



99th
Annual
REPORT
2013-14

HATSUN AGRO PRODUCT LTD



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Board of DIRECTORS



R.G. CHANDRAMOGAN
Chairman & Managing Director

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



K.S. THANARAJAN
Joint Managing Director

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



C. SATHYAN
Executive Director

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



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.



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.



B. THENNAMUTHAN

Shri Balakrishnan Thennamuthan holds a Master Degree in Communication and Journalism from Madras University and has carried out an intensive study of Newspaper Management in Cardiff University, United Kingdom. He has 3 decades of experience in Journalism. He is the Managing Director of Karnataka News Publications Private Limited, which publishes a Tamil Daily (name: Tamil Nishi).



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 several companies.



*Hatsun Agro Product Ltd. has always
kept the customers happy through
continuous product innovations,
finding its way into the
kitchens and hearts of
families across
South India.*



Brand STABLE

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 turn, 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 Hamsan Agro Product family.

ANIKYA MILK

Ankya Milk was launched in 1985 and since then, has won over the trust of millions of customers in Tamil Nadu, Karnataka and Andhra Pradesh. That's what makes it the largest milk brand in the Indian Private Sector. Great care and refinement go into the processing of Ankya Milk.

ANIKYA STANDARDIZED MILK

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

ANIKYA FULL CREAM MILK

This product, as the name suggests, is rich with cream content. This makes it perfect for every family whether they are using it with their breakfast cereal or just drinking it.

ANIKYA TONED MILK

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

ANIKYA DIABETIC TONED MILK

Low on fat and apt for people who are health conscious. It is perfect for diabetics and elderly people.

ANIN ICECREAMS

When other ice cream brands opened parlours exclusively in the city, Anin Icecreams decided to take to suburban and even rural areas - a move that has paid off richly for the company. New flavours and variants are introduced every season just to make sure customers have something fresh to look forward to when they walk in to an Anin Icecreams parlour. No surprises then that Anin Icecreams is possibly the most well-known and enduring of all the Hamsan brands.

ANIN ICECREAMS-ICEONE

The Anin Icecreams Iceone is a unique offering in crunchy cone ice creams. Made with a slender flavourful layer lining the insides of this delicious product, customers feel something special with every bite.

ANIN ICECREAMS-BAR

The Anin Icecreams Bar was launched to offer customers yet another mouth-watering option to beat the summer heat. The Bar is available in 3 mouth-watering flavours, out of which 2 are made from the richest of dark chocolate, while the 3rd flavour is made by dipping exotic nuts in the finest of milk chocolate. No wonder the Bar has gone on to become a favourite among ice cream bar consumers in Chennai.

IBACO

A nation-wide chain of outlets based on the unique choose-and-scoop format, IBACO has been an instant success with ice cream connoisseurs all across Tamil Nadu, Karnataka and Andhra Pradesh. 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 Hamsan's younger brands, but has carved a niche for itself.

IBACO has also launched a range of ice cream cakes. These innovative products are available in 4 exotic flavours, providing customers with a unique way of celebrating special occasions.

HAMSAN CURD

Thick, creamy and delicious, Hamsan Curd is the perfect companion for afternoon meals. Especially on hot summer days.

HAMSAN PANEER

The succulent Hamsan Paneer is prepared under high levels of hygiene using only the freshest of milk cream. Now make your meals even tastier.

HAMSAN GHEE

If you are looking for ghee that is consistent in texture and rich in aroma, look no further than Hamsan Ghee.

HAMSAN COOKING BUTTER

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

HAMSAN DAIRY WHITENER

Hamsan Dairy Whitener is the perfect complement to your morning cup of tea and coffee. It dissolves easily and does not form unightly lumps.

HAMSAN SKIMMED MILK POWDER

Made from the purest of cow's milk, Hamsan 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.





AROKYA[®]
MILK

*Goodness, With Care...
From Our Villages*

Aruni[®]
ICECREAMS

*A wonderful world of
milk & cream*







BATCH NO. MFD. BEST BEFORE

HATSUN[®]
RICH
CURD

From
Nature at its Purest

Real Creamy. Fine Taste.

सब से

HATSUN[®]
RICH
CURD

From
Nature at its Purest
NET WT. 500 g

HATSUN[®]

CURD

From
Nature at its Purest







HATSUN[®]

AGMARK
COW GHEE

From
Nature at its Purest

HATSUN[®]

Paneer

From
Nature at its Purest







HATSUN[®]
*Dairy
Whitener*

From
Nature at its Purest



ibaco[®]
— YOUR ICE CREAM DESTINATION —







ibaco[®]
YOUR ICE CREAM DESTINATION

ICE CREAM CAKES

For moments that are beyond special

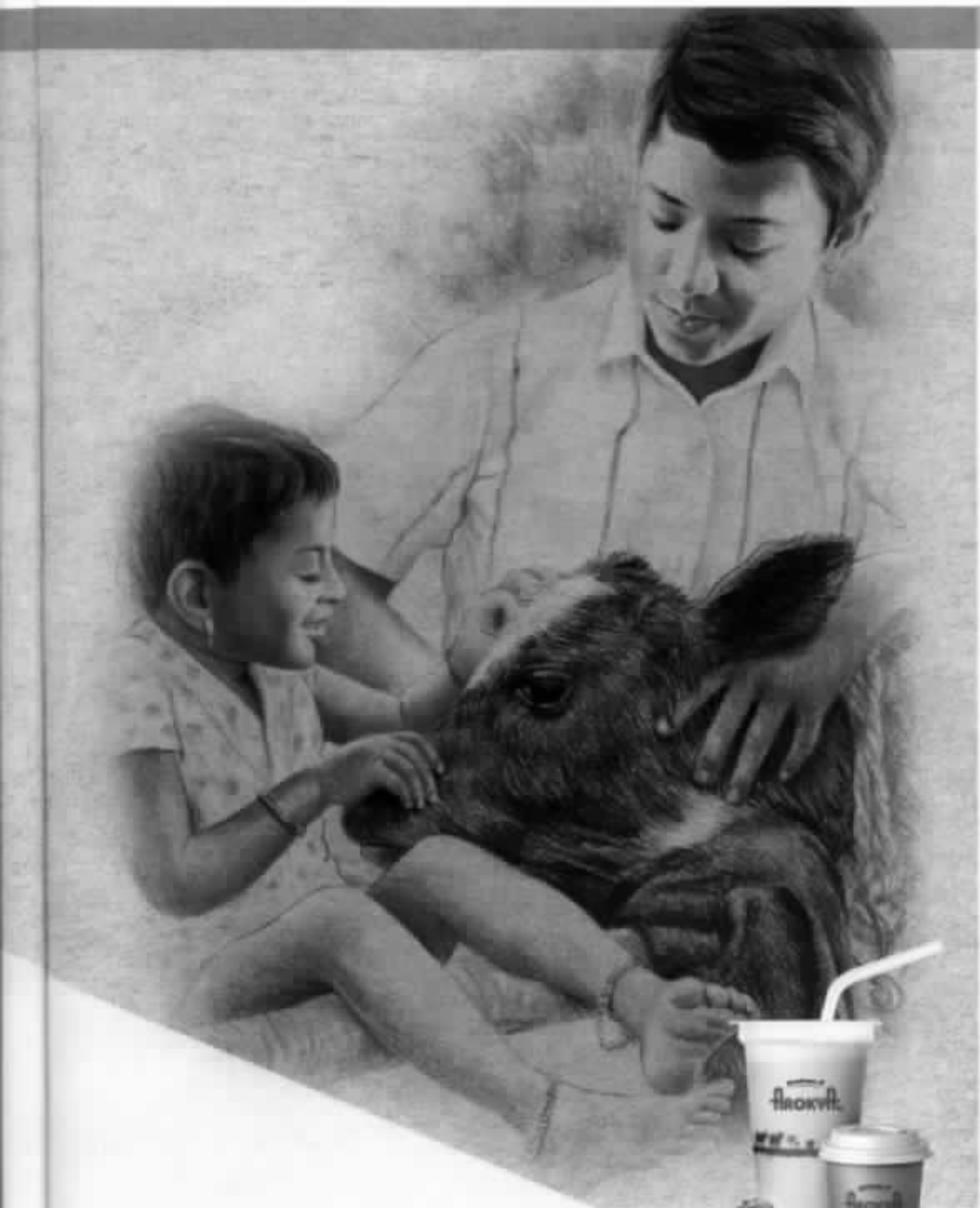




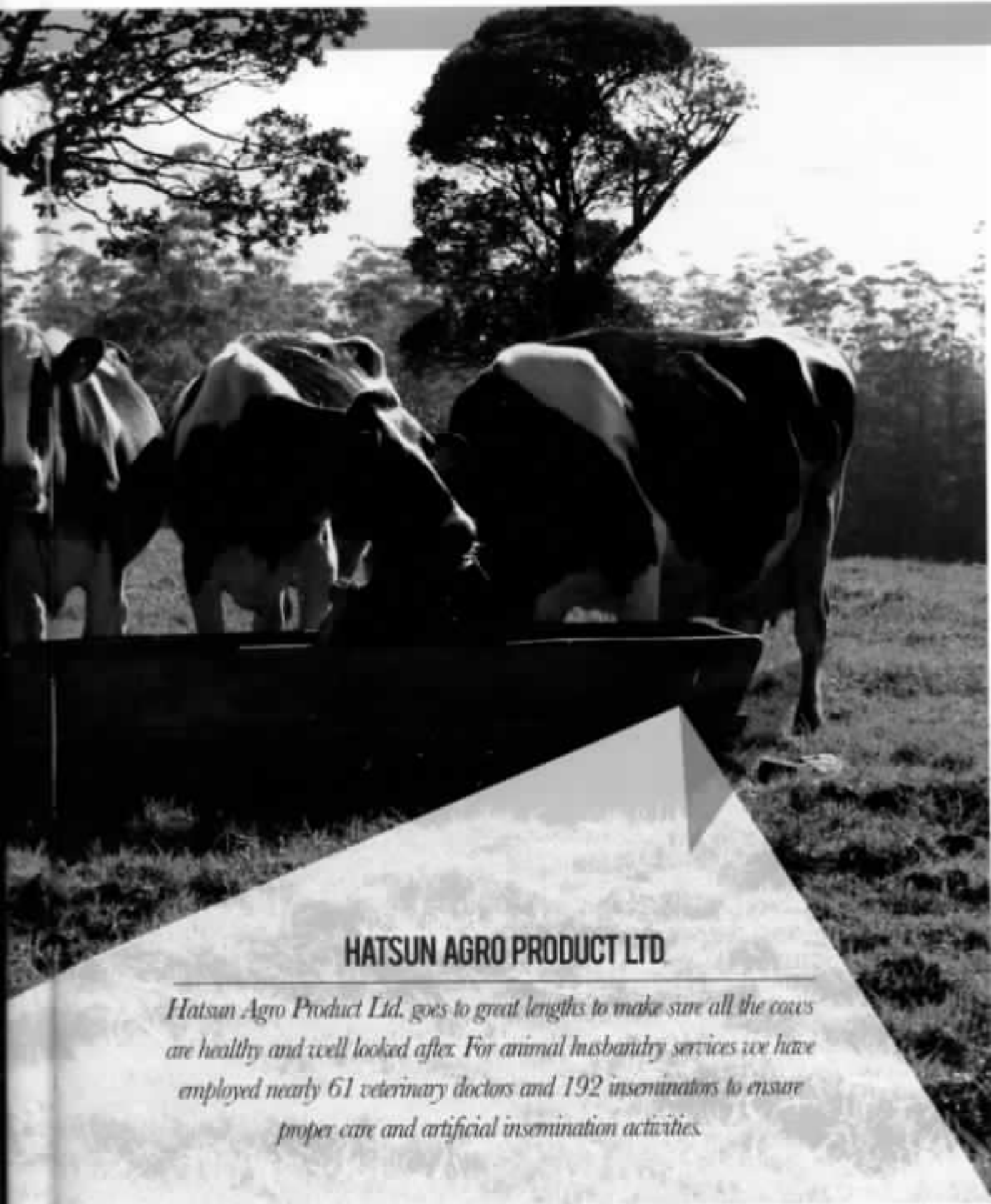
goodness of

AROKYA MILK

Goodness now in your neighbourhood

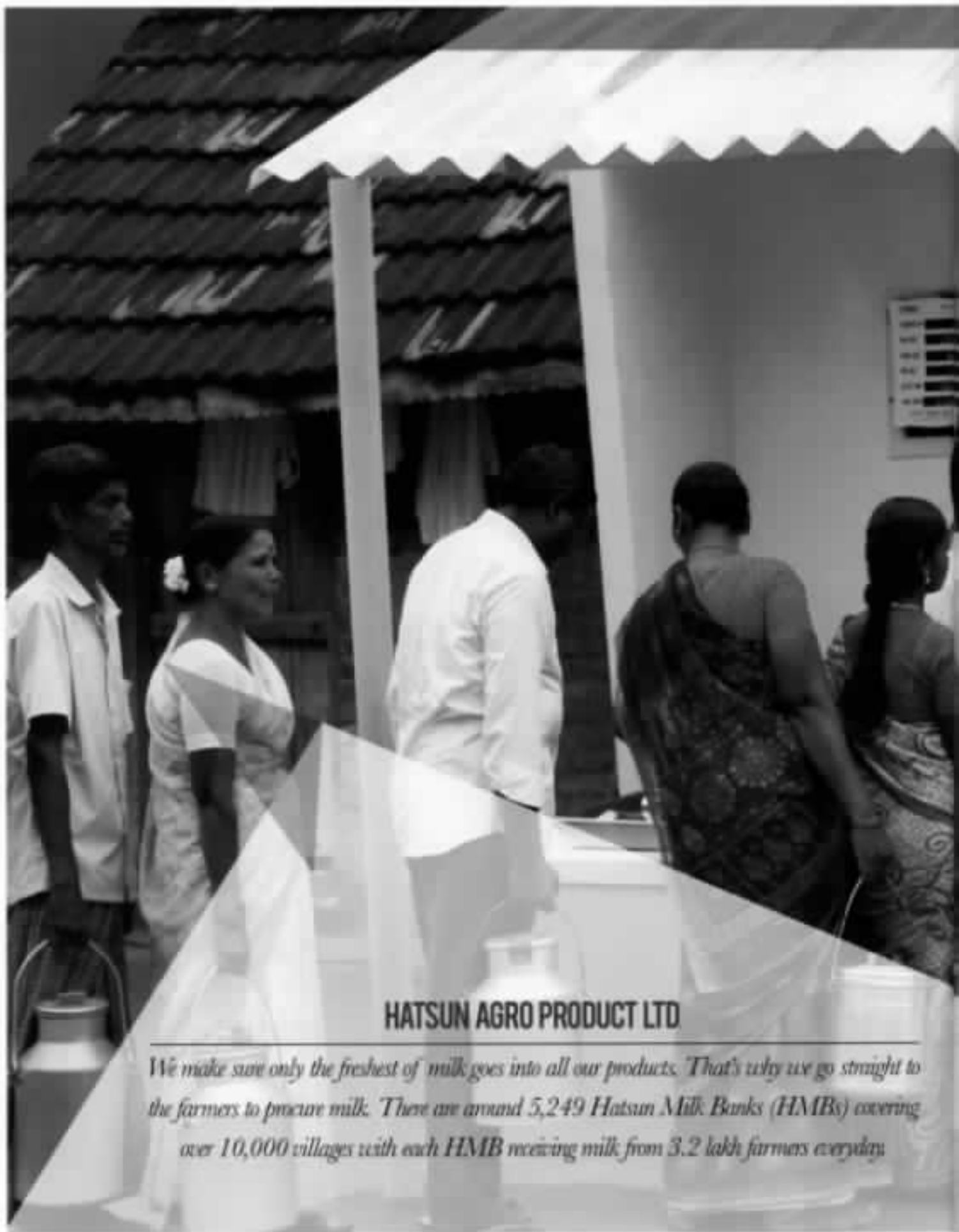






HATSUN AGRO PRODUCT LTD.

Hatsun Agro Product Ltd. goes to great lengths to make sure all the cows are healthy and well looked after. For animal husbandry services we have employed nearly 61 veterinary doctors and 192 inseminators to ensure proper care and artificial insemination activities.



HATSUN AGRO PRODUCT LTD

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 5,249 Hatsun Milk Banks (HMBs) covering over 10,000 villages with each HMB receiving milk from 3.2 lakh farmers everyday.

AROKYA[®] MILK

பால் கொள்முதல் நிலையம்

தொழில்நுட்ப கிராமம்



10 Years FINANCIALS

| PARTICULARS | 2013-14 | 2012-13 | 2011-12 | 2010-11 |
|---|-----------|-----------|-----------|----------|
| Operating Income / Turnover | 2493.54 | 2165.02 | 1603.54 | 1355.72 |
| Other Income | 8.49 | 3.30 | 2.47 | 1.58 |
| Total Income | 2502.03 | 2168.32 | 1606.01 | 1357.30 |
| Operating Expenses | 2315.78 | 2017.24 | 1494.42 | 1261.61 |
| Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA) | 186.25 | 151.08 | 111.59 | 95.70 |
| Depreciation & Amortisation | 64.98 | 50.32 | 41.84 | 37.06 |
| Interest | 39.83 | 43.98 | 37.58 | 35.47 |
| Profit before Tax (PBT) | 81.44 | 56.79 | 32.17 | 23.16 |
| Provision for Taxation | (0.24) | 12.12 | 5.57 | 4.42 |
| Profit after Tax (PAT) | 81.68 | 44.67 | 26.60 | 18.75 |
| Cash Profit (Post Tax) | 146.66 | 94.99 | 68.44 | 55.81 |
| Equity Dividend (%) | 250 | 170 | 130 | 55 |
| Dividend Payout | 26.92 | 18.51 | 10.05 | 3.83 |
| Dividend Payout Ratio (%) | 32.96 | 40.99 | 37.79 | 20.44 |
| Equity Shares (Nos.) | 107691648 | 107691648 | 107691648 | 35897216 |
| Face Value of Equity Shares (Rs.) | 1 | 1 | 1 | 2 |
| Equity Share Capital | 10.77 | 10.77 | 10.77 | 7.18 |
| Preference Share Capital | 0.00 | 0.00 | 0.00 | 0.00 |
| Reserves & Surplus | 168.62 | 118.79 | 96.94 | 85.61 |
| Shareholders Funds/Net worth | 179.39 | 129.56 | 107.71 | 92.79 |
| Long Term Debt | 343.24 | 274.29 | 174.87 | 173.04 |
| Gross Fixed Assets | 795.80 | 621.30 | 548.65 | 499.54 |
| Net Fixed Assets | 503.67 | 391.76 | 361.20 | 348.68 |
| Earnings per share - (Rs.) | 7.59 | 4.15 | 2.47 | 5.42 |
| Cost Earnings per share - (Rs.) | 13.62 | 8.82 | 6.36 | 15.55 |
| Book Value per share - (Rs.) | 16.66 | 12.03 | 10.00 | 25.85 |
| Debt - Long term/ Equity Ratio | 1.91 | 2.12 | 1.62 | 1.86 |
| EBITDA/Turnover (%) | 7.47 | 6.98 | 6.96 | 7.06 |
| Net Profit Margin (%) | 3.28 | 2.06 | 1.66 | 1.38 |
| RONW (%) | 45.53 | 34.48 | 24.69 | 20.20 |

(Rs. in Crores)

| | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 | 2004-05 |
|--|----------|----------|---------|---------|---------|---------|
| | 1140.60 | 1013.05 | 863.19 | 585.28 | 540.34 | 449.19 |
| | 2.93 | 1.82 | 6.24 | 6.95 | 7.64 | 1.59 |
| | 1143.53 | 1014.87 | 869.43 | 592.23 | 547.98 | 450.78 |
| | 1077.36 | 951.95 | 807.95 | 554.91 | 514.83 | 429.71 |
| | 66.18 | 62.92 | 61.48 | 37.32 | 33.15 | 21.07 |
| | 26.81 | 21.68 | 18.50 | 15.79 | 15.49 | 13.77 |
| | 27.83 | 21.32 | 15.03 | 10.08 | 9.37 | 5.69 |
| | 11.54 | 19.92 | 27.95 | 11.46 | 8.30 | 1.60 |
| | 8.85 | 7.95 | 10.62 | 3.31 | 4.05 | 0.87 |
| | 2.69 | 11.97 | 17.33 | 8.15 | 4.25 | 0.74 |
| | 29.50 | 33.65 | 35.83 | 23.93 | 19.73 | 14.51 |
| | 15 | 30 | 60 | 20 | 20 | 0 |
| | 1.02 | 2.04 | 4.07 | 1.36 | 1.36 | 0.00 |
| | 37.87 | 17.02 | 23.51 | 16.67 | 31.98 | 0.00 |
| | 33944090 | 33944090 | 6788818 | 6788818 | 6788818 | 6788818 |
| | 2 | 2 | 10 | 10 | 10 | 10 |
| | 6.79 | 6.79 | 6.79 | 6.79 | 6.79 | 6.79 |
| | 0.00 | 5.08 | 5.08 | 5.08 | 5.08 | 0.00 |
| | 46.73 | 45.40 | 36.29 | 24.20 | 18.69 | 16.22 |
| | 53.52 | 57.27 | 48.16 | 36.07 | 30.56 | 23.01 |
| | 193.85 | 155.70 | 67.96 | 42.40 | 62.60 | 62.25 |
| | 438.17 | 257.15 | 233.26 | 209.27 | 174.76 | 158.12 |
| | 322.13 | 166.42 | 153.16 | 139.44 | 119.25 | 117.24 |
| | 0.74 | 3.39 | 24.82 | 11.07 | 5.92 | 1.08 |
| | 8.69 | 9.91 | 52.78 | 35.25 | 29.07 | 21.37 |
| | 15.77 | 15.37 | 63.45 | 45.65 | 37.54 | 33.89 |
| | 3.62 | 2.98 | 1.58 | 1.37 | 2.46 | 2.71 |
| | 5.80 | 6.21 | 7.12 | 6.38 | 6.14 | 4.69 |
| | 0.24 | 1.18 | 2.01 | 1.39 | 0.79 | 0.16 |
| | 5.03 | 22.93 | 40.22 | 26.28 | 16.66 | 3.19 |



DATE: 31st July, 2014

DAY: Thursday

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.

