

ANNEXURE TO THE DIRECTORS' REPORT

ANNEXURE –A'

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

**ECONOMIC OVERVIEW**

World Economy growth slowed down in the Calendar Year (CY) 2018 on the back of rising trade tensions, financial tightening and other several factors. These trends are expected to continue during CY2019. Even on the domestic front, India's real gross domestic product (GDP) growth for Financial Year 2018-19 has been pegged at a five-year low of 6.8% as per the provisional estimates released by National Statistical office, making a slowdown from 7.2% in FY 2017-18. The primary reasons for the deceleration have been service and agriculture sector.

Going forward, India's real GDP growth may further decelerate in H1 of FY2020 and may rebound in second half (H2) of FY2019-20 on account of several measures by RBI & Government. The stability and continuity of government at the center may help the country attain a sustainable long-term growth path.

Considering success of the government in executing bold reforms like demonetization and GST and its teething problems behind us, we believe that the promising time is ahead of us for an organized & national player like your Company in Fruits and vegetables sector. Further, the strict implementation of FSSAI norms, standardization and awareness about the quality produce would definitely give a lead to players like your Company whose mission itself is "Focus on Growth of our stakeholders, Empowerment of our farmers and commitment of quality supply.

**BUSINESS AND FINANCIAL REVIEW:**

During the year FY2019, your company continued to focus on building a further strength in procurement and sourcing network across major states and districts in which your company operates. PCSL today works in more than 40 districts in Maharashtra, Gujarat, Rajasthan and few other states in north and north east regions. Company has built several growth catalysts by adding new geographies for sales, adding new product categories, networking in global markets, adding more buyers in organized segments and taking innovative steps for B TO C business of Fruits and Vegetables.

The continuous relentless efforts of team Prime has duly reflected in the company statistics. On a consolidated basis, your company's net sales for FY19 have grown by 22% YoY to Rs. 44.14 Cr. The Profit after Tax (PAT) has shown a strong jump of 28.43% YoY to Rs. 1.27 Cr. On a standalone basis, your company's net sales for FY19 have grown by 20% to Rs. 43.17 Cr and PAT has shown a strong jump of 26.17% YoY to Rs. 1.26 Cr.

Your company, Prime Customer Services Ltd (PCSL) led by a young, qualified and dynamic management team, is an integrated player across Fruits & Vegetables Value Chain i.e. sourcing, handling, sorting, grading, warehousing, ripening, packing, branding and delivery.

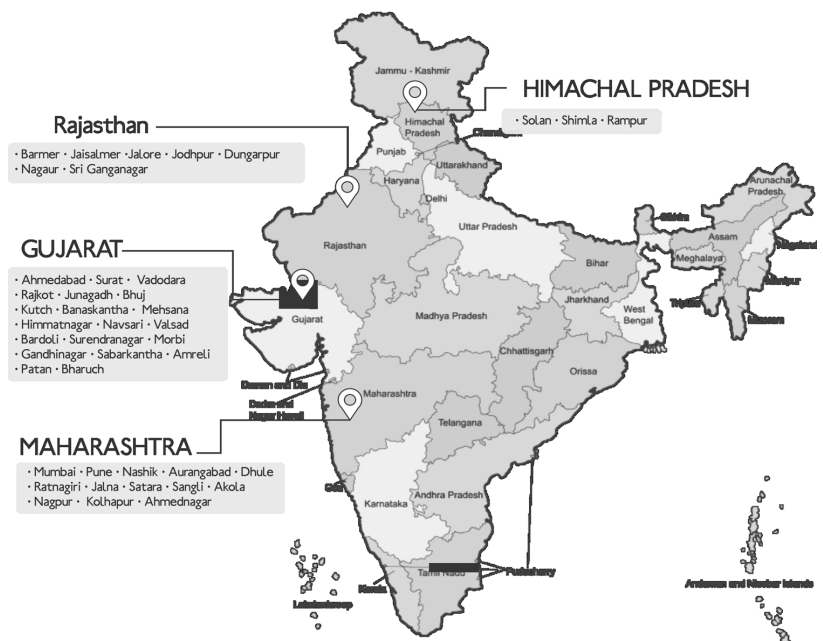
**STRONG SOURCING NETWORK**

Your Company has progressively build a massive sourcing network that gives it a long lasting competitive advantage over its peers and provide an excellent ouquet of products & services to its customers. Our outreach and sourcing network includes top F&V producing regions in India:

