

Management Discussion and Analysis

OVERVIEW OF THE ECONOMY

Despite a weak monsoon for a second consecutive year, agriculture grew by 1.1% in FY2016, mainly on strong growth in livestock. Food grain production is estimated to have increased by 0.5% in FY2016, though there was lower production of rice, coarse cereals, oilseeds, and sugarcane. Economic growth in India accelerated in Fiscal Year 2016 despite decline in exports. It is projected to dip marginally in FY2017 due to a slowdown in public investment, stressed corporate balance sheets, and declining exports.

After growing by 5.9% in FY2015, industry accelerated further to 7.3% in FY2016. Expansion in services moderated to 9.2%. Private consumption growth is estimated to have picked up to 7.6% in FY2016 from 6.2% a year earlier. Much of the improvement in private consumption stems from a pickup in urban consumption, while rural consumption has remained subdued as a result of two consecutive weak monsoons. Government consumption growth also stayed tepid as the central government boosted capital expenditure and curtailed current expenditure. A 20.9% increase in capital expenditure undertaken by the central government helped investment growth. However, private investment remained weakened by overcapacity and Indian corporations' debt overhang.

While public investment and urban consumption were the major drivers of growth in FY2016, a revival of private investment and rural consumption is critical if growth is to remain strong in FY2017, given the likely sluggish recovery in the advanced economies and the anemic outlook for global trade. Growth is projected at 8.4% in FY2017, as the expected decline in external demand offsets a pickup in domestic demand.

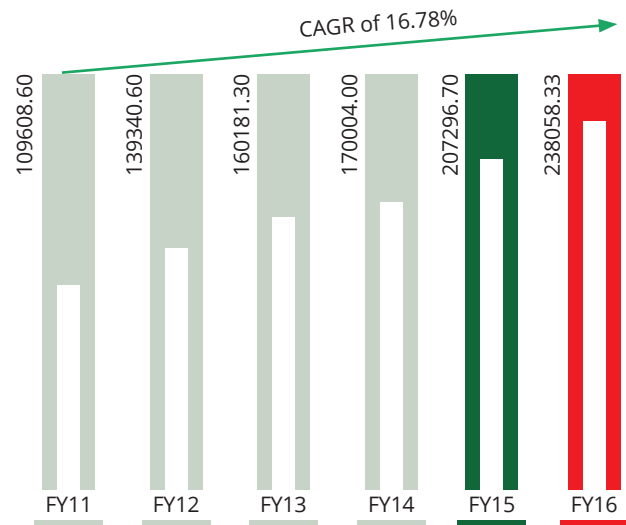
Review of Operations:

Your Company anticipated that the moderation in the growth rates will show steady recovery in the short term and the growth momentum will revive soon. In this volatile and uncertain environment, your Company believes in long term profitable and sustainable growth. Your Company maintained a forward looking approach to ensure that it is well prepared to seize new opportunities and handle new challenges with speed. Since the success of your Company depends on the ability of the business to keep understanding the changing environment and to keep adapting its responses in a seamless manner it continued to focus on realigning its initiatives internally

and externally. Your Company focused on the principles of continuous excellence to drive efficiencies. Therefore your Company has grown constantly at CAGR of 16.78%.

Revenue

(₹ in lakhs)



Moving up Value Chain:

The company is rapidly moving up the value chain as the contribution of Value Added Products (VAD) in Dairy vertical is improving on a Y-o-Y basis, currently at 22%. The margin in VAD is almost double than that of Liquid Milk.

Making Rapid Strides:

Was successful in making rapid strides in Mumbai and Delhi markets in Dairy business vertical. Attempts are on to add further capacities in Mumbai market.

Retail turning EBITDA positive:

With the benefits accruing from the "economies of scale of business" due to increase in additional trading space, Retail business vertical will be EBITDA positive soon.

Renewable Energy:

Although the Company went into Solar power primarily for captive consumption, it was successful in making a "Profit before tax" this year as against losses in previous year.

Agri & Bakery:

The Agri & Bakery business verticals have crossed ₹ 10,000 lakh mark. Efforts are also on to set up Cattle Feed plant. On the Bakery front, there is a firm tie-up with Multinational Companies for supply of our products.