29th Annual GENERAL MEETING

BOARD OF DIRECTORS

R.G. CHANDRAMOGAN
Chairman and Managing Director

K.S. THANARAJAN
Joint Managing Director

C. SATHYAN
Executive Director

P. VAIDYANATHAN

S. THIAGARAJAN

N. CHANDRASEKARAN

B. THENAMUTHAN

COMPANY SECRETARY

S. CHANDRASEKAR

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

P. VAIDYANATHAN
S. THIAGARAJAN
B. THENAMUTHAN

SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

S. THIAGARAJAN
P. VAIDYANATHAN
K.S. THANARAJAN

NOMINATION & REMUNERATION COMMITTEE

P. VAIDYANATHAN
S. THIAGARAJAN
B. THENAMUTHAN

SHARE TRANSFER COMMITTEE

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

SUB COMMITTEE

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

CORE COMMITTEE

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

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

P. VAIDYANATHAN
K.S. THANARAJAN
C. SATHYAN

CORPORATE INFORMATION

CIN : L15499TN1986PLC012747
Registered & Corporate Office:
Domaine, Door No.1/20A,
Rajiv Gandhi Salai (OMR),
Karpakkam, 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 Limited
Standard Chartered Bank
Yes Bank Limited
ING Vysya Bank Limited
The Bank Of Nova Scotia
HDFC Bank Limited
Axis Bank Limited

STOCK EXCHANGES

BSE
NSE (w.e.f 20th June, 2014)

Notice to SHAREHOLDERS

NOTICE is hereby given that the Twenty Ninth Annual General Meeting of **HATSUN AGRO PRODUCT LIMITED** will be held on Thursday, the 31st day of July, 2014 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 business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the financial statements of the Company for the year ended 31st March, 2014, including the audited Balance Sheet as at 31st March, 2014, the Statement of Profit & Loss for the year ended on that date and the reports of the Board of Directors and the Auditors thereon.
2. To ratify and confirm the payment of interim dividends on equity shares for the financial year 2013-14.
3. To appoint a Director in place of Shri. K.S. Thanarajan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

“RESOLVED THAT pursuant to the provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), 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 thirty-second AGM of the Company to be held in the year 2017 (subject to ratification of the appointment by the members at every AGM by means of an Ordinary Resolution held after this AGM) on such remuneration as may be determined by the Board of Directors in consultation with the Auditors, and that such remuneration may be paid on a progressive billing basis to be agreed between the Auditors and the Board of Directors.”

SPECIAL BUSINESS:

5. Appointment of Shri. Balasubramanian Thenamuthan as an Independent Director

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 Section 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), read with Schedule IV to the Companies Act, 2013 and the Articles of Association of the Company, Shri. Balasubramanian Thenamuthan, who was appointed as an Additional Director of the Company by the Board of Directors with effect from 23rd January, 2014 and who holds office up to the date of this Annual General Meeting in terms of Section 161 of the Companies Act, 2013, and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013, signifying his intention to propose Shri. Balasubramanian Thenamuthan as a candidate for the office of director, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years for a term up to 31st March, 2019.”

6. Appointment of Shri. P. Vaidyanathan as an Independent Director

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 Section 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), read with Schedule IV to the Companies Act, 2013 and the Articles of Association of the Company, Shri. P.Vaidyanathan, Director of the Company and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013, signifying his intention to propose Shri. P.Vaidyanathan as a candidate for the office of director, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years for a term up to 31st March, 2019.”

7. Appointment of Shri. N. Chandrasekaran as an Independent Director

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 Section 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force),

read with Schedule IV to the Companies Act, 2013 and the Articles of Association of the Company, Shri. N. Chandrasekaran, Director of the Company and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013, signifying his intention to propose Shri. N.Chandrasekaran as a candidate for the office of director, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years for a term up to 31st March, 2019.”

8. Retirement of a Director

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

“**RESOLVED** not to fill for the time being the vacancy caused by the retirement of Shri. S. Thiagarajan, Director, who retires by rotation at the Annual General Meeting and does not seek re-appointment.”

9. Approval for fixation of remuneration of Cost Auditors

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 Section 148 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), M/s. STR & Associates, Cost Accountants (Firm Registration Number 000029) appointed as the Cost Auditors by the Board of Directors of the Company, to conduct the audit of the cost records of the Company for the financial year ending March 31, 2015, be paid the remuneration amounting to Rs.5,00,000/- (Rupees Five Lakhs Only) excluding applicable taxes and out of pocket expense, if any.”

“**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

By order of the Board
for HATSUN AGRO PRODUCT LIMITED

Sd/-
S.Chandrasekar
Company Secretary
Place: Chennai
Date: 25th June, 2014

Registered Office:
Domaine, Door No.1/20A,
Rajiv Gandhi Salai (OMR),
Karapakkam, Chennai 600 097.
CIN: L15499TN1986PLC012747

NOTES:

1. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, relating to special business to be transacted at the meeting, is annexed hereto.

2. 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.

3. The instrument appointing the proxy duly completed must be deposited at the registered office of the Company at least 48 hours before the Commencement of the meeting. A blank proxy form is attached.

4. During the period beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, a member would be entitled to inspect the proxies lodged at any time during the business hours of the Company, provided that not less than three days of notice in writing is given to the Company.

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

6. The Register of Members and the Share Transfer Books of the Company will remain closed from 6th August, 2014 to 8th August, 2014 (both days inclusive) for the purpose of Annual General Meeting for the financial year 2013-14.

7. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the members at the Annual General Meeting.

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

9. 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.

10. 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 (RTA), 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.

11. 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.

12. 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.

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

14. The Notice of the 29th AGM and instructions for e-voting, along with the Attendance Slip and Proxy Form, is being sent to all members by Registered Post / Speed Post.

15. The Company is concerned about the environment and utilizes the natural resources in a sustainable way. We request you to update your email address with your Depository Participant or RTA to enable us to send Annual Report, Notices and all other communications via email.

16. 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.

17. 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.

18. 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.

19. 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 above:

| DIVIDEND FOR THE YEAR | RATE OF DIVIDEND | DATE OF DECLARATION | DATE ON WHICH UNPAID AMOUNT IS REQUIRED TO BE TRANSFERRED TO IE&PF | SHAREHOLDERS SHOULD APPLY LATEST BY |
|-----------------------|------------------|---------------------|--|-------------------------------------|
| 2006-07 | 20% | 21/06/2007 | 08/07/2014 | 08/07/2014 |
| 2007-08 | 25% | 30/10/2007 | 06/12/2014 | 16/11/2014 |
| 2007-08 | 35% | 22/09/2008 | 29/10/2015 | 09/10/2015 |
| 2008-09 | 30% | 16/06/2009 | 25/07/2016 | 03/07/2016 |
| 2009-10 | 15% | 04/08/2010 | 11/09/2017 | 21/08/2017 |
| 2010-11 | 30% | 02/11/2010 | 09/12/2017 | 19/11/2017 |
| 2010-11 | 25% | 14/02/2011 | 23/03/2018 | 03/03/2018 |
| 2011-12 | 110% | 13/02/2012 | 21/03/2019 | 01/03/2019 |
| 2011-12 | 20% | 10/08/2012 | 17/09/2019 | 27/08/2019 |
| 2012-13 | 80% | 14/11/2012 | 21/12/2019 | 01/12/2019 |
| 2012-13 | 50% | 31/01/2013 | 09/03/2020 | 19/02/2020 |
| 2012-13 | 40% | 30/05/2013 | 06/07/2020 | 16/06/2020 |
| 2013-14 | 150% | 30/10/2013 | 06/12/2020 | 16/11/2020 |
| 2013-14 | 100% | 23/01/2014 | 01/03/2021 | 10/02/2021 |

During the financial year 2013-14, an amount of Rs.85,184/- being unclaimed dividend pertaining to the financial year 2005-06 and an amount of Rs.46,777/- being unclaimed matured deposits both principal and interest were transferred to Investor Education and Protection Fund (IE&PF).

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

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

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013.

Item No.5

The Board, at its meeting held on 23rd January, 2014, appointed Shri. Balasubramanian Thenamuthan as an Additional Director of the Company w.e.f 23rd January, 2014 under the category of Non-Executive and Independent Director, pursuant to Section 161 of the Companies Act, 2013 read with Article 102 of the Articles of Association of the Company.

Pursuant to the provisions of Section 161 of the Companies Act, 2013, Shri. Balasubramanian Thenamuthan will hold office only up to the date of the ensuing Annual General Meeting. The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013 alongwith a deposit of Rs. 1,00,000/-, from a member proposing the candidature of Shri. Balasubramanian Thenamuthan for the office of Independent Director, to be appointed as such under the provisions of Section 149 of the Companies Act, 2013.

The Board of Directors believes that the association of Shri. Balasubramanian Thenamuthan with the Company shall be beneficial to the progress of the Company. Further, the Company has received from him, the required consent letter and also intimations and disclosures required under Section 164 and 149 of the Companies Act, 2013 read with the Companies (Appointment and Qualifications of Directors) Rules, 2014 and also a declaration to the effect that he meets the criteria of Independence as provided in Section 149(6) of the Companies Act, 2013.

The resolution seeks the approval of members for the appointment of Shri. Balasubramanian Thenamuthan as an Independent Director of the Company for five consecutive years for a term up to 31st March, 2019.

The Board recommends the resolution set forth in Item No.5 for the approval of the members.

No Director, Key Managerial Personnel or their relatives except Shri. Balasubramanian Thenamuthan is concerned or interested in the Resolution.

Item No. 6 & 7

Pursuant to the provisions of Section 149, 152, Schedule IV of the Companies Act, 2013 read with Companies (Appointment and Qualification of Directors) Rules, 2014, it is proposed to appoint Shri. P. Vaidyanathan and Shri. N. Chandrasekaran as Independent Directors of the Company for five consecutive years for a term up to 31st March, 2019.

The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013 alongwith a deposit of Rs.1,00,000/-, from members proposing the candidature of aforementioned directors for the office of Independent Director, to be appointed as such under the provisions of Section 149 of the Companies Act, 2013.

The Board of Directors believes that the association of the aforesaid Independent Directors with the Company shall be beneficial to the progress of the Company. Further, the Company has received from them, the required consent letter and also intimations and disclosures required under Section 164 and 149 of the Companies Act, 2013 read with the Companies (Appointment and Qualifications of Directors) Rules, 2014 and also declaration to the effect that they meet the criteria of Independence as provided in Section 149(6) of the Companies Act, 2013.

The Board recommends the resolutions set forth in Item No. 6 & 7 for the approval of the members.

No Director, Key Managerial Personnel or their relatives except Shri. P. Vaidyanathan and Shri. N. Chandrasekaran is concerned or interested in the Resolution.

Item No.8

Shri. S. Thiagarajan is a Non-Executive & Independent Director of the Company. He joined the Board of Directors of the Company in May 2003. Shri. S. Thiagarajan retires by rotation at the ensuing AGM under the provisions of the erstwhile Companies Act, 1956 and does not seek re-appointment owing to his health conditions. Accordingly, Shri. S. Thiagarajan retires at this AGM and the Board has decided not to fill, for the time being, the vacancy caused due to his retirement.

The Board recommends the resolution set forth in Item No. 8 for the approval of the members.

No Director, Key Managerial Personnel or their relatives is concerned or interested in the Resolution.

Item No.9

The Board, on the recommendation of the Audit Committee, has approved the appointment of M/s. STR & Associates, Cost Accountants as the Cost Auditors to conduct the audit of the cost records of the Company for the financial year ending March 31, 2015 at a remuneration of Rs.5,00,000/- (Rupees Five Lakhs Only) excluding applicable taxes and out of pocket expenses, if any.

In accordance with the provisions of Section 148 of the Act read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be ratified by the shareholders of the Company.

The Board recommends the resolution set forth in Item No. 9 for the approval of the members.

No Director, Key Managerial Personnel or their relatives is concerned or interested in the Resolution.

By order of the Board
for HATSUN AGRO PRODUCT LIMITED
Sd/-

S.Chandrasekar
Company Secretary
Place: Chennai
Date: 25th June, 2014

Registered Office:
Domaine, Door No.1/20A,
Rajiv Gandhi Salai (OMR),
Karapakkam, Chennai 600 097.
CIN: L15499TN1986PLC012747

PROFILE OF THE DIRECTORS BEING APPOINTED / RE-APPOINTED

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

| | | | | |
|--------------------------------------|---|--|---|--|
| Name of the Director | Shri. B. Thenamathan | Shri. K.S. Thanarajan | Shri. P. Vaidyanathan | Shri. N. Chandrasekaran |
| Director Identification Number (DIN) | 01099739 | 00012285 | 00029505 | 00064869 |
| Date of Birth | 17 th November, 1960 | 20 th March, 1949 | 29 th October, 1947 | 23 rd March, 1944 |
| Date of Appointment | 23 rd January, 2014 | 28 th June, 1995 | 29 th March, 1999 | 28 th March, 2005 |
| Profile | He holds a Masters Degree in Communication and Journalism and has carried out an intensive study of Newspaper Management in Cardiff University, United Kingdom. He has 3 decades of experience in Journalism. He is the Managing Director of Karnataka News Publications Private Limited, which publishes a Tamil Daily outside Tamil Nadu. | He is a Post Graduate in Economics. He is the Joint Managing Director of the Company. He is in-charge of the day-to-day operations of the Dairy Division. He has held various executive positions during his career spanning over 4 decades. | He 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. He has more than 32 years of experience in the Finance functions. | He 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. |
| Directorship in other Companies | 1. Karnataka News Publications Pvt. Ltd. | Nil. | 1. Economist Communications Ltd. 2. Suja Shoe Industries Pvt. Ltd. 3. Edelweiss Tokio Life Insurance Company Ltd. 4. Vijaya Bank 5. Embassy Property Developments Pvt. Ltd. 6. Angel Equity Management Pvt. Ltd. | 1. Valmet Technologies Engineering Services Pvt. Ltd. 2. Enmas Dynetics Ltd. 3. Valmet Chennai Pvt. Ltd. |
| Shareholding in the Company | Nil. | He holds 10,33,000 Equity Shares in the Company as at 31 st March, 2014. | Nil. | Nil. |

Instructions for e-voting

The complete detail of the instructions for e-voting is annexed to this notice.

| | |
|--|-----------------------|
| Registered Folio no. / DP ID no. / Client ID no. | Number of shares held |
| | |

Dear Member,

Subject: Instructions for e-voting

Pursuant to the provisions of Section 108 of the Companies Act, 2013, read with the Companies (Management and Administration) Rules, 2014, the Company is pleased to offer e-voting facility, additionally, to the members to cast their votes electronically on all resolutions set forth in the Notice convening the 29th Annual General Meeting to be held on Thursday, the 31st day of July, 2014 at 11.00 A.M. (IST). The Company has engaged the services of National Securities Depository Limited (NSDL) to provide the e-voting facility.

The e-voting facility is available at the link <https://www.evoting.nsdl.com>

The electronic voting particulars are set out below:

| EVEN (E-voting Event Number) | User ID | Password |
|------------------------------|---------|----------|
| 100416 | | |

Please read the instructions printed below before exercising your vote.

These details and instructions form an integral part of the Notice for the Annual General Meeting to be held on 31st July, 2014.

Steps for e-voting

1. Open the internet browser and type the following URL: <https://www.evoting.nsdl.com>
2. Click on Shareholder Login
3. If you are already registered with NSDL for e-voting, then you can use your existing User ID and Password for Login.
4. If you are logging for the first time, please enter the User ID and Password provided in this document.
5. Password change menu appears. Change the password with new password of your choice with minimum 8 digits/characters or combination thereof. Note the new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
6. Home page of e-Voting opens. Click on e-Voting: Active Evoting Cycles.
7. Select "EVEN" of Hatsun Agro Product Limited.
8. Now you are ready for e-Voting as Cast Vote page opens.
9. Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
10. Upon confirmation, the message "Vote cast successfully" will be displayed.
11. Once you have voted on the resolutions, you will not be allowed to modify your vote.
12. For the votes to be considered valid, the institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority Letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail at csdhanapal@gmail.com with a copy marked to evoting@nsdl.co.in
13. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the Downloads section of www.evoting.nsdl.com.
14. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).

General Instructions:

1. The e-voting period commences on 25th July, 2014 (9.30 A.M. IST) and ends on 27th July, 2014 (6.00 P.M. IST). During this period, the shareholders of the Company holding shares either in physical form or in dematerialised form, as on the cut-off date (record date) of 27th June, 2014, may cast their votes electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.
2. Since the Company is required to provide members the facility to cast their vote by electronic means, shareholders of the Company, holding shares either in physical form or in dematerialised form, as on the cut-off date (record date) of 27th June, 2014 and not casting their vote electronically, may only cast their vote at the Annual General Meeting.
3. Shri. S.Dhanapal, Senior Partner of M/s. S Dhanapal & Associates, Practising Company Secretaries (Membership No.FCS 6881) has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
4. The Scrutinizer shall, within a period of not exceeding three working days from the conclusion of the e-voting period, unlock the votes in the presence of at least two witnesses, not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour of or against it, if any forthwith to the Chairman of the Company.

