



2017

32nd ANNUAL REPORT

HAP



It all begins with nature



Everything has a beginning. Be it a living creature or a plant, everything on this planet has an origin. A place of birth. A root from where life springs forth. And where do we find this root, this ground zero for life? Do we look long and wide, or do we find it in a place not far from where we are?



The answer is all around us. In the air we breathe, the water we drink, the earth we stand on and the fire we hold within. The answer is in nature.



At Hatsun Agro Product Limited (HAP), we believe in partnering with nature. We hold her in utmost reverence - our source of constant inspiration and innovation.

02. It all begins with nature	03. Hatsun Agro Product Limited (HAP)	05. Board of Directors	08. Milk Procurement Process
& Animal Husbandry	09. Our Brand Stable	14. Stories from 2016	15. Brand Pages
41. 10 Years Financials	43. 32 nd Annual General Meeting	45. Notice To Shareholders	51. Board's Report
85. Report On Corporate Governance	105. Management Discussion & Analysis	109. Business Responsibility Report (BRR)	117. Independent Auditor's Report
121. Balance Sheet	122. Statement of Profit and Loss	123. Cash Flow Statement	125. Notes to Financial Statement
152. Balance Sheet Abstract	153. Registered & Corporate Office and Factories	154. Proxy Form	156. Attendance Slip



Earth, the epitome of honesty.
The embodiment of trust, truth and integrity.
The root that keeps us grounded.

Hatsun Agro Product Limited

Over the decades, Hatsun Agro Product Limited (HAP) has been committed to providing customers a range of dairy products that enrich their lives. Our offerings cater to specific needs covering a wide range in the areas of cooking and consumption. They include milk, curd, ice creams, dairy whitener, skimmed milk powder, ghee, paneer and a host of others. We take pride in playing a part in the daily lives of a million Indian households through brands such as Arokya Milk, Hatsun Curd, Hatsun Pancer, Hatsun Ghee, Arun Icecreams, Ibaco and Hatsun Ghee has become a daily choice in many North Indian states, while Hatsun Dairy Whitener has become a popular household brand in the North Eastern part of the country.

Being a name with a foundation built on quality, we have a technically advanced system in place along with time-tested business processes across our 16 plants.

Hatsun Agro Product Limited also has a healthy global presence with dairy ingredients exported to 40 countries around the world – primarily to America, the Middle East and South Asian markets. Our popular Arun Icecreams is also a favourite brand in Seychelles and Brunei.

Being a name with a foundation built on quality, we have a technically advanced system in place along with time-tested business processes across our 16 plants.

HAP is continually on the lookout to spread its wings, thereby catering to the needs of a greater number of families. While our foothold in Tamil Nadu continues to be strengthened, we are working towards rapid expansion through the country this year, like Karnataka, Andhra Pradesh, Telangana, Kerala, Orissa and Maharashtra, thanks mainly to the overwhelming response from our consumers about the quality of our products. We recognise their appreciation, and as always will continue to make product developments and new product innovations aided by prolific Research & Development efforts. Our plans will include a foray into new brands featuring healthy, tasty and quality foods.

As always, the customer can look forward to the great levels of quality that we have always been known to deliver.

Board Of Directors



R.G. CHANDRAMOGAN
Chairman & Managing Director

Shri R.G. Chandramogan is the Promoter of the Company. He is the Chairman and Managing Director of the Company. He initially started the ice cream business in the early 1970s and later ventured into milk and milk-related products. He has more than 4 decades of experience in the industry.



C. SATHYAN
Executive Director

Shri C. Sathyan takes care of Business Management with specialisation in Marketing. He has held various executive positions during his career spanning over a decade.



K.S. THANARAJAN
Non-Executive Director

Shri K.S. Thanarajan has nearly in 4 decades of experience in various executive positions in his career, having specialisation in system management.



