

HAP

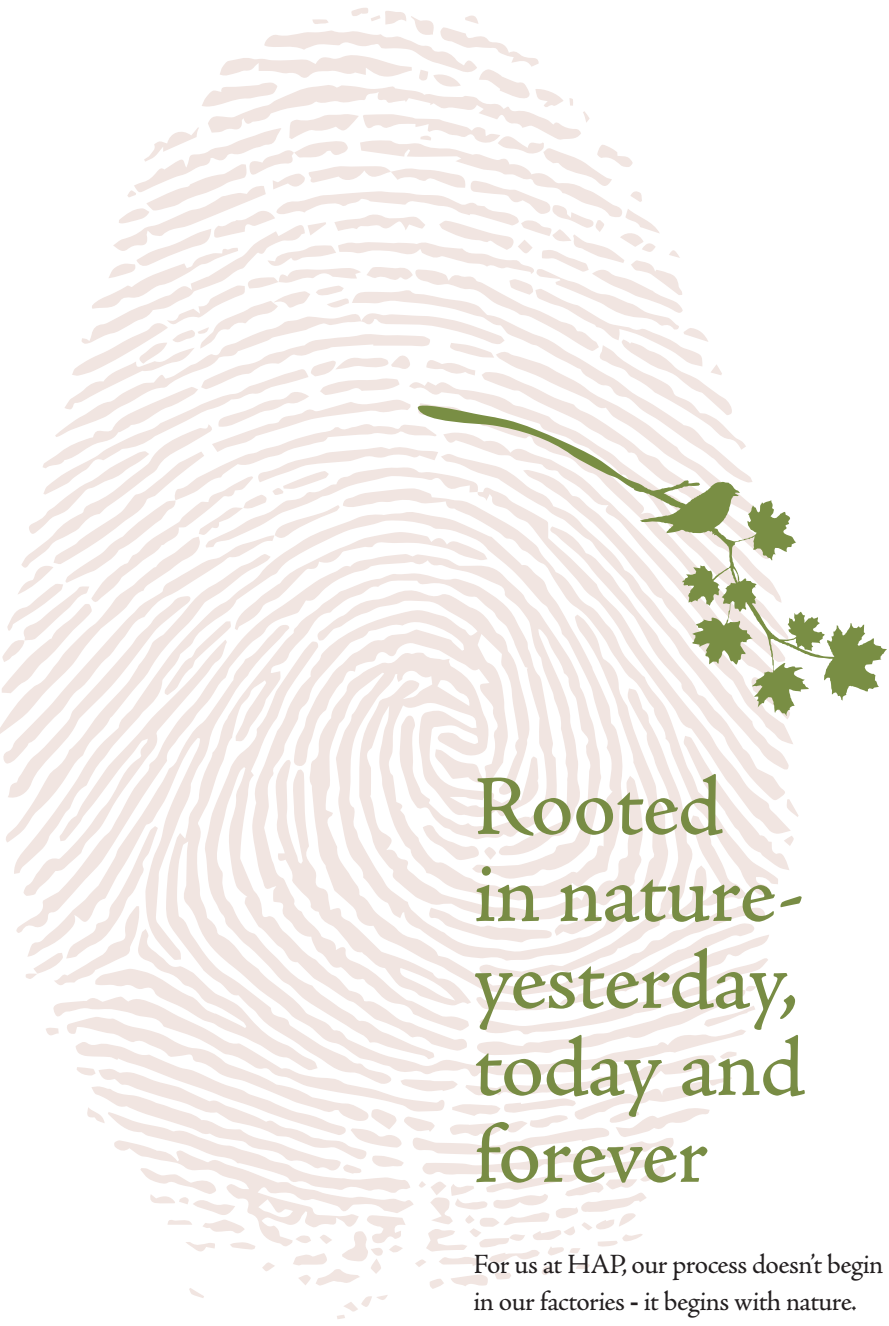
Hatsun Agro Product Limited



ANNUAL
REPORT
2020

TABLE OF CONTENTS

02	50 Years of HAP
04	Board of Directors
06	From the Managing Director's Desk
08	Milestones of HAP
10	Milk Sourcing and Animal Husbandry
12	Brand Pages
28	10 Years Financials
30	35th Annual General Meeting
31	Notice to Shareholders
42	Board's Report
81	Report on Corporate Governance
103	Management Discussion & Analysis
112	Business Responsibility Report
120	Independent Auditor's Report
126	Balance Sheet
127	Profit and Loss Account
128	Cash Flow Statement
131	Notes to Financial Statements



Rooted in nature- yesterday, today and forever

For us at HAP, our process doesn't begin in our factories - it begins with nature. At the farms where our partners, the farmers, work tirelessly to supply quality milk every single day. It is their commitment and effort that inspire us and drive us forward. They are the reason for our growth. They work hand in hand with nature to make sure our joint vision is fulfilled, so we can have a mutually rewarding journey with our customers, vendors, franchisees and employees.