Farmers Welfare Trust:

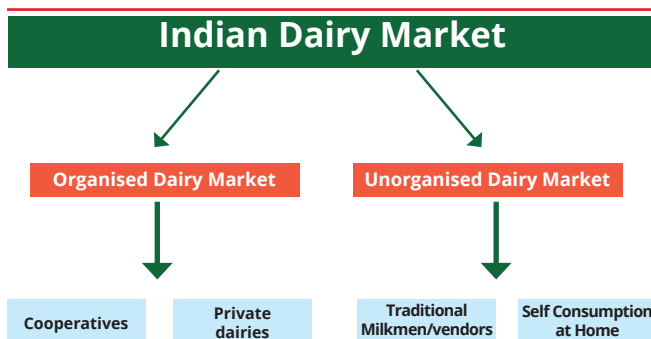
Since the company believes in adding value to its stakeholders, it has successfully created Farmers Welfare Trust for its Dairy Farmers who form an important constituent among its key stakeholders.

INDUSTRY STRUCTURE AND DEVELOPMENTS

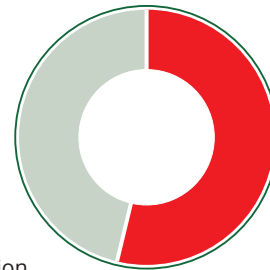
Dairy Industry:

India is among the fastest growing dairy markets and has become the largest global producer of milk, since 1998. Domestic milk production recorded about 4.3 per cent CAGR, reaching about 147 million tonnes in 2015-16, from 116 million tonnes in 2009-10. The value of milk produced is more than the total value of paddy and wheat produced in this country. This underlines the importance of the dairy sector for the rural economy. Growth in milk production in India outpaced that in other large milk producing nations such as United States of America, which recorded about 2-3 per cent CAGR during the past five years. As opposed to the trend seen in other major producing regions, the increase in production has managed to outpace the growth in population, thereby increasing per capita consumption/availability (PCC).

Milk cooperatives procure about 10% of the total production which is about 18% of the marketable surplus. A similar quantity is reportedly procured by the private sector. Both the sectors together account for only about 35% of the marketable surplus. This means that a large quantity of milk remains unprocessed. The installed processing capacity of the cooperative sector 43.3 million litres /day while they actually process an average 33.5 million litres/day. As per available data, the registered (as different from installed) capacity of private sector milk processors in India is 73.3 million litres/day. It is recognized that post liberalization in 1991, the role of private sector in dairying has increased significantly thereby accounting for a significant share of the market.



Milk production volume break-up by marketability



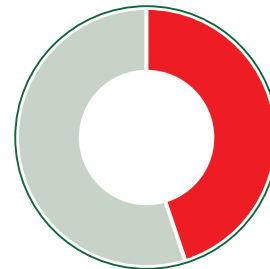
Self Consumption	54%
Marketable Milk	46%

Marketable milk volume break-up by segment



Organised	70%
Unorganised	30%

Organised marketable milk volume break-up by segment



Private Players	45%
Cooperatives & Govt	55%

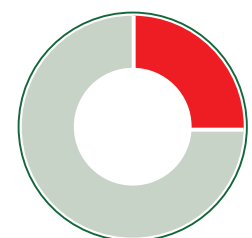
Organized dairy is 20% of total dairy industry by value and is expected to be 25% by 2020.

2016

2020



Organised	20%
Unorganised	80%



Organised	25%
Unorganised	75%

Share of organized dairy in different categories:

Liquid milk is still primarily either consumed at source or sold through the unorganized route. Hence leaves a lot of room for growth for organized dairy players as with population growth (2% p.a.), higher disposable income and more quality conscious consumers, the increasing demand for packaged milk and processed dairy products like curd, paneer, cheese etc.