P. VAIDYANATHAN
Independent Director

Shri P. Vaidyanathan is a Fellow Member of The Institute of Chartered Accountants of India, Associate Member of The Institute of Company Secretaries of India and Associate Member of The Institute of Cost and Works Accountants of India.

Shri P. Vaidyanathan has more than 32 years of experience in Finance functions.



B. THENAMUTHAN
Independent Director

Shri Balasubramanian Thenamuthan has 3 decades of experience in journalism. He is the Managing Director of Karnataka News Publications Private Limited, which publishes a Tamil daily outside Tamil Nadu.



N. CHANDRASEKARAN
Independent Director

Shri N. Chandrasekaran is a Mechanical Engineering with more than 4 decades of experience. He has held various executive positions during his career. He is also on the Board of different reputed companies.



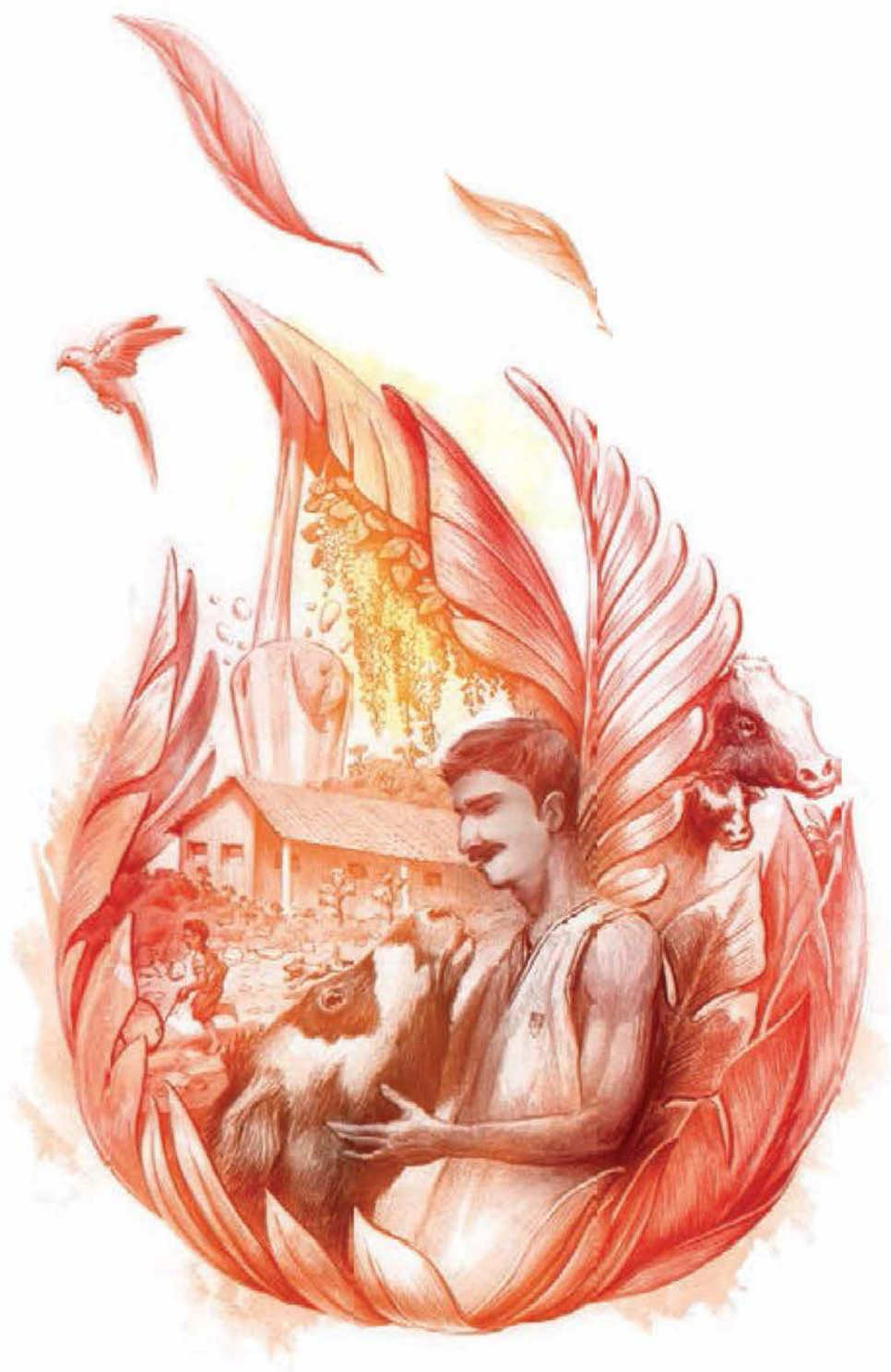
BALAJI TAMMINEEDI
Independent Director

Shri Balaji Tammineedi is an entrepreneur and has more than two decades of experience in the Dairy Industry. He is the Managing Director of M/s. Jyothi Steel Industries (India) Private Limited.

