

25TH
ANNUAL REPORT
2018-2019



GRM OVERSEAS LIMITED

25th ANNUAL GENERAL MEETING

Day : Monday
Date : 30th September, 2019
Time : 11:00 AM
Venue : MH One Resort Hotel
Bakoli Alipur,
Main G.T. Karnal Road,
Delhi-110036

M/s Devesh Arora and Associates.
(Secretarial Auditor)

CA Mohit Arya
(Internal Auditor)

CONTENTS	PAGE NO.
MDA	1
Board Report.....	7
Secretarial Audit Report.....	24
Corporate Governance.....	32
Standalone Audit Report & Financial Statement.....	52
Consolidated Audit Report & Financial Statement.....	87

BOARD OF DIRECTOR

Mr. Hukam Chand Garg
Chairman - Non Executive Director
Mr. Atul Garg
Managing Director
Mrs. Mamta Garg
Executive Director
Mr. Nipun Jain
Executive Director
Mrs. Kiran Dua
Independent Director
Mr. Raj Kumar Garg
Independent Director
Mr. Vishnu Bhagwan
Independent Director
Mr. Gautam Gupta
Independent Director
Mr. Rattan Lal Mittal
CFO

BANKERS

1. State Bank of India
2. Union Bank of India
3. Yes Bank Ltd.
4. Kotak Mahindra Bank Ltd.
5. IndusInd Bank Ltd.

AUDITORS

Vinod Kumar & Associates
Chartered Accountants
F.R.No. 002304N

REGISTERED OFFICE

GRM OVERSEAS LIMITED
128, First Floor, Shiva Market
Pitampura, Delhi - 110 034.

WORKS

1. GRM OVERSEAS LIMITED

Gohana Road, Panipat - 132 103
(Haryana)

2. GRM OVERSEAS LIMITED

Vill. Naultha, Dist. - Panipat-132 103
(Haryana)

3. GRM OVERSEAS LIMITED

328-329, GIDC ESTATE, NER MID INDIA
GANDHIDHAM ROAD, MITHIROHAR TALUKA,
GANDHIDHAM, KUTCH, GUJARAT.

REGISTRAR & SHARE TRANSFER AGENTS

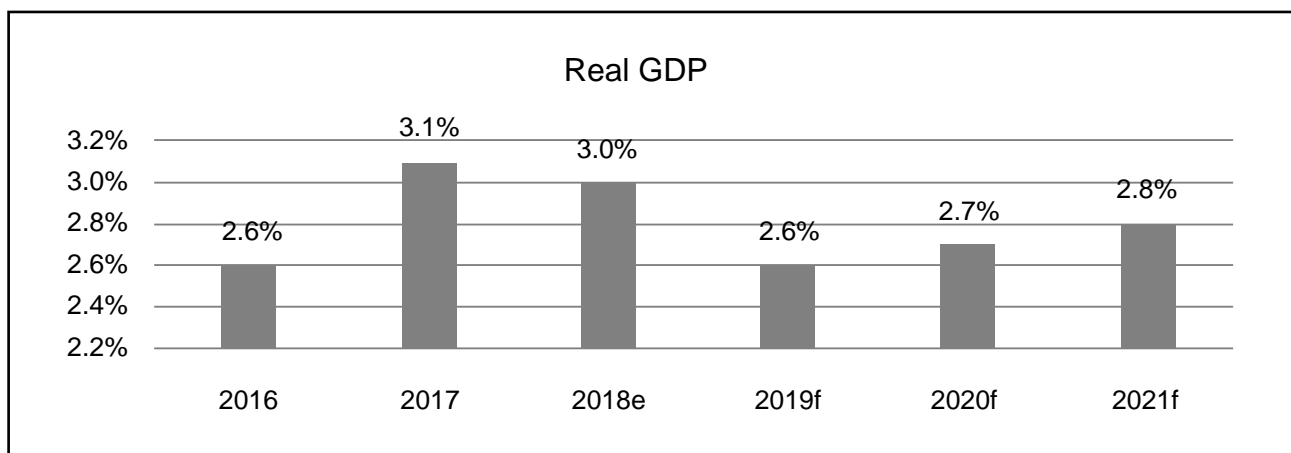
ABHIPRA CAPITAL LTD.

