

HATSUN



Highlights of Five Years

Rs. '000

| Particulars | For the Year ended | | | | |
|-------------------------------|--------------------|-----------|-----------|-----------|-----------|
| | 1996-1997 | 1997-1998 | 1998-1999 | 1999-2000 | 2000-2001 |
| Total Revenue | 190813 | 220598 | 802609 | 974024 | 1501127 |
| PBIDT | 25145 | 25522 | 43262 | 67845 | 88174 |
| Net Income After Tax | 21380 | 19980 | 20724 | 17456 | 26108 |
| Earnings per share (Rs.) | 5.34 | 4.00 | 3.24 | 2.80 | 4.09 |
| Dividend per Share (Rs.) | 2.00 | 3.00 | 3.00 | 2.00 | 2.00 |
| Particulars | At the Year ended | | | | |
| | 1996-1997 | 1997-1998 | 1998-1999 | 1999-2000 | 2000-2001 |
| Share Capital (Rs.) | 41148 | 42180 | 56255 | 63915 | 88890 |
| Reserves and Surplus | 65938 | 78309 | 78667 | 95499 | 106134 |
| Fixed Assets (Gross Block) | 21258 | 33730 | 151965 | 228204 | 346540 |
| Current Assets | 47325 | 53310 | 67105 | 91288 | 85506 |
| Current Liabilities | 23323 | 17460 | 53475 | 53879 | 84649 |
| Secured Loans | 1842 | 1212 | 37747 | 85757 | 192445 |
| No. of Ice Cream Franchisees | 524 | 550 | 626 | 807 | 943 |
| No. of Farmers supplying Milk | 7200 | 10000 | 17200 | 21000 | 25750 |

During 2000-2001 the Company made an Investment of Rs.10.19 crores in Ajith Dairy Industries Limited.

HATSUN

AGRO PRODUCT LIMITED

16TH ANNUAL GENERAL MEETING

DATE : 8th SEPTEMBER, 2001
 DAY : SATURDAY
 TIME : 09.30 A.M.
 VENUE : ANDHRA SOCIAL &
 CULTURAL ASSOCIATION
 No.44, Vijayaraghava Road,
 T.Nagar, Chennai - 600 017.

AUDITORS

S.R. BATLIBOI & ASSOCIATES
 CHARTERED ACCOUNTANTS
 9/1, KODAMBAKKAM HIGH ROAD, "MOOTHA CENTRE",
 NUNGAMBAKKAM, CHENNAI - 600 034.

BANKERS

PUNJAB NATIONAL BANK
 MYLAPORE, CHENNAI - 600 004.
KARUR VYSYA BANK LTD.
 T.NAGAR, CHENNAI - 600 017.

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BOARD OF DIRECTORS

R.G. CHANDRAMOGAN
Chairman and Managing Director

K.S. THANARAJAN
Joint Managing Director

C. SATHYAN
Executive Director - Operations

KIRTI P SHAH

RAJA K.S.P. GANESAN

R.M. RAVI

P. VAIDYANATHAN

AUDIT COMMITTEE

KIRTI P SHAH

C. SATHYAN

P. VAIDYANATHAN

COMPANY SECRETARY

V.C. MOULIESWARAN

REGISTERED OFFICE

5-A, VIJAYARAGHAVA ROAD
 T.NAGAR, CHENNAI - 600 017.
 Phone Nos.: 8211975, 8212157, 8212242

FACTORIES

1. ATTUR MAIN ROAD
 KARUMAPURAM VILLAGE
 SALEM - 636 106, TAMIL NADU.
2. 277/2 DESUR VILLAGE
 BELGAUM - 590 014, KARNATAKA.

BRANCHES

ANANTHAPUR, BANGALORE, BELGAUM,
 HYDERABAD, MADURAI, SALEM, THANJAVUR AND
 VISHAKHAPATNAM

*Hatsun Agro Product Limited***NOTICE TO SHAREHOLDERS**

Notice is hereby given that the 16th Annual General Meeting of the Company will be held on Saturday, the 8th September, 2001 at 09.30 a.m. at Andhra Social & Cultural Association, No.44, Vijayaraghava Road, T Nagar, Chennai - 600 017 to transact the following:

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit & Loss Account for the year ended 31st March, 2001 and the Balance Sheet as on that date together with the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To elect a Director in place of Mr. P. Vaidyanathan who retires by rotation and being eligible, offers himself for re-election.
4. To elect a Director in place of Mr. Kirti P. Shah who retires by rotation and being eligible, offers himself for re-election.
5. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT Mr. C. Sathyan who vacates office at the meeting under Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company."

