



Kohinoor

Serving India to the world

Annual Report 2011-2012

**Kohinoor**  
FOODS LIMITED



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**Registered Office** : 201, Vipps Centre, Masjid Moth  
**Corporate Office and** Greater Kailash II, New Delhi-110 048  
**Share Department** Tel: +91-11-41635757 (10 Lines)  
Fax: +91-11-41638586/87  
E-mail: info@kohinoorfoods.in  
Web: www.kohinoorfoods.in

**Works** : • 50-51 Milestone, G.T. Road  
Murthal, Dist. Sonapat (Haryana)  
• 71, Libaspur, Bahalgarh  
Dist. Sonapat, (Haryana)  
(Transferred w.e.f. 09/09/2011)

**Wholly Owned** : Kohinoor Foods USA INC.  
**Subsidiary Companies** 40, Northfield Avenue  
Edison, NJ 08837  
  
: Indo European Foods Limited  
Kohinoor House, 40 Langer Road  
Felixstowe, Suffolk, IP 11 2BW  
United Kingdom  
  
: Sachdeva Brothers Private Limited  
201, Vipps Centre, Masjid Moth,  
Greater Kailash-II, New Delhi-110048

**Joint Venture** : Rich Rice Raisers Factory L.L.C.  
**Company** Post Box No. 15542  
Al Quoz Industrial Area  
3rd Interchange, Sh Zayed Road  
Dubai, U.A.E.  
  
: Kohinoor Speciality Foods India Pvt. Ltd.  
401, Vipps Centre, Masjid Moth  
Greater Kailash-II, New Delhi-110048

**Listing of Equity Shares**  
National Stock Exchange of India Ltd.  
Bombay Stock Exchange Ltd.

**Board of Directors**  
**Mr Jugal Kishore Arora** Chairman  
**Mr Satnam Arora** Jt. Managing Director  
**Mr Gurnam Arora** Jt. Managing Director  
**Mr Vijay Burman** Non-Executive Director  
**Mr Anil Bhatia** Non-Executive Director  
(Resign w.e.f. 14/08/2012)  
**Mr Vijay Parkash Aggarwal** Non-Executive Director  
**Mr. Sandeep Kohli** Non-Executive Director  
(Appointed w.e.f. 14/08/2012)

**Company Secretary & GM (Legal)** Mr. Rama Kant

**Auditors** M/s Nath Ahuja  
Chartered Accountants

**Bankers**  
Oriental Bank of Commerce  
State Bank of India  
Punjab National Bank  
Allahabad Bank  
Standard Chartered Bank  
Indusland Bank  
HDFC Bank Limited  
ICICI Bank Ltd.  
IDBI Bank Ltd.  
Bank of India  
Corporation Bank  
Axis Bank Ltd.  
DBS Bank Ltd.  
Kotak Mahindra Bank Ltd.  
Yes Bank  
**Transfer Agents**  
M/s Skyline Financial Services Pvt. Ltd.  
D-153A, 1st Floor, Okhla Industrial Area, Phase -I  
New Delhi-110020, Ph.: 011-26812682, 83, 84

**Depositories**  
National Securities Depository Ltd. (NSDL)  
Central Depository Services (INDIA) Ltd. (CDSL)

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## Chairman's Message



Dear Fellow Shareowners,

Greetings!

Kohinoor after having won the hearts of its consumers around the world with its range of Rice & Food products has joined hands with leading name in Spices & Seasoning, McCormick Ingredients Southeast Asia Pvt. Ltd. to optimize its domestic operations. McCormick is a leading manufacturer, marketer and distributor of Spices, Seasonings, Speciality Foods and Flavours. The Joint Venture agreement between the two food giants namely, 'Kohinoor Foods Limited' and 'McCormick Ingredients Southeast Asia Pvt. Ltd.', is the first-of-its kind in the Rice Industry with the later owning 85% share in the new Joint Venture company named, M/s Kohinoor Speciality Foods India Pvt. Ltd. and remaining 15% with Kohinoor Foods Limited. The company (KFL) reserves all the manufacturing right and would supply Rice to its Joint Venture company "Kohinoor Speciality Foods India Private Limited" for their Domestic Business. This joint venture with McCormick would leverage their global expertise in Distribution, Research & Product Innovation to Indian market and add value to the operations benefitting the end consumer. Further to it, the Food factory located at Bahalgarh (Haryana) by virtue of the JV agreement would manufacture and supply all the food products to KFL for our Export Business. However, Kohinoor Foods Limited would continue to own all its Rice Mills, Production Capabilities and would continue to focus on its export business operations.

The financial year, 2011-12 has been both challenging & promising as Your Company's export rice business posted an impressive growth of 53.3% with sales value at 4,883 Million as against the last financial year sales of 3185 Million. Our Joint Venture arm, Kohinoor Speciality Foods India Pvt. Ltd. is in process of reorganising and restructuring their entire operations that include Supply Chain, Product Portfolio & Manpower which resulted in decline of our domestic sales in this financial year. Hopefully the next financial year would post healthy growth numbers in the segments & categories the company operates.

Your company's growth especially in the Export markets was due to the major thrust & focussed approach in the Middle East markets coupled with above and below the line activities in key markets. Our Rice business, that includes Private Label as well grew in all geographies that we are present in e.g., Asia Pacific, UK, USA, Africa and Middle East. In our commitment to bring authentic Indian taste, Kohinoor in Food category, launched 'Paneer' (Indian cottage cheese) in 'Fresh & Frozen' brand in the select markets of Middle East, Asia Pacific and the US to a tumultuous response that played a major role in building company's Sales & Brand equity in key markets. In the next financial year we intend to expand our product offering in both in Ambient & Frozen range to give wide choice to our customers and add value & excellence to our export Food business operations.

With the vision of bringing authentic Indian flavours to people all over the world, we want your company Kohinoor Foods to become one of the leading names, not only in the Rice, but the entire Food category globally. Having a well recognized market presence, strong product portfolio, efficient manufacturing capabilities, enduring values and committed work force; we will continue to Invest & Innovate in our Products, Processes & Distribution to work for happier tomorrow. Each member of the Kohinoor Foods Limited realize the responsibility on their shoulders and believe that we have in us, the key success factors necessary to withstand the winds of change.

Our social endeavor also focuses on enhancing living conditions of the underprivileged & marginalised communities that makes a positive difference & improve the quality of their lives for better education, healthcare and civic amenities.

I am grateful to the Board of Directors for their unwavering support and guidance. I also take this opportunity to express my gratitude to all our consumers, business partners, employee and stakeholders who have shown their trust in us and have extended their constant support.

Warm Regards,  
Sincerely

Jugal Kishore Arora  
Chairman

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## NOTICE

Notice is hereby given that the Twenty Third Annual General Meeting of Kohinoor Foods Limited will be held at 12.30 p.m. on Thursday, the 27th September, 2012 at the Pearey Lal Bhawan Association, 2, Bahadurshah Zafar Marg, New Delhi-110002, to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2012 and the Profit & Loss Account for the year ended on that date together with the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Gurnam Arora, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Satnam Arora, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors to hold office until the conclusion of next Annual General Meeting and to fix their remuneration and to pass the following resolution:

**"RESOLVED THAT** pursuant to the provisions of Section 224 (1) and other applicable provisions, if any, of the Companies Act, 1956, M/s Nath Ahuja & Co., Chartered Accountants, be and are hereby re-appointed as Auditors to hold office till the conclusion of next Annual General Meeting at remuneration to be fixed by the Board of Directors".

### SPECIAL BUSINESS

5. **To Consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution.**

**"RESOLVED THAT** Mr. Sandeep Kohli, who was appointed as an Additional Director of the Company by the Board of Director and who cease to hold office as required under section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing under section 257 proposing his candidature for the office of Director, be and is hereby appointed as a director of the Company, who will be liable to retire by rotation".

6. **To Consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution.**

**RESOLVED THAT** pursuant to Section 94 and other applicable provisions, if any, of the Companies Act,

1956 read with the Articles of Association of the Company the Authorized Share Capital of the Company be and is hereby increased from the present Rs. 50,00,00,000 (Rupees Fifty Crores) to Rs. 75,00,00,000 (Rupees Seventy Five Crores) divided into 7,50,00,000 (Seven Crores Fifty Lakhs) Equity Shares of Rs. 10 each by creation of 2,50,00,000 (Two Crores Fifty Lakhs) additional Equity Shares ranking Pari-passu in all respect with the existing Equity Shares.

**RESOLVED FURTHER THAT** the existing clause V of the Memorandum of Association of the Company be substituted with the following:

Clause V: "The Authorized Share Capital of the Company is Rs. 75,00,00,000/- (Rupees Seventy Five Crores only) divided into 7,50,00,000 (Seven Crores Fifty Lakhs) Equity Shares of Rupees 10/-(Ten) each."

7. **To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Special Resolution.**

**"RESOLVED THAT** pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 the Articles of Association of the Company be and are hereby altered, by substituting the following clause in place of the existing clause of the Articles of Association:

Clause 4 : "The Authorised Share Capital of the company shall be such as given in clause V of the Memorandum of Association of the Company or as altered from time to time."

8. **To Consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution.**

**"RESOLVED THAT** in supersession of earlier resolution passed, the Board of Directors (hereinafter referred to as "The Board") be and is hereby authorized, in accordance with Section 293 (1)(d) and all other applicable provisions of the Companies Act 1956 (including any statutory modification or re-enactment thereof for the time being in force) and the Articles of the Company to borrow any sum or sums of money (including non-fund based facilities) from time to time at their discretion, for the purpose of the business of the Company, from any one or more Banks, Financial Institutions and other persons, firms, bodies corporate, notwithstanding that monies to be borrowed together with monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the company's bankers in the ordinary course of business) may, at any time, exceed upto a sum of Rs. 1000 crores (Rupees One Thousand Crores only) over and above the aggregate of the paid up

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capital and its free reserves (that is to say, reserves not set apart for any specific purpose) and that the Board of Directors be and is hereby empowered and authorized to arrange or fix the terms and conditions of all such monies to be borrowed from time to time as to interest, repayment, security or otherwise as they may, in their absolute discretion, think fit.”

“**RESOLVED FURTHER THAT** the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty, doubt that may arise in respect of the borrowing(s) aforesaid and further to do all such acts, deeds and things and to execute all documents and writings as may be necessary, proper, desirable or expedient to give effect to this resolution.”

9. **To Consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution.**

“**RESOLVED THAT** the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), to the Board of Directors (hereinafter referred to as “the Board”) to mortgage and/or charge in addition to the mortgages / charges created / to be created by the Company, in such form and manner and with such ranking and at such time and on such terms as the Board may determine, on all or any of the moveable and/or immovable properties of the company, both present and future and/or the whole or any part of the undertaking(s) of the company, in favour of the Lender(s), Agent(s) and Trustee(s) for securing the borrowings availed / to be availed by the Company and / or any of the Company's holding / subsidiary / affiliate / associate company, by way of loan(s) (in foreign currency and / or rupee currency) and Securities (comprising fully / partly Convertible Debentures and/or Non Convertible Debentures with or without detachable or non-detachable Warrants and/or secured premium notes and/or floating rates notes / bonds or other debt instruments), issued / to be issued by the company, from time to time, subject to the limits approved under Section 293(1)(d) of the Companies Act, 1956, together with interest at the respective agreed rates, additional interest, compound interest in case of default, accumulated interest, liquidated damages, commitment charges, premia on prepayment, remuneration of the Agent(s) / Trustees, premium (if any) on redemption, all other costs, charges and expenses, including any increase as a result of devaluation / revaluation / fluctuation in the

rates of exchange and all other monies payable by the company in terms of the Loan Agreement(s) / Heads of Agreement(s), Debenture Trust Deed(s), or any other document, entered into/ between the company and the Lender(s) / Agents and Trustee(s), in respect of the said loans / borrowings / debentures and containing such specific terms and conditions and covenants in respect of enforcement of security as may be stipulated in the behalf and agreed to between the Board of Directors and the Lender(s) / Agent(s) and Trustee / Trustee(s)

“**RESOLVED FURTHER THAT** for the purpose of giving effect to the resolution, the Board and/or its duly constituted Committee be and are hereby authorized to finalise, settle and execute such documents / deeds / writings/ papers / agreements as may be required and do all such acts, deeds and things as may be required and do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary proper or desirable and to settle any question, difficulty or doubt that may arise in regard to creating mortgages/charges as aforesaid.”

10. **To Consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution.**

“**RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309, 310 & 311 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 the consent of members be and is hereby accorded subject to the approval of Central Government for reappointment of Mr. Jugal Kishore Arora, Whole Time Director, designated as 'Chairman', of the Company (not liable to retire by rotation) for a further period of 5 years with effect from 26th September, 2012 to 25th September, 2017 and also to increase in remuneration payable to Mr. Jugal Kishore Arora, Chairman of the Company w.e.f 1st October, 2012 on the terms as detailed in the Explanatory Statement attached hereto –

“**RESOLVED FURTHER THAT** the Board be and is hereby authorized to alter vary and modify or increase the said terms including salary, allowances, designation and perquisites in such manner as may be agreed to between the Board and Mr. Jugal Kishore Arora and in accordance with and subject to the limits prescribed in schedule XIII of the Act and, if necessary, as may be stipulated by the Central Government and as may be agreed to between the Board and Mr. Jugal Kishore Arora.”

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**“RESOLVED FURTHER THAT** Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. Jugal Kishore Arora, the Company has no profits or profits are inadequate, the remuneration by way of salary, allowances and perquisites payable to him shall be subject to the approval of the Central Government, wherever required.”

**“RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby authorized to do all such acts, deeds and matter and things in its discretion it may consider necessary, expedient or desirable to give effect to this resolution”.

**11. To Consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution.**

**“RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309, 310 & 311 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 the consent of members be and is hereby accorded subject to the approval of Central Government for reappointment of Mr. Satnam Arora, Whole Time Director, designated as 'Jt. Managing Director', of the Company for a further period of 5 years with effect from 26th September, 2012 to 25th September, 2017 and also to increase in remuneration payable to Mr. Satnam Arora, Jt. Managing Director of the Company w.e.f. 1st October, 2012 on the terms as detailed in the Explanatory Statement attached hereto –

**“RESOLVED FURTHER THAT** the Board be and is hereby authorized to alter vary and modify or increase the said terms including salary, allowances, designation and perquisites in such manner as may be agreed to between the Board and Mr. Satnam Arora and in accordance with and subject to the limits prescribed in schedule XIII of the Act and, if necessary, as may be stipulated by the Central Government and as may be agreed to between the Board and Mr. Satnam Arora.”

**“RESOLVED FURTHER THAT** Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. Satnam Arora, the Company has no profits or profits are inadequate, the remuneration by way of salary, allowances and perquisites payable to him shall be subject to the approval of the Central Government, wherever required.”

**“RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby authorized to do all

such acts, deeds and matter and things in its discretion it may consider necessary, expedient or desirable to give effect to this resolution”.

**12. To Consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution.**

**RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309, 310 & 311 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 the consent of members be and is hereby accorded subject to the approval of the Central Government for reappointment of Mr. Gurnam Arora, Whole Time Director, designated as 'Jt. Managing Director', of the Company for a further period of 5 years with effect from 26th September, 2012 to 25th September, 2017 and also to increase in remuneration payable to Mr. Gurnam Arora, Jt. Managing Director of the Company w.e.f 1st October, 2012 on the terms as detailed in the Explanatory Statement attached hereto –

**“RESOLVED FURTHER THAT** the Board be and is hereby authorized to alter vary and modify or increase the said terms including salary, allowances, designation and perquisites in such manner as may be agreed to between the Board and Mr. Gurnam Arora and in accordance with and subject to the limits prescribed in schedule XIII of the Act and, if necessary, as may be stipulated by the Central Government and as may be agreed to between the Board and Mr. Gurnam Arora.”

**“RESOLVED FURTHER THAT** Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. Gurnam Arora, the Company has no profits or profits are inadequate, the remuneration by way of salary, allowances and perquisites payable to him shall be subject to the approval of the Central Government, wherever required.”

**“RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby authorized to do all such acts, deeds and matter and things in its discretion it may consider necessary, expedient or desirable to give effect to this resolution”.

By Order of the Board  
For Kohinoor Foods Limited

Sd/-  
Rama Kant  
Company Secretary and GM (Legal)

Place: New Delhi  
Date: 31-08-2012

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**NOTES :**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and a proxy need not be a member of the company. Proxies in order to be valid must be received by the company not less than 48 hours before the scheduled time of the meeting. A proxy form is attached.
2. Corporate Members intending to send their authorised representatives to attend the meeting are requested to send a certified copy of the Board Resolution authorizing their representatives to attend and vote at the Meeting, on their behalf.
3. The Register of Members and Transfer Books of the Company will remain close from 15th September, 2012 to 27th September, 2012 (both days inclusive) in connection with the Annual General Meeting.
4. Pursuant to Clause 49 of the Listing Agreement, the particulars of Directors seeking appointment/re-appointment at the meeting are annexed.
5. Members are requested to bring their copies of Annual Report to the Meeting.
6. Entry in the Meeting Hall shall be strictly restricted to Members/Valid Proxies only, carrying the Attendance Slip.
7. Members holding shares in dematerialized form are requested to intimate all changes pertaining to their bank details, nominations, power of attorney, change of address, change of name and e-mail address, etc. to their Depository Participant only and not to the company's registrar and transfer agents, Skyline Financial Services Pvt. Ltd. Changes intimated to the Depository Participants will then be automatically reflect in the Company's records which will help the Company and Skyline Financial Services Pvt. Ltd to provide efficient and better services. Members holding shares in physical form are requested to intimate such changes to Skyline Financial Services Pvt. Ltd., having office at D-153A, First Floor, Okhla Industrial Area, Phase-I, New Delhi-110020.
8. Members holding shares in physical form are requested to consider converting their holding to dematerialized form to eliminate all risks associated with physical shares and for ease in portfolio management. Members can contact the Company or Skyline Financial Services Pvt. Ltd., for assistance in this regard.
9. Shareholders desiring any information as in relation to Accounts should write to the Secretarial department at the Company's registered office at least seven days before the date of the meeting, so as to enable the management to keep the information ready.
10. The Ministry of Corporate Affairs ( vide circular nos. 17/2011 and 18/2011, dated April 21 and April 29, 2011 respectively), has undertaken a " Green initiative in Corporate Governance" and allowed companies to share documents with its shareholders through an electronic mode. Members are requested to support this green initiative by registering/updating their e-mail address, in respect of shares held in dematerialized form with their respective Depository Participants and in respect of shares held in physical form with Skyline Financial Services Pvt. Ltd.
11. As required under Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1988 as amended, the unpaid/unclaimed dividend for the financial year ended upto 31st March, 2004 was transferred to the General Revenue Account of the Central Government. Members who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies NCT of Delhi and Haryana. In case any assistance is required, members may write to the Registrar and Share Transfer Agent of the Company.  
  
