guidelines issued by Securities and Exchange Board of India.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the financial statements of Agro Tech Foods Limited ("the Company"), the parent Company and its subsidiary (collectively referred to as "the Group"), in which the Company has more than one-half of the voting power of an enterprise.

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.

Consolidated Financial Statements are prepared by applying accounting policies, as followed by the Company and its subsidiary, 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

Revenue from sale of goods is recognized when significant risks and rewards in respect of ownership of products are transferred to customers. Sales are recognized when goods are dispatched or as per the terms of contract.

Income from interest on deposits, loans and interest bearing securities is recognized on the time proportionate method.

FIXED ASSETS AND DEPRECIATION

Fixed assets are accounted for at cost of acquisition or construction inclusive of inward freight, duties, taxes and directly attributable costs of bringing the asset to its working condition for its intended use.

Advances paid towards the acquisition of fixed assets outstanding at each Balance Sheet date and 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 at rates 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 to the Companies Act, 1956, whichever are higher.

- Office equipment, Computer and related hardware 19% to 20%
(Included in Plant and Machinery)
- Plant and Machinery 6.33% to 9.5%
- Furniture and Fixtures 10%
- Buildings
 - Factory Premises 3.34%
 - Non Factory Premises 1.63% to 16.67%
- Vehicles 19%

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 these rates are higher than those specified in Schedule XIV to the Companies Act, 1956.

INTANGIBLE ASSETS AND AMORTIZATION

Brands acquired by the Company, the value of which is not expected to diminish in the foreseeable future, are capitalized and recorded in the Balance Sheet as Trade Marks at cost of acquisition less accumulated amortisation. These are being 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.

IMPAIRMENT OF ASSETS

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying

amount, impairment provision is created to bring down the carrying value to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Profit and Loss Account. If at the Balance Sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the impairment provision created earlier is reversed to bring it at the recoverable amount subject to a maximum of depreciated historical cost.

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 lower of weighted average cost and estimated net realizable value after providing for cost of obsolescence, where necessary. 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. Exchange differences arising on foreign currency transactions settled during the year are recognized in the Profit and Loss Account.

Monetary assets and liabilities denominated in foreign currencies as at the Balance Sheet date, not covered by forward exchange contracts, are translated at year end rates. The resultant exchange differences are recognized in the Profit and Loss Account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

In respect of forward contracts, 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.

EMPLOYEE BENEFITS

Gratuity and long term compensated absences, which are defined benefit plans, are accrued based on an actuarial valuation at the Balance Sheet date.

Provident Fund, wherein Company provides the guarantee of a specified return on contribution are considered as defined benefit plans and are accrued based on an actuarial valuation at the Balance Sheet date.

All actuarial gains and losses arising during the year are recognized in the Profit and Loss Account of the year.

EMPLOYEE STOCK OPTION SCHEME

Stock options granted to the employees under the stock option scheme are evaluated as per the accounting treatment prescribed by Employee Stock Option Scheme (ESOP) and Employee Stock Purchase Scheme Guidelines, 1999 issued by the Securities and Exchange Board of India. Accordingly, the excess of market price of the shares as on the date of grant over the exercise price of the options and the excess of purchase price of the shares purchased by the ESOP Trust of the Company over the exercise price of the options is recognized as employee compensation in the Profit and Loss Account and in the case where exercise price is higher than the purchase price, the gain is accounted in the period, when the options are allotted to the employees.

LEASES

Leases that do not transfer substantially all the risks and rewards of ownership are classified as operating leases and recorded as expense in Profit and Loss Account.

EARNINGS PER SHARE

The basic earnings per share ("EPS") is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year.

INCOME-TAX EXPENSE

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantially enacted by the Balance Sheet date.

Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. Deferred tax assets are reviewed at each Balance Sheet date and is written-down or written-up to reflect the amount that is reasonably certain to be realized. The break-up of the major components of the deferred tax assets and liabilities as at Balance Sheet date has been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

PROVISIONS AND CONTINGENT LIABILITIES

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

for **Agro Tech Foods Limited**

Sachin Gopal
President

Dr. Pradip Ghosh Chaudhuri
Director

Lt. Gen. D.B. Singh
Director

Phani K Mangipudi
Company Secretary

Place : Gurgaon
Date : 19 May 2010

SCHEDULES TO THE ACCOUNTS (continued)

(all amounts in Indian rupees millions, except share data and where otherwise stated)

15. NOTES TO THE ACCOUNTS

- ii) The Consolidated Financial Statements of the Company for the year ended 31 March 2010 comprise the Company (Agro Tech Foods Limited) and its wholly owned subsidiary Heera Seeds Trading and Warehousing Limited (incorporated in India). These entities have together been referred to as the 'Group'.

