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Arum
ICECREAMS

HATSUN

AGRO PRODUCT LIMITED

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

B.S. MANI

SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

S. THIAGARAJAN

P. VAIDYANATHAN

K.S. THANARAJAN

REMUNERATION COMMITTEE

P. VAIDYANATHAN

S. THIAGARAJAN

B.S. MANI

COMPANY SECRETARY

T. KANNAN

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
E-mail: secretarial@hatsun.com

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.,

CHARTERED ACCOUNTANTS,

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

BANKERS

ICICI BANK LTD. • STATE BANK OF INDIA • STANDARD CHARTERED BANK
UTI BANK LTD. • BANK OF MAHARASHTRA • THE BANK OF RAJASTHAN LTD.

21st ANNUAL GENERAL MEETING

DATE : 19TH SEPTEMBER 2006
DATE : TUESDAY
TIME : 11.00 A.M.
VENUE : ANDHRA SOCIAL & CULTURAL ASSOCIATION,
No.44, VIJAYARAGHAVAROAD,
T.NAGAR,
CHENNAI - 600 017.

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Hatsun Agro Product Limited

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Twenty First Annual General Meeting of HATSUN AGRO PRODUCT LIMITED will be held on Tuesday, the 19th September 2006 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 31st March 2006 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 ratify the Interim Dividend of 20% declared and paid for the year ended 31st March 2006.
3. To declare pro-rata Dividend on 8% Non-Convertible Cumulative Redeemable Preference Shares.
4. To appoint a Director in place of Mr. P.Vaidyanathan, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. C.Sathyan, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Mr. K.S.Thanarajan, who retires by rotation and being eligible, offers himself for re-appointment.
7. 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

8. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution :
 "RESOLVED THAT pursuant to Section 269 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the said Act, approval be and is hereby granted to the appointment of Mr. C.Sathyan as the Executive Director - Operations of the Company, with effect from 1st June 2006 for a period of Five years."
 "RESOLVED FURTHER THAT pursuant to the provisions of Sections 198, 309, 310 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, including any statutory modification(s) or re-enactment(s) thereof, for the time being in force, the company hereby approves the payment of the following remuneration to Mr. C.Sathyan as the Executive Director - Operations of the Company, with effect from 1st June 2006 for a period of Five years :

I. SALARY : Rs.55,000/- (Rupees Fifty Five Thousand only) per month.

II. PERQUISITES : The perquisites are classified into three Categories - Category A, B and C as follows :

CATEGORY 'A'

1) HOUSING

House Rent Allowance shall be subject to a ceiling of 60% of the Salary. If the Company provides the accommodation, the expenditure on hiring furnished accommodation shall be subject to 60% of the salary.

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 expenses, 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 subject to a ceiling of one month's salary.

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.

Explanation : For the purpose of Category 'A', 'family' means the spouse, the dependent children and dependent parents.

Hatsun Agro Product Limited

CATEGORY 'B'

- (1) The Benefit of the Company's Provident Fund and Superannuation Scheme in accordance with the rules for the time being in force. Contribution to Provident Fund and Superannuation Fund will not be included in the computation of the ceiling of perquisites to the extent these either singly or put together are not taxable, under the Income-tax Act, 1961. Gratuity payable will not exceed half a month's salary for each completed year of service.
- (2) Leave : Mr. C.Sathyan will be allowed leave and encashment thereof as per the rules of the Company.

CATEGORY 'C'

The Company shall provide a car with driver and telephone facility at the residence of Mr. C.Sathyan. Provision of a car for use on Company's business and telephone at residence will not be considered as perquisites. Personal distance calls on telephone shall be billed by the Company to Mr. C.Sathyan. Use of car for personal purpose shall be valued in accordance with the Income-tax Rules for such use, if any, and shall be treated as taxable income.

The aggregate remuneration inclusive of salary, bonus, incentives, perquisites and allowances and other benefits payable to Mr. C.Sathyan, shall always be subject to the overall ceilings laid down in Sections 198 and 309 and other applicable provisions of the Companies Act, 1956.

Minimum remuneration

Wherein any financial year during the tenure of Mr. C.Sathyan, the company incurs a loss or its profits are inadequate, the company shall pay to Mr. C.Sathyan the above remuneration by way of salary, perquisites and others as a minimum remuneration subject to the limits specified under Section II of Part II of Schedule XIII of the Companies Act, 1956 (including any statutory modifications or re-enactments thereof, for the time being in force), or such other limits as may be prescribed by the Government from time to time as minimum remuneration.

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

"RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to vary, alter or modify the different components of the above remuneration as may be agreed to by the Board of Directors and Mr. C.Sathyan."

