

HINDUSTAN FOODS LIMITED

37th ANNUAL REPORT

2021-22



L.E.A.D.

LEARN. EXECUTE. ADAPT. DELIVER.



This year, we have dedicated our Annual Report to Athena - the Greek Goddess of Civilisation, Strategy, War and Wisdom. In Greek mythology, Goddess Athena is the Patroness of Spinning & Weaving and Handicrafts. She is also known for her military prowess and as the Goddess of Wisdom.

We, at Hindustan Foods Limited ('HFL' or 'We' or 'the Company'), are inspired by Athena's contrasting yet complementary characteristics. Spinning and Weaving for us is representative of the manufacturing industry. Her wisdom and ability to formulate military strategies are the inspiration behind our aggressive Mergers & Acquisitions.

These qualities made her a perfect partner for Greek heroes in achieving their goals. And thus, she was the one who helped Jason and Perseus in achieving their quests. At HFL, we aim to develop these skills to consolidate ourselves as a leader in the 'Contract Manufacturing' space and thereby help our Heroes, our Customers, achieve their quests for greater market share and better customer satisfaction.

While we call upon her patronage to improve our manufacturing abilities, we also continue to use her wisdom and military skills to acquire facilities through Mergers & Acquisitions, which are value accretive to the Company. HFL intends to LEAD the 'Contract Manufacturing' journey, just as Goddess Athena, through impeccable Learning spirit, seamless Execution, swift Adaptation and prompt Delivery of promises. This year's cover represents Goddess Athena in her full glory. It depicts the confidence, the support, the might and the wisdom with which the Greek Goddess led from the front, helping her Heroes lead and win.



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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.

Financial Statements

Standalone	125
Consolidated	194
AOC-1	264
Statement containing salient features of the financial statement of Subsidiaries/ Associate Companies/Joint Ventures	

Investor Information

▶ Market Capitalisation	: Rs. 4,121.96 cr.* as at March 31, 2022
▶ CIN	: L15139MH1984PLC316003
▶ BSE Code	: 519126
▶ NSE Symbol	: HNDFDS
▶ Bloomberg Code	: HFD:IN
▶ AGM Date	: September 22, 2022
▶ AGM Day	: Thursday
▶ AGM Mode	: Video Conferencing (VC) and Other Audio Visual Means (OAVM)

*includes 13,50,460 Equity Shares allotted in March 2022, pursuant to the Demerger of CBE Plant and Merger of ABPL for which listing and trading approval was received in April 2022.

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



L.E.A.D. (LEARN. EXECUTE. ADAPT. DELIVER.)

Inspired by the Greek Goddess Athena, our theme this year highlights the unique strengths of the Patroness who excelled at Weaving & Spinning and was known for her Wisdom and Might. She stood tall as a rock with her Heroes and assisted them until the end of their pursuits, turning their goals into reality.

At HFL, we have taken inspiration from the strengths of Goddess Athena, as a Protector and Guide with the right abilities, power of Judgement and Foresight. With our experience and expertise in the 'Contract Manufacturing' space, we recognise ourselves as the 'Athena of Contract Manufacturing Space'.

As a one-stop solution for product development, testing, manufacturing and distribution, we endeavour to support our Heroes – our Customers – to help them

LEAD their respective sectors and achieve their objectives. All our endeavours are purely directed towards helping our Heroes **Learn** better about their manufacturing and product development requirements, **Executing** with excellence, **Adapting** to amplify potential and possibilities and **Delivering** on promises. Like the Olympian Goddess, who personified Wisdom and Righteousness while using her skills to the ultimate best, we too don many hats to help our Heroes deliver on their promises, expectations and commitments and help them LEAD.

This Report is a celebration of all our efforts in the field of Contract Manufacturing as we carefully advance, demonstrating the characteristics of the Olympian Patroness, Athena. It is a testament to how we have moved ahead with optimism while constantly paving the way for the industry.

