VEN Private Limited: Journey of a Diversified Agri-Business

Founded in Hoshiarpur, Punjab | Since 1965

Agriculture & Allied Industries in India

Crop protection directly linked to improving farm productivity

Allied industries: Animal husbandry, dairy, poultry, apiculture, aquaculture

Government-led revolutions:

Green Revolution (1960s)	*White Revolution (1970s)*

Company Background

Founder: Mr. Karnal Singh

Established: 1965, Hoshiarpur, Punjab

Initially focused on **Crop Protection Solutions** – pesticides, insecticides

Inspired by national agricultural transformation movements

Growth Driven by Agricultural Revolutions

1960s

Green Revolution

Started Crop Protection Division

1970s

White Revolution

Ventured into Dairy Farming

1990s

Rise in Animal Feed Demand

Launched Animal Feed Business

VEN's Business Verticals

Crop Protection
Focus: Pesticides, insecticides

Dairy Division
Milk production, dairy products

Animal Feed
Compressed feed, legumes, grains

VEN's Vision

"Providing sustained value that nourish people and the planet"

Each vertical aligns with this vision

Focus on sustainable agriculture and rural development

Present-Day Operations

- All business units operate
  - **within Punjab**
- Headquartered and concentrated
  - in **Hoshiarpur**
- Managed by second-generation leadership
  - **Mr. Kunal Singh**, son of the founder
- Profitability sustained
  - across decades

Strategic Focus: FY 2024–25

- Assess division-wise performance
- Focus on **intra-state operations**
- Precursor to future expansion outside Punjab

Road Ahead – Exploring Expansion

Evaluate scalability of each division

Potential for **regional and national outreach**

Consider vertical integration and value addition

Overall

VEN Pvt. Ltd. – A success story of alignment with India's agri revolutions

Strong foundation with three diversified verticals

Composed for strategic growth under new leadership

Overview of Divisional Evaluation

- Each division evaluated independently
- Performance metrics:
  - **Return on Investment (ROI)**
  - **Residual Income (RI)**
- **Reward system** based on divisional performance
- Allocation of head office expenses: 2% of divisional revenue
- **Cost of Capital:** 9% per annum
- Depreciation on plant and equipment: 15% (on cost)

Financial Performance Summary (FY 2024–25)

Particulars	Dairy Division	Animal Feed Division	Crop Protection Division
Revenue	₹6,80,00,000	₹10,62,50,000	₹6,00,00,000
PBIT	₹60,10,000	₹63,77,500	₹57,66,000
Net Book Value (Plant & Equipment)	₹5,65,25,000	₹7,43,75,000	₹2,62,50,000
Net Current Assets	₹1,04,75,000	₹1,51,25,000	₹60,00,000

ROI/ RI Computation

Particulars	Dairy Division	Animal Feed Division	Crop Protection Division
a. Profit before interest and tax	60,10,000	63,77,500	57,66,000
b. Revenue	6,80,00,000	10,62,50,000	6,00,00,000
c. Head office expenses [@2% of (b)]	13,60,000	21,25,000	12,00,000
d. <u>Controllable operating profit</u> (a)+(c)	73,70,000	85,02,500	69,66,000
e. Net book value of plant and equipment	5,65,25,000	7,43,75,000	2,62,50,000
f. Net current assets	1,04,75,000	1,51,25,000	60,00,000
g. Investment (e)+(f)	6,70,00,000	8,95,00,000	3,22,50,000
h. ROI [(d)/(g)×100]	11%	9.50%	21.6%
i. Required return [@9% of (g)]	60,30,000	80,55,000	29,02,500
j. RI [(d)-(i)]	13,40,000	4,47,500	40,63,500

📊 Evaluation of Animal Feed Division Performance

🔍 Manager's Claim:

The manager asserts that the Animal Feed Division performed best.

📉 Performance Metrics Comparison:

Metric	Dairy Division	Animal Feed	Crop Protection Division
📈 ROI	11.00%	9.50%	21.60%
💰 RI	₹13,40,000	₹4,47,500	₹40,63,500

📊 Evaluation of Animal Feed Division Performance

🚫 Animal Feed ranks **lowest** in both ROI and RI.

