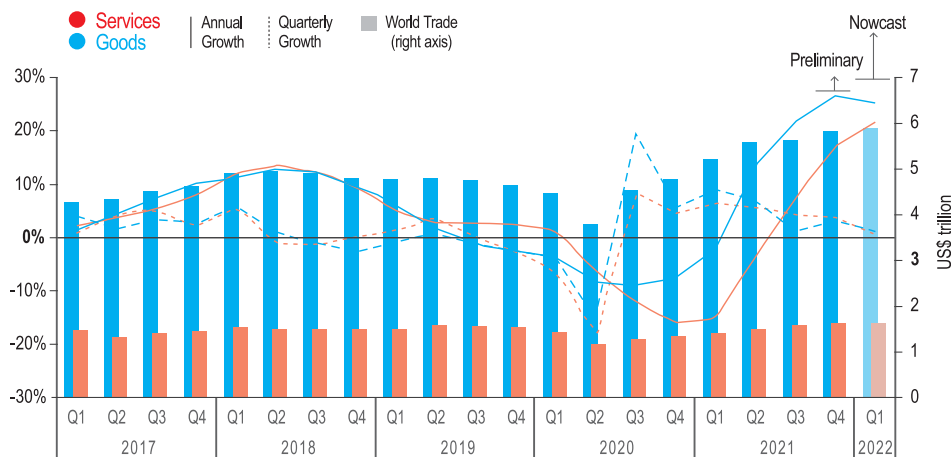


# Management Discussion and Analysis

## The Global Economy – World View

The global economy grew at a rate of 5.5 per cent in FY 2021, after declining by 3.4 per cent in FY 2020. The rebound was mostly fuelled by a significant increase in family spending and a minor increase in investments, both of which had previously been impacted adversely due to the lockdown restrictions. In FY 2021, the global gross product was 1.9 per cent higher than in 2019, although it was still 3.3 per cent below the actual expected levels before the epidemic.

Trade took hold in the first half of FY 2021, after which it started progressing in the second half. The third quarter experienced a slowdown in growth, after which trade picked up again in the fourth quarter. The value of trade in goods increased to \$5.8 trillion and services rose to \$50 billion. The overall value of global trade reached the value of \$28.5 trillion in FY 2021, 25 per cent higher than FY 2020.



Source: UNCTAD

Global inflation has been steadily increasing, with the median headline Consumer Price Index (CPI) expected to reach 4.6 per cent in May 2021, up from 1.2 per cent in May 2020. Increasing food costs around the world, supply chain disruptions, and a recovery of demand are the main factors of rising headline inflation.

### Outlook

Global growth is expected to touch 4.4 per cent in 2022, down 0.5 percentage point from previous projections. This is mostly due to the slowing of growth in the United States and China as a result of the fiscal and monetary policies, as well as ongoing supply chain issues.

Inflation is projected to last longer in both developed and developing countries. Supply chain disruptions are expected to ease during FY 2022 as demand is expected to gradually rebalance. Energy and food prices are projected to rise moderately in FY 2022.

## Indian Economy – On Growth Path

The economic impact of the second wave of Covid-19 was smaller than the impact of the first. The GDP has shown signs of recovery since the second half of FY 2020-21. The Indian economy is expected to experience a growth in GDP at the rate of 9.2 per cent in FY2021-22 compared to a contraction by 6.6 per cent in FY 2020-21.

India’s exports of both goods and services have been good in 2021-22. Despite rising trade costs, merchandise exports have crossed the US\$30 billion mark in eight consecutive months in FY 2021-22. The reasons for rising trade costs are global supply constraints such as fewer operational shipping vessels, exogenous events such as blockage of the Suez Canal and the Covid-19 pandemic in China’s port city, Shenzhen, etc.

Manufacturing is expected to grow at 12.5 per cent FY2022 after contracting by 7.2 per cent in FY2021. The services sector has been the most impacted during the pandemic. It is projected to grow at a rate of 8.2 per cent after contracting by 8.4 per cent in FY 2020-21.

### Outlook

The GDP of India is expected to grow to 8 % to 8.5 % in FY 2022-23, primarily due to the widespread vaccine coverage, supply-side reforms, export growth, easing of regulations and increase in capital spending.

The projection for inflation in FY 2022-23 is 4.5 % with Q1 inflation being 4.9 %, Q2 at 5 %, Q3 being 4 % and Q4 being 4.2 %.

The Indian economy is well prepared for any challenges that it might face in FY 2022-23. The Government is focusing on supply-side reforms too rather than just on demand management. These reforms will include more simplified and efficient processes, deregulation of multiple sectors, product-linked incentive (PLI) schemes etc.

## Global Dairy Industry

According to a report from IMARC, the industry is expected to grow over 5.09 per cent between FY 2022 to FY 2027.