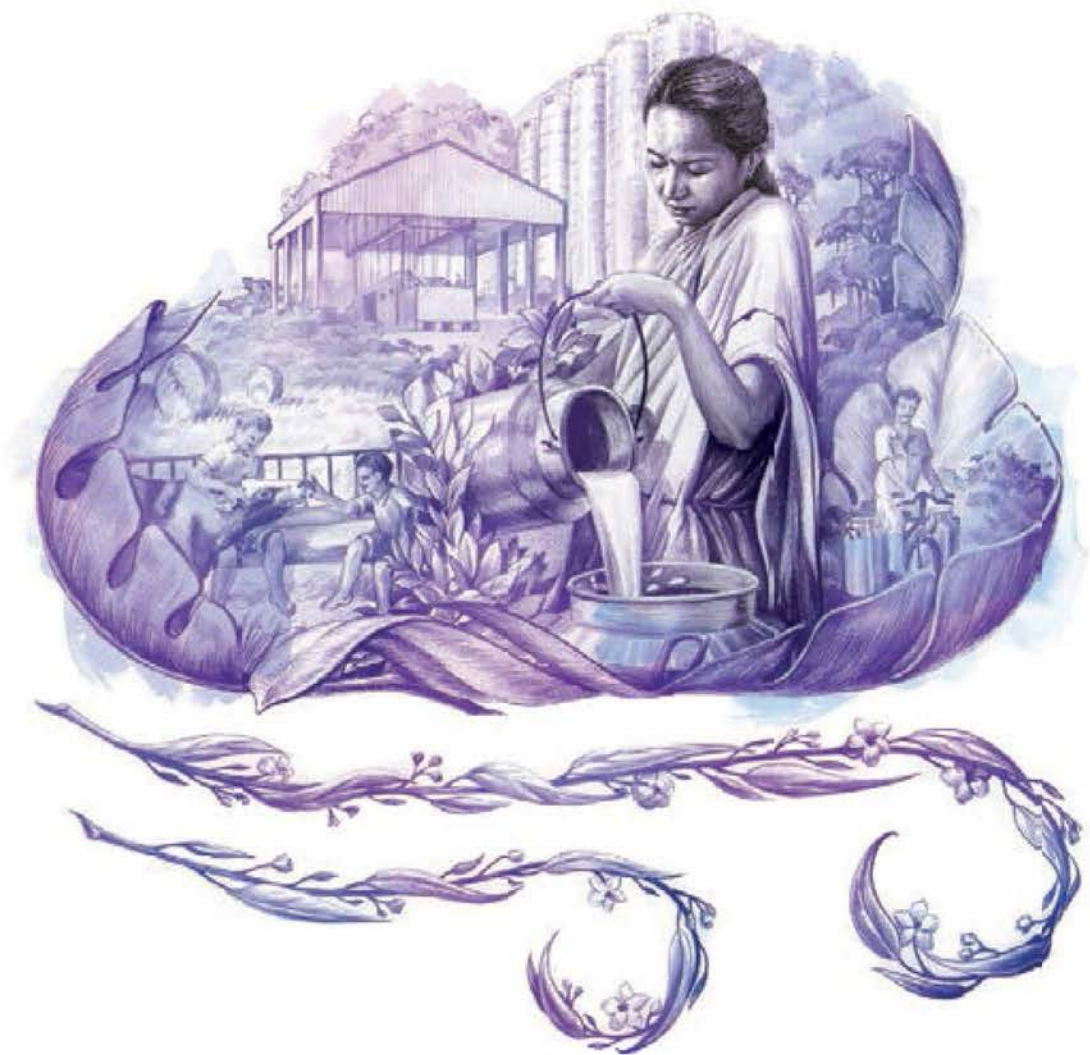


CHALINI MADHIVANAN
Independent Director

Dr. Chalini Madhivanan is a graduate from Madurai Medical College and a postgraduate in Ophthalmology at Regional Institute of Ophthalmology and Government Ophthalmic Hospital, Chennai. She underwent fellowship in refractive corrective procedures-LASIK LASER, at Kiryu Eye Institute, Japan & Paediatric Fellowship at Sankara Nethralaya, Chennai. She has presented more than 100 papers in state and international conferences and has conducted scientific workshops and conferences in the State and across the country. She holds the position of Vice-Chairman at M.N Eye Hospital Pvt. Ltd. She was the Editor of the prestigious journal of Tamil Nadu Ophthalmic Association & the Chairman of Academic & Research committee of the same.



Fire brings with it great power.
The energy to excel, the desire to do
and the drive to transform.



Air is the power shaft without which progress would be impossible.
The unseen constant that keeps us alive.
The engine that keeps us moving forward.

Milk Procurement Process

HATSUN MILK BANKS

HAP procures milk directly from the farmers. To facilitate it in this process HAP has around 10,000 plus Hatsun Milk Banks (HMBs) covering over 13,000 villages. Everyday 3.2 lakh plus farmers pour their milk at these HMBs. At the HMBs every farmer's milk is tested for its quality. Based on the quality, per litre price of milk is determined with the help of a two-way price chart.

QUALITY PARAMETERS

