

HATSUN AGRO PRODUCT LTD.

ANNUAL REPORT 2012-13



HATSUN AGRO PRODUCT LTD.

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For over 4 decades, Hatsun Agro Product Ltd. has been providing the finest quality dairy products all across South India.

We've cemented a position as the largest private sector dairy in India, but we've kept our philosophy quite simple: care for the customer. Genuinely, Hatsun has lived and worked by this thought ever since the Company's inception.

We believe that it is precisely this care that has won us the accolades and appreciation of over a million households. And we believe that this care for our consumer is what will propel us towards greater heights in the future.



"Hatsun has been a melting pot to people from different walks of life including expatriates."

MR. R.G. CHANDRAMOGAN
CHAIRMAN & MANAGING DIRECTOR,
HATSUN AGRO PRODUCT LTD.

Hatsun Agro Product Limited today is the largest Private Dairy in the Country. Out of the entire daily World Milk production, 1 out of 1000 litres of Milk is processed in the factories of Hatsun located at 10 different places in the Country.

To reach the heights, Hatsun focused on 4 major areas, namely Farmers' Development, Infrastructure for Procurement, Production & Quality Control, Focus on Brand Building and Consumer Preference, to become the category leader in the given territory.

Consumer Preference has been the hallmark of Hatsun all along.

Sustained efforts and commitment with utmost care in quality is responsible for what we are today. Hatsun gave priority to people working with them, getting the best of people in different fields of expertise either in Production / Marketing or any other department.

Hatsun has been a melting pot to people from different walks of life including expatriates.

Shareholders' wealth has been maximized on a sustainable basis.

Hatsun's future has been planned not only on strong foundation of Farmers' Development, Infrastructure Development, Brand Building, and Consumer Preference but also on the value system practiced by the Company since its inception.





2012-2013 saw the company make a few brave forays into new ventures, and also break a few records in sales performances. Read on to find out what we achieved and how we went about achieving them.

Q3 ENDS ON A HIGH

The company recorded a 41% growth in Q3 of 2012 when compared to the figures of the corresponding quarter of the previous year, with Rs. 15 crores net profits. The performance from this quarter saw Hatsun's net income rise to Rs. 543 crores from Rs. 404 crores when compared to the figures of the corresponding quarter of the previous year.

IBACO OFF TO A FLYING START IN CHENNAI

Within just weeks of launching its first parlour, IBACO has already become the go-to place for a majority of ice cream fanatics in the city. The reason: new flavours, exotic toppings, and a sundae experience customers won't find anywhere else.

SALES UP AGAIN!

A focus on higher volumes and production of value-added branded dairy products have contributed to a net profit rise in the first quarter. For the quarter ended 30th June, 2012, we recorded net sales of Rs. 490 crores – a 32% increase over figures of the corresponding quarter of the previous year.

MORE POWER TO THE COMPANY

In the wake of increasing power needs across the state, the Company decided to take a stake in a power project. The objective of this move was to secure adequate power for the company's operations in Tamil Nadu, thereby ensuring that the supply of Hatsun products never stop for customers.

HATSUN LEADS THE NEXT WHITE REVOLUTION

Being the largest private sector dairy Company in India, Hatsun handles over 2 Million and above litres of milk each day. It is a known fact that milk is one of the most consumed products in households and that the demand keeps increasing. Hatsun has put into motion procedures that will take care of these demands – like investing in power projects and adding new products at regular intervals. And the Company is showing no signs of stopping.



R.G. CHANDRAMOGAN

Chairman & Managing Director

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



K.S. THANARAJAN

Joint Managing Director

Shri K.S. Thanarajan is a Post Graduate in Economics and is in-charge of the day-to-day operations of the Company. Shri K.S. Thanarajan has nearly 4 decades of experience in various executive positions in his career.



C. SATHYAN

Executive Director

Shri C. Sathyan, is a Bachelor of Business Management with specialization in Marketing. He has held various executive positions during his career spanning over a decade.



P. VAIDYANATHAN

Shri. P.Vaidyanathan is a Fellow Member of The Institute of Chartered Accountants of India and an Associate Member of The Institute of Company Secretaries of India & The Institute of Cost and Works Accountants of India. Shri. P.Vaidyanathan has more than 32 years of experience in the Finance functions.



S. THIAGARAJAN

Shri. S.Thiagarajan is a post graduate in Economics and a Certified Associate of the Indian Institute of Bankers. He has over four decades of experience in the financial services sector and has held various senior positions in Reserve Bank of India, Industrial Development Bank of India and Small Industrial Development Bank of India.



B.S. MANI

Shri. B.S.Mani is a post graduate in Literature and has a Diploma in Journalism from Cardiff, England. He has over 4 decades of experience in the Journalism. He is the Chairman of Karnataka News Publications Private Limited, which publishes a Tamil Daily outside Tamil Nadu.



N. CHANDRASEKARAN

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



From the creamiest of ice creams to the freshest of milk, Hatsun Agro Product Ltd. has found its way into the kitchens and hearts of families across South India. Our mantra has always been to surprise our customers with new offerings – be it the addition of a simple new flavour, or building a whole new brand altogether. We've been doing that for over four decades now; we'll look to keep doing exactly that in future as well.

We owe the success of our brands not only to the hard work and commitment of our team but also to the support and loyalty of our customers. In return, we strive to elevate benchmarks and surpass conventional standards – standards that usually account for a lot of below par products we see in the market these days.

Our brand range is as diverse as it is popular. Here, we will take a look at what makes up the Hatsun Agro Product family.

AROKYA

Hatsun's brand of milk, Arokya, was launched in 1995 and has built a foundation of trust with millions of customers in Tamil Nadu, Karnataka and Andhra Pradesh. This makes it the largest brand in the Indian Private Sector as far as milk is concerned. And as is the case with all Hatsun products, great care and refinement go into the processing of Arokya milk.

Arokya Toned Milk

With 3% fat, Arokya Toned milk is a healthy choice for families. It also provides a balanced mix of essential ingredients and brims with the goodness of our villages.

Arokya Double Toned Milk

Once again, low on fat and apt for people who are health conscious. It can also be consumed by diabetics and elderly people.

Arokya Full Cream Milk

Rich, wholesome and tasty. The cream content of this brand makes it perfect for kids, whether they are mixing it with their breakfast cereal or just drinking it.

Arokya Standardized Milk

One of the most popular of our milk products, Arokya Standardized milk is the brand of choice for the whole family.

ARUN ICECREAMS

Possibly the most well known and endearing of all the Hatsun brands, the key to Arun Ice creams' success lies in breaking the status quo. When other ice cream brands opened parlours exclusively in the city, Arun decided to take to suburban and even rural areas. A move that has paid off richly for Hatsun. The brand also consistently introduces new flavours every season, just to make sure customers have something fresh to look forward to when they walk in to an Arun Ice cream parlour.

Arun Icone

The Icone is an innovation in crunchy cone ice creams. With a slender flavourful layer lining the insides of this delicious product, customers feel something special with every bite.

IBACO

A nation-wide chain of outlets based on the unique choose and scoop format. Customers can walk in, choose from over 36 flavours top it off with their favourite sauces and nuts, and create their very own sundae. IBACO is one of Hatsun's younger brands, but has already captured the hearts of millions in a very short time.



HATSUN SKIMMED MILK

Made from the purest of cow's milk, Hatsun skimmed milk powder is 99% fat-free. It's perfect for anyone who leads a hectic lifestyle and in need of their daily dose of milk.

HATSUN GHEE

Consistent in texture and rich in aroma, Hatsun Ghee offers customers the traditional taste of pure, homemade ghee.

HATSUN CURD

Thick, creamy and delicious, Hatsun Curd is the perfect companion for afternoon meals.

HATSUN BUTTERMILK

We've taken everyone's favourite summer drink and turned it into something more. Hatsun Buttermilk is smooth, refreshing and invigorating.

HATSUN COOKING BUTTER

Made from the finest of cream churned from the purest of farm fresh cow's milk, Hatsun Cooking Butter is the go-to ingredient for a variety of dishes, from butter dosa to paneer butter masala.

HATSUN DAIRY WHITENER

This product adds a little extra taste to milk. We guarantee no lumping and easy dissolvability, making Hatsun Dairy Whitener perfect for making tea and coffee.

ANIVA PANEER

Aniva Paneer is smooth, tender and has accounted for many a happy lunchtime meals. Like all our other products, the product is prepared under high levels of hygiene using only the freshest milk cream.

There are around 4,500 Hatsun Milk Banks (HMBs) covering over 8,000 villages with each HMB receiving milk from 3 lakhs farmers everyday.

We make sure only the freshest of milk goes into all our products. That's why we go straight to the farmers to procure milk. There are around 4,500 Hatsun Milk Banks (HMBs) covering over 8,000 villages with each HMB receiving milk from 3 lakh farmers everyday. With the help of Eco Milk Analyzers installed, the HMB tests the quality of milk from each farmer using Fat and SNF as parameters, and then factors that with the liters delivered, into the calculation of the amount to be paid. We make it a point to pay the farmers every week – a track record Hatsun has been proud to maintain for over 2 decades.

The milk is collected from the HMBs and deposited at the Hatsun Milk Chilling Center, where it is tested under more parameters. After this, further samples are taken for advanced testing. Only after the milk samples match Hatsun's stringent quality norms they are sent to the Dairy. At the dairy the milk is put through more tests before taking it up for further processing.

To keep up with QA norms, Hatsun has charted out a series of measures to help the farmers deliver milk of the highest quality:

Animal Health Care:

Hatsun has assigned a team of veterinary doctors to take care of milch animals of all the farmers associated with the Company.

Artificial insemination:

Hatsun has arranged for trained inseminators to visit the villages to carry out artificial insemination on the animals. This ensures that the milch animals produce at least one calf every year.

Fodder:

Hatsun has commissioned a team of agricultural graduates to help farmers cultivate their own fodder.

Balanced Cattle Feed: Hatsun manufactures and sells cattle feed to the farmers based on their requirements.

Advice for larger farms:

To compensate for the lesser number of milch animal holding in the milk shed due to shortage of man power, Hatsun will source appropriate technology to help the farmer automate his farm to an optimum level.





The only thing that
overcomes hard
luck is hard work.

HARRY GOLDEN



If you work just for money, you'll never make it, but if you love what you're doing and you always put the customer first, success will be yours.

RAY KROC



AROKYA MILK





Strive not to
be of success,
but rather to
be of value.

ALBERT EINSTEIN



We can create a more sustainable, cleaner and safer world by making wiser energy choices.

ROBERT ALLEN SILVERSTEIN



HATSUN CURD





The ultimate goal of farming is not the growing of crops, but the cultivation and perfection of human beings.

MASANOBU FUKUOKA



HATSUN GHEE



The business of business should not be about money. It should be about responsibility. It should be about public good, not private greed

ANITA RODDICK



HATSUN DAIRY WHITENER



Quality means doing
it right when no one
is looking.

HENRY FORD



HATSUN COOKING BUTTER



Growth is never by mere chance; it is the result of forces working together.

JAMES CASH PENNEY 



ANIVA PANEER

Innovation distinguishes
between a leader and
a follower.

STEVE JOBS



PARTICULARS	2012-13	2011-12	2010-11	2009-10
Operating income /turnover	2165.02	1603.54	1355.72	1140.60
Other Income	3.30	2.47	1.58	2.93
Total Income	2168.32	1606.01	1357.30	1143.53
Operating Expenses	2017.24	1494.42	1261.61	1077.36
Earnings before Depreciation, Interest and Tax (EBITDA)	151.08	111.59	95.70	66.18
Depreciation	50.32	41.84	37.06	26.81
Interest	43.98	37.58	35.47	27.83
Profit before Tax (PBT)	56.79	32.18	23.16	11.54
Provision for Taxation	12.12	5.57	4.42	8.85
Profit after Tax (PAT)	44.67	26.60	18.75	2.69
Cash Profit (Post Tax)	94.99	68.44	55.81	29.50
Equity Dividend (%)	170	130	55	15
Dividend Payout	18.31	10.05	3.83	1.02
Dividend Payout Ratio (%)	40.99	37.79	20.44	37.87
Equity Shares (Nos.)	107691648	107691648	35897216	33944090
Face Value of Equity Shares (Rs.)	1	1	2	2
Equity Share Capital	10.77	10.77	7.18	6.79
Preference Share Capital	0.00	0.00	0.00	0.00
Reserves & Surplus	118.79	96.94	85.61	46.73
Shareholders Funds/Networth	129.56	107.71	92.79	53.52
Long Term Debt	274.29	174.87	173.04	193.85
Gross Fixed Assets	621.30	548.65	499.54	438.17
Net Fixed Assets	391.76	361.20	348.68	322.13
Earnings per share- (Rs)	4.15	2.47	5.42	0.74
Cash Earnings per share- (Rs)	8.82	6.36	15.55	8.69
Book Value per share- (Rs)	12.03	10.00	25.85	15.77
Debt (Long term) Equity Ratio	2.12	1.62	1.86	3.62
EBITDA/Turnover (%)	6.98	6.96	7.06	5.80
Net Profit Margin (%)	2.06	1.66	1.38	0.24
RONW (%)	34.48	24.69	20.20	5.03

Note:

Depreciation for the year 2003-04 includes Depreciation written back.

	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
	1013.05	863.19	585.28	540.34	449.19	361.91
	1.82	6.24	6.95	7.64	1.59	0.74
	1014.87	869.43	592.23	547.98	450.78	362.65
	951.95	807.95	554.91	514.83	429.71	346.97
	62.92	61.48	37.32	33.15	21.07	15.68
	21.68	18.50	15.79	15.49	13.77	1.92
	21.32	15.03	10.08	9.37	5.69	4.38
	19.92	27.95	11.46	8.30	1.60	9.54
	7.95	10.62	3.31	4.05	0.87	4.15
	11.97	17.33	8.15	4.25	0.74	5.39
	33.65	35.83	23.93	19.73	14.51	7.30
	30	60	20	20	0	20
	2.04	4.07	1.36	1.36	0.00	1.36
	17.02	23.51	16.67	31.98	0.00	25.21
	33944090	6788818	6788818	6788818	6788818	6788818
	2	10	10	10	10	10
	6.79	6.79	6.79	6.79	6.79	6.79
	5.08	5.08	5.08	5.08	0.00	0.00
	45.40	36.29	24.20	18.69	16.22	15.48
	57.27	48.16	36.07	30.56	23.01	22.28
	155.70	67.96	42.40	62.60	62.25	42.37
	257.15	233.26	209.27	174.76	158.12	115.59
	166.42	153.16	139.44	119.25	117.24	87.88
	3.39	24.82	11.07	5.92	1.08	7.93
	9.91	52.78	35.25	29.07	21.37	10.76
	15.37	63.45	45.65	37.54	33.89	32.81
	2.98	1.58	1.37	2.46	2.71	1.90
	6.21	7.12	6.38	6.14	4.69	4.33
	1.18	2.01	1.39	0.79	0.16	1.49
	22.93	40.22	26.28	16.66	3.19	24.18

(Rs in Crores)

28TH ANNUAL GENERAL MEETING

DATE: 4TH SEPTEMBER, 2013

DAY: WEDNESDAY

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.

BOARD OF DIRECTORS

R.G. CHANDRAMOGAN
Chairman and Managing
Director

K.S. THANARAJAN
Joint Managing Director

C. SATHYAN
Executive Director

P. VAIDYANATHAN

S. THIAGARAJAN

B.S. MANI

N. CHANDRASEKARAN

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

P. VAIDYANATHAN
S. THIAGARAJAN
B.S. MANI

SHAREHOLDERS'/INVESTORS'

GRIEVANCE COMMITTEE

P. VAIDYANATHAN
S. THIAGARAJAN
K.S. THANARAJAN

REMUNERATION COMMITTEE

P. VAIDYANATHAN
S. THIAGARAJAN
B.S. MANI

SHARE TRANSFER COMMITTEE

R.G. CHANDRAMOGAN
K.S. THANARAJAN
P. VAIDYANTHAN

SUB COMMITTEE

R.G. CHANDRAMOGAN
K.S. THANARAJAN
C. SATHYAN
B.S. MANI

CORE COMMITTEE

R.G. CHANDRAMOGAN
K.S. THANARAJAN
C. SATHYAN

COMPANY SECRETARY

S. CHANDRASEKAR

REGISTERED & CORPORATE OFFICE

DOMAINE, DOOR NO.1/20A,
RAJIV GANDHI SALAI (OMR),
KARAPAKKAM,
CHENNAI 600 097.

Phone: 91-44-24501622

Fax: 91-44-24501422

Website: www.hatsun.com

E-mail: secretarial@hatsun.com

STATUTORY AUDITORS

**M/S. S.R. BATLIBOI &
ASSOCIATES LLP**

6TH & 7TH FLOOR, "A" BLOCK,
TIDEL PARK, (MODULE
NO.601,701 & 702)
NO.4, RAJIV GANDHI SALAI,
TARAMANI,
CHENNAI 600 113.

BANKERS

STATE BANK OF INDIA

ICICI BANK LIMITED

THE SOUTH INDIAN BANK LTD.

STANDARD CHARTERED BANK

YES BANK LIMITED

ING VVSYA BANK LIMITED

THE BANK OF NOVA SCOTIA





NOTICE is hereby given that the Twenty Eighth Annual General Meeting of HATSUN AGRO PRODUCT LIMITED will be held on Wednesday, the 4th day of September, 2013 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 to transact the following businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2013 and the Profit & Loss Account of the Company for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To ratify and confirm the payment of interim dividends on equity shares for the financial year 2012-13.
3. To appoint a Director in place of Mr. C. Sathyan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. B.S. Mani, 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.Batliboi & Associates, LLP, Chartered Accountants (Firm registration number 101049W), 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."