5. The voting rights of shareholders shall be in proportion to their shares of the paid-up equity share capital of the Company as on 27th June, 2014.

6. The results declared along with the Scrutinizer's Report shall be placed on the Company's website www.hatsun.com and on the website of the NSDL within two days of the passing of the resolutions at the 29th Annual General Meeting of the Company on 31st July, 2014, and communicated to the Stock Exchanges.

All documents referred to in the accompanying Notice and the Statement pursuant to Section 102 of the Companies Act, 2013, will be available for inspection at the Registered Office of the Company during business hours on all working days up to the date of declaration of the results of the 29th Annual General Meeting of the Company.

By order of the Board
for HATSUN AGRO PRODUCT LIMITED
Sd/-

S.Chandrasekar
Company Secretary
Place: Chennai
Date: 25th June, 2014

Registered Office:
Domaine, Door No.1/20A,
Rajiv Gandhi Salai (OMR),
Karapakkam, Chennai 600 097.
CIN: L15499TN1906PLC012747



Directors' REPORT

To

The Members,

The Directors have great pleasure in presenting their 29th Directors' Report along with the audited statement of accounts for the financial year ended 31st March, 2014.

1. FINANCIAL RESULTS

The financial results of the Company for the year ended 31st March, 2014 is summarised below:

(Rs. in lakhs)

| PARTICULARS | CURRENT YEAR ENDED 31 ST MARCH, 2014 | PREVIOUS YEAR ENDED 31 ST MARCH, 2013 |
|---|---|--|
| Revenue from operations (net) | 249,354.18 | 216,501.90 |
| Other Income | 848.81 | 330.19 |
| Total Income | 250,202.99 | 216,832.09 |
| Operating Expenditure | 231,578.33 | 201,723.61 |
| Profit before Interest, Tax and Depreciation & Amortisation | 18,624.66 | 15,108.48 |
| Finance Costs (net) | 3,983.13 | 4,397.81 |
| Depreciation and Amortisation | 6,497.04 | 3,031.87 |
| Profit before Taxes | 8,144.49 | 5,678.80 |
| Tax Expenses | (24.08) | 1,211.91 |
| Net Profit for the Year | 8,168.57 | 4,466.89 |
| Balance Brought Forward from Previous Year | 3,115.12 | 1,226.00 |
| Amount Available for Appropriation | 11,283.69 | 5,692.89 |
| APPROPRIATIONS | | |
| Interim Dividend on Equity Shares | 2,692.29 | 1,830.76 |
| Tax on Dividends | 457.55 | 300.32 |
| Transfer to General Reserve | 816.86 | 446.69 |
| Balance carried to Balance Sheet | 7,316.99 | 3,115.12 |

2. PERFORMANCE OF THE COMPANY

During the year, your Company registered a total income of Rs.250,202.99 Lakhs representing an increase of 15% over that of the previous year. Your Company registered a net profit of Rs.8,168.57 Lakhs, as compared to previous year net profit of Rs.4,466.89 Lakhs, an increase of 83%.

During the financial year under review, your Company registered a healthy growth in Milk, Ice creams, Curd and other Milk Products over that of the previous year.

The increase in the profitability is due to favourable export market conditions, increase in prices of dairy ingredients across the world, the availability of milk and the effective cost control measures taken by the Company.

During the year, the Income-tax officials carried out a search at the registered office, some factories and also the residence of whole-time directors of the Company on March 11, 2014. The Company has submitted the required details sought for and continue to co-operate with the Income-tax department.

3. DIVIDEND

During the year, your Company has declared and paid 2 interim dividends totaling Rs.2.50/- per equity share (250%) on equity share capital.

The total cash outflow on account of dividend excluding dividend tax for the year 2013-14, would aggregate to Rs.2,692.29 Lakhs resulting in a payout of 33% of the net profits of the Company.

During the financial year 2013-14, an amount of Rs.85,184/- being unclaimed dividend pertaining to the financial year 2005-06 was transferred to Investor Education and Protection Fund (IE&PF).

4. TRANSFER TO RESERVES

The Company proposes to transfer Rs.816.86 Lakhs to General Reserve out of the amount available for appropriations and an amount of Rs.7,316.99 Lakhs is proposed to be retained in the Profit and Loss Account.

5. EXPORTS

The value of exports during the year was Rs.20,638.46 Lakhs representing 8.28% of net revenue from operations. Your Company is a Net Foreign Exchange Earner.

6. FUTURE PLAN

During the year under review, your Company acquired a Cattle Feed Plant in Karur, Tamil Nadu and the dairy business of M/s. Jyothi Dairy Private Limited, Andhra Pradesh. Consequent to the same, the major thrust areas in the current financial year would be in strengthening the operations and increasing the presence in Andhra Pradesh and also the Cattle Feed business in the domestic market. This will help your Company to strengthen its presence and enable it to maintain its leadership position.

7. DIRECTORS

Appointments/Inductions

The Board has appointed Shri. Balasubramanian Thenamuthan as an additional director of the Company w.e.f 23rd January, 2014 under the category of Non-Executive and Independent Director.

The Board of Directors proposes to seek your support in confirming the appointment of Mr. Balasubramanian Thenamuthan as an Independent Director of the Company for five consecutive years for a term up to 31st March, 2019 not liable to retire by rotation.

Re-appointments

As per provisions of the Companies Act, 2013, Shri. K.S.Thanarajan is liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. The Board of Directors recommends his re-appointment.

Independent Directors

Section 149 of the Companies Act, 2013 provides for appointment of Independent Directors. The Independent Directors shall hold office for a term of up to five consecutive years on the Board of a Company and shall be eligible for re-appointment on passing a special resolution by the shareholders of the Company.

Further, Sub section (11) of Section 149 of the Companies Act, 2013 states that no Independent Director shall be eligible for more than two consecutive terms of five years. Also, Sub section (13) states that the provisions of retirement by rotation shall not apply to such Independent Directors.

Our Non-Executive & Independent Directors were appointed as directors liable to retire by rotation under the provisions of the erstwhile Companies Act, 1956. The Board of Directors proposes to seek appointment of Shri. P. Vaidyanathan and Shri. N. Chandrasekaran as Independent Directors of the Company for five consecutive years for a term up to 31st March, 2019.

Retirements and Resignations

During the year, Shri. B.S. Mani, Non-Executive Director resigned from the Board w.e.f. 23rd January, 2014 due to health reasons. Also, Shri. S. Thiagarajan, Non-Executive & Independent Director is liable to retire by rotation at the ensuing Annual General Meeting and does not seek re-appointment owing to his health conditions.

The Board appreciated the valuable services rendered and contributions made by both Shri. B.S. Mani and Shri. S. Thiagarajan over the years, which has proved invaluable and helped the Company immensely.

8. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by SEBI, and based on the representations received from the operating management, the Directors hereby confirm that:

(i) in the preparation of the financial statements for the year 2013-14, the applicable Accounting Standards as prescribed by the Companies (Accounting Standards) Rules, 2006, have been followed and there are no material departures;

(ii) 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;

(iii) they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 (to the extent notified) and Companies Act, 1956 (to the extent applicable). They confirm that there are adequate systems and controls for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) they have prepared the Annual Accounts on a going concern basis.

9. CORPORATE GOVERNANCE REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Your Company has complied with all mandatory provisions of Corporate Governance as prescribed under the Listing Agreement entered into with the Stock Exchanges.

Corporate Governance Report and Management Discussion and Analysis forms 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, 2014, was Rs.2.49 Lakhs out of which a sum of Rs.1.88 Lakhs represents 7 accounts of Fixed/Non Cumulative Deposits and Rs.0.61 Lakhs represents 2 accounts of Cumulative Deposits.

During the financial year 2013-14, an amount of Rs.46,777/- being unclaimed matured deposits both principal and interest were transferred to Investor Education and Protection Fund (IE&PF).

11. 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.

12. 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.

13. AUDITORS & AUDITORS' REPORT

M/s. S.R. Baliboi & Associates LLP, Chartered Accountants, the statutory auditors of the Company, retire at the ensuing Annual General Meeting and have confirmed their eligibility, independence and willingness to accept office, if re-appointed. Your Directors recommend the appointment of M/s. S.R. Baliboi & Associates LLP, Chartered Accountants, Chennai as Statutory Auditors of the Company at the ensuing Annual General Meeting to hold office from the conclusion of this AGM to the conclusion of the 32nd AGM, subject to ratification of the appointment by members at every AGM held after this AGM.

Explanation to Auditors' Remarks

a) 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 to purchase certain fixed assets aggregating Rs.7,890.14 lakhs."

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 costs 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.

Certain long term loans applied for during February/March 2014, could be drawn only during May/June 2014, which would eliminate the mismatch fully. Most of the short term loans with interest advantage have been in the nature of being rolled over long term.

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

(i) Details of the employees employed throughout the year and drawing remuneration which in the aggregate exceeds Rupees Sixty Lakhs or more per annum, during the financial year:

| | | |
|---|-------------------------------------|----------------------------|
| NAME | Mr. Simon O Shea | Mr. K.S. Thanarajan |
| AGE | 44 | 65 |
| DESIGNATION/ NATURE OF DUTIES | Head - Plant Operation | Joint Managing Director |
| REMUNERATION (Gross in Rs.) | 73,11,879/- pa. | 63,27,565/- pa. |
| QUALIFICATION & EXPERIENCE | Dairy Technology | PG. in Economics |
| DATE OF COMMENCEMENT OF EMPLOYMENT | 09.01.2013 | 18.07.1995 |
| PREVIOUS EMPLOYMENT | NAME OF THE ORGANISATION | Fonterra Co-operative |
| | DESIGNATION | Site Manager |
| | NO. OF YEARS | 1.5 years |

(ii) None 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 Lakhs per month, during the financial year.

(iii) None of the employees except Managing Director and Executive Director employed throughout the financial year or part thereof, hold by himself / herself or along with his / her spouse and dependent children, more than two per cent of the equity shares of the Company.

16. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars as prescribed under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, 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 organised free eye camps at Edapadi, Rasipuram and Mecheri Village.

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: 25th June, 2014

ANNEXURE TO THE DIRECTORS' REPORT

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

CONSERVATION OF ENERGY

| A. POWER & FUEL CONSUMPTION | 2013-14 | 2012-13 |
|--|-------------|-------------|
| 1. Electricity | | |
| <i>a) Purchased</i> | | |
| Units | 53,255,016 | 40,882,507 |
| Total Amount (Rs.) | 351,382,209 | 280,362,546 |
| Rate/Unit (Rs.) | 6.60 | 6.86 |
| <i>b) Through Diesel Generation</i> | | |
| Quantity of Diesel consumed (Litrs.) | 1,864,457 | 3,170,118 |
| Units | 5,833,302 | 15,459,848 |
| Total Amount (Rs.) | 102,824,210 | 246,796,175 |
| Cost/Unit (Excluding Overhead and Depreciation) | 17.63 | 15.96 |
| Units per Litre of Diesel Oil | 3.13 | 2.99 |
| 2. Firewood | | |
| Quantity (Kg.) | 11,291,439 | 6,482,270 |
| Total Amount (Rs.) | 39,358,140 | 19,983,369 |
| Average Rate (Rs./Kg.) | 3.49 | 3.08 |
| 3. Coal | | |
| Quantity (Kg.) | 17,289,118 | 28,342,343 |
| Total Amount (Rs.) | 92,110,963 | 132,380,124 |
| Average Rate (Rs./Kg.) | 5.33 | 4.67 |
| B. CONSUMPTION PER UNIT OF PRODUCTS I.E PER LITRE OF MILK | | |
| Electricity (Kwh) | | |
| Milk | 0.029 | 0.030 |
| Curd | 0.193 | 0.177 |
| FAT Products (Butter/Cream/Ghee) | 0.735 | 1.127 |
| Solid Non FAT (SNF) Products (Milk Powder) | 0.141 | 0.152 |
| Ice Cream | 0.732 | 0.618 |
| Firewoods (Kgs) | | |
| Milk | 0.011 | 0.009 |
| Curd | 0.082 | 0.073 |
| FAT Products (Butter/Cream/Ghee) | 0.158 | 0.092 |
| Solid Non FAT (SNF) Products (Milk Powder) | 0.001 | 0.002 |
| Ice Cream | 0.124 | 0.043 |
| Coal (Kgs) | | |
| Milk | 0.002 | 0.005 |
| Curd | 0.010 | 0.018 |
| FAT Products (Butter/Cream/Ghee) | 0.521 | 0.534 |
| Solid Non FAT (SNF) Products (Milk Powder) | 0.187 | 0.332 |
| Ice Cream | 0.008 | 0.048 |

RESEARCH AND DEVELOPMENT

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

a) Process Development

- (i) Conducting of Somatic Cell Counter Test to detect animal udder health.
- (ii) ATP Bioluminescence testing to improve product safety and shelf life.
- (iii) Installation of Eco Milk Analyzers at various chilling/collection centres to ensure accurate and reliable testing of Fat/SNF content in the milk supplied.
- (iv) Installation of Hardening Tunnel for quick hardening of Ice creams to improve Ice cream quality.
- (v) Developed world class fruit preparations, fruit toppings, chocolate toppings and in-house chocolate coatings recipes for Ice cream stick bars and Ice cream cakes.
- (vi) In the process of developing new international standard recipes for Ice creams, sorbets, yoghurt Ice creams and extruded Ice cream products.
- (vii) 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.
 d) Assurance on Food Safety: Installation of New instruments like 1) ICP-OES Cost (Inductively Coupled Plasma-Optical Emission Spectroscopy) used for detection of trace metals with focus on heavy metals, the control of which will go long way in assuring safety of milk & milk products.

2) Gas Chromatography used for detection of traces of major Pesticides & other harmful volatile chemicals in milk, milk products, water etc.

3) UV Carry - 60 Spectrophotometer for detection of metals, amino-acids, vitamins etc., which can help in improving the nutritive value of milk & milk products.

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*

| | |
|--|-------|
| (a) Capital | : Nil |
| (b) Recurring | : Nil |
| (c) Total | : Nil |
| (d) Total R & D Expenditure as a % of Total Turnover | : Nil |

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

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts Made

The Company has undertaken efforts to absorb the best available technology for processing of milk and manufacturing milk related products like replacement of existing reciprocating compressor with scroll compressor in the refrigeration unit of our Bulk Coolers, VFD installation for scroll compressor and also energy purchase from Windmill.

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. Due to the measures taken above, there were considerable improvement in compressor efficiency coupled with reduction in power consumption and power cost.

FOREIGN EXCHANGE EARNINGS AND OUTGO

(Rs. in lakhs)

| PARTICULARS | YEAR ENDED 31 st MARCH, 2014 | YEAR ENDED 31 st MARCH, 2013 |
|-----------------------------------|--|--|
| Foreign Exchange Earnings | 20,644.94 | 19,590.15 |
| CIF Value of Imports | 2,845.32 | 1,316.72 |
| Expenditure in foreign currency | 139.07 | 92.18 |
| Dividend paid in foreign currency | 2.81 | 20.74 |

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

R.G. Chandramogan
Chairman & Managing Director
Place: Chennai
Date: 25th June, 2014

Report on CORPORATE GOVERNANCE

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 entered in to with the Stock Exchanges.

II. BOARD OF DIRECTORS

(i) As on 31st March, 2014, 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 Exchanges.

(ii) Shri. R.G.Chandramogan, Managing Director and Shri. C.Sathyan, Executive Director are relatives in terms of Section 2(77) of the Companies Act, 2013 read with the relevant Rules made thereunder. 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. Chairmanships/Memberships of Board Committees include only Audit and Shareholders/Investors Grievance Committees.

TABLE 1: COMPOSITION OF BOARD OF DIRECTORS

| NAME AND DESIGNATION OF THE DIRECTOR | CATEGORY | NUMBER OF BOARD MEETINGS DURING 2013-14 | | WHETHER ATTENDED LAST AGM YES/NO | NO. OF DIRECTORSHIPS IN OTHER COMPANIES | | NO. OF COMMITTEE POSITIONS HELD IN OTHER PUBLIC COMPANIES | |
|--|--|---|----------|-------------------------------------|---|--------|---|--------|
| | | Held | Attended | | Chairman | Member | Chairman | Member |
| R.G.CHANDRAMOGAN CHAIRMAN & MANAGING DIRECTOR | Promoter- Executive Director | 8 | 7 | YES | Nil | 3 | Nil | Nil |
| K.S.THANARAJAN JOINT MANAGING DIRECTOR | Executive Director | 8 | 6 | YES | Nil | Nil | Nil | Nil |
| C.SATHYAN EXECUTIVE DIRECTOR | Promoter- Executive Director | 8 | 8 | YES | Nil | 1 | Nil | Nil |
| P.VAIDYANATHAN DIRECTOR | Non- Executive & Independent Director | 8 | 8 | YES | Nil | 6 | 1 | Nil |
| S.THILAGARAJAN DIRECTOR | Non- Executive & Independent Director | 8 | 5 | NO | Nil | Nil | Nil | Nil |
| N.CHANDRASEKARAN DIRECTOR | Non- Executive & Independent Director | 8 | 6 | NO | Nil | 3 | Nil | Nil |
| R.S.MANIPAL DIRECTOR | Non- Executive & Independent Director | 8 | 4 | YES | 1 | Nil | Nil | Nil |
| B.THENAMUTHAN ** DIRECTOR | Non- Executive & Independent Director | 8 | 1 | NO | Nil | 1 | Nil | Nil |

* Resigned w.e.f. 23.01.2014 | ** Appointed as an Additional Director w.e.f. 23.01.2014

(v) The Board has met 8 (eight) times during the year and the gap between two meetings did not exceed four months. The said Meetings were held on 30th May, 2013, 22nd July, 2013, 13th August, 2013, 4th September, 2013, 19th September, 2013, 30th October, 2013, 13th December, 2013 and 23rd January, 2014. The necessary quorum was present for all the meetings.

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

(vi) 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 the Board 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.

Equity Shares Held By Non-Executive Directors

None of the Non-Executive Directors hold shares in the Company as on 31st March, 2014.

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 Exchanges read with Section 177 of the Companies Act, 2013.

The Audit Committee comprises of three members of the Board, all of whom are Non-Executive and Independent Directors. They are Shri. P. Vaidyanathan, who is a Fellow member of the Institute of Chartered Accountants of India, as its Chairman, Shri. S. Thiagarajan and Shri. Balasubramanian Thenamuthan. 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 5 (five) times during the year on 30th May, 2013, 13th August, 2013, 4th September, 2013, 30th October, 2013 and 23rd January, 2014.

The time gap between any two meetings was less than four months. Necessary quorum was present for all the meetings.

TABLE 2: ATTENDANCE RECORD OF AUDIT COMMITTEE

| NAME OF THE DIRECTOR | CATEGORY | STATUS | NO. OF MEETINGS | |
|----------------------|-------------|----------|-----------------|----------|
| | | | HELD | ATTENDED |
| P.Vaidyanathan | Independent | Chairman | 5 | 5 |
| S.Thangarajini | Independent | Member | 5 | 2 |
| B.S.Mani* | Independent | Member | 5 | 4 |
| B.Thirumathan** | Independent | Member | 5 | - |

* Resigned w.e.f 23.01.2014

** Appointed as member of the Committee w.e.f 23.01.2014 at the Board Meeting held on 23rd January 2014

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 Section 134 of the Companies Act, 2013.
 - ▲ Changes, if any, in accounting policies and practices and reasons for the same.
 - ▲ Major accounting entries involving estimates based on the exercise of judgment by the management.
 - ▲ Significant adjustments made in the financial statements arising out of audit findings.
 - ▲ Compliance with listing and other legal requirements relating to financial statements.
 - ▲ Disclosure of any related party transactions.
 - ▲ Qualifications in the draft audit report.
- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
- Reviewing with the management, the statement of uses / application of funds, raised through an issue (public issue, rights issue, preferential issue, etc.) the statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.

- Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.

- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

- Discussion with internal auditors on any significant findings and follow up thereon.

- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

- To review the functioning of the Whistle Blower mechanism.

- 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. NOMINATION AND REMUNERATION COMMITTEE (FORMERLY REMUNERATION COMMITTEE)

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

The role of the Remuneration Committee is

- To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down
- To recommend to the Board the appointment and removal of such identified persons
- To carry out evaluation of every director's performance
- To formulate the criteria for determining qualifications, positive attribute, and independence of director
- To formulate a policy relating to remuneration for directors, key managerial personnel and other employees

The Committee has met 2 (two) times during the financial year on 30th May, 2013 and 23rd January, 2014. The Committee recommended increase in remuneration of all Executive Directors w.e.f 1st September, 2013 and recommended re-appointment of Managing Director and Joint Managing Director for a further period of 5 years at their meeting held on 30th May, 2013 and 23rd January, 2014 respectively.

| NAME OF THE DIRECTOR | CATEGORY | STATUS | NO. OF MEETINGS | |
|----------------------|-------------|----------|-----------------|----------|
| | | | HELD | ATTENDED |
| P. Vaidyanathan | Independent | Chairman | 2 | 2 |
| S. Thiagarajan | Independent | Member | 2 | 2 |
| B.S. Mani* | Independent | Member | 2 | 1 |
| B. Thenamithan** | Independent | Member | 2 | - |

* Resigned w.e.f 23.01.2014

** Appointed as member of the Committee w.e.f 23.01.2014 at the Board Meeting held on 23rd January 2014

| NAME & DESIGNATION OF THE EXECUTIVE DIRECTOR | SALARY & ALLOWANCES | CONTRIBUTION TO PF & OTHER FUNDS | OTHER PERquisites OR BENEFITS INCLUDING MEDICAL EXPENSES REIMBURSED AND CAR FACILITY PROVIDED | TOTAL |
|--|---------------------|----------------------------------|---|-----------|
| R.G. Chandrasegan Managing Director | 32,56,333 | 10,800 | 1,98,767 | 54,57,900 |
| K.S. Thiagarajan Joint Managing Director | 32,56,333 | 3,72,000 | 6,97,232 | 63,27,565 |
| C. Sathyan Executive Director | 48,29,167 | 9,300 | 1,96,683 | 50,05,210 |

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. Also, a sitting fee of Rs.5,000/- (Rupees Five Thousand Only) is being paid to attend the committee meetings held after 13th August, 2013.

| NAME OF THE DIRECTOR | BOARD MEETING | GENERAL MEETING | SEVERAL SPECIAL MEETINGS OR ADVISORY COMMITTEE | COMMITTEES AND SUBCOMMITTEES | ADHOC COMMITTEES | TOTAL |
|----------------------|---------------|-----------------|--|------------------------------|------------------|----------|
| P. Vaidyanathan | 1,60,000 | 15,000 | 10,000 | 5,000 | 10,000 | 2,00,000 |
| S. Thiagarajan | 60,000 | 5,000 | 5,000 | 5,000 | - | 75,000 |
| B.S. Mani | 80,000 | 10,000 | - | - | - | 90,000 |
| N. Chandrasekarun | 1,20,000 | - | - | - | - | 1,20,000 |
| B. Thenamithan | 20,000 | - | - | - | - | 20,000 |
| TOTAL | 4,40,000 | 30,000 | 15,000 | 10,000 | 10,000 | 5,05,000 |

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 Shri. S. Thiagarajan (Chairman), Shri. P. Vaidyanathan and Shri. 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 30th May, 2013, 13th August, 2013, 30th October, 2013 and 23rd January, 2014.

| NAME OF THE DIRECTOR | CATEGORY | STATUS | NO. OF MEETINGS | |
|----------------------|-------------|----------|-----------------|----------|
| | | | HELD | ATTENDED |
| S. Thiagarajan | Independent | Chairman | 4 | 2 |
| 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 - 7

Number of complaints resolved - 7

Number of complaints remaining unresolved and pending - Nil

| NATURE OF COMPLAINTS | RECEIVED & REDRESSED DURING THE YEAR |
|---|--------------------------------------|
| Correspondence regarding demat / general | 1 |
| 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 | 3 |

Compliance Officer

The 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@hansm.com

VI. OTHER COMMITTEES

A. SHARE TRANSFER COMMITTEE

The Share Transfer Committee comprises of three members of the Board, namely Shri. R.G. Chandramogan (Chairman), Shri. K.S. Thanarajan and Shri. 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, 2014 - Nil

During the year, the Committee met 13 (thirteen) times on the following dates namely, 19th April, 2013, 29th April, 2013, 3rd May, 2013, 23rd May, 2013, 8th July, 2013, 19th July, 2013, 2nd September, 2013, 5th November, 2013, 18th December, 2013, 17th January, 2014, 18th February, 2014, 18th March, 2014 and 26th March, 2014.

B. SUB-COMMITTEE

The Sub-Committee comprises of four members of the Board, namely Shri. K.S. Thanarajan (Chairman), Shri. R.G. Chandramogan, Shri. C. Sathyan and Shri. Balasubramanian Thenamuthan. 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:
 - a) oversee the operation of an enterprise-wide risk management system;

- b) review, analyze and recommend the policy, framework, strategy and method to be used by the Company to manage risks or threats;
- c) review with management the corporate performance in the areas of legal risks and crisis management; and
- d) 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 13 (thirteen) times on the following dates on 4th April, 2013, 17th April, 2013, 2nd July, 2013, 13th August, 2013, 10th October, 2013, 28th October, 2013, 9th November, 2013, 27th November, 2013, 23rd December, 2013, 18th January, 2014, 19th February, 2014, 18th March, 2014 and 26th March, 2014.

C. CORE COMMITTEE

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

During the year, the Committee met once on 23rd January, 2014. There were no cases involving insider trading in the Company during the year.

D. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

In terms of Section 135 of the Companies Act, 2013, your Company has constituted Corporate Social Responsibility Committee comprising of three members of the Board, namely, Shri. P. Vaidyanathan (Chairman), Shri. K.S. Thanarajan and Shri. C. Sathyan. The Chairman of the Committee is Non-Executive and Independent Director. The Company Secretary acts as the Secretary of the Committee.

The Corporate Social Responsibility Committee is formed to carry out the following duties:

- a) To formulate and recommend to the Board, a Corporate Social Responsibility Policy, indicating the activities to be undertaken by the Company as specified in Schedule VII of Companies Act, 2013.

Activities relating to:

- (i) eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water;
- (ii) promoting education, including special education and

employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects;

- (iii) promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;

- iv) ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water;

- (v) protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art, setting up public libraries, promotion and development of traditional arts and handicrafts;

- (vi) measures for the benefit of armed forces, veterans, war widows and their dependants;

- (vii) training to promote rural sports, nationally recognised sports, paralympic sports and Olympic sports;

- (viii) contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;

- (ix) contributions or funds provided to technology incubator located within academic institutions which are approved by the Central Government;

- (x) rural development projects.

- b) To recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and

- c) To monitor the Corporate Social Responsibility Policy of the Company from time to time.

VII. GENERAL BODY MEETINGS

(i) Annual General Meeting

| FINANCIAL YEAR | DATE | TIME | VENUE |
|----------------|---------------------------------|-----------|---|
| 2010-11 | 2 nd September, 2011 | 11.00 A.M | PObui Reddy Hall, Sri Thyaga Brahma Gana Sabha, Vani Mahal, T Nagar, Chennai 600 017. |
| 2011-12 | 10 th August, 2012 | 10.00 A.M | PObui Reddy Hall, Sri Thyaga Brahma Gana Sabha, Vani Mahal, T Nagar, Chennai 600 017. |
| 2012-13 | 4 th September, 2013 | 11.00 A.M | PObui Reddy Hall, Sri Thyaga Brahma Gana Sabha, Vani Mahal, T Nagar, Chennai 600 017. |

(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 (two) Special Resolutions were passed:

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

At the Annual General Meeting of the Company held on 10th August, 2012, 1 (one) Special Resolution for approval for raising the ceiling limit for total foreign investment in the Company was passed.

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

1. Alteration of the Articles of Association of the Company to enable reclassification of shares.
2. Reclassification of the Authorised Share Capital and Alteration of the Memorandum of Association of the Company
3. Alteration of the Articles of Association of the Company upon reclassification of Authorised Share Capital.
4. 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 2013-14, a compounding notice was issued by Reserve Bank of India and levied a Compounding Fee of Rs.1,20,000/- for the delay in reporting of inward remittances received from a person resident outside India, by 4 to 5 days with regard to issue and allotment of 6% Unsecured Compulsorily Convertible Debentures during the year 2008-09.

(iii) The Company has fulfilled the following non-mandatory requirements as prescribed in Annexure I D to the Clause 49 of the Listing Agreement entered in to with the Stock Exchanges:

- (a) The Company has set up a Nomination and Remuneration Committee, details of which have been given earlier in this Report.
- (b) Whistle-Blower Policy

The Company has adopted a Whistle-Blower Policy and has established necessary mechanism through which employee 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 Reconciliation 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 reconciliation 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 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 (Prevention of Insider Trading) Regulations, 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 and CFO certification of the financial statements 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/The Hindu (English) and The Hindu/Maalai Sudar (Tamil).

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

X. GENERAL SHAREHOLDER INFORMATION

(i) Annual General Meeting

Date : 31st July, 2014

Time : 11.00 A.M.

Venue : P. Obul Reddy Hall, Sri Thyaga Brahma Gana Sabha, Vani Mahal, 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 31st July, 2014.

Financial Calendar

Financial Year : 1st April to 31st March

For the year ended 31st March 2014, results were announced on

First Quarter : 13th August, 2013

Half Year : 30th October, 2013

Third Quarter : 23rd January, 2014

Annual : 7th May, 2014

For the year ending 31st March, 2015 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

(ii) Date of Book Closure/Record Date

The date of book closure is as mentioned in the Notice of the AGM i.e., from 6th August 2014 to 8th August, 2014 (both days inclusive).

(iii) Dividend Payment Date

During the year, 2 (two) 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 |
|--------------------------------|------------------|--------------------------------|---------------------------------|
| 30 th October, 2013 | 150% | 5 th November, 2013 | 12 th November, 2013 |
| 23 rd January, 2014 | 100% | 29 th January, 2014 | 5 th February, 2014 |

(iv) Listing on Stock Exchanges

At present, the Equity Shares of the Company are listed on BSE Limited (BSE) and National Stock Exchange of India Limited (NSE). The annual listing fee for the financial year 2014-15 has been paid.

(v) Stock Code

ISIN No. : INE473B01035

BSE : 531531

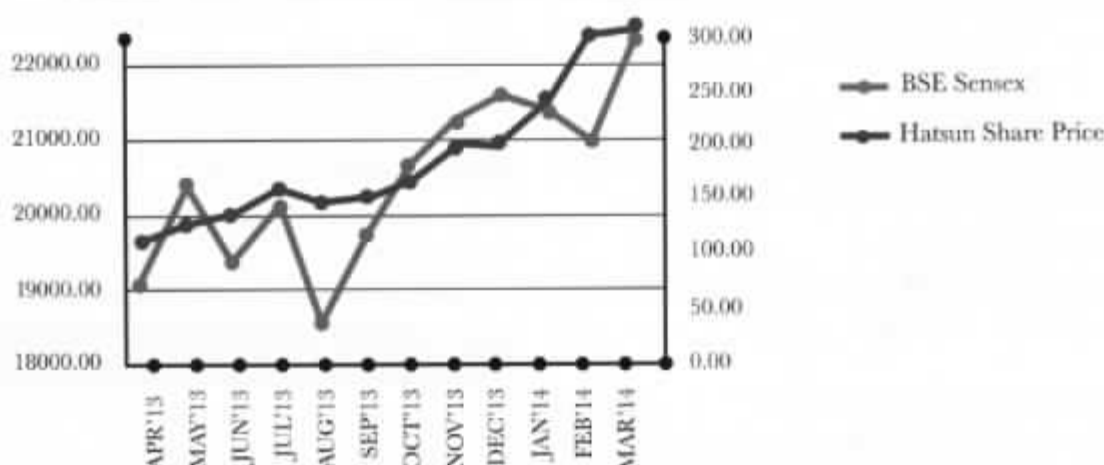
NSE (w.e.f. 20th June, 2014) : HATSUN

(vi) Market Price Data

| MONTH | HATSUN AGRO PRODUCT LIMITED | | | BSE INDICES - SENSEX | |
|----------------|-----------------------------|-----------|----------------------|----------------------|-----------|
| | HIGH PRICE | LOW PRICE | NO. OF SHARES TRADED | HIGH PRICE | LOW PRICE |
| April 2013 | 114.95 | 85.00 | 206,992 | 19,622.68 | 18,144.22 |
| May 2013 | 134.00 | 101.00 | 219,602 | 20,443.62 | 19,451.26 |
| June 2013 | 134.75 | 116.05 | 204,565 | 19,860.19 | 18,467.16 |
| July 2013 | 168.95 | 127.00 | 186,569 | 20,351.06 | 19,126.82 |
| August 2013 | 154.95 | 117.55 | 776,848 | 19,569.20 | 17,448.71 |
| September 2013 | 159.00 | 124.50 | 40,307 | 20,739.69 | 18,166.17 |
| October 2013 | 181.00 | 126.55 | 129,580 | 21,205.44 | 19,264.72 |
| November 2013 | 204.00 | 161.00 | 732,711 | 21,321.53 | 20,137.67 |
| December 2013 | 204.50 | 171.00 | 110,200 | 21,483.74 | 20,568.70 |
| January 2014 | 253.95 | 193.15 | 625,900 | 21,409.66 | 20,343.78 |
| February 2014 | 325.00 | 232.55 | 2,250,512 | 21,140.51 | 19,963.12 |
| March 2014 | 305.00 | 264.00 | 299,203 | 22,467.21 | 20,920.98 |

(vii) Performance Of Hatsun Share Price In Comparison With BSE Sensex

TABLE 10: PERFORMANCE OF HATSUN SHARE PRICE IN COMPARISON WITH BSE SENSEX

**(viii) 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 relating to share transfers, share certificates, change of address, dividends and any other query relating to shares should be addressed to the above Registrar and Share Transfer Agent.

(ix) Share Transfer System

The share transfers in physical form are presently processed and the share certificates are returned within 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.

(x) Distribution of Shareholding

TABLE 11: DISTRIBUTION OF SHAREHOLDING AS AT 31st MARCH 2014

| NO. OF SHARES HELD | NO. OF FOLIOS / SHAREHOLDERS | NO. OF FOLIOS / SHAREHOLDERS (%) | NO. OF SHARES | SHARE HOLDING (%) |
|--------------------|------------------------------|----------------------------------|---------------|-------------------|
| 1 - 100 | 2,444 | 48.16 | 55,260 | 0.05 |
| 101 - 200 | 236 | 4.65 | 36,689 | 0.03 |
| 201 - 300 | 166 | 3.27 | 45,711 | 0.04 |
| 301 - 400 | 52 | 1.02 | 18,949 | 0.02 |
| 401 - 500 | 98 | 1.93 | 47,207 | 0.04 |
| 501 - 1000 | 243 | 4.79 | 197,086 | 0.18 |
| 1001 - 5000 | 1,488 | 29.32 | 3,107,672 | 2.89 |
| 5001 - 10000 | 137 | 2.70 | 1,025,454 | 0.95 |
| 10001 & above | 211 | 4.16 | 103,157,620 | 95.80 |
| Total | 5,075 | 100.00 | 107,691,648 | 100.00 |

TABLE 12: CATEGORY OF SHAREHOLDERS AS AT 31st MARCH 2014

| CATEGORY | NO. OF FOLIOS / SHAREHOLDERS | NO. OF SHARES HELD | SHAREHOLDING (%) |
|-------------------------------|------------------------------|--------------------|------------------|
| Promoters | 6 | 80,742,030 | 74.98 |
| Directors and their relatives | 20 | 3,862,190 | 3.58 |
| Bodies Corporate | 98 | 3,386,226 | 3.14 |
| NRIs | 73 | 3,689,211 | 3.43 |
| Others | 4,878 | 16,011,991 | 14.87 |
| Total | 5,075 | 107,691,648 | 100.00 |

(xi) Dematerialisation of shares

About 96.75% of the shares are being held in dematerialized form as at 31st March, 2014.

TABLE 13: DISTRIBUTION OF SHARES WITH BREAK-UP OF PHYSICAL AND ELECTRONIC FORM AS AT 31st MARCH, 2014

| 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 | 105 | 2,339 | 2,444 | 2.07 | 46.09 | 48.16 | 971 | 54,289 | 55,260 | 0.00 | 0.05 | 0.05 |
| 2 | 101 - 200 | 19 | 217 | 236 | 0.37 | 4.28 | 4.65 | 2,835 | 33,854 | 36,689 | 0.00 | 0.03 | 0.03 |
| 3 | 201 - 300 | 3 | 163 | 166 | 0.06 | 3.21 | 3.27 | 850 | 44,861 | 45,711 | 0.00 | 0.04 | 0.04 |
| 4 | 301 - 400 | - | 52 | 52 | - | 1.02 | 1.02 | - | 18,949 | 18,949 | 0.00 | 0.02 | 0.02 |
| 5 | 401 - 500 | 10 | 88 | 98 | 0.20 | 1.73 | 1.93 | 5,000 | 42,207 | 47,207 | 0.00 | 0.04 | 0.04 |
| 6 | 501 - 1000 | 20 | 223 | 243 | 0.40 | 4.39 | 4.79 | 17,900 | 179,186 | 197,086 | 0.02 | 0.16 | 0.18 |
| 7 | 1001 - 5000 | 903 | 585 | 1,488 | 17.79 | 11.33 | 29.32 | 1,828,400 | 1,279,272 | 3,107,672 | 1.70 | 1.19 | 2.89 |
| 8 | 5001 - 10000 | 51 | 86 | 137 | 1.00 | 1.70 | 2.70 | 389,500 | 635,954 | 1,025,454 | 0.36 | 0.59 | 0.95 |
| 9 | 10001 & above | 30 | 181 | 211 | 0.59 | 3.57 | 4.16 | 1,249,250 | 101,908,370 | 103,157,620 | 1.17 | 94.63 | 95.80 |
| | Total | 1,141 | 3,934 | 5,075 | 22.48 | 77.52 | 100.00 | 3,494,706 | 104,196,942 | 107,691,648 | 3.25 | 96.75 | 100.00 |

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

As on March 31, 2014, the Company did not have any outstanding GDRs/ADRs/Warrants or any convertible instruments.

