
HATSUN

AGRO PRODUCT LIMITED

BOARD OF DIRECTORS

R.G. CHANDRAMOGAN

Chairman and Managing Director

K.S. THANARAJAN

Joint Managing Director

C. SATHYAN

Executive Director - Operations

P. VAIDYANATHAN

KIRTI P. SHAH

S. THIAGARAJAN

B.S. MANI

N. CHANDRASEKARAN

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

P. VAIDYANATHAN

S. THIAGARAJAN

B.S. MANI

SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

S. THIAGARAJAN

P. VAIDYANATHAN

K.S. THANARAJAN

REMUNERATION COMMITTEE

P. VAIDYANATHAN

S. THIAGARAJAN

B.S. MANI

SUB COMMITTEE

R.G. CHANDRAMOGAN

K.S. THANARAJAN

C. SATHYAN

B.S. MANI

SHARE TRANSFER COMMITTEE

R.G. CHANDRAMOGAN

P. VAIDYANATHAN

K.S. THANARAJAN

COMPANY SECRETARY

S. CHANDRASEKAR

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 (WHITE GATE)
CHENNAI-BANGALORE HIGHWAY
KANCHEEPURAM TALUK
KANCHEEPURAM - 631 502
TAMIL NADU.
3. NO.114, ANGADU ROAD
NALLUR VILLAGE, REDHILLS,
CHENNAI - 600 067
TAMIL NADU.
4. NO.277/2, DESUR VILLAGE,
KANAPUR ROAD,
BELGAUM - 590 014
KARNATAKA.
5. NO.109/2, MELEBENNUR ROAD,
KUNDUR VILLAGE
HONNALI TALUK,
DAVANGERE DISTRICT
HONNALI - 577 219, KARNATAKA.
6. NO.142/IB & IC, HOSUR ROAD
VELLISANDHAI
PALACODE 636 806, TAMIL NADU.
7. NO.76/2B, DINDUGAL MADURAI MAIN ROAD
THIRUVAZHAVAYANALLUR,
VADIPATTI TALUK
MADURAI 625 221, TAMIL NADU.
8. V KOOTTUROADPIRIVU
ATTUPANNAI, PERIYERI POST,
ATTUR TALUK, SALEM DISTRICT
THALAIVASAL.

STATUTORY AUDITORS

M/s. S R BATLIBOI & ASSOCIATES
CHARTERED ACCOUNTANTS

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

BANKERS

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

25th ANNUAL GENERAL MEETING

DATE : 4th AUGUST, 2010
DAY : WEDNESDAY
TIME : 11.00 A.M.
VENUE : P. OBUL REDDY HALL,
SRI THYAGA BRAHMA GANA SABHA,
VANI MAHAL, G.N. CHETTY ROAD,
T. NAGAR, CHENNAI - 600 017.

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NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Twenty Fifth Annual General Meeting of HATSUN AGRO PRODUCT LIMITED will be held on Wednesday, the 4th day of August, 2010 at 11.00 A.M. at P.Obul Reddy Hall, Sri Thyaga Brahma Gana Sabha, Vani Mahal, G.N.Chetty Road, T.Nagar, Chennai 600 017 to transact the following businesses :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2010 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 declare final dividend on Equity Shares for the financial year 2009-10.
3. To ratify the Interim pro-rata dividend on 8% Non-Convertible Cumulative Redeemable Preference Shares declared and paid for the year ended 31st March 2010.
4. To appoint a Director in place of Mr. B.S.Mani, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. S.Thiagarajan, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint M/s. S.R.Batlboi & 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

7. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:
"RESOLVED THAT the consent of the Company under the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, be and is hereby accorded to the Board of Directors of the Company for borrowing, from time to time, as it may consider fit, any sums of money(ies), on such terms and conditions as the Board may deem fit notwithstanding that the money(ies) to be borrowed together with the money(ies) already borrowed by the Company (apart from temporary loan obtained from the Company's Bankers in the ordinary course of business) exceeded the aggregate of the paid-up Capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose so that the total amounts of money(ies) so borrowed at any time shall not exceed the sum of Rs.500 Crores (Rupees Five Hundred Crores Only)".

Place : Chennai
Date : 28th June, 2010

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

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

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 03.08.2010 to 04.08.2010 (both days inclusive) and record date for payment of final dividend for the financial year 2009-10.
3. Shareholders are requested to notify our Registrar and Share Transfer Agent, M/s. Alpha Systems Private Limited, No.30, Ramana Residency, 4th Cross, 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 Registrar and Share Transfer Agent 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	Date of declaration	Date on which unpaid amount is required to be transferred to IE&PF	Shareholders should apply latest by
2003-04	20%	23/09/2003	30/10/2010	10/10/2010
2005-06	20%	21/06/2006	28/07/2013	08/07/2013
2006-07	20%	21/06/2007	28/07/2014	08/07/2014
2007-08	25%	30/10/2007	06/12/2014	17/11/2014
2007-08	35%	22/09/2008	29/10/2015	09/10/2015
2008-09	30%	16/06/2009	23/07/2016	03/07/2016

During the financial year 2009-10, an amount of Rs.69,698/- being unclaimed dividend pertaining to the accounting year 2002-03 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 the company, one-third of its Directors retire every year and, if eligible, offer themselves for re-election at every Annual General Meeting. Accordingly, Mr. B.S.Mani and Mr. S.Thiagarajan are liable to retire at the ensuing Annual General Meeting and being eligible, are offering themselves for re-appointment, in accordance with the provisions of the Companies Act, 1956. The brief resume of each of the Directors who are proposed to be appointed/reappointed is given below:

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

Mr. B.S.Mani holds 1500 shares in the Company as at 31st March 2010.

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

Mr. S.Thiagarajan does not hold any shares in the Company.

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

Item No.7

Pursuant to the provisions of clause (d) of sub-section (1) of Section 293 of the Companies Act, 1956, the Board of Directors cannot borrow more than the aggregate amount of the paid-up Capital of the Company and its free reserves except with the consent of the members of the Company in a General Meeting. At the Extra Ordinary General Meeting of the Company held on 24th June, 2008 consent of the members had been obtained by the Directors to borrow up to a maximum amount of Rs.250 Crores, irrespective of the fact that such amount together with the moneys already borrowed by the Company (apart from temporary loan obtained from the Company's Bankers in the ordinary course of business) exceeded the aggregate of the paid-up capital and the free reserves of the Company as on that date. With the commissioning of new plant at Palacode, it is expected that the ceiling fixed by the members of the Company for borrowing, that is Rs.250 Crores, will be exceeded and therefore your Directors place before you the proposal to increase the maximum borrowing limit of Rs.500 Crores under item number 7 in the notice.

The Board recommends the passing of this resolution.

None of the directors of your Company is concerned or interested in the proposed resolution.

Place : Chennai
Date : 28th June, 2010

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

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

DIRECTORS' REPORT

To
The Members

Your Directors are delighted to present their 25th Annual Report along with the Audited Accounts of the Company for the year ended March 31, 2010.

FINANCIAL RESULTS

The financial performance of your Company for the year ended March 31, 2010 is summarised below:

(Rs. in Lakhs)		
Particulars	Current Year ended 31 st March, 2010	Previous Year ended 31 st March, 2009
Income		
Net Sales	114060.31	101305.01
Other Income	292.98	181.51
Total	114353.29	101486.52
Profit		
a) Profit before Depreciation	3834.73	4160.06
b) Less: Depreciation	2681.17	2167.87
c) Profit after Depreciation but before Tax	1153.56	1992.19
d) Less: Income-tax - Current Period	—	588.35
Deferred Tax - Current Period	854.06	124.47
Tax/(Reversal) of Prior Period tax	30.57	(25.30)
Fringe Benefit Tax	—	107.88
e) Profit after Tax	268.93	1196.79
f) Add: Balance brought forward from previous year	2062.60	1271.31
g) Balance available for appropriation	2331.53	2468.10
Appropriation		
a) Dividend		
- Interim Dividend on Preference Shares	14.70	40.64
- Interim Dividend on Equity Shares	—	203.66
- Proposed Final Dividend on Preference Shares	—	-
- Proposed Final Dividend on Equity Shares	101.83	-
b) Corporate Dividend Tax		
- Equity	16.92	34.61
- Preference	2.50	6.91
c) Transfer to General Reserve from current year profits	13.45	119.68
d) Transfer to Capital Redemption Reserve	508.00	-
d) Balance carried to Balance Sheet	1674.13	2062.60
Total	2331.53	2468.10

PERFORMANCE OF THE COMPANY

OPERATING RESULTS

During the year, your Company registered a turnover (Net Sales) of Rs.114060.31 Lakhs representing an increase of 12.59% over that of the previous year. Your Company registered a gross profit of Rs.1153.56 Lakhs, as compared to previous year profit of Rs.1992.19 Lakhs.

Hatsun Agro Product Limited

The revenue in "Milk and milk products" amounts to Rs.103053.32 Lakhs representing an increase of 9.06% over that of the previous year. The revenue in "Ice Cream products" amounts to Rs.7517.29 Lakhs representing an increase of 35.23% over that of the previous year.

The decrease in the profitability is due to bad monsoon, non-availability of milk, increase in milk procurement price, increase in Depreciation and Interest due to commissioning of new plant at Palacode and the impact of Deferred Tax Liability.

There was a fire accident at our Kanchipuram Plant at around 10 P.M. on 30.04.2010. However, there is no loss of life or human injury as a result of the fire accident. The total estimated loss/damage is around Rs.2.50 Crore for which there is adequate insurance cover and that there is no loss in revenue or production arising therefrom.

EXPORTS

The value of exports during the year under review was Rs.4651.40 Lakhs representing 4.08% of Net Sales. Your Company is a Net Foreign Exchange Earner.

SUBSIDIARY COMPANY

Your Company has closed the operations in its 100% Wholly-owned Subsidiary Company namely, M/s. Hatsun Ingredients FZE in Ras Al Khaimah, UAE with effect from 13th November, 2009.

FUTURE PLAN

The major thrust areas in the current financial year would be in the domestic Dairy Ingredients, variety of milk products like curd, cream, butter, ghee, milk powders, panneer etc. 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 Directors propose a Final Dividend of Rs.0.30/- per Equity Share (15%) on Equity Share Capital, for those shareholders whose names appear on the Register of Members as at 04th August, 2010 (Record Date), absorbing Rs.1,18,74,661/- (Dividend - Rs. 1,01,83,227/-; Corporate Dividend Tax - Rs. 16,91,434/-).

In terms of the provisions of Investor Education and Protection Fund Rules 2001, Rs.69,698/- of unclaimed dividend pertaining to the financial year 2002-03 was transferred to Investor Education and Protection Fund during the year.

PREFERENCE SHARES

As per the terms of the issue of 8% Non-convertible Cumulative Redeemable Preference Shares of Rs.100/- each, your Directors declared and paid a pro rata Interim Dividend for the year 2009-10 to the Preference shareholders whose name appear on the Register of Members as at 10th August, 2009 (Record Date) absorbing Rs.17,19,425/- (Dividend - Rs. 14,69,720/-; Corporate Dividend Tax - Rs. 2,49,705/-).

8% Non-convertible Cumulative Redeemable Preference Shares of Rs.100/- each aggregating to Rs.508 Lakhs was redeemed by the Company during the year.

6% UNSECURED COMPULSORILY CONVERTIBLE DEBENTURES

During the year, the Company has issued and allotted 250 Nos. of 6% Unsecured Compulsorily Convertible Debentures of Rs.10 Lakhs each aggregating to Rs.25 Crores under Section 81(1A) of the Companies Act, 1956 to be converted into equity shares of the Company after October 1, 2010, but before December 31, 2010 at a price to be mutually agreed by the Board of Directors of the Company and the debenture holders subject to the SEBI Guidelines.

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 Dharamangalam, Attur, Palacode, Edappady and Thiruchengode. 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, two of your Directors, Mr. B.S.Mani and Mr. S.Thiagarajan 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 appointment/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, 2010, 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 Act, 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 such of the Company borrowings are obtained at very competitive rates.

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 (NSDL) and Central Depository Services (India) Limited (CDSL). In view of the advantages of the Depository System, the shareholders are requested to avail of the facility of dematerialisation 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, 2010, was Rs.1242.43 Lakhs out of which a sum of Rs. 793.05 Lakhs represents 1579 accounts of Fixed/Non Cumulative Deposits and Rs.449.38 Lakhs represents 1134 accounts of Cumulative Deposits. A sum of Rs.10.78 Lakhs under 38 accounts was unclaimed as on that date. Out of the above, Rs.5.99 Lakhs representing 18 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 in respect of the financial year ended 31st March 1996(financial estimate by the management of Rs.15 million) are being contested by the Company and the matter pending with the High Court of Judicature, Chennai. Pending a final resolution of uncertainties in this connection, no provision towards tax and other consequential adjustment relating to this matter, if any have been considered in the financial statements. Audit report issued on the financial statements for the year ended March, 31, 2009 was also qualified in respect of this matter.

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 Company is regular in remittance of provident fund and employees' state insurance dues. However, in a few cases there was some technical delay in remittances where even though cheques relating to remittance were made before the due date, it got delayed due to the time taken for clearance 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. 117.1million out of short term loans from banks and others.*

As informed in the earlier years' Annual Reports, the Company has a centralised treasury function where all the term loans and other borrowings in addition to the cash generated from operations are pooled through common bank accounts to optimally use funds and reduce the interest cost to the Company. 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, 2010

Part A - Employed throughout the year and in receipt of remuneration aggregating to Rs 24,00,000/- or more during 2009-10.