Consequent upon amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend remaining unclaimed and/or unpaid for a period of seven years is to be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government.
12. As required by Ministry of Company Affairs (MCA) vide their Notification No. G.S.R.352 dated 20th May, 2012 (E), the List of Un paid dividend Shareholders as on the date of last Annual General Meeting is now available at the MCA Portal as well as on the website of the Company [www.kohinoorfoods.in](http://www.kohinoorfoods.in).
13. Any document referred to in the accompanying Notice shall remain open for inspection at the registered office of the Company at 201, Vipps Centre, Masjid Moth, Greater Kailash-II, New Delhi- 110048 between 10.00 a.m. to 1.00 p.m. from Monday to Friday, excluding Holiday, prior to the Annual General Meeting.

**INFORMATION REQUIRED TO BE FURNISHED IN PURSUANCE OF CLAUSE 49 OF THE LISTING AGREEMENT WITH STOCK EXCHANGES**

Mr. Gurnam Arora and Mr. Satnam Arora Directors of the company retire by rotation and are eligible for re-appointment at the Annual General Meeting. The brief particulars of the directors proposed to be re-appointed/appointed are as given below:

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**Mr. Gurnam Arora**

**Age:** 62 Years

**Qualification:** Graduate

Expertise: - Mr. Gurnam Arora's career is a remarkable sketch of milestones achieved through sheer hard work and determination to succeed. A Graduate in Business Management he joined the family business of rice trading soon after he completed his studies. Over the years, Mr. Gurnam Arora learnt the intricacies of the business and demonstrated his strategic approach & acumen by successfully marketing & promoting Kohinoor Foods agro products in national & international markets. He is a Joint Managing Director of the Company.

Shareholding in the Company : 47,41,990 Equity Shares  
(As on 31st March, 2012)

**Mr. Satnam Arora**

**Age:** 63 Years

**Qualification:** Post Graduate

Expertise: Mr. Satnam Arora has been involved in the family business of rice trading right from the very beginning. He is a postgraduate in Economics with over 30 years experience. With a combination of intelligence and rich experience he has been influential in creating and systematizing the financial and marketing departments at Kohinoor Foods Limited. In his current capacity he is involved with providing strategic direction to the exports business of the company and provides marketing inputs to the Company's Subsidiaries and Joint Venture Operations in overseas markets. His penchant for taking on challenges in life motivated him to identify and developed several new export markets in various countries.

**Membership of Committees:**

Share Transfer/ Investor's Grievance Committee: Member

Shareholding in the Company: 37,05,345 Equity Shares  
(As on 31st March, 2012)

**Mr. Sandeep Kohli**

**Age:** 55 Years

**Qualification:** Post Graduate

Expertise: Mr. Sandeep Kohli is having Twenty five years of blue-chip, MNC management experience in India and parts of Asia and has an in-depth knowledge of finance, marketing, brand building and legal aspects of businesses. He has successfully launched KFC, Pizza Hut and A&W brands in the Indian sub-continent and Indian Ocean countries, also instrumental in successfully establishing and growing businesses in the services, hospitality and real estate industries, currently involved in various projects in the hospitality and services sector in an entrepreneurial and advisory capacity and also developed American Express card member, travelers cheques and travel business base in India and Taiwan. Established American Express travel as the leading travel service provider in India.

**Directorship in other Company:**

- Technology Frontiers (I) Pvt. Ltd.
- Mezbaan Hoteliers Pvt. Ltd.
- Paloma Developers Pvt. Ltd.
- Great Indian Restaurant Co. Pvt. Ltd.
- Gamma Restaurants Pvt. Ltd.

**Membership of Committees:**

Audit Committee : Member  
Remuneration Committee : Member

Shareholding in the Company : NIL  
(As on 31st March, 2012)

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**EXPLANATORY STATEMENTS** (Pursuant to Section 173 of the Companies Act, 1956)

**Item No. 5**

Mr. Sandeep Kohli was appointed as an additional director by the Board at its meeting held on 14th August, 2012. According to the provisions of section 260 of the Companies Act, 1956, he hold that office upto the date of this Annual General Meeting. As required by Section 257 of the Act, a notice has been received from a member signifying his intention to propose his appointment as a Director, along with a deposit of rupee five hundred.

None of the Directors except Mr. Sandeep Kohli is any way, concerned or interested in the said resolution.

Your Directors recommend this resolution for approval of the members.

**Item No.6 and 7**

The authorised capital of the company is presently Rs. 50,00,00,000/- (Rupees Fifty Crores Only) divided into 5,00,00,000 Equity Shares of Rs. 10/- each. Now the company want to increase the authorised share capital of the company to enable to raise paid up capital further to diversify and expand activities of Company. The resolution is therefore to increase the authorised share capital of the company from Rs. 50,00,00,000/- (Rupees Fifty Crores Only) divided into 5,00,00,000 Equity Shares of Rs. 10/- each to Rs. 75,00,00,000 (Rupees Seventy Five Crores only ) divided into 7,50,00,000 (Seven Crore and Fifty Lacs) Equity shares of Rs. 10/- each.

In view of the fact that the Authorized Capital of the company is being increased the existing clause V of the Memorandum of Association and Clause IV of the Articles of Association of the company needs to be amended. The members are request to pass necessary resolution set out in the notice to carry out the necessary amendments in the Memorandum and Articles as well.

None of the Directors of the Company are, in any way, concerned or interested in the said resolution.

Your Directors recommend this resolution for approval of the members.

**Item No. 8**

In terms of the provisions of resolution passed earlier under section 293(1)(d) of the Companies Act, 1956, the Board of Directors of the Company can not except with the consent of the Company in General Meeting, borrow moneys, apart

from temporary loans obtained from the Company's bankers in the ordinary course of business, in excess of aggregate of the paid up capital and its free reserves that is to say reserves not set apart for any specific purpose.

Keeping in view the Company's business requirements and its future growth plans, it is considered desirable to increase the said borrowing limits from the existing limit.

The Board recommends the above resolution for approval none of the Directors of the Company is except to the extent of their shareholding in the company concerned interested in the said resolution.

**Item No. 9**

The borrowings by a company in general required to be secured by mortgage or charge on all or any of the movable or immovable properties of the Company in such form manner and ranking as may be determined by the Board to Directors of the Company from time to time in consultation with the lender(s).

The mortgage and/or charge on any of the movable and/or immovable properties and/or the whole or any part of the undertaking(s) of the Company, to secure borrowings of the Company or of any of its holding, subsidiary affiliate to associate company, with a power to the charge holders to take over the management of the business and concern to the company in certain events of default may be regarded as disposal of the Company's undertaking(s) within the meaning of Section 293(1)(a) of the Companies Act, 1956. Hence it is necessary for the members to pass a resolution under the said section.

The Board recommends the above resolution for approval none of the Directors of the Company is except to the extent of their shareholding in the company concerned interested in the said resolution.

**Item No. 10, 11 & 12**

The Board, at its meeting held on 31/08/2012, approved the reappointment of Mr. Jugal Kishore Arora, as Chairman, Mr. Satnam Arora and Mr. Gurnam Arora as Jt. Managing Directors of the company for next five years with effect from 26th September, 2012 to 25th September, 2017, and also the revised remuneration of Mr. Jugal Kishore Arora, Whole Time Director, designated as 'Chairman', Mr. Satnam Arora and Mr. Gurnam Arora, designated as Jt. Managing Directors of the Company with effect from 1st October, 2012 in the following manner, subject to approval of the members and Central Government:-

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**A. Basic Salary**

S. No.	Name of Chairman and Jt. Managing Director	Proposed Basic Salary in the range of
1.	Mr. Jugal Kishore Arora	Rs. 8,00,000-75,000-11,00,000
2.	Mr. Satnam Arora	Rs. 7,50,000-75,000-10,50,000
3.	Mr. Gurnam Arora	Rs. 7,50,000-75,000-10,50,000

Salary of Mr. Jugal Kishore Arora, Chairman, Mr. Satnam Arora and Mr. Gurnam Arora, Jt. Managing Directors of the Company to be increased within the aforesaid range during the tenure of appointment, or such increments, as may be decided by the Committee and Board of Directors time to time.

**B. Perquisites and Benefits --:**

- i) Medclaim facility for self & family.
- ii) Two cars with chauffeur
- iii) Facility of gas, electricity, generator, water and telephone at residence.
- iv) Security Personnel, Gardeners Salary at residence.
- v) Travel within India along with wife.
- vi) Travel outside India along with wife twice in a year.
- vii) Club Membership fees.
- viii) Repairs & Maintenance of house as per actual.
- ix) Any Other allowances if permitted by Board.

The total amount of perquisites payable to the Chairman and Jt. Managing Directors may be decided/varied by the Board of Directors or its Committee, from time to time as it may deem fit in its absolute discretion: provided that total perquisites and other allowances to be paid to Mr. Jugal Kishore Arora, Mr. Satnam Arora and Mr. Gurnam Arora, should not exceed 50% of the Salary.

The total remuneration consisting of Salary, Perquisites and other benefits paid to the Chairman and Jt. Managing Directors shall not exceed the limit stipulated in Section 309 of the Act and other applicable provisions except with the approval of Central Government.

Mr. Jugal Kishore Arora, Mr. Satnam Arora and Mr. Gurnam Arora are deemed to be interested in their respective resolutions and being relatives of each other may deemed to be concerned or interested in the resolution of each other as it pertains to the re-appointment and remuneration payable to them.

None of the other Directors of the Company are, in any way, concerned or interested in the said resolution.

Your Directors recommend this resolution for approval of the members.

By Order of the Board  
For Kohinoor Foods Limited

Place: New Delhi  
Date: 31-08-2012

Sd/-  
Rama Kant  
Company Secretary and GM (Legal)

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## Directors' Report and Management Discussion & Analysis

The following report should be read in conjunction with the audited financial statements and notes for the year ended March 31, 2012 and the audited financial statements and notes for the year ended March 31, 2011. This report contains forward looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the company's strategy for growth, market position, expenditures, and financial results, are forward looking statements. Forward looking statements are based on certain assumptions and expectations of future events. The company cannot guarantee that these assumptions and expectations are accurate or will be realized. The company's actual results, performance or achievements could thus differ materially from those projected in any such forward looking statements. The company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.

Your Directors have pleasure in presenting the --- Annual Report and the Audited Annual Accounts of the Company for the financial year ended 31st March, 2012.

As already mentioned in the last year Annual Report, as a major strategic step, the Company has transferred its business relating to (i) manufacturing, processing, finishing, marketing, trading, distributing, importing, exporting and/or supply of food products, including ready to eat products, cook-in sauces, cooking pastes, spices, seasonings and frozen food; and (ii) the marketing, trading, selling and distributing of rice products in the territory of India along with its Food Factory situated at Bahalgarh, Haryana (collectively the "Business") together with all the assets and liabilities, employees, contracts, licenses, agreements etc, as a going concern on a slump sale to M/s Kohinoor Speciality Foods India Private Limited pursuant to Joint Collaboration between M/s McCormick Ingredients Southeast Asia Private Limited, Singapore and your Company.

### Company – In General

Synonymous with the fine taste of India in its absolute authentic form, the sole objective of Kohinoor Foods Limited, since its inception, has been to make the world experience the true Indian flavour. Just some of the reasons why it offers an extensive range that caters to consumers' need in

all parts of the world – a wide variety of Basmati Rice, Wheat Flour, Ready to Eat Curries & Meals, Readymade Gravies, Cooking Pastes, Chutney's, Spices and Seasonings to Frozen Breads, Snacks & Paneer (Indian Cottage Cheese). Today, the most powerful brand of the Company "Kohinoor" is a household name not only in India, but also in the countries like USA, UK, Canada, Australia, Middle East, Singapore, Japan, Mauritius & other European countries. As of now, the brand 'Kohinoor' is known in more than 60 countries worldwide

In this endeavour of serving only the authentic, this year, Kohinoor Foods has achieved another landmark:

### Financial Overview

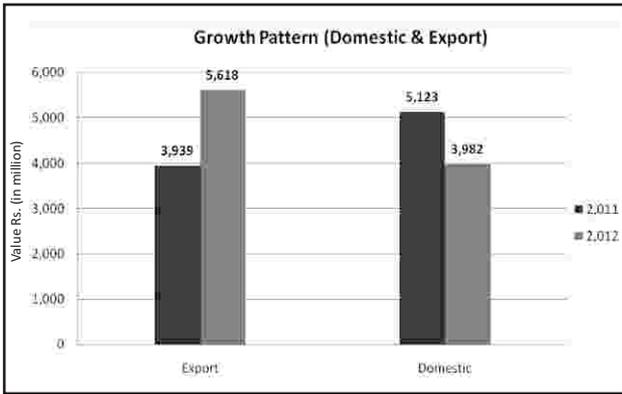
The year under review has been quite promising and challenging for the Company, with an Overall Turnover growth of 5.92% and the Export Sales grew by 42.60% vis-a-vis last year's performance. The Company's financials are highlighted as under:

Particulars	FY'12	FY'11
Revenue from Operations	9611.10	9,074.38
Profit before Depreciation	2696.43	297.13
Depreciation	97.81	79.92
Profit before Tax	2598.62	217.21
Less:		
Extra Ordinary Items	361.98	540.55
Profit after Tax ordinary Items	2236.44	(323.34)
Provision for Taxation	404.15	88.51
Profit after Tax	1832.50	(234.83)
Figures in Rs. Million		

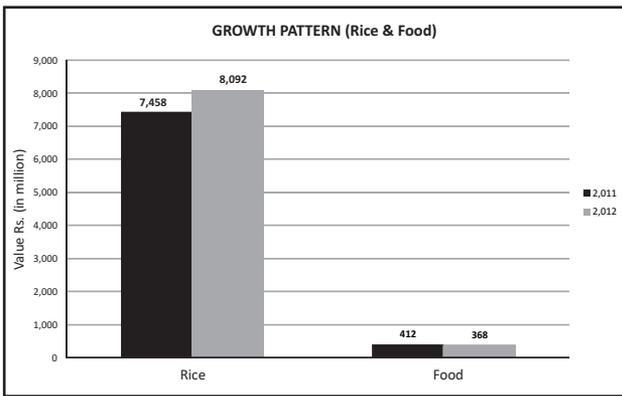
### Operations:

During the year under review, the company has shown positive growth in the Export market as the Export Sales grew by 42.60% amounting to Rs. 5,618 million against Rs. 3,939 millions in previous year while the Domestic Sales came down by 22.28% amounting to Rs. 3,982 millions as against Rs. 5,123 millions in the previous year.

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The contribution made by the Rice to the Company's business was Rs. 8,092 millions as against Rs.7,458 millions in the previous year, while the Food Business contributed only Rs. 368 millions as against Rs. 412 millions in the previous year.



This year the major contributors towards the company's growth were:

1. Focus on Middle East: The year saw increased growth of Basmati Rice exports that includes private label as well in the Middle East markets comprising of Iran, Bahrain, Iraq, Israel, Jordan, Kuwait, Lebanon, Qatar, Saudi Arabia Oman, Syria, UAE & Yemen with 35% growth as compared to last year. The company embarked on major brand promotion campaign across Pan Arab to an impressive product launch of its flagship brand Kohinoor Gold to cater to the need of Indian Diaspora and local population in these markets. Tremendous consumer awareness through successful media campaigns of Television, Print and Outdoors. Kohinoor was able to distinguish itself from the other brands available in the market and emerge as a respectable name for basmati rice in the Middle East. Not only did this generate significant numbers for the company but it also built the strong brand equity in these markets. Further, restructuring of the distribution network and product portfolio specially in Saudi Arabia, one of the largest export market, saw a 6-fold

increase in Kohinoor (Brand) sales as compared to the last financial year. We have given Kohinoor brand a solid foundation and our products are present in all the leading supermarkets viz., Panda, Carrefour, Danube, Bin Dawood, Lulu, Nesto, Tammimi and Star Markets besides other Retail Chains. The company undertook promotional programs and consistent initiative in markets such as Kuwait, Bahrain, Oman, Lebanon & Iraq to drive long-term value to our customers.

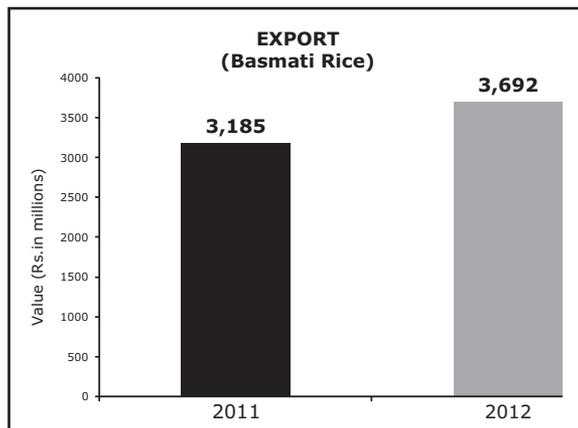
2. New Clients added- In rice business, new private label clients were acquired some of them prestigious ones from countries like Belgium, Australia, Iran, Israel, Kenya, Kuwait & Saudi Arabia.
3. New markets added: Some of the highlights of the company's export business comprised addition of new markets such as Palestine, Israel & Bangladesh. The company is focussed on spreading its foot prints across the globe and reaching out to new customers. Plan to identify and add new fast growing markets in the next financial year to increase our width of distribution in both Food & Rice products.
4. Growth across continents: Basmati rice business grew in almost all geographies globally that we are present in e.g., Asia Pacific, UK, Europe, USA, Africa and Middle East.
5. Successful launch of Trophy 1121 XL in Mauritius: - The New Trophy 1121 XL Basmati Rice was successfully launched in Mauritius, the same was very well received and liked by the consumers. It's already one of the largest and preferred basmati rice brands in the market and created new benchmarks to be achieved by others. It is available across the country in stores like Jumbo, City Way, Belly Rose, Intermart, Winners, Lolo, King Savers Hyper, Shoprite Trianon & Value Maxx.
6. Launch of Kohinoor Frozen Paneer: In our endeavour to offer to new offering to our consumers, your company launched Kohinoor Paneer (Indian Cottage Cheese) in the select markets of Middle East, Asia Pacific and the US to an exhilarating response. The product contributed to the sales revenue of Food Business Division and is very well received by not only the ethnic consumers but also the mainstream ones. Besides Frozen, we continue to focus on Ambient Range- Cooking Paste, Cooking Sauces & Ready to Eat to cater to the varying tastes and requirements of our consumers across the globe.
7. Subsidiaries- Exports of Basmati Rice to our subsidiary in United Kingdom- Indo European Foods Limited have increased by 61% in volume and 62% in value terms. We are available in major super markets across United Kingdom such as Booker Cash & Carry, Tesco, Lidl, Sainsbury, Morrisons & Kerry Foods. Also our export to USA subsidiary- Kohinoor Foods USA Inc has posted 47% growth in our Kohinoor (Brand) Basmati sales as compared to the last financial year.

