



# Management Discussion and Analysis

## Company Overview

Tasty Bite is a leading brand in the Natural, Organic and Ready-to-Eat food category in North America. The consumer business has a range of Ready-to-Eat Indian and Asian entrées, Ready-to-cook sauces, Ready-to-Eat organic Rices and Grains. It also manufactures several products in these categories for other leading brands in North America and UK. Sales and Marketing of the consumer business is managed by PBI (for North America) and Mars (for all other geographies).

Tasty Bite Food Service business comprises a range of customized specialty formed frozen products, sauces and gravies. Your company is a trusted partner to marquee QSR and Cloud Kitchen brands in the food service industry across India and South East Asia.

## Global Economy

The global economy contracted by 3.3% in 2020 while the Indian economy contracted by -7.3%. Global prospects remained highly uncertain during the year of the pandemic. Despite Social distancing, vaccinations, and treatments that helped slow the progress of the virus, millions of lives were lost. Second and third infection waves across many countries resulted into a stop - start rhythm making the recovery process painful, uneven and far from complete. Across countries, economic recovery was shaped by the path of the pandemic, steps taken to contain its progress, and extent of policy support provided by the governments.

Losses were particularly large for countries that relied on tourism and commodity exports. Close to 95 million more people are estimated to have fallen below the threshold of extreme poverty in 2020 compared with pre-pandemic projections, reversing a two decade long trend of global poverty reduction.

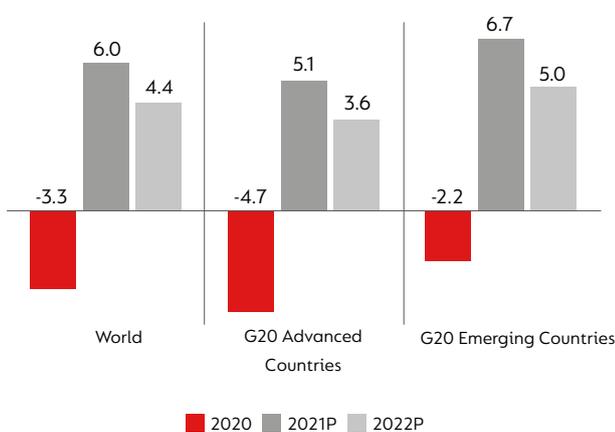
As the effects of virus fade away in the coming year, growth is expected to bounce back and global economy is expected to grow at 6% for 2021 with most of the economic indicators firing on all growth cylinders. All of this is however circumspect and will largely depend on whether countries experience newer waves of the pandemic as is recently seen in India.

## Indian Economy

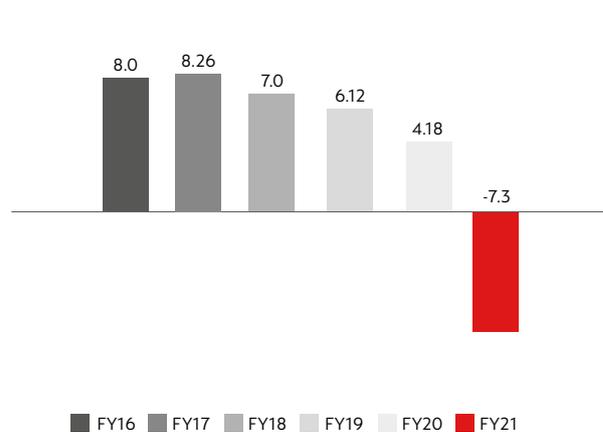
India's Gross Domestic Product (GDP) contracted by -7.3% in 2020-21, as compared to GDP growth of 4% in 2019-20. GDP had contracted 24.4% in the April to June 2020 quarter, followed by a -7.4% contraction in the second quarter. It had returned to positive territory in the September to December quarter with a marginal 0.5% growth. In terms of sectors, the sharpest decline was from hotels, transport, communication and broad-casting related services which recorded the sharpest decline of -18.2%, followed by construction -8.6%, mining and quarrying -8.5% and manufacturing -7.2%.

Lockdowns in Q1 of 2020-21 and a slow recovery post lockdown had a significant impact on the food service business within India. Most brands in this sector reported heavy losses, with several smaller restaurants closing down permanently. While it was expected that this sector will bounce back, second wave and further lockdowns across the country have impacted an already troubled sector. There was also additional pressure on this industry on account of unprecedented increase in several commodities like Oil, Diesel, Resin and Dairy. Added to this was the imbalance in global shipping resulting in freight rates increasing multi-fold.