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	Desig- nation	(No of Years)
1	Mr. R.G.Chandramogan	61	Chairman and Managing Director	37,32,400	Industrialist	04.03.1986	—	—	—
2	Mr. K.S.Thanarajan	61	Joint Managing Director	40,09,600	Post Graduate in Economics	18.07.1995	—	—	—
3	Ms. Tania Huia Williams	46	DGM Quality	3,128,004	Food Engg. & Food Services	29.01.2009	Fontesla Corporate Group Ltd.	Team Leader	16 Yrs
4	Mr. S.Subramanian	51	Chief Financial Officer	2,760,000	M.Com, P.G.D.M.	16.06.1997	DSJ Group	—	15 Yrs
5	Mr. Anil Kumar P.A.	51	SGM - QA	2,520,000	M.Sc.	25.03.2009	Heritage Foods India Ltd.	SGM - QA	27 Yrs
6	Mr. Jaganath M	43	GM - Marketing & Sales	2,400,000	B.Com & P.G.D.B.A	06.02.2009	Watanmal Group Inc	National Sales	19 Yrs
7	Mr. Prasanna Venkatesh J	45	GM - Marketing & Sales	2,400,000	B.Sc., & P.G.D.B.A	03.08.1998	Henkel Spic	ASM	24 Yrs

Part B - Employed for part of the year and in receipt of remuneration aggregating to Rs 2,00,000/- or more per month during 2009-10

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	Desig- nation	(No of Years)
1	Mr. Brain Colman Mullally	59	SGM - Dairy Operation	483,064	Higher National Diploma in Food Technology	28.02.2010	Dairy Company in Libya	Consultant	26 Yrs

- Notes:
1. All appointments are / were contractual.
 2. Gross remuneration includes salary & allowances, contribution to PF & other Funds and other benefits.
 3. None of the employees whose remuneration is stated above is a relative of any Director of the Company.

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 2009-10 amounted to Rs.4651.40 Lakhs.

Total outgo of Foreign Exchange during the year amounted to Rs.874.76 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 : 28th June, 2010

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:	2009 - 10	2008 - 09
ELECTRICITY		
a) Purchased		
Units	40,227,460	33,199,895
Total Amount (Rs.)	186,898,184	154,364,063
Rate/Unit (Rs.)	4.65	4.65
b) Through Diesel Generation		
Units	6,402,132	6,873,430
Total Amount (Rs.)	79,341,515	94,160,985
Cost/Unit (Excluding Overhead and Depreciation)	12.39	13.70
Units per Litre of Diesel Oil	2.83	2.68
c) Furnace Oil		
Quantity (Kl)	399,323	2,055,470
Total Amount (Rs.)	10,413,239	65,498,988
Average Rate (Rs./Kl)	26.08	31.87
d) Coal		
Quantity (Kg)	18,152,233	15,198,929
Total Amount (Rs.)	48,266,466	50,337,372
Average Rate (Rs./Kg)	2.66	3.31

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

Electricity (Units) - Milk	0.10	0.0595
- Ice Cream	0.41	0.2899
Furnace Oil (Litres) - Milk	0.0011	0.0038
- Ice Cream	—	0.0127
Coal (Kg) - Milk	0.0517	0.0291

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 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.

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

R.G. CHANDRAMOGAN
Chairman & Managing Director

Place : Chennai
Date : 28th June, 2010

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 maximising 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, 2010. 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, at least half of the Board should be independent.

Number of Board Meetings

The Board of Directors met seven times during the financial year on 20th May 2009, 16th June 2009, 23rd June 2009, 29th July 2009, 22nd August 2009, 29th October 2009 and 28th January 2010. The maximum gap between any two meetings was less than four months.

Table 1. Composition of the Board of Directors

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	7	6	Yes	2	0	0
K.S. THANARAJAN	Joint Managing Director	Executive Director	7	7	Yes	0	0	0
C. SATHYAN	Executive Director – Operations	Promoter / Executive Director	7	6	Yes	1	0	0
P. VAIDYANATHAN	Director	Non-Executive / Independent Director	7	7	Yes	3	2	0
KIRTI P SHAH	Director	Non-Executive Director	7	1	No	0	2	0
S. THIAGARAJAN	Director	Non-Executive / Independent Director	7	7	Yes	2	0	0
B.S. MANI	Director	Non-Executive / Independent Director	7	3	Yes	1	0	0
N. CHANDRASEKARAN	Director	Non-Executive / Independent Director	7	5	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 254,000 Equity Shares of Rs.2/- each and Mr. B.S.Mani holds 1,500 Equity Shares of Rs.2/- each, in the Company.

Information supplied to the Board

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

- Annual Operating plans & budgets and any updates thereof.
- Capital budgets and any updates thereof.
- Quarterly results of the Company, operating divisions and business segments.
- Minutes of the meetings of Audit Committee and other Committees of the Board.
- The information on recruitment and remuneration of senior officers just below the Board level, including the appointment or removal of Chief Financial Officer and Company Secretary.
- Materially important show cause, demand, prosecution notices and penalty notices.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company.
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgment or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications 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 minimisation procedures, which are reviewed by the Board periodically. The Company has a structure in place to identify and mitigate the various risks that would be faced by it from time to time. At every Board meeting the risks are reviewed, new risks if any, are identified, assessed, and control measures are designed to put in place fixed timeline for mitigating the risk.

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 six times during the year on 20th May 2009, 16th June 2009, 23rd June 2009, 29th July 2009, 29th October 2009 and 28th January 2010. 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 Member	Category of Directors	Status	No. of Meetings	
			Held	Attended
P. Vaidyanathan	Independent	Chairman	6	6
S Thiagarajan	Independent	Member	6	6
B.S.Mani	Independent	Member	6	3

The functions of the Audit Committee include the following

- Supervising of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditors and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
 - Changes, if any, in accounting policies and practices and reasons for the same.
 - Major accounting entries involving estimates based on the exercise of judgment by the management.
 - Significant adjustments made in the financial statements arising out of audit findings.
 - Compliance with listing and other legal requirements relating to financial statements.
 - Disclosure of any related party transactions.
 - Qualifications in the draft audit report.
- Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
- Reviewing with the management, the statement of uses / application of funds, raised through an issue (public issue, rights issue, preferential issue, etc.) the statement of funds utilised for purposes other than those stated in the offer document/ prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- Reviewing with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors on any significant findings and follow up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- To review the functioning of the Whistle Blower mechanism, in case, the same exists.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee is empowered to

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

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

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

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

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.

Table.4. Remuneration paid to Executive Directors

Name	Salary & Allowances (Rs.)	Contribution to P.F. & Other Funds (Rs.)	Other Perquisites or benefits including medical expenses reimbursed and car facility provided (Rs.)
Mr. R.G. Chandramogan	3,600,000	10,800	121,600
Mr. K.S. Thanarajan	3,600,000	288,000	121,600
Mr. C. Sathyan	1,800,000	9,360	71,600

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

Compensation Philosophy in respect of Non-Executive Directors

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

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

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

Sl.No.	Name of the Director	Sitting Fee (Rs.)
1.	Mr. P. Vaidyanathan	70,000
2.	Mr. Kirti P Shah	10,000
3.	Mr. S. Thiagarajan	70,000
4.	Mr. B.S. Mani	30,000
5.	Mr. N. Chandrasekaran	50,000

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 financial year on 20th May 2009, 29th July 2009, 29th October 2009 and 28th January 2010.

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

Name of Member	Category	Status	No. of Meetings	
			Held	Attended
S. Thiagarajan	Independent	Chairman	4	4
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:

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

Details of Complaints

Number of complaints received from investors	-	31
Number of complaints resolved	-	31
Number of complaints remaining unresolved and pending	-	Nil

Table.7: Nature of complaints received and attended during 2009-10

Sl. No.	Nature of Complaints	Received & Redressed during the year
1.	Correspondence regarding demat / general	1
2.	Correspondence regarding loss of shares and issuance of duplicate share certificates	0
3.	Correspondence regarding non-receipt of share certificate, transmission of shares	0
4.	Revalidation of dividend warrants / non-receipt of dividend warrants	25
5.	Correspondence regarding deposits	5

Compliance Officer

The Name and designation of the Compliance Officer of the Company

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

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

Transfer of shares are processed and registered within the stipulated time, provided all the documents are valid and complete in all respects. As on 31st March, 2010, there were no share transfers pending for registration for more than 30 days.

Number of Share Transfers pending - Nil

During the financial year 2009-10, Share Transfer Committee met twenty times on the following dates namely, 15th May 2009, 5th June 2009, 3rd July 2009, 17th July 2009, 31st July 2009, 28th August 2009, 11th September 2009, 25th September 2009, 9th October 2009, 23rd October 2009, 13th November 2009, 27th November 2009, 11th December 2009, 28th December 2009, 8th January 2010, 22nd January 2010, 13th February 2010, 26th February 2010, 12th March 2010 and 26th March 2010.

SUB-COMMITTEE OF BOARD

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

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

During the financial year 2009-10, the Committee met twenty two times on the following dates, 6th April 2009, 24th April 2009, 29th May 2009, 8th July 2009, 5th August 2009, 17th August 2009, 28th August 2009, 7th September 2009, 11th September 2009, 29th September 2009, 9th October 2009, 29th October 2009, 13th November 2009, 27th November 2009, 4th December 2009, 16th December 2009, 6th January 2010, 22nd January 2010, 8th February 2010, 16th February 2010, 4th March 2010 and 11th March 2010.

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 28th January, 2010. There were no cases involving insider trading in the Company during the year.

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 the Board and Core Committee periodically.

Related party transactions

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

Key Management Personnel and their Relatives

Key Management Personnel and the statement of transactions are provided under Schedule 19(2)(f) of the financial statements.

There were no relatives of Key Management Personnel who were paid remuneration during the year.

Details of non-compliance by the Company

The Company 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 except adjudication proceedings by SEBI levying a penalty of Rs.15,000/- for delayed compliance of 18 days of Regulation 8(3) Takeover Notice for record date for dividend.

Code of Conduct

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

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

Code for prevention of insider trading practices

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

Disclosure of accounting treatment in preparation of financial statements

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

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

Appointment/Re-appointment of Directors

As per the Articles of Association of the Company, one-third of its Directors retire every year and, if eligible, offer themselves for re-election at every Annual General Meeting. Accordingly, Mr. B.S.Mani and Mr. S.Thiagarajan are liable to retire at the ensuing Annual General Meeting and being eligible, are offering themselves for re-appointment, in accordance with the provisions of the Companies Act, 1956. The brief resume of each of the Directors who are proposed to be appointed / reappointed is given below:

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

Mr. B.S.Mani holds 1500 shares in the Company as at 31st March 2010.

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

Mr. S.Thiagarajan does not hold any shares in the Company.

Means of Communication

The Company has its own website and all vital informations 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 Malai Murasu (Tamil). The results are also posted in the erstwhile EDIFAR link in the website of Securities and Exchange Board of India and Corporate Filing & Dissemination System maintained by IRIS Business Services Pvt. Limited for all companies listed on BSE & NSE.

The Company also complies with such other dissemination of information as specified by the Listing Agreement from time to time.

COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

The Certificate dated 28th June, 2010 obtained from Company's Secretarial Auditor, Mr. T.P. Shridar, 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 below:

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

Financial Year	Date	Time	Venue
2006-07	19 th September, 2007	11.00 A.M.	Andhra Social & Cultural Assn., Chennai
2007-08	22 nd September, 2008	11.00 A.M.	Andhra Social & Cultural Assn., Chennai
2008-09	5 th August, 2009	11.00 A.M.	Abirami Chidambaram Community Hall, Chennai

No Postal ballots were used/invited during the year.

GENERAL SHAREHOLDER INFORMATION

Annual General Meeting

- Date and Time : 4th August, 2010 at 11.00 A.M.
- Venue : P.Obul Reddy Hall, Sri Thyaga Brahma Gana Sabha, Vani Mahal, G.N.Chetty Road, T.Nagar, Chennai 600 017.

Compliance Report

The Company is fully compliant with the applicable mandatory requirements of the revised Clause 49 of the listing agreement.

Table. 9: Compliance Report

Sl.No.	Particulars	Clause of listing agreement	Compliance status
I	Board of Directors	49 (I)	Yes
	(A) Composition of Board	49 (IA)	
	(B) Non-executive Directors compensation and disclosures	49 (IB)	
	(C) Other provisions as to Board and Committees	49 (IC)	
	(D) Code of Conduct	49 (ID)	
II	Audit Committee	49 (II)	Yes
	(A) Qualified & Independent Audit Committee	49 (II A)	
	(B) Meeting of Audit Committee	49 (II B)	
	(C) Powers of Audit Committee	49 (II C)	
	(D) Role of Audit Committee	49 (II D)	
	(E) Review of Information by Audit Committee	49 (II E)	

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Sl.No.	Particulars	Clause of listing agreement	Compliance status
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 2010, results were announced on

- o First Quarter : 29th July, 2009
- o Half Year : 29th October, 2009
- o Third Quarter : 28th January, 2010
- o Annual : 28th May, 2010

For the year ending 31st March, 2011 results will be announced in

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

Book Closure date

The date of book closure is from 3rd August, 2010 to 4th August, 2010, inclusive of both days.

Dividend payment

A Final Dividend of Rs.0.30/- per Equity Share of face value of Rs.2/- each will be paid to those shareholders, whose name appears in the Register of Members as on 4th August, 2010.

Listing

At present, the Equity Shares of the Company are listed on Bombay Stock Exchange Limited (BSE). The annual listing fee for the year 2010-11 has been paid.