- ☆ Our core experience and knowledge lies in the fresh produce category namely, Mango, Pomegranate, Apple, Tomatoes, Onions, Imported Fruits, Mix Vegetable and further enhancing the bouquet by adding Banana, Grapes, Orange, Chilli, Lemon.
- ☆ To augment our procurement bandwidth we work with 20,000+ Farmers, 40+ Agriculture Markets and 300+ Traders & Consolidators across 40 districts in Gujarat, Maharashtra and Rajasthan.
- ☆ We have magnificently established long standing relationships with prestigious national enterprises & retail giants since last 12 years to ensure that they get reliable, consistent, ethical and smooth supply of Fruits & Vegetables.

Your Company is an integral part of the country's agriculture value chain structure.

**OUR PRESENCE**

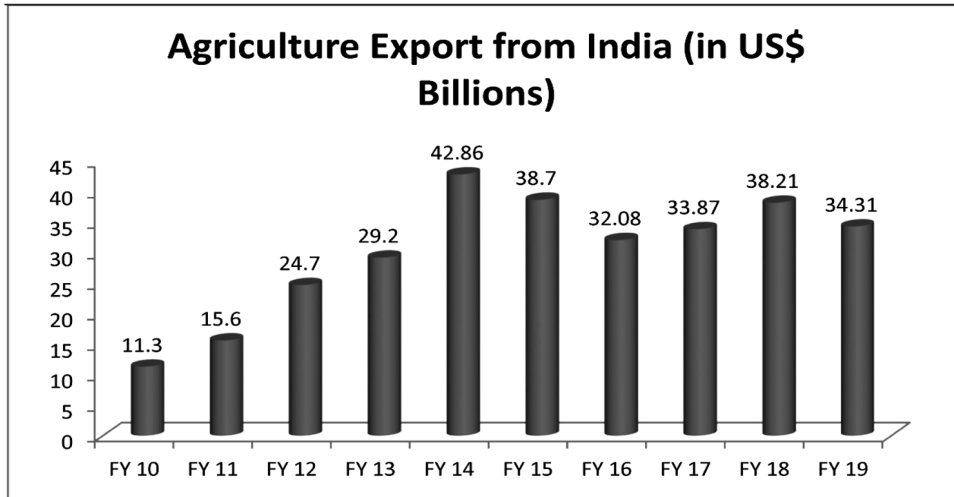


**INDUSTRY STRUCTURE AND DEVELOPMENTS**

Production of horticulture crops in India is estimated at record ~315 Million Metric Tonnes (MMT). India ranks second in global production of Fruits & Vegetables and a leading exporter of Mangoes and Bananas. One of the global trend we have observed in Fruits & Vegetables is convenience & kits.

Total agricultural exports from India grew at a CAGR of 16.45% over FY10 – 18 to reach US\$38.21billion in FY18. Between Apr 2018-Feb2019 agriculture exports were US\$34.31billion

The Agriculture Export Policy, 2018 was approved by Government of India in December 2018. The new policy aims to increase India’s agricultural exports to US\$60billion by 2022 and US\$ 100 billion in the next few years with a stable trade policy regime.



**Union Budget 2019 – 20: Historic allocation for Agriculture and Farmers’ Welfare**

1. Pradhan Mantri Kisan Pension Yojana, small and marginal farmers will get a minimum fixed pension of Rs 3,000 per month on attaining the age of 60 years.
2. Formation of 10,000 new FPOs over next five years, as the land holdings are scattered and over a period of last 10 years marginal land holdings have increased.
3. Focus of the government on Gaon, Garib aur Kisan.
4. Income support scheme to poor and rural farmers of Rs 6,000 per year for farmers with land holdings below two hectares.
5. Interest rate subsidy for short term credit to farmers
6. Crop insurance scheme would help in promoting crop insurance penetration in the country and help protect farmers in times of crop failures.