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT in supersession of the Resolution No.7 passed at the Annual General Meeting of the Company held on 4th August, 2010, the consent of the Company, under the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee thereof) for borrowing, from

time to time, as it may consider fit, any sum or sums of monies, on such terms and conditions as the Board may deem fit notwithstanding that the money(ies) to be borrowed together with the money(ies) already borrowed by the Company (apart from temporary loan obtained or to be obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of the paid-up Capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount so borrowed by the Board shall not at any time exceed Rs.700 Crores (Rupees Seven Hundred Crores Only)."

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby given to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee thereof) to create such charges, mortgages and hypothecations in addition to the existing charges, mortgages and hypothecations created by the Company, on such movable and immovable properties, both present and future, and in such manner as the Board may deem fit, together with power to take over the substantial assets of the Company in certain events in favour of banks/financial institutions, other investing agencies and trustees for the holders of debentures/bonds/other instruments to secure rupee/foreign currency loans and/or the issue of debentures whether partly/fully convertible or non-convertible and/or rupee/ foreign currency convertible bonds and/or bonds with share warrants attached (hereinafter collectively referred to as "Loans") provided that the total amount of Loans together with interest thereon, additional interest, compound interest, liquidated damages, commitment charges, premia on pre-payment or on redemption, costs, charges, expenses and all other monies payable by the Company in respect of the said Loans, shall not, at any time exceed Rs. 700 crores."

8. To consider and if thought fit, to pass with or without modification(s), 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") (including any statutory modifications or re-enactments thereof, for the time being in force), read with Schedule XIII of the Act, the Company hereby approves the increase in payment of remuneration to Mr. R.G. Chandramogan, Managing Director, with effect from 1st September, 2013.

I Salary: Rs.3,00,000/- (Rupees Three Lakh Only) per month.

II Perquisites: The Perquisites are classified into three categories, Category A, B and C, which are as follows:

CATEGORY 'A'

1. Special Allowance : Special Allowance of Rs.2,00,000/- (Rupees Two Lakh Only) per month.
2. Medical Benefits: Reimbursement of actual medical expenses incurred for self and family subject to a ceiling of 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 Allowance 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, not to 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. R.G. Chandramogan 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. R.G. Chandramogan. 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. R.G. Chandramogan. 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, allowances and other benefits payable to Mr. R.G. Chandramogan shall always be subject to the overall ceilings laid down in Sections 198 and 309 and other applicable provisions, if any, of the Companies Act, 1956.

MINIMUM REMUNERATION

Where in any financial year during the tenure of Mr. R.G. Chandramogan, the Company incurs a loss or its profits are inadequate, the Company shall pay to Mr. R.G. Chandramogan the above remuneration by way of salary, perquisites and other benefits as 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 of 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 authorised to vary, alter or modify the different components of the above remuneration as may be agreed to by the Board of Directors and Mr. R.G. Chandramogan."

9. To consider and if thought fit, to pass with or without modification(s), 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")

(including any statutory modifications or re-enactments thereof, for the time being in force), read with Schedule XIII of the Act, the Company hereby approves the increase in payment of remuneration to Mr. K.S. Thanarajan, Joint Managing Director, with effect from 1st September, 2013.

I Salary: Rs.3,00,000/- (Rupees Three Lakhs Only) per month.

II Perquisites: The Perquisites are classified into three categories, Category A, B and C, which are as follows:

CATEGORY 'A'

- 1) Housing: The Company shall provide rent free furnished accommodation to Mr. K.S. Thanarajan and his family.
- 2) Special Allowance: Special Allowance of Rs.2,00,000/- (Rupees Two Lakhs Only) per month.
- 3) Medical Benefits: Reimbursement of actual medical expenses incurred for self and family subject to a ceiling of 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.
- 4) Leave Travel Allowance: Leave Travel Allowance 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.
- 5) Club Fees: Fees for clubs subject to a maximum of two clubs. This will not include admission and life membership fee.
- 6) Insurance Cover: Personal Accident Insurance cover for self, the actual premium for which, not to 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. K.S. Thanarajan 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. K.S. Thanarajan. 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. K.S. Thanarajan. 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, allowances and other benefits payable to Mr. K.S. Thanarajan 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. K.S. Thanarajan, the Company incurs a loss or its profits are inadequate, the Company shall pay to Mr. K.S. Thanarajan the above remuneration by way of salary, perquisites and other benefits as 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 of 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 authorised to vary, alter or modify the different components of the above remuneration as may be agreed to by the Board of Directors and Mr. K.S. Thanarajan."

10. To consider and if thought fit, to pass with or without modification(s), 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") (including any statutory modifications or re-enactments thereof, for the time being in force), read with Schedule XIII of the Act, the Company hereby approves the increase in payment of remuneration to Mr. C. Sathyan, Executive Director, with effect from 1st September, 2013.

I Salary: Rs.3,00,000/- (Rupees Three Lakhs Only) per month.

II Perquisites: The Perquisites are classified into three categories, Category A, B and C, which are 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 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 Allowance 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, not to 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, 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 other benefits as 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 of 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 authorised 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."

*By order of the Board
For HATSUN AGRO PRODUCT LIMITED
Sd/-
S. Chandrasekar
Company Secretary*

*Place: Chennai
Date: 22nd July, 2013.
Registered Office: Domaine, Door No.1/20A,
Rajiv Gandhi Salai (OMR),
Karapakkam, Chennai 600 097.*

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. A Proxy in order to be effective must reach the registered office of the Company at least 48 hours before the scheduled time of the meeting. A blank proxy form is attached.

2. Members/Proxies should bring duly filled Attendance Slip sent herewith to attend the meeting.

3. The Register of Members and the Share Transfer Books of the Company will remain closed from 3rd September, 2013 to 4th September, 2013 (both days inclusive) for the purpose of Annual General Meeting for the financial year 2012-13.

4. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, relating to special business to be transacted at the meeting, is annexed hereto.

5. The relevant details as required by Clause 49 of the Listing Agreement entered into with the Stock Exchange, of persons seeking appointment/re-appointment as Director, is provided in the annexure.

6. Corporate Members intending to send their authorised representatives to attend the meeting are requested to send to the Company, a certified true copy of the Board Resolution authorising their representative to attend and vote on their behalf at the meeting.

7. 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 Registrar and Share Transfer Agent, M/s. Integrated Enterprises (India) Limited (IEIL), Bangalore. 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.

8. Members holding shares in physical form are requested to send all correspondence with respect to the updation of their bank details, transfer of shares, change of address, conversion of physical shares into Demat form etc., to IEIL, Bangalore.

9. Members holding shares in physical form are requested to consider converting their holding to dematerialised form to eliminate all risks associated with physical shares and for ease in portfolio management. Members can contact either the Company or IEIL, for assistance in this regard.

10. Members may visit Company's website: www.hatsun.com and contact us at e-mail: secretarial@hatsun.com.

11. Members who are holding shares in more than one folio are requested to intimate to the Registrar and Share Transfer Agent, the details of all folio numbers for consolidation into a single folio.

12. 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.

13. Members desiring any information as regards the financial statements are requested to write to the Company at least seven days before the date of the meeting.

14. Members are requested to check whether they have encashed

Dividend Warrants for the earlier years. If the Dividend Warrants have become time-barred / lost, please apply for revalidation / fresh dividend warrant before the last dates indicated below:

DIVIDEND FOR THE YEAR	RATE OF DIVIDEND	DATE OF DECLARATION	DATE ON WHICH UNPAID AMOUNT TO BE TRANSFERRED TO IE&PF	SHAREHOLDERS SHOULD APPLY LATEST BY
2006-2007	20%	21/06/2007	28/07/2014	08/07/2014
2007-2008	25%	30/10/2007	06/12/2014	17/11/2014
2007-2008	35%	22/09/2008	29/10/2015	09/10/2015
2008-2009	30%	16/06/2009	23/07/2016	03/07/2016
2009-2010	15%	04/08/2010	10/09/2017	20/08/2017
2010-2011	30%	02/11/2010	09/12/2017	19/11/2017
2010-2011	25%	14/02/2011	23/03/2018	03/03/2018
2011-2012	110%	13/02/2012	21/03/2019	01/03/2019
2012-2013	80%	14/11/2012	21/12/2019	01/12/2019
2012-2013	50%	31/01/2013	09/03/2020	19/02/2020
2012-2013	40%	30/05/2013	06/07/2020	16/06/2020

In terms of Section 205C of the Companies (Amendment) Act, 1999, all dividend amounts, which remain unclaimed and unpaid for a period of seven years, will be transferred to the Investor Education & Protection Fund (IEPF).

The details of shareholders who have not encashed their dividend warrants are available in Company's website www.hatsun.com.

PROFILE OF DIRECTORS BEING RE-APPOINTED/APPOINTED

The brief resume of each of the Directors who are proposed to be appointed/re-appointed is given below:

NAME OF THE DIRECTOR	MR. C. SATHYAN	MR. B.S. MANI
Date of Birth	05-10-1978	11-09-1936
Date of Appointment	14-06-2001	29-03-2001
Qualifications	Bachelor of Business Management	PG in Literature & Diploma in Journalism
Expertise in Specific Functional Area	Shri C. Sathyan is a Bachelor of Business Management with specialization in Marketing. He has held various executive positions during his career spanning over a decade.	Shri. B.S. Mani is a post graduate in Literature and has a Diploma in Journalism from Cardiff, England. He has over 4 decades of experience in the Journalism. He is the Chairman of Kamataka News Publications Private Limited, which publishes a Tamil Daily outside Tamil Nadu.
Directorship in Other Companies	Tonokya Food Pvt. Ltd.	Karnataka News Publications Pvt. Ltd.
Chairmanship/ Membership of Committees of other Public Companies (includes only Audit Committee and Shareholders'/ Investors' Grievance Committee)	NIL	NIL
Shareholding in the Company	Holds 98,97,237 equity shares as on 31st March, 2013.	Holds 4,500 equity shares as on 31st March, 2013.

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

ITEM NO. 6 & 7

Under Section 293(1)(d) of the Companies Act, 1956 ("Act"), the Board of Directors of a Company cannot, except with the consent of the Company in general meeting, borrow monies, apart from temporary loans obtained from the company's bankers in the ordinary course of business, in excess of the aggregate of the paid-up capital and free reserves of the Company, that is to say, reserves not set apart for any specific purpose. The members at the Annual General Meeting of the Company held on 4th August, 2010, had accorded their consent to the Board of Directors for borrowings up to Rs.500 Crores.

Taking into consideration the requirements of additional funds to meet the future business expansion projects and other capital expenditure programmes, it is expected that the limit of Rs.500 Crores sanctioned by the shareholders will not be adequate. The consent of the members is therefore, sought in accordance with the provisions of Section 293(1)(d) of the Act, to enable the Board of Directors to borrow monies, provided that the total amount so borrowed by the Board shall not at any time exceed Rs.700 Crores.

The Resolution under Item No. 6 is to obtain the consent of the members for this purpose. The Company shall ensure that the debt equity ratio of the Company, at all times, will be within a reasonable limit.

The proposed borrowings of the Company may, if necessary, be secured by way of charge/ mortgage/ hypothecation on the Company's assets in favour of the lenders/ holders of securities / trustees for the holders of the said securities as mentioned in the Resolution at Item No. 7. As the documents to be executed between the lenders/security holders/ trustees for the holders of the said securities and the Company may contain provisions to take over substantial assets of the Company in certain events, it is necessary to pass a resolution under Section 293(1)(a) of the Act, for creation of charges/mortgages/hypothecations for an amount not exceeding Rs.700 Crores.

The above proposals are in the interest of the Company and the Directors commend the Resolutions in Item Nos. 6 and 7 of the Notice for approval by the members.

None of the Directors is concerned or interested in the Resolutions under Item Nos. 6 and 7 of the Notice.

ITEM NO. 8

At the Annual General Meeting of the Company held on 5th August, 2009, the members of the Company had approved the appointment and terms of remuneration of Mr. R.G. Chandramogan, as Managing Director of the Company for a period of five years from 1st April, 2009.

Taking into consideration the increased business activities of the Company, the consistent performance of the Company and the responsibilities cast on Mr. R.G. Chandramogan, the Board at its meeting held on 30th May, 2013 upon recommendation of the Remuneration

Committee revised the remuneration payable to Mr. R.G. Chandramogan with effect from 1st September, 2013. The details of the remuneration are given in the resolution.

The aggregate of the remuneration 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 Companies Act, 1956, as amended from time to time.

In compliance with the provisions of Sections 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the Companies Act, 1956, the revised terms of remuneration of Mr. R.G. Chandramogan as specified above are now being placed before the members for their approval.

Keeping in view the experience and expertise of Mr. R.G. Chandramogan, the Board considers it desirable that the Company should continue to avail the services of Mr. R.G. Chandramogan and accordingly recommends the resolution for approval by the members.

The abstract of the variation in the terms of appointment of Mr. R.G. Chandramogan as stated in the notice has already been circulated to all the members under Section 302 of the Companies Act, 1956. The copy of relevant resolutions of the Board in respect of the revision in payment of remuneration is available for inspection by the members at the registered office of the Company during working hours on any working day till the date of the Annual General Meeting.

Except Mr. R.G. Chandramogan and Mr. C. Sathyan, no other director is concerned or interested in the proposed resolution.

ITEM NO. 9

At the Annual General Meeting of the Company held on 5th August, 2009, the members of the Company had approved the appointment and terms of remuneration of Mr. K.S. Thanarajan, as Joint Managing Director of the Company for a period of five years from 1st April, 2009.

Taking into consideration the increased business activities of the Company, the consistent performance of the Company and the responsibilities cast on Mr. K.S. Thanarajan, the Board at its meeting held on 30th May, 2013 upon recommendation of the Remuneration Committee revised the remuneration payable to Mr. K.S. Thanarajan with effect from 1st September, 2013. The details of the remuneration are given in the resolution.

The aggregate of the remuneration shall be within the maximum limits as laid down under Sections 198, 309 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the Companies Act, 1956 as amended from time to time.

In compliance with the provisions of Sections 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the Companies Act, 1956, the revised terms of

remuneration of Mr. K.S. Thanarajan as specified above are now being placed before the members for their approval.

Keeping in view the experience and expertise of Mr. K.S. Thanarajan, the Board considers it desirable that the Company should continue to avail the services of Mr. K.S. Thanarajan and accordingly recommends the resolution for approval by the members.

The abstract of the variation in the terms of appointment of Mr. K.S. Thanarajan as stated in the notice has already been circulated to all the members under Section 302 of the Companies Act, 1956. The copy of relevant resolutions of the Board in respect of the revision in payment of remuneration is available for inspection by the members at the registered office of the Company during working hours on any working day till the date of the Annual General Meeting.

Except Mr. K.S. Thanarajan, no other director is concerned or interested in the proposed resolution.

ITEM NO. 10

At the Annual General Meeting of the Company held on 2nd September, 2011, 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 1st June, 2011.

Taking into consideration the increased business activities of the Company, the consistent performance of the Company and the responsibilities cast on Mr. C. Sathyan, the Board at its meeting held on 30th May, 2013 upon recommendation of the Remuneration Committee revised the remuneration payable to Mr. C. Sathyan with effect from 1st September, 2013. The details of the remuneration are given in the resolution.

The aggregate of the remuneration shall be within the maximum limits as laid down under Sections 198, 309 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the Companies Act, 1956 as amended from time to time.

In compliance with the provisions of Sections 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the Companies Act, 1956, 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 for approval by the members.

The abstract of the variation in the terms of appointment of Mr. C. Sathyan as stated in the notice has already been circulated to all the members under Section 302 of the Companies Act, 1956. The copy of relevant resolutions of the Board in respect of the revision in payment of remuneration is available for inspection by the members at the registered office of the Company during working hours on any working day till the date of the Annual General Meeting.

Except Mr. C. Sathyan and Mr. R.G. Chandramogan, no other director is concerned or interested in the proposed resolution.

*By order of the Board
For HATSUN AGRO PRODUCT LIMITED
Sd/-
S. Chandrasekar
Company Secretary
Place: Chennai
Date: 22nd July, 2013.*

*Registered Office:
Domaine, Door No.1/20A,
Rajiv Gandhi Salai (OMR),
Karapakkam, Chennai 600 097.*

TO THE MEMBERS,

The Directors have great pleasure in presenting their 28th Directors' Report along with the audited statement of accounts for the financial year ended March 31, 2013.

1. FINANCIAL RESULTS

The financial results of the Company for the year ended 31st March, 2013 is summarised below:

Particulars	(Rs. in Lakhs)	
	Current Year Ended 31st March, 2013	Previous Year Ended 31st March, 2012
Revenue from Operations (net)	2,16,501.90	1,60,353.67
Other Income	330.19	247.27
Total Income	2,16,832.09	1,60,600.94
Operating Expenditure	2,01,723.61	1,49,441.46
Profit before Interest, Depreciation and Amortisation & Tax	15,108.48	11,159.48
Finance Costs (net)	4,397.81	3,757.78
Depreciation and Amortisation Costs	5,031.87	4,184.12
Profit before Taxes	5,678.80	3,217.58
Tax Expenses	1,211.91	557.39
Net Profit for the Year	4,466.89	2,660.19
Balance Brought Forward from Previous Year	1,226.00	2,914.43
Amount Available for Appropriation	5,692.89	5,574.62

APPROPRIATIONS

Interim Dividend on Equity Shares	1,830.76	789.74
Final Dividend on Equity Shares	-	215.38
Tax on Dividends	300.32	163.05
Transfer to General Reserve	446.69	3,180.45
Balance carried to Balance Sheet	3,115.12	1,226.00

2. PERFORMANCE OF THE COMPANY

During the year, your Company earned revenue from operations (net) of Rs.2,16,501.90 Lakhs representing an increase of 35% over that of the previous year. Your Company registered a net profit of Rs.4,466.89 Lakhs, as compared to previous year net profit of Rs.2,660.19 Lakhs, an increase of 67.92%.