BH - 1, Abhipra Complex,
Dilkush Inds. Estate,
A-387, G.T. Karnal Road,
Azadpur Delhi - 110 033

**Management Discussion & Analysis****Economic Outlook****Global Economy**

After strong growth in 2017 and early 2018, global economic activities weakened and momentum remained fragile during the last few months. A subdued recovery in investment growth in emerging markets dampened potential growth prospects and hampered progress towards achieving sustainable development goals. Major economies around the world are experiencing a downside risk to growth led by factors such as build-up of government debt, increasing trade tensions and contracting manufacturing production.

With weaker than expected international trade and investments globally, growth in 2019 has been downgraded to 2.6% and projected to gradually rise to 2.8% by 2021 reflecting the broad-based weakness experienced during the first half of 2019, including a further slowing in investments amid rising trade tensions.

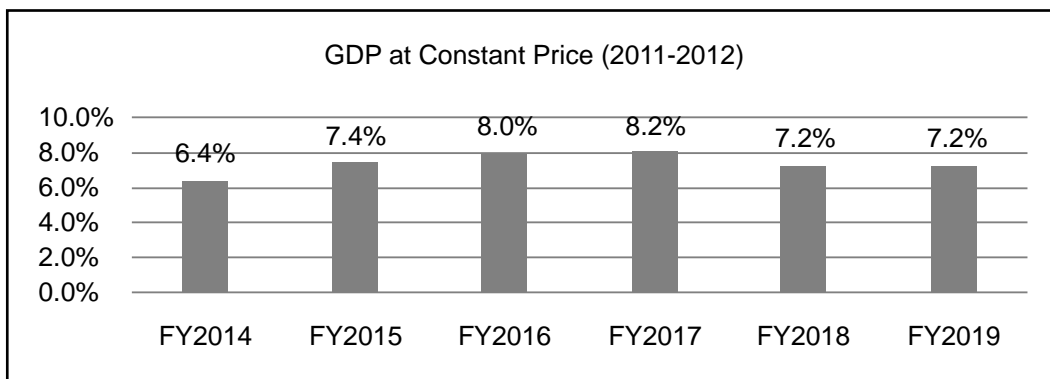


Source: Global Economic Prospects, June 2019)

Indian Economy

During the last five years, the growth rate of India's real GDP has increased from 6.4% in FY2014 to 7.2% in FY2019 with an average growth rate of GDP 7.7%. The macro-economic environment has improved significantly, inflation is contained, fiscal consolidation is on the right path and foreign investment flows are growing significantly.

Urban consumption has been increased supported by a pickup in credit growth, whereas rural consumption was stalled by soft agricultural prices. On the production side, robust growth was broad-based, with a slight moderation in services and agricultural activity accompanied by an acceleration in the industrial sector. However, agricultural production remains subdued due to lower than expected harvest in major crops due to less rainfalls. Service sector growth softened mainly due to weaker momentum in trade, hotel, transport, and communication activity.



Source: MOSPI



The growth in 'Agriculture & allied' sector was lower in 2018-19 at 2.9%, after two years of good agriculture growth. Acreage in 2018-19 for the Rabi crop was marginally lower than last year, which affected agricultural performance. The contraction in food prices may have contributed to inducing farmers to produce less. According to Ministry of Agriculture & Farmers Welfare, the total production of food grains during 2018-19 is estimated at 283.4 million tons, as compared to 285 million tons.