Milk production in New Zealand increased by 9.8 % in March, 2021 compared to March, 2020 even after drier climate conditions in the country. Production was down by 0.8 % in February, 2021 compared to the same period last year. The major reason for decreasing production was reducing herds, labour challenges and farm exits. EU's milk production dropped by 3.8 % in February, 2021 and many EU countries like Germany, France and Netherlands faced this problem. The US experienced an increase in the production of milk by 1.8 %

## Dairy Industry in India

India is the largest producer and consumer of dairy products in the world. It produces 22 % of the total global dairy production. The dairy industry is an essential part of the rural economy and is one of the major sources of employment and income for the rural population. According to a report by IMARC, the dairy industry is expected to grow at a CAGR of 14.98 % between FY2022-2027.

Majority of the dairy produced in India is consumed domestically, most of which is liquid milk.

As per a report by CRISIL, revenue from the organised dairy sector will rebound by 12 % in FY 2022 compared to the growth of approximately 1 % in FY 2020-21. The growth would be largely due to the pick-up in demand of value added products (VAP), steady sales of liquid milk and rising retail rates in the year. Operating profitability is expected to reach its pre-pandemic levels as a result of high packaging and transport costs and high raw milk prices.

## Government Initiatives

The Government of India has implemented the Rashtriya Gokul Mission from FY 2021-22 to improve productivity and enhance milk production. These schemes aim to improve remuneration for farmers. An allocation of ₹ 2400 crore has been made over the next five years. Many new technologies have been made available to the farmers under these schemes which focus on promoting private entrepreneurship to enhance affordability and increase access.

With efficient implementation, it is expected that 8 crore farmers involved in the dairy industry will benefit directly as a result of the increased milk production, which is expected to increase from 198.4 million metric tonnes in FY 2019-20 to 300 million metric tonnes in FY 2024-25.

## Opportunities

**Increasing Health Awareness** - As an after effect of Covid people are opting more for nutrient-rich and immunity-boosting foods.

**Rising Income levels** – With income levels rising, the spending on dairy and value-added products has been on the rise. Affordable innovation would help people buy more of the products from the Company.

**Rising young working population** - An increasing young urban population is expected to grow from 31 per cent in FY 2011 to 36

per cent in FY 2036. The food sector is thus likely to see a growth in consumption.

**Demand for premium products** - As income levels rise and lifestyles change, consumers are demanding products with innovation and benefits. This provides an opportunity for the food and dairy companies to innovate and launch products that will attract the consumers to the Company.

## Challenges

- Increased competition from local players and international companies
- Lack of awareness among the farmers and dairy farms not being in the best of the conditions
- Extensive cross-breeding for raising milk productivity may lead to disappearance of indigenous cattle
- Unusual climate change and adverse weather conditions
- Rapidly changing preferences amongst customers

## Company Overview

Heritage Foods Limited is amongst the top dairy companies in India. It operates through two verticals - dairy and renewable energy. The Company carries a wide range of products like, fresh milk, curd, *paneer*, ghee, buttermilk, UHT milk, *lassi*, flavoured milk, ice-cream/ frozen dessert and other dairy-based products. Currently its products are present in 11 states.

The Company has a robust R&D policy, advanced technology for manufacturing and processing, top tier quality control, a highly qualified team to oversee its operations. It has 18 processing plants, 187 bulk coolers, mini chilling and chilling centres to ensure availability of fresh and high-quality products.

## Product Categories

### Milk

- **Fresh Milk**

Fresh milk is the most consumed product in India. It is also the most trusted source for essential nutrients for health. With the increasing population the consumption of milk is also on the rise. Health consciousness, dietary needs and rising living standard have also been major contributors to rising demand of fresh milk. The growth rate for liquid milk is expected to be 16.80 per cent during FY 2021-26

- **A2 Milk**

A2 milk is 100 per cent buffalo milk with full cream, which is procured from the farms and sterilised in the Company's plants. The milk is high in A2 protein, it boosts immunity and is easy to digest.

- **UHT Milk**

UHT milk, or ultra-high temperature milk, is made by processing milk at high temperatures to remove pathogens. The UHT process preserves all the nutrients present in milk and makes it suitable for storage at room temperature for long periods

without any preservatives. UHT milk is more convenient than ordinary fluid milk as it does not need to be stored in a refrigerator or boiled before consumption. Currently, one of the major factors driving the market is the ease of storage of UHT milk, which facilitates its transportation over long distances to milk-scarce regions. Some of the other growth-inducing factors include ease of use, long-shelf life, changing dietary habits, etc. The UHT milk market in India is expected to grow at a CAGR of 15.3 per cent during the forecast period (FY 2021-2026).

- **Skimmed Milk Powder**

The Indian skimmed milk powder (SMP) market experienced strong growth during FY 2015-2020. Milk powder manufacturing is a simple process carried out in a large scale. It involves the gentle removal of water at the lowest possible cost under strict hygienic conditions while retaining all the desirable natural properties of the milk colour, flavour, solubility, nutritional value. The Indian skimmed milk powder (SMP) market is expected to grow at a CAGR of around 13 per cent during FY 2021-2026.