The Consolidated Financial Statements have been prepared in accordance with Accounting Standard ("AS") 21, "Consolidated Financial Statements".

iii) Commitments and contingent liabilities

	As at 31 March 2010	As at 31 March 2009
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	110.48	14.14
Contingent liabilities:		
Guarantees given by bank *	6.95	2.79
Claims against the Company not acknowledged as debts in respect of :		
Sales tax matters, under dispute **	615.21	4.71
Other matters, under dispute	44.41	49.71

The amounts included above, represent the best possible estimates arrived on the basis of available information. The uncertainties and possible reimbursements are dependent on the outcome of the different legal processes which have been invoked by the Company or the claimants as the case may be and therefore cannot be predicted accurately. The Company engages reputed professional advisors to protect its interests and has been advised that it has strong legal positions against such disputes.

* Represent guarantees given in the normal course of the Company's operations and are not expected to result in any loss to the Company on the basis of the beneficiaries fulfilling their ordinary commercial obligations.

** No provision has been made in the books as in the opinion of the management the outflow of resources required to settle the obligation is not probable given the merits of the case.

- iv) Exceptional item represents interest on refund of income tax Rs. Nil (Previous year: Rs. 40.17) received relating to the demand of Rs. 128.70 raised on the sale of Mantralayam undertaking for the Assessment Year 1997-98. The Company had received the refund order along with the interest of Rs. 40.17 against the advance tax paid in earlier years and had accordingly accounted it in the year ended 31 March 2009.

v) Operating lease

The Company leases office facilities under cancellable and non-cancellable operating lease agreements. Total rental expense under cancellable operating leases was Rs. 48.30 (Previous year: Rs. 41.88) and under non-cancellable portion was Rs. 3.82 (Previous year: Rs. Nil), which has been disclosed as rent.

The total of future minimum lease payments (MLP) under non-cancellable operating lease is as follows:

	As at 31 March 2010	As at 31 March 2009
Due within one year	9.81	—
Due later than one year and not later than five years	16.17	—
	25.98	—

SCHEDULES TO THE ACCOUNTS (continued)

(all amounts in Indian rupees millions, except share data and where otherwise stated)

15. NOTES TO THE ACCOUNTS (continued)

vi) Intangible assets

Brands purchased by the Company are being amortised on straight line method based on their estimated useful lives. Consequently, amortisation cost for the year includes a sum of Rs. 9.28 (Previous year: Rs. 9.28) being the amortisation relating to these brands. On the Balance Sheet date, the management has reassessed the value of these brands through an independent valuer to ensure that the recoverable amounts of these assets are not lower than their carrying amounts.

vii) Deferred taxation

Deferred tax asset, net included in the Balance Sheet comprises the following :

Particulars	As at 31 March 2010	As at 31 March 2009
Deferred tax asset		
On provision for doubtful advances and other asset, on expenditure allowed on payment basis and on voluntary retirement scheme	49.83	46.62
Deferred tax liability		
On depreciation	(35.89)	(29.74)
Deferred tax asset, net	13.94	16.88

viii) Earnings per share

Computation of earnings per share (EPS):

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Profit after tax	251.39	208.48
Weighted average number of equity shares of Rs.10 each outstanding during the year	24,369,264	24,369,264
Earnings per share of par value Rs. 10 (Basic and Diluted)	10.32	8.56

Since, the Company does not have any potential equity shares hence, the basic and diluted earnings per share are the same.

ix) Particulars of managerial remuneration

Managerial remuneration included under various heads of accounts are :

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Salary	1.50	1.17
Retirement benefits *	0.17	0.13
Other benefits	1.05	1.39
	2.72	2.69
Sitting fee to Directors	1.48	0.90
Commission to Non-executive Directors	1.00	—

* Remuneration as given above does not include compensated absences, provident fund and gratuity benefit accrued since the same are computed actuarially for all the employees and the amounts attributable to the Directors cannot be ascertained separately.