The net revenue from "Milk and Milk products" amounts to Rs.1,96,041.39 Lakhs representing an increase of 34.44% over that of the previous year. The net revenue from "Ice Cream products" amounts to Rs.13,596.01 Lakhs representing an increase of 17.42% over that of the previous year. The increase in the profitability is due to the availability of milk and the effective cost control measures taken by the Company.

There was a fire accident at our Salem Plant on 1st May, 2013, for which there is adequate insurance cover. However, there is no loss of life or human injury due to the fire accident and no loss in revenue or production arising therefrom. The Company is confident of recovering the same from the Insurance Company.

3. DIVIDEND

During the year, your Company has declared and paid 3 interim dividends totaling Rs.1.70/- per equity share (170%) on equity share capital.

The total cash outflow on account of dividend excluding dividend tax for the year 2012-13, would aggregate to Rs.1,830.76 Lakhs resulting in a payout of 41% of the profits of the Company.

4. TRANSFER TO RESERVES

The Company proposes to transfer Rs.446.69 Lakhs to General Reserve out of the amount available for appropriations and an amount of Rs.3,115.12 Lakhs is proposed to be retained in the Profit and Loss Account.

5. EXPORTS

The value of exports during the year was Rs.19,583.08 Lakhs representing 9.04% of net revenue from operation. Your Company is a Net Foreign Exchange Earner.

6. FUTURE PLAN

The major thrust areas in the current financial year would be in Curd and IBACO in the domestic market. This will help your Company to strengthen its presence and enable it to maintain its leadership position.

7. DIRECTORS

During the year, Mr. Kirti P Shah, Non-Executive Director resigned from the Board with effect from 23rd October, 2012 due to health reasons.

In accordance with the provisions of the Articles of Association of the Company, two of your Directors, Mr. C. Sathyan and Mr. B.S. Mani are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

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

8. 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 2012-13, the applicable Accounting Standards have been followed and there are no material departures;
- they have selected such accounting policies and applied them consistently and made judgments 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;
- 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;
- they have prepared the Annual Accounts on a going concern basis.

9. CORPORATE GOVERNANCE REPORT & MANAGEMENT DISCUSSION & ANALYSIS REPORT

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

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

10. FIXED DEPOSITS

The total amount of fixed deposits (excluding interest on Cumulative Deposits) from public outstanding and unclaimed as at 31st March, 2013, was Rs.3.32 Lakhs out of which a sum of Rs.2.49 Lakhs represents 9 accounts of Fixed/Non Cumulative Deposits and Rs.0.83 Lakhs represents 3 accounts of Cumulative Deposits. Out of the above, Rs.0.40 Lakhs representing 1 account of Fixed/Non Cumulative Deposits was since claimed and paid.

During the financial year 2012-13, an amount of Rs.29,870/- (including interest on Cumulative Deposits) being matured and unclaimed deposit was transferred to Investor Education and Protection Fund (IE&PF).

11. DEPOSITORY SYSTEM

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

12. FINANCE

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

13. AUDITORS & AUDITORS' REPORT

M/s. S.R.Batliloi & Associates LLP, Chartered Accountants, the statutory auditors of the Company, hold office in accordance with the provisions of the Companies Act, 1956 upto the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a certificate from them confirming that this appointment, if made, will be within the limits laid down under Section 224(1B) of the Companies Act, 1956. Your Directors recommend the appointment of M/s. S.R.Batliloi & Associates LLP, Chartered Accountants, Chennai as Statutory Auditors of the Company at the ensuing Annual General Meeting.

EXPLANATION TO AUDITORS' REMARKS

a) Basis for Qualified Opinion on Auditors' Report

As more fully described in Note 27 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. 150 Lakhs) 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, 2012 was also qualified in respect of this matter.

The Management has consulted and obtained expert legal advice on this issue and based on the same, believes that it has a strong case and hence no provision and consequential adjustments, if any, for such disputed amount have been considered in the financial statements. Nevertheless, the Management reviews and monitors the matter.

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

Having regard to the Company's explanation as regards the operation of a centralized treasury function and more fully described in Note 40 of the financial statements, we report that the Company has used funds raised on short term basis from banks and others to purchase certain fixed assets aggregating Rs. 1,789.48 Lakh.

The Company has a centralised 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. The Company obtains loans from banks, which inherently permit the loans to be used interchangeably for long-term and short-term purposes.

Your Company has raised long term loans during the year under review from banks to narrow down the short term and long term mismatch. Most of the short term loans with interest advantage have been in the nature of being rolled over long term. As the Company generates better profits, the long term – short term mismatch will come down substantially.

14. INDUSTRIAL RELATIONS

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

15. PARTICULARS OF EMPLOYEES

Pursuant to provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

(i) None of the employees draw remuneration which in the aggregate exceeds Rupees Sixty Lakh or more per annum, during the financial year.

(ii) Details of the employees employed for a part of the financial year, was in receipt of remuneration for any part of that year, which, in the aggregate exceeds Rupees Five Lakh per month, during the financial year.

PREVIOUS EMPLOYMENT	NAME	Mr. Simon O Shea
	AGE	44
	DESIGNATION/ NATURE OF DUTIES	Head-Plant Operation
	REMUNERATION (Gross in Rs.)	550467/-per month
	QUALIFICATION & EXPERIENCE	Dairy Technology
	DATE OF COMMENCEMENT OF EMPLOYMENT	09.01.2013
	NAME OF THE ORGANISATION	Fonterra Co-operative
	DESIGNATION	Site Manager
	NO OF YEARS	1.5 years

iii) None of the employees hold by himself or along with his/her spouse and dependant children, more than two per cent of the equity shares of the Company.

16. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & 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.

17. 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 infrastructure like laying of roads, water pipe connection, dust bin for Panchayat etc. Your Company has also donated a school uniforms to the students of school in Desur.

18. 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, members, 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: 22nd July, 2013

ANNEXURE TO THE DIRECTORS' REPORT

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

FORM-A DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

Energy conservation measures are being taken within our plants as an ongoing exercise, although, the Company's operations are not power intensive.

A. POWER & FUEL CONSUMPTION			
1. ELECTRICITY	2012-13	2011-12	
a) Purchased			
Units	40,882,507	38,643,713	
Total Amount (Rs.)	280,362,546	212,686,071	
Rate/Unit (Rs.)	6.86	5.50	
b) Through Diesel Generation			
Quantity of Diesel consumed (litres)	5,170,118	2,626,746	
Units	15,459,848	8,048,322	
Total Amount (Rs.)	246,796,175	114,548,350	
Cost/Unit (Excluding overhead & depreciation)	15.96	14.23	
Units per litre of Diesel Oil	2.99	3.06	
2) Furnace Oil			
Quantity (Kl.)	240,958	40,328	
Total Amount (Rs.)	9,588,135	1,114,709	
Average Rate (Rs./Kl.)	39.79	27.64	
3) Coal			
Quantity (Kg.)	28,342,343	19,422,113	
Total Amount (Rs.)	132,380,124	66,434,336	
Average Rate (Rs./Kg.)	4.67	3.42	
B. CONSUMPTION PER UNIT OF PRODUCTS I.E PER LITRE OF MILK			
Electricity (Units)	MILK	0.04	0.05
	ICE CREAM	0.51	0.64
Furnace Oil (Litres)	MILK	0.00003	0.00003
	ICE CREAM	0.0008	0.0004
Coal (Kg)	MILK	0.0031	0.0370

FORM-B DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

A. RESEARCH & DEVELOPMENT

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

- a) Process Development
- Conducting of Somatic Cell Counter Test to detect animal udder health.
 - ATP Bioluminescence testing to improve product safety and shelf life.
 - Installation of Eco Milk Analyzers at various chilling/collection centres to ensure accurate and reliable testing of Fat/SNF content in the milk received.
 - Installation of Hardening tunnel for quick hardening of ice creams to improve ice cream quality.
 - Development of world class fruit preparations, fruit toppings, chocolate toppings and in-house chocolate coatings recipes for ice cream stick bars and ice cream cakes.
 - In the process of developing new international standards recipes for ice creams, sorbets, yoghurt ice creams and extruded ice cream products.
 - Process improvement is underway for mix preparations and processing for enhancing product quality, stability and food safety.
- b) Product Diversification
- c) Quality enhancement to achieve International Standards.

As mentioned in the note below under Expenditure on R&D, expenditures incurred on R&D are merged with appropriate expenditure/capital accounts.

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*

- Capital: Nil
- Recurring: Nil
- Total Nil
- 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.

B. 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 milk 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

Particulars	(Rs. in Lakhs)	
	2012-13	2011-12
Foreign exchange earnings	19,590.15	533.62
CIF Value of Imports	1,316.72	598.10
Expenditure in foreign currency	81.51	42.35
Dividend paid in foreign currency	20.74	42.48

For and On behalf of the Board of Directors
Sd/-
R.G. Chandramogan
Chairman & Managing Director,
Place: Chennai
Date: 22nd July, 2013

I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Your Company is committed to the highest standards of integrity, transparency and accountability across all levels of the organisation in the conduct of its business. It acknowledges the importance of good corporate governance in carrying out its corporate mission of creating long-term value to its stakeholders. Our success is grounded in our value system. The Company's Board of Directors, management and employees commit themselves to serve the best interest of the investing public – individually and as a team. Your Directors perceive their role as a trustee to the stakeholders in particular and the society at large.

Your Company will continue to focus its resources, strengths and strategies to achieve its vision of brand building, maximising 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 Company has a strong legacy of fair, transparent and ethical governance practices. Your Company has adopted a Code of Conduct for Directors and Senior Management Personnel. Both these codes are available on the Company's website. Your Company keeps its corporate governance policies under constant review to conform, where applicable, with best practices and principles. Your Company is in compliance with the requirements of the guidelines on Corporate Governance stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges.

II. BOARD OF DIRECTORS

(i) As on 31st March, 2013, the Company had Seven Directors with four Non-Executive and Independent Directors. The Chairman & Managing Director is an Executive and Promoter Director. The composition of the Board is in conformity with Clause 49 of the Listing Agreement entered into with the Stock Exchange.

(ii) Mr. R.G. Chandramogan, Managing Director and Mr. C. Sathyan, Executive Director are relatives in terms of Section 6 of the Companies Act, 1956. None of the other Directors are related to each other.

(iii) 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.

(iv) 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.

COMPOSITION OF BOARD OF DIRECTORS

NAME AND DESIGNATION OF THE DIRECTOR	CATEGORY	NUMBER OF BOARD MEETINGS DURING 2012-13		WHETHER ATTENDED LAST AGM YES/NO	NO. OF DIRECTORSHIPS IN OTHER PUBLIC LTD. COMPANIES		NO. OF COMMITTEE POSITIONS HELD IN OTHER PUBLIC LTD. COMPANIES	
		HELD	ATTENDED		CHAIRMAN	MEMBER	CHAIRMAN	MEMBER
R.G. CHANDRAMOGAN CHAIRMAN AND MANAGING DIRECTOR	Promoter- Executive Director	12	10	YES	Nil	1	Nil	Nil
K.S. THANARAJAN JOINT MANAGING DIRECTOR	Executive Director	12	11	YES	Nil	Nil	Nil	Nil
C. SATHYAN EXECUTIVE DIRECTOR	Promoter- Executive Director	12	11	YES	Nil	Nil	Nil	Nil
P. VAIDYANATHAN DIRECTOR	Non- Executive & Independent Director	12	10	YES	Nil	3	1	Nil
KIRTI. P. SHAH* DIRECTOR	Non- Executive Director	12	Nil	NO	Nil	1	Nil	Nil
S. THIAGARAJAN DIRECTOR	Non- Executive & Independent Director	12	10	NO	Nil	Nil	Nil	Nil
B.S. MANI DIRECTOR	Non- Executive & Independent Director	12	6	YES	Nil	Nil	Nil	Nil
N. CHANDRASEKARAN DIRECTOR	Non- Executive & Independent Director	12	7	NO	Nil	2	Nil	Nil

*Resigned w.e.f 23.10.2012

(v) The Board has met 12 (twelve) times during the year and the gap between two meetings did not exceed four months. The said Meetings were held on 11th May, 2012, 21st May, 2012, 25th June, 2012, 26th July, 2012, 10th August, 2012, 10th September, 2012, 25th September, 2012, 27th September, 2012, 24th October, 2012, 14th November, 2012, 31st January, 2013 and 4th March, 2013. The necessary quorum was present for all the meetings.

(vi) None of the Non-Executive Directors have any material pecuniary relationship or transactions with the Company.

(vii) The minimum information as required under Annexure – IA of Clause 49 of the Listing Agreement is made available to the board.

The Board has complete access to all information pertaining to the Company. Inter-alia, the following information is regularly provided to the Board, whenever applicable and materially significant, either as a part of the agenda papers well in advance of the Board meetings or tabled in the course of the Board meeting or tabled before the appropriate Committees of the Board.

- Annual Operating plans & budgets and any updates thereof.
- Capital budgets and any updates thereof.
- Quarterly results of the Company, operating divisions and business segments.
- Minutes of the meetings of Audit Committee and other Committees of the Board.
- The information on recruitment and remuneration of senior officers just below the Board level, including the appointment or removal of Chief Financial Officer and Company Secretary.
- Materially important show cause, demand, prosecution notices and penalty notices.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company.
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgment or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
- Details of any joint venture or collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- Significant labour problems and their proposed solutions. Any significant development in human resources/industrial relations front like signing of wage agreement, implementation of voluntary retirement scheme etc.
- Sale of material nature, of investments, subsidiaries, assets, which is not in the normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by the management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer, etc.

The Board has established procedures to enable it to periodically review compliance reports of all laws applicable to the Company, prepared by the Company as well as steps taken by the Company to rectify instances of non-compliances, if any.

EQUITY SHARES HELD BY NON-EXECUTIVE DIRECTORS

Mr. B.S. Mani holds 4,500 Equity Shares of Re.1/- each in the Company as on 31st March, 2013.

RISK MANAGEMENT

The Company has established 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. The risks are reviewed periodically, 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

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 Agreement with the Stock Exchange read with Section 292A of the Companies Act, 1956.

The Audit Committee comprises of three members of the Board, all of whom are Non-Executive and Independent Directors. They are Mr. P. Vaidyanathan, who is a Fellow member of the Institute of Chartered Accountants of India, as its Chairman, Mr. S. Thiagarajan and Mr. B.S. Mani. All the members of the Committee have excellent financial and accounting knowledge. The Company Secretary acts as the Secretary of the Committee.

The Committee met 4 (four) times during the year on 21st May, 2012, 10th August, 2012, 14th November, 2012 and 31st January, 2013. The time gap between any two meetings was less than four months. Necessary quorum was present for all the meetings.

ATTENDANCE RECORD OF AUDIT COMMITTEE				
NAME OF THE DIRECTOR	CATEGORY	STATUS	NO. OF MEETINGS	
			HELD	ATTENDED
P.Vaidyanathan	Independent	Chairman	4	4
S.Thiagarajan	Independent	Member	4	3
B.S.Mani	Independent	Member	4	4

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 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.
- 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 Auditors shall be subject to review by the Audit Committee.

IV. REMUNERATION COMMITTEE

The Remuneration Committee comprises of three members of the Board, all of whom are Non-Executive and Independent Directors. They are Mr. P. Vaidyanathan (Chairman), Mr. S. Thiagarajan and Mr. B.S. Mani. The Company Secretary acts as the Secretary of the Committee.

The role of the Remuneration Committee is to recommend to the Board the appointment / re-appointment of the Executive and Non-Executive Directors.

The Remuneration Committee recommends to the Board, the compensation terms of the Executive Directors and its responsibilities include:

- Dealing with appointments, remuneration, promotion and other related aspects in respect of the Managing Director and other Executive Directors of the Company.
- Reviewing the Remuneration policy of the Company from time to time. This is in consonance with the existing industry practice i.e. directed towards rewarding performance, based on review of achievement on a periodical basis.

The Committee has not met during the financial year as there were no appointments/revision in remuneration/promotion and other related aspects in respect of the Managing Director and other Executive Directors of the Company.

(In Rs.)

REMUNERATION PAID TO EXECUTIVE DIRECTORS			
Particulars	Mr. R.G. Chandramogan Managing Director	Mr. K.S. Thanarajan Joint Managing Director	Mr. C. Sathyan Executive Director
Salary & Allowances	38,00,000	38,00,000	36,10,000
Contribution to P.F. & other Funds	10,800	2,88,000	9,360
Other Perquisites or benefits including medical expenses reimbursed and car facility provided	1,39,600	1,39,600	1,34,600

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.

COMPENSATION PHILOSOPHY IN RESPECT OF NON-EXECUTIVE DIRECTORS

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.