Global GDP Growth rate (%)<sup>1</sup>



India GDP Growth rate (%)<sup>2</sup>



<sup>1</sup> Source: World Economic Outlook April 2021

<sup>2</sup> Source: MOSPI

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The second wave starting April 2021 took country by storm staggering the 'V-shaped' economic recovery. Given the low base of last year, the economic recovery in first half of FY 2021-22 is expected to be optical. India's GDP growth forecast has been lowered to 9.5% in FY22 compared to 11% projected earlier, taking into account the impact of second wave in April - May 2021.

The accelerated vaccination programs and progressive reforms by the government are expected to put the GDP growth back on track.

## Industry Overview

### Global RTE Industry

During 2020, as a reaction to lockdowns, consumers across the globe started pantry-stocking resulting in a spike in the sales of packaged food and consumer goods. In addition, consumers were tired of cooking at home while juggling with office as well increased home duties. This trend benefited the demand for Ready-to-Eat (RTE) and Ready-to-Cook food products significantly. Also, consumers shifted their preference towards trusted brands and stocked known sku's experimenting with newer brands or products. Given the global supply challenges, most companies focused on line efficiencies by producing limited number of SKU's. However, unprecedented inflation, increased shipping lead times and other supply challenges resulted in many companies not being able to take full advantage of this consumption spike. This trend continued for most part of 2020 due to second and third waves hitting many economies.

Starting 2021, with many countries opening up once again, we have started witnessing a reversal in this pantry stocking trend. Consumers who are tired of eating at home are eager to step out and experience dining-in like the pre-pandemic days. This could result in a slow-down in the retail off-take of consumer goods and packaged food compared to the highs of 2020.

From a longer term perspective, the drivers of convenience, natural and/or organic food and growing preference for vegetarian food bodes well for this industry as well for your company. The global RTE industry is expected to reach USD 172 billion by the end of 2023<sup>1</sup> with North America commanding the largest share of this segment. An increasing number of online retailers and delivery services in America is also boosting the growth of the ready-to-eat food market.

### Indian RTE Industry

India's RTE market is gradually growing and is poised to reach USD 647 million by 2023, growing at a CAGR of 16% from

2018-2023.<sup>2</sup> Indian consumers are looking to utilize their time effectively and are shifting from traditional cooking methods to RTE food, which considerably saves cooking time. It is also estimated that around 400 million Indians regularly consume some kind of processed food. Urban areas account for 75% of sales, as consumers seek convenience and quality, providing a bigger market for higher-value frozen foods.<sup>3</sup>

### Indian Food Service Industry

Food Services, defined as non-home cooked food or restaurant food currently contributes only approximately 10% of the food market. This is substantially low when compared to global economies like the United States and China which have approximately 54% and 58% contribution from Food Services respectively (of the total food consumption).

Covid-19 dealt a deadly blow to the Indian food services industry on account of the lockdown in the country. It is estimated that the entire food service market plunged more than 80% year-on-year in the first half of FY 2021. The biggest impact was to the small restaurants, followed by the HoReCa (Hotels, Restaurants, Caterers) segment. The Organized QSR chains contracted by more than 50% and by end of the year the recovery was at 75-80% of pre-Covid levels. While in 2021, strong recovery was expected the second wave has created tremendous uncertainty.

From a long-term perspective, Covid-19 is expected to become an enabler boosting preference for QSRs especially as consumers shifted to familiar brands that focus on safety and hygiene. With supply chains also being a challenge, there was a significant shortage supply which again benefitted the larger players alone. It is pegged that the chained outlets will become the highest growing segment with an expected CAGR of 23% in the food service industry over the next five years.

India's food services market was estimated at INR 4,236 billion in FY 2020 and organized QSRs had a market size of INR 348 billion. Future growth in the segment will be driven by larger chains in QSR market, which accounted for 54% of the total QSR sub-segment in FY 2020 and are estimated to reach 64% of the QSR sales by FY 2025. This shift to QSR chains is on the back of a young population, value pricing, increased penetration in tier two and three cities and customization in operating models and store sizes. The more recent popularity of online food ordering and food delivery platforms have enabled QSRs reach more consumers. However, there are several changes that the pandemic has brought to this industry and QSR's need to tweak their business models in order to survive.