SCHEDULES TO THE ACCOUNTS (continued)

(all amounts in Indian rupees millions, except share data and where otherwise stated)

15. NOTES TO THE ACCOUNTS (continued)

x) Auditor's remuneration (including service tax) :

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Audit fees	1.89	1.66
Other charges		
- Tax audit	0.17	0.32
- Other matters	0.71	0.69
Reimbursement of expenses	0.26	0.03
	3.03	2.70

xi) Employee benefits

a) The employee benefit schemes are as under:

i. Provident fund :

All employees of the Company receive benefits under the provident fund which is a defined benefit plan wherein the Company provides the guarantee of a specified return on contribution. The contribution is made both by the employee and the Company equal to 12% of the employees' salary. These contributions are made to the fund administered and managed by the Company's own Trust.

ii. Superannuation fund:

The Company has a defined contribution scheme to provide pension to the eligible employees. The Company makes monthly contributions equal to a specified percentage of the covered employees' salary. These contributions are administered by Company's own Trust which has subscribed to "Group superannuation policy" of ICICI Prudential Life Insurance Company Limited. The Company's monthly contributions are charged to the Profit and Loss Account.

iii. Gratuity :

In accordance with the payment of 'Gratuity Act, 1972' of India, the Company provides for gratuity, a defined retirement benefit scheme (the Gratuity Plan), covering eligible employees. Liabilities with regard to such gratuity plan are determined by an actuarial valuation as at the end of the year and are charged to Profit and Loss Account. The gratuity plan is a funded plan administered by Company's own Trust which has subscribed to "Group gratuity scheme" of ICICI Prudential Life Insurance Company Limited.

iv. Compensated absences :

The accrual for unutilised leave is determined for the entire available leave balance standing to the credit of the employees at the year end. The value of such leave balances that are eligible for carry forward, is determined by an actuarial valuation as at the end of the year and is charged to the Profit and Loss Account.

SCHEDULES TO THE ACCOUNTS (continued)

(all amounts in Indian rupees millions, except share data and where otherwise stated)

15. NOTES TO THE ACCOUNTS (continued)

- b) The following table sets out the particulars of the employee benefits as required under the Accounting Standard 15 (Revised) - "Employee benefits"

	For the year ended 31 March 2010	For the year ended 31 March 2009
Reconciliation of opening and closing balances of the present value of the defined obligation :		
Opening defined benefit obligation	162.20	221.33
Current service cost	14.92	13.31
Interest cost	13.69	11.01
Actuarial (gain)/loss	(1.24)	22.57
Contribution by employee	14.09	13.37
Benefits paid	(31.46)	(119.89)
Transfer in	3.54	0.50
Closing defined benefit obligation	175.74	162.20
Change in the fair value of plan assets		
Opening fair value of plan assets	135.13	210.93
Expected return on plan assets	12.39	6.88
Contribution by employer	20.36	11.03
Contribution by employee	14.09	13.37
Benefits paid	(25.75)	(115.43)
Asset gain/(loss)	(1.41)	8.35
Closing fair value of plan assets	154.81	135.13
Expense recognized in statement of Profit and Loss Account		
Current service cost	14.92	13.31
Interest cost	13.69	11.01
Expected return on plan assets	(12.39)	(6.88)
Net actuarial (gains)/losses recognized during the year	0.17	14.22
Total *	16.39	31.66
Actual return on plan assets	10.99	15.24

Amount recognized in the Balance Sheet as at 31 March 2010	Gratuity and provident fund (Funded)	Compensated absences (Unfunded)	Total
Present value of obligation	155.37	20.37	175.74
Less: Fair value of plan assets	(154.81)	—	(154.81)
Net liability/(asset) **	0.56	20.37	20.93
Amount recognized in the Balance Sheet as at 31 March 2009	Gratuity and provident fund (Funded)	Compensated absences (Unfunded)	Total
Present value of obligation	143.16	19.04	162.20
Less: Fair value of plan assets	(135.13)	—	(135.13)
Net liability/(asset) **	8.03	19.04	27.07

SCHEDULES TO THE ACCOUNTS (continued)

(all amounts in Indian rupees millions, except share data and where otherwise stated)

15. NOTES TO THE ACCOUNTS (continued)

	As at 31 March 2010	As at 31 March 2009
Govt of India securities	13.00%	13.31%
PSU bonds	33.46%	35.41%
Special deposits	6.62%	7.30%
State govt. securities	34.65%	36.84%
Others	12.27%	7.14%
	100.00%	100.00%
Discount rate	8.00%	7.61%
Expected rate of return on plan assets	8.00%	7.61%
Salary escalation rate	7.00%	7.00%

Discount rate : The discount rate is based on the prevailing market yields of Indian Government securities as at the Balance Sheet date for the estimated term of the obligations.

Expected rate of return on plan assets : This is based on the expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

Salary escalation rate : The estimates of future salary increase considered in the actuarial valuation takes into account factors like inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

*It represents the employee benefit expense which has been included under salaries,wages and bonus in Schedule 13.

** The Company has not recognised an asset amounting to Rs. 2.01 (previous year Rs. 0.61) as there are no future economic benefits available to the Company in the form of reduction in future contribution or a cash refund.