Regulatory Updates

The Government has set a target of doubling of farmers' income by the year 2022 through seven sources of income growth viz, improvement in crop productivity, improvement in livestock productivity, efficient use of resources, increase in cropping intensity, diversification towards high value crops, increase in real prices received by farmers and shift from farm to non-farm occupations. The Government has rolled out several initiatives including progressive market reforms, encouraging contract farming, introduction of GraminHaats for effective trading platform, distribution of Soil health Cards to rationalize fertilizers use. Moreover, the Government also introduced many farmer welfare programs such as PradhanMantriKrishiSinchayeeYojana, PradhanMantriKisanSammanNidhi and extended many existing welfare programs such as PradhanMantriFasalBimaYojana and Kisan Credit Card.

Giving a major boost for farmers' income, the Government has approved the increase in the minimum support price for all Rabi and Kharif crops for 2018-19 season at the level of at least one and a half times of cost of production.

In the Union Budget 2019, the Ministry of Agriculture and Farmers' Welfare has seen the highest increase in allocation for 2019-20. Its allocation is set to increase from Rs 75,753 crore as per the revised estimate of 2018-19, to Rs 1,38,564 crore in 2019-20 (82.9% increase). This is primarily on account of the Income Support Scheme (PM-KISAN) which was announced in the 2019-20 interim budget. Rs 75,000 crore has been allocated towards the scheme in 2019-20 and Rs 20,000 crore in the revised estimate of 2018-19. While fertilizer subsidy allocation increased from Rs 70,090 crore to Rs 79,996 crore, innovative pilots of 'zero budget farming' will be replicated across the country to reduce fertilizer dependency.

Global Rice Overview

Global rice production in 2018-19 is projected at a record 495.9 million tons (milled basis), while in 2019-20 it is forecasted to rise to 497.8 million tons. Bangladesh, Madagascar, Nepal, Sri Lanka, Thailand, the United States, Vietnam account for most of the 2018-19 global production increase.

According to Food and Agriculture organization (FAO), in Asia, the aggregate rice output is expected to rise in 2019. A large proportion of this increase is expected to come from India, where increased minimum support prices by the Government and large Government purchases are likely to boost plantings. Similarly, the outputs are expected to increase in Bangladesh, Indonesia, Sri Lanka and Thailand. In China, the 2019 rice production is expected to decrease for the second consecutive year, reflecting expectations of area contractions as farmers replace some paddy cultivation with more profitable crops, including soybeans.

In Latin America and the Caribbean, the 2019 aggregate rice production is expected at 17.4 million tons, a decline of 7%YoY and well-below the past five-year average. In Africa, the aggregate 2019 rice output is forecast at 20.6 million tons, down 6%YoY. In the US, 2019 rice production outlook is negative, where poor pricing prospects are anticipated to result in output falling by 2.5% to 6.9 million tons.

Whereas global rice consumption (including a residual component) in 2018-19 is forecasted at a record 490.3 million tons, 2% larger than a year earlier. China, Nepal, Philippines, the United States, and Venezuela account for most of the upward revision in global consumption and residual. In contrast, consumption and residual forecasts were lowered for Brazil and Nigeria.

Indian Rice Exports Overview

Basmati Rice

Basmati rice production in FY2018-19 was estimated lower at 8.2 million tons (1.8 million hectares) compared to 9.0 million tons (1.9 million hectares) in the previous year due to weak and late seasonal monsoon. Consequently, Basmati prices in FY2018-19 have been very strong (15-20%) compared to last year, supporting farmers' overall returns from the crop. Consequently, FY2019-20 Basmati rice production is forecasted higher at 9.5 million tons



from 2.0 million hectares, considering normal 2019 monsoon and weather conditions.

India's basmati rice exports increased to \$4.71 billion in 2018-19 as compared with \$3.20 billion in 2016-17. In volume terms, the exports increased to 44,14,605 tons in 2018-19 from 39,85,210 tons. In basmati rice exports, India competes with Pakistan, while in non-basmati rice exports rivals are Thailand, Vietnam and Myanmar.

