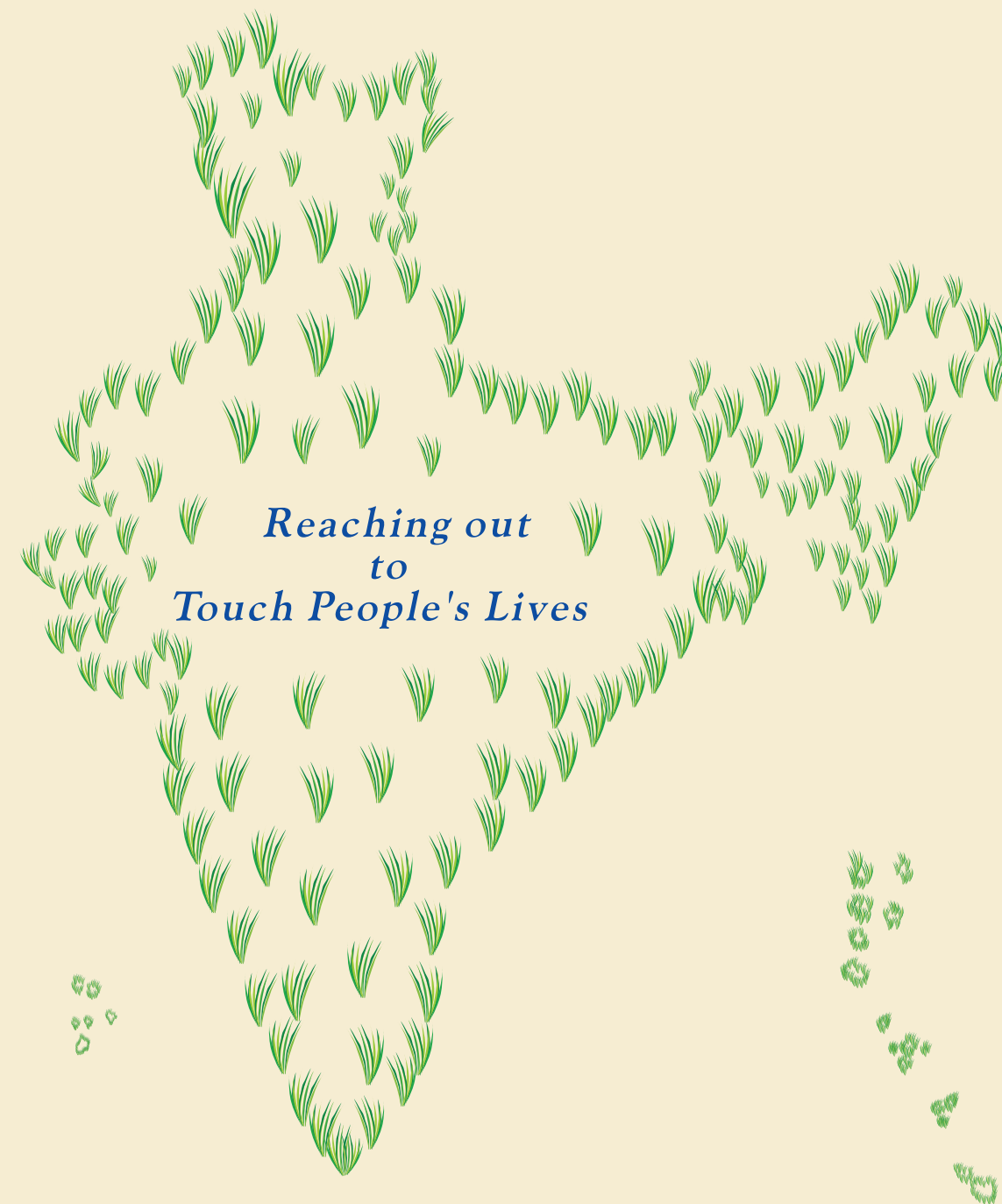




Hatsun Agro Product Ltd.

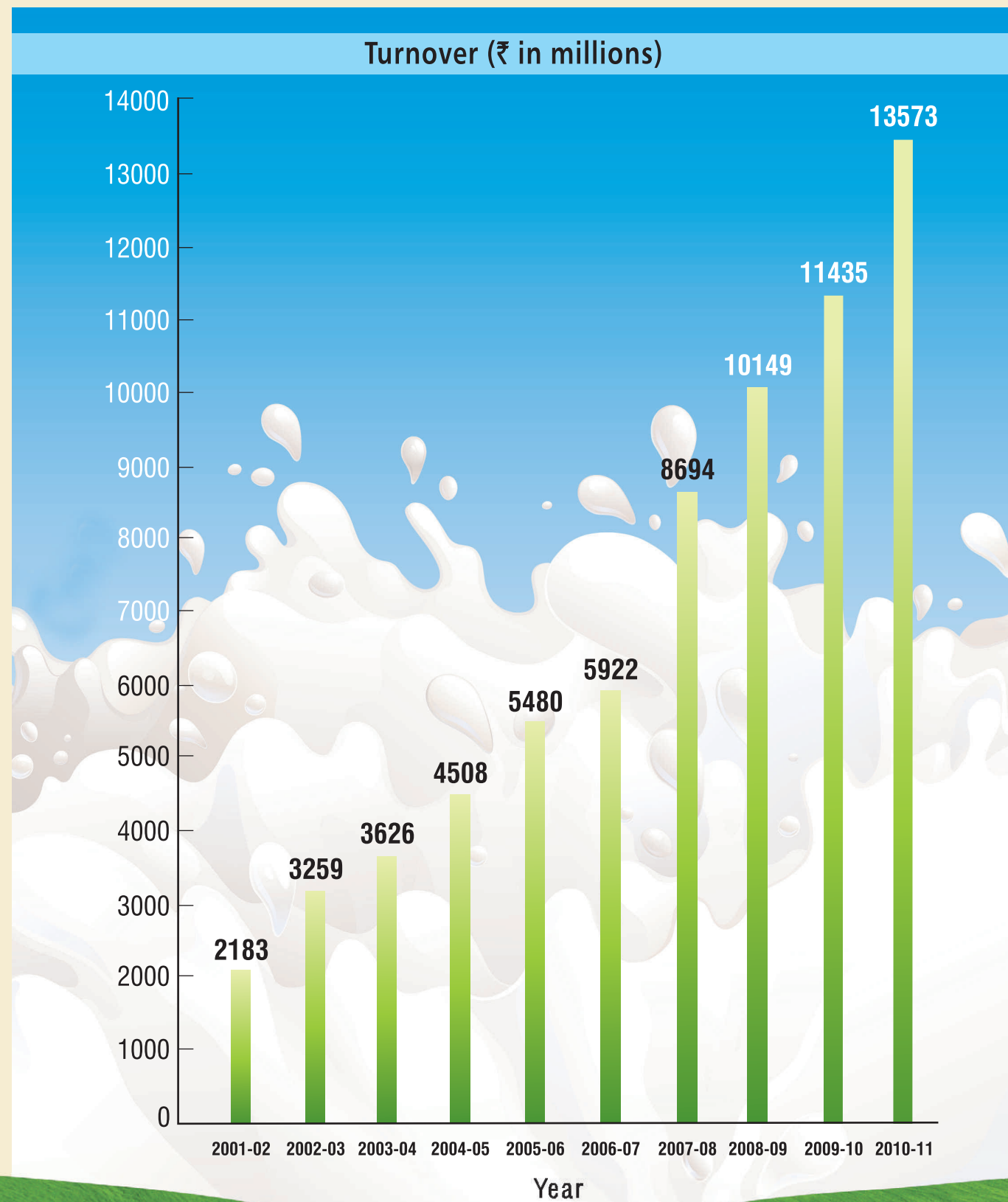


Hatsun Agro Product Ltd.

- Over the last 4 decades, we have become **India's largest private sector company** in the Dairy Industry
- Milk from **Select Fine Quality** cows is collected from over **3 Lakh+** farmers chosen with care in **6500 villages**
- **More than 70 Veterinary Doctors** who help our Farmers **Improve the Quality of the Livestock and their Yield**
- Milk collection centres, with **on-the-spot testing facilities** collect milk daily, following **defined and strict quality guidelines**
- **Dairies** located in **10 locations** possessing **State-of-the-Art** facilities, **International Know how** and **Personnel with Sound Experience & Expertise** enable us to produce products of excellent quality meeting the very highest norms of **Hygiene and Health**
- This has also helped us in exporting our products to **38 countries** in **North American, Middle East and South East Asian Markets**
- As a company we have received various Quality Standard Certifications including the prestigious **ISO 9001 & ISO 22000**
- We produce and market a wide range of Dairy Products - **Dairy Whitener, Skimmed Milk Powder, Agmark Certified Ghee, Butter, Cooking Butter, Milk, Curd, Paneer and Buttermilk** from Hatsun
- **Arun Icecreams and Arokya Milk**, immensely popular across **millions of households** are also produced and marketed by us
- Arun Icecreams, the **Largest Selling Ice Cream** in South India was also the **Winner of the Best Ice Cream** in the Country award in **The Great Indian Ice Cream Contest 2008 & 2009** (National Level)

Visit us at www.hatsun.com

26th Annual Report 2010 - 11



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

SUB COMMITTEE

R.G. CHANDRAMOGAN

K.S. THANARAJAN

C. SATHYAN

B.S. MANI

SHARE TRANSFER COMMITTEE

R.G. CHANDRAMOGAN

P. VAIDYANATHAN

K.S. THANARAJAN

COMPANY SECRETARY

N.P. MATHI LINGAN

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 (WHITE GATE)
CHENNAI-BANGALORE HIGHWAY
KANCHEEPURAM TALUK
KANCHEEPURAM - 631 502
TAMIL NADU.
3. NO.114, ANGADU ROAD
NALLUR VILLAGE, REDHILLS,
CHENNAI - 600 067
TAMIL NADU.
4. NO.277/2, DESUR VILLAGE,
KANAPUR ROAD,
BELGAUM - 590 014
KARNATAKA.
5. NO.109/2, MELEBENNUR ROAD,
KUNDUR VILLAGE
HONNALI TALUK,
DAVANGERE DISTRICT
HONNALI - 577 219, KARNATAKA.
6. SANGAH PASUVANTHALAK VILLAGE,
KOLASANHALLI PANCHAYAT,
MARANDAHALLI MAIN ROAD, PALACODE TALUK,
DHARMAPURI DISTRICT - 636 808.
7. NO.76/2B, DINDUGAL MADURAI MAIN ROAD
THIRUVAZHAVAYANALLUR,
VADIPATTI TALUK
MADURAI 625 221, TAMIL NADU.
8. V KOOTTUROADPIRIVU
ATTUPANNAI, PERIYERI POST,
ATTUR TALUK, SALEM DISTRICT
THALAVASAL.

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 • THE SOUTH INDIAN BANK LTD. • PUNJAB NATIONAL BANK • ICICI BANK LTD.
AXIS BANK LTD. • SYNDICATE BANK • INDIAN OVERSEAS BANK • YES BANK LTD.
STANDARD CHARTERED BANK • THE LAKSHMI VILAS BANK LTD. • THE KARUR VYSYA BANK LTD.

26th ANNUAL GENERAL MEETING

DATE : 2nd SEPTEMBER, 2011
DAY : FRIDAY
TIME : 11.00 A.M.
VENUE : P. OBUL REDDY HALL,
SRI THYAGA BRAHMA GANA SABHA,
VANI MAHAL, G.N. CHETTY ROAD,
T. NAGAR, CHENNAI - 600 017.

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NOTICE TO SHAREHOLDERS

Notice is hereby given that the Twenty Sixth Annual General Meeting of Hatsun Agro Product Limited will be held on Friday, September 2, 2011 at 11:00 a.m. at P. Obul Reddy Hall, Sri Thyaga Brahma Gana Sabha, "Vani Mahal", 103, G N Road, T Nagar, Chennai - 600 017 to transact the following businesses:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended March 31, 2011 and the Balance Sheet as on that date together with the Reports of the Board of Directors and the Auditors thereon.
2. To confirm the payment of Interim Dividends on Equity Shares for the year 2010-11.
3. To appoint a Director in place of Mr. K S Thanarajan, who retires by rotation, and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. N Chandrasekaran, who retires by rotation, and being eligible offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration.

"RESOLVED THAT M/s. S.R.Batlboi & Associates, Chartered Accountants (Firm registration number 101049), be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting on such remuneration as may be determined by the Board of Directors in consultation with the Auditors, and the remuneration may be paid on a progressive billing basis to be agreed between the Auditors and the Board of Directors.

6. Revision in terms of remuneration of Mr. C Sathyan Executive Director

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 Sections 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 ("Act"), as amended or re-enacted from time to time, read with Schedule XIII of the Act, the Company hereby approves the increase in payment of the remuneration to Mr. C. Sathyan, Executive Director - Operations, retrospectively with effect from 1st November, 2010.

I SALARY : Rs.1,90,000/- (Rupees One Lakh Ninety 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 50% of the Salary. If the Company provides the accommodation, the expenditure on hiring furnished accommodation shall be subject to 50% of the salary.

2. MEDICAL BENEFITS

Reimbursement of actual medical expenses incurred for self and family subject to a ceiling of one half month's salary in a year. 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, dependant children and dependant parents.

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

Where in 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. If such minimum remuneration is in excess of ceiling, if any, prescribed under Schedule XIII to the Companies Act, 1956, the Company shall seek permission of Central Government as may be necessary in accordance with the provision governing payment of remuneration in force at the relevant point of time.

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 is 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."

7. **Re-appointment of Mr. C Sathyan as Executive director from 1-June-2011**

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 269(2) of the Companies Act, 1956 ("Act"), as amended or re-enacted from time to time, read with Schedule XIII of the Act, the Company hereby approves the re-appointment of Mr C Sathyan as the Executive Director of the Company, for a period of five years from June 1, 2011."

"RESOLVED FURTHER THAT subject to the provisions of Sections 198, 269, 309 and other applicable provisions of the Companies Act, 1956, the remuneration of Mr C Sathyan as the Executive Director of the Company shall be as given below:

- I SALARY : Rs.1,90,000/- (Rupees One Lakh Ninety 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 50% of the Salary. If the Company provides the accommodation, the expenditure on hiring furnished accommodation shall be subject to 50% of the salary.
2. MEDICAL BENEFITS
Reimbursement of actual medical expenses incurred for self and family subject to a ceiling of one half month's salary in a year. 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, dependant children and dependant parents.

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, 309, Schedule XIII and other applicable provisions of the Companies Act, 1956.

Minimum remuneration

Where in 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. If such minimum remuneration is in excess of ceiling, if any, prescribed under Schedule XIII to the Companies Act, 1956, the Company shall seek permission of Central Government as may be necessary in accordance with the provision governing payment of remuneration in force at the relevant point of time.

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 authorised to vary or increase the extent and scope of remuneration and the perquisites including the monthly value thereof as specified in the draft Service Agreement to the extent to which they may be enhanced, enlarged, widened, altered or varied in accordance with any guidelines regarding payment of managerial remuneration, under the Companies Act, 1956 and that the aforesaid draft Service Agreement terms between Mr C Sathyan and the Company be suitably amended to give effect to such amendment."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is 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."

8. **Sub-division of Equity Shares**

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 94 of the Companies Act, 1956, (including any modification or re-enactment thereof) and other applicable provisions, if any, and pursuant to the provisions of Article 58 of the Articles of Association of the Company and subject to approvals, consents, permissions and sanctions as may be necessary from the concerned Statutory Authorities, the authorized share capital of the Company comprising of 5,00,00,000 (Five Crore) equity shares of face value of Rs.2/- (Rupees Two only) each aggregating to Rs.10,00,00,000/- (Rupees Ten Crores Only) be and is hereby sub-divided into 10,00,00,000 (Ten Crore) equity shares of face value of Rs.1/- (Rupees One only) each aggregating to Rs. 10,00,00,000/- (Rupees Ten Crores Only) with effect from 4th day of October, 2011 being the "Record Date."

"RESOLVED FURTHER THAT the issued and subscribed Equity Share Capital of the Company, comprising of 3,59,62,216 (Three Crores Fifty Nine Lakhs Sixty Two Thousand Two Hundred and Sixteen) equity shares of face value of Rs.2/- (Rupees Two only) each aggregating to Rs. 7,19,24,432/- (Rupees Seven Crores Nineteen Lakhs Twenty Four Thousand Four Hundred and Thirty Two Only) be sub-divided into 7,19,24,432/- (Seven Crores Nineteen Lakhs Twenty Four Thousand Four Hundred and Thirty Two) equity shares of Rs.1/- (Rupees One only) each as on the 4th day of October, 2011 being the "Record Date" to determine those share holders who are entitled for the sub-divided equity shares.

"RESOLVED FURTHER THAT pursuant to the provisions of Section 16 and other applicable provisions of the Companies Act, 1956 Clause V of the Memorandum of Association of the Company be substituted with the following:

- V. The Authorized Share Capital of the Company is Rs.30,00,00,000/- (Rupees Thirty Crores only) divided into
- a) 10,00,00,000 (Ten Crore) Equity Shares of Rs.1/- (Rupees One only) each and
 - b) 20,00,00,000 (Twenty Lacs) Redeemable or Convertible 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.

"RESOLVED FURTHER THAT the approval of the Company be and are hereby accorded to make an application to the Stock Exchanges where the existing equity share of face value of Rs.2/- (Rupees Two only) each are presently listed for the listing of the sub-divided equity shares of face value of Rs.1/- (Rupees One only) each so issued on the sub-division."

"RESOLVED FURTHER THAT a certified true copy of the above resolution is to be forwarded to the concerned Stock Exchanges where the Shares are quoted."

"RESOLVED FURTHER THAT the Board be and is hereby severally authorized to do all such acts, deeds matters and things and execute instruments and writings as may be necessary and all such documents with the Stock Exchange(s) where the securities of the company are listed or to be listed and the Depositories and any other relevant statutory authorities, if any in connection with and to delegate all or any of the powers to a Committee of the Board or any other person(s) herein vested in them to give effect to the above."