<sup>1</sup> Research nester report on ready to eat food market

<sup>2</sup> Research and Markets report on India's ready to eat food market

<sup>3</sup> CII- Food Processing report 2019



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## Food Delivery and Cloud Kitchens

With restaurant footfall at an all-time low and sales down as much as 80%, takeaway became a vital source of revenue for many restaurants. This has triggered the explosive growth of food delivery services as well as cloud kitchens.

Demand for food delivery services (through online delivery aggregators and mobile apps) has increased four-fold in recent years. This growth has been more profound in the food service industry, as the overall food delivery market has increased from USD 4.7 billion in FY16 to USD 10.2 billion in FY20 at a CAGR of ~21%. With these tailwinds in place, the overall food delivery market is expected to reach USD 18.1 billion by FY 2025, much higher than the earlier projection of USD 16.4 billion.

Even as the pandemic forced restaurants to close down their dining areas, more and more kitchens were firing up for business. Newer brands are emerging every month, many of which are delivery-only. This is because the pandemic triggered the rise of cloud kitchens, also known as dark kitchens or ghost restaurants. These are delivery-only outfits, which do not offer dine-in. Cloud Kitchen is the new emerging vertical as it offers the following advantages:

- No dine-in service enabling the restaurant to focus on great food quality alone.
- Flexibility to keep experimenting with the menu

- Easier and faster expansion at a fraction of the costs of a traditional restaurant
- Higher operational efficiency vs QSR due to pooling of resources
- Ability to create multiple private brands at a lower marketing cost

The Indian cloud kitchen market is expected to grow from a size of USD 400 million in 2019 to become a USD 2 billion industry by 2024, owing to customer's increased preference for ordering their food online.

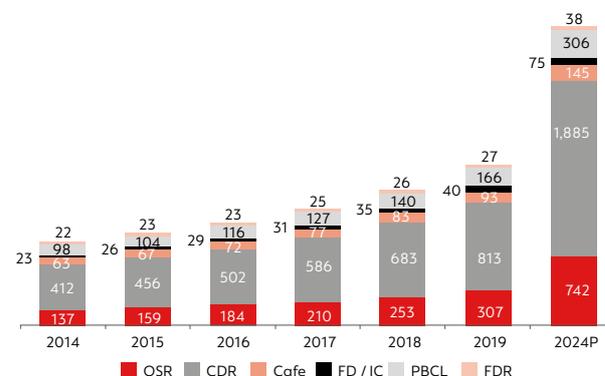
## Industry Trends

- **Younger demographics:** Population in the millennial age group of 15 to 34 years constituted approximately 34% of the total Indian population in Fiscal 2019 (approximately 444 million) and most of them prefer outside food compared to home cooked. The youth is generally characterized by good taste and high demand for quality, variety and value for money. This age group is open to experimenting with new cuisines, format offerings and brands. While the frequency with which the youth eat out is the highest across age groups, they are also price conscious and like to prefer eating with family and friends. QSR's and Cloud Kitchens, offer great value for money, making it an ideal choice for the younger generation.