The two parameters tested for determining quality are Fat and SNF. Based on the quality and the number of litres poured by the farmer, his or her total amount is calculated. This process is done for each and every farmer who pours milk at the HMB. Based on the quality, the farmer is paid every 10 days.

FARMER MANAGEMENT

The entire farmers' database is managed through a state-of-the-art computer software system. It would not be out of place to mention that HAP has been paying the farmers on time once every 10 days without any exception – rain or shine. HAP takes great pride in maintaining this track record for more than two decades. The entire dairy farming community in the milk shed where HAP operates is aware of this unique track record.

LOGISTICS

HAP operates more than 1,100 rural milk procurement routes. These routes have a regular route plan with timing to pick up milk cans from each HMB/village in the morning and evening. After collecting milk from all the allotted HMBs, the milk procurement vehicle reaches the Hatsun Milk Chilling Center (CC) at its scheduled time.

TESTING

At the CC the milk is tested again for more parameters than at the HMB. Further samples are taken for detailed testing. Once the tests are completed and the suitability of the entire CCs milk is confirmed to meet HAP's strict quality norms, the milk is loaded into a road milk tanker and sent to the dairy. At the dairy, the milk is put through more tests before taking it up for further processing.

ACTIVE BULK COOLER

A new and advanced process of procuring and chilling the milk at the village level using ABC (Active Bulk Cooler) has been introduced in 400 plus locations. This helps us improve quality and retain freshness as the milk gets chilled right at the village.