"RESOLVED FURTHER THAT the Board of Directors (including any committee thereof) of the Company be and is hereby authorized to issue new shares (including new certificates where required) representing the sub-divided shares with new distinctive numbers in the aforesaid proportion subject to the rules as laid down in Companies (Issue of Share Certificates) Rules, 1960 with an option to either exchange the new share certificates in lieu of the cancellation of old share certificate or physically exchanging the share certificates by treating the old share certificates as deemed to be cancelled and also to inform the depositories to take necessary action to give effect to the above and do all such acts, deeds, matters and things that may be necessary or desirable in connection with the sub-division of the equity shares of the Company."

9. Alteration of Articles of Association

"RESOLVED THAT pursuant to the provisions of Section 31 of the Companies Act, 1956 and consequent to the subdivision of the face value of the equity shares of the Company, and the alteration of the Capital Clause in the Memorandum of Association, the Article 4 of the Articles of Association of the Company be suitably altered and substituted with the following."

4. The Authorized Share Capital of the Company is Rs.30,00,00,000/- (Rupees Thirty Crores only) divided into
- a) 10,00,00,000 (Ten Crore) Equity Shares of Rs.1/- (Rupees One only) each and
 - b) 20,00,00,000 (Twenty Lakhs) Redeemable or Convertible 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 and in respect of the Preference

Shares, the Board of Directors of the Company shall decide the rights and other terms attached to such shares including the right to redemption or conversion or otherwise subject however to the provisions of SEBI Guidelines and the Companies Act, 1956."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts and deeds as may be necessary and deemed fit for the cancellation of the existing share certificates of Rs.2/- (Rupees Two only) each and that are already issued and to issue fresh share certificates pursuant to the Companies (Issue of Share Certificates) Rules, 1960."

NOTES:

1. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the business under Item Nos. 6, 7, 8 and 9 above, is annexed hereto. The relevant details as required by Clause 49 of the Listing Agreements entered into with the Stock Exchanges, of persons seeking appointment/re-appointment as Directors under Item Nos. 3, 4 and 7 of the Notice, are also annexed.
2. A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the 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 FORTY-EIGHT HOURS before the meeting.
Proxies submitted on behalf of limited companies, societies, etc., must be supported by appropriate resolutions/ authority, as applicable.
3. The Register of Members and Transfer Books of the Company will be closed from 27th August, 2011 to 2nd September, 2011, both days inclusive.
4. Members holding shares in dematerialised form are requested to intimate all changes pertaining to their bank details, National Electronic Clearing Service (NECS), Electronic Clearing Service (ECS), mandates, nominations, power of attorney, change of address, change of name and e-mail address, etc., to their Depository Participant only and not to the Company's Registrars and Transfer Agents, Integrated Enterprises (India) Limited (IEIL). Changes intimated to the Depository Participant will then be automatically reflected in the Company's records which will help the Company and IEIL to provide efficient and better services. Members holding shares in physical form are requested to intimate such changes to IEIL.
5. Members holding shares in physical form are requested to consider converting their holding to dematerialized form to eliminate all risks associated with physical shares and for ease in portfolio management. Members can contact the Company or IEIL, for assistance in this regard.
6. Reserve Bank of India has initiated NECS for credit of dividend directly to the bank account of Members. Members are requested to register their Bank Account details (Core Banking Solutions enabled account number, 9 digit MICR and 11 digit IFS code), in respect of shares held in dematerialised form with their respective Depository Participants and in respect of shares held in physical form with IEIL.
7. Members desiring any information as regards the Accounts are requested to write to the Company at an early date so as to enable the Management to keep the information ready at the Meeting.
8. Shareholders are requested to check whether they have encashed Dividend Warrants/DD for the earlier years. If the Dividend Warrants/DD 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	Date of declaration	Date on which unpaid amount is required to be transferred to IE&PF	Shareholders should apply latest by
2005-06	20%	21/06/2006	28/07/2013	08/07/2013
2006-07	20%	21/06/2007	28/07/2014	08/07/2014
2007-08	25%	30/10/2007	06/12/2014	17/11/2014
2007-08	35%	22/09/2008	29/10/2015	09/10/2015
2008-09	30%	16/06/2009	23/07/2016	03/07/2016
2009-10	15%	20/08/2009	27/09/2016	07/09/2016
2010-11	30%	02/11/2010	09/12/2017	19/11/2017
2010-11	25%	14/02/2011	21/03/2018	01/03/2018

During the financial year 2010-11, an amount of Rs.52,078/- being unclaimed dividend pertaining to the accounting year 2003-04 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.

9. The Ministry of Corporate Affairs (vide circular nos. 17/2011 and 18/2011 dated April 21 and April 29, 2011 respectively), has undertaken a 'Green Initiative in Corporate Governance' and allowed companies to share documents with its shareholders through an electronic mode. Members are requested to support this green initiative by registering/ updating their e-mail addresses, in respect of shares held in dematerialised form with their respective Depository Participants and in respect of shares held in physical form with IEIL.

Place : Chennai
Date : 1st August, 2011

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

By Order of the Board of Directors
for **HATSUN AGRO PRODUCT LIMITED**

Sd/-
N P MATHI LINGAN
Company Secretary

PROFILE OF THE DIRECTORS BEING REAPPOINTED / APPOINTED

As per Clause 112 of the Articles of Association of the Company, one-third of the Directors liable to retirement by rotation shall retire from office 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 appointed/ reappointed is given below:

- **Mr. K.S. Thanarajan**, is a post graduate in Economics and he is the Joint Managing Director of the Company. He is in-charge of day to day operations of the Dairy Division. He has held various executive positions during his career spanning over 39 years. He joined the Board of the company, in 1995.

Mr. K S Thanarajan holds 4,61,000 Equity Shares in the Company as at 31st March 2011.

- **Mr. N. Chandrasekaran**, is a Mechanical Engineering Graduate with about 44 years of 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., Metso Power India 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 2011.

EXPLANATORY STATEMENT:

As required by Section 173 of the Companies Act, 1956 ("Act"), the following explanatory statement sets out all material facts relating to the business mentioned under Item Nos. 6, 7, 8 and 9 of the accompanying Notice dated August 1, 2011:

Item No.6 & 7

At the Annual General Meeting of the Company held on September 19, 2006, the Members of the Company had approved the appointment and terms of remuneration of Mr. C Sathyan , as Executive Director of the Company for a period of five years from June 1, 2006. Taking into consideration the increased business activities of the Company and the responsibilities cast on Mr. C Sathyan, the Board at its meeting held on November 2, 2010 upon recommendation of the Remuneration Committee revised the remuneration payable to Mr. C. Sathyan with effect from 1st November, 2010. The details of the remuneration are given in the resolution.

The aggregate of the remuneration as aforesaid shall be within the maximum limits as laid down under Sections 198, 309 and all other applicable provisions, if any, of the Act, read with Schedule XIII of the Act as amended from time to time.

Further the tenure of Mr C Sathyan as Executive Director ended on the close of business hours of 31st May 2011 on completion of five years period, the Remuneration Committee at its meeting held on 23rd May 2011 approved the

proposal of appointment and the remuneration payable to Mr Sathyan and the Board at its meeting held on 25-May-2011 re-appointed Mr C Sathyan as Executive Director for a period of Five Years from June 1, 2011.

In compliance with the provisions of Sections 198, 309, 310 and other applicable provisions of the Act, read with Schedule XIII of the Act, the revised terms of remuneration of Mr. C Sathyan as specified above are now being placed before the Members for their approval.

Keeping in view the experience and expertise of Mr C Sathyan, the Board considers it desirable that the Company should continue to avail the services of Mr C Sathyan and accordingly recommends the Resolution at Item No. 6 & 7 for approval by the Members.

None of the Directors except Mr. R G Chandramogan and Mr C Sathyan are deemed to be interested in the resolution.

Item No. 8 & 9:

The Equity Shares of the Company are currently listed on Bombay Stock Exchange Limited (BSE). The shares are actively traded on BSE. The subdivision of equity shares has been proposed with a view to broad base the investor base by encouraging the participation of the retail investors and also with a view to increase the liquidity of the Equity Shares of the Company. The Board of Directors at its meeting held on 01-Aug-2011, recommended the sub-division (split the face value) of equity share of the Company of face value of Rs. 2/- each into 2 equity shares of the face value of Rs. 1/- each. It is expected that this sub-division of shares will result in to higher volume of transactions at the Stock Markets.

The approval of the Members of the Company is being sought to the above sub-division pursuant to the provisions of Section 94 of the Companies Act, 1956 (the "Act") read with Articles of Association of the Company. In the event of the Members approving the sub-division of the Company's equity shares, the existing capital clause of the Memorandum of Association of the Company needs to be suitably amended pursuant to Section 16 of the Act to reflect the aforesaid subdivision. Hence, the resolution at Item No. 8 & 9 of the Notice requires your approval.

The Board of Directors of your Company recommends the resolution for approval.

None of the Directors of the Company is in any way interested in the resolution, except to the extent of their shareholding and the shareholding of their relatives in the Company.

Place : Chennai
Date : 1st August, 2011

By Order of the Board of Directors
for **HATSUN AGRO PRODUCT LIMITED**

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

Sd/-
N P MATHI LINGAN
Company Secretary

DIRECTORS' REPORT

To
The Members

The Directors submit the Annual Report of the Company along with the audited statement of accounts for the financial year ended March 31, 2011.

1. Financial Results

(Rs. in Lakhs)

Particulars	2010 - 2011	2009 - 2010
(i) Income from Sales	1,35,572.22	114,060.31
(ii) Other Income (net)	157.96	292.98
(iii) Total Income	1,35,730.18	114,353.29
(iv) Operating Expenditure	1,26,160.63	107,735.54
(v) Profit before Interest, Depreciation and Tax	9,569.55	6,617.75
(vi) Interest	3,547.23	2,783.02
(vii) Depreciation and Amortisation	3,706.02	2,681.17
(viii) Profit before Taxes	2,316.30	1,153.56
(ix) Provision for Taxes	441.75	884.63
(x) Net Profit for the Year	1,874.55	268.93
(xi) Balance Brought Forward from Previous Year	1,674.13	2,062.60
(xii) Amount Available for Appropriation	3,548.68	2,331.53
Appropriations		
(a) Interim Dividends on Equity Shares	383.15	—
(b) Interim Dividends on Preference Shares	—	14.70
(c) Proposed Final Dividend on Equity Shares	—	101.83
(d) Tax on Dividends	63.64	19.42
(e) General Reserve	187.46	13.45
(f) Capital Redemption Reserve	—	508.00
(g) Balance carried to Balance Sheet	2,914.43	1,674.13

2. Dividend

During the reporting period 2010-11, the Company paid 2 interim dividends for 30% and 25% respectively. The total cash outflow on account of dividends excluding dividend tax for the year 2010-11, would aggregate to Rs. 3.83 Crores resulting in a payout of 20.30% of the profits of the Company.

3. Transfer to Reserves

The Company proposes to transfer Rs.1.87 Crores to the General Reserve out of the amount available for appropriations and an amount of Rs.29.14 Crores is proposed to be retained in the Profit and Loss Account.

4. Company's Performance

Financial Year 2010-11 marked a strong resurgence in volume and demand growth post the global financial crisis. During the reporting year 2010-11, revenues at Rs.1355.72 Crores were higher by 18.86% over the previous year's revenues of Rs. 1140.60 Crores. Net profit for the year at Rs. 18.75 Crores was 7 times higher than the previous year's net profit of Rs. 2.69 Crores.

5. Corporate Governance Report and Management Discussion and Analysis Statement

Corporate Governance Report and Management Discussion and Analysis Statement are attached to this Report.

6. Directors' Responsibility Statement

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956 ("Act"), and based on the representations received from the operating management, the Directors hereby confirm that:

- in the preparation of the Annual Accounts for the year 2010-11, the applicable Accounting Standards have been followed and there are no material departures;

- (ii) they 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 financial year;
- (iii) they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956. They confirm that there are adequate systems and controls for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared the Annual Accounts on a going concern basis.

7. Fixed Deposits

The total amount of Fixed Deposits from the Public and Shareholders of the Company outstanding as at 31st March, 2011, was Rs. 742.58 Lakhs out of which a sum of Rs. 504.63 Lakhs represents 975 accounts of Fixed/ Non Cumulative Deposits and Rs. 237.95 Lakhs represents 597 accounts of Cumulative Deposits.

8. 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, offers themselves for re-appointment.

The tenure of Mr C Sathyan, Executive Director ended on 31st May 2011 on completion of five years period and he was re-appointed as Executive Director for a further period of 5 years in the Board Meeting held on 25th May 2011. Approval of the shareholders is required for the same.

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

9. Auditors

M/s. S.R.Batlilboi & Associates, Chartered Accountants, who are the statutory auditors of the Company, hold office in accordance with the provisions of the Act upto the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

10. Particulars of employees

None of the employees draw remuneration which in the aggregate exceeds Rupees Sixty Lakhs per annum or Rupees Five Lakhs per month during the financial year as per the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

None of the employees draw remuneration which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole-time director or manager. None of the employees holds by himself or along with his spouse and dependent children, not less than two per cent, of the equity shares of the company

11. Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under section 217(1)(e) of the Act, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are set out in an Annexure to this Report.

12. Corporate Social Responsibility

Your Company has been extending help to villages where our plants are located, as part of our Corporate Social Responsibility. Financial assistance was extended for creating and developing basic infrastructures like roads, electricity and water tanks. Your Company has also contributed towards enhancement of facilities in schools, by providing benches, table chairs and other related items. Your Company donated materials like computer tables, water tanks, chairs and the like, to schools in Timma Samudram Ooratchi and Chetteri Medu.

13. Acknowledgements

The Directors wish to convey their appreciation to business associates for their support and contribution during the year. The Directors would also like to thank the employees, shareholders, customers, bankers, farmers and channel partners for the continued support given by them to the Company and their confidence reposed in the management. The Directors appreciate and value the contributions made by every member of Hatsun.

For and On behalf of the Board of Directors

Sd/-

R.G. CHANDRAMOGAN

Chairman & Managing Director

Place : Chennai

Date : 1st August, 2011

ANNEXURE TO THE DIRECTORS' REPORT

Particulars pursuant to Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

CONSERVATION OF ENERGY :	2010 - 11	2009 - 10
1. Power & Fuel Consumption		
ELECTRICITY		
a) Purchased		
Units	42,657,761.72	40,227,460.00
Total Amount (Rs.)	225,264,666.81	186,898,184.00
Rate/Unit (Rs.)	5.28	4.65
b) Through Diesel Generation		
Units	5,514,846.71	6,402,132.00
Total Amount (Rs.)	106,624,679.94	79,341,515.00
Cost/Unit (Excluding Overhead and Depreciation)	15.87	12.39
Units per Litre of Diesel Oil	2.69	2.83
c) Furnace Oil		
Quantity (KI)	61,722.34	399,323.00
Total Amount (Rs.)	1,868,179.49	10,413,239.00
Average Rate (Rs./KI)	30.27	26.08
d) Coal		
Quantity (Kg)	21,127,872.45	18,152,233.00
Total Amount (Rs.)	64,735,797.36	48,266,466.00
Average Rate (Rs./Kg)	3.06	2.66
2. Consumption per Unit of Products i.e per litre of Milk		
Electricity (Units) - Milk	0.07	0.1
- Ice Cream	0.28	0.41
Furnace Oil (Litres) - Milk	0.0038	0.0011
- Ice Cream	—	—
Coal (Kg) - Milk	0.0412	0.0517

RESEARCH AND DEVELOPMENT

1. Specific Areas in which R & D carried out by the Company

Process Development

Product Diversification

Quality enhancement to achieve International Standards.

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

More importance will be given on product / process development / innovation, to bring down cost without compromising on product quality and to achieve international standards in quality and taste.

4. Expenditure on R & D*

(a) Capital : Nil

(b) Recurring : Nil

(c) Total : Nil

(d) Total R & D Expenditure as a percentage of Total Turnover : Nil

* The expenditures incurred on R&D are merged with the appropriate expenditure/capital accounts.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts Made

The Company has undertaken efforts to absorb the best available technology for processing of milk and manufacturing related products.

2. Benefits

Absorption of the best technology reflects in the Company's products, which are clearly differentiated from its competitors and its processes that consistently deliver more with less expenditure.

FOREIGN EXCHANGE EARNINGS AND OUTGO

(Rs in '000)

	Year ended 31.3.2011	Year ended 31.3.2010
(a) Foreign exchange earnings	7,39,245	4,65,946
(b) CIF Value of Imports	50,997	76,383
(c) Expenditure in foreign currency	9,578	7,309
(d) Dividend paid in foreign currency	2,720	—

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

R.G. CHANDRAMOGAN

Chairman & Managing Director

Place : Chennai

Date : 1st August, 2011

ADDENDUM TO THE DIRECTORS' REPORT

Explanation to Auditors Remark

- As more fully described in Note 2 (a) of Schedule 19 to the financial statements, certain income tax matters in respect of the financial year ended 31st March 1996 (financial estimate by the management of Rs.15 million) are being contested by the Company and the matter pending with the High Court of Judicature, Madras. Pending a final resolution of uncertainties in this connection, no provision towards tax and other consequential adjustment relating to this matter, if any have been considered in the financial statements. Audit report issued on the financial statements for the year ended March 31, 2010 was also qualified in respect of this matter.**

The Management acted upon expert advice and believes that a strong case exists in its favour, hence no provision towards tax and other consequential adjustments, if any, were made, for such disputed amount in the financial statements.

- 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 from banks and others to purchase certain fixed assets aggregating Rs. 728 million.**

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. Moreover the banker does not restrict the usage of funds raised on short-term basis for long term purposes and vice versa.