Ready to eat food market (Region wise Penetration)<sup>1</sup>



Indian Organized Food Service Market (INR In billion)<sup>2</sup>



<sup>1</sup> Source: Mordor Intelligence

<sup>2</sup> Source: Technopak BoK, NRAI India Food service Report

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- **Increased participation of women workforce:** The proportion of women workforce in India has been rising, majorly in the urban areas. With hectic work schedules, people are increasingly eating out or ordering food from outside. Also, with higher overall participation in the workforce, disposable incomes have increased. Due to these factors, families are increasingly ordering multi-cuisine food via online channels or eating out, thereby contributing to the QSR market's growth.
- **Rise in disposable income:** Changing consumption patterns and efforts to improve gender composition at work has led to a rise in disposable income. Further, more than 2/3<sup>rd</sup> of our 1.35 billion population is young with growing incomes, creating a large market for the food processing industry. All these factors will lead to growing food consumption and it is expected to reach USD 1.2 trillion by 2025-26 .
- **Larger focus on value meals:** Indian consumers – irrespective of socioeconomic class or type of city – are eating-out and ordering in at a per-household average of 6-7 times per month with a view to experiment and socialize over food. Whilst there is a willingness to spend more on these type of experiences, Indian consumers remain cost-conscious and prefer value-for-money options while eating out or ordering in. Thus, Indian customers find 'combos' and 'value meals' appealing that provide 12-25% discounts. Also, these discounts have resulted in an increase in the average food bill of QSR companies. Some examples of these offers include Burger King's 'The King Deals' and '2 Good Menu,' McDonald's 'McSaver,' KFC's 'Favorites' and 'Box Meals,' and Subway's combos.
- **Increased exposure:** With an increased number of Indians travelling abroad, their exposure to global and exotic cuisines has increased. Popular 'food and cookery' shows on television (MasterChef) have also led to greater awareness of gourmet food and trends. At the same time, social media has become an integral part of India's young and working population's lifestyle. Digital and social media have aided the marketing of food services' brands as an experience at lower costs with greater visibility.
- **Brand perception** will be led by trust built through clear and transparent communication around safe and healthy food sourcing and handling. We have been observing this since the onset of Covid-19. This has, thus, resulted in higher preference for well established brands versus new brands that have entered the market. Brands will have to lead with trust as a key strategy along with Taste and Customer experience in a post Covid-19 world.

While your Company witnessed a decline in the food service business by 44%, in line with the broader industry, the long - term trends of eating out bode well and the Company expects return back to normalcy in the next 18 - 24 months.

### Opportunities & Threats

2020, was a difficult year for many businesses and industries. The VUCA world, which was till now only heard and read, was witnessed first-hand by everyone. The last 12 months (and the next 12 months) has been a true test of resilience and adaptation. Your Company is built on a foundation of strong values and a consistent strategy. So despite a setback in 2020 and further uncertainty in 2021, from a longer term perspective the Company continues to have a strong competitive advantage and has significant opportunities to grow.

### Strategy

Our strategy and mission statement is to be a socially responsible company that will delight consumers by offering great taste, good value and real convenience achieved through manufacturing and marketing natural, convenient and specialty foods in a knowledge - driven, energetic and fun work environment.

We continue to focus on the following strategic goals:

- Be the Brand of choice for aspirationalists
- Become a global household name in key global markets
- Benchmark for sustainability
- Preferred and trusted partner for leading food service brands

### Strengths

- **Brand name:** Tasty Bite is one of the leading brands in North America amongst Indian and Asian Natural, Organic and ready-to-eat prepared foods. In the Indian shelf stable prepared foods, it commands a dominant market share and is one of the fastest growing brands in the Asian and rice category.
- **Management Experience:** Your Company's senior and middle management has significant experience in the food industry and a strong understanding of consumer business as well as food service.
- **Innovation:** Strong marketing and consumer insight combined highly skilled culinary professionals and food



## Management Discussion and Analysis (Contd.)

technologists, makes your company extremely strong in innovation. In addition, the innovation team leverages our Research and Development center equipped with latest technology & state-of-the-art equipment.

- **Trusted Partner:** Your Company partners with leading QSR brands to provide customized product solutions in Formed Frozen Product (FFP) and Specialty Sauces category.
- **Strong distribution and marketing:** Your Company is supported by Preferred Brands International Inc. in North America and by Mars Food Corporation for all markets outside of North America. Both these companies have a well-established marketing and distribution network in their respective markets.
- **Strong supply chain:** Your company is one of the largest organic processors in the country and is backed by a very strong, agile and efficient supply chain.
- **Product quality:** Your Company manufactures high quality products for its food service as well as consumer business. The manufacturing facility is audited by several customers and meets stringent quality standards of several countries including US, UK, Australia, Japan and Canada.

### Competition

The food industry globally is a large and highly competitive industry that is subject to ever changing consumer trends and consumption habits.

RTE acceptance across the globe is on the rise and many new brands are finding their way onto the retail shelves. In our consumer markets, our products compete not only with other Indian ready-to-eat offerings but all other specialty meal options including other cuisines that a consumer may consider as a lunch or dinner alternative.

Likewise, in our food service business, there are international and domestic players that have the technology and capability to manufacture similar products. Many of them have international relationships, well recognized consumer brands in India and extensive distribution networks. This is also a highly price sensitive market and industry and the Company needs to continuously innovate, enhance its procurement strategies and make its manufacturing more efficient in order to remain ahead of its competition. With a significant drop in demand there is excess capacity in the country. This will result in many companies dropping prices to retain existing businesses and gain new ones.

