MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS:-

Industry Structure and Development:

Edible Oil Scenario

Importance of Edible Oils in the Country's Economy

Oilseeds and edible oils are two of the most sensitive essential commodities. India is one of the largest producers of oilseeds in the world and this sector occupies an important position in the agricultural economy, accounting for the estimated production of 31.50 million tones of oilseeds for the agriculture year 2018-19 as per 2nd Advance Estimates released by the Ministry of Agriculture on 28.02.2019.

Consumption Pattern of Edible Oils in India

India is a vast country and inhabitants of several of its regions have developed specific preference for certain oils largely depending upon the oils available in the region. For example, people in the West prefer groundnut oil and cotton oil while those in the East and North use mustard/rapeseed oil. Likewise several pockets in the South have a preference for coconut and sesame oil. Inhabitants of northern plain are basically consumers of fats and therefore prefer Vanaspati, a term used to denote a partially hydrogenated edible oil mixture of oils like soyabean, sunflower, rice bran and cottonseed and oils. Many new oils from oilseeds of tree and forest origin have found their way to the edible pool largely through vanaspati route. Of late, things have changed. Through modern technological means such as physical refining, bleaching and de-odorization, all oils have been rendered practically colour less, odour less and tasteless and, therefore, have become easily interchangeable in the kitchen. Oils such as soyabean cottonseed, sunflower, ricebran, palm oil and its liquid fraction- palmolein which were earlier not known have now entered the kitchen.

Major Features of Edible Oil Economy

There are two major features, which have significantly contributed to the development of this sector.One was the setting up of the Technology Mission on Oilseeds in 1986 which has been converted into a National Mission on Oilseeds and Oil Palm (NMOOP) in 2014. This gave a thrust to Government's efforts for augmenting the production of oilseeds. This is evident by the very impressive increase in the production of oilseeds from about 11.3 million tons in 1986-87 to 31.42 million tons in 2018-19. Most of the oilseeds are cultivated on marginal land and are dependent on rainfall and other climatic conditions. The other dominant feature which has had significant impact on the present status of edible oilseeds/oil industry has been the program of liberalization under which the Government's economic policy allowing greater freedom to the open market and encourages healthy competition and self regulation rather than protection and control. Controls and regulations have been relaxed resulting in a highly competitive market dominated by both domestic and multinational players

Export Import Policy on Edible Oils

Import duty structure on edible oils is reviewed from time to time. W.E. F. 14.06.2018, the import duty on all crude and refined edible oils was raised to 35% and 45% respectively while the import duty on Olive oil was increased to 40%. The import duty on Crude and Refined Palm Oil was revised to 40% and 50% respectively for imports from ASEAN countries and 40% and 45% respectively for imports from Malaysia.

In order to ensure availability of edible oil in the country, export of edible oil has been banned w.e.f. 17.03.2008, which was extended from time to time. With effect from 06.02.2015, export of ricebran oil in bulk has been permitted. With effect from 27.03.2017, export of groundnut oil, sesame oil, soyabean oil and maize (corn) il has been permitted. With effect from 06.04.2018, export of all edible oils except mustard oil was made free without quantitative ceiling; pack size etc, till further orders. Export of mustard oil is permitted in packs of up to 5 Kg with a Minimum Export Price (MEP) of USD 900 per MT

(Source : Department of Food & Public Distribution – Ministry of Consumer Affairs, Food & Public Distribution Government of India)

Focus on Brands and packed goods

The Indian housewife, both in the urban and rural sector is becoming increasingly conscious about quality and purity, thus demanding branded edible oil products. This has resulted in a shift of the Indian consumer from loose and adulterated edible oils to branded offerings. With increasing quality consciousness, rising incomes and consolidation, branded sales are likely to grow at 25-30% over the next few years.

The Group have launched new brand "Vivaan" in Kachi Ghani Mustard oil to extend its reach in premium segment of oils. As per feedback and response, Company believe that consumers relate our brands with purity, smell and taste. Gokul Group flagship brands Vivaan, Gokul and Rozana, performed exceptionally well in the current year. Today, Gokul is well positioned as the premium brand for the loyal housewife while Rozana is affordable brand and Vivaan is also emerging as premium brand in premium oils category.

Marketing & Distribution Strategy

The Company is following a threefold strategy for increasing sales, penetrating newer markets and strengthening the market share and brands in its current markets.

The Group is now focusing more on branding activities, strengthen distribution network and to start various packing sections across India to connect with customers in better manner to cater the increasing demand. As start of initiative, the Group has started packing and storage facilities at West Bangal.

With a well spread and intricately connected distribution network the Company has a well established presence in the states of North East states, West Bengal, Bihar, Jharkhand, Orissa, Maharashtra, Uttar Pradesh, Uttrakhand, Himachal Pradesh, and Gujarat.