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

R.G. CHANDRAMOGAN

Chairman & Managing Director

Place : Chennai

Date : 1st August, 2011

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

General Economic Scenario & Industry structure

During the Fiscal Year 2010-11 the Indian Economy registered a GDP growth of 8.6% which was largely attributed to improved agriculture production, strong private consumption, higher exports, robust investment etc. The Industrial Production growth of 7.8% for the year 2010-11 was lower as against 10.5% growth recorded in the previous year. However, the Industrial production regained strong momentum in the last quarter of the Fiscal Year 2010-11.

Strong recovery in the Agriculture sector in India has contributed to a significant increase in gross domestic product (GDP). The government is having a major thrust on agricultural exports.

The Economic Survey states that a holistic approach involving development in agricultural research, offering irrigational and agricultural inputs, and effective utilization of technology towards increasing productivity is necessary. It noted that higher agricultural yields are needed both for catering to local food requirements and achieving a sustained growth path. A path of 'inclusive growth' involving both private and government investments should be envisaged. Higher investments augmented with correct policies and strategies are necessary conditions to achieve this sustained growth path.

The major RBI measures includes easing of pressure on liquidity, decline in SLR requirement of the Banks from 25% to 24% and hike in the Repo Rate and Reverse Repo rates. The interest rate is witnessing increasing trend in the wake of the implementation of the base rate mechanism and the intervention of the Reserve Bank is expected to keep the rate buoyant in the near future.

India being a large vegetarian sector, feeds upon the dairy products at large. 13% of the total production of the milk is contributed by India. The dairy Industry is making a significant contribution to the Indian Economy. The development of this sector has the potential to bring down unemployment and the rates of poverty. Though the industry has seen rapid growth in recent years, there is ample scope for introducing newer technologies so that resources are used in fullest extent.

India houses the largest livestock in the world and the, per animal yield has great scope for improvement. The per capita availability of milk is 253 grams/day and with the increasing consumption of dairy products generated by the improvement in disposable income, this is only bound to increase. Thus there is vast potential for growth in the dairy sector.

OPPORTUNITIES

The demand for milk and milk products is increasingly buoyant and there is substantial growth potential for our company. There is a phenomenal scope for innovations in product development, packaging and presentation. The flexibility of product mix is tremendous, with balancing equipment and the Company can keep on adding to its product line.

Addition of more value added products may lead to a greater presence and flexibility in the market place along with opportunities in the field of brand building. Your company is already in the forefront of these initiatives which is reflected by the increasing turnover of the company.

Your Company has a professionally-trained, technical human resource pool, built over years to meet the challenges in the dairy industry. The main advantage of your Company's strength lies in its efficient and effective supply and cold chain management, which smaller players are lacking. This allows it wide reach and targeted coverage in its markets. Your Company also has talented and committed human resources who work as a team to the attainment of organisational objectives.

The milk products market offers great prospects for your Company. There is an increasing demand for quality milk products domestically apart from the traditional export market of South East, West Asia, and Africa. There is a very large domestic market for value added milk products in the retail sector and your Company is gradually making profitable inroads into this vast market.

THREATS

Perishability of the milk products is a deterrent to capitalize on market demand, Your Company is continuously developing and applying scientific methods to improve the quality of milk processed. Your Company is in the forefront of such initiatives in establishing this infrastructure.

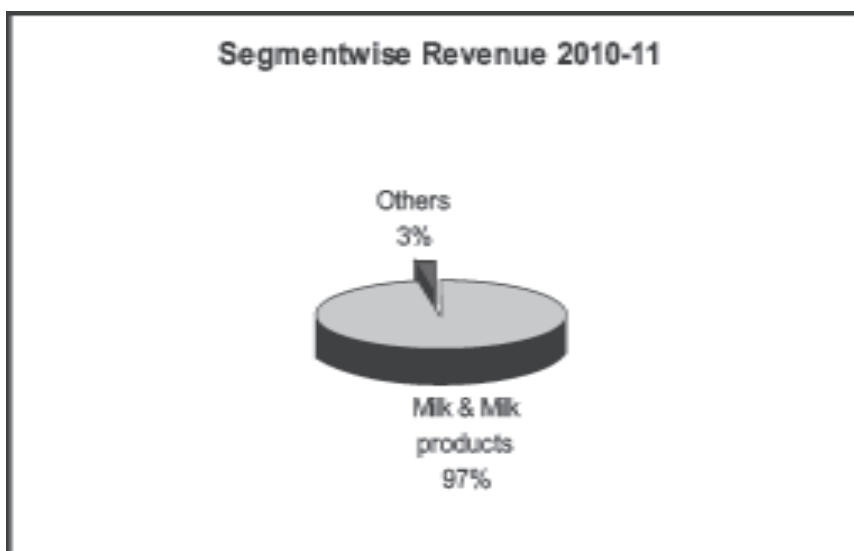
The traditional dairy practices no longer ensure control over milk yield. However, increased awareness of developments like embryo transplant, artificial insemination and properly managed animal husbandry practices, coupled with higher income to rural milk producers should automatically lead to improvement in milk yields.

Logistics of procurement is another major problem in the milk industry. Woes of bad roads and inadequate transportation facility make milk procurement problematic. But with the overall economic improvement in India, these problems would also get solved. Your company is poised to leverage on the improvement, given its economies of scale and with its inherent ability to adopt new technologies, it is confident of carving out its own niche in the market.

Strengths and opportunities are fundamental and weaknesses and threats are transitory. The success of your Company is derived mainly through factors such as the efficient yet economical procurement network, hygienic and cost-effective processing facilities and innovativeness in the market place.

Segment-wise or product-wise performance.

During the reporting period, the revenue from Milk and Milk Products amounted to Rs. 1316.68 Crores and income from other segments like cattle and retail trading amounted to Rs. 39.04 Crores.



Outlook and risks & concerns are covered under Opportunities and Threats.

Futuristic Statements

Statements in this report describing the Company's objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations that involve risks and uncertainties. Such statements represent the intention of the Management and the efforts being put into place by them to achieve certain goals. Actual results might differ materially from those either expressed or implied in the statement depending on the circumstances. Therefore, the investors are requested to make their own independent assessments and judgements by considering all relevant factors before making any investment decision.

Internal control systems and their adequacy:

Your Company has put in place an adequate system of internal controls commensurate with its size and nature of operations to ensure that the transactions are properly recorded, authorised and the assets are continuously monitored and safeguarded. The internal control system is backed up by well-documented policies, guidelines and procedures and concurrent reviews are carried out by the Company's internal auditors, who submit reports periodically to the Audit Committee of the Board and the Management. The internal audit process is designed, inter alia, to cover all significant areas of the Company's operations such as accounting, finance, inventory, insurance, treasury, safeguarding of assets, IT processes and protection against unauthorised use etc. The Audit Committee reviews significant observations made in the internal audit reports along with actions initiated and reports to the Board periodically.

Discussion on financial performance with respect to operational performance.

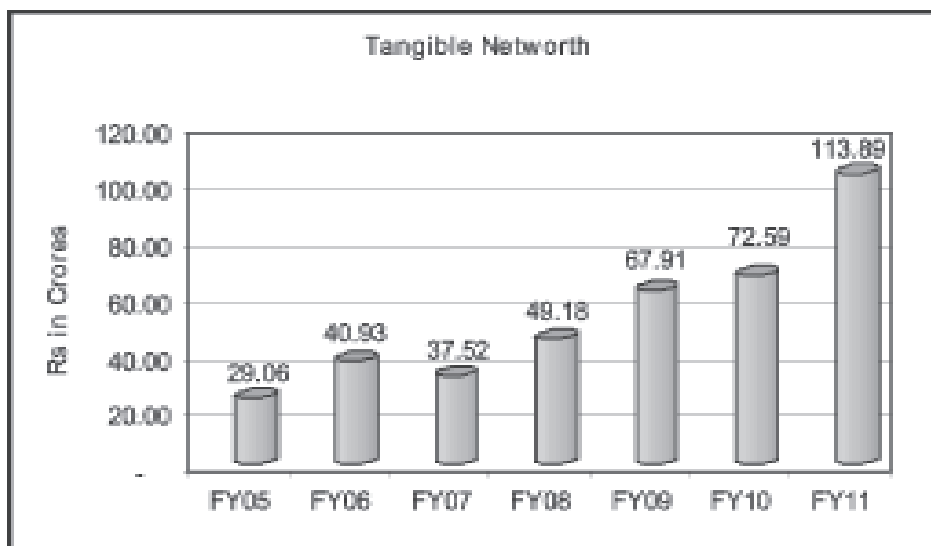
PERFORMANCE TREND

Over the years, Hatsun has created significant wealth for all its stakeholders.

Value Addition since Fiscal 2005

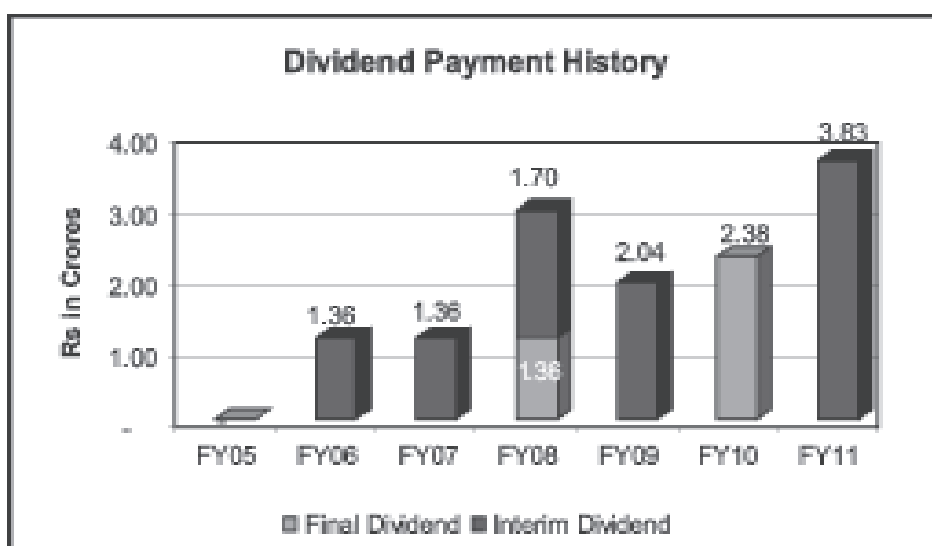
Increase in net worth

The net worth of the Company almost increased four times in the last seven years. The current Network of the Company for the Fiscal Year 2010-11 is at Rs.113.89 Crores.



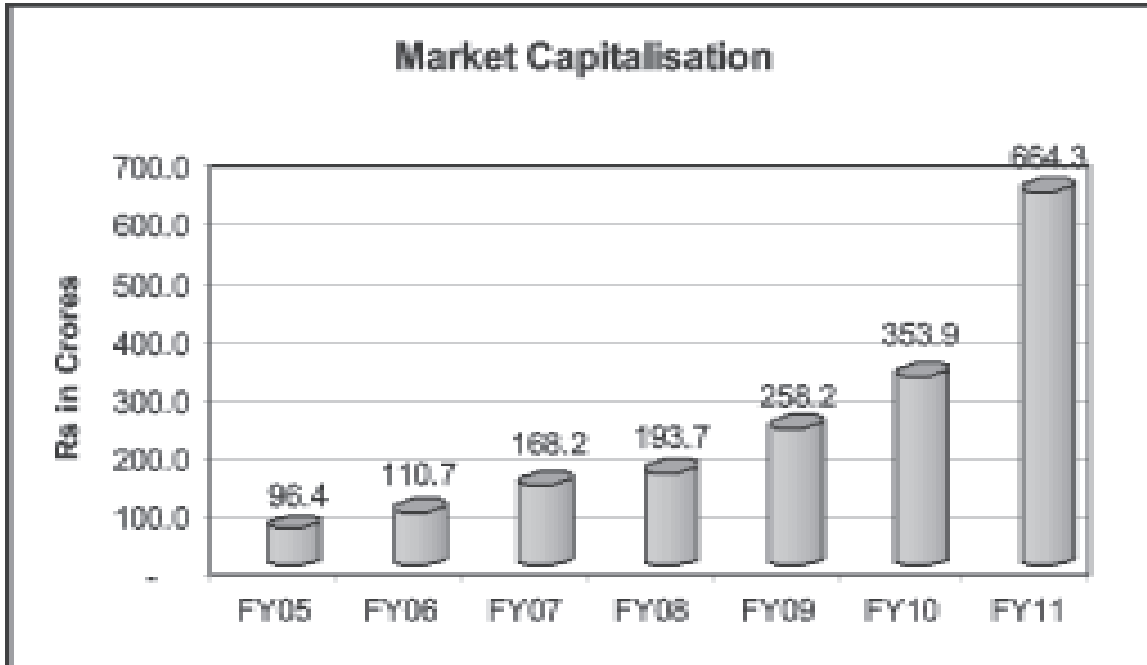
Dividend History

The Company has a track record of dividend payment. The Company's dividend payment record is one of the best in the industry. Your Company has paid two interim dividends during the Fiscal Year 2010-11.



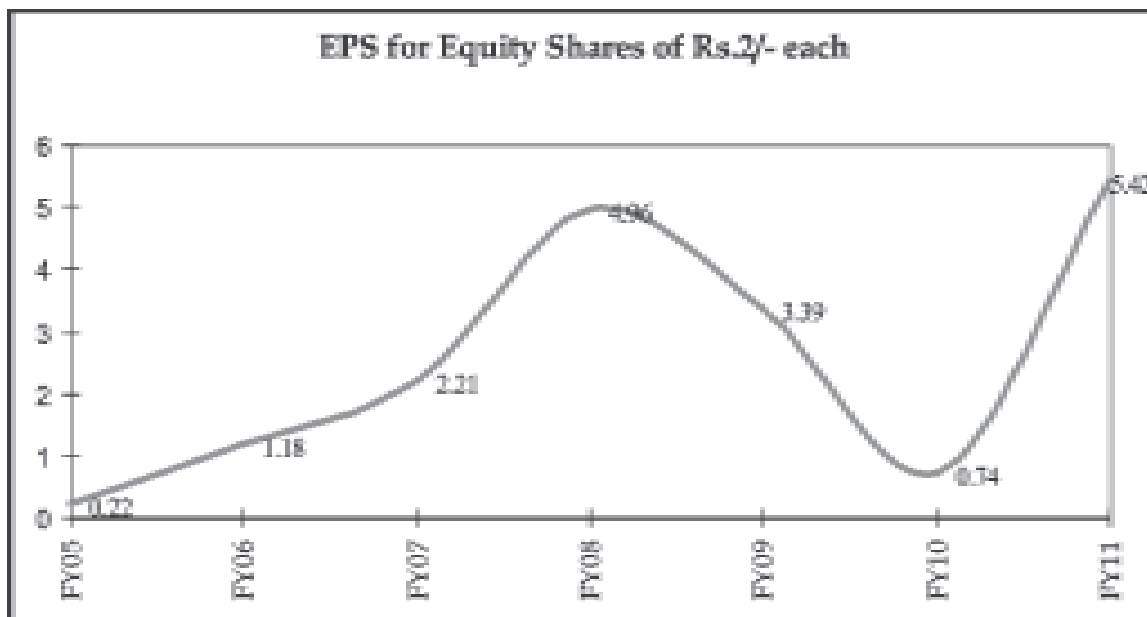
Market Capitalisation

Market capitalisation saw a phenomenal increase from Rs.96.37 Crores FY 2005, to Rs.664.28 Crores in FY 2011, a rise of almost seven times.



Earnings per share

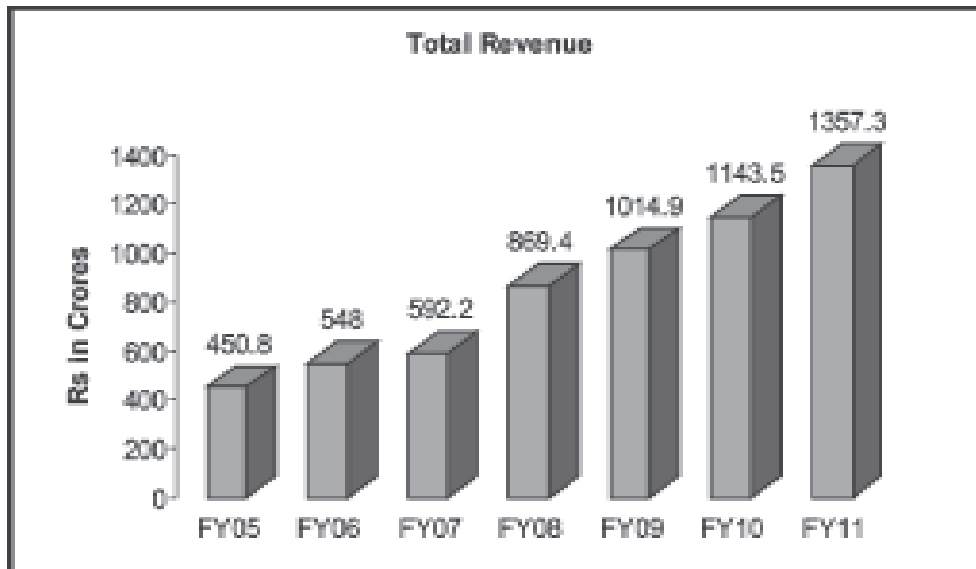
Earnings per share (EPS) (adjusted after Equity Shares of Rs.10/- each sub-divided into Equity Shares of Rs.2/- each in the year 2008-09), went up from 0.22 in FY 2005 to 5.42, in FY 2011.