Numbers Testifying our Execution Prowess

Rs. **2,026** cr.
Total Revenue

Rs. **120** cr.
EBITDA

Rs. **50** cr.
PAT

Rs. **633** cr.
Gross Block

Rs. **308** cr.
Net Worth



L.E.A.D.ING THE WAY



A pioneer in Contract Manufacturing for the Fast Moving Consumer Goods (FMCG) industry, we, at HFL, have successfully positioned ourselves as India's most trusted and diversified FMCG Contract Manufacturer. Our long-standing relationship with industry majors has supported us in becoming the preferred choice for marquee brands. We offer a plethora of products through our flexible business models that enable us to serve industries of various sizes, categories and niches. Our business model helps us meet the requirements of every Customer in the most fulfilling manner. Established in 1988, today HFL touches 3 Mn lives daily. Through our 17 plants equipped with state-of-the-art manufacturing techniques, we produce some of the country's most popular brands for our Customers.

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

17
Sites

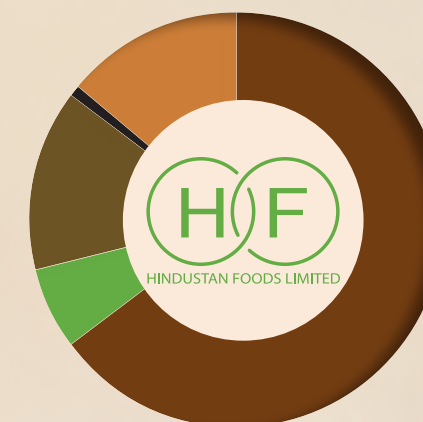
30+
Years of
Experience

3 Mn+
Lives Touched
Daily

3,400+
Team Strength

**Direct and Indirect*

SHAREHOLDING PATTERN



Promoters and Promoters' Group

64.85%

Alternate Investment Funds (AIF)

6.50%

Investors (FPI)

13.93%

Bodies Corporate

1.02%

Public

13.70%

A JOURNEY OF UNABATED LEARNING AND EXTRAORDINARY EXECUTION

HFL is one of the largest organised players with more than 3 decades of experience and management expertise in Contract Manufacturing. Our redefined business models create Contract Manufacturing solutions suitable for any FMCG Company. Our abilities, coupled with the quality of our products, help us attract leading FMCG clients. HFL has always emphasised self-reliance and sourcing localisation to help generate new opportunities. Over the years, our clients have reposed their unwavering faith in us as we helped them through their growth journeys.

The timeline of our journey so far:

FY 1983-1984

- Incorporated as a JV between Glaxo India Ltd. and the Dempo Group
- Set up the facility at Goa for manufacturing 'Farex'

FY 2012-2013

Strategic partnership with the Vanity Case Group of Companies

FY 2013-2014

Entered into an agreement with Danone and PepsiCo to manufacture and supply food products from their Goa facility

FY 2015-2016

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

FY 2016-2017

Acquired Ponds Exports Ltd.'s shoe manufacturing unit from Hindustan Unilever Ltd. and started manufacturing for marquee clients like TBS, Gabor, and Richter, among others. Gradually added Steve Madden, US Polo, Hush Puppies and Arrow, to the portfolio

FY 2017-2018

Acquired Reckitt's plant in Jammu and entered a 'manufacture and supply' agreement for the brand 'Mortein' for 7 years

FY 2018-2019

- Commenced the merger of the Detergent Powder manufacturing unit at Hyderabad into HFL (completed in 2019-2020)
- Acquired a Mumbai-based shoe manufacturing unit
- 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 at the Coimbatore plant for blending and packaging tea, coffee and soups

FY 2019-2020

- Raised equity through the Convergent Group and the Sixth Sense Ventures
- Commenced production of Liquid Detergent at a manufacturing unit in Hyderabad
- Invested towards setting up Liquid Floor Cleaners and Toilet Cleaners manufacturing facilities at Silvassa
- Commenced the merger of Malted Beverages packing unit in Coimbatore for GSKCH (now HUL) and ATC Beverages Private Ltd. into HFL

