

The background features a large, faint clock face with Roman numerals. In the center, a bright, glowing sun or light source is partially obscured by a dark, smoky cloud. In the foreground, a muscular, winged figure (an angel or cherub) is depicted in a dynamic, flying pose. The figure has large, golden-brown wings and is holding a pair of golden scales of justice. The figure's body is lit from below, creating a strong contrast with the darker background.

IN TIME'S SHADOW LIES OPPORTUNITY

HINDUSTAN FOODS LIMITED

36th ANNUAL REPORT

2020-21



The cover shows Kairos, the youngest son of the God Zeus who is also the Greek God of opportunity, luck and favourable moments. Kairos is young & beautiful and standing on tiptoe, running, with wings even on his heels. He holds a pair of scales, balanced on a sharp edge, ready to run after, and catch, the opportunity before it disappears.

We selected Kairos as the graphic on the cover this year for a simple reason. At Hindustan Foods Limited (HFL), we believe this is our Kairos year – a period where we seized multiple opportunities that came our way. The hourglass placed on the back cover further emphasises the essence of seizing on the opportunity and striking it at the right time. For we know, it's about getting the timing right and that everything has its time.

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Investor Information

- ▶ Market Capitalisation : Rs. 4,472.58 cr as at March 31, 2021
- ▶ CIN : L15139MH1984PLC316003
- ▶ BSE Code : 519126
- ▶ NSE Symbol : HNDFDS
- ▶ Bloomberg Code : HFD:IN
- ▶ AGM Date : September 23, 2021
- ▶ AGM Day : Thursday
- ▶ AGM Mode : Video Conferencing (VC) and Other Audio Visual Means (OAVM)

An electronic version of this Report is available online at:
<https://www.hindustanfoodslimited.com/annual-reports.php>

Scan this QR code to navigate investor-related information



Cautionary Statement Regarding Forward-Looking Statement

This document contains statements about expected future events and financials of Hindustan Foods 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 a significant risk that the assumptions, predictions and other forward-looking statements may not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as several 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 Discussion and Analysis section of this Annual Report.

IN TIME'S SHADOW LIES OPPORTUNITY



What is time? Is it just a unit of measurement (a minute/an hour/a day/an year) or is it something more? If Time is the same for all, what is **The Right Time**? When does time become the right moment when something happens...

The ancient Greeks had two Gods for time – brothers Chronos and Kairos. While Chronos refers to chronological time, Kairos stood for the opportune time for action. When Chronos suggested quantitative time, Kairos laid a thrust on qualitative time. Kairos is, thus, revered in Greek mythology as the mythical God of Opportunities. He is the personification of the **RIGHT TIME**.

As shown in the cover, Kairos is a striking figure with a long lock of hair hanging down from his forehead, wings on either side of his legs, always standing on tiptoe, ready to fly with the wind. His looks stand out with a message. The hair on his forehead covers his

face, not allowing people to recognise him easily. The message is loud and clear – no opportunity is easily recognisable, particularly when it comes in times of a chaos. In addition to the difficulty in recognising him, he is also fleet-footed with extra wings on his legs – denoting if you are unable to hold on to him, the **RIGHT TIME** is lost.

The Kairos rhetoric perfectly fits us this year, as we identified and embraced the opportune 'KAIROS moment' in the veil of the chaos of the pandemic. And given our history in the Contract Manufacturing space, complimented by our experienced management team, we were nimble enough to grab the opportunities.

It is Kairos who guided us to stay the course, grab the time and turn it to our favour, because we believe, **In Time's Shadow Lies Opportunity**.

EMBRACING OPPORTUNITY

Opportunity doesn't come knocking. One must prepare for it using strong foresightedness and recognise using sharp vision in the first place. And then must pursue it with undeterred determination before it passes away. The key here is being prepared and seizing when it comes our way, even if not entirely ready then. The year that went by was a testimony to how at Hindustan Foods Limited, our customer-centric business model and the excellent team kept us prepared. It helped us embrace every opportunity and made way for our success through hard work and resolve.

