
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

KIRTIP. 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

B.V. NATH

REGISTERED & CORPORATE OFFICE

5-A, VIJAYARAGHAVAROAD
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.
5. NO.109/2, KUNDUR VILLAGE
HONNALI TALUK, DAVANGERE DISTRICT
HONNALI, KARNATAKA.
6. NO.142/IB & IC, HOSUR ROAD
VELLISANDHAI
PALACODE 606 806, TAMIL NADU.
7. NO.76/2B, DINDUGAL MADURAI MAIN ROAD
THIRUVAZHAVAYANALLUR,
VADIAPATTI TALUK
MADURAI 625 221, TAMIL NADU.

BRANCHES/DEPOTS

- | | |
|----------------|----------------|
| ◆ AVINASHI | ◆ PUDUCHERRY |
| ◆ BANGALORE | ◆ SALEM |
| ◆ CHENNAI | ◆ THANJAVUR |
| ◆ KANCHEEPURAM | ◆ THIRUNELVELI |
| ◆ MADURAI | ◆ VIJAYAWADA |

STATUTORY AUDITORS

M/S. S R BATLIBOI & ASSOCIATES

CHARTERED ACCOUNTANTS

"TPL HOUSE", SECOND FLOOR, NO.3, CENOTAPH ROAD, TEYNAMPET, CHENNAI - 600 018.

BANKERS

STATE BANK OF INDIA • ICICI BANK LTD • STANDARD CHARTERED BANK LTD • AXIS BANK LTD
PUNJAB NATIONAL BANK • THE BANK OF RAJASTHAN LTD. • THE KARUR VYSYA BANK LTD.
LAKSHMI VILAS BANK LTD. • THE SOUTH INDIAN BANK LTD. • YES BANK LTD.

23rd ANNUAL GENERAL MEETING

DATE : 22nd SEPTEMBER, 2008
DAY : MONDAY
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 SHAREHOLDERS

NOTICE is hereby given that the Twenty Third Annual General Meeting of HATSUN AGRO PRODUCT LIMITED will be held on Monday, the 22nd September 2008 at 11.00 a.m. at Andhra Social and Cultural Association, No.44, Vijayaraghava Road, T.Nagar, Chennai - 600 017 to transact the following businesses :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2008 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 25% declared and paid for the year ended 31st March 2008 and declare final dividend of 35% as recommended by Board for the year ended 31st March, 2008.
3. To declare pro-rata dividend on 8% Non-Convertible Cumulative Redeemable Preference Shares.
4. To appoint a Director in place of Mr. K.S. Thanarajan, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. N. Chandrasekaran, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint M/s. S.R. Batliboi & Associates, 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

7. 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 other applicable provisions, if any 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 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 14,00,000 (Fourteen Lakhs) 12% Non-Convertible Non Cumulative Redeemable Preference Shares of Rs.100/- (Rupees One hundred only) each at par / premium, credited as fully paid-up, from the Authorised Share Capital of the Company to Promoters and their Associates on preferential (private placement) basis, either in one or more tranches and on such terms & conditions including dividend, preferential payment and redemption as the Board of Directors may deem fit and that such shares need not be offered to the other existing Shareholders of the Company."

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

Place : Chennai
Date : 7th August, 2008

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

By order of the Board
for **HATSUN AGRO PRODUCT LIMITED**
Sd/-
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 effective, 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 16th September, 2008 to 22nd September, 2008 (both days inclusive).
3. Shareholders are requested to notify 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 Registrar the details of all folio numbers for consolidation into a single folio.
8. Shareholders are requested to check whether they have encashed Dividend Warrants for the 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
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
2006-07	20%	06/07/2007	27/07/2014	07/07/2014
2007-08	25%	07/11/2007	06/12/2014	16/11/2014

During the 2007-08, an amount of Rs.26,600/- being unclaimed dividend pertaining to the accounting year 1999-2000 was transferred to Investor Education and Protection Fund (IE & PF).

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 IE & PF. Shareholders will not be entitled to claim the dividend amounts once transferred to IE & PF.

