
HATSUN

AGRO PRODUCT LIMITED

BOARD OF DIRECTORS

R.G. CHANDRAMOGAN
Chairman and Managing Director

K.S. THANARAJAN
Joint Managing Director

C. SATHYAN
Executive Director - Operations

P. VAIDYANATHAN

KIRTI P. SHAH

S. THIAGARAJAN

B.S. MANI

N. CHANDRASEKARAN

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

P. VAIDYANATHAN

S. THIAGARAJAN

B.S. MANI

SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

S. THIAGARAJAN

P. VAIDYANATHAN

K.S. THANARAJAN

REMUNERATION COMMITTEE

P. VAIDYANATHAN

S. THIAGARAJAN

B.S. MANI

COMPANY SECRETARY

B.V. NATH

REGISTERED & CORPORATE OFFICE

5-A, VIJAYARAGHAVA ROAD
T.NAGAR, CHENNAI - 600 017.
Phone: 091-044-28150014, Fax: 091-044-28152508
Website: www.hatsun.com
E-mail: secretarial@hatsun.com

FACTORIES

1. ATTUR MAIN ROAD
KARUMAPURAM VILLAGE
SALEM - 636 106, TAMIL NADU.
2. TIMMASAMUDRAM VILLAGE
CHENNAI-BANGALORE HIGHWAY
KANCHEEPURAM TALUK
KANCHEEPURAM - 631 502
TAMIL NADU.
3. NO.114, ANGADU ROAD
NALLUR, CHENNAI - 600 067
TAMIL NADU.
4. NO.277/2, DESUR VILLAGE
BELGAUM - 590 014
KARNATAKA.
5. NO.109/2, KUNDUR VILLAGE
HONNALI TALUK, DAVANGERE DISTRICT
HONNALI, KARNATAKA.
6. NO.142/IB & IC, HOSUR ROAD
VELLISANDAH
PALACODE 606 806, TAMIL NADU.
7. NO.76/2B, DINDUGAL MADURAI MAIN ROAD
THIRUVAZHAVAYANALLUR,
VADIAPATTI TALUK
MADURAI 625 221, TAMIL NADU.
8. VKO TTU ROAD, PRIVU
ATTUR PANNAI, CERLYERI ROAD,
ATTUR TALUK, SALEM DISTRICT
THALAIVASAL.

BRANCHES/DEPOTS

- | | |
|----------------|----------------|
| ◆ AVINASHI | ◆ PUDUCHERRY |
| ◆ BANGALORE | ◆ SALEM |
| ◆ CHENNAI | ◆ THANJAVUR |
| ◆ KANCHEEPURAM | ◆ THIRUNELVELI |
| ◆ MADURAI | ◆ VIJAYAWADA |

STATUTORY AUDITORS

M/S. S R BATLIBOI & ASSOCIATES

CHARTERED ACCOUNTANTS

“TPL HOUSE”, SECOND FLOOR, NO.3, CENOTAPH ROAD, TEYNAMPET, CHENNAI - 600 018.

BANKERS

STATE BANK OF INDIA • ICICI BANK LTD • SYNDICATE BANK • INDIAN OVERSEAS BANK • AXIS BANK
PUNJAB NATIONAL BANK • THE BANK OF RAJASTHAN LTD. • THE KARUR VYSYA BANK LTD.
LAKSHMI VILAS BANK LTD. • THE SOUTH INDIAN BANK LTD. • YES BANK LTD.

24th ANNUAL GENERAL MEETING

DATE : 5th AUGUST, 2009
DAY : WEDNESDAY
TIME : 11.00 A.M.
VENUE : ABIRAMI CHIDAMBARAM COMMUNITY HALL,
MAC CHARITIES, NO. 1/3A, RIVER VIEW ROAD,
KOTTURPURAM,
CHENNAI - 600 085.

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NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Twenty Forth Annual General Meeting of HATSUN AGRO PRODUCT LIMITED will be held on Wednesday, the 5th August 2009 at 11.00 a.m. at Abirami Chidambaram Community Hall, MAC Charities, No. 1/3A, River View Road, Kotturpuram, Chennai – 600 085 to transact the following businesses :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2009 and the Profit & Loss Account of the Company for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To ratify the Interim pro-rata dividend on 8% Non-Convertible Cumulative Redeemable Preference Shares declared and paid for the year ended 31st March 2009.
3. To ratify the Interim Dividend of 30% declared and paid for the year ended 31st March 2009.
4. To appoint a Director in place of Mr. P Vaidyanathan, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. C Sathyan, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Mr. Kirti P Shah, who retires by rotation and being eligible, offers himself for re-appointment.
7. To appoint M/s. S R Batliboi & Associates, Chartered Accountants, the retiring Auditors, as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

8. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution
“**RESOLVED THAT** subject to the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions of and Schedule XIII to the Companies Act, 1956 read with Article No.138A of the Articles of Association of the Company, approval be and is hereby accorded to the re-appointment of Mr R G Chandramogan, as the Chairman and Managing Director, for a further period of five years with effect from 1st April , 2009, on the following terms and conditions and remuneration as approved by the shareholders at their meeting held on 19th September 2007:”

A. Mr. R G Chandramogan, Chairman and Managing Director

I SALARY: Rs. 2,00,000/- (Rupees Two Lakhs only) per month.

II PERQUISITES: The perquisites are classified into three Categories, Category A,B and C – as follows :

CATEGORY 'A'

1) HOUSING

House Rent Allowance shall be subject to a ceiling of 50% of the Salary. If the Company provides the accommodation, the expenditure on hiring furnished accommodation shall be subject to 50% of the salary.

2) MEDICAL BENEFITS

Reimbursement of actual medical expenses incurred for self and family subject to a ceiling of one half month's salary in a year. Reimbursement of special medical expenses, if any, shall be subject to the approval of the Board of Directors.

3) LEAVE TRAVEL ALLOWANCE

Leave Travel Concession for self and family once in a year in accordance with the rules specified by the Company subject to a ceiling of one month's salary.

4) CLUB FEES

Fees for clubs subject to a maximum of two clubs. This will not include admission and life membership fee.

5) INSURANCE COVER

Personal Accident Insurance cover for self, the actual premium for which does not exceed Rs.5,000/- per annum.

Explanation : For the purpose of Category 'A', 'family' means the spouse, dependant children and dependant parents.

CATEGORY 'B'

- (1) The Benefit of the Company's Provident Fund and Superannuation Scheme in accordance with the rules for the time being in force. Contribution to Provident Fund and Superannuation Fund will not be included in the computation of the ceiling of perquisites to the extent these either singly or put together are not taxable, under the Income-tax Act, 1961. Gratuity payable will not exceed half a month's salary for each completed year of service.
- (2) Leave : Mr. R.G. Chandramogan will be allowed leave and encashment thereof as per the Rules of the Company.

CATEGORY 'C'

The Company shall provide a car with driver and telephone facility at the residence of Mr. R.G. Chandramogan. Provision of a car for use on Company's business and telephone at residence will not be considered as perquisites. Personal distance calls on telephone shall be billed by the Company to Mr. R.G. Chandramogan. Use of car for personal purpose shall be valued in accordance with the income-tax Rules for such use if any and shall be treated as taxable income.

The aggregate remuneration inclusive of salary, bonus, incentives, perquisites and allowances and other benefits payable to Mr. R.G. Chandramogan, shall always be subject to the overall ceilings laid down in Sections 198 and 309 and other applicable provisions of the Companies Act, 1956.

Minimum remuneration

Where in any financial year during the tenure of Mr. R.G. Chandramogan, the Company incurs a loss or its profits are inadequate, the Company shall pay to Mr. R.G. Chandramogan the above remuneration by way of salary, perquisites and others as a minimum remuneration subject to the limits specified under Section II of Part II of Schedule XIII of the Companies Act, 1956 (including any statutory modifications or re-enactments thereof, for the time being in force), or such other limits as may be prescribed by the Government from time to time as minimum remuneration. If such minimum remuneration is in excess of ceiling, if any, prescribed under Schedule XIII to the Companies Act, 1956, the Company shall seek permission of Central Government as may be necessary in accordance with the provision governing payment of remuneration in force at the relevant point of time.

The appointment is terminable by three months' notice or by payment of three months' salary in lieu thereof by either party."

9. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution
"RESOLVED THAT subject to the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions of and Schedule XIII to the Companies Act, 1956 read with Article No.138A of the Articles of Association of the Company, approval be and is hereby accorded to the re-appointment of Mr K S Thanarajan, as the Joint Managing Director, for a further period of five years with effect from 1st March 2009, on the following terms and conditions and remuneration as approved by the shareholders at their meeting held on 19th September 2007:

A. Mr. K S Thanarajan, Joint Managing Director

I SALARY : Rs. 2,00,000/- (Rupees Two Lakhs only) per month.

II PERQUISITES : The perquisites are classified into three Categories, Category A,B and C – as follows :

CATEGORY 'A'

1) HOUSING

House Rent Allowance shall be subject to a ceiling of 50% of the Salary. If the Company provides the accommodation, the expenditure on hiring furnished accommodation shall be subject to 50% of the salary.

2) MEDICAL BENEFITS

Reimbursement of actual medical expenses incurred for self and family subject to a ceiling of one half month's salary in a year. Reimbursement of special medical expenses, if any, shall be subject to the approval of the Board of Directors.

3) LEAVE TRAVEL ALLOWANCE

Leave Travel Concession for self and family once in a year in accordance with the rules specified by the Company subject to a ceiling of one month's salary.

4) CLUB FEES

Fees for clubs subject to a maximum of two clubs. This will not include admission and life membership fee.

5) INSURANCE COVER

Personal Accident Insurance cover for self, the actual premium for which does not exceed Rs.5,000/- per annum.

Explanation : For the purpose of Category 'A', 'family' means the spouse, dependant children and dependant parents.

CATEGORY 'B'

- (1) The Benefit of the Company's Provident Fund and Superannuation Scheme in accordance with the rules for the time being in force. Contribution to Provident Fund and Superannuation Fund will not be included in the computation of the ceiling of perquisites to the extent these either singly or put together are not taxable, under the Income-tax Act, 1961. Gratuity payable will not exceed half a month's salary for each completed year of service.
- (2) Leave : Mr. K.S.Thanarajan will be allowed leave and encashment thereof as per the Rules of the Company.

CATEGORY 'C'

The Company shall provide a car with driver and telephone facility at the residence of Mr. K.S.Thanarajan. Provision of a car for use on Company's business and telephone at residence will not be considered as perquisites. Personal distance calls on telephone shall be billed by the Company to Mr. K.S.Thanarajan. Use of car for personal purpose shall be valued in accordance with the income-tax Rules for such use if any and shall be treated as taxable income.

The aggregate remuneration inclusive of salary, bonus, incentives, perquisites and allowances and other benefits payable to Mr. K.S.Thanarajan, shall always be subject to the overall ceilings laid down in Sections 198 and 309 and other applicable provisions of the Companies Act, 1956.

Minimum remuneration

Where in any financial year during the tenure of Mr. K.S. Thanarajan, the Company incurs a loss or its profits are inadequate, the Company shall pay to Mr. K.S.Thanarajan the above remuneration by way of salary, perquisites and others as a minimum remuneration subject to the limits specified under Section II of Part II of Schedule XIII of the Companies Act, 1956 (including any statutory modifications or re-enactments thereof, for the time being in force), or such other limits as may be prescribed by the Government from time to time as minimum remuneration. If such minimum remuneration is in excess of ceiling, if any, prescribed under Schedule XIII to the Companies Act, 1956, the Company shall seek permission of Central Government as may be necessary in accordance with the provision governing payment of remuneration in force at the relevant point of time.

The appointment is terminable by three months' notice or by payment of three months' salary in lieu thereof by either party."

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10. To consider and if thought fit, to pass with or without modification, the following Resolution as a Special Resolution

“RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any of the Companies Act, 1956, (including any statutory modifications, or re-enactment thereof for the time being in force), the Listing Agreement and SEBI (Disclosure and Investor Protection) Guidelines, 2000 on preferential issues, as amended from time to time and in accordance with the relevant provisions of the Memorandum and Articles of Association of the Company and such rules and / or guidelines as may be in force, from time to time and subject to the approvals, consents, permissions and sanctions from such authorities, as may be necessary and also subject to such terms, conditions and modifications, as may be prescribed by any of them while granting approvals, consents, permissions and sanction, consent of the company be and is hereby accorded to the Board of Directors to offer, issue and allot not exceeding 250 (Two Hundred and Fifty) 6% Unsecured Compulsorily Convertible Debentures of Rs.10,00,000/- (Rupees Ten Lacs only) each, convertible into equity shares of face value of Rs.2/- each, at a price to be mutually agreed to by the Board of Directors of the company and the proposed allottees, but however, at a price which shall not be less than the higher of the price calculated as per the applicable SEBI Guidelines with the relevant date as 30 days prior to the date on which the meeting of the General Body of the shareholders is held approving this issue and Rs.100/- per share, to the following allottees for the amount mentioned in respect of each one of them and subject to such other terms and conditions, as may be agreeable to the Board of Directors of the company and the proposed allottees :

Sl. No.	Name of the Person / Entity	Amount – Rs. in Lacs
1.	Mr. Kirti P. Shah	680
2.	Mr. Ravi K. Shah	140
3.	Mr. Raju K. Shah	140
4.	Ms. Rekha K. Shah	140
5.	Mr. Satya Dhanushkodi	150
6.	Mr. Sankar Dhanushkodi	150
7.	M/s. Integrated Registry Services Limited	200
8.	Mr. Chellayan M	200
9.	Mr. Sivaramakrishnan R	200
10.	M/s. V.V.V & Sons Edible Oils Limited	100
11.	Mr. M. Arun	400
	Total	2500

“RESOLVED FURTHER THAT the equity shares resulting from such conversion of 6% Unsecured Compulsorily Convertible Debentures to be allotted shall be subject to the Memorandum and Articles of Association of the company and shall rank in all respects pari passu inter se and also with the then existing fully paid up equity shares of the company”.

“RESOLVED FURTHER THAT for the purpose of giving effect to the issue and allotment of the said 6% Unsecured Compulsorily Convertible Debentures, the Board or any Committee of the Board or any person(s) authorized by it, be and are hereby authorized, to do all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary or desirable and to settle any question, difficulty or doubt that may arise as regard to the issue, allotment, as it may in its absolute discretion deem fit and proper”.

“RESOLVED FURTHER THAT the “relevant date”, as defined under the SEBI (Disclosure and Investor Protection) Guidelines for the purpose of the conversion of the said debentures into the equity shares of the company would be 30 days prior to the date on which the meeting of the General Body of the shareholders is held approving this issue”.

Place : Chennai
Date : 7th July, 2009

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

By order of the Board
for **HATSUN AGRO PRODUCT LIMITED**
Sd/-
B.V. NATH
Company Secretary

Hatsun Agro Product Limited

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies, in order to be effective, must be received at the Company's Registered Office not less than 48 hours before the commencement of the Annual General Meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed for the purpose of the ensuing Annual General Meeting from 30th July, 2009 to 5th August 2009 (both days inclusive).
3. Shareholders are requested to notify our Registrar and Share Transfer Agent, M/s Alpha Systems Private Limited No.30, Ramana Residency, 4th Cross Street, Sampige Road, Malleswaram, Bangalore – 560 003, any change in their address, to ensure prompt receipt of all correspondence.
4. All correspondence with respect to transfer of shares, change of address, conversion of physical shares into Demat form etc., may be sent to the Registrar and Share Transfer Agent.
5. SHAREHOLDERS ARE ADVISED, IN THEIR OWN INTEREST THAT ALL THE COMMUNICATIONS TO THE COMPANY WHICH WOULD HAVE THE EFFECT OF AMENDING THE PERMANENT DETAILS OF THE LEDGER FOLIO SHOULD BE SIGNED BY ALL THE SHAREHOLDERS
6. Shareholders may visit Company's website : www.hatsun.com and contact us at e-Mail : secretarial@hatsun.com
7. Shareholders who are holding shares in more than one folio are requested to intimate to the Registrars the details of all folio numbers for consolidation into a single folio.
8. Shareholders are requested to check whether they have encashed Dividend Warrants for the earlier years. If the Dividend Warrants have become time-barred / lost, please apply for revalidation / fresh dividend warrant before the last dates indicated below:

Dividend for the year ended	Rate of Dividend	Record Date	Date on which unpaid amount is required to be transferred to IE&PF	Shareholders should apply latest by
2002-03	30%	28/09/2002	29/10/2009	09/10/2009
2003-04	20%	29/09/2003	30/10/2010	10/10/2010
2005-06	20%	14/07/2006	25/07/2013	05/07/2013
2006-07	20%	06/07/2007	27/07/2014	07/07/2014
2007-08	25%	07/11/2007	06/12/2014	16/11/2014
2007-08	35%	22/09/2008	29/10/2015	08/10/2015
2008-09	30%	26/06/2009	02/08/2016	13/07/2016

During the 2008-09, an amount of Rs.58,200/- being unclaimed dividend pertaining to the accounting year 2000-2001 was transferred to Investor Education and Protection Fund(IE&PF).

In terms of Section 205C of the Companies (Amendment) Act, 1999, all dividend amounts, which remain unclaimed and unpaid for a period of seven years will be transferred to the IE&PF. Shareholders will not be entitled to claim the dividend amounts once transferred to IE&PF.

PROFILE OF THE DIRECTORS BEING REAPPOINTED / APPOINTED

As per the Articles of Association of Hatsun, one-third of its Directors retire every year and, if eligible, offer themselves for re-election at every Annual General Meeting. Accordingly, Mr. P. Vaidyanathan, Mr. C. Sathyan & Mr. Kirti P Shah are liable to retire at the ensuing Annual General Meeting and being eligible, are offering themselves for re-appointment, in accordance with the provisions of the Companies Act, 1956. The brief Resume of each of the Directors who are proposed to be reappointed is given below:

- **Mr. P Vaidyanathan**, is a fellow member of The Institute of Chartered Accountants of India and associate member of The Institute of Company Secretaries of India and The Institute of Cost and Works Accountants of India. He joined the Board of Hatsun in 1999. At present Mr. P Vaidyanathan is the Chairman of Integrated Enterprises (India) Limited and Non Executive Chairman of City Union Bank Limited. He is also on the Board of reputed companies viz., Economist Communications Limited and Suja Shoei Industries Private Limited.

Mr. P Vaidyanathan has no Shareholding in the Company as at 31st March 2009.