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**EXPORT MARKETS**

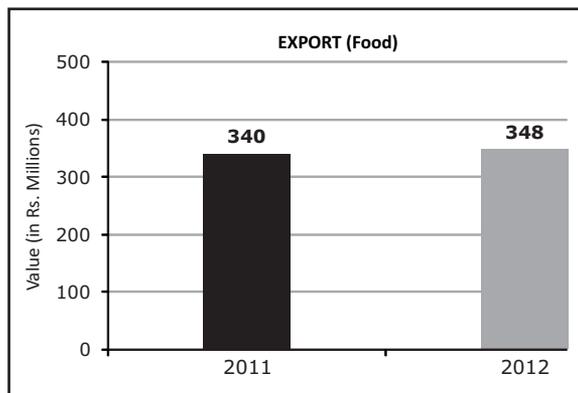
**Export- Basmati Rice**

This year, in the Export of Basmati Rice, the company did the business of around Rs. 3692 million as against Rs. 3,185 million in the previous financial year and recorded a growth of 15.92% in comparison to the last year business. Some of the countries which recorded significant growth in Basmati Rice exports were Mauritius, Reunion, South Africa, Australia, U.K, Iraq, Jordan, Oman, Qatar, Saudi Arabia & USA.



**Export- Food**

This year, in the export of food products the Company did the business of around Rs. 348 millions as against Rs. 340 millions in the previous year and maintained the last year achievements. We expect to notch up good numbers in the next financial year through some exciting product, launch of Kohinoor 'Paneer' besides acquisition of new clients in private label business and expanding & streamlining the distribution network.



**DOMESTIC MARKET:**

During the year, the Company has transferred its part of business, as a going concern on a slump sale to M/s Kohinoor Speciality Foods India Private Limited and the said company is in process of restructuring, re-organising the entire domestic operations in terms of distribution, product

portfolio, supply chain & Manpower and due to this the domestic market of the basmati rice sales dropped by 24.9% with a value of Rs. 3,209 millions in this financial year as against Rs. 4,273 millions in the previous financial year. In the food business too sales declined with sales value of Rs. 21 million this year as against Rs. 72 million in the previous year.

**U.K Operations:**

The year 2011-2012 saw a pinnacle in Kohinoor's UK performance through its wholly owned subsidiary, Indo European Foods Limited, based in London with its core brands "Kohinoor" & "Trophy" becoming #1 and #3 fastest growing branded dry basmati rice in the UK market\* respectively. Kohinoor & Trophy constituted 33% of all branded basmati rice sold through the UK Grocery market ethnic aisles. Our branded basmati rice is now available in key UK top grocery multiples like Tesco, Sainsbury's, ASDA, Wholesale and Cash & Carry like Booker, Costco, TRS, Wani's, Discounters like TJ Morris, Lidl, more than 3000 Independent Ethnic Stores nationwide and with talks in place with other retailers which will see further growth of Indo European Foods Ltd. The subsidiary owns a rice processing facility at the port city of Felixstowe. The subsidiary also caters to the neighbouring European countries. Continuing its past tradition of shaking and growing the UK Basmati rice market, this subsidiary company has achieved new heights and is now playing a very active role in taking Kohinoor Foods to a new global height. In times to come, this position is only going to get better with various Product Innovations being planned and further distribution gains to be made. (\* Source: Kantar Worldpanel 52 w/e 13 May 2012 value share in major grocery multiples.)

**USA Operations:**

Company has its wholly owned subsidiary based in New Jersey, Kohinoor Foods USA, Inc. that caters to the US and the Canada market. Through this subsidiary the Company has demonstrated its presence in both the Ethnic & the Mainstream segment of the business. Ethnic food in United States has traditionally meant Mexican and Chinese. The Indian foods and related food products are now being the hottest trend today. The modern day life and the rigors that tag along, leave most people with very little time for themselves. A need of healthy vegetarian food and growing awareness of the relationship between diet and health has driven consumer to look at food that has made the Indian convenience food most popular in USA markets. The trend has been steadily evolving over the past decade.

Kohinoor foods, added more members to the family keeping in mind the fast changing consumer trends of Gluten Free, 100% Vegetarian, Low sodium, Kosher & Halal Foods – from Ready to Eat Indian Curries- specially cooked in Olive Oil, the Cook-in Sauces, Cooking Paste to Spices, Seasoning and Frozen food. Today, the entire range of Kohinoor Foods depicts the authentic Indian taste, essence & aroma.

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Another trend is towards the Frozen Foods which are strongly associated with perceptions of healthfulness, fresh foods and are in high demand. The ultimate combination of convenience and taste is what the Frozen Food range from Kohinoor Foods is all about.

Last year has shown a modest improvement of Kohinoor share in Rice markets, we are in a process of consolidating our current basic distribution structure, few- non productive warehouses are being closed down to achieve an overall profitability goals. The current branch structures will be replaced with a new set of distribution centres to offer Kohinoor range to the retailers.

The areas of new distribution planned in the next financial year are -Chicago, Minnesota, Detroit, Ohio, Colorado, Utah, Washington, Portland, Los Angeles, San Diego, Florida, North and South California.

Another market opportunity lies in the Private label business in US market and we have started acquiring major retailers as clients such as Target, Trader Joes, Cost Plus, Kroger, Roland Rice & Himalayas Rice.

We cater to over 3,000 ethnic stores across the US markets besides Kohinoor brand is widely available in the main stream supermarkets as well. Our success can be measured by the fact we are available in coveted retail chains like Target, Kroger, Wal-mart, Wegmans, Big Lots and many more and also in Canadian supermarkets such as Metro, Loblaw's, Wal-mart in Canada. Kohinoor is now supplying specially designed Rice & Curry packs from its India on platter vertical to Costco, one of the biggest Cash & Carry stores in US. Also in collaboration with Big Lots discount store- delivering an ambient range of specially designed 'India on Platter' products.

We have added a new range of lentils to the existing range in Kohinoor brand; the category will help us to improve Kohinoor brand presence, also we plans to add few more products range in the current line up next year.

### Dubai Operations

Rich Rice Raisers Factory LLC (RRR) was established as a joint venture Company in the financial year 2001 in Dubai to augment its marketing strengths in the middle-east region. RRR has a small rice processing facility in Dubai besides a full-fledged marketing office. RRR presently supplies Kohinoor range of basmati rice and other food products in mainstream stores like Lulu, Geant, Hyper Panda, KM Trading, Al Maya & Choithram Supermarkets. Kohinoor launched frozen paneer in UAE and the response so far has been quite overwhelming, besides Kohinoor Foods also caters to the Iranian market from its Dubai base.

**Food Business:** In its commitment to bring authentic Indian Taste in its truest form, Kohinoor brings to the world yet another 100% authentic delicacy in the frozen food category, Kohinoor Fresh & Frozen Paneer (Indian Cottage Cheese). Kohinoor launched India Cottage Cheese in 'Fresh & Frozen' brand in countries such as UAE, Bahrain, Qatar, Oman Australia, New Zealand, Honk Kong, Singapore and USA. The product is very well received by the consumers in particular and Trade in general; in fact the

product itself has become an independent Category and contributing substantially to the revenues of the food division. The response so far has been quite overwhelming. In Dubai, by launching 200g & 500g packs in the leading Supermarket chains, our joint venture partners has brought the taste of authenticity to many kitchens. We now plan to extend this diary category to new products like Pure Ghee & Butter in the same markets to expand the bouquet of product offering to our customers.

Kohinoor has always gained trust of International reputed retail chain stores for manufacturing their branded food products. Another feather in the cap was Coles & Woolworths private label manufacturing of Microwaveable pouches. Coles & Woolworths enjoys 90 % (approx.) of the organized retail market of Australia and Kohinoor is supplying 10 SKUs collectively under their brand name. Both retail chain stores, Coles, Woolworths have now shown interest on other new product categories to be manufactured by Kohinoor under their private brand and this project is to be started very soon.

Kohinoor has joined hands with one of the leading retail chain stores – Kobe Bussan in Japan recently, which has more than 600 retail stores across the country. Kohinoor has successfully launched its frozen Naan, Breads and Snacks in Kobe Bussan retail stores. The product has received great acceptability in Japan which has encouraged Kobe Bussan to launch Kohinoor ambient Curry and Sauces in their stores. The supply for Curry and Sauce in Kohinoor brand to them will be started very soon.

### Overview - Food Processing Industry

The Indian market offers a huge potential for the food processing industry - more so because of the fact that it promotes two main growing factors of our Indian Economy - Industry & Agriculture. During the last one decade, India moved from a position of scarcity to surplus in Food. Given the trade in production of food commodities, the Food Processing Industry in India is on an assured track of growth and profitability. It is expected to attract phenomenal investment in capital, human, technological and financial areas. The total food production of India is estimated to double in the next ten years. A reason why the Food Processing Industry sector in India has been accorded high priority by the Government of India, with a number of fiscal relief and incentives, to encourage commercialization and value addition. As per a study conducted by McKinsey and Confederation of Indian Industry (CII), the turnover of the total food market is approximately Rs.250,000 Crores, out of which value-added food products comprise Rs.80,000 Crores.

### Basmati Rice

Like any other commodity business, Basmati Rice is a category which is little complex and widely unorganized. With an estimated consumption of around 1.0 million tonne of Basmati Rice in India, this is one category which has grown by almost 8 times in the last 5 years. And this is expected to grow further in India with an estimated consumption to go up in times to come.

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Though majorly unorganized, but year on year this category is experiencing good number of conversions from unbranded to branded packaged Basmati Rice in terms of consumptions in India. This is mainly due to introduction of branded and package basmati rice in many retail outlets. India's growing middle class has augmented the domestic demand of branded rice. Moreover, introduction of modern food retail formats has also propelled the packaged food market, facilitating the availability, visibility and accessibility of branded products. The domestic branded market in India is expected to grow at around 15%-20% as compared to 5% for unbranded rice. Eating rice is common habit in most of the Indian households and it is usually a part of one of the 3 meals cooked every day. Geographically, the consumption of Basmati is higher in the Northern & Western part of the country while culturally, its consumption is quite high in the Punjabi & Gujarati families. With the view of serving the best to their customers & employees, Basmati consumption is also higher in well recognized hotels & large institutions. The consumption of branded packaged Basmati Rice is also being driven by the modern retail that allows every consumer to select what they want.

### **Ambient - Ready Meals**

With an estimated value of around Rs.1400 millions, Ready Meals, is a category which is growing at an average value of around 15% every year. Largely this category is still at a growing stage, but the factors that has so far contributed to sales of Ready Meals have been increasing consumer base of working people who have less time to spend on cooking, Eating out of home becoming a common phenomena on weekends, growth of Modern trade, the Convenience of making exotic vegetarian & non-vegetarian dishes in just a few minutes, etc. As this category grows, an Innovative value addition to products with Health & Nutrition is expected to become an important aspect of it.

### **Frozen Food - Ready Meals**

Though Frozen Food as a category constitutes many products, major of it being the frozen unprocessed non-vegetarian food, but within this segment vegetarian Frozen Ready Meals, snacks contributes approximately Rs. 400 millions and is expected to grow at a rate of 20% every year. The factors that contribute to the growth of this category is very similar to that of Ambient Ready Meals like growing consumer base of working people who have less time to spend on cooking, Eating out of home becoming a common phenomena every week & on weekend, Growth of Modern trade, the Convenience of making exotic Vegetarian & Non-vegetarian dishes in just a few minutes, etc.

### **Risks & Concerns**

Macro-economic factors like recession, subdued demand and political uncertainty may affect the business of the Company and the industry at large as well. The Company is aware that uncertainties in business offer opportunities as

well as downside risks and thus has identified and put in place mitigation tools for the same. Some key risk areas are:

**Procurement risk:** Adequate availability of key raw materials at the right prices is crucial for the Company. Being a generic natural product with low yield concentrated in a small region of the World, production of Basmati depends on the vagaries of nature. Therefore, any disruption in the supply due to a natural or other calamity or violent changes in the cost structure could adversely affect the Company's ability to reach its consumers with the right value proposition. However, we are ready with plans that might help us at such times.

**High working capital requirement:** Basmati rice requires to be aged for 9-12 months before selling, leading to huge working capital requirements. This results in low ROCE for the industry. Combating this risk, efficient working capital management system has been set in place by the Company and cash flow is monitored on daily basis.

**Intense competition from unorganized sector:** Another characteristic of this industry is the presence of unorganized sector offering basmati in loose unbranded form which intensifies competition. The Company is moving towards branded products and has invested significantly in building strong brands which helps differentiate their product.

### **Transfer of Business on Slump Sale**

During the year, the Company has transferred its business relating to (i) manufacturing, processing, finishing, marketing, trading, distributing, importing, exporting and/or supply of food products, including ready to eat products, cook-in sauces, cooking pastes, spices, seasonings and frozen food; and (ii) the marketing, trading, selling and distributing of rice products in the territory of India along with its Food Factory situated at Bahalgarh, Haryana (collectively the "Business") together with all the assets and liabilities, employees, contracts, licenses, agreements etc, as a going concern on a slump sale to M/s Kohinoor Speciality Foods India Private Limited pursuant to a Joint Collaboration agreement between M/s McCormick Ingredients Southeast Asia Private Limited, Singapore having 85% shareholding and Kohinoor Foods Limited having 15% Shareholding.

The Company shall, exclusively manufacture/process and/or package the Rice Products, for M/s Kohinoor Speciality Foods India Private Limited, for sell within the territory of India and further the Company will continue to focus its export business.

Further, M/s Kohinoor Speciality Foods India Private Limited shall, exclusively manufacture/process and/or package the food products, for the Company for export by the Company.

The necessary consent of the Shareholders, in terms of Section 293(1)(a) of the Companies Act, 1956 has already been obtained by way of voting through postal ballot process in terms of Section 192A of the Companies Act, 1956 read with the rules made thereunder.

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### **Postal Ballot**

During the year, a Notice dated 1st June, 2011 was circulated to the Shareholders seeking consent under Section 293(1)(a) of the Companies Act, 1956 by way of voting through postal ballot process in terms of Section 192A of the Companies Act, 1956 read with the rules made thereunder.

Mr. Vinod Aggarwal, Practicing Company Secretary was appointed as the Scrutinizer for conducting the postal ballot process.

In terms of the report dated 9th July, 2011 submitted by Mr. Vinod Aggarwal, Scrutinizer, the Chairman declared that the consent of the Shareholders has been obtained with, requisite majority.

### **Purchase of Office premises for the Company**

The Company has purchased an office premises at 10<sup>th</sup> Floor, The Pinnacle Business Tower, Surajkund, Faridabad, Haryana (Delhi NCR) for the smooth functioning of the company's day to day to operations.

### **Dividend**

Your Directors do not recommend any dividend for the financial year 2011-12.

### **Re-Appointment / Appointment / Resignation of Directors**

In accordance with the provisions of the Companies Act, 1956, Mr. Gurnam Arora and Mr. Satnam Arora, Directors retires by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Your Directors recommend their re-appointment.

Mr. Sandeep Kohli was appointed as an Additional Director by the Board at its meeting held on 14<sup>th</sup> August, 2012. According to the provisions of section 260 of the Companies Act, 1956, he hold that office upto the date of this Annual General Meeting. As required by Section 257 of the Act, a notice has been received from a member signifying his intention to propose his appointment as a Director, along with a deposit of rupee five hundred.

Your Directors recommend this resolution for approval of the members.

Mr. Anil Bhatia, Independent Director of the company has resign from the post of Directorship w.e.f. 14<sup>th</sup> August, 2012, the board has accepted the same and appreciated his effort for providing great contribution to the company for past so many years.

### **Subsidiaries and Joint Ventures**

During the last year, M/s Kohinoor Speciality Foods India Private Limited was incorporated as a wholly Owned Subsidiary of the Company. Presently the said Company his Joint Venture Company pursuant to joint collaboration between M/s McCormick Ingredients Southeast Asia Private Limited, Singapore and your Company.

In terms of the order dated 6th July, 2011 of the Hon'ble Company Law Board, New Delhi Bench, the registered office of Sachdeva Brothers Private Limited was shifted from the State of Haryana to NCT of Delhi. A copy of the said order has been registered with the Registrar of Companies vide certificate dated 21st July, 2011.

### **Compliance with Section 212:**

As required under the Listing Agreements with the stock exchanges, a Consolidated Financial Statement of the Company along with all its subsidiaries is required to be attached. The Consolidated Financial Statements have been prepared in accordance with the relevant Accounting Standards as prescribed under Section 211(3C) of the Companies Act, 1956 ("Act"). These financial statements disclose the assets, liabilities, income, expenses and other details of the Company, its subsidiaries and associate companies.

Pursuant to the provision of Section 212(8) of the Act, the Ministry of Corporate Affairs vide its circular dated February 8, 2011 has granted general exemption from attaching the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies with the Balance Sheet of the Company. A statement containing brief financial details of the Company's subsidiaries for the financial year ended March 31, 2012 is included in the Annual Report. The annual accounts of these subsidiaries and the related detailed information will be made available to any member of the Company/its subsidiaries seeking such information at any point of time and are also available for inspection by any member of the Company/its subsidiaries at the registered office of the Company. The annual accounts of the said subsidiaries will also be available for inspection, as above, at the head office/registered offices of the said respective subsidiary companies. The Company shall furnish a copy of details of annual accounts of subsidiaries to any member on demand.

### **Internal Control System**

Your Company has well established Internal Control Procedures across its various locations, commensurate with its size and nature of operations to ensure that financial and Operating Reporting Systems are reliable and that all material risks are evaluated. The Internal audit function is adequately resourced and reports independently to the Audit Committee of the Board. In the opinion of the management and the internal auditors, there exists adequate safeguard against fraud and negligence within the company.

### **Listing at Stock Exchange**

The Equity Shares of the Company are listed with Bombay Stock Exchanges Ltd. and National Stock Exchange of India Ltd. The annual listing fee for the year 2012-13 has been paid to the Exchanges.

### **Corporate Governance**

Your company has taken adequate steps to ensure compliance with the provisions of Corporate Governance as stipulated by the Stock Exchanges. A separate report on Corporate Governance along with Auditors's Certificate on its compliance by the company is attached as Annexure 'A' to this report.

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**Auditors**

M/s Nath Ahuja & Co., Statutory Auditors of the Company retire and offer themselves for reappointment. The Company has obtained a Certificate to the effect that their appointment, if made, would be in conformity with the limits specified under section 224 (1) (B) of the Companies Act, 1956.

**Auditor's Report**

With regard to point no. 4(f) of the Auditors Report, explanations are given below.

In respect of contingent liability, as explained in Note No. 31 of Notes to Accounts, the Company has filed appeals with Appellant Authorities in respect of demand raised by Tax Authorities. On the basis of experts advice received and on the merit of the cases, the management is of the view that no provision in respect of these demands is required to be made.