(xiii) 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, Angachu 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, Melebernur Road, Kundur Village, Honnali Taluk, Davangere District, Honnali - 577 219, Karnataka.
6. Kolasanahalli Plant: Sengan Pasuvanthalave Village, Kolasanahalli Panchayat, Palacode Taluk, Dharmapuri District - 636 805, Tamil Nadu.
7. Madurai Plant: No.76/2A, Dindigul Madurai Main Road, Thirusvazhawayanallur, Vadipatti Taluk, Madurai - 625 221, Tamil Nadu.
8. Thalaivasal Plant: V Kootu Road Pirivu, Attupanna, Periyeri Post, Attur Taluk, Thalaivasal, Salem District 636 102, Tamil Nadu.
9. Vellisandhai Plant: No.142/1b&1c, Hosur Main Road, Vellisandhai, Thandukaramahalli (Pb), Palacode, Dharmapuri 636 808, Tamil Nadu.
10. Salem Milk Product Plant: Attur Main Road, Ramalingapuram Village, Salem 636 107, Tamil Nadu.
11. Karur Plant: Ayyampalayam, No.871/1, Aravakurichi Taluk, Karur 639 111, Tamil Nadu.
12. Hyderabad Plant: Sy.No.32/Part, Suraram Industrial Area, Quthbullapur Mandal, Hyderabad 500 055, Telengana.
13. Chittoor Plant: Sy.No.821 & 822, M.Bandapalli Village, Puthalapattu Mandal, Chittoor 517 127, Andhra Pradesh.

(xiv) 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: allint@vsnl.com

For Investors' Assistance

Mr. S. Chandrasekar, Company Secretary

Hatsun Agro Product Limited

CIN: L15499TN1986PLC012747

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

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, 2014.

for HATSUN AGRO PRODUCT LIMITED

Sd/-

R.G. Chandramogan

Chairman & Managing Director

Place: Chennai

Date: 7th May 2014

**CERTIFICATE ON CORPORATE GOVERNANCE
TO THE MEMBERS OF 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, 2014 as stipulated in Clause 49 of the Listing Agreement entered by the 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 & implementations thereof adopted by the Company for ensuring the compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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 S.Dhanapal & Associates
Practising Company Secretaries
Sd/-

N. Ramanathan

Partner

Membership No: F6665

CP No: 11084

Place: Chennai

Date: 25th June, 2014

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

We, R.G. Chandramogan, Chairman & 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 of the Company for the year ended March 31, 2014 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 together 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 isolative of the Company's Code of Conduct.

3. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

4. We have indicated 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 and that the same have been disclosed in the notes to the financial statements; and

c) instances of significant fraud of which we have become aware 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.

Sd/-

R.G. Chandramogan

Chairman & Managing Director

Place: Chennai

Date: 7th May, 2014

Sd/-

S. Subramanian

Chief Financial Officer

Management Discussion & ANALYSIS

OVERVIEW

Hatsun Agro Product Limited ("Hatsun" or "the Company") is in the business of manufacture and sale of milk, milk products and ice cream.

The Financial statements are prepared in accordance with accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 8/2014 dated 4th April, 2014 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. Our Management accepts responsibility for the integrity and objectivity of the financial statements, as well as for the various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, so that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present our state of affairs, profit and cash flows for the year.

GENERAL ECONOMIC SCENARIO & INDUSTRY STRUCTURE

Indian economy grew at around 4.7% in 2013-14, although among the highest in the World, has slowed in the last two years. High inflation and slow growth continues to remain key concerns for the Government. However, with widespread reform measures initiated by the Government in recent months like narrowing external and fiscal imbalances, tightening monetary policy and addressing market volatility coupled with the expectations from the formation of a new Government, the Indian economy is expected to go back to an 8% growth trajectory if further structural reforms, particularly in the fields of energy, agriculture and the labor market are implemented quickly. India continues to be the largest producer of milk in the world and accounts for 17% share in global milk production. Milk production in India has gone up from 53.9 million tonnes (MT) in 1990-91 to more than 133 MT of milk in the year 2012-13. India, apart from being a leader in milk production, is also the largest consumer of milk in the world.

The Indian dairy industry is expected to grow at about 13-15% annually over the next 5 years, due to increase in consumption of value-added products and the value chain becoming more and more organised. The market share of value-added products is likely to increase to 31% from the current 21% during this period. The main factors driving growth are increased consumer interest in higher protein diets, greater affordability due to growing disposable incomes and rising awareness and availability of dairy through channels such as organised retail and food service segments. India's formal dairy market has shown strong growth in recent years, which is likely to accelerate due to product innovation, enabling government policies

and industry consolidation.

Your Company is well aware of the industrial scenario and being alert, focuses mainly on long-term goals, steady and profitable development. Its strong brand coupled with the varied product portfolio enables it to meet adverse conditions confidently and overcome it. Your Company remains confident of its long term business prospects and its ability to sustain a fair return to the shareholders.

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.

OPPORTUNITIES

Milk is the single largest agricultural commodity in value in the Country, valued at approximately Rs.400,000 crores. In India, milk is a regular part of the dietary programme, which results in steady rise in milk consumption and hence demand is likely to rise continuously and there is substantial growth potential for your Company.

Higher disposable income, greater awareness to health and nutrition and willingness to spend among young generation is rapidly enlarging this opportunity.

Ever increasing 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. 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 "IBACO" ice creams and "Arokya" 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

Frequent changes in Government policy with respect to export of milk products and announcement of adhoc subsidy to the farmers attached to co-operative societies are major deterrent faced by the Dairy Industry.

At present, organised dairy industry handles only 28% of the milk produced in the Country. Cost effective technologies, mechanisation and quality control measures are seldom exercised in unorganised sector and remain key issues to be addressed. There is a gross lack of awareness among farmers about the quality parameters, including microbiological and chemical contaminants as well as residual antibiotics.

Milk, being a highly perishable commodity, 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, continuous power supply and adequate transport support is another major deterrent faced by the Dairy Industry.

Your Company is focusing on the consistent availability and procurement of quality milk throughout the year by improving the per capital yield of animals by applying scientific methods, genetic improvements, scientific feeding, properly managed animal husbandry practices etc. Your Company constantly educates the farmers on how to maintain quality and improve milk yield by arranging supply of good quality feeds to farmers.

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 above involves large investment in the production and distribution infrastructure which can be provided only by bigger companies like us.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The CEO and CFO certification provided in the CEO and CFO certification section of the Corporate Governance Report discusses the adequacy of our internal control systems and procedures.

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 constantly upgrades and reconfigures 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, 2014 was 3310.

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.

Auditor's REPORT

INDEPENDENT AUDITOR'S 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, 2014, 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 notified under the Companies Act, 1956 ("the Act") read with the General Circular 8/2014 dated 4 April 2014 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. 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.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, 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:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) 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:

- (a) 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;
- (b) 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;
- (c) 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;
- (d) 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 read with the General Circular 8/2014 dated 4 April 2014 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013;
- (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, Directors, none of the directors is disqualified as on March 31, 2014, 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: 7th May, 2014

ANNEXURE REFERRED TO IN OUR REPORT OF EVEN DATE

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

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) There was no disposal of substantial part of the fixed assets during the year.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory. 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 relating to materials, labour and other items of cost 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 and we 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 | Income Tax | 150.00 | FY 1995-96 | High Court of Judicature, Madras |

(x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution or banks. The Company did not have any outstanding dues in respect of 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 bank or financial institutions.

(xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

(xvii) 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 to purchase certain fixed assets aggregating Rs.7,890.14 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 Number: 101049W

Sd/-

per S Balasubrahmanyam

Partner

Membership Number: 053315

Place: Chennai

Date: 7th May, 2014



BALANCE SHEET AS AT MARCH 31, 2014

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

| Particulars | Note No. | As at March 31, 2014 | As at March 31, 2013 |
|--|----------|-------------------------------|-------------------------------|
| I. EQUITY AND LIABILITIES | | | |
| (1) SHAREHOLDERS' FUNDS | | | |
| Share capital | 3 | 1,077.25 | 1,077.25 |
| Reserves and surplus | 4 | <u>16,862.44</u> 17,939.69 | <u>11,878.87</u> 12,956.12 |
| (2) NON-CURRENT LIABILITIES | | | |
| Long - term borrowings | 5 | 24,531.43 | 20,359.20 |
| Deferred tax liabilities, net | 6 | 2,784.01 | 2,716.08 |
| Other long term Liabilities | 7 | <u>52.47</u> 27,367.91 | <u>56.85</u> 23,132.13 |
| (3) CURRENT LIABILITIES | | | |
| Short -term borrowings | 8 | 15,029.68 | 12,812.24 |
| Trade payables | 9 | 9,055.54 | 8,483.59 |
| Other liabilities | 10 | 14,646.21 | 10,652.14 |
| Short-term provisions | 11 | <u>182.40</u> 38,913.83 | <u>673.83</u> 32,621.80 |
| TOTAL | | <u>84,221.43</u> | <u>68,710.05</u> |
| II. ASSETS | | | |
| (1) NON-CURRENT ASSETS | | | |
| Fixed assets | | | |
| - Tangible assets | 12 A | 48,555.82 | 38,702.09 |
| - Intangible assets | 12 B | 1,810.98 | 474.18 |
| Capital work-in-progress | | <u>10,630.59</u> 60,997.39 | <u>4,478.05</u> 43,654.32 |
| Investments | 13 | 79.98 | 67.98 |
| Loans and advances | 14 | 5,476.01 | 2,203.78 |
| Other non-current assets | 15 | <u>119.35</u> 66,672.73 | <u>313.37</u> 46,239.45 |
| (2) CURRENT ASSETS | | | |
| Inventories | 16 | 8,856.19 | 11,069.50 |
| Trade receivables | 17 | 2,189.79 | 4,277.58 |
| Cash and bank balances | 18 | 1,072.74 | 3,022.63 |
| Short-term loans and advances | 14 | 5,205.51 | 3,418.09 |
| Other current assets | 15 | <u>224.47</u> 17,548.70 | <u>682.80</u> 22,470.60 |
| TOTAL | | <u>84,221.43</u> | <u>68,710.05</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. 101049W
sd/-
per S. Balasubrahmanyam
Partner
Membership No: 053315

Place: Chennai
Date: May 7, 2014

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 7, 2014

sd/-
K.S. Thanarajan
Joint Managing
Director

sd/-
S. Chandrasekar
Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

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

| Particulars | Note No. | Year ended March 31, 2014 | Year ended March 31, 2013 |
|--|----------|------------------------------|------------------------------|
| REVENUE | | | |
| Revenue from operations (gross) | 19 | 249,721.14 | 216,795.79 |
| Less: Excise duty | | (366.96) | (293.89) |
| Revenue from operations (net) | | 249,354.18 | 216,501.90 |
| Other income | 20.1 | 848.81 | 330.19 |
| Total revenue (I) | | 250,202.99 | 216,832.09 |
| EXPENDITURE | | | |
| Cost of raw materials and components consumed | 21 | 181,047.39 | 161,604.30 |
| Purchases of traded goods | 22 | 17.42 | 961.56 |
| (Increase)/ decrease in inventories of finished goods, work-in-progress and traded goods | 23 | 3,897.98 | 973.71 |
| Employee benefits expenses | 24 | 7,596.25 | 6,211.28 |
| Other expenses | 25 | 39,019.29 | 31,972.76 |
| Total (II) | | 231,578.33 | 201,723.61 |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) (I)-(II) | | 18,624.66 | 15,108.48 |
| Depreciation | 12 A | 6,260.37 | 4,850.63 |
| Amortisation | 12 B | 236.67 | 181.24 |
| Interest income | 20.2 | (84.46) | (45.24) |
| Finance costs | 26 | 4,067.59 | 4,443.05 |
| Profit before tax | | 8,144.49 | 5,678.80 |
| TAX EXPENSES | | | |
| Current tax expense | | | |
| - Tax payable | | 1,707.13 | 1,136.20 |
| - MAT credit entitlement | | (1,707.13) | (100.24) |
| Net current tax expense | | - | 1,035.96 |
| Income tax pertaining to earlier years | | (92.01) | - |
| Deferred tax charge/(credit) | | 67.93 | 175.95 |
| Profit after tax | | 8,168.57 | 4,466.89 |
| Earnings per equity share (Nominal value per equity shares Re. 1 (March 31, 2013 - Re. 1)) (Refer Note: 38) | | | |
| - Basic earnings per share (in Rs.) | | 7.59 | 4.15 |
| - Diluted earnings per share (in Rs.) | | 7.59 | 4.15 |
| 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. 101049W
sd/-
per S. Balasubrahmanyam
Partner
Membership No: 053315

Place: Chennai
Date: May 7, 2014

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 7, 2014

sd/-
K.S. Thanarajan
Joint Managing
Director

sd/-
S. Chandrasekar
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

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

| Particulars | Year ended March 31, 2014 | Year ended March 31, 2013 |
|---|------------------------------|------------------------------|
| Cash flows from operating activities | | |
| Net profit before taxation | 8,144.49 | 5,678.80 |
| Adjustments for: | | |
| Depreciation on tangible assets | 6,260.37 | 4,850.63 |
| Amortisation on intangible assets | 236.67 | 181.24 |
| (Profit)/loss on sale of fixed assets-net | (528.16) | (201.58) |
| Deferred Income recognised | (4.40) | (4.40) |
| Amortisation of expenditure | (79.23) | (84.78) |
| Interest income | (84.46) | (45.24) |
| Unrealised exchange loss/(gain) | 28.70 | (19.78) |
| Interest and finance charges | 4,439.85 | 4,300.12 |
| Operating profit before working capital changes | <u>18,413.83</u> | <u>14,655.01</u> |
| (Increase)/Decrease in inventories | 2,213.31 | 3,052.44 |
| (Increase)/Decrease in trade receivables | 2,095.88 | (3,401.45) |
| (Increase)/Decrease in loans and advances | (1,825.26) | (936.86) |
| (Increase)/Decrease in claims receivable | 503.58 | (869.01) |
| Increase/(Decrease) in current liabilities and provisions | 899.76 | 2,814.39 |
| Increase/(Decrease) in provisions | 91.07 | 3.32 |
| Cash generated from operations | <u>22,392.17</u> | <u>15,317.84</u> |
| Direct taxes paid (net of refunds) | (2,376.76) | (1,036.34) |
| Net cash from/(used in) operating activities | <u>20,015.41</u> | <u>14,281.50</u> |
| Cash flows (used in) / from investing activities | | |
| Purchase of fixed assets (including capital work in progress) | (24,323.95) | (12,758.66) |
| Purchase of investments | (12.00) | (67.98) |
| Proceeds from sale of fixed assets | 704.01 | 451.89 |
| Deposits made during the year | (921.00) | (2,001.00) |
| Deposits redeemed during the year | 3,004.23 | 27.49 |
| Margin Money Deposits redeemed during the year | 228.00 | - |
| Interest received | 84.46 | 45.24 |
| Net cash from/(used in) investing activities | <u>(21,236.25)</u> | <u>(14,303.02)</u> |
| Cash flows (used in) / from financing activities | | |
| Term loans availed during the year | 21,127.80 | 26,300.89 |
| Term loans repaid during the year | (13,966.03) | (24,071.29) |
| Increase/(decrease) in facilities availed from banks | 2,211.70 | 4,053.07 |
| Public deposits repaid during the year | (0.87) | (93.81) |
| Dividend paid | (3,123.06) | (1,615.37) |
| Tax on dividends paid | (530.76) | (262.05) |
| Interest and finance charges paid | (4,364.60) | (4,257.79) |
| Net cash (used in)/from financing activities | <u>1,354.18</u> | <u>53.65</u> |
| Net (decrease) / increase in cash and cash equivalents | 133.34 | 32.13 |
| Cash and cash equivalents at the beginning of the year | 918.28 | 886.15 |
| Cash and cash equivalents at the end of the year | <u>1,051.62</u> | <u>918.28</u> |

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

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

| Particulars | Year ended March 31, 2014 | Year ended March 31, 2013 |
|--|------------------------------|------------------------------|
| a) Components of cash and cash equivalents | | |
| Cash and cheques on hand | 151.31 | 70.41 |
| Balances with Scheduled Banks | | |
| - in current accounts | 759.15 | 823.81 |
| - Deposits with original maturity less than 3 months | 100.00 | - |
| - in unpaid dividend accounts (restricted)* | 41.16 | 24.06 |
| | <u>1,051.62</u> | <u>918.28</u> |

* 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 LLP

Chartered Accountants
ICAI Firm Registration No. 101049W

sd/-

per **S. Balasubrahmanyam**
Partner

Membership No: 053315

Place: Chennai
Date: May 7, 2014

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 7, 2014

sd/-

K.S. Thanarajan
Joint Managing
Director

sd/-

S. Chandrasekar
Company Secretary

Notes to FINANCIAL STATEMENTS

Notes to financial statements for the year ended March 31, 2014
(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 provision of the Companies Act, 1956 read with General Circular 8/2014 dated April 4, 2014 issued by the Ministry of Corporate Affairs. 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.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognised.

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

c. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment loss, if any. Profit or Loss on disposal of intangible assets is recognised in the Statement of Profit and Loss. Intangible assets are amortized on a straight line basis over the estimated useful economic life.

d. 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.

e. 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.

f. 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 |

The estimated useful lives of assets acquired as part of the business acquisition from Jyothi Dairy Private Limited

| S.No. | ASSET CATEGORY | ESTIMATED USEFUL LIFE (YEARS) |
|--------------------------|-------------------|-------------------------------|
| TANGIBLE ASSETS | | |
| 1 | Buildings | 5 |
| 2 | Plant & Machinery | 5 |
| 3 | Vehicles | 3 |
| INTANGIBLE ASSETS | | |
| 4 | Goodwill | 5 |

g. 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.

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.

h. 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.

i. 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.

j. 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.

Export benefits on Vikhesh Krishi Gram Upaj Yojana (VKGUY) are recognized based on the recognition of related export revenue.

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

Royalty income is recognized on accrual basis.

k. 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.

l. 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.

m. 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.

n. 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.

o. 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 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. The Company has no long term leave component.

p. 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.

q. 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.

r. Provisions

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

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.

s. 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, 2014 | March 31, 2013 |
|---|------------------------|-----------------|
| 3.SHARE CAPITAL | | |
| Authorised shares | | |
| 250,000,000 equity shares of Re 1/- each (March 31, 2013: 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, 2013: 500,000 preference shares of Rs.100/- each) | 500.00 | 500.00 |
| | <u>3,000.00</u> | <u>3,000.00</u> |
| Issued capital | | |
| 107,821,648 equity shares of Re 1/- each (March 31, 2013:107,821,648 equity shares of Re 1/- each) | 1,078.22 | 1,078.22 |
| | <u>1,078.22</u> | <u>1,078.22</u> |
| Subscribed and fully paid | | |
| 107,691,648 equity shares of Re 1/- each (March 31, 2013: 107,691,648 equity shares of Re 1/- each) | 1,076.92 | 1,076.92 |
| | <u>1,076.92</u> | <u>1,076.92</u> |
| 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 |
| | <u>0.33</u> | <u>0.33</u> |
| | <u>1,077.25</u> | <u>1,077.25</u> |

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

Subscribed and fully paid

| Particulars | March 31, 2014 | | March 31, 2013 | |
|---------------------------------------|---------------------------|------------------------|--------------------|-----------------|
| | Nos. | Rs. | Nos. | Rs. |
| At the beginning of the year | 107,691,648 | 1,076.92 | 107,691,648 | 1,076.92 |
| Issued during the year | - | - | - | - |
| Outstanding as at the end of the year | <u>107,691,648</u> | <u>1,076.92</u> | <u>107,691,648</u> | <u>1,076.92</u> |

Subscribed and not fully paid

| Particulars | March 31, 2014 | | March 31, 2013 | |
|---------------------------------------|-----------------------|--------------------|----------------|-------------|
| | Nos. | Rs. | Nos. | Rs. |
| At the beginning of the year | 130,000 | 0.33 | 130,000 | 0.33 |
| Outstanding as at the end of the year | <u>130,000</u> | <u>0.33</u> | <u>130,000</u> | <u>0.33</u> |

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, 2013 - 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, 2014, the amount of per share dividend recognized as distributions to equity shareholders was Rs.2.50/- (March 31, 2013) Rs.1.70/-.