At present a sitting fee of Rs.20,000/- (Rupees Twenty Thousand only) is being paid to all Non-Executive Directors for attending the Board meeting. No sitting fee is being paid to attend the committee meetings.

Sitting fee paid to Non-Executive Directors

Name of the Director	Sitting Fee(Rs.)
Mr. P. Vaidyanathan	2,00,000
Mr. S. Thiagarajan	2,00,000
Mr. B.S. Mani	1,20,000
Mr. N. Chandrasekaran	1,40,000

V. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The Company has a Shareholders'/Investors' Grievance Committee of the Board of Directors to look into the redressal of complaints of shareholders'/investors' such as transfer or credit of shares, non-receipt of dividend/notices/annual reports, etc.

The Shareholders'/Investors' Grievance Committee comprises of three members of the Board, namely Mr. S. Thiagarajan (Chairman), Mr. P. Vaidyanathan and Mr. K.S. Thanarajan, two of whom are Non-Executive and Independent Directors. The Company Secretary acts as the Secretary of the Committee.

During the year, 4 (four) meetings of the Committee were held on 21st May, 2012, 10th August, 2012, 14th November, 2012 and 31st January, 2013.

ATTENDANCE RECORD OF THE SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE				
NAME OF THE DIRECTOR	CATEGORY	STATUS	NO. OF MEETINGS HELD	
			HELD	ATTENDED
S. Thiagarajan	Independent	Chairman	4	3
P. Vaidyanathan	Independent	Member	4	4
K. S. Thanarajan	Executive	Member	4	4

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

- Redressal of Shareholders'/Investors' complaints like transfer of shares, non-receipt of annual report, 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 RECEIVED DURING THE YEAR

Number of complaints received from investors - 14

Number of complaints resolved - 14

Number of complaints remaining unresolved and pending - Nil

Nature of complaints received and redressed during 2012-13	
Nature of Complaints	Received & Redressed during the year
Correspondence regarding demat /general	Nil
Correspondence regarding loss of shares and issuance of duplicate share certificates	Nil
Correspondence regarding non-receipt of share certificate, transfer/transmission of shares	3
Revalidation of dividend warrants / non-receipt of dividend warrants/status of dividend payment	10
Correspondence regarding revalidation of interest warrants on deposits	1

COMPLIANCE OFFICER

Name and designation of the Compliance Officer of the Company:

Mr. S. Chandrasekar, Company Secretary & Compliance Officer
 Domaine, Door No.1/20A, Rajiv Gandhi Salai (OMR),
 Karapakkam, Chennai 600 097.

Phone No. : 091-044-24501622

Fax No. : 091-044-24501422

E-mail ID : secretarial@hatsun.com

VI. OTHER COMMITTEES

A. SHARE TRANSFER COMMITTEE

The Share Transfer Committee comprises of three members of the Board, namely Mr. R.G. Chandramogan (Chairman), Mr. K.S. Thanarajan and Mr. P. Vaidyanathan. The Company Secretary acts as the Secretary of the Committee.

The Committee takes care of the following matters:

- Transfer/Transmission/Split/Sub-division/Consolidation of shares.
- Issue of 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.

Number of Share Transfers pending as on 31st March, 2013 - Nil

During the year, the Committee met 14 (fourteen) times on the following dates namely, 27th April, 2012, 11th May, 2012, 1st June, 2012, 22nd June, 2012, 6th July, 2012, 4th August, 2012, 2nd November, 2012, 20th November, 2012, 7th December, 2012, 21st December, 2012, 4th January, 2013, 18th January, 2013, 8th February, 2013 and 8th March, 2013.

B. SUB-COMMITTEE

The Sub-Committee comprises of four members of the Board, namely Mr. K.S. Thanarajan (Chairman), Mr. R.G. Chandramogan, Mr. C. Sathyan and Mr. B.S. Mani. The Company Secretary acts as the Secretary of the Committee.

The Committee looks after the following:

- To review the funds position of the Company, borrow monies required for the purpose of business, negotiate and finalise the terms of borrowings with the lenders, approve borrowings, look into its repayments and also to make loans when there is surplus money available in hand.

- Reviewing, with the management, the risk management policy of the Company, with particular reference to:

- oversee the operation of an enterprise-wide risk management system;
- review, analyze and recommend the policy, framework, strategy and method to be used by the Company to manage risks or threats;
- review with management the corporate performance in the areas of legal risks and crisis management; and
- identify, review and assess the likelihood and magnitude of the impact of material events on the company and to recommend measures to avoid or mitigate risks.

-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 year, the Committee met 14 (fourteen) times on the following dates on 6th April, 2012, 24th April, 2012, 29th May, 2012, 4th June, 2012, 25th June, 2012, 4th July, 2012, 10th August, 2012, 3rd September, 2012, 11th September, 2012, 19th October, 2012, 14th November, 2012, 22nd December, 2012, 4th February, 2013 and 11th March, 2013.

C. CORE COMMITTEE

The Core Committee for implementation of SEBI (Prohibition of Insider Trading) Regulations comprises of three members of the Board namely, Mr. R.G. Chandramogan (Chairman), Mr. K.S. Thanarajan and Mr. C. Sathyan. The Company Secretary acts as the Secretary of the Committee.

During the year, the Committee met once on 31st January, 2013. There were no cases involving insider trading in the Company during the year.

VII. GENERAL BODY MEETINGS

(i) Annual General Meeting

Date, Time & Venue of the last three AGM's			
Financial Year	Date	Time	Venue
2009-10	4-8-2010	11.00A.M	P.Obul Reddy Hall, Sri Thyaga Brahma Gana Sabha, Vani Mahal, T.Nagar, Chennai 600 017
2010-11	2-9-2011	11.00A.M	
2011-12	10-8-2012	10.00A.M	

(ii) Extra-Ordinary General Meeting

During the financial year 2011-12, an Extra-Ordinary General Meeting of the Company was held on 12th March, 2012 to consider and approve capitalisation of free reserves for issue of bonus shares.

There was no Extra-Ordinary General Meeting of the Company held during the year.

(iii) Special Resolutions

At the Annual General Meeting of the Company held on 2nd September, 2011, the following 2 Special Resolutions were passed with requisite majority:

- Sub-division of Equity Shares
- Alteration of Articles of Association of the Company.

At an Extra-Ordinary General Meeting of the Company held on 12th March, 2012, the following 4 Special Resolutions were passed unanimously:

- Alteration of the Articles of Association of the Company to enable reclassification of shares.
- Reclassification of the Authorised Share Capital and Alteration of the Memorandum of Association of the Company
- Alteration of the Articles of Association of the Company upon reclassification of Authorised Share Capital.
- Alteration of the Articles of Association of the Company to authorise Board of Directors to Capitalise Reserves of the Company.

(iv) 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) The Company has complied with all the requirement of regulatory authorities. No penalties/strictures were imposed on the Company by BSE Limited, where the shares of the Company are listed or by SEBI or by any other statutory authority on any matter related to capital market during the last three years except in the year 2009-10, adjudication proceedings by SEBI levying a penalty of Rs.15,000/- for delayed compliance of Regulation 8(3) of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, with regard to notice for record date of dividend by 18 days for the year 1999.

(iii) The Company has fulfilled the following non-mandatory requirements as prescribed in Annexure I D to the Clause 49 of the Listing Agreement 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) Share Capital Audit

A qualified practicing Company Secretary carried out share capital 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 share capital 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 all 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. Dealings in Company's shares by the Board Members and Senior Management Personnel have been reported to the Committee periodically.

(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

CEO & 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 Company has its own website and all vital informations relating to the Company and its performance including quarterly results, quarterly shareholding pattern are posted on that website, namely www.hatsun.com

The quarterly, half-yearly and annual results of the Company are published in leading English and Vernacular newspapers like The Financial Express (English) and Maalai Sudar (Tamil).

A Management Discussion and Analysis Report has been included and forms part of this Annual Report.

X. GENERAL SHAREHOLDER INFORMATION**(i) Annual General Meeting**

Date : 4th September, 2013

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.

As required under Clause 49(IV)(G)(i) of the Listing Agreement with the Stock Exchanges, particulars of Directors seeking appointment/re-appointment at the ensuing Annual General Meeting (AGM) are given in the Annexure to the Notice of the AGM to be held on 4th September, 2013.

(ii) Financial Calendar

Financial Year : 1st April to 31st March

For the year ended 31st March 2013, results were announced on

First Quarter : 10th August, 2012

Half Year : 14th November, 2012

Third Quarter : 31st January, 2013

Annual : 30th May, 2013

For the year ending 31st March, 2014 results will be announced as follows

First Quarter : within 45 days from the end of first quarter

Half Year : within 45 days from the end of half year

Third Quarter : within 45 days from the end of third quarter

Annual : within 60 days from the end of financial year

(iii) Date of Book Closure/Record Date

The date of book closure is as mentioned in the Notice of the AGM i.e., from 3rd September, 2013 to 4th September, 2013 (both days inclusive).

(iv) Dividend Payment Date

During the year, 3 (three) Interim Dividends were declared by the Board of Directors. The details of dividend payment date are as follows:

Date Of Declaration	Rate Of Dividend %	Record Date	Dividend Payment Date
14-11-2012	80%	20-11-2012	07-12-2012
31-01-2013	50%	08-02-2013	28-02-2013
30-05-2013	40%	05-06-2013	28-06-2013

(v) Listing on Stock Exchanges

At present, the Equity Shares of the Company are listed on Bombay Stock Exchange Limited (BSE). The annual listing for the financial year 2013-14 has been paid.

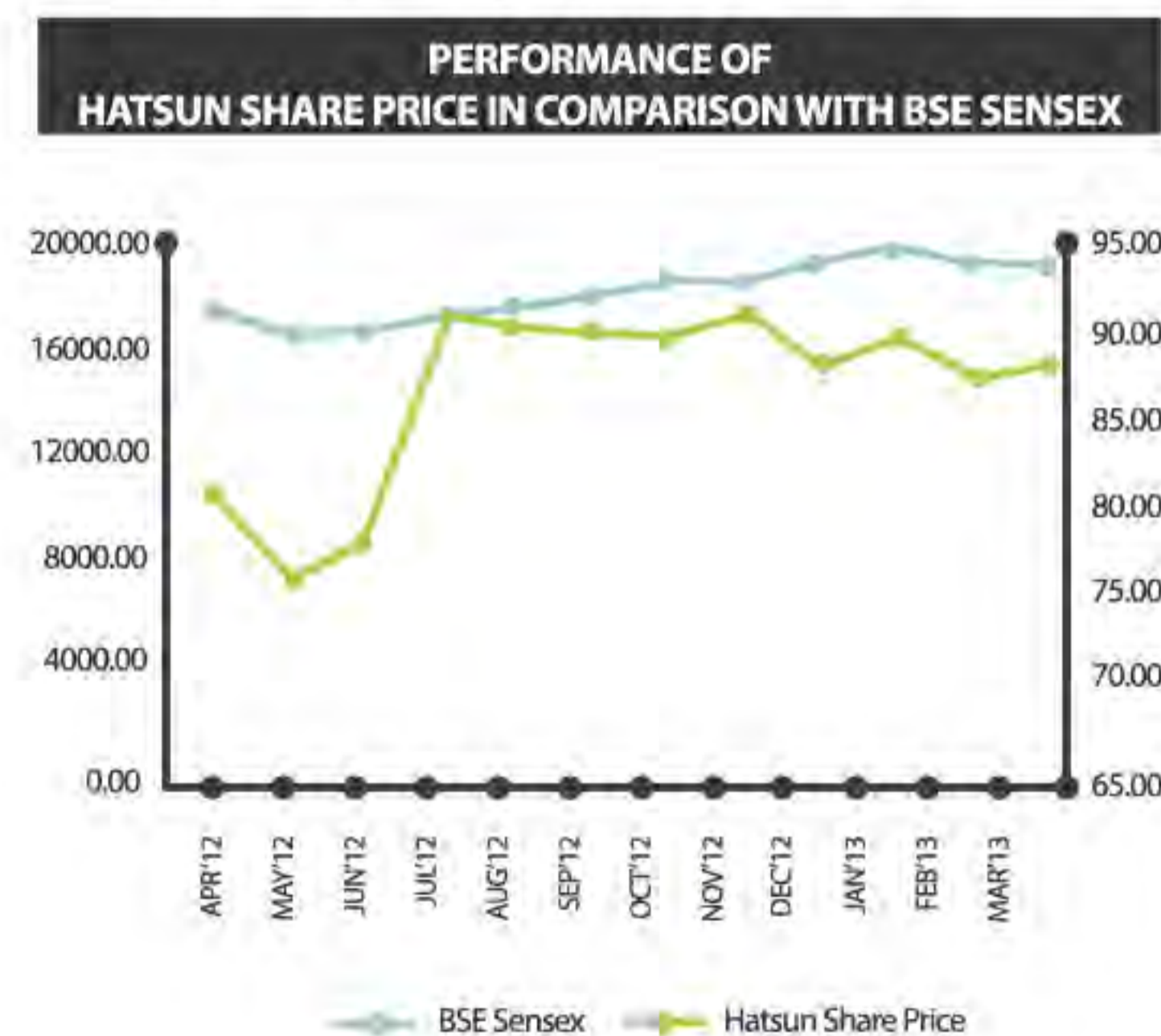
(vi) Stock Code

ISIN No. : INE473B01035

BSE Stock Code : 531531

(vii) Market Price Data

MONTH	HATSUN AGRO PRODUCT LIMITED			BSE INDICES-SENSEX	
	High Price	Low Price	No. of shares traded	High Price	Low Price
April 2012	94.00	68.00	113897	17664.10	17010.16
May 2012	85.00	67.05	723621	17432.33	15809.71
June 2012	90.00	66.00	340137	17448.48	15748.98
July 2012	99.50	82.50	120063	17631.19	16598.48
August 2012	99.70	81.00	90478	17972.54	17026.97
September 2012	95.30	85.00	41244	18869.94	17250.80
October 2012	98.30	81.00	5302381	19137.29	18393.42
November 2012	96.95	85.00	112325	19372.70	18255.69
December 2012	91.00	85.00	113058	19612.18	19149.03
January 2013	96.00	83.00	181253	20203.66	19508.93
February 2013	94.00	81.00	149581	19966.69	18793.97
March 2013	94.95	81.00	170411	19754.66	18568.43

(viii) Performance in comparison with BSE SENSEX**(ix) Registrar and Share Transfer Agent**

As per the requirement of Securities and Exchange Board of India, M/s. Integrated Enterprises (India) Limited have 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.

(x) Share Transfer System

The share transfers in physical form are presently processed and the share certificates are returned within the stipulated time, subject to the documents being clear in all respects. The transfer of shares in physical mode is approved by the Share Transfer Committee.

(xi) Distribution of Shareholding

a. Distribution of Shareholding as at 31st March, 2013

No. of Shares held	No. of folios/ shareholders	No. of folios/ Shareholders (%)	No. of Shares	Shareholding (%)
1 - 100	2,006	42.82	43,153	0.04
101 - 200	241	5.14	37,899	0.03
201 - 300	175	3.74	49,160	0.04
301 - 400	46	0.98	17,145	0.02
401 - 500	69	1.47	33,227	0.03
501 - 1000	211	4.50	1,61,732	0.15
1001 - 5000	1,565	33.40	32,65,741	3.03
5001 - 10000	153	3.27	11,36,566	1.06
10001 & above	219	4.68	10,29,47,025	95.60
Total	4,685	100.00	10,76,91,648	100.00

b. Category of Shareholders as at 31st March, 2013

Category	No. of Folios/ Shareholders	No. of Shares held	Shareholding (%)
Promoters	6	8,00,67,030	74.35
Director & their relatives	18	41,24,995	3.83
Bodies Corporate	70	38,36,850	3.56
NRI's	67	43,37,168	4.03
Others	4,524	1,53,25,605	14.23
Total	4,685	10,76,91,648	100.00

(xii) Dematerialisation of shares

About 95.02% of the shares are being held in dematerialized form as at 31st March, 2013.

DISTRIBUTION OF SHARES WITH BREAK-UP OF PHYSICAL AND ELECTRONIC FORM AS ON 31ST MARCH, 2013

S.No	No. of Equity Shares	No. of Folios/Shareholders			No. of Folios/Shareholders (%) to total			No. of Shares			Shareholding (%)		
		Phy.	Elect.	Total	Phy.	Elect.	Total	Phy.	Elect.	Total	Phy.	Elect.	Total
1	1-100	106	1900	2006	2.26	40.56	42.82	971	42,182	43,153	0.00	0.04	0.04
2	101-200	19	222	241	0.40	4.74	5.14	2,835	35,064	37,899	0.00	0.03	0.03
3	201-300	4	171	175	0.09	3.65	3.74	1,125	48,035	49,160	0.00	0.04	0.04
4	301-400	1	45	46	0.02	0.96	0.98	375	16,770	17,145	0.00	0.02	0.02
5	401-500	4	65	69	0.08	1.39	1.47	2,000	31,227	33,227	0.00	0.03	0.03
6	501-1000	16	195	211	0.34	4.16	4.50	13,619	1,48,113	1,61,732	0.01	0.14	0.15
7	1001-5000	946	619	1,565	20.19	13.21	33.40	19,27,925	13,37,816	32,65,741	1.79	1.24	3.03
8	5001-10000	57	96	153	1.22	2.05	3.27	4,43,500	6,93,066	11,36,566	0.41	0.65	1.06
9	10001 & above	48	171	219	1.03	3.65	4.68	29,73,750	9,99,73,275	10,29,47,025	2.77	92.83	95.60
	Total	1,201	3,484	4,685	25.63	74.37	100.00	53,66,100	10,23,25,548	10,76,91,648	4.98	95.02	100.00

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

As on March 31, 2013, the Company did not have any outstanding GDRs/ADRs/Warrants or any convertible instruments.