The Company's Stock Exchange Code

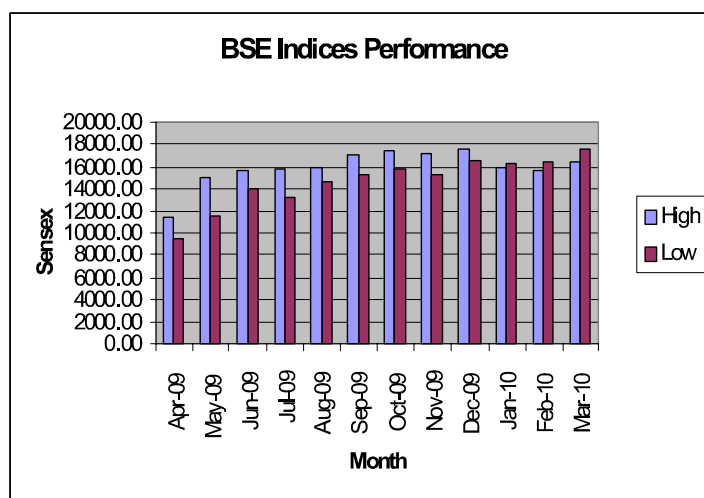
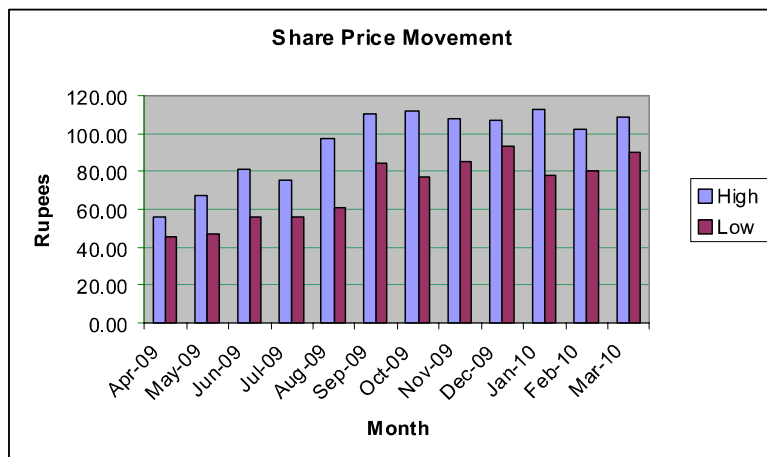
ISIN No. : INE473B01027

BSE Stock Code : 531531

Hatsun Agro Product Limited

Table. 10: Stock Market Data.

Month	Bombay Stock Exchange Limited		BSE Indices - Sensex	
	High (Rs.)	Low (Rs.)	High	Low
April 2009	56.00	45.20	11492.10	9546.29
May 2009	67.40	47.30	14930.54	11621.30
June 2009	81.60	55.60	15600.30	14016.95
July 2009	74.95	56.00	15732.81	13219.99
August 2009	96.80	60.45	16002.46	14684.45
September 2009	110.00	84.05	17142.52	15356.72
October 2009	111.95	77.00	17493.17	15805.20
November 2009	108.00	85.05	17290.48	15330.56
December 2009	106.95	93.50	17530.94	16577.78
January 2010	113.00	78.00	15982.08	16357.96
February 2010	102.00	80.00	15651.99	16429.55
March 2010	108.85	90.25	16438.45	17527.77



Registrar and Share Transfer Agent

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

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

Share Transfer System

The share transfers in physical form are presently processed and the share certificates are returned within a period of 30 days from the date of receipt, subject to the documents being clear in all respects. M/s. 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 at 31st March, 2010

No. of Shares held	No. of folios/ Shareholders	No. of folios/ Shareholders(%)	No. of Shares	Shareholding (%)
001 – 100	1921	44.61	33381	0.10
101 – 200	109	2.53	17732	0.05
201 – 300	107	2.49	27494	0.08
301 – 400	29	0.67	10641	0.03
401 – 500	1137	26.41	567775	1.67
501 – 1000	562	13.05	544498	1.60
1001 – 5000	289	6.71	761002	2.24
5001 – 10000	47	1.09	354242	1.05
10001 & above	105	2.44	31627325	93.18
Total	4306	100.00	33944090	100.00

Dematerialisation of Shares

About 93.52% of the shares are being held in dematerialised form as at 31st March, 2010.

Table. 12: Distribution of Shares with break-up of Physical and Electronic form as at 31st March, 2010.

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	309	1612	7.17	37.44	1824	31557	0.01	0.09
2.	101 - 200	0	109	0.00	2.53	0	17732	0.00	0.05
3.	201 - 300	10	97	0.24	2.25	2550	24944	0.01	0.07
4.	301 - 400	1	28	0.02	0.65	350	10291	0.00	0.03
5.	401 - 500	779	358	18.09	8.32	389500	178275	1.14	0.53
6.	501 - 1000	376	186	8.73	4.32	373550	170948	1.10	0.50
7.	1001 - 5000	134	155	3.11	3.60	359500	401502	1.06	1.18
8.	5001 - 10000	7	40	0.16	0.93	57000	297242	0.17	0.88
9.	10001 & ABOVE	26	79	0.61	1.83	1014750	30612575	2.99	90.19
	Total	1642	2664	38.13	61.87	2199024	31745066	6.48	93.52

Hatsun Agro Product Limited

Table. 13: Shareholding Pattern as at 31st March 2010

Category	No. of folios/ Shareholders	No. of Shares held	Shareholding (%)
Promoters	7	24810767	73.09
Directors and their relatives*	16	1570350	4.63
Overseas Body Corporate	1	1696500	5.00
Other Bodies Corporate	96	296569	0.87
NRIs	41	82896	0.24
Others	4145	5487008	16.17
Total	4306	33944090	100.00

* A Non Resident Indian Director holding 254,000 shares accumulating to 0.75% is classified under Directors and their relatives.

Location of Plants

1. Attur Main Road,
Karumapuram Village,
Salem - 636 106, Tamil Nadu.
2. Timmasamudram Village (White Gate),
Chennai-Bangalore Highway, Kancheepuram Taluk,
Kancheepuram - 631 502, Tamil Nadu.
3. No.114, Angadu Road,
Nallur Village, Redhills,
Chennai - 600 067, Tamil Nadu.
4. No.277/2, Desur Village,
Kanapur Road,
Belgaum - 590 014, Karnataka.
5. No.109/2, Melebennur Road,
Kundur Village, Honnali Taluk,
Davangere District,
Honnali - 577 219, Karnataka.
6. No 142/1B & 1C - Hosur Road,
Vellisandhai, Palacode - 636 806
Tamil Nadu.
7. No.76/2B, Dindigul Madurai Main Road,
Thiruvazhavayanallur,
Vadipatti Taluk,
Madurai - 625 221, Tamil Nadu.
8. V Kotturoadpirivu,
Attupannai, Periyeri Post,
Attur Taluk,
Salem District,
Thalaivasal.

Address for Correspondence:

For share transfers, share certificates, change 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. S.Chandrasekar

Company Secretary

Hatsun Agro Product Limited

No.5-A, Vijayaraghava Road

T.Nagar, Chennai - 600 017

Tamil Nadu.

Tel : 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's 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

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

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

**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, 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with Bombay Stock Exchange Limited.

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

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

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

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

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

Place: Chennai
Date: 28th June, 2010

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: 28th May, 2010

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 : 28th May, 2010.

Sd/-

R.G. Chandramogan

Chairman & Managing Director

Sd/-

S. Subramanian

Chief Financial Officer

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The fiscal year 2009-10 began on a difficult note. A major concern during the year 2009-10, especially in the second half, was the emergence of high double-digit food inflation. A delayed and severely subnormal monsoon added to the overall uncertainty. The continued recession in the developed world, for the better part of 2009-10, meant a sluggish export recovery and a slowdown in financial flows into the economy.

It was also a year of reckoning for the policymakers, who had taken a calculated risk in providing substantial fiscal expansion to counter the negative fallout of the global slowdown. The Indian Economy recorded a growth of 7.4% for 2009-10 despite the financial crisis faced by the world economy.

Agriculture is the mainstay of the Indian economy. Agriculture provides the principal means of livelihood for over 58.4% of India's population. It contributes approximately one-fifth of total gross domestic product (GDP). Agriculture accounts for about 10% of the total export earnings and provides raw material to a large number of industries. The agricultural output, however, depends on monsoon as nearly 55.7% of area sown is dependent on rainfall.

The Agriculture sector recorded a growth of 0.2% of GDP in spite of worst ever monsoon since 1972. However, last year's drought impacted agricultural production, but not farm incomes. The loss (or near-zero growth) of output was more than offset by higher prices, as captured by the large gap between the 'nominal' (11.8%) and 'real' (0.2%) increase in agricultural GDP. While food inflation definitely hurt India, it may have been a blessing in disguise.

The Dairy Industry plays a vital role in the development of Agriculture Sector. India continues to be the No.1 milk producing country in the world, producing over 100 million tons of milk over the past two consecutive years. Milk is the only agro based commodity that offers immediate marketability, more stable prices and consistent revenue to the farmers. Considering the demand for milk and milk products, there is still a lot of scope for increasing the milk production in India by adopting scientific methods of breeding, nutrition and calving. 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.

The recent withdrawal of export incentives (Vishesh Krishi Gram Udyog Yojana) on export of milk powders has adversely affected this growth causing opportunity loss to the farmers. In today's competitive scenario, the Government should take necessary steps to ensure that Indian milk producers get a fair chance to sell their produce in the global market making use of India's competitive strengths in the dairy sector.

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 and inflationary conditions, the Indian economy continues to remain intact. With the changes taking place in the life styles of the people coupled with the growing per capita income, customers are focusing on quality products and demanding value for money offering tremendous opportunity for your Company.

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, paneer etc. The production infrastructure of the Company is constantly being upgraded to take advantage of this opportunity.

The main advantage of your Company's strength lies in its efficient and effective supply and cold chain management, which small players are lacking. This allows it wide reach and targeted coverage in its markets. Your Company also has talented and committed human resources who work as a team to the attainment of organisational objectives.

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

THREATS

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-organised 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 organised and bigger players like us can provide since these involve capital investments. Your 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 mechanisation.

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

Information technology

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

During the year, your Company decided to replace the Oracle ERP application with SAP. Constant training and guidance has been provided to all the end users. Your Company proposes to implement SAP during the financial year 2010-11.

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 Organisation.

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 asset and the key focus is to attract, retain and develop talent as a resource. The total strength of the Company as on 31st March 2010 was 2325.

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

Futuristic Statements

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

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, 2010 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, 2009 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, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010 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 4 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, 2010;
 - b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & ASSOCIATES

Firm Registration No. 101049 W

Chartered Accountants,

Sd/-

per S Balasubrahmanyam

Partner

Membership No.053315

Place : Chennai

Date : May 28, 2010

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"). Accordingly, provisions of clause (iii) (a) to (iii) (g) of para 4 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. Accordingly, the provisions of clause (v) (a) and (v) (b) of para 4 of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (vi) In respect of deposits accepted, in our opinion and according to the information and explanations given to us, directives issued by the Reserve Bank of India and the provisions of sections 58A, 58AA or any other relevant provisions of the 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.*
- Further, since the Central Government has till date not prescribed the amount of cess payable under section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other 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, there are no dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, other than the following:

Hatsun Agro Product Limited

Name of the Statute	Nature of Dues	Amount (Rs In 000's)	Period to which the amount relates	Forum where dispute is pending
Income tax Act, 1961	Disallowance of non compete fees	**	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	1,480	2003-04	Appellate Assistant Commissioner

** - 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, bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on overall examination of the balance sheet of the Company, we report that *the Company has used funds raised on short- term basis for long-term investment. The Company has purchased certain fixed assets aggregating to 117.1 million 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 has unsecured debentures outstanding during the year on which no security or charge is required to be created.
- (xx) The Company has not raised any money by public issues during the year and accordingly, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S.R. BATLIBOI & ASSOCIATES
Firm Registration No. 101049 W
Chartered Accountants,
Sd/-

per S Balasubrahmanyam
Partner
Membership No.053315

Place : Chennai
Date : May 28th, 2010

BALANCE SHEET AS AT MARCH 31, 2010

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

	Schedule No.	As at March 31, 2010	As at March 31, 2009
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	1	67,921	118,721
Reserves and surplus	2	467,250	453,952
		<u>535,171</u>	<u>572,673</u>
Loan Funds			
Secured loans	3	2,136,678	1,932,401
Unsecured loans	4	1,000,707	356,396
		<u>3,137,385</u>	<u>2,288,797</u>
Deferred Income, net	19(2)(h)	7,445	7,885
Deferred tax liabilities, net	19(2)(g)	197,039	111,633
Total		<u>3,877,040</u>	<u>2,980,988</u>
APPLICATION OF FUNDS			
Fixed assets			
Gross Block	5	4,381,678	2,571,479
Less: Accumulated depreciation and amortisation		(1,160,338)	(907,251)
Net block		<u>3,221,340</u>	<u>1,664,228</u>
Capital work-in-progress including capital advances		330,567	1,281,473
		<u>3,551,907</u>	<u>2,945,701</u>
Investments in Subsidiary Company- Long term, Unquoted and fully paid-up		—	1,396
Current assets, loans and advances			
Inventories	6	570,616	278,926
Sundry debtors	7	136,595	85,716
Cash and bank balances	8	139,822	60,482
Claims receivable		14,180	14,580
Loans and advances	9	247,619	209,103
	(A)	<u>1,108,832</u>	<u>648,807</u>
Current liabilities and provisions			
Current liabilities	10	(763,030)	(574,552)
Provisions	11	(20,669)	(40,364)
	(B)	<u>(783,699)</u>	<u>(614,916)</u>
Net current assets	(A)-(B)	<u>325,133</u>	<u>33,891</u>
Total		<u>3,877,040</u>	<u>2,980,988</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
Firm Registration No. 101049W
Chartered Accountants