📦 **Profit vs. Investment**

- **Highest Total Profit**
- But due to **high capital investment**, both ROI and RI are diluted.

📌 Conclusion

- Profitability alone is not enough.
- Efficient use of capital is key to superior performance.

🎯 Product Development Strategy – Frozen Desserts at Hoshiarpur (Dairy Division)

📝 Proposal Overview

- Expansion of Dairy Division at **Hoshiarpur, Punjab**
- Launch of **Frozen Dessert** product line

📊 Strategic Fit

- Based on **Ansoff Matrix** – *Product Development*
- Leverages existing dairy market presence & infrastructure

🎯 Product Development Strategy – Frozen Desserts at Hoshiarpur (Dairy Division)

🚀 Strategic Benefits

- Entering high-growth **frozen dessert** segment
- Strengthens dairy **product portfolio**
- Enables **brand extension** & deeper **customer engagement**

Product Development Strategy – Frozen Desserts at Hoshiarpur (Dairy Division)

Financial Highlights

- **Investment in Plant & Equipment**: ₹1.75 Crores
- **Increase in Net Current Assets**: ₹25 Lakhs
- **Annual Contribution**: ₹95 Lakhs
- **Increase in Fixed Costs** (excluding depreciation): ₹8.5 Lakhs

ROI/ RI Computation

Particulars	Dairy Division
a. Additional investment in plant and equipment	1,75,00,000
b. Depreciation for first year on the above investment (15%)	26,25,000
c. Net book value of additional investment in plant and equipment at reporting date (a-b)	1,48,75,000
d. Additional net current assets	25,00,000
e. Total additional investment (c)+(d)	1,73,75,000
f. Additional contribution	95,00,000
g. Additional fixed cost	8,50,000
h. Net addition to earning (f)-(g)-(b)	60,25,000
i. ROI [(h)/(e)×100]	34.68%
j. Required return [9% of (e)]	15,63,750
k. RI [(h)-(j)]	44,61,250

📈 ROI Criteria for Dairy Division Expansion

💡 ROI Criteria – Why Expand?