In respect of Diminution in the value of Investment, as explained in Note No. 32 of Notes to Accounts, the investment in Wholly Owned Subsidiary Companies have been stated at cost. The Company's investment in subsidiaries are long term Strategic Investment. The losses incurred by the wholly owned subsidiary in U.S.A are not going to effect the Company's investment in long run. The Company is in the process of taking necessary steps to improve the profitability and financial position. Therefore the management is of the view that no provision in respect of Diminution in the value of Investment is required to be made in the books of accounts.

**Secretarial Audit Report**

As a measure of good corporate governance practice, the Board of Directors of the company appointed M/s Vinod Aggarwal and Associates, Company Secretaries to conduct Secretarial Audit of the company. The Secretarial Audit Report as received from the Practising Company Secretary, for the Financial Year ended March, 31, 2012 is annexed to the Annual Report. As per the Secretarial Audit Report the company has complied with all the applicable act, law, rules and regulations.

**Fixed Deposits**

Your company has not accepted any deposit from Public during the year under review.

**STATUS OF PENDING LITIGATIONS BEFORE VARIOUS COURT / AUTHORITIES**

- (i) Complaint filed to SEBI on 10<sup>th</sup> June, 2008 under SEBI Takeover Code read with SEBI Act, 1992  
The said complaint is under consideration with SEBI.
- (ii) Compounding petitions filed suo-moto by the company  
The books of accounts and other statutory records of the Company were inspected under Section 209A of the Act, by the officers of the Ministry of Corporate Affairs (Regional Director, Northern Region) in the year 2008-09.

The concerned officers were of the view that the Company had not complied with the provisions of Sections 224, 300, 209, 212, 217(1)(e) and 217(2AA) of the Companies Act, 1956, in respect of certain years. However, the Company has complied with all the provisions of the Companies Act, 1956 & rules made there under, as a part of its good Corporate Governance practice and to regularize the inadvertent defaults, if any as aforesaid, the Company has suo moto filed the Compounding Petitions under Sections 224, 300, 209, 212, 217(1)(e) and 217(2AA) of the Companies Act, 1956 and the Company Law Board/Regional Director has issued an order in our favour and the same has also been regularized by the company.

- (iii) The company has received the Income Tax Assessment Order in respect of Assessment Year 2002-03 to 2008-09 in which additional income tax of Rs. 64.04 Cr., along with the interest of Rs.31.73 Cr. has been demanded. The Company has preferred an appeal before the Income Tax Appellate Tribunal, New Delhi against the impugned order. As per advice received from legal experts and on the basis of merit of the case, there is a high probability that the impugned order will be set aside and the demand will be quashed. Accordingly, management is of the view that no provision in respect of the above demand is required to be made in the books of accounts.
- (iv) The company has filed a suit for declaration, recovery and mandatory injunction against the Reserve Bank of India and Punjab National Bank before the Hon'ble High Court, New Delhi for Rs. 27.49 crores towards mark to market losses arising under the said transactions and also claimed a sum of Rs. 14.02 crores towards the recovery from the Punjab National Bank, which has been paid to them against some foreign derivatives transactions. The Hon'ble court was pleased to grant an interim relief and directed both the parties to maintain status quo with respect to the derivatives transactions vide an order dated 10.08.2011.
- (v) The company has filed a suit for declaration, recovery and mandatory injunction against the Reserve Bank of India and HDFC Bank before the Hon'ble High Court, New Delhi for Rs. 39.22 crores towards mark to market losses arising under the said transactions and also claimed a sum of Rs. 28.73 crores towards the recovery from the HDFC Bank, which has been paid to them against some foreign exchange derivatives transactions. The Hon'ble court was pleased to grant an interim relief and directed both the parties to maintain status quo with respect to the derivatives transactions vide an order dated 12.10.2011.
- (vi) A petition has also been filed by the HDFC Bank Ltd. against the company and the court directed to pay to the applicant a sum of INR 72.84 lakhs out of the said transaction, the Company's preferred to file an appeal before the Hon'ble Chairperson DRAT.
- (vii) There are few more cases which are pending before the various authorities and the same has been duly disclosed under Notes to the Account.

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**Information Regarding Conservation of Energy etc.**

Information required under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 as amended from time to time is given in Annexure 'B' forming part of this report.

**Information regarding Employees**

No person, employed for the whole year, was in receipt of remuneration of Rs. 60,00,000/- or more per annum, nor was any of them, employed for part of the year, was in receipt of remuneration of Rs. 5,00,000/- or more per month during any part of the year under consideration. Thus, the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not applicable.

**Directors' Responsibility Statement**

Pursuant to Section 217 (2AA) of Companies Act, the Directors confirm that:

- a) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- b) appropriate accounting policies have been selected and applied consistently and judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the Company for that period;
- c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d) The annual accounts have been prepared on a going concern basis

**Awards & Recognitions**

Kohinoor Foods is no stranger to Awards & Recognitions. Since its inception, the company has been earning awards and recognition like consumer validated Super Brand Award (thrice in series), Reader's Digest Most Trusted Brand award (4 times in a row), Power Brand Award, Guinness Book of World Record (for making World's Largest Biryani), National award for Export Excellence, Brand Equity Award & many APEDA awards.



**Corporate Social Responsibility**

Kohinoor also envisions to improve lives in communities we live around, protect workplace rights, respect people, support missions that help people have a better life, provide good jobs, world class quality products and a healthy environment to all of us around.

At Workplace, Kohinoor Foods maintain high standards for fair and dignified treatment of all the people who work for our company. For all of its employees, it is not just a place to work, but like another home and everybody in it like a big family, closely bonded with each other.

Kohinoor Foods also believes that a company is as good as the people who work for it - their combined talents; skills, knowledge, experience and passion make a company what it is. Hence, company's continuous goal is to inspire and motivate its people to hone their talents, increase their knowledge & skills and achieve extraordinary results at their workplace.

The company also considers it as its responsibility to support the community that we live in. Kohinoor Foods supports 'Missions of Charity, Kolkata set up by Mother Teresa'. It also supports 'Khushi', the non-governmental organization working for the under-privileged. We have supported the needy girl child's of Him Jyoti School, Dehradun. For the community who live around its factories and the re-settlement groups of Kashmiri migrants, the company makes sure it helps them with food & basic necessities of life on a regular basis.

Being environmentally conscious company and as part of Go Green campaign, have put up water treatment plant in our rice factory (Murthal), where treated water is used for watering the lawn, garden and irrigate the fields.

Adherence to global human rights standards, No minor labour, Fair trade practices, complete Medical facilities for its people, Safe & sound working environment are the things that Kohinoor Foods take utmost care about.

**Acknowledgment**

Your Directors acknowledge with gratitude, the commitment and dedication of the employees at all levels that has contributed to the growth and success of the company. Your Directors also put on record their appreciation and thanks to the Authorities and millions of consumers who have reposed faith in the products of their company.

For and on Behalf of the Board

Sd/-

New Delhi  
August 31st, 2012

Jugal Kishore Arora  
Chairman

**ANNEXURE 'A' TO THE DIRECTORS' REPORT  
REPORT ON CORPORATE GOVERNANCE**

**1. Corporate Governance Philosophy**

The Company's philosophy on Corporate Governance envisages attainment of the highest levels of transparency, accountability and equity in all facets of its operations with its stakeholders including shareholders, employees, lenders, and the Government. Adopting Corporate Governance as a work ethos, the Company ensures best performance by staff at all levels to maximize the operational efficiency and enhancing the stakeholders' value.

**2. Board of Directors**

**Composition of the Board**

The Board of Directors has an optimal combination of Executive, Non-Executive and Independent Directors. The Board is headed by an executive Chairman. As on 31<sup>st</sup> March, 2012, the Board comprised six members. It consists of three Executive Directors and three Non-Executive Independent Directors. The Board members possess the requisite skills, experience and expertise to guide the Company.

**Information Available to the Board**

All requisite information as per Clause 49 of the Listing Agreement is placed before the Board during meetings. From time to time the Board invites members of the senior management to present reports on the Company's operations and internal control system. During the financial year ended 31<sup>st</sup> March, 2012, Seven meetings of the Board of Directors of the Company were held and the gap between two Board Meetings did not exceed four months. The meetings were held on 18<sup>th</sup> May, 2011, 30<sup>th</sup> May, 2011, 1<sup>st</sup> June, 2011, 10<sup>th</sup> August, 2011, 31<sup>st</sup> August, 2011, 11<sup>th</sup> November, 2011 and 14<sup>th</sup> February, 2012. The details of the Directors on the Board of your Company for the year 2011-12 are given below:

**Directors attendance record and Directorship held.  
Composition of the Board as on 31<sup>st</sup> March, 2012**

Name of Director	Category	No. of Board Meetings Attended	Whether Attended last AGM	Directorship in Companies (Incl. KFL*)	Number of Committee memberships (including KFL*)	
					Member	Chairman
Mr.Jugal Kishore Arora	Chairman (WTD)	07	NA	06	NIL	NIL
Mr.Satnam Arora	Jt Managing Director (WTD)	07	Yes	08	02	NIL
Mr.Gurnam Arora	Jt. Managing Director (WTD)	06	NA	06	NIL	NIL
Mr.Anil Bhatia	Independent Director/ Non-Executive	06	NA	02	02	NIL
Mr.Vijay Burman	Independent Director/ Non-Executive	07	Yes	01	03	02
Mr.Vijay Parkash Agarwal	Independent Director/ Non-Executive	07	NA	01	03	01

\* Kohinoor Foods Limited

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**Code of Conduct for Board Members & Senior Management Team:**

In Compliance with the provisions of Clause 49 of the Listing Agreement, the Board has laid down a Code of Conduct for all Board Members and Senior Management Team. A copy of the said Code of Conduct is available on the website of the Company.

All Board Members and Senior Management Team have affirmed compliance of Code of Conduct as on 31<sup>st</sup> March 2012. A declaration signed by Chairman is enclosed herewith.

**INFORMATION REQUIRED AS PER CLAUSE 49 OF THE LISTING AGREEMENT RELATING TO DIRECTORS**

Particulars	Mr. Jugal Kishore Arora	Mr. Satnam Arora	Mr. Gurnam Arora	Mr. Anil Bhatia	Mr. Vijay Burman	Mr. Vijay Parkash Aggarwal
Date of Birth	11 <sup>th</sup> October, 1943	23 <sup>rd</sup> January, 1949	26 <sup>th</sup> March, 1950	10 <sup>th</sup> April, 1949	9 <sup>th</sup> April, 1932	26 <sup>th</sup> February, 1948
Qualifications	Graduate	Post Graduate	Graduate	Post Graduate	Graduate	Graduate
Experience	He is associated with the Organisation since its inception. He has been looking after and is in-charge of Procurement as well as the Production of the Company. His vast experiences of more than three decades in the rice industry, together with a sharp eye for detail, have reaped rich dividends. In fact, they have been largely responsible for the wide acceptance that the company's Basmati Brands enjoy all over the World today.	He has vast experience in marketing the rice in overseas market. Mr. Satnam Arora has been looking after Export Marketing as well as Finance, Taxation and Secretarial as well. The fact that the company has taken a Commanding Share of the Basmati Export Market is largely because of the sincere efforts and initiative taken by Mr. Satnam Arora.	He has over thirty three years of experience in rice industry. Mr. Gurnam Arora has been looking after Domestic Marketing, Purchase, Administration, HR, Quality Control and day to day Corporate Affairs of the Company. Mr. Gurnam Arora's broad vision helped the company to increase its value. The Sales in domestic market have increased manifolds in the past years.	He is a post graduate in English Literature with over 36 years experience in the Construction industry. He is an Independent Director of the company.	Mr. Vijay Burman is a Science Graduate with over 40 years experience in Textile Industry. He is an Independent Director of the company.	Mr. V. P. Agarwal is a Science Graduate with over 38 years experience in his field i.e. Textile Industry. He is an Independent Director of the Company.
Directorships	- Satnam Int'l Pvt. Ltd. - Satnam Haegens Ltd. - Sachdeva Bros. Pvt. Ltd. - Indo European Foods Ltd. UK - Adhiraj Buildcon Pvt. Ltd.	- Satnam Int'l Pvt. Ltd. - Satnam Haegens Ltd. - Sachdeva Bros. Pvt. Ltd. - Indraprastha Medical Corpn. Ltd. - Sara Textiles Ltd. - Kohinoor Foods USA, Inc. - Booker Satnam Wholesale Pvt. Ltd.	- Satnam Int'l Pvt. Ltd. - Satnam Haegens Ltd. - Sachdeva Bros. Pvt. Ltd. - Indo European Foods Ltd. UK - Kohinoor Foods USA, Inc.	- Indian Delco Pvt. Ltd	Nil	Nil

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Memberships/ Chairmanships of Board Committees	No Membership	He is a member of Investors' Grievances and Share Transfer Committee	No Membership	He is a member of Remu-neration and Audit Committee of the Company.	He is a member of Investor's Grievances and Share Transfer Committee and Chairman of Audit Committee and Remuneration Committee of the Company.	He is a member of Remuner-ation Committee and Audit Committee and , Chairman of Investor Grievances and Share Transfer Committee of the Company
Number of Shares held in the Company as on 31.07.2012	44,25,299	37,05,345	47,41,990	NIL	NIL	NIL

### 3. Board Committees

Presently, the Board has three committees viz. the Audit Committee, the Shareholders'/Investors' Grievance Committees and Share Transfer Committee and the Remuneration Committee.

#### i) Audit Committee

The Company has an Audit Committee which deals in matters relating to financial reporting and internal controls. The role and powers of the company's Audit Committee as stipulated by the Board are in accordance with the Listing Agreement(s) and Section 292 A of the Companies Act, 1956. All the members are independent and non-executive Directors and are financially literate. Mr. Vijay Burman, who has the expertise in the accounting and financial management is the Chairman of the Audit Committee. The other members of the Committee are Mr. Vijay Parkash Agarwal and Mr. Anil Bhatia who are Non-Executive and Independent Directors.

Mr. Satnam Arora, Jt. Managing Director and the person responsible for Finance and Accounting, Banking, Taxation and other departmental head were also present time to time apart from the Internal Auditors and Statutory Auditors, who were the permanent invitees. The Company Secretary acts as Secretary to the Committee.

During the year under review, the Audit Committee met Four (4) times i.e. on 30<sup>th</sup> May, 2011, 10<sup>th</sup> August, 2011, 11<sup>th</sup> November, 2011 and 14<sup>th</sup> February, 2012 and attendance of the Members at the meetings was as follows:

Name	Position	Meetings Attended
Mr. Vijay Burman	Chairman	4
Mr. Vijay Parkash Agarwal	Member	4
Mr. Anil Bhatia	Member	4

#### ii) Investor's Grievance / Share Transfer Committee

The Investors Grievance/ Share Transfer Committee of the Company comprises of two Non-executive and Independent Directors. The Committee consists of three members, Mr. Vijay Parkash Agarwal, Mr. Vijay Burman and Mr. Satnam Arora and is chaired by Sh Vijay Parkash Agarwal, an independent director. The Company Secretary, being the Compliance Officer is entrusted with the responsibility to specifically look into the redressal of shareholders and investors complaints and report the same to Investors Grievance/ Share Transfer Committee.

The Functioning and terms of reference of Investors Grievance/ Share Transfer Committee includes:

- To specifically look into the redressal of investors' grievance pertaining to transfer/ transmission of shares, dividends, dematerialization/ rematerialisation, replacement of lost/ stolen/ mutilated share certificates;

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- To consider the matters relating to transfer, transmission and transposition of shares, sub-division and consolidation of shares, replacement of lost/ stolen and mutilated share certificates and review of requests for dematerialization/ rematerialisation of shares
- Other related issues and to strengthen investors' relations.

The Company received a total of 34 Complaints from investors during the year 01.04.2011 to 31.03.2012, all of which were resolved within the stipulated period to the satisfaction of the Complainants. No requests for share transfers are pending except those that are disputed or sub-judice.

During the year, the Committee met 19 times and the attendance of the Members was as follows:

Name	Position	Meetings Attended
Mr.Vijay Parkash Agarwal	Chairman	19
Mr. Satnam Arora	Member	19
Mr.Vijay Burman	Member	19

iii) **Remuneration Committee.**

The remuneration committee meet once during the year 2011-12.

REMUNERATION OF EXECUTIVE DIRECTORS FOR 2011-2012

Name of Director	Salary (Rs.Lacs)	Other Perquisites	Service Contract Tenure
Mr.Jugal Kishore Arora	36	NIL	5 years, w.e.f 26.09.07
Mr.Satnam Arora	36	NIL	5 years, w.e.f 26.09.07
Mr.Gurnam Arora	36	NIL	5 years, w.e.f 26.09.07

4. **General Body Meetings**

Details of location of the last three Annual General Meetings of the Company are given below :

Year Ended	Date of AGM	Time	Venue	Special Resolutions Passed
2009	29-04-2010	11:00 A.M.	Little Theatre Group, Copernicus Marg, New Delhi-110001	NIL
2010	22-07-2010	10.00 A.M.	Pearey Lal Bhawan Association, 2, Bahadur Shah Zafar Marg, New Delhi-110002	NIL
2011	27-09-2011	10.00 A.M.	Pearey Lal Bhawan Association, 2, Bahadur Shah Zafar Marg, New Delhi-110002	NIL

All the resolutions set out in the respective notices were passed by show of hands at the above AGMs.

5. **Disclosures**

a) **Related Party Transactions**

The Related Party Transactions of the company are disclosed in the notes to Accounts provided in the Balance Sheet as at 31<sup>st</sup> March 2012.

Pecuniary relationships or transactions with the Non-Executive Directors.

NONE

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b) Compliances made by the Company

The Company was not subject to any non-compliance and no penalties or strictures have been imposed by Stock Exchanges, SEBI or any other Statutory Authority, on any matters relating to Capital Market during the last three years.

c) The Company has complied with the applicable mandatory requirements of Clause 49 of the Listing Agreement. There are certain Non-mandatory requirements which have also been unilaterally adopted by the Company.

d) Reconciliation of Share Capital Audit

A qualified practicing Company Secretary carried out audit on quarterly basis to reconcile the total admitted equity share capital with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) and the total issued and listed equity share capital. The reconciliation of share capital audit report confirms the total issued/paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

**6. Means of Communication**

The Company interacts with its shareholders through multiple forms of corporate and financial communications such as annual reports, result announcement and media releases. The quarterly, Half Yearly and Yearly results are generally published in English and Hindi Newspapers viz Financial Express and Jansatta. The financial results and investor update are displayed on the website of the company [www.kohinoorfoods.in](http://www.kohinoorfoods.in).

The Management discussion and Analysis Report has been included elsewhere in the Report and Accounts.