FY 2020-2021

- Established a plant to manufacture Disinfectant Toilet Cleaner and Surface Cleaner in Silvassa for Reckitt
- Commenced the project for manufacturing bath soaps and detergent bars in Hyderabad
- Commenced work for the Greenfield F&B plant in Uttar Pradesh

FY 2021-2022

- Started production of Floor & Surface Cleaner at Silvassa plant in May 2022
- Started project work for manufacturing Bath Soaps and Detergent Bars in Hyderabad
- Started project work at Tamil Nadu for manufacturing Sports & knitted shoes
- Acquired Colour Cosmetics plant in January 2022, and its turnover has been subsequently consolidated into HFL from MQ
- Received the final order of NCLT in December 2021, approving the scheme of arrangement for merger of Malt Beverages plant in Coimbatore and merger of Beverages plant in Mysuru. The scheme came into effect in Q4 2021-2022
- Progressed with the project work for a Greenfield Ice Cream plant in Uttar Pradesh
- Started manufacturing Injection Moulded Flip-flops & Sandals for a national brand at the Shoe plant in Vasai, Mumbai

FY 2022-2023

- Acquired 100% stake in Reckitt Benckiser Scholl India Private Limited to expand OTC Healthcare & Wellness segment
- Commenced commercial production of the Ice Cream plant in Uttar Pradesh
- Set up new Shoe factory in Tindivanam



LEADING THE MARKET THROUGH OUR CAPABILITIES

FOOD AND BEVERAGES



Extruded Cereals & Snacks, Ready-To-Cook, Ready-To-Eat

► Breakfast Cereals ► Instant Porridges ► Rice Crispies ► Instant Mixes ► Soups & Soup Powder ► Spices & Masala ► Sauces, Dips, Pastes ► Jams, Jellies, Preserves ► Gravies ► Cookies, Protein Bars, Granola Bars, Chikkis ► Muesli

Hot & Cold Beverages & Energy Drink Concentrates

► Carbonated Soft Drinks ► Ice Cream & Desserts ► Tea & Coffee ► Malt-based Foods ► Soups ► Glucose Powder ► Dry Mix Powder

HOME CARE



Fabric Care

► Liquid Detergent ► Powder Detergent ► Fabric Conditioner

Home Care

► Surface Cleaner ► Glass Cleaner ► Toilet Cleaner ► Liquid Dish Wash

BEAUTY AND MAKE-UP



► Lipstick, Lip Colour ► Lip Crayon, Lip Paint ► Chap Stick ► Pressed/Compact Powders ► Eye Make-up

PERSONAL CARE



Hair Care

► Shampoo, Hair Oil & Hair Foods ► Hair Gel & Hair Cream

Toiletries & Fragrances

► Talc, Shaving Cream ► Hand Wash Liquid ► Hand Wash Powder ► Eau de Toilette ► After Shave Lotion

Baby Care

► Cream, Shampoo & Lotion ► Hair Oil & Powder

Skin Care

► Body Lotion, Moisturiser, Cream ► Petroleum Jelly ► Shower Gel, Face Wash & Scrub ► Body Scrubs & Wipes ► Dusting Powder



HEALTHCARE AND WELLNESS

► Vitamins, Minerals & Nutraceuticals ► Nutrition – Super Foods, Plant-based, Organic Foods ► Cosmeceutical & Skin Care – Allopathic, Herbal & Ayurvedic ► Foot Care – Medicated and Non-medicated Plasters ► Medicated Lozenges ► Digestive Remedies ► Gels & Ointments ► Oral Liquids ► Allopathic Tablets ► Nutrition Products – Diabetic & High Protein ► Dusting and Cosmetic Powders