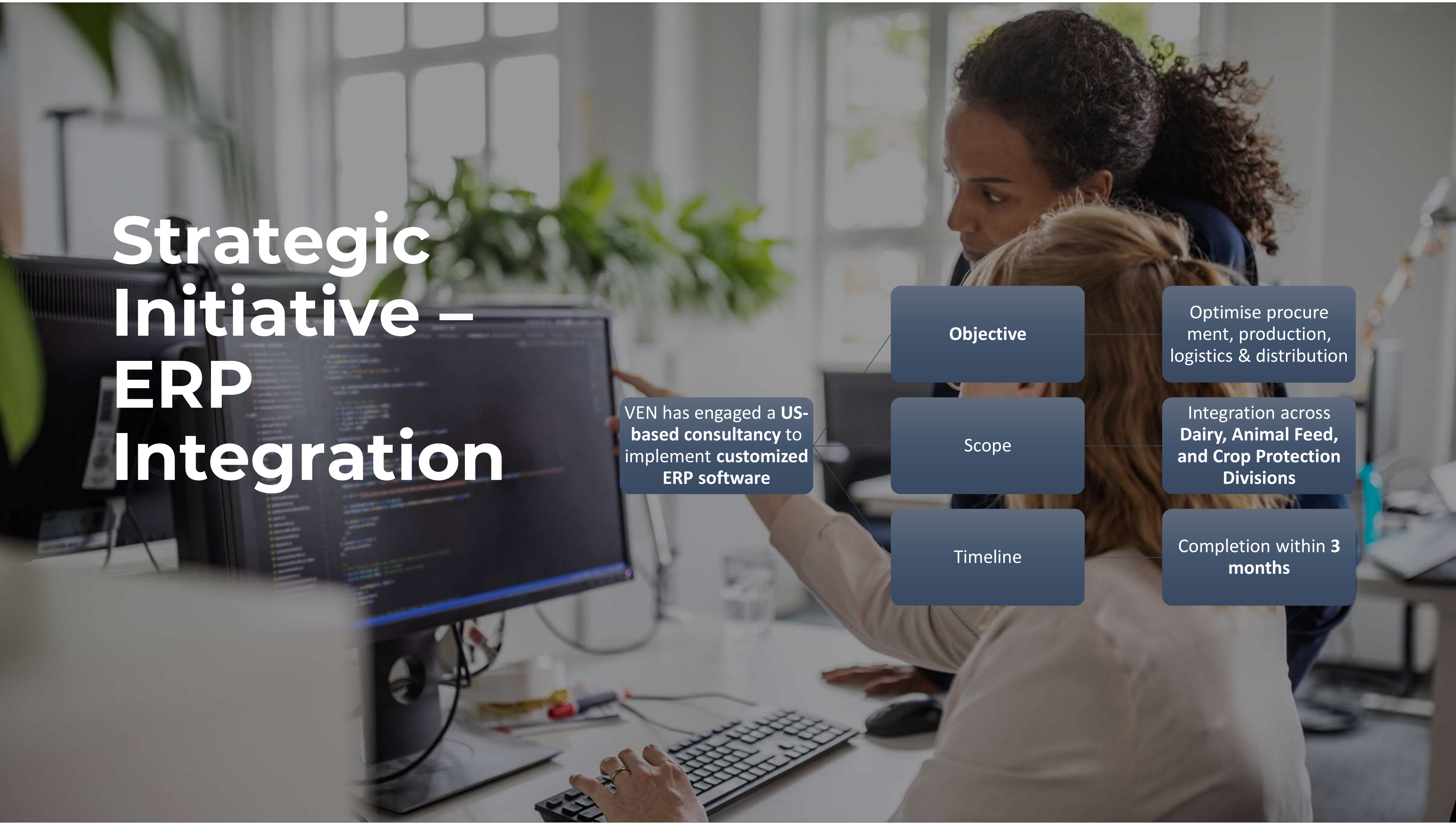
Proposed ROI for Expansion: **34.68%**

- Higher than existing **Dairy Division ROI**: **11%**
- Higher than the **overall ROI** of the company:
- **Crop Protection Division ROI**: **21.6%**

📈 RI Criteria for Dairy Division Expansion

💰 RI Criteria – Why Expand?

- **Proposed Additional RI**: **₹44,61,250**
- This represents the additional **Residual Income (RI)** generated by expanding into the **manufacturing of frozen desserts**.



Strategic Initiative – ERP Integration

VEN has engaged a **US-based consultancy** to implement **customized ERP software**

Objective	Optimise procure ment, production, logistics & distribution
Scope	Integration across **Dairy, Animal Feed, and Crop Protection Divisions**
Timeline	Completion within **3 months**