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

"RESOLVED THAT the appointment of Mr. C. Sathyan as Executive Director - Operations of the Company by the Board of Directors for a period of five years with effect from 01.06.2001 on the terms and conditions as set out in the Explanatory Statement annexed hereto, be and is hereby approved and ratified.

"RESOLVED FURTHER THAT during any year of loss or inadequacy of profits, salary and allowances fixed by the Directors, together with other perquisites, shall be paid as minimum remuneration, subject to the ceiling prescribed for the time being under Schedule XIII to the Companies Act, 1956 or any statutory modification(s) thereof and that the Directors be and are hereby authorised to make an application to the Central Government as may be necessary, if such minimum remuneration exceeds the ceiling referred thereto.

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to revise the remuneration and benefits of Mr. C. Sathyan from time to time within the ceiling prescribed under Sections 198 and 309 and other applicable provisions of and Schedule XIII to the Companies Act, 1956, as may be in force from time to time."

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

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions of the Companies Act, 1956 and in accordance with the provisions of the Memorandum and Articles of Association of the Company and subject to the necessary reporting, approvals, permissions and/or sanctions as may be necessary and imposed by the Securities and Exchange Board of India (SEBI) and/or any other appropriate authority or agency, if any, and subject to such conditions and modifications as may be prescribed by any of them in granting such approvals, permissions and/or sanctions, the Board of Directors of the Company, which term shall include any committee constituted for this purpose, be and is hereby authorised to offer, issue and allot not exceeding 3,00,000 equity shares of Rs.10/- each credited as fully paid-up on preferential basis to Mr. R. G. Chandramogan at a price calculated as per the guidelines of SEBI for preferential issues and on such terms and conditions as explained in the Explanatory Statement.

"FURTHER RESOLVED THAT the new equity shares to be issued and allotted by the Company in the manner aforesaid shall rank pari passu in all respects with the then existing equity shares of the Company".

Hatsun Agro Product Limited

The Register of Members of the Company will remain closed from Friday the 24th August, 2001 to Thursday the 6th September, 2001 (both days inclusive).

Registered Office:

5-A, Vijayaraghava Road, T.Nagar
Chennai - 600 017.
Place : Chennai
Date : 14.06.2001

By order of the Board
for HATSUN AGRO PRODUCT LIMITED

V. C. MOULIESWARAN
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Instruments appointing proxies, in order to be effective, must be received at the Company's Registered Office not less than 48 hours before the commencement of the meeting.
3. The dividend on equity shares, as recommended by the Board of Directors, if declared at the meeting, will be paid to those members whose names appear in the Register of Members on 6th September, 2001.
4. Members are requested to intimate to the Company changes, if any, in their registered address on or before 24th August, 2001.
5. We are glad to inform you that your Company's shares are dematerialised with effect from 2nd June, 2000 with National Securities Depository Limited vide Registration No. ISIN INE 473 B 01019 and Central Depository Services (India) Limited effective 30th April, 2001 vide Registration No. ISIN INE 473 B 01019 Therefore, the shareholders are given an option either to Demat their shares or hold them in physical form.
6. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item Nos. 6, 7 & 8 are annexed.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**Items Nos. 6 & 7**

Mr. C. Sathyan was co-opted as an Additional Director at the Board Meeting held on 14.06.2001 and was appointed as Executive Director - Operations for a period of five years with effect from 01.06.2001, subject to the approval of the shareholders at the ensuing Annual General Meeting. Mr. C. Sathyan brings with him professional qualification in the field of marketing and his knowledge, determination and confidence would immensely benefit the Company.

Pursuant to Section 260 of the Companies Act, 1956, Mr. C. Sathyan vacates office at the ensuing Annual General Meeting. Notice has been received from a member proposing the candidature of Mr. C. Sathyan for appointment as Director and an amount of Rs.500/- has been deposited with the Company by the said member pursuant to Section 257 of the Companies Act, 1956.