Place : Chennai

Date : 28th July 2006

By Order of the Board
for HATSUN AGRO PRODUCT LIMITED

Registered Office:

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

T. Kannan
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 14th September 2006 to 19th September 2006 (both days inclusive).
3. Shareholders are requested to notify to our Registrar and Share Transfer Agent, M/s Alpha Systems Private Limited, No.30, Ramana Residency, 4th Cross Street, Sampige Road, Malleswaram, Bangalore - 560 003, 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.
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 and contact us at e-mail : secretarial@hatsun.com
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.

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8. Shareholders are requested to check whether they have encashed Dividend Warrants for earlier years. If the Dividend Warrants have become time-barred / lost, please apply for revalidation / fresh dividend warrant before the last dates indicated below:

Dividend for the year ended	Rate of Dividend	Record Date	Date on which unpaid amount is required to be transferred to IE&PF	Shareholders should apply latest by
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
2005-06	20%	14/07/2006	25/07/2013	05/07/2013

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 transferred to IE&PF.

During the year 2005-06, an amount of Rs.5,437/- being unclaimed dividend pertaining to the accounting year 1997-98 was transferred to Investor Education and Protection Fund.

PROFILE OF THE DIRECTORS BEING RE-APPOINTED

- Mr. P.Vaidyanathan is a fellow member of The Institute of Chartered Accountants of India and associate member of The Institute of Company Secretaries of India and The Institute of Cost and Works Accountants of India. He joined the Board of Hatsun in 1999. At present Mr. P.Vaidyanathan is the Chairman of Integrated Enterprises (India) Limited. He is also on the Board of other companies viz., City Union Bank Limited, Economist Communications Limited, Franklin Templeton Asset Management Private Limited and CUB Share Broking Services Limited. Mr. P.Vaidyanathan carries with him more than 33 years of experience in the Finance functions.

Mr. P.Vaidyanathan has no Shareholding in the Company as at 31st March 2006.

- Mr. C.Sathyan, a Company Executive, is a Bachelor of Business Management with specialization in Marketing. He has held various executive positions during his career spanning over 8 years. He joined the Board of Hatsun in 2001 and designated as Executive Director - Operations. He is also on the Board of Tonokya Food Private Limited.

Mr. C.Sathyan is a Promoter-Director and holds 6,38,669 Equity Shares in the Company as at 31st March 2006.

- Mr. K.S.Thanarajan is a post graduate in Economics and he is the Joint Managing Director of the Company and he is in-charge of day to day operations of the Dairy Division. He has held various executive positions during his career spanning over 34 years. He joined the Board of Hatsun in the year 1995.

Mr. K.S.Thanarajan holds 1,18,600 Equity Shares in the Company as at 31st March 2006.

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

Item No.8

Mr. C.Sathyan was re-appointed as Executive Director - Operations for a period of Five year with effect from 1st June 2006. Upon the recommendation of the Remuneration Committee, the Board of Directors at their meeting held on 22nd April 2006, have fixed the remuneration payable to Mr. C.Sathyan.

The detailed terms of remuneration is given in the Resolution. The brief profile of Mr. C.Sathyan is given under profile of the Directors being reappointed.

None of the Directors of the company other than Mr. C.Sathyan & Mr. R.G.Chandramogan is interested or concerned in the Resolution.

The Board recommends the resolution set forth in Item No.8 for the approval of the Shareholders.

Place : Chennai

Date : 28th July 2006

Registered Office:

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

By order of the Board
for HATSUN AGRO PRODUCT LIMITED

T. Kannan
Company Secretary

Hatsun Agro Product Limited

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 31st March 2006.

A. FINANCIAL RESULTS

(Rs. in Lakhs)

	Current Year Ended 31 st March 2006	Previous Year Ended 31 st March 2005
Income		
Net Sales	54,034.42	44,918.75
Other Income	763.70	159.14
	<u>54,798.12</u>	<u>45,077.89</u>
Profit		
a) Profit before Depreciation	2,378.67	1,537.54
b) Less : Depreciation	1,548.72	1,377.43
c) Balance	829.95	160.11
d) Less : Income-tax - Current Period	152.20	12.82
Deferred Tax - Current Period	170.95	44.61
- Prior Period	-	29.17
Fringe Benefit Tax	82.27	-
e) Profit after Taxes	424.53	73.51
f) Add : Balance brought forward from previous year	414.59	341.08
g) Balance available for appropriation	<u>839.12</u>	<u>414.59</u>
Appropriation		
a) Dividend		
- Interim Dividend on Equity Shares	135.77	-
- Proposed Dividend on Preference Shares	19.71	-
b) Corporate Dividend Tax		
- Equity	19.04	-
- Preference	2.76	-
c) Transfer to General Reserve from current year profits	42.45	-
d) Transfer to General Reserve from opening balance in the Profit and Loss Account	414.59	-
e) Balance carried to Balance Sheet	204.80	414.59
	<u>839.12</u>	<u>414.59</u>

B. DIVIDEND

Equity Shares

Your Company has declared an Interim Dividend of Rs.2/- per Equity Share (20%) on 21st June 2006 on Equity Share Capital of Rs.678.88 Lakhs absorbing Rs.154.81 Lakhs including Corporate Dividend Tax for the year 2005-2006 and the same would be construed as the final dividend for the year ended 31st March 2006.