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

Sd/-
K.S. THANARAJAN
Joint Managing Director

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

Place : Chennai
Date : May 28, 2010

Sd/-
S. CHANDRASEKAR
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

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

	Schedule No.	Year ended March 31, 2010	Year ended March 31, 2009
INCOME			
Sales	12	11,406,031	10,130,501
Other income	13	29,298	18,151
		<u>11,435,329</u>	<u>10,148,652</u>
EXPENDITURE			
Cost of manufactured goods	14	8,613,689	7,397,686
Cost of traded goods	15	71,791	118,384
Employee costs	16	372,965	304,554
Manufacturing, administrative and selling expenses	17	1,715,109	1,698,858
Interest and finance charges	18	278,302	213,164
Depreciation & Amortisation	5	268,117	216,787
		<u>11,319,973</u>	<u>9,949,433</u>
Profit before tax		115,356	199,219
Provision for tax - Current tax		19,604	58,835
- MAT credit entitlement		(19,604)	—
- Deferred tax		85,406	12,447
- Fringe benefit tax		—	10,788
Income tax pertaining to earlier years		3,057	(2,530)
Profit after tax		26,893	119,679
Balance brought forward from previous year		206,260	127,131
Profit available for appropriation		<u>233,153</u>	<u>246,810</u>
Appropriations:			
Transfer to General reserve		1,345	11,968
Transfer to Capital Redemption Reserve		50,800	—
Dividend - Interim Dividend on Preference Shares		1,470	4,064
- Interim Dividend on Equity Shares		—	20,366
- Proposed Final Dividend on Equity Shares		10,183	—
Dividend tax - Preference		250	691
- Equity		1,692	3,461
Surplus carried to Balance Sheet		<u>167,413</u>	<u>206,260</u>
		<u>233,153</u>	<u>246,810</u>
Earnings per share information (Refer Note 2 (p) of schedule 19)			
Weighted average number of equity shares outstanding			
- Basic		33,944,090	33,944,090
- Diluted		33,944,090	33,944,090
- Basic earnings per share (in Rs.)		0.74	3.39
- Diluted earnings per share (in Rs.)		0.74	3.39
Nominal value per equity share (in Rs.)		2	2
Significant accounting policies and notes to the financial Statements	19		

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

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
Firm Registration No. 101049W
Chartered Accountants

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

Sd/-
K.S. THANARAJAN
Joint Managing Director

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

Place : Chennai
Date : May 28, 2010

Sd/-
S. CHANDRASEKAR
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

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

	Year ended March 31, 2010	Year ended March 31, 2009
Cash flows from operating activities		
Net profit before taxation	115,356	199,219
Adjustments for:		
Depreciation on fixed assets	268,117	216,787
Write off of investments in subsidiary	1,396	—
Bad debts written off	15,863	1,187
(Profit)/loss on sale of fixed assets-net	(7,330)	(6,032)
Deferred Income recognised	(440)	(440)
Interest income	(766)	(1,602)
Interest and finance charges	273,791	191,106
Operating profit before working capital changes	665,987	600,225
(Increase)/Decrease in inventories	(291,690)	142,423
(Increase)/Decrease in sundry debtors	(66,742)	62,751
(Increase)/Decrease in loans and advances	(7,538)	(62,314)
(Increase)/Decrease in claims receivable	400	41,603
Increase/(Decrease) in current liabilities and provisions (Refer note b below)	163,264	(83,527)
Increase/(Decrease) in provisions	2,151	(2,514)
Cash generated from operations	465,832	698,647
Direct taxes paid (net of refunds)	(39,172)	(140,647)
Net cash from/(used in) operating activities	426,660	558,000
Cash flows (used in) / from investing activities		
Purchase of fixed assets (including capital work in progress)	(860,955)	(1,414,093)
Investment in subsidiary	—	(1,396)
Proceeds from sale of fixed assets	14,662	10,643
Interest received	766	2,165
Net cash from/(used in) investing activities	(845,527)	(1,402,681)

Hatsun Agro Product Limited

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

	Year ended March 31, 2010	Year ended March 31, 2009
Cash flows (used in) / from financing activities		
Term loans availed during the year	1,394,820	1,131,666
Term loans repaid during the year	(1,035,962)	(320,765)
Increase/(Decrease) in other borrowings from financial institutions	175,547	171,238
Issue of 6% Unsecured Compulsorily Convertible Debentures	250,000	—
Public deposits accepted during the year	68,980	50,040
Public deposits repaid during the year	(4,799)	(24,520)
Redemption of Redeemable Preference Shares	(50,800)	—
Proposed dividends paid	(25,900)	(25,787)
Tax on proposed dividends paid	(4,402)	(4,383)
Interest and finance charges paid	(269,277)	(190,766)
Net cash (used in)/from financing activities	498,207	786,723
Net (decrease) / increase in cash and cash equivalents	79,340	(57,958)
Cash and cash equivalents at the beginning of the year	60,482	118,440
Cash and cash equivalents at the end of the year	139,822	60,482
a) Components of cash and cash equivalents		
Cash and cheques on hand	8,459	3,994
Balances with Scheduled Banks		
- in current accounts	119,492	42,239
- in deposit accounts	6,564	11,442
- in unpaid dividend accounts (restricted)*	307	307
- in designated bank accounts towards security for repayment of public deposits	5,000	2,500
	139,822	60,482
b) Adjustments for increase/decrease in current liabilities related to acquisition of fixed assets have been made to the extent identified		

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

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
Firm Registration No. 101049W
Chartered Accountants

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

Sd/-
K.S. THANARAJAN
Joint Managing Director

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

Place : Chennai
Date : May 28, 2010

Sd/-
S. CHANDRASEKAR
Company Secretary

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

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

	As at March 31, 2010	As at March 31, 2009
1. Share capital		
Authorised		
50,000,000 (March 31, 2009: 50,000,000) equity shares of Rs 2/- each	100,000	100,000
2,000,000 (March 31, 2009: 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 (March 31, 2009: 34,009,090) equity shares of Rs 2/- each	68,018	68,018
508,000 (March 31, 2009: 508,000) 8% Non-Convertible Cumulative Redeemable Preference Shares of Rs.100/- each	—	50,800
	<u>68,018</u>	<u>118,818</u>
Paid-up		
33,944,090 (March 31, 2009: 33,944,090) equity shares of Rs 2/- each fully paid up	67,888	67,888
508,000 (March 31, 2009: 508,000) 8% Non-Convertible Cumulative Redeemable Preference Shares of Rs.100/- each	—	50,800
65,000 (March 31, 2009: 65,000) equity shares of Rs 0.5 per share, partly paid up, forfeited	33	33
	<u>67,921</u>	<u>118,721</u>
Paid up equity shares of the Company include:		
(a) 153,640 (March 31, 2009: 153,640) equity shares of Rs. 2/- each, allotted pursuant to amalgamation of Hatsun Foods Company Limited, for consideration other than cash.		
(b) 345,450 (March 31, 2009: 345,450) equity shares of Rs. 2/- each, allotted pursuant to amalgamation of Ajith Dairy Industries Limited, for consideration other than cash.		
(c) 5,292,000 (March 31, 2009: 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.		
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 on redemption of preference shares	50,800	-
	<u>125,800</u>	<u>75,000</u>
General reserve		
Balance brought forward	78,525	66,557
Add: Appropriation from Profit and Loss Account	1,345	11,968
	<u>79,870</u>	<u>78,525</u>
Balance in Profit and Loss Account	167,413	206,260
	<u>467,250</u>	<u>453,952</u>

Schedules Forming part of the Financial Statements

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

	As at March 31, 2010	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)	1,539,726	1,365,868
Working capital loans from banks (secured by charge on the entire current assets of the Company)	448,212	375,418
Finance Lease Obligations (secured by assets acquired on lease)	8,441	15,036
Assets refinance obligation (secured by assets refinanced)	140,299	176,079
	<u>2,136,678</u>	<u>1,932,401</u>
4. Unsecured loans		
Short term loan from banks	375,000	190,000
Public deposits [Include unclaimed deposit: Rs.1,078 (March 31, 2009: Rs. 1,047)] [Repayable within one year -Rs. 48,643 (March 31, 2009: Rs. 30,708)]	124,243	60,062
6% Debentures - UCCD *	250,000	—
Others [Repayable within one year - Rs. 251,464 (March 31, 2009: Rs.108,089)]	251,464	106,334
	<u>1,000,707</u>	<u>356,396</u>

*Refer note 1(k) of schedule 19

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

Term loans	1,539,726	1,365,868
Working capital loans	448,212	375,418
Short term loans from banks	375,000	190,000
Others	251,464	30,000
Assets refinance obligation	140,299	172,298

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

Term loans	996,095	886,457
Short term loans from banks	300,000	50,000
Assets refinance obligation	140,299	172,298

5. Fixed Assets
Schedules Forming part of the Financial Statements (Continued)

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

Description	Gross Block			Accumulated depreciation & Amortisation					Net Block	
	As at 1 st April 2009	Additions	Deletions	As at 31 st March 2010	As at 1 st April 2009	For the Year	Deletions	As at 31 st March 2010	As at 31 st March 2010	As at 31 st March 2009
Intangible Assets:										
ERP Software	13,071	—	—	13,071	1,396	2,614	—	4,010	9,061	11,675
Tangible Assets:										
Land	195,255	184	(400)	195,039	—	—	—	—	195,039	195,255
Buildings	481,533	641,574	—	1,123,107	81,508	26,804	—	108,312	1,014,795	400,025
Plant and Machinery	1,764,730	1,150,478	(16,588)	2,898,620	769,085	220,504	(12,333)	977,256	1,921,364	995,645
Furniture and fixtures	31,630	6,958	(75)	38,513	16,473	6,886	(51)	23,308	15,205	15,157
Office Equipment	25,738	3,554	(1,872)	27,420	18,283	3,701	(881)	21,103	6,317	7,455
Vehicles*	58,100	9,083	(3,427)	63,756	19,297	5,745	(1,765)	23,277	40,479	38,803
Lease Hold Improvements	1,422	20,730	—	22,152	1,209	1,863	—	3,072	19,080	213
Total	2,571,479	1,832,561	(22,362)	4,381,678	907,251	268,117	(15,030)	1,160,338	3,221,340	1,664,228
Previous Year	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 25,687(previous year Rs 27,677) acquired on finance lease. The current year depreciation charge on these assets amounts to Rs 2,250 (previous year Rs 1,940). The net block of these assets amounts to Rs 21,760 (previous year Rs 24,509)

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, 2010 As at
March 31, 2009

6 Inventories

Raw materials and packing materials	187,835	69,785
Work-in-process	41,126	27,679
Finished goods		
- manufactured*	259,703	111,063
- traded	7,814	3,470
Stores, spares and loose tools	74,138	66,929
	<u>570,616</u>	<u>278,926</u>

* Includes goods in transit of Rs. 20,789 (March 31, 2009 -Rs. 32,789)

7 Sundry debtors

Debts outstanding for a period exceeding six months		
Secured, considered good	52	1,189
Unsecured, considered good	2,027	832
Unsecured, considered doubtful or bad	—	—
	<u>2,079</u>	<u>2,021</u>
Other debts		
Secured, considered good	51,637	51,107
Unsecured, considered good	82,879	32,588
	<u>134,516</u>	<u>83,695</u>
Less: Provision for bad and doubtful debts	—	—
	<u>136,595</u>	<u>85,716</u>

Included in Sundry Debtors are:

(i) Due from directors of the Company (Maximum amount outstanding during the year Rs. Nil (Previous year Rs. Nil))	—	—
(ii) Due from an officer of the Company (Maximum amount outstanding during the year Rs. Nil (Previous year Rs. Nil))	—	—
(iii) Due from firms or private companies in which any director is a partner / director / member	—	—
(iv) Dues from companies under the same management (Maximum amount outstanding during the year Rs. Nil (Previous year Rs. Nil))	—	—

8 Cash and bank balances

Cash in hand	8,459	3,994
Balances with scheduled banks:		
- in current accounts	119,492	42,239
- in deposit accounts	6,564	11,442
- in unpaid dividend accounts	307	307
- deposits in designated bank accounts towards security for repayment of public deposits	5,000	2,500
	<u>139,822</u>	<u>60,482</u>

Schedules Forming part of the Financial Statements

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

As at
March 31, 2010 As at
March 31, 2009

9 Loans and advances

(Secured, considered good)

Advances and loans to subsidiaries	—	—
Advances and loans to partnership firms in which the Company or any of its subsidiary is a partner	—	—
Bills of exchange	—	—
Advances recoverable in cash or in kind or for value to be received	—	—
Balances with customs, excise, etc.	—	—
	—	—

(Unsecured, considered good)

Advances and loans to subsidiaries	—	—
Advances and loans to partnership firms in which the Company or any of its subsidiary is a partner	—	—
Bills of exchange	—	—
Advances recoverable in cash or in kind or for value to be received	12,021	16,588
Inter-corporate deposits	5,255	—
Balances with customs, excise, etc.	—	—
Deposits	158,534	139,428
Advance to suppliers	40,831	53,087
Minimum Alternative Tax Credit	19,604	—
Income Tax (Net)	11,374	—
	247,619	209,103
Less: Provision for bad and doubtful advances	—	—
	247,619	209,103

Included in loans and advances are:

(i) Due from directors of the Company (Maximum amount outstanding during the year Rs. Nil (Previous year Rs. Nil))	—	—
(ii) Due from an officer of the Company (Maximum amount outstanding during the year Rs. Nil (Previous year Rs. Nil))	—	—
(iii) Due from firms or private companies in which any director is a partner / director / member	—	—
(iv) Dues from companies under the same management Hatsun Ingredients FZE—UAE (Maximum amount outstanding during the year Rs 1,242 (Previous year Rs. 1,242))	—	1,242

Schedules Forming part of the Financial Statements

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

As at
March 31, 2010 As at
March 31, 2009

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	480,077	366,977
Security deposits	217,425	180,930
Advance from customers	26,832	7,761
Other liabilities	21,333	15,269
Investor Education & Protection Fund shall be credited by following amount (as and when due)		
Unclaimed dividend	307	307
Book overdraft	10,787	1,553
Interest accrued and not due	6,269	1,755
	763,030	574,552

