

# **H A T S U N**

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## **AGRO PRODUCT LIMITED**

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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*

**P. VAIDYANATHAN**

**KIRTI P. SHAH**

**S. THIAGARAJAN**

**B.S. MANI**

**N. CHANDRASEKARAN**

### **COMMITTEES OF THE BOARD**

#### **AUDIT COMMITTEE**

**P. VAIDYANATHAN**

**S. THIAGARAJAN**

**KIRTI P. SHAH**

**B.S. MANI**

#### **MEMBERS' GRIEVANCE COMMITTEE**

**S. THIAGARAJAN**

**P. VAIDYANATHAN**

**K.S. THANARAJAN**

#### **REMUNERATION COMMITTEE**

**P. VAIDYANATHAN**

**S. THIAGARAJAN**

**KIRTI P. SHAH**

**B.S. MANI**

### **COMPANY SECRETARY**

**B.V. NATH**

### **REGISTERED & CORPORATE OFFICE**

NO.5-A, VIJAYARAGHAVA ROAD,  
T.NAGAR, CHENNAI - 600 017.  
Phone: 091-044-28150014, Fax: 091-044-28152508,  
Website: [www.hatsun.com](http://www.hatsun.com)  
E-mail: [hatsun@md2.vsnl.net.in](mailto:hatsun@md2.vsnl.net.in)

### **FACTORIES**

1. ATTUR MAIN ROAD,  
KARUMAPURAM VILLAGE,  
SALEM - 636 106,  
TAMIL NADU.
2. TIMMASAMUDRAM VILLAGE,  
CHENNAI-BANGALORE HIGHWAY,  
KANCHEEPURAM TALUK,  
KANCHEEPURAM - 631 502,  
TAMIL NADU.
3. No. 114, ANGADU ROAD,  
NALLUR,  
CHENNAI - 600 067,  
TAMIL NADU.
4. No.277/2, DESUR VILLAGE,  
BELGAUM - 590 014,  
KARNATAKA.

### **BRANCHES/DEPOTS**

- ◆ ANANTHAPUR
- ◆ AVINASHI
- ◆ BANGALORE
- ◆ MADURAI
- ◆ SALEM
- ◆ VIJAYAWADA

**STATUTORY AUDITORS**

**BSR & CO.,**

(Formerly **Bharat S. Raut & Co.**)

CHARTERED ACCOUNTANTS,

“WESCARE TOWERS”, No.16, CENOTAPH ROAD, TEYNAMPET, CHENNAI - 600 018.

**BANKERS**

\* ICICI BANK LTD. \* STATE BANK OF INDIA \* UTI BANK LTD.

\* STANDARD CHARTERED BANK \* BANK OF MAHARASHTRA

**20<sup>TH</sup> ANNUAL GENERAL MEETING**

DATE : 29<sup>TH</sup> SEPTEMBER, 2005

DAY : THURSDAY

TIME : 11.00 A.M.

VENUE : ANDHRA SOCIAL &  
CULTURAL ASSOCIATION,  
No.44, VIJAYARAGHAVA ROAD,  
T.NAGAR, CHENNAI - 600 017.

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## **NOTICE TO THE SHAREHOLDERS**

NOTICE is hereby given that the Twentieth Annual General Meeting of the Shareholders of HATSUN AGRO PRODUCT LIMITED will be held on Thursday, the 29<sup>th</sup> September 2005 at 11.00 a.m. at Andhra Social and Cultural Association, No.44, Vijayaraghava Road, T.Nagar, Chennai - 600 017 to transact the following business :

### **ORDINARY BUSINESS**

1. To receive, consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March 2005 and the Profit & Loss Account of the Company for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr S Thiagarajan, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr Kirti P Shah, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s BSR & Co., Chartered Accountants, the retiring Auditors, as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

### **SPECIAL BUSINESS**

#### **APPOINTMENT OF A DIRECTOR**

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

"RESOLVED THAT Shri N Chandrasekaran, who was appointed as an Additional Director of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956, and Article No.105 of the Articles of Association of the Company, and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, from a member, in writing, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company subject to retirement by rotation under the Articles of Association of the Company."