OPERATIONAL EXCELLENCE

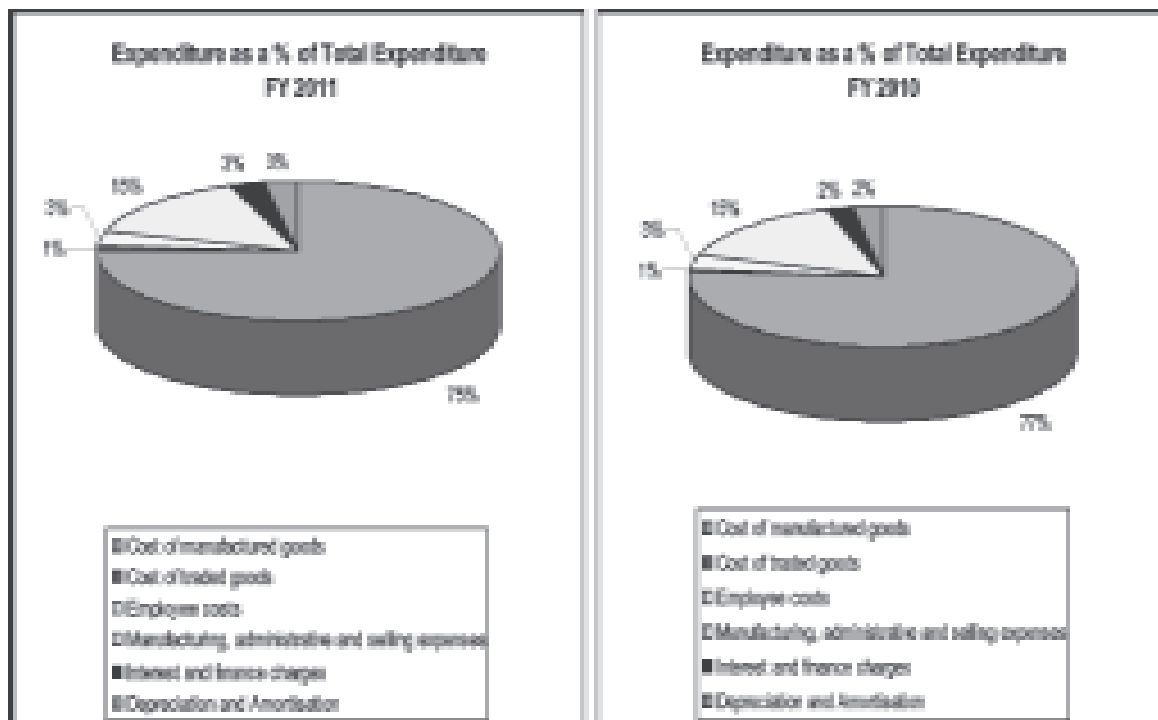
Revenue trend

Revenues grew to a record high of Rs.1,357 Crores in 2010-11 - a rise of almost three times from 2004-05.



Expenditure as a percentage of total expenditure:

During the reporting period, your Company's major expenditure is spent on Cost of Manufactured Goods amounting to 75% of the total expenditure, while 15% is spent on Manufacturing, Administrative and Selling, 3% is spent on Employee Cost, 3% on Cost of traded goods, 3% on Depreciation and amortization and 1% is spent on Interest and Finance Charge.



Material developments in Human Resources / Industrial Relations front, including number of people employed.

The HR programmes of the Company focus on building capabilities and engaging employees through various initiatives to help the organization consolidate and achieve sustainable future growth for the business. Your Company provides a congenial working atmosphere which will foster creative thinking. As part of manpower development and to enhance operational efficiency, training programmes have been organised for employees at all levels, wherever necessary. Your Company values its human resource as the most significant asset and the key focus is to attract, retain and develop talent as a resource.

Hatsun headcount fiscal 2011 summary

Opening headcount (As of April 1, 2010)	2363
Gross additions	1193
Attrition	985
Net additions	208
Closing headcount (As of March 31, 2011)	2571

Industrial Relations remained cordial at all manufacturing locations and the Unions and Workmen responded positively to the challenging times of the business during the year under review.

Effective employee communication through various channels ensured that all the employees are kept abreast of the current business situation. This has helped your Company to build mutual trust and confidence with the employees.

REPORT ON CORPORATE GOVERNANCE

I. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Your Company focuses on developing appropriate strategies that result in maximizing the return to all stakeholders. Your Company's philosophy on Corporate Governance is characterized by a firm commitment and adoption of ethical practices across its entire value chain and in all of its dealings with a wide group of stakeholders encompassing employees, customers, vendors, regulators and shareholders (including the minority shareholders).

The Company will continue to focus its resources, strengths and strategies to achieve its vision of brand building, maximizing stakeholders return and developing people to deliver the same, while upholding the core values of excellence, integrity, responsibility, unity and understanding, which are fundamentals to the running of the company's business. Your Directors perceive their role as a trustee to the stakeholders in particular and the society at large, inculcating a culture of transparency, accountability and integrity across the Company.

II. BOARD OF DIRECTORS

- (i) As on March 31, 2011, the Company had eight Directors with five Non-Executive Directors. The Chairman & Managing Director is an Executive and Promoter Director and half the Board is comprised of independent directors. The composition of the Board is in conformity with Clause 49 of the Listing Agreements entered into with the Stock Exchanges.
- (ii) None of the Directors on the Board are Members in more than 10 committees or act as Chairman of more than five committees across all companies in which he is a director. The directors have disclosed to the company about the committee positions they occupy in other companies and have notified changes as and when they take place.
- (iii) The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee Chairmanships/Memberships held by them in other companies are given herein below. Other directorships do not include alternate directorships, directorships of private limited companies, Section 25 companies and of companies incorporated outside India. Chairmanships/Memberships of Board Committees include only Audit and Shareholders/Investors Grievance Committees.

Table 1 :

Name of the Director	Category	Number of Board Meetings during the year 2010-11		Whether attended last AGM held on August 4, 2010	Number of Directorships in other Public Companies		Number of Committee positions held in other Public Companies	
		Held	Attended	Yes / No	Chairman	Member	Chairman	Member
R G CHANDRAMOGAN	Promoter / Executive Director	9	8	Yes	Nil	1	Nil	Nil
K S THANARAJAN	Executive Director	9	9	Yes	Nil	Nil	Nil	Nil
C SATHYAN	Promoter / Executive Director	9	7	Yes	Nil	Nil	Nil	Nil
P VAIDYANATHAN	Non-Executive / Independent Director	9	5	Yes	1	2	Nil	Nil
KIRTI P SHAH	Non-Executive Director	9	1	No	Nil	1	Nil	1
S THIAGARAJAN	Non-Executive / Independent Director	9	2	No	Nil	Nil	Nil	Nil
B S MANI	Non-Executive / Independent Director	9	3	Yes	Nil	Nil	Nil	Nil
N CHANDRASEKARAN	Non-Executive / Independent Director	9	5	Yes	Nil	4	Nil	4

- (iv) The board met Nine times during the year and the gap between two meetings did not exceed four months. The said Meetings were held on 3-Apr-2010, 21-Apr-2010, 28-May-2010, 28-July-2010, 2-Nov-2010, 01-Dec-2010, 18-Jan-2011, 14-Feb-2011 and 28-Mar-2011. The necessary quorum was present for all the meetings.
- (v) The minimum information as required under Annexure - IA of Clause 49 of the Listing Agreement is made available to the board.
- (vi) None of the Non-Executive Directors have any material pecuniary relationship or transactions with the Company.

Equity Shares held by Non - Executive Directors

Mr. Kirti P Shah holds 7,85,250 Equity Shares of Rs.2/- each and Mr. B.S.Mani holds 1,500 Equity Shares of Rs.2/- each, in the Company.

Risk Management

The Company has established a robust risk assessment and minimisation procedures, which are reviewed by the Board periodically. The Company has a structure in place to identify and mitigate the various risks that would be faced by it from time to time. At every Board meeting the risks are reviewed, new risks if any, are identified, assessed, and control measures are designed to put in place fixed timeline for mitigating the risk.

III. AUDIT COMMITTEE

- (i) The Audit Committee plays an important role in overseeing the internal control and the financial reporting system of the Company. The Company has an independent audit committee constituted in line with the provisions of Clause 49 of the Listing Agreements with the Stock Exchanges read with Section 292A of the Companies Act, 1956. All the three members of the Committee are independent Directors with Mr. P. Vaidyanathan who is a Fellow member of the Institute of Chartered Accountants of India as its Chairman. All the members of the Committee have excellent financial and accounting knowledge. The Audit Committee met four times during the year on 28-May-2010, 28-July-2010, 2-Nov-2010 and 14-Feb-2011. The time gap between any two meetings was less than four months. Necessary quorum was present for all the meetings.

Table 2 : Attendance record of Audit Committee.

Name of Member	Category of Directors	Status	No. of Meetings	
			Held	Attended
P. Vaidyanathan	Independent	Chairman	4	4
S Thiagarajan	Independent	Member	4	2
B.S.Mani	Independent	Member	4	3

The functions of the Audit Committee include the following

- Supervising of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditors and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
 - Changes, if any, in accounting policies and practices and reasons for the same.
 - Major accounting entries involving estimates based on the exercise of judgment by the management.
 - Significant adjustments made in the financial statements arising out of audit findings.
 - Compliance with listing and other legal requirements relating to financial statements.
 - Disclosure of any related party transactions.
 - Qualifications in the draft audit report.

- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
- Reviewing with the management, the statement of uses / application of funds, raised through an issue (public issue, rights issue, preferential issue, etc.) the statement of funds utilised for purposes other than those stated in the offer document/ prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors on any significant findings and follow up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- To review the functioning of the Whistle Blower mechanism, in case, the same exists.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee is empowered to

- Investigate any activity within its terms of reference.
- Seek information from any employee.
- Obtain outside legal or other professional advice.
- Secure attendance of outsiders with relevant expertise, if it considers necessary.

The Company has systems in place to ensure that the Audit Committee reviews:

- Management discussion and analysis of financial condition and results of operations.
- Statement of significant related party transactions (as defined by the audit committee), submitted by the management.
- Management letters / letters of internal control weaknesses issued by the statutory auditors.
- Internal audit reports relating to internal control weaknesses.
- The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the Audit Committee

IV. REMUNERATION COMMITTEE

The role of the Remuneration Committee is to recommend to the Board the appointment / reappointment of the executive and non-executive Directors. The Committee has also been vested with the authority to determine the periodic increments in salary and annual incentive of the Executive Directors. During the year the Committee met once on 2-Nov-2010.

Table 3 : Attendance record of the Remuneration Committee

Name of Member	Category of Directors	Status	No. of Meetings	
			Held	Attended
P. Vaidyanathan	Independent	Chairman	1	1
S Thiagarajan	Independent	Member	1	—
B.S.Mani	Independent	Member	1	1

COMPENSATION PHILOSOPHY

The objective of the Compensation Philosophy is to attract and retain high calibre individuals and motivate them towards the achievement of exceptional performance that enhances the value of the Company.

Table 4 : Remuneration paid to Executive Directors

Name	Salary & Allowances (Rs.)	Contribution to P.F. & Other Funds (Rs.)	Other Perquisites or benefits including medical expenses reimbursed and car facility provided (Rs.)
Mr. R.G. Chandramogan	36,00,000	10,800	1,21,600
Mr. K.S. Thanarajan	36,00,000	2,88,000	1,21,600
Mr. C. Sathyan	34,20,000	9,360	1,16,600

Note: All the Executive Directors are covered under the Company's Leave Encashment Policy and Group Gratuity Scheme along with the other employees of the Company. Contribution to Gratuity is based on the actuarial valuation made on an overall Company basis and hence individual figures for the directors are not available.

Table 5 : Sitting fee paid to Non-Executive Directors

Sl.No.	Name of the Director	Sitting Fee (Rs.)
1.	Mr. P.Vaidyanathan	50,000
2.	Mr. Kirti P Shah	10,000
3.	Mr. S.Thiagarajan	20,000
4.	Mr. B.S.Mani	30,000
5.	Mr. N.Chandrasekaran	50,000

At present a sitting fee of Rs.10,000/- (Rupees Ten Thousand only) is being paid to all Non-Executive Directors who attended the Board meeting.

V. SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

The Company has a Shareholders/Investors Grievance Committee of Directors to look into the redressal of complaints of investors such as transfer or credit of shares, non-receipt of dividend/notices/annual reports, etc. Four meetings of the Shareholders/Investors Grievance Committee were held during the year on 28-May-2010, 28-July-2010, 2-Nov-2010 and 14-Feb-2011. The composition of the Shareholders/Investors Grievance Committee and the details of meetings attended by its members are given below:

Table 6 : Attendance record of the Shareholders/Investors Grievance Committee

Name of Member	Category	Status	No. of Meetings	
			Held	Attended
P. Vaidyanathan	Independent	Chairman	4	4
S. Thiagarajan	Independent	Member	4	2
K.S. Thanarajan	Executive	Member	4	4

The Committee supervises the mechanism for redressal of Investor grievances and ensures cordial investor relations. The Committee takes care of the following matters:

- Redressal of Shareholders' and investors' complaints like transfer of shares, non-receipt of Balance Sheet, non receipt of declared dividend etc.
- Scrutinise the performance of the Registrar & Share Transfer Agent and recommends measures for overall improvement of the quality of service.
- Any allied matter(s) out of and incidental to these functions and not here in above specifically provided for.

Details of Complaints

Number of complaints received from investors	-	26
Number of complaints resolved	-	26
Number of complaints remaining unresolved and pending	-	Nil

Table 7 : Nature of complaints received and attended during 2009-11

Sl. No.	Nature of Complaints	Received & Redressed during the year
1.	Correspondence regarding demat / general	Nil
2.	Correspondence regarding loss of shares and issuance of duplicate share certificates	4
3.	Correspondence regarding non-receipt of share certificate, transmission of shares	4
4.	Revalidation of dividend warrants / non-receipt of dividend warrants	11
5.	Correspondence regarding deposits	7

Compliance Officer

The Name and designation of the Compliance Officer of the Company

Mr. N P Mathi Lingan, Company Secretary & Compliance Officer
No. 5-A, Vijayaraghava Road, T Nagar, Chennai - 600 017, Tamil Nadu.

Phone No. : 091-044-28150014

Fax No. : 091-044-28152508

e-mail ID : secretarial@hatsun.com

VI. OTHER COMMITTEES

SHARE TRANSFER COMMITTEE

The Committee comprises of three members, namely Mr. R.G.Chandramogan (Chairman), Mr. K.S.Thanarajan and Mr. P.Vaidyanathan. The Committee takes care of the following matters:

- Transfer/Transmission of shares.
- Split-up/Sub-division and Consolidation of shares.
- Issue of new and duplicate share certificates.
- Registration of Power of Attorneys, Probate Letters of transmission or similar other documents.
- Dematerialisation/Rematerialisation of shares.

Transfer of shares are processed and registered within the stipulated time, provided all the documents are valid and complete in all respects. As on 31st March, 2011, there were no share transfers pending for registration for more than 30 days.

Number of Share Transfers pending - Nil

During the financial year 2010-11, Share Transfer Committee met twenty times on the following dates namely, 9-April-2010, 23-April-2010, 14-May-2010, 28-May-2010, 11-June-2010, 25-June-2010, 9-Jul-2010, 30-Jul-2010, 13-Aug-2010, 27-Aug-2010, 13-Sep-2010, 8-Oct-2010, 22-Oct-2010, 12-Nov-2010, 10-Dec-2010, 24-Dec-2010, 7-Jan-2011, 21-Jan-2011, 11-Mar-2011 and 25-Mar-2011.

SUB-COMMITTEE OF THE BOARD

The Sub-Committee of the Board of Directors of the Company comprises of four Directors, namely Mr. K.S.Thanarajan (Chairman), Mr. R.G.Chandramogan, Mr. C.Sathyam and Mr. B.S.Mani.

The Committee looks after the following:

- To review the position of funds of the Company, borrow monies required for the purpose of business, negotiate and finalise the terms of borrowings with the lenders, approve borrowings and look into its repayments and also to make loans when there is surplus money available in hand.
- To exercise generally all such powers and to do all such acts and things as the Board of Directors may delegate from time to time.

During the financial year 2010-11, the Committee met twenty times on the following dates on 5-Apr-10, 21-Apr-10, 15-May-10, 10-Jun-10, 18-Jun-10, 4-Aug-10, 13-Aug-10, 19-Aug-10, 6-Sep-10, 13-Sep-10, 29-Sep-10, 18-Oct-10, 12-Nov-10, 13-Dec-10, 18-Jan-11, 29-Jan-11, 7-Feb-11, 9-Mar-11, 21-Mar-11 and 24-Mar-11

CORE COMMITTEE

The Core Committee for implementation of SEBI (Prohibition of Insider Trading) Regulations includes Mr. R.G.Chandramogan (Chairman), Mr. K.S.Thanarajan and Mr. C.Sathyan. During the year, the Committee met once on 28th January, 2011. There were no cases involving insider trading in the Company during the year.

VII. GENERAL BODY MEETINGS

- (i) Annual General Meeting:

Table 8 : Date, time and venue of the last three AGMs.

Financial Year	Date	Time	Venue
2007-08	22nd September, 2008	11.00 A.M.	Andhra Social & Cultural Assn., Chennai
2008-09	5th August, 2009	11.00 A.M.	Abirami Chidambaram Community Hall, Chennai
2009-10	4th August, 2010	11.00 A.M.	P.Obul Reddy Hall, Sri Thyaga Brahma Gana Sabha, Vani Mahal, Chennai

- (ii) Special Resolutions

At the Annual General Meeting of the Company held on 5-Aug-2009, a Special Resolution was passed for the preferential allotment of 6% Unsecured Compulsorily Convertible Debentures to select Individuals/Entities. The resolution was passed with the requisite majority.

- (iii) Postal Ballot

There were no circumstances necessitating the Company to seek the approval of its members through a Postal Ballot as required under the provisions of Section 192A of the Companies Act, 1956.

VIII. DISCLOSURES

- (i) There are no materially significant related party transactions of the Company which have potential conflict with the interests of the Company at large.
- (ii) Details of non-compliance by the Company, penalties, strictures imposed on the Company by the Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years 2008-09, 2009-10 and 2010-11 respectively: NIL
- (iii) The Company has fulfilled the following non-mandatory requirements as prescribed in Annexure I D to the Clause 49 of the Listing Agreements with the Stock Exchanges:
- (a) The Company has set up a Remuneration Committee, details of which have been given earlier in this Report.
- (b) Whistle-Blower Policy
- The Company has put in place an un-codified system through which employees and business associates may report unethical business practices at work place without the fear of reprisal. The Company has set up a direct contact initiative under which all employees/business associates have direct access to the Chairman of the Audit Committee. The "Whistle Blower Protection Policy" aims to:

- Allow and encourage employees and business associates to bring to the management's notice concerns about suspected unethical behaviour, malpractice, wrongful conduct, fraud, violation of policies etc.
- Ensure timely and consistent organisational response.
- Build and strengthen a culture of transparency and trust.
- Provide protection against victimisation.