50 years of
enriching
lives





HAP's journey began over 5 decades ago with Arun Icecreams. Since then, the company has branched out into a number of brands that have gone on to become household names. This success and growth wouldn't have been possible without the dedicated and honest efforts of our partners, starting with the farmers. They are the cornerstones of the company.

Success is a result of many cogs at work and, in that regard, the contribution of our vendors, franchise owners and service providers has been immense. We look forward to moving ahead on this journey with them.

BOARD OF DIRECTORS

R.G. CHANDRAMOGAN Managing Director

R.G. Chandramogan, aged 71 years is the Managing Director of the Company. He relinquished his Chairmanship w.e.f. 21.06.2019. He has been in the dairy business for more than four decades. In February 2018, the Indian Dairy Association awarded patronship to R.G. Chandramogan in recognition of the valuable services rendered by him in furthering the cause of the Indian Dairy Association and the dairy industry, through planning and development.

C. SATHYAN Executive Director

C. Sathyan, aged 41 years is the Executive Director of the Company. He was conferred with the title of 'Doctor of Letters' for his entrepreneurship and philanthropy by the International Tamil University, USA. He has held various executive positions during his career, spanning over 18 years. He is in-charge of the day-to-day operations of the Company.

K.S. THANARAJAN Chairman - Non-Executive Non-Independent Director

K.S. Thanarajan, aged 71 years is the Non-Executive Director of the Company. He holds a Master's Degree in Economics from the University of Madras. He was in-charge of day-to-day operations of the dairy division of the Company. He has been in the dairy business for more than 20 years. He was appointed as a Regular Chairman of the Board w.e.f. 21.06.2019.

P. VAIDYANATHAN Non-Executive Non-Independent Director

P. Vaidyanathan, aged 72 years was an Independent Director of the Company. On completion of his first term of Independent Directorship as per the provisions of The Companies Act, 2013 and SEBI LODR Regulations, 2015, he has been appointed as Non-Executive Non-Independent Director of the Company. He is a Fellow Member of the Institute of Chartered Accountants of India, Associate Member of the Institute of Company Secretaries of India and the Institute of Cost Accountants of India. He has over 30 years of experience in the finance functions.

B. THENAMUTHAN Independent Director

B. Thenamuthan, aged 59 years is an Independent Director of the Company. He holds a Master's Degree in communication and journalism from the University of Madras. He has over 17 years of experience in the field of journalism. He is the Managing Director of Karnataka News Publications Private Limited.

BALAJI TAMMINEEDI Independent Director

Balaji Tammineedi, aged 59 years is an Independent Director of the Company. He is an entrepreneur and holds a Master's Degree in Management from the Indian Institute of Planning and Management, Delhi. He has more than 20 years of experience in the dairy industry. He is a partner in Prism Ventures LLP, Traditions Jewellery LLP and Blue Sky Brundavana LLP.