Share of organized dairy in different categories



Liquid Milk	67%
Ghee	14%
SMP	6%
UHT Milk	3%
Butter	3%
Curd	2%
Cheese	2%
Flavored Milk	2%
Paneer	1%

Milk production is growing at 4.3 per cent while consumption is growing at 5 per cent leaving a gap between demand and supply. In order to meet the rapid growing demand and to increase milk production, Union Government has started a central scheme National Dairy Plan - Phase 1, for the period from 2011-12 to 2016-17. Its main objective is to help rural milk producers with greater access to the organized milk -processing sector and thus to bridge the gap between the demand and supply of milk in the country. The Government of India in the budget for the year 2016-17 has provided for ₹ 850 crore for spending on the 'Pashudhan Sanjivani', an animal wellness programme and provision of Animal Health Cards ('Nakul Swasthya Patra'); an Advanced breeding technology; Creation of 'E-Pashudhan Haat', an e market portal for connecting breeders and farmers; and a National Genomic Centre for indigenous breeds.

The processed milk and milk products segment is expected to record about 12-13% CAGR by FY17. Growth will be

driven by several factors such as changing lifestyle of consumers, growth in the food services industry, increasing urbanization, rising need for convenience, better health awareness among end-users, etc.

Retail Industry:

The Indian Retail sector has come off age and has gone through major transformation over the last decade with a noticeable shift towards organized retailing. The retail market is expected to reach a whopping ₹ 47 lakh crore by 2016-17, as it expands at a compounded annual growth rate (CAGR) of 15 per cent. The retail market, (including organized and unorganized retail), was at ₹ 23 lakh crore in 2011-12. According to the study, organized retail, that comprised just seven per cent of the overall retail market in 2011-12, is expected to grow at a CAGR of 24 per cent and attain 10.2 per cent share of the total retail sector by 2016-17. Favourable demographics, increasing urbanization, nuclearisation of families, rising affluence amid consumers, growing preference for branded products and higher aspirations are other factors which will drive retail consumption in India.

Market Dynamics

In the past few years, Indian Retail sector has seen tremendous growth in the organized segment. Major domestic players have stepped into the retail arena with long term, ambitious plans to expand their business across verticals, cities and formats.

High consumer spending over the years by the young population and sharp rise in disposable income are driving the Indian organized retail sector's growth. Even Tier I & Tier II cities and towns are witnessing a major shift in consumer preferences and lifestyles, the result of which, they have emerged as attractive markets for retailers to expand their presence.

The Indian retail sector is highly fragmented and the unorganized sector has around 13 million retail outlets that account for around 95-96% of the total Indian retail industry. However, going forward, the organized sector's growth potential is expected to increase due to globalization, high economic growth, and improved lifestyle.

Although the growth potential in the sector is immense, there are obstacles too, that could slow the pace of growth for new entrants. Rigid regulations, high personnel costs, real estate costs, lack of basic infrastructure.

Key drivers of the Indian Retail Industry

- Emergence of nuclear families
- An increase in the double-income households trend
- Large working population
- Increase in disposable income and customer aspiration
- Demand as well as increase in expenditure for luxury items
- Growing preference for branded products and higher aspirations
- Liberalization of the FDI policy in the past decade
- Increasing urbanisation,
- Rising affluence amid consumers

Bottlenecks

- A long way to meet international standards
- Lack of efficient supply-chain management
- Lack of required retail space
- Shortage of trained manpower
- Lack of proper infrastructure and distribution channel

Emerging sectors/trends in Indian retailing

Within retail, the emerging sectors would be food and grocery, apparel, electronics, e-commerce, fashion and lifestyle. Incorporation of technology in the organized retail segment has been something to reckon with in the past few years. Use of specialised Software for merchandise planning and management, control of inventory costs and supplies and replenishment of goods done electronically, internal store billing, etc changed the face of product retailing.

Online retail business is the next gen format which has high potential for growth in the near future. After conquering physical stores, retailers are now foraying into the domain of e-retailing. The retail industry is all set to test waters over the online medium, by selling products through websites. Food and grocery stores comprises the largest chunk of the Indian retail market.

An emerging trend in this segment is the virtual formats where customer orders are taken online through web

portals which are delivered at the door step the very same day or the following day. This trend has been catching up with most of the retail chains that have their websites.

The Road Ahead...

According to panel members at the seventh Food and Grocery Forum India, the opportunities in food and grocery retail in India are immense, given that it constitutes about 69 per cent of India's total retail market. The Indian retail market, currently estimated at \$490 billion, is projected to grow at a compounded annual growth rate of 6 per cent to reach \$865 billion by 2023. Modern retail with a penetration of only 7% is expected to grow about six times across all categories and segments.