### Outlook, Risks and Concerns

Your company intends to continue focusing on both the consumer as well as the food service business. While in 2020, we witnessed an increased demand for the consumer business and decline in the food service business, over the longer term we are confident about the growth prospects for both these verticals.

For the consumer business, following is our growth strategy:

- **Improve Distribution Points** – Our focus will continue to be increasing reach by adding new channels as well as expand to newer geographies
- **Lead Innovation** – We would continue to be leaders in category innovation through transition to organic, new line extensions and new formats.
- **Manufacturing partner for Mars** – We will continue to explore opportunities to manufacture different products for Mars Food.
- **Increase conversion** – Product sampling and demonstrations, use of focused digital media will increase the consumer base of Tasty Bite brand lovers.

In the Food Service business, our growth will be enabled through:

- Value Leadership
- Innovation
- Superior Customer Service

The food service industry is driven by innovation, value consciousness and customer-supplier partnership. Covid-19 increased the emphasis on the value conscious lever far more than the others. During the year under review, with tremendous profitability pressure many brands had a ruthless focus on cost reduction. This resulted in varying strategies from insourcing to different sourcing models focused on reducing taxation impact. These change in sourcing strategies impacted several suppliers who have been long term partners to these brands. The coming few years will continue to witness such moves from all QSR brands. Your Company will continue to explore every opportunity and figure out ways to operate effectively in this new normal.

On the other hand, brands have also realized the importance that their consumers are placing on trust, safety & hygiene. This will make them shift towards supply partners who can offer them innovative solutions both in terms of new products as well as standardized supply chain solutions. Your company has been a preferred partner for many customers and will strive harder to earn their trust.

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With the HoReCa segment under most stress, the new launched “TastyBite Xclusive” range is back on the drawing board. The company is reviewing the future of this range and will tweak the go-to-market strategy to meet the current realities.

The underlying risks and concerns that we see in the business:

- With the rise in packaged foods consumption in 2020, several new brands entered the market and competition for shelf-space has increased multi-fold. There always uncertainty whether the Company would be able to get its products listed in grocery stores. As new product reviews take place only once or twice a year any delay in getting listing could impact growth.
- The success of any product or category depends finally on consumer acceptance of the same and new launches may or may not be successful.
- Food Service customers have had a major dent in their revenue and profitability since the advent of Covid – 19. It is estimated that it will take anywhere from 18 - 24 months to resume normalcy.
- In the short to medium term, there would be immense pricing pressure from our food service customers as they seek lower cost options or discounts on existing products.
- We do not have any long - term contracts with our customers and they could stop purchasing from the Company with little or no notice period. This could negatively impact our revenues and profits.
- 2020 witnessed unprecedented commodity inflation and with Covid-19 impact on consumers earning capacity, it will be difficult to pass on cost increases to our customers.
- We have a robust forex risk management policy in place and it allows us to hedge movements in foreign currency exchange rates for a period of twelve months. However, we are exposed to risk of fluctuations in foreign currency on our export sales. As we are a net exporter, any long – term strengthening of the Indian rupee would have an adverse impact on our profitability.
- All our raw materials are agricultural commodities that sometimes see significant price volatility depending on weather and market conditions. While we do strategic purchases to hedge risk of key commodities, it would not cover all the raw materials that we purchase.
- We have one manufacturing facility for all our products of our consumer and food service business. Any untoward incident beyond our control can impact our ability to fulfill customer orders and our reputation.
- Our products are shipped globally and ocean freight forms a material portion of our total costs. 2020, witnessed a disruption in global supply chains and while freight costs increased multi-fold, reliability dipped to an all time low. This continues to be a challenge in 2021 as well. Some of these risks of ocean freight could impact the company.
- A few of our raw and packing materials are imported and have longer procurement lead times. Changes in exchange rates and any delays on import can impact production schedules and our ability to fulfill orders.
- Our insurance coverage may not be adequate to protect us against all potential losses to which we may be subject and this may have a material adverse effect on our business.
- We are eligible for various incentives from the Government on the export of value – added agricultural products. Any change on these policies that reduces these incentives could adversely impact our net income. We witnessed this in 2020 with the withdrawal of the MEIS export incentive and the government in yet undecided on the rates of the new scheme.
- Any shortcoming in the quality of our products could have a financial impact aside from impacting the reputation of the brand.
- We could be the subject of litigation, which if adversely determined, could harm our business and operating results.
- Any changes to import policies and taxes in the countries where we export our products could increase the cost of our products for our consumers which could impact demand.
- We need to invest in manufacturing facilities and physical infrastructure ahead of market demand given the long lead times in creating new capacity. Our profitability could be reduced if our business does not grow proportionately.
- With Covid – 19 pandemic across the globe, there’s a potential short to mid – term impact on the business due to labor availability, destabilized supply chains and demand shrinkage especially on the food service side of the business.