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- **Mr C Sathyan**, a Company Executive, is a Bachelor of Business Management with specialization in Marketing. He has held various executive positions during his career spanning over 11 years. He has joined the Board of Hatsun in the year 2001 as Executive Director – Operations. He is also on the Board of Tonokya Food Private Limited and Hatsun Ingredients FZE.

Mr. C Sathyan is a Promoter-Director and holds 3204728 equity shares in the Company as at 31st March 2009.

- **Mr Kirti P Shah**, is a Non-Resident Indian and is associated with the Board of Hatsun for the past ten years. He is an engineer by profession and is managing business establishment in Indiana, USA. He has extensive knowledge in various fields of business.

Mr. Kirti P Shah holds 2,54,000 equity shares of Rs 2/- each and 5,08,000 Preference Shares of Rs. 100/- each as at 31st March, 2009.

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

Item No.8

Mr. R G Chandramogan was re-appointed as Managing Director for a period of five years effective from 1st April, 2004 and his term of office expired on 31st March, 2009. The Board at its meeting held on 29th January, 2009 renewed and revised his reappointment for a period of five years effective from 1st April, 2009. The abstract of the said renewal and revision has already been notified to the members under section 302(2) of the Companies Act, 1956.

The resolution is commended for adoption.

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

A copy of the detailed renewal of contract of appointment is available for inspection at the Registered Office of the company.

Item No.9

Mr. K S Thanarajan was re-appointed as Joint Managing Director for a period of five years effective from 1st March, 2004 and his term of office expired on 28th February, 2009. The Board at its meeting held on 29th January, 2009 renewed and revised his reappointment for a period of five years effective from 1st March, 2009. The abstract of the said renewal and revision has already been notified to the members under section 302(2) of the Companies Act, 1956.

The resolution is commended for adoption.

None of the Directors except Mr. K S Thanarajan are deemed to be interested in this resolution.

A copy of the detailed renewal of contract of appointment is available for inspection at the Registered Office of the company.

Item No.10

To meet the long term funds requirements of the company, it is propose to increase the equity / quasi equity capital of the company. It would be more advantageous for the company to go in for quasi equity capital i.e. convertible instruments into equity at a later date considering the expected improved profitability of the company in the periods to come. Accordingly, the company has been looking into to various options in this regard.

Based on discussions with various interested parties, they have expressed their willingness to consider such instruments which are convertible into equity based on the future financial performance of the company.

As per the SEBI Guidelines, the maximum period of conversion is 18 months. Taking into account all the applicable guidelines, it is proposed to consider to issue 6% unsecured compulsorily convertible debentures on private placement basis.

The proposed allotment will be in the long term interest of the company.

As per Section 81(1A) of the Companies Act, 1956 approval of the shareholders in the General Meeting is required for this proposed issue and accordingly the resolution is placed before the shareholders.

The Board recommends the resolution for the approval of the shareholders.

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None of the directors of the company except Mr. Kirti P Shah is deemed to be concerned or interested in the resolution.

In terms of 13.1A of Chapter XIII of SEBI (Disclosure and Investor Protection) Guidelines, 2000 the following disclosures are being made :

a. Object of the proposed issue :

The object of the proposed issue of 6% Unsecured Compulsorily Convertible Debentures of Rs.10,00,000/- (Rupees Ten Lakhs only) each aggregating to Rs.25 Crores is to part finance the expansion activities and to meet long term working capital needs of the Company.

b. Intention of the Promoters, Directors, Key Management personnel to subscribe to the Offer:

The Promoters of the Company and its Directors and Key Management personnel except Mr. Kirti P Shah, Director do not intend to participate in the proposed issue of 6% Unsecured Compulsorily Convertible Debentures. Mr. Kirti P Shah is proposing to subscribe for 68 numbers of 6% Unsecured Compulsorily Convertible Debentures of Rs.10,00,000/- (Rupees Ten Lakhs only) each aggregating to Rs. 6.80 crores.

c. Shareholding Pattern Before and After the offer :

The following is the share holding pattern of the Company before and after the proposed allotment :

Sl. No.	Category	Pre-Issue equity share holding as on the Relevant date*	Post Issue Equity Shareholding on full conversion at a price of Rs.100/- per share, which is higher than the price calculated with relevant date as 06.07.2009.**
		Rs 2/- each	Rs 2/- each
1	Promoters	24810767	24810767
2	Mutual Fund& UTI	—	—
3	Bank, FI and Insurance Companies	—	—
4	NRI & O C Bs	2019945	3619945
5	Bodies Corporate	277602	577602
6	Indian Public	6835776	7435776
7	Others	—	—
	Total	33944090	36444090

*The relevant date shall be 6th July, 2009.

** The post issue equity shareholding is on the assumption that the entire 6% Unsecured Compulsorily Convertible Debentures are converted into the equity shares of the company at a minimum at Rs.100/- per share. In case, the actual conversion is higher than the price of Rs.100/- per share, there shall be consequent changes in the shareholding.

d. Proposed time within which allotment will be completed :

The proposed allotment of 6% Unsecured Compulsorily Convertible Debentures will be completed within 15 days (Fifteen days only) from the date of passing of the Special Resolution at the Annual General Meeting by the Members of the Company. Provided that where the allotment is pending on account of any pendency of any approval of any regulatory authority or Central Government, the allotment shall be made within 15 days from the date of such approval.

e. Identity of proposed allottees with percentage of shares to be held by them in the expanded capital :

Sl. No.	Name of the proposed allottee	Pre Issue Equity Share holding as on the Relevant date*		Post Issue Equity Shareholding on full conversion at a price of Rs.100/- per share, which is higher than the price calculated with relevant date as 06.07.2009.**	
		Rs 2/- each	% on pre issue paid up capital of 33944090 shares	Rs 2/- each	% on post issue paid up capital of 36444090 shares
1.	Mr. Kirti P. Shah	254000	0.75	934000	2.56
2.	Mr. Ravi K. Shah	—	—	140000	0.39
3.	Mr. Raju K. Shah	—	—	140000	0.39
4.	Ms. Rekha K. Shah	—	—	140000	0.39
5.	Mr. Satya Dhanushkodi	—	—	150000	0.41
6.	Mr. Sankar Dhanushkodi	—	—	150000	0.41
7.	M/s. Integrated Registry Services Limited	—	—	200000	0.55
8.	Mr. Chellayan M	—	—	200000	0.55
9.	Mr. Sivaramakrishnan R	—	—	200000	0.55
10.	M/s. V.V.V & Sons Edible Oils Limited	—	—	100000	0.27
11.	Mr. M. Arun	—	—	400000	1.09
	Total	254000	0.75	2754000	7.56

*The relevant date shall be 6th July, 2009

** The post issue equity shareholding is on the assumption that the entire 6% unsecured convertible debentures are converted into the equity shares of the company at a minimum at Rs.100/- per share. In case, the actual conversion is higher than the price of Rs.100/- per share, there shall be consequent changes in the shareholding.

None of the proposed allottees have sold or disposed any of the holding during the 6 months period prior to the relevant date.

f. Lock-in period of the Equity Shares :

The 6% Unsecured Compulsorily Convertible Debentures on conversion into equity shares shall be locked in for a period of one year from the date of allotment as required by Clause 13.3.1(c-a) of SEBI (Disclosure and Investor Protection) Guidelines, 2000. Further, pursuant to clause 13.3.1(d) of SEBI Guidelines, 2000, the lock-in on shares acquired by conversion of the convertible debentures shall be reduced to the extent the convertible debentures have already been locked-in.

g. Change in control or composition of the Board :

There will be no change in the composition of the Board or any change in control of the company on account of the proposed preferential issue.

h. The proposed allotment shall be subject to all SEBI Guidelines applicable for such an issue.

i. Documents for Inspection :

Copy of the Auditors Certificate confirming the minimum price at which the 6% Unsecured Compulsorily Convertible Debentures can be converted into Equity Shares of face value of Rs.2/- (Rupees Two only) each of the Company to be approved by the Members and that the proposed issue of 6% Unsecured Compulsorily Convertible Debentures of Rs.10,00,000/-(Rupees Ten Lakhs only) each are in accordance with the SEBI (Disclosure and Investor Protection) Guidelines, 2000 will be available for inspection during the meeting.

The Board recommends that the resolution be passed.

None of the directors of your company excepting Mr. Kirti P Shah are deemed to be concerned or interested in the proposed resolution

Place : Chennai

Date : 7th July, 2009

Registered Office:

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

By order of the Board
for HATSUN AGRO PRODUCT LIMITED

Sd/-

B.V. NATH

Company Secretary

DIRECTORS' REPORT

To
The Members

Your Directors are delighted to present their 24th Report along with the Audited Accounts of the Company for the year ended March 31, 2009.

FINANCIAL RESULTS

The financial performance of your Company for the year ended March 31, 2009 is summarized below:

(Rs. in Lakhs)		
	Current Year ended 31 st March, 2009	Previous Year ended 31 st March, 2008
Income		
Net Sales	101305.01	86319.36
Other Income	181.51	624.07
	<u>101486.52</u>	<u>86943.43</u>
Profit		
a) Profit before Depreciation	4160.06	4645.32
b) Less : Depreciation	2167.87	1850.40
c) Profit after depreciation	1992.19	2794.92
d) Less: Income-tax - Current Period	588.35	979.11
Deferred Tax - Current Period	124.47	12.74
Reversal of Prior Period tax	(25.30)	(18.89)
Fringe Benefit Tax	107.88	89.40
e) Profit after Taxes	1196.79	1732.56
f) Add : Balance brought forward from previous year	1271.31	236.12
h) Balance available for appropriation	<u>2468.10</u>	<u>1968.68</u>
Appropriation		
a) Dividend		
- Interim Dividend on Preference Shares	40.64	20.38
- Interim Dividend on Equity Shares	203.66	169.72
- Proposed Final Dividend on Preference Shares	—	20.26
- Proposed Final Dividend on Equity Shares	—	237.61
b) Corporate Dividend Tax		
- Equity	34.61	69.23
- Preference	6.91	6.91
c) Transfer to General Reserve from current year profits	119.68	173.26
d) Balance carried to Balance Sheet	<u>2062.60</u>	<u>1271.31</u>
	<u>2468.10</u>	<u>1968.68</u>

PERFORMANCE OF THE COMPANY

OPERATING RESULTS

During the year, your Company registered a turnover (Net Sales) of Rs. 101305.01 Lakhs representing an increase of 17.36% over that of the previous year. Your Company registered a gross profit of Rs. 1992.19 Lakhs, as compared to previous year profit of Rs 2794.92 Lakhs.

Hatsun Agro Product Limited

The revenue in the milk and milk products increased by 17.05% over that of the previous year. The revenue in Ice Cream products increased by 27.03% over that of the previous year.

The decrease in the profitability is a result of a sudden volatility in dairy ingredients prices in the international market in the second half of the financial year 2008-09, currency fluctuation and temporary withdrawal of Vishesh Krishi and Gram Upaj Yojana (export benefit) by the Government.

EXPORTS

The value of exports during the year under review was Rs. 19022 Lakhs representing 18.78 % of Net Sales. Your Company is a Net Foreign Exchange Earner.

SUBSIDIARY COMPANY

Your company has incorporated a 100% wholly owned subsidiary called Hatsun Ingredients FZE in Ras Al Khaimah, UAE. The operations of the company have started from April 2009.

FUTURE PLAN

The major thrust areas in the current financial year would be in the domestic Dairy Ingredients, Milk Products and Ice Cream apart from Milk. This will help your Company to diversify its product profile and enable it to maintain its leadership position.

DIVIDEND

EQUITY SHARES

Your Company has declared an Interim Dividend of Re.0.60/- per Equity Share (30%) on 16th June, 2009 on Equity Share Capital, for shareholders whose names appear on the Register of Members as at 26th June, 2009 (Record Date), absorbing Rs.2,38,27,733/- (Dividend - Rs. 2,03,66,454/-; Corporate Dividend Tax – Rs. 34,61,279/-) and your Directors recommend the same to be deemed as the final dividend for the year ended 31st March, 2009.

PREFERENCE SHARES

As per the terms of the issue of 8% Non-convertible Cumulative Redeemable Preference Shares of Rs.100/- each, your Directors recommended a pro rata Interim Dividend for the year 2008-09 to the Preference shareholder whose name appear on the Register of Members as at 26th June, 2009 (Record Date) absorbing Rs.47,54,677/- (Dividend – Rs. 40,64,000/-; Corporate Dividend Tax – Rs. 6,90,677/-).

COMMUNITY DEVELOPMENT AND CHARITABLE WORK

Your Company has co-ordinated various Community Development Activities during the year. Your Company has organized free eye camps at Attur, Palagodu, Edappady, Rasipuram and Valapatty. Your Company has also distributed stationery, uniforms and school bags to school students.

DIRECTORS

In accordance with the provisions of the Articles of Association of the Company, three of your Directors, Mr. P Vaidyanathan, Mr. C Sathyan and Mr. Kirti P Shah are liable to retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

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

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm

- i) that in the preparation of the annual accounts for the financial year ended 31st March, 2009, the applicable accounting standards have been followed and that there are no material departures;
- ii) that your Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the period;
- iii) that your Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) that your Directors have prepared the annual accounts on a 'going concern' basis.

FINANCE

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

In terms of the provisions of Investor Education and Protection Fund Rules 2001, Rs.58,200/- of unclaimed dividend pertaining to the accounting year 2000-2001 was transferred to Investor Education and Protection Fund during the year.

DEPOSITORY SYSTEM

As the Shareholders 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 and Central Depository Services (India) Limited. In view of the advantages offered by the Depository System, the shareholders are requested to avail of the facility of dematerialization of the Company's shares.

FIXED DEPOSITS

The total amount of Fixed Deposits from the Public and Shareholders of the Company outstanding as at 31st March, 2009, was Rs.600.62 Lakhs out of which a sum of Rs. 366.49 Lakhs represent 962 accounts of Fixed/Non Cumulative Deposits and Rs.234.13 Lakhs represent 682 accounts of Cumulative Deposits. A sum of Rs.10.47 Lakhs under 36 accounts was unclaimed as on that date. Out of the above, Rs.4.94 Lakhs representing 14 accounts were since claimed and paid.

AUDITORS & AUDITORS' REPORT

M/s. S R Batliboi & Associates, Chartered Accountants, Chennai, Statutory Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for reappointment. The Company has received a certificate from them confirming that this appointment, if made, will be within the limits laid down under Section 224(1B) of the Companies Act, 1956. Your directors recommend the appointment of M/s. S R Batliboi & Associates, Chartered Accountants, Chennai as Statutory Auditors of the Company at the ensuing Annual General Meeting

EXPLANATION TO AUDITORS' REMARKS

Point No. 4 of the Auditors' Report

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

The Management believes based on the expert advice that the company has a strong case and hence, no provision and consequential adjustments, if any for such disputed amount have been considered in the financial statements.

Point No. (ix) (a) of Annexure to the Auditors' Report

Undisputed statutory dues including provident fund, investor education and protection fund, or employees' state insurance, income-tax, wealth-tax, service-tax, customs duty, excise duty, cess have generally been regularly deposited with the appropriate authorities *though there has been a slight delay in a few cases relating to remittance of provident fund and employees' state insurance dues.*

The cheques relating to remittance of provident fund and employees' state insurance dues have been made before the due date. However these cheques have got delayed due to the time taken for clearing of the cheques. We will ensure that in future such payments are cleared and credited to the provident fund and employees' state insurance accounts well within the due date.

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

According to the information and explanations given to us and on overall examination of the balance sheet of the Company, we report that *the Company has used funds raised on short-term basis for long-term investment. The Company has purchased certain fixed assets aggregating Rs. 677 millions out of short term loans from Banks and others.*

Hatsun Agro Product Limited

As informed in the earlier years' Annual Reports, 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. It is also to be mentioned here that the Company obtains loans from banks, which inherently permit it, to be used interchangeably for long term and short term purposes.

INDUSTRIAL RELATIONS

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

PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A)

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 forming part of this report for the year ended March 31, 2009

Part A – Employed throughout the year and in receipt of remuneration aggregating to Rs 24,00,000/- or more during 2008-2009.

S. No	Name	Age	Designation/ Nature of Duties	Remuneration (Gross) Rs	Qualification and Experience	Date of commencement of employment	Previous employment		
							Name of the organi sation	Designation	(No of Years)
1	Mr. R G Chandramogan	60	Chairman and Managing Director	37,32,400	Industrialist	04.03.1986	—	—	—
2	Mr. K S Thanarajan	60	Joint Managing Director	40,09,600	Post Graduate in Economics	18.07.1995	—	—	—
3	Mr V K Sinha	44	SGM Tech	31,20,000	BSc Dairy Tech	01.08.2004	Dynamix Dairy Ltd	GM Production	20 years

Part B – Employed for part of the year and in receipt of remuneration aggregating to Rs 2,00,000/- or more during 2008-2009

S. No	Name	Age	Designation/ Nature of Duties	Remuneration (Gross) Rs	Qualification and Experience	Date of commencement of employment	Previous employment		
							Name of the organi sation	Designation	(No of Years)
1	Mr. M. Jaganath	42	General Manager	24,00,000	B Com, DBA	06.02.2009	Nantamal Group Nirobi	National Sales Manager	18 years

- Notes :
1. All appointments are / were contractual.
 2. Gross remuneration includes salary & allowances, contribution to PF & other Funds and other benefits

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

The information required to be given under these heads in accordance with the provisions of 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, has been set out in the Annexure to this Report.

FOREIGN EXCHANGE EARNINGS AND OUTGO

The Foreign Exchange Earnings from Exports during the year 2008-09 amounted to Rs. 19,022.01 Lakhs.

Total outgo of Foreign Exchange during the year amounted to Rs.1068.44 Lakhs.

CORPORATE GOVERNANCE

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

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

ACKNOWLEDGEMENT

Your Directors thank the Company's Bankers and the Financial Institutions for their help and co-operation extended throughout the year. Your Directors place on record their appreciation for the support and co-operation that the Company received from its stakeholders and in specific its channel partners. Your Directors also record their appreciation for the excellent operational performance of the staff of the Company that contributed to the achievements of the Company. The Directors also acknowledge with much gratitude, the continued trust and confidence reposed by the shareholders of the Company.

