



# Management Discussion and Analysis

## Corporate Overview

Heritage Foods Limited (the Company) has created a mark in Dairy Industry with deeper penetration by procuring raw milk and supplying processed milk and other value added products to consumers in the rural and urban areas. Your Company now has over 28 years of legacy in the Indian dairy space.

Your Company has adopted Indian Accounting Standard (Ind AS) notified under Companies (Indian Accounting Standard) Rules 2015 and accordingly the Standalone & Consolidated Financial Statements have been prepared in accordance with Ind AS prescribed under Section 133 of the Companies Act, 2013 read with the Rules made thereunder.

The Management accepts responsibility for the integrity and objectivity of the financial statements, as well as for the various estimates and judgments used therein. These estimates and judgments relating to financial statements are prudently made to reflect in a true and fair manner in line with the form and substance of transactions. This also enables in reasonably presenting the Company's state of affairs and statement of profit & loss and cash flows for the year ended March 31, 2020.

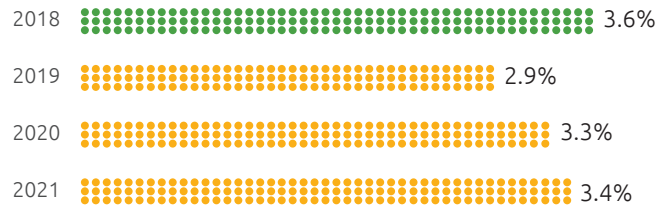
## Global Economic Review

Global growth is projected to rise from an estimated 2.9 percent in 2019 to 3.3 percent in 2020 and 3.4 percent for 2021—a downward revision of 0.1 percentage point for 2019 and 2020 and 0.2 for 2021 due to the COVID-19 pandemic, which is inflicting high and rising human costs worldwide, and the necessary protection measures are in place for severely impacting economic activity. As a result of the pandemic, the global economy is projected to be affected sharply, much worse than during the 2008–09 financial crisis.

The global economy has suffered a significant slowdown amid prolonged trade disputes and wide-ranging policy uncertainties. The vulnerability of major economies has risen, stymieing growth and causing disruptions in supply chain worldwide. While a slight uptick in economic activity is forecast for 2020 as countries have stepped up fiscal efforts to prioritise containment and strengthen health systems. Major Banks across the world have eased monetary policy to combat the pandemic and limit economic damage.

The IMF expects the global economic growth at 3.33% in 2020 and 3.4% in 2021.

## Global GDP Growth



(Source: IMF)

## Indian Economic Review

India's economic growth is expected to "strongly rebound" to 6-6.5 per cent in 2020-21 from 5 per cent estimated in the current fiscal. The Economic Survey 2019-20 has proposed India can create well-paid four crore jobs by 2025 and eight crore by 2030 by integrating "assemble in India for the world" into government's Make in India initiative and exporting network products that can give substantial push to India's target of becoming a \$5 trillion economy. Although the rapid spread of Covid-19 has posed new challenges for the economy and financial system, hitting multiple industries as well as jeopardising the well-being of citizens and institutions. Also, weak rural incomes, subdued consumption and private investment, liquidity concerns and a drop in exports due to global trade slowdown are the major factors responsible for the deceleration in growth. Considering the urgent priority of the government to revive growth in the economy, the fiscal deficit target may have to be relaxed for the current year.

Despite the headwinds, India climbed 14 notches to assume the 63rd position among 190 nations in the World Bank's ease of doing business rankings 2020. This impressive jump could be attributed to the path-breaking reforms enforced by the government over the past several years. Transformational reforms such as Goods and Services Tax (GST) and Insolvency and Bankruptcy Code (IBC) would go a long way in changing the economic landscape of the country.

As India sets its eyes on becoming a USD 5 trillion economy by 2024, the government is expeditiously implementing bold

policy initiatives to catapult the economy into a high-growth orbit. Recent measures such as corporate tax rate cuts, front-loaded infrastructure investment programmes, bank recapitalization and easing credit constraints will undoubtedly spur business sentiment and investment. Foreign Direct Investment (FDI) inflows in India stood at a whopping USD 49 billion in 2019, reflecting the economy's attractiveness as an investment destination. Much interestingly, India's manufacturing Purchasing Managers' Index (PMI) stood at 55.3 in January vis-à-vis 52.7 in December, its highest level in eight years, signalling an upturn in demand conditions that led to a rise in business activity. Further, the Union Budget 2020-21 specially emphasised on strengthening the country's infrastructure and manufacturing, boosting the rural economy and stimulating consumption and job creation. Reduced tax rates for individuals will put more disposable money in the hands of taxpayers and propel spending and consumption.

The Indian consumer is becoming increasingly brand conscious and is willing to spend more on hygiene, quality and value in terms of brand promise. Data-driven analytics and social media penetration have put brands in close connect with consumers. Going forward, favourable demographics, greater awareness and changing lifestyles will drive strong consumption growth while a stable and reform-focussed policy framework will support an environment conducive to business and investment.

## Dairy Industry Review

### Global Dairy Industry:

Looking ahead to the financial year 2020-21, milk production is expected to drop as a result of a smaller milking herd and lower growth in yields than seen in 2019-20. Despite some firmness in pricing, production growth is likely to remain subdued as farmers look to recover margins lost to higher feed costs in 2018/19. There has been some recovery in milk production in Australia and Argentina, although growth in global milk supplies is forecast to remain around 1% in 2020. Supply growth is below the expected growth in global demand, maintaining support for global dairy product prices, at least in the first quarter of 2020. The exception may be with whey prices as demand for animal feeds from China is likely to remain lower.