ADVANTAGES OF ACTIVE BULK COOLER (ABC)

1. Farmers have flexibility in milking their animals.
2. Instant chilling at village level within 2 hours
3. Milk quality is increased
4. Avoiding milk spoilage and spillage
5. Improved MBRT hours

Animal Husbandry

The company is built on a foundation of trust and care. This is important to the farmers. The Animal Husbandry team plays a vital role in increasing profitability of dairy farms by increasing efficiency and reducing costs. The team works closely with the feed team to provide farmers with a complete package of forages and concentrates.

ANIMAL HEALTH CARE

HAP has assigned a team of veterinary doctors to take care of milch animals of all the farmers associated with the company and educate them about the best ways to prevent common ailments for their cattle.

ARTIFICIAL INSEMINATION

HAP has a team of trained inseminators to visit villages and provide AI services from quality bulls. The aim is to ensure that milch cows produce a calf every year and that those calves are of better genetic quality than their mothers.

FODDER

HAP has a team of agronomists to help cultivate fodder, the cheapest animal feed, in the most economical way to meet the nutritional requirements of the cow.

BALANCED CATTLE FEEDS

Under the brand name Santosa, HAP manufactures and sells cattle feed to the farmers based on their need.

ADVICE FOR LARGE FARMS

In an effort to produce milk more efficiently, HAP is working closely with large farms helping them source appropriate technology to reduce farm labour requirements. HAP has gone a step further to efficiently manage and monitor cattle, a first of its kind initiative in India. The company has brought into practice a herd management system, wherein every animal is tagged and all data is recorded. The QR code helps compile data of the particular animal. With an extensive data set, we have powerful tools to help farmers improve productivity, monitor bulls and improve genetics and most importantly, make dairy farmers more profitable. Data is shared with vets, para vets, and even farmers will be able to observe the data for their farm, ensuring that the animals get the best management.

Our Brand Stable

At HAP, we work towards one thing - offering our customer fine quality products. With a hard-working and dedicated team behind our processes, we have been able to satisfy and win the loyalty of our customers. In the coming years, we will continue to take the Hatsun name across the country and reach out to customers with a wider, more diverse portfolio of brands.

AROKYA MILK

Aroky Milk was launched in 1995 and since then, has won the trust of millions of customers across South India, and has now spread into the North starting with Maharashtra. That's what makes it one of the popular milk brands in the Indian private sector. Great care and refinement go into the processing of Aroky Milk.

Aroky Standardised Milk - One of the most popular of our milk products, Aroky Standardised Milk, with 4.5% fat, is the brand of choice for the whole family.

Aroky Full Cream Milk - This product has 6% fat content, and as the name suggests, is rich with cream. This makes it perfect for kids, be it with their breakfast cereal or as a drink.

Aroky Toned Milk - With 3% fat, Aroky Toned Milk is a healthy choice for families, providing a balanced mix of essential ingredients. It brims with the goodness of our villages.