For and On behalf of the Board of Directors

Sd/-

R G CHANDRAMOGAN

Chairman & Managing Director

Place : Chennai

Date : 23rd June, 2009

ANNEXURE TO THE DIRECTORS' REPORT

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

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

Power and Fuel Consumption:	2008 - 2009	2007 – 2008
ELECTRICITY:		
a) Purchased		
Units	331,99,895	336,74,352
Total Amount (Rs.)	154,364,063	160,922,952
Rate/Unit (Rs.)	4.65	4.78
b) Through Diesel Generation		
Units	6,873,430	2,803,421
Total Amount (Rs.)	94,160,985	34,830,103
Cost/Unit (Excluding Overhead and Depreciation)	13.70	12.42
Units per Litre of Diesel Oil	2.68	2.75
c) Furnace Oil		
Quantity (KL)	2,055,470	694,780
Total Amount (Rs.)	65,498,988	17,894,773
Average Rate/Litre	31.87	25.76
d) Coal		
Quantity (Kg)	15,198,929	18,214,955
Total Amount (Rs.)	50,337,372	47,409,479
Average Rate (Rs./Kg)	3.31	2.60

Consumption per Unit of Products i.e per litre of Milk

Electricity (Units) - Milk	0.0595	0.0624
- Ice Cream	0.2899	0.3992
Furnace Oil (Litres) - Milk	0.0038	0.0011
- Ice Cream	0.0127	0.0194
Coal(Kg) - Milk	0.0291	0.0332

FORM – B – DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

a. RESEARCH AND DEVELOPMENT

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

Process Development

Product Diversification

Quality enhancement to achieve International Standards.

2. Benefits derived

Continuous upgradation of the quality of products has resulted in better acceptance of the products by all classes of consumers.

3. Future plan of action

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

4. Expenditure on R & D*

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

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

b. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts Made

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

2. Benefits

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

Place : Chennai
Date : 23rd June 2009

For and on behalf of the Board of Directors
Sd/-
R.G. CHANDRAMOGAN
Chairman & Managing Director

REPORT ON CORPORATE GOVERNANCE

Your Company has complied with the requirements of Corporate Governance code as per the provisions of the listing agreement.

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Your Company has been continuously committed to maximizing the shareholder value on a sustained basis, while catering to the welfare of multiple stakeholders. Your Directors perceive their role as a trustee of the stakeholders in particular and the society at large, inculcating a culture of transparency, accountability and integrity across the Company.

Your Company has been maintaining high standards of auditing, disclosure and reporting. These standards and the innate transparent culture continue to define your Company's corporate governance philosophy based on strong systems, policies and procedures.

BOARD OF DIRECTORS

Composition of Board

The Board consists of eight Directors as at 31st March, 2009. Apart from the Chairman & Managing Director, who is an Executive Promoter Director, the Board comprises of two Executive Directors, one of whom is a Promoter Director and five non-executive Directors, four of whom are independent Directors. The composition of the Board is in conformity with Clause 49 of the listing agreement, which stipulates that not less than fifty percent of the Board should comprise of non-executive Directors and if the Chairman is an Executive Director, atleast half of the Board should be independent.

Number of Board Meetings

The Board of Directors met six times during the year on 21st May 2008, 16th June 2008, 24th June 2008, 18th July 2008, 30th October 2008 and 29th January 2009. The maximum gap between any two meetings was less than four months.

Table 1. Composition of the Board of Directors of Hatsun

Name of the Director	Designation	Category	Attendance particulars			No. of Other Directorships & committee memberships /Chairmanships		
			No. of Board Meetings		Last AGM	Other Directorships	Committee Memberships	Committee Chairmanships
			Held	Attended	(Yes/No)			
R G CHANDRAMOGAN	Chairman & Managing Director	Promoter / Executive Director	6	6	Yes	2	0	0
K S THANARAJAN	Joint Managing Director	Executive Director	6	6	Yes	1	0	0
C SATHYAN	Executive Director – Operations	Promoter / Executive Director	6	5	Yes	2	0	0
P VAIDYANATHAN	Director	Non-Executive / Independent Director	6	6	Yes	4	2	1
KIRTI P SHAH	Director	Non-Executive Director	6	-	No	0	2	0
S THIAGARAJAN	Director	Non-Executive / Independent Director	6	4	Yes	2	0	0
B S MANI	Director	Non-Executive / Independent Director	6	6	Yes	1	0	0
N CHANDRASEKARAN	Director	Non-Executive / Independent Director	6	3	Yes	8	8	0

None of the Directors is a member of more than ten Board level committees or Chairman of more than five such committees as per Clause 49 requirement.

Equity Shares held by Non – Executive Directors.

Mr. Kirti P Shah holds 254000 Equity Shares of Rs. 2/- each and 5,08,000 Preference Shares of Rs. 100/- each and Mr. B. S. Mani holds 1500 Equity Shares of Rs. 2/- each, in the Company.

Information supplied to the Board

The Board has complete access to all information, with 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 for the Company and 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 of 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.

Risk Management

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

AUDIT COMMITTEE

The Audit Committee of the Board comprises of three Directors, all of whom are non-promoter, non-executive and independent Directors. They are Mr. P Vaidyanathan(Chairman), who is a Fellow member of the Institute of Chartered Accountants of India, Mr. S Thiagarajan and Mr. B S Mani. The Audit Committee met five times during the year on 21st May 2008, 16th June 2008, 18th July 2008, 30th October 2008 and 29th January 2009. The time gap between any two meetings was less than four months.

Hatsun Agro Product Limited

Table:2. Attendance record of Audit Committee.

Name of Members	Category of Directors	Status	No. of Meetings	
			Held	Attended
P. Vaidyanathan	Independent	Chairman	5	5
S Thiagarajan	Independent	Member	5	3
B.S.Mani	Independent	Member	5	5

The functions of the Audit Committee include the following

- Oversight 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 auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
 - Changes, if any, in accounting policies and practices and reasons for the same.
 - Major accounting entries involving estimates based on the exercise of judgment by 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 utilized for purposes other than those stated in the offer document/ prospectus/notice and the report submitted by the monitoring agency monitoring the utilization 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 any significant findings and follow up there on.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- To review the functioning of the Whistle Blower mechanism, in case the same exists.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee is empowered to

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

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

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

REMUNERATION COMMITTEE

The Remuneration Committee of the Board comprises of three Directors, all of whom are non-executive and independent directors. They are Mr. P Vaidyanathan(Chairman), Mr. S Thiagarajan and Mr. B S Mani. The Committee met on 29th January 2009, during the year.

Table:3. Attendance record of Remuneration Committee.

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

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

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

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 10,000/- (Rupees Ten Thousand only) is being paid to all Non-executive Directors of the Board attending the Board meeting.

Table.4. Remuneration paid to Executive Directors

Name	Salary & Allowances (Rs.)	Contribution to P.F. & Other Funds	Other Benefits (Rs.)
Mr. R G Chandramogan	36,00,000	10,800	1,21,600
Mr. K S Thanarajan	36,00,000	2,88,000	1,21,600
Mr. C Sathyan	18,00,000	9,360	71,600

Hatsun Agro Product Limited

Note: All the Executive Directors are covered under the Company's Group Gratuity Scheme along with the other employees of the Company. Proportionate amount of gratuity is included in the above disclosure.

Table.5. Sitting fee paid to Non-Executive Directors

Sl.No.	Name of the Director	Sitting Fees (Rs.)
1.	Mr. P Vaidyanathan	60,000
2.	Mr. Kirti P Shah	—
3.	Mr. S Thiagarajan	40,000
4.	Mr. B S Mani	60,000
5.	Mr. N Chandrasekaran	30,000

SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

The Shareholders / Investors Grievance Committee of the Board of Directors comprises of three members, namely Mr. S Thiagarajan(Chairman), Mr. P. Vaidyanathan and Mr. K.S. Thanarajan, two of whom are independent and non executive Directors. The Committee met four times during the year on 21st May 2008, 18th July 2009, 30th October 2008 and 29th January 2009..

Table.6. Attendance record of Shareholders'/Investors' Grievance Committee

Name of Members	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 Investor grievances and ensures cordial investor relations. The Committee takes care of the following matters:

- Transfer/Transmission of shares.
- Split-up/Sub-division and Consolidation of shares.
- Issue of new and duplicate share certificates.
- Registration of Power of Attorneys, Probate Letters of transmission or similar other documents.
- Redressal of Shareholders' and investors' complaints like transfer of Shares, non-receipt of Balance Sheet, non receipt of declared dividend etc.
- Oversee the performance of the Registrar & 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.

There were no pending complaints as on 31st March 2009.

Details of Complaints

Number of complaints received from investors	-	32
Number not solved to the satisfaction of investors	-	Nil
Number of Share Transfers pending	-	Nil

Hatsun Agro Product Limited

Table.7. Nature of complaints received and attended during 2008-09

Sl. No.	Nature of Complaints	Received & Redressed during the year
1.	Correspondence regarding demat / general	5
2.	Correspondence regarding loss of shares and issuance of duplicate Share Certificates	8
3.	Correspondence regarding non-receipt of share certificate, transmission of shares	1
4.	Revalidation of dividend warrants / Non-receipt of dividend warrants	10
5.	Correspondence regarding Deposits	8

Compliance Officer

The Name and designation of the Compliance Officer of the Company

Mr. B V Nath, Company Secretary
No 5-A, Vijayaraghava Road, T Nagar, Chennai – 600 017, Tamil Nadu.

Phone No. : 091-044-28150014

Fax No. : 091-044-28152508,

e-mail ID : secretarial@hatsun.com

SHARE TRANSFER COMMITTEE

The Committee comprises of Mr. R G Chandramogan (Chairman), Mr. K S Thanarajan and Mr. P Vaidyanathan. Transfer of shares are processed and registered within the stipulated time, provided all the documents are valid and complete in all respects. As on 31st March, 2009, there were no share transfers pending for registration for more than 30 days.

During the Financial Year 2008-2009, Share Transfer Committee met fourteen times on the following dates namely, 18th April 2008, 23rd May 2008, 13th June 2008, 16th June 2008, 21st July 2008, 22nd August 2008, 12th September 2008, 22nd September 2008, 17th October 2008, 14th November 2008, 28th November 2008, 9th January 2009, 20th February 2009 and 20th March 2009.

SUB-COMMITTEE OF BOARD

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

During the Financial Year 2008-2009, the Committee met twenty four times on the following dates, 10th April 2008, 17th April 2008, 5th May 2008, 10th May 2008, 22nd May 2008, 3rd June 2008, 18th June 2008, 11th July 2008, 18th July 2008, 25th July 2008, 7th August 2008, 12th September 2008, 6th October 2008, 7th November 2008, 12th September 2008, 6th October 2008, 7th November 2008, 24th November 2008, 19th December 2008, 22nd December 2008, 6th January 2009, 13th January 2009, 21st January 2009, 30th January 2009, 25th February 2009, 18th March 2009 and 21st March 2009.

The Committee assigns the following roles:

- To review the position of funds of the Company, borrow monies required for the purpose of business, negotiate and finalize the terms of borrowings with the lenders, approve borrowings and look into its repayments.
- 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.

CORE COMMITTEE

The Core Committee for implementation of SEBI (Prohibition of Insider Trading) Regulations includes Mr. R.G.Chandramogan(Chairman), Mr. K S Thanarajan and Mr. C Sathyan. During the year the Committee met on 29th January, 2009. There were no cases involving insider trading in the Company during the year.

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 Hatsun and cautioning them of the consequences of violations.

MANAGEMENT

Management discussion and analysis report has been included and forms part of this Annual Report.

Disclosure

Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the Directors or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the Company at large.

Dealings in Company's shares on the part of persons in management have been reported to Board periodically.

Related party transactions

None of the transactions with any of the related parties were in conflict with the interests of the Company.

Dealings in Company's shares on the part of persons in management are being reported to the Core Committee.

Key Management Personnel and their Relatives

Key management personnel and the statement of transactions are provided under Schedule 19(2)(f) of the Annual Accounts Statements.

There were no relatives of key management personnel who were paid remuneration during the year.

Details of non-compliance by the Company.

Hatsun has complied with all the requirements of regulatory authorities. No penalties/strictures were imposed on the Company by the Bombay Stock Exchange, where the shares are listed, or by SEBI or by any other statutory authority on any matter related to capital market during the last three years.

Code of Conduct

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

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

Code for prevention of insider trading practices

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

Disclosure of accounting treatment in preparation of financial statements

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

CEO/CFO Certification

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

SHAREHOLDERS

Reappointment of Directors

As per the Articles of Association of Hatsun, one-third of its Directors retire every year and, if eligible, offer themselves for re-election at every Annual General Meeting. Accordingly, Mr. P Vaidyanathan, Mr. C Sathyan and Mr. Kirti P Shah are liable to retire at the ensuing Annual General Meeting and being eligible, are offering themselves for re-appointment, in accordance with the provisions of the Companies Act, 1956. The brief Resume of each of the Directors who are proposed to be reappointed is given below:

Hatsun Agro Product Limited

- **Mr. P Vaidyanathan**, is a fellow member of The Institute of Chartered Accountants of India and associate member of The Institute of Company Secretaries of India and The Institute of Cost and Works Accountants of India. He joined the Board of Hatsun in 1999. At present Mr. P Vaidyanathan is the Chairman of Integrated Enterprises (India) Limited and Non Executive Chairman of City Union Bank Limited. He is also on the Board of reputed companies viz., Economist Communications Limited and Suja Shoei Industries Private Limited.

Mr. P Vaidyanathan has no Shareholding in the Company as at 31st March 2009.

- **Mr C Sathyan**, a Company Executive, is a Bachelor of Business Management with specialization in Marketing. He has held various executive positions during his career spanning over 11 years. He has joined the Board of Hatsun in the year 2001 as Executive Director – Operations. He is also on the Board of Tonokya Food Private Limited and Hatsun Ingredients FZE.

Mr. C Sathyan is a Promoter-Director and holds 3204728 equity shares in the Company as at 31st March 2009.

- **Mr Kirti P Shah**, is a Non-Resident Indian and is associated with the Board of Hatsun for the past ten years. He is an engineer by profession and is managing business establishment in Indiana, USA. He has extensive knowledge in various fields of business.

Mr. Kirti P Shah holds 2,54,000 equity shares of Rs 2/- each and 5,08,000 Preference Shares of Rs. 100/- each as at 31st March, 2009.

Means of Communication.

Hatsun has its own website and all vital information relating to the Company and its performance including quarterly results are posted on that website, www.hatsun.com.

The quarterly, half yearly and annual results of the Company's performance are published in leading English and Vernacular newspapers like The Financial Express (English) and The Malai murasu(Tamil). The results are also posted in the EDIFAR link in the website of Securities and Exchange Board of India. Hatsun also comply with such other dissemination of information as specified by the Listing Agreement from time to time.

COMPLIANCE

The Certificate dated 23rd June 2009 obtained from Company's Secretarial Auditor, Mr. T.P. Sridhar, Practising Company Secretary, regarding compliance of conditions of corporate governance forms part of this report.

GENERAL BODY MEETINGS

Details of the last three Annual General Meetings are given in Table .

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

Financial Year	Date	Time	Venue
2005-06	19 th September, 2006	11.00 hrs	Andhra Social & Cultural Assn, Chennai
2006-07	19 th September, 2007	11.00 hrs	Andhra Social & Cultural Assn, Chennai
2007-08	22 nd September, 2008	11.00 hrs	Andhra Social & Cultural Assn, Chennai

No Postal ballots were used/invited during the year.

GENERAL SHAREHOLDER INFORMATION

Annual General Meeting

- Date and Time : 5th August, 2009 at 11.00 a.m.
- Venue : Abirami Chidambaram Community Hall, MAC Charities,
No. 1/3A, River View Road, Kotturpuram, Chennai – 600 085

Compliance Report

Hatsun is fully compliant with the applicable mandatory requirements of the revised Clause 49.

Hatsun Agro Product Limited

Table 9 Compliance Report

	Particulars	Clause of listing agreement	Compliance status
I.	Board of Directors	49 I	
	(A) Composition of Board	49 (IA)	Yes
	(B) Non executive Directors Compensation and disclosures	49 (IB)	Yes
	(C) Other provisions as to Board And Committees	49 (IC)	Yes
	(D) Code of Conduct	49 (ID)	Yes
II.	Audit Committee	49 (II)	
	(A) Qualified & Independent Audit Committee	49 (II A)	Yes
	(B) Meeting of Audit Committee	49 (II B)	Yes
	(C) Powers of Audit Committee	49 (II C)	Yes
	(D) Role of Audit Committee	49 (II D)	Yes
	(E) Review of Information by Audit Committee	49 (II E)	Yes
III.	Subsidiary companies	49 (III)	N.A.
IV.	Disclosures	49 (IV)	
	(A) Basis of related party transactions	49 (IV A)	Yes
	(B) Disclosure of Accounting Treatment	49 (IV B)	Yes
	(C) Board disclosures	49 (IV C)	Yes
	(D) Proceeds from public, rights, Preference issues etc.	49 (IV D)	N.A.
	(E) Remuneration of Directors	49 (IV E)	Yes
	(F) Management	49 (IV F)	Yes
	(G) Shareholders	49 (IV G)	Yes
V.	CEO/CFO Certification	49 (V)	Yes
VI.	Report on Corporate Governance	49 (VI)	Yes
VII.	Compliance	49 (VII)	Yes

Financial Calendar

Financial Year : 1st April to 31st March

For the year ended 31st March 2009, results were announced on

- o First Quarter : 18th July, 2008
- o Half Year : 30th October, 2008
- o Third Quarter : 29th January, 2009
- o Annual : 23rd June, 2009

For the year ending 31st March, 2010 results will be announced in

- o First Quarter : End of July, 2009
- o Half Year : End October, 2009
- o Third Quarter : End January, 2010
- o Annual : End June, 2010

Book Closure date

The date of book closure is from 30th July, 2009 to 5th August, 2009, inclusive of both days.

Dividend payment

An Interim Dividend of Re. 0.60/- per Equity Share was declared on June 16th, 2009 on equity share capital, to those shareholders whose name appeared in the Register of Members as on 26th June 2009.

Listing

At present, the Equity Shares of the Company are listed on Bombay Stock Exchange Limited (BSE). The annual listing fee for the year 2009-10 has been paid.