## Value-added Products

- **Curd**

Curd represents an essential part of a balanced diet and can also be consumed by lactose intolerant people. Owing to the high content of calcium, vitamin D, proteins and phosphorus present in it, curd helps strengthen bones and improve digestion. As per the IMARC Group report the market exhibited double-digit growth in curd during FY 2015-2020. The healthy growth of the market can be attributed to numerous factors. Population growth, rising disposable incomes, increasing health consciousness among consumers and its affordable price are some of the factors that are currently broadening the growth of the market. The curd market in India is expected to grow at a CAGR of 15.3 per cent during the forecast period (FY 2021-2026).

- **Paneer**

The *paneer* market in India exhibited strong growth during FY 2015-2020. *Paneer* is a non-fermentative and non-melting type of cheese, obtained by acid and heat coagulation of milk. It is one of the most extensively consumed dairy products in India. *Paneer* is used in various combinations with other vegetables and dishes, and forms an important ingredient of the Indian traditional cuisine. *Paneer* emerged as a viable option for a considerable vegetarian population. Apart from this, factors such as increasing population, urbanisation, improved cold supply chain and growing Chilling infrastructure penetration also influenced market growth. The *paneer* market in India is expected to grow at a CAGR of 15 per cent during FY 2021- 2026.

- **Cheese**

The cheese market in India exhibited strong growth during FY 2015-2020. India is currently the world's largest producer of milk owing to which the cheese market holds significant growth potential. With the rising influence of western cuisines and inflating disposable incomes, consumers are now shifting from *paneer* to cheese, thereby increasing its demand in the country.

In addition to this, manufacturers are introducing a number of flavoured cheese products, including pepper, garlic, red chilli flakes and oregano pickle, which cater to the different tastes and preferences of consumers in India. The cheese market in India is expected to grow at a CAGR of 24.80 per cent during FY 2021-2026.

- **Buttermilk**

Buttermilk represents an integral part of a balanced diet and has been traditionally consumed as a refreshment drink for centuries in India. It offers relief from heat and has gained immense popularity in India due to the country's extremely hot summers. The demand for buttermilk is also increasing as it is good for digestion and boosts immunity. The buttermilk market in India is expected to grow at a CAGR of 22.4 per cent during the forecast period (FY 2021-2026).

- **Flavoured Milk**

Flavoured milk represents one of the most popular dairy-based beverages in India. The market is expected to grow at a CAGR of 24.3 per cent during FY 2021-2026.

- **Milkshake**

The consumers who are mostly responsible for the demand of this product are the young and the salaried class. The Indian milkshake market has reported strong growth during FY 2015-2020. The market is expected to grow at a CAGR of 25.3 per cent during FY 2021-2026. It is currently being driven by numerous factors such as a large young population, changing lifestyles, convenience, value addition, health consciousness, etc. Immunity Milk - Immunity Milk contains anti-inflammatory properties, which help one maintain a healthy life. It is now available in four flavours: turmeric, ginger, tulsi and ashwagandha.

- **Sweets**

*Doodh Peda* & Milk Cake are made out of the highest quality milk & ghee which is soft, rich in taste and melts in the mouth. With the right amount of sucrose addition, it is rich in taste and granular with better chewiness.

- **Lassi**

The Indian *lassi* market exhibited strong growth during FY 2015-2020. *Lassi*, also known as desi buttermilk, is obtained by the churning of curd. It is a bit sour in taste and has a rich dense texture. It is consumed mostly in the northern part of the country, especially during the summer. *Lassi* not only offers refreshment during the summer time, but also boosts the energy levels. Apart from this, it also helps in fighting other summer-related problems such as prickly heat, gastro-intestinal problems and the build-up of bacteria. These factors have highly added to market growth. The Indian *lassi* market is likely to grow at a CAGR of 21 per cent during 2021-2026.

- **Ice-creams/Frozen Dessert**

Ice-cream today represents one of the fastest growing food segments in India. The healthy growth of the market can be

attributed to numerous forces. The ice-cream market in India is expected to grow at a CAGR of 17.3 per cent during FY 2021-2026.

## Fat Products

- **Ghee**

Ghee, which is widely used in Indian cooking, is the pure butter fat left over after the milk solids and water are removed from butter. It is very fragrant with a rich taste and is the second largest consumed dairy product in India, after liquid milk. The ghee market in India is expected to exhibit strong growth during FY 2021-2026.

- **Butter**

Heritage butter is made from best quality fresh cream and contains no added ingredients other than salt. Manufactured in state-of-the-art processing plants with utmost care to ensure goodness, the table butter market in India is expected to grow at a CAGR of 19 percent during FY 2021-2026.

- **Cream**

The Indian cream market exhibited strong growth during FY 2015-2020. Cream is a dairy product which is used to give a smooth texture and consistency to food products. Nowadays, it is widely used in the preparation of various dishes, desserts and beverages such as ice-creams, salads, sweet meals, tea, coffee, etc. The Indian cream market is likely to grow at a CAGR of around 15 per cent during FY 2021-2026.