SCHEDULES TO THE ACCOUNTS (continued)

(all amounts in Indian rupees millions, except share data and where otherwise stated)

15. NOTES TO THE ACCOUNTS (continued)

xii) Related party transactions

A) Related parties

S.No.	Name of the Company	Relationship
1.	CAG-Tech (Mauritius) Limited	Entity which has significant influence over the Company
2.	ConAgra Foods Inc	Entity which has significant influence over the Company
3.	Lamb Weston Inc	Associates of the companies having significant influence
4.	ConAgra Foods Export Company	Associates of the companies having significant influence
5.	ConAgra Foods S.R.L	Associates of the companies having significant influence
6.	ConAgra Foods Ingredient	Associates of the companies having significant influence

Key management personnel (KMP)

S.No.	Name of the person	
1.	Dr. Pradip Ghosh Chaudhuri	Whole-time Director
2.	Mr. Sachin Gopal	President & CEO
3.	Mr. Hemant Kumar Ruia	CFO, Head of IS and Legal
4.	Mr. N. Narasimha Rao	Vice-President - Human Resources

SCHEDULES TO THE ACCOUNTS (continued)

(all amounts in Indian rupees millions, except share data and where otherwise stated)

15. NOTES TO THE ACCOUNTS (continued)

B) Particulars of related party transactions

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
- Expenses incurred on behalf of the subsidiary	0.02	—
Transactions with ConAgra Foods Export Company		
- Purchase of materials	60.17	52.77
Transactions with ConAgra Foods S.R.L		
- Purchase of materials	312.11	204.80
Transactions with ConAgra Foods Inc		
- Professional charges	21.39	3.82
- Royalty	9.54	7.52
- Recovery of expenses	9.79	8.57
- Income earned on services rendered	10.34	10.81
Transactions with CAG-Tech (Mauritius) Limited		
- Dividend	17.58	11.72
Transactions with Lamb Weston Inc		
- Purchase of materials	2.79	32.75
C) Remuneration to KMP (Refer note (a) below)	34.53	45.97
Relative of key management personnel		
- Remuneration to Ms. Priti Borkar	—	0.58
D) The Company has the following amounts due from/to related parties:		
Receivable from related parties		
ConAgra Foods S.R.L	36.05	21.11
ConAgra Foods Inc	7.64	1.93
KMP (Loans)	4.94	—
Payable to related parties		
ConAgra Foods Export Company	—	9.38
ConAgra Foods S.R.L	8.35	—
CAG-Tech (Mauritius) Limited	17.58	11.72
Lamb Weston Inc	0.01	1.26

Note:

- (a) Remuneration as given above does not include compensated absences, provident fund and gratuity benefit accrued since the same are computed based on actuarial valuation for all the employees and the amounts attributable to the managerial personnel cannot be ascertained separately.

SCHEDULES TO THE ACCOUNTS (continued)

(all amounts in Indian rupees millions, except share data and where otherwise stated)

15. NOTES TO THE ACCOUNTS (continued)

xiii) Agro Tech Foods Limited Employee Stock Option Plan

The Company instituted the 'Agro Tech Foods Limited Employee Stock Option Plan' ("Plan") to grant equity-based incentives to its eligible employees. The Company has established a trust called the 'Agro Tech ESOP Trust' ("Trust") to implement the Plan.

Under the Plan a maximum of 1,218,463 (Previous year: 1,218,463) options will be granted to the eligible employees. All these options are planned to be settled in equity at the time of exercise. These options have an exercise price of Rs. 75.10, Rs. 170.10, Rs. 131.70 and Rs. 147.40 per share, granted during the years ended 31 March 2007, 31 March 2008, 31 March 2009 and 31 March 2010 respectively and vest on a graded basis as follows:

Vesting period from the grant date	Vesting schedule
On completion of 12 months	25%
On completion of 24 months	25%
On completion of 36 months	25%
On completion of 48 months	25%

Stock option activity under the Plan was as follows:

	For the year ended 31 March 2010	For the year ended 31 March 2009
Number of equity shares:		
Outstanding at the beginning of the year	431,370	236,884
Granted during the year	229,178	226,544
Exercised during the year	(18,179)	—
Forfeited during the year	(32,965)	(32,058)
Outstanding at the end of the year	609,404	431,370

The Company follows the intrinsic value method to calculate employee compensation cost. There is no charge to the Profit and Loss Account as the exercise price of the shares is greater than or equal to the market value of the shares. Amount recoverable from employee stock option trust disclosed in the Balance Sheet represents balance recoverable from the trust on account of the shares purchased and held by the trust.