Global milk production continues to rise, with the latest forecasts suggesting a 1% increase in 2020. This would bring worldwide milk production to 292.5 bn litres – 2.9 bn litres, which is higher than the figure estimated for 2019 production. Despite the overall increase in production, it is expected that rising demand for dairy products will eclipse the extra output. Food and Agriculture Organization (FAO) predictions suggest a 2.1% increase in demand for fresh products and 1.5% increase for processed dairy products worldwide each year.

### Indian Dairy Industry

Dairy farming forms an intrinsic part of the rural economy, serving as an important source of income and employment for farmers. India is the world's largest milk producer, accounting for 21% of the global milk production. It is also the leading producer and consumer of dairy products worldwide. Total milk production in the country stood at 159.2 million tonnes in the year 2019 and is expected to reach 187.2 million tonnes by 2025. Consumption of dairy products has been growing exponentially on account of their rich nutritional qualities, with majority of the dairy produce in India consumed domestically.

According to the 'Dairy Industry in India 2020 Edition' by IMARC Group, the dairy market in India stood at ₹ 10,527 billion in 2019. Liquid milk is the most widely consumed dairy product in India and is considered a vital source of essential nutrients. Market for liquid milk is expected to grow at a Compound Annual Growth Rate (CAGR) of 16% over 2020-25. Moreover, the industry is witnessing significant traction towards value-added dairy products such as curd, paneer, cheese, buttermilk, flavoured milk and frozen yoghurts in line with emerging dietary preferences of the new-age consumers. Going forward, the dairy market is expected to reach a value of ₹ 25,491 billion by 2025, exhibiting a CAGR of 16% over 2020-25.

Though predominantly unorganised, the sector has seen a marked shift in recent years with the entry of dairy co-operatives, private and international brands. Buoyed by its size and potential, both national and international players have been foraying into the Indian dairy industry. Organised sector represents milk that is processed using modern infrastructure and marketed through organised channels under own brands. Increase in incomes and spending power, rising standards of living and growing health and safety concerns have fuelled the penetration and consumption of branded products. The market share of organised segment is estimated to rise to 35% by 2024 from 29% in 2019.

### Government Initiatives

Recognising the tremendous potential of the dairy sector, the government of India has been undertaking numerous initiatives aimed at its overall development. The Department of Animal Husbandry, Dairy and Fisheries has formulated a comprehensive plan named 'National Action Plan for Dairy Development: Vision 2022', which envisages building additional milk processing infrastructure to meet the rapidly growing demand for milk and value-added products. Dairy development projects such as National Dairy Plan Phase-I (NDP I), Dairy Entrepreneurship Development Scheme (DEDS) and National Programme for Dairy Development (NPDD) are all enforced to strengthen milk procurement and production, improve cattle productivity and provide greater market linkages to dairy farmers.



## Market Drivers and Opportunities

### Investment Opportunities

The Indian dairy industry offers significant opportunities for both domestic and foreign conglomerates and investors for entry and expansion. Foreign companies have set foot in the Indian dairy sector.

### Urbanization and Population Growth

India is the second most populous nation, with nearly 1.35 billion people. Urban population in the country is rising at a steady pace and is expected to cross the 500 million mark by 2030. Factors such as rapid increase in population, urbanization and favourable demographics will drive strong consumption and favourable demographics will drive strong consumption growth, enhancing demand for milk and other value added products.

### Rising Income Levels

Increasing disposable incomes and expansion of middle-income and high-income households have resulted in a greater spending propensity. According to the World Economic Forum, consumer expenditure in India is likely to grow from USD 1.5 trillion in 2019 to USD 6 trillion by 2030. Rising affordability has created a class of aspirational and quality-sensitive consumers, which will boost demand for innovative, value-added dairy products segment.

### Healthy Living

Consumers are becoming more health-conscious, proactively focusing on nutritious food and active lifestyles. Concerns about lifestyle-related diseases and digestive problems are growing rapidly. Young consumers are increasingly seeking products that offer greater health and nutritional benefits. Demand for milk-based products are likely to augment, especially among vegetarians, as they are considered an important source of protein and other essential nutrients.

### Preference for Premiumization

Worldwide, there is a perceptible shift in consumer preferences towards branded and niche products. Higher spending capacity and awareness, increasing internet penetration and social media engagement have been driving the market shift. Today, premium and value-added dairy products such as cheese, yoghurt, buttermilk, flavoured milk, are gaining wider acceptance. Majority of the organised players are expanding portfolios in this segment as it offers higher margins and profitability.

### Sustainability

With mounting concerns about climate change and environmental degradation, consumers have become more mindful of their purchasing decisions. Sustainability considerations shape their choice, as they want foods that are fresh, hygienic, safe and responsibly produced. Organised

players are increasingly adopting sustainable practices and sophisticated technologies to provide quality products and enhance customer loyalty.