LEATHER AND SPORTS SHOES

Leather, Sports & Knitted Shoes and Accessories

► Men's Footwear ► Women's Footwear ► Sports Shoes ► Slippers & Flip-flops ► Footwear for Juniors ► Uppers ► Accessories



PEST CONTROL

► Coils ► Aerosols ► Liquid Vaporizer ► Mosquito Mats ► Activ Cards

Hot Beverages

Energising
4 Mn+
tea/coffee lovers daily

Beauty & Personal Care

Making
2 Mn
women & men look and feel
good everyday

Home Care

Providing cleaning solutions to
1.5 Mn
people everyday

Baby Food

Delivering healthy baby food to
50K
infants daily

Soups, Dips & Sauces

Satiating hunger of
30K
soup & sauce lovers daily

Protein Health Drinks

Providing nutrition to
1 Mn
families per day

Carbonated Drinks & Juices

Refreshing
1 Lakh
families per day

Foot Care

Protecting
12 Mn
pairs of feet from discomfort and
ache every year

Leather & Sports Shoes

Delighting
8K
customers across the world
each day

Pest Control

Protecting
4 Mn
families daily from deadly insect
borne diseases

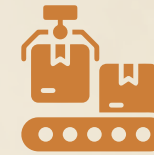
OUR BUSINESS MODEL

Leading and Redefining the Contract Manufacturing Space



DEDICATED MANUFACTURING

Under this model, we provide complete exclusivity for our Customers. The entire manufacturing facility is **built-to-suit**, exclusively utilised for the Principal Company. It means that HFL is end-to-end responsible for the finalisation of location, design, capacity and other parameters – offering bespoke services according to the requirements of the Principal Company. Additionally, all the expenses and investments are the sole responsibility of HFL under this model. This enables our Customers to focus on their core operations while we ensure complete manufacturing for them.



1 Unit



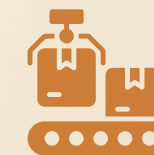
1 Customer



1 or more Brand/s or
Category/ies

SHARED MANUFACTURING

Under this model, the manufacturing facility is shared by various companies for a longer period of the agreement and is not dedicated to a single Principal Company. Simply put, it means that a single facility is shared by various companies - leading to lower costs and overhead expenses. To ensure exclusivity, competitive products are made in the same facility with strong secrecy codes.



1 Unit



1 Anchor
Customer



Few Small
Customers



Multiple
Brands/Products

PRIVATE LABEL MANUFACTURING

Under this model, we own the product formula made for Private Labels and ensure that Customers are provided with complete turnkey private labelling solutions. Based on extensive research and testing methods, we offer customisable options at competitive prices. We make use of our skilled team of designers in conceptualising products' unique brand identity.



Your Concept



Our Expertise

LETTER FROM THE MANAGING DIRECTOR



We are excited about the future and are working hard on a pipeline that will ensure that the Company continues to move onward and upward. From a single product, single location, and single customer Company to becoming one of the country's most diversified FMCG Contract Manufacturers, we have witnessed an all-pervasive growth. This growth is expected to further amplify on the back of the various Greenfield and Brownfield expansions we are undertaking along with the other acquisitions.

DEAR SHAREHOLDERS,

Kronos, the God of Opportunity, inspired our Annual Report for FY 2020-2021. We were cautiously optimistic that amid the 'shadow' of the Covid-19 pandemic, we will find opportunities and that the pandemic will end up being a tailwind for the Company's growth. I am happy to write that some of that optimism has translated into results. We had spoken about the possibilities of more acquisitions as the pandemic-induced economic slowdown resulted in consolidation and made companies realise the benefits of outsourcing versus having their own factories. Accordingly, we were able to post the highest-ever revenues and profitability numbers in the Company's history and achieve our goal of Rs. 2,000 cr.

While the Company had started a manufacturing facility in Goa in FY 1983-1984, the magic of Kronos only came to bear fruit in the last 7-8 years, where we have been able to hold strong partnerships with our Customers in various geographies and various product categories. This, backed by a solid team of professionals, has led to multi-fold revenue growth.