11 Provisions

For Gratuity	2,170	—
For Leave encashment	4,624	4,643
For Fringe benefit tax (net)	2,000	2,000
For Proposed Dividend for Equity share capital	10,183	20,366
For Proposed Dividend on Preference share capital	—	4,064
For Dividend Tax payable	1,692	4,152
For Income tax (net)	—	5,139
	20,669	40,364

12 Sales

Milk	7,626,830	6,708,641
Ice cream	751,729	555,880
Milk products	2,678,502	2,740,406
Others	348,970	125,574
	11,406,031	10,130,501

Schedules Forming part of the Financial Statements

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

As at
March 31, 2010 As at
March 31, 2009

13 Other Income

Interest income		
Bank deposits [Tax deducted at source - Rs 80 (March 31, 2009: Rs 193)]	766	822
Interest on inter corporate deposits, electricity deposits etc., [Tax deducted at source - Rs 82 (March 31, 2009: Rs 177)]	3,081	780
Profit on sale of assets, net	7,330	6,032
Foreign exchange gain, net	1,849	—
Royalty	806	726
Export Benefits	6,013	4,465
Miscellaneous income	9,453	5,326
	<u>29,298</u>	<u>18,151</u>

14 Cost of manufactured goods

(A) Consumption of raw materials and packing materials

Opening inventory	69,785	76,036
Add: Purchases	8,893,826	7,247,438
	<u>8,963,611</u>	<u>7,323,474</u>
Less: Closing inventory	187,835	69,785
Total [A]	<u>8,775,776</u>	<u>7,253,689</u>

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

Opening inventory		
Work-in-process	27,679	43,824
Finished goods	111,063	238,915
Sub Total	<u>138,742</u>	<u>282,739</u>
Less: Closing inventory		
Work-in-process	41,126	27,679
Finished goods	259,703	111,063
Sub Total	<u>300,829</u>	<u>138,742</u>
Total [B]	<u>(162,087)</u>	143,997

Total [(A) + (B)]	<u>8,613,689</u>	<u>7,397,686</u>
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15 Cost of traded goods

Opening inventory	3,470	3,834
Add: Purchases	76,135	118,020
	<u>79,605</u>	<u>121,854</u>
Less: Closing inventory	7,814	3,470
	<u>71,791</u>	<u>118,384</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, 2010	Year ended March 31, 2009
16 Employee costs		
Salaries, wages and other allowances	285,568	231,039
Contribution to provident and other funds	17,593	16,111
Gratuity	6,338	3,176
Staff welfare expenses	63,466	54,228
	<u>372,965</u>	<u>304,554</u>
17 Manufacturing, administrative and selling expenses		
Power and fuel [net of power credits of Rs. 1,336 (March 31, 2009 : Rs.1,210)]	344,876	387,169
Stores and spares consumed	65,187	86,638
Sales promotion expenses	253,200	144,751
Commission on sales	5,706	24,273
Freight outwards	422,977	419,988
Bad debts written off	15,863	1,187
Repairs and maintenance:		
- Buildings	10,140	9,776
- Plant and machinery	93,883	93,457
- Others	10,377	7,775
Travelling and conveyance	100,048	79,659
Printing and stationery	16,151	17,747
Rent	79,974	59,845
Rates and taxes	16,808	19,510
Insurance	15,648	24,418
Directors sitting fees	230	190
Service Charges	150,820	114,994
Foreign exchange loss (net)	—	100,924
Miscellaneous expenses	113,221	106,557
	<u>1,715,109</u>	<u>1,698,858</u>
18 Interest and finance charges		
Interest:		
- on term loans	231,609	166,911
- others	51,697	45,486
	<u>283,306</u>	<u>212,397</u>
Less : Interest Capitalised	58,873	68,238
	<u>224,433</u>	<u>144,159</u>
Other finance charges	39,736	46,947
Bank charges	14,133	22,058
	<u>278,302</u>	<u>213,164</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 recognised 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 recognised 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 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	3 -5 years 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 capitalised 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, capitalised 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 recognised 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 despatch of goods to customers which corresponds with transfer of all significant risks and rewards of ownership. The amount recognised as sale is exclusive of sales tax and trade and quantity discounts.

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

Royalty income is recognised on accrual basis.

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

Schedules Forming part of the Financial Statements

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

j. Taxation

Tax expense comprises of current, 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 recognised using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised 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 realised.

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

k. Earnings per share

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

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

During the current year, the Company has allotted 6% Unsecured Compulsorily Convertible Debentures ("UCCD") amounting to 250,000. The UCCDs are convertible into equity shares at a price to be mutually agreed by the Board of Directors of the Company and the debenture holders subject to the SEBI guidelines. The UCCDs are convertible into the equity shares of Rs.2/- each of the Company after October 1, 2010, but before December 31, 2010 at the instance of the Company. Diluted Earnings per share has been computed after considering the maximum dilution possible by the allotment of the UCCDs.

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 recognised on an undiscounted basis and charged to the profit and loss account.

ii. Defined Contribution Plan

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

Schedules Forming part of the Financial Statements

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

iii. Defined Benefit Plan

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

iv. Leave Salary

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

n. Cash flow statements

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

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

o. Provisions

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

p. Segment Reporting Policies

Identification of segments

The Company's operating businesses are organised 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 categorised 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 in the previous year represented investments in wholly owned subsidiary of the Company, Hatsun Ingredients FZE-UAE. Long-term investments are carried at cost. Provision for diminution in value is recognised for decline in the value of investments other than temporary in the nature.

Schedules Forming part of the Financial Statements

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

2. Notes to the financial statements

a. Capital commitments and contingencies

Particulars	As at	As at
	March 31, 2010	March 31, 2009
(i) Estimated amount of contracts remaining to be executed on capital account (net of capital advances) and not provided for	107,055	487,366
(ii) Claims made against the Company not acknowledged as debts in respect of sales tax and income tax matters	15,932	15,932
(iii) In respect of the Income tax assessment year 1996-97, the Company's claim for deduction towards non-compete fees of 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 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 37,558,353 (March 31, 2009, 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, 2010, the Company has fulfilled Export Obligations amounting to USD 14,788,088 (March 31, 2009 USD 8,749,730) and has outstanding Export Obligation of USD 22,770,245 (March 31, 2009 USD 26,333,928). The Company is confident that it will fulfill obligations under the EPCG scheme.

c. Managerial remuneration

Particulars	As at	As at
	March 31, 2010	March 31, 2009
Salaries and allowances	9,000	9,000
Contribution to provident and other funds	308	308
Other perquisites or benefits including medical expenses reimbursement and car facility provided	315	315
Total	9,623	9,623

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

d. Auditors' remuneration (included under Miscellaneous expenses)

Particulars	As at	As at
	March 31, 2010	March 31, 2009
(i) As auditor		
(a) For statutory audit;	2,125	1,600
(b) For limited review of quarterly results	375	375
(ii) As adviser, or in any other capacity, in respect of		
(a) Taxation matters;	—	—
(b) Company law matters;	—	—
(c) Management services; and	—	—
(iii) In any other manner		
(a) Out of pocket expenses	15	10
Total	2,515	1,985

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 ice creams and others. Accordingly, business segments comprise the primary basis of segmental information set out in these financial statements. Secondary segment reporting is made on the basis of the geographical location of customers. Business (primary) segments of the Company are:

- 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	11,057,061 <i>10,004,927</i>	348,970 <i>125,574</i>	11,406,031 <i>10,130,501</i>
Segment Results	451,103 <i>555,532</i>	81,904 <i>7,190</i>	533,007 <i>562,722</i>
Unallocated Expenses (net of unallocated income)			(143,196) <i>(151,161)</i>
Operating Profit			389,811 <i>411,561</i>
Finance Charges-Net			(274,455) <i>(212,342)</i>
Profit / (Loss) before taxation			115,356 <i>199,219</i>
Taxes (expense) / benefit			(88,463) <i>(79,540)</i>
Profit / (Loss) after taxation			26,893 <i>119,679</i>
Segment Assets	4,372,630 <i>3,448,770</i>	55,578 <i>10,821</i>	4,428,208 <i>3,459,591</i>
Unallocated Assets			232,531 <i>136,313</i>
Total Assets			4,660,739 <i>3,595,904</i>
Segment Liabilities	793,148 <i>526,539</i>	9,188 <i>2,264</i>	802,336 <i>528,803</i>
Unallocated Liabilities			3,323,232 <i>2,494,428</i>
Total Liabilities			4,125,568 <i>3,023,231</i>
Capital Expenditure incurred	1,818,498 <i>315,328</i>	2,897 <i>2,283</i>	1,821,395 <i>317,611</i>
Unallocated Capital Expenditure incurred			11,166 <i>36,456</i>
Total Capital Expenditure			1,832,561 <i>354,067</i>
Depreciation & Amortisation	251,979 <i>195,384</i>	2,745 <i>426</i>	254,724 <i>195,810</i>
Unallocated Depreciation & Amortisation			13,393 <i>20,977</i>
Total Depreciation & Amortisation			268,117 <i>216,787</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, 2010	Year ended March 31, 2009
India	10,940,891	82,28,300
Others	465,140	19,02,201
Total	11,406,031	10,130,501

Segment Assets

Location	Year ended March 31, 2010	Year ended March 31, 2009
India	4,640,057	3,592,249
Others	20,682	3,655
Total	4,660,739	3,595,904

Addition to Tangible and Intangible assets

Location	Year ended March 31, 2010	Year ended March 31, 2009
India *	1,832,561	354,067
Others	Nil	Nil
Total	1,832,561	354,067

* Tangible and Intangible assets are located only in India.

f. Related party disclosures

Related parties of the Company

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

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

Schedules Forming part of the Financial Statements

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

Transactions and balances with related parties:

Previous year's figures have been shown brackets

Particulars	Wholly Owned Subsidiary March 31, 2010	Key Management Personnel
Nature of Transactions:		
Investment in Share Capital	Nil (1,396)	
Advance given during the year	787 (1,242)	
Sales made during the year	76,651 Nil	
Dividend paid during the year		14,513 (16,854)
Investment Written off	1,396 (Nil)	
Advances Written off	1,242 (Nil)	
Balance at the year end		
Investment in Share capital	Nil (1,396)	
Advance Recoverable in cash or kind	Nil (1,242)	

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

g. Deferred Taxes (Net)

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

Particulars	As at March 31, 2010	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	5,789	4,640
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	(182,413)	(116,273)
Others	(20,415)	—
Total	(197,039)	(111,633)

h. Movement in Deferred Income

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
Opening balance of subsidy	7,885	8,325
Less: Subsidy returned during the year	—	—
Less: Income recognised during the year	(440)	(440)
Closing balance of subsidy	7,445	7,885

Schedules Forming part of the Financial Statements

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

i. Licensed capacities, installed capacities and actual production

(000's of litres per day)

Particulars	Year ended	
	March 31, 2010	Year ended March 31, 2009
Licensed capacity (represents registered capacity for dairy)	Not applicable	Not applicable
Licensed capacity for ice cream	Not applicable	Not applicable
Installed capacity for dairy	2,700	1,850
Installed capacity for ice cream	50	25

Actual Production - Refer note no 2(l) of schedule 19.

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

j. Consumption of raw materials and packing materials

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

	Year ended		Year ended	
	March 31, 2010		March 31, 2009	
	Qty	Value	Qty	Value
Milk (quantity in 000's of litres)	489,228	6,424,668	522,471	6,120,574
Others	**	2,351,108	**	1,133,115
Total	8,775,776	8,775,776	7,253,689	7,253,689

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

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

(i) Raw materials and packing materials

	Year ended		Year ended	
	March 31, 2010		March 31, 2009	
	%	Value	%	Value
Imported	0.07	5,750	0.12	9,029
Indigenous	99.93	8,770,026	99.88	7,244,660
Total	100.00	8,775,776	100.00	7,253,689

(ii) Stores and Spares

	Year ended		Year ended	
	March 31, 2010		March 31, 2009	
	%	Value	%	Value
Imported	—	—	—	—
Indigenous	100	65,187	100	86,638
Total	100.00	65,187	100.00	86,638

(iii) Components

	Year ended		Year ended	
	March 31, 2010		March 31, 2009	
	%	Value	%	Value
Imported	—	—	—	—
Indigenous	—	—	—	—
Total	—	—	—	—

Schedules Forming part of the Financial Statements

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

I. Quantitative information

Previous years figures have been shown in italics

Particulars	UOM	Opening Stock		Purchases/ Production#	Sales		Closing Stock	
		Qty. ('000s)	Value	Qty. ('000s)	Qty. ('000s)	Value	Qty. ('000s)	Value
Traded goods								
- Cattle Feed	Kgs.	417	3,227	16,409	16,517	171,843	309	3073
		487	3,401	10,341	10,411	85,028	417	3,227
- Others		**	243	**	**	137,326	**	4,741
		**	433	**	**	40,356	**	243
Manufactured goods								
- Ice cream	Ltrs	348	16,847	8,251	8,267	751,729	332	18,883
		192	8,340	8,003	7,847	555,880	348	16,847
- Milk and Skimmed Milk	Ltrs	246	4,029	346,163	346,086	7,626,830	323	5,309
		168	2,785	345,566	345,488	6,708,641	246	4,029
- Milk Powders	Kgs	641	74,019	12,410	11,939	1,454,700	1,112	130,955
		1,477	182,770	10,601	11,437	1,553,945	641	74,019
- Cattle Feed	Kgs	—	—	4,214	3,685	39,800	529	4,082
		—	—	—	—	—	—	—
- Others	Kgs	198	16,168	10,413	9,585	1,223,802	1,026	100,474
		435	45,020	11,997	12,234	1,186,461	198	16,168

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

The production figures shown are adjusted for normal wastage.

m. Other financial information

(i) Earnings in foreign exchange (Accrual basis)

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
Exports on FOB basis	465,140	1,902,201
Royalty income	806	726
Total	465,946	1,902,927

(ii) CIF Value of Imports

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
Raw materials and packing materials	5,750	9,029
Components and spare parts	—	—
Capital goods	70,663	67,377
Total	76,413	76,406

(iii) Expenditure in foreign currency (Accrual basis)

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
Travel	827	1,736
Professional	1,722	28,702
Interest on Debentures	3,751	—
Others	1,009	—
Total	7,309	30,438

Schedules Forming part of the Financial Statements

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

(iv) Net dividend remitted in foreign exchange

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
Period to which it relates	2008-09	2007-08
Number of non-resident shareholders	18	22
Number of equity shares held on which dividend was due	2,019,945	2,002,310
Amount of dividend remitted in foreign exchange*	—	1,365

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

(v) Derivative instruments and unhedged foreign currency exposure

Unhedged foreign currency exposure:

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
Advance paid to suppliers	Nil	Nil
Receivables	USD-459,553 (Rs 20,682)	USD-71,745 (Rs 3,655)
Investment in subsidiary	Nil	Rs 1,396

n. Outstanding lease obligations

Finance lease obligations

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
<i>Future minimum lease payments</i>		
Total minimum lease payments at the year end	9,249	17,117
Less : amount representing finance charges	(807)	(2,081)
Present value of minimum lease payments	8,442	15,036
Lease payments for the year	9,516	13,662
<i>Minimum Lease Payments</i>		
Not later than one year [Present value Rs.5,910 as on March 31, 2010 (Rs.8,204 as on March 31, 2009)]	6,567	9,643
Later than one year but not later than five years [Present value Rs. 2,531 as on March 31, 2010 (Rs. 7,327 as on March 31, 2009)]	2,682	7,474
Later than five years	—	—

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

p. Earnings per share

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

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

During the year, the Company has issued 6% Unsecured Compulsorily Convertible Debentures as discussed in Note 1(k) of this schedule. These debentures have anti - dilutive effect to the earnings per share in the current year and hence are ignored for the purposes of computing diluted earnings per share. These debentures may have dilutive effect on earnings per share in the future periods.