(xiv) Plant Locations

1. Salem Plant: Attur Main Road, Karumapuram Village, Salem - 636 106, Tamil Nadu.
2. Kancheepuram Plant: No.144, Timmasamudram Village (White Gate), Chennai Bangalore Highway, Kancheepuram Taluk, Kancheepuram - 631 502, Tamil Nadu.
3. Redhills Plant: No.114, Angadu Road, Nallur Village, Redhills, Chennai - 600 067, Tamil Nadu.
4. Belgaum Plant: No.277/2, Desur Village, Kanapur Road, Belgaum - 590 014, Karnataka.
5. Honnali Plant: No.109/2, Melebennur Road, Kundur Village, Honnali Taluk, Davangere District, Honnali - 577 219, Karnataka.
6. Palacode Plant: Sengan Pasuvanthalave Village, Kolasanahalli Panchayat, Palacode Taluk, Dharmapuri District - 636 805, Tamil Nadu.
7. Madurai Plant: No.76/2B, Dindigul Madurai Main Road, Thiruvazhavayanallur, Vadipatti Taluk, Madurai - 625 221, Tamil Nadu.
8. Thalaivasal Plant: V Koottu Road Pirivu, AttuPannai, Periyeri Post, Attur Taluk, Thalaivasal, Salem District 636 102, Tamil Nadu.
9. Vellisandhai Plant: No.142/1B&1C, Hosur Main Road, Vellisandhai, Thandukaranahalli (PO), Palacode, Dharmapuri 636 808, Tamil Nadu.
10. Salem Milk Product Plant: Attur Main Road, Ramalingapuram Village, Salem 636 107, Tamil Nadu.

(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

Mr. S. Chandrasekar
Company Secretary
Hatsun Agro Product Limited
Domaine, Door No.1/20A,
Rajiv Gandhi Salai (OMR),
Karapakkam, Chennai 600 097.
Phone No. : 091-044-24501622
Fax No. : 091-044-24501422
E-Mail: secretarial@hatsun.com
Website: www.hatsun.com

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

TO

THE MEMBERS

HATSUN AGRO PRODUCT LIMITED.

We have examined the compliance of conditions of Corporate Governance by M/s. Hatsun Agro Product Limited ("the Company"), for the year ended 31st March, 2013 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to a review of the procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of Corporate Governance.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We 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.

For TRR & Associates
Company Secretaries
Sd/-

T.R. Ravichandran
Partner
Membership No. FCS: 7076
CP No. 11651

Place: Chennai
Date: 22nd July, 2013

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 www.hatsun.com. I confirm that the members of the Board and the Senior Management Personnel have complied with the Code of Conduct in respect of the financial year ended March 31, 2013.

For HATSUN AGRO PRODUCT LIMITED
Sd/-
R.G. CHANDRAMOGAN
CHAIRMAN AND MANAGING DIRECTOR
Place: Chennai
Date: 30th May, 2013

CEO & CFO CERTIFICATION

We, R.G. Chandramogan, Chairman and Managing Director and S. Subramanian, Chief Financial Officer of M/s. Hatsun Agro Product Limited, certify that

1. We have reviewed the financial statements and the cash flow statement for the year ended March 31, 2013 and that to the best of our knowledge and belief

a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
b) these statements present a true and fair view of the state of affairs of the Company and of the results of operations and cash flows. The financial statements have been prepared in conformity, in all material respects, with the existing generally accepted accounting principles including accounting standards, applicable laws and regulations.

2. 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 violative of the Company's Code of Conduct.

3. We accept the 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.

4. We indicate to the auditors and to the audit committee
a) significant changes in internal control over financial reporting during the year;
b) significant changes in accounting policies during the year;
c) instances of significant fraud of which we have become aware of and the involvement therein, if any, of the management or other employees having a significant role in the Company's internal control system over financial reporting.

However, during the year there were no such changes or any such instances except for a change in accounting policy with regard to accounting for ancillary borrowing cost, which is now being amortised over the tenure of loan.

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

Sd/-
S. Subramanian
Chief Financial Officer

Place: Chennai
Date: 30th May, 2013.

GENERALECONOMIC SCENARIO & INDUSTRY STRUCTURE

Indian Economy grew 5% in 2012-13 registering a slowest pace in a decade. The Indian Economy, Asia's third-largest, has slowed sharply from the scorching growth notched a few years ago due to a string of factors, including high inflation, high interest rates, continued uncertainty in global economy, delay in implementation of projects, policy logjam, weakening industrial growth and declining business sentiment coupled with the poor performances of agriculture, manufacturing and service Sectors. However, with widespread reform measures initiated by the Government in recent months like increase in diesel price, allowing oil marketing companies to decide diesel prices, cap on the number of subsidised LPG cylinders, the Indian Economy is expected to witness an improved outlook in 2013-14.

Agriculture is the dominant sector of Indian Economy, which determines growth and sustainability. Half of the population still relies on Agriculture as its principal source of income and it is also an important source of raw material for a large number of industries. Agriculture Sector registered a meagre growth of 1.9% in 2012-13, compared to 3.6% in 2011-12. Accelerating the growth of agriculture production is therefore necessary not only to achieve an overall GDP growth and meet the rising demand for food, but also to increase incomes of those dependent on agriculture to ensure inclusiveness. The monsoon, however, plays a critical role in Indian agriculture in determining whether the harvest will be bountiful, average, or poor in any given year.

During the year under review, the Government lifted the ban on export of 14 processed and value-added agricultural products, including farm produce like wheat and cereal flours, milk products including casein and value-added products of onion and peanut butter. It would be a welcome step for exporters of these items as otherwise they would face the problem of increased inventory level and problems of liquidity in case of a complete ban. This decision would lend a helping hand to the dairy industry as far as improvisation in technology is concerned, in turn aiding the development of quality products. The move is expected to boost the growth prospects of the sector in the coming years and ensure that Indian milk producers get a fair chance to sell their products in the global market making use of India's competitive strengths in the dairy sector.

The Indian dairy industry has taken rapid strides during the past two decades. The milk production has registered a quantum jump from about 17 million tonnes in 1950 to 128 million tonnes in 2012. The quantity of milk handled by the organised sector has gone up to 81 million litres per day as against approximately 6 million litres per day during the 70s. At present, India is the world's largest producer of Milk in terms of volume and has the world's largest dairy herd.

Increasing urbanisation and general health awareness have led to the rapid changes in consumption pattern for dairy products all over the country. On the back of a rise in disposable income,

coupled with strong demand for dairy products, the Indian dairy industry is all set to experience high growth rates in the next five years. An important role now is to strengthen the dairy industry through technology and human resource development in the years ahead.

OPPORTUNITIES

Milk consumption in India is rising steadily as it is a regular part of the dietary programme irrespective of the region and hence demand is likely to rise continuously and there is substantial growth potential for your Company. Per Capita Milk consumption in India has gone up between 1990 and 2011-12 from 178 gms/day to 291 gms/day.

Changing demographics (young, higher disposable income, experimental, urbanisation, willingness to spend) further fuelled by trends like greater awareness of health and nutrition, quality of products on one hand and more hedonism (especially the new 'affluent' generation) is rapidly enlarging the opportunity.

Increase in population and rise in income levels will see shift in the consumption pattern in favour of value-added products besides the growth in demand for liquid milk. Particularly the consumption of dairy manufactured curd is on the increase. Milk, apart from being consumed as such, is used in producing a large variety of milk products like curd, cream, butter, ghee, milk powders, paneer etc. The production infrastructure of the Company is constantly being upgraded to take advantage of this opportunity.

Your Company follows stringent quality measures in ensuring manufacturing of quality products available to consumers at an affordable price. Your Company is also conscious of brand building. Some of the brands of the Company like "Arun" ice creams and "Aroky" milk are familiar to the common man.

There is a phenomenal scope for innovations in product development, packaging and presentation. With technological advancement and availability of balancing equipment, the flexibility of product mix is tremendous and the Company can keep on adding to its product line. 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.

THREATS

At present, organised dairy industry handles only 30% of the milk produced. Cost effective technologies, mechanisation and quality control measures are seldom exercised in unorganised sector and remain key issues to be addressed.

Shortage of Power Supply, Frequent changes in Government policy with respect to export of milk products and State Government's discretionary

policy on providing Subsidy only to the farmers attached to Co-operative Societies are major deterrent faced by the Dairy Industry.

Milk, which is highly perishable, needs efficient cold chain management that can be provided only by organised players as the same involves more capital investments. Your Company is continuously developing and applying scientific methods to improve the quality of milk processed and extend its shelf life.

Lack of proper infrastructure facilities like good roads, adequate transport support is another major deterrent faced by the Dairy Industry. Your Company has been leveraging on the improvement given its economies of scale and with its inherent ability to adopt new technologies, has carved out its own niche in the market.

The traditional dairy practices no longer ensure control over milk yield. Continuous availability of good quality feeds and scientifically tested and properly managed animal husbandry practices play a vital role in improving milk yields.

Your Company constantly educates the farmers on how to maintain quality and improve milk yield by arranging supply of good quality feeds to farmers. The above involves large investment in the production and distribution infrastructure which can be provided only by bigger companies like us.

FINANCIAL PERFORMANCE OF THE COMPANY

The financial performances are covered in the Directors' Report and the same can be referred to in the said Report.

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 of Directors 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.

INFORMATION TECHNOLOGY

Successful implementation of SAP ERP facilitates an effective online MIS system, which helps in centralised control of operations at all the units of the Company. Your Company has upgraded and reconfigured this application to effectively monitor the increasing scale of operations of the Company. The hardware and network infrastructure is being constantly reviewed to increase the bandwidth and reduce operational costs. This is an ongoing process and your Company is committed to leverage the benefits of IT to enhance and optimise benefits to itself and its customers. Constant training and guidance has been provided to all the end users.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED

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. 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.

The HR programmes of the Company focus on building capabilities and engaging employees through various initiatives to help the organisation consolidate and achieve sustainable future growth for the business. Industrial Relations remained cordial at all manufacturing locations during the year.

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. The total strength of the Company as on 31st March, 2013 was 2963.

OUTLOOK AND RISKS & CONCERNS ARE COVERED UNDER OPPORTUNITIES AND THREATS

FORWARD LOOKING 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 judgments by considering all relevant factors before making any investment decision.



INDEPENDENT AUDITORS' REPORT

TO
THE MEMBERS OF HATSUN AGRO PRODUCT LIMITED.

Report on the Financial Statements

We have audited the accompanying financial statements of Hatsun Agro Product Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BASIS FOR QUALIFIED OPINION

As more fully described in Note 27 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. 150 lakhs) are

being contested by the Company and the matter is pending with the Honourable 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, 2012 was also qualified in respect of this matter.

QUALIFIED OPINION

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements 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:

- in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, we report that:

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- 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;
- The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- Except for the matter described in the Basis for Qualified Opinion paragraph, in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
- On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

FOR S.R. BATLIBOI & ASSOCIATES LLP
CHARTERED ACCOUNTANTS
ICAI FIRM REGISTRATION NUMBER: 101049W
Sd/-
per S Balasubrahmanyam
Partner
Membership Number: 053315

Place: Chennai
Date: May 30, 2013

ANNEXURE REFERRED TO IN OUR REPORT OF EVENT DATE

Re: Hatsun Agro Product Limited ('the Company')

- (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. Discrepancies noted on physical verification of inventories were not material, and have been properly dealt with in the books of account.
- (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 year. Therefore, the provisions of clause (v)(a) and (v)(b) of para 4 of the Order 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) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, related to the processing of milk and manufacture of milk products, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

(ix) (a) 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 have generally been regularly deposited with the appropriate authorities.

(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, the dues outstanding of income-tax and sales-tax on account of any dispute are as follows:

Name of the Statute	Nature of dues	Amount (Rs in Lakhs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Disallowance of non-compete fees	**	FY 1995-96	High Court of Judicature, Madras
Income Tax Act, 1961	Disallowance of expense	39.25 (Note1)	FY 2008-09	Commissioner Appeals

**Refer to note 27 to the financial statements.
Note 1 - Net of Rs. 83.89 lakhs paid under protest

(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 banks. The Company has not borrowed from any financial institutions or issued any debentures during the year.

(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 Order 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 Order 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 banks 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) Having regard to the Company's explanation as regards the operation of a centralized treasury function and more fully described in Note 40 of the financial statements, we report that the Company has used funds raised on short term basis from banks and others to purchase certain fixed assets aggregating Rs. 1,789.48 lakhs.

(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 did not have any outstanding debentures during the year.

(xx) The Company has not raised any money by public issues during the year and accordingly, the provisions of clause 4(xx) of the Order 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 year.

For S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants
ICAI Firm Registration No. 101049W
Sd/-
per S Balasubrahmanyam
Partner
Membership No.:053315

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BALANCE SHEET AS AT MARCH 31, 2013

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

Particulars	Note No.	As at March 31, 2013	As at March 31, 2012
I. EQUITY AND LIABILITIES			
(1) SHAREHOLDERS' FUNDS			
Share capital	3	1,077.25	1,077.25
Reserves and surplus	4	11,878.87	9,694.24
		<u>12,956.12</u>	<u>10,771.49</u>
(2) NON-CURRENT LIABILITIES			
Long-term borrowings	5	20,359.20	10,758.60
Deferred tax liabilities, net	6	2,716.08	2,540.13
Other long term Liabilities	7	56.85	61.25
		<u>23,132.13</u>	<u>13,359.98</u>
(3) CURRENT LIABILITIES			
Short-term borrowings	8	12,812.24	16,565.79
Trade payables	9	8,294.71	6,053.37
Other liabilities	10	10,841.02	9,737.92
Short-term provisions	11	673.83	338.33
		<u>32,621.80</u>	<u>32,695.41</u>
Total		<u><u>68,710.05</u></u>	<u><u>56,826.88</u></u>
II. ASSETS			
(1) NON-CURRENT ASSETS			
Fixed assets			
- Tangible assets	12	38,702.09	35,651.46
- Intangible assets	12	474.18	468.15
Capital work-in-progress		4,478.05	848.56
		<u>43,654.32</u>	<u>36,968.17</u>
Non-current Investments	13	67.98	-
Long-term loans and advances	14	2,203.78	1,013.21
Other non-current assets	15	313.37	-
		<u>46,239.45</u>	<u>37,981.38</u>
(2) CURRENT ASSETS			
Inventories	16	11,069.50	14,121.94
Trade receivables	17	4,277.58	861.62
Cash and bank balances	18	3,022.63	1,016.99
Short-term loans and advances	14	3,418.09	2,802.57
Other current assets	15	682.80	42.38
		<u>22,470.60</u>	<u>18,845.50</u>
Total		<u><u>68,710.05</u></u>	<u><u>56,826.88</u></u>
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report attached of even date.

For S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants,
ICAI Firm Registration No. 101049WSd/-
per S BalasubrahmanyamPartner
Membership No: 053315

Place: Chennai

Date: May 30, 2013

For and on behalf of the Board of Directors of Hatsun Agro Product Limited

Sd/-
R G Chandramogan
Chairman & Managing
Director

Place: Chennai

Date: May 30, 2013

Sd/-
K S Thanarajan
Joint Managing
DirectorSd/-
S Chandrasekar
Company Secretary**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2013**

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

Particulars	Note No.	Year ended March 31, 2013	Year ended March 31, 2012
REVENUE			
Revenue from operations (gross)	19	216,795.79	160,470.90
Less: Excise duty		(293.89)	(117.23)
Revenue from operations (net)		<u>216,501.90</u>	<u>160,353.67</u>
Other income	20.1	330.19	247.27
Total revenue (I)		<u><u>216,832.09</u></u>	<u><u>160,600.94</u></u>
EXPENDITURE			
Cost of raw materials and components consumed	21	161,864.30	125,547.37
Purchases of traded goods	22	961.56	564.90
(Increase)/ decrease in inventories of finished goods, work-in-progress and traded goods	23	973.71	(5,509.89)
Employee benefits expenses	24	6,211.28	5,238.22
Other expenses	25	31,712.76	23,600.86
Total (II)		<u><u>201,723.61</u></u>	<u><u>149,441.46</u></u>
Earnings before interest, tax, depreciation and amortisation (EBITDA) (I)-(II)		<u><u>15,108.48</u></u>	<u><u>11,159.48</u></u>
Depreciation and amortisation	12	5,031.87	4,184.12
Interest income	20.2	(45.24)	(86.95)
Finance costs	26	4,443.05	3,844.73
Profit before tax		<u><u>5,678.80</u></u>	<u><u>3,217.58</u></u>
TAX EXPENSES			
Current tax expense			
- Tax payable		1,136.20	645.94
- MAT credit entitlement		(100.24)	(233.94)
Net current tax expense		<u><u>1,035.96</u></u>	<u><u>412.00</u></u>
Deferred tax		175.95	165.39
Income tax pertaining to earlier years		-	(20.00)
Profit after tax		<u><u>4,466.89</u></u>	<u><u>2,660.19</u></u>
Earnings per equity share (Refer Note: 38)			
Weighted average number of equity shares outstanding			
- Basic		107,691,648	107,691,648
- Diluted		107,691,648	107,691,648
- Basic earnings per share (in Rs.)		4.15	2.47
- Diluted earnings per share (in Rs.)		4.15	2.47
Nominal value per equity shares (In Rs.)		1.00	1.00
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report attached of even date.