Last year was challenging in the retrospective of the pandemic. Despite the various lockdowns and other strict Government restrictions and regulations in different cities, we, at Hindustan Foods Limited, had an exceptional year. We clocked in healthy growth across our financial and operational metrics, posting our best-ever financial performance. With constant support from our Customers, a solid all-around working team, dedicated management and our decentralised manufacturing strategy, we have been able to welcome every opportunity that came our way with both our hands – making the most of it.

Numbers that Transpired from Opportunities

Rs. 1,389 cr
Total Revenue

Rs. 375 cr
CAPEX

Rs. 86 cr
EBITDA

Rs. 224 cr
Net Worth

Rs. 36.5 cr
PAT

EVOLVED WITH TIME



Recognised as India's most diversified and trusted Fast Moving Consumer Goods (FMCG) Contract Manufacturer for domestic and international brands, Hindustan Foods Limited ('HFL' or 'the Company' or 'we') is a pioneer in the FMCG industry. We offer a comprehensive range of products through assiduous and flexible business models suitable for businesses of any size and different product categories – making us the preferred choice. We are a one-stop shop for all Contract Manufacturing solutions with dedicated teams to meet the requirements of every Customer– whether it is an insurgent brand or a disruptor brand or even an established one. Set up in 1988, today, HFL is spread across India with 11 manufacturing facilities and a marquee clientele.

VISION

To become India's largest FMCG Contract Manufacturer, diversified across product categories and geographies

MISSION

To provide world-class solutions for the FMCG industry in the areas of product innovation, manufacturing, and distribution

11

Sites

30+

Years of Experience

3 Mn+

Lives Touched Daily

2,400+*

Strong Team

*Direct & Indirect

SHAREHOLDING PATTERN



Promoters and Promoters' Group

62.62%

Alternate Investment Funds (AIF)

7.21%

Investors (FPI)

10.07%

Bodies Corporate

6.04%

Public

14.06%

JOURNEY THROUGH TIME

HOW WE GREW TO TAP THE OPPORTUNITIES

At HFL, we believe success is what we make of it. All these years, we have believed in seizing opportunities at the right time. We have relentlessly focussed on creating our path, acted on our goals to leave a trail without waiting for things to happen on their own. Over the last three decades, we have touched millions of lives, surpassing our expectations with every passing year. What started as a joint venture to manufacture and supply a single product from a single plant has now shaped into a gigantic group of diversified FMCG Contract Manufacturers. Let us witness our journey through the time below:

2016-17

- ▶ Acquired the shoe manufacturing unit of Ponds Exports Ltd. from Hindustan Unilever Ltd. and started manufacturing for legacy Customers like TBS, Gabor, and Richter, among others. Added Steve Madden, US Polo, Hush Puppies and Arrow, to the portfolio

2015-16

- ▶ Raised capital through the Company's Promoter and Non-promoters, which included Sixth Sense Ventures

2013-14

- ▶ Sealed an agreement with Danone and PepsiCo to manufacture and supply food products from their Goa facility

2017-18

- ▶ Acquired Reckitt's plant in Jammu and entered a manufacture and supply agreement for their brand 'Mortein'

2018-19

- ▶ Commenced the merger of the detergent powder manufacturing Hyderabad unit into HFL (completed in 2019-20)
- ▶ Acquired a Mumbai-based shoe manufacturing unit
- ▶ Commenced production at the Coimbatore plant for blending and packaging tea, coffee and soups

2019-20

- ▶ Raised equity through the Convergent Group and the Sixth Sense Ventures
- ▶ Acquired more than 40% stake in ATC Beverages Private Ltd., Mysuru, engaged in the business of manufacturing and distribution of soft drinks, juices, energy drinks, and other beverages
- ▶ Commenced production of liquid detergent at a manufacturing unit in Hyderabad
- ▶ Acquired Immovable and Movable properties at Silvassa Masat and Piparia from the Related Party
- ▶ Invested towards setting up Liquid Floor Cleaners and Toilet Cleaners manufacturing facilities at Silvassa
- ▶ Commenced merger of Malted Beverages packing unit in Coimbatore for GSKCH (now HUL) and ATC Beverages Private Ltd. into HFL