Schedules Forming part of the Financial Statements

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

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
Net Profit after taxation	26,893	119,679
Less : Preference share dividend	1,470	4,064
Less : Tax thereon	250	691
Net Profit considered for computing earnings per share	25,173	114,924
Weighted average number of equity shares outstanding	33,944,090	33,944,090
Basic and Diluted earnings per share (in Rs.)	0.74	3.39

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, 2010	Year ended March 31, 2009
Projected benefit obligation at the beginning of the year	17,476	14,118
Current service cost	3,603	2,754
Interest cost	1,398	1,092
Actuarial (gain)/ loss	3,060	460
Benefits settled	(1,830)	(948)
Projected benefit obligation at the end of the year	23,707	17,476

Change in fair value of plan assets

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
Fair value of plan assets at the beginning of the year	18,000	10,160
Expected return on plan assets	1,723	1,081
Actuarial gain / (loss)	—	48
Employer contributions	3,644	7,659
Benefits paid	(1,830)	(948)
Fair value of plan assets at the end of the year	21,537	18,000

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

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
Present value of projected benefit obligation at the end of the year	23,707	17,476
Funded status of the plans	21,537	18,000
Unfunded status amount of liability recognised in the balance sheet	2,170	(524)

The present value of defined benefit obligation as at March 31, 2008 was Rs. 14,118 and fair value of plan assets as at that date was Rs 10,160 resulting in a deficit of Rs 3,958.

Net employee benefit expense recognised towards gratuity is as follows

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
Current Service cost	3,603	2,754
Interest cost on benefit obligation	1,398	1,092
Expected returns on plan assets	(1,723)	(1,081)
Recognised net actuarial (gain)/ loss	3,060	411
Net gratuity costs	6,338	3,176

Schedules Forming part of the Financial Statements

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

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
Actual return on planned assets	1,723	1,129
Experience adjustments on plan liabilities	3,060	460
Experience adjustments on plan assets	—	(49)
Estimated contribution to the plan in the next accounting period	5,000	8,000

Financial Assumptions at Balance Sheet date:

Discount rate	8% p.a	8% p.a.
Attrition rate	1-3% p.a	1-3% p.a.
Estimated rate of return on plan assets	8% p.a	8% p.a.

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

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

r. Subsequent events

On April 30, 2010, there was a fire in the Company's plant at Kancheepuram, Tamil Nadu. There was no loss of life or human injury. The management estimates a loss of 25,000 due to loss of inventory and other assets which is fully recoverable from the insurer. There has been no significant disruption in the flow of distribution on account of the accident.

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

s. 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
Firm Registration No. 101049W
Chartered Accountants

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

Sd/-
K.S. THANARAJAN
Joint Managing Director

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

Place : Chennai
Date : May 28, 2010

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

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

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

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

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

For and on behalf of the Board

R.G. CHANDRAMOGAN
Chairman & Managing Director

K.S. THANARAJAN
Joint Managing Director

Place : Chennai
Date : May 28, 2010

S. CHANDRASEKAR
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 November 13, 2009 - NIL
3. Financial year of the Subsidiary ended on : November 13, 2009 (Date of closure)
4. Net aggregate amount of Profit/ Loss of
the Subsidiary as far as it concerns the
holding Company : (Rs. 1,955,000)

For and on behalf of the Board

R.G.CHANDRAMOGAN
Chairman & Managing Director

K.S.THANARAJAN
Joint Managing Director

Place : Chennai
Date : May 28, 2010

S.CHANDRASEKAR
Company Secretary

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To

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, 2010 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. 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 report that the consolidated financial statements have been prepared by the Company's 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).
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, 2009 was also qualified in respect of this matter.*
5. In our opinion and to the best of our information and according to the explanations given to us, *subject to the effect of adjustments, if any, that may be required had the outcome of the matter referred to paragraph 4 above been known*, the said accounts give 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 Subsidiary, as at March 31, 2010;
 - (b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date;
 - (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & ASSOCIATES

Firm Registration No. 101049 W

Chartered Accountants,

Sd/-

per S Balasubrahmanyam

Partner

Membership No.053315

Place : Chennai
Date : May 28, 2010

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

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

	Schedule No.	As at March 31, 2010	As at March 31, 2009
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	1	67,921	118,721
Reserves and surplus	2	467,250	452,731
		<u>535,171</u>	<u>571,452</u>
Loan Funds			
Secured loans	3	2,136,678	1,932,401
Unsecured loans	4	1,000,707	356,396
		<u>3,137,385</u>	<u>2,288,797</u>
Deferred Income, net	19(2)(f)	7,445	7,885
Deferred tax liabilities, net	19(2)(e)	197,039	111,633
Total		<u>3,877,040</u>	<u>2,979,767</u>
APPLICATION OF FUNDS			
Fixed assets			
Gross Block	5	4,381,678	2,571,479
Less: Accumulated depreciation and amortisation		<u>(1,160,338)</u>	<u>(907,251)</u>
Net block		3,221,340	1,664,228
Capital work-in-progress including capital advances		330,567	1,281,473
		<u>3,551,907</u>	<u>2,945,701</u>
Current assets, loans and advances			
Inventories	6	570,616	278,926
Sundry debtors	7	136,595	85,716
Cash and bank balances	8	139,822	60,903
Claims receivable		14,180	14,580
Loans and advances	9	247,619	208,857
	(A)	<u>1,108,832</u>	<u>648,982</u>
Current liabilities and provisions			
Current liabilities	10	(763,030)	(574,552)
Provisions	11	(20,669)	(40,364)
	(B)	<u>(783,699)</u>	<u>(614,916)</u>
Net current assets	(A)-(B)	<u>325,133</u>	<u>34,066</u>
Total		<u>3,877,040</u>	<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
Firm Registration No. 101049W
Chartered Accountants

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

Sd/-
K.S. THANARAJAN
Joint Managing Director

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

Place : Chennai
Date : May 28, 2010

Sd/-
S. CHANDRASEKAR
Company Secretary

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
MARCH 31, 2010**

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

	Schedule No.	Year Ended March 31, 2010	Year ended March 31, 2009
INCOME			
Sales	12	11,408,756	10,130,501
Other income	13	29,298	18,151
		<u>11,438,054</u>	<u>10,148,652</u>
EXPENDITURE			
Cost of manufactured goods	14	8,613,689	7,397,686
Cost of traded goods	15	71,791	118,384
Employee costs	16	374,142	304,554
Manufacturing, administrative and selling expenses	17	1,715,662	1,699,853
Interest and finance charges	18	278,302	213,164
Depreciation & Amortisation	5	268,117	216,787
		<u>11,321,703</u>	<u>9,950,428</u>
Profit before tax		116,351	198,224
Provision for tax - Current Tax		19,604	58,835
- MAT credit entitlement		(19,604)	—
- Deferred tax charge		85,406	12,447
- Fringe benefit tax		—	10,788
Income tax pertaining to earlier years		3,057	(2,530)
Profit after tax		<u>27,888</u>	<u>118,684</u>
Balance brought forward from previous year		205,265	127,131
Profit available for appropriation		<u>233,153</u>	<u>245,815</u>
Appropriations:			
Transfer to General reserve		1,345	11,968
Transfer to Capital Redemption Reserve		50,800	—
Dividend - Interim Dividend on Preference Shares		1,470	4,064
- Interim Dividend on Equity Shares		—	20,366
- Proposed Final Dividend on Equity Shares		10,183	—
Dividend tax - Preference		250	691
- Equity		1,692	3,461
Surplus carried to Balance Sheet		<u>167,413</u>	<u>205,265</u>
		<u>233,153</u>	<u>245,815</u>
Earnings per share information (Refer Note 2 (i) of schedule 19)			
Weighted average number of equity shares outstanding			
- Basic		33,944,090	33,944,090
- Diluted		33,944,090	33,944,090
- Basic earnings per share (in Rs.)		0.77	3.36
- Diluted earnings per share (in Rs.)		0.77	3.36
Nominal value per equity share (in Rs.)		2	2
Significant accounting policies and notes to the financial Statements	19		

The Schedules referred to above and the notes thereon form an integral part of the 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
Firm Registration No. 101049W
Chartered Accountants

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

Sd/-
K.S. THANARAJAN
Joint Managing Director

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

Place : Chennai
Date : May 28, 2010

Sd/-
S. CHANDRASEKAR
Company Secretary

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED
MARCH 31, 2010**

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

	Year ended March 31, 2010	Year ended March 31, 2009
Cash flows from operating activities		
Net profit before taxation	116,351	198,224
Adjustments for:		
Depreciation on fixed assets	268,117	216,787
Bad debts written off	15,863	1,187
(Profit)/loss on sale of fixed assets-net	(7,330)	(6,032)
Deferred Income recognised	(440)	(440)
Unrealised foreign exchange (gain) /loss, net	226	(226)
Interest income	(766)	(1,602)
Interest and finance charges	264,169	191,106
Operating profit before working capital changes	656,190	599,004
(Increase)/Decrease in inventories	(291,690)	142,423
(Increase)/Decrease in sundry debtors	(66,742)	62,751
(Increase)/Decrease in loans and advances	(7,784)	(62,068)
(Increase)/Decrease in claims receivable	400	41,603
Increase/(Decrease) in current liabilities and provisions (Refer note b below)	163,264	(83,527)
Increase/(Decrease) in provisions	2,151	(2,514)
Cash generated from operations	455,789	697,672
Direct taxes paid (net of refunds)	(39,172)	(140,647)
Net cash from/(used in) operating activities	416,617	557,025
Cash flows (used in) / from investing activities		
Purchase of fixed assets (including capital work in progress)	(860,955)	(1,414,093)
Proceeds from sale of fixed assets	14,662	10,643
Interest received	766	2,165
Net cash from/(used in) investing activities	(845,527)	(1,401,285)

Hatsun Agro Product Limited

Consolidated Cash Flow Statement For The Year Ended March 31, 2010

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

	Year ended March 31, 2010	Year ended March 31, 2009
Cash flows (used in) / from financing activities		
Term loans availed during the year	1,394,820	1,131,666
Term loans repaid during the year	(1,035,962)	(320,765)
Increase/(decrease) in other borrowings from financial institutions	175,547	171,238
Issue of 6% Unsecured Compulsorily Convertible Debentures	250,000	—
Public deposits accepted during the year	68,980	50,040
Public deposits repaid during the year	(4,799)	(24,520)
Redemption of Redeemable Preference Shares	(50,800)	—
Proposed dividends paid	(25,900)	(25,787)
Tax on proposed dividends paid	(4,402)	(4,383)
Interest and finance charges paid	(259,655)	(190,766)
Net cash (used in)/from financing activities	507,829	786,723
Net (decrease) / increase in cash and cash equivalents	78,919	(57,537)
Cash and cash equivalents at the beginning of the year	60,903	118,440
Cash and cash equivalents at the end of the year	139,822	60,903
a) Components of cash and cash equivalents		
Cash and cheques on hand	8,459	3,994
Balances with Scheduled Banks		
- in current accounts	119,492	42,239
- in deposit accounts	6,564	11,442
- in unpaid dividend accounts (restricted)*	307	307
- in designated bank accounts towards security for repayment of public deposits	5,000	2,500
Balances with other banks		
- in current accounts	—	421
	139,822	60,903
b) Adjustments for increase/decrease in current liabilities related to acquisition of fixed assets have been made to the extent identified.		
* These balances are not available for use by the Company as they represent corresponding unpaid dividend liabilities.		