## Distribution

The Company has a wide distribution network that ensures that its products are available across the country. Heritage parlours and Heritage distribution centres are franchised stores and distribution wings that sell the whole line of items offered by the Company. It considers every distribution outlet as an ambassador of the Heritage brand. Through these distribution arms, it ensures that consumers receive high-quality goods and services. As on March 31, 2022, the Company had 6,464 agents/distributors in general trade, 859 Heritage parlours and 65 Heritage distribution centres in 11 states across India. Heritage products are available in all modern retail stores and e-commerce channels.

## Empowering Farmer Community

Growth and welfare of the farmer community is at the core of the Company's operations. The Company is on a continual quest to empower the farmers by procuring milk at mutually beneficial costs, encouraging best practices around the quality and quantity of milk and providing support services to help them improve their milk yields by organising free veterinary check-ups and vaccination drives for the cattle. Extending farm loans and cattle insurance and providing nutritional livestock feed at subsidised rates are other significant steps adopted by the Company. All these interventions have enabled it to forge strong relationships with farmers.

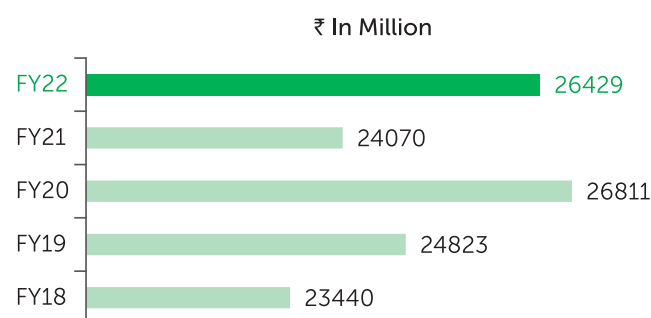
## Review of Operations

### Tangible Results:

Financial year	Revenue from operation (₹ in Million)	EBIDTA (₹ in Million)	PAT (₹ in Million)
FY22	26,429	1,873	1,015
FY21	24,070	2,565 <sup>#</sup>	1,452
FY20	26,811	(769) <sup>#</sup>	(1,600) <sup>#</sup>
FY19	24,823	1,924	834
FY18	23,440	1,333	604

# EBITDA and PAT is after considering the Fair value gain on FVTPL equity shares and loss due to changes in derivative liabilities of Investments in FRL.

### Revenue Trend

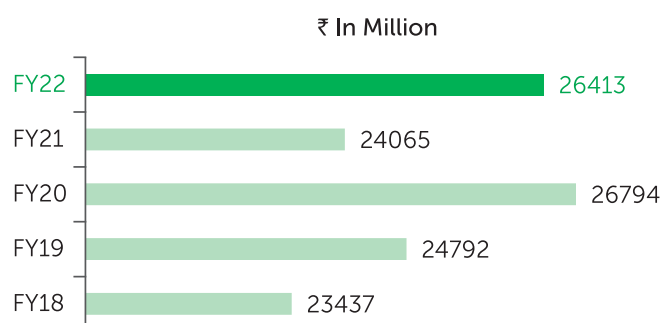


The Company is gradually targeting to grow contribution of value added products to consolidate top line. Curd will continue to remain the largest component of value-added product segment, contributing to over 79% share to the value-added segment. Other products constitute buttermilk, flavored milk, lassi, paneer and ice creams/frozen dessert.

### Dairy Vertical:

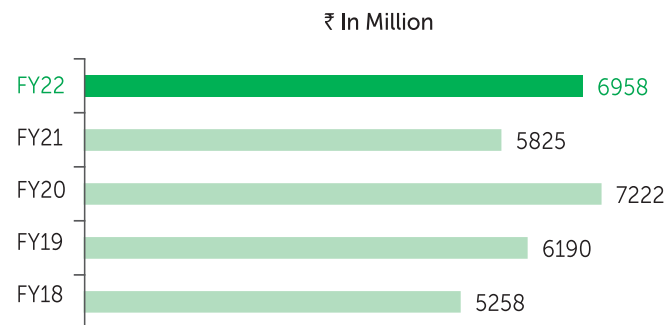
The Dairy division accounting for 99.98% of revenue is the flagship business vertical of the Company. The 5-year revenue of the dairy vertical is given below:

### Dairy Revenue





### Value Added Products Turnover



### Renewable Energy Vertical:

Your Renewable Energy Division strongly recognizes the responsibility towards protecting the environment. As a forward-looking enterprise, it is strongly committed to extending our 'Green' footprint. In line with this thinking, the division has 10.50 MW Renewable Energy Capacity i.e. 4.20 MW Solar Power and 6.30 MW Wind Power in the states of Andhra Pradesh, Telangana, Maharashtra, Tamil Nadu and Karnataka for the captive consumption:



### Heritage Nutrivet Limited

To enhance presence in the Indian Market, the Company has one wholly owned Subsidiary viz. Heritage Nutrivet Limited, located in Hyderabad, dealing with Animal Nutrition, and one of the leading Live Stock Feed & Feed Supplements players in Southern and Western India covering over 0.3 million farmers spread across five states viz., Andhra Pradesh, Telangana, Tamil Nadu, Karnataka and Maharastra. During FY 2021-22 the Company achieved Sales turnover of ₹ 946 Million and profit before tax of ₹ 16 Million.