Hatsun Agro Product Limited

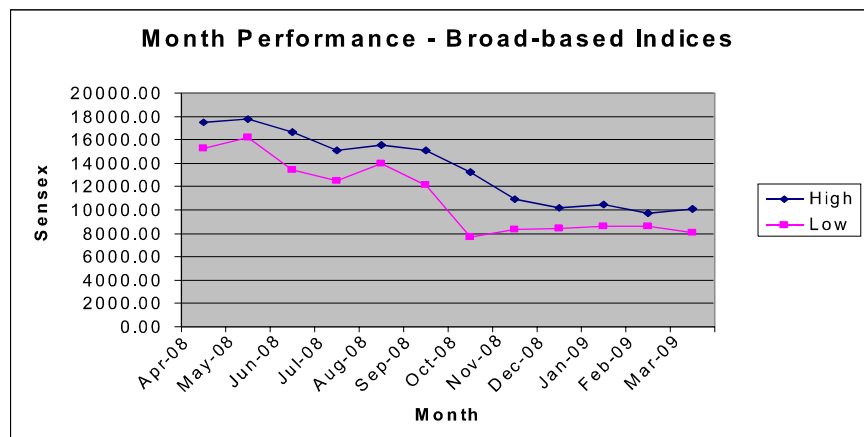
Hatsun's Stock Exchange Codes

ISIN No. INE473B01027
BSE Stock Code 531531

During 25th July, 2008 one equity share of Rs 10/- was sub-divided into five equity shares of Rs 2/- each

Table. 10. Stock Market Data.

Month	Bombay Stock Exchange Limited		BSE Indices - Sensex	
	High (Rs.)	Low (Rs.)	High	Low
Apr-08	89.40	70.23	17480.74	15297.96
May-08	107.20	79.20	17735.70	16196.02
Jun-08	101.80	78.80	16632.72	13405.54
Jul-08	89.98	79.00	15130.09	12514.02
Aug-08	90.90	79.90	15579.78	14002.43
Sep-08	88.70	72.00	15107.01	12153.55
Oct-08	74.60	42.60	13203.86	7697.39
Nov-08	62.60	39.00	10945.41	8316.39
Dec-08	47.80	34.55	10188.54	8467.43
Jan-09	58.00	41.00	10469.72	8631.60
Feb-09	64.40	46.50	9724.87	8619.22
Mar-09	55.90	40.20	10127.09	8047.17



Registrar and Transfer Agents

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

M/s. ALPHA SYSTEMS PRIVATE 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 communication on share transfers, share certificates, changes of address, dividends and any other query relating to shares should be addressed to the above Registrar and Transfer Agents.

Share Transfer System

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

Table 11. Distribution of Shareholding as on 31st March, 2009

No. of Shares held	No. of folios/ Shareholders	No. of folios/ Shareholders(%)	No. of Shares	Shareholding (%)
001 – 100	1519	39.10	23294	0.07
101 – 200	85	2.19	13098	0.04
201 – 300	106	2.73	26537	0.08
301 – 400	22	0.57	7900	0.02
401 – 500	1178	30.32	588589	1.73
501 – 1000	554	14.26	539108	1.59
1001 – 5000	274	7.05	736902	2.17
5001 – 10000	43	1.11	312225	0.92
10001 & above	104	2.67	31696437	93.38
Total	3885	100.00	33944090	100.00

Dematerialisation of Shares

About 93.11% of the shares are being held in dematerialised form as at 31st March, 2009.

Table 12. Distribution of Shares with break-up of Physical and Electronic form as on 31st March, 2009.

Sl. No.	No. of Equity Shares	No. of folios/ Shareholders		No. of folios/ Shareholders (%)		No. of Shares		Shareholding %	
		Phy.	Elect.	Phy.	Elect.	Phy.	Elect.	Phy.	Elect.
1.	001 - 100	221	1298	5.69	33.41	1816	21478	0.01	0.06
2.	101 - 200	0	85	0.00	2.19	0	13098	0.00	0.04
3.	201 - 300	11	95	0.28	2.45	2800	23737	0.01	0.07
4.	301 - 400	1	21	0.03	0.54	350	7550	0.00	0.02
5.	401 - 500	821	357	21.13	9.19	410500	178089	1.21	0.52
6.	501 - 1000	391	163	10.06	4.20	388550	150558	1.14	0.44
7.	1001 - 5000	139	135	3.58	3.47	373000	363902	1.10	1.07
8.	5001 - 10000	7	36	0.18	0.93	57000	255225	0.17	0.75
9.	10001 & ABOVE	30	74	0.77	1.90	1104250	30592187	3.25	90.13
	Total	1621	2264	41.72	58.28	2338266	31605824	6.89	93.11

Hatsun Agro Product Limited

Table 13. Shareholding Pattern as at 31st March 2009

Category	No. of folios/ Shareholders	No. of Shares held	Shareholding (%)
Promoters	7	24772087	72.98
Directors and their relatives	*13	1572705	4.63
Overseas Body Corporate	1	1696500	5.00
Other Bodies Corporate	73	281039	0.83
NRIs	13	47345	0.14
Others	3778	5574414	16.42
Total	3885	33944090	100.00

* A Non Resident Director holding 2,54,000 shares accumulating to 0.75% is classified under Directors and relatives.

Location of Plants

1. Attur Main Road
Karumapuram Village
Salem - 636 106
Tamil Nadu.
2. Timmasamudram Village (White Gate)
Chennai-Bangalore Highway
Kancheepuram - 631 502
Tamil Nadu.
3. No.114, Angadu Road
Nallur, Chennai - 600 067
Tamil Nadu.
4. No.277/2, Desur Village
Belgaum - 590 014
Karnataka.
5. No.109/2, Kundur Village
Honali Taluk
Davangere District
Honali, Karnataka.
6. No 142/1B & 1C – Hosur Road
Vellisandhai, Palacode – 636 806
Tamil Nadu
7. 76/2B, Dindigul Madurai Main Road
Thiruvazhavayanallur (PO)
Vadipatti (TK)
Madurai – 625 221
Tamil Nadu
8. VKO TTU Road, Privu
Attur Pannai, Cerlyeri Road
Attur Taluk
Salem District
Thalaivasal

Address for Correspondence.

For share transfer, share certificates, changes of address, dividends and any other query relating to shares,

M/s. ALPHA SYSTEMS PRIVATE LIMITED

30, Ramana Residency, 4th Cross

Sampige Road, Malleswaram

Bangalore – 560 003.

Tel: 091 - 080 - 23460815 – 818

Fax: 091 - 080 - 23460819

E-mail : alfint@vsnl.com

For Investors' Assistance

Mr. B. V. Nath

General Manager (Systems) and Company Secretary

Hatsun Agro Product Limited

No.5-A, Vijayaraghava Road

T.Nagar, Chennai – 600 017

Tamil Nadu.

Phone : 091 - 044-28150014

Fax : 091 - 044-28152508

e-Mail : secretarial@hatsun.com

Website : www.hatsun.com

NON MANDATORY REQUIREMENTS

1. Remuneration Committee

The Company has constituted a Remuneration Committee comprising of three independent directors.

2. Shareholder Rights

The statements of quarterly / yearly results are being published in the Press.

3. Postal Ballot

The Company has had no occasion to use the postal ballot during the year.

4. Whistle-Blower Policy

Hatsun has put in place an un-codified system through which employees and business associates may report unethical business practices at work place without the fear of reprisal. The Company has set up a direct contact initiative under which all employees/business associates have direct access to the Chairman of the Audit Committee. The "Whistle Blower Protection Policy" aims to:

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

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

I have examined the compliance of conditions of Corporate Governance by Hatsun Agro Product Limited ("the Company") for the year ended 31st March, 2009 as stipulated in Clause 49 of the Listing Agreement of the said Company with Bombay Stock Exchange Limited.

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

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

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

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

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

Place : Chennai
Date : 23rd June, 2009

DECLARATION

TO THE MEMBERS OF HATSUN AGRO PRODUCT LIMITED

This is to declare that the Code of Conduct envisaged by the Company for members of the Board and the Senior Management Personnel have been complied with by all the members of the Board and the Senior Management Personnel of the Company respectively.

For **HATSUN AGRO PRODUCT LIMITED**

Sd/-

R G CHANDRAMOGAN

Chairman and Managing Director

Place : Chennai

Date : 23.06.2009

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

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

1. We have reviewed the financial statements and the cash flow statement for the year and that to the best of our knowledge and belief
 - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) these statements present a true and fair view of the state of affairs of the Company and of the results of operations and cash flows. The financial statements have been prepared in conformity, in all material respects, with the existing generally accepted accounting principles including Accounting Standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's code of conduct.
3. We accept the responsibility for establishing and maintaining internal controls for financial reporting. The same is monitored by the internal audit function, which encompasses examination and evaluation of adequacy and effectiveness. Internal Audit works with all levels of management and statutory auditors, and reports significant issues to the Audit Committee of the Board. The auditors and audit committee are apprised of any corrective action taken with regard to significant deficiencies and material weakness.
4. We indicate to the auditors and to the audit committee
 - a) significant changes in internal control over financial reporting during the year;
 - b) significant changes in accounting policies during the year;
 - c) instances of significant fraud of which we have become aware of and which involve management or other employees who have 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.

Place : Chennai

Date : 23rd June, 2009

Sd/-

R.G. Chandramogan

Chairman & Managing Director

Sd/-

S. Subramanian

Chief Financial Officer

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Indian economy which was on a robust growth path upto 2007-08 witnessed moderation in 2008-09 by a GDP growth of 6.9 percent. While the growth deceleration was primarily driven by the knock on effects of the global economic crisis, it also reflected to some extent the slowdown associated with cyclical factors. Industrial growth experienced a significant downturn and the loss of growth momentum was evident in all categories, viz., the basic, capital, intermediate and consumer goods. Although India's growth trajectory has been impacted both by the financial crisis and the global economic downturn, the structural drivers of the Indian economy continue to remain intact, sustaining the overall growth at a level much higher than most of the economies in rest of the world. The agriculture sector has also witnessed a downturn with a GDP of 2.6%.

The agricultural sector requires consistent monitoring, creating a conducive environment for dairy farmers to increase their productivity and sell their products at competitive prices. There is still a lot of scope for increasing the milk production in India by adopting scientific methods of breeding, nutrition and calving. An increase in the production of milk can really pay rich dividends for the farmers and in general to the agricultural sector since milk is the only product which offers instant marketability and simultaneous availability of cash for the farmers. In India, milk farming is still regarded as a subsidiary and collateral activity to agriculture. This trend has to change since milk farming offers a steady and constant source of income to the farmers. Our nation can achieve development only when our villages witness a favourable impact on their per capita income and on the other basic amenities that they are able to receive and use and this is where the revenue generating role of the dairy industry is of paramount importance.

India still holds the position of the largest milk producing country in the world, producing over 100 million tons of milk during 2008-09 at a growth rate of 4%. India ranks second in terms of milk production and account for 15% of global production, in spite of having only 3% of land and 5% of water resources of the world.

The financial year 2008-09 started on a note of great optimism which soon changed to a serious crisis of confidence which increased as the sub prime crisis saga unfolded. This had its effect on the dairy industry also. Though milk and ice creams was well protected due to the fact that these were items of mass and daily consumption, there was a downturn in the international milk product segment. There was a sharp fall in the international prices of milk powders and fat and exports during the second half of the year fell significantly. Your company was able to weather this storm primarily because it never lost sight of the domestic market even while it was exporting significant quantities. To add to this, there was a sharp drop in the milk supply in India in the fourth quarter. All this resulted in lower profitability in the second half of the year but the situation has now stabilized and improved with increasing arrivals of milk and a turnaround in the domestic prices of milk products.

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 therefore remains confident of its long term business prospects and its ability to sustain a fair return to the shareholders.

OPPORTUNITIES

In spite of the current downturn in overall economic growth, the structural drivers of the Indian economy continue to remain intact, sustaining the overall growth and the long term prospects for the Indian economy remains positive. Your company is having tremendous opportunity since due to globalization, customers are focusing on quality products and demanding value for money

Your company is committed to stringent quality assurance practices at all its factories and units meeting ISO and safety standards. Your company offers a diversified product portfolio with well differentiated brands which have become very popular with the consumer since they offer value at affordable prices. More importantly, the company is not content to rest on its laurels and is constantly striving to add more value to the product it offers to the consumers.

Milk apart from being consumed as such offers the opportunity to produce a large variety of products like curd, cream, butter, ghee, milk powders etc. The rapid and constant urbanization of the population combined with the growing purchasing power makes India a very attractive proposition for dairy producers and your company is well positioned to take advantage of this trend. The production infrastructure of the company is constantly being upgraded to take advantage of this opportunity.

Your Company's strength is in its efficient and effective supply and cold chain management. 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 organizational objectives.

The milk products market offers great prospects for your company. There is an increasing demand for quality milk products domestically apart from the traditional export market of South East and West Asia, and Africa. There is a very large

domestic market for value added milk products in the retail sector and your company is gradually making profitable inroads into this vast market.

THREATS

The Industry is becoming increasingly crowded with smaller players offering their products in local markets This entails a more challenging environment with increased competition and customer demands. Further dairy industry is still considered to be a non organized sector due to these small players who have little or no concern for the safety and quality practices. Your Company is well positioned to face these challenges as it has already created the infrastructure to leverage on economies of scale. The Indian population is now demanding hygienic and quality products which these players are unable to supply and your company with its inherent stress on quality would be well positioned to exploit this demand.

Milk, being a highly perishable commodity demands efficient cold chain management which only organized and bigger players like us can provide since these involve capital investments. Our company is continuously developing and applying scientific methods to improve the quality of milk so processed and extends its shelf life. Your company is in the forefront of such initiatives in establishing this infrastructure.

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 improvement, scientific feeding, properly managed animal husbandry practices etc. which expects to improve the milk yield. Your Company is sourcing the good quality feed to be supplied to the farmers and is working with experts in the field to see the possibilities of increasing productivity and cost effectiveness. Towards this end your company continues to extend the scope of its White Gold Project which provides technical inputs to dairy farmers to improve the yield per animal and to make the dairy farming a viable and profitable option. Also it aims at cutting the labour costs and ensure partial and sensible mechanization.

The ever increase in prices of petroleum products and the increasing cost of power has increased the production and distribution costs significantly. These automatically impinges on the operating cost and therefore there is a continuous need to evolve scientific and cost effective technologies to ensure that the shelf life of milk and milk derivatives are increased.

The above involves a committed resolve to enhance the productivity of the dairy sector and sustained investment in the production and distribution infrastructure which can be provided only by the bigger companies.

Performance of the Company

The financial performance are covered in the Directors report and the same can be referred to in the said report.

Internal Control

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

Information technology

Your Company is using the ERP package of Oracle Applications. This facilitates an effective online MIS system, which facilitates centralized control of operations at all the units of the Company. Your company has upgraded and reconfigured this application to effectively monitor the increasing scale of operations of the company. The hardware and network infrastructure is being constantly reviewed to increase the bandwidth and reduce operational cost. This is an ongoing process and Your Company is committed to leverage the benefits of IT to enhance and optimize benefits to itself and its customers.

Human resources

Human resource has a significant role to play in the Company's future. In today's environment managing employees is the toughest challenge of all, whether it is retention, attracting talent, growth opportunities etc. Your company believes that a well trained and efficient manpower is key to the development of an organization.

Your Company has a favourable work environment that motivates performance, customer focus and innovation while adhering to the highest degree of quality and integrity. 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 organized for employees at all levels, wherever necessary. Your Company values its human resource as the most significant assets and the key focus is to attract, retain and develop talent as a resource. The total strength of the Company as on 31st March 2009 was 2271.

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

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

AUDITORS' REPORT

To The Members of **Hatsun Agro Product Limited**

1. We have audited the attached Balance Sheet of Hatsun Agro Product Limited ('the Company') as at March 31, 2009 and also the Profit and Loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. *As more fully described in Note 2(a)(iii) of Schedule 19 to the Financial Statements, certain income tax matters in respect of the financial year ended 31 March 1996 (financial estimate by the management of Rs. 15 million) are being contested by the Company and the matter is pending with the High Court of Judicature, Madras. Pending a final resolution of the uncertainties in this connection, no provision towards tax and other consequential adjustment relating to this matter, if any, have been considered in the financial statements. Audit report issued on the financial statements for the year ended March 31, 2008 was also qualified in respect of this matter.*
5. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v. On the basis of the written representations received from the directors, as on March 31, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - vi. In our opinion and to the best of our information and according to the explanations given to us, *subject to the effect of adjustments, if any, that may be required had the outcome of the matter referred to paragraph (iv) above been known*, the said accounts give the information required by the Companies Act, 1956, 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, 2009;
 - b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & ASSOCIATES

Chartered Accountants,
Sd/-

per S Balasubrahmanyam

Partner

Membership No.053315

Place : Chennai

Date : June 23rd, 2009

ANNEXURE TO AUDITORS' REPORT

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

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) As informed, the Company has not granted or taken any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 ("the Act"). Therefore, the provisions of clause (iii) (b), (c) (d), (f) and (g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (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, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) According to the information and explanations provided by the management, we are of the opinion that there are no contracts and arrangements that need to be entered into the register maintained under section 301 of the Act during the period. Therefore, the provisions of clause (v) (b) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (vi) In respect of deposits accepted, in our opinion and according to the information and explanations given to us, directives issued by the Reserve Bank of India and the provisions of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under, to the extent applicable, have been complied with. We are informed by the management that no order has been passed by the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, or employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess have generally been regularly deposited with the appropriate authorities *though there has been a slight delay in a few cases relating to remittance of provident fund and employees' state insurance dues.*
- (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 undisputed 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, sales-tax, on account of any dispute, are as follows. There are no dues outstanding of wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute.