#### **INCREASE IN AUTHORISED SHARE CAPITAL OF THE COMPANY**

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

"RESOLVED THAT pursuant to the provisions of Section 94 and other applicable provisions of the Companies Act, 1956, (including any statutory modifications, or re-enactment thereof for the time being in force) and subject to such other approval(s), permission(s) and sanction(s) as may be necessary, the consent of the Company be and is hereby accorded for increasing the Authorised Share Capital of the Company from Rs.12,00,00,000/- (Rupees Twelve crores only) divided into 90,00,000 (Ninety lacs) Equity shares of Rs.10/- (Rupees Ten only) each and 3,00,000 (Three lacs) Redeemable Preference shares of Rs.100/- (Rupees One hundred only) each to Rs.30,00,00,000/- (Rupees Thirty crores only) divided into 1,00,00,000 (One crore) Equity shares of Rs.10/- (Rupees Ten only) each and 20,00,000 (Twenty lacs) Redeemable Preference shares of Rs.100/- (Rupees One hundred only) each by creation of Rs.18,00,00,000/- (Rupees Eighteen crores only) divided into 10,00,000 (Ten lacs) Equity shares of Rs.10/- (Rupees Ten only) each and 17,00,000 (Seventeen lacs) Redeemable Preference shares of Rs.100/- (Rupees One hundred only) each with the power to increase or reduce, consolidate, convert or sub-divide the shares into different kinds in accordance with the provisions of the Companies Act, 1956."

#### **ALTERATION OF MEMORANDUM OF ASSOCIATION OF THE COMPANY**

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

"RESOLVED THAT the existing Clause V of the Memorandum of Association of the Company be and is hereby altered by deleting the same and substituting in place and stead thereof, the following as new Clause V:

- V. The Authorised Share Capital of the Company is Rs.30,00,00,000/- (Rupees Thirty crores only) divided into 1,00,00,000 (One crore) Equity shares of Rs.10/- (Rupees Ten only) each and 20,00,000 (Twenty lacs) Redeemable Preference shares of Rs.100/- (Rupees One hundred only) each capable of being increased or decreased or converted or sub-divided into shares of different kinds in accordance with the provisions of the Companies Act, 1956."

**ALTERATION OF ARTICLES OF ASSOCIATION OF THE COMPANY**

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

“RESOLVED THAT the existing Clause 4 of the Articles of Association of the Company be and is hereby altered by deleting the same and substituting in place and stead thereof, the following as new Clause 4:

4. The Authorised Share Capital of the Company is Rs.30,00,00,000/- (Rupees Thirty crores only) divided into 1,00,00,000 (One crore) Equity shares of Rs.10/- (Rupees Ten only) each and 20,00,000 (Twenty lacs) Redeemable Preference shares of Rs.100/- (Rupees One hundred only) each capable of being increased or decreased or converted or sub-divided into shares of different kinds in accordance with the provisions of the Companies Act, 1956. In respect of the Preference Shares, the Board of Directors shall decide the rights and other terms attached to such shares including the right to redemption or otherwise, subject however, to the provisions of the Companies Act, 1956.”

**ISSUE OF NON-CONVERTIBLE CUMULATIVE REDEEMABLE PREFERENCE SHARES**

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

“RESOLVED THAT pursuant to the provisions of Section 81(1A) and subject to other applicable provisions of the Companies Act, 1956, (including any statutory modifications, or re-enactment thereof for the time being in force) and relevant provisions of the Memorandum of Association and Articles of Association of the Company and subject to such other approval(s), permission(s), sanction(s) and reporting as may be necessary, the consent, authority and approval of the Company be and is hereby accorded to the Board of Directors to offer, issue and allot not exceeding 20,00,000 (Twenty lacs) Non-Convertible Cumulative Redeemable Preference Shares of Rs.100/- (Rupees One Hundred only) each at par/premium, credited as fully paid-up, forming part of the Authorised Share Capital of the Company to any person or persons on preferential (Private Placement) basis, in one or more tranches and on such terms as to dividend, preferential payment and redemption as the Board or Directors may deem fit and that such shares need not be offered to the existing Shareholders of the Company.”

“RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to do all acts and deeds as may be necessary, proper and expedient to give effect to this Resolution.”

Place : Chennai  
Date : 29<sup>th</sup> July 2005

By order of the Board  
for **HATSUN AGRO PRODUCT LIMITED**

Registered Office:  
No.5-A, Vijayaraghava Road, T. Nagar,  
Chennai - 600 017.