**7. Shareholder Information**

**Annual General Meeting**

Date	:	27 <sup>th</sup> September, 2012
Time	:	12:30 P.M
Venue	:	Pearey Lal Bhawan Association, 2, Bahadur Shah Zafar Marg, New Delhi -110 002
Financial Calendar	:	1 <sup>st</sup> April to 31 <sup>st</sup> March
Date of Book Closure	:	15.09.2012 to 27.09.2012 (both days inclusive)
CIN	:	L52110DL1989PLC037097

**8. Listing on Stock Exchanges**

The Equity Shares of the Company are listed with The Bombay Stock Exchanges Ltd. and National Stock Exchange of India Ltd.

**9. Payment of Listing Fees**

The annual listing fee for the year 2012-13 has been paid by the company to BSE and NSE, both the Stock Exchanges.

**10. Payment of depository Fees**

Annual Custody / Issuer fees for the year 2012-13 has been paid by the Company to NSDL and CDSL.

**11. Trading symbol / Stock code**

1.National Stock Exchange of India Ltd.	:	Kohinoor
2.The Bombay Stock Exchange Ltd., Mumbai	:	512559
3.ISIN Number for NSDL & CDSL	:	INE080B01012

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**STOCK MARKET DATA**

Monthly High and Low quotations of Shares traded at The National Stock Exchange of India Ltd. (NSE) and The Bombay Stock Exchange Ltd. (BSE)

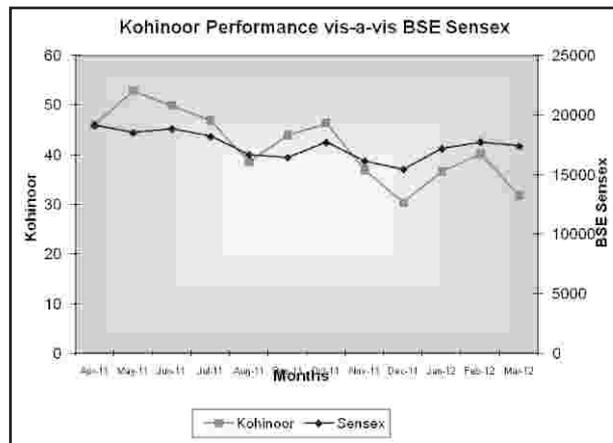
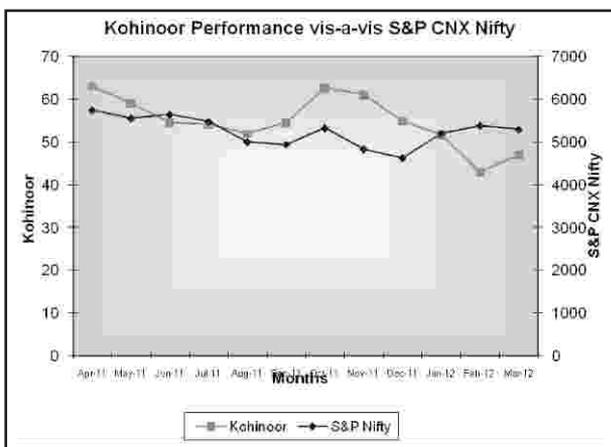
Month/Year	N.S.E		B.S.E	
	High(Rs.)	Low(Rs.)	High(Rs.)	Low(Rs.)
April 2011	53.40	44.35	53.35	45.75
May	55.40	44.05	55.45	43.95
June	63.80	45.25	64.00	45.35
July	53.40	46.20	53.40	46.45
August	48.05	36.70	48.00	36.60
September	51.00	38.15	50.90	38.25
October	48.00	40.35	47.00	41.35
November	47.70	35.25	46.60	35.20
December	40.60	30.10	40.70	29.80
January 2012	39.60	30.00	39.25	30.15
February	44.50	35.10	44.80	35.10
March	40.35	30.80	40.60	30.10

S&P CNX Nifty/Sensex vis-à-vis Kohinoor Foods

**Relative Price Movements**

**April 2011 – March 2012**

(Base price as on 1<sup>st</sup> April 2011)



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**12. Registrar and Transfer Agent**

M/s. Skyline Financial Services Pvt. Ltd.  
D-153-A, 1st Floor, Okhla Industrial Area,  
Phase-I, New Delhi 110 020

**Share Transfer System**

All the Transfers received are processed and approved by the share transfer committee and returned to the shareholders within a period of 30 days. (The SEBI has reduced the date from 30 days to 15 days w.e.f 5<sup>th</sup> July, 2012). The Company obtains from a practicing Company Secretary half yearly certificate of compliance as required under clause 47(c) of the Listing Agreement and files the same with Stock Exchanges.

**13. Distribution of Shareholding and shareholding pattern as on 31<sup>st</sup> March, 2012.**

**Distribution of Shareholding As on 31<sup>st</sup> March, 2012.**

NO. OF SHARES		SHARE HOLDERS		TOTAL SHARES	
		No.	% age	Total	% of Total
1	500	26314	90.27	2783366	9.87
501	1,000	1617	5.55	1298738	4.61
1001	2,000	629	2.16	959903	3.40
2,001	3,000	169	0.58	434467	1.54
3,001	4,000	97	0.33	348605	1.24
4,001	5,000	69	0.24	320334	1.14
5,001	10,000	122	0.42	896738	3.18
10,001	Above	132	0.45	21151073	75.02
<b>Total</b>		<b>29149</b>	<b>100.00</b>	<b>28193224</b>	<b>100.00</b>

**Shareholding Pattern as on 31<sup>st</sup> March, 2012**

Category	Number of Shares	Percentage (%)
Promoters	13644998	48.40
Mutual Funds & UTI	-	-
Banks, Financial Institution	118401	0.42
F.I.s	17500	0.06
Corporate Bodies Public	4389665	15.57
Public	9824199	34.85
NRIs/OCBs	215961	0.77
Any Other	-	-
<b>Total</b>	<b>28193224</b>	<b>100.00</b>

**14. CEO and CFO Certification**

The Joint Managing Directors of the company give quarterly certification on Financial Results while placing Financial Results before the Board in terms of clause 41 of the Listing Agreement.

**15. Compliance Certificate**

The Joint Managing Directors of the company give quarterly certificate on compliance with various laws and regulations and other legal requirement of the central, state and other government and local authorities concerning the business and affairs of the Company.

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#### **16. Dematerialisation of Shares**

The Shares of the company are in Compulsory Demat segment and are available for trading in the depository systems of both the National Securities Depository Ltd. (NSDL) and the Central Depository Services (India) Ltd. (CDSL). As on 31<sup>st</sup> March, 2012, 2,76,85,824 Equity Shares of the Company forming 98.20% of the share capital of the Company, stand dematerialized.

#### **17. Promoter Shareholding**

In compliance of the SEBI circular No. Cir/ISD/3/2011 dated June 17, 2011, all the Shares of the Promoters is in Dematerialization form.

#### **18. Registration with SEBI SCORE**

As per SEBI Circular No. CIR/OIAE/2/2011 dated June 3, 2011, the Company got registered with SEBI for redressing of Complaints of Shareholders by SEBI Complaints redress System (SCORE).

#### **19. Un-Paid Dividend of Shareholders**

As per MCA Circular no. G.S.R.352 (E) dated 20th May, 2012 the List of Un-paid dividend shareholders as on date of last Annual General Meeting is now available on MCA Portal as well as on the Company's website [www.kohinoorfoods.in](http://www.kohinoorfoods.in).

#### **20. Plant Locations**

- 50-51 Milestone, G.T.Karnal Road, Murthal, Dist. Sonapat (Haryana)  
- 71, Libaspur, Bahalgarh, Dist. Sonapat, (Haryana) - (transferred to M/s Kohinoor Speciality Foods India Pvt. Ltd., w.e.f.09.09.2011)

#### **21. Address for Correspondence**

Shareholders Correspondence may be addressed to :

M/s. Skyline Financial Services Pvt.Ltd.  
D-153-A, 1st Floor,  
Okhla Industrial Area,  
Phase-I, New Delhi 110 020

Or

The Company Secretary  
Kohinoor Foods Limited  
201, Vipps Centre, Masjid Moth,  
Greater Kailash-II, New Delhi 110 048

However, shareholders holding shares in demat mode should address their correspondence relating to their holdings to the respective Depository participants.

#### **Declaration as required under Clause 49 of the Listing Agreement**

All Directors and senior management of the Company have affirmed compliance with the Code of Conduct for the financial year ended 31<sup>st</sup> March 2012

FOR AND ON BEHALF OF THE BOARD

31<sup>st</sup> August , 2012  
New Delhi

Sd/-  
Jugal Kishore Arora  
Chairman

## SECRETARIAL AUDIT REPORT

To

The Board of Directors  
Kohinoor Foods Limited  
201, Vipps Center, Masjid Moth  
Greater Kailash-II  
New Delhi – 110 048

We have examined the registers, records and documents of Kohinoor Foods Limited (hereinafter referred to as “the Company”) for the financial year ended on March, 31, 2012 according to the provisions of:

- The Companies Act, 1956 (“the Act”) and the Rules made under that Act;
- The Depositories Act, 1996 and the Regulations and Bye-laws framed under that Act;
- The Foreign Exchange Management Act, 1999 and the Rules and Regulations made under that Act to the extent applicable to Overseas Direct Investment (ODI)
- The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (‘SEBI Act’);
  - ❖ The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - ❖ The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
  - ❖ The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - ❖ The Securities Contracts (Regulation) Act, 1956 (SCRA) and the rules made under that Act; and
  - ❖ The Equity Listing Agreements with The Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

1. Based on my examination and verification of the registers, records and documents produced to me and according to the information and explanations given to me by the Company, I report that the Company has, in my opinion, complied with the provisions of the Act and the Rules made under the Act and the Memorandum and Articles of Association the Company, with regard to
  - i. maintenance of various statutory registers and documents and making necessary entries therein;
  - ii. closure of the Register of Members;
  - iii. forms, returns, documents and resolutions required to be filed with the Registrar of Companies;
  - iv. service of documents by the Company on its Members, Auditors and the Registrar of Companies;
  - v. notice of Board meetings and Committee meetings of Directors;
  - vi. the meetings of Directors and Committees of Directors including passing of resolutions by circulation;
  - vii. the 22<sup>nd</sup> Annual General Meeting held on 27<sup>th</sup> September 2011;
  - viii. minutes of proceedings of General Meetings and of Board and its Committee Meetings;
  - ix. approvals of the Members, the Board of Directors, the Committees of Directors and government authorities, wherever required;
  - x. constitution of the Board of Directors / Committee(s) of directors and appointment, retirement and re-appointment of Directors including the Managing Director and Whole time Director designated as Chairman;
  - xi. payment of remuneration to the Directors including the Managing Director and Whole time Director designated as Chairman;
  - xii. appointment and remuneration of Auditors;
  - xiii. transfers and transmissions of the Company's shares, issue and delivery of duplicate certificates of shares;
  - xiv. transfer of amounts, as required under the Act to the Investor Education and Protection Fund;
  - xv. borrowing and registration, modification and satisfaction of charges wherever applicable;

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- xvi.** investment of the Company's funds including inter-corporate loans;
  - xvii.** giving guarantees in connection with loans taken by subsidiaries;
  - xviii.** form of Balance Sheet and Profit & Loss Account as prescribed in the revised Schedule VI of the Act and as certified by the Statutory Auditors;
  - xix.** Directors' Report;
  - xx.** contracts, common seal, registered office and publication of name of the Company; and
  - xxi.** generally, other applicable provisions of the Act and the Rules made under that Act.
- 2.** I further report that;
- i.** the Directors have complied with the requirements as to disclosure of interests and concerns in arrangements, shareholdings / and directorships in other companies and interests in other entities;
  - ii.** the Directors have complied with the disclosure requirements in respect of their eligibility of appointment, their being independent and the compliance with the code of Business Conduct & Ethics for Directors and Management Personnel.
  - iii.** the Company has obtained all necessary approvals under the various provisions of the Act, wherever required;
  - iv.** Show Cause Notices under Section 209, 212, 217(1)(e) and 217(2A) of the Act were received by the Company and its Directors. The Company has since got the aforesaid defaults/irregularities compounded by the competent authorities by paying the compounding fee. Apart from the aforesaid, the Company has also, voluntarily, got compounded the defaults/irregularities under Section 297 and 211 of the Act. Apart from the aforesaid, there was no prosecution initiated against the Company and no fines or penalties were imposed on the Company during the year under review under the Companies Act, SEBI Act, SCRA, Depositories Act, Listing Agreement and Rules, Regulations and Guidelines framed under these Acts against the Company, its Directors and Officers.
- 3.** I further report that the Company has complied with the provisions of the Depositories Act, 1996 and the Byelaws framed thereunder by the Depositories with regard to dematerialisation/rematerialisation of securities and reconciliation of records of dematerialised securities with all securities issued by the Company.
- 4.** I further report that:
- i.** the Company has complied with the requirements under the Equity Listing Agreements entered into with The Bombay Stock Exchange Limited and the National Stock Exchange of India Limited;
  - ii.** the Company has complied with provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 including the provisions with regard to disclosures and maintenance of records required under the Regulations
  - iii.** the Company has complied with the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 including the provisions with regard to disclosures and maintenance of records required under the Regulations.

Note: This report has been prepared on the request of the Company, to voluntarily comply with the recommendations contained in Corporate Governance Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs.

For Vinod Aggarwal & Associates,

Company Secretaries

Sd/-

Vinod Aggarwal

CP No: 8816

Date: August 31, 2012

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### CORPORATE GOVERNANCE CERTIFICATE BY AUDITORS

To the Member,  
Kohinoor Foods Limited,

We have examined the compliance of condition of Corporate Governance by Kohinoor Foods Ltd.(the Company), for the year ended on 31<sup>st</sup> March, 2012, as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

**For NATHAHUJA & CO.**  
CHARTERED ACCOUNTANTS  
FRN : 001083N

sd/-  
**N.N. AHUJA**  
PROPRIETOR  
Membership No. 80178

Place: New Delhi,  
Date: 09-08-2012

### ANNEXURE – 'B' TO THE DIRECTORS' REPORT

Information as per Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 and forming Part of the Directors' Report for the year ended 31<sup>st</sup> March, 2012.

#### **A. Conservation of Energy**

Improvement of methods of Energy Conservation and optimal utilisation of Energy in all operations, continued to receive close attention. Company is always conscious to conserve energy through improved methods of operations and design. In this regard the Company has introduced energy saving features in the systems and monitors by which the user saves the power consumption to a considerable extent.

#### **B. Research & Development (R & D)**

##### **i) Specific areas in which R&D carried out by the Company and benefits derived as a result of R&D**

Research & Development has always been a focus area at Kohinoor Foods. In the last year the Company has put special efforts in research and development. The R&D team of the Company has worked on a number of areas, more specifically in the areas of frozen foods. This has resulted in the Company being able to launch a range of products in the frozen foods category including frozen curries, frozen biryanis & pulses, frozen snacks and breads. The Company has also done a range of frozen desserts like kheer, phirni etc.

##### **ii) Future plan of action**

Steps are continuously being taken to promote the branded sales in domestic as well as overseas market. The Company is continuously making efforts to provide best of quality products to its customers.

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**iii) Expenditure on R&D**

a) Capital	:	Nil
b) Recurring	:	Rs. 31,32,172/-
c) Total	:	Rs. 31,32,172/-
d) Total R&D expenditure as a percentage of total turnover	:	0.03%

**C. Technology Absorption, Adaptation and Innovation**

Technology Absorption, Adaptation and Innovation had always been the key strength of the Company. Company plans to be a leading player in technology introduction through innovative products.

**D. Foreign Exchange Earnings and Outgo**

**a) Total Foreign Exchange earned and used.**

Foreign Exchange Earnings of the Company amounted to Rs. 51,888 Lacs as against Foreign Exchange Outgo of Rs.10,282 Lacs during the year under review.

**b) Activities related to exports, initiative taken to increase exports, development of new export markets for products. In the last year, Kohinoor Foods has put in a lot of emphasis to increase exports of value added food products, basmati rice, and spices & seasonings from the country. Namely, the following:**

- Basmati Rice
- Pulses and Lentils
- Spices
- Processed Foods (value added culinary products using basmati rice, and other vegetables)

With its traditional strength in the exports of basmati gathered over the years, Kohinoor Foods has yet again put special efforts to increase the exports of value added food products in the last year. The company having two subsidiaries in USA and UK and a joint venture operation in United Arab Emirates, has been able to provide renewed impetus to the growth of exports of various agro commodities, produced in India.

It has now made substantial inroads in the overseas markets, particularly in USA, Canada, England, France and other middle-eastern countries. Kohinoor Foods has concentrated in marketing of valued added food products and basmati rice in order to maximise selling under its own brand names even in the overseas markets.

FOR AND ON BEHALF OF THE BOARD

31<sup>st</sup> August , 2012  
New Delhi

Sd/-  
Jugal Kishore Arora  
Chairman

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## AUDITORS' REPORT

To The Members of Kohinoor Foods Limited,

1. We have audited the attached Balance Sheet of M/s Kohinoor Foods Limited as at March 31, 2012, the Profit & Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date, which are signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended), ('the said Order') issued by the Central Government of India in terms of sub-section (4A) of section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanation given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable.
4. Further to our comments in the Annexure referred to above, we report that:-
  - a. We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;
  - b. In our opinion, proper books of account as required by law have been kept by the company so far as it appears from our examination of those books;
  - c. The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d. In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act;
  - e. On the basis of written representations received from the directors as on March 31, 2012, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2012, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;
  - f. Attention is drawn to Note No. 31 and 32 regarding Contingent Liabilities and Diminution in value of investment respectively.

### Contingent Liability

In respect of contingent liability related to taxation matters the management is of the view that the necessary appeal has been filed with the statutory authorities and therefore provision for contingent liabilities does not have to be made.

We decline to comment on the views of the management.

### Diminution In Value of investment

The company has invested in its Wholly Owned Subsidiary in the U.S. Investment has been shown at cost, whereas it is observed that Losses of INR 31,44,60,166/- (USD 61,47,022/- ) have been incurred till date. Diminution in the value of the Investment has not been provided for.