### Heritage Novandie Foods Private Limited

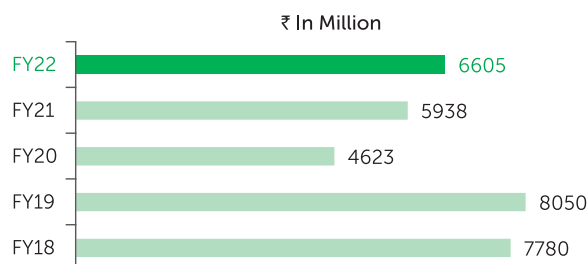
With an eye on the fast-growing value-added dairy segment, the Company has established a Joint Venture Company namely, Heritage Novandie Foods Private Limited (HNFPL) to manufacture and market various types of Fruit Yoghurt and other dairy products in India. The HNFPL had started the commercial production on February 16, 2021 and launched French Yoghurt brand 'Mamie Yova' in India. HNFPL is hoping to woo Indian consumers with its fruit-based yogurt and aims to have a strong presence across 8-10 key cities in the next two years.

### Financial Overview

The Company has created significant wealth for its members as it continues to maintain its growth momentum to become a nationally recognized brand for healthy and fresh products. Given below is the Company's performance for the last five years in various parameters.

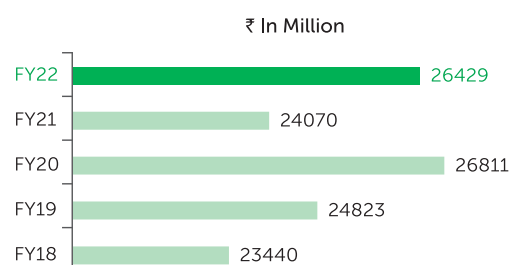
### Net worth Trend:

The net worth of the Company for the last five years is as follows.



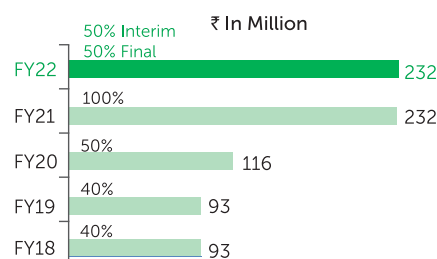
### Revenue Trend

The revenue for the last five years is as follows.



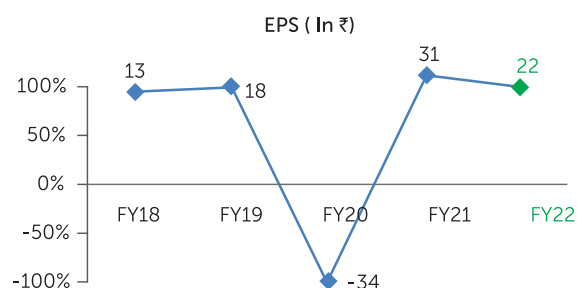
### Dividend Payment History

The Dividend and the payout ratio computed on consolidated profits have remained high. The dividend payout ratio in last five years.



### Earnings per Share

Earnings per share (EPS) (Equity Shares of the face value of ₹ 5/- each)



## Key Financial Highlights for FY 2021-22

The following information is the standalone information of your company and it should be read in conjunction with the financial statements and related notes for the financial year ended March 31, 2022.

### Overview of Standalone Financial Results

Particulars	2021 - 22		2020 - 21		FY 2022 Vs 2021
	₹ In Millions	% of Revenue	₹ In Millions	% of Revenue	% of Growth
Net Sales	26404.91	99.91	24067.87	99.99	9.71
Other operating income	24.30	0.09	2.42	0.01	904.13
<b>Total Revenue</b>	<b>26429.21</b>	<b>100.00</b>	<b>24070.29</b>	<b>100.00</b>	9.80
Less: Total Expenditure	24556.70	92.91	21525.36	89.43	14.08
Add: Other Income	103.14	0.39	84.07	0.35	22.68
<b>Profit before Interest, Depreciation and Tax</b>	<b>1975.65</b>	<b>7.48</b>	<b>2629.00</b>	10.92	(24.85)
Less: Finance costs	32.01	0.12	178.48	0.74	(82.07)
Depreciation & Amortisation	499.64	1.89	440.54	1.83	13.42
<b>Profit before tax and exceptional items</b>	<b>1444.00</b>	<b>5.46</b>	<b>2009.98</b>	8.35	(28.16)
Less: Exceptional items	(91.40)	(0.35)	0.00	0.00	0.00
<b>Profit before tax and FVTPL</b>	<b>1352.60</b>	<b>5.12</b>	<b>2009.98</b>	8.35	(32.71)
Loss due to changes in the FVTPL equity securities	0.00		(48.12)		
Profit before tax	<b>1352.60</b>	<b>5.12</b>	<b>1961.86</b>	8.15	(31.06)
Less: Current tax	343.01		500.37		
Less: Deferred tax	(5.75)		9.85		
Profit after tax	<b>1015.34</b>	<b>3.84</b>	<b>1451.64</b>	6.03	(30.06)