**OPPORTUNITIES AND THREATS**

**Threats**

- Unpredictable weather conditions and availability of water
- fragmented land holdings
- Highly unorganized & fragmented F & V Supply Chain
- Inconsistent Supply of steady quality and quantity of fresh produce
- Lack of knowledge and appreciation for agriculture
- Weak Export Infrastructure
- Logistics bottlenecks

**Opportunities**

- New Age Startups offering one-stop platform that enables farmers to connect to traders and vice-versa through web and call centers.
- Increasing awareness about healthy lifestyle and nutritional benefits about consuming fresh fruits & vegetables.
- Global supermarket majors looking at imports of F&V from India.
- Government has helped by investing in AEZs, mega food parks, easier credit and eager to boost efficiency & access to market
- Companies are increasingly taking recourse to contract farming in order to secure supply.
- Rising Market share of Organized Players
- Collaboration- JVS-Partnerships wuth Organising players

**BUSINESS MODEL –**

Your company’s management has strategically steered the business in FY19 to make it ready to enter a high growth phase. We have taken conscious steps to change the business model so as to reduce costs, widen our offerings and get benefits of operating leverage.



**IMPACT ON STAKEHOLDERS**

**FARMERS**

- ☆ Imparting know-how to our community of 20,000+ farmers to improve ultimate yield.
- ☆ We organize camps for farmers periodically which are oriented towards enhancing knowledge about best / progressive field cultivation practices, diseases & pest management, harvesting techniques and hygiene procedures which lead to boost the productivity.
- ☆ Expert guidance programs and best practice awareness for the farmers, improving their quality of life and providing them with fair price.
- ☆ Assist farmer to realize 100%value of their produce by providing them sorting & grading facilities and direct / indirect access to the interstate markets.
- ☆ Significant factor affecting any business are “Time & Cost”. Prime’s well thought strategic collection centers takes care of transportations they are built in local proximity of the farms reducing the mishandling of the perishable produce during multiple phases of transition.
- ☆ Providing access to multiple markets through dynamic & robust sales channel.

**MODERN TRADE**

- ☆ Assured delivery of expected quality and quantity of produce in timely manner and round the year.
- ☆ Assured delivery of sorted, graded and packed produce across India.
- ☆ We make available both seasonal and imported produce from far-off regions, round the year to enable better planning
- ☆ One Stop Shop for multiple varieties of the horticulture produce.

**CONSUMERS**

- ☆ Door step delivery of fresh & hygienic produce sourced directly from farms.
- ☆ Eliminating multiple intermediaries resulting in better pricing of the produce.
- ☆ Supply of well packed produce rich in taste, aroma & nutrition.
- ☆ Smart and fast transaction for customer convenience.

We help in generating local employment by hiring sorting, grading, loading & unloading teams locally. In FY 19, we had employed 320+ people on direct payroll. Furthermore, having sourced & supplied more than 11,000+ tones of Fruits and vegetables during FY 19 which resulted in an indirect employment generation to the tune of 15000+ man days.

Your Company has created impact to multiple stakeholders such as Farmers, Mother Earth, Government, Unskilled & Semi Skilled individuals, Transporters, Food Processors and society at large by generating opportunities through various channels including to earn a livelihood.

**CONTRIBUTION TO STAKEHOLDERS:**

**1) Government**

- a. In this FY 2019 your Company has paid taxes aggregating to Rs. 48.48 Lakhs vis-à-vis previous FY aggregating to Rs. 41.30 Lakhs
- b. In this FY 2019 your Company has contributed to the Government in the form of contribution to PF, ESIC and Profession Tax aggregating to Rs. 25.15 Lakhs vis-à-vis previous FY aggregating to Rs. 33.21 Lakhs
- c. In this FY 2019 Your Company have paid Goods and Services Tax aggregating to Rs. 67.11 Lakhs vis-à-vis previous FY aggregating to Rs. 34.52 Lakhs

## 2) Employment

- a. Your Company in this FY 2019 has generated direct employment for 82490+ man days
- b. Your Company in this FY 2019 has handled about 11,000+ tones of F&V through contract labour which would lead to giving employment for aggregating to 15000+ Man days
- c. Your Company has contributed for the welfare and social security of employees to the tune of Rs. 4.56 Lakhs
- d. Your Company have supported 226 people by providing direct / indirect employment to 904 people in this FY 2019 considering each employee would support a family of 4 people on an average.
- e. Indirect other employment generation of 12000-13000 man days by way of employment of payments to various unskilled semi skilled and skilled people for harvesting, sorting, grading, packing, logistics and other such value addition to agriculture produced.