- g. In our opinion and to the best of our information and according to the explanations given to us, the financial statements read with notes to the accounts give the information required by the act in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i. In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
  - ii. In the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and

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iii. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For NATH AHUJA & CO.**

(CHARTERED ACCOUNTANTS)

FRN : 001083N

**Sd/-**

**(N.N. AHUJA)**

PROPRIETOR

Place: New Delhi,

Date: 09-08-2012

Membership No. 80178

**ANNEXURE TO THE AUDITORS' REPORT (Referred to in paragraph 3 of our report of even date)**

- i) In respect of its fixed assets:
- In our opinion and on the basis of the information and explanation given to us, the Company is maintaining Fixed Assets Register showing necessary particulars. *However, the said register is not in accordance with the requirements of the Act.*
  - As explained to us, the physical verification of fixed assets was conducted by the management at reasonable intervals and the discrepancies noticed on such verification are properly dealt within the books of accounts. In our opinion, the frequency of physical verification is reasonable having regard to the size of the Company and the nature of assets.
  - The Company has sold food factory at Bahalgarh (Haryana) during the year, In our opinion and according to information and explanation given to us it does not effect the going concern.
- ii) In respect of its inventories:
- As informed and represented to us, inventories were physically verified during the year by the management at reasonable intervals.
  - According to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate having regard to the size of the company and nature of its business.
  - According to the information and explanation given to us, the company is maintaining proper records of inventory and there was no material discrepancies noticed on physical verification.
- iii) In respect of unsecured loans granted by the company to companies covered in the register under section 301 of the Companies Act, 1956 and according to the information and explanation given to us:
- The Company has given unsecured interest free loan to its wholly owned subsidiary company and Joint Venture Company covered in the register maintained under Section 301 of the Companies Act, 1956. At the year end, an amount outstanding against the loan granted to the above mentioned companies aggregated to INR 47.08 Crores. The maximum balance outstanding during the year was INR 47.08 Crores. In our opinion, having regard to the long term involvement with the above mentioned companies and considering the explanations given to us in this regard, the terms and conditions of the above are not, *prima facie*, prejudicial to the interests of the Company.
  - The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Therefore, the provisions of sub-clauses (e), (f) and (g) of clause 4(iii) of the Order are not applicable.
- iv) In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the company and nature of its business with regard to purchases of inventory, fixed assets and for the sale of goods & services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weakness in the aforesaid internal control system.

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- v) In our opinion and according to the information and explanations given to us, there were no contracts or arrangements that need to be entered in the register maintained under section 301 in respect of any party during the period and hence provisions of paragraph (v) (b) of the said Order relating to reasonableness of price having regard to prevailing market price is not applicable to the Company.
- vi) In our opinion and according to the information and explanations given to us, the company has not accepted deposits from the public during the year. Therefore, the provisions of clause 4 (vi) of the said order are not applicable to the Company.
- vii) In our opinion and according to the information and explanations given to us, the Company has an Internal Audit System commensurate with the size and nature of its business.
- viii) According to the information and explanation given to us, the Central Government has not prescribed the maintenance of cost records under section 209 (1) (d) of the Act, in respect of the products manufactured by the company.
- ix) (a) According to the information and explanations given to us and on the basis of our examination of the books of accounts, the company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Service Tax, Wealth Tax, Custom Duty, Excise duty, Cess and other material statutory dues as applicable with appropriate authorities except for some delay in depositing the same.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employee's State Insurance, Income tax, Sales tax, Service Tax, Wealth Tax, Custom Duty, Excise duty, Cess and other statutory dues were outstanding, as at March 31, 2012 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are dues of Income Tax, Sales Tax and Excise Duty which have not been deposited on account of any dispute. The details of disputed dues as at March 31, 2012 in respect of Excise duty, Sales tax and Income tax that have not been deposited by the company are as follows :-

(INR. In Lacs)

Nature of Dues	Amount	Period to which the Amount Relates	Forum where dispute is pending
Income Tax	9576.92	2002-03 to 2008-09	Income tax Appelatte Tribunal- (New Delhi)
Sales Tax- Delhi	122.00	1991-92 to 2000-01	Commissioner of Sales Tax (Delhi)
Sales Tax- Amritsar	450.41	2009-10 to 2010-11	Deputy Excise & Taxation Commission (Appeal)
Market Fees	39.69	2010-11	Supreme Court of India
Excise Duty	42.90	April 2005 to February 2006	CCE (Appeals)
Service tax	259.25	2004-05 to 2008-09	Service tax Appelatte Tribunal- (New Delhi)
Income tax (TDS/TCS)	1.57	2007-08 (4 <sup>th</sup> Quarter)	Commissioner of Income tax (Appeals)

- x) The Company does not have any accumulated losses as at the end of the Financial Year and it has not incurred Cash losses in the Current Year, However The Company has incurred cash losses of INR 24.34 Crores during the immediately preceding financial year.
- xi) According to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions or banks or bond holders.
- xii) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
- xiii) The provisions of any special statue applicable to Chit fund / Nidhi / Mutual Benefit Fund / Societies are not applicable to the Company.

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- xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, and debentures and other investments.
- xv) According to the information and explanation given to us, the Company has given corporate guarantee of a sum of INR 95.12 Crores for loans taken by its wholly owned subsidiaries from banks. In our opinion, the terms and conditions on which the Company has given guarantee for loans taken by its wholly owned subsidiaries from banks are not *prima facie* prejudicial to the interest of the Company.
- xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which they were obtained.
- xvii) According to the information and explanations given to us, no funds raised on short basis have been used for long term purpose. No long-term funds have been used to finance short-term assets except working capital.
- xviii) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- xix) The company has no outstanding debentures as at the year end.
- xx) The Company has not raised any money by public issue during the year.
- xxi) During the course of our examination of the books of account, carried out in accordance with generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instances of fraud on or by the company, noticed or reported during the year, nor have we been informed of such cases by the management.

**For NATH AHUJA & CO.**  
(CHARTERED ACCOUNTANTS)  
FRN : 001083N

**Sd/-**

**(N.N. AHUJA)**

PROPRIETOR

Membership No. 80178

Place: New Delhi,

Date: 09-08-2012

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**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2012**

(Rs. In Lacs)

PARTICULARS	NOTE	AS AT 31.03.2012	AS AT 31.03.2011
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholder's Fund</b>			
Share Capital	1	2,819.32	2,819.32
Reserve and Surplus	2	32,785.77	14,460.80
		35,605.09	17,280.12
<b>Non-Current Liabilities</b>			
Long Term Borrowings	3	9,511.63	12,226.52
Long Term Provisions	4	134.93	147.70
		9,646.56	12,374.23
<b>Current Liabilities</b>			
Short Term Borrowings	5	71,877.78	69,977.41
Trade Payables	6	3,057.93	8,360.57
Other Current Liabilities	7	11,473.47	11,674.01
Short Term Provisions	8	6,873.00	3,022.42
		93,282.18	93,034.40
<b>TOTAL</b>		<b>138,533.83</b>	<b>122,688.75</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Fixed Assets	9		
Tangible Assets		6,145.39	5,272.56
Capital Work-in-Progress		3,254.40	3,856.80
		9,399.79	9,129.35
Non-Current Investments	10	10,071.74	5,850.88
Deferred tax assets (net)		998.55	1,189.98
Long Term Loans and Advances	11	4,887.63	4,277.98
		15,957.92	11,318.84
<b>Current Assets</b>			
Inventories	12	84,919.51	76,895.00
Trade Receivables	13	18,908.12	19,156.04
Cash and Bank Balances	14	1,224.89	1,157.32
Short Term Loans and Advances	15	8,036.69	4,994.55
Other Current Assets	16	86.90	37.65
		113,176.12	102,240.55
<b>TOTAL</b>		<b>138,533.83</b>	<b>122,688.75</b>
Significant Accounting Policies			
Notes on Financial Statements			

In terms of our separate report of even date attached

**FOR AND ON BEHALF OF THE BOARD**

**For NATH AHUJA & CO.**  
**CHARTERED ACCOUNTANTS**  
FRN : 001083N

Sd/-  
**(N.N. AHUJA)**  
PROPRIETOR

Sd/-  
**SATNAM ARORA**  
JT. MG. DIRECTOR

Sd/-  
**GURNAM ARORA**  
JT. MG. DIRECTOR

Membership No: 80178

Place :- New Delhi  
Dated :- 09.08.2012

Sd/-  
**RAMA KANT**  
COMPANY SECRETARY & GM (LEGAL)

Sd/-  
**KAMAL DEEP CHAWLA**  
DGM (FINANCE & ACCOUNTS)

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**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012**

(Rs. In Lacs)

PARTICULARS	NOTE	FOR THE YEAR ENDED 31.03.2012	FOR THE YEAR ENDED 31.03.2011
<b>INCOME</b>			
Revenue from Operations	17	96,111.03	90,743.81
Other Income	18	<u>33,977.76</u>	<u>239.11</u>
Total Revenue		130,088.79	90,982.91
<b>EXPENDITURE</b>			
Cost of Material Consumed	19	53,540.20	54,261.80
Purchases of Stock-in-Trade	20	24,603.14	8,733.62
Changes of Inventories of Traded Goods,	21	(4,265.53)	1,861.55
Employee Benefits Expenses	22	1,989.56	1,758.99
Finance Costs	23	9,035.61	8,221.23
Depreciation and Amortisation Expenses	9	978.07	799.24
Other Expenses	24	18,221.52	13,174.42
Total Expenses		<u>104,102.57</u>	<u>88,810.86</u>
Profit Before Extra Ordinary items and Tax		25,986.23	2,172.05
Less :- Extra Ordinary Items	29	3,619.83	5,405.45
Profit Before Tax		22,366.40	(3,233.40)
Tax Expenses			
Current Tax		3,850.00	-
Deferred Tax		191.43	(885.13)
Profit for the year		18,324.97	(2,348.27)
Earnings per equity share of face value of Rs. 10 each	36		
Basic and Diluted (in Rs.)		65.00	(8.33)
Significant Accounting Policies			
Notes on Financial Statements			

In terms of our separate report of even date attached  
For **NATH AHUJA & CO.**  
**CHARTERED ACCOUNTANTS**  
FRN : 001083N

**FOR AND ON BEHALF OF THE BOARD**

Sd/-  
**(N.N. AHUJA)**  
**PROPRIETOR**

Sd/-  
**SATNAM ARORA**  
**JT. MG. DIRECTOR**

Sd/-  
**GURNAM ARORA**  
**JT. MG. DIRECTOR**

Membership No: 80178

Sd/-  
**RAMA KANT**  
**COMPANY SECRETARY & GM (LEGAL)**

Sd/-  
**KAMAL DEEP CHAWLA**  
**DGM (FINANCE & ACCOUNTS)**

Place :- New Delhi  
Dated :- 09.08.2012

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**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012**

(Rs. In Lacs)

PARTICULARS	FOR THE YEAR ENDED 31.03.2012	FOR THE YEAR ENDED 31.03.2011
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax & extra ordinary items	25,986.23	2,172.05
Adjustments for :		
Depreciation	978.07	799.24
Interest	9,035.61	8,221.23
Profit from sale of business	(33,597.72)	—
<b>Operating profit before working capital changes</b>	<b>2,402.19</b>	<b>11,192.52</b>
Adjustments for :		
Debtors	247.91	(3,975.92)
Inventories	(8,024.51)	(12,980.42)
Current Liabilities & Provision	(1,665.37)	7,346.44
Direct taxes	(3,850.00)	—
<b>Cash flow before extra ordinary items</b>	<b>(10,889.78)</b>	<b>1,582.62</b>
Extra ordinary items	(3,619.83)	(5,405.45)
<b>Net cash from operating activities</b>	<b>(14,509.61)</b>	<b>(3,822.83)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Profit from sale of business	33,597.72	—
Purchase of fixed assets and change in Capital work in progress	(1,248.51)	(3,516.16)
Investments	(4,220.86)	—
Loans & advances and other current assets	(3,701.04)	(128.45)
<b>Net cash from Investment activities</b>	<b>24,427.32</b>	<b>(3,644.61)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Redemption of FCCB (Including redemption premium)		(4,129.77)
Proceeds from short term borrowings	1,900.37	19,399.82
Repayment of long term borrowing	(2,714.89)	—
Interest paid	(9,035.61)	(8,221.23)
<b>Net cash flow from financing activities</b>	<b>(9,850.13)</b>	<b>7,048.82</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>67.58</b>	<b>(418.62)</b>
- Cash & Cash equivalent at begning of the year	1,157.32	1,575.94
- Cash & Cash equivalent at end of the year *	1,224.89	1,157.32
* Cash & Cash equivalent include :		
Restricted Bank Balance ( In dividend accounts)	10.79	14.69
FDR/Margin money with Bank	1,038.14	841.06

In terms of our separate report of even date attached

**FOR AND ON BEHALF OF THE BOARD**

**For NATH AHUJA & CO.**  
**CHARTERED ACCOUNTANTS**  
FRN : 001083N

Sd/-  
**(N.N. AHUJA)**  
**PROPRIETOR**

Sd/-  
**SATNAM ARORA**  
**JT. MG. DIRECTOR**

Sd/-  
**GURNAM ARORA**  
**JT. MG. DIRECTOR**

Membership No: 80178

Place :- New Delhi  
Dated :- 09.08.2012

Sd/-  
**RAMA KANT**  
**COMPANY SECRETARY & GM (LEGAL)**

Sd/-  
**KAMAL DEEP CHAWLA**  
**DGM (FINANCE & ACCOUNTS)**

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## **SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Preparation of Financial Statements**

The financial statements are prepared and presented under the historical cost convention, on the accrual basis of accounting and comply with the Accounting Standards prescribed by the Companies (Accounting Standard) Rules, 2006 and the relevant provisions of the Companies Act, 1956 to the extent applicable, as adopted consistently by the company.

### **Use of Estimates and Judgments**

The preparation of financial statements are in conformity with the Accounting Standards which requires Management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures relating to the contingent liabilities as on the date of balance sheet and the reported amount of revenues and expenditures during the reporting period. The estimates and assumptions used in the Financial Statements are based upon Management's best evaluation of the relevant facts and circumstances as of the date of the Financial Statements. Examples of such estimates include useful life of fixed assets, creation of deferred tax asset, lease rentals and write off of deferred revenue expenditure. Actual results may differ from those estimates.

### **Revenue Recognition :**

The company follows the mercantile system of accounting and recognizes the income and expenditures on accrual basis except in case of significant uncertainties. Certain items of income such as insurance claim, market fees refund, overdue interest from customers etc have been considered to the extent the amount is accepted by the parties. The principles of the revenue recognition are given below :

Sales are recognized as follows :

- |                |  |
|----------------|--|
| Domestic Sales | - At the point of dispatches to customers. |
| Export Sales   | - At the time of issue of Bill of Lading.  |

Sales are recorded net of sales returns, price differences and sales tax.

Sale of license and duty draw back are recognized on realization basis.

### **Fixed Assets**

Fixed Assets are stated at cost less accumulated depreciation. Cost comprises the purchase price and any attributable cost of bringing the assets to its working condition for its intended use.

Capital work in progress is stated at cost. Capital WIP includes the cost of fixed assets that are not yet ready for their intended use, as on the balance sheet date.

### **Depreciation**

Depreciation is provided on written down value basis at rates provided in Schedule XIV to the Companies Act, 1956. The depreciation rates which are different from the principal rates specified in Schedule-XIV are as follows:-

Tarpaulin	100%
Wooden & Plastic Crates	100%

In case of items having value of Rs. 5,000/- or below, acquired during the year have been charged to profit & loss account at 100% in the year of purchase.

### **Leases**

In respect of Operating lease, lease rentals are accounted on accrual basis in accordance with the respective lease agreements.

### **Government Grants**

Grants in the nature of capital contribution towards setting up of projects in backward area is adjusted from the cost of the related fixed assets. Grants related to revenue are deducted from the related expense.

### **Taxes on Income**

#### **Current Tax:**

Provision is made for current Income Tax Liability estimated to arise on the results for the year at the current rate of tax in accordance with Income Tax Act 1961.

#### **Deferred Tax**

Deferred tax assets and liabilities are computed on the timing differences at the balance sheet date between the carrying amount of assets and liabilities and their respective tax bases. Deferred Tax Assets (DTA) is recognized based on management estimates of virtual certainty that sufficient future taxable income will be available against which such DTA can be realized. The deferred tax charge or credit is recognized using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

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**Employees Benefits**

**Defined Contribution Plans**

Defined contribution plans are benefit plans under which the company pays fixed contribution to state managed benefit schemes. The company contributions to defined contribution plans are recognized in the profit and loss account in the financial year to which they relate.

**Defined Benefits Plan**

The company has defined benefit plan in respect of its gratuity liability and contributes to a Gratuity Fund. Provision for gratuity has been made using the projected unit credit method on the basis of actuarial valuation. Actuarial gains and losses in respect of gratuity are charged to profit and loss account.

**Investments**

**Long Term Investments**

Long term Investments are stated at cost.

**Investments in Wholly Owned subsidiary companies /Joint Venture Company**

Investment in the wholly owned subsidiary companies/ joint venture company have been stated at cost. No provisions for losses suffered by the subsidiaries / joint venture company have been made in the accounts. However consolidated financial statements have been prepared in accordance with AS-21 prescribed by the Companies (Accounting Standard) Rules, 2006.

**Inventories**

Inventories are valued at cost or net realizable value whichever is lower, as taken, valued and certified by the management. The basis for determining cost for various categories of inventories are as under:

Raw Material	- At cost on FIFO Basis
Finished Stock	- At material cost + appropriate share of production overhead (On weighted average cost basis).
Work in Progress	- At material cost + appropriate share of production overhead. (On weighted average cost basis).
Packing Material	- At cost
Stores & Spares	- At cost

**Foreign Exchange Transactions**

Transactions in foreign currency are converted at the exchange rate prevailing at the date of the transaction. Foreign currency monetary assets and liabilities not covered by forward exchange contracts are restated at the year end rates and the resultant gains or losses are recognized in the Profit and Loss account. Non-monetary items are carried in terms of historical cost denominated in foreign currency using the exchange rates at the date of transaction.

Forward contracts other than those entered into to hedge foreign currency risk on unexecuted firm commitment or of highly probable forecast transactions are treated as foreign currency transactions and accounted accordingly. Any profit or loss arising on cancellation of a forward contract is recognized as income or expense in the period in which they arise.

Mark to market exposure arising out of derivative contracts has been provided except for those contracts which have been challenged in the court of law and disclosed under contingent liabilities.

**Research & Development**

Revenue Expenditure on Research & Development is charged as an expense in the year in which it is incurred.

Capital expenditure is included in respective heads under fixed assets.

**Earning per share**

Basic and diluted earning per share is calculated by dividing net profit/loss for the year attributable to equity share holder by weighted average number of equity share outstanding during the year.