Hatsun Agro Product Limited

Name of the Statute	Nature of the Dues	Amount (Rs In 000's)	Period to which the amount relates	Forum where dispute is pending
Income tax Act, 1961	Disallowance of non compete fees	**	1996-97	High Court of Judicature, Madras
The Tamil Nadu General Sales Tax Act	Sales tax in dispute	932	1996-97	Commercial Tax Officer
The Tamil Nadu General Sales Tax Act	Sales tax in dispute	1,083	1996-97	Appellate Assistant Commissioner
The Tamil Nadu General Sales Tax Act	Penalty in dispute	556	2003-04	High Court of Judicature, Madras

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

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution or bank. The Company has no borrowing by way of debentures.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on overall examination of the balance sheet of the Company, we report that *the Company has used funds raised on short-term basis for long-term investment. The Company has purchased certain fixed assets aggregating Rs. 677 Millions out of short term loans from banks and others.*
- (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 Companies Act, 1956.
- (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 Companies (Auditor's Report) Order, 2003 (as amended) are not applicable.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S.R. BATLIBOI & ASSOCIATES

*Chartered Accountants,
Sd/-*

per S Balasubrahmanyam

Partner

Membership No.053315

Place : Chennai
Date : June 23rd, 2009

BALANCE SHEET AS ON MARCH 31, 2009

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

	Schedule No.	As at March 31, 2009	As at March 31, 2008
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	1	118,721	118,721
Reserves and surplus	2	453,952	362,855
		<u>572,673</u>	<u>481,576</u>
Loan Funds			
Secured loans	3	1,932,401	837,156
Unsecured loans	4	356,396	443,981
		<u>2,288,797</u>	<u>1,281,137</u>
Deferred Income, net	19(2)(h)	7,885	8,325
Deferred tax liabilities, net	19(2)(g)	111,633	99,186
		<u>2,980,988</u>	<u>1,870,224</u>
APPLICATION OF FUNDS			
Fixed assets			
Gross Block	5	2,571,479	2,332,619
Less: Accumulated depreciation & Amortisation		(907,251)	(801,060)
Net block		<u>1,664,228</u>	<u>1,531,559</u>
Capital work-in-progress		<u>1,281,473</u>	<u>222,652</u>
		<u>2,945,701</u>	<u>1,754,211</u>
Investments in Subsidiary Company-Unquoted, fully paid-up	19(1)(q)	1,396	—
One (31 March 2008: Nil) equity share of AED 100,000 fully paid up.			
Current assets, loans and advances			
Inventories	6	278,926	421,349
Sundry debtors	7	85,716	149,654
Cash and bank balances	8	60,482	118,440
Claims receivable		14,580	56,183
Loans and advances	9	209,103	147,352
	(A)	<u>648,807</u>	<u>892,978</u>
Current liabilities and provisions			
Current liabilities	10	(574,552)	(658,946)
Provisions	11	(40,364)	(118,019)
	(B)	<u>(614,916)</u>	<u>(776,965)</u>
Net current assets	(A)-(B)	<u>33,891</u>	<u>116,013</u>
	Total	<u>2,980,988</u>	<u>1,870,224</u>
Significant accounting policies and notes to the financial statements	19		

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

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

As per our report attached of even date
For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants
Sd/-

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

Sd/-
K.S. THANARAJAN
Joint Managing Director

per S. Balasubrahmanyam
Partner, Membership No.053315

Sd/-
B.V. NATH
Company Secretary

Place : Chennai
Date : June 23, 2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

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

	Schedule No.	Year ended March 31, 2009	Year ended March 31, 2008
INCOME			
Sales	12	10,130,501	8,631,936
Other income	13	18,151	62,407
		<u>10,148,652</u>	<u>8,694,343</u>
EXPENDITURE			
Cost of manufactured goods	14	7,458,625	6,508,417
Cost of traded goods	15	118,384	107,968
Employee costs	16	304,554	210,398
Manufacturing, administrative and selling expenses	17	1,637,919	1,252,744
Interest and finance charges	18	213,164	150,284
Depreciation & Amortisation	5	216,787	185,040
		<u>9,949,433</u>	<u>8,414,851</u>
Profit before tax		199,219	279,492
Provision for tax - Current Tax		58,835	97,911
- Deferred tax charge		12,447	1,274
- Fringe benefit tax		10,788	8,940
Reversal of provision for income tax pertaining to earlier years		(2,530)	(1,889)
Profit after tax		119,679	173,256
Balance brought forward from previous year		127,131	23,612
Profit available for appropriation		<u>246,810</u>	<u>196,868</u>
Appropriations:			
Transfer to General reserve		11,968	17,326
Dividend - Interim Dividend on Preference Shares		4,064	2,038
- Interim Dividend on Equity Shares		20,366	16,972
- Proposed Final Dividend on Preference Shares		—	2,026
- Proposed Final Dividend on Equity Shares		—	23,761
Dividend tax - Preference		691	691
- Equity		3,461	6,923
Surplus carried to Balance Sheet		<u>206,260</u>	<u>127,131</u>
		<u>246,810</u>	<u>196,868</u>
Earnings per share:			
Basic and diluted (Rs) (Refer to Note 2 (p) of schedule 19)		3.39	4.96
Weighted average number of equity shares outstanding		33,944,090	33,944,090
Par Value of equity shares (Rs)		2	2
Significant accounting policies and notes to the financial Statements	19		

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

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

As per our report attached of even date
For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants
Sd/-

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

Sd/-
K.S. THANARAJAN
Joint Managing Director

per S. Balasubrahmanyam
Partner, Membership No.053315

Sd/-
B.V. NATH
Company Secretary

Place : Chennai
Date : June 23, 2009

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

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

	Year ended March 31, 2009	Year ended March 31, 2008
Cash flows from operating activities		
Net profit before taxation	199,219	279,492
Adjustments for:		
Depreciation on fixed assets	216,787	185,040
Bad debts written off	1,187	4,686
(Profit)/loss on sale of fixed assets-net	(6,032)	6,189
Deferred Income recognised	(440)	(441)
Interest income	(1,602)	(1,119)
Interest and finance charges	191,106	131,440
Operating profit before working capital changes	600,225	605,287
(Increase)/Decrease in inventories	142,423	(251,674)
(Increase)/Decrease in sundry debtors	62,751	(101,791)
(Increase)/Decrease in loans and advances	(62,314)	(50,359)
(Increase)/Decrease in Claims receivable	41,603	(28,818)
Increase/(Decrease) in current liabilities and provisions (Refer note b below)	(83,527)	237,712
Increase/(Decrease) in provisions	(2,514)	(3,843)
Cash generated from operations	698,647	406,514
Direct taxes paid (net of refunds)	(140,647)	(49,951)
Net cash from/(used in) operating activities	558,000	356,563
Cash flows (used in) / from investing activities		
Purchase of fixed assets (including capital work in progress)	(1,414,093)	(520,530)
Investment in Subsidiary	(1,396)	
Proceeds from sale of fixed assets	10,643	20,800
Interest received	2,165	575
Net cash from/(used in) investing activities	(1,402,681)	(499,155)

Hatsun Agro Product Limited

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

	Year ended March 31, 2009	Year ended March 31, 2008
Cash flows (used in) / from financing activities		
Term loans availed during the year	1,131,666	390,000
Term loans repaid during the year	(320,765)	(220,443)
Increase/(decrease) in other borrowings from financial institutions	171,238	232,969
Public deposits accepted during the year	50,040	16,635
Public deposits repaid during the year	(24,520)	(9,986)
Subsidy repaid to Government of Tamil Nadu	—	(5,200)
Proposed dividends paid	(25,787)	(38,000)
Tax on proposed dividends paid	(4,383)	(6,459)
Interest and finance charges paid	(190,766)	(133,038)
Net cash (used in)/from financing activities	786,723	226,478
Net (decrease) / increase in cash and cash equivalents	(57,958)	83,886
Cash and cash equivalents at the beginning of the year	118,440	34,554
Cash and cash equivalents at the end of the year	60,482	118,440
a) Components of cash and cash equivalents		
Cash and cheques on hand	3,994	4,250
Balances with Scheduled Banks		
- in current accounts	42,239	102,403
- in deposit accounts	11,442	8,680
- in unpaid dividend accounts	307	307
- in designated bank accounts towards security for repayment of public deposits	2,500	2,800
	60,482	118,440
b) Adjustments for increase/decrease in current liabilities related to acquisition of fixed assets have been made to the extent identified.		

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

As per our report attached of even date
For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants
Sd/-
per S. Balasubrahmanyam
Partner, Membership No.053315

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

Sd/-
K.S. THANARAJAN
Joint Managing Director

Place : Chennai
Date : June 23, 2009

Sd/-
B.V. NATH
Company Secretary

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

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

	As at March 31, 2009	As at March 31, 2008
1. Share capital		
Authorised		
50,000,000 (31 March 2008: 10,000,000 (Rs. 10) equity shares of Rs 2/- each	100,000	100,000
2,000,000 (31 March 2008: 2,000,000) Preference shares of Rs 100/- each	200,000	200,000
	<u>300,000</u>	<u>300,000</u>
Issued and Subscribed		
34,009,090 (31 March 2008: 6,801,818 (Rs. 10) equity shares of Rs 2/- each	68,018	68,018
508,000 (31 March 2008: 508,000) 8% Non-Convertible Cumulative Redeemable Preference Shares of Rs.100/- each	50,800	50,800
	<u>118,818</u>	<u>118,818</u>
Paid-up		
33,944,090 (31 March 2008: 6,788,818 (Rs. 10) equity shares of Rs 2/- each fully paid up	67,888	67,888
508,000 (31 March 2008: 508,000) 8% Non-Convertible Cumulative Redeemable Preference Shares of Rs.100/- each	50,800	50,800
65,000 equity shares, partly paid up, forfeited	33	33
	<u>118,721</u>	<u>118,721</u>
Paid up equity shares of the Company include:		
(a) 153,640 (31 March 2008: 30,728(Rs.10)) equity shares of Rs. 2/- each, allotted pursuant to amalgamation of Hatsun Foods Company Limited, for consideration other than cash.		
(b) 345,450 (31 March 2008: 69,090(Rs.10)) equity shares of Rs. 2/- each, allotted pursuant to amalgamation of Ajith Dairy Industries Limited, for consideration other than cash.		
(c) 5,292,000 (31 March 2008: 1,058,400(Rs. 10)) equity shares of Rs. 2/- each issued as fully paid up bonus shares in July 1995, pursuant to capitalisation of surplus in the Profit and Loss account and free reserves.		
(d) Redemption terms for preference shares : The 8% Non-convertible Cumulative Preference shares are redeemable at par in three equal half yearly instalments of Rs 16,933, the first instalment falling due on October 5, 2009.		
2. Reserves and surplus		
Securities Premium account	86,722	86,722
Capital reserve		
Balance brought forward	7,445	7,445
	<u>7,445</u>	<u>7,445</u>
Capital redemption reserve		
Balance brought forward	75,000	75,000
Add: Additions during the year	—	—
	<u>75,000</u>	<u>75,000</u>
General reserve		
Balance brought forward	66,557	49,231
Add: Appropriation from Profit and Loss Account	11,968	17,326
	<u>78,525</u>	<u>66,557</u>
Balance in Profit and Loss Account	<u>206,260</u>	<u>127,131</u>
	<u>453,952</u>	<u>362,855</u>

Hatsun Agro Product Limited

Schedules Forming part of the Financial Statements

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

	As at March 31, 2009	As at March 31, 2008
3. Secured loans		
Term loans from banks (secured by charge on the fixed assets and moveable assets of the Company)	1,365,868	554,967
Working capital loans from banks (secured by charge on the entire current assets of the Company)	375,418	157,524
Finance Lease Obligations (secured by assets acquired on lease)	15,036	18,852
Assets refinance obligation (secured by assets refinanced)	176,079	105,813
	<u>1,932,401</u>	<u>837,156</u>
4. Unsecured loans		
Short term loan from banks	190,000	180,000
Public deposits		
[Include unclaimed deposit: Rs. 1,047 (31st March, 2008: Rs. 1,103)]	60,062	34,542
[Repayable within one year -Rs. 30,708 (31st March 2008: Rs. 18,180)]		
Inter corporate deposits		
[Repayable within one year - Rs. Nil (31 March 2008: Rs. 65,178)]	—	65,178
Others [Repayable within one year - Rs. 106,334 (31st March 2008: Rs. 164,261)]	106,334	164,261
	<u>356,396</u>	<u>443,981</u>
Of the above secured and unsecured loans, the Chairman & Managing Director has given personal guarantee (including those by pledge of equity shares of Hatsun Agro Product Limited) for the following:		
Term loans	1,365,868	554,967
Working capital loans	375,418	157,524
Short term loans from banks	190,000	180,000
Others	30,000	89,421
Assets refinance obligation	172,298	97,832

5. Fixed Assets
Schedules Forming part of the Financial Statements

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

Description	Gross Block				Accumulated depreciation & Amortisation				Net Block	
	As at 1 st April 2008	Additions	Deletions	As at 31 st March 2009	As at 1 st April 2008	For the Year	Deletions	As at 31 st March 2009	As at 31 st March 2009	As at 31 st March 2008
Intangible Assets:										
ERP Software	19,635	12,922	(19,486)	13,071	17,234	3,648	(19,486)	1,396	11,675	2,401
Goodwill	32,488	—	(32,488)	—	32,488	—	(32,488)	—	—	—
Business Str.Arrangement	23,947	—	(23,947)	—	23,947	—	(23,947)	—	—	—
Royalty	21,198	—	(21,198)	—	21,198	—	(21,198)	—	—	—
Tangible Assets:										
Land	168,113	27,762	(620)	195,255	—	—	—	—	195,255	168,113
Buildings	418,031	63,502	—	481,533	62,817	18,691	—	81,508	400,025	355,214
Plant & Machinery *	1,555,641	219,196	(10,107)	1,764,730	603,769	174,695	(9,379)	769,085	995,645	951,872
Furniture and fixtures	21,111	10,635	(116)	31,630	11,062	5,522	(111)	16,473	15,157	10,049
Office Equipment	20,131	6,189	(582)	25,738	9,943	8,901	(561)	18,283	7,455	10,188
Vehicles**	50,902	13,861	(6,663)	58,100	17,631	5,092	(3,426)	19,297	38,803	33,271
Lease Hold Improvements	1,422	—	—	1,422	971	238	—	1,209	213	451
Total	2,332,619	354,067	(115,207)	2,571,479	801,060	216,787	(110,596)	907,251	1,664,228	1,531,559
Previous year	2,092,664	349,175	(109,220)	2,332,619	698,251	185,040	(82,231)	801,060	1,531,559	

* In the previous year the company had assets acquired on finance lease costing Rs 56,822 with accumulated depreciation of Rs 18,198 . These assets have been purchased by the company at the end of the lease term during the year .

** Vehicles includes assets costing Rs 27, 677 (previous year 22,473) acquired on finance lease . The depreciation on these assets amounts to Rs 1,940 (Previous year 1,512). The net block of these assets amount to Rs 24,509 (Previous year Rs 19,021).

Hatsun Agro Product Limited

Schedules Forming part of the Financial Statements

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

	As at March 31, 2009	As at March 31, 2008
6 Inventories		
Raw materials and packing materials	69,785	76,036
Work-in-process	27,679	43,824
Finished goods		
- manufactured*	111,063	238,915
- traded	3,470	3,834
Stores, spares and loose tools **	66,929	58,740
	<u>278,926</u>	<u>421,349</u>
* Includes goods in transit of Rs. 32,789 (Previous year -Rs. Nil)		
** Includes goods in transit of Rs. Nil (Previous year - Rs. 17,314)		
7 Sundry debtors		
Unsecured, considered good		
Debts outstanding for a period exceeding six months	832	888
Other debts	32,588	116,762
	<u>33,420</u>	<u>117,650</u>
Secured, considered good		
Debts outstanding for a period exceeding six months	1,189	303
Other debts	51,107	31,701
	<u>52,296</u>	<u>32,004</u>
	<u>85,716</u>	<u>149,654</u>
8 Cash and bank balances		
Cash in hand	3,994	4,250
Balances with scheduled banks:		
- in current accounts	42,239	102,403
- in deposit accounts	11,442	8,680
- in unpaid dividend accounts	307	307
- deposits in designated bank accounts towards security for repayment of public deposits	2,500	2,800
	<u>60,482</u>	<u>118,440</u>
9 Loans and advances		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received*	16,588	8,970
Deposits	139,428	99,399
Advance to suppliers	53,087	38,420
Accrued interest	—	563
	<u>209,103</u>	<u>147,352</u>
* Dues from companies under the same management		
Hatsun Ingrediants FZE-UAE	1,242	—
(Maximum amount outstanding during the year Rs. 1,242 (previous year Rs. Nil))		
10 Current liabilities		
Sundry creditors		
- total outstanding dues to Micro and Small Enterprises (Refer to note 2(o) of Schedule 19)	—	—
- total outstanding dues to creditors other than Micro and Small Enterprises	366,977	493,990
Security deposits	180,930	135,451
Advance from customers	7,761	5,982
Other liabilities	15,269	16,582
Unclaimed dividend*	307	307
Bank overdraft	1,553	5,219
Interest accrued and not due	1,755	1,415
	<u>574,552</u>	<u>658,946</u>
* Investor Education and Protection Fund shall be credited as and when due		

Hatsun Agro Product Limited

Schedules Forming part of the Financial Statements

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

	As at March 31, 2009	As at March 31, 2008
11 Provisions		
For Gratuity	—	3,958
For Leave encashment	4,643	3,199
For Income tax (net)	5,139	71,706
For Fringe benefit tax (net)	2,000	8,986
For Proposed interim Dividend for Equity share capital	20,366	23,761
For Proposed interim Dividend on Preference share capital	4,064	2,026
For Dividend Tax payable	4,152	4,383
	<u>40,364</u>	<u>118,019</u>
12 Sales		
Milk	6,708,641	5,418,855
Ice cream	555,880	437,597
Milk products	2,740,406	2,653,676
Others	125,574	121,808
	<u>10,130,501</u>	<u>8,631,936</u>
13 Other Income		
Interest income		
Bank deposits [Tax deducted at source — Rs. 193 (31 March 2008: Rs 150)]	822	691
Others [Tax deducted at source — Rs. 177 (31 March 2008: Rs.57)]	780	428
Profit on sale of assets, net	6,032	—
Foreign exchange gain, net	—	10,883
Royalty	726	675
Export Benefits	4,465	44,220
Miscellaneous income	5,326	5,510
	<u>18,151</u>	<u>62,407</u>
14 Cost of manufactured goods		
(A) Consumption of raw materials and packing materials		
Opening inventory	76,036	50,519
Add: Purchases	7,308,377	6,722,011
	<u>7,384,413</u>	<u>6,772,530</u>
Less: Closing inventory	69,785	76,036
	<u>7,314,628</u>	<u>6,696,494</u>
Total [A]		
(B) (Increase)/Decrease in WIP & Finished goods		
Opening inventory		
Work-in-process	43,824	19,672
Finished goods	238,915	74,990
	<u>282,739</u>	<u>94,662</u>
Sub Total		
Less: Closing inventory		
Work-in-process	27,679	43,824
Finished goods	111,063	238,915
	<u>138,742</u>	<u>282,739</u>
Sub Total		
	<u>143,997</u>	<u>(188,077)</u>
Total [B]		
Total [(A) + (B)]	<u>7,458,625</u>	<u>6,508,417</u>
15 Cost of traded goods		
Opening inventory	3,834	1,789
Add: Purchases	118,020	110,013
	<u>121,854</u>	<u>111,802</u>
Less: Closing inventory	3,470	3,834
	<u>118,384</u>	<u>107,968</u>

Hatsun Agro Product Limited

Schedules Forming part of the Financial Statements

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

	Year ended March 31, 2009	Year ended March 31, 2008
16 Employee costs		
Salaries, wages and other allowances	231,039	160,198
Contribution to defined contribution plans	16,111	10,787
Gratuity	3,176	289
Staff welfare expenses	54,228	39,124
	<u>304,554</u>	<u>210,398</u>
17 Manufacturing, administrative and selling expenses		
Power and fuel [net of power credits of Rs. 1,210 (Previous Year: Rs.1,383)]	387,169	276,592
Stores and spares consumed	86,638	86,193
Sales promotion expenses	144,751	187,045
Commission on sales	24,273	6,874
Freight outwards	419,988	317,353
Bad debts written off	1,187	4,686
Repairs and maintenance:		
- Buildings	9,776	5,087
- Plant and machinery	93,457	70,675
- Others	7,775	3,118
Travelling and conveyance	79,659	61,631
Printing and stationery	17,747	15,597
Rent	59,845	43,131
Rates and taxes	19,510	16,383
Insurance	24,418	14,204
Directors sitting fees	190	145
Service Charges	54,055	67,034
Loss on sales of assets (net)	—	6,189
Foreign exchange loss (net)	100,924	—
Miscellaneous expenses	106,557	70,807
	<u>1,637,919</u>	<u>1,252,744</u>
18 Interest and finance charges		
Interest:		
- on term loans	98,673	61,638
- others	113,724	32,570
	<u>212,397</u>	<u>94,208</u>
Less : Interest Capitalised	68,238	—
	<u>144,159</u>	<u>94,208</u>
Other finance charges	46,947	37,232
Bank charges	22,058	18,844
	<u>213,164</u>	<u>150,284</u>

Schedules Forming part of the Financial Statements

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

19. Significant accounting policies and notes to the financial statements

1. Significant accounting policies

a. Basis of preparation of financial statements

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

b. Use of estimates

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

c. Fixed Assets and capital work in progress

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

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

d. Impairment of fixed assets

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

e. Depreciation

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

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

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

Schedules Forming part of the Financial Statements

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

f. Leased assets

Finance Lease

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

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

Operating Lease

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

g. Inventories

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

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

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

h. Revenue recognition

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

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

Royalty income is recognized on accrual basis.