Due to increase in the area under cultivation, the US sanctions on Iran (the largest buyer of India's aromatic rice) and phytosanitary issues with the European Union basmati rice prices softened recently.

The major market for India's basmati rice exports are as follows:

Export of Basmati Rice

COUNTRY	2016-17		2017-18		2018-19		2019-20 (Apr-May)	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
IRAN	716582	564.28	877420	904.73	1483697	1556.17	333079	364.09
SAUDI ARAB	809344	671.08	792480	829.61	867741	938.91	171738	183.22
IRAQ	453741	337.32	429965	435.52	385732	399.43	56760	56.95
U ARAB EMTS	614659	467.66	429324	437.66	282375	297.62	35131	39.50
YEMEN REPUBLC	130652	103.28	167687	161.04	201926	209.95	41352	43.06
KUWAIT	162674	149.37	166873	177.91	154745	177.11	31275	32.57
U S A	108992	112.17	126792	149.01	135605	168.74	25135	31.30
U K	150537	101.55	180509	159.17	111924	106.08	14349	13.94
OMAN	83151	75.48	78085	89.64	87832	96.61	13771	15.63
QATAR	81961	72.47	81101	82.08	73569	76.08	18126	18.26
OTHER COUNTRIES	672917	553.92	726611	743.19	629459	685.75	123312	133.68
TOTAL	3985210	3208.60	4056847	4169.56	4414605	4712.44	864028	932.20

Source: Ministry of Commerce & Industry, Department Of Commerce

Non-Basmati Rice

In 2018-19, non-basmati rice exports fell to 7.5 million tons from 8.8 million tons in the previous year. In value terms, the shipments fell to \$3 billion during 2018-19 from \$3.63 billion in the previous year. The country exports non-basmati rice to mainly Bangladesh, Nepal, Benin and Senegal, and premier basmati rice to Iran, Saudi Arabia and Iraq. Recent increase in minimum support price (MSP) for paddy, coupled with strengthening rupee against the dollar and phytosanitary issues with the European Union have turned the Indian rice expensive in the world market, hurting the non-basmati rice shipments.

Company Performance

Continuing with strong momentum gained during last few years, GRM Overseas has reported another successful year with improved operational performance. Consolidated net sales for FY2019 increased by 17.5% to Rs. 11,091 million as compared to Rs. 9,442 million in FY2018. However, EBITDA for FY2019 declined by 1.1% to Rs. 346 million as compared to Rs. 350 million in FY2018. PAT for FY2019 was Rs. 91 million as compared to Rs. 119 million in FY2018. Profitability for the year was impacted by consolidation of the UK subsidiary's losses.

Business Segment Updates

During the year, the Company has implemented various strategic initiatives to step forward and revamp its business from traditional private label rice exporter to a brand offering superior quality basmati rice as well as specialized rice varieties. As a strategy to make inroads for its own brands of basmati rice, the Company's agreement with TESCO UK marked presence of its own brand of basmati rice 'Himalaya River' in 220 TESCO stores across UK.

With a strategy to increase presence in Middle East, the Company has formed a strategic alliance with MAN Consumer, one of the fastest growing FMCG distributors in the United Arab Emirates (UAE). This alliance will enable the distribution of GRM's own brand of basmati rice 'Tanoush' across 22 Carrefour hypermarket stores in the UAE.

Moreover, the Company has launched its own branded basmati rice in the key regions such as Delhi/NCR, Madhya Pradesh, Maharashtra and West Bengal with an aim to expand its domestic presence. GRM products



have shown good market acceptance and going forward it looks forward to expanding into many more regions across India.