2020-21

- ▶ Established a disinfectant toilet cleaner plant and surface cleaner plant in Silvassa for Reckitt
- ▶ Commenced the project for manufacturing bath soaps and detergent bars in Hyderabad
- ▶ Set-up a wholly owned Subsidiary Company namely HFL Consumer Products Private Limited

2021-22

- ▶ Commenced work for the Greenfield F&B plant in Uttar Pradesh through its wholly owned Subsidiary Company



WE FOUND OPPORTUNITIES IN



HOME CARE

Fabric Care

- ▶ Liquid Detergents
- ▶ Detergent Powder
- ▶ Fabric Conditioners

Home Care

- ▶ Surface Cleaners
- ▶ Glass Cleaners
- ▶ Toilet Cleaners
- ▶ Liquid Dish Wash

Pest Control

- ▶ Coils
- ▶ Aerosols
- ▶ Liquid Vaporisers
- ▶ Mosquito Mats
- ▶ Activ Cards



PERSONAL CARE

Hair Care

- ▶ Shampoos, Hair Oils & Hair Foods
- ▶ Hair Gels & Hair Creams

Toiletries & Fragrances

- ▶ Talcs, Shaving Creams
- ▶ Hand Wash

Baby Care

- ▶ Creams, Shampoos & Lotions
- ▶ Hair Oils & Powders

Skin Care

- ▶ Body Lotions, Moisturisers & Creams
- ▶ Petroleum Jelly
- ▶ Shower Gels, Face Wash & Scrubs
- ▶ Body Scrubs & Wipes
- ▶ Dusting Powder



FOOD AND BEVERAGES

Extruded Cereals & Snacks

- ▶ Breakfast Cereals
- ▶ Instant Porridges
- ▶ Rice Crispies

Hot & Cold Beverages & Energy Drink Concentrates

- ▶ Carbonated Soft Drinks
- ▶ Tea
- ▶ Coffee
- ▶ Malt-based Foods
- ▶ Soups
- ▶ Glucose Powder
- ▶ Dry Mix Powder



LEATHER SHOES, SPORTS SHOES AND ACCESSORIES

- ▶ Men's Footwears
- ▶ Women's Footwears
- ▶ Footwear for Juniors
- ▶ Uppers
- ▶ Accessories

Hot Beverages
Energising
2.5 Mn
tea/coffee lovers daily

Carbonated & Health Drinks
Refreshing
>1 Mn
families per day

Baby Food & Snacks
Delivering healthy baby food to
~67,000
infants daily

Home & Personal Care
Catering hygiene needs of
~10 Mn
people everyday

Pesticides
Protecting
~1,20,000
families daily from deadly insect-borne diseases

Leather Shoes & Sports Shoes
Delighting
~50,000
Customers across the world



OUR BUSINESS MODEL

HOW WE CREATE OPPORTUNITIES FOR OUR CUSTOMERS

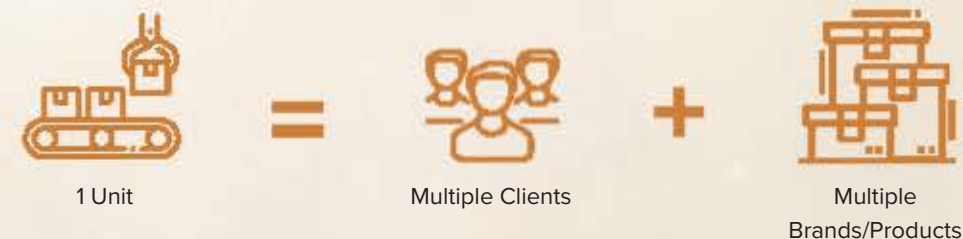
DEDICATED MANUFACTURING

Exclusivity is the key. Right from finalising the location, design, and capacity, among other parameters, we customise our plans as per the requirements of our Principal Company. All the investments and expenses associated with the manufacturing are HFL's responsibility, enabling the Customer to focus their spending on factors likely to improve their business.