**B.V. NATH**  
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. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies, in order to be valid, must be received at the Company's Registered Office not less than 48 hours before the commencement of the Annual General Meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed for the purpose of the ensuing Annual General Meeting from 22<sup>nd</sup> September 2005 to 29<sup>th</sup> September 2005 (both days inclusive).
3. Shareholders are requested to notify to our Registrar and Share Transfer Agent, M/s Integrated Enterprises (India) Limited, II Floor, 'Kences Towers', No.1, Ramakrishna Street, North Usman Road, T.Nagar, Chennai – 600 017, Tamil Nadu any change in their address, to ensure prompt receipt of all correspondence.
4. All correspondence with respect to transfer of shares, change of address, conversion of physical shares into Demat form etc., may be sent to the Registrar and Share Transfer Agent.

## ***Hatsun Agro Product Limited***

5. SHAREHOLDERS ARE ADVISED, IN THEIR OWN INTEREST THAT ALL THE COMMUNICATIONS TO THE COMPANY WHICH WOULD HAVE THE EFFECT OF AMENDING THE PERMANENT DETAILS OF THE LEDGER FOLIO SHOULD BE SIGNED BY ALL THE SHAREHOLDERS
6. Shareholders may visit Company's website: [www.hatsun.com](http://www.hatsun.com) and contact us at e-mail: [hatsun@md2.vsnl.net.in](mailto:hatsun@md2.vsnl.net.in).
7. Shareholders who are holding shares in more than one folio are requested to intimate to the Registrars the details of all folio numbers for consolidation into a single folio.
8. Shareholders are requested check whether they have encashed Dividend Warrants for earlier years. If the Dividend Warrants have become time-barred/lost, please apply for revalidation/make a claim for fresh Dividend Warrant before the last dates indicated below:

<b>Dividend for the year ended</b>	<b>Rate of Dividend</b>	<b>Record Date</b>	<b>Date on which unpaid amount is required to be transferred to IE&amp;PF</b>	<b>Shareholders should apply latest by</b>
1997-98	15%*	28/09/1998	10/11/2005	21/10/2005
1998-99	30%	23/09/1999	05/11/2006	16/10/2006
1999-00	20%	21/09/2000	04/11/2007	15/10/2007
2000-01	20%	08/09/2001	09/10/2008	19/09/2008
2002-03	30%	28/09/2002	29/10/2009	09/10/2009
2003-04	20%	29/09/2003	30/10/2010	10/10/2010

\* Final Dividend

In terms of Section 205C of the Companies (Amendment) Act, 1999, all dividend amounts, which remain unclaimed and unpaid for a period of seven years will be transferred to the Investor Education and Protection Fund (IE&PF). Shareholders will not be entitled to claim the dividend amounts once it is transferred to IE&PF.

### **PROFILE OF THE DIRECTORS BEING REAPPOINTED / APPOINTED**

1. Mr S 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 has held various senior positions in Reserve Bank of India, Industrial Development Bank of India and Small Industrial Development Bank of India. He joined the Board of Hatsun on 26<sup>th</sup> May 2003.
2. Mr Kirti P Shah, an Industrialist, is an Engineering Graduate. Mr Shah is a Non-Resident Indian. At present he is the President of M/s Custom Magnetics Inc., U.S.A. He joined the Board of Hatsun on 7<sup>th</sup> January 2000. He is also Manager of M/s Shah Family LLC, U.S.A. Mr Shah has had more than 40 years of experience in the field of Engineering.
3. Mr N Chandrasekaran is a Mechanical Engineering Graduate with about 38 years experience. He has held various executive positions during his career. He is the Managing Director of M/s Fichtner Consulting Engineers (India) Pvt. Ltd. and M/s Fortune Valley Agro Farms Pvt. Ltd. He is also on the Board of reputed companies viz., M/s EPT Engineering Services Pvt. Ltd. and M/s Enmas Process Technologies Pvt. Ltd. Mr Chandrasekaran joined the Board of Hatsun on 28<sup>th</sup> March 2005 as an Additional Director.

**EXPLANATORY STATEMENT PURSUANT TO  
SECTION 173(2) OF THE COMPANIES ACT, 1956**

**Item No.5**

Mr N Chandrasekaran was co-opted as an Additional Director with effect from 28<sup>th</sup> March 2005.

Under the provisions of Section 260 of the Companies Act, 1956, any person who is appointed as an Additional Director of the Company shall hold office only upto the date of the next Annual General Meeting. Accordingly, Mr N Chandrasekaran, though eligible for re-appointment, shall vacate his office on the date of the 20<sup>th</sup> Annual General Meeting of the Company.