Upon his appointment as Director of the Company at the ensuing Annual General Meeting, Mr. C. Sathyan will continue to be the Executive Director of the Company in view of there being no interruption in the office of Director held by him. His terms of appointment as fixed by the Board of Directors, which have been already notified to the members under Section 302(2) of the Companies Act, 1956 are as follows:

I. Salary Rs.20,000/- (Rupees twenty thousand only) per month

II. Perquisites**PART A****1) Housing**

House Rent Allowance shall be subject to a ceiling of 25% of the salary. If the accommodation is provided by the Company, the expenditure on hiring furnished accommodation shall be subject to 25% of the salary.

*Hatsun Agro Product Limited***2) Medical Benefits**

Reimbursement of actual medical expenses incurred for self and family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years. Reimbursement of special medical expense, if any, shall be subject to the approval of the Board of Directors.

3) Leave Travel Allowance

Leave Travel Concession for self and family once in a year in accordance with the rules specified by the Company.

4) Club Fees

Fees for clubs subject to a maximum of two clubs. This will not include admission and life membership fee.

5) Insurance Cover

Personal Accident Insurance cover for self, the actual premium for which does not exceed Rs.5,000/- per annum.

PART B

- i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of ceiling on perquisites to the extent these, either singly or put together, are not taxable under the Income Tax Act. Gratuity payable should not exceed half month's salary for each completed year of service.
- ii) Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

PART C

Provision of car on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the individual appointee concerned.

The above remuneration shall be paid as minimum remuneration in the year of loss or inadequacy of profits. If such minimum remuneration is in excess of ceiling, if any, prescribed under Schedule XIII to the Companies Act, 1956, the Company shall seek permission of the Central Government as may be necessary in accordance with the provisions governing payment of remuneration in force at the relevant point of time.

The appointment is terminable by three months' notice or by payment of three months' salary in lieu thereof, by either party.

The appointment of Mr. C. Sathyan as Executive Director - Operations by the Board on the above terms and conditions requires the approval of the members.

The resolution is recommended for adoption.

Except Mr. C. Sathyan, Mr. R. G. Chandramogan and Mr. Raja K. S. P. Ganesan, none of the other Directors is interested in this resolution.

Item No.8

As the members are aware, the Company is expanding its liquid milk business and areas of operation and market in the ice cream business. The Company has acquired Ajith Dairy Industries Limited (ADIL) by purchasing 81% of the equity of ADIL. To meet this investment requirement and also to settle the existing liabilities of ADIL and the Company, the Company has taken a term loan from ICICI Bank to the tune of Rs.16.50 crores. Subsequent to the acquisition, ADIL has also further invested in plant and machinery for balancing the manufacturing facilities. Further, the sales volume of both the businesses, i.e., milk and ice cream are growing year after year, requiring additional working capital support. The Board is considering the proposal for the merger of ADIL with the Company for which necessary legal actions are initiated separately. All these expansion plans shall be requiring additional funds. As a matter of prudent business policy, it is proposed to meet a part of such additional requirement by infusion of additional equity. Considering the current stock market scenario and the long-term interest of the Company, it is proposed that such additional equity requirement shall be met by the promoter of the Company, Mr. R. G. Chandramogan.

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Accordingly, it is proposed to issue, not exceeding 3,00,000 equity shares of Rs.10/- each of the Company to Mr. R. G. Chandramogan on preferential basis.

This issue of equity shares shall be as per the guidelines of SEBI applicable to such an issue.

The information required to be given as per SEBI regulations and guidelines on preferential issues are as under:

- | | |
|--|---|
| a. Objective of the issue | To meet additional funding requirement for capital expansion and long-term working capital requirement. |
| b. Intentions of promoters / Directors / key management personnel to subscribe to the offer | The issue is only to the existing promoter, i.e., Mr. R. G. Chandramogan |
| c. Shareholding pattern before and after the offer | As given below. |
| d. Proposed time within which the allotment shall be completed | Within 90 days from the date of the shareholders' approval. |
| e. Identification of the proposed allottees and the percentage of the post preferential issue capital that may be held by them | The proposed allottee is Mr. R. G. Chandramogan, the promoter of the Company. The percentage of post preferential issue capital that may be held by him is given below in the shareholding pattern. |

The information required to be given as per SEBI regulations and guidelines on acquisition and takeover are as under:

I. Allottee details

- | | |
|--|---|
| a. Name of the allottee and his relations, if any, with the existing promoters or persons in control over the target company (T.C.). Names of the persons deemed to be acting in concert with the allottee (all referred to as "Acquirer" hereinafter) who will be holding more than 5% in T.C. shall also be disclosed. | The proposed allottee is Mr. R. G. Chandramogan, who is already holding 29.30% of the existing equity share capital of the company. |
| b. In case the allottee is a company, identify its promoters or persons in control over the company and the group they belong to, if any. | Not applicable. |