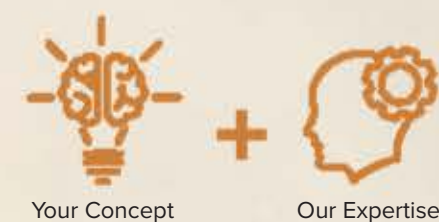
SHARED MANUFACTURING

A single facility is shared by multiple companies, resulting in lower costs and lesser overhead expenses. The in-house dedicated manufacturing teams help maintain quality standards while controlling the batch sizes and adjusting lead times. Competitive products are also made in the same facility, with strong secrecy codes.



PRIVATE LABEL MANUFACTURING

We own the product formula and provide complete turnkey private labelling solutions for our Customers. We offer customisable options at competitive pricing, owing to our extensive research and testing methods. Our skilled team of designers help conceptualise the products' unique brand identity.



MANAGING DIRECTOR'S COMMUNIQUE



“
OUR CONTINUOUS AND AGGRESSIVE APPROACH TO GRAB THE MARKET OPPORTUNITIES PRESENTED TO US IS A TESTAMENT TO THE STRENGTH OF THE BUSINESS MODEL, OUR COMPETENT AND PROFICIENT MANAGEMENT TEAM, AND OUR OPERATIONAL AND PRUDENT FINANCIAL SKILLS.
”

DEAR SHAREHOLDERS,

There are moments in life when we sit back, reflect on the time that went by and look within to understand ourselves better. Such times of contemplation often lead to critical self-analysis and discoveries of potential. For us at HFL, the year 2020-21 was one of introspection where we found opportunities in adversities.

The pandemic has proven (and unfortunately, continues) to

be a tragedy of epic proportions, impacting humanity with lost lives and livelihoods. However, amidst all the tragic stories, there have been stories of heroism that have arisen from this adversity! Deservedly, a lot has been written and said about the entire frontline healthcare fraternity. But I would also like to pay gratitude to some of these unsung heroes.

The pandemic-induced lockdowns, announced worldwide, underlined the importance of factories' and supply chain

management. From PPE kits to testing kits, basic staples to medicines, companies were forced to differentiate based on the manufacturing and distribution might. Companies who were able to handle the disruptions better were successful in getting their product to the Customer and meet the demand, sometimes at the expense of other brands, which was lost not due to the lack of demand but due to lack of supply!

The unsung heroes in this frontline were the workers who continued to produce the 'essential' products, the truck drivers who drove deserted roads with no food and water (since the 'dhaabas' were also locked down), the warehouse workers who unloaded the goods and then distributed the products to the retailers, the delivery boys who delivered the product to our homes while we hunkered down and sanitised even the deliveries.

Among these heroes, we found 'Kairos' – the thought around which this year's Annual Report is built. Let me elaborate on why.

Last year helped us take all our business models – dedicated, shared and private label manufacturing – to the next level, where each model developed in some form of granularity.

The GST implementation and the advent of modern trade and e-commerce have led to the distribution network becoming more focussed, further creating demand for new factories. The pandemic catalysed this process due to the fragile supply chains. For instance, upon the announcement of lockdowns, many stores were running out of even basic staples. FMCG companies realised the vital need to have a more decentralised supply chain network and have manufacturing facilities closer to the market.

The supply chain disruption also affected companies importing the products for distribution or importing raw material for production in India. Besides, the increase in shipping costs owing to container shortages paralysed them. The entire FMCG industry was grappling with raw

material procurement and sourcing issues, unavailability of skilled and competent human task force, and regulatory issues.

With differentiated and decentralised business models, providing end-to-end services, we provided an impetus to the sector. The relevance of our business models became even more pronounced. For instance, we could successfully switch between product categories at our shared facilities as and when required. Our fungible capacities enabled us to serve our Principals during the pandemic. It helped when they wanted us to switch and manufacture the then 'high-in-demand' basic hygiene-led products like hand washes, sanitisers and other cleaning products.

Besides, given the constraints in transportation caused due to the lockdowns, we were able to manufacture the same product from different locations and serve the relevant markets without our Customers having to transport goods across the country.