For S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants,
ICAI Firm Registration No. 101049WSd/-
per S BalasubrahmanyamPartner
Membership No: 053315

Place: Chennai

Date: May 30, 2013

For and on behalf of the Board of Directors of Hatsun Agro Product Limited

Sd/-
R G Chandramogan
Chairman & Managing
Director

Place: Chennai

Date: May 30, 2013

Sd/-
K S Thanarajan
Joint Managing
DirectorSd/-
S Chandrasekar
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

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

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Cash flows from operating activities		
Net profit before taxation	5,678.80	3,217.58
Adjustments for:		
Depreciation on fixed assets	5,031.87	4,184.12
(Profit)/loss on sale of fixed assets-net	(201.58)	(129.40)
Deferred Income recognised	(4.40)	(4.40)
Interest income	(45.24)	(86.95)
Unrealised exchange gain	(19.78)	-
Interest and finance charges	4,300.12	3,801.16
Operating profit before working capital changes	14,739.79	10,982.11
(Increase)/Decrease in inventories	3,052.44	(7,690.35)
(Increase)/Decrease in trade receivables	(3,401.45)	105.39
(Increase)/Decrease in loans and advances	(936.86)	78.84
(Increase)/Decrease in claims receivable	(953.79)	77.37
Increase/(Decrease) in current liabilities and provisions	2,814.39	2,073.89
Increase/(Decrease) in provisions	3.32	19.03
Cash generated from operations	15,317.84	5,646.28
Direct taxes paid (net of refunds)	(1,036.34)	(489.82)
Net cash from/(used in) operating activities	14,281.50	5,156.46
Cash flows (used in) / from investing activities		
Purchase of fixed assets (including capital work in progress)	(12,758.66)	(5,087.21)
Purchase of investments	(67.98)	-
Proceeds from sale of fixed assets	451.89	252.96
(Increase)/Decrease in other bank balances	(1,973.51)	20.36
Interest received	45.24	86.95
Net cash from/(used in) investing activities	(14,303.02)	(4,726.94)
Cash flows (used in) / from financing activities		
Term loans availed during the year	26,300.89	29,150.00
Term loans repaid during the year	(24,071.29)	(22,569.87)
Increase/(decrease) in facilities availed from banks	4,775.18	193.55
Increase/(decrease) in other borrowings from other parties	(722.11)	(1,637.53)
Public deposits repaid during the year	(93.81)	(777.32)
Dividend paid	(1,615.37)	(789.74)
Tax on dividends paid	(262.05)	(128.11)
Interest and finance charges paid	(4,257.79)	(3,835.36)
Net cash (used in)/from financing activities	53.65	(394.38)
Net (decrease) / increase in cash and cash equivalents	32.13	35.14
Cash and cash equivalents at the beginning of the year	886.15	851.01
Cash and cash equivalents at the end of the year	918.28	886.15

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

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

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
a) Components of cash and cash equivalents		
Cash and cheques on hand	70.41	66.49
Balances with Scheduled Banks		
- in current accounts	823.81	809.85
- in unpaid dividend accounts (restricted)*	24.06	9.81
	918.28	886.15

*These balances 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 LLPChartered Accountants,
ICAI Firm Registration No. 101049W

Sd/-

per S Balasubrahmanyam

Partner

Membership No: 053315

Place: Chennai

Date: May 30, 2013

For and on behalf of the Board of Directors of Hatsun Agro Product Limited

Sd/-

R G ChandramoganChairman & Managing
Director

Place: Chennai

Date: May 30, 2013

Sd/-

K S ThanarajanJoint Managing
Director

Sd/-

S Chandrasekar

Company Secretary

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

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

1. Basis of preparation, presentation and disclosure of financial statements

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

2. Summary of significant accounting policies

a. Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

b. Fixed assets

Fixed assets are stated at cost of acquisition less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and borrowing costs if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use and includes freight, duties and taxes and other incidental expenses related to the acquisition.

Capital work-in-progress represents cost of assets not ready for intended use as at the balance sheet date.

c. Borrowing Costs

Borrowing cost includes interest and amortization of ancillary costs incurred in connection with the arrangement of borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

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 and Amortisation

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 Rs. 0.05 are depreciated fully in the year of purchase.

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

S.No.	Asset Category	Estimated Useful Life (years)
TANGIBLE ASSETS		
1	Buildings	29
2	Plant & Machinery	4-21
3	Cans, crates & puff boxes (included in plant and machinery)	1-3
4	Furniture & Fixtures	5-16
5	Office Equipment	3-5
6	Vehicles	10
7	Leasehold improvements	3-5 years or over the lease period if lower than the estimated useful life
INTANGIBLE ASSETS		
8	Software	3-5

f. Investments

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties. If an investment is acquired, or partly acquired, by the issue of shares or other securities, the acquisition cost is the fair value of the securities issued. If an investment is acquired in exchange for another asset, the acquisition is determined by reference to the fair value of the asset given up or by reference to the fair value of the investment acquired, whichever is more clearly evident.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

g. 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 statement of profit and loss. Lease management fees, legal charges and other initial direct costs are capitalised.

A leased asset is depreciated on a straight-line basis over the useful life of the asset or the useful life envisaged in Schedule XIV to the Companies Act, 1956, whichever is lower. However, if there is no reasonable certainty that the company will obtain the ownership by the end of the lease term, the capitalized asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset, the lease term or the useful life envisaged in Schedule XIV to the Companies Act, 1956.

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 statement of profit and loss on a straight line basis over the lease term.

h. Inventories

Raw materials, packing materials, components, stores and spares are valued at lower of cost and net realizable 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, packing materials, components and stores and spares is determined on a weighted average basis.

Work-in-progress and finished goods are valued at lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods and work in progress includes excise duty and is determined on a weighted average basis.

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.

i. 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 recognised on the time proportionate method taking into account the amount outstanding and the rate applicable.

Royalty income is recognised on accrual basis.

Income in respect of export benefits is recognised in the year of exports.

j. Foreign currency transactions and balances

(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 retranslated using the exchange rate prevailing at the reporting date. Non-monetary items which are measured in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. Non-monetary items, which are carried at fair value or other similar valuation denominated in a foreign currency are translated 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.

k. Taxation

Tax expense comprises 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 statement of profit and loss 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.

l. 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. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

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.

m. 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 statement of profit and loss over the useful life of the asset in the proportion in which the depreciation on those assets is charged.

n. Retirement and other 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 statement of profit and loss.

(ii) Defined Contribution Plan

Retirement benefit in the form of provident fund is a defined contribution scheme. The company has no obligation, other than the contribution payable to the provident fund. The company recognizes contribution payable to the provident fund scheme as a expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre payment will lead to, for example, a reduction in future payment or a cash refund.

(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 statement of profit and loss. Liability towards gratuity is provided on the basis of an actuarial valuation using the Projected Unit Credit method and debited to the statement of profit and loss. Actuarial gains and losses arising during the year are recognized in the statement of profit and loss.

iv. Leave Salary

The company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

o. 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.

p. Derivative instruments and hedge accounting

The Company uses derivative financial instruments, such as, interest rate swaps to hedge interest rate risk arising from variable rate loans and to hedge foreign currency risk arising from future transactions in respect of which firm commitments are made or which are highly probable forecast transactions. The Company designates these forward contracts and interest rate swaps in a hedging relationship by applying the hedge accounting principles of AS 30 "Financial Instruments: Recognition and Measurement."

The Company has adopted principles of hedge accounting as set out in Accounting Standard (AS) 30, "Financial Instruments: Recognition and Measurement", to the extent that the adoption does not conflict with existing accounting standards and other authoritative pronouncements of Company Law and other regulatory requirements.

Based on the recognition and measurement principles of hedge accounting set out in AS 30, the effective portion on changes in the fair values of derivative financial instruments designated as cash flow hedges are recognized directly in reserves/ equity and are reclassified to the statement of profit and loss upon the occurrence of the hedged transaction. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the statement of profit and loss. Changes in fair value relating to derivatives not designated as hedges are recognized in the statement of profit and loss.

Hedge Accounting is discontinued when the hedging instrument expires or is sold, or terminated, or exercised or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument is recognised in hedging reserve is transferred to profit and loss account when forecasted transaction occurs or when a hedged transaction is no longer expected to occur.

q. Provisions

A provision is recognised when the Company has a present obligation as a result of past event, 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.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

r. Measurement of EBITDA

As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956, the Company has elected to present earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the statement of profit and loss. The Company measures EBITDA on the basis of profit/ (loss) from continuing operations. In its measurement, the Company does not include depreciation and amortization expense, interest income, finance costs and tax expense.

NOTES TO FINANCIAL STATEMENTS

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

Particulars	March 31, 2013	March 31, 2012
3 SHARE CAPITAL		
Authorised shares		
250,000,000 equity shares of Re 1/- each (March 31, 2012: 250,000,000 equity shares of Re 1/- each)	2,500.00	2,500.00
500,000 preference shares of Rs.100/- each (March 31, 2012: 500,000 preference shares of Rs.100/- each)	500.00	500.00
	3,000.00	3,000.00
Issued capital		
107,821,648 equity shares of Re 1/- each (March 31, 2012:107,821,648 equity shares of Re 1/- each)	1,078.22	1,078.22
	1,078.22	1,078.22
Subscribed and fully paid		
107,691,648 equity shares of Re 1/- each (March 31, 2012: 107,691,648 equity shares of Re 1/- each)	1,076.92	1,076.92
	1,076.92	1,076.92
Subscribed and not fully paid		
130,000 (Previous year 130,000) equity shares of Re.1 [Partly paid up for Re. 0.25/- (Previous year Re. 0.25)] per share, forfeited	0.33	0.33
	0.33	0.33
	1,077.25	1,077.25

a. Reconciliation of shares outstanding at the beginning and at the end of the reporting period

Subscribed and fully paid

Particulars	March 31, 2013		March 31, 2012	
	Nos.	Rs.	Nos.	Rs.
At the beginning of the year	107,691,648	1,076.92	35,897,216	717.94
Sub division of equity shares of face value Rs. 2 each to Re.1 each	-	-	35,897,216	-
Issued during the year - Bonus issue	-	-	35,897,216	358.98
Outstanding as at the end of the year	107,691,648	1,076.92	107,691,648	1,076.92

Subscribed and not fully paid

Particulars	March 31, 2013		March 31, 2012	
	Nos.	Rs.	Nos.	Rs.
At the beginning of the year	130,000	0.33	65,000	0.33
Sub division of equity shares of face value Rs. 2 each to Re.1 each	-	-	65,000	-
Outstanding as at the end of the year	130,000	0.33	130,000	0.33

b. Terms/ Rights attached to Equity shares

The Company has only one class of equity shares having par value of Re.1 per share (March 31, 2012 - Re.1/-). Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees.

During the year ended March 31, 2013, the amount of per share dividend recognized as distributions to equity shareholders was Rs.1.70/- (31 March 2012: Rs.1.30/-).

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential payments. The distribution will be in proportion to the number of equity shares held by the shareholders.

c. Aggregate number of bonus shares issued during the period of five years immediately preceding the reporting date

Particulars	March 31, 2013	March 31, 2012
Equity shares allotted as fully paid bonus shares by capitalisation of Capital Redemption Reserve.	35,897,216	35,897,216

NOTES TO FINANCIAL STATEMENTS

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

d. Details of shareholders holding more than 5% shares in the Company

Particulars	March 31, 2013		March 31, 2012	
	Nos.	%Holding	Nos.	%Holding
Equity shares of Re. 1/- each (March 31, 2012: Re.1/- each) fully paid				
Mr. Chandramogan R G	67,071,279	62.28	61,756,974	57.35
Mr. Sathyan C	9,897,237	9.19	9,897,237	9.19

As per the records of the Company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

Particulars	March 31, 2013	March 31, 2012
4. RESERVES AND SURPLUS		
Securities Premium account		
Balance as per the last financial statements	3,328.16	3,328.16
Add: Additions during the year on issue of shares	-	-
Closing balance (A)	3,328.16	3,328.16
Capital reserve (B)	74.45	74.45
Capital redemption reserve		
Balance as per last financial statements	899.02	1,258.00
Less: Amount utilised towards issue of fully paid bonus shares	-	(358.98)
Closing balance (C)	899.02	899.02
General reserve		
Balance as per last financial statements	4,166.61	986.16
Add: Transferred from statement of profit and loss	446.69	3,180.45
Closing balance (D)	4,613.30	4,166.61
Hedging Reserve		
Balance as per last financial statements	-	-
Gains/(losses) arising during the year	-	-
Interest rate swap contract	(151.18)	-
Reclassification adjustments included in the statement of profit and loss	-	-
Closing balance (E)	(151.18)	-
Surplus in the statement of profit and loss		
Balance as per last financial statements	1,226.00	2,914.43
Net profit for the current year	4,466.89	2,660.19
Amount available for appropriation	5,692.89	5,574.62
Less: Appropriations		
Dividend		
- Interim [amount per share Rs.1.70 (March 31, 2012: Rs. 1.10)]	1,830.76	789.74
- Final [amount per share Rs.Nil (March 31, 2012: Re.0.20)]	-	215.38
Tax on dividend	300.32	163.05
Transfer to General reserve	446.69	3,180.45
Total Appropriations	2,577.77	4,348.62
Net Surplus in the statement of profit and loss (F)	3,115.12	1,226.00
Total (A)+(B)+(C)+(D)+(E)+(F)	11,878.87	9,694.24

5 LONG-TERM BORROWINGS

Particulars	Non Current Portion		Current Maturities	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Term loans				
Indian rupee loan from banks (Secured)	16,126.19	10,435.22	6,626.88	3,605.64
Indian rupee loan from banks (Unsecured)	-	-	-	2,500.00
Foreign currency loan from banks (Secured)	4,233.01	-	118.15	-
From other parties (Secured)	-	318.35	319.08	334.50
Other Loans and advances				
Deposits from public (Unsecured)	-	-	-	93.81
Finance lease obligations (Secured)	-	5.03	5.03	18.90
Assets refinance obligations (Secured)	-	-	0.71	175.19
	20,359.20	10,758.60	7,069.85	6,728.04
Amount disclosed under the head "Other liabilities" (Refer note 10)	-	-	(7,069.85)	(6,728.04)
	20,359.20	10,758.60	-	-

NOTES TO FINANCIAL STATEMENTS

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

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a. Term loans

(i) Term Loan from Banks (Secured)

S.No.	Name of the Bank/ Financial institutions	Tenure of loan	Loan Limit	March 31, 2013	March 31, 2012	Security / Guarantee	Repayment terms	Loan Start Date	Number of installments Due after March 31, 2013
1	The South Indian Bank Limited	6 years	5,000.00	1,499.72	2,499.80	1. Exclusive charge on the Powder plant at Palacode. 2. First charge on plant and machinery at Nagari Village, Madurai and Theekkalur Village depots. 3. Personal guarantee of Managing Director and Executive Director.	60 equal monthly installments of Rs.83.34 commencing after 1 year from the date of first drawal.	20-Sep-08	18
2	The South Indian Bank Limited	6 years	1,200.00	699.00	939.48	1. First charge on fixed assets of Palacode plant and land at Palacode. 2. Personal guarantee of Managing Director and Executive Director.	60 equal monthly installments of Rs.20 commencing after 1 year from the date of first drawal.	9-Feb-10	35
3	The South Indian Bank Limited	6 years	800.00	466.50	626.58	1. First charge on fixed assets of Palacode plant and land at Palacode. 2. Personal guarantee of Managing Director and Executive Director.	60 equal monthly installments of Rs.13.33 commencing after 1 year from the date of first drawal.	9-Feb-10	35
4	The South Indian Bank Limited	6 years	1,125.00	450.00	675.00	1. First charge on powder and ice cream plant at Salem. 2. Paripassu first charge on dairy assets at Salem, Kanchipuram and Belgaum along with State Bank of India. 3. Extension of first pari passu charges on Palacode dairy plant along with South Indian Bank. 4. Exclusive charges on land & building and plant & machinery at Thalaivasal dairy plant, Chilling Centers at Uthangarai, Walaja, Polur and Sindalavampatti. 5. Extension of pledge of 110 lakhs shares (60 lakhs shares from Executive Director and 50 lakhs shares from Managing Director).	60 equal monthly installments of Rs.18.75 commencing after 1 year from the date of first drawal.	19-Mar-09	24
5	ICICI Bank Limited	5 years	2,000.00	1,000.00	1,400.00		20 quarterly installments of Rs.100 commencing from the date of first drawal.	14-Sep-10	10
6	ICICI Bank Limited	5 years	7,900.00	6,320.00	7,900.00		20 quarterly installments of Rs.395 commencing from the date of first drawal.	22-Mar-12	16