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
Firm Registration No. 101049W
Chartered Accountants

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

Sd/-
K.S. THANARAJAN
Joint Managing Director

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

Place : Chennai
Date : May 28, 2010

Sd/-
S. CHANDRASEKAR
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, 2010	As at March 31, 2009
1. Share capital		
Authorised		
50,000,000 (March 31, 2009: 50,000,000) equity shares of Rs 2/- each	100,000	100,000
2,000,000 (March 31, 2009: 2,000,000) Preference shares of Rs 100/- each	200,000	200,000
	300,000	300,000
Issued and Subscribed		
34,009,090 (March 31, 2009: 34,009,090) equity shares of Rs 2/- each	68,018	68,018
508,000 (March 31, 2009: 508,000) 8% Non-Convertible Cumulative Redeemable Preference Shares of Rs.100/- each	—	50,800
	68,018	118,818
Paid-up		
33,944,090 (March 31, 2009: 33,944,090) equity shares of Rs 2/- each fully paid up	67,888	67,888
508,000 (March 31, 2009: 508,000) 8% Non-Convertible Cumulative Redeemable Preference Shares of Rs.100/- each	—	50,800
65,000 (March 31, 2009: 65,000) equity shares of Rs 0.5 per share, partly paid up, forfeited	33	33
	67,921	118,721
Paid up equity shares of the Company include:		
(a) 153,640 (March 31, 2009: 153,640) equity shares of Rs. 2/- each, allotted pursuant to amalgamation of Hatsun Foods Company Limited, for consideration other than cash.		
(b) 345,450 (March 31, 2009: 345,450) equity shares of Rs. 2/- each, allotted pursuant to amalgamation of Ajith Dairy Industries Limited, for consideration other than cash.		
(c) 5,292,000 (March 31, 2009: 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.		
2. Reserves and surplus		
Securities Premium account	86,722	86,722
Capital reserve		
Balance brought forward	7,445	7,445
	7,445	7,445
Capital redemption reserve		
Balance brought forward	75,000	75,000
Add: Additions during the year on redemption of preference shares	50,800	—
	125,800	75,000
General reserve		
Balance brought forward	78,525	66,557
Add: Appropriation from Profit and Loss Account	1,345	11,968
	79,870	78,525
Foreign Currency Translation Reserve	—	(226)
Balance in Profit and Loss Account	167,413	205,265
	467,250	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, 2010	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)	1,539,726	1,365,868
Working capital loans from banks (secured by charge on the entire current assets of the Company)	448,212	375,418
Finance Lease Obligations (secured by assets acquired on lease)	8,441	15,036
Assets refinance obligation (secured by assets refinanced)	140,299	176,079
	<u>2,136,678</u>	<u>1,932,401</u>
4. Unsecured loans		
Short term loan from banks	375,000	190,000
Public deposits [Include unclaimed deposit: Rs.1,078 (March 31, 2009: Rs. 1,047)]	124,243	60,062
[Repayable within one year -Rs. 48,643 (March 31, 2009: Rs. 30,708)]		
6% Debentures - UCCD *	250,000	-
Others [Repayable within one year - Rs. 251,464 (March 31, 2009: Rs.108,089)]	251,464	106,334
	<u>1,000,707</u>	<u>356,396</u>

*Refer note 1(l) of schedule 19

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

Term loans	1,539,726	1,365,868
Working capital loans	448,212	375,418
Short term loans from banks	375,000	190,000
Others	251,464	30,000
Assets refinance obligation	140,299	172,298

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

Term loans	996,095	886,457
Short term loans from banks	300,000	50,000
Assets refinance obligation	140,299	172,298

5. Fixed Assets
Schedules forming part of the consolidated 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 2009	Additions	Deletions	As at 31 st March 2010	As at 1 st April 2009	For the Year	Deletions	As at 31 st March 2010	As at 31 st March 2010	As at 31 st March 2009
Intangible Assets:										
ERP Software	13,071	—	—	13,071	1,396	2,614	—	4,010	9,061	11,675
Tangible Assets:										
Land	195,255	184	(400)	195,039	—	—	—	—	195,039	195,255
Buildings	481,533	641,574	—	1,123,107	81,508	26,804	—	108,312	1,014,795	400,025
Plant and Machinery	1,764,730	1,150,478	(16,588)	2,898,620	769,085	220,504	(12,333)	977,256	1,921,364	995,645
Furniture and fixtures	31,630	6,958	(75)	38,513	16,473	6,886	(51)	23,308	15,205	15,157
Office Equipment	25,738	3,554	(1,872)	27,420	18,283	3,701	(881)	21,103	6,317	7,455
Vehicles*	58,100	9,083	(3,427)	63,756	19,297	5,745	(1,765)	23,277	40,479	38,803
Lease Hold Improvements	1,422	20,730	—	22,152	1,209	1,863	—	3,072	19,080	213
Total	2,571,479	1,832,561	(22,362)	4,381,678	907,251	268,117	(15,030)	1,160,338	3,221,340	1,664,228
Previous Year	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 25,687(previous year Rs 27,677) acquired on finance lease. The current year depreciation charge on these assets amounts to Rs 2,250 (previous year Rs 1,940). The net block of these assets amounts to Rs 21,760 (previous year 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, 2010 As at
March 31, 2009

6 Inventories

Raw materials and packing materials	187,835	69,785
Work-in-process	41,126	27,679
Finished goods		
- manufactured*	259,703	111,063
- traded	7,814	3,470
Stores, spares and loose tools	74,138	66,929
	570,616	278,926

* Includes goods in transit of Rs. 20,789 (March 31, 2009 -Rs. 32,789)

7 Sundry debtors

Debts outstanding for a period exceeding six months		
Secured, considered good	52	1,189
Unsecured, considered good	2,027	832
Unsecured, considered doubtful or bad	—	—
	2,079	2,021
Other debts		
Secured, considered good	51,637	51,107
Unsecured, considered good	82,879	32,588
	134,516	83,695
Less: Provision for bad and doubtful debts	—	—
	136,595	85,716

8 Cash and bank balances

Cash in hand	8,459	3,994
Balances with scheduled banks:		
- in current accounts	119,492	42,239
- in deposit accounts	6,564	11,442
- in unpaid dividend accounts	307	307
- deposits in designated bank accounts towards security for repayment of public deposits	5,000	2,500
Balances with other banks:		
- in current accounts	—	421
	139,822	60,903

Schedules forming part of the consolidated financial statements

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

	As at March 31, 2010	As at March 31, 2009
9 Loans and advances		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	12,021	16,342
Intercompany Deposit	5,255	—
Deposits	158,534	139,428
Advance to suppliers	40,831	53,087
Minimum Alternative Tax Credit	19,604	—
Income Tax (Net)	11,374	—
	<u>247,619</u>	<u>208,857</u>
10 Current liabilities		
Sundry creditors	480,077	366,977
Security deposits	217,425	180,930
Advance from customers	26,832	7,761
Other liabilities	21,333	15,269
Investor Education & Protection Fund shall be credited by following amount (as and when due)		
Unclaimed dividend	307	307
Book overdraft	10,787	1,553
Interest accrued and not due	6,269	1,755
	<u>763,030</u>	<u>574,552</u>
11 Provisions		
For Gratuity	2,170	—
For Leave encashment	4,624	4,643
For Fringe benefit tax (net)	2,000	2,000
For Proposed Dividend for Equity share capital	10,183	20,366
For Proposed Dividend on Preference share capital	—	4,064
For Dividend Tax payable	1,692	4,152
For Income tax (net)	—	5,139
	<u>20,669</u>	<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, 2010	As at March 31, 2009
12 Sales		
Milk	7,626,830	6,708,641
Ice cream	751,729	555,880
Milk products	2,681,227	2,740,406
Others	<u>348,970</u>	<u>125,574</u>
	<u>11,408,756</u>	<u>10,130,501</u>
13 Other Income		
Interest income		
Bank deposits [Tax deducted at source - Rs 80 (March 31, 2009: Rs 193)]	766	822
Interest on inter corporate deposits, electricity deposits etc., [Tax deducted at source - Rs.82 (March 31, 2009: Rs. 177)]	3,081	780
Profit on sale of assets, net	7,330	6,032
Foreign exchange gain, net	1,849	-
Royalty	806	726
Export Benefits	6,013	4,465
Miscellaneous income	<u>9,453</u>	<u>5,326</u>
	<u>29,298</u>	<u>18,151</u>
14 Cost of manufactured goods		
(A) Consumption of raw materials and packing materials		
Opening inventory	69,785	76,036
Add: Purchases	<u>8,893,826</u>	<u>7,247,438</u>
	8,963,611	7,323,474
Less: Closing inventory	<u>187,835</u>	<u>69,785</u>
Total [A]	<u>8,775,776</u>	<u>7,253,689</u>
(B) (Increase)/Decrease in WIP & Finished goods		
Opening inventory		
Work-in-process	27,679	43,824
Finished goods	<u>111,063</u>	<u>238,915</u>
Sub Total	<u>138,742</u>	<u>282,739</u>
Less: Closing inventory		
Work-in-process	41,126	27,679
Finished goods	<u>259,703</u>	<u>111,063</u>
Sub Total	<u>300,829</u>	<u>138,742</u>
Total [B]	<u>(162,087)</u>	<u>143,997</u>
Total [(A) + (B)]	<u>8,613,689</u>	<u>7,397,686</u>
15 Cost of traded goods		
Opening inventory	3,470	3,834
Add: Purchases	<u>76,135</u>	<u>118,020</u>
	79,605	121,854
Less: Closing inventory	<u>7,814</u>	<u>3,470</u>
	<u>71,791</u>	<u>118,384</u>

Schedules forming part of the consolidated financial statements

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

	Year ended March 31, 2010	Year ended March 31, 2009
16 Employee costs		
Salaries, wages and other allowances	286,745	231,039
Contribution to provident and other funds	17,593	16,111
Gratuity	6,338	3,176
Staff welfare expenses	63,466	54,228
	<u>374,142</u>	<u>304,554</u>
17 Manufacturing, administrative and selling expenses		
Power and fuel [net of power credits of Rs. 1,336 (March 31, 2009 : Rs.1,210)]	344,876	387,169
Stores and spares consumed	65,187	86,638
Sales promotion expenses	253,200	144,751
Commission on sales	5,706	24,273
Freight outwards	422,977	419,988
Bad debts written off	15,863	1,187
Repairs and maintenance:		
- Buildings	10,140	9,776
- Plant and machinery	93,883	93,457
- Others	10,377	7,775
Travelling and conveyance	100,048	79,659
Printing and stationery	16,151	17,747
Rent	79,974	59,845
Rates and taxes	16,808	19,510
Insurance	15,648	24,418
Directors sitting fees	230	190
Service Charges	150,820	114,994
Foreign exchange loss (net)	—	100,924
Miscellaneous expenses	113,774	107,552
	<u>1,715,662</u>	<u>1,699,853</u>
18 Interest and finance charges		
Interest:		
- on term loans	231,609	166,911
- others	51,697	45,486
	<u>283,306</u>	<u>212,397</u>
Less : Interest Capitalised	58,873	68,238
	<u>224,433</u>	<u>144,159</u>
Other finance charges	39,736	46,947
Bank charges	14,133	22,058
	<u>278,302</u>	<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

1. Significant accounting policies

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. 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, 2010 and statement of profit and loss and cash flows of the Group for the year ended March 31, 2010.
- ii. The financial statements of the Subsidiary considered for the purpose of consolidation are drawn for the same reporting period as that of the Company i.e., year ended March 31, 2010.
- 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 recognised 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 recognised 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.

Schedules forming part of the consolidated financial statements

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

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.

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 5 are depreciated fully in the year of purchase.

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

SI 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	3 -5 years or over the lease period if lower than the estimated useful life
	Intangible assets	
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 capitalised 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, capitalised 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 recognised as an expense in the profit and loss account on a straight line basis over the lease term.

Schedules forming part of the consolidated financial statements

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

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 despatch of goods to customers which corresponds with transfer of all significant risks and rewards of ownership. The amount recognised as sale is exclusive of sales tax and trade and quantity discounts.

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

Royalty income is recognised on accrual basis.

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

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, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

Schedules forming part of the consolidated financial statements

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

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 recognised using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised 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 realised.

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

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.

During the current year, the Company has allotted 6% Unsecured Compulsorily Convertible Debentures ("UCCD") amounting to 250,000. The UCCDs are convertible into equity shares at a price to be mutually agreed by the Board of Directors of the Company and the debenture holders subject to the SEBI guidelines. The UCCDs are convertible into the equity shares of Rs.2/- each of the Company after October 1, 2010, but before December 31, 2010 at the instance of the Company. Diluted Earnings per share has been computed after considering the maximum dilution possible by the allotment of the UCCDs.

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 recognised on an undiscounted basis and charged to the profit and loss account.