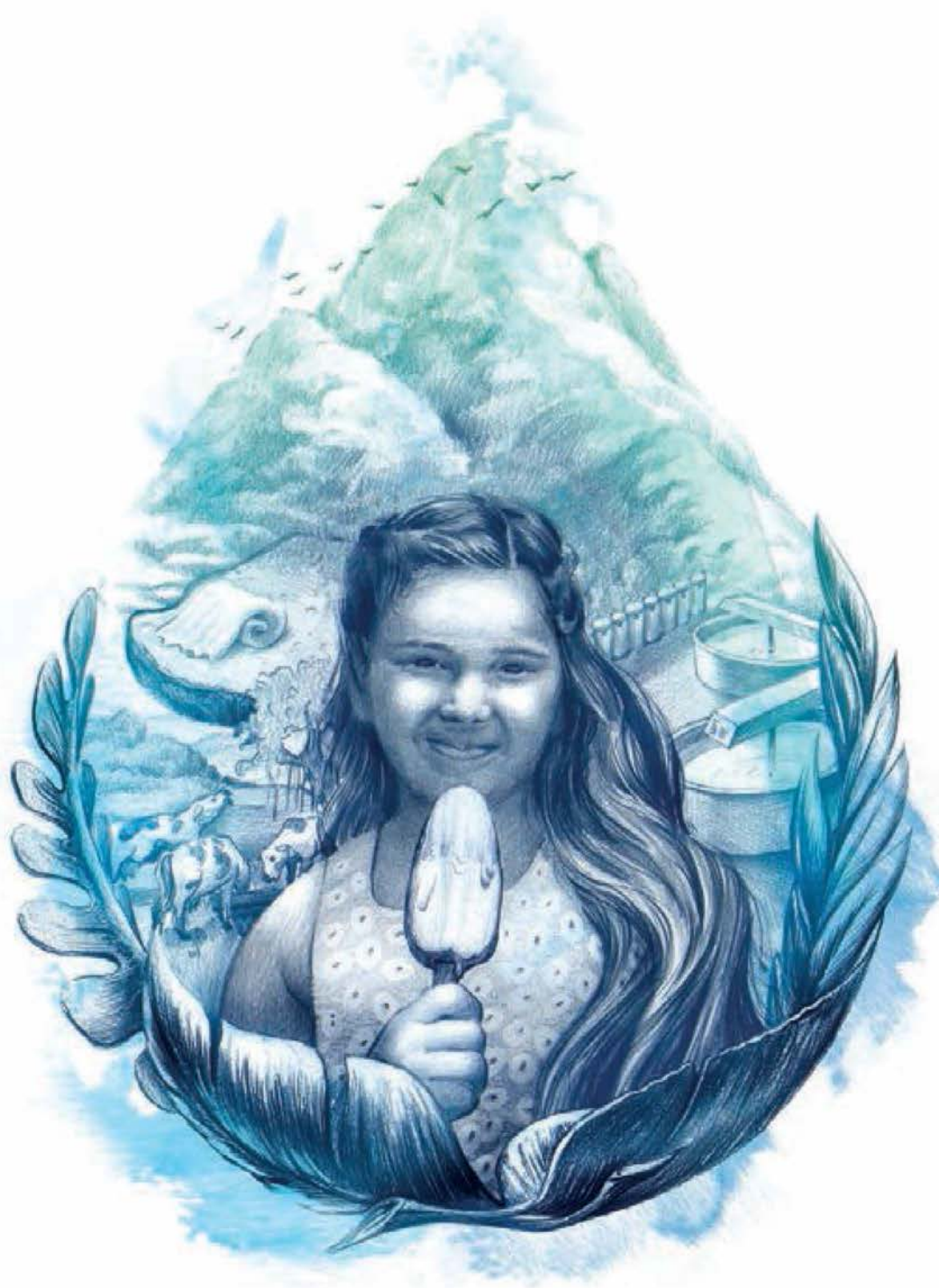
AROKYA CURD

Aroky Curd comes to you from the trusted Aroky Milk brand. Made from high quality milk, this curd is thick, delicious and guaranteed to be the perfect accompaniment to all your meals. It is now available in a convenient Ziploc pack which keeps the curd taste consistent till the last drop.

GOODNESS OF AROKYA

Goodness of Aroky is a parlour set up to promote the goodness of Aroky milk. The brand offers customers a host of milk-based refreshments like milkshakes, yogurt shakes, yogurt toppings, paneer snacks, coffee and other hot beverages made with Aroky milk based on customer preference. All products perfectly blend the goodness of milk with natural ingredients. Customers can also purchase Hatsun dairy products and Arun Icecreams at these parlours.

We pride ourselves on delivering high levels of quality to our customers. And it happens only through the dedication, hard work of our team, coupled with the loyalty of our customers.



Water, the essence of life.
A reservoir of all things good.
A source of goodness and vitality.