## Challenges

- Poor conditions of dairy farms remain a major challenge for procurement of milk
- Extreme weather conditions and lower milk yield may lead to high production costs
- Lack of awareness among some farmers on good dairy practices and quality parameters
- High cost of transportation due to lack of efficient supply chain and logistics
- Rising entry of private dairies and international players
- Extensive crossbreeding for raising milk productivity may lead to disappearance of indigenous breeds
- Focus on buffalo milk based speciality: Dairy industry in India is also unique with regard to availability of large proportion of buffalo milk. Thus, India can focus on buffalo milk based speciality products, like Mozzarella cheese, tailored to meet the needs of the target consumers.

### The major challenges faced by the dairy industry during the year include:

- The industry witnessed significant milk price inflation across the country. While Maharashtra, Rajasthan, Punjab, Haryana and Uttar Pradesh saw a higher increase in prices because of local weather conditions and competition scenario, inflation was low in Karnataka and Tamil Nadu. This created a differential price scenario across different geographies in India.
- Erratic weather conditions was a major challenge this year. Prolonged and high heat summer resulted in production challenges in certain parts of the country. On the other hand, extended rainfall impacted the availability and led to lower consumption of curds, ice-creams, buttermilk, flavoured milk, among others.

## Company Overview

Heritage Foods Limited (HFL) is one of the leading dairy and dairy products companies in India. The Company has two business verticals- Dairy and Renewable Energy. Today, it manufactures and markets a wide array of products including fresh milk, ghee, buttermilk, curd, UHT milk, lassi, flavoured milk, ice-cream/frozen dessert and other dairy-based products. The Company provides innovative, fresh and high-quality products to over 15 lakh consumers through its well-entrenched distribution network. The milk processing capacity of the Company stands at 23.70 lakh liters per day.

As a nationally recognised brand, the Company's operations are spread across 12 states in India. Besides, it has a market presence in Gulf and Asia, where it exports ghee, milk powder and butter. In a span of over two and half decades, the Company has grown multifold to garner a significant share in the Indian dairy industry, backed by its sustained focus on supplying innovative and finest quality products that meet the varied needs of customers.

The Company has a robust manufacturing infrastructure in place to cater to the ever-growing demands of consumers. It has 18 processing plants, 188 bulk coolers and chilling centres to ensure availability of fresh and high-quality products.

### Company's Strengths & Opportunities:

- Strong brand equity with distribution network in key markets
- Modern production facilities and emphasis on quality
- Differentiated product portfolio
- Numerous quality certifications for products and production facilities.
- Skilled and experienced management team
- Focus on research and development distinguishes products from key competitors.

### Product Categories

#### Milk

##### • Liquid Milk

Liquid milk is the largest category in the Indian dairy industry. However, a majority (72%) of the milk sold in India is still unorganised and in the form of loose milk sold by milkmen. The organised sector, too, is highly fragmented with several regional players and co-operatives. The organized fresh milk market is growing faster than the unorganised market and is estimated to account for 30% of the total liquid milk market by 2020.

##### • Milk Powder

Milk powder manufacturing is a simple process now carried out in large scale. It involves the gentle removal of water at the lowest possible cost under stringent hygiene conditions while retaining all the desirable natural properties of the milk- color, flavor, solubility, nutritional value.

##### • UHT Milk

Currently, one of the major factors driving the market is the ease of storage of UHT milk at ambient temperature which facilitates its transportation to milk scarce regions. Some of the other growth inducing factors include ease of use, hectic lifestyles, long-shelf life, changing dietary habits, etc. According to the report, the market is further expected to reach a value of ₹ 193 Billion by 2024.

### Value-added Products

##### • Paneer

Paneer is to India what cheese is to the western world and is an integral part of many Indian recipes. It is the third largest segment in the milk-based products category. Current paneer market is 1.5 million MTs, which is expected to reach 1.8 million MTs by 2020, representing a market size of ₹ 36,550 crores. However, only ~3% of the total market is organized due to the fact that paneer is consumed like vegetables in Indian households and therefore purchased on a daily basis. Given that consumers now prefer paneer which is hygienic and consistent in taste, the trend towards branded packaged paneer is gaining momentum.

##### • Curd

The Indian market is expected to reach a value of nearly ₹ 807 Billion by 2021. The curd market in India is currently being driven by the increasing demand from urban regions. The convergence of hectic lifestyles and rising health consciousness among consumers has spurred the demand for packed curd in the country. In addition, the introduction of newer and healthier varieties such as low-fat curd has also attracted a large consumer base.

##### • Cheese

India's cheese market is one of the fastest growing segments among dairy products. Current cheese volumes are around 65,000 MTs and are expected to reach 91,700 MTs by 2020. The spurt will be led by strong growth in India's fast food market driven by pizzas, burgers, sandwiches, etc.

##### • Buttermilk

As buttermilk offers relief from the scorching heat of the sun, it has gained immense popularity in India as a result of the country's extremely hot summers. The demand for buttermilk is also increasing as it is good for digestion and boosts immunity. According to the report, the market is further expected to reach a value of ₹ 237.5 Billion by 2024, exhibiting a strong growth during the forecast period (2019-2024).

##### • Flavoured Milk

The flavoured milk market is anticipated to grow at a CAGR of around 20% during 2015-2020.

##### • Flavoured and frozen yoghurt

Flavoured and frozen yoghurt market in India saw 36% CAGR during 2011-2014 to touch ₹ 2.3 bn in 2014; it is expected to grow to ₹ 12.1 bn in 2020 (32% CAGR). Growth in the category has been driven primarily by increased health consciousness among the urban middle class.