NOTES TO FINANCIAL STATEMENTS

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

S.No.	Name of the Bank/ Financial institutions	Tenure of loan	Loan Limit	March 31, 2013	March 31, 2012	Security / Guarantee	Repayment terms	Loan Start Date	Number of installments Due after March 31, 2013
7	ING Vysya Bank Ltd	3 years	2,500.00	1,764.66	-	1. Exclusive charge on fixed assets being created by the proposed funding. 2. Subservient charge on the fixed assets of the dairy plants at Salem, Kancheepuram and Belgaum together valued at Rs.6,749 3. Personal guarantee from Mr. R.G. Chandramogan.	34 equal monthly installments of Rs. 73.52 commencing from 30th June 2012.	1-Jun-12	24
8	State Bank of India	5 years	5,000.00	5,000.00	-	1. Extension of charge on all current assets. 2. Paripassu first charge on dairy assets at Salem, Kancheepuram and Belgaum along with ICICI Bank Limited. 3. Personal Guarantee of Mr. R.G. Chandramogan and his spouse.	16 Quarterly Installments of Rs. 312.5 commencing 30th June 2013	14-Sep-12	16
9	Yes Bank Ltd	5 years	4,000.00	4,000.00	-	1. Exclusive charge on the plant & machinery / equipments funded by the Term Loan with an Asset Coverage of 1.25 times. 2. Personal Guarantee of Mr. R.G.Chandramogan and Mr. C. Sathyan 3. Pledge of 50,00,000 shares of the Company by Mr. R.G. Chandramogan.	18 equal Quarterly repayment of Rs. 2.22 commencing June 2013.	28-Sep-12	18
10	ICICI Bank Ltd	6 years	3,000.00	1,553.19	-	1.Exclusive charge on the movable and immovable fixed assets of Curd Plant at Vellisandhai. 2. Personal Guarantee of Mr. R.G.Chandramogan and Mr. C. Sathyan.	14 equal Quarterly Installments starting from the last day of 21st month from the date of disbursement of first tranche.	19-Dec-12	14
11	Standard Chartered Bank	5 years	5,000.00	4,351.16	-	1.Exclusive charge on the movable and immovable fixed assets to be funded out of ECB loan.	15 equal Quarterly Installments starting from 30th April 2014.	30-Oct-12	15
				27,104.23	14,040.86				

(ii) Term Loan from Banks (Unsecured)

S.No.	Name of the Bank/ Financial institutions	Tenure of loan	Loan Limit	March 31, 2013	March 31, 2012	Security / Guarantee	Repayment terms	Loan Start Date	Number of installments Due after March 31, 2013
1	The Lakshmi Vilas Bank Limited	15 Months	2,500.00	-	2,500.00	Unsecured	4 equal installments of Rs.625 (12, 13, 14 and 15th month) within a period of 15 months.	15-Oct-11	-

(iii) Term Loan from Other Parties (Secured)

S.No.	Name	Tenure of loan	Loan Limit	March 31, 2013	March 31, 2012	Security / Guarantee	Repayment terms	Loan Start Date	Number of installments Due after March 31, 2013
1	First Leasing Company of India Limited	3 years	300.00	88.80	189.63	1) Exclusive charge on equipments as per the deed of hypothecation located in different places. 2) Personal guarantee of Managing Director and Executive Director. 3) Post dated cheques for the entire tenor of the loan.	The installment ranges from Rs.7.92 to Rs.10.04 and paid Monthly in arrears.	9-Feb-11	11
2	First Leasing Company of India Limited	3 years	350.00	108.00	225.49	1) Exclusive charge on equipments as per the deed of hypothecation located in different places. 2) Personal guarantee of Managing Director and Executive Director. 3) Post dated cheques for the entire tenor of the loan.	The installments ranges from Rs.9.24 to Rs.11.66 and paid Monthly in arrears.	24-Feb-11	11
3	First Leasing Company of India Limited	3 years	350.00	122.28	237.73	1) Exclusive charge on equipments as per the deed of hypothecation located in different places. 2) Personal guarantee of Managing Director and Executive Director. 3) Post dated cheques for the entire tenor of the loan.	The installments ranges from Rs.9.08 to Rs.11.70 and paid Monthly in arrears.	5-Apr-11	12
				319.08	652.85				

b. Deposits from public represent fixed deposits (cumulative and non cumulative deposits) which are repayable after 1 or 2 years from date of deposit.

c. Finance lease obligations is secured by the hypothecation of vehicles taken on lease, personal guarantee of the Managing Director and Executive Director and post dated cheques for the entire tenor of the lease. The lease obligation outstanding is paid monthly in arrears. The installment amount ranges from Rs. 0.12 to Rs. 0.82. The number of installments ranges from 5 - 17 months.

d. Asset refinance obligation is secured by the hypothecation of plant and machinery, personal guarantee of the Managing Director and Executive Director and post dated cheques for the entire tenor of the loan. The outstanding amount is to be paid monthly in arrears. The installment amount ranges from Rs. 5.75 to Rs. 9.81. The number of installment ranges from 3 - 12 months.

NOTES TO FINANCIAL STATEMENTS

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

NOTES TO FINANCIAL STATEMENTS

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

Particulars	March 31, 2013	March 31, 2012
6.DEFERRED TAX LIABILITIES, NET		
Deferred Tax Liability		
Fixed assets: Impact of difference between tax depreciation and depreciation charged for financial reporting	2,752.50	2,604.64
Deferred Tax Asset		
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purpose on payment basis	(36.42)	(64.51)
	<u>2,716.08</u>	<u>2,540.13</u>
7.OTHER LONG TERM LIABILITIES		
Deferred Income (Refer Note 30)	56.85	61.25
	<u>56.85</u>	<u>61.25</u>
8.SHORT -TERM BORROWINGS		
Short term loans		
from banks, unsecured	-	8,000.00
Loans repayable on demand from banks		
Cash credit (Secured)	5,693.24	7,317.76
Packing Credit (Secured)	3,421.30	-
Packing Credit (Unsecured)	2,978.40	-
Other loans and advances		
Factoring credit (Unsecured)	719.30	1,248.03
	<u>12,812.24</u>	<u>16,565.79</u>

Cash credit facility and packing credit facility availed from State Bank of India Limited is secured by a first charge on all the current assets and pari-passu first charge with ICICI Bank Limited over existing fixed assets of the Company pertaining to Salem, Kanchipuram and Belgaum locations. Further, this facility has been personally guaranteed by Managing Director and his spouse.

Secured packing credit facility has been availed from Standard Chartered Bank secured by charge on identified assets at Salem plant and assets other than Salem plant and from ICICI bank Limited secured by Curd Plant at Vellisandhai and the personal guarantee of Mr. R.G Chandramogan and Mr. C. Sathyan.

Unsecured Packing credit facility has been availed from Bank of Nova Scotia. This facility has been personally guaranteed by Mr. R.G Chandramogan.

Factoring Credit facility has been availed from Small Industries Development Bank of India, repayable on demand.

Particulars	March 31, 2013	March 31, 2012
9.TRADE PAYABLES		
Trade Payables (Refer note below)	8,294.71	6,053.37
	<u>8,294.71</u>	<u>6,053.37</u>

Note:
There are no overdue amounts payable to Micro and Small 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 and Small Enterprises during the year ended March 31, 2013.

NOTES TO FINANCIAL STATEMENTS

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

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Particulars	March 31, 2013	March 31, 2012
10.OTHER LIABILITIES		
Current maturities of long-term borrowings	7,069.85	6,728.04
Deferred Income - current portion	4.40	4.40
Mark-to-market loss on derivative contracts	147.73	-
Interest accrued but not due on borrowings	48.75	6.42
Investor Education & Protection Fund		
shall be credited by following amount (as and when due)		
-Unclaimed dividend	24.06	9.81
-Unclaimed matured deposits and interest accrued thereon	3.51	14.10
Others		
- Interest free security deposits from customers	2,595.31	2,155.85
- Capital creditors	188.88	170.50
- Advances received from customers	192.78	84.83
- Accrued Salaries and Benefits	177.95	166.04
- Statutory payable	387.80	397.93
	<u>10,841.02</u>	<u>9,737.92</u>
11.SHORT TERM PROVISIONS		
Provision for employee benefits		
Provision for leave benefits	91.33	88.01
	<u>91.33</u>	<u>88.01</u>
Others Provisions		
Income Tax (Net)	78.52	-
Interim dividend payable	430.77	-
Provision for tax on interim dividend payable	73.21	-
Proposed dividend	-	215.38
Provision for tax on proposed dividend	-	34.94
	<u>582.50</u>	<u>250.32</u>
	<u>673.83</u>	<u>338.33</u>

NOTES TO FINANCIAL STATEMENTS

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

12. FIXED ASSETS

Description	Original Cost		Depreciation and Amortisation		Net Book value	
	As at April 1, 2012	As at March 31, 2013	For the year April 1, 2012	As at March 31, 2013	As at March 31, 2013	As at March 31, 2012
Land	2,007.38	2,517.73	-	-	2,517.73	2,007.38
Buildings	12,037.92	12,215.38	405.06	(0.65)	9,969.36	10,196.31
Plant and machinery	35,998.75	40,725.48	3,585.10	(745.33)	23,440.73	21,553.77
Computers equipment	2,059.63	2,157.85	251.15	(5.71)	736.92	884.14
Furniture and Fittings	511.61	806.61	156.64	(7.03)	333.35	187.96
Office equipment	436.59	914.16	101.43	(12.79)	541.28	152.35
Vehicles*	595.83	584.82	50.82	(18.16)	280.08	323.75
Lease Hold Improvements	617.37	1,420.26	300.43	(34.38)	882.64	345.80
Sub Total	54,265.08	61,342.29	4,850.63	(824.05)	38,702.09	35,651.46
Previous year	49,632.81	54,265.08	4,076.92	(524.87)	35,651.46	
Intangible assets						
Computer software	600.22	787.49	181.24	-	474.18	468.15
Sub Total	600.22	787.49	181.24	-	474.18	468.15
Previous year	321.36	600.22	107.20	-	468.15	
Total	54,865.30	62,129.78	5,031.87	(824.05)	39,176.27	36,119.61
Previous year	49,954.17	54,865.30	4,184.12	(524.87)	36,119.61	

*Vehicles include assets costing Rs.58.27 (previous year Rs.75.48) acquired under finance lease. The current year depreciation charge on the assets amounts to Rs.5.54 (previous year Rs. 7.17). The net block of these assets amounts to Rs. 44.29 (previous year Rs. 63.09).

NOTES TO FINANCIAL STATEMENTS

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

Particulars	March 31, 2013		March 31, 2012	
	Non Current	Current	Non Current	Current
13. NON CURRENT INVESTMENTS (Valued at Cost unless otherwise stated) Trade Investment				
Investment in Equity Instruments (unquoted)				
- 7,147 (March 31, 2012- Nil) Class A : Equity Shares of Rs.10/- each fully paid-up in PPS Enviro Power Private Limited with a premium of Rs.690/- per share.		50.03		-
-179,477 (March 31, 2012- Nil) Class B : Equity Shares of Rs.10/- each fully paid-up in PPS Enviro Private Limited		17.95		-
		<u>67.98</u>		<u>-</u>
14. LOANS AND ADVANCES				
Capital Advances				
Unsecured, considered good	911.91	121.58	-	-
Security Deposits				
Unsecured, considered good	-	-	2,421.09	2,206.60
Advances recoverable in cash or in kind or for value to be received				
Unsecured, considered good	-	-	776.45	374.12
Other loans and advances				
Unsecured, considered good:				
Advance to Suppliers	300.00	-	210.57	185.40
Salary advance	-	-	9.98	15.11
Advance income tax (Net of provision for taxation)	-	-	-	21.34
MAT credit entitlement	991.87	891.63	-	-
	<u>2,203.78</u>	<u>1,013.21</u>	<u>3,418.09</u>	<u>2,802.57</u>
15. OTHER ASSETS (Unsecured Considered good, unless stated otherwise)				
Non current bank balances (Refer Note 18)	228.00	-	-	-
Claims Receivable	-	-	653.89	42.38
Unamortized Expenditure				
Stamp duty paid on lease agreement	17.12	-	2.31	-
Ancillary cost of arranging the borrowings	68.25	-	26.60	-
	<u>313.37</u>	<u>-</u>	<u>682.80</u>	<u>42.38</u>

NOTES TO FINANCIAL STATEMENTS

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

Particulars	March 31, 2013	March 31, 2012		
16. INVENTORIES (valued at lower of cost and net realizable value)				
Raw materials and packing materials	2,272.43	4,514.24		
Work-in-progress	1,222.52	917.99		
Finished goods				
- manufactured	6,203.43	7,475.86		
- traded	3.38	9.19		
Stores, spares and loose tools	1,367.74	1,204.66		
	<u>11,069.50</u>	<u>14,121.94</u>		
17. TRADE RECEIVABLES				
Trade receivables outstanding for a period exceeding six months from the date they are due for payment				
-Unsecured considered good	3.64	1.88		
Less: Allowance for bad and doubtful debts	-	-		
	<u>3.64</u>	<u>1.88</u>		
Other debts				
-Secured, considered good	816.46	611.34		
-Unsecured considered good	3,457.48	248.40		
Less: Allowance for bad and doubtful debts	-	-		
	<u>4,273.94</u>	<u>859.74</u>		
	<u>4,277.58</u>	<u>861.62</u>		
	Non Current	Current		
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
18. CASH AND BANK BALANCES				
Cash and cash equivalents				
(a) Cash on hand	-	-	70.41	66.49
(b) Balance with banks				
-On current accounts	-	-	823.81	809.85
-On unpaid dividend accounts	-	-	24.06	9.81
	-	-	<u>918.28</u>	<u>886.15</u>
Other Bank balances				
Margin money or security against borrowings, guarantees or other commitments	228.00	-	2,104.35	130.84
	<u>228.00</u>	-	<u>2,104.35</u>	<u>130.84</u>
Amount disclosed under non-current assets (Refer note 15)	(228.00)	-	-	-
	-	-	<u>3,022.63</u>	<u>1,016.99</u>

NOTES TO FINANCIAL STATEMENTS

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

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Particulars	Year ended March 31, 2013	Year ended March 31, 2012
19. REVENUE FROM OPERATIONS		
Sale Products		
(a) Finished Goods		
Milk	129,115.76	108,566.78
Milk products	66,925.63	37,251.83
Ice cream	13,596.01	11,578.68
Cattle feed	4,819.10	2,221.60
(b) Traded Goods		
Cattle feed	1,205.10	709.94
Other operating revenue		
(c) Royalty	7.07	7.52
(d) Scrap sales and others	329.15	134.55
(e) Export Benefits	797.97	-
Revenue from Operations (Gross)	<u>216,795.79</u>	<u>160,470.90</u>
20.1 OTHER INCOME		
Profit on sale of fixed assets (net)	201.58	129.40
Freight recoveries and others	128.61	117.87
	<u>330.19</u>	<u>247.27</u>
20.2 INTEREST INCOME		
Interest income on		
-Bank deposits	26.07	18.14
-Inter corporate deposits, electricity deposits, etc.	19.17	68.81
	<u>45.24</u>	<u>86.95</u>
21. COST OF RAW MATERIALS AND COMPONENTS CONSUMED		
Inventory at the beginning of the year	4,514.24	2,407.11
Add: Purchases	159,622.49	127,654.50
	<u>164,136.73</u>	<u>130,061.61</u>
Less: Inventory at the end of the year	2,272.43	4,514.24
Cost of raw materials and components consumed	<u>161,864.30</u>	<u>125,547.37</u>
Details of raw materials and components consumed		
Milk	128,296.98	97,490.39
Others	33,567.32	28,056.98
	<u>161,864.30</u>	<u>125,547.37</u>
Details of Inventory		
Raw material and components		
Butter	-	3,064.46
Packing film	672.24	426.21
Cattle Feed	350.11	100.97
Others	1,250.08	922.60
	<u>2,272.43</u>	<u>4,514.24</u>
22. PURCHASES OF TRADED GOODS - CATTLE FEED	<u>961.56</u>	<u>564.90</u>
	<u>961.56</u>	<u>564.90</u>

Particulars	Year ended March 31, 2013	Year ended March 31, 2012	(Increase) / decrease
23. (INCREASE)/DECREASE IN WORK-IN-PROGRESS AND FINISHED GOODS			
Inventory at the beginning of the year			
Traded goods	9.19	51.68	42.49
Work-in-progress	917.99	817.69	(100.30)
Finished goods	7,475.86	2,023.78	(5,452.08)
	<u>8,403.04</u>	<u>2,893.15</u>	<u>(5,509.89)</u>
Inventory at the end of the year			
Traded goods	3.38	9.19	5.81
Work-in-progress	1,222.52	917.99	(304.53)
Finished goods	6,203.43	7,475.86	1,272.43
	<u>7,429.33</u>	<u>8,403.04</u>	<u>973.71</u>
(Increase)/decrease in work-in-progress and finished goods	<u>973.71</u>	<u>(5,509.89)</u>	