(iv) Secretarial Audit

A qualified practicing Company Secretary carried out secretarial audit to reconcile the total admitted equity share capital with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) and the total issued and listed equity share capital. The secretarial audit report confirms that the total issued/paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

(v) Code of Conduct

The Board has laid down a Code of Conduct for its Members and Senior Management Personnel of the Company. The code of conduct is available on the website of the Company, www.hatsun.com. All Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct.

The CEO has affirmed to the Board that this Code of Conduct has been complied by the Board Members and Senior Management Personnel.

(vi) Code for prevention of insider trading practices

In compliance with the SEBI regulation on prevention of insider trading, the Company has instituted a comprehensive code of conduct for its management and staff. The code lays down guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with shares of the Company and cautioning them of the consequences of violations.

(vii) Disclosure of accounting treatment in preparation of financial statements

The Company has followed the guidelines of accounting standards laid down by the Institute of Chartered Accountants of India (ICAI) in preparation of its financial statements.

(viii) CEO/CFO Certification

The CEO and CFO certification of the financial statements and the cash flow statement for the year is enclosed and forms part of this report.

IX. MEANS OF COMMUNICATION

The quarterly, half-yearly and annual results of the Company are published in leading newspapers in India which include The Financial Express and Malai Murasu. The results are also displayed on the Company's website "www.hatsun.com". Press Releases made by the Company from time to time are also displayed on the Company's website. A Management Discussion and Analysis Statement is a part of the Company's Annual Report.

X. GENERAL SHAREHOLDER INFORMATION

(i) Annual General Meeting :

Date : 2-September-2011

Time : 11.00A.M.

Venue : P.Obul Reddy Hall, Sri Thyaga Brahma Gana Sabha,
Vani Mahal, G.N.Chetty Road, T.Nagar, Chennai - 600 017

As required under Clause 49(IV)(G)(i) of the Listing Agreements with the Stock Exchanges, particulars of Directors seeking appointment / re-appointment at the forthcoming Annual General Meeting (AGM) are given in the Annexure to the Notice of the AGM to be held on 2-Sep-2011.

(ii) Financial Calendar:

Financial Year : 1st April to 31st March

For the year ended 31st March 2011, results were announced on

- o First Quarter : 28-July-2010
- o Half Year : 2-Nov-2010
- o Third Quarter : 14-Feb-2011
- o Annual : 25-May-2011

For the year ending 31st March, 2012 results will be announced in

- o First Quarter : within 45 days from the end of first quarter
- o Half Year : within 45 days from the end of half year
- o Third Quarter : within 45 days from the end of third quarter
- o Annual : within 60 days from the end of financial year

(iii) Date of Book Closure/Record Date:

As mentioned in the Notice of the AGM to be held on 2-Sep-2011.

(iv) Dividend Payment Date

During the reporting period 2010-11, the Board of Directors declared two interim dividends. An interim Dividend of Re.0.60/- per Equity Share was declared on 2-Nov-2010 and Re.0.50/- per Equity Share was declared on 14-Feb-2011.

(v) Listing on Stock Exchanges

At present, the Equity Shares of the Company are listed on Bombay Stock Exchange Limited (BSE).

(vi) Stock Code

ISIN No. : INE473B01027

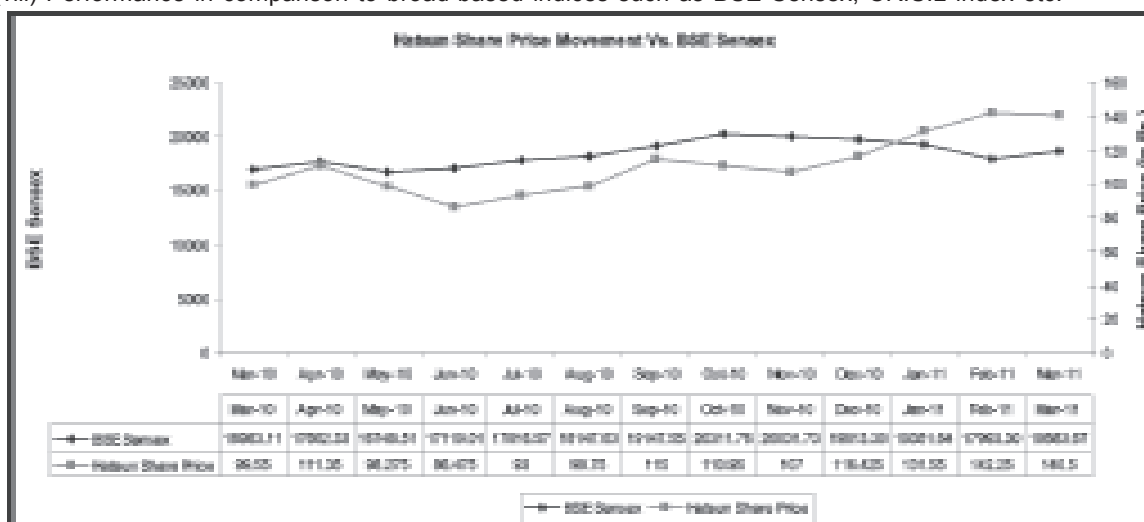
BSE Stock Code : 531531

(vii) Market Price Data: High, Low during each month in last financial year

Table 9 :

Month	High Price	Low Price	No. of Shares traded
Apr 10	126.00	96.70	1,38,874
May 10	115.00	81.55	82,085
Jun 10	94.90	78.05	60,732
Jul 10	108.00	78.00	2,24,838
Aug 10	112.50	85.00	2,16,373
Sep 10	130.50	99.50	3,37,737
Oct 10	121.80	100.10	66,413
Nov 10	115.00	99.00	1,28,797
Dec 10	125.30	107.55	1,52,703
Jan 11	144.00	119.10	1,85,987
Feb 11	149.40	135.10	1,07,623
Mar 11	158.00	123.00	40,654

(viii) Performance in comparison to broad-based indices such as BSE Sensex, CRISIL index etc.



(viii) Registrar and Transfer Agents

As per the requirement of Securities and Exchange Board of India, M/s. Integrated Enterprises (India) Limited has been appointed as the Registrar and Share Transfer Agent to take care of all works related to Share Registry. The contact details of the Registrar and Share Transfer Agent are given below:

M/s. INTEGRATED ENTERPRISES (INDIA) LIMITED,

30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore – 560 003.

Tel : 091 - 080 - 23460815 – 818

Fax : 091 - 080 - 23460819

E-mail : alfint@vsnl.com

All communications on share transfers, share certificates, change of address, dividends and any other query relating to shares should be addressed to the above Registrar and Share Transfer Agent.

(ix) Share Transfer System

The share transfers in physical form are presently processed and the share certificates are returned within a period of 30 days from the date of receipt, subject to the documents being clear in all respects. M/s. Integrated Enterprises (India) Limited, a SEBI approved Registrar and Share Transfer Agent has been appointed to effect the transfer of shares and other related jobs. The transfer of shares in physical mode is approved by the Share Transfer Committee.

(x) Distribution of shareholding

a. Distribution of Equity Shareholding as on 31st March, 2011

Table 10 : Distribution of Shareholding as at 31st March, 2011

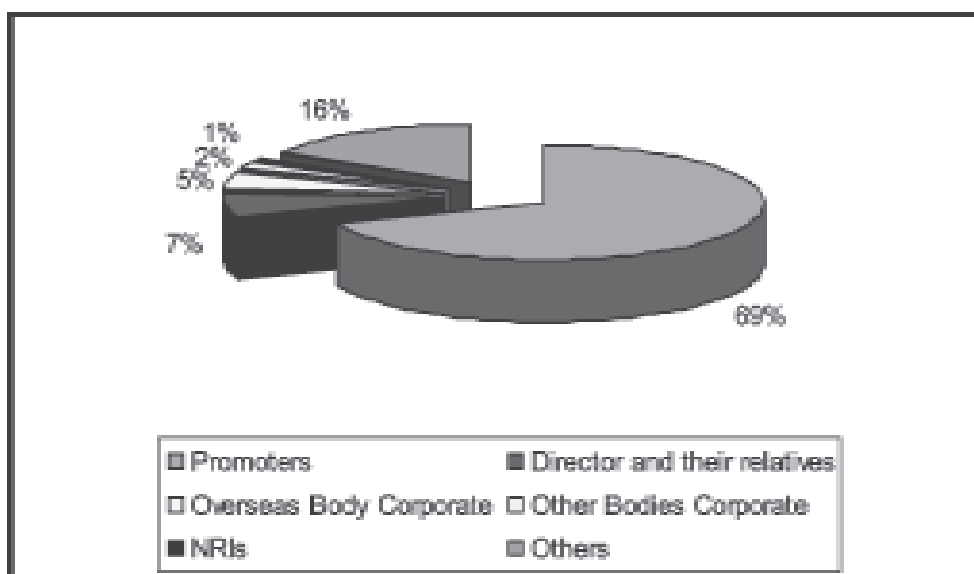
No. of Shares held	No. of folios/ Shareholders	No. of folios/ Shareholders(%)	No. of Shares	Shareholding (%)
1 - 100	1981	46.38	30044	0.08
101 - 200	102	2.39	17005	0.05
201 - 300	110	2.58	28583	0.08
301 - 400	22	0.52	8198	0.02
401 - 500	1078	25.24	538303	1.50
501 - 1000	520	12.18	496532	1.38
1001 - 5000	303	7.09	809245	2.25
5001 - 10000	43	1.01	301086	0.84
100001 & above	111	2.62	33668220	93.79
Total	4270	100.00	35897216	100.00

b. Category of Shareholders as on 31st March, 2011

Table 11 : Shareholding Pattern as at 31st March, 2011

Category	No. of folios/ Shareholders	No. of Shares held	Shareholding (%)
Promoters	6	2,48,10,777	69.12
Director and their relatives	14	24,38,155	6.79
Overseas Body Corporate	1	16,96,500	4.73
Other Bodies Corporate	82	7,67,244	2.14
NRIs	52	3,40,332	0.94
Others	4106	58,44,208	16.28
Total	4261	3,58,97,216	100

* A Non Resident Indian Director holding 11,13,375 shares accumulating to 3.10% is classified under Directors and their relatives.



(xii) Dematerialization of shares and liquidity

Table 12 :

Sl. No.	No. of Equity Shares	No. of folios/ Shareholders		No. of folios/ Shareholders (%)		No. of Shares		Shareholding %	
		Phy.	Elect.	Phy.	Elect.	Phy.	Elect.	Phy.	Elect.
1.	001 - 100	310	1671	7.26	39.12	1,726	28,318	0.00	0.08
2.	101 - 200	0	102	0.00	2.39	0	17,005	0.00	0.05
3.	201 - 300	10	100	0.23	2.34	2,550	26,033	0.01	0.07
4.	301 - 400	1	21	0.02	0.49	350	7,848	0.00	0.02
5.	401 - 500	730	348	17.09	8.15	3,65,000	1,73,303	1.02	0.48
6.	501 - 1000	337	183	7.89	4.28	3,34,550	1,61,982	0.93	0.45
7.	1001 - 5000	122	181	2.86	4.24	3,41,500	4,67,745	0.95	1.30
8.	5001 - 10000	8	35	0.19	0.82	63,000	2,38,086	0.18	0.66
9.	10001 & ABOVE	24	88	0.56	2.06	989750	32678470	2.76	91.03
	Total	1542	2729	36.00	64.00	2098426	33798790	6.00	94.00

(Xiii) Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity

As on March 31, 2011, the Company did not have any outstanding GDRs/ADRs/Warrants or any convertible instruments.

(Xiv) **Plant Locations**

- | | |
|--|---|
| 1. Attur Main Road
Karumapuram Village
Salem - 636 106,
Tamil Nadu. | 2. Timmasamudram Village (White Gate)
Chennai-Bangalore Highway,
Kancheepuram Taluk,
Kancheepuram - 631 502, Tamil Nadu. |
| 3. No.114, Angadu Road
Nallur Village, Redhills,
Chennai - 600 067, Tamil Nadu. | 4. No.277/2, Desur Village,
Kanapur Road,
Belgaum - 590 014, Karnataka. |
| 5. No.109/2, Melebennur Road,
Kundur Village, Honnali Taluk
Davangere District,
Honnali - 577 219, Karnataka. | 6. Sangah Pasuvanthalauk Village
Kolanshalli Panchayat,
Marandahalli Main Road, Palacode Taluk,
Dharmapuri District – 636 808. |
| 7. No.76/2B, Dindigul Madurai Main Road
Thiruvazhavayanallur
Vadipatti Taluk,
Madurai – 625 221, Tamil Nadu. | 8. V Kottu Road Pirivu,
AttuPannai, Periyeri Post,
Attur Taluk, Salem District
Thalaivasal. |

(xv) **Address for Correspondence**

For share transfers, share certificates, change of address, dividends and any other query relating to shares:

M/s. INTEGRATED ENTERPRISES (INDIA) LIMITED,
30, Ramana Residency, 4th Cross
Sampige Road, Malleswaram
Bangalore – 560 003.
Tel : 091 - 080 - 23460815 – 818
Fax : 091 - 080 - 23460819
E-mail : alfint@vsnl.com

For Investors' Assistance

N P Mathi Lingan
Company Secretary
Hatsun Agro Product Limited
No.5-A, Vijayaraghava Road
T.Nagar, Chennai – 600 017
Tamil Nadu.
Phone : 091 - 044-28150014
Fax : 091 - 044-28152508
E-Mail : secretarial@hatsun.com
Website : www.hatsun.com

**CERTIFICATE ON CORPORATE GOVERNANCE
TO THE MEMBERS OF
HATSUN AGRO PRODUCT LIMITED**

I have examined the compliance of conditions of Corporate Governance by Hatsun Agro Product Limited ("the Company") for the year ended 31st March, 2011 as stipulated in Clause 49 of the Listing Agreement of the said Company with Bombay Stock Exchange Limited.

The Compliance of conditions of Corporate Governance is the responsibility of the Management. My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of conditions of the Corporate Governance.

In my opinion and to the best of my information and according to the explanations given to me, I hereby certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

I state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders' / Investors' Grievance Committee, except in cases of any legal dispute or constraints.

I further state that, such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Sd/-
T.P. Shridar
Company Secretary
C.P. No. 4530

Place : Chennai
Date : 25th May, 2011

DECLARATION

**REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL
WITH THE COMPANY'S CODE OF CONDUCT**

This is to confirm that the Company has adopted a Code of Conduct for the members of the Board and the Senior Management Personnel and these Codes are available on the Company's website. I confirm that the Board and the Senior Management Personnel of the Company have complied with the Code of Conduct in respect of the financial year ended March 31, 2011.

For **HATSUN AGRO PRODUCT LIMITED**
Sd/-
R. G. CHANDRAMOGAN
CHAIRMAN AND MANAGING DIRECTOR

Place : Chennai
Date : 1st August, 2011

**CERTIFICATION BY
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER**

As required by Clause 49(V) of the Listing Agreement with Stock Exchanges, we hereby certify that:

- a) We have reviewed the financial statements and the cash flow statement of the Company for the year ended March 31, 2011 and that to the best of our knowledge and belief:
- i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or isolative of the Company's Code of Conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated to the auditors and the Audit Committee
- i) significant changes in internal control over financial reporting during the year;
 - ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii) that there were no instances of fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Place : Chennai
Date : 17th May, 2011.

Sd/-
R.G. Chandramogan
Chairman & Managing Director

Sd/-
S. Subramanian
Chief Financial Officer

AUDITORS' REPORT

To

The Members of **Hatsun Agro Product Limited**

1. We have audited the attached Balance Sheet of Hatsun Agro Product Limited ('the Company') as at March 31, 2011 and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. *As more fully described in Note 2(a) of Schedule 19 to the Financial Statements, certain income tax matters in respect of the financial year ended March 31, 1996 (financial estimate by the management of Rs. 15 million) are being contested by the Company and the matter is pending with the High Court of Judicature, Madras. Pending a final resolution of the uncertainties in this connection, no provision towards tax and other consequential adjustment relating to this matter, if any, have been considered in the financial statements. Audit report issued on the financial statements for the year ended March 31, 2010 was also qualified in respect of this matter.*
5. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;
 - v. On the basis of the written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;
 - vi. In our opinion and to the best of our information and according to the explanations given to us, *subject to the effect of adjustments, if any, that may be required had the outcome of the matter referred to paragraph 4 above been known*, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2011;
 - b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & ASSOCIATES

Firm Registration No. 101049 W

Chartered Accountants,

Sd/-

per S Balasubrahmanyam

Partner

Membership No.053315

Place : Chennai

Date : 25th May, 2011

ANNEXURE TO AUDITORS' REPORT

Annexure referred to in paragraph 3 of our report of even date Re: Hatsun Agro Product Limited ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) There was no disposal of substantial part of the fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(iii)(a) to (d) of the Order are not applicable to the Company and hence not commented upon.
- (b) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. During the current year, the activities of the Company did not involve any sale of services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (v) According to the information and explanations provided by the management, we are of the opinion that there are no contracts and arrangements that need to be entered into the register maintained under section 301 of the Act during the period. Therefore, the provisions of clause (v)(a) and (v)(b) of para 4 of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (vi) In respect of deposits accepted, in our opinion and according to the information and explanations given to us, directives issued by the Reserve Bank of India and the provisions of sections 58A, 58AA or any other relevant provisions of the Act and the rules framed there under, to the extent applicable, have been complied with. We are informed by the management that no order has been passed by the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act for the products of the Company.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.