##### • Ice creams/Frozen Dessert

The Indian ice cream industry is one of the fastest growing

segments of the dairy or food processing industry. The frozen dessert market is projected to grow at a CAGR of over 19% by 2023, on the back of rising GDP per capita and growing demand from expanding middle class population.

### Distribution

The Company has a well-spread distribution network ensuring availability of its products across the country. Heritage Parlours and Heritage Distribution Centres are franchise operated outlets and distribution wings selling the entire range of the Company's products. The Company considers every distribution outlet as an ambassador of Heritage brand. It ensures delivery of quality products and services to consumers through these distribution arms. As on March 31, 2020, the Company has 5641 agents/distributors, 942 Heritage parlours and 46 Heritage distribution centres in 11 states across India.

### Empowering Farmer Community

The growth and welfare of farmer community lies at the heart of the Company. The Company strives to empower them by procuring milk at mutually beneficial costs, promoting 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. In addition, it supports them by extending farm loans and cattle insurance as well as providing nutritional livestock feed at subsidised rates. All these interventions have enabled the Company to maintain strong relationships with farmers which continue to deepen.

### Review of Operations

The Company has set an aspiration to emerge as a ₹ 6000 Cr company by 2024. At the moment, all efforts are being made in that direction. Besides pursuing organic growth both in the liquid milk and value-added products space, your Company is also looking for inorganic route also.

The Company has handled the business very effectively during the period of COVID-19 outbreak. During the initial period of the outbreak i.e. second half of March, 2020, the sales of the Company dropped. However, other value added product sales reduced marginally, which went up subsequently. During the period of COVID-19 outbreak, the procurement prices of milk came down.

The Company reviewed the value of investment in equity shares of Future Retail Limited (FRL) which was acquired by the Company in lieu of demerging its retail undertaking during the financial year 2016-17. The total number of shares issued by Future Retail Limited during FY 2017-18 was 1,78,47,420 at a price of ₹ 165.29/- per share totaling ₹ 295 crore with a condition of upside sharing to FRL if the total value of investment crosses ₹ 400 crore etc. During the period, the highest unrealized value of investment had gone up to ₹ 1100 crores and the unrealized

value of investment as on March 31, 2020 was ₹ 143.85 crores. As the Company adopted the Ind AS accounting principles, the value of unrealized/notional loss forms part of its books of accounts, as a result of which the net loss has gone up to ₹ 16,000.44/- Lakhs. However, the Board noted that the profit from operations of the Company stood at ₹ 5,711.25/- Lakhs.

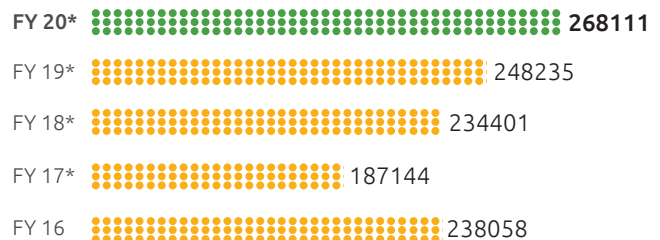
### Tangible Results:

	Total Revenue (₹ in crore)	EBIDTA (₹ in crore)	PAT (₹ in crore)
FY20*	2,681.11	(75.83)#	(160.00)#
FY19*	2,482.35	192.43	83.44
FY18*	2,344.01	133.32	60.38
FY17*	1,871.44	149.23	292.60
FY16	2,380.58	136.50	55.43

\* Figures are from continuing operations

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

### Revenue (₹ in Lakhs)



\* Figures are from continuing operations





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 70% share to the value-added segment. Other products constitute buttermilk, flavored milk, lassi, paneer and ice creams/frozen dessert. The yogurt plant, in collaboration with French company Novandie, is coming up near Mumbai and civil works have already commenced.

### Dairy Vertical:







The Dairy division accounting for 99.65% of revenue is the flagship business vertical of the Company. The 4-year revenue of the dairy vertical is given below:

#### Dairy Turnover (₹ in Lakhs)

FY 20		267944
FY 19		247918
FY 18		234368
FY 17		187072

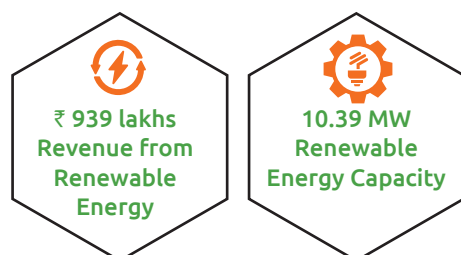
#### Value added Products Turnover (₹ in Lakhs)

FY 20		72221
FY 19		61905
FY 18		52576
FY 17		42491

With a surge in revenue of the value-added products, from ₹ 42,491 lakhs in FY 17 to ₹ 72,221 lakhs in the current fiscal year, the percentage of contribution of value-added products to the dairy revenue has improved from a mere 17% to nearly 27% in the current year. The value-added products have been growing at a CAGR of 19.34% over the last 4 years.