Organised Retail is emerging as the new phenomenon in India and despite the slump, the market is growing exponentially. As economic growth brings more of India's people into the consuming classes and organized retail lures more and more existing shoppers, by 2017, more than 400 million shoppers are likely to patronize organized retail chains.

The growing middle class is an important factor contributing to the growth of retail in India. By 2030, it is estimated that 91 million households will be 'middle class', up from 21 million today. Also by 2030, 570 million people are expected to live in cities, nearly twice the population of the United States today. Thus, with tremendous potential and huge population, India is set for high growth in consumer expenditure. With India's large 'young' population and high domestic consumption, the macro trends for the sector look favorable.

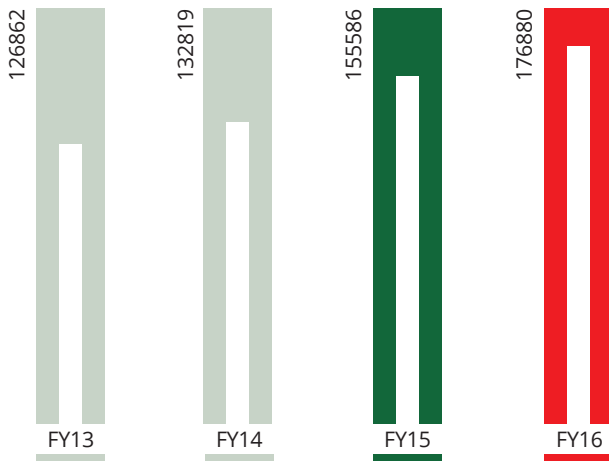
Dairy Business Vertical:

₹ 1,76,880 Lakh Revenue	71.95 % Contribution on total Revenue	₹ 13,720 Lakh EBITDA
₹ 38,247 Lakh Revenue from Value Added Products	₹ 19,574 Lakh Capital Employed	

The Dairy division accounting for 71.95% of revenue (₹ 176,880 Lakh) is the flagship business vertical for your Company. The Last 4 financial year's revenue of the Dairy vertical is given below:

Dairy Turnover

(₹ In Lakhs)



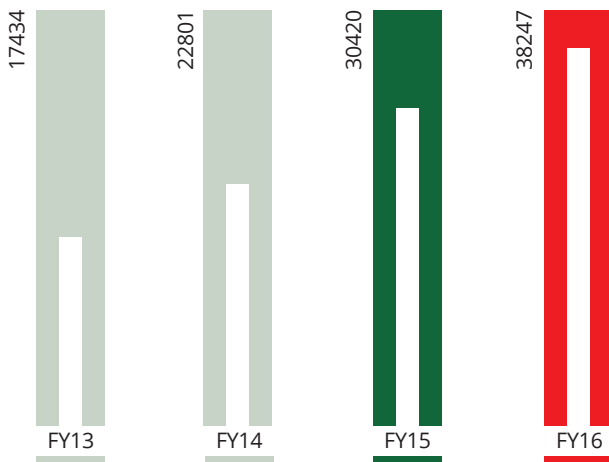
With a surge in the value added products, from ₹ 17,434 lakhs in FY13 to ₹ 38,247 lakhs in the current fiscal year, the percentage of contribution to the dairy income has improved from a mere 12% to nearly 22% in the current year on a dairy income of ₹ 176,880 lakhs. The value added products have been growing at a CAGR of 21.70% over the last 4 years.

These products indeed attract the attention of stakeholders as the profit margins among these are almost double compared to that of the liquid milk. Among these value added products, it's the curd that forms a significant portion. The rest include: ice cream, Forzen Desert, paneer, butter milk, flavored milk, and others. Attempts are on to add newer value added products like cheese, whey protein, and other beverages.