Inline with GRM's strategic plan to expand capacity and develop a warehouse closer to the Mundra port to augment exports, the Company acquired an additional manufacturing facility in Gandhidham, Gujarat. The newly acquired facility has increased its processing capacity substantially by 800 tons per day. Additionally, a storage capacity has been developed by 1,00,000 sq. ft. at Gandhidham (at adjoining plot). The strategically located facility near the Mundra port will lower lead times for export order deliveries thus improving efficiency and productivity in the business cycle. With this acquisition, GRM Overseas is well positioned to make timely dispatches to meet growing export demand with improved margins (as processing facility is in-house now).

Strong Relationship with Farmers

GRM has a well-established network and long-standing relationships with farming community, mandis and brokers. This is further boosted by proximity to key rice cultivation zones. This results in an efficient, streamlined and integrated procurement process.

Facilities & Infrastructure

GRM has three milling plants equipped with advanced technology, each with a capacity of 20 tons per hour. In addition, the Company has recently acquired manufacturing facility in Gandhidham, Gujarat with a processing capacity of 800 tons per day for shipments from Mundra port.

In addition, the Company also has well-equipped labs with machinery of international caliber and include moisture meters, lab de-huskers, electronic Vernier Calipers, precision electronic weighing scales, paddy separator and lab-polishers.

The Company is equipped with the comprehensive systems that ensure ongoing fumigation, optimal moisture & humidity and protection from all forms of infestation

Research & Development

GRM has strong in-house R&D team with focus on developing unique ready to eat rice recipes and health foods that appeal to the International markets and continuously reinvent and upgrade its product basket in line with market trends.

Sales & Distribution

GRM Overseas has sales offices in India, the UK and USA with an objective of increase Company's market share in those markets. The Company's market share is continuously increasing with ongoing marketing efforts for its brands of basmati rice. These efforts will also be crucial in growing our newer business segments of healthy ready to eat foods, organic products, quinoa and seeds, etc. These select products of the Company are experiencing strong demand in the western markets and are anticipated to grow rapidly in the near term.

Ratio Analysis of consolidated financial statements

Ratios	FY2018	FY2019
Operating Profit Margin (%)	3.5%	3.1%
Net Profit Margin (%) ¹	1.3%	0.8%
Interest Coverage Ratio (x)	2.2x	2.1x
Return on Net Worth (%) ¹	21.9%	14.9%
Debt / Equity (x)	5.4x	5.7x
Current Ratio (x)	1.1x	1.1x
Inventory Turnover (x)	23.5x	5.7x
Debtor Turnover (x)	4.9x	4.0x

1. Impacted by consolidation of the UK subsidiary's losses
2. Impacted by higher raw material prices and stock of finished goods

**SWOT Analysis****Strengths**

- More than 40 years' experience in the agri-food industry
- Expanded exports to 8 new countries. Leading exporter to gulf region, with a global footprint expanding rapidly
- State-of-the-art facilities with collective capacity of 1300 MT per year to cater growing domestic and international demand
- Well established distribution network
- Tie-up with reputed customers like ASDA (Walmart UK), T.J. Morris and B&M in the UK; Albert Heijn in Holland and Metro in Poland and Carrefour in the UAE
- Agreement with TESCO UK places 'Himalaya River' basmati rice which is available in 5kg and 10 kg pouches in around 220 TESCO stores across the UK
- Superior product quality, consistent supply and competitive pricing

Weakness

- Rice production is strongly dependent on weather conditions, rainfall and other climatic conditions
- Weather, disease and pests affect both the quantity and quality of rice produced
- Due to required aging of rice to enhance and maintain quality takes quite some time, the working capital requirement is higher

Opportunities

- GRM making increasing efforts towards its own brand development, as it allows for differentiation in a rice industry, makes way for greater market acceptance, and imparts ability to develop a pricing premium in the long term. The Company has launched own branded products in European retailers and is focused on expanding sales of own branded products to newer geographies
- Recently acquired manufacturing facility in Gandhidham, which is in proximity to the Mundra port, provides opportunity to focus on operationally efficient export oriented production and helps to support to augment exports
- The future of Basmati is very bright in India. Indian consumption is only around 20% of basmati production in the country. As per capita income in India grows, domestic market will further see growth in Indian market. It offers an opportunity of growth in sales by double digits for next 10 years
- There are a very few nation-wide players and being in a niche segment like basmati rice and have other speciality rice like red rice, organic rice, brown rice etc., we find a good opportunity therein.
- GRM is expanding business in India to serve General Trade, Modern Trade and Horeca. Recent tie-up with MAN consumers, Dubai to promote in-house brands makes the growth coming from everywhere