Schedules forming part of the consolidated financial statements

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

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 recognised 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.

o. Cash flow statements

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

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

p. Provisions

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

q. Segment Reporting Policies

Identification of segments

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

Segment accounting policies

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

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

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

Unallocated items

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

Schedules forming part of the consolidated financial statements

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

2. Notes to the financial statements

a. Capital commitments and contingencies

Particulars	As at	As at
	March 31, 2010	March 31, 2009
(i) Estimated amount of contracts remaining to be executed on capital account (net of capital advances) and not provided for	107,055	487,366
(ii) Claims made against the Company not acknowledged as debts in respect of sales tax and income tax matters	15,932	15,932
(iii) In respect of the Income tax assessment year 1996-97, the Company's claim for deduction towards non-compete fees of 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 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 37,558,353 (March 31, 2009, 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, 2010, the Company has fulfilled Export Obligations amounting to USD 14,788,088 (March 31, 2009 USD 8,749,730) and has outstanding Export Obligation of USD 22,770,245 (March 31, 2009 USD 26,333,928). The Company is confident that it will fulfill obligations under the EPCG scheme.

c. Segment information

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

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

Schedules forming part of the consolidated financial statements

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

Primary Segment Information

Previous years figures have been shown in italics

Particulars	Milk and Milk Products	Others	Total
Segment Revenue	11,059,786 <i>10,004,927</i>	348,970 <i>125,574</i>	11,408,756 <i>10,130,501</i>
Segment Results	452,098 <i>555,532</i>	81,904 <i>7,190</i>	534,002 <i>562,722</i>
Unallocated Expenses (net of unallocated income)			(143,196) <i>(152,156)</i>
Operating Profit			390,806 <i>410,566</i>
Finance Charges			(274,455) <i>(212,342)</i>
Profit / (Loss) before taxation			116,351 <i>198,224</i>
Taxes (expense) / benefit			(88,463) <i>(79,540)</i>
Profit / (Loss) after taxation			27,888 <i>118,684</i>
Segment Assets	4,372,630 <i>3,447,549</i>	55,578 <i>10,821</i>	4,428,208 <i>3,458,370</i>
Unallocated Assets			232,531 <i>136,313</i>
Total Assets			4,660,739 <i>3,594,683</i>
Segment Liabilities	793,148 <i>526,539</i>	9,188 <i>2,264</i>	802,336 <i>528,803</i>
Unallocated Liabilities			3,323,232 <i>2,494,428</i>
Total Liabilities			4,125,568 <i>3,023,231</i>
Capital Expenditure incurred	1,818,498 <i>315,328</i>	2,897 <i>2,283</i>	1,821,395 <i>317,611</i>
Unallocated Capital Expenditure incurred			11,166 <i>36,456</i>
Total Capital Expenditure			1,832,561 <i>354,067</i>
Depreciation & Amortisation	251,979 <i>195,384</i>	2,745 <i>426</i>	254,724 <i>195,810</i>
Unallocated Depreciation & Amortisation			13,393 <i>20,977</i>
Total Depreciation & Amortisation			268,117 <i>216,787</i>

Schedules forming part of the consolidated 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, 2010	Year ended March 31, 2009
India	10,940,891	8,228,300
Others	465,140	1,902,201
Total	11,406,031	10,130,501

Segment Assets

Location	Year ended March 31, 2010	Year ended March 31, 2009
India	4,640,057	3,592,249
Others	20,682	3,655
Total	4,660,739	3,595,904

Addition to Tangible and Intangible assets

Location	Year ended March 31, 2010	Year ended March 31, 2009
India *	1,832,561	354,067
Others	Nil	Nil
Total	1,832,561	354,067

* Tangible and Intangible assets are located only in India.

d. Related party disclosures

Related parties of the Company

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

Transactions and balances with related parties:

	Year ended March 31, 2010	Year ended March 31, 2009
Nature of Transactions:		
Dividend paid during the year to key managerial personnel	14,513	16,854
Managerial Remuneration **	9,623	9,623

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

Schedules forming part of the consolidated financial statements

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

e. Deferred Taxes (Net)

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

Particulars	As at March 31, 2010	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	5,789	4,640
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	(182,413)	(116,273)
Others	(20,415)	—
Total	(197,039)	(111,633)

f. Movement in Deferred Income

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
Opening balance of subsidy	7,885	8,325
Less: Subsidy returned during the year	—	—
Less: Income recognized during the year	(440)	(440)
Closing balance of subsidy	7,445	7,885

g. Unhedged foreign currency exposure

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
Advance paid to suppliers	Nil	Nil
Receivables	USD-459,553 (Rs 20,682)	USD-71,745 (Rs 3,655)

h. Outstanding lease obligations

Finance lease obligations

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
<i>Future minimum lease payments</i>		
Total minimum lease payments at the year end	9,249	17,117
Less : amount representing finance charges	(807)	(2,081)
Present value of minimum lease payments	8,442	15,036
Lease payments for the year	9,516	13,662
<i>Minimum Lease Payments</i>		
Not later than one year [Present value Rs.5,910 as on March 31, 2010 (Rs.8,204 as on March 31, 2009)]	6,567	9,643
Later than one year but not later than five years [Present value Rs. 2,531 as on March 31, 2010 (Rs. 7,327 as on March 31, 2009)]	2,682	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)

i. Earnings per share

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

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

During the year, the Company has issued 6% Unsecured Compulsorily Convertible Debentures as discussed in Note 1(l) of this schedule. These debentures have anti - dilutive effect to the earnings per share in the current year and hence are ignored for the purposes of computing diluted earnings per share. These debentures may have dilutive effect on earnings per share in the future periods.

Particulars	Year ended	Year ended
	March 31, 2010	March 31, 2009
Net Profit after taxation	27,888	118,684
Less : Preference share dividend	1,470	4,064
Less : Tax thereon	250	691
Net Profit considered for computing earnings per share	26,168	113,929
Weighted average number of equity shares outstanding	33,944,090	33,944,090
Basic and Diluted earnings per share (in Rs.)	0.77	3.36

j. 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	Year ended
	March 31, 2010	March 31, 2009
Projected benefit obligation at the beginning of the year	17,476	14,118
Current service cost	3,603	2,754
Interest cost	1,398	1,092
Actuarial (gain)/ loss	3,060	460
Benefits settled	(1,830)	(948)
Projected benefit obligation at the end of the year	23,707	17,476

Change in fair value of plan assets

Particulars	Year ended	Year ended
	March 31, 2010	March 31, 2009
Fair value of plan assets at the beginning of the year	18,000	10,160
Expected return on plan assets	1,723	1,081
Actuarial gain / (loss)	—	48
Employer contributions	3,644	7,659
Benefits paid	(1,830)	(948)
Fair value of plan assets at the end of the year	21,537	18,000

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

Particulars	Year ended	Year ended
	March 31, 2010	March 31, 2009
Present value of projected benefit obligation at the end of the year	23,707	17,476
Funded status of the plans	21,537	18,000
Unfunded status amount of liability recognised in the balance sheet	2,170	(524)

Schedules forming part of the consolidated financial statements

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

The present value of defined benefit obligation as at March 31, 2008 was Rs. 14,118 and fair value of plan assets as at that date was Rs 10,160 resulting in a deficit of Rs 3,958.

Net employee benefit expense recognised towards gratuity is as follows

Particulars	Year ended	Year ended
	March 31, 2010	March 31, 2009
Current Service cost	3,603	2,754
Interest cost on benefit obligation	1,398	1,092
Expected returns on plan assets	(1,723)	(1,081)
Recognised net actuarial (gain)/ loss	3,060	411
Net gratuity costs	6,338	3,176
Actual return on planned assets	1,723	1,129
Experience adjustments on plan liabilities	3,060	460
Experience adjustments on plan assets	—	(49)
Estimated contribution to the plan in the next accounting period	5,000	8,000

Financial Assumptions at Balance Sheet date:

Discount rate	8% p.a	8% p.a.
Attrition rate	1-3% p.a	1-3% p.a.
Estimated rate of return on plan assets	8% p.a	8% p.a.

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

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

k. Subsequent events

On April 30, 2010, there was a fire in the Company's plant at Kancheepuram, Tamil Nadu. There was no loss of life or human injury. The management estimates a loss of 25,000 due to loss of inventory and other assets which is fully recoverable from the insurer. There has been no significant disruption in the flow of distribution on account of the accident.

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

l. 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
Firm Registration No. 101049W
Chartered Accountants

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

Sd/-
K.S. THANARAJAN
Joint Managing Director

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

Place : Chennai
Date : May 28, 2010

Sd/-
S.CHANDRASEKAR
Company Secretary

HATSUN INGREDIENTS FZE

RAK Free Zone, UAE

DIRECTORS REPORT

Financial Results :

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

Particulars	Sch.No.	Amount
Administrative Expenses	7	83,785
Depreciation		—
Total Operating Expenses		83,785
Net Loss		1,955

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:

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

Operations:

The Company obtained its commercial license to engage in business on November 5th, 2008 and commenced business activities during April 2009. However, the Company has closed its operations with effect from 13th November, 2009. The financial results of the company are till the date of its closure.

HATSUN INGREDIENTS FZE

RAK Free Zone, UAE

AUDITOR'S REPORT

To
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 November 13, 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

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 evidences obtained from **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 commenced business activities during April 2009. However, the Company has closed its operations with effect from 13th November, 2009. **The financial results of the Company are till the date of its closure.**

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 November 13, 2009 (Date of closure of the Company).
- ii) In the case of the Profit and Loss account, of the Loss of the Company for the period 1st April, 2009 till 13th November, 2009 (Date of the closure of the Company).
- iii) In the case of the Cash Flow statement, of the Cash Flows of the Company for the period 1st April, 2009 till 13th November, 2009 (Date of the closure of the Company).

for K.SRIRAMAN & CO
Chartered Accountants

C.G. RAMESH BABU
Partner
Membership No.204013

Place: Chennai
Date : November 16, 2009

HATSUN INGREDIENTS FZE
RAK Free Zone, UAE

BALANCE SHEET AS AT NOVEMBER 13, 2009

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

	Schedule No.	As at November 13, 2009
SOURCES OF FUNDS		
Shareholders' Funds		
Share Capital	1	1,316
Reserves and Surplus	2	(3,089)
		<u>(1,772)</u>
Loans (Liability)	3	1,772
Total		<u><u>—</u></u>
APPLICATION OF FUNDS		
Fixed assets		
Gross Block		—
Less: Depreciation		—
Net Block		<u>—</u>
Current assets, loans and advances		
Cash and Bank Balances	4	—
Loans and Advances	5	—
(A)		<u>—</u>
Current liabilities and provisions		
Current Liabilities	6	—
(B)		<u>—</u>
Net Current Assets	(A)-(B)	<u>—</u>
Total		<u><u>—</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 : November 16, 2009

Hatsun Agro Product Limited

HATSUN INGREDIENTS FZE

RAK Free Zone, UAE

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED NOVEMBER 13, 2009

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

	Schedule No.	Year ended November 13, 2009
INCOME		
Sales		81,830
		<u>81,830</u>
EXPENDITURE		
Administrative Expenses	7	83,785
Depreciation and Amortisation		<u>—</u>
		<u>83,785</u>
NET PROFIT / (LOSS) Trf to Reserves & Surplus		<u>(1,955)</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 : November 16, 2009

Hatsun Agro Product Limited

HATSUN INGREDIENTS FZE

RAK Free Zone, UAE

CASH FLOW STATEMENT FOR THE PERIOD ENDED NOVEMBER 13, 2009

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

Year ended
November 13, 2009

Cash flows from operating activities

Net profit before taxation	(1,955)
Adjustments for:	
Depreciation on fixed assets	—
Foreign Currency Translation Reserve(FCTR)	—
Operating profit before working capital changes	(1,955)
(Increase)/decrease in Sundry Receivables	1,030
(Decrease) in accrued expenses	—
Cash generated from operations	<u>(925)</u>
Net cash from/(used in) operating activities	<u>(925)</u>
Cash flows (used in) / from investing activities	
Sale of property plant and equipments	11
Net cash from/(used in) investing activities	<u>11</u>
Cash flows (used in) / from financing activities	
Loan from Holding Company	451
Net movement in Capital account	—
Net cash (used in)/from financing activities	<u>451</u>
Net (decrease) / increase in cash and cash equivalents	(463)
Cash and cash equivalents at the beginning of the year	463
Cash and cash equivalents at the end of the year	<u>0</u>
Represented by:	
Cash on hand	—
Cash at Bank	—

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 : November 16, 2009

Hatsun Agro Product Limited

HATSUN INGREDIENTS FZE

RAK Free Zone, UAE

Schedules Forming Part Of The Financial Statements

As at

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

November 13, 2009

1 Share capital

Authorised

1 Equity Share of AED 100,000 Each (INR Equivalent)

1,316

1,316

Issued and Subscribed

1 Equity Share of AED 100,000 Each (INR Equivalent)

1,316

1,316

Paid-up

1 Equity Share of AED 100,000 Each (INR Equivalent)

1,316

1,316

2 Reserves and surplus

Profit & Loss Account

Opening Balance

(1,134)

Net Loss for the Year

(1,955)

Foreign Currency Translation Reserve(FCTR)

0

Closing Balance

(3,089)

3 Loans (Liability)

Hatsun Agro Product Ltd.

1,772

1,772

4 Cash and bank balances

Cash in hand

—

Balances with scheduled banks:

- in current accounts-Standard Chartered Bank

—

—

5 Loans and advances

(Unsecured, considered good)

Security Deposit

—

Prepaid Rent

—

—

6 Current liabilities & Provisions

Loan & Advances

—

Accrued Expenses & Provisions

—

—

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 : November 16, 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
November 13, 2009

7 Administrative & Other Overheads

Purchases	79,104.78
Audit Fees	79.24
Bank Charges	404.49
Brokerage & Commission	1,193.28
Cell Phone Charges	16.18
Courier Charges	9.51
Export Expenses	2.05
FEWA Charges	13.33
Guest House Maintenance	0.26
Guest House Rent	412.71
Internet Charges	17.61
Medical Expenses	7.12
Miscellaneous Expenses	2.40
Office Maintenance	0.71
Office Rent	443.55
Printing & Stationery	9.26
RAK FTZ Fee	19.81
Registration & Renewals	23.77
Short Realisation	185.94
Staff Salary	1,718.70
Staff Welfare	26.44
Telephone	17.31
Travelling & Conveyance	72.47
Visa Charges	3.96
	<u><u>83,784.89</u></u>

ATTENDANCE SLIP

HATSUN AGRO PRODUCT LIMITED

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

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

I hereby record my presence at the **25th Annual General Meeting** of the Company held on **Wednesday, the 4th August, 2010 at 11.00 a.m. at P. Obul Reddy Hall, Sri Thyaga Brahma Gana Sabha, Vani Mahal, G.N. Chetty Road, T. Nagar, Chennai - 600 017.**

Notes:

Signature of the Shareholder / Proxy

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



PROXY FORM

HATSUN AGRO PRODUCT LIMITED

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

Folio No./DP I.D. & Client I.D.	
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I/We of
being a member/members of **Hatsun Agro Product Limited** hereby appoint
.....of or failing him
..... of as
my/our Proxy to attend and vote on behalf of me/us at the **25th Annual General Meeting** to be held on **Wednesday, the 4th August, 2010 at 11.00 a.m.** or at any adjournment thereof.

Signed thisday of.....2010.

Affix 1.00 Re. Revenue Stamp

Signature of shareholder

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