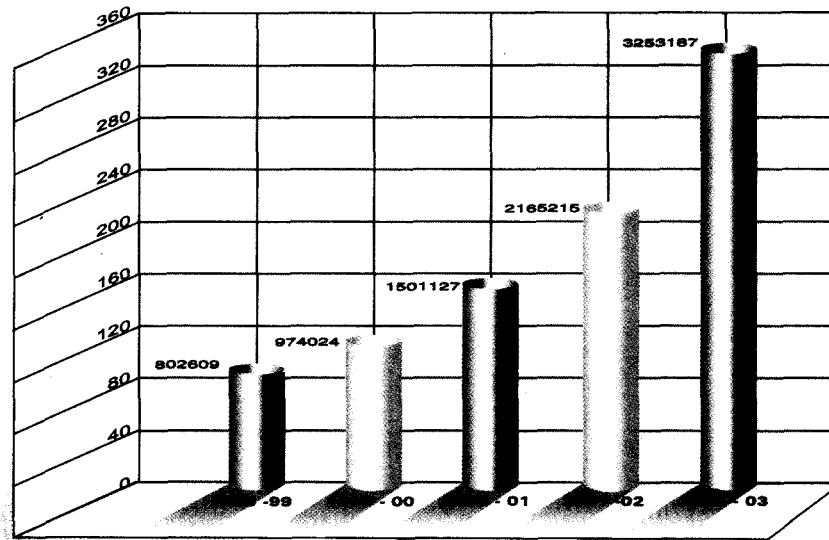


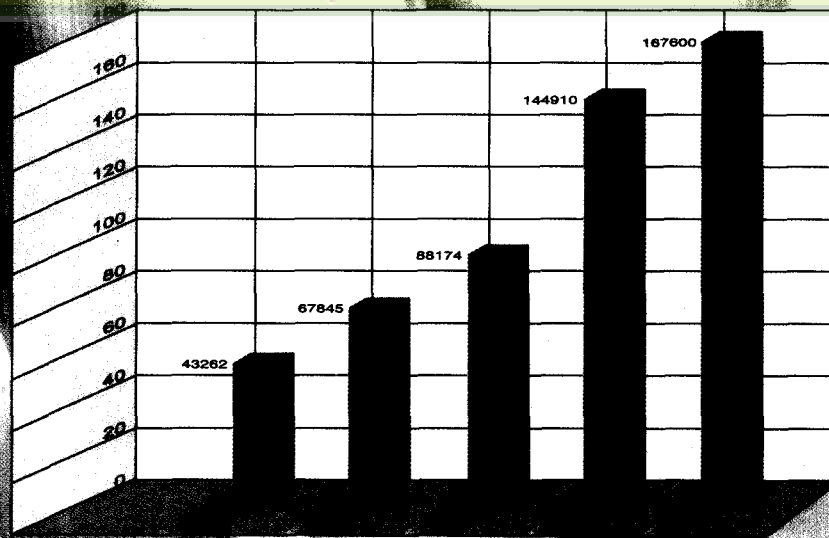


18th ANNUAL REPORT 2002-2003

Total Sales *



Profit Before Interest, Depreciation & Tax *



(* Figures indicate Rs in th)



AGRO PRODUCT LIMITED

BOARD OF DIRECTORS

R.G. CHANDRAMOGAN
Chairman and Managing Director

K.S. THANARAJAN
Joining Managing Director

C. SATHYAN
Executive Director - Operations

RAJA K.S.P GANESAN

KIRTI P. SHAH

P. VAIDYANATHAN

ASIM K. BANERJEE

S. THIAGARAJAN

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

P. VAIDYANATHAN

ASIM K. BANERJEE

KIRTI P. SHAH

MEMBERS GRIEVANCE COMMITTEE

S. THIAGARAJAN

P. VAIDYANATHAN

K.S. THANARAJAN

REMUNERATION COMMITTEE

P. VAIDYANATHAN

ASIM K. BANERJEE

KIRTI P. SHAH

COMPANY SECRETARY

V.C. MOULIESWARAN

REGISTERED & CORPORATE OFFICE

5-A, VIJAYARAGHAVA ROAD,
T. NAGAR, CHENNAI - 600 017

FACTORIES

1. ATTUR MAIN ROAD,
KARUMAPURAM VILLAGE
SALEM - 636 106,
TAMIL NADU.

2. 277/2 DESUR VILLAGE
BELGAUM - 590 014.
KARNATAKA.