Our private labelling business model, though still in a very nascent stage for us, became extremely relevant for the hygiene-led products. With the increasing demands for these products, many retailers and digital e-commerce Clients wanted to launch new products in this space. We were able to offer products from our library and reduced the time to market, enabling these brands to launch products in the shortest time.

As the Customers relied more on e-commerce to deliver products at their doorsteps, the digitalisation of the FMCG delivery was accelerated. And, with that, the demand for decentralised manufacturing to manufacture a diverse set of products at one location or the same product at multiple locations became more prominent than ever. With this, our multiple business model strengths with nation-wide presence of our facilities, reinforced our decentralised manufacturing strategy during the pandemic.

This has helped create a stable foundation for our Company's strong future. One, where, with our sector-agnostic business model, provides us with the ability to

manufacture any FMCG product going ahead. Our geography-agnostic business model provided us with the ability to manufacture anywhere in India. Our Customer-agnostic model, which enabled us to hedge the lost sales that some of our Customers faced due to the troubles in their front end distribution models or their inability to quickly adapt to e-commerce for delivering their products.

Under all of these situations, we witnessed Kairos – the Greek God of Opportunity – at work. I firmly believe time is the same for everyone, but one’s understanding of time separates the winners from the lesser initiated. Knowing the contrast between the ‘time’ and the ‘right time’, being prepared for the potential opportunity and not letting it pass, defines winners.

Our years-rich experience as a Contract Manufacturer helped us live up to the philosophy of Kairos. Even amid challenging times, identifying the right time empowered us to turn something in the offing into a growth opportunity. Over the years, our resilience and nimble-footed approach have established us as a market leader and the most preferred Contract Manufacturer in the FMCG space. The last year made us realise that Contract Manufacturing has come of age. From being viewed as a cottage industry, enabling tax arbitrage to becoming an ‘essential service’, we have come a long way.

Let us move to the year’s crucial takeaways from the business standpoint. We recorded the best-ever financial scorecard in the Company’s history in terms of revenue, EBITDA, and PAT, reflecting the right direction we are heading in. However, having missed our financial targets during 2019-20, I must express a cautious exuberance regarding the current year’s performance. While we haven’t been as severely affected as other sectors, we are still prudent regarding what may be in the offing and grooming ourselves to tap opportunities about to knock on our door.

Coming to absolute numbers, I’m happy to report the near doubling of gross revenues from Rs. 771.89 cr reported in 2019-20 to Rs. 1,386.34 cr in 2020-21.

HFL made quite a few breakthroughs in this past year. We clocked a record-breaking Y-o-Y EBITDA growth of 51% to touch Rs. 86.02 cr in 2020-21, a sharp rise from Rs. 57 cr in the previous year. While our EBITDA margins fell, they were in line to our focus on increasing the contribution of the dedicated factories.

We also recorded a healthy PAT growth touching Rs. 36.48 cr in 2020-21, as against Rs. 22.73 cr in 2019-20. Subsequently, the operational leverage benefit from ramping up the Coimbatore, Hyderabad and Silvassa facilities helped shore up the PBT and PAT margins. The year further witnessed robust operating cash flow, growing four-fold to reach Rs. 70+ cr – a result of stabilising of the operations at the newer factories and efficient working capital management.

Proper capital allocation is required to extract maximum value. We have invested close to Rs. 200 cr over the past couple of years and will invest more in the coming years. Despite having carried out CAPEX consistently, our Debt-to-Equity ratio stood at 0.97 as on March 31, 2021. On a strategic front, we may continue to use debt to fund our expansions, especially in this low-interest regime, while maintaining a prudent mix of debt and equity. We have seen our Credit Rating improving to IND A/Positive by India Ratings and Research on account of increased scale and profitability, strong executional track record, enhanced diversification, and guaranteed fixed costs recovery while maintaining a solid credit profile.

With such performances, our return ratios have also strengthened, showcasing effective capital utilisation while also strengthening shareholders’ value.