CHALINI MADHIVANAN
Independent Director

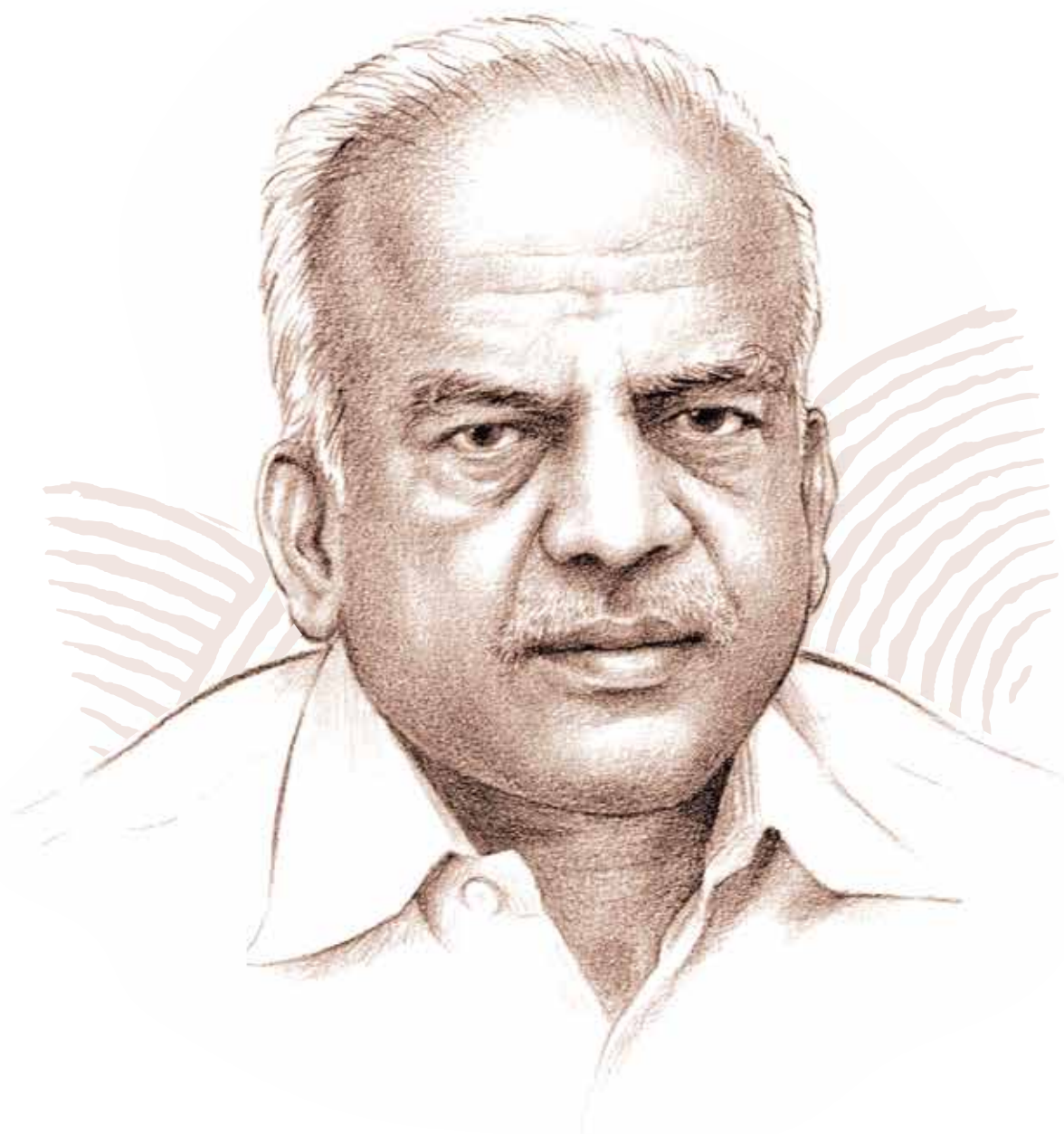
Chalini Madhivanan, aged 63 years is an Independent Director of the Company. She holds a degree in Bachelor of Medicine and Bachelor of Surgery from Madurai Kamaraj University and a diploma in Ophthalmology from Madras University. She completed a training program in Radial Keratotomy and Keratoplasty from the Institute of Clinical Ophthalmology, Kiryu Eye Clinic, Japan. She has over thirty five years of experience in the medical industry. She holds the position of Managing Director in M.N. Eye Hospital Private Limited.

S. SUBRAMANIAN
Independent Director

S. Subramanian, aged 61 years is an Independent Director. He holds a Post Graduate Degree in Commerce and Management and is a finance professional with more than 30 years of experience in the Manufacturing Industry. He has expertise and knowledge in the areas of Corporate Finance, Accounting, Capital Structuring, Governance and Compliance matters.

D. SATHYANARAYAN
Non-Executive
Non-Independent Director

D. Sathyanarayan, aged 61 years is a Non-Executive Non-Independent Director. He is a Bachelor of Science and holds a Master's Degree in Public Administration. He has got more than three decades of experience in handling Factory Operations, Food Safety, Quality Control aspects and setting up of new plants.



FROM THE MANAGING DIRECTOR'S DESK

Dear Stakeholders,

I am honoured to announce the completion of HAP's 50th year. It has been quite a journey, and I have been fortunate to witness the progress we have made over the last 5 decades.