# Management Discussion and Analysis (Contd.)

## Result of Operations

Detailed category-wise performance of your Company for financial year 2020 - 21:

Business	*Revenue	Product	Key Markets	Customers
Consumer Business (RTE)	INR 3,011.3 Million (78.15% of total revenue)	Ready - to - Eat food (natural, convenient, ethnic or specialty food segment)	USA, Canada	Marketed through affiliates to retail customers
Food Service Business (FFP and Sauces)	INR 841.8 Million (21.85% of total revenue)	Formed Frozen Product and Specialty Sauces	QSRs, Cloud Kitchens within India and South East Asia	

\*Excludes other income

## Financial Performance of the Company

(INR in Million)

	FY 2020 - 21	FY 2019 - 20	Change %
Revenue from Operation	3,853.13	4,257.74	-9.50%
Other Income	189.76	290.56	-34.69%
EBITDA	727.65	737.22	-1.30%
Finance Cost	30.25	35.20	-14.06%
Depreciation & Amortization Expenses	171.65	168.48	1.88%
Income Taxes	132.33	124.92	5.93%
PAT	393.42	408.62	-3.72%

Your Company revenues de - grew by 11% over the previous year. The export business grew 9% on account of constant demand from US markets and touched a revenue of INR 3,011.3 million.

The Tasty Bite Food Service (TFS) business de - grew 44%, highly impacted by the pandemic since most of the QSR's were closed due to lock - down during first half of the year and dine - in restrictions continued for the whole of the year. Our Food Service Business (TFS) touched revenue of INR 841.8 million.

Overall revenue from both businesses touched INR 4,042.9 million including other income.

Material cost in the year decreased by 210 bps over previous year to 60.2% of revenue mainly on account of better yields driven by higher efficiencies and business mix impact. Your Company also took some strategic decisions to forward buy key organic commodities like urad, lentils, onions, rice and tomato paste.

While revenue dropped by 11%, stronger cost controls and increased efficiencies helped deliver an EBITDA of 18% (de-growth of 1.3% over the previous year).

During FY'21 Profit before tax (PBT) was INR 525.8 million as against INR 533.5 million in FY'20. Profit after tax decreased by 3.7% to INR 393.4 million from INR 408.6 million in FY'20.

Other comprehensive income records the remeasurement gains / losses on our defined benefit plan (gratuity) and the mark to market gain / loss on the effective portion of cash flow hedges taken by the Company to hedge its forex exposure, net of taxes. There was an actuarial gain, net of taxes of INR 0.3 million as compared loss of INR 6.4 million in FY'20 and mark to market gain, net of taxes on effective portion of cashflow hedges of INR 46.2 million as compared to loss of INR 84.6 million in FY'20.

## Financial Ratios

Ratio	FY 2020 - 21	FY 2019 - 20
Debtor Turnover Ratio	6.92	8.93
Inventory Turnover Ratio	5.98	7.85
Interest Coverage Ratio	18.38	16.20
Current Ratio	1.66	1.50
Adjusted Debt Equity Ratio	0.35	0.32
EBITDA Margin (%)	18.00%	16.20%
Net Profit Margin (%)	9.73%	9.00%
Details of any change in Return on Net Worth as compared to the immediately previous financial year along with a detailed explanation thereof	19.04%	25.00%

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## Sources and Uses of Funds

As at 31 March 2021, the Company had four long - term foreign currency loans - three from Japanese banks (two from Mizuho Bank Ltd. and one from MUFG Bank Ltd.) and fourth from Mars Nederlands with a total outstanding balance of USD 7.8 million (INR 567.6 million).