However, notice in writing, has been received by the Company under Section 257 of the Companies Act, 1956, from a Member signifying her intention to propose the name of Mr N Chandrasekaran for the office of the Director.

Mr N Chandrasekaran's induction to the Board would enormously benefit the company. The Resolution is recommended for adoption.

None of the Directors except Mr N Chandrasekaran is interested in this resolution.

**Item Nos.6, 7 & 8**

To augment the long term resources and to bring the authorised share capital of your Company in proper correlation with the magnitude of the size of the undertaking, it is considered imperative to increase the Authorised Share Capital of the Company from Rs.12,00,00,000/- (Rupees Twelve crores only) divided into 90,00,000 (Ninety lacs) Equity shares of Rs.10/- (Rupees Ten only) each and 3,00,000 (Three lacs) Redeemable Preference shares of Rs.100/- (Rupees One hundred only) each to Rs.30,00,00,000/- (Rupees Thirty crores only) divided into 1,00,00,000 (One crore) Equity shares of Rs.10/- (Rupees Ten only) each and 20,00,000 (Twenty lacs) Redeemable Preference shares of Rs.100/- (Rupees One hundred only) each by creation of Rs.18,00,00,000/- (Rupees Eighteen crores only) divided into 10,00,000 (Ten lacs) Equity shares of Rs.10/- (Rupees Ten only) each and 17,00,000 (Seventeen lacs) Redeemable Preference shares of Rs.100/- (Rupees One hundred only) each.

The proposed increase of the authorised share capital of the Company requires the approval of the members in General Meeting. Consequently, the Memorandum and Articles of the Association of the Company needs to be altered to reflect the increase in the Authorised Share Capital of the Company as set out in the accompanying Notice.

The Board recommends that the resolution be passed.

None of the Directors is interested in this resolution.

**Item No.9**

In order to augment the long term resources of the Company, it is proposed to offer, issue and allot Non-Convertible Cumulative Redeemable Preference Shares on a preferential basis on such terms and conditions as to dividend, preferential payment and redemption as the Board of Directors may deem fit. The proposed issue will not be offered to the existing shareholders of the Company. Also, the proposed issue will not be listed on any of the Stock Exchanges.

For making preferential allotment of shares the approval of shareholders is necessary. Hence the item is placed before the meeting for approval.

The Board recommends that the resolution be passed.

None of the Directors is interested or concerned in the item of business.

Place : Chennai  
Date : 29<sup>th</sup> July 2005

By order of the Board  
for **HATSUN AGRO PRODUCT LIMITED**

*Registered Office:*  
No.5-A, Vijayaraghava Road, T. Nagar,  
Chennai - 600 017.

**B.V. NATH**  
*Company Secretary*

**DIRECTORS' REPORT**

To  
The Shareholders

Ladies and Gentlemen,

Your Directors have pleasure in presenting their report and the Audited Accounts of the Company for the year ended 31<sup>st</sup> March 2005.

**A. FINANCIAL RESULTS****(Rs. in lacs)**

	<b>Current year ended 31<sup>st</sup> March, 2005</b>	<b>Previous year ended 31<sup>st</sup> March, 2004</b>
<b>Income</b>		
Net Sales	<b>44,918.75</b>	36,190.97
Other Income	<b>159.14</b>	73.96
	<b>45,077.89</b>	36,264.93
<b>Profit</b>		
a) Profit before Depreciation	<b>1,537.54</b>	1,129.53
b) Less: Depreciation	<b>1,377.43</b>	1,297.19
c) Add: Depreciation written back	<b>—</b>	1,105.30
d) Balance	<b>160.11</b>	937.64
e) Add: Prior Period Adjustments	<b>—</b>	16.23
f) Balance	<b>160.11</b>	953.87
g) Less: Income-tax - Current Period	<b>12.82</b>	77.76
Deferred Tax - Current Period	<b>44.61</b>	337.58
- Prior Period	<b>29.17</b>	—
h) Profit after Taxes	<b>73.51</b>	538.53
i) Add: Balance brought forward from previous year	<b>341.08</b>	48.82
j) Less: Adjustment relating to Amalgamation	<b>—</b>	52.70
k) Balance available for appropriation	<b>414.59</b>	534.65
<b>Appropriation</b>		
a) Dividend	<b>—</b>	135.77
b) Tax on Dividend	<b>—</b>	17.40
c) General Reserve	<b>—</b>	40.40
d) Balance retained in the Profit and Loss Account	<b>414.59</b>	341.08
	<b>414.59</b>	534.65

**B. DIVIDEND**

In order to conserve resources for working capital and new projects your Directors have not recommended any dividend for the year 2004-05. (Dividend for the Previous year Rs.135.77 lacs).