PROFILE OF THE DIRECTORS BEING REAPPOINTED / APPOINTED

As per the Articles of Association of the Company, one-third of its Directors retire every year and, if eligible, offer themselves for re-election at every Annual General Meeting. Accordingly, Mr. K S Thanarajan and Mr. N Chandrasekaran are liable to retire at the ensuing Annual General Meeting and being eligible, are offering themselves for re-appointment, in accordance with the provisions of the Companies Act, 1956. The brief Resume of each of the Directors who are proposed to be reappointed is given below:

- **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 36 years. He joined the Board of the company, in 1995.

Mr. K S Thanarajan holds 91,100 Equity Shares in the Company as at 31st March 2008.

- **Mr. N Chandrasekaran**, is a Mechanical Engineering Graduate with about 41 years experience. He has held various executive positions during his career. He is the Managing Director of EPT Engineering Services Private Limited. He is also on the Board of other companies viz., Fortune Valley Agro Farms Private Limited, Enmas Process Technologies Private Limited, Enmas Dynetics Limited, PSTS Heavy Lift and Shift Limited, Cethar Energy Limited and Cethar Vessels Limited. Mr. N Chandrasekaran joined the Board of the Company, on 28th March 2005 as an Additional Director.

Mr. N Chandrasekaran has no Shareholding in the Company as at 31st March 2008.

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

Item No.7

In order to augment the long term resources of the Company, it is proposed to offer, issue and allot Non-Convertible Non Cumulative Redeemable Preference Shares on a preferential basis to Promoters and their Associates on such terms and conditions including dividend, preferential payment and redemption as the Board of Directors may deem fit. 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 except the promoter directors Mr. R G Chandramogan and Mr. C Sathyan, is interested or concerned in the item of business.

Place : Chennai

Date : 7th August, 2008

Registered Office:

5-A, Vijayaraghava Road,

T. Nagar, Chennai - 600 017.

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

Sd/-

B.V. NATH

Company Secretary

DIRECTORS' REPORT

To
The Members

Your Directors are delighted to present their 23rd Report along with the Audited Accounts of the Company for the year ended 31st March, 2008.

FINANCIAL RESULTS

The financial performance of your Company for the year ended 31st March, 2008 is summarised below:

	(Rs. in Lakhs)	
	Current Year ended 31 st March, 2008	Previous Year ended 31 st March, 2007
Income		
Net Sales	86,319.36	58,528.28
Other Income	624.07	694.72
	<u>86,319.36</u>	<u>59,223.00</u>
Profit		
a) Profit before Depreciation	4,645.32	2,709.23
b) Less : Depreciation	1,850.40	1,578.56
c) Profit after depreciation	2,794.92	1,130.67
d) Less : Income-tax - Current Period	979.11	346.94
Deferred Tax - Current Period	12.74	24.30
Reversal of Prior Period tax	(18.89)	(111.81)
Fringe Benefit Tax	89.40	56.64
e) Profit after Taxes	1,732.56	814.60
f) Add : Balance brought forward from previous year	236.12	204.80
h) Balance available for appropriation	<u>1,968.68</u>	<u>1,019.40</u>
Appropriation		
a) Dividend		
- Interim Dividend paid on Preference Shares	20.38	—
- Interim Dividend paid on Equity Shares	169.72	—
- Proposed Final Dividend on Preference Shares	20.26	54.12
- Proposed Final Dividend on Equity Shares	237.61	135.78
b) Corporate Dividend Tax		
- Equity	69.23	23.08
- Preference	6.91	9.20
c) Transfer to General Reserve from current year profits	173.26	61.10
d) Balance carried to Balance Sheet	1,271.31	736.12
	<u>1,968.68</u>	<u>1,019.40</u>

PERFORMANCE OF THE COMPANY

OPERATING RESULTS

During the year, your Company registered a turnover (Net Sales) of Rs. 86319.36 Lakhs representing an increase of 47.48% over that of the previous year. Your Company registered a gross profit of Rs. 2794.92 Lakhs, with an increase of

47.19% over the previous year. This has been achieved through rigorous cost control measures and enhanced realization combined with a strong supply chain management and optimum collection system.