Focusing on absolute numbers, it gives me pleasure to report that our total revenue for the year stood at Rs. 2,026 cr., recording a 44% y-o-y growth and a super strong 120.4% growth over the revenues in FY 2016-2017. Additionally, Profit After tax for the year stood at Rs. 50 cr., i.e., 41% growth y-o-y and a 134.9% increase compared to FY 2016-2017. We also clocked an EBITDA of Rs. 120 cr. as against Rs. 93 cr. in the previous year.

Our continued investment in capex, financed from internal accruals and debt, has led to a significant gross block of Rs. 633 cr. (on a consolidated basis, including Capital WiP). This has further led to scalable performance prompting a rating upgrade from India Ratings.

Further, we invested in Aero Care Personal Products LLP. Aero Care is involved in manufacturing various colour cosmetics like lipsticks, eye makeup, face powder, lip

gloss, oral care and aftershaves. The unit was taken over in January 2022, and we are very excited about ramping up this facility to its full potential. Also, we completed the merger of the Malted Beverages packaging unit in Coimbatore and ATC Beverages Private Limited.

Our colour cosmetics plant achieved its highest turnover in March 2022. Likewise, even though the performance of the ATC business was unsatisfactory for the entire year, the unit achieved its highest turnover in the last quarter of FY 2021-2022, post the conclusion of the merger and expansion.

Besides, the new plant in Tamil Nadu started its commercial production of shoe and the shoe-making facility at Vasai (Mumbai) also started producing Injection Moulded Sandals and Flip-flops.

As we look at the next phase of growth for the Company, we find that the environment around us is changing rapidly.

Coming to the immediate future, like the other industries, even the FMCG industry – our idiomatic bread and butter – took a bit of a beating on account of the reducing rural demand, increased volatility in commodity pricing, supply chain disruptions, constant inflationary pressures.

In the medium term, with the pandemic serving as a catalyst, we are seeing consumer behavioural changes. Increasingly, consumers rely on social media and digital channels to learn more about products and buy them. This has led to an explosion of D2C brands, and incumbent brands are also having to relook at their advertising and distribution strategies. This, in turn, is making FMCG brands demand new capabilities and capacities from their manufacturing partners - From the ability to scale up new categories of products to setting up factories in new geographies.

Lastly, we are seeing the need to scale the business responsibly – whether, in terms of environmental

obligations, statutory obligations or sustainability and corporate governance-led obligations.

Thus, we have decided to get inspired by Goddess Athena and LEAD! Athena, the Patron Goddess of Weaving and Spinning is also the Goddess of Wisdom and War. These contrasting qualities are what she uses in helping Heroes like Perseus and Jason to achieve their quests.

We have decided to help our Heroes, our Customers, achieve their quests of higher market share by –

Learning about their manufacturing and product development requirements

Executing by building and running factories that can deliver their FMCG products

Adapting to changing market conditions by offering them flexibility in manufacturing models

Delivering to them the right product at the right time.

We plan to **learn** the Customer's requirements – whether they are of taking small batches to enable a rapid launch of new products or to optimise distribution costs by establishing factories closer to the markets. To this end, we will build our capabilities to handle different geographies and product categories.

Execution continues to remain the foundation on which we build our customer relationships. This execution takes the form of building up an Ice Cream facility in 10 months in a state where we have had no prior experience and ensure that the projects are as per the budget even if the external environment sees massive commodity inflation.

As a Contract Manufacturer, we need to **adapt** to the changing needs of our Customers – from being able to deliver 1,500 pieces of fresh Hummus for the launch of a new brand to 15,000 litons of ice cream. We need to adapt to changing seasonality of demands and the dynamic nature of the external environment with global and macro variables.

The ability to **deliver** the product in full and on time (IFOT) is what our Customers rely on us for and to be able to execute.