These numbers in a year ravaged by the pandemic are a testament to our belief that **In Time’s Shadow Lies Opportunity**.

However, there was a fair share of misses during the year as well. There was a delay in the execution of new projects due to lockdown restrictions in Lucknow, Silvassa and Hyderabad and the continued under-utilisation of the Vasai factory as well. Our jinx with the beverage foray continued. The entire summer season,

during the last quarter of 2020-21, was impacted. We could not produce to our total capacity due to the low demand for beverages and reduced Out of Home consumption due to the pandemic.

With the merger of our Hyderabad facility a couple of years ago, we had started merging all the business of Vanity Case into HFL, keeping our minority shareholders’ interests in mind. Currently, placed with NCLT, we are merging the Coimbatore facility and hoping to consolidate the entire Vanity Case business into Hindustan Foods to alleviate the issues and conflict of interests, if any. But the nCov restrictions slowed down the merger application process, which was filed in the second quarter of 2020-21.

While we remain confident about the demand revival and growth in the FMCG sector, one should be cautious. A Boston Consulting Group (BCG) Report claimed that the pandemic is likely to impact household consumption adversely. The overall consumption growth has been envisaged to have been pushed back by a couple of years, with the household expenditure pegged to reach Rs. 290-300 trillion by 2030, instead of the earlier projection of reaching the mark by 2028.

Moving on, I will forever remain indebted to our highly skilled crew of Argonauts, our employees, with expertise across the Contract Manufacturing spectrum. They are the brave ones who continue sailing through the stormy seas. We have ensured our teammates’ good health and safety at every step, undertaking healthcare measures while following social distancing, hygiene, and all other protocols across our plants. In a humble way of recognising our employees’ superhuman efforts, we ensured zero pay cuts and layoffs, even for the facilities where production was sub-optimal.

As responsible corporate, our constant endeavour is to create a sustainable business. We are committed to a fairer and more socially inclusive world. And so, we have been undertaking several measures to reduce our operations’ environmental impact. Right from using solar energy to rainwater harvesting, replacing briquette boilers, and working alongside our Clients on environment-friendly product packaging, we are doing everything it takes to help conserve the planet.

WITH OUR HIGHLY DEDICATED TEAM MEMBERS, ALL THE PLANTS HAVE BEEN OPERATIONAL AND WERE RUN AT OPTIMUM UTILISATION LEVELS DURING THESE UNPRECEDENTED TIMES WITH MINIMAL DISRUPTION. WE FOLLOWED SOCIAL DISTANCING, HYGIENE, AND ALL THE GOVERNMENT PROTOCOLS ACROSS ALL OUR PLANT LOCATIONS.

