



# HINDUSTAN FOODS LIMITED

A Vanity Case Group Company

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Company Scrip Code: 519126

Date: 4<sup>th</sup> June, 2020

The General Manager  
Department of Corporate Services  
BSE Limited  
Floor 25, P J Towers, Dalal Street,  
Mumbai-400 001.  
Tel : (022) 2272 1233 / 34

Through Listing Centre

Dear Sir /Madam,

**Subject: Disclosure on impact of CoVID-19 pandemic on the business as advised vide SEBI circular No. SEBI/HO/CFD/CMDI/CIR/P/2020/84 dated May 20, 2020**

**Ref: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

Since March 2020, several economies across the globe have been severely impacted due to CoVID-19 pandemic, requiring many governing authorities across globe to implement stringent nationwide lockdowns and closure of their borders. This has caused extreme stress and uncertainty across sectors and markets and Hindustan Foods Limited ("Company" or "HFL") being a part of this eco-system is no exception.

## 1. Impact of the CoVID-19 pandemic on the business

The Company is into contract manufacturing of the various FMCG products and has factories in various locations in the country.

The lockdown announced on the 25<sup>th</sup> March 2020 and the various announcement by the Government around the time resulted in shutting down of all of the factories during the last week of March. However, since the company is manufacturing many product categories considered as "Essential Commodities" as per the notification issued by the Ministry of Home Affairs (MHA) for supply of essentials, we could operate few of our plants manufacturing such essential articles after taking requisite permission from various government authorities.

In April 2020, we had lower capacity utilization which were gradually ramped up in May 2020. The lower utilization of our full capacities was due to constraints of labour and logistics. Currently, all our plants are operational and we continue to improve our capacity utilization on a daily basis with ease of labour and logistic issues.

We believe that there will be impact in our revenues and profitability for Q1FY21 due to underutilization of capacities.



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## **2. Ability to maintain operations including the factories/units/office spaces functioning and closed down**

Everyone at HFL should be able to work in a safe and protected environment. This is our topmost priority and we work towards it each day. In the battle against the Corona pandemic, our factory heads and their teams all over India have emerged as the heroes of the Company.

Our factories that manufacture essential commodities that include tea, coffee, baby food, detergents, fabric conditioners and shampoos faced the locked-down. Orders got deferred, inventories of finished goods and RM-PM piled up, goods moving in and out got blocked in transit, machines came to a standstill, work ceased, workers left, support staff at administration offices and HQ had to halt work. The all-important food chain came to a halt. Post the directives by the Government authorities, our factory heads got back into motion. They geared up quick to manufacture the essentials amidst curfews and absenteeism, retaining and keeping the available workforce motivated, while maintaining social distancing.

We strive to be an essential part of the food chain to continue delivering the best to our customers and partners.

The Company has made all efforts to help the community at large and around its factory locations, whether by contributing towards PMCare or offering tea bags in Coimbatore and face masks in Puducherry. HFL's efforts to provide for the girl child remains its topmost priority.

## **3. Schedule, if any, for restarting the operations**

We continue to operate our facilities across various factories and have been able to ramp them up in a phased manner.

While some of the factories – specifically, Jammu and Pondicherry couldn't operate in the month of April, they have started operations in May and are gradually ramping up.

The Mysuru Plant of our Associate Company has also started operations in May but since it is engaged in the business of manufacturing beverages, it has lost the entire season. The company has managed to diversify its product portfolio in the month of June and expects to recoup some of the losses caused due to this.

Currently our factories are running at about an average of 70-75% of their capacities - the weakest being footwear and the best being detergents. The same will be ramped up in a phased manner, taking into account all the relevant factors which will be prevailing from time to time.

## **4. Steps taken to ensure smooth functioning of Operations**

The Company has taken conscious decision to balance uninterrupted operations and ensuring a safe working environment. To ensure this, staff has been asked to report to work from their locations. At various offices, work-from-home policy has already been implemented.

The Company has put in place strict monitoring process for Covid-19 smooth functioning of precautions ensuring the following operations:

- Sanitizing the premises and vehicles on regular basis
- Maintenance of social distancing at all workplaces
- Enforcing wearing of masks, thermal temperature checking and regular cleaning of hands with soap water
- Regular update of the health of all the employees and their families





The Company has been regularly conducting awareness programs for all its employees. Employees have been communicated about the measures taken by the Company through mails and video conference calls.

The entire team at various factories were at the forefront of this battle and took great efforts to continue operations during the lockdown period as well.

#### 5. Estimation of the future impact of CoVID-19 on its operations

The new liquid home care projects that were scheduled to go into commercial production in June 2020 are delayed by a quarter. This would impact the revenues and profitability of this plant going forward.

Getting material across to the factories was and continues to be a challenge. Availability of contract labour may become a larger challenge in the coming months. While the current customer sentiments and the reverse migration of the migrant workforce poses challenges, the Company is quite confident that the demand situation will pick up progressively.

While the company is reasonably shielded from the demand vagaries, a sustained contraction of demand of FMCG products due to the reduction in GDP could lead to pressures on the company. However, given the massive stimulus announced by the government, we are confident that any demand contraction would be of a short term nature and should bounce back quickly.

On a long-term basis, we expect that this experience will lead to a rethink of the manufacturing strategy for our customers and should lead to a greater decentralization of manufacturing.

#### 6. Details of impact of CoVID-19 on listed entity

**Capital & Financial Resources:** The Company is well capitalized and does not see the need for raising additional capital. The banking credit lines and internal accruals as available to the Company are deemed adequate.

The Company has not taken recourse to any moratorium and has paid the instalments in time.

**Profitability:** There could be some impact on the order book of the Company as consumer demand may reduce during or post lockdown. This could impact revenues and profitability of the Company on a full year basis.

**Internal Financial Reporting & Control:** The Company has already in place cash flow management procedures and have taken various steps to reduce overheads to manage the operations. Weekly review mechanism is adopted to control various aspects of business.

**Liquidity Position:** The Company has adequate internal resources to maintain its liquidity, however few debtors could get stretched due to prevailing lockdown.

**Ability to service debt and other assets:** The Company has adequate resources to service debt and managing other financing arrangements.

**Supply Chain:** The Supply Chain process was impacted during the lockdown period, however with the directives of the Central / State Government easing the supply chain process and operations, it is gradually moving towards normalcy. Currently, the Company has adequate stocks to cater to customer demands.



**7. Existing contracts/agreements where non-fulfilment of the obligations by any party will have significant impact on the listed entity's business**

The Company is well positioned to fulfil its obligations and existing contracts/arrangements.

The Company is a diversified contract manufacturer catering to various marquee customers. In case of non-fulfilment of obligations / contract by any party or customer, it will have an impact on the business. However, as of now, we do not foresee any such possibility.

This is for your information and record.

Yours faithfully,  
For HINDUSTAN FOODS LIMITED

  
Bankim Purohit  
Company Secretary  
ACS 21865