Together, these developments will continue to result in a healthy financial performance, strengthening our stand of being the 'go-to' Contract Manufacturer, while redefining this largely 'unorganised' and fragmented sector.

While standing by her Heroes, Athena always carried a shield and a lance to protect them and help them emerge victorious. Brave and disciplined soldiers win wars and our teams are like the proverbial 300 standing at the side of our Customers. On the other hand, peace is won by the wisdom to understand what wars to avoid. Our M&A strategy so far has been able to differentiate between the genuine opportunities to grow our businesses versus milestones around our neck which could down us.

We have also been quite active in the M&A space and have tried to be optimal in terms of our capital allocation to acquisitions. To name a few, we acquired a 100% stake in Reckitt Benckiser Scholl India Private Limited, marking our entry into the fast-growing OTC healthcare and wellness segment as a Contract Manufacturer. The acquired facility is registered as an export-oriented unit and currently exports to more than 20 countries. We also acquired ATC Beverages in Mysuru to open up a new product category for us, but the Covid-19 pandemic ravaged the Company. Our acquisition of Aero Care has also paved our entry into colour cosmetics and opened up a new market for us. Both of these acquisitions posted their highest ever turnovers in the last quarter of FY 2021-2022.

To summarise, we are highly convinced that Contract Manufacturing, as a subcategory of the FMCG universe, is very relevant and is becoming even more relevant with time. This is expected to have a simultaneous impact on the Contract Manufacturing sector. We believe the next couple of years are going to be exciting in terms of growth for the Contract Manufacturing industry.

We strongly believe that long-term success is possible only by connecting economic growth with environmental stewardship and financial performance with social responsibility. As a socially responsible company, we will always strive to ensure that our ESG focus is embedded into our strategy and that our growth ambitions are well-suited with sustainable development practices, conscientiously using the right approach.

We are excited about the future and are working hard on a pipeline that shall propel the Company onward and upward. From a single product, single location, and single customer Company to becoming one of the country's most diversified FMCG Contract Manufacturers, we have witnessed an all-pervasive growth. This growth is expected to further amplify on

the back of the various Greenfield and Brownfield expansions we are undertaking along with the other acquisitions. In order to derisk our business model and further decentralise the operations, we have also commenced evaluating adjacent fast-growing sectors within the FMCG space, like health and wellness, ice-creams and colour cosmetics, which have witnessed tremendous growth in the last one year. We will continue to invest in CAPEX across various geographies.

We are confident that our Customers will look at our track record of executing greenfield projects flawlessly & integrating the acquisitions seamlessly. We are hopeful that they will continue to propel us towards our next goal of achieving the target of Rs. 4,000 cr. of turnover by FY 2024-2025.

We strongly believe that long-term success is possible only by connecting economic growth with environmental stewardship and financial performance with social responsibility. As a socially responsible company, we will always strive to ensure that our ESG focus is embedded into our strategy and that our growth ambitions are well-suited with sustainable development practices, conscientiously using the right approach.