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

i. Foreign currency transactions

(i) Initial Recognition

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

(ii) Conversion

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

(iii) Exchange Differences

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

j. Taxation

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit 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.

Schedules Forming part of the Financial Statements

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

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.

k. Earnings per share

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

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

l. Government grants

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

m. Employee benefits

i. Short term employee benefit plans

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

ii. Defined Contribution Plan

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

iii. Defined Benefit Plan

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

iv. Leave Salary

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

n. Cash flow statements

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

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

o. Provisions

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

Schedules Forming part of the Financial Statements

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

p. Segment Reporting Policies

Identification of segments:

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

Segment accounting policies:

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

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

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

Unallocated items:

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

q. Investments

Investments represents investments in wholly owned subsidiary of the company Hatsun Ingredients FZE-UAE .Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

2. Notes to the financial statements

a. Capital commitments and contingencies

	As at March 31, 2009	As at March 31, 2008
(i) Estimated amount of contracts remaining to be executed on capital account (net of capital advances) and not provided for	487,366	600,355
(ii) Claims made against the Company not acknowledged as debts in respect of sales tax and income tax matters	15,932	21,873

Schedules Forming part of the Financial Statements

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

- (iii) In respect of the Income tax assessment year 1996-1997, the Company's claim for deduction towards non-compete fees of Rs 40,000 was disallowed by the Income tax Assessing Officer. The Commissioner of Income tax (Appeals) ruled in favour of the Company. However, the Income tax Appellate Tribunal has upheld the disallowance of the aforesaid expenditure and the Company has filed an appeal in the High Court of Judicature, Madras. Management's estimate of the tax impact of such disallowance is Rs.15,000 (including estimated interest but excluding penalties etc, if any). Based on the expert advice, the management believes that the Company has strong case and hence, no provision and consequential adjustments, if any for such disputed amount have been considered in the financial statements.

b. Export obligations

The Company has imported certain items at concessional rates of customs duty under the Export Promotion Capital Goods Scheme (EPCG). As at the Balance Sheet date, total Export Obligations under the EPCG Scheme is USD 35,083,658 (March 31, 2008, USD 24,610,490) which is to be fulfilled over a period of eight years from the date of the licenses. As at March 31, 2009, the company has fulfilled Export Obligations amounting to USD 8,749,730 (March 31, 2008 USD 9,299,306) and has outstanding Export Obligation of USD 26,333,928 (March 31, 2008 USD 15,311,184).

	Year ended March 31, 2009	Year ended March 31, 2008
c. Managerial Remuneration		
Salaries and allowances	9,000	6,650
Contribution to provident and other funds	308	224
Other benefits	315	284
Total	9,623	7,158

The Chairman and Managing Director, and other Whole-time directors are covered under the Company's leave encashment policy and group gratuity scheme along with other employees of the Company. 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.

	Year ended March 31, 2009	Year ended March 31, 2008
d. Auditors' remuneration (included under Miscellaneous expenses)		
Audit fees	1,600	1,500
Other services	375	300*
Out of pocket expenses	10	13
Total	1,985	1,813

* Includes Rs.100 paid to previous auditor BSR & Co., Chartered Accountants.

Schedules Forming part of the Financial Statements

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

e. Segment information

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

Business (primary) segments of the Company are:

- a) Milk and milk products; and
- b) Others

Primary Segment Information

Previous years figures have been shown in italics

Particulars	Milk and Milk Products	Others	Total
Segment Revenue	10,004,927 <i>8,510,128</i>	125,574 <i>121,808</i>	10,130,501 <i>8,631,936</i>
Segment Results	555,532 <i>519,788</i>	7,190 <i>13,840</i>	562,722 <i>533,628</i>
Unallocated Expenses (net of unallocated income)			(151,161) <i>(104,971)</i>
Operating Profit			411,561 <i>428,657</i>
Finance Charges-Net			(212,342) <i>(149,165)</i>
Profit / (Loss) before taxation			199,219 <i>279,492</i>
Taxes (expense) / benefit			(79,540) <i>(106,236)</i>
Profit / (Loss) after taxation			119,679 <i>173,256</i>
Segment Assets	3,448,770 <i>2,322,093</i>	10,821 —	3,459,591 <i>2,322,093</i>
Unallocated Assets			136,313 <i>325,096</i>
Total Assets			3,595,904 <i>2,647,189</i>
Segment Liabilities	526,539 <i>584,230</i>	2,264 —	528,803 <i>584,230</i>
Unallocated Liabilities			2,494,428 <i>1,581,383</i>
Total Liabilities			3,023,231 <i>2,165,613</i>
Capital Expenditure incurred	315,328 <i>333,881</i>	2,283 —	317,611 <i>333,881</i>
Unallocated Capital Expenditure incurred			36,456 <i>8,938</i>
Total Capital Expenditure			354,067 <i>342,819</i>
Depreciation & Amortisation	195,384 <i>171,511</i>	426 —	195,810 <i>171,511</i>
Unallocated Depreciation & Amortisation			20,977 <i>13,529</i>
Total Depreciation & Amortisation			216,787 <i>185,040</i>

Schedules Forming part of the Financial Statements

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

Secondary Segment Information

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

Segment Revenue:

Location	Year ended March 31, 2009	Year ended March 31, 2008
India	8,228,300	7,503,905
Others	1,902,201	1,128,031
Total	10,130,501	8,631,936

Location	Year ended March 31, 2009	Year ended March 31, 2008
India	3,592,249	2,585,316
Others	3,655	61,873
Total	3,595,904	2,647,189

Location	Year ended March 31, 2009	Year ended March 31, 2008
India*	354,067	342,819
Others	—	—
Total	354,067	342,819

* Tangible and Intangible assets are located only in India.

f. Key management personnel R G Chandramogan (Chairman and Managing Director)

K S Thanarajan (Joint Managing Director)

C Sathyan (Executive Director-Operations)

Wholly owned subsidiary Hatsun Ingredients FZE-UAE

Transactions and balances with related parties:

Previous years figures have been shown in italics

Nature of transaction:	Wholly owned subsidiary 31-Mar-09	Key Management Personnel
Investment in share capital	1,396	
Advances given during the year	1,242	
Dividend paid during the year.		16,854
		<i>19,534</i>
Balance at the year end		
Investment in share capital	1,396	
Advances recoverable in cash or kind	1,242	

Details of remuneration paid to the key management personnel are provided in Note 2c above and guarantees given by directors towards loans obtained by the Company are provided in Schedules 3 and 4 to the financial statements.

Hatsun Agro Product Limited

Schedules Forming part of the Financial Statements

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

g. Deferred Taxes (Net)

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

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
Effect of expenditure debited to profit and loss account in the current year but allowed for tax purposes in following years	4,640	4,680
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books.	(116,273)	(103,866)
Total	(111,633)	(99,186)

h. Movement in Deferred Income

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
Opening balance of subsidy	8,325	13,966
Less: Subsidy returned during the year	—	(5,200)
Less: Income recognized during the year	(440)	(441)
Closing balance of subsidy	7,885	8,325

i. Licensed and installed capacities

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
Licensed capacity (represents registered capacity for dairy)	Not applicable	Not applicable
Licensed capacity for ice cream	Not applicable	Not applicable
Installed capacity for dairy	1,850	1,850
Installed capacity for ice cream	25	25

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

j. Consumption of raw materials and packing materials

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

	Year ended March 31, 2009		Year ended March 31, 2008	
	Qty	Value	Qty	Value
Milk (quantity in 000's of litres)	522,471	6,120,574	533,679	5,704,892
Others	—**	1,194,054	—**	991,602
Total		7,314,628		6,696,494

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

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

(i) Raw material and packing materials

	Year ended March 31, 2009		Year ended March 31, 2008	
	%	Value	%	Value
Imported	0.12	9,029	0.11	7,085
Indigenous	99.88	7,305,599	99.89	6,689,409
Total	100.00	7,314,628	100.00	6,696,494

(ii) Stores and Spares

	Year ended March 31, 2009		Year ended March 31, 2008	
	%	Value	%	Value
Imported	—	—	—	—
Indigenous	100	86,638	100	86,193
Total	100.00	86,638	100	86,193

Schedules Forming part of the Financial Statements

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

I. Quantitative information

Previous years figures have been shown in italics

Particulars	UOM	Opening Stock		Purchases/ Production#	Sales		Closing Stock	
		Qty. ('000s)	Value	Qty. ('000s)	Qty. ('000s)	Value	Qty. ('000s)	Value
Traded goods								
- Cattle Feed	Kgs.	487	3,401	10,341	10,411	85,028	417	3,227
		<i>259</i>	<i>1,695</i>	<i>13,872</i>	<i>13,644</i>	<i>101,090</i>	<i>487</i>	<i>3,401</i>
- Others		**	433	**	**	40,546	**	243
		**	<i>94</i>	**	**	<i>20,718</i>	**	<i>433</i>
Manufactured goods								
- Ice cream	Ltrs	192	8,340	8,003	7,847	555,880	348	16,847
		<i>167</i>	<i>6,518</i>	<i>5,553</i>	<i>5,528</i>	<i>437,597</i>	<i>192</i>	<i>8,340</i>
- Milk and Skimmed Milk	Ltrs	168	2,785	345,566	345,488	6,708,641	246	4,029
		<i>180</i>	<i>2,080</i>	<i>323,782</i>	<i>323,794</i>	<i>5,418,855</i>	<i>168</i>	<i>2,785</i>
- Milk Powders	Kgs	1,477	182,770	10,601	11,437	1,553,945	641	74,019
		<i>570</i>	<i>57,351</i>	<i>13,809</i>	<i>12,902</i>	<i>1,711,091</i>	<i>1,477</i>	<i>182,770</i>
- Others	Kgs	435	45,020	11,997	12,234	1,186,461	198	16,168
		<i>121</i>	<i>9,041</i>	<i>10,013</i>	<i>9,699</i>	<i>942,585</i>	<i>435</i>	<i>45,020</i>

** Represents items for which units of measurement cannot be quantified

The production figures shown are adjusted for normal wastage.

m. Other financial information

(i) Earnings in foreign exchange (Accrual basis)

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
Exports on FOB basis	1,902,201	1,128,031
Royalty income	726	675
Total	1,902,927	1,128,706

(ii) CIF Value of Imports

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
Capital goods	67,377	7,242
Raw materials and packing materials	9,029	10,394
Total	76,406	17,636

(iii) Expenditure in foreign currency

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
- Travel	1,736	3,104
- Others	28,702	5,099
Total	30,438	8,203

Number of non resident shareholders

Amount of dividend

(iv) Derivative instruments and unhedged foreign currency exposure

Forward contracts outstanding as at balance sheet date:

Particulars	As at March 31, 2009	As at March 31, 2008
Sell	Nil	USD 19,400,000
Purpose		Hedging of highly probable forecast receivables from exports

Schedules Forming part of the Financial Statements

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

Unhedged foreign currency exposure:

Particulars	As at March 31, 2009	As at March 31, 2008
Advance paid to suppliers	Nil	EUR – 111,002 (Rs.6,998) USD – 11,331 (Rs.452)
Receivables	<u>USD—71,745</u> <u>(Rs 3,655)</u>	<u>Nil</u>
Investment in subsidiary	<u>Rs 1,396</u>	<u>Nil</u>

n. Outstanding lease obligations

Finance lease obligations

Particulars	As at March 31, 2009	As at March 31, 2008
<i>Future minimum lease payments</i>		
Total minimum lease payments at the year end	17,117	20,763
Less : amount representing finance charges	(2,081)	(1,911)
Present value of minimum lease payments	15,036	18,852
Lease payments for the year	13,662	17,309
Minimum Lease Payments		
Not later than one year [Present value Rs. 8,204 as on 31.3.2009 (Rs.12,276 as on 31.3.2008)]	9,643	13,580
Later than one year but not later than five years [Present value Rs. 7,327 as on 31.3.2009 (Rs. 6,576 as on 31.3.2008)]	7,474	7,183
Later than five years	—	—

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

p. Earnings per share

Basic earnings per share are computed and disclosed using the weighted average number of common shares outstanding during the year.

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
Net Profit after taxation	119,679	173,256
Less : Preference share dividend	4,064	4,064
Less : Tax thereon	691	691
Net Profit considered for computing earnings per share	114,924	168,501
Weighted average number of equity shares outstanding	<u>33,944,090</u>	<u>33,944,090</u>
Basic and diluted earnings per share (in Rs.)	<u>3.39</u>	<u>4.96</u>

q. Employee Benefits

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

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

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
Projected benefit obligation at the beginning of the year	14,118	14,547
Current service cost	2,754	1,063
Interest cost	1,092	1,163
Actuarial (gain)/ loss	460	(1,233)
Benefits settled	(948)	(1,422)
Projected benefit obligation at the end of the year	<u>17,476</u>	<u>14,118</u>

Hatsun Agro Product Limited

Schedules Forming part of the Financial Statements

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

Change in fair value of plan assets:

Particulars	Year ended	Year ended
	March 31, 2009	March 31, 2008
Fair value of plan assets at the beginning of the year	10,160	6,253
Expected return on plan assets	1081	500
Actuarial gain / (loss)	48	204
Employer contributions	7,659	4,625
Benefits paid	(948)	(1,422)
Fair value of plan assets at the end of the year	18,000	10,160

Reconciliation of present value of obligation on the fair value of plan assets:

Particulars	Year ended	Year ended
	March 31, 2009	March 31, 2008
Present value of projected benefit obligation at the end of the year	17,476	14,118
Funded status of the plans	18,000	10,160
Unfunded status amount of liability recognized in the balance sheet	(524)	3,958

Net employee benefit expense recognized towards gratuity is as follows:

Particulars	Year ended	Year ended
	March 31, 2009	March 31, 2008
Current Service cost	2,754	1,063
Interest cost on benefit obligation	1,092	1,163
Expected returns on plan assets	(1,081)	(500)
Recognized net actuarial (gain)/ loss	411	(1,437)
Net gratuity costs	3,176	289
<i>Actual return on planned assets</i>	1,129	704
Experience adjustments on plan liabilities	460	(1,233)
Experience adjustments on plan assets	(49)	(204)
Estimated contribution to the plan in the next accounting period	8,000	7,659
Financial Assumptions at Balance Sheet date:		
Discount rate	8% p.a.	8% p.a.
Attrition rate	1-3% p.a.	5% p.a.
Estimated rate of return on plan assets	8% p.a.	8% p.a.