HAP's story is one of dedication and simplicity, and started with the introduction of Arun Icecreams. Our aim was to provide ice creams to customers who craved for something refreshing. The success of Arun Icecreams inspired us to go further and create more brands and products that would meet various customer needs. Today, these brands are being consumed in households across the country - from Arokya Milk to Hatsun Curd. Our newer brands Ibaco and Oyallo continue to show a steady upward trend, and we can't wait to see what the future holds.

Our story is the result of the intelligent hard work and commitment of our shareholders, farmers, employees and all other stakeholders. I, on behalf of the entire HAP family, thank you for your loyalty and support. We look forward to writing the next chapter of this journey with you on board.

Yours sincerely,
R.G. Chandramogan

MILESTONES OF HAP

1. On 7th April 1970, with a capacity to churn out 10,000 ice cream candies per day, the company began manufacture and sale of ice-cream under the 'Arun' brand in Chennai
2. On 19th April 1979, the 1st 'sit-and-eat' Arun Icecreams parlour started in Chennai
3. On 14th April, 1981, the company started the first 'sit-and-eat' Arun Icecreams parlour, outside of Chennai, near the Vaigai River bridge of the temple-town. It turned out to be a resounding success.
4. On 4th March 1986, the company incorporated Hatsun Foods Private Limited
5. On 19 March 1991, Salem ice-cream factory, with a capacity to produce 3,000 litres/day capacity, was commissioned
6. On 29th July 1992, Hatsun Dairy Private Limited was incorporated which was subsequently renamed as Hatsun Milk Products Limited on 8th March 1994
7. On 9th August 1995, Hatsun Foods Private Limited was also renamed as Hatsun Milk Food Ltd
8. In April 1995, the Chennai unit was closed down and the ice cream manufacturing operations shifted about 20 km further northwards to a place called Nallur in Ponneri taluka of Thiruvallur district
9. The Nallur plant had an ice cream manufacturing capacity of 8,500 litres per day.
10. A sum of ₹2 Crores was invested at a plant on 3.5 acres land in Karumapuram, hardly 3 km from the Ramalingapuram ice cream facility. The plant could process 10,000 litres of milk per day and convert this into one tonne of milk powder
11. On 10 July 1995, the company launched its 'Arokya' brand of homogenised standardised milk in Salem
12. Sale of 'Arokya' milk stood at 1,800 litres on the first day of launch on 10th July 1995. By December 1995, the company launched it in Coimbatore. Over the next six months: other towns near Coimbatore and Salem – Tiruppur, Erode, Perundurai, Attur and Namakkal – and also Chennai
13. Hatsun Milk Food Limited went for public issue in January 1996, with an offer of 18 Lakh fresh equity shares of ₹10 each at a premium of ₹35 per share and for listing at the Madras, Bombay and Coimbatore stock exchanges.
14. On 1st April 1998, Hatsun Milk Products Limited ('Arokya') was amalgamated with Hatsun Milk Food Limited ('Arun') and subsequently renamed the Company as "Hatsun Agro Product Limited" (HAP)
15. The ice-cream plant at Ramalingapuram was shifted in July 1999 and consolidated with Nallur facility and milk products such as khoa were manufactured at Ramalingapuram plant
16. In October 1999, HAP became India's first dairy to spend ₹1.25 Crores for installing a 'bactofuge' machine at its plant
17. M/s. Hatsun Foods Company, the other entity through which manufacture of ice-cream was being undertaken at Nallur, was merged with HAP by 2003-04 in order to ensure more synergy of operations under a single roof
18. In early 2002, HAP got Radhikaa, the well-known actress and star of the popular prime time Tamil serial Chithi aired on Sun TV, to endorse 'Arokya' milk
19. On 27th August 2000, HAP's 4th Plant at Desur in Belgaum was commissioned
20. As a 5th Plant, HAP acquired Ajith Dairy Industries Limited (ADIL), which had a 100,000 litre per day plant at Timmasamudram in Kanchipuram, in 1999-2000 and started the commencement of operations on 1st October 2000
21. By September 2003, the Timmasamudram dairy plant had a milk powder plant as well of 10 tonnes per day capacity (equivalent to 1.2 LLPD of milk)
22. In early 2004, HAP unveiled an ad campaign titled Arjun Amma Yaaru? (Who is Arjun's Mom?,) 'Naalarai Paal' or the 4.5% number. This ad was a grand success.
23. About 2,500-odd Arokya exclusive retailers were established by 2001 which was grown and crossed 7,000 at the start of 2005