Retail Business Vertical:

Value Added Products Turnover

(₹ In Lakhs)



₹ 58,286 Lakh Revenue	23.71% Contribution on total Revenue	110 Stores
3,89,806 Sq.ft Operating Space	₹ 8,632 Lakh Capital Employed	

The last 4 financial year's revenue of the Retail Division is given below:

Retail Turnover

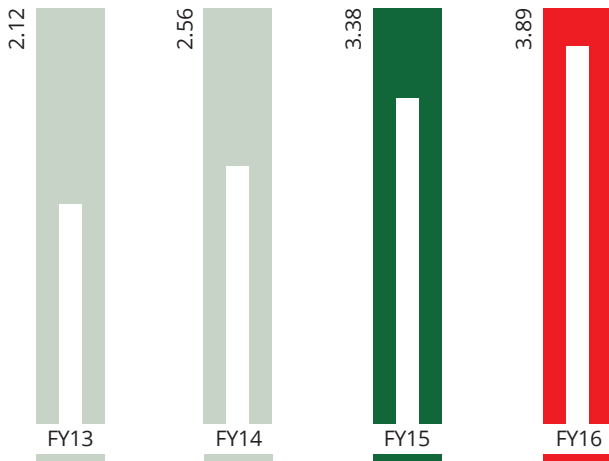
(₹ In Lakhs)



Selling liquid milk is a passe, improving sales of value added products like curd, ice cream, butter milk, paneer, is where the action is, thanks to higher profit margins. Having successfully transformed ourselves into a full-fledged dairy player by surging forward in terms of procurement of milk from a modest figure of 20,000 liters per day, about 2 decades back, to the current levels of 11 lakh liters per day was indeed a challenging one. However, now a new journey to transform the Company from a mere milk Company into an FMCG has indeed begun.

Total Carpet Area

(₹ In Lakhs)



Agri Revenue

(₹ In Lakhs)



On the Retail business vertical, your Company successful in cutting down the EBITDA losses from ₹ 17 crores in FY13 to about 4 crores this year, thanks to the economies of large scale owing to a surge in total trading space under operation to 3.89 lakh square feet from 2.12 lakh in FY13. The Agri and Bakery division's topline too have crossed a milestone of ₹ 10,000 lakhs mark this year.

Your Company confident of turning EBITDA positive soon. Post making profits in Retail division (which will include the Agri and Bakery divisions), your Company has exploring various options including bringing in a strategic partner or hive off the retail business into a separate company.

Agri & Bakery Business Vertical:

₹ 9,568 Lakh Revenue from Agri	3.89% Contribution on total Revenue	₹ 3,211 Lakh Capital Employed in Agri
₹ 812 Lakh Revenue from Bakery	0.33% Contribution on total Revenue	₹ 1,064 Lakh Capital Employed in Bakery

Agri & Bakery to support Retail Operations

The other business divisions, namely: Agri, Bakery and Renewable Energy verticles whose current turnover is ₹ 9568 Lakhs in Agri (on a capital employed of ₹ 3,211 Lakhs), Bakery ₹ 812 Lakhs (on a capital employed of ₹ 1,064 Lakhs) and Renewable energy ₹ 304 Lakhs (on a capital employed of ₹ 2609 Lakhs)

The last 3 financial year's revenue of the Agri & Bakery Divisions is given below:

Bakery Revenue

(₹ In Lakhs)



Renewable Energy Business Vertical:

₹ 304 Lakhs Revenue from Renewable Energy	0.12% Contribution on total Revenue	₹ 2,609 Lakhs Capital Employed in Renewable Energy
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Way Forward:

As per the vision and mission statement, the Company is set to emerge with a topline of ₹ 600,000 lakhs in 4 to 5 years. By FY2020 your Company is set to emerge as a pan India player. Our current relationships with as many as 3 lakh dairy farmers and nearly 15 lakh consumer households are set to grow.

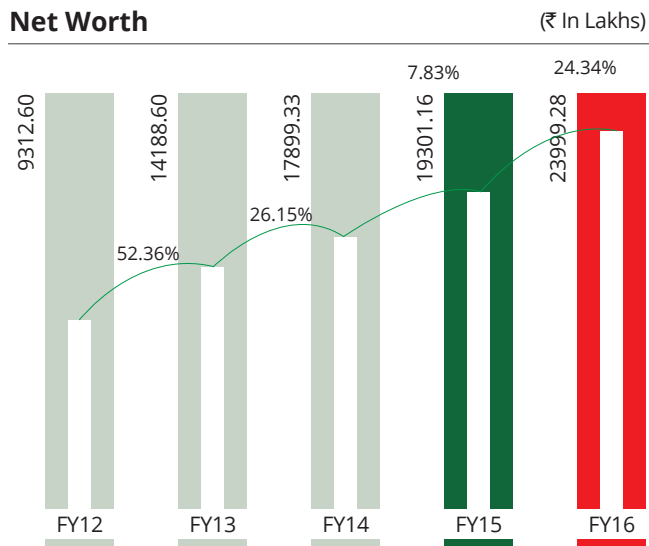
Discussion on Financial and Operational Performances

Your Company has created significant wealth for its

shareholders as the Company continues to maintain its growth momentum to become a nationally recognized brand for healthy and fresh products. Given below is the Company's performance for the last five years in various parameters.