### Standalone Segment results:

Particulars	2021 - 22		2020 - 21		FY 2022 Vs 2021
	₹ In Millions	% of Revenue	₹ In Millions	% of Revenue	% of Growth
<b>1. Total Revenue</b>					
a. Dairy	26413.02		24064.96		9.76
b. Renewable energy	90.03		68.83		30.80
c. Others	-		-		
<b>Total (a+b+c)</b>	<b>26503.05</b>		<b>24133.79</b>		9.82
<b>2. Inter-segment Revenue</b>					
a. Dairy	-		-		
b. Renewable energy	73.84		63.50		16.28
c. Others	-		-		
<b>Total (a+b+c)</b>	<b>73.84</b>		<b>63.50</b>		16.28
<b>3. External Revenue</b>					
(Incl other operating income)					
a. Dairy	26413.02		24064.96		9.76
b. Renewable energy	16.19		5.33		203.74
c. Others	-		-		
<b>Total (a+b+c)</b>	<b>26429.21</b>		<b>24070.29</b>		9.80
<b>4. Segment Results</b>					
(Profit (+) / (Loss) (-) before tax and finance costs)					
a. Dairy	1361.42	5.15	2184.94	9.08	(37.69)
b. Renewable energy	37.30	41.43	28.75	41.77	29.74
c. Others	(0.31)		-		
<b>Total (a+b+c)</b>	<b>1398.41</b>	<b>5.29</b>	<b>2213.69</b>	<b>9.20</b>	(36.83)
Less: Finance Cost	32.01		178.48		
Loss due to changes in the FVTPL equity securities	-		48.12		
Others	32.06		30.60		
Add: Interest income	6.82		5.37		
Gain on investments	11.44		-		
<b>Total Profit before Tax</b>	<b>1352.60</b>	<b>5.12</b>	<b>1961.86</b>	<b>8.15</b>	(31.06)



## Segment wise Revenue Break-up:

₹ In Millions

	2021 - 22	2020 - 21
<b>Dairy</b>		
<b>Finished goods sold</b>		
Milk	17482.81	16233.84
Value Added Products	6938.72	5823.98
Fat Products	1400.40	1454.45
Skimmed Milk Powder	4.21	5.68
<b>Total</b>	<b>25826.15</b>	<b>23517.95</b>
<b>Traded goods</b>		
E&I	529.26	515.86
Value Added Products	19.58	1.26
Others	3.15	9.53
<b>Total</b>	<b>551.99</b>	<b>526.65</b>
<b>Sale of Service</b>	22.32	18.46
<b>Other operating income</b>	12.57	1.90
<b>Total Dairy Revenue</b>	<b>26413.02</b>	<b>24064.96</b>
<b>Renewable Energy</b>		
Finished goods sold	4.46	4.81
Other operating income	11.73	0.52
<b>Total Renewable Energy Revenue</b>	<b>16.19</b>	<b>5.33</b>
<b>Total Revenue</b>	<b>26429.21</b>	<b>24070.29</b>

## CASH FLOW

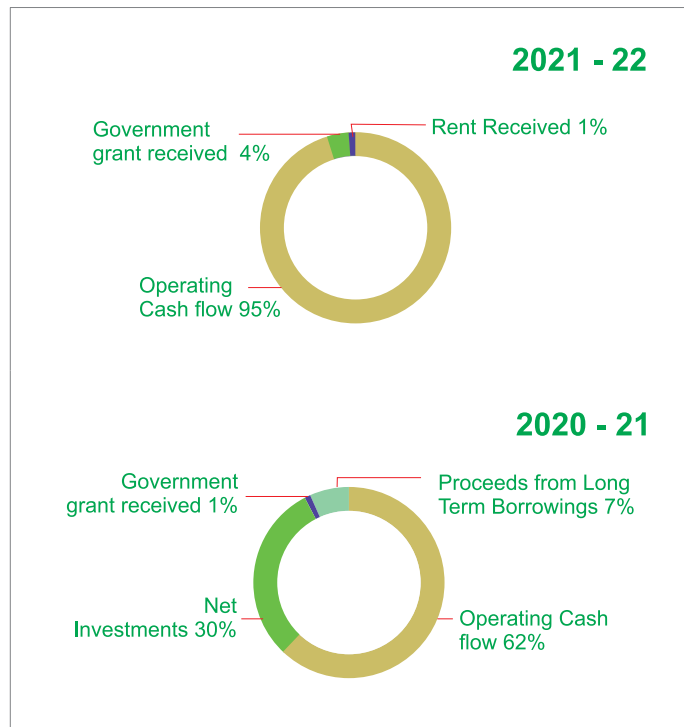
## Cash Inflows

Particulars	2021 - 22	%	2020 - 21	%
Operating Cash flow	1875.05	95.11	2621.83	61.73
Net Investments	-	-	1297.40	30.55
Government grant received	73.26	3.72	26.65	0.63
Interest Received	2.31	0.12	3.17	0.07
Movement in other bank balances, net	-	-	2.70	0.06
Rent Received	20.89	1.06	13.19	0.31
Proceeds from Long Term Borrowings	-	-	282.52	6.65
<b>Total</b>	<b>1971.51</b>	<b>100.00</b>	<b>4247.46</b>	<b>100.00</b>