Proforma disclosure

In accordance with Securities Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 had the compensation cost for stock option plans been recognised based on the fair value at the date of grant in accordance with Black Scholes model, the proforma amounts of the Company's net profit and earnings per share would have been as follows:

Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009
Profit after taxation		
- As reported	251.39	208.48
- Proforma	235.51	195.07
Earnings per share		
Basic		
- Number of shares	24,369,264	24,369,264
- EPS as reported (Rs.)	10.32	8.56
- Proforma EPS (Rs.)	9.67	8.00

The following assumptions were used for calculation of fair value of grants:

	For the year ended 31 March 2010	For the year ended 31 March 2009
Weighted average fair value (Rs.)	88.52	86.28
Dividend yield (%)	0.68	—
Expected volatility (%)	60.18	57.50
Risk-free interest (%)	7.00	9.19
Expected term (in years)	5.50 to 7	5.50 to 7

SCHEDULES TO THE ACCOUNTS (continued)

(all amounts in Indian rupees millions, except share data and where otherwise stated)

15. NOTES TO THE ACCOUNTS (continued)

xiv) 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, Act II, Crystal, Rath, Sudham and Healthy World.

— Sourcing and Institutional Business segment includes oils and agricultural raw materials procurement, Crystal and Rath bulk packs, seed buying and processing operations and food service.

	Branded Foods		Sourcing and Institutional Business		Unallocable		Eliminations		Consolidated	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009	31 March 2010	31 March 2009	31 March 2010	31 March 2009	31 March 2010	31 March 2009
Revenue										
Sales	5,534.27	6,252.79	961.44	1,483.31	—	—	—	—	6,495.71	7,736.10
Total revenue	5,534.27	6,252.79	961.44	1,483.31	—	—	—	—	6,495.71	7,736.10
Result	511.16	422.58	9.03	25.73	—	—	—	—	520.19	448.31
Unallocated corporate expenses	—	—	—	—	188.32	166.61	—	—	188.32	166.61
Interest	—	—	—	—	—	—	—	—	0.76	5.36
Profit before taxation									331.11	276.34
Provision for tax										
Current									108.56	43.90
Fringe benefit tax									—	12.96
Deferred									2.94	25.00
MAT credit entitlement									(31.78)	(14.00)
Profit after taxation									251.39	208.48
Other information										
Segment assets	1,250.92	959.20	43.46	66.70	—	—	—	—	1,294.38	1,025.90
Unallocated corporate assets	—	—	—	—	1,189.40	1,088.21	(14.70)	(14.72)	1,174.70	1,073.49
Total assets	1,250.92	959.20	43.46	66.70	1,189.40	1,088.21	(14.70)	(14.72)	2,469.08	2,099.39
Segment liabilities	669.43	491.38	41.62	63.07	—	—	—	—	711.05	554.45
Unallocated corporate liabilities	—	—	—	—	250.65	246.19	—	—	250.65	246.19
Total liabilities	669.43	491.38	41.62	63.07	250.65	246.19	—	—	961.70	800.64
Depreciation and amortisation	20.00	16.47	—	—	—	—	—	—	20.00	16.47
Unallocated corporate depreciation	—	—	—	—	10.40	7.95	—	—	10.40	7.95
Total depreciation and amortisation	20.00	16.47	—	—	10.40	7.95	—	—	30.40	24.42
Capital expenditure	144.80	35.21	—	—	—	—	—	—	144.80	35.21
Unallocated capital expenditure	—	—	—	—	63.35	35.72	—	—	63.35	35.72
Total capital expenditure	144.80	35.21	—	—	63.35	35.72	—	—	208.15	70.93
Non-cash expenditure	4.12	11.16	—	—	—	—	—	—	4.12	11.16
Unallocated non-cash expenditure	—	—	—	—	—	—	—	—	—	—
Total non-cash expenditure	4.12	11.16	—	—	—	—	—	—	4.12	11.16

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.

SCHEDULES TO THE ACCOUNTS (continued)

(all amounts in Indian rupees millions, except share data and where otherwise stated)

15. NOTES TO THE ACCOUNTS (continued)

xv) Disclosure regarding Derivative instruments

The Company uses forward exchange contracts to hedge against its foreign currency exposures relating to the underlying transactions and firm commitments. The use of this foreign exchange forward contracts reduces the risk or cost to the Company and the Company does not use the foreign exchange forward contracts for trading or speculation purposes.