II. Acquisition details

- | | |
|--|--|
| a. Number and percentage of shares proposed to be allotted pursuant to special resolution passed under Section 81(1A) – Preferential Allotment | Not exceeding 3,00,000 equity shares of Rs.10/- each representing 4.69% of the present equity capital of the company and 4.48% of the post preferential issue capital of the company. |
| b. Number and percentage of shares to be allotted to each of the allottee mentioned at I above. | Not exceeding 3,00,000 equity shares of Rs.10/- each of the company is proposed to be allotted to Mr. R. G. Chandramogan, representing 4.69% of the present equity capital of the company and 4.48% of the post preferential issue capital of the company. |
| c. Price at which allotment is proposed | Price calculated as per the SEBI guidelines applicable to preferential issues. As per the SEBI guidelines for preferential issues, the price |

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shall be the higher of average of the weekly high and low of the Company's shares of 6 months preceding the relevant date or average of weekly high and low of the Company's shares of 2 weeks preceding the relevant date. The relevant date is 30 days prior to the date on which the meeting of General Body of the shareholders is held. Consequently, the exact price of the proposed allotment cannot be fixed now.

- d. Purpose and reason of the said allotment To meet additional funding requirement for capital expansions and long-term working capital requirement.
- e. Consequential changes, if any, in the Board of Directors There will be no change in the Board of Directors of the company.
- f. Consequential changes, if any, in the shareholding pattern of the Company As given below.

| Sl. No. | Details | Pre-allotment in terms of shares | | Post-allotment in terms of shares | |
|---------|---------------------------------------|----------------------------------|--------|-----------------------------------|--------|
| | | No. of Shares | % | No. of Shares | % |
| 1. | Promoter Group | | | | |
| a. | Acquirer – i.e. Mr. R.G. Chandramogan | 1872050 | 29.30 | 2172050 | 32.47 |
| b. | Others – Relatives | 1331000 | 20.83 | 1331000 | 19.90 |
| c. | Total for promoter group | 3203050 | 50.13 | 3503050 | 52.37 |
| 2. | Acquirers | NIL | NIL | NIL | NIL |
| 3. | Mutual Funds / FIs / Fls | 1000000 | 15.64 | 1000000 | 14.95 |
| 4. | Public | 2185950 | 34.22 | 2185950 | 32.68 |
| | Total paid-up equity capital | 6389000 | 100.00 | 6689000 | 100.00 |

- g. Consequential changes, if any, in voting rights As the proposed issue of equity shares is ranking pari passu with the existing equity shares of the Company and all the equity shares carry the same voting rights, the shareholding pattern given above holds good for the voting rights also.

- III. Whether the said allotment would result in change in control over the Company. The proposed allotment is to the existing promoter only and hence, would not result in change in control over the Company.

The Directors recommend the resolution for the approval of the members. Except Mr. R. G. Chandramogan, as the proposed allotment is to him, Mr. Raja K. S. P. Ganesan and Mr. C. Sathyan, being related to Mr. R. G. Chandramogan, none of the other Directors of the Company is interested or concerned in this resolution.

Registered Office:

5-A, Vijayaraghava Road, T.Nagar
Chennai - 600 017.

By order of the Board
for HATSUN AGRO PRODUCT LIMITED

Place : Chennai
Date : 14.06.2001

V. C. MOULIESWARAN
Company Secretary

*Hatsun Agro Product Limited***DIRECTORS' REPORT**

Your Directors are pleased to present the 16th Annual Report on the business and operations of your Company and the audited accounts for the year ended 31st March, 2001.

Financial Results

| (Rs. in lacs) | | |
|---|-------------------------|-------------------------|
| | Year ended 31/3/2001 | Year ended 31/3/2000 |
| Profit for the year before depreciation, interest & tax | 881.74 | 678.46 |
| Less: Interest | 210.28 | 91.21 |
| Depreciation | 380.38 | 243.57 |
| Profit for the year before tax | 291.08 | 343.67 |
| Less: Prior period and extraordinary item | — | 217.67 |
| Provision for tax | 30.00 | 27.00 |
| Add: Balance brought forward | 101.26 | 92.63 |
| Transfer from tax reserve | — | 72.67 |
| Profit available for appropriation | 362.34 | 264.29 |
| Proposed dividend | 140.60 | 119.29 |
| Provision for tax on dividend | 14.34 | 26.24 |
| Transfer to General Reserve | 30.00 | 17.50 |
| Balance carried to Balance Sheet | 177.40 | 101.26 |

DIVIDEND

Your Directors have pleasure in recommending a dividend of 20% tax free for the financial year 2000-2001.