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, 2014 | March 31, 2013 |
|---|----------------|----------------|
| 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, 2014 | | March 31, 2013 | |
|--|----------------|----------|----------------|----------|
| | Nos. | %Holding | Nos. | %Holding |
| Equity shares of Re. 1/- each (March 31, 2013; Re.1/- each) fully paid | | | | |
| Mr. Chandramogan R.G. | 62,371,279 | 57.92 | 67,071,279 | 62.28 |
| Mr. Sathyan C. | 10,072,237 | 9.35 | 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, 2014 | March 31, 2013 | | |
|---|---------------------|----------------|--------------------|----------------|
| 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 | 3,328.16 | 3,328.16 | | |
| [A] | | | | |
| Capital reserve | 74.45 | 74.43 | | |
| [B] | | | | |
| Capital redemption reserve | | | | |
| Balance as per last financial statements | 899.02 | 899.02 | | |
| Less: Amount utilised towards issue of fully paid bonus shares | - | - | | |
| Closing balance | 899.02 | 899.02 | | |
| [C] | | | | |
| General reserve | | | | |
| Balance as per last financial statements | 4,613.30 | 4,166.61 | | |
| Add: Transferred from statement of profit and loss | 816.86 | 446.69 | | |
| Closing balance | 5,430.16 | 4,613.30 | | |
| [D] | | | | |
| Hedging Reserve | | | | |
| Balance as per last financial statements | (151.18) | - | | |
| Gains/(losses) arising during the year | | | | |
| Interest rate swap contracts cancelled during the year | 151.18 | - | | |
| Interest rate swap contracts entered during the year | (443.67) | (147.73) | | |
| Reclassification adjustments included in the statement of profit and loss | 257.33 | (3.43) | | |
| Closing balance | (186.34) | (151.18) | | |
| [E] | | | | |
| Surplus in the statement of profit and loss | | | | |
| Balance in Profit and Loss Account | | | | |
| Balance as per last financial statements | 3,115.12 | 1,226.00 | | |
| Net profit for the current year | 8,168.57 | 4,466.89 | | |
| Amount available for appropriation | 11,283.69 | 5,692.89 | | |
| Less: Appropriations | | | | |
| Dividend | | | | |
| - Interim (amount per share Rs.2.50 (March 31, 2013; Rs. 1.70)) | 2,692.29 | 1,830.76 | | |
| Tax on dividend | 457.55 | 300.32 | | |
| Transfer to General reserve | 816.86 | 446.69 | | |
| Total Appropriations | 3,966.70 | 2,577.77 | | |
| Net Surplus in the statement of profit and loss | 7,316.99 | 3,115.12 | | |
| [F] | | | | |
| Total | 16,862.44 | 11,878.87 | | |
| [A]+[B]+[C]+[D]+[E]+[F] | | | | |
| 5. LONG - TERM BORROWINGS | | | | |
| Particulars | Non Current Portion | | Current Maturities | |
| | March 31, 2014 | March 31, 2013 | March 31, 2014 | March 31, 2013 |
| Term loans | | | | |
| Indian rupee loan from banks (Secured) | 17,673.91 | 16,126.19 | 8,314.08 | 6,626.88 |
| Foreign currency loan from banks (Secured) | 6,857.52 | 4,233.01 | 1,278.79 | 118.15 |
| From other parties (Secured) | - | - | - | 319.08 |
| Other Loans and advances | | | | |
| Finance lease obligations (Secured) | - | - | - | 5.03 |
| Assets refinance obligations (Secured) | - | - | - | 0.71 |
| | 24,531.43 | 20,359.20 | 9,792.87 | 7,069.85 |
| | - | - | (9,792.87) | (7,069.85) |
| | 24,531.43 | 20,359.20 | - | - |

Amount disclosed under the head "Other liabilities" (Refer note 10)

NOTES TO FINANCIAL STATEMENTS

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

a. Term loans

(i) Term loan from banks (Secured)

| S.No. | Name of the Bank/ Financial institutions | Tenure of loan | Rate of Interest | Loan Limit | March 31, 2014 | March 31, 2013 | Security / Guarantee | Repayment terms | Loan Start Date | Number of instalments Due after March 31, 2014 |
|-------|---|-------------------|---------------------|------------|-----------------|----------------|--|---|--------------------|---|
| 1 | The South Indian Bank Limited | 6 years | 12% | 5,000.00 | 499.64 | 1,429.72 | 1. Exclusive charge on the Powder plant at Palacode. 2. Personal guarantee of Managing Director and Executive Director. | 60 equal monthly instalments of Rs.83.34 commencing after 1 year from the date of first drawal. | 20-Sep-08 | 6 |
| 2 | The South Indian Bank Limited | 6 years | 12% | 1,200.00 | 458.52 | 699.00 | 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 instalments of Rs.20 commencing after 1 year from the date of first drawal. | 9-Feb-10 | 23 |
| 3 | The South Indian Bank Limited | 6 years | 12% | 800.00 | 306.42 | 466.50 | 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 instalments of Rs.13.33 commencing after 1 year from the date of first drawal. | 9-Feb-10 | 23 |
| 4 | The South Indian Bank Limited | 6 years | 12% | 1,125.00 | 225.00 | 450.00 | 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 instalments of Rs.18.75 commencing after 1 year from the date of first drawal. | 19-Mar-09 | 12 |
| 5 | ICICI Bank Limited | 5 years | 12% + 12.25% | 2,000.00 | 600.00 | 1,900.00 | 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 part passu charges on Palacode dairy plant along with South Indian Bank. 4. Exclusive charges on land & building and plant & machinery at Thalavasal dairy plant, Chilling Centers at Uthangur, Walaja, Polur and Sindalavadam patti. 5. Extension of pledge of 110 lakhs shares (60 lakhs shares from Executive Director and 50 lakhs shares from Managing Director). | 20 quarterly instalments of Rs.100 commencing from the date of first drawal. | 14-Sep-10 | 6 |
| 6 | ICICI Bank Limited | 5 years | 11.25% + 11.50% | 7,900.00 | 4,740.00 | 6,320.00 | | 20 quarterly instalments of Rs.355 commencing from the date of first drawal. | 22-Mar-12 | 12 |

NOTES TO FINANCIAL STATEMENTS

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

a. Term loans

(i) Term loans from banks (Secured)

| S.No. | Name of the Bank/ Financial Institutions | Term of loan | Rate of Interest | Loan Limit | March 31, 2014 | March 31, 2013 | Security / Guarantees | Repayment terms | Loan Start Date | Number of installments Due after March 31, 2014 |
|-------|---|-----------------|---------------------|------------|-----------------|----------------|---|--|--------------------|---|
| 7 | ING Vysya Bank Ltd | 3 years | 12% | 2,500.00 | - | 1,264.66 | 1. Exclusive charge on fixed assets being created by the proposed funding. 2. Subservient charge on the fixed assets of the dairy plants at Solern, Kaschipuram and Belgium together valued at Rs. 6,749. 3. Personal guarantee from Mr. R.G. Chandrashekar. | 34 equal monthly instalments of Rs. 73,532 commencing from 30th June 2012. | 1-Jun-12 | - |
| 8 | State Bank of India | 5 years | 12.50% 12.75% | 3,000.00 | 3,747.30 | 3,000.00 | 1. Extension of charge on all current assets. 2. Parpassa first charge on dairy assets at Solern, Kaschipuram and Belgium along with ICICI Bank Limited. 3. Personal Guarantee of Mr. R.G. Chandrashekar and his spouse. | 16 Quarterly instalments of Rs. 312.50 commencing 30th June 2013. | 11-Sep-12 | 12 |
| 9 | Yes Bank Ltd | 5 years | 12% 12.25% | 4,000.00 | 3,111.11 | 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. Chandrashekar and Mr. C. Subhyan. 3. Pledge of 30,00,000 shares of the Company by Mr. R.G. Chandrashekar. | 11 Equal Quarterly repayments of Rs. 22,227 commencing 30th June 2013. | 30-Sep-12 | 14 |
| 10 | ICICI Bank Ltd | 6 years | 12.60% 12.85% | 3,000.00 | 3,000.00 | 1,533.19 | 1. Exclusive charge on the movable and intangible fixed assets of Guard Plant at Vellandhal. 2. Personal Guarantee of Mr. R.G. Chandrashekar and Mr. C. Subhyan. | 14 Quarterly instalments of Rs. 214.29 commencing from 30th June 2014. | 19-Dec-12 | 14 |
| 11 | Yes Bank Ltd | 5 years | 12.25% | 2,500.00 | 2,500.00 | - | Exclusive charges on the plant & machinery funded by the Term Loan, Personal Guarantee of Mr. R.G. Chandrashekar & Mr. C. Subhyan and Pledge of 30,00,000 shares of the Company by Mr. R.G. Chandrashekar. | 16 Quarterly instalments of Rs. 336.25 commencing from 30th April 2014. | 28-Sep-13 | 10 |
| 12 | The Bank of Nova Scotia | 2 years | 11% | 2,000.00 | 2,000.00 | - | Equitable Mortgage of Land & Building situated at Solern Plant (MPP), Exclusive charges on Plant & Machinery valued INR 236 million acquired out of the term loan, Personal Guarantee of Mr. R.G. Chandrashekar. | 7 quarterly instalments of Rs. 286.00 commencing from 14th June 2014. | 16-Dec-13 | 7 |
| 13 | Standard Chartered Bank | 3 years | 10.50% | 1,000.00 | 1,000.00 | - | Exclusive charges over the fixed assets at Vandalur, Exclusive charges over movable assets at 95 IBAGO outlets and Personal Guarantee of Mr. R.G. Chandrashekar & Mr. C. Subhyan. | 3 Yearly instalments of Rs. 333.33 commencing from 09th January 2015. | 9-Jun-14 | 3 |

n. Term loans

(i) Term loan from banks (Secured)

| S.No. | Name of the Bank/ Financial institution | Years of loan | Rate of Interest | Loan Limit | March 31, 2014 | March 31, 2013 | Security / Guarantee | Repayment terms | Loan Start Date | Number of installments Due after March 31, 2014 |
|-------|---|---------------|------------------|------------|------------------|----------------|--|--|-----------------|---|
| 14 | Sys Bank Ltd | 13 Months | 10.75% | 1,000.00 | 1,000.00 | - | Estimate of charge of the existing movable fixed assets charged to Sys Bank Ltd, Personal Guarantee of Mr. R.G. Chaudhary and Mr. C. Satish, Pledge of 50,00,000 shares of the Company by Mr. R.G. Chaudhary. | 3 equal quarterly installments of Rs. 333.33 commencing from 30th April 2013. | 20-Mar-14 | 3 |
| 15 | Axis Bank Ltd | 5 years | 11.75% | 3,000.00 | 3,000.00 | - | Exclusive charges on the fixed assets and equipment being funded by Axis Bank Ltd, Exclusive charges on the Land, Building, Plant & Machinery of Ice Cream Plant at Bellbills, Personal Guarantee of Mr. R.G. Chaudhary. | 16 equal quarterly installments of Rs. 112.50 commencing from 31st March 2013. | 20-Mar-14 | 16 |
| | | | | | 36,187.99 | 22,733.07 | | | | |

(ii) Foreign Currency Loans from banks (Secured)

| S.No. | Name of the Bank/ Financial institution | Years of loan | Rate of Interest | Loan Limit | March 31, 2014 | March 31, 2013 | Security / Guarantee | Repayment terms | Loan Start Date | Number of installments Due after March 31, 2014 |
|-------|---|---------------|------------------|------------|-----------------|----------------|---|---|-----------------|---|
| 1 | Standard Chartered Bank | 5 years | 10.60% to 10.75% | 5,000.00 | - | 6,251.16 | 1. Exclusive charge on the movable and immovable fixed assets to be funded out of ECB loan. | 15 equal Quarterly installments starting from 30 April 2014. | 10-Oct-12 | - |
| 2 | Standard Chartered Bank | 5 years | 11.20% to 12.00% | 6,271.00 | 6,330.72 | - | 1. Exclusive charges over the movable & immovable fixed assets funded out of ECB loan. | 16 quarterly installments amounting to Rs. 387.36 for the first 9 installments and Rs. 387.00 for the remaining installments. | 10-Jan-14 | 13 |
| 3 | Standard Chartered Bank | 5 years | 10.75% | 5,715.00 | 5,605.99 | - | 1. Exclusive charges over the movable & immovable fixed assets funded out of ECB loan. | 16 quarterly installments amounting to Rs. 361.36 for the first 9 installments and Rs. 361.92 for the remaining installments. | 11-Dec-13 | 16 |
| | | | | | 8,136.31 | 6,331.16 | | | | |

(iii) Term Loans from Other Parties (Secured)

| S.No. | Name of the Bank/ Financial institution | Years of loan | Rate of Interest | Loan Limit | March 31, 2014 | March 31, 2013 | Security / Guarantee | Repayment terms | Loan Start Date | Number of installments Due after March 31, 2014 |
|-------|---|---------------|------------------|------------|----------------|----------------|---|---|-----------------|---|
| 1 | First Leasing Company of India Limited | 5 years | 11% | 300.00 | - | 10.00 | 1. Exclusive charge on equipment 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 term of the loan. | The installments ranges from Rs.7.52 to Rs.10.05 and paid Monthly in arrears. | 6-Feb-11 | - |
| 2 | First Leasing Company of India Limited | 3 years | 11% | 200.00 | - | 100.00 | 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 term of the loan. | The installments ranges from Rs.9.24 to Rs.11.66 and paid Monthly in arrears. | 24-Feb-11 | - |
| 3 | First Leasing Company of India Limited | 5 years | 12.75% | 310.00 | - | 122.20 | 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 term of the loan. | The installments ranges from Rs.3.00 to Rs.11.50 and paid Monthly in arrears. | 5-Apr-11 | - |
| | | | | | - | 119.00 | | | | |

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

2. Finance lease obligations is secured by the hypothecation of vehicles when on lease, personal guarantee of the Managing Director and Executive Director for the entire term of the lease. The lease obligations outstanding to paid monthly in arrears. The installments amount ranges from Rs. 6.12 to Rs. 6.82. The number of installments ranges from 3 - 12 months.

3. Assets retirement obligation is secured by the hypothecation of plant and machinery, personal guarantee of the Managing Director and Executive Director for the entire term of the loan. The outstanding amount is to be paid monthly in arrears. The installment amount ranges from Rs. 5.75 to Rs. 9.01. The number of installments ranges from 3 - 12 months.

NOTES TO FINANCIAL STATEMENTS

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

| Particulars | March 31, 2014 | March 31, 2013 |
|--|------------------|------------------|
| 6. DEFERRED TAX LIABILITIES, NET | | |
| Deferred Tax Liability | | |
| Fixed assets: Impact of difference between tax depreciation and depreciation charged for financial reporting | 2,827.77 | 2,752.50 |
| 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 | (43.76) | (36.42) |
| | <u>2,784.01</u> | <u>2,716.08</u> |
| 7. OTHER LONG TERM LIABILITIES | | |
| Deferred Income | 56.85 | 61.25 |
| Less: Current portion of Deferred Income disclosed under the head "Other liabilities" (Refer note 10) | (4.38) | (4.40) |
| | <u>52.47</u> | <u>56.85</u> |
| 8. SHORT - TERM BORROWINGS | | |
| Short term loans | | |
| Loans repayable on demand from banks | | |
| Cash credit (Secured) | 11,409.98 | 5,693.24 |
| Packing Credit (Secured) | - | 3,421.30 |
| Packing Credit (Unsecured) | 952.63 | 2,978.40 |
| Factoring credit (Unsecured) | 2,667.07 | 719.30 |
| | <u>15,029.68</u> | <u>12,812.24</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 had been availed from Standard Chartered Bank and the facility was secured by charge on identified assets at Salem plant and the personal guarantee of Mr. R.G Chandramogan and Mr. C. Sathyan.

Unsecured Packing credit facility has been availed from HDFC Bank Limited. This facility has been personally guaranteed by Mr. R.G Chandramogan. Unsecured Factoring credit facility has been availed from Axis Bank Limited. This facility has been personally guaranteed by Mr. R.G Chandramogan.

| Particulars | March 31, 2014 | March 31, 2013 |
|-----------------------------------|-----------------|-----------------|
| 9. TRADE PAYABLES | | |
| Trade Payables (Refer note below) | 8,284.34 | 8,294.71 |
| Capital creditors | 771.20 | 188.88 |
| | <u>9,055.54</u> | <u>8,483.59</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, 2014 and March 31, 2013.

NOTES TO FINANCIAL STATEMENTS

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

| Particulars | March 31, 2014 | March 31, 2013 |
|--|------------------|------------------|
| 10. OTHER LIABILITIES | | |
| Current maturities of long-term borrowings (Refer Note 5) | 9,792.87 | 7,069.83 |
| Deferred Income - current portion (Refer Note 30) | 4.38 | 4.40 |
| Mark-to-market loss on derivative contracts | 443.66 | 147.73 |
| Interest accrued but not due on borrowings | 124.00 | 48.75 |
| Investor Education & Protection Fund shall be credited by following amount (as and when due) | | |
| - Unclaimed dividend | 41.16 | 24.06 |
| Unclaimed matured deposits and interest accrued thereon | 2.64 | 3.31 |
| Others | | |
| - Interest free security deposits from customers | 3,556.01 | 2,593.31 |
| - Advances received from customers | 208.31 | 192.78 |
| - Accrued Salaries and Benefits | 226.60 | 177.95 |
| - Value added tax payable | 106.49 | 253.26 |
| - Provident fund payable | 49.71 | 40.05 |
| - TDS payable | 43.73 | 76.26 |
| - Excise duty payable | 12.55 | - |
| - Employee State Insurance payable | 12.39 | 7.20 |
| - Central sales tax payable | 12.14 | 5.61 |
| - Others statutory dues payable | 9.57 | 5.42 |
| | <u>14,646.21</u> | <u>10,652.14</u> |
| 11. SHORT TERM PROVISIONS | | |
| Provision for employee benefits | | |
| Provision for gratuity | 56.97 | - |
| Provision for leave benefits | 125.43 | 91.33 |
| | <u>182.40</u> | <u>91.33</u> |
| Others Provisions | | |
| Income Tax (Net) | - | 78.52 |
| Interim dividend payable | - | 430.77 |
| Provision for tax on interim dividend payable | - | 73.21 |
| | - | 582.50 |
| | <u>182.40</u> | <u>673.83</u> |