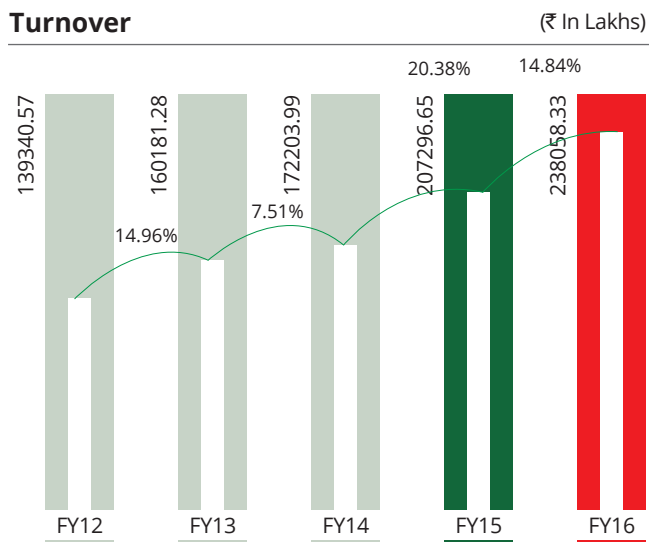
Net worth Trend:

The net worth has shown a steady and constant ascent from ₹ 9312.60 lakhs to ₹ 23999.28 lakhs in the last five years.



Revenue Trend

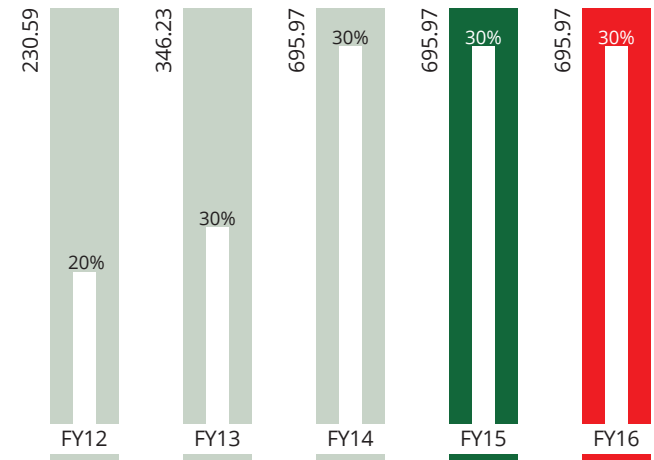
The focused approach helped the Company to deliver an industry leading performance with a revenue growth of 14.84% in FY2015-16.



Dividend Payment History

The Dividend and the payout ratio computed on consolidated profits have remained high. The dividend appropriated has increased steadily from 20% in FY12 to 30% in FY16.

Dividend Payment History (₹ In Lakhs)/Dividend %

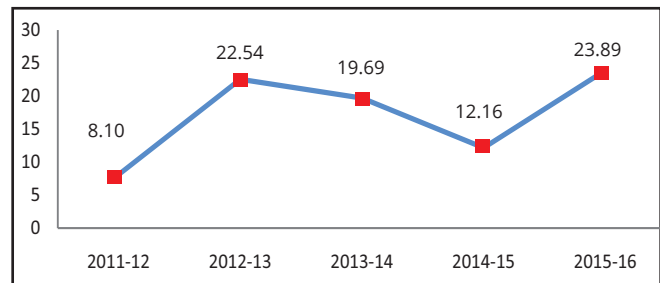


- The Board of Director allotted 1:1 bonus shares on July 30, 2013

Earnings per Share

Earnings per share (EPS) (Equity Shares of the face value of ₹ 10/- each)

EPS Per Equity Share of ₹ 10/- each (In Rupees)



- The Board of Director allotted 1:1 bonus shares on July 30, 2013.