PERFORMANCE OF THE COMPANY

During the year under review, your Company recorded a turnover of Rs.149 crores as against a turnover of Rs.97 crores during the previous year, resulting in an increase of about 54% over the previous year. Your Company has been able to sustain and improve its turnover in respect of its existing range of products, despite the prevailing competitive market environment.

The performance of the Company's Dairy Division has been continuously encouraging. The total sales of the Dairy Division for the year under review is Rs.111 crores, thereby registering a growth of 61% over the previous year.

During the beginning of the financial year, 1.65 lac litres per day of branded "AROKYA" milk were marketed through 1,800 retailers which increased to 2.20 lac litres per day through 2,500 retailers by the close of the financial year. The Company enjoys the support of 70 clearing and forwarding agents for its branded milk.

Your Directors have pleasure in informing you that the Company's second dairy plant was commissioned at Belgaum, Karnataka. The Belgaum Dairy markets 25,000 litres of milk every day.

The ice cream business registered a growth of 28% over the previous year. The innovative schemes carried out by the Company during the year gave a fillip to the ice cream business.

In view of the above developments, your Directors are confident of achieving a healthy performance during the current year.

MERGER

Your Directors are happy to inform you that the Company had acquired a profit making unit – Ajith Dairy Industries Limited (ADIL), Kancheepuram during October 2000.

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ADIL is engaged in the business of procurement, processing and distribution of liquid milk under the brand name "Komatha". The present licensed capacity of the plant is 1,75,000 litres per day and the plant is located at Kancheepuram. As both the companies are in same business, synergy of business and economies of scale of operations shall be in the best interest of both the Companies.

The combined operation would help in market penetration, enhanced equity base and improving the market share apart from controlled cost in many areas of operations.

FINANCE

During the year under review, fresh financial assistance has been availed from ICICI Bank Limited to the extent of Rs.16.50 crores in the form of a term loan. The term loan availed from Industrial Development Bank of India was foreclosed and fully redeemed by the Company.

FIXED DEPOSITS

Your Company has not accepted any fixed deposit and as such, no amount of principal or interest was outstanding as of the Balance Sheet date.

DIRECTORS

Mr. P. Vaidyanathan and Mr. Kirti P. Shah, Directors of the Company, retire by rotation and being eligible, offer themselves for re-election.

Mr. C. Sathyan was co-opted on the Board as an Additional Director on 14th June, 2001 and was also appointed as Executive Director - Operations for a period of 5 years effective from 1st June, 2001.

AUDIT COMMITTEE

Your Company has constituted an Audit Committee as stipulated by the Companies Amendment Act, 2000. Mr. P. Vaidyanathan, Mr. Kirti P. Shah and Mr. C. Sathyan are the members of the Audit Committee and they shall review financial statements of the Company periodically and also ensure compliance of internal control systems.

AUDITORS

M/s. S. R. Batliboi & Associates, Chartered Accountants, hold office as Auditors of the Company until the conclusion of the forthcoming 16th Annual General Meeting and are eligible for re-appointment.

DEPOSITORY SYSTEM

In order to facilitate dealing in shares in electronic mode, your Company has entered into an arrangement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). With this, the members have the option to have their shares in Demat form or in physical form. As on 31st March, 2001, equity shares representing approximately 55.16% of the equity share capital were dematerialised.

LISTING

Your Company's Shares are listed in Chennai being the Regional Stock Exchange as well as at Mumbai and Coimbatore Stock Exchanges. The listing fees have been paid for the financial year 2001-2002.

SUBSIDIARY COMPANY

As required under Section 212 of the Companies Act, 1956, the audited statement of accounts, along with the report of the Board of Directors of Ajith Dairy Industries Limited and the respective Auditors' Report thereon for the year ended 31st March, 2001 are annexed.

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

As required under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in respect of Board of Directors) Rules, 1988, details regarding conservation of energy, technology absorption and foreign exchange earnings and outgo are attached here and form part of this Report.