NOTES TO FINANCIAL STATEMENTS

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

12 A. TANGIBLE ASSETS

| | Land | Buildings | Plant & Machinery | Computers Equipment | Furniture & Fittings | Office Equipment | Vehicles* | Lease Hold Improvements | Total |
|--|-----------------|------------------|-------------------|---------------------|----------------------|------------------|---------------|-------------------------|------------------|
| Cost / Valuation | | | | | | | | | |
| As at April 1, 2012 | 2,007.38 | 12,037.92 | 35,998.75 | 2,059.63 | 511.61 | 436.59 | 595.83 | 617.37 | 54,265.08 |
| Additions | 536.36 | 188.39 | 5,595.99 | 109.89 | 309.80 | 492.02 | 21.47 | 897.65 | 8,151.57 |
| Disposals | (26.01) | (10.93) | (869.26) | (11.67) | (14.80) | (14.45) | (32.48) | (94.76) | (1,074.36) |
| As at March 31, 2013 | 2,517.73 | 12,215.38 | 40,725.48 | 2,157.85 | 806.61 | 914.16 | 584.82 | 1,420.26 | 61,342.29 |
| Additions | 843.28 | 1644.88 | 8,864.99 | 168.70 | 141.24 | 285.40 | 288.21 | 288.65 | 12,525.35 |
| Additions through business acquisition | 2,019.72 | 834.61 | 884.54 | - | 0.34 | 0.19 | 25.20 | - | 3,764.60 |
| Disposals | (43.14) | (6.02) | (202.17) | (0.51) | (5.58) | (7.00) | (91.18) | (57.33) | (412.93) |
| As at March 31, 2014 | 5,337.59 | 14,688.85 | 50,272.84 | 2,326.04 | 942.61 | 1,192.75 | 807.05 | 1,651.58 | 77,219.31 |
| Depreciation | | | | | | | | | |
| As at April 1, 2012 | - | 1,841.61 | 14,444.98 | 1,175.49 | 323.65 | 284.24 | 272.08 | 271.57 | 18,613.62 |
| Charge for the year | - | 405.06 | 3,585.10 | 251.15 | 156.64 | 101.43 | 50.82 | 300.43 | 4,850.63 |
| Disposals | - | (0.65) | (745.33) | (5.71) | (7.03) | (12.79) | (18.16) | (34.38) | (824.05) |
| As at March 31, 2013 | - | 2,246.02 | 17,284.75 | 1,420.93 | 473.26 | 372.88 | 304.74 | 537.62 | 22,640.20 |
| Charge for the year | - | 500.01 | 4,775.51 | 261.45 | 113.40 | 162.54 | 61.77 | 385.69 | 6,260.37 |
| Disposals | - | (2.10) | (156.45) | (0.51) | (5.56) | (6.22) | (46.26) | (19.98) | (237.08) |
| As at March 31, 2014 | - | 2,743.93 | 21,903.81 | 1,681.87 | 581.10 | 529.20 | 320.25 | 903.33 | 28,663.49 |
| Net Block | | | | | | | | | |
| As at March 31, 2013 | 2,517.73 | 9,969.36 | 23,440.73 | 736.92 | 333.35 | 541.28 | 280.08 | 882.64 | 38,702.09 |
| As at March 31, 2014 | 5,337.59 | 11,944.92 | 28,369.03 | 644.17 | 361.51 | 663.55 | 486.80 | 748.25 | 48,555.82 |

*Vehicles includes assets costing Rs. 58.27 (previous year Rs. 58.27) acquired under finance lease. The current year depreciation charge on these assets amounts to Rs. 5.54 (previous year Rs. 5.54). The net block of these assets amounts to Rs. 58.75 (previous year Rs. 44.29)

NOTES TO FINANCIAL STATEMENTS

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

12 B. INTANGIBLE ASSETS

| | Goodwill | Computer software | Total |
|--|-----------------|-------------------|-----------------|
| Cost / Valuation | | | |
| As at April 1, 2012 | - | 600.22 | 600.22 |
| Additions | - | 187.27 | 187.27 |
| Disposals | - | - | - |
| As at March 31, 2013 | - | 787.49 | 787.49 |
| Additions | - | 208.47 | 208.47 |
| Additions through business acquisition | 1,365.00 | - | 1,365.00 |
| Disposals | - | - | - |
| As at March 31, 2014 | 1,365.00 | 995.96 | 2,360.96 |
| Depreciation | | | |
| As at April 1, 2012 | - | 132.07 | 132.07 |
| Charge for the year | - | 181.24 | 181.24 |
| Disposals | - | - | - |
| As at March 31, 2013 | - | 313.31 | 313.31 |
| Charge for the year | 44.88 | 191.79 | 236.67 |
| Disposals | - | - | - |
| As at March 31, 2014 | 44.88 | 505.10 | 549.98 |
| Net Block | | | |
| As at March 31, 2013 | - | 474.18 | 474.18 |
| As at March 31, 2014 | 1,320.12 | 490.86 | 1,810.98 |

NOTES TO FINANCIAL STATEMENTS

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

| Particulars | March 31, 2014 | | March 31, 2013 | |
|--|-----------------|-----------------|-----------------|-----------------|
| | Non Current | Current | Non Current | Current |
| 13. INVESTMENTS (Valued at Cost unless otherwise stated) | | | | |
| Trade Investment (Long term) | | | | |
| Investment in Equity Instruments (unquoted) | | | | |
| - 7,147 (March 31, 2013 - 7,147) 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 | - | 50.03 | - |
| - 179,477 (March 31, 2013 - 179,477) Class B : Equity Shares of Rs.10/- each fully paid-up in PPS Enviro Power Private Limited | 17.95 | - | 17.95 | - |
| - 3,000 (March 31, 2013 - Nil) Equity Shares of Rs.100/- each fully paid-up in Jeedimetla Effluent Treatment Limited with a premium of Rs.300/- per share | 12.00 | - | - | - |
| | <u>79.98</u> | - | <u>67.98</u> | - |
| | | | | |
| Particulars | Non Current | | Current | |
| | March 31, 2014 | March 31, 2013 | March 31, 2014 | March 31, 2013 |
| 14. LOANS AND ADVANCES | | | | |
| Capital Advances | | | | |
| Unsecured, considered good | 1,793.89 | 911.91 | - | - |
| Security Deposits | | | | |
| Unsecured, considered good | - | - | 2,949.66 | 2,421.09 |
| Advances recoverable in cash or in kind or for value to be received | | | | |
| Unsecured, considered good | - | - | 1,349.33 | 799.67 |
| Other loans and advances | | | | |
| Unsecured, considered good: | | | | |
| Advance to Suppliers | 300.00 | 300.00 | 888.92 | 187.35 |
| Salary advance | - | - | 17.60 | 9.98 |
| Advance income tax (Net of provision for taxation) | 441.11 | - | - | - |
| MAT credit entitlement | 2,699.00 | 991.87 | - | - |
| MAT credit entitlement (Relating to earlier years) | 242.01 | - | - | - |
| | <u>5,476.01</u> | <u>2,203.78</u> | <u>5,205.51</u> | <u>3,418.09</u> |
| | | | | |
| Particulars | Non Current | | Current | |
| | March 31, 2014 | March 31, 2013 | March 31, 2014 | March 31, 2013 |
| 15. OTHER ASSETS | | | | |
| (Unsecured Considered good, unless stated otherwise) | | | | |
| Non current bank balances | - | 228.00 | - | - |
| Claims Receivable | - | - | 187.45 | 653.89 |
| Unamortized Expenditure | | | | |
| Stamp duty paid on lease agreement | 14.65 | 17.12 | 2.31 | 2.31 |
| Ancillary cost of arranging the borrowings | 104.70 | 68.25 | 34.71 | 26.60 |
| | <u>119.35</u> | <u>313.37</u> | <u>224.47</u> | <u>682.80</u> |

NOTES TO FINANCIAL STATEMENTS

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

| Particulars | March 31, 2014 | | March 31, 2013 | |
|--|-----------------|---------------|-----------------|------------------|
| | Non Current | Current | Non Current | Current |
| 16. INVENTORIES (valued at lower of cost and net realizable value) | | | | |
| Raw materials and packing materials | | | | |
| | 3,623.44 | | | 2,272.43 |
| Work-in-progress | 1,221.82 | | | 1,222.52 |
| Finished goods | | | | |
| - manufactured | 2,305.60 | | | 6,203.43 |
| - traded | 3.93 | | | 3.38 |
| Stores, spares and loose tools | 1,701.40 | | | 1,367.74 |
| | <u>8,856.19</u> | | | <u>11,069.50</u> |
| 17. TRADE RECEIVABLES | | | | |
| Trade receivables outstanding for a period exceeding six months from the date they are due for payment | | | | |
| - Unsecured considered good | 6.67 | | | 3.64 |
| - Doubtful | - | | | - |
| Less: Allowance for bad and doubtful debts | <u>6.67</u> | | | <u>3.64</u> |
| Other debts | | | | |
| - Secured, considered good | 1,429.50 | | | 816.46 |
| - Unsecured considered good | 753.62 | | | 3,457.48 |
| | <u>2,183.12</u> | | | <u>4,273.94</u> |
| | <u>2,189.79</u> | | | <u>4,277.58</u> |
| 18. CASH AND BANK BALANCES | | | | |
| Cash and cash equivalents | | | | |
| (a) Cash on hand | - | - | 151.31 | 70.41 |
| (b) Balance with banks | | | | |
| - On current accounts | - | - | 759.15 | 823.81 |
| - Deposits with original maturity less than 3 months | - | - | 100.00 | - |
| - On unpaid dividend accounts | - | - | 41.16 | 24.06 |
| | <u>-</u> | <u>-</u> | <u>1,051.62</u> | <u>918.28</u> |
| Other Bank balances | | | | |
| Deposit with original maturity for more than 12 months | - | - | - | - |
| Deposit with original maturity for more than 3 months but less than 12 months | - | - | 1.12 | 2,010.87 |
| Margin money or security against borrowings, guarantees or other commitments | - | 228.00 | 20.00 | 93.48 |
| | <u>-</u> | <u>228.00</u> | <u>21.12</u> | <u>2,104.35</u> |
| Amount disclosed under non-current assets (Refer note 15) | - | (228.00) | - | - |
| | <u>-</u> | <u>-</u> | <u>1,072.74</u> | <u>3,022.63</u> |

Margin money deposits given as security

Margin money deposits with a carrying amount of Rs. 20 (March 31, 2013 : Rs. 63) are subject to first charge to secure the company's cash credit loans and Rs. Nil (March 31, 2013 : Rs.258.48) are subject to first charge to secure the company's term loan.

NOTES TO FINANCIAL STATEMENTS

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

| Particulars | Year ended March 31, 2014 | Year ended March 31, 2013 | |
|--|------------------------------|------------------------------|-----------------------|
| 19. REVENUE FROM OPERATIONS | | | |
| Sale Products | | | |
| (a) Finished Goods | | | |
| Milk | | | |
| Milk products | 158,035.69 | 129,115.76 | |
| Ice cream | 66,270.85 | 66,925.63 | |
| Cattle feed | 16,864.23 | 13,596.01 | |
| (b) Traded Goods | 7,296.91 | 4,819.10 | |
| Cattle feed | | | |
| Other operating revenue | 18.87 | 1,205.10 | |
| (c) Export Benefits | | | |
| (d) Royalty | 1,039.50 | 797.97 | |
| (e) Scrap sales and others | 6.48 | 7.07 | |
| Revenue from Operations (Gross) | 188.61 | 329.15 | |
| | <u>249,721.14</u> | <u>216,795.79</u> | |
| 20.1 OTHER INCOME | | | |
| Profit on sale of fixed assets (net) | 528.16 | 201.58 | |
| Recoveries and others | 320.65 | 128.61 | |
| | <u>848.81</u> | <u>330.19</u> | |
| 20.2 INTEREST INCOME | | | |
| Interest income on | | | |
| -Bank deposits | 125.80 | 36.95 | |
| -Inter corporate deposits, electricity deposits, etc. | 65.90 | 19.17 | |
| Less: | | | |
| Interest Income transferred to Capital work in progress | (107.24) | (10.88) | |
| | <u>84.46</u> | <u>45.24</u> | |
| 21. COST OF RAW MATERIALS AND COMPONENTS CONSUMED | | | |
| Inventory at the beginning of the year | 2,272.43 | 4,514.24 | |
| Add: Purchases | 182,398.40 | 159,362.49 | |
| Less: Inventory at the end of the year | 184,670.83 | 163,876.73 | |
| Cost of raw materials and components consumed | 3,623.44 | 2,272.43 | |
| | <u>181,047.39</u> | <u>161,604.30</u> | |
| Details of raw materials and components consumed | | | |
| Raw Milk | 145,058.32 | 134,403.17 | |
| Others* | 35,989.07 | 27,201.13 | |
| | <u>181,047.39</u> | <u>161,604.30</u> | |
| *includes raw material and packing material of milk products, ice-cream and cattle feed. | | | |
| Details of Inventory | | | |
| Raw material and components | | | |
| Ice Cream Materials | 1,085.82 | 785.81 | |
| Milk Products Materials | 1,530.59 | 593.82 | |
| Milk Materials | 680.90 | 494.93 | |
| Feed Materials | 326.13 | 397.85 | |
| | <u>3,623.44</u> | <u>2,272.43</u> | |
| 22. PURCHASES OF TRADED GOODS - CATTLE FEED | 17.42 | 961.56 | |
| | <u>17.42</u> | <u>961.56</u> | |
| Particulars | Year ended March 31, 2014 | Year ended March 31, 2013 | (Increase) / decrease |
| 23. (INCREASE)/DECREASE IN WORK-IN-PROGRESS AND FINISHED GOODS | | | |
| Inventory at the beginning of the year | | | |
| Traded goods | 3.38 | 9.19 | 5.81 |
| Work-in-progress | 1,222.52 | 917.99 | (304.53) |
| Finished goods (including excise duty) | 6,203.43 | 7,473.86 | 1,272.43 |
| | <u>7,429.33</u> | <u>8,403.04</u> | <u>973.71</u> |
| Inventory at the end of the year | | | |
| Traded goods | 3.93 | 3.38 | (0.55) |
| Work-in-progress | 1,221.82 | 1,222.52 | 0.70 |
| Finished goods (including excise duty) | 2,305.60 | 6,203.43 | 3,897.83 |
| | <u>3,531.35</u> | <u>7,429.33</u> | <u>3,897.98</u> |
| (Increase)/decrease in work-in-progress and finished goods | <u>3,897.98</u> | <u>973.71</u> | |

NOTES TO FINANCIAL STATEMENTS

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

| Particulars | Year ended March 31, 2014 | Year ended March 31, 2013 |
|---|------------------------------|------------------------------|
| Details of Inventory | | |
| Traded goods | | |
| Cattle feed | 3.93 | 3.38 |
| | <u>3.93</u> | <u>3.38</u> |
| Finished goods | | |
| Milk products | 1,358.12 | 5,580.53 |
| Ice cream | 652.74 | 400.20 |
| Milk | 45.56 | 37.48 |
| Cattle Feed | 249.18 | 185.22 |
| | <u>2,305.60</u> | <u>6,203.43</u> |
| Work-in-progress | | |
| Milk | 889.57 | 616.08 |
| Ice cream | 130.45 | 115.76 |
| Milk Products | 201.80 | 490.68 |
| | <u>1,221.82</u> | <u>1,222.52</u> |
| 24.EMPLOYEE BENEFIT EXPENSES | | |
| Salaries, wages and bonus | 5,958.47 | 4,861.56 |
| Contribution to provident and other funds | 350.81 | 298.77 |
| Gratuity Expense (Refer note : 39) | 78.34 | 78.49 |
| Staff welfare expenses | 1,208.63 | 972.46 |
| | <u>7,596.25</u> | <u>6,211.28</u> |
| 25.OTHER EXPENSES | | |
| Consumption of stores and spares | 2,048.90 | 1,418.97 |
| Power and fuel [net of power credits of Rs.12.47 (March 31, 2013 : Rs.23.56)] | 6,453.17 | 7,366.35 |
| Rent | 2,106.04 | 1,783.62 |
| Repairs & Maintenance | | |
| - Plant and machinery | 2,463.04 | 1,678.01 |
| - Building | 702.24 | 317.18 |
| - Others | 1,031.39 | 510.57 |
| Insurance | 298.09 | 293.74 |
| Rates and taxes | 289.46 | 311.92 |
| Legal and professional expenses | 345.41 | 223.96 |
| Payment to the auditors (Refer Note below) | 33.50 | 30.50 |
| Advertisement and sales promotion expenses | 5,040.98 | 3,292.96 |
| Commission on sales | 321.91 | 475.55 |
| Freight outwards | 8,669.49 | 7,646.69 |
| Printing and stationery | 283.35 | 208.74 |
| Service Charges | 4,675.38 | 3,448.14 |
| Donations | 10.07 | 8.09 |
| Directors sitting fees | 5.05 | 6.60 |
| Travelling and conveyance | 2,101.26 | 1,740.12 |
| Exchange differences, net | 807.19 | 1.80 |
| Miscellaneous expenses | 1,333.37 | 1,209.25 |
| | <u>39,019.29</u> | <u>31,972.76</u> |
| Payment to Auditors (excluding service tax) | | |
| As auditor : | | |
| - Statutory Audit Fee | 27.00 | 24.00 |
| - Limited review | 6.00 | 6.00 |
| - Reimbursement of expenses | 0.50 | 0.50 |
| | <u>33.50</u> | <u>30.50</u> |
| 26.FINANCE COST | | |
| Interest expenses | 4,360.62 | 4,334.06 |
| Ancillary borrowing costs | 79.23 | 84.78 |
| Bank charges | 198.17 | 142.93 |
| | <u>4,638.02</u> | <u>4,561.77</u> |
| Less: | | |
| Interest on loan transferred to Capital work in progress | (570.43) | (118.72) |
| | <u>4,067.59</u> | <u>4,443.05</u> |

NOTES TO FINANCIAL STATEMENTS

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

| Particulars | March 31, 2014 | March 31, 2013 |
|--|----------------|----------------|
| 27. CONTINGENT LIABILITIES | | |
| Claims made against the Company not acknowledged as debts in respect of income tax matters | | |
| Income tax matters | - | 150.00 |

The Company has imported certain items at concessional rates of customs duty under the Export Promotion Capital Goods Scheme (EPCGS). As at the Balance Sheet date, total Export Obligations under the EPCGS Scheme is USD Nil (Rs. Nil) (March 31, 2013: USD 380.86 lakhs (Rs. 20,714.96) which is to be fulfilled over a period of eight years from the date of the licenses. As at March 31, 2014, the Company has fulfilled Export Obligations amounting to USD 380.86 (Rs. 20,714.96) (March 31, 2013: USD 372.02 lakhs (Rs. 20,233.68) and has outstanding Export Obligation of USD Nil (Rs. Nil) (March 31, 2013: USD 8.85 lakhs (Rs. 481.20))

| Particulars | March 31, 2014 | March 31, 2013 |
|--|-----------------|-----------------|
| 28. CAPITAL COMMITMENTS | | |
| Estimated amount of contracts remaining to be executed on capital account (net of capital advances) and not provided for | 4,998.30 | 1,613.06 |
| | <u>4,998.30</u> | <u>1,613.06</u> |
| 29. RELATED PARTY DISCLOSURES | | |
| Related parties of the Company | | |
| Key management personnel | | |
| Mr. R.G. Chandramogan (Chairman and Managing Director) | | |
| Mr. K.S. Thamarajan (Joint Managing Director) | | |
| Mr. C. Sathyan (Executive Director) | | |
| Nature of Transactions: | | |
| Managerial remuneration | | |
| Mr. R.G. Chandramogan | 54.38 | 39.50 |
| Mr. K.S. Thamarajan | 63.26 | 42.28 |
| Mr. C. Sathyan | 50.05 | 37.54 |
| Dividends | | |
| Mr. R.G. Chandramogan | | |
| Mr. K.S. Thamarajan | 1,829.57 | 999.21 |
| Mr. C. Sathyan | 29.96 | 14.50 |
| | <u>292.09</u> | <u>148.46</u> |
| Balance at the year end | | |
| Interim Dividend Payable | | |
| Mr. R.G. Chandramogan | | |
| Mr. K.S. Thamarajan | - | 270.28 |
| Mr. C. Sathyan | - | 4.13 |
| | | <u>40.29</u> |
| 30. MOVEMENT IN DEFERRED INCOME | | |
| Opening balance of subsidy | 61.25 | 65.65 |
| Less: Income recognized during the year | (4.40) | (4.40) |
| Closing balance of subsidy * | <u>56.85</u> | <u>61.25</u> |
| *Disclosed in balance sheet as given below: | | |
| Deferred income (non-current) in under other long term liabilities (Note 7) | 52.47 | 56.85 |
| Deferred income (current) in under other long term liabilities (Note 10) | 4.38 | 4.40 |
| | <u>56.85</u> | <u>61.25</u> |