3. TIMMASAMUDRAM VILLAGE
CHENNAI - BANGALORE HIGHWAY
KANCHEEPURAM TALUK
KANCHEEPURAM - 631 502,
TAMIL NADU.

BRANCHES/DEPOTS

ANANTHAPUR, AVINASHI,
BANGALORE, BIJAPUR,
CHENNAI , HASSAN,
MADURAI, SALEM, THANJAVUR,
TIRUNELVELI, VADALUR
AND VIJAYAWADA



STATUTORY AUDITORS

BHARAT S RAUT & CO.
CHARTERED ACCOUNTANTS
"WESCARE TOWERS",
16, CENOTAPH ROAD, TEYNAMPET, CHENNAI - 600 018.

BANKERS

ABN AMRO BANK, HDFC BANK LTD.

18TH ANNUAL GENERAL MEETING

DATE : 29TH SEPTEMBER, 2003

DAY : MONDAY

TIME: 11.00 A.M.

VENUE : ANDHRA SOCIAL & CULTURAL ASSOCIATION

44, VIJAYARAGHAVA ROAD, T. NAGAR, CHENNAI - 600 017.

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*Hatsun Agro Product Limited***NOTICE TO MEMBERS**

NOTICE is hereby given that the Eighteenth Annual General Meeting of the Company will be held on Monday, the 29th September, 2003 at 11.00 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, 2003 and the Balance Sheet as on that date together with the Reports of the Directors and Auditors thereon.
2. To ratify the interim dividend of 30% for the year ended 31st March, 2003 declared and paid.
3. To elect a Director in the place of Mr. P. Vaidyanathan, who retires by rotation and being eligible, offers himself for re-election.
4. To elect a Director in the place of Mr. Kirti P. Shah, who retires by rotation and being eligible, offers himself for re-election.
5. To elect a Director in the place of Mr. C. Sathyan, who retires by rotation and being eligible, offers himself for re-election.
6. To appoint Auditors and fix their remuneration.

Special Business

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

"RESOLVED THAT Mr. S. Thiagarajan, who vacates office at this meeting under Section 260 of the Companies Act, 1956 be and is hereby appointed as a Director of the Company, liable to retire by rotation."

8. To consider and if thought fit, to pass the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of the Securities and Exchange Board of India (De-listing of Securities) Guidelines, 2003, the Company hereby approves voluntary de-listing of its shares from the Madras Stock Exchange Limited and Coimbatore Stock Exchange Limited."

"RESOLVED FURTHER THAT the Board of Directors of the Company (which shall include any Committee which the Board may constitute) be and is hereby authorised to seek voluntary de-listing at such time as they may, in their absolute discretion, consider appropriate on the terms and conditions as may be stipulated and mutually agreed to in the best interests of the Company, to take all necessary steps in this regard and to do all such acts, deeds, matters and things as it may deem necessary, proper or desirable and to settle any questions, doubts or issues that may arise in regard to de-listing of the Equity Shares and to execute all such deeds, documents, writings as may be necessary or desirable and for this purpose to delegate the authority and the duty vested in it by virtue hereof to any Director of the Board or the Company Secretary or any other person whom the Board may consider suitable to do the various acts and things required to be done in this behalf."

The Register of Members of the Company will remain closed from Thursday, 25th September, 2003 to Monday, 29th September, 2003 (both days inclusive).