Hatsun Agro Product Limited

Preference Shares

As per the terms of the issue of 8% Non-Convertible Cumulative Redeemable Preference Shares of Rs.100/- each, your Directors have recommended a pro-rata Dividend on the Preference Share Capital of Rs.508 Lakhs absorbing Rs.22.47 Lakhs including Corporate Dividend Tax for the year ended 31st March 2006.

C. PERFORMANCE OF THE COMPANY

OPERATING RESULTS

The year under review witnessed strong growth in sales revenue and profit. During the year, your Company registered a turnover (Net Sales) of Rs.54,034.42 Lakhs representing an increase of 20.29% over that of the previous year. Your Company delivered a strong performance in cash generation during the year driven by the business performance, enhanced capability of the supply chain and efficient collection system.

Your Company continues with its cost control measures. 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.

EXPORTS

The value of exports during the year under review was Rs.7,745.01 Lakhs representing 14.33% of Net Sales and an increase of 11.58 times over that of the previous year. The Company is a Net Foreign Exchange Earner.

SEGMENTWISE PERFORMANCE

DAIRY SEGMENT

Your Company continues to be the leading private sector company in the dairy industry in the Country. Milk continues to have the major share in your company's revenue. The revenue in the milk and milk products segment increased by 21.36% over that of the previous year. The profit in this segment grew substantially by 77.18% over the previous year.

During the year under review your Company closed its milk business activities - processing and marketing of milk - under the brand name "Delight" at Kolkatta in the State of West Bengal as it was considered that it would have a strain on the overall profitability of the Company.

ICE CREAM SEGMENT

The sales grew by 5.79% and the segmental profit by 7.93%. The market continued to witness intense competitive activity. The business also faced severe challenges on the cost front due to higher prices of milk and other ingredient. Extensive cost control programmes in manufacturing has been implemented to improve the cost structure of this business. A good growth potential is foreseen in this business in the coming years.

FUTURE PLAN

The major focus areas in the current financial year is export of Milk Products and Ice Cream. This will help your 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 Thalaivasal, Athur and Palacode during the year under review.

E. DIRECTORS

In accordance with the provisions of the Articles of Association of the Company three of your Directors, viz. Mr. P.Vaidyanathan, Mr. C.Sathyan and Mr. K.S.Thanarajan retire by rotation at the forthcoming Annual General Meeting and all of them being eligible, offer themselves for re-appointment.

The profile of Directors seeking re-appointment are furnished in the Notice of the ensuing Annual General Meeting.

Hatsun Agro Product Limited

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 31st March 2006, 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 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 the long term resources of the Company. However, your Company has taken care to ensure that such additional borrowings are obtained at a very competitive rates.

In terms of the provisions of Investor Education and Protection Fund Rules, 2001, Rs.5,437/- of unclaimed dividend pertaining to the accounting year 1997-98 was transferred to Investor Education and Protection Fund during the year.

H. ALLOTMENT OF PREFERENCE SHARES

During the year under review, 5,08,000, 8% Non-Convertible Cumulative Redeemable Preference Shares of Rs.100/- each aggregating to Rs.508 Lakhs were issued and allotted. The said Preference shares are redeemable at the end of the 48th, 54th and 60th month from the date of allotment in equal instalments and shall be redeemed in full in five years. Your Company reserves the right to exercise call option to redeem the entire Preference Shares.

I. DEPOSITORY SYSTEM

As the Shareholders are aware, your Company's Shares are tradable in electronic form and the Company has established connectivity with both the Depositories i.e. National Securities Depository Limited and Central Depository Services (India) Limited. In view of the advantages offered by the Depository System, the shareholders are requested to avail of the facility of dematerialization of the Company's shares.

J. FIXED DEPOSITS

The total amount of Fixed Deposits from the Public and Shareholders of the Company outstanding as at 31st March 2006, was Rs.394.21 Lakhs, out of which a sum of Rs.232.38 Lakhs representing 770 accounts are on account of Non-Cumulative Deposits and Rs.161.83 Lakhs representing 571 accounts are on account of Cumulative Deposits. A sum of Rs.5.57 Lakhs representing 22 accounts was unclaimed as on that date. Of the above, a sum of Rs.1.71 Lakhs representing 7 accounts were since claimed and paid.

K. 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.