Key Benefits of ERP Implementation

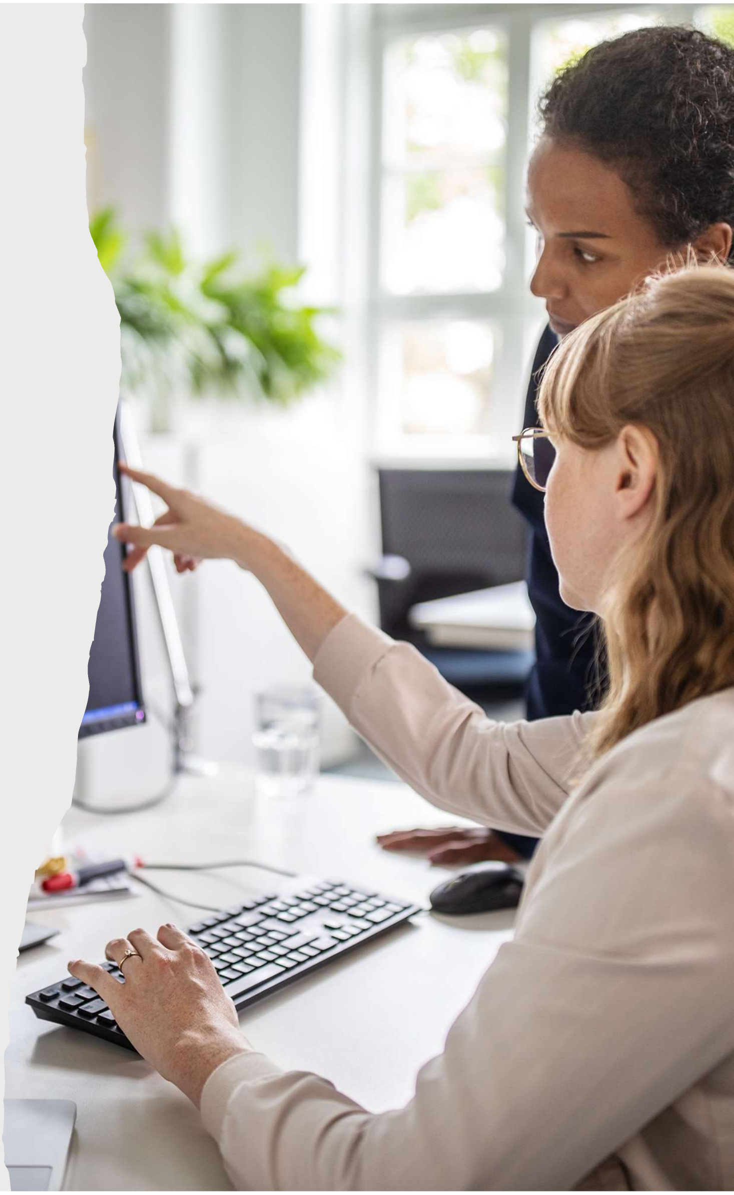
Centralized control and real-time data visibility