Registered Office:

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

By order of the Board
for HATSUN AGRO PRODUCT LIMITED

Place : Chennai
Date : July 31, 2003

V.C. MOULIESWARAN
Company Secretary

*Hatsun Agro Product Limited***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 of proxy 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. In terms of the amendment to Section 205 A of the Companies Act, 1956 and the introduction of Section 205 C by the Companies (Amendment) Act, 1999, all dividends for the financial year 1995-96 and thereafter which remain unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund.
4. Members who have, till date, not encashed their dividend warrants for the financial years 1995-96 to 2002-03 are advised to claim the same from the Secretarial Department at the Registered Office of the Company at the earliest after producing the required documents. The Company would be transferring the unclaimed dividend pertaining to the financial year 1995-96 during the current financial year to the Investor Education and Protection Fund constituted by the Government of India.
5. Members are requested to kindly keep the Company immediately informed of any changes in their respective mailing addresses.
6. The Securities and Exchange Board of India (SEBI) had advised all listed companies, that by 31st March, 2003 all activities related to share registry in terms of both physical and electronic form, should be maintained at a single point, either in-house by the Company or by a SEBI-registered Registrar and Transfer Agent. In view of the above requirement, the Company has now out-sourced its entire share registry services to M/s. Integrated Enterprises (India) Ltd. Contact details of Integrated Enterprises (India) Limited are provided in the Corporate Governance Report.
7. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item Nos. 7 & 8 are annexed.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**Item No. 7**

Mr. S. Thiagarajan was co-opted as an Additional Director with effect from 26th May, 2003.

Pursuant to Section 260 of the Companies Act, 1956, Mr. S. Thiagarajan vacates his office at the ensuing Annual General Meeting. Notice has been received from a member proposing the candidature of Mr. S. Thiagarajan 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.

Mr. Thiagarajan is a post-graduate in Economics and a Certified Associate of the Indian Institute of Bankers. He has over four decades of experience in the financial services sector and held various senior positions in Reserve Bank of India, Industrial Development Bank of India (IDBI) and Small Industrial Development Bank of India (SIDBI). His presence on the Board would immensely benefit the Company.

The Resolution is commended for adoption.

None of the Directors except Mr. S. Thiagarajan is deemed to be interested in this resolution.

Item No. 8

The Company's shares are listed on three Indian Stock Exchanges viz., The Stock Exchange, Mumbai, Madras Stock Exchange Limited (which is the Regional Stock Exchange for the Company) and Coimbatore Stock Exchange Limited.

The Securities and Exchange Board of India (De-listing of Securities) Guidelines, 2003 permits a Company to voluntarily de-list its securities, without offering an exit opportunity to its shareholders in cases where its shares continue to be listed on Stock Exchanges having nationwide trading terminals. The Company's shares, being listed on the Mumbai Stock Exchange, fulfill this condition.

Hatsun Agro Product Limited

For the past two years, besides the infrequency of trades, the annual trading volume on the Madras and the Coimbatore Stock Exchanges has been nil or less than 1% of the total trading of the Company's shares in Mumbai Stock Exchange. Also, with the facility of the nationwide trading terminal available for Mumbai Stock Exchange, no detriment will be caused to the Members at Madras and Coimbatore, for transactions in the Company's shares. As at date, there are no pending complaints of Members at these locations.

In view of the above, Members' approval is sought to voluntarily de-list the Company's shares from the Madras and Coimbatore Stock Exchanges only as per the guidelines of Securities and Exchange Board of India (De-listing of Securities). Members may please note that the Company's shares shall continue to be listed on the Mumbai Stock Exchange.

The Resolution is commended for adoption.

None of the Directors is deemed to be interested 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 : July 31, 2003

V.C. MOULIESWARAN
Company Secretary



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

Your Directors are pleased to present the eighteenth Annual Report on the business and operations of your Company together with the Statement of Accounts for the year ended 31st March, 2003.

FINANCIAL RESULTS

(Rs. in lacs)		
	Year ended 31/3/2003	Year ended 31/3/2002
Total Revenue	32586.88	21685.17
Profit for the Year Before Tax	208.55	449.11
Provision for Tax	68.25	37.00
Deferred Tax (benefit)/expense	(167.21)	270.70
Profit for the Year After Tax	307.51	141.41
Transfer from earlier year's Profit & Loss Account	5.05	177.40
Transfer from Reserves	—	202.77
Transfer to Capital Redemption Reserve	30.00	220.00
Transfer to Deferred Tax Liability for prior years	—	296.53
Interim Dividend paid @ 30%	202.74	—
Transfer to General Reserve	31.00	—
Surplus carried to Balance Sheet	48.82	5.05

DIVIDEND

The Company declared an interim dividend of 30% during the year 2002-03 and the same would be construed as the final dividend for the year ended 31st March, 2003.