#### Renewable Energy Vertical:

The Renewable Energy Division strongly recognizes the responsibility towards protecting the environment. As a forward-looking enterprise, it is strongly committed to extending the Company's 'Green' footprint. In line with this thinking, the division has increased its Renewable Energy Capacity to 4.09MW Solar Power and 6.30MW Wind Power in the states of Andhra Pradesh, Telangana, Maharashtra, Tamil Nadu and Karnataka for the captive consumption:



#### Wholly – Owned Subsidiary:

To enhance presence in the Indian market, the Company has one wholly owned subsidiary namely Heritage Nutrivet Limited located in Hyderabad, which deals in Animal Nutrition, and is one of the leading Live Stock Feed & Feed Supplements players in Southern India. It covers over 3 lakh farmers spread across five states viz., Andhra Pradesh, Telangana, Tamil Nadu, Karnataka and Maharastra. During FY 2019-20, the Company achieved sales turnover of ₹ 10,385/- lakhs.






#### Discussion on Financial and Operational Performances

The Company has created significant wealth for its shareholders 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 has shown a steady and constant ascent from ₹ 24,754 lakhs to ₹ 46,233 lakhs in the last five years.






#### Net Worth (₹ in Lakhs)

FY 20		46233
FY 19		80496
FY 18		77801
FY 17		59322
FY 16		24754

#### Revenue Trend

The focused approach helped the Company to deliver an industry leading performance with a revenue growth of 8.40% in FY20.

#### Revenue (₹ in Lakhs)

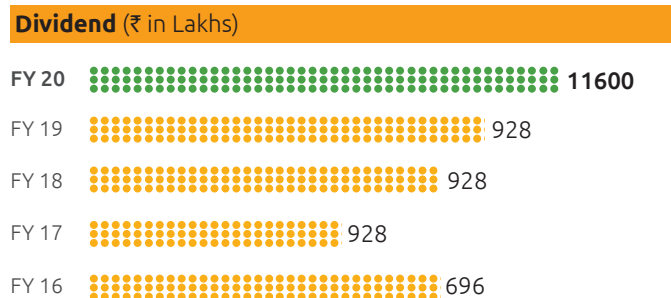
FY 20*		268111
FY 19*		248235
FY 18*		234401
FY 17*		187144
FY 16		238058

\* Figures are from continuing operations



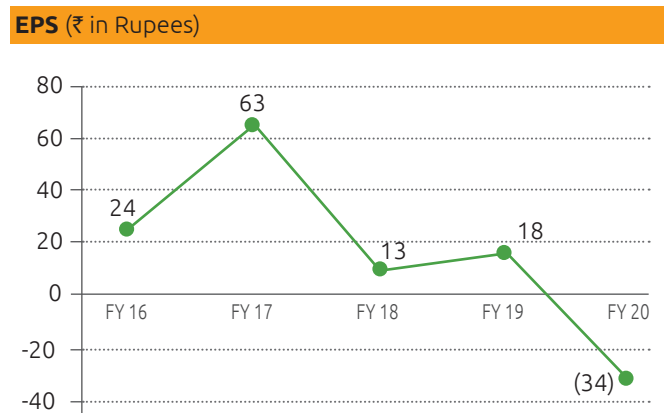
## Dividend Payment History

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



## Earnings per Share

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



## Financial Overview

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, 2020.

### Overview of Standalone Financial Results

Particulars	2019 - 20		2018 - 19		FY 2020 Vs 2019
	Rs. In Lakhs	% of Revenue	Rs. In Lakhs	% of Revenue	% of Growth
<b>Net Sales</b>	267959.37	99.94	247946.42	99.88	8.07
Other operating income	151.26	0.06	288.51	0.12	(47.57)
<b>Total Revenue</b>	<b>268110.63</b>	<b>100.00</b>	<b>248234.93</b>	<b>100.00</b>	<b>8.01</b>
Less: Total Expenditure	254814.66	95.04	230036.03	92.67	10.77
Add: Other Income	832.39	0.31	1109.59	0.45	(24.98)
Profit before Interest, Depreciation and Tax*	14128.36	5.27	19308.49	7.78	(26.83)
Less: Finance costs	2080.72	0.78	2068.64	0.83	0.58
Depreciation & Amortisation	4803.59	1.79	4371.04	1.76	9.90
Profit / (Loss) before tax*	7244.05	2.70	12868.82	5.18	(43.71)
Less: Exceptional items	-	-	-	-	-
	7244.05	2.70	12868.82	5.18	(43.71)
Gain due to changes in the fair value of derivative liabilities	29448.87		13109.85		
Loss due to changes in the FVTPL equity securities	(51160.56)		(13109.85)		
Profit before tax	(14467.64)		12868.82		
Less: Provision for current taxation (Incl. tax earlier yrs)	1850.47		4228.00		
Less: Provision for deferred taxation	(317.67)		296.63		
Profit / (Loss) after tax	(16000.44)		8344.19		