These loans have maturity of five to eight years with an interest cost of 3 months Libor + 0.90% on two loans, 3 months Libor + 0.75% on third loan and 2.2% fixed on loan from Mars Nederland's. The Company has entered into an interest rate swap (IRS) agreement with Japanese banks to convert the floating rate liability of these loans into a fixed rate liability. As at 31 March 2021, the IRS has a mark to market loss of INR 3.7 million.

During the year, the Company has taken a new loan from one of its affiliate entity namely Mars Nederlands BV for capex project of USD 5 million (INR 366.3 million).

During the year, the Company has also availed short term working capital borrowing in the form of packing credit in foreign currency from Mizuho Bank for meeting its working capital requirements, as at 31 March 2021 an amount of USD 6.8 million (INR 496.0 million) is outstanding.

Total net property, plant & equipment (including capital work - in - progress and Intangible assets) stood at INR 1,545.8 million vs INR 1,162.3 million in the previous year. Assets that were capitalized during the year (net of disposals) totaled INR 351.7 million.

## Supply Chain

As the Covid - 19 pandemic unfolded in FY 2020-21, food supply chains across the world and India had to adjust rapidly to demand-side shocks as well as supply side disruptions caused by labour shortage, lockdowns and unreliable logistics. On the demand side, your Company experienced a huge drop in food service demand resulting in inventory management issues like expiry threats, slow-moving/non-moving inventory, exposure to longer-term contracts. While on the RTH business, the demand went up because of panic buying resulting in shortage and other kinds of challenges. This coupled with lockdowns, migrant labor moving back to their villages, imbalance in global trade with container shortages and increased freight rates to increase was like a perfect storm for supply chain teams.

Our supply chain teams and supplier partners response to this unprecedented challenge was exemplary. Scenario based planning and recalibration our supply chain strategies to the address on-ground realities ensured that production lines were kept running while causing minimal financial risk to the

company. There are several learnings from FY 2020-21 which will help your Company to build an even more robust and resilient supply chain.

## Quality

The Company's stated mission for quality is to "rise beyond certifications". Consequently, the Company's own Quality Management system is designed to ensure Excellence in Quality which spans our entire business defining quality requirement for design, procurement, manufacture, sales and distribution, and listening and responding to the voice of the consumer and customer. The Company is committed to manufacture high quality products, while ensuring highest standards in food safety, in full compliance with all legal and regulatory requirement in the markets in which our products are sold.

In keeping with industry requirements, the Company continues to be certified for the following certifications:

- ISO - 14001:2015 (Environmental Management Systems)
- ISO 45001 (Occupational Health and Safety)
- FSSC 22000 v5 (Global Standard for Food Safety System Certification)
- USDA Organic and India Organic
- Kosher
- Halal

The Company also adheres to the highest levels of compliance with CT - PAT (Customs Trade Partnership against Terrorism) standards, which gives the company an advantage for smooth exports to US, our most important market.

## Human Resources

During the year under review, industrial relations of the Company continued to be cordial and peaceful. Total personnel employed by the Company are 265 as on 31 March 2021. Covid-19 caused tremendous level of fear, uncertainty and anxiety amongst everyone. Work from home became a new norm and employees had to juggle with home responsibilities in addition to office work. All this coupled with social isolation, disrupted work and family routine, economic instability meant negative impact on the mental health of many people. Given this uncertainty, your Company focused on several employee engagement activities during this period. Frequent calls to employees to check on their well-being, e-learning programs, stress buster activities and roll-out of new benefits and flexible work policies helped the Company ease the stress. Thanks to all these efforts, we were delighted that your Company was able to retain its "Great Place to Work - Certified (2020-2021)" certification



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for building a High - Trust, High - Performance Culture™ for 7 years in continuation. Additionally, your Company was once again recognized as “India’s Top 100 Best Places to Work for Women 2020”. Great Place to Work® Institute assessed 852 Great Place to Work® Certified organizations through an objective and rigorous workplace culture assessment process to identify India’s Best Workplaces for Women 2020. Just 516 organizations met the eligibility criteria: 1) Women form at least 10% of the overall workforce in the organization & 2) at least 70% of women employees shared positive feedback in the Trust Index© survey conducted by Great Place to Work® and we are proud to be recognised amongst these best 100 organisation. The Company has also received a special honour for its: “Commitment to Being a Great Place to Work”.