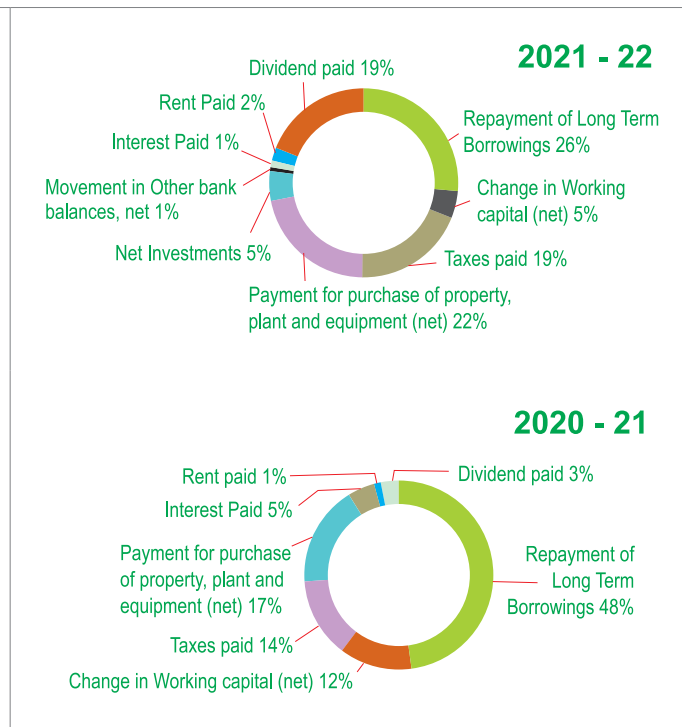
## Cash Outflows

Particulars	2021 - 22	%	2020 - 21	%
Repayment of Long Term Borrowings	484.71	26.38	1797.03	47.82
Change in Working capital (net)	85.74	4.67	466.66	12.42
Taxes paid	351.15	19.11	513.90	13.67
Payment for purchase of property, plant and equipment(net)	400.02	21.77	648.16	17.25
Net Investments	93.21	5.07	-	-
Movement in other bank balances, net	12.42	0.68	-	-
Interest Paid	20.66	1.12	172.89	4.60
Rent Paid	41.68	2.27	43.49	1.16
Dividend paid	347.99	18.94	116.00	3.09
<b>Total</b>	<b>1837.58</b>	<b>100.00</b>	<b>3758.13</b>	<b>100.00</b>
<b>Net increase /(decrease) in cash and cash equivalents</b>	<b>133.93</b>		<b>489.33</b>	
<b>Add: Opening Cash and Cash Equivalents</b>	<b>190.83</b>		<b>(298.50)</b>	
<b>Cash and cash equivalents at the end of the period</b>	<b>324.76</b>		<b>190.83</b>	
<b>Cash and cash equivalents include :</b>				
<b>Cash on hand</b>	<b>25.79</b>		<b>33.03</b>	
<b>Balances with banks in current accounts</b>	<b>298.97</b>		<b>162.49</b>	
<b>Loans repayable on demand from banks</b>	<b>0.00</b>		<b>(4.69)</b>	

## Cash Inflows



## Cash Outflows



Key Financial Ratios as per SEBI Listing Obligations and Disclosure Requirements (Amendment) Regulations, 2018;

Particulars	31 March 2022	31 March 2021
Debtors Turnover Ratio	163	135
Inventory Turnover Ratio (on Cost of Goods Sold)	10.76	11.10
Interest Coverage Ratio	66.60	12.84
Current Ratio	1.60	1.24
Debt Equity Ratio	0.00	0.08
Operating Profit (PBIT) Margin (%)	5.15%	8.68%
Net Profit Margin (%)	3.84%	6.03%
Return on Net Worth (RONW)	16.18%	27.50%

## GROWTH STRATEGY AND OUTLOOK

**Penetration in existing market** - The Company strives to penetrate the already existing markets with its products. The focus is on penetrating with value-added products and not just milk.

**Spending on enhancing facilities** - The Company plans to spend its Capex on maintaining and improving the existing processing, cold chain facilities and also on procurement.

**Increasing product reach** - Expanding the franchisee operated outlets to make the products of the Company more accessible to the consumers is the primary focus area. Also the Company is devising a model called Heritage Distribution Centre where set-ups will be bigger with a distribution model and not only an over-the-counter sales model. These centres will also distribute value-added products along with milk.