NOTES TO FINANCIAL STATEMENTS

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

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Details of Inventory		
Traded goods		
Cattle feed	3.38	9.19
	<u>3.38</u>	<u>9.19</u>
Finished goods		
Milk products	5,580.53	6,952.62
Ice cream	400.20	434.86
Milk	37.48	55.54
Cattle Feed	185.22	32.84
	<u>6,203.43</u>	<u>7,475.86</u>
Work-in-progress		
Milk	616.08	539.43
Ice cream	115.76	183.72
Milk Products	490.68	194.84
	<u>1,222.52</u>	<u>917.99</u>
24.EMPLOYEE BENEFIT EXPENSES		
Salaries, wages and bonus	4,861.56	4,123.12
Contribution to provident and other funds	298.77	247.08
Gratuity Expense (Refer Note: 39)	78.49	37.93
Staff welfare expenses	972.46	830.09
	<u>6,211.28</u>	<u>5,238.22</u>
25.OTHER EXPENSES		
Consumption of stores and spares	1,158.97	987.06
Power and fuel [net of power credits of Rs. 23.56 (March 31, 2012 : Rs.7.91)]	7,366.35	4,529.31
Rent	1,783.62	1,248.39
Repairs & Maintenance		
- Plant and machinery	1,678.01	1,085.05
- Building	317.18	177.84
- Others	510.57	364.29
Insurance	293.74	188.77
Rates and taxes	311.92	254.49
Legal and professional expenses	223.96	226.31
Payment to the auditors (Refer Note below)	30.50	28.00
Sales promotion expenses	3,292.96	3,647.18
Commission on sales	475.55	148.98
Freight outwards	7,646.69	5,462.96
Printing and stationery	208.74	182.12
Service Charges	3,448.14	2,648.85
Donations	8.09	9.09
Directors sitting fees	6.60	3.18
Travelling and conveyance	1,740.12	1,487.93
Exchange differences, net	1.80	12.89
Miscellaneous expenses	1,209.25	908.17
	<u>31,712.76</u>	<u>23,600.86</u>
Payment to Auditors (excluding service tax)		
As auditor:		
- Statutory Audit Fee	24.00	23.50
- Limited review	6.00	4.00
- Reimbursement of expenses	0.50	0.50
	<u>30.50</u>	<u>28.00</u>
26.FINANCE COST		
Interest expenses	4,215.34	3,611.57
Amortisation of ancillary borrowing costs	84.78	178.72
Interest on Income Tax	-	10.87
Bank charges	142.93	43.57
	<u>4,443.05</u>	<u>3,844.73</u>

NOTES TO FINANCIAL STATEMENTS

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

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Particulars	March 31, 2013	March 31, 2012
27. Contingent Liabilities		
Claims made against the Company not acknowledged as debts in respect of sales tax and income tax matters		
Income tax matters (Refer note (i) below)	150.00	150.00
Sales tax matters	-	4.52
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 380.86 lakhs (Rs. 20,714.96) [(March 31, 2012: USD 375.91 lakhs (Rs.19,230.41))] which is to be fulfilled over a period of eight years from the date of the licenses. As at March 31, 2013, the Company has fulfilled Export Obligations amounting to USD 372.02 lakhs (Rs. 20,233.68) [(March 31, 2012: USD 321.85 lakhs (Rs. 16,464.79))]and has outstanding Export Obligation of USD 8.85 lakhs (Rs. 481.28) [(March 31, 2012: USD 54.06 lakhs (Rs. 2,765.62)).		
The Company's duty liability, if the same is not fulfilled, will amount to Rs.70.59 (March 31, 2012 : Rs. 405.66). The Company is confident that it will fulfill the obligation under the EPCG Scheme and accordingly no provision for liability has been recognized in the financial statements.		
Note: (i) : In respect of the Income tax assessment year 1996-1997, the Company's claim for deduction towards non-compete fees of Rs. 400 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.150 (including estimated interest but excluding penalties etc, if any). The Company has been advised by its legal counsel that it is possible, but not probable, the action will succeed and accordingly no provision for liability has been recognized in the financial statements.		
28. Capital commitments		
Estimated amount of contracts remaining to be executed on capital account (net of capital advances) and not provided for	<u>1,613.06</u>	<u>921.57</u>
	<u>1,613.06</u>	<u>921.57</u>
29. Related party disclosures		
Related parties of the Company		
Key management personnel		
Mr. R.G. Chandramogan (Chairman and Managing Director)		
Mr. K.S. Thanarajan (Joint Managing Director)		
Mr. C. Sathyan (Executive Director)		
Nature of Transactions:		
Managerial remuneration		
Mr. R.G. Chandramogan	39.50	39.50
Mr. K.S. Thanarajan	42.28	42.28
Mr. C. Sathyan	37.54	37.54
Dividends		
Mr. R.G. Chandramogan	999.21	452.88
Mr. K.S. Thanarajan	14.50	6.84
Mr. C. Sathyan	148.46	72.58
Balance at the year end		
Interim Dividend Payable		
Mr. R.G. Chandramogan	270.28	127.28
Mr. K.S. Thanarajan	4.13	1.87
Mr. C. Sathyan	40.29	19.79
30. Movement in Deferred Income		
Opening balance of subsidy	65.65	70.05
Less: Subsidy returned during the year	-	-
Less: Income recognized during the year	(4.40)	(4.40)
Closing balance of subsidy	<u>61.25</u>	<u>65.65</u>

NOTES TO FINANCIAL STATEMENTS

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

Particulars	March 31, 2013		March 31, 2012	
	% of total consumption	Value	% of total consumption	Value
31.CONSUMPTION OF IMPORTED AND INDIGENOUS RAW MATERIALS, PACKING MATERIALS AND STORES AND SPARES				
a)Raw material and components consumed				
Imported	0.19%	314.62	0.29%	359.89
Indigenous	99.81%	161,549.68	99.71%	125,187.48
	100%	161,864.30	100%	125,547.37
b)Stores and Spares				
Imported	0.45%	5.17	0.07%	0.67
Indigenous	99.55%	1,153.80	99.93%	986.39
	100%	1,158.97	100%	987.06

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
	32.EARNINGS IN FOREIGN EXCHANGE (ACCRUAL BASIS)	
Exports on FOB basis	19,583.08	526.10
Royalty income	7.07	7.52
	19,590.15	533.62
33.CIF VALUE OF IMPORTS		
Raw materials and components consumed	257.64	263.71
Spare parts	10.90	6.45
Capital goods	1,048.18	327.94
		1,316.72
598.10		
34.EXPENDITURE IN FOREIGN CURRENCY (ON ACCRUAL BASIS)		
Travel expenses	14.62	5.79
Export Commission	51.28	-
Professional charges	5.57	13.33
Others	10.04	23.23
	81.51	42.35
35.NET DIVIDEND REMITTED IN FOREIGN EXCHANGE		
Period to which it relates (Final Dividend)	2011-12	-
Number of non-resident shareholders	3	-
Number of equity shares held on which dividend was due	5,792,628	-
Amount of dividend remitted in USD*	11.59	-
Period to which it relates (Interim Dividend - 1)	2012-13	2011-12
Number of non-resident shareholders	2	3
Number of equity shares held on which dividend was due	703,128	3,861,752
Amount of dividend remitted in USD*	5.63	42.48
Period to which it relates (Interim Dividend - 2)	2012-13	-
Number of non-resident shareholders	2	-
Number of equity shares held on which dividend was due	703,128	-
Amount of dividend remitted in USD*	3.52	-

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

NOTES TO FINANCIAL STATEMENTS

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

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Particulars	Foreign Currency (Fcy)	March 31, 2013		March 31, 2012	
		Amount In FCY	Amount In Rs.	Amount In FCY	Amount In Rs.
36.DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE					
(a) Particulars of unhedged foreign currency exposure:					
Trade Receivable	USD	5,750,480	3,127.65	77,964	39.88
Trade Payable	EUR	9,000	6.26	-	-
Trade Payable	USD	23,480	12.77	21,677	11.09
Capital Advance to Suppliers	USD	48,061	26.14	34,950	17.88
Capital Advance to Suppliers	EUR	7,683	5.34	7,360	5.03
Capital Advance to Suppliers	NZD	309	0.14	-	-

(b) Derivatives outstanding as at the reporting date:

Particulars	Purpose
Interest rate swaps	
Notional amount USD 8,000,000 (31 March 2012: Nil)	Hedge of foreign currency loan and hedge against exposure to variable interest outflow on loans. Swap to pay fixed interest and receive a variable interest at LIBOR on the notional amount.

37. OUTSTANDING LEASE OBLIGATIONS

Finance lease obligations

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

Particulars	March 31, 2013	March 31, 2012
Future minimum lease payments		
Total minimum lease payments at the year end	5.14	25.41
Less : amount representing finance charges	(0.11)	(1.48)
Present value of minimum lease payments	5.03	23.93
(Rate of interest : 9.07% -13% p.a.)		
Lease payments for the year	18.90	51.76
Minimum Lease Payments		
Not later than one year [Present value Rs. 5.03 as on March 31, 2013 (Rs. 18.90 as on March 31, 2012)]	5.14	20.27
Later than one year but not later than five years [Present value Rs. Nil as on March 31, 2013 (Rs. 5.03 as on March 31, 2012)]	-	5.14
Later than five years	-	-

Operating Lease

The Company has entered into operating leases for operating its corporate office. These leases have a non cancellable period of five years with an option to renew the contracts for a further period of four years. There are no restrictions placed upon the company by entering into these leases. The lease payments are escalated at the rate of 10 % once in two year, over the life of the lease.

Total of future minimum lease payments under noncancellable operating leases for each of the following periods:

Not later than one year;	195.31	-
Later than one year and not later than five years;	976.55	-
Later than five years	472.00	-
Lease payments recognised in the statement of profit and loss	113.93	-

38. 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.

NOTES TO FINANCIAL STATEMENTS

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

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Net Profit after taxation	4,466.89	2,660.19
Weighted average number of equity shares in calculating basic EPS	107,691,648	107,691,648
Weighted average number of equity shares in calculating diluted EPS	107,691,648	107,691,648
Basic EPS (in Rs.)	4.15	2.47
Diluted EPS (in Rs.)	4.15	2.47

39. GRATUITY

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 an insurance company in the form of a qualifying insurance policy for employees.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the gratuity plan.

Net employee benefit expense (recognised in Personnel Expenses)

Changes in the present value of the defined benefit obligation are as follows:

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Present value of obligation at the beginning of the year	326.53	282.30
Current service cost	61.00	54.12
Interest Cost	26.12	22.58
Actuarial (gain) / loss on obligation	23.28	(11.64)
Benefits paid	(35.88)	(20.83)
Present value of obligation as at the end of the year	401.05	326.53

Changes in the fair value of plan assets are as follows:

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Fair value of planned assets at the beginning of the year	344.35	286.18
Expected return on plan assets	31.91	27.13
Actuarial gain / (loss) on plan assets	-	-
Contributions	68.95	51.87
Benefits paid	(35.88)	(20.83)
Fair value of plan assets at the end of the year	409.33	344.35

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Current service cost	61.00	54.12
Interest cost on benefit obligation	26.12	22.58
Expected return on plan assets	(31.91)	(27.13)
Net actuarial (gain) / loss recognised in the year	23.28	(11.64)
Net benefit expense	78.49	37.93
Actual return on planned Assets	31.91	27.13
Estimated contribution to the plan in the next accounting period	60.00	60.00

Details of provision for gratuity

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Present value of obligation as at the end of the year	401.05	326.53
Less : Fair value of plan assets at the end of the year	(409.33)	(344.35)
Plan (asset) / liability	(8.28)	(17.82)

NOTES TO FINANCIAL STATEMENTS

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

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

Particulars	31-Mar-13	31-Mar-12	31-Mar-11	31-Mar-10	31-Mar-09
Defined benefit obligation	401.05	326.53	282.30	237.07	174.76
Plan assets	409.33	344.35	286.18	215.37	180.00
(Surplus)/deficit	(8.28)	(17.82)	(3.88)	21.70	(5.24)
Experience adjustments on plan liabilities	23.28	(11.64)	5.17	30.60	4.60
Experience adjustments on plan assets	-	-	-	-	(0.49)

The principal assumptions used in determining gratuity benefit obligation for the Company's plan is shown below:

Particulars	2012-13	2011-12
Discount rate (p.a.)	8%	8%
Expected return on plan assets (p.a.)	9.15%	8%
Employee turnover	1-3%	1-3%

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 and rate of attrition considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

40. 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. During the year, the Company has used funds raised on short term basis from banks and others to purchase certain fixed assets aggregating to Rs.1,789.48 (March 31, 2012 - Rs. 6,230.24). Most of the short term loans with interest advantage have been in the nature of being rolled over long term. As the Company generates better profits, the long term - short term mismatch will come down substantially.

41. SEGMENT INFORMATION

Primary segment

The Company's operations predominantly relate to manufacture and sale of milk, milk products and ice cream and this is the only primary reportable segment. The Company primarily operates only in one geographical segment, since income is predominantly derived from goods sold in India.

42. SUBSEQUENT EVENTS

On May 1, 2013, there was a fire in the Company's plant at Salem, Tamil Nadu. There was no loss of life or human injury. The management estimates a loss of Rs.500 due to loss of inventory and other assets which is fully recoverable from the insurer. There has been no significant disruption in the flow of distribution on account of the accident.

The above events have not been recognised as these do not represent a condition existing at the Balance Sheet date.

43. PREVIOUS YEAR FIGURES

Previous year figures have been regrouped / reclassified, where necessary, to conform to this year's classification.

For S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants,
ICAI Firm Registration No. 101049W

Sd/-
per S Balasubrahmanyam

Partner
Membership No: 053315

Place: Chennai
Date: May 30, 2013

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/-
S Chandrasekar
Company Secretary

Place: Chennai
Date: May 30, 2013

REGISTRATION DETAILS

REGISTRATION NO : 12747 STATE CODE: 18
BALANCE SHEET DATE: 31.03.2013

CAPITAL RAISED DURING THE YEAR (Amount in Rs. Lakhs)

PUBLIC ISSUE: NIL
RIGHTS ISSUE: NIL
BONUS ISSUE: NIL
PRIVATE PLACEMENT: NIL

POSITION OF MOBILISATION & DEPLOYMENT OF FUNDS (Amount in Rs. Lakhs)

TOTAL LIABILITIES: 68710.05
TOTAL ASSETS: 68710.05

Sources of Funds

PAID-UP CAPITAL: 1077.25
RESERVES & SURPLUS: 11878.87
NON-CURRENT LIABILITIES: 23132.13
CURRENT LIABILITIES: 32621.80

Application of Funds

NON-CURRENT ASSETS: 46239.45
CURRENT ASSETS: 22470.60

PERFORMANCE OF COMPANY (Amount in Rs. Lakhs)

TURNOVER (Including other Income): 216832.09
TOTAL EXPENDITURE: 201723.61
PROFIT BEFORE TAX(+)(-): +5678.80
PROFIT AFTER TAX (+)(-): +4466.89
EARNING PER SHARE IN Rs.: 4.15
DIVIDEND RATE%: 170

GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY (As per monetary terms)

ITEM CODE NO. (ITC CODE): 040120.00
PRODUCT DESCRIPTION: MILK
ITEM CODE NO. (ITC CODE): 210500.00
PRODUCT 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

Sd/-
S.CHANDRASEKAR
Company Secretary

Place: Chennai
Date: 30th May, 2013

REGISTERED & CORPORATE OFFICE

DOMAINE, DOOR NO.1/20A,
RAJIV GANDHI SALAI (OMR),
KARAPAKKAM,
CHENNAI 600 097.

Phone: 91-44-24501622
Fax: 91-44-24501422
Website: www.hatsun.com
E-mail: secretarial@hatsun.com

FACTORIES**Salem Plant**

Attur Main Road, Karumapuram Village,
Salem - 636 106, Tamil Nadu.

Kancheepuram Plant

No.144, Timmasamudram Village (White Gate),
Chennai Bangalore Highway,
Kancheepuram Taluk, Kancheepuram - 631 502, Tamil Nadu.

Redhills Plant

No.114, Angadu Road, Nallur Village,
Redhills, Chennai - 600 067, Tamil Nadu.

Belgaum Plant

No.277/2, Desur Village, Kanapur Road,
Belgaum - 590 014, Karnataka.

Honnali Plant

No.109/2, Melebennur Road, Kundur Village,
Honnali Taluk, Davangere District, Honnali - 577 219, Karnataka.

Palacode Plant

Sengan Pasuvanthalave Village, Kolasanahalli Panchayat,
Palacode Taluk, Dharmapuri District - 636 805, Tamil Nadu.

Madurai Plant

No.76/2B, Dindigul Madurai Main Road,
Thiruvazhavanallur, Vadipatti Taluk,
Madurai - 625 221, Tamil Nadu.

Thalaivasal Plant

V Koottu Road Pirivu, Attupannai, Periyeri Post,
Attur Taluk, Thalaivasal, Salem District 636 102, Tamil Nadu.

Vellisandhai Plant

No.142/1B&1C, Hosur Main Road, Vellisandhai,
Thandukaranahalli (PO), Palacode,
Dharmapuri 636 808, Tamil Nadu.

Salem Milk Product Plant

Attur Main Road, Ramalingapuram Village,
Salem 636 107, Tamil Nadu.

ATTENDANCE SLIP

HATSUN AGRO PRODUCT LIMITED
REGD. OFFICE: DOMAINE, DOOR NO.1/20A,
RAJIV GANDHI SALAI (OMR), KARAPAKKAM,
CHENNAI 600 097.

NAME OF THE SHAREHOLDER: _____

FOLIO NO./DP ID & CLIENT ID: _____

NAME OF THE PROXY: _____

NO. OF SHARES HELD: _____

I hereby record my presence at the 28th Annual General Meeting of the Company held on Wednesday, the 4th September, 2013 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.

.....
 Signature of the Shareholder/Proxy

Notes:

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: DOMAINE, DOOR NO.1/20A,
RAJIV GANDHI SALAI (OMR), KARAPAKKAM,
CHENNAI 600 097.

FOLIO NO. / DP ID & CLIENT ID _____

I/We of
 being a member/members of Hatsun Agro Product Limited hereby appoint.....of
or failing himofas my/our proxy to attend and vote
 on behalf of me/us at the 28th Annual General Meeting to be held on Wednesday, the 4th September, 2013 at 11.00 A.M. or any
 adjournment thereof.

Signed thisday of2013.



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.