Further, since the Central Government has till date not prescribed the amount of cess payable under section 441A of the Act, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

- (c) According to the records of the Company, there are no dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, other than the following:

Name of the Statute	Nature of Dues	Amount (Rs In 000's)	Period to which the amount relates	Forum where dispute is pending
Income tax Act, 1961	Disallowance of non compete fees	**	FY 1996-97	High Court of Judicature, Madras
The Tamil Nadu General Sales Tax Act	Sales tax in dispute	932	FY 1996-97	Commercial Tax Officer
The Tamil Nadu General Sales Tax Act	Sales tax in dispute	1,083	FY 1996-97	Appellate Assistant Commissioner
The Tamil Nadu General Sales Tax Act	Penalty in dispute	*528	FY 2003-04	High Court of Judicature, Madras
Income Tax Act, 1961	Disallowance of expense	#21,092	FY 2007-08	Commissioner Appeals

* Net of Rs. 528K paid under protest

#Net of Rs. 5,000K paid under protest

** - Refer to note 2(a) of Schedule 19 to the financial statements

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) 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 from banks and others to purchase certain fixed assets aggregating to Rs. 728 million.*
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.
- (xix) The Company has unsecured debentures outstanding during the year on which no security or charge is required to be created.
- (xx) The Company has not raised any money by public issues during the year and accordingly, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S.R. BATLIBOI & ASSOCIATES

Firm Registration No. 101049 W

Chartered Accountants,

Sd/-

per S Balasubrahmanyam

Partner

Membership No.053315

Place : Chennai

Date : 25th May, 2011

BALANCE SHEET AS AT MARCH 31, 2011

(All amounts are in thousands of Indian Rupees unless otherwise stated)

	Schedule No.	As at March 31, 2011	As at March 31, 2010
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	1	71,827	67,921
Reserves and surplus	2	856,120	467,250
		<u>927,947</u>	<u>535,171</u>
Loan Funds			
Secured loans	3	2,387,462	2,136,678
Unsecured loans	4	568,163	1,000,707
		<u>2,955,625</u>	<u>3,137,385</u>
Deferred Income, net	19(2)(h)	7,005	7,445
Deferred tax liabilities, net	19(2)(g)	237,474	197,039
Total		<u><u>4,128,051</u></u>	<u><u>3,877,040</u></u>
APPLICATION OF FUNDS			
Fixed assets			
Gross Block	5	4,995,417	4,381,678
Less: Accumulated depreciation		<u>(1,508,644)</u>	<u>(1,160,338)</u>
Net block		3,486,773	3,221,340
Capital work-in-progress including capital advances		144,249	330,567
		<u>3,631,022</u>	<u>3,551,907</u>
Current assets, loans and advances			
Inventories	6	643,159	570,616
Sundry debtors	7	96,701	136,595
Cash and bank balances	8	100,221	139,822
Claims receivable		11,975	14,180
Loans and advances	9	375,170	247,619
	(A)	<u>1,227,226</u>	<u>1,108,832</u>
Current liabilities and provisions			
Current liabilities	10	(715,651)	(763,030)
Provisions	11	(14,546)	(20,669)
	(B)	<u>(730,197)</u>	<u>(783,699)</u>
Net current assets	(A)-(B)	<u>497,029</u>	<u>325,133</u>
Total		<u><u>4,128,051</u></u>	<u><u>3,877,040</u></u>
Significant accounting policies and notes to the financial statements	19		

The Schedules referred to above and the notes thereon form an integral part of the Balance Sheet.

As per our report attached of even date
For S.R. BATLIBOI & ASSOCIATES
 Firm Registration No. 101049W
 Chartered Accountants

For and on behalf of the Board of Directors of
HATSUN AGRO PRODUCT LIMITED

Sd/-
per S. BALASUBRAHMANYAM
 Partner, Membership No.053315

Sd/-
R.G. CHANDRAMOGAN
 Chairman & Managing Director

Sd/-
K.S. THANARAJAN
 Joint Managing Director

Sd/-
N.P. MATHI LINGAN
 Company Secretary

Place : Chennai
 Date : May 25, 2011

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

(All amounts are in thousands of Indian Rupees unless otherwise stated)

	Schedule No.	Year ended March 31, 2011	Year ended March 31, 2010
INCOME			
Sales	12	13,557,222	11,406,031
Other income	13	15,796	29,298
		13,573,018	11,435,329
EXPENDITURE			
Cost of manufactured goods	14	9,993,625	8,613,689
Cost of traded goods	15	173,814	71,791
Employee costs	16	459,021	372,965
Manufacturing, administrative and selling expenses	17	1,989,603	1,715,109
Interest and finance charges	18	354,723	278,302
Depreciation & Amortisation	5	370,602	268,117
		13,341,388	11,319,973
Profit before tax		231,630	115,356
Provision for tax - Current tax		46,165	19,604
- MAT credit entitlement		(46,165)	(19,604)
- Deferred tax		40,435	85,406
Income tax pertaining to earlier years		3,740	3,057
Profit after tax		187,455	26,893
Balance brought forward from previous year		167,413	206,260
Profit available for appropriation		354,868	233,153
Appropriations:			
Transfer to General reserve		18,746	1,345
Transfer to Capital Redemption Reserve		—	50,800
Dividend -Interim Dividend on Preference Shares		—	1,470
-Interim Dividend on Equity Shares		38,315	—
-Proposed Final Dividend on Equity Shares		—	10,183
Dividend tax -Preference		—	250
-Equity		6,364	1,692
Surplus carried to Balance Sheet		291,443	167,413
		354,868	233,153
Earnings per share information (Refer Note 2 (p) of schedule 19)			
Weighted average number of equity shares outstanding			
- Basic		34,595,132	33,944,090
- Diluted		36,261,799	33,944,090
- Basic earnings per share (in Rs.)		5.42	0.74
- Diluted earnings per share (in Rs.)		5.35	0.74
Nominal value per equity share (in Rs.)		2	2

Significant accounting policies and notes to the financial Statements 19

The Schedules referred to above and the notes thereon form an integral part of the Profit and Loss Account.

As per our report attached of even date
For S.R. BATLIBOI & ASSOCIATES
 Firm Registration No. 101049W
 Chartered Accountants

For and on behalf of the Board of Directors of
HATSUN AGRO PRODUCT LIMITED

Sd/-
per S. BALASUBRAHMANYAM
 Partner, Membership No.053315

Sd/-
R.G. CHANDRAMOGAN
 Chairman & Managing Director

Sd/-
K.S. THANARAJAN
 Joint Managing Director

Sd/-
N.P. MATHI LINGAN
 Company Secretary

Place : Chennai
 Date : May 25, 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(All amounts are in thousands of Indian Rupees unless otherwise stated)

	Year ended March 31, 2011	Year ended March 31, 2010
1. CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before taxation	231,630	115,356
Adjustments for:		
Depreciation on fixed assets	370,602	268,117
Proceeds from subsidiary company	—	1,396
Bad debts written off	—	15,863
(Profit)/loss on sale of fixed assets-net	(3,004)	(7,330)
Deferred Income recognised	(440)	(440)
Interest income	(1,477)	(766)
Interest and finance charges	335,952	273,791
Operating profit before working capital changes	933,263	665,987
(Increase)/Decrease in inventories	(72,543)	(291,690)
(Increase)/Decrease in sundry debtors	39,894	(66,742)
(Increase)/Decrease in loans and advances	(92,760)	(7,538)
(Increase)/Decrease in claims receivable	2,205	400
Increase/(Decrease) in current liabilities and provisions (Refer note b below)	(45,172)	163,264
Increase/(Decrease) in provisions	104	2,151
Cash generated from operations	764,991	465,832
Direct taxes paid (net of refunds)	(32,883)	(39,172)
Net cash from/(used in) operating activities	732,108	426,660
2. CASH FLOWS (USED IN) / FROM INVESTING ACTIVITIES		
Purchase of fixed assets (including capital work in progress)	(465,444)	(860,955)
Proceeds from sale of fixed assets	18,731	14,662
Interest received	1,477	766
Net cash from/(used in) investing activities	(445,236)	(845,527)

(All amounts are in thousands of Indian Rupees unless otherwise stated)

	Year ended March 31, 2011	Year ended March 31, 2010
3. CASH FLOWS (USED IN)/ FROM FINANCING ACTIVITIES		
Term loans availed during the year	1,536,015	1,394,820
Term loans repaid during the year	(1,589,383)	(1,035,962)
Increase/(decrease) in other borrowings from financial institutions	157,404	175,547
Issue of 6% Unsecured Compulsorily Convertible Debentures	—	250,000
Public deposits accepted during the year	17,221	68,980
Public deposits repaid during the year	(53,017)	(4,799)
Redemption of Redeemable Preference Shares	—	(50,800)
Proceeds from issue of shares (Refer note c below)	—	—
Proposed dividends paid	(48,498)	(25,900)
Tax on proposed dividends paid	(8,056)	(4,402)
Interest and finance charges paid	(338,159)	(269,277)
Net cash (used in)/from financing activities	(326,473)	498,207
Net (decrease) / increase in cash and cash equivalents	(39,601)	79,340
Cash and cash equivalents at the beginning of the year	139,822	60,482
Cash and cash equivalents at the end of the year	100,221	139,822
a) Components of cash and cash equivalents		
Cash and cheques on hand	9,285	8,459
Balances with Scheduled Banks - in current accounts	74,660	119,492
- in deposit accounts	7,120	6,564
- in unpaid dividend accounts (restricted)*	1,156	307
- in designated bank accounts towards security for repayment of public deposits	8,000	5,000
	100,221	139,822

b) Adjustments for increase/decrease in current liabilities related to acquisition of fixed assets have been made to the extent identified.

c) The increase in share capital represents conversion of debentures into equity shares during the current year which did not involve any cash flow.

* These balance are not available for use by the Company as they represent corresponding unpaid dividend liabilities

As per our report attached of even date
For S.R. BATLIBOI & ASSOCIATES
 Firm Registration No. 101049W
 Chartered Accountants

Sd/-
per S. BALASUBRAHMANYAM
 Partner, Membership No.053315

For and on behalf of the Board of Directors of
HATSUN AGRO PRODUCT LIMITED

Sd/-
R.G. CHANDRAMOGAN
 Chairman & Managing Director

Sd/-
K.S. THANARAJAN
 Joint Managing Director

Sd/-
N.P. MATHI LINGAN
 Company Secretary

Place : Chennai
 Date : May 25, 2011

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in thousands of Indian Rupees unless otherwise stated)

	As at March 31, 2011	As at March 31, 2010
1. Share capital		
Authorised		
50,000,000 (March 31, 2010: 50,000,000) equity shares of Rs 2/- each	100,000	100,000
2,000,000 (March 31, 2010: 2,000,000) Preference shares of Rs 100/- each	200,000	200,000
	<u>300,000</u>	<u>300,000</u>
Issued and Subscribed		
35,962,216 (March 31, 2010: 34,009,090) equity shares of Rs 2/- each	71,924	68,018
	<u>71,924</u>	<u>68,018</u>
Paid-up		
35,897,216 (March 31, 2010: 33,944,090) equity shares of Rs 2/- each fully paid up	71,794	67,888
65,000 equity shares (March 31, 2010: 65,000) of Rs. 0.5 per share, partly paid up, forfeited	33	33
	<u>71,827</u>	<u>67,921</u>
Paid up equity shares of the Company include:		
(a) 153,640 (March 31, 2010: 153,640) equity shares of Rs. 2/- each, allotted pursuant to amalgamation of Hatsun Foods Company Limited, for consideration other than cash.		
(b) 345,450 (March 31, 2010: 345,450) equity shares of Rs. 2/- each, allotted pursuant to amalgamation of Ajith Dairy Industries Limited, for consideration other than cash.		
(c) 5,292,000 (March 31, 2010: 5,292,000) equity shares of Rs. 2/- each issued as fully paid up bonus shares in July 1995, pursuant to capitalisation of surplus in the Profit and Loss account and free reserves.		
(d) 1,953,126 (March 31, 2010: Nil) equity shares of Rs. 2/- each issued as fully paid up shares in December 2010 on conversion of convertible debentures. (Refer note 2(r) of Schedule 19).		
2. Reserves and surplus		
Securities Premium account		
Balance brought forward	86,722	86,722
Add: Additions during the year on issue of shares (Refer note 2(r) of Shedule 19)	246,094	—
	<u>332,816</u>	<u>86,722</u>
Capital reserve		
Balance brought forward	7,445	7,445
	<u>7,445</u>	<u>7,445</u>
Capital redemption reserve		
Balance brought forward	125,800	75,000
Add: Additions during the year on redemption of preference shares	—	50,800
	<u>125,800</u>	<u>125,800</u>
General reserve		
Balance brought forward	79,870	78,525
Add: Appropriation from Profit and Loss Account	18,746	1,345
	<u>98,616</u>	<u>79,870</u>
Balance in Profit and Loss Account	<u>291,443</u>	<u>167,413</u>
	<u>856,120</u>	<u>467,250</u>

Schedules Forming part of the Financial Statements

(All amounts are in thousands of Indian Rupees unless otherwise stated)

	As at March 31, 2011	As at March 31, 2010
3. Secured loans		
Term loans from banks (secured by charge on the fixed assets and moveable assets of the Company)	1,661,358	1,539,726
Working capital loans from banks (secured by charge on the entire current assets of the Company)	657,067	448,212
Finance Lease Obligations (secured by assets acquired on lease)	7,076	8,441
Assets refinance obligation (secured by assets refinanced)	61,961	140,299
	2,387,462	2,136,678
4. Unsecured loans		
Short term loan from banks	200,000	375,000
Public deposits [Include unclaimed deposit : Rs. 1,334 (March 31, 2010: Rs. 1,078)] [Repayable within one year -Rs. 78,976 (March 31, 2010: Rs. 48,643)]	88,447	124,243
6% Debentures - UCCD*	—	250,000
Others [Repayable within one year - Rs. 279,716 (March 31, 2010: Rs. 251,464)]	279,716	251,464
	568,163	1,000,707
*Refer note 2(r) of schedule 19		
Of the above secured and unsecured loans, the Chairman & Managing Director has given personal guarantee (including those by pledge of equity shares of Hatsun Agro Product Limited) for the following:		
Term loans	1,661,358	1,539,726
Working capital loans	657,067	448,212
Assets refinance obligation	61,961	140,299
Short term loans from banks	200,000	375,000
Others	279,716	251,464
Of the above secured and unsecured loans, the Executive Director has given personal guarantee (including those by pledge of equity shares of Hatsun Agro Product Limited) for the following :		
Term loans	1,170,792	996,095
Short term loans from banks	200,000	300,000
Assets refinance obligation	61,961	140,299
Others	40,285	—

5. Fixed Assets
Schedules Forming part of the Financial Statements (Continued)
 (All amounts are in thousands of Indian Rupees unless otherwise stated)

Description	Gross Block				Accumulated depreciation & Amortisation				Net Block	
	As at 1 st April 2010	Additions	Deletions	As at 31 st March 2011	As at 1 st April 2010	For the Year	Deletions	As at 31 st March 2011	As at 31 st March 2011	As at 31 st March 2010
Intangible Assets:										
ERP Software	13,071	31,488	(13,071)	31,488	4,010	11,482	(13,005)	2,487	29,001	9,061
Tangible Assets:										
Land	195,039	712	—	195,751	—	—	—	—	195,751	195,039
Buildings	1,123,107	37,458	(9,147)	1,151,418	108,312	37,351	(788)	144,875	1,006,543	1,014,795
Plant and Machinery	2,898,620	546,637	(13,307)	3,431,950	977,256	298,471	(7,097)	1,268,630	2,163,320	1,921,364
Furniture and fixtures	38,513	6,848	(513)	44,848	23,308	4,820	(66)	28,062	16,786	15,205
Office Equipment	27,420	3,718	(143)	30,995	21,103	3,460	(107)	24,456	6,539	6,317
Vehicles*	63,756	9,177	(1,842)	71,091	23,277	6,048	(1,233)	28,092	42,999	40,479
Lease Hold Improvements	22,152	15,724	—	37,876	3,072	8,970	—	12,042	25,834	19,080
Total	4,381,678	651,762	(38,023)	4,995,417	1,160,338	370,602	(22,296)	1,508,644	3,486,773	3,221,340
Previous Year	2,571,479	1,832,561	(22,362)	4,381,678	907,251	268,117	(15,030)	1,160,338	3,221,340	

*Vehicles includes assets costing Rs. 23,827 (previous year Rs 25,687) acquired on finance lease. The current year depreciation charge on these assets amounts to Rs. 1,889 (previous year Rs. 2,250). The net block of these assets amounts to Rs. 19,988 (previous year Rs. 21,760).