NOTES TO FINANCIAL STATEMENTS

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

| Particulars | March 31, 2014 | | March 31, 2013 | |
|--|------------------------|-------------------|------------------------|-------------------|
| | % 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 | 0.43% | 780.08 | 0.19% | 314.62 |
| Indigenous | 99.57% | 180,267.31 | 99.81% | 161,289.68 |
| | <u>100%</u> | <u>181,047.39</u> | <u>100%</u> | <u>161,604.30</u> |
| b) Stores and Spares | | | | |
| Imported | 1.58% | 32.36 | 0.36% | 5.17 |
| Indigenous | 98.42% | 2,016.54 | 99.64% | 1,413.80 |
| | <u>100%</u> | <u>2,048.90</u> | <u>100%</u> | <u>1,418.97</u> |

| Particulars | Year ended March 31, 2014 | | Year ended March 31, 2013 | |
|---|------------------------------|--|------------------------------|--|
| | | | | |
| 32. EARNINGS IN FOREIGN EXCHANGE (ACCRUAL BASIS) | | | | |
| Exports on FOB basis | 20,638.46 | | 19,583.08 | |
| Royalty income | 6.48 | | 7.07 | |
| | <u>20,644.94</u> | | <u>19,590.15</u> | |
| 33. CIF VALUE OF IMPORTS | | | | |
| Raw materials and components | 529.46 | | 257.64 | |
| Spare parts | 46.61 | | 10.90 | |
| Capital goods | 2,269.25 | | 1,048.18 | |
| | <u>2,845.32</u> | | <u>1,316.72</u> | |
| 34. EXPENDITURE IN FOREIGN CURRENCY (ON ACCRUAL BASIS) | | | | |
| Travel expenses | 48.74 | | 25.29 | |
| Export Commission | 27.12 | | 51.28 | |
| Professional charges | 42.25 | | 5.57 | |
| Others | 20.96 | | 10.04 | |
| | <u>139.07</u> | | <u>92.18</u> | |
| 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 | |
| Number of non-resident shareholders | - | | 2 | |
| Number of equity shares held on which dividend was due | - | | 703,128 | |
| Amount of dividend remitted in USD* | - | | 5.63 | |
| 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 | |
| Period to which it relates (Interim Dividend - 3) | 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* | 2.81 | | - | |

*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)

| Particulars | Foreign Currency (FCY) | March 31, 2014 | | March 31, 2013 | |
|---|------------------------|----------------|---------------|----------------|---------------|
| | | 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 | 412,501 | 247.91 | 5,750,480 | 3,127.65 |
| Trade payable | EUR | 29,000 | 23.95 | 9,000 | 6.26 |
| Trade payable | USD | - | - | 23,480 | 12.77 |
| Capital advance to supplier | USD | 18,658 | 11.21 | 48,061 | 26.14 |
| Capital advance to supplier | EUR | 1,635,221 | 1,350.31 | 7,683 | 5.34 |
| Trade advance to supplier | NZD | - | - | 309 | 0.14 |
| Trade advance to supplier | USD | 147,959 | 88.92 | - | - |
| Trade advance to supplier | EUR | 48,998 | 40.46 | - | - |

(b) Derivatives outstanding as at the reporting date:

| Particulars | Purpose |
|--|--|
| Interest rate swaps | |
| Notional amount USD 13,538,000 (March 31, 2013: USD 8,000,000) | 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 based on 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, 2014 | March 31, 2013 |
|---|----------------|----------------|
| Future minimum lease payments | | |
| Total minimum lease payments at the year end | - | 5.14 |
| Less : amount representing finance charges | - | (0.11) |
| Present value of minimum lease payments | - | 5.03 |
| (Rate of interest : 9.07% -13% p.a.) | - | |
| Lease payments for the year | - | 18.90 |
| Minimum Lease Payments | | |
| Not later than one year [Present value Nil as on March 31, 2014 (Rs. 5.03 as on March 31, 2013)] | - | 5.14 |
| Later than one year but not later than five years [Present value Rs. Nil - as on March 31, 2014 (Rs. Nil as on March 31, 2013)] | - | - |
| 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 years, over the life of the lease.

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

| | March 31, 2014 | March 31, 2013 |
|---|----------------|----------------|
| Not later than one year | 195.31 | 195.31 |
| Later than one year and not later than five years | 976.55 | 976.55 |
| Later than five years | 276.69 | 472.00 |
| Lease payments recognised in the statement of profit and loss | 195.31 | 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, 2014 | Year ended March 31, 2013 |
|---|------------------------------|------------------------------|
| Net Profit after taxation | 8,168.57 | 4,466.89 |
| 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.) | 7.59 | 4.15 |
| Diluted EPS (in Rs.) | 7.59 | 4.15 |

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, 2014 | Year ended March 31, 2013 |
|--|------------------------------|------------------------------|
| Present value of obligation at the beginning of the year | 401.05 | 326.53 |
| Current service cost | 76.03 | 61.00 |
| Interest Cost | 32.08 | 26.12 |
| Actuarial (gain) / loss on obligation | 7.41 | 23.28 |
| Benefits paid | (19.93) | (35.88) |
| Present value of obligation as at the end of the year | 496.64 | 401.05 |

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

| Particulars | Year ended March 31, 2014 | Year ended March 31, 2013 |
|---|------------------------------|------------------------------|
| Fair value of planned assets at the beginning of the year | 409.33 | 344.55 |
| Expected return on plan asset | 37.18 | 31.91 |
| Actuarial gain / (loss) on plan assets | - | - |
| Contributions | 13.09 | 68.95 |
| Benefits paid | (19.93) | (35.88) |
| Fair value of plan assets at the end of the year | 439.67 | 409.33 |

| Particulars | Year ended March 31, 2014 | Year ended March 31, 2013 |
|--|------------------------------|------------------------------|
| Current service cost | 76.03 | 61.00 |
| Interest cost on benefit obligation | 32.08 | 26.12 |
| Expected return on plan assets | (37.18) | (31.91) |
| Net actuarial (gain) / loss recognised in the year | 7.41 | 23.28 |
| Net benefit expense | 78.34 | 78.49 |
| Actual returns on planned Assets | 37.18 | 31.91 |
| Estimated contribution to the plan in the next accounting period | 60.00 | 60.00 |

Details of provision for gratuity

| Particulars | Year ended March 31, 2014 | Year ended March 31, 2013 |
|---|------------------------------|------------------------------|
| Present value of obligation as at the end of the year | 496.64 | 401.05 |
| Less : Fair value of plan assets at the end of the year | (439.67) | (409.33) |
| Plan (asset) / liability | 56.97 | (8.28) |

NOTES TO FINANCIAL STATEMENTS

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

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

| Particulars | 31-Mar-14 | 31-Mar-13 | 31-Mar-12 | 31-Mar-11 | 31-Mar-10 |
|--|-----------|-----------|-----------|-----------|-----------|
| Defined benefit obligation | 496.64 | 401.05 | 326.53 | 282.30 | 237.07 |
| Plan assets | (439.67) | 409.33 | 344.35 | 286.18 | 215.57 |
| (Surplus)/deficit | 56.97 | (8.28) | (17.82) | (3.88) | 21.70 |
| Experience adjustments on plan liabilities | 7.41 | 23.28 | (11.64) | 5.17 | 30.60 |
| Experience adjustments on plan assets | - | - | - | - | - |

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

| Particulars | 2013-14 | 2012-13 |
|---------------------------------------|---------|---------|
| Discount rate (p.a.) | 8% | 8% |
| Expected return on plan assets (p.a.) | 9.15% | 9.15% |
| 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. 7,890.14 (March 31, 2013 - Rs. 1,789.48). 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. During the current year, the Company had acquired the dairy business from Jyothi Dairy Private Limited ("JDPL"). Pursuant to the business, details regarding the assets acquired are given below:

| Particulars | Amount |
|----------------------------|----------|
| Purchase Consideration [A] | 5,129.60 |
| Less: | |
| Land | 2,019.72 |
| Buildings | 834.61 |
| Plant and machinery | 884.54 |
| Furniture and Fittings | 0.34 |
| Office equipment | 0.19 |
| Vehicles | 25.20 |
| Total [B] | 3,764.60 |
| Goodwill [A] - [B] | 1,365.00 |

42. 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.

Geographical segment

The Company's secondary segment is the geographic distribution of activities. Revenue and receivables are specified by location of customers while the other geographic information is specified by location of the assets. The following tables present revenue, expenditure and certain asset information regarding the company's geographical segments.

NOTES TO FINANCIAL STATEMENTS

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

| Year ended March 31, 2014 | India | Others | Total |
|----------------------------------|------------|-----------|------------|
| Revenue from operations | 228,743.59 | 20,977.55 | 249,721.14 |
| Other segment information | | | |
| Segment assets | 83,973.52 | 247.91 | 84,221.43 |
| Capital expenditure: | | | |
| Tangible fixed assets | 16,289.93 | - | 16,289.93 |
| Intangible assets | 1,573.47 | - | 1,573.47 |
| Year ended March 31, 2013 | India | Others | Total |
| Revenue from operations | 196,919.60 | 19,876.19 | 216,795.79 |
| Other segment information | | | |
| Segment assets | 65,598.38 | 5,111.67 | 68,710.05 |
| Capital expenditure | | | |
| Tangible fixed assets | 8,151.57 | - | 8,151.57 |
| Intangible assets | 187.27 | - | 187.27 |

43. The Income tax officials carried out a search at the registered office and some factories and also the residence of whole time directors of the Company on March 11, 2014. The Company has submitted the required details sought for and continue to cooperate with the Income tax department.

44. 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 7, 2014

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 7, 2014

sd/-

K.S. Thanarajan

Joint Managing
Director

sd/-

S. Chandrasekar

Company Secretary

Balance Sheet ABSTRACT

REGISTRATION DETAILS

Registration No : 12747

Balance Sheet Date: 31.03.2014

STATE CODE: 18

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: | 84,221.43 |
| Total Assets: | 84,221.43 |

SOURCES OF FUNDS

| | |
|--------------------------|-----------|
| Paid-up Capital: | 1,077.25 |
| Reserves & Surplus: | 16,862.44 |
| Non-current Liabilities: | 27,367.91 |
| Current Liabilities: | 38,913.83 |

APPLICATION OF FUNDS

| | |
|---------------------|-----------|
| Non-current Assets: | 66,672.73 |
| Current Assets: | 17,548.70 |

PERFORMANCE OF COMPANY (Amount in Rs. Lakhs)

| | |
|------------------------------------|------------|
| Turnover (Including Other Income): | 250,202.99 |
| Total Expenditure: | 231,578.33 |
| Profit Before Tax (+) (-): | +8,144.49 |
| Profit After Tax (+) (-): | +8,168.57 |
| Earning Per Share In Rs.: | 7.59 |
| Dividend Rate%: | 250 |

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: 7th May, 2014

Registered & Corporate OFFICE AND FACTORIES

CIN: L15499TN1986PLC012747

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, Karamapuram Village, Salem - 636 106, Tamil Nadu.

Kanchipuram Plant

No. 144, Timmasamudram Village (White Gate), Chennai Bangalore Highway,
Kanchipuram Taluk, Kanchipuram - 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.

Kolasanahalli Plant

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

Madurai Plant

No. 76/2B, Dindigul Madurai Main Road, Thiruvazhavayanallur, 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.

Karur Plant

Ayyampalayam, No.871/1, Aravakarichi Taluk, Karur 639 111, Tamil Nadu.

Hyderabad Plant

Sy.No. 32/Part, Suraram Industrial Area, Quthbullapur Mandal, Hyderabad 500 055, Telengana.

Chittoor Plant

Sy.No. 821 & 822, M. Banchapalli Village, Puthalapattu Mandal, Chittoor 517 127, Andhra Pradesh.

Proxy FORM

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

HATSUN AGRO PRODUCT LIMITED

CIN: L15499TN1986PLC012747

Regd. Office: Domaine, Door No.1/20A,

Rajiv Gandhi Salai (OMR), Karapakkam, Chennai 600 097.

Phone: 044-24501622; Fax: 044-24501422; Email: secretarial@hatsun.com; Web: www.hatsun.com

29TH ANNUAL GENERAL MEETING – 31ST JULY, 2014

Name of the member(s) :

Registered Address :

Email Id:

Folio no./DP ID no./Client ID no.:

I/We, being the member(s) of shares of the above named Company, hereby appoint

Name: Email:

Address:

..... Signature

or failing him/her

Name: Email:

Address:

..... Signature

or failing him/her

Name: Email:

Address:

..... Signature

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 29th Annual General Meeting of the Company to be held on Thursday, the 31st Day of July, 2014 at 11.00 A.M. IST, at P. Obul Reddy Hall, Sri Thyaga Brahma Gana Sabha, Vani Mahal, G.N. Chetty Road, T. Nagar, Chennai 600 017 and at any adjournment thereof in respect of such resolutions as are indicated below:

| Resolution Number | Resolution | Vote (Optional, see Note 2) (Please mention no. of shares) | | |
|--------------------------|--|---|---------|---------|
| | | For | Against | Abstain |
| Ordinary Business | | | | |
| 1. | Adoption of Balance Sheet, Statement of Profit and Loss, Report of the Board of Directors and Auditors for the financial year ended 31 st March, 2014 | | | |
| 2. | Ratification and confirmation of payment of Interim Dividends on equity shares for the financial year 2013-14 | | | |
| 3. | Appointment of a director in place of Shri. K.S. Thanarajan, who retires by rotation and being eligible, offers himself for re-appointment | | | |
| 4. | Appointment of M/s. S.R. Batliboi & Associates, LLP, Chartered Accountants, as the auditors of the Company | | | |
| Special Business | | | | |
| 5. | Appointment of Shri. Balasubramanian Thenamuthan as an Independent Director | | | |
| 6. | Appointment of Shri. P. Vaidyanathan as an Independent Director | | | |
| 7. | Appointment of Shri. N. Chandrasekaran as an Independent Director | | | |
| 8. | Retirement of a Director | | | |
| 9. | Approval for fixation of remuneration of Cost Auditors | | | |

Signed this.....day of.....2014.



.....
Name of the Member/Proxy

.....
Signature of the Member/Proxy

Notes:

1. This form, in order to be effective, should be duly stamped, completed, signed and deposited at the registered office of the Company, not less than 48 hours before the commencement of the meeting.
2. It is optional to indicate your preference. If you leave the for, against or abstain column blank against any or all resolutions, your proxy will be entitled to vote in the manner as he/she may deem appropriate.

Attendance SLIP

HATSUN AGRO PRODUCT LIMITED

CIN: L15499TN1986PLC012747

Regd. Office: Domaine, Door No.1/20A,

Rajiv Gandhi Salai (OMR), Karapakkam, Chennai 600 097.

Phone: 044-24501622; Fax: 044-24501422; Email: secretarial@hatsun.com; Web: www.hatsun.com

Registered Folio no. / DP ID no. / Client ID no.:

No. of shares held:

I certify that I am a member / proxy for the member of the Company.

I hereby record my presence at the 29th Annual General Meeting of the Company at P. Obul Reddy Hall, Sri Thyaga Brahma Gana Sabha, Vani Mahal, G.N. Chetty Road, T. Nagar, Chennai 600 017 on Thursday, the 31st Day of July, 2014 at 11.00 A.M. IST.

.....
Name of the Member/Proxy

.....
Signature of the Member/Proxy

Note:

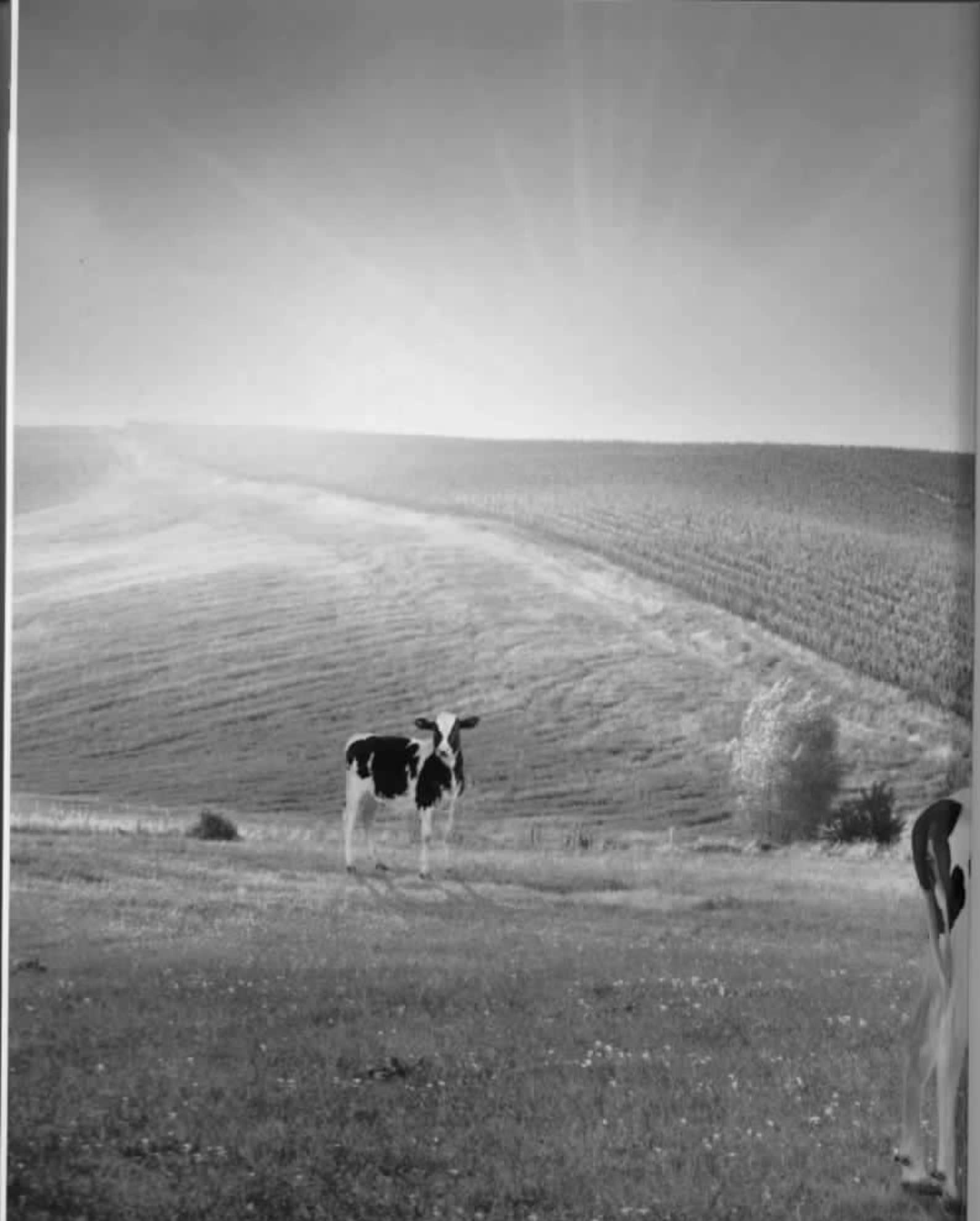
Please fill up this attendance slip and hand it over at the entrance of the meeting hall. Members are requested to bring their copies of the Annual Report to the AGM.



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HATSUN AGRO PRODUCT LTD.

CIN: L15499TN1986PLC012747

Domaine, Door No: 1/20A, Rajiv Gandhi Salai (OMR), Karapakkam, Chennai - 600 097, India.
P: 044-24501622; F:044-24501422; Email: secretarial@hatsun.com; Web: www.hatsun.com