The information on such Derivative instruments is as follows:

a) Forward exchange contracts outstanding as at the year end:

Currency Pair	Currency	As at 31 March 2010		As at 31 March 2009	
		Buy	Sell	Buy	Sell
USD / INR	USD	0.19	—	0.14	—

(In Millions)

b) Foreign exchange currency exposure recognised by the Company that have not been hedged by a derivative instrument or otherwise as at the year end:

Currency Pair	Currency	As at 31 March 2010		As at 31 March 2009	
		Buy	Sell	Buy	Sell
USD / INR	USD	0.17	0.05	0.12	0.02

(In Millions)

xvi) Previous year figures

Previous year figures have been regrouped/reclassified wherever necessary, to conform to current year classification.

for **Agro Tech Foods Limited**

Sachin Gopal
President

Dr. Pradip Ghosh Chaudhuri
Director

Lt. Gen. D.B. Singh
Director

Place : Gurgaon
Date : 19 May 2010

Phani K Mangipudi
Company Secretary

AUDITORS' REPORT TO THE MEMBERS OF AGRO TECH FOODS LIMITED

1. We have audited the attached consolidated balance sheet of Agro Tech Foods Limited and its subsidiary ("the Company") as at 31 March 2010, the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these special purpose 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 free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose 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's Management in accordance with the requirements of Accounting Standard 21, "Consolidated Financial Statements", as specified in Companies (Accounting Standard) Rules, 2006.
4. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Company as at 31 March 2010;
 - b) in the case of the Consolidated Profit and Loss Account, of the profit for the year ended on that date; and
 - c) in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

for **B S R and Associates**
Chartered Accountants
Firm Registration Number: 128901W

Zubin Shekary
Partner
Membership No: 48814

Place : Gurgaon
Date : 19 May 2010

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

(all amounts in Indian rupees millions, except share data and where otherwise stated)

	For the year ended 31 March 2010	For the year ended 31 March 2009
A. CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Net profit before tax and after exceptional items	331.11	276.34
Adjustments :		
Depreciation and amortisation	30.40	24.42
(Profit)/Loss on fixed assets discarded/sold (net)	(8.91)	4.18
Interest (net)	(63.67)	(43.40)
Advances/deposits written off	—	5.48
Provision for doubtful debts/advances (net)	4.12	5.68
Sundry claims/excess provisions/unclaimed credits (net)	(0.22)	(45.62)
Exceptional items (net)	—	(40.17)
Operating cash flows before working capital changes and exceptional item	292.83	186.91
Adjustments for :		
Decrease/(Increase) in sundry debtors, loans and advances and other current assets	(36.99)	155.74
Decrease/(Increase) in inventories	(138.33)	298.98
Increase in trade payables	111.43	133.39
Increase in amount recoverable from employee stock option trust	(19.04)	(30.28)
Cash generated from operations before exceptional item	209.90	744.74
Income taxes paid (net)	(70.29)	77.83
Net cash provided by operating activities before exceptional item	139.61	822.57
Exceptional item - Deferred payment liability	—	(5.48)
Exceptional item - Interest on Mantralayam tax refund	—	40.17
Net cash provided by operating activities	139.61	857.26
B. CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Purchase of fixed assets	(172.88)	(70.95)
Proceeds from sale of fixed assets	27.80	6.53
Interest received	47.94	38.98
Net cash used in investing activities	(97.14)	(25.44)

Agro Tech Foods Limited

	For the year ended 31 March 2010	For the year ended 31 March 2009
C. CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Proceeds from short term loans	228.50	160.00
Repayment of short term loans	(228.50)	(160.00)
Proceeds/(Repayment) from borrowings	—	(112.74)
Interest paid (net)	(0.76)	(7.14)
Dividend paid (Including dividend distribution tax)	(28.16)	—
Net cash used in financing activities	(28.92)	(119.88)
Net increase in cash and cash equivalents	13.55	711.94
Cash and cash equivalents at the beginning of the period (Refer Schedule 6)	876.82	164.88
Cash and cash equivalents at the end of the period (Refer Schedule 6)	890.37	876.82

Note :

- a) The above cash flow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statements, notified under the Companies (Accounting Standard) Rules, 2006.

As per out report attached
for **B S R and Associates**
Chartered Accountants

for **Agro Tech Foods Limited**

Sachin Gopal
President

Dr. Pradip Ghosh Chaudhuri
Director

Lt. Gen. D.B. Singh
Director

Zubin Shekary
Partner
Membership No: 48814

Phani K Mangipudi
Company Secretary

Place : Gurgaon
Date : 19 May 2010

Place : Gurgaon
Date : 19 May 2010

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 ("the Company") as at 31 March 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - i) 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;
 - ii) 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;
 - iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable;
 - v) on the basis of written representations received from the Directors, as on 31 March 2010, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31 March 2010 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956; and
 - vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010; and
 - b) in the case of the Profit and Loss Account, of the loss for the year ended on that date.
 - c) in the case of Cash Flow Statement, of the Cash Flows of the Company for the year ended on that date.