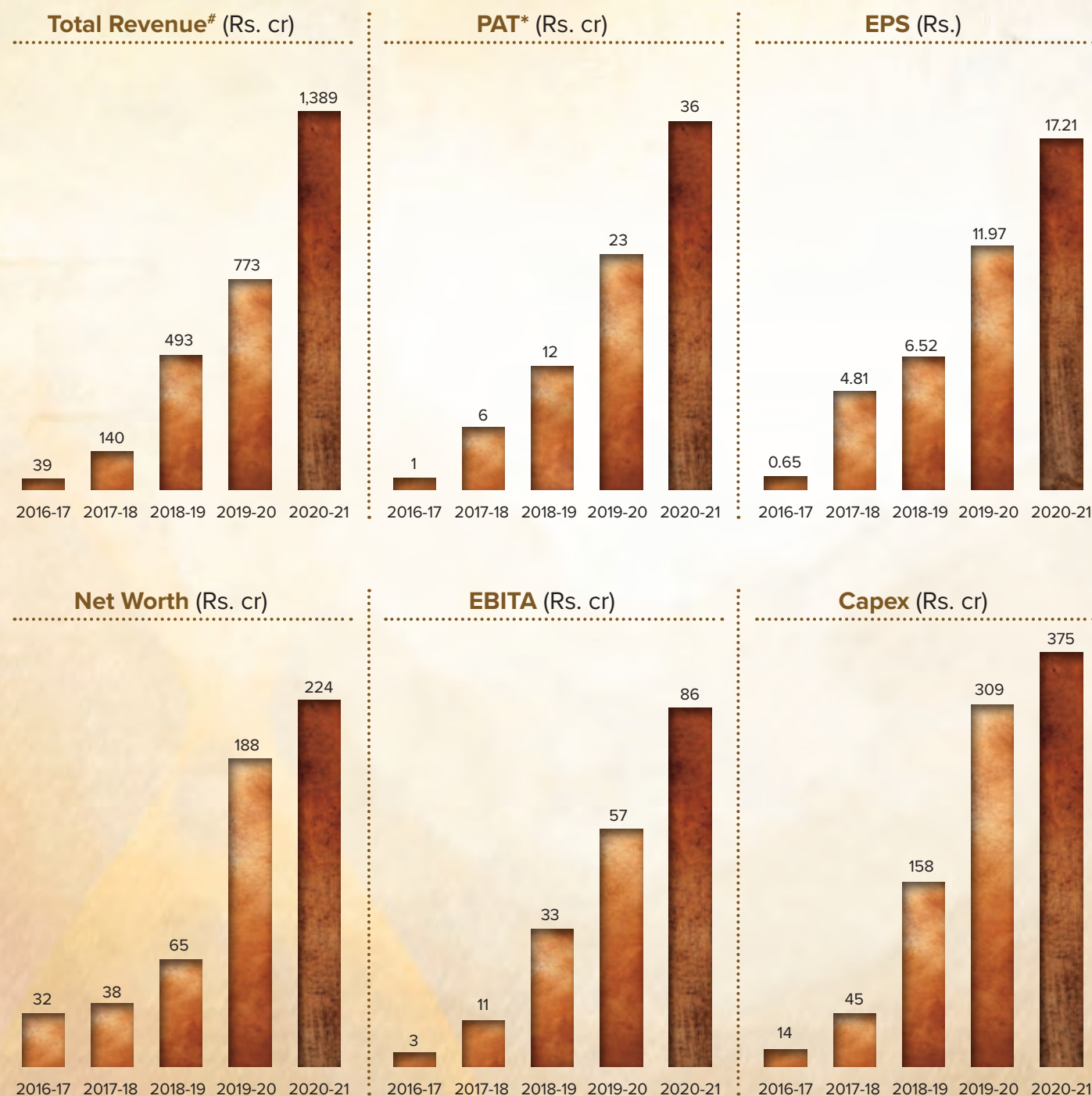
Let me take a moment to express grief about the demise of one of our most valued management team members. Our GM, Quality Assurance & R&D, Mr. Suryakant Mishra, recently left us for heavenly abode. My heartfelt condolences to his family. He will be genuinely missed.

I want to conclude by saying that this year has been a catalyst for the various shifts in the FMCG manufacturing space which we have been talking about – decentralisation, larger facilities closer to the market, flexible facilities with the ability to manufacture multiple products, shared facilities to cater to the smaller brands and meeting short term demand spikes. As pioneers in this space, we are well placed and likely to benefit from this evolving landscape. We are optimistic about achieving our goal of Rs. 2,000 cr of turnover by 2021-22 and are excited about maintaining this pace of growth. I feel immense gratitude for the people who tirelessly work to ensure that we continue serving the nation even in difficult times. I would also like to thank you, our shareholders, for your unceasing trust, support and confidence in HFL You have helped us through EVERY TIME.