STANDALONE FINANCIAL PERFORMANCE REVIEW

A. FINANCIAL PERFORMANCE

The following information is a Standalone information of your company and it should be read in conjunction with the financial statements and related notes for the Financial Year ended March 31, 2016.

Overview of Standalone Financial Results

Particulars	2015 - 16		2014 - 15		FY 2016 Vs 2015 % of Growth
	₹ In Lakhs	% of Revenue	₹ In Lakhs	% of Revenue	
Net Sales	232895.32	97.83	203348.13	98.10	14.53
Other operating income	5163.01	2.17	3948.52	1.90	30.76
Total Revenue	238058.33	100.00	207296.65	100.00	14.84
Less: Total Expenditure (before Depreciation & Finance cost)	224980.99	94.51	199093.36	96.04	13.00
Add: Other Income	654.96	0.28	702.66	0.34	(6.79)
Profit before finance cost, depreciation and tax	13732.30	5.77	8905.95	4.30	54.19
Less: Finance costs	1545.89	0.65	1593.01	0.77	(2.96)
Depreciation & Amortisation	3451.21	1.45	3399.03	1.64	1.54
Profit / (Loss) before tax	8735.20	3.67	3913.91	1.89	123.18
Less: Exceptional items	136.95	0.06	-	-	-
	8598.25	3.61	3913.91	1.89	119.68
Less: Provision for current taxation(Incl.tax. earlier yrs)	3068.44	1.29	1168.91	0.56	162.50
Less: Provision for deferred taxation	(13.34)	(0.01)	(76.02)	(0.04)	(82.45)
Profit / (Loss) after tax	5543.15	2.33	2821.02	1.36	96.49

Standalone Segment results:

Particulars	2015 - 16		2014 - 15		FY 2016 Vs 2015 % of Growth
	₹ In Lakhs	% of Revenue	₹ In Lakhs	% of Revenue	
1. Total Revenue					
a. Dairy	176880.13		155585.71		13.69
b. Retail	58286.49		49397.00		18.00
c. Agri	9567.72		8400.16		13.90
d. Bakery	812.03		588.92		37.88
e. Renewable Energy	304.30		257.04		18.39
Total Revenue	245850.67		214228.83		14.76
2. Inter-segment Revenue					
a. Dairy	2603.18		2231.27		16.67
b. Retail	244.95		168.26		45.58
c. Agri	4489.22		4068.17		10.35
d. Bakery	210.19		217.56		(3.39)
e. Renewable Energy	244.80		246.92		(0.86)
Total Inter-segment Revenue	7792.34		6932.18		12.41

Particulars	2015 - 16		2014 - 15		FY 2016 Vs 2015 % of Growth
	₹ In Lakhs	% of Revenue	₹ In Lakhs	% of Revenue	
3. External Revenue					
(Incl other operating income)					
a. Dairy	174276.95		153354.44		13.64
b. Retail	58041.54		49228.74		17.90
c. Agri	5078.50		4331.99		17.23
d. Bakery	601.84		371.37		62.06
e. Renewable Energy	59.50		10.12		487.85
Net Sales / Income from Operations	238058.33		207296.65		14.84
4. Segment Results					
(Profit (+) / (Loss) (-) before tax and finance costs)					
a. Dairy	11532.19	6.52	6717.47	4.32	71.67
b. Retail	(1380.99)	(2.37)	(1107.36)	(2.24)	24.71
c. Agri	(135.78)	(1.42)	(125.47)	(1.49)	8.21
d. Bakery	(61.52)	(7.58)	(84.46)	(14.34)	(27.16)
e. Renewable Energy	126.17	41.46	70.53	27.44	78.89
Total Segment Results	10080.07	4.23	5470.71	2.64	84.25
Less: I. Finance Cost	1545.89	0.65	1593.01	0.77	(2.96)
Add: i. Interest income	61.01	0.03	37.41	0.02	63.08
ii. Other un-allocable Income / (expenditure)	3.06	-	(1.20)	-	(355.25)
Total Profit before Tax	8598.25	3.61	3913.91	1.89	119.68