For B S R and Associates
Chartered Accountants
Firm Registration Number: 128901W

Zubin Shekary
Partner
Membership No: 48814

Place : Gurgaon
Date : 17 May 2010

ANNEXURE TO THE AUDITORS' REPORT

The Annexure referred to in the auditors' report to the members of Heera Seeds Trading and Warehousing Limited ("the Company") for the year ended 31 March 2010. We report that:

1. The Company has neither granted nor taken any loans, secured or unsecured, to or from Companies, firms or other parties covered in the register maintained under Section 301 of the Act.
2. According to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under section 301 of the Companies Act, 1956.
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 does not have an internal audit system during this year.*
5. The Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956.
6. According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/acrued in the books of account in respect of undisputed statutory dues including income tax and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of provident fund, employees' state insurance, sales-tax, wealth tax, service tax, customs duty, excise duty and investor education and protection fund.
Further, there were no dues on account of cess under Section 441A of the Act, since the date from which the aforesaid section comes into force has not yet been notified by the Central Government.
According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues were in arrears as at 31 March 2010 for a period of more than six months from the date they became payable.
7. According to the information and explanations given to us, there are no dues of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited with the appropriate authorities on account of any dispute.
8. The accumulated losses of the Company as at 31 March 2010 are less than fifty percent of its net worth. Company has incurred cash losses in the financial year and in the immediately preceding financial year.
9. The Company did not have any outstanding dues to any financial institution, banks or debenture holders during the year.
10. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
11. In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society.
12. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
13. 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.
14. The Company did not have any term loans outstanding during the year.
15. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
16. The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under Section 301 of the Companies Act, 1956.
17. The Company did not have any outstanding debentures during the year.
18. The Company has not raised any money by public issues.
19. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.
20. The other clauses, (i), (ii) and (iv) of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable in the case of the Company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid order.

For B S R and Associates
Chartered Accountants
Firm Registration Number: 128901W

Zubin Shekary
Partner
Membership No: 48814

Place : Gurgaon
Date : 17 May 2010

Heera Seeds Trading and Warehousing Limited

Balance Sheet as at 31 March 2010

(all amounts in Indian rupees, except share data and where otherwise stated)

	Schedule	As at 31 March 2010	As at 31 March 2009
I. SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	20,000,000	20,000,000
		20,000,000	20,000,000
II. APPLICATION OF FUNDS			
Current assets loans & advances			
Sundry debtors	2	7,193,941	7,193,941
Cash and bank balances	3	57,819	58,015
Loans and advances	4	7,502,758	7,527,230
		14,754,518	14,779,186
Less:			
Current liabilities & provisions			
Current liabilities	5	13,236	24,472
Provisions	6	4,316	4,316
		17,552	28,788
Net current assets		14,736,966	14,750,398
Profit and Loss Account		5,263,034	5,249,602
		20,000,000	20,000,000
Significant accounting policies Notes to accounts	8(i) 8		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for **B S R and Associates**
Chartered Accountants

for **Heera Seeds Trading and Warehousing Limited**

Zubin Shekary
Partner
Membership No: 48814

Dr. Pradip Ghosh Chaudhuri
Director

N Narsimha Rao
Director

Place : Gurgaon
Date : 17 May 2010

Place : Gurgaon
Date : 17 May 2010

Profit and Loss Account for the year ended 31 March 2010

(all amounts in Indian rupees, except share data and where otherwise stated)

	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
INCOME			
Other income		—	—
		—	—
EXPENDITURE			
Administration and selling expenses	7	13,432	13,336
		13,432	13,336
Loss before taxation		(13,432)	(13,336)
Provision for taxation		—	—
Loss after taxation		(13,432)	(13,336)
Loss brought forward		(5,249,602)	(5,236,266)
Balance in Profit and Loss Account brought forward		(5,263,034)	(5,249,602)
Earnings per share			
Basic and diluted - Par value Rs.10 per share			
		(0.01)	(0.01)
Significant accounting policies Notes to accounts	8 (i) 8		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached
for **B S R and Associates**
Chartered Accountants

for **Heera Seeds Trading and Warehousing Limited**

Zubin Shekary
Partner
Membership No: 48814

Dr. Pradip Ghosh Chaudhuri
Director

N Narsimha Rao
Director

Place : Gurgaon
Date : 17 May 2010

Place : Gurgaon
Date : 17 May 2010

Agro Tech Foods Limited

Heera Seeds Trading and Warehousing Limited

(all amounts in Indian rupees, except share data and where otherwise stated)