Consolidated Financial Highlights

Total revenues

During the year under review total revenue from operation was Rs. 219619.70 lakhs as against Rs.198775.07 lakhs in the previous year. This shows an increase in total revenue by 10.49% as compared with previous year.Out of this about 99.65% revenue is from wholly owned subsidiary viz.Gokul Agri International Ltd. Gokul Agri International Limited has its production facility at sidhpur, Distinct –Patan, Gujarat, India and is engaged in the business of seed processing, solvent extraction, refining of edible oils and non edibles industrial oil such as castor oil. The Sidhpur Plant currently processes various types of oils including Kachi Ghani Oil, Mustered oil, Refined Cottonseed oil Soyabean Refined Oil, Palmolein and Castor oil.

Profits and margins

The EBIDTA (Earnings before Interest, Depreciation, Taxation and Amortisation and exceptional items) increased by 22.55% to Rs. 5609.13 lakhs from Rs. 4576.77 lakhs in previous year.

Exceptional Item

Impairment in the value of Investments in foreign wholly owned subsidiary amounting Rs. 32.35 Lakhs shown as "Exceptional Items" in statement of Profit and Loss.

Net profit after tax

Net profit after tax stood at Rs. 1183.23 lakhs as against Rs. 904.80 lakhs in previous year.

Equity

Consolidated equity attributable to equity holders of the parent Company increased to Rs 285444.46 lakhs, at the end of March 2019, from Rs. 27314.31 as at the end of March 2018. Out of this, other equity, which comprises reserves and retained earnings amounted to Rs.25906.56 lakhs, at the end of FY19 as against Rs. 24,676.41 lakhs last year. The book value per share increases to Rs. 21.64 as on March 31, 2019 from Rs.20.71 as on March 31, 2018.

Debt

The consolidated net debt (adjusted for cash and bank balances and liquid investments) of the Group as on March 31, 2019 stood at Rs. 24,929.12 lakhs, as against Rs. 28,946 lakhs last year. Net debt-equity ratio was 0.87 as on March 31, 2019, against 1.06 as on March 31, 2018.

Fixed Assets and Capital Expenditure

The consolidated Net block (including capital work in progress) at the end of the year was Rs.7055.20 down by about Rs 269.57 lakhs from Rs. 7324.77 lakhs last year. The net capital expenditure including capital work in progress during the year was Rs.231.25 lakhs. The capex during the year was incurred mainly for up gradation and expansion of existing ancillary facilities.

Capital employed and operating efficiency

The total Capital Employed (CE), at the end of the year was Rs.54833.04 lakhs decreased from Rs.58197.32 lakhs at the end of the previous year. Return on Capital Employed (ROCE = Adjusted earnings before interest net of tax / Average CE) stood at 9.25% for the year.

"Details of significant changes (i.e. change of 25% or more as compared to the immediately previous financial year) in key financial ratios, along with detailed explanations therefor, including:

Financial Ratio	Consolidated		Changes %	Reason for change
	FY 2018-2019	FY 2017-18		
Debtors Turnover	22.74	15.02	51.40%	Due to reduction in Avg. outstanding Debtors
Inventory Turnover	12.33	7.61	62.02%	Due to reduction in Inventory
Interest Coverage Ratio	1.57	0.50	214%	Due to provision for investment in subsidiary
Current Ratio	1.57	1.46	7.53%	NA
Debt Equity Ratio	0.87	1.06	(17.92%)	NA
Operating Profit Margin (%)	2.33%	2.07%	12.16%	NA
Net Profit Margin (%)	0.55%	0.45%	22.22%	NA

Green Initiative- Wind Energy

The world is seriously concerned with the matter of global warming and the consequential impact on the global economy and the environment. It would be, therefore necessary for your Company to undertake initiatives to support the global movement combating the adverse impact.

As corporate citizens, we ensure that we conduct our business in a responsible and sustainable way. Energy savings, green power generation, waste recycle and pollution reduction are some of the key areas where we ensure strict internal control. We are carbon neutral and sensitive to sustainable development for the next generation. We strive to facilitate an environment policy framework that enables sustainable development. Today Group has 3 Wind Turbine Generators (WTGs) with a total power generation capacity of 3.75 MW in the states of Gujarat. The investment in green power is with a single aim to create a cleaner and pollution free environment.

As a step ahead towards Green business, we are also using castor de-oiled cake as a fuel to generate steam for our Sidhpur plant operations.

Risk and Concern

The main areas of concerns are:

1. The overall scenario is also impacted by volatility in commodity and currency prices. Your Company makes use of forward cover/ hedge mechanism to manage these risks. The Company's raw materials as well as finished products are traded in futures market which gives opportunity to hedge the price risks related to raw material and finished goods.
2. Government policies play an important role in the businesses of your Company. The policies announced by the Government have been progressive and are expected to remain likewise in future, and have generally taken an equitable view towards various stake holders, including domestic farmers, industry, consumers etc.
3. Ocean freight, port congestions, storage infrastructure could contribute to challenges faced by your Company, as substantial part of the international operations of your Company is within the Asian region, and given the growing import and export activities of your Company, the element of freight is not likely to cause any adverse effect on the operational performance. Your Company has a pro-active information and management system to address the issues arising out of port congestions to the maximum extent possible and has also made sufficient arrangements for storage infrastructure at the ports.
4. Domestic availability of oil seeds also depends upon weather and monsoon conditions Your Company has two processing facilities one at port location and another at Sidhpur which is near seed producing belt and therefore, the business model of your Company is designed to carry-on a majority of its production operations in situations of extreme changes in weather conditions.
5. Your Company is exposed to risks arising out of changes in rates of foreign currencies, the exposures on this account extends to products imported for sale in domestic markets, exported to other territories. Your Company utilizes the hedging instruments available in the markets on an ongoing basis and manages the currency exposures pro-actively.
6. Fuel prices continue to be an area of concern as fuel is widely used in manufacturing and distribution operations and has a direct impact on total costs.