**C. PERFORMANCE OF THE COMPANY****OPERATING RESULTS**

During the year under review, your Company registered a turnover of Rs.44,918.75 lacs representing an increase of 24.12% over the previous year. Your company has also entered into international markets during the year under review and the value of exports was Rs.615.86 lacs representing 1.37% of the turnover. However, there is a decline in the profitability due to increase in the input costs, entry level export pricing of milk products. There was also an overall increase in the expenditure profile due to the creation of additional infrastructure. Inspite of the above factors the rationalisation of advertisement cost enabled your company to offset the negative impact to some extent.

Your Company continues with its cost control measures to take care of the adverse impact of reduction in margins. Your company intends to expand its market penetration to increase the sale of packed milk and is also giving a major thrust to export of milk products.



## **SEGMENTWISE PERFORMANCE**

### **Milk and Milk Products Segment**

Your Company continues to be the leading private company in the dairy sector in the Country, which is hailed 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 revenue in the milk and milk products segment increased substantially by 25.43% over that of the previous year. Your company, hence, has once again proved its leadership in the Dairy segment by continuing to maintain its position.

### **Ice Cream Segment**

The sale of Ice Cream has picked up during the year under review. Your company has implemented an arrangement, whereby Arun Ice Cream is now available in Seychelles. Arun Ice Cream is also being exported to Brunei. Though there is a marginal increase in the turnover of Ice Cream, the profitability of this segment has increased substantially on account of cost control measures.

### **Future Plan**

The Bio-mass Power Plant in Kancheepuram has undergone trial runs and will be commissioned shortly, which will significantly reduce power costs. The major focus areas in the next financial year will be export of Milk Products and Ice Cream, which will help the company to diversify its product profile and enable it to maintain its leadership position.

## **D. COMMUNITY DEVELOPMENT AND CHARITABLE WORK**

As in the previous years, the Company continued to participate in Community development activities. The Company conducted in association with Arvind Eye Hospital, Madurai, eye check-up for the local residents of the Company's Factories and Chilling Units at Attur, Palacode, Edappadi and Oothangarai during the year under review.

## **E. DIRECTORS**

Your Directors have appointed Mr N Chandrasekaran as an Additional Director of the Company with effect from 28<sup>th</sup> March 2005. The appointment has been made subject to the approval of the Shareholders of the Company at the forthcoming Annual General Meeting. In terms of Section 260 of the Companies Act, 1956, Mr N Chandrasekaran will hold office upto the date of the ensuing Annual General Meeting of the Company as he was appointed as an Additional Director of the Company. Notice in writing has been received by the Company from a Member, under the provisions of Section 257 of the Companies Act, 1956, signifying her intention to propose Mr N Chandrasekaran as a candidate for the office of the Director.

Under the provisions of the Articles of Association of the Company two of your Directors, viz. Mr S Thiagarajan and Mr Kirti P Shah retire by rotation at the forthcoming Annual General Meeting (selected by lot). Both of them, being eligible, offer themselves for re-appointment.

## **F. DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, your Directors hereby confirm :

- (i) that in the preparation of the annual accounts for the financial year ended 31<sup>st</sup> March 2005, the applicable accounting standards have been followed and that there are no material departures;
- (ii) that your Directors have selected such accounting policies and applied them consistently except as provided in the Notes to the financial statements under Schedule 20(2)(o) and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the period;
- (iii) that your Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that your Directors have prepared the annual accounts on a 'going concern' basis.

## **G. FINANCE**

During the year under review the company had to go in for additional borrowings to meet repayment obligations as well as to augment the long term resources of the Company. However, your company has taken care to ensure that such additional borrowings are obtained at very competitive rates.



## **H. FIXED DEPOSITS**

The total amount of Fixed Deposits from the Public and Shareholders of the Company outstanding as at 31<sup>st</sup> March 2005, was Rs.478.29 lacs out of which a sum of Rs.276.05 lacs representing 956 accounts are on account of Non-Cumulative Deposits and Rs.202.24 lacs representing 698 accounts are on account of Cumulative Deposits. A sum of Rs.5.48 lacs representing 22 accounts was unclaimed as on that date. Of the above a sum of Rs.1.81 lacs representing 9 accounts were since claimed and paid.