## 3) Farmers

Your Company has reached out to 4000 old and 6000 new farmers & supported 1500 farmers during this FY 2019 aggregating to 13500 acres of farm land leading to (considering they handled the material themselves and sold at Mandi vis-à-vis selling to your Company at the Farm Level):

- Savings on post harvest loses to the tune of on an average 14% of produce aggregating to 1680 tonnes of F&V, Overall your company purchased 10800 tonnes from farmers, local area aggregators, APMCs and other players.
- Better realization of prices for their produce by at least 7-9% and faster payment for their produce by at least before 5-6 days ahead of normal other trade practices. We did many RTGS/IMPS and same day transfers to many farmers during the year. We also helped marginal farmers by advances and free sorting and grading services. In many cases farmers did not have to incur any expenses on logistics, APMC commissions, and other handling charges.

Your company continues to focus on adding value and helping farmers through multiple support and process systems including finance and manpower providing.

## OUTLOOK

Your Company currently operates in Western India and select North and North eastern regions of the country for core categories like Pomegranate, Mangoes, Apple, Onion and Tomatoes. Going forward, the company is expanding through penetrating into newer territories of domestic market and global markets via building the right team, adding few new F&V categories and capitalizing existing relationships & team. Furthermore, Company's growth & expansion through new Collection Centres and Distribution Centres will support the procurement and Distribution strategies. PCSL is simultaneously building and utilizing its own brand "PRIMEFRESH" to penetrate deeper with farmers, customers, aggregators and B2C segment. Innovative packing, consumer packs, use of technology, reach through social media and other online platforms will drive further growth of new categories, geographies, global destinations and multiple avenues of sales expansion.

## KEY GROWTH DRIVERS

- ☆ Expanding the bouquet of offerings for Fruits and Vegetables.
- ☆ Foraying into exports of Fruits and Vegetables, as over the last few years, your Company has built massive understanding of Global markets and done multiple trial and error consignments for international buyers and few select Indian exporters.
- ☆ Enhancing the contribution of Modern Trade in the Revenue:
- ☆ B2C engine backed by omni channel distribution, social media and corporate tie-ups in select cities. Your company has carved out a very unique and differentiated growth strategy to build this B2C vertical with low risk and low investments.
- ☆ Setting up of additional multi-purpose Collection Centres and Distribution Centres to facilitate all the verticals.
- ☆ Collaboration, JVs, Strategic tie-ups in Gujarat, Rajasthan and Maharashtra with new age start-ups and large companies for business synergies.

Over the last 12 years PCSL has built a strong learning curve and management bandwidth to build, own, operate and transfer CCs and DCs for various large retailers.

The above strategy would help improve the margin profile of overall business and better utilize the strong sourcing and operational capabilities built over the last 12 years.

Currently, your company has established a procurement bandwidth of about 1,00,000 tonnes of fresh produce per annum and looks forward to put in efforts to enhance the value for stakeholders.

### **RISKS AND CONCERNS**

Every business has both Risk and Return and they are inseparable. As a responsible management, the Company's principal endeavor is to maximum returns. The Company continues to take all steps necessary to minimize its expenses through detailed studies and interaction with experts. Our Senior Management identifies and monitors the risk on regular basis and evolves process and system to control and minimize it. With regular check and evaluation business risk on Regular basis can be forecasted to the maximum extent and thus corrective measures can be taken in time.

### **INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY**

The Company has adequate Internal control systems commensurate with its size and operations to ensure orderly and efficient conduct of business while safeguarding the assets, quality, safety, procurements, finance and accounts and reducing and detecting error.

### **MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED.**

Smooth Industrial Relations and effective Human Resource Management are the key factors contributing towards success in the industry. As our company is part of the hospitality industry the importance of efficient and motivated human resources helps in achieving complete customer satisfaction. The employee strength of the Company, as on 31st March, 2019 was 226.

### **CAUTIONARY STATEMENT**

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations and others may constitute "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results may differ from those expressed or implied. Several factors that could significantly impact the Company's operations include economic conditions affecting demand, supply and price conditions in the domestic and overseas markets, changes in the Government regulations, tax laws and other statutes, climatic conditions and such incidental factors over which the Company does not have any direct control.

### **REFERENCES (BIBLIOGRAPHY)**

- 1) IBEF report on food processing ([www.ibef.org](http://www.ibef.org))
- 2) Union Budget and other public domains