Schedules to the accounts

	As at 31 March 2010	As at 31 March 2009
Schedule 1: Share capital		
Authorised: 2,000,000 (previous year: 2,000,000) equity shares of Rs. 10 each	20,000,000	20,000,000
	20,000,000	20,000,000
Issued: 2,000,000 (previous year: 2,000,000) equity shares of Rs. 10 each	20,000,000	20,000,000
	20,000,000	20,000,000
Subscribed and paid-up: 2,000,000 (previous year: 2,000,000) equity shares of Rs. 10 each fully paid up (All the above shares are held by the holding Company, Agro Tech Foods Limited and its Nominees)	20,000,000	20,000,000
	20,000,000	20,000,000
Schedule 2: Sundry debtors (Unsecured and considered good)		
Debts outstanding for a period exceeding six months	7,193,941	7,193,941
Other debts	—	—
	7,193,941	7,193,941
Schedule 3: Cash and bank balances		
Cash on hand	711	711
Balances with scheduled banks - in current accounts	57,108	57,304
	57,819	58,015
Schedule 4: Loans and advances (Unsecured)		
Considered good		
Advances recoverable in cash or in kind or for value to be received	7,502,758	7,527,230
	7,502,758	7,527,230
Schedule 5: Current liabilities		
Sundry creditors		
- dues to micro and small enterprises	—	—
- others	13,236	24,472
	13,236	24,472
Schedule 6: Provisions		
Provision for taxation (net of advance tax)	4,316	4,316
	4,316	4,316
Schedule 7: Administration and selling expenses		
	For the year ended 31 March 2010	For the year ended 31 March 2009
Auditors' remuneration:		
- Audit fee	13,236	13,236
- Others	—	—
Bank/finance charges	196	100
	13,432	13,336

SCHEDULE 8

(i) STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION OF ACCOUNTS

The financial statements of Heera Seeds Trading and Warehousing Limited have been prepared and presented in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India and the relevant provisions of Companies Act, 1956.

EARNINGS PER SHARE

The basic earnings per share ("EPS") is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year.

INCOME-TAX EXPENSE

Income tax expense comprises current tax and deferred tax charge or credit.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantially enacted by the Balance Sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognized only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed at each Balance Sheet date and is written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized. The break-up of the major components of the deferred tax assets and liabilities as at Balance Sheet date has been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

for Heera Seeds Trading and Warehousing Limited

Dr. Pradip Ghosh Chaudhuri
Director

N. Narasimha Rao
Director

Place : Gurgaon
Date : 17 May 2010

Agro Tech Foods Limited

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 TWENTY THIRD ANNUAL GENERAL MEETING of the said Company to be held on 28th July, 2010 at 10.00 A.M. and at any adjournment thereof.

Signed this _____ day of _____ 2010.

Signature (s) of the Shareholder (s) _____

Affix Rs. 1 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

Agro Tech Foods Limited

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

ATTENDANCE SLIP

To be handed over at the entrance of the Meeting Hall

I hereby record my presence at the TWENTY THIRD ANNUAL GENERAL MEETING held at Residency Hall, Hotel Green Park, Greenlands, Hyderabad on 28th July, 2010 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

Agro Tech Foods Limited

FORM FOR NECS MANDATE/BANK MANDATE

I/We _____ do hereby authorise Agro Tech Foods Limited to Credit my dividend amount directly to my Bank Account as per details furnished below by National Electronic Clearing Service (NECS) – NECS Mandate.*

Print the details of my Bank Account as furnished below, on my dividend warrant which will be mailed to me – Bank Mandate. *

(*Strike out whichever is not applicable)

1. Shareholder's Name : _____
(In Block Letters)
2. Folio No. : _____
3. No. of Shares : _____
4. Bank Name : _____
5. Branch Name : _____
6. Account Number : _____
(as appearing on Cheque Book)
7. Ledger Folio No. of the Account : _____
(if appearing on Cheque Book)
8. Account type [Please tick] : S.B. Current Cash Credit
9. 9-Digit Code Number of the Bank : _____
& Branch appearing on the MICR
Cheque issued by the Bank
(Please attach photocopy of a
cheque or a blank cancelled
cheque issued by your Bank
relating to your above account
for verifying the accuracy of the
code number)

I/ We hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons beyond the control of the Company, I /We would not hold AGRO TECH FOODS LIMITED responsible.

Date :

Signature of the Sole/First Shareholder

Tear Here



Hot 'n' Fresh popcorn in just 3 minutes!



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THE HEALTHY OIL FOR HEALTHY PEOPLE

Agro Tech Foods Limited