Schedules Forming part of the Financial Statements

(All amounts are in thousands of Indian Rupees unless otherwise stated)

	As at March 31, 2011	As at March 31, 2010
6 Inventories		
Raw materials and packing materials	240,711	187,835
Work-in-process	81,769	41,126
Finished goods		
- manufactured*	202,378	259,703
- traded	5,168	7,814
Stores, spares and loose tools	113,133	74,138
	<u>643,159</u>	<u>570,616</u>
* Includes goods in transit of Rs. Nil (March 31, 2010 -Rs. 20,789)		
7 Sundry debtors		
Debts Outstanding for a period exceeding six months		
Secured, considered good	62	52
Unsecured, considered good	43	2,027
	<u>105</u>	<u>2,079</u>
Other debts		
Secured, considered good	64,369	51,637
Unsecured, considered good	32,227	82,879
	<u>96,596</u>	<u>134,516</u>
Less: Provision for bad and doubtful debts	<u>—</u>	<u>—</u>
	<u>96,701</u>	<u>136,595</u>
Included in Sundry Debtors are:		
(i) Due from directors of the Company	—	—
(Maximum amount outstanding during the year Rs. Nil (Previous year Rs. Nil))		
(ii) Due from an officer of the Company	—	—
(Maximum amount outstanding during the year Rs. Nil (Previous year Rs. Nil))		
(iii) Due from firms or private companies in which any director is a partner / director / member	—	—
(Maximum amount outstanding during the year Rs. Nil (Previous year Rs. Nil))		
(iv) Dues from companies under the same management	—	—
(Maximum amount outstanding during the year Rs. Nil (Previous Year Rs. Nil))		
8 Cash and bank balances		
Cash in hand	9,285	8,459
Balances with scheduled banks:		
- in current accounts	74,660	119,492
- in deposit accounts	7,120	6,564
- in unpaid dividend accounts	1,156	307
- deposits in designated bank accounts towards security for repayment of public deposits	8,000	5,000
	<u>100,221</u>	<u>139,822</u>

Schedules Forming part of the Financial Statements

(All amounts are in thousands of Indian Rupees unless otherwise stated)

As at
March 31, 2011 As at
March 31, 2010

9 Loans & Advances

(Secured, considered good)

Advances and loans to subsidiaries

— —

Bills of exchange

— —

Others

— —
— —
— —

(Unsecured, considered good)

Advances and loans to subsidiaries

— —

Advances and loans to partnership firms in which the company or any of its subsidiary is a partner

— —

Bills of exchange

— —

Advances recoverable in cash or in kind or for value to be received

15,041 12,021

Deposits

173,936 158,534

Intercorporate Deposits

— 5,255

Advance to suppliers

120,424 40,831

Minimum Alternative Tax Credit

65,769 19,604

Income Tax (Net)

— 11,374

375,170 247,619

Included in Loans and Advances are:

(i) Dues from companies under the same management

— —

(Maximum amount outstanding during the year Rs.NIL (previous year Rs.NIL))

(ii) Dues from firms or private companies in which any director is a partner/ director/member

— —

(Maximum amount outstanding during the year Rs.NIL (previous year Rs.NIL))

(ii) Due from a director of the Company

— —

(Maximum amount outstanding during the year Rs.NIL (previous year Rs.NIL))

(iii) Due from an officer of the Company

— —

(Maximum amount outstanding during the year Rs.NIL (previous year Rs.NIL))

Schedules Forming part of the Financial Statements

(All amounts are in thousands of Indian Rupees unless otherwise stated)

	As at March 31, 2011	As at March 31, 2010
10 Current liabilities		
Sundry creditors		
— total outstanding dues to Micro and Small Enterprises (Refer to note 2(o) of Schedule 19)	—	—
— total outstanding dues to creditors other than Micro and Small Enterprises	395,437	480,077
Security deposits	246,021	217,425
Advance from customers	22,662	26,832
Other liabilities	31,245	21,333
Investor Education & Protection Fund shall be credited by following amount (as and when due)		
Unclaimed dividend	1,155	307
Book overdraft	15,069	10,787
Interest accrued and not due	4,062	6,269
	<u>715,651</u>	<u>763,030</u>
11 Provisions		
For Gratuity	—	2,170
For Leave encashment	6,898	4,624
For Income tax (net)	5,648	—
For Fringe benefit tax (net)	2,000	2,000
For Proposed Dividend for Equity share capital	—	10,183
For Proposed Dividend on Preference share capital	—	—
For Dividend Tax payable	—	1,692
	<u>14,546</u>	<u>20,669</u>
12 Sales		
Milk	8,716,106	7,626,830
Ice cream	914,961	751,729
Milk products	3,535,782	2,678,502
Others	390,373	348,970
	<u>13,557,222</u>	<u>11,406,031</u>

Schedules Forming part of the Financial Statements

(All amounts are in thousands of Indian Rupees unless otherwise stated)

	As at March 31, 2011	As at March 31, 2010
13 Other Income		
Interest income		
Bank deposits [Tax deducted at source - Rs. 105 (March 31, 2010: Rs. 80)]	974	766
Interest on inter corporate deposits, electricity deposits etc. [Tax deducted at source - Rs. 50 (March 31, 2010: Rs. 82)]	503	3,081
Profit on sale of assets, net	3,004	7,330
Foreign exchange gain, net	—	1,849
Royalty	726	806
Export Benefits	—	6,013
Miscellaneous income	10,589	9,453
	<u>15,796</u>	<u>29,298</u>
14 Cost of manufactured goods		
(A) Consumption of raw materials and packing materials		
Opening inventory	187,835	69,785
Add: Purchases	10,029,819	8,893,826
	<u>10,217,654</u>	<u>8,963,611</u>
Less: Closing inventory	240,711	187,835
Total [A]	<u>9,976,943</u>	<u>8,775,776</u>
(B) (Increase)/Decrease in WIP & Finished goods		
Opening inventory		
Work-in-process	41,126	27,679
Finished goods	259,703	111,063
	Sub Total	<u>300,829</u>
Less: Closing inventory		<u>138,742</u>
Work-in-process	81,769	41,126
Finished goods	202,378	259,703
	Sub Total	<u>284,147</u>
Total [B]	<u>16,682</u>	<u>(162,087)</u>
Total [(A) + (B)]	<u>9,993,625</u>	<u>8,613,689</u>
15 Cost of traded goods		
Opening inventory	7,814	3,470
Add: Purchases	171,168	76,135
	<u>178,982</u>	<u>79,605</u>
Less: Closing inventory	5,168	7,814
	<u>173,814</u>	<u>71,791</u>

Schedules Forming part of the Financial Statements

(All amounts are in thousands of Indian Rupees unless otherwise stated)

	Year ended March 31, 2011	Year ended March 31, 2010
16 Employee costs		
Salaries, wages and other allowances	353,661	285,568
Contribution to provident and other funds	21,718	17,593
Gratuity (Refer Note 2(q) of schedule 19)	4,737	6,338
Staff welfare expenses	78,905	63,466
	<u>459,021</u>	<u>372,965</u>
17 Manufacturing, administrative and selling expenses		
Power and fuel [net of power credits of Rs. 1,069 (March 31, 2010 : Rs.1,336)]	416,346	344,876
Stores and spares consumed	73,640	65,187
Sales promotion expenses	277,349	253,200
Commission on sales	12,912	5,706
Freight outwards	499,402	422,977
Bad debts written off	—	15,863
Repairs and maintenance:		
- Buildings	15,498	10,140
- Plant and machinery	72,382	93,883
- Others	29,001	10,377
Travelling and conveyance	117,680	100,048
Printing and stationery	16,233	16,151
Rent	94,952	79,974
Rates and taxes	32,608	16,808
Insurance	19,712	15,648
Directors sitting fees	160	230
Service Charges	196,117	150,820
Foreign exchange loss (net)	6,757	—
Miscellaneous expenses (Refer 2(d) of schedule 19)	108,854	113,221
	<u>1,989,603</u>	<u>1,715,109</u>
18 Interest and finance charges		
Interest:		
- on term loans	231,952	231,609
- others	66,148	51,697
	<u>298,100</u>	<u>283,306</u>
Less : Interest Capitalised	—	58,873
	<u>298,100</u>	<u>224,433</u>
Other finance charges	37,852	39,736
Bank charges	18,771	14,133
	<u>354,723</u>	<u>278,302</u>

Schedules Forming part of the Financial Statements

(All amounts are in thousands of Indian Rupees unless otherwise stated)

19. Significant accounting policies and notes to the financial statements

1. Significant accounting policies

a. Basis of preparation of financial statements

The financial statements have been prepared to comply in all material respects in respects with the Accounting standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

b. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities on the date of the financial statements and reported amounts of income and expenses during the period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

c. Fixed Assets and capital work in progress

Fixed Assets are stated at cost of acquisition less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use and includes freight, duties and taxes and other incidental expenses related to the acquisition. Borrowing costs directly attributable to acquisition of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

Capital work-in-progress includes advances paid to acquire fixed assets and cost of assets not ready for intended use as at the balance sheet date.

d. Impairment of fixed assets

- i. The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.
- ii. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.
- iii. A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

e. Depreciation

Depreciation on assets is provided using the straight-line method based on rates specified in Schedule XIV of the Companies Act, 1956 or on estimated useful lives of assets estimated by the management, whichever is higher. Individual assets costing less than 5 are depreciated fully in the year of purchase.

The estimated useful lives considered for depreciation / amortisation of fixed assets are as follows:

Sl No.	Asset category	Estimated Useful Life (years)
	<i>Tangible assets</i>	
1.	Buildings	29
2.	Plant and machinery	1-20
3.	Furniture & Fixtures	1-16
4.	Office Equipment	1-5
5.	Vehicles	1-10
6.	Leasehold improvements	3 -5 years or over the lease period if lower than the estimated useful life
	<i>Intangible assets</i>	
7.	Software	3-5

Schedules Forming part of the Financial Statements

(All amounts are in thousands of Indian Rupees unless otherwise stated)

f. Leased assets

Finance Lease

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments are apportioned between finance charges and reduction of the lease liability at the implicit rate of return. Finance charges are charged to the profit and loss account. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating Lease

Leases, where the lessor, effectively retains substantially all the risks and benefits of ownership of the leased asset, are classified as operating leases. Operating lease payments are recognized as an expense in the profit and loss account on a straight line basis over the lease term.

g. Inventories

Inventories are stated at the lower of cost and net realisable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost of raw materials and traded goods is determined using the moving weighted average method and includes freight, taxes and duties wherever applicable.

The valuation of manufactured finished goods and work in progress includes the combined cost of materials, labour and all applicable manufacturing overheads, based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

h. Revenue recognition

Revenue from sale of goods is recognised on dispatch of goods to customers which corresponds with transfer of all significant risks and rewards of ownership. The amount recognized as sale is exclusive of sales tax, and trade and quantity discounts.

Interest income on deposits is recognized on the time proportionate method taking into account the amount outstanding and the rate applicable.

Royalty income is recognized on accrual basis.

Income in respect of export benefits, such as duty credit entitlement and the transport assistance is recognized in the year of exports.

i. Foreign currency transactions

(i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(iii) Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

Schedules Forming part of the Financial Statements

(All amounts are in thousands of Indian Rupees unless otherwise stated)

j. Taxation

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is a reasonable certainty that the assets can be realized in future.

Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably certain to be realized.

MAT credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

k. Earnings per share

Basic earnings per share amounts are computed by dividing net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

l. Government grants

Grants and subsidies from the government are recognised when there is reasonable assurance that the grant / subsidy will be received and all attaching conditions will be complied with. Government grants related to depreciable fixed assets are treated as deferred income which is recognised in the profit and loss account over the useful life of the asset in the proportion in which the depreciation on those assets is charged.

m. Employee benefits

i. Short term employee benefit plans

All short term employee benefit plans such as salaries, wages, bonus, special awards and medical benefits which fall due within 12 months of the period in which the employee renders the related services which entitles him to avail such benefits are recognized on an undiscounted basis and charged to the profit and loss account.

ii. Defined Contribution Plan

Contributions to the provident funds are made monthly at a predetermined rate to the Regional Provident Fund Commissioner and debited to the profit and loss account on an accrual basis. There is no other obligation of the company except the contribution to the provident fund.

Schedules Forming part of the Financial Statements

(All amounts are in thousands of Indian Rupees unless otherwise stated)

iii. Defined Benefit Plan

The Company has an arrangement with Life Insurance Corporation of India (LIC) to administer its gratuity scheme. The contribution paid/payable is debited to the profit and loss account on an accrual basis. Liability towards gratuity is provided on the basis of an actuarial valuation using the Projected Unit Credit method and debited to the profit and loss account on an accrual basis. Actuarial gains and losses arising during the year are recognized in the profit and loss account.

iv. Leave Salary

Short term encashment of accumulated leave balances are accounted for in the year in which the leave balances are credited to employees on actual basis.

n. Cash flow statements

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing and investing activities of the Company are segregated.

Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

o. Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Provision for expenditure relating to voluntary retirement is made when the employee accepts the offer of early retirement.

p. Segment Reporting Policies

Identification of segments

The Company's operating businesses are organized and managed separately according to the nature of the products provided with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operates.

Segment accounting policies

The accounting policies consistently used in the preparation of the financial statements are also applied to record revenue and expenditure in individual segments.

Revenue and direct expenses in relation to segments are categorized based on items that are individually identifiable to that segment, while other costs, where allocable, are apportioned to the segments on an appropriate basis.

Fixed assets used in the Company's business or liabilities contracted, other than those specifically identifiable, have not been identified to any of the reportable segments, as such fixed assets and services are used interchangeably between segments.

Unallocated items

Certain expenses are not specifically allocable to individual segments as the underlying services are used interchangeably. The Company believes that it is not practicable to provide segment disclosures relating to such expenses, and accordingly, such expenses are separately disclosed as 'unallocable' and directly charged against total income.

Schedules Forming part of the Financial Statements

(All amounts are in thousands of Indian Rupees unless otherwise stated)

2. Notes to the financial statements

a. Contingencies

Particulars	As at	As at
	March 31, 2011	March 31, 2010
Claims made against the Company not acknowledged as debts in respect of sales tax and income tax matters		
• Income tax matters (Refer note 1 and 2 below)	41,092	15,000
• Sales tax matters	932	932

Export obligations

The Company has imported certain items at concessional rates of customs duty under the Export Promotion Capital Goods Scheme (EPCG). As at the Balance Sheet date, total Export Obligations under the EPCG Scheme is USD 37,591,333 (March 31, 2010: USD 37,558,353) which is to be fulfilled over a period of eight years from the date of the licenses. As at March 31, 2011, the Company has fulfilled Export Obligations amounting to USD 31,778,533 (March 31, 2010: USD 14,788,008) and has outstanding Export Obligation of USD 5,812,800 (March 31, 2010: USD 22,770,345). The Company is confident that it will fulfill the obligation under the EPCG Scheme.

Note 1: In respect of the Income tax assessment year 1996-1997, the Company's claim for deduction towards non-compete fees of Rs 40,000 was disallowed by the Income tax Assessing Officer. The Commissioner of Income tax (Appeals) ruled in favour of the Company. However, the Income tax Appellate Tribunal has upheld the disallowance of the aforesaid expenditure and the Company has filed an appeal in the High Court of Judicature, Madras. Management's estimate of the tax impact of such disallowance is Rs.15,000 (including estimated interest but excluding penalties etc, if any). Based on the expert advice, the management believes 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.

Note 2: Income tax demand relating to assessment year 2008-09 aggregating to Rs. 26,092 (includes Rs. 5,000 paid under protest) due to disallowance of certain sales promotion expenses. Based on the expert advice, the management believes 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.

b. Capital commitments

Particulars	As at	As at
	March 31, 2011	March 31, 2010
Estimated amount of contracts remaining to be executed on capital account (net of capital advances) and not provided for	64,782	1,07,055

c. Managerial remuneration

Particulars	As at	As at
	March 31, 2011	March 31, 2010
Salaries and allowances	10,620	9,000
Contribution to provident and other funds	308	308
Other perquisites or benefits including medical expenses, reimbursement and car facility provided	360	315
Total	11,288	9,623

The Chairman and Managing Director, and other Whole-time directors are covered under the Company's leave encashment policy and group gratuity scheme along with other employees of the Company. As the future liability for gratuity is provided on an actuarial basis for the Company as a whole, the amount pertaining to the directors is not ascertainable and, therefore, not included above.

Schedules Forming part of the Financial Statements

(All amounts are in thousands of Indian Rupees unless otherwise stated)

d. Auditors' remuneration (included under Miscellaneous expenses in Schedule 17)

Particulars	As at	As at
	March 31, 2011	March 31, 2010
(i) As auditor		
(a) For statutory audit;	2,125	1,600
(b) For limited review of quarterly results	375	375
(ii) As adviser, or in any other capacity, in respect of		
(a) Taxation matters;	—	—
(b) Company law matters;	—	—
(c) Management services; and	—	—
(iii) In any other manner		
(a) Out of pocket expenses	30	15
Total	2,530	2,515

e. Segment information

The Company's operations predominantly relate to manufacture and sale of milk and milk products, and ice creams and others. Accordingly, business segments comprise the primary basis of segmental information set out in these financial statements. Secondary segment reporting is made on the basis of the geographical location of customers. Business (primary) segments of the Company are:

- Milk and milk products; and
- Others

Primary Segment Information

Previous years figures have been shown in italics

Particulars	Milk and Milk Products	Others	Total
Segment Revenue	13,166,849	390,373	13,557,222
	<i>11,057,061</i>	<i>348,970</i>	<i>11,406,031</i>
Segment Results	760,034	40,655	800,689
	<i>451,103</i>	<i>81,904</i>	<i>533,007</i>
Unallocated Expenses (net of unallocated income)			(215,813)
			<i>(143,196)</i>
Operating Profit			584,876
			<i>389,811</i>
Finance Charges			(353,246)
			<i>(274,455)</i>
Profit / (Loss) before taxation			231,630
			<i>115,356</i>
Taxes (expense) / benefit			(44,175)
			<i>(88,463)</i>
Profit / (Loss) after taxation			187,455
			<i>26,893</i>
Segment Assets	4,419,506	46,333	4,465,839
	<i>4,372,630</i>	<i>55,578</i>	<i>4,428,208</i>
Unallocated Assets			392,409
			<i>232,531</i>
Total Assets			4,858,248
			<i>4,660,739</i>
Segment Liabilities	396,667	8,737	405,404
	<i>793,148</i>	<i>9,188</i>	<i>802,336</i>
Unallocated Liabilities			3,524,897
			<i>3,323,232</i>
Total Liabilities			3,930,301
			<i>4,125,568</i>
Capital Expenditure incurred	595,782	16,865	612,647
	<i>1,818,498</i>	<i>2,897</i>	<i>1,821,395</i>
Unallocated Capital Expenditure incurred			39,115
			<i>11,166</i>
Total Capital Expenditure			651,762
			<i>1,832,561</i>
Depreciation & Amortisation	345,484	4,702	350,186
	<i>251,979</i>	<i>2,745</i>	<i>254,724</i>
Unallocated Depreciation & Amortisation			20,416
			<i>13,393</i>
Total Depreciation & Amortisation			370,602
			<i>268,117</i>

Schedules Forming part of the Financial Statements

(All amounts are in thousands of Indian Rupees unless otherwise stated)

Others include rural retail operations. The Company has decided to stop its rural retail operations from March 28, 2011. The closure of the rural retail operations does not have any significant impact on the operations of the Company.