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

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

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

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

As per our report attached of even date
For S.R. BATLIBOI & ASSOCIATES

Chartered Accountants
Sd/-

per S. Balasubrahmanyam

Partner, Membership No.053315

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

Sd/-
K.S. THANARAJAN
Joint Managing Director

Place : Chennai
Date : June 23, 2009

Sd/-
B.V. NATH
Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	1	2	7	4	7	State Code	1	8
Balance Sheet Date	3	1	0	3	2	0	0	9
	Date			Month		Year		

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

Public Issue	N	I	L	Rights Issue	N	I	L
Bonus Issue	N	I	L	Private Placement	N	I	L

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

Total Liabilities	2	9	8	0	9	8	8	Total Assets	2	9	8	0	9	8	8
Sources of Funds															
Paid-up Capital	1	1	8	7	2	1	Reserves & Surplus	4	5	3	9	5	2		
Secured Loans	1	9	3	2	4	0	1	Unsecured Loans	3	5	6	3	9	6	
Deferred Income				7	8	8	5	Deferred Tax Liabilities	1	1	1	6	3	3	
Application of Funds															
Net Fixed Assets	2	9	4	5	7	0	1	Investments				1	3	9	6
Net Current Assets			3	3	8	9	1	Miscellaneous Expenditure	N	I	L				
Accumulated Losses	N	I	L												

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

Turnover (including Other Income)	1	0	1	4	8	6	5	2	Total Expenditure	9	9	4	9	4	3	3	
+ - Profit Before tax	✓	+	1	9	9	2	1	9	+ - Profit After tax	✓	+	1	1	9	6	7	9
Earning per Share in Rs.				3	.	3	9	Dividend Rate %*		0	0						

* The Board has declared an interim dividend on 16th June, 2009 at Re.0.60/- per equity share for the financial year 2008-09

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

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

For and on behalf of the Board

R.G. CHANDRAMOGAN
Chairman & Managing Director

K.S. THANARAJAN
Joint Managing Director

Place : Chennai
Date : 23rd June, 2009

B.V. NATH
Company Secretary

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT,
1956 RELATING TO SUBSIDIARY COMPANY**

1. Name of the Subsidiary company : Hatsun Ingredients FZE
2. Statement of holding company's interest
in subsidiary company : As on March 31, 2009
One equity share of Rs 10,00,000/- each : 100.00%
3. Financial year of the subsidiary ended on : Year ended March 31, 2009
4. Net aggregate amount of Profit/ Loss of
the subsidiary as far as it concerns the
holding company : (Rs 996000)

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

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

Sd/-
K.S. THANARAJAN
Joint Managing Director

Place : Chennai
Date : June 23, 2009

Sd/-
B.V. NATH
Company Secretary

AUDITORS' REPORT

The Board of Directors
Hatsun Agro Product Limited

1. We have audited the attached Consolidated Balance Sheet of **Hatsun Agro Product Limited** ('the Company'), and its subsidiary **Hatsun Ingredients FZE, UAE** ('the Subsidiary') as at March 31, 2009 and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by Management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs.1.3 million as at 31st March 2009, total revenues of Rs.Nil and net cash flows amounting to Rs.0.41 million for the year then ended. These financial statements and other financial information have been audited by other auditors whose report(s) has (have) been furnished to us, and our opinion is based solely on the report of other auditors.
4. We report that the consolidated financial statements have been prepared by Management in accordance with the requirements of Accounting Standards (AS) 21 - 'Consolidated financial statements', notified pursuant to the Companies (Accounting Standards) Rules, 2006 (as amended).
5. *As more fully described in Note 2(a)(iii) of Schedule 19 to the Financial Statements, certain income tax matters in respect of the financial year ended 31 March 1996 (financial estimate by the management of Rs. 15 million) are being contested by the Company and the matter is pending with the High Court of Judicature, Madras. Pending a final resolution of the uncertainties in this connection, no provision towards tax and other consequential adjustment relating to this matter, if any, have been considered in the financial statements.*
6. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, *subject to our comments in paragraph 5 above, the effect whereof on the financial statement is not ascertainable*, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the consolidated balance sheet, of the state of affairs of the Company and its Subsidiaries, as at March 31, 2009;
 - b) in the case of the consolidated profit and loss account, of the consolidated profits of the Company and its Subsidiaries, for the year ended on that date; and
 - c) in the case of the consolidated cash flow statement, of the consolidated cash flows of the Company and its Subsidiaries, for the year ended on that date.

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants,
Sd/-
per S Balasubrahmanyam
Partner
Membership No.053315

Place : Chennai
Date : June 23rd, 2009

CONSOLIDATED BALANCE SHEET AS ON MARCH 31, 2009

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

	Schedule No.	As at March 31, 2009
SOURCES OF FUNDS		
Shareholders' Funds		
Share capital	1	118,721
Reserves and surplus	2	452,731
		<u>571,452</u>
Loan Funds		
Secured loans	3	1,932,401
Unsecured loans	4	356,396
		<u>2,288,797</u>
Deferred Income, net	19(2)(d)	7,885
Deferred tax liabilities, net	19(2)(c)	111,633
Foreign Currency Monetary Item Translation Difference Account		
		<u>2,979,767</u>
APPLICATION OF FUNDS		
Fixed assets		
Gross Block	5	2,571,479
Less: Accumulated depreciation		(907,251)
Net block		<u>1,664,228</u>
Capital work-in-progress		1,281,473
		<u>2,945,701</u>
Current assets, loans and advances		
Inventories	6	278,926
Sundry debtors	7	85,716
Cash and bank balances	8	60,903
Claims receivable		14,580
Loans and advances	9	208,857
	(A)	<u>648,982</u>
Current liabilities and provisions		
Current liabilities	10	(574,552)
Provisions	11	(40,364)
	(B)	<u>(614,916)</u>
Net current assets	(A)-(B)	34,066
	Total	<u>2,979,767</u>
Significant accounting policies and notes to the financial statements	19	

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

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

As per our report attached of even date
For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants
Sd/-

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

Sd/-
K.S. THANARAJAN
Joint Managing Director

per S. Balasubrahmanyam
Partner, Membership No.053315

Sd/-
B.V. NATH
Company Secretary

Place : Chennai
Date : June 23, 2009

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
MARCH 31, 2009**

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

	Schedule No.	Year ended March 31, 2009
INCOME		
Sales	12	10,130,501
Other income	13	18,151
		10,148,652
EXPENDITURE		
Cost of manufactured goods	14	7,458,625
Cost of traded goods	15	118,384
Employee costs	16	304,554
Manufacturing, administrative and selling expenses	17	1,638,914
Interest and finance charges	18	213,164
Depreciation & Amortisation	5	216,787
		9,950,428
Profit before tax		198,224
Provision for tax - Current Tax		58,835
- Deferred tax charge		12,447
- Fringe benefit tax		10,788
Reversal of provision for income tax pertaining to earlier years		(2,530)
Profit after tax		118,684
Balance brought forward from previous year		127,131
Profit available for appropriation		245,815
Appropriations:		
Transfer to General reserve		11,868
Dividend - Interim Dividend on Preference Shares		4,064
- Interim Dividend on Equity Shares		20,366
- Proposed Final Dividend on Preference Shares		—
- Proposed Final Dividend on Equity Shares		—
Dividend tax - Preference		691
- Equity		3,461
Surplus carried to Balance Sheet		205,265
		245,815
Earnings per share:		
Basic and diluted (Rs) (Refer to Note 2 (g) of schedule 19)		3.36
Weighted average number of equity shares outstanding		33,944,090
Par Value of equity shares (Rs)		2
Significant accounting policies and notes to the financial Statements	19	

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

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

As per our report attached of even date

For S.R. BATLIBOI & ASSOCIATES

Chartered Accountants

Sd/-

per S. Balasubrahmanyam

Partner, Membership No.053315

Sd/-

R.G. CHANDRAMOGAN

Chairman & Managing Director

Sd/-

K.S. THANARAJAN

Joint Managing Director

Sd/-

B.V. NATH

Company Secretary

Place : Chennai

Date : June 23, 2009

**CONSOLIDATED CASH FLOW STATEMENT FOR THE
YEAR ENDED MARCH 31, 2009**

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

**Year ended
31st March, 2009**

Cash flows from operating activities

Net profit before taxation **198,224**

Adjustments for:

Depreciation on fixed assets 216,787

Bad debts written off 1,187

(Profit)/loss on sale of fixed assets-net (6,032)

Deferred Income recognised (440)

Unrealised foreign exchange (gain) /loss, net (226)

Interest income (1,602)

Interest and finance charges 191,106

Operating profit before working capital changes **599,004**

(Increase)/Decrease in inventories 142,423

(Increase)/Decrease in sundry debtors 62,751

(Increase)/Decrease in loans and advances (62,068)

(Increase)/Decrease in Claims receivable 41,603

Increase/(Decrease) in current liabilities and provisions (Refer note b below) (83,527)

Increase/(Decrease) in provisions (2,514)

Cash generated from operations **697,672**

Direct taxes paid (net of refunds) (140,647)

Net cash from/(used in) operating activities **557,025**

Cash flows (used in) / from investing activities

Purchase of fixed assets (including capital work in progress) (1,414,093)

Proceeds from sale of fixed assets 10,643

Interest received 2,165

Net cash from/(used in) investing activities **(1,401,285)**

Hatsun Agro Product Limited

Consolidated Cash Flow Statement For The Year Ended March 31, 2009

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

	Year ended March 31, 2009
Cash flows (used in) / from financing activities	
Term loans availed during the year	1,131,666
Term loans repaid during the year	(320,765)
Increase/(decrease) in other borrowings from financial institutions	171,238
Public deposits accepted during the year	50,040
Public deposits repaid during the year	(24,520)
Proposed dividends paid	(25,787)
Tax on proposed dividends paid	(4,383)
Interest and finance charges paid	(190,766)
Net cash (used in)/from financing activities	786,723
Net (decrease) / increase in cash and cash equivalents	(57,537)
Cash and cash equivalents at the beginning of the year	118,440
Cash and cash equivalents at the end of the year	60,903
a) Components of cash and cash equivalents	
Cash and cheques on hand	3,994
Balances with Scheduled Banks	
- in current accounts	42,239
- in deposit accounts	11,442
- in unpaid dividend accounts (restricted)	307
- in designated bank accounts towards security for repayment of public deposits	2,500
Balances with other banks:	
- in current accounts	421
	60,903
b) Adjustments for increase/decrease in current liabilities related to acquisition of fixed assets have been made to the extent identified.	

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

As per our report attached of even date
For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants
Sd/-
per S. Balasubrahmanyam
Partner, Membership No.053315

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

Sd/-
K.S. THANARAJAN
Joint Managing Director

Place : Chennai
Date : June 23, 2009

Sd/-
B.V. NATH
Company Secretary

**SCHEDULES FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

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

**As at
March 31, 2009**

1. Share capital

Authorised

50,000,000 equity shares of Rs 2/- each	100,000
2,000,000 Preference shares of Rs 100/- each	200,000
	300,000

Issued and Subscribed

34,009,090 equity shares of Rs 2/- each	68,018
508,000 8% Non-Convertible Cumulative Redeemable Preference Shares of Rs.100/- each	50,800
	118,818

Paid-up

33,944,090 equity shares of Rs 2/- each fully paid up	67,888
508,000 8% Non-Convertible Cumulative Redeemable Preference Shares of Rs.100/- each	50,800
65,000 equity shares, partly paid up, forfeited	33
	118,721

Paid up equity shares of the Company include:

- (a) 153,640 equity shares of Rs. 2/- each, allotted pursuant to amalgamation of Hatsun Foods Company Limited, for consideration other than cash.
- (b) 345,450 equity shares of Rs. 2/- each, allotted pursuant to amalgamation of Ajith Dairy Industries Limited, for consideration other than cash.
- (c) 5,292,000 equity shares of Rs. 2/- each issued as fully paid up bonus shares in July 1995, pursuant to capitalisation of surplus in the Profit and Loss account and free reserves.
- (d) Redemption terms for preference shares : The 8% Non-convertible Cumulative Preference shares are redeemable at par in three equal half yearly instalments of Rs 16,933, the first instalment falling due on October 5, 2009.

2. Reserves and surplus

Securities Premium account	86,722
Capital reserve	
Balance brought forward	7,445
	7,445
Capital redemption reserve	
Balance brought forward	75,000
Add: Additions during the year	—
	75,000
General reserve	
Balance brought forward	66,557
Add: Appropriation from Profit and Loss Account	11,968
	78,525
Foreign Currency Translation Reserve	(226)
Balance in Profit and Loss Account	205,265
	452,731

Schedules Forming Part Of The Consolidated Financial Statements

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

**As at
March 31, 2009**

3. Secured loans

Term loans from banks (secured by charge on the fixed assets and moveable assets of the Company)	1,365,868
Working capital loans from banks (secured by charge on the entire current assets of the Company)	375,418
Finance Lease Obligations (secured by assets acquired on lease)	15,036
Assets refinance obligation (secured by assets refinanced)	176,079
	<u>1,932,401</u>

4. Unsecured loans

Short term loan from banks	190,000
Public deposits	60,062
Inter corporate deposits	
Others	106,334
	<u>356,396</u>

Of the above secured and unsecured loans, the Chairman & Managing Director has given personal guarantee (including those by pledge of equity shares of Hatsun Agro Product Limited) for the following:

Term loans	1,365,868
Working capital loans	375,418
Short term loans from banks	190,000
Others	30,000
Assets refinance obligation	172,298

Schedules Forming Part Of The Consolidated Financial Statements

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

5. Fixed Assets

Description	Gross Block				Accumulated depreciation & Amortisation				Net Block
	As at 1 st April 2008	Additions	Deletions	As at 31 st March 2009	As at 1 st April 2008	For the Year	Deletions	As at 31 st March 2009	As at 31 st March 2009
Intangible Assets:									
ERP Software	19,635	12,922	(19,486)	13,071	17,234	3,648	(19,486)	1,396	11,675
Goodwill	32,488	—	(32,488)	—	32,488	—	(32,488)	—	—
Business Str.Arrangement	23,947	—	(23,947)	—	23,947	—	(23,947)	—	—
Royalty	21,198	—	(21,198)	—	21,198	—	(21,198)	—	—
Tangible Assets:									
Land	168,113	27,762	(620)	195,255	—	—	—	—	195,255
Buildings	418,031	63,502	—	481,533	62,817	18,691	—	81,508	400,025
Plant & Machinery	1,555,641	219,196	(10,107)	1,764,730	603,769	174,695	(9,379)	769,085	995,645
Furniture and fixtures	21,111	10,635	(116)	31,630	11,062	5,522	(111)	16,473	15,157
Office Equipment	20,131	6,189	(582)	25,738	9,943	8,901	(561)	18,283	7,455
Vehicles*	50,902	13,861	(6,663)	58,100	17,631	5,092	(3,426)	19,297	38,803
Lease Hold Improvements	1,422	—	—	1,422	971	238	—	1,209	213
Total	2,332,619	354,067	(115,207)	2,571,479	801,060	216,787	(110,596)	907,251	1,664,228

* Vehicles includes assets costing Rs 27, 677 acquired on finance lease .The depreciation on these assets amounts to Rs 1,940 . The net block of these assets amount to Rs 24,509.

Hatsun Agro Product Limited

Schedules Forming Part Of The Consolidated Financial Statements

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

	As at March 31, 2009
6 Inventories	
Raw materials and packing materials	69,785
Work-in-process	27,679
Finished goods	
- manufactured*	111,063
- traded	3,470
Stores, spares and loose tools	66,929
	<u>278,926</u>
* Includes goods in transit of Rs. 32,789	
7 Sundry debtors	
Unsecured, considered good	
Debts outstanding for a period exceeding six months	832
Other debts	32,588
	<u>33,420</u>
Secured, considered good	
Debts outstanding for a period exceeding six months	1,189
Other debts	51,107
	<u>52,296</u>
	<u>85,716</u>
8 Cash and bank balances	
Cash in hand	3,994
Balances with scheduled banks:	
- in current accounts	42,239
- in deposit accounts	11,442
- in unpaid dividend accounts	307
- deposits in designated bank accounts towards security for repayment of public deposits	2,500
Balances with other banks:	
- in current accounts	421
	<u>60,903</u>
9 Loans and advances	
(Unsecured, considered good)	
Advances recoverable in cash or in kind or for value to be received	16,342
Deposits	139,428
Advance to suppliers	53,087
	<u>208,857</u>
10 Current liabilities	
Sundry creditors	366,977
Security deposits	180,930
Advance from customers	7,761
Other liabilities	15,269
Unclaimed dividend*	307
Bank overdraft	1,553
Interest accrued and not due	1,755
	<u>574,552</u>
* Investor Education and Protection fund will be credited as and when due	
11 Provisions	
For Leave encashment	4,643
For Income tax (net)	5,139
For Fringe benefit tax (net)	2,000
For Proposed Interim Dividend for Equity share capital	20,366
For Proposed Interim Dividend on Preference share capital	4,064
For Dividend Tax payable	4,152
	<u>40,364</u>

Hatsun Agro Product Limited

Schedules Forming Part Of The Consolidated Financial Statements

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

As at
March 31, 2009

12 Sales

Milk	6,708,641
Ice cream	555,880
Milk products	2,740,406
Others	125,574
	<u>10,130,501</u>

13 Other Income

Interest income	
Bank deposits	822
Others	780
Profit on sale of assets, net	6,032
Foreign exchange gain, net	—
Royalty	726
Export Benefits	4,465
Miscellaneous income	5,326
	<u>18,151</u>

14 Cost of manufactured goods

(A) Consumption of raw materials and packing materials

Opening inventory	76,036
Add: Purchases	7,308,377
	<u>7,384,413</u>
Less: Closing inventory	69,785
	<u>7,314,628</u>

Total [A]

(B) (Increase)/Decrease in WIP & Finished goods

Opening inventory

Work-in-process	43,824
Finished goods	238,915
	<u>282,739</u>

Sub Total

Less: Closing inventory

Work-in-process	27,679
Finished goods	111,063
	<u>138,742</u>

Sub Total

Total [B]

Total [(A) + (B)]

143,997

7,458,625

15 Cost of traded goods

Opening inventory	3,834
Add: Purchases	118,020
	<u>121,854</u>
Less: Closing inventory	3,470
	<u>118,384</u>

Hatsun Agro Product Limited

Schedules Forming Part Of The Consolidated Financial Statements

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

Year ended
March 31, 2009

16 Employee costs

Salaries, wages and other allowances	231,039
Contribution to defined contribution plans	16,111
Gratuity	3,176
Staff welfare expenses	54,228
	<u>304,554</u>

17 Manufacturing, administrative and selling expenses

Power and fuel (net of power credits of Rs. 1,210)	387,169
Stores and spares consumed	86,638
Sales promotion expenses	144,751
Commission on sales	24,273
Freight outwards	419,988
Bad debts written off	1,187
Repairs and maintenance:	
- Buildings	9,776
- Plant and machinery	93,457
- Others	7,775
Travelling and conveyance	79,659
Printing and stationery	17,747
Rent	59,845
Rates and taxes	19,510
Insurance	24,418
Directors sitting fees	190
Service Charges	54,055
Loss on sales of assets (net)	—
Foreign exchange loss (net)	100,924
Miscellaneous expenses	107,552
	<u>1,638,914</u>

18 Interest and finance charges

Interest:	
- on term loans	98,673
- others	113,724
	<u>212,397</u>
Less : Interest Capitalised	<u>68,238</u>
	144,159
Other finance charges	46,947
Bank charges	22,058
	<u>213,164</u>

Schedules Forming part of the Consolidated Financial Statements

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

19. Significant accounting policies and notes to the financial statements

a Description of the Group

Hatsun Agro Product Limited ('the Company' or 'the Group') is listed on principal stock exchange of India. The Group comprises of Hatsun Agro Product Limited and its 100% subsidiary Hatsun Ingredients FZE, UAE.

b. Principles of consolidation

- i. The financial statements have been prepared to comply in all material respects in respects with the Notified accounting standard by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. This is the first year in which the company is preparing consolidated financial statements hence comparative numbers are not presented. The Consolidated Financial Statements ('CFS') of the Group have been prepared based on a line-by-line consolidation of the balance sheet as at March 31, 2009 and statement of profit and loss and cash flows of the Group for the year ended March 31, 2009.
- ii. The financial statements of the Subsidiaries considered for the purpose of consolidation are drawn for the same reporting period as that of the Company i.e. year ended March 31, 2009.
- iii. The CFS have been prepared using uniform accounting policies, except as stated otherwise, for similar transactions and are presented to the extent possible, in the same manner as the Company's separate financial statements.
- iv. All material inter-company transactions and balances between the entities included in the CFS have been eliminated on consolidation.
- v. In case of foreign subsidiary, revenue items are consolidated at the average rate prevailing during the year. All the assets and liabilities are converted at the rates prevailing at the end of the year. Exchange gains / (losses) arising on conversion are recognized under Foreign Currency Translation Reserve.

c. Use of estimates

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

d. Fixed Assets and capital work in progress

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

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

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 at the weighted average cost of capital.
- 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.