\* Core Business

**Standalone Segment results:**

Particulars	2019 - 20		2018 - 19		FY 2020 Vs 2019
	Rs. In Lakhs	% of Revenue	Rs. In Lakhs	% of Revenue	% of Growth
<b>1. Total Revenue</b>					
a. Dairy	267767.46		247000.58		8.41
b. Renewable energy	938.72		1137.08		(17.44)
c. Others	176.87		917.89		(80.73)
<b>Total (a+b+c)</b>	<b>268883.05</b>		<b>249055.55</b>		<b>7.96</b>
<b>2. Inter-segment Revenue</b>					
a. Dairy	-		-		-
b. Renewable energy	772.42		820.62		(5.87)
c. Others	-		-		-
<b>Total (a+b+c)</b>	<b>772.42</b>		<b>820.62</b>		<b>(5.87)</b>
<b>3. External Revenue</b>					
(Incl other operating income)					
a. Dairy	267767.46		247000.58		8.41
b. Renewable energy	166.30		316.46		(47.45)
c. Others	176.87		917.89		(80.73)
<b>Total (a+b+c)</b>	<b>268110.63</b>		<b>248234.93</b>		<b>8.01</b>
<b>4. Segment Results</b>					
(Profit (+) / (Loss) (-) before tax and finance costs)					
a. Dairy	9026.63	3.37	14044.96	5.69	(35.73)
b. Renewable energy	442.84	47.17	659.25	57.98	(32.83)
c. Others	14.55	8.23	116.42	12.68	(87.50)
<b>Total (a+b+c)</b>	<b>9484.02</b>	<b>3.54</b>	<b>14820.63</b>	<b>5.97</b>	<b>(36.01)</b>
Less: Finance Cost	2080.72		2068.64		
Loss due to changes in the FVTPL equity securities	51160.56		13109.85		
Others	222.75		194.02		
Add: Interest income	59.50		45.77		
Gain due to changes in the fair value of derivative liabilities	29448.87		13109.85		
Dividend Income	4.00		4.00		
Reversal of Diminution in value of investments	-		261.09		
<b>Total Profit before Tax</b>	<b>(14467.64)</b>		<b>12868.82</b>		





### Segment wise Revenue Break-up:

	2019 - 20	2018 - 19
Dairy		
Finished goods sold		
Milk	175413.52	156409.04
Value Added Products	72220.73	61819.49
Fat Products	14369.73	20687.06
Skimmed Milk Powder	15.49	65.57
<b>Total</b>	<b>262019.47</b>	<b>238981.16</b>
Traded goods		
Milk		1188.67
Value Added Products		85.38
Fat Products	320.42	2018.58
Others	200.43	403.96
E&I	5148.51	4076.06
<b>Total</b>	<b>5669.37</b>	<b>7772.64</b>
Sale of Service	73.24	228.96
Other operating income	5.38	17.82
<b>Total Dairy Revenue</b>	<b>267767.46</b>	<b>247000.58</b>
Renewable Energy		
Finished goods sold	20.42	45.77
Other operating income	145.88	270.69
<b>Total Renewable Energy Revenue</b>	<b>166.30</b>	<b>316.46</b>
Others	176.87	917.89
<b>Total Revenue</b>	<b>268110.63</b>	<b>248234.93</b>

### Cash Flow Analysis

#### Cash inflows

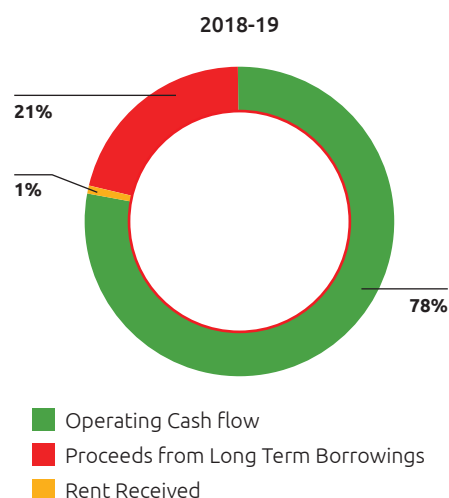
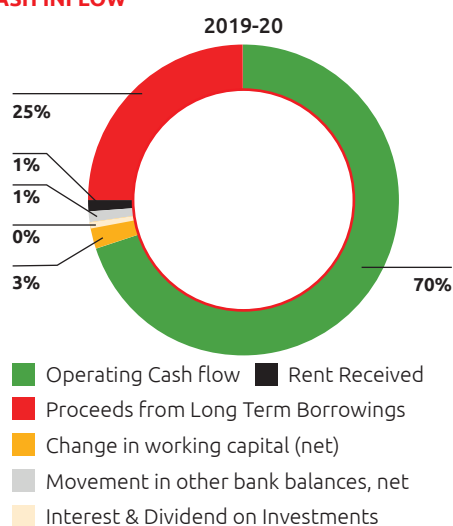
Particulars	2019 - 20	%	2018 - 19	%
Operating Cash flow	13844.02	70.22	19077.18	77.92
Change in working capital (net)	513.60	2.61	-	-
Interest & Dividend on Investments	36.09	0.18	38.13	0.16
Movement in other bank balances, net	121.28	0.62	-	-
Rent Received	166.88	0.85	144.42	0.59
Proceeds from Long Term Borrowings	5032.77	25.53	5223.32	21.33
<b>Total</b>	<b>19714.64</b>	<b>100.00</b>	<b>24483.05</b>	<b>100.00</b>