PERFORMANCE OF THE COMPANY

During the year under review, your Company crossed the Rs.300 crore mark, registering a turnover of Rs 325.31 crores, reflecting a 50% increase over the previous year. The growth in the bottom line has decreased despite the impressive turnover due to higher depreciation charges and increase in the interest and finance charges on account of increased borrowings to fund expansion plans. However, your Company has availed interest arbitrage opportunities towards the fag end of the year under review and in the beginning current fiscal. This will bring down the interest costs substantially which would result in growth of bottom line.

DAIRY SEGMENT

Your Company continues to be the leading private company in the dairy sector in the country and also contributes in making the country as the largest milk producing nation in the world. Your Company has built its processing capacity and logistics of distribution in tune with its procurement capability and market demand. Milk continues to have the major share in your Company's revenue.


The Company has once again proved its leadership in the dairy segment by registering a growth of 58% over the previous year. The Company introduced Arokya milk in the Kerala region and the response is quite encouraging. More thrust is also being given on ~~flavour~~ **brand** promotion in the southern regions of the country. During the year, your Company launched an innovative 'Arokya milk ticket scheme' to the consumers of Tamilnadu and the same scheme would be introduced in the other regions during the current year. The Directors are also happy to inform that Arokya Premium introduced during the year is doing well. The Belgaum plant commissioned in the year 2000, markets 80,000 litres of milk every day.

The **KOMATHA** toned milk launched by the Company two years back is progressing well with its established network and is expected to grow in the right direction with more contribution to the bottom line. The Company adopted a new strategy for Komatha toned milk by introducing 'Komatha budget card'. This, as the name indicates helps consumers to save without losing on the quality front.

Hatsun Agro Product Limited

During the year under review, your Company launched 'Komatha cup-curd and packet-curd' and the initial results are encouraging.

ICE CREAM SEGMENT

Your Company made a marginal improvement on the ice cream segment. The ice cream industry growth has been stagnant. Before the close of the financial year, your Company re-positioned itself in the ice cream business by adding more cream to the ice cream thereby offering an international taste to the ice cream and launching a new logo – .

Your Company also launched ~~Royal~~ wedding range of ice creams and ~~Delicio~~ ice creams. Your Company's ice cream business embarked on a radical new strategy with a view to improve its performance.

FUTURE PLANS

During the current year, your Company will have its own milk powder plant to have good milk output during lean seasons. The Company has also taken steps to establish bio-mass power plant at its Kancheepuram plant, thereby reducing power costs. The Arokya milk ticket scheme will be launched in the other southern regions of the country thereby increasing its consumers base.

Your Company will strive to maintain the leadership position it has achieved.

MERGER

Your Directors are happy to inform that it has been proposed to merge Hatsun Foods Company Limited, (HFCL), the ice cream manufacturing company with your Company. HFCL is in the business of manufacturing ice creams and your Company does not at present have its own facility for manufacturing ice creams and sources its entire requirement of ice creams from HFCL. As your Company markets ice creams under the brand name "Arun", synergy of business and economics of scale of operations would be in the best interest of the both the companies.

The combined operation would help in better control over logistics, distribution, market operation and substantial savings in costs.

EXPLANATION TO AUDITORS' REMARKS

Clause 4 of Auditors' Report

The Auditors have expressed their inability to comment whether certain interest-free advances, or any part thereof, to a related party are in the nature of loans and whether necessary approvals are required to be obtained by the Company.

According to the management, based on the exclusive supplier arrangement the Company has with the related party, the advances made are not in the nature of loans, but only trade advances. The Company has obtained an expert legal opinion in this regard.