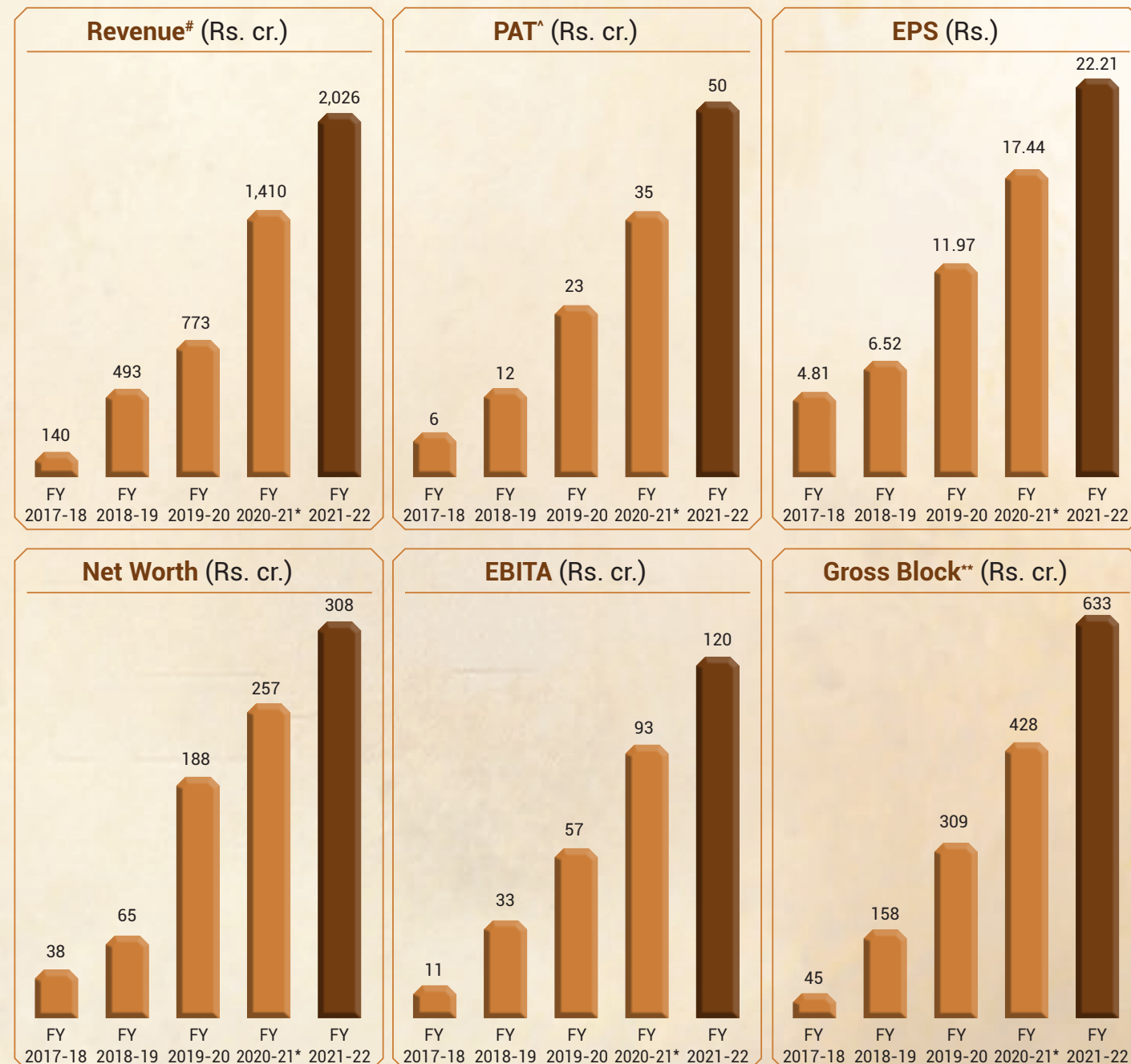
On behalf of the Board, I would like to thank all the stakeholders for their continued loyalty and support. I am also thankful for the strong encouragement of our Customers, bankers, and business associates. We are looking forward to your assistance to help us achieve a better year ahead and beyond. Last but not least, I would like to thank all the employees, Board members and management for their dedicated services and support that helped us achieve milestones.

Regards,

Sameer R Kothari

PERFORMANCE HIGHLIGHTING OUR IMMACULATE EXECUTION

FINANCIAL HIGHLIGHTS



* Numbers are restated | # Includes Other Income | ^ PAT for FY 2020-2021 excludes tax adjustment pertaining to previous year

** Gross block for FY 2021-2022 and FY 2020-2021 includes wholly-owned subsidiary and CWIP

PRESENCE THAT PROMISES EXTENSIVE REACH

GEOGRAPHICAL PRESENCE



* through Wholly-Owned Subsidiary Company

through 100% Partnership Share in a Limited Liability Partnership