#### Cash Outflows

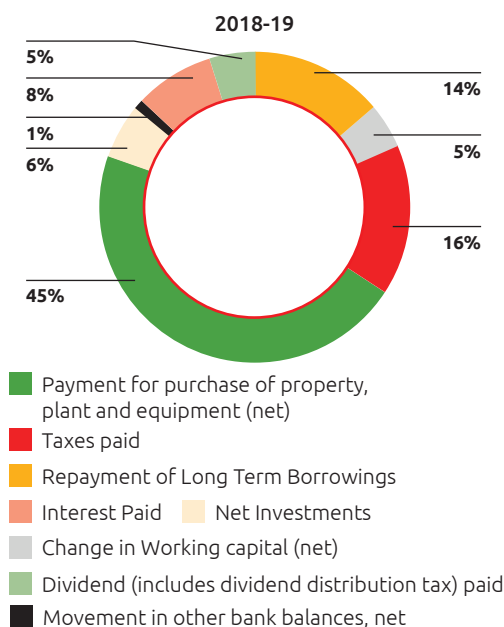
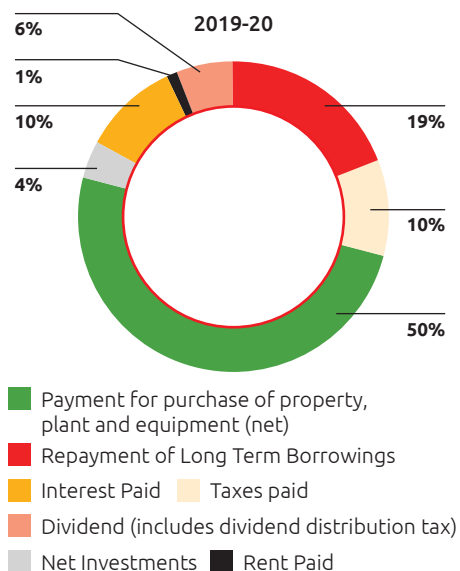
Particulars	2019 - 20	%	2018 - 19	%
Repayment of Long Term Borrowings	3699.54	18.74	3251.16	14.01
Change in Working capital (net)	-	-	1095.41	4.72
Taxes paid	1916.15	9.71	3718.33	16.02
Payment for purchase of property, plant and equipment(net)	9944.27	50.38	10488.98	45.19
Net Investments	750.10	3.80	1399.93	6.03
Movement in other bank balances, net	-	-	151.96	0.65
Interest Paid	1990.01	10.08	1984.27	8.55

Particulars	2019 - 20	%	2018 - 19	%
Rent Paid	317.88	1.61	-	-
Dividend (includes dividend distribution tax) paid	1118.73	5.67	1118.73	4.82
<b>Total</b>	<b>19736.68</b>	<b>100.00</b>	<b>23208.77</b>	<b>100.00</b>
Net increase /(decrease) in cash and cash equivalents	(22.04)		1274.28	
Add: Opening Cash and Cash Equivalents	(2962.93)		(4237.21)	
Cash and cash equivalents at the end of the period	(2984.97)		(2962.93)	
Cash on hand	358.53		758.07	
Balances with banks in current accounts	4973.80		5391.05	
Cheques on hand	-		111.02	
Loans repayable on demand from banks	(8317.30)		(9223.07)	

CASH INFLOW



CASH OUTFLOW



## Key Financial Ratios as per SEBI (LO&DR) Regulations, 2015

Particulars	31 March 2020	31 March 2019
Debtors Turnover Ratio	88	99
Inventory Turnover Ratio (on Cost of Goods Sold)	16	14
Interest Coverage Ratio	4.67	7.42
Current Ratio	0.83	0.82
Debt Equity Ratio	0.35	0.19
Operating Profit (PBIT) Margin (%)	3.44%	5.99%
Net Profit Margin (%)	(5.97%)	3.36%
Return on Net Worth (RONW)	(34.61%)	10.37%

### Growth Strategy & Outlook

#### Expand Value-Added Products Portfolio

Higher disposable incomes, rising awareness and preference for healthier and nutritious alternatives have led to an increased demand for value-added dairy products. The Company continues to expand its portfolio of value-added products such as curd, buttermilk, flavoured milk and paneer etc. to cater to evolving consumer aspirations. This, in turn, will offer the Company high growth potential and improved margins.

#### Increase Milk Procurement

The milk procurement system of the Company comprises more than 3 lakh farmers from 8 states across the country. Milk procurement at remunerative prices, timely payments and support programmes aimed at improving milk production have enabled the Company to forge strong relationships with the farmer community. Further, judicious investments in village-level milk collection infrastructure, bulk coolers and chilling centres and processing capacity will enable the Company to scale its milk procurement levels.

#### Strengthen Product Reach

The Company's strong distribution network is fundamental to supplying its products and delighting millions of consumers each day. It is penetrating newer geographies and expanding presence in existing ones to increase distribution footprint and product outreach. In addition, the Company is undertaking strategic marketing and promotional activities to drive consumer awareness of its products and propel brand recall.

#### Enhance Operational Efficiency

Another important strategy of the Company is to optimise management of its supply chain by developing customised processes and systems. Integrating modern technology across all the verticals helps the Company augment its procurement and distribution capabilities and better manage the inventory, while use of data analytics generates better understanding on consumer behaviour. The aim is to minimise costs and achieve greater operational efficiency.

#### Outlook

The dairy industry provides a plethora of opportunities, driven by growing population and urbanization, changing dietary patterns and increasing demand for value-added milk products. The Company is poised to capitalise on these rising opportunities and create innovative products that meet diverse consumer requirements. It is looking at augmenting its presence in high milk producing and consuming states, extending the distribution network and enhancing production of value-added products. Further, the increased outlay towards marketing and advertising will deepen its brand engagement. Automated operations will be fundamental to strengthen its supply chain and improve processes, while ensuring minimal wastage and supreme quality. This well-defined strategy will enable the Company to achieve its goal of ₹ 6,000 crore revenue by 2024.