Threats

- Recessionary trend in the global economy and increasing trade barriers in the international markets impacts demand adversely
- In Basmati rice exports, India only competes with Pakistan. With increasing competition from Pakistan may impact India's dominance in the global Basmati market
- Competition from domestic unorganized sector players who accounting for nearly half of the Basmati market, pose a threat to the large organized players like GRM, particularly in general trade

Disclosure of Accounting Treatment

In the preparation of the Annual Accounts for the year ended March 31, 2019, the Company has followed the applicable accounting standards.

Outlook

Going forward GRM is focused on scaling up its newer business segments to augment growth in international and domestic markets and by selling branded basmati rice across Middle East, Europe, North America as well as the



domestic market. With dedicated efforts to promote its own branded products, specialized products like red rice, black rice and other indigenous varieties and value-added products like organic rice products, ready to eat products, etc., the company is aggressively targeting additional market share with focus on growth in the international markets. In addition, GRM also aims at increasing its presence in more cash & carry / retail chains/stores in the domestic market to increase sale of its branded basmati rice. The Company has strong fundamentals, longstanding relationships with its customers, vendors and stakeholders and is fully committed to operational excellence and implementing effective financial controls across the organization.

Cautionary Statement

The document contains statements about expected future events, financial and operating results of GRM Overseas Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of GRM Overseas Limited's Annual Report, FY2019.


BOARD REPORT

TO,
THE MEMBERS,
GRM OVERSEAS LIMITED

Your Directors have great pleasure in presenting their 25th Annual Report together with the Audited Accounts of the Company for the Year ended March 31, 2019.

	Standalone		Consolidated	
Particular	As at the end of current reporting period	As at the end of previous reporting period	As at the end of current reporting period	As at the end of previous reporting period
Revenue from Operations	10,70,63,06,673	9,24,96,03,328	11,09,05,02,975	9,44,15,30,171
Other Income	1,45,06,142	Nil	1,45,06,142	7,15,464
Total Income	10,72,08,12,815	9,24,96,03,328	11,10,50,09,117	9,44,22,45,635
Operating Expenditure	10,28,96,47,072	8,90,09,98,032	10,74,42,29,981	9,09,15,38,493
Earnings before Interest, Tax, Depreciation and Amortization (EBITDA)	43,11,65,743	34,86,05,295	36,07,79,135	35,07,07,142
Depreciation and Amortization Expenses	2,15,43,424	2,02,60,505	2,15,85,054	2,02,88,503
Finance Costs	15,84,68,063	14,73,84,780	15,98,69,456	14,75,51,767
Profit before Exceptional Items and Tax	25,11,54,256	18,09,60,010	17,93,24,626	18,28,66,871
Exceptional Items	Nil	Nil	Nil	Nil
Tax expense				
Current Year	8,94,36,859	6,35,33,795	8,93,23,281	6,36,32,291
Deferred Tax Credit	(7,37,089)	6,71,942	(7,37,089)	6,87,902
Mat Credit Entitlement	Nil	Nil	Nil	Nil
Profit After Tax (PAT)	16,24,54,486	11,67,54,273	9,07,38,433	11,85,46,678
Other Comprehensive Income	Nil	Nil	Nil	Nil
Total Comprehensive Income for the year	16,24,54,486	11,67,54,273	9,07,38,433	11,85,46,678
Balance as per the last Financial Statements	57,03,95,268	40,79,40,782	47,80,68,715	40,96,92,291