### Compliance, Finance, Accounts and Internal Financial Controls

Finance and accounting teams work with all the other functions to continually increase the intrinsic value of the business and institute strong and effective financial and management control systems in day to day operations.

The Company has a comprehensive ERP system to manage its operations and record its financial transactions. It has implemented additional system tools to manage stores, spares and consumables procurement that also ties in with the ERP system.

Your Company attaches significant importance on frequently testing internal control systems, risk assessment and management of operating risks. These risks are actively managed by the Management Committee through various committees and strong internal processes. This internal control structure also has considerable oversight and is monitored by an external set of auditors, both statutory and internal. Your Company’s internal controls are commensurate with the nature of the business and size and complexity of its operations.

Some significant aspects covered in the internal control framework includes:

- Standard Operating Procedures and Risk Control Matrix for all business processes to ensure effective internal financial controls;
- Oversight by an Audit Committee carried out by an experienced and qualified firm of Chartered Accountants;
- End to end integration of ERP system across supply chain, manufacturing and sales processes;
- Review and approval of annual operative and capital expenditure budget and monthly monitoring of actual spends;

- Regular review of key business risks such as new product development, foreign exchange management, commodity risk management, financial reporting;
- Legal framework w.r.t. compliances applicable to the Company. Company has implemented compliance tool in factory and head office;
- For overall supervision of controls, your Company has a Management Committee (MCom) to take key business decisions.

The statutory auditors have also issued a clean report on internal controls of the Company. The Audit Committee and Independent Directors have also provided satisfaction over internal controls of the Company.

### Sustainability

The Company focuses on being a sustainable food manufacturer through conserving water (through installation of ‘in – ground rainwater harvesting’ system) and reducing its carbon footprint (through use of renewable energy). All of its steam generation is done using compacted agricultural waste (briquettes). The Company continues to focus on using renewable sources of electricity in financial year 2021, 16% of its energy requirement came from wind, 6% from solar and 0.5% from biogas. The biogas facility converts its organic waste into electricity and powers the effluent treatment plant, water treatment plant and the research center. Monitoring and conservation of power and water is inbuilt into company processes. It also uses simple techniques such as crop rotation, use of natural fertilizers and pest control methods and green composting in its organic farm. Moreover, several initiatives have been undertaken by the Company towards improvement of air, soil and water quality in its eco system.

Your Company continues to remain strongly committed towards building a sustainable supply and manufacturing chain. Several of the United Nations Sustainable Development Goals where the Company can directly contribute as part of its business model have been adopted. Some of these include Good Health, Quality Education, Gender Equality, Innovation & Infrastructure, Reduce Inequalities, Sustainable Cities and Communities, Clean Water and Sanitation, Renewable Energy, Economic Growth and Responsible Consumption.

### Corporate Social Responsibility

As per Section 135 of the Companies Act, 2013, a company, meeting the applicability threshold, needs to spend at least 2% of the average profits for the immediately three preceding financial years on Corporate Social Responsibility (CSR) activities. For fiscal year 2020 - 21, the Company was required to spend INR 9.8 million on CSR.

## Management Discussion and Analysis (Contd.)

Detailed CSR report is annexed to this Boards' Report as "Annexure E".

### Cautionary Statement

Statements in Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be "forward looking statements" within the meaning of applicable securities law and regulations. Actual results may differ materially from those expressed or implied. Important factors that could make a difference to results include economic conditions affecting demand / supply, price conditions in domestic and overseas markets in which the Company operates, competitive pressures in these markets, changes in government regulations, tax laws and other statutes and incidental factors.

### Appreciation

Your Directors wish to express their sincere appreciation for the co - operation received from the banks, government authorities, customers, vendors and suppliers during the year under review.

Your Directors also would like to acknowledge the contribution of its parent, Preferred Brands International Inc. in the role of the marketing company in growing and developing the business in all international markets.

Your Directors also wish to place on record their deep sense of appreciation for the significant contribution made by each & every employee of the Company.

The Directors are also thankful to all stakeholders for their continued patronage.

For and on behalf of the Board of Directors

Date: 15 May 2021

Place: Pune

**Ashok Vasudevan**

*Chairman*

DIN: 00575574