**Outlook** - The Company aims to increase the penetration in the existing markets rather than entering new ones. Considering the changing demographic factors like changing lifestyle, increasing income etc., a penetration strategy can help in expanding its consumer base.



## RISK AND CONCERNS

Type of Risk	Description	Mitigation Strategy
Competition Risk	The Company faces competition from local players, large private players and international players	To mitigate this risk the Company- <ul style="list-style-type: none"> <li>Ensures that they know the competition</li> <li>Produces differentiated products</li> <li>Strategies to gain competitive advantage</li> <li>Plans to update its brand image</li> <li>Regularly listen to the existing customer</li> </ul>
Climate Risk	Unpredictable weather conditions such as drought, rainfall, heat etc can affect the product of milk and thus cause fluctuations in price.	The Company ensures that it has upgraded to newer technologies to help farmers in addressing varied climatic condition and its impact on dairy production.
Operational Risk	System failure, equipment failure and anything that can disruption in course of the business can result in losses.	This risk is mitigated by <ul style="list-style-type: none"> <li>Identifying risks in the market</li> <li>Analysing risk levels and assessing the severity of the risk.</li> <li>Introducing risk management tools and models</li> <li>Monitoring and evaluating risks and the risk management system periodically.</li> <li>Appointing right set of people to evaluate the risks and plan the strategy to face the risks</li> </ul>
Quality Risk	Risk of the product not being of upmost quality and other issues such adulteration, contamination or tampering, which may result in product being recalled can lead to financial losses.	Setting up of a standard production process, robust quality control process, advanced manufacturing process, planning preventive and corrective activities are adopted by the Company to mitigate this risk.
Regulatory Risk	Inability to comply with the applicable laws and regulations may lead to stringent penalties, claims and reputational damage.	With efficient corporate governance practices, the Company ensures its functions are aligned with the industry.
Raw Material	Continuous change in prices can result in costly raw material which can increase cost of production and further cause losses to the Company.	Sourcing of the highest grade materials, incoming raw material testing and inspection, dual sourcing of raw material and customer-specific raw material requirements are the steps adopted by the Company to lower raw material risk.

## HUMAN RESOURCES

Human capital is the most essential part of the Company. The Company keeps promoting a collaborative work environment where all the employees feel safe and a part of the Company. The Human Resources policies of the Company are aimed at attracting, nurturing and retaining talent in a constantly evolving business environment while ensuring trust, transparency and teamwork amongst its employees. The Application Tracking System (ATS) is a robust digital platform deployed by the Company for talent acquisition.

The Company offers various modules for skill development regularly and conducts a structured induction process at all locations and management development programmes to upgrade the managerial skills.

Further, the employee recognition programme is a vital part of the Company. Towards this, regular communication is done with the top management for identifying and rewarding the best performers across different functions. In addition, objective appraisal system based on Key Performance Indicators (KPI's) are in place to reward employees. As on March 31, 2022, the total number of employees was 3009.

## INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has a well-framed internal control system commensurate with the size and nature of its business. These internal controls ensure safeguarding of assets from unauthorised use or disposition, proper recording and reporting of all transactions and compliance with applicable regulatory requirements. The internal control systems are reviewed and modified continually to keep up with the changes in business environment and statutory requirements.

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The framework is monitored by the internal audit team of the Company. The Audit Committee of the Board is periodically apprised of the internal audit findings. The Audit Committee reviews the efficacy and effectiveness of the internal control system, takes corrective actions and suggests measures for strengthening it. The Company has a robust Management Information System which forms an integral part of the control mechanism.

### **QUALITY & SAFETY**

Quality and food safety is of primary importance to the Company. It ensures that the quality control system remains robust and the products undergo strict quality checks. The factories are certified under the Safety and Health Management System that complies with ISO 45001:2018 & the Environment Management System that complies with ISO 14001:2015.

### **SUSTAINABLE MODEL**

The Company aims at creating a sustainable business model and reduce its carbon footprint on the environment. It focuses on energy conservation and optimal utilisation across all areas of operations. Factories are encouraged to consistently improve operational efficiencies, minimise consumption of natural resources and reduce water usage, energy usage and carbon emissions while maximising volumes.

### **PACKAGING AND PLASTIC WASTE MANAGEMENT**

Plastic is one of the major components when it comes to ensuring safe quality of products and lesser leakages. But the plastic waste

from the factories contributes primarily to environmental pollution. The Company strives to minimise the impact from plastic waste by participating in recycling of plastic.

### **SUPPLY CHAIN**

With growing digitisation and rising internet penetration, technology-driven operations across the organisation have become imperative. The Company has been leveraging sales automation and specialised digital processes to provide solutions to its diverse customer base.

The Company has deployed numerous digital tools and technologies to drive engagement with partners leading to speed of response to customers and transparency of information in the value chain processes and making product delivery seamless.

### **CAUTIONARY STATEMENT**

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

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