EXPORTS

The value of exports during the year under review was Rs. 11280 Lakhs representing 13.07 % of Net Sales. Your Company is a Net Foreign Exchange Earner.

SEGMENTWISE PERFORMANCE

DAIRY SEGMENT

Your Company is a leading private Company in the dairy sector 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 50.04% over that of the previous year. The profit in this segment grew by 105.33% over the previous year.

ICE CREAM SEGMENT

Though the revenue in this segment showed an increase of 18.40% over the previous year, the segmental profit was reduced by 25.15% due to heavy increase in basic raw material cost. Your Company is implementing stringent cost control techniques to improve the returns from this segment. This segment is poised for good growth in the coming years with the increasing disposable income of the population.

FUTURE PLAN

The major thrust areas in the current financial year would be Dairy Ingredients, Milk Products and Ice Cream. This will help your Company to diversify its product profile and enable it to maintain its leadership position.

DIVIDEND

EQUITY SHARES

Your Company has declared and paid an Interim Dividend of Rs.2.50/- per Equity Share (25%) on 30th October 2007 on Equity Share Capital, for shareholders whose names appear on the Register of Members as at 7th November, 2007 (Record Date), absorbing Rs.1,98,56,444/- (Dividend - Rs. 1,69,72,045/-; Corporate Dividend Tax – Rs. 28,84,399/-). The Directors recommend a final dividend at 35% per Equity Share for the year ended 31st March, 2008.

PREFERENCE SHARES

As per the terms of the issue of 8% Non-convertible Cumulative Redeemable Preference Shares of Rs.100/- each, your Directors recommended a pro rata Dividend to the Preference shareholder whose name appears on the Register of Members as at 7th November 2007 (Record Date) absorbing Rs.23,83,852/- (Dividend – Rs. 20,37,567/-; Corporate Dividend Tax – Rs. 3,46,285/-). The directors recommend a pro rata dividend of Rs20,26,433/- in terms of the issue of 8% Non-convertible Cumulative Redeemable Preference Shares.

COMMUNITY DEVELOPMENT AND CHARITABLE WORK

Your Company has co-ordinated various Community Development Activities during the year. Your Company has organized free eye camps at Attur, Palacode, Edappady, Rasipuram and Valapatty. Your Company has also distributed stationery, uniforms and school bags to school students.

DIRECTORS

In accordance with the provisions of the Articles of Association of the Company, two of your Directors, Mr. K S Thanarajan, and Mr. N Chandrasekaran are liable to retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

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

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm

- i) that in the preparation of the annual accounts for the financial year ended 31st March, 2008, 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.

FINANCE

During the year under review the Company had to maintain its borrowings to run the operations. However, your company has taken care to ensure that such of the Company borrowings are obtained at very competitive rates.

In terms of the provisions of Investor Education and Protection Fund Rules 2001, Rs.26,600/- of unclaimed dividend pertaining to the accounting year 1999-00 was transferred to Investor Education and Protection Fund during the year.

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.

FIXED DEPOSITS

The total amount of Fixed Deposits from the Public and Shareholders of the Company outstanding as at 31st March, 2008, was Rs.345.42 Lakhs out of which a sum of Rs.206.72 Lakhs represent 637 accounts of Fixed/Non Cumulative Deposits and Rs.138.70 Lakhs represent 433 accounts of Cumulative Deposits. A sum of Rs.11.03 Lakhs under 41 accounts was unclaimed as on that date. Out of the above, Rs.6.22 Lakhs representing 24 accounts were since claimed and paid.