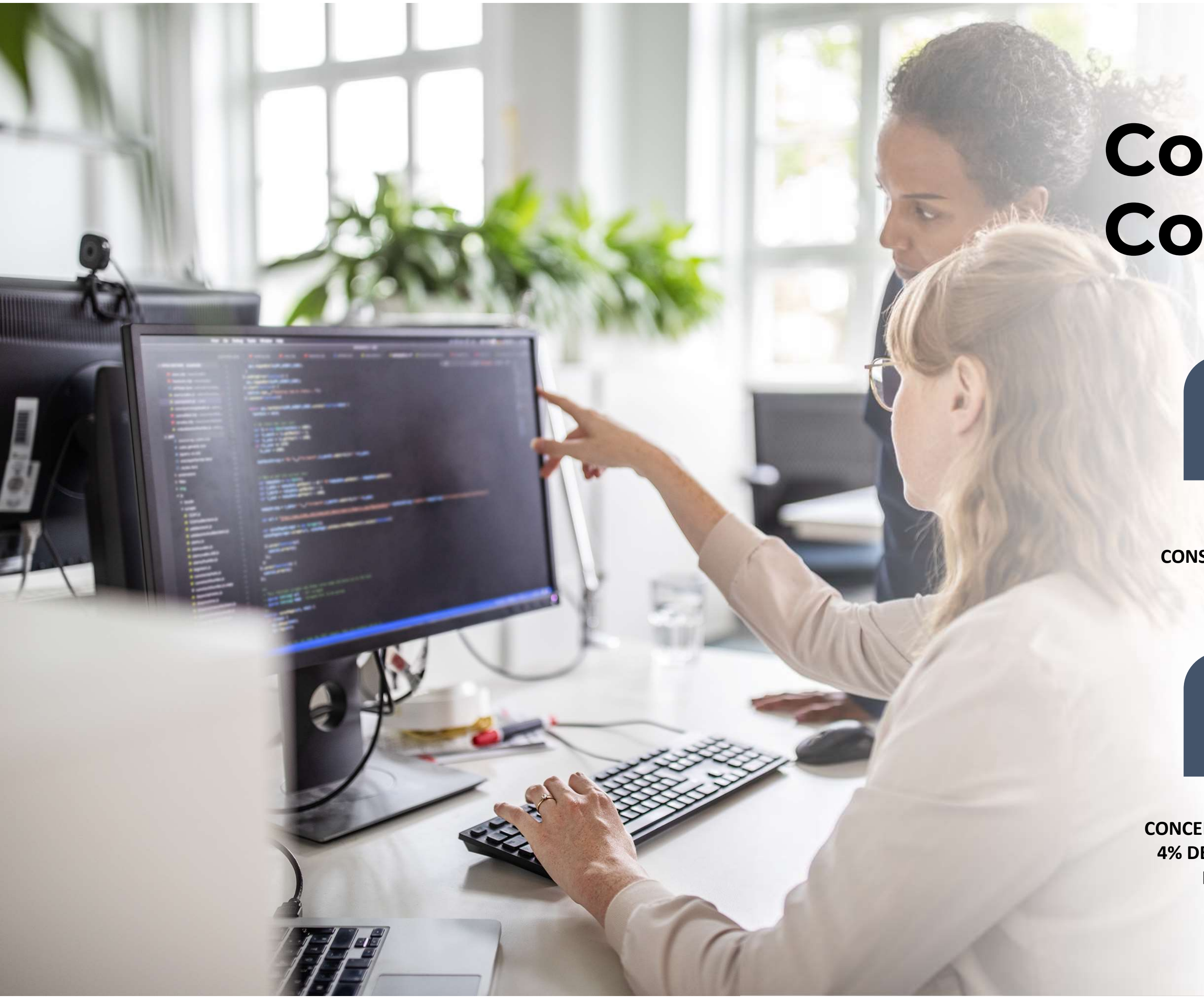
Automation of inventory and logistics

Reduction in operational bottlenecks

Alignment of supply chain activities across verticals

Enhanced **decision-making and performance tracking**





Cost of ERP Consultancy

COST OF CONSULTANCY: USD 1,000,000

PAYMENT TIMELINE: AFTER 3 MONTHS

CONCERN: ANTICIPATED **4% DEPRECIATION** IN INR VALUE

NEED TO **HEDGE FOREIGN EXCHANGE RISK**

Exchange Rate Details (INR/USD)

	Spot	3 Month's Forward
₹/ $	85.60/ 85.90	87.60/ 87.90

The borrowing rates in India and USA are 8% and 5.5% respectively and deposit rates are 6.5% and 4% respectively.

Hedging Foreign Exchange Risk

Forward Cover

Amount Payable:

$10,00,000 × ₹87.90

= **₹8,79,00,000**

Money Market Hedge

Step 1: Deposit in USD today

1. Future payment: $10,00,000
2. Interest rate: 4.00% p.a.
3. Present value: $10,00,000 / 1.01 = **$9,90,099.01**

Step 2: Convert ₹ to $ at spot rate

1. Spot rate: ₹85.90
2. ₹ required: $9,90,099.01 × 85.90 = **₹8,50,49,504.96**

Step 3: Borrow ₹ at 8.00% p.a.

1. Loan repayment after 3 months: ₹8,50,49,504.96 × 1.02 = **₹8,67,50,495.06**

Impact on Crop Protection Division

ERP implementation helped resolve **warehousing and shipping constraints**

Integration with **Reachme** logistics network

Improved **dispatch timelines, inventory tracking, and cost management**

Supports the division's **high ROI and RI performance**

Strategic Gains from Supply Chain Integration

- Seamless coordination between divisions
- Data-driven forecasting and inventory planning
- Efficient resource allocation and cost savings
- Strengthens VEN’s vision of **sustainable value creation**

Diversification Strategy – Dhagwar Dairy Farm, HP

Rationale for Dairy Farm at Dhagwar

- Full control over **milk quality** via **owned cattle**
- Targeted towards **premium product** segment
- Pasture-friendly environment in Kangra for sustainable cattle management
- Scope for **future organic certification & branding**

Business Model – Dhagwar Dairy Farm

Procure & rear high-yield milk cows

In-house **breeding and upkeep**

Daily milking, stored in cold storage

Weekly distribution to retail distributors

Fresh milk – **no additives, no processing**

🐄 VEN Dairy Farm – FY 2025–26 Highlights

🎯 **Focus:** Milk production is the primary focus of VEN's newly developed dairy farm.