## **I. AUDITORS & AUDITORS' REPORT**

The Board of Directors recommend the appointment of the Auditors of the Company to hold office from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration. The present Auditors, Messrs. BSR & Co., Chartered Accountants are eligible for re-appointment.

## **EXPLANATION TO AUDITORS' REMARKS**

### **Clause 16 of Annexure to the Auditors' Report**

*In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised except for approximately Rs.84,231 thousands which has been borrowed for working capital requirement but has been utilized for long term investment.*

As informed in the previous Annual Report 2003-04, the company has a centralized treasury function where all the term loans and other borrowings in addition to the cash generated from operations are pooled through common bank accounts to optimally use funds and reduce the interest cost to the company. It is also to be mentioned here that the company obtains loans from banks which inherently permit it to be used interchangeably for long term and short term purposes. Under such an arrangement, the company has obtained a long term working capital loan of four year tenure to help augment the long term resources of the company, a portion of which was subsequently used for long term investments.

## **J. INDUSTRIAL RELATIONS**

Industrial relations, during the period under review, continued to remain cordial.

## **K. PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A)**

None of the employee of the Company was in receipt of remuneration, which in the aggregate exceeded the limits, fixed under sub-section (2A) of Section 217 of the Companies Act, 1956.

## **L. ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE**

The information required to be given under these heads in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, has been set out in the Annexure to this Report.

## **M. CORPORATE GOVERNANCE**

Your Company has complied with all mandatory provisions of Corporate Governance as prescribed under the Listing Agreement entered into with The Stock Exchange, Mumbai.

The Corporate Governance Report and the Management Discussion and Analysis Report are produced as a part of the Annual Report.

## **N. ACKNOWLEDGEMENT**

Your Directors wish to extend their thanks and appreciation to the employees of the Company at all levels and business associates for their commitment, dedication and respective contributions to the Company's operations during the year under review.

Your Directors sincerely thank the Company's Bankers and Financial Institutions and other associates for their continued support and patronage.

For and on behalf of the Board

Place : Chennai  
Date : 29<sup>th</sup> July 2005

**R.G. CHANDRAMOGAN**  
Chairman & Managing Director

## ANNEXURE TO THE DIRECTORS' REPORT

### A. CONSERVATION OF ENERGY

Energy Conservation measures are being taken within our plants as an ongoing exercise, although the Company's operations are not power intensive.

	Year ended 31 <sup>st</sup> March, 2005	Year ended 31 <sup>st</sup> March, 2004
<b>1. Power and Fuel Consumption:</b>		
ELECTRICITY:		
a) <b>Purchased</b>		
Units	1,89,09,306	1,08,13,558
Total Amount (Rs.)	8,61,33,948	4,82,28,469
Rate / Unit (Rs.)	4.56	4.46
b) <b>Through Diesel Generation</b>		
Units	22,89,981	5,63,332
Total Amount (Rs.)	2,39,59,428	31,60,292
Cost/Unit (excluding Overheads & Depreciation) (Rs.)	10.46	5.61
Units per Litre of Diesel Oil	2.50	3.17
c) <b>Furnace Oil</b>		
Quantity (KL)	25,48,722	9,93,669
Total Amount (Rs.)	3,49,06,265	1,28,80,495
Average Rate (Rs. / Litre)	13.70	12.96
<b>2. Consumption per Unit of Products, i.e. per litre of Milk</b>		
Electricity (Units) – Milk	0.0679	0.0410
– Ice Cream	0.5399	0.4667
Furnace Oil (Litres) – Milk	0.0082	0.0042

### B. TECHNOLOGY ABSORPTION

#### a) Research and Development (R & D)

##### 1. Specific areas in which R & D is carried out by the Company

- Process Development
- New & Economy Packaging
- Product Diversification
- Quality Enhancement to achieve International Standards.

The above activities are being carried out at our plants as an ongoing exercise for continuous process improvement.

##### 2. Benefits Derived

Continuous upgradation of the quality of products has resulted in better acceptance of the products by all classes of consumers.

##### 3. Future Plan of Action

Research and Development will lay emphasis on product/process development/innovation, to bring down costs without compromising on product quality and to achieve international standards in quality and taste.

##### 4. Expenditure on Research & Development

a) Capital	:	NIL
b) Recurring	:	NIL
c) Total	:	NIL
d) Total R & D expenditure as a % of total turnover	:	NIL