AUDITORS & AUDITORS' REPORT

M/s. S R Batliboi & Associates, Chartered Accountants, Chennai, Statutory Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for reappointment. The Company has received a certificate from them confirming that this appointment, if made, will be within the limits laid down under Section 224(1B) of the Companies Act, 1956. Your directors recommend the appointment of M/s. S R Batliboi & Associates, Chartered Accountants, Chennai as Statutory Auditors of the Company at the ensuing Annual General Meeting

EXPLANATION TO AUDITORS' REMARKS

Point No. 3 of the Auditors' Report

As more fully described in Note 2 (a)(iii) of Schedule 19 to the financial statements, certain income tax matters (financial estimate by the management of Rs.15 million) in respect of the financial year ended 31st March 1996 are being contested by the Company and the matter pending with the High Court of Judicature, Chennai. Pending a final resolution of uncertainties in this connection, no provision towards tax and other consequential adjustment, if any have been considered in the financial statements.

The Management believes based on the expert advice that the company has strong case and hence, no provision and consequential adjustments, if any for such disputed amount have been considered in the financial statements.

Point No. (xvii) of Annexure to the Auditors' Report

According to the information and explanations given to us and on overall examination of the balance sheet of the Company, we report that *the Company has used funds raised on short-term basis for long-term investment. The Company has purchased certain fixed assets aggregating Rs. 438,309 ('000s) by availing of short term loans.*

As informed in the earlier years' Annual Reports, 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.

INDUSTRIAL RELATIONS

Industrial relations in all the units and branches of your Company remained cordial and peaceful throughout the year.

PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A)

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 forming part of this report for the year ended March 31, 2008

Part A – Employed throughout the year and in receipt of remuneration aggregating to Rs 24,00,000/- or more during 2007-2008.

S. No	Name	Age	Designation/ Nature of Duties	Remuneration (Gross) Rs	Qualification and Experience	Date of commencement of employment	Previous employment		
							Name of the organi sation	Designation	(No of Years)
1	Mr. R G Chandramogan	59	Chairman and Managing Director	26,95,733	Industrialist	04.03.1986	—	—	—
2	Mr. K S Thanarajan	59	Joint Managing Director	28,88,933	Post Graduate in Economics	18.07.1995	—	—	—
3	Mr V K Sinha	43	SGM Tech	25,20,000	BSc Dairy Tech	01.08.2004	Dynamix Dairy Ltd	GM Production	20 years

Part B – Employed for part of the year and in receipt of remuneration aggregating to Rs 2,00,000/- or more during 2007-2008.

S. No	Name	Age	Designation/ Nature of Duties	Remuneration (Gross) Rs	Qualification and Experience	Date of commencement of employment	Previous employment		
							Name of the organi sation	Designation	(No of Years)
1	Mr. B Nandakumar	50	CMO	27,42,552	MA Economics	06.09.2004	LG Care	COO	27 years

Notes : 1. All appointments are / were contractual.

2. Gross remuneration includes salary & allowances, contribution to PF & other Funds and other benefits

3. Except Mr C Sathyan, Executive Director who is the son of Mr R G Chandramogan, Chairman and Managing Director, None of the employee is a relative of any Director of the Company

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

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.

FOREIGN EXCHANGE EARNINGS AND OUTGO

The Foreign Exchange Earnings from Exports during the year 2007-08 amounted to Rs. 11,280.31 Lakhs.

Total outgo of Foreign Exchange during the year amounted to Rs.258.39 Lakhs.

CORPORATE GOVERNANCE

Your Company has complied with all mandatory provisions of Corporate Governance as prescribed under the Listing Agreement of Bombay Stock Exchange Limited with which the Company is listed.

The Management Discussion and Analysis Report and Corporate Governance Report form part of this Annual Report.

ACKNOWLEDGEMENT

Your Directors thank the Company's Bankers and the Financial Institutions for their help and co-operation extended throughout the year. Your Directors place on record their appreciation for the support and co-operation that the Company received from its stakeholders and in specific its channel partners. Your Directors also record their appreciation for the excellent operational performance of the staff of the Company that contributed to the achievements of the Company. The Directors also acknowledge with much gratitude, the continued trust and confidence reposed by the shareholders of the Company.

For and on behalf of the Board of Directors
Sd/-

R.G. CHANDRAMOGAN

Chairman & Managing Director

Place : Chennai

Date : 18th July, 2008