Schedules Forming part of the Consolidated Financial Statements

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

f. Depreciation

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

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

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

g. Leased assets

Finance Lease

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

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

Operating Lease

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

h. Inventories

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

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

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

i. Revenue recognition

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

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

Royalty income is recognized on accrual basis.

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

Schedules Forming part of the Consolidated Financial Statements

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

j. Foreign currency transactions

(i) Initial Recognition

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

(ii) Conversion

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

(iii) Exchange Differences

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

k. Taxation

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit 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.

l. Earnings per share

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

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

m. Government grants

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

n. Employee benefits

i. Short term employee benefit plans

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

ii. Defined Contribution Plan

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

iii. Defined Benefit Plan

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

iv. Leave Salary

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

Schedules Forming part of the Consolidated Financial Statements

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

o. Cash flow statements

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

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

p. Provisions

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

q. Segment Reporting Policies

Identification of segments:

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

Segment accounting policies:

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

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

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

Unallocated items:

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

2. Notes to the financial statements

a. Capital commitments and contingencies

Particulars	As at March 31, 2009
(i) Estimated amount of contracts remaining to be executed on capital account (net of capital advances) and not provided for	487,366
(ii) Claims made against the Company not acknowledged as debts in respect of sales tax and income tax matters	15,932
(iii) In respect of the Income tax assessment year 1996-1997, the Company's claim for deduction towards non-compete fees of Rs 40,000 was disallowed by the Income tax Assessing Officer. The Commissioner of Income tax (Appeals) ruled in favour of the Company. However, the Income tax Appellate Tribunal has upheld the disallowance of the aforesaid expenditure and the Company has filed an appeal in the High Court of Judicature, Madras. Management's estimate of the tax impact of such disallowance is Rs.15,000 (including estimated interest but excluding penalties etc, if any). Based on the expert advice, the management believes that the Company has strong case and hence, no provision and consequential adjustments, if any for such disputed amount have been considered in the financial statements.	

b. Export obligations

The Company has imported certain items at concessional rates of customs duty under the Export Promotion Capital Goods Scheme (EPCG). As at the Balance Sheet date, total Export Obligations under the EPCG Scheme is USD **35,083,658** which is to be fulfilled over a period of eight years from the date of the licenses. As at March 31, 2009, the company has fulfilled Export Obligations amounting to USD **8,749,730** and has outstanding Export Obligation of USD **26,333,928**.

Schedules Forming part of the Consolidated Financial Statements

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

c. Deferred Taxes (Net)

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

Particulars	As at March 31, 2009
Effect of expenditure debited to profit and loss account in the current year but allowed for tax purposes in following years	4,640
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books.	(116,273)
Total	<u><u>(111,633)</u></u>

d. Movement in Deferred Income

Particulars	Year ended March 31, 2009
Opening balance of subsidy	8,325
Less: Subsidy returned during the year	—
Less: Income recognized during the year	(440)
Closing balance of subsidy	<u><u>7,885</u></u>

e. Unhedged foreign currency exposure:

Particulars	As at March 31, 2009
Receivables	USD-71,745 (Rs 3,655)

f. Outstanding lease obligations

Finance lease obligations

Particulars	As at March 31, 2009
Future minimum lease payments	
Total minimum lease payments at the year end	17,117
Less : amount representing finance charges	(2,081)
Present value of minimum lease payments	15,036
Lease payments for the year	13,662
Minimum Lease Payments	
Not later than one year [Present value Rs. 8,204 as on 31.3.2009]	9,643
Later than one year but not later than five years [Present value Rs. 7,327 as on 31.3.2009]	7,474
Later than five years	—

Schedules Forming part of the Consolidated Financial Statements

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

g. Earnings per share

Basic earnings per share are computed and disclosed using the weighted average number of common shares outstanding during the year.

Particulars	Year ended March 31, 2009
Net Profit after taxation	118,684
Less : Preference share dividend	4,064
Less : Tax thereon	691
Net Profit considered for computing earnings per share	113,929
Weighted average number of equity shares outstanding	33,944,090
Basic and diluted earnings per share (in Rs.)	3.36

h. Employee Benefits

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

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

Particulars	Year ended March 31, 2009
Projected benefit obligation at the beginning of the year	14,118
Current service cost	2,754
Interest cost	1,092
Actuarial (gain)/ loss	460
Benefits settled	(948)
Projected benefit obligation at the end of the year	17,476

Change in fair value of plan assets:

Particulars	Year ended March 31, 2009
Fair value of plan assets at the beginning of the year	10,160
Expected return on plan assets	1081
Actuarial gain / (loss)	48
Employer contributions	7,659
Benefits paid	(948)
Fair value of plan assets at the end of the year	18,000

Reconciliation of present value of obligation on the fair value of plan assets:

Particulars	Year ended March 31, 2009
Present value of projected benefit obligation at the end of the year	17,476
Funded status of the plans	18,000
Unfunded status amount of liability/ (asset) recognized in the balance sheet	(524)

Schedules Forming part of the Consolidated Financial Statements

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

Net employee benefit expense recognized towards gratuity is as follows:

Particulars	Year ended March 31, 2009
Current Service cost	2,754
Interest cost on benefit obligation	1,092
Expected returns on plan assets	(1,081)
Recognized net actuarial (gain)/ loss	411
Net gratuity costs	3,176
Actual return on planned assets	1,129
Experience adjustments on plan liabilities	460
Experience adjustments on plan assets	(49)
Estimated contribution to the plan in the next accounting period	8,000
Financial Assumptions at Balance Sheet date:	
Discount rate	8% p.a.
Attrition rate	1-3% p.a.
Estimated rate of return on plan assets	8% p.a.

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

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

i. Segment information

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

Business (primary) segments of the Company are:

- a) Milk and milk products; and
- b) Others

Primary Segment Information

Particulars	Milk and Milk Products	Others	Total
Segment Revenue	10,004,927	125,574	10,130,501
Segment Results	555,532	7,190	562,722
Unallocated Expenses (net of unallocated income)			(152,156)
Operating Profit			410,566
Finance Charges-Net			(212,342)
Profit / (Loss) before taxation			198,224
Taxes (expense) / benefit			(79,540)
Profit / (Loss) after taxation			118,684
Segment Assets	3,447,549	10,821	3,458,370
Unallocated Assets			136,313
Total Assets			3,594,683
Segment Liabilities	526,539	2,264	528,803
Unallocated Liabilities			2,494,428
Total Liabilities			3,023,231
Capital Expenditure incurred	315,328	2,283	317,611
Unallocated Capital Expenditure incurred			36,456
Total Capital Expenditure			354,067
Depreciation & Amortisation	195,384	426	195,810
Unallocated Depreciation & Amortisation			20,977
Total Depreciation & Amortisation			216,787

Hatsun Agro Product Limited

Schedules forming part of the financial statements

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

Secondary segment information

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

Segment Revenue:

Location	Year ended March 31, 2009
India	8,228,300
Others	1,902,201
Total	10,130,501

Segment Assets

Location	Year ended March 31, 2009
India	3,591,028
Others	3,655
Total	3,594,683

Additions to Tangible and Intangible assets

Location	Year ended March 31, 2009
India*	354,067
Others	—
Total	354,067

*Tangible and Intangible assets are located only in India.

j. Related Party Disclosure

Key management personnel	R G Chandramogan (Chairman and Managing Director) K S Thanarajan (Joint Managing Director) C Sathyan (Executive Director-Operations)
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Transactions and balances with related parties:

Particulars	Key management personnel* 31-Mar-09
Nature of transaction:	
Dividend paid during the year to Key management personnel	16,854
Managerial remuneration **	9,623

*Details of guarantees given by directors towards loans obtained by the Company are provided in Schedules 3 and 4 to the financial statements.

**The Chairman and Managing Director, and other Whole-time directors are covered under the Company's leave encashment policy and group gratuity scheme along with other employees of the Company. 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

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

As per our report attached of even date

For S.R. BATLIBOI & ASSOCIATES

Chartered Accountants

Sd/-

per S. Balasubrahmanyam

Partner, Membership No.053315

Sd/-

R.G. CHANDRAMOGAN

Chairman & Managing Director

Sd/-

K.S. THANARAJAN

Joint Managing Director

Sd/-

B.V. NATH

Company Secretary

Place : Chennai

Date : June 23, 2009

HATSUN INGREDIENTS FZE

RAK Free Zone. UAE

DIRECTORS REPORT

Financial Results :

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

Administrative expenses	7	993
Depreciation	6	3
Total operating expenses		996
Net Loss for the year		996

The commercial license was issued to the company on November 5th, 2008 and the operations have begun from that date thereon.

Dividend :

No dividend on equity shares is being recommended.

Directors :

The Directors of the company are Mr. K S Thanarajan and Mr. C Sathyan.

Auditors

K. Sriraman & Co., Chartered Accountants, are the statutory auditors for Indian GAAP.

HATSUN INGREDIENTS FZE

RAK Free Zone. UAE

AUDITOR'S REPORT

The Members

HATSUN AGRO PRODUCT LIMITED

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

We have reviewed the attached Balance Sheet of **HATSUN INGREDIENTS FZE**, RAK Free Trade Zone, Ras Al Khaimah, United Arab Emirates, a 100% subsidiary of **HATSUN AGRO PRODUCT LIMITED** as at March 31, 2009, and the Profit and Loss account for the period ended on that date annexed thereto, duly audited by Statutory Auditors appointed at Dubai, UAE, for the purpose of presenting the financial statements in Indian Currency as required under section 212 of The Companies Act, 1956. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these statements, based on the audited financial statements, converted in Indian Currency, provided by the management.

Management Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

We have relied on the Statutory Auditor's Report dated May 10 2009 on the audited financial statements of **Hatsun Ingredients FZE**, which comprise the balance sheet as at March 31, 2009 and the statement of income, statement of changes in shareholders' equity, statement of cash flows for the period then ended, in accordance with International Financial Reporting Standards, and a summary of significant accounting policies and other explanatory notes. The financial statements are prepared, in Indian Currency, in accordance with the Generally Accepted Accounting Standards at India. [India GAAP] We made necessary adjustments for exchange conversion factors.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and reasonableness of 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, i.e. Audit Report submitted by M/s. SPA AUDITING Chartered Accountants, Dubai – UAE on M/s. **HATSUN INGREDIENTS FZE**, RAK Free Trade Zone, Ras Al Khaimah, United Arab Emirates, is sufficient and appropriate to provide a basis for our opinion.

Opinion

The Company obtained its commercial license to engage in business on November 5th, 2008 and hence the first year of operations starts from that date thereon. The company has not made any commercial invoice during the first year of operation for the period ended March 31st, 2009.

Subject to the above, in our opinion and to the best our information and according to the explanations given to us, the said accounts give the information required and give a true and fair view, in conformity with the accounting principles generally accepted in India:

- i) In the case of the Balance Sheet, of the state of affairs of the Company as at March, 31 2009.
- ii) In the case of the Profit and Loss account, of the Loss of the Company for the period ended on that date.
- iii) In the case of the Cash Flow statement, of the Cash Flows of the Company for the period ended on that date.

for K.SRIRAMAN & CO
Chartered Accountants

C.G. RAMESH BABU
Partner

Membership No.204013

Place: Chennai

Date : 19th June 2009

Hatsun Agro Product Limited

HATSUN INGREDIENTS FZE

RAK Free Zone. UAE

BALANCE SHEET AS ON MARCH 31, 2009

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

	Schedule No.	As at March 31, 2009
SOURCES OF FUNDS		
Shareholders' Funds		
Share capital	1	1,348
Reserves and surplus	2	(1,272)
		<u>76</u>
Total		<u><u>76</u></u>
APPLICATION OF FUNDS		
Fixed assets	6	
Gross Block		13
Less: depreciation		<u>3</u>
Net block		10
Current assets, loans and advances		
Cash and bank balances	3	422
Loans and advances	4	<u>939</u>
(A)		1,361
Current liabilities and provisions		
Current liabilities	5	<u>(1,295)</u>
(B)		(1,295)
Net current assets	(A)-(B)	<u>66</u>
Total		<u><u>76</u></u>

For and on behalf of the Board of Directors of
Hatsun Ingredients FZE

As per our report attached of even date

For K.SRIRAMAN & CO

Chartered Accountants

Sd/-

C.G.Ramesh Babu

Partner, Membership No.204013

Sd/-
K S THANARAJAN
Director

Sd/-
C. SATHYAN
Director

Place : Chennai

Date : 19th June 2009

Hatsun Agro Product Limited

HATSUN INGREDIENTS FZE

RAK Free Zone. UAE

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2009

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

	Schedule No.	As at March 31, 2009
EXPENDITURE		
Administrative Expenses	7	993
Depreciation and Amortisation	6	<u>3</u>
		<u><u>996</u></u>

For and on behalf of the Board of Directors of
Hatsun Ingredients FZE

As per our report attached of even date

For K.SRIRAMAN & CO

Chartered Accountants

Sd/-

C.G.Ramesh Babu

Partner, Membership No.204013

Sd/-
K S THANARAJAN
Director

Sd/-
C. SATHYAN
Director

Place : Chennai

Date : 19th June 2009

Hatsun Agro Product Limited

HATSUN INGREDIENTS FZE

RAK Free Zone. UAE

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

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

Year ended
March 31, 2009

Cash flows from operating activities

Net profit before taxation	(996)
Adjustments for:	
Depreciation on fixed assets	3
Foreign Currency Translation Reserve(FCTR)	(276)
Operating profit before working capital changes	(1,269)
(Increase) / decrease in sundry receivables	(939)
(Decrease) in accrued expenses	5
Cash generated from operations	(2,203)
Net cash from/(used in) operating activities	(2,203)
Cash flows (used in) / from investing activities	
Purchase of property plant and equipments	(13)
Net cash from/(used in) investing activities	(13)
Cash flows (used in) / from financing activities	
Loan from Holding Company	1,290
Net movement in Capital account	1,348
Net cash (used in)/from financing activities	2,638
Net (decrease) / increase in cash and cash equivalents	422
Cash and cash equivalents at the beginning of the year	
Cash and cash equivalents at the end of the year	422
Represented by:	
Cash on hand	122
Cash at Bank	300
	422

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

For and on behalf of the Board of Directors of
Hatsun Ingredients FZE

As per our report attached of even date

For K.SRIRAMAN & CO

Chartered Accountants

Sd/-

C.G.Ramesh Babu

Partner, Membership No.204013

Sd/-
K S THANARAJAN
Director

Sd/-
C. SATHYAN
Director

Place : Chennai

Date : 19th June 2009

HATSUN INGREDIENTS FZE

RAK Free Zone. UAE

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

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

	Year ended March 31, 2009
1. Share Capital	
Authorised	
1 Equity Share of AED 100,000 Each (INR Equivalent)	1,348
	<u>1,348</u>
Issued and Subscribed	
1 Equity Share of AED 100,000 Each (INR Equivalent)	1,348
	<u>1,348</u>
Paid-Up	
1 Equity Share of AED 100,000 Each (INR Equivalent)	1,348
	<u>1,348</u>
2. Reserves and Surplus	
Profit & Loss Account	
Opening Balance	0
Net Loss for the Year	996
Foreign Currency Translation Reserve(FCTR)	276
Closing Balance	<u>1,272</u>
3 Cash and Bank Balances	
Cash in hand	122
Balances with scheduled banks:	
- in current accounts-Standard Chartered Bank	<u>300</u>
	<u>422</u>
4 Loans and Advances	
(Unsecured, considered good)	
Security Deposit	104
Prepaid Rent	<u>835</u>
	<u>939</u>
5 Current Liabilities & Provisions	
Loan & Advances	1,290
Accrued Expenses & Provisions	<u>5</u>
	<u>1,295</u>

Hatsun Agro Product Limited

HATSUN INGREDIENTS FZE

RAK Free Zone. UAE

Schedules Forming Part Of The Financial Statements

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

	Year ended March 31, 2009
6 Fixed Assets	
Cost:	
At April 1, 2008	—
Additions during the year	13
At March 31, 2009.	13
Depreciation:	
At April 1, 2008	
Depreciation for the year	3
At March 31, 2009	3
Net book value:	
At March 31, 2009	10
7 Salaries & related benefits	394
Rent	211
Printing and stationery	3
Travelling and conveyance	71
Legal, visa and professional	185
Communication	58
Repairs and maintenence	71
	993

For and on behalf of the Board of Directors of
Hatsun Ingredients FZE

As per our report attached of even date

For K.SRIRAMAN & CO

Chartered Accountants

Sd/-

C.G.Ramesh Babu

Partner, Membership No.204013

Sd/-
K S THANARAJAN
Director

Sd/-
C. SATHYAN
Director

Place : Chennai

Date : 19th June 2009

ATTENDANCE SLIP

HATSUN AGRO PRODUCT LIMITED

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

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

I hereby record my presence at the **24th Annual General Meeting** of the Company held on **Wednesday, the 5th August, 2009 at 11.00 a.m. at Abirami Chidambaram Community Hall, MAC Charities, No. 1/3A, River View Road, Kotturpuram, Chennai - 600 085.**

Notes:

Signature of the Shareholder / Proxy

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



PROXY FORM

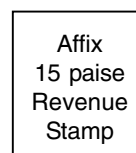
HATSUN AGRO PRODUCT LIMITED

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

Folio No./Client I.D.	
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I/We of
being a member/members of **Hatsun Agro Product Limited** hereby appoint
..... of or failing him
..... of as
my/our Proxy to attend and vote on behalf of me/us at the **24th Annual General Meeting** to be held on **Wednesday, the 5th August, 2009 at 11.00 a.m.** or at any adjournment thereof.

Signed thisday of.....2009.



Signature of shareholder

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