Secondary segment information

Secondary segment reporting is performed on the basis of the geographical location of customers.

Segment Revenue

Location	Year ended March 31, 2011	Year ended March 31, 2010
India	12,818,703	10,940,891
Others	738,519	465,140
Total	13,557,222	11,406,031

Segment Assets

Location	Year ended March 31, 2011	Year ended March 31, 2010
India	4,852,682	4,640,057
Others	5,566	20,682
Total	4,858,248	4,660,739

Addition to Tangible and Intangible assets

Location	Year ended March 31, 2011	Year ended March 31, 2010
India *	651,762	1,832,561
Others	Nil	Nil
Total	651,762	1,832,561

* Tangible and Intangible assets are located only in India.

f. Related party disclosures

Related parties of the Company

Key Management Personnel: R.G. Chandramogan (Chairman and Managing Director),
K.S. Thanarajan (Joint Managing Director) and
C. Sathyan (Executive Director-Operations).

Wholly Owned Subsidiary : Hatsun Ingredients FZE-UAE, (till November 13, 2009)

Schedules Forming part of the Financial Statements

(All amounts are in thousands of Indian Rupees unless otherwise stated)

Transactions and balances with related parties:

Previous year's figures have been shown brackets

Particulars	Wholly Owned Subsidiary March 31, 2011	Key Management Personnel
Nature of Transactions:		
Advance given during the year	Nil (787)	
Managerial remuneration		
Mr. RG Chandramogan		3,732 (3,732)
Mr. K S Thanarajan		4,010 (4,010)
Mr. C Sathyan		3,546 (1,881)
Dividends		
Mr. RG Chandramogan		22,539 (6,147)
Mr. K S Thanarajan		501 (973)
Mr. C Sathyan		3,622 (137)
Investment Written off	Nil (1,396)	
Advances Written off	Nil (1,242)	
Balance at the year end		
Proposed dividend		
Mr. RG Chandramogan		Nil (6,147)
Mr. K S Thanarajan		Nil (137)
Mr. C Sathyan		Nil (973)

g. Deferred Taxes (Net)

The major components of the deferred tax assets/ (liabilities) are outlined below

Particulars	As at March 31, 2011	As at March 31, 2010
Effect of expenditure debited to profit and loss account in the current year but allowed for tax purposes in following years	4,105	5,789
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	(241,579)	(182,413)
Others	—	(20,415)
Total	(237,474)	(197,039)

Schedules Forming part of the Financial Statements

(All amounts are in thousands of Indian Rupees unless otherwise stated)

h. Movement in Deferred Income

Particulars	Year ended	
	March 31, 2011	March 31, 2010
Opening balance of subsidy	7,445	7,885
Less: Subsidy returned during the year	—	—
Less: Income recognised during the year	(440)	(440)
Closing balance of subsidy	7,005	7,445

i. Licensed capacities, installed capacities and actual production

Particulars	Year ended		(000's of litres per day)	
	March 31, 2011	March 31, 2010	Year ended	Year ended
			March 31, 2011	March 31, 2010
Licensed capacity (represents registered capacity for dairy)	Not applicable	Not applicable	Not applicable	Not applicable
Licensed capacity for ice cream	Not applicable	Not applicable	Not applicable	Not applicable
Installed capacity for dairy	2,700	2,700	2,700	2,700
Installed capacity for ice cream	50	50	50	50
Actual Production - Refer note no 2(l) of schedule 19.				

Being a technical matter, licensed and installed capacities are as certified by management and relied upon by the auditors.

j. Consumption of raw materials and packing materials

(i) Raw materials, packing materials and stores and spares

Particulars	Year ended		Year ended	
	March 31, 2011		March 31, 2010	
	Qty	Value	Qty	Value
Milk (quantity in 000's of litres)	512,509	7,590,488	489,228	6,424,668
Others		2386,455	**	2,351,108
Total		9,976,943		8,775,776

** It is not practicable to furnish quantitative information in view of the large number of items which differ in size and nature, each being less than 10% in value of the total.

k. Consumption of imported and indigenous raw materials, packing materials and stores and spares

(i) Raw materials and packing materials

Particulars	Year ended		Year ended	
	March 31, 2011		March 31, 2010	
	%	Value	%	Value
Imported	0.21	21,347	0.07	5,750
Indigenous	99.79	9,955,596	99.93	8,770,026
Total	100.00	9,976,943	100.00	8,775,776

(ii) Stores and Spares

Particulars	Year ended		Year ended	
	March 31, 2011		March 31, 2010	
	%	Value	%	Value
Imported	1.74	1,284	—	—
Indigenous	98.26	72,356	100	65,187
Total	100.00	73,640	100.00	65,187

(iii) Components

Particulars	Year ended		Year ended	
	March 31, 2011		March 31, 2010	
	%	Value	%	Value
Imported	—	—	—	—
Indigenous	—	—	—	—
Total	—	—	—	—

Schedules Forming part of the Financial Statements

(All amounts are in thousands of Indian Rupees unless otherwise stated)

I. Quantitative information

Previous years figures have been shown in italics

Particulars	UOM	Opening Stock		Purchases/ Production#	Sales		Closing Stock	
		Qty. ('000s)	Value	Qty. ('000s)	Qty. ('000s)	Value	Qty. ('000s)	Value
Traded goods								
Cattle Feed		309 <i>(417)</i>	3,073 <i>(3,227)</i>	7,967 <i>(16,409)</i>	8,168 <i>(16,517)</i>	101,292 <i>(171,844)</i>	108 <i>(309)</i>	1,108 <i>(3,073)</i>
Others		** **	4,741 <i>(243)</i>	** **	** **	158,464 <i>(137,326)</i>	** **	4,060 <i>(4,741)</i>
Manufactured goods								
Ice cream	Ltrs	332 <i>(348)</i>	18,883 <i>(16,847)</i>	9,239 <i>(8,251)</i>	8,865 <i>(8,267)</i>	914,961 <i>(751,729)</i>	706 <i>(332)</i>	53,035 <i>(18,883)</i>
Milk and Skimmed Milk	Ltrs	323 <i>(246)</i>	5309 <i>(4,029)</i>	341,811 <i>(346,163)</i>	341,944 <i>(346,086)</i>	8,716,106 <i>(7,626,830)</i>	190 <i>(323)</i>	4,294 <i>(5,309)</i>
Milk Powders	Kgs	1,112 <i>(641)</i>	130,955 <i>(74,019)</i>	12,480 <i>(12,410)</i>	13,222 <i>(11,939)</i>	1,876,169 <i>(1,454,700)</i>	370 <i>(1,112)</i>	54,263 <i>(130,955)</i>
Cattle Feed	Kgs	529 —	4,082 —	11,799 <i>(4,214)</i>	11,264 <i>(3,685)</i>	130,617 <i>(39,800)</i>	1,064 <i>(529)</i>	11,227 <i>(4,082)</i>
Others	Kgs	1,026 <i>(198)</i>	100,474 <i>(16,168)</i>	16,896 <i>(10,413)</i>	17,452 <i>(9,585)</i>	1,659,613 <i>(1,223,802)</i>	470 <i>(1026)</i>	79,559 <i>(100,474)</i>

** Represents items for which units of measurements cannot be quantified.

The production figures shown are adjusted for normal wastage.

m. Other financial information

(i) Earnings in foreign exchange (Accrual basis)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Exports on FOB basis	738,519	465,140
Royalty income	726	806
Total	739,245	465,946

(ii) CIF Value of Imports

Particulars	Year ended March 31, 2011	Year ended March 31, 2009
Raw materials and packing materials	29,071	5,750
Components and spare parts	1,284	—
Capital goods	20,642	70,633
Total	50,997	76,383

(iii) Expenditure in foreign currency (Accrual basis)

Particulars	Year ended March 31, 2011	Year ended March 31, 2009
- Travel expenses	712	827
- Professional charges	1,688	1,722
- Interest on Debentures	3,984	3,751
- Others	3,194	1,009
Total	9,578	7,309

Schedules Forming part of the Financial Statements

(All amounts are in thousands of Indian Rupees unless otherwise stated)

(iv) Net dividend remitted in foreign exchange

Particulars	Year ended	Year ended
	March 31, 2011	March 31, 2010
Period to which it relates	2009-10	2008-09
Number of non-resident shareholders	2	18
Number of equity shares held on which dividend was due	2,481,750	2,019,945
Amount of dividend remitted in foreign exchange*	585	—
Period to which it relates (Interim Dividend - 1)	2010-11	
Number of non-resident shareholders	2	
Number of equity shares held on which dividend was due	2,481,750	
Amount of dividend remitted in foreign exchange*	1,170	
Period to which it relates (Interim Dividend - 2)	2010-11	
Number of non-resident shareholders	3	
Number of equity shares held on which dividend was due	1,930,876	
Amount of dividend remitted in foreign exchange*	965	

*Dividends remitted to non-resident shareholders in INR in their bank accounts maintained in India are not included here.

(v) Derivative instruments and unhedged foreign currency exposure Unhedged foreign currency exposure:

Particulars	Foreign Currency (FCY)	March 31, 2011		March 31, 2010	
		Amount in FCY	Amount in Rs.	Amount in FCY	Amount in Rs.
Sundry Debtors	USD	124,605	5,566	459,553	20,682
Advance from Customers	USD	57,605	2,573	—	—

n. Outstanding lease obligations

Finance lease obligations

Vehicles includes vehicles obtained on finance lease. The lease term is for three years.

Particulars	Year ended	Year ended
	March 31, 2011	March 31, 2010
<i>Future minimum lease payments</i>		
Total minimum lease payments at the year end	7,765	9,248
Less : amount representing finance charges	(689)	(807)
Present value of minimum lease payments (Rate of interest : 9.07% -13% p.a.)	7,076	8,441
Lease payments for the year	7,988	9,516
<i>Minimum Lease Payments</i>		
Not later than one year [Present value Rs. 4,091 as on March 31, 2011 (Rs.5,910 as on March 31, 2010)]	4,585	6,567
Later than one year but not later than five years [Present value Rs. 2,985 as on March 31, 2011 (Rs. 2,531 as on March 31, 2010)]	3,180	2,682
Later than five years	—	—

- o.** There are no overdue amounts payable to Micro, Small and Medium Enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006 based on information available with the Company. Further, the Company has not paid any interest to any Micro, Small and Medium Enterprises during the current year.

p. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares. Potential equity shares with anti-dilutive effects are not considered for calculating diluted earnings per share.

Schedules Forming part of the Financial Statements

(All amounts are in thousands of Indian Rupees unless otherwise stated)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Net Profit after taxation	187,455	26,893
Less : Preference share dividend	—	1,470
Less : Tax thereon	—	250
Net Profit considered for computing basic Earnings Per Share ('EPS')	187,455	25,173
Add: Interest on Debentures (Net of taxes - 3,331; Previous year - 3,102)	6,696	6,022
Net Profit considered for computing diluted EPS	194,151	31,195
Weighted average number of equity shares in calculating basic EPS	34,595,132	33,944,090
Add: Weighted average number of potential equity shares outstanding	1,666,667	833,333
Weighted average number of equity shares in calculating diluted EPS	36,261,799	34,777,423
Basic EPS (in Rs.)	5.42	0.74
Diluted EPS (in Rs.)	5.35	0.74

q. Employee Benefits

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with LIC in the form of a qualifying insurance policy.

Reconciliation of opening and closing balances of the present value of defined benefit obligation:

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Projected benefit obligation at the beginning of the year	23,707	17,476
Current service cost	4,499	3,603
Interest cost	1,896	1,398
Actuarial (gain)/ loss	517	3,060
Benefits settled	(2,389)	(1,830)
Projected benefit obligation at the end of the year	28,230	23,707

Change in fair value of plan assets

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Fair value of plan assets at the beginning of the year	21,537	18,000
Expected return on plan assets	2,175	1,723
Actuarial gain / (loss)	—	—
Employer contributions	7,295	3,644
Benefits paid	(2,389)	(1,830)
Fair value of plan assets at the end of the year	28,618	21,537

Net employee benefit expense recognised towards gratuity is as follows

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Current Service cost	4,499	3,603
Interest cost on benefit obligation	1,896	1,398
Expected returns on plan assets	(2,175)	(1,723)
Recognized net actuarial (gain)/ loss	517	3,060
Net gratuity costs	4,737	6,338
Actual return on planned Assets	2,175	1,723
Estimated contribution to the plan in the next accounting period	7,500	5,000

Schedules Forming part of the Financial Statements

(All amounts are in thousands of Indian Rupees unless otherwise stated)

Amounts for the current and previous four periods are as follows :

Particulars	31-March-11	31-March-10	31-March-09	31-March-08
Defined benefit obligation	28,230	23,707	17,476	14,118
Plan assets	28,618	21,537	18,000	10,160
(Surplus)/deficit	(388)	2,170	(524)	3,958
Experience adjustments on plan liabilities	517	3,060	460	(1,233)
Experience adjustments on plan assets	—	—	(49)	(204)

Financial Assumptions at Balance Sheet date:

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Discount rate	8% p.a	8% p.a.
Attrition rate	1-3% p.a	1-3% p.a.
Estimated rate of return on plan assets	8% p.a	8% p.a.

The fund is 100% administered by Life Insurance Corporation of India ("LIC"). The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the year over which the obligation is to be settled.

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

r. Debentures

During the previous year, the Company had allotted 6% Unsecured Compulsorily Convertible Debentures ("UCCD") amounting to Rs 250,000. The UCCDs are convertible into equity shares at a price to be mutually agreed by the Board of Directors of the Company and the debenture holders subject to the SEBI guidelines. The UCCDs are convertible into the equity shares of Rs.2/- each of the Company after October 1, 2010, but before December 31, 2010 at the instance of the Company. During the current year, these UCCDs have been converted into 1,953,126 number of equity shares.

s. Previous year comparatives have been regrouped wherever necessary to conform to current year's classification.

As per our report attached of even date
For S.R. BATLIBOI & ASSOCIATES
 Firm Registration No. 101049W
 Chartered Accountants

Sd/-
per S. BALASUBRAHMANYAM
 Partner, Membership No.053315

For and on behalf of the Board of Directors of
HATSUN AGRO PRODUCT LIMITED

Sd/-
R.G. CHANDRAMOGAN
 Chairman & Managing Director

Sd/-
K.S. THANARAJAN
 Joint Managing Director

Sd/-
N.P. MATHI LINGAN
 Company Secretary

Place : Chennai
 Date : 25th May, 2011

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	1	2	7	4	7	State Code	1	8
Balance Sheet Date	3	1	0	3	2	0	1	1
	Date			Month		Year		

II. Capital Raised during the year (Amounts in Rs. Thousands)

Public Issue	N	I	L	Rights Issue	N	I	L	
Bonus Issue	N	I	L	Private Placement	3	9	0	6

III. Position of Mobilisation and Deployment of Funds (Amounts in Rs. Thousands)

Total Liabilities	4	1	2	8	0	5	1	Total Assets	4	1	2	8	0	5	1
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Sources of Funds

Paid-up Capital	7	1	8	2	7	Reserves & Surplus	8	5	6	1	2	0		
Secured Loans	2	3	8	7	4	6	2	Unsecured Loans	5	6	8	1	6	3
Deferred Income	7	0	0	5	Deferred Tax Liabilities	2	3	7	4	7	4			

Application of Funds

Net Fixed Assets	3	6	3	1	0	2	2	Investments	N	I	L
Net Current Assets	4	9	7	0	2	9	Miscellaneous Expenditure	N	I	L	
Accumulated Losses	N	I	L								

IV. Performance of Company (Amounts in Rs. Thousands)

Turnover (including Other Income)	1	3	5	7	3	0	1	8	Total Expenditure	1	3	3	4	1	3	8	8
+ - Profit Before tax	✓	+	2	3	1	6	3	0	+ - Profit After tax	✓	+	1	8	7	4	5	5
Earning per Share in Rs.	5	.	4	2	Dividend Rate %	5	5										

V. Generic Names of Three Principal Products / Services of Company (as per monetary terms)

Item Code No. (ITC Code)	0	4	0	1	2	0	.	0	0
Production Description	MILK								
Item Code No. (ITC Code)	2	1	0	5	0	0	.	0	0
Production Description	ICE CREAMS OF ALL VARIETIES								

For and on behalf of the Board

Sd/-
R.G. CHANDRAMOGAN
Chairman & Managing Director

Sd/-
K.S. THANARAJAN
Joint Managing Director

Place : Chennai
Date : 25th May, 2011

Sd/-
NP MATHILINGAN
Company Secretary

ATTENDANCE SLIP

HATSUN AGRO PRODUCT LIMITED

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

Name of the Shareholder		Folio No./ DP I.D. & Client I.D.	
Name of the Proxy		No. of shares held	

I hereby record my presence at the **26th Annual General Meeting** of the Company held on **Friday, the 2nd September, 2011 at 11.00 a.m. at P. Obul Reddy Hall, Sri Thyaga Brahma Gana Sabha, Vani Mahal, G.N. Chetty Road, T. Nagar, Chennai - 600 017.**

Notes:

Signature of the Shareholder / Proxy

1. Please fill Attendance Slip and hand it over at the entrance of the meeting hall.
2. If you are attending the meeting in person / by proxy, your copy of Annual Report may please be brought by you/your proxy for reference at the meeting.



PROXY FORM

HATSUN AGRO PRODUCT LIMITED

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

Folio No./DP I.D. & Client I.D.	
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I/We of
 being a member/members of **Hatsun Agro Product Limited** hereby appoint
 of or failing him
 of as
 my/our Proxy to attend and vote on behalf of me/us at the **26th Annual General Meeting** to be held on **Friday, the 2nd September, 2011 at 11.00 a.m.** or at any adjournment thereof.

Signed thisday of.....2011.

Affix 1.00 Re. Revenue Stamp

Signature of shareholder

Note: The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the aforesaid meeting. The Proxy need not be a member of the Company.