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NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012

(Rs. In Lacs)

PARTICULARS	AS AT 31.03.2012	AS AT 31.03.2011
<b>1. SHARE CAPITAL</b>		
<u>AUTHORISED CAPITAL</u>		
5,00,00,000 Equity shares of Rs. 10/- each	5,000.00	5,000.00
<u>ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</u>		
2,81,93,224 (Previous year 2,81,93,224)	2,819.32	2,819.32
Equity Shares of Rs. 10/- each fully paid-up	2,819.32	2,819.32
	<u>2,819.32</u>	<u>2,819.32</u>

a) The reconciliation of the number of shares outstanding is set out below:

PARTICULARS	AS AT 31.03.2012 NO. OF SHARES	AS AT 31.03.2011 NO. OF SHARES
Equity Shares at the beginning of the year	28,193,224	28,193,224
Equity Shares issued during the year	—	—
Equity Shares at the end of the year	<u>28,193,224</u>	<u>28,193,224</u>

b) Shares held by Shareholders holding more than 5 percent shares in the Company :

	As At 31.03.2012		As At 31.03.2011	
	No. of Shares	% holding	No. of Shares	% holding
(1) Jugal Kishore Arora	4,425,299	15.70%	4,051,661	14.37%
(2) Satnam Arora	3,705,345	13.14%	3,380,845	11.99%
(3) Gurnam Arora	4,741,990	16.82%	4,407,658	15.63%

**2. RESERVE AND SURPLUS**

	AS AT 31.03.2012	AS AT 31.03.2011
<b>Capital Reserve</b>		
As per last Balance Sheet	742.76	742.76
<b>Securities Premium Reserve</b>		
As per last Balance Sheet	3,976.97	5,077.68
Less Utilization during the year (for redemption premium on conversion of FCCB) (net of tax)	—	1,100.71
	<u>3,976.97</u>	<u>3,976.97</u>
<b>General Reserve</b>		
Opening Balance	11,266.94	11,466.44
Less :- Un-Amortised Deferred Revenue Expenditure Written off	—	199.50
	<u>11,266.94</u>	<u>11,266.94</u>
<b>Profit &amp; Loss A/c</b>		
Opening Balance	(1,525.87)	822.40
Add: Profit/Loss during the year	18,324.97	(2,348.27)
	<u>32,785.77</u>	<u>14,460.80</u>

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	<u>AS AT</u> <u>31.03.2012</u>	<u>AS AT</u> <u>31.03.2011</u>
<b>3. LONG TERM BORROWINGS</b>		
<b>Secured Loans</b>		
Term Loans from Banks	6,548.84	7,437.90
Deferred Payment Liabilities for Capital Goods	451.37	1,238.96
Long Term maturity of Finance Lease obligations	88.32	128.71
	<u>7,088.53</u>	<u>8,805.57</u>
<b>Unsecured Loans</b>		
Term Loans from Banks	2,423.10	3,420.95
	<u>2,423.10</u>	<u>3,420.95</u>
	<u><b>9,511.63</b></u>	<u><b>12,226.52</b></u>
<b>a)</b> Term loans are repayable in monthly/quarterly installments. Maturity profile of non-current term loans from banks are as set out below		
Term Loan Instalments Repayable within :-		
1-2 Years	4,177.99	3,870.01
2-3 Years	3,806.30	3,720.39
3-4 Years	987.65	2,618.46
4-5 Years	—	650.00
	<u><b>8,971.94</b></u>	<u><b>10,858.86</b></u>
<b>b)</b> Term Loans carry different interest rates ranging from 5% to 16.75% per annum.		
<b>c)</b> Term loan from banks (including current maturities) are secured by :-		
<b>(i)</b> Secured by Charge on specific fixed assets finance by the Bank	2,596.12	1,514.40
<b>(ii)</b> Secured by mortgage of property belonging to Promoters and charge on Fixed Assets and second pari pasu charge on Current Assets of the company.	2,721.09	2,850.00
<b>(iii)</b> Secured by subservient charge on Current Assets	4,051.62	7,359.63
<b>(iv)</b> Secured by Charge on fixed assets situated at Murthal Factory.	16.44	705.63
<b>(v)</b> Secured by charge on third party property.	3,251.45	4,000.00
<b>4. LONG TERM PROVISIONS</b>		
Provision for Gratuity	134.93	147.70
	<u><b>134.93</b></u>	<u><b>147.70</b></u>
<b>5. SHORT TERM BORROWINGS</b>		
<b>Secured</b>		
Working Capital Loan from Banks	63,083.85	65,977.00
Buyers Credit	8,793.93	4,000.41
	<u><b>71,877.78</b></u>	<u><b>69,977.41</b></u>

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	<u>AS AT</u> <u>31.03.2012</u>	<u>AS AT</u> <u>31.03.2011</u>
<b>a) Working Capital Loans include the followings</b>		
Pre-Shipment	32,266.57	34,775.85
Post-Shipment	13,237.16	12,095.65
Working Capital Demand Loan	6,840.99	10,510.00
Cash Credit	10,739.13	8,595.50
	<u>63,083.85</u>	<u>65,977.00</u>
<b>b) Working Capital Loan from Banks are secured by hypothecation of Inventory, book debts and other current assets of the company, both present and future and the first charge on fixed assets of the company (excluding of specific assets charged to Term lending Banks).</b>		
<b>c) Buyers Credit has been availed from banks against lien on L.C limits secured as described in para5(b) above for non fund based limits of working capital loans.</b>		
<b>6. TRADE PAYABLE</b>		
-Due to Micro, Small and Medium Enterprises	1,068.05	3,583.66
-Due to Others	1,989.88	4,776.91
	<u>3,057.93</u>	<u>8,360.57</u>
<b>7. OTHER CURRENT LIABILITIES</b>		
Current maturities of long-term debt (Secured)	6,087.88	8,991.76
Current maturities of long-term debt (Unsecured)	1,025.24	219.05
Current maturities of finance lease obligations	76.38	58.51
Interest Accrued and due on borrowings	429.04	261.76
Advance received from customers	174.38	125.57
Current maturities of deferred payment liabilities	969.74	997.96
Unclaimed Dividends	10.79	14.69
Other Liabilities	2,700.03	1,004.73
	<u>11,473.47</u>	<u>11,674.01</u>
<b>8. SHORT TERM PROVISIONS</b>		
Income Tax	6,777.00	2,927.00
Fringe Benefit Tax	94.00	94.00
Wealth Tax	2.00	1.42
	<u>6,873.00</u>	<u>3,022.42</u>

9. FIXED ASSETS

Particulars	Gross Block			Accumulated Depreciation			Net Block	
	As at 31-03-2011	Addition during the year	Deletions/ Adjustments during the year	As at 31-03-2011	Depreciation for the year	Deletions/ Adjustments during the year	As at 31-03-2012	As at 31-03-2011
<b>TANGIBLE ASSETS</b>								
LAND	376.63	81.77	187.43	--	--	--	270.97	376.63
FACTORY BUILDING	2,775.98	270.80	558.00	379.23	126.63	243.02	1,225.94	1,396.75
OFFICE BUILDING	199.58	--	39.89	89.98	3.91	7.46	73.26	109.61
PLANT & M/CY & OFFICE EQUIPMENT	8,936.51	2,760.99	2,375.58	6,148.20	658.52	1,457.20	3,972.40	2,788.31
VEHICLES	837.12	151.47	59.21	391.98	131.43	32.32	438.29	445.14
WOODEN, PLASTIC CREATES & TARPULINS	80.04	27.29	80.04	80.04	27.29	80.04	--	--
COMPUTERS	188.33	13.62	30.73	158.10	12.30	26.47	27.29	30.23
FUR & FIXTURE	219.98	35.08	19.13	94.08	18.00	13.39	137.24	125.90
<b>TOTAL</b>	<b>13,614.18</b>	<b>3,341.02</b>	<b>3,350.02</b>	<b>8,341.62</b>	<b>978.07</b>	<b>1,859.90</b>	<b>7,459.79</b>	<b>5,272.56</b>
<b>PREVIOUS YEAR</b>	12,636.30	1,224.62	246.75	7,745.73	799.24	203.36	8,341.62	4,890.57

CAPITAL WORK IN PROGRESS

Particulars	Gross Block		
	As at 31-03-2011	Addition during the year	As at 31-03-2011
Machinery	3,352.66	737.90	1,345.72
Building	446.34	1,754.45	1,908.67
Software	57.80	--	--
<b>TOTAL</b>	<b>3,856.80</b>	<b>2,492.35</b>	<b>3,254.40</b>
<b>PREVIOUS YEAR</b>	1,041.31	3,240.48	3,856.80

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	<u>AS AT</u> <u>31.03.2012</u>	<u>AS AT</u> <u>31.03.2011</u>
<b>10. NON-CURRENT INVESTMENTS</b>		
<b>Investment in Equity Instruments</b>		
<b>Subsidiary Companies</b>		
Unquoted Trade Investment		
Kohinoor Foods USA Inc. 56000 (Previous year - 56000) shares of USD 62.5 each fully paid	1,608.68	1,608.68
Indo European Foods Ltd 1350000 (Previous year - 1350000) shares of GBP 1 each fully paid.	1,016.98	1,016.98
Sachdeva Brothers Pvt. Ltd 15835 (Previous year - 15835) shares of Rs. 100 each fully paid.	71.34	71.34
<b>Joint Ventures</b>		
Unquoted Trade Investment		
Rich Rice Raisers factory LLC. 75 (Previous year 75) shares of DHS 1000 each fully paid	9.42	9.42
Kohinoor Speciality Foods India Pvt. Ltd 44161 (Previous year - Nil) shares of Rs. 10 each	4,220.86	—
<b>Other Investments</b>		
Quoted, non trade Investments		
Punjab national bank 110 (Previous year - 110) shares of Rs. 10 each	0.43	0.43
Anu Laboratories Ltd 2970 (previous year - 2970) shares of Rs. 1 each.	0.62	0.62
<b>INVESTMENT IN PREFERENCE SHARES</b>		
<b>Subsidiary Companies</b>		
Unquoted Trade Investment		
Kohinoor Foods USA Inc. 80000 (Previous year - 80000) shares of USD 62.5 each fully paid.	2,369.77	2,369.77
Indo European Foods Ltd 1000000 (Previous year - 1000000) shares of GBP 1 each fully paid	773.64	773.64
	<u><b>10,071.74</b></u>	<u><b>5,850.88</b></u>
<b>a)</b> Aggregate amount of quoted investments	1.05	1.05
Aggregate amount of Market value of quoted investments	1.07	1.43
Aggregate amount of un-quoted investments	10,070.69	5,849.83
<b>b)</b> All the investments are carried at cost.		
<b>c)</b> During the year the company has invested a sum of Rs. 4220.85 to acquire 15% share holding in Joint venture Company M/s Kohinoor Speciality Foods India Pvt Ltd.		

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	<u>AS AT</u> <u>31.03.2012</u>	<u>AS AT</u> <u>31.03.2011</u>
<b>11. LONG TERM LOAN AND ADVANCES</b>		
(Unsecured, Considered Good)		
Capital Advances	98.27	-
Security Deposit	80.72	144.10
Loan and advances to related parties	4,708.63	4,133.88
	<u><b>4,887.63</b></u>	<u><b>4,277.98</b></u>
<b>a) Loans and advances to related parties</b>		
<b>To Subsidiaries Companies</b>		
Indo European Foods Ltd	3,135.80	2,757.42
Sachdeva Brothers Pvt Ltd	2.53	1.97
<b>To Joint Ventures</b>		
Rich Rice Raisers factory LLC.	1,570.30	1,374.49
	<u><b>4,708.63</b></u>	<u><b>4,133.88</b></u>
<b>12. INVENTORIES</b>		
Raw Material	11,512.02	4,145.70
Work in Progress (Foods)	-	2.00
Finished Goods	68,038.64	69,095.11
Stock-in-trade	4,561.13	878.73
Stores and Spares	142.90	122.90
Packing Materials	664.81	2,650.55
	<u><b>84,919.51</b></u>	<u><b>76,895.00</b></u>
<b>a) Inventories are valued at cost or net realizable value which ever is lower.</b>		
<b>13. TRADE RECEIVABLES</b>		
Unsecured Considered Goods		
Outstanding for a period exceeding six months	1,259.51	1,589.31
Others	17,648.61	17,566.73
	<u><b>18,908.12</b></u>	<u><b>19,156.04</b></u>
<b>a) Trade receivables include the following amount due from related parties</b>		
<b>Subsidiary Companies</b>		
Kohinoor Foods USA Inc.	2,483.03	1,625.49
Indo European Foods Ltd	4,909.96	3,623.75
<b>Joint Venture Company</b>		
Rich Rice Raisers Factory LLC.	2,875.46	1,355.53
	<u><b>10,268.45</b></u>	<u><b>6,604.77</b></u>
<b>14. CASH &amp; BANK BALANCES</b>		
Cash & cash Equivalents		
Cash in Hand	22.48	38.91
Balances with Banks		
Current Accounts	153.49	262.66
	<u><b>175.97</b></u>	<u><b>301.57</b></u>

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	<u>AS AT</u> <u>31.03.2012</u>	<u>AS AT</u> <u>31.03.2011</u>
Other Bank Balances		
Fixed Deposits with Banks	1,038.14	841.06
Un-paid Dividend Accounts	10.79	14.69
	<u>1,048.92</u>	<u>855.74</u>
	<b><u>1,224.89</u></b>	<b><u>1,157.32</u></b>
<b>15. SHORT TERM LOAN AND ADVANCES</b>		
Unsecured considered good		
Capital Advances	25.00	463.76
Staff Advance	3.51	6.88
Pre-paid Expenses	319.66	291.41
Advance agst Purchases	103.23	23.80
Advance Tax	7,108.38	3,882.34
Others	476.92	326.37
	<u>8,036.69</u>	<u>4,994.55</u>
<b>16. OTHER CURRENT ASSETS</b>		
Interest accrued but not due	86.90	37.65
	<u>86.90</u>	<u>37.65</u>
<b>17. REVENUES FROM OPERATIONS</b>		
	<u>For the Year Ended</u> <u>31 st March,2012</u>	<u>For the Year Ended</u> <u>31 st March,2011</u>
Sales of Products	95,992.27	90,628.83
Sales of Services	14.56	53.10
Other Operating Revenues	104.96	64.52
	<u>96,111.79</u>	<u>90,746.45</u>
Less :- Excise Duty	0.76	2.64
Sales	<b><u>96,111.03</u></b>	<b><u>90,743.81</u></b>
<b>a) Sales of Products</b>		
Rice	82,045.87	75,582.64
Foods	3,680.94	4,116.23
Pulses	6,526.60	6,755.76
Others	3,738.86	4,171.56
	<u>95,992.27</u>	<u>90,626.19</u>
<b>b) Sales of Services</b>		
Income from Milling	14.56	53.10
	<u>14.56</u>	<u>53.10</u>
<b>c) Other Operating Revenues</b>		
Sale of Scrap	100.73	44.57
Sale of DEPB License	4.23	19.94
	<u>104.96</u>	<u>64.52</u>

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	<u>For the Year Ended</u> <u>31 st March,2012</u>	<u>For the Year Ended</u> <u>31 st March,2011</u>
<b>18. OTHER INCOME</b>		
Dividend from Key man Insurance Policy	3.96	2.40
Profit (Loss) on sale of Assets	33.95	(8.11)
Profit on Sale of Business	33,597.72	—
Interest Income	109.52	226.41
Miscellaneous Income	232.61	18.42
	<u><b>33,977.76</b></u>	<u><b>239.11</b></u>
a) During the year the Company has transferred part of its business pursuant to consent of share holders obtained under section 293(1)(a) of the Companies Act-1956. Other income includes profit of Rs. 335,97.72 Lacs on sale of the part of business.		
<b>19. Cost of Material Consumed under Broad Heads</b>		
Paddy	15,633.93	23,230.15
Rice	37,201.61	29,646.00
Foods	704.66	1,385.65
	<u><b>53,540.20</b></u>	<u><b>54,261.80</b></u>
<b>20. Purchase of Stock in Trade under Broad Heads</b>		
Non-Basmati Rice	10,113.06	—
Foods	1,597.03	—
Pulses	9,164.53	4,519.02
Others	3,728.53	4,214.61
	<u><b>24,603.14</b></u>	<u><b>8,733.62</b></u>
<b>21. Changes of Inventories of Traded Goods,</b>		
Opening Stock	295.60	2,157.15
Closing Stock	4,561.13	295.60
	<u><b>(4,265.53)</b></u>	<u><b>1,861.55</b></u>
<b>22. EMPLOYEE BENEFIT EXPENSES</b>		
Staff Salaries	1,658.73	1,402.27
Director's Remuneration	108.00	72.00
Bonus	47.53	51.94
Staff Welfare	98.89	148.10
Employer's Contribution to P.F.& ESI	76.40	84.68
	<u>1,989.56</u>	<u>1,758.99</u>
<b>23. FINANCE COST</b>		
Interest Paid on Working Capital Loan	8,454.62	7,722.46
Bank Charges	580.99	498.76
	<u>9,035.61</u>	<u>8,221.23</u>

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	<u>For the Year Ended</u> <u>31 st March,2012</u>	<u>For the Year Ended</u> <u>31 st March,2011</u>
<b>24. OTHER EXPENSES</b>		
<b>a) Manufacturing Expenses</b>		
Loading and Unloading Charges	344.44	316.64
Packing Materials Consumed	5,676.16	3,769.47
Wages	181.51	269.65
Processing Charges	54.99	320.18
Repair to Machinery	211.47	261.74
Consumables & Stores Consumed	123.65	155.62
Power & Fuel	826.90	1,025.41
Brokerage & Commission	220.97	210.42
Freight and Octroi	116.60	621.54
	<u>7,756.70</u>	<u>6,950.67</u>
<b>b) Administrative Expenses</b>		
Rates, Fees and Taxes	243.85	213.67
Payment to Auditors		
-Statutory Audit Fee	14.00	12.50
-Tax Audit Fee	3.50	3.50
-Other Matters	13.21	10.96
Postage, Telegram and Telephone	67.67	85.06
General Expenses	153.64	162.95
Storage & Warehousing	135.00	101.18
Legal and Professional Charges	332.79	93.29
Charity and Donation	5.22	5.95
Vehicle Maintenance	95.81	77.76
Printing and Stationery	20.13	25.62
Fumigation Expenses	126.61	50.95
Insurance Charges	147.88	57.50
Conveyance	73.51	138.91
Membership & Subscription	14.35	10.40
Research & Development	31.32	24.59
Rent	24.03	32.68
Staff Recruitment Expenses	14.35	4.69
Repairs to Building	190.97	135.07
Repairs to Others	81.83	66.18
Foreign Exchange Gain / (Loss)	1,746.41	—
	<u>3,536.07</u>	<u>1,313.41</u>
<b>c) Selling &amp; Distribution Expenses</b>		
Advertisement and Publicity	932.38	419.67
Business Promotion	958.72	1,214.37
Traveling Expenses (Directors)	112.98	96.29
Traveling Expenses (Others)	121.01	73.54
Rebate & Discount	83.32	207.87

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	<u>For the Year Ended 31 st March,2012</u>		<u>For the Year Ended 31 st March,2011</u>	
Bad Debts	158.36		76.07	
Ocean Freight	1,658.11		970.17	
Expenses Against Export	82.37		99.18	
Brokerage & Commission on Sales	191.90		318.18	
Clearing and Forwarding	2,629.60		1,434.99	
		6,928.75		4,910.34
		<b>18,221.52</b>		<b>13,174.42</b>
<b>25. CIF Value of Imports</b>				
- Capital goods		67.19		1,760.94
- Finished Products		8,485.49		7,819.65
- Packaging Material		163.98		191.33
- Raw Material		168.32		91.19
		<b>8,884.99</b>		<b>9,863.10</b>
<b>26. Expenditure in Foreign Currency (On accrual basis)</b>				
- Traveling		55.65		46.08
- Ocean Freight		248.09		—
- Business Promotion		305.75		130.76
- Legal & Professional charges		19.80		14.29
- Membership & Subscription		1.87		0.71
- Premium on Redemption of FCCB		—		987.33
- Entertainment		0.23		2.39
- Boarding & Lodging Expenses		15.98		11.77
- Clearing & Forwarding		18.73		—
- Conveyance		—		0.09
- Interest on FCCB		—		13.49
- Consultancy Charges		30.78		6.43
- Advertisement & Publicity		697.04		44.89
- Telephone Expenses		0.88		0.39
- Commission on Export Sales		2.50		8.26
- Printing & Stationery		0.08		0.03
- Research & Development		—		10.09
		<b>1,397.37</b>		<b>1,277.01</b>
<b>27. Consumption of Raw Material, Components and Spares and Packing Materials.</b>				
		<b>Year Ended 31.03.2012</b>		<b>Year Ended 31.03.2011</b>
<b>Consumption of</b>	<b>Amount</b>	<b>Percentage</b>	<b>Amount</b>	<b>Percentage</b>
<b>Indigenous</b>	50,522	85.14%	50,085	86.08%
<b>Imported</b>	8,818	14.86%	8,102	13.92%
	<b>59,340</b>	<b>100.00%</b>	<b>58,187</b>	<b>100.00%</b>

28. During the year no amount of Dividend has been remitted in foreign currency to Non Resident out side India.

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### 29. Extra Ordinary Items

The company has entered into forward exchange contracts to hedge the foreign exchange fluctuation risk. The losses amounting to Rs. 3,619.83 lacs (Previous Year: Rs. 5,405.45 lacs) suffered in foreign exchange transactions are shown as Extra ordinary items.