📅 **Key Dates & Initial Investments:**

April 1, 2025:

- Purchased land at Dhagwar town for ₹3 crores
- Acquired **100 cows** (average age: 3 years)
- Received **non-refundable grant** of ₹10,00,000 for cow acquisition

VEN Dairy Farm – FY 2025–26 Highlights

Operating Expenses in FY 2025–26:

- ₹12,00,000 – Animal care (food & upkeep)
- ₹5,00,000 – Breeding fee (paid to a local farmer)

Livestock Updates:

- **Oct 1, 2025:** 20 calves born
- No other changes in livestock during the year

Milk Production:

- **As of March 31, 2026:** 10,000 litres of milk in cold storage
- Sold shortly after year-end at consistent market price

📈 Fair Value Movement – FY 2025–26 VEN Dairy Farm

🏞️ Land (at Dhagwar town):

Date	Fair Value (₹ crores)
April 1, 2025	3.00
October 1, 2025	3.10
March 31, 2026	3.15

📈 Fair Value Movement – FY 2025–26 VEN Dairy Farm

🥛 Milk (Per Litre):

Date	Fair Value (₹)
April 1, 2025	40
October 1, 2025	42
March 31, 2026	45

📈 Fair Value Movement – FY 2025–26 VEN Dairy Farm

🐮 Livestock Fair Value (Per Head)

Animal Type	Apr 1, 2025	Oct 1, 2025	Mar 31, 2026
Newborn Calf	₹30,000	₹35,000	₹40,000
6-month-old Calf	₹32,000	₹38,000	₹44,000
3-year-old Cow	₹42,000	₹47,000	₹50,000
4-year-old Cow	₹42,000	₹48,000	₹52,000

Case Study: VEN Private Limited

Extract from the Statement of Profit & Loss

Income Item	Amount (₹)
Change in fair value of purchased dairy cow	₹10,00,000
Change in fair value of newly born calves	₹8,80,000
Grant Received	₹10,00,000
Fair value of milk	₹4,50,000
Total Income	**₹33,30,000**

Expense Item	Amount (₹)
Maintenance	₹12,00,000
Breeding Fee	₹5,00,000
Total Expense	**₹17,00,000**

Case Study: VEN Private Limited

Extract from the Balance Sheet

Asset	Amount (₹)
Land	₹3,00,00,000
Dairy Cows	₹52,00,000
Calves	₹8,80,000
Milk Inventory	₹4,50,000

🌾 Expansion Strategy – Crop Protection Division (CPD), FY 2025–26

📍 Current Scenario

- Focus: Pesticides & Insecticides
- Main Market: Punjab
- Growing demand observed in **Haryana** and **Uttar Pradesh (rural towns)**

Expansion Strategy – Crop Protection Division (CPD), FY 2025–26

Opportunity Identified

- Demand from small farmers in rural pockets
- Currently rely on **agents**, reducing their margins due to high commission
- Semi-urban areas are **highly competitive**, so focus will be on **rural penetration**

Expansion Strategy – Crop Protection Division (CPD), FY 2025–26

Challenges

- No warehousing or shipping infra outside Punjab
- ERP system improved internal ops, but **not a substitute for physical infrastructure**
- Early-stage project – high infra investment **not recommended** yet

Expansion Strategy – Crop Protection Division (CPD), FY 2025–26

Strategic Partnership with Reachme

- Reachme is an **e-commerce platform** for connecting sellers & rural buyers
- Offers **warehousing and shipping** for additional fee
- **Seller fee** charged to VEN; **subscription fee** charged to buyers
- Enables access to **new rural markets** without upfront infra costs

🌾 Expansion Strategy – Crop Protection Division (CPD), FY 2025–26

✅ Strategic Benefits

- Access to rural markets in Haryana & UP
- Reduced reliance on agents → **better pricing for farmers**
- Data-driven insights via ERP + Reachme platform