Regards,

Sameer R Kothari

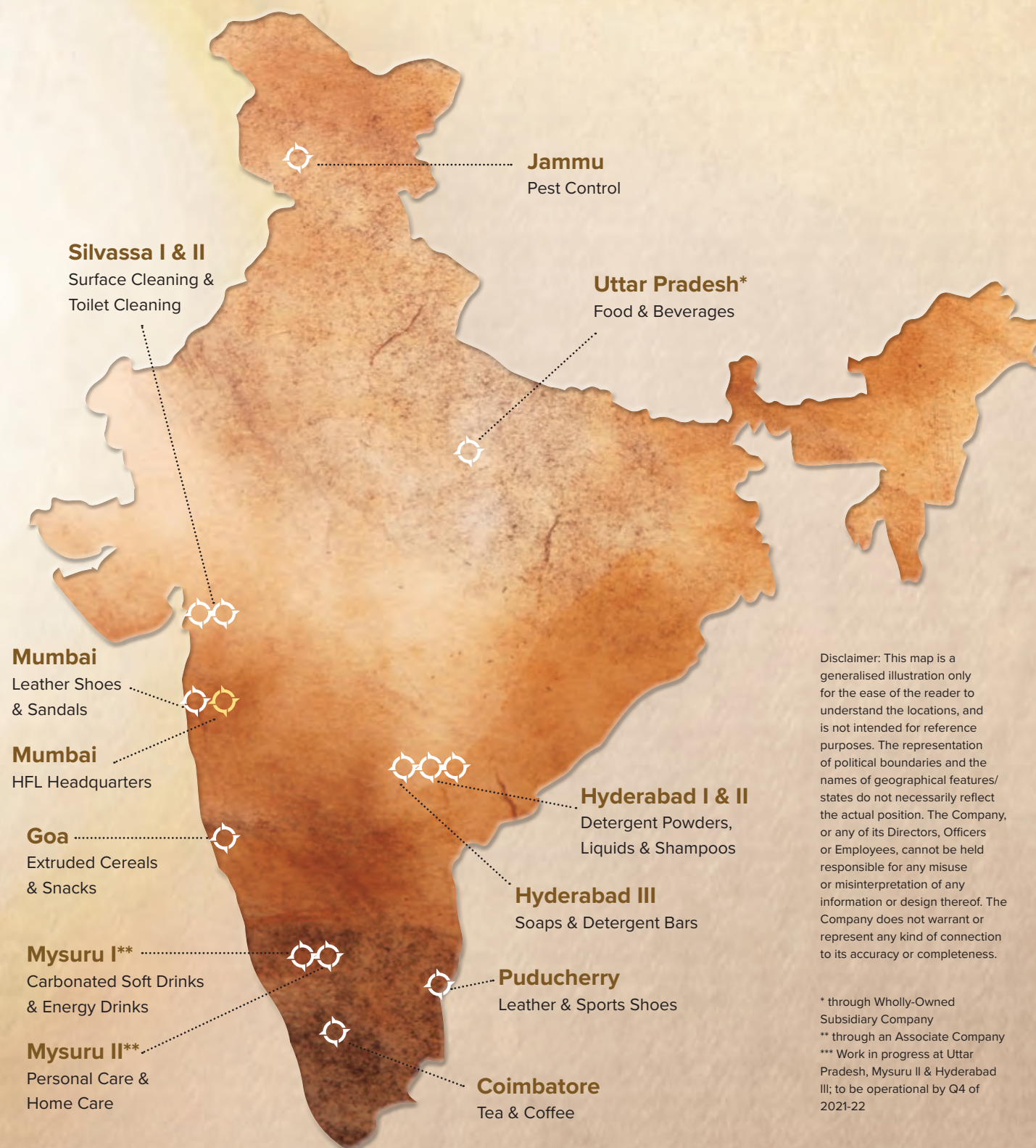
FINANCIAL HIGHLIGHTS



Includes Other Income

* PAT includes excess provision of tax to the tune of Rs. 3.86 cr in 2019-20, which has been reversed in 2020-21 after filing tax returns.

GEOGRAPHICAL PRESENCE



Disclaimer: This map is a generalised illustration only for the ease of the reader to understand the locations, and is not intended for reference purposes. The representation of political boundaries and the names of geographical features/ states do not necessarily reflect the actual position. The Company, or any of its Directors, Officers or Employees, cannot be held responsible for any misuse or misinterpretation of any information or design thereof. The Company does not warrant or represent any kind of connection to its accuracy or completeness.

* through Wholly-Owned Subsidiary Company
 ** through an Associate Company
 *** Work in progress at Uttar Pradesh, Mysuru II & Hyderabad III; to be operational by Q4 of 2021-22