CASH FLOW ANALYSIS

Cash inflows

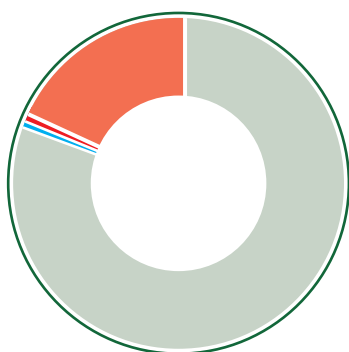
Particulars	2015 - 16		2014 - 15	
	₹ in Lakhs	%	₹ in Lakhs	%
Operating Cashflow	13901.88	81.09	8696.44	73.12
Interest & Dividend on Investments	64.07	0.37	37.45	0.31
Earmarked balances redemption	6.78	0.04	9.94	0.08
Proceeds from Long Term Borrowings	3171.75	18.50	3150.00	26.48
Total	17144.48	100.00	11893.83	100.00

Cash Outflows

Particulars	2015 - 16		2014 - 15	
	₹ in Lakhs	%	₹ in Lakhs	%
Repayment of Long Term Borrowings	1560.96	9.35	1411.63	11.51
Change in Working capital (net)	3199.11	19.16	2708.40	22.08
Taxes paid	2962.39	17.74	979.06	7.98
Capital Expenditure	6657.01	39.87	4794.90	39.08
Net Investments	0.25	-	0.25	-
Change in unclaimed dividend	11.65	0.07	10.72	0.09
Interest Paid	1466.97	8.79	1549.73	12.63
Dividend Paid	837.65	5.02	814.25	6.64
Total	16696.00	100.00	12268.93	100.00
Net increase /(decrease) in cash and cash equivalents	448.48		(375.10)	
Add: Opening Cash and Cash Equivalents	3993.70		4368.80	
Effect of foreign exchange gain /(loss)	(1.99)		-	
Cash and Cash Equivalents at the end of the period	4440.19		3993.70	

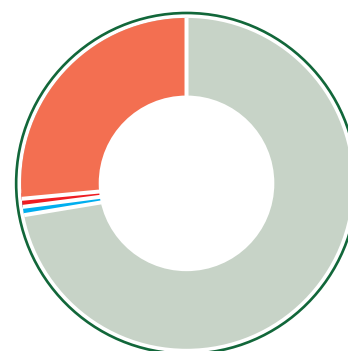
Cash Inflow

2015-16



Operating Cashflow	81.09%
Interest & Dividend on Investments	0.37%
Earmarked balances redemption	0.04%
Proceeds from Long Term Borrowings	18.50%

2014-15



Operating Cashflow	73.12%
Interest & Dividend on Investments	0.31%
Earmarked balances redemption	0.08%
Proceeds from Long Term Borrowings	26.48%

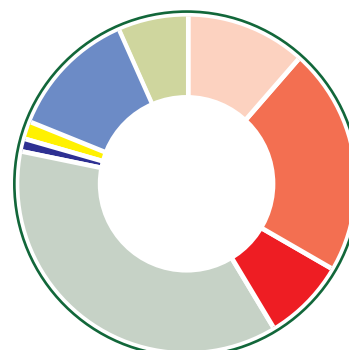
Cash Outflow

2015-16



Repayment of Long Term Borrowings	9.35%
Change in Working capital (net)	19.16%
Taxes paid	17.74%
Capital Expenditure	39.87%
Net Investments	0.001%
Change in unclaimed dividend	0.07%
Interest Paid	8.79%
Dividend Paid	5.02%

2014-15



Repayment of Long Term Borrowings	11.51%
Change in Working capital (net)	22.08%
Taxes paid	7.98%
Capital Expenditure	39.08%
Net Investments	0.001%
Change in unclaimed dividend	0.09%
Interest Paid	12.63%
Dividend Paid	6.64%

FORWARDLOOKING STATEMENTS

Statements in this report describing the Company's objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations that involve risks and uncertainties. Such statements represent the intention of the Management and the efforts being put into place by them to achieve certain goals. Actual results might differ materially from those either expressed or implied in the statement depending on the circumstances. Therefore, the investors are requested to make their own independent assessments and judgments by considering all relevant factors before making any investment decision.