Risk Management

The Company has set in place the policy for corporate risk assessment and mitigation Business Risk Assessment procedures and for self-assessment of business risks, operating controls and compliance with Corporate Policies. There is an ongoing process to track the evolution of the risks and delivery of mitigating action plans.

Gokul, like any other enterprise having national as well global business interests, is exposed to business risks which may be internal as well as external. In the broadest sense, we define risk as the eventuality of not achieving our financial, operative, or strategic goals as planned. To ensure our long-term corporate success, it is therefore essential that risks be effectively identified, analyzed and then mitigated by means of appropriate control measures. We have a comprehensive risk management system in place, which enables us to recognize and analyze risks early and to take the appropriate action. This system is implemented as an integral part of our business processes across the entire Gokul operations and includes recording, monitoring, and controlling internal enterprise business risks and addressing them through informed and objective strategies.

Internal Control System and their adequacy

In view of the management, the Company has adequate internal control system for the business processes followed by the Company. External and internal Auditors carry out periodical review of the functioning and suggest changes if required. The Company has also a sound budgetary control system with frequent reviews of actual performance as against those budgeted.

The Audit Committee of the Board meets periodically to review various aspects of performance of the Company and also reviews the adequacy and effectiveness of the internal control system and suggests improvement for strengthening them from time to time. External Auditor also attends this Meeting and conveys their views on the business process and also of the policies of financial disclosures. When found necessary, the Committee also gives suggestions on this matter.

Human Assets

At Gokul, people are our most important asset and a source of competitive advantage. Gokul is committed to creating an open and transparent organization that is focused on people and their capability, and fostering an environment that enables them to deliver superior performance. The Human Resources strategy is aimed at talent acquisition, development, motivation and retention. The HR function acts as an effective lever for driving the company's strategic initiatives and helps in integrating and aligning all people practices to Gokul's business priorities. The company has an unrelenting focus on talent development. Total Number of Employees of the group as on 31st March, 2019 was 309.

Sustainability in Challenging Times

Successful businesses are sustainable businesses –in good times and even more so, in periods of uncertainty. In good times, such companies thrive and set new performance benchmarks. In times of challenge, they possess the inner resilience and the robust systems that help them navigate through cross currents and pull through to the future. Tough times pose searching questions about the caliber of an organization's people, policies and practices.

Gokul's success in addressing and overcoming challenges is a 'live' and continuing demonstration of the quality of its systems and the caliber of its people and processes.

Opportunities

There is potential to expand capacity of high earning segments. Promoters of the Company have a long experience in the industry and also the product have a good brand name and standing. There is vast geographical reach of the products and there are continued efforts to expand it. The Company has been taking measures to keep its brands relevant to the customers and also ensuring that they remain competitively priced. It is also exploring all possible avenues to reduce costs of inputs and raw materials without compromising on the quality of the product.

Risks, Threats and Concerns

For the edible oils industry, the biggest challenges being faced are now are policy related. As a result of ehich margins of edible oil manufacturers and refiners are quite low. Your company is taking necessary steps to address this issue. Also there are issues of strategies of major strong nations. This has maximum impact on emerging market.

A Way Forward

We have seen the volatile business environment many times since inception. In the backdrop of the trade in which the Company is dealing, the place from where it operates, the destinations where it does business, the Company needs to and is vigilant and informed on changing scenario and do its best to adapt to changing business situation. We are positive on monsoon and economic growth thereby contributing to both raw material supply and demand and thus should be good for Company operations in current financial year.

To meet the challenges amidst growing industry size and the need to consolidate, Group has initiated several measures on proactive basis, which will allow group to build-on its current presence and market share in the edible oil and Industrial products like castor oil and meals. Group will continue to strengthen itself in areas of sourcing raw materials from points of origin, reducing inefficiencies in supply chain and logistics, capabilities to process at multiple locations, improvements in product quality and increased sales of branded products in retail segment.

Cautionary Statement

Statements on the Management Discussion and Analysis and current year's outlook are Management's perception at the time of drawing this report. Actual results may be materially different from those expressed in the statement. Important factors that could influence the Company's operations includes demand and supply conditions, availability of inputs and their prices both domestic and global, changes in government regulations, tax laws, economic developments within the country and other factors such as litigation and industrial relations.