## Risks & Concerns

Type of Risk	Description	Mitigation Strategy
Competition Risk	Increasing competition from dairy co-operatives, larger private and international brands may affect the market share of the Company.	The Company's strategy to stay ahead of the competition includes: <ul style="list-style-type: none"> <li>• Know the competition</li> <li>• Winning and retaining the customers</li> <li>• Differentiate</li> <li>• Step up the sustainable competitive advantage</li> <li>• Update its brand image</li> <li>• Look after the existing customers</li> <li>• Target new markets</li> <li>• Offer online deliveries</li> </ul>
Climate Risk	The Company is sensitive to unfavourable weather conditions, including extreme drought, incessant rainfall and natural disasters. These factors affect the average milk yield and lead to price fluctuations, which could impact the profitability of the Company.	Measures to address the impact that dairy production has on climate, such as new types of fertiliser, better animal genetics and more effective circulation of new technologies so that they are adopted by a greater share of farmers is adopted by the Company.
Operational Risk	Failure of systems/equipment, occurrence of cyber-attacks can disrupt the business operations, resulting in loss of revenues and reputation of the Company.	<ul style="list-style-type: none"> <li>• Identification of risks and risk areas</li> <li>• Analysis, compilation and assessment of risk levels</li> <li>• Decisions and introduction of risk management model, tools and governance</li> <li>• Right people for the right job</li> <li>• Monitoring and evaluations at regular intervals</li> <li>• Periodic risk assessment</li> </ul>
Quality Risk	The products manufactured by the Company are subject to inherent quality/safety issues such as contamination, adulteration or tampering which may result in product recalls and financial losses.	<ul style="list-style-type: none"> <li>• Robust Standard Operating Procedures</li> <li>• Good Manufacturing Practices</li> <li>• Statistical Process Control</li> <li>• Advanced Product Quality Planning</li> <li>• Failure Modes and Effect Analysis</li> <li>• Supplier Quality Management</li> <li>• Non-Conformances / Corrective and Preventive Actions</li> </ul>
Regulatory Risk	Non-compliance with the applicable laws and regulations may lead to stringent penalties, claims and reputational damage.	<ul style="list-style-type: none"> <li>• Sound corporate governance structure and practices in place aligned with the industry</li> <li>• Greater clarity and confidence around the regulatory risk framework</li> <li>• Understanding of both regulator expectations and business processes and challenges</li> </ul>
Raw material Risk	Continued volatility in the price and availability of raw materials on account of economic conditions, market demand, production levels could affect the revenues and margins of the Company.	<ul style="list-style-type: none"> <li>• Sourcing of the Highest Grade Materials</li> <li>• Incoming Raw Material Testing and Inspection</li> <li>• Animal Component-Free Raw Material</li> <li>• Dual Sourcing of Raw Material</li> <li>• Customer-Specific Raw Material Requirements</li> </ul>



## Human Resources

People are the biggest strength of the Company. The Company provides an open, inclusive and collaborative work environment where employees can grow both professionally and personally. The HR policies of the Company are aimed at attracting, nurturing and retaining talented employees in a constantly evolving business environment. The Application Tracking System (ATS) is a robust digital platform deployed by the Company for talent acquisition.

The Company believes that talent development is fundamental to boost employee motivation and performance. In pursuit of this, it conducts various learning and development sessions periodically to enhance the skills and capabilities of employees. The Company has a structured induction process at all locations and management development programmes to upgrade the skills of managers.

Further, 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 divisions. In addition, objective appraisal systems based on Key Result Areas are in place to reward senior level employees. As on March 31, 2020, the employee strength of the Company stood at 3,130.

## Internal Control Systems and their Adequacy

The Company has a well-defined 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 laws and regulations. The internal control systems are reviewed and modified continually to keep up with the changes in business environment and statutory requirements.

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 adequacy and effectiveness of the internal control system, takes corrective actions and suggests measures for strengthening it. The Company has a robust Management Information System in place which forms an integral part of the control mechanism.

## Quality and Safety

Quality and Food Safety are highest priority for your Company. The health of consumers is of paramount importance. To ensure this, your Company has systems and processes in place that ensures all products undergo stringent quality checks. All the offices and factories of your Company are certified under Safety and Health Management System that complies with ISO 45001:2018 & Environment Management System that complies with ISO 14001:2015

## Environment

The aim of your Company is to develop business while improving its environmental performance in order to create a more sustainable future. In order to achieve this, your Company continues to focus on measures for the conservation and optimal utilization of energy in all the areas of its operations. Factories are encouraged to consistently improve operational efficiencies, minimize consumption of natural resources and reduce water usage, energy usage and carbon emissions while maximizing production volumes.

### Packaging and Plastic waste management:

Plastics play a key role in preventing food wastage and ensuring the quality and safety of food products. However, the leakage of plastic waste into the environment has become a significant environment challenge. Your Company is strongly committed to minimizing the impact that plastic has on the environment and ensuring right disposal or reuse of packaging.

## Supply Chain

With increasing internet penetration and tech-savvy consumer, embedding technology in the organizational processes is important. With sales automation and specialised digital acceleration, your Company has taken significant steps to provide solutions for its diverse consumer base.

By embracing digital transformation in operations, your Company has adopted various forms of digital tools 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 simpler and faster. During the period under review, your company has launched consumer App, such as "Heritage Touch" which is a web based mobile App that monitors and provides real time data on product availability and freshness from retail outlets that are geo-mapped to the network.

## 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.