Notwithstanding the above, the Company as a precautionary measure has made an application to the Central Government for necessary approval for the current financial year and obtained the same.

Clause 2 of Annexure to the Auditors' Report

Physical verification of fixed assets has been carried out by the management during the year in accordance with a phased programme of physical verification other than cans and crates lying with third parties, as the management believes that it is not practicable to perform physical verification of these assets as part of these assets would be continually in transit.

The Company maintains records and carries out physical verification of cans and crates in all dairy plants, chilling centres and depots while physical verification of cans and crates lying with third parties, i.e., those in transit could not be maintained, as it is highly impractical. However, the field staff regularly inspects the dealers' business premises to physically verify the availability of cans and crates.

Clause 14 of Annexure to the Auditors' Report

In relation to public deposits aggregating to Rs.1,55,000/- accepted by the Company in the previous year, the rates of interest are higher than those prescribed under the Companies (Acceptance of Deposits) Rules, 1975 read with notification GSR 77(E) dated 4th February, 2002.

Hatsun Agro Product Limited

In respect of public deposits accepted at higher rate of interest than permitted, it is to be noted that these deposits were accepted by the managers to the deposit schemes at a time close to the issue of notification no. GSR 77(E) dated 4th February, 2002 by the Government of India. These deposits were accepted erroneously on account of delay in communication of the downward revision in the interest rates pursuant to the notification referred above. Consequently, the Company paid higher interest of 0.5% on Rs.1,55,000/- aggregating to Rs.775/- to the depositors.

FINANCE

During the year under review, the Company's borrowings have increased on account of replacing high cost borrowings and expansion plans. Your Company has negotiated a very attractive rate on all these borrowings, thereby reducing interest & finance charges during the current fiscal.

FIXED DEPOSITS

As on 31st March, 2003 your Company was holding an aggregate sum of Rs.406 lacs on account of Fixed Deposits. A sum of Rs.240 lacs relating to 925 accounts are on account of Fixed Deposit and a sum of Rs.166 lacs relating to 765 accounts are on account of Cumulative Deposit.

A sum of Rs.1.60 lacs relating to 10 accounts was unclaimed as on that date and all these deposits were since claimed and paid.

DIRECTORS

Mr. P. Vaidyanathan, Mr. Kiriti P. Shah and Mr. C. Sathyan retire by rotation and being eligible, offer themselves for re-election.

After the close of the financial year, Mr. S. Thiagarajan joined the Board as an Additional Director under Section 260 of the Companies Act, 1956.

CORPORATE GOVERNANCE

Your Company has complied with the requirements of code of Corporate Governance as per Clause 49 of the listing agreement. A detailed Compliance Note on Corporate Governance is attached to this report.

VOLUNTARY DELISTING FROM MADRAS AND COIMBATORE STOCK EXCHANGES

Your Company's shares are listed on three Indian Stock Exchanges viz., The Stock Exchange, Mumbai, Madras Stock Exchange Limited (which is the Regional Stock Exchange for the Company) and Coimbatore Stock Exchange Limited.

The Securities and Exchange Board of India (De-listing of Securities) Guidelines, 2003 permits a Company to voluntarily de-list its securities, without offering an exit opportunity to its shareholders in cases where its shares continue to be listed on Stock Exchanges having nationwide trading terminals. The Company's shares, being listed on the Mumbai Stock Exchange, fulfil this condition.

For the past two years, besides the infrequency of trades, the annual trading volume on the Madras and the Coimbatore Stock Exchanges has been nil or less than 1% of the total trading of the Company's shares in Mumbai Stock Exchange. Also, with the facility of the nationwide trading terminal available for Mumbai Stock Exchange, no detriment will be caused to the Members at Madras and Coimbatore, for transactions in the Company's shares.

Therefore, your Directors propose to de-list the Company's shares from Madras and Coimbatore Stock Exchanges.

PARTICULARS OF EMPLOYEES

The particulars as required under Section 217 (2A) of the Companies Act, 1956 is not provided since none of the employees is drawing remuneration as specified in that Section.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956 your Directors hereby confirm that:

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