### 30. Earning in Foreign Exchange

	<u>For the Year Ended</u> <u>31 st March,2012</u>	<u>For the Year Ended</u> <u>31 st March,2011</u>
FOB Value of Export of Goods	51,887.87	38,423.19

### 31. Contingent Liabilities

	<u>AS AT</u> <u>31.03.2012</u>	<u>AS AT</u> <u>31.03.2011</u>
a) Claims against the company, not acknowledged as debt		
i Income Tax	9,576.92	-
ii Sales Tax - Delhi	122.00	122.00
iii Excise & Taxation Deptt., Punjab	450.41	-
iv Excise Duty	42.91	42.91
v Service Tax	259.25	-
vi HRDF demand of Market Committee	39.69	39.69
vii Liability on account of Derivatives Transactions	2,749.00	-
viii MTM loss on Derivatives Transactions	3,922.00	-
ix TDS/TCS	1.57	4.74
b) Corporate Guarantee given by the Company	9,512.04	8,334.30
c) Surety Bonds issued to Govt.Agencies under EPCG scheme	1,838.40	1,799.59

Nature of contingent liabilities and other particulars are as given below:-

- i The company has received the Income Tax Assessment Order in respect of Assessment years 2002-03 to 2008-09 in which additional income tax of Rs. 64.04 Cr. alongwith interest Rs.31.73 Cr. has been demanded. Company has preferred an appeal before the Income Tax Appellate Tribunal, New Delhi against the impugned order. As per the advice received from legal experts and on the basis of merit of the case, there is a high probability that the impugned order will be set aside and the demand will be deleted. Accordingly, management is of the view that no provision in respect of the above demand is required to be made in the books of accounts.
- ii An appeal before the Sales Tax Commissioner - Appeals, New Delhi is lying pending in respect of Sales Tax demand on sale of REP Licences made in earlier years.
- iii The company has received the Order from Excise and Taxation Deptt., Punjab in respect of Year 2009-10 and 2010-11 demanding a sum of Rs. 4.50 Cr towards the cess imposed by the State Govt. on exports. The company has preferred an appeal before the Dy. Excise & Taxation Commissioner-Appeal challenging the validity of imposition of cess on export as the same is not permissible under article 286 of the Constitution of India.
- iv An appeal before before the Customs, Excise & Service Tax Appellate Tribunal, New Delhi is lying pending against the order of Commissioner of Central Excise (Appeals), Delhi -III in respect of additional excise duty demanded by the Excise department in connection of dispute over classification of goods - food product produced at Bahalgarh Factory- as per the Central Tariff Act. As the matter is still pending before the Tribunal, no provision in the books of accounts have been made
- v The company has received an order from the office of Service Tax Commissionerate, New Delhi demanding the service tax & penalty Rs. 2.59 Cr in respect of certain services provided in earlier years. The company is in the process of filing the appeal before the Appellate Tribunal against the impugned order. As per the advice received from the legal experts and on the basis of merit of the case, management is of the view that no provision in respect of the above demand is required to be made in the books of accounts.

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- vi The assessing authority of notified Market Area committee under APMC Act has imposed a penalty of Rs. 52.92 lacs during the year. The company has deposited Rs. 13.23 lacs under protest and has filed SLP against this order in the supreme court.
- vii The company has filed a suit for declaration, recovery and mandatory injunction against the Reserve Bank of India and Punjab National Bank before the Hon'ble High Court, New Delhi for Rs. 27.49 crores towards mark to market losses arising under the said transactions.
- viii The company has filed a suit for declaration and mandatory injunction against the Reserve Bank of India and HDFC Bank before the Hon'ble High Court, New Delhi for Rs. 39.22 crores towards mark to market losses arising under the said transactions, a petition has also been filed by the HDFC Bank Ltd. with DRT against the company and the DRT directed the company to pay to the applicant a sum of INR 72.84 lakhs, out of the said transaction. Against the aforesaid order the company has filed an appeal with the DRAT.
- ix Corporate guarantees are given by the company for subsidiaries as follows:-

Name of Beneficiary	Guarantee issued to	Amount
i Indo European Foods Ltd	Punjab National Bank, U.K	4,907.95
ii Kohinoor Foods USA INC	Punjab National Bank, Hong Kong	4,604.09

32. Investment in the wholly owned subsidiary companies/ joint venture company have been stated at cost. No provisions for losses suffered by the subsidiaries / joint venture company have been made in the accounts. However consolidated financial statements have been prepared in accordance with AS-21 prescribed by the Companies (Accounting Standard) Rules, 2006.

**33 Commitments**

	AS AT 31.03.2012	AS AT 31.03.2011
Estimated amount of contracts remaining to be executed on capital account (Including advances)	2,170.02	1,608.53
34. Bank Gurantee given by Bankers on behalf of the Company.	21.56	132.30
35. Expenses incurred during the year on registration of trade mark amounting to Rs.14.03 lacs (Previous year: Rs 6.24 lacs has been charged to profit/loss a/c and has not been recognized as an Intangible asset as per Accounting Standard 26		

**36. Earning Per Share**

a) Calculation of Weighted Average number of equity shares

**For Basic/Diluted EPS**

No. of Shares at the beginning of the year  
Equity Shares issued during the year  
Total number of equity shares outstanding at the end of the year  
Equity shares outstanding for 365 days  
Weighted Average number of equity shares outstanding during the year.

b) Net Profit after tax available for equity shareholders

Before Extra Ordinary item  
After Extra Ordinary Item  
Earnings per share (face value per share Rs. 10 each)  
Basic and Diluted: before extra ordinary item  
Basic and Diluted: after extra ordinary item

	Current Year	Previous Year
No. of Shares at the beginning of the year	28,193,224	28,193,224
Equity Shares issued during the year	—	—
Total number of equity shares outstanding at the end of the year	28,193,224	28,193,224
Equity shares outstanding for 365 days	28,193,224	28,193,224
Weighted Average number of equity shares outstanding during the year.	28,193,224	28,193,224
Before Extra Ordinary item	21,945	3,057
After Extra Ordinary Item	18,325	(2,348)
Earnings per share (face value per share Rs. 10 each)		
Basic and Diluted: before extra ordinary item	77.84	10.84
Basic and Diluted: after extra ordinary item	65.00	(8.33)

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### 37. Segment Reporting

The Company is primarily engaged in the business of manufacturing, trading & marketing of food products which is a single segment, as per Accounting Standard (AS) 17 issued by the Institute of Chartered Accountants of India.

### 38. Disclosure in respect of employee benefits under Accounting Standard (AS) – 15 (Revised) “Employee Benefits” prescribed by the Companies (Accounting Standards) Rules, 2006.

- a) Defined Contribution Plans: Amount of Rs.76.40 lacs (previous year Rs. 84.68 lacs) pertaining to employers' contribution to Provident Fund and Employees State Insurance is recognized as an expense and included in "Employees cost" in Note No. 22.
- b) The disclosures for gratuity cost is given below:
- (i) The changes in the present value of obligation representing reconciliation of opening and closing balances thereof are as follows:

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
1 Present value of obligation at the beginning of the year	147.70	115.32
2 Interest cost	12.19	9.23
3 Past service cost	—	—
4 Currents service cost	30.81	27.13
5 Liability Transferred Out	(57.72)	—
6 Benefits paid	(14.40)	(6.38)
7 Actuarial (gain)/loss on obligation	16.35	2.42
8 Present value of obligation at the end of the year	134.93	147.70

- (ii) The changes in the fair value of plan assets representing reconciliation of opening and closing balances thereof are as follows:

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
1 Fair value of plan assets at the beginning of the year	3.69	4.88
2 Expected return on plan assets	0.29	0.39
3 Contributions	73.00	5.00
4 Liability Transferred Out	(57.72)	—
5 Benefits paid	(14.40)	(6.38)
6 Actuarial gain/(loss) on plan assets	(0.10)	(0.21)
7 Fair value of plan assets at the end of the year	4.76	3.69

- (iii) Actuarial gain/ loss recognized are as follows:

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
1 Actuarial gain/(loss) for the year - obligation	(16.35)	(2.42)
2 Actuarial gain/(loss) for the year - plan assets	(0.10)	(0.21)
3 Total gain/(loss) for the year	(16.45)	(2.62)
4 Actuarial gain/(loss) recognized in the year	(16.45)	(2.62)
5 Unrecognized actuarial gains (losses) at the end of year	—	—

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(iv) The amounts recognized in Balance Sheet are as follows:-

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
1 Present value of obligation as at the end of the year	134.93	147.70
2 Fair value of plan assets as at the end of the year	4.76	3.69
3 Funded/(unfunded) status	(130.16)	(144.01)
4 Excess of actual over estimated	(0.10)	(0.21)
5 Net assets/(liability) recognized in balance sheet	(130.16)	(144.01)

(v) The amounts recognized in Profit and Loss Account are as follows

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
1 Current service cost	30.81	27.13
2 Past service cost	-	-
3 Interest cost	12.19	9.23
4 Expected return on plan assets	(0.29)	(0.39)
5 Net actuarial (gain)/loss recognized in the year	16.45	2.62
6 Expenses recognized in the statement of profit and losses	59.15	38.58
*		

\* Included in the "Employee Costs" in Schedule O

(vi) Principal actuarial assumptions at the balance sheet date are as follows:

**A. Economic Assumptions**

The principal assumptions are the discount rate and salary growth rate. The discount rate is generally based upon the market yield available on the Government bonds at the accounting date with a term that matches that of the liabilities and the salary growth rate takes account of inflation, seniority, promotion and other relevant factors on long term basis.

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
1 Discount rate	8.25%	8.00%
2 Expected rate of return on plan assets	8.00%	8.00%
3 Salary growth rate	6.00%	6.00%

**B. Demographic Assumption**

1 Retirement Age	58 Years
2 Mortality table	LIC (1994-96) ultimate

(vii) General description of gratuity plan:

Gratuity Plan (Defined benefit plan)

The Company operates gratuity plan wherein every employee is entitled to the benefit equivalent to 15 days basic salary last drawn for each completed year of service. The same is payable on termination of service, or retirement, or death whichever is earlier. The benefits vests after five years of continuous service. The Company has set a limit of Rs. 10.00 lacs (previous year Rs.10.00 lacs) per employee.

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**39. RELATED PARTIES DISCLOSURES UNDER ACCOUNTING STANDARD 18**

**39.1 List of related parties**

- i) Wholly Owned Subsidiaries of the Company
  - Sachdeva Brothers Pvt Ltd. India
  - Kohinoor Foods USA Inc.,
  - Indo European Foods Ltd, U.K
- ii) Joint Venture of the Company
  - Rich Rice Raisers Factory LLC.- Dubai
- iii) Key Managerial Personnel and their relatives
 

Mr. Jugal Kishore Arora	Chairman
Mr. Satnam Arora	Jt.Mg.Director
Mr. Gurnam Arora	Jt.Mg.Director
Mr. Nitin Arora	Son of Mr. Jugal Kishore Arora
Mr. Amit Arora	Son of Mr. Satnam Arora
Mr. Ankush Arora	Son of Mr.Gurnam Arora
Mr. Nishant Arora	Son of Mr.Gurnam Arora
- iv) Enterprise over which key managerial personnel exercise significant influence
  - Satnam Overseas (Exports) - Partnership Firm of Promoter directors

**39.2 The following transactions were carried out with related parties in the ordinary course of Business during the year**

	(Amount in lacs)			
	Subsidiary Companies	Joint Venture Company	Key management personnel and their relatives	Enterprises over which Key management personnel exercise significant influence
<b>Transactions during the year</b>				
- Sale of Finished Goods	12,095.27	9,839.39	—	—
	(8,468.45)	(6,022.23)		
- Remuneration			218.62	
			(148.13)	
- Expenses incurred on behalf of the related party	0.57			—
	(0.40)			(3.51)
Repayment of Advances				3.51
				—
<b>- Balances outstanding at the year end:-</b>				
- Loans/Advances	3,138.33	1,570.30	—	
	(2,759.39)	(1,374.49)		
- Debtors	7,392.99	2,875.46	—	
	(5,249.24)	(1,355.53)	(—)	
- Corporate guarantee given by the company	9,512.04	—	—	
	(8,334.30)	(—)	(—)	

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**40. Lease Obligations**

Total of minimum future lease payments under non-cancelable operating leases for various periods are as follows:-

	Current Year	Previous Year
Amount payable not later than one year	13.96	15.32
Amount payable not later than one year but not later than five years	15.67	24.71
Amount payable later than five years	Nil	Nil
	<b>29.63</b>	<b>40.03</b>

The company has entered into operating lease agreements that are renewable on a periodic basis and cancelable at company's option.

The company has not entered into sublease agreements in respect of these leases.

**41. Disclosures required by Clause 32 of the Listing Agreement**

Amount of loans and advances in the nature of loans outstanding from subsidiaries, where interest is not charged.

Subsidiary Company	Outstanding as at 31.03.2012	Maximum Outstanding during the year
Indo European Foods Limited	3,135.80	3,135.80
Sachdeva Brothers Private Limited	2.53	2.53
	<b>3,138.33</b>	<b>3,138.33</b>

**42. The schedule of provisions as required to be disclosed in compliance with Accounting Standard 29, "Provisions, Contingent Liabilities and Contingent Assets" is as under:**

Provision relating to	Opening balance as at 1 April 2011	Created during the year	Withdrawals	Closing balance as at 31 March 2012
Gratuity	147.70	59.34	72.12	134.93
Income Tax	2,927.00	3,850.00	—	6,777.00
Wealth Tax	1.42	2.00	1.42	2.00

43. Some of the balances of Debtors and Creditors are subject to confirmation.

**44. Prior Period Items**

There is no material prior period items included in profit & loss account required to be disclosed as per Accounting Standard - 5, prescribed by the Companies (Accounting Standard) Rules, 2006.

45. Corresponding figures for the previous year have been regrouped/rearranged, wherever necessary to conform to current year classification.

46. Figures in ( ) are related to previous year.

Significant Accounting Policies  
Notes on Financial Statements

In terms of our separate report of even date attached

**FOR AND ON BEHALF OF THE BOARD**

**For NATH AHUJA & CO.**

**CHARTERED ACCOUNTANTS**

FRN : 001083N

Sd/-  
**(N.N. AHUJA)**  
PROPRIETOR

Sd/-  
**SATNAM ARORA**  
JT. MG. DIRECTOR

Sd/-  
**GURNAM ARORA**  
JT. MG. DIRECTOR

Membership No: 80178

Place :- New Delhi

Dated :- 09.08.2012

Sd/-  
**RAMA KANT**  
COMPANY SECRETARY & GM (LEGAL)

Sd/-  
**KAMAL DEEP CHAWLA**  
DGM (FINANCE & ACCOUNTS)

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**ANNEXURE TO THE BALANCE SHEET AS AT MARCH 31, 2012**

Statement Pursuant to Section 212 of the Companies Act, 1956 relating to Company's Interest in the subsidiaries companies

01	Name of subsidiaries Company	Sachdeva Brothers Pvt Ltd.	Kohinoor Foods USA. Inc	Indo European Foods Limited
02	Financial Year of the subsidiaries ended on	31-03-2012	31-03-2012	31-03-2012
03	Number of shares held by Kohinoor Foods Ltd with its Nominees in the subsidiaries Companies at the end of the financial year of the subsidiaries companies			
	i) Equity shares	15,835 (Rs. 100 Each)	56,000 (USD 62.50 Each)	1,350,000 (GBP 1 Each)
	ii) Extent of holding	100.00%	100.00%	100.00%
	iii) Share Application Money (Rs.) / (\$)	Nil	Nil	Nil
04	Date from which it became subsidiaries Company	17/10/1990	24/03/2000	29/03/2005
05	The net aggregate of Profit/(Loss) of the subsidiaries Companies as far as it concerns the members of the Holding Company			
	i) Not dealt with in the Holding Company's Account			
	(a) For the Period Ended 31.03.2012	(57,642)	(\$1,649,674)	£186951
	(b) For the Previous Financial years since it became the Holding company's subsidiaries	(1,421,356)	(\$4497347)	(£408823)
	ii) Dealt with in the Holding Company's Accounts			
	(a) For the financial years of the subsidiaries	Nil	Nil	Nil
	(b) For the Previous Financial years since it became the Holding company's subsidiaries	Nil	Nil	Nil
06	Changes in the interest of Kohinoor Foods Ltd between the end of the subsidiary's Financial year and 31st March, 2012			
	- Number of Shares acquired	Nil	Nil	Nil
	- Material changes between the end of the subsidiary's Financial year and 31st March, 2012			
	(i) Fixed Assets (Net Addition) (Capital Work-in-progress)	Nil	Nil	Nil
	(ii) Investments	Nil	Nil	Nil
	(iii) Money lent by the subsidiaries	Nil	Nil	Nil
	(iv) Moneys borrowed by the subsidiaries Company other than for meeting Current Liabilities			

In terms of our separate report of even date attached

**FOR AND ON BEHALF OF THE BOARD**

**For NATH AHUJA & CO.**  
**CHARTERED ACCOUNTANTS**  
FRN : 001083N

**Sd/-**  
**(N.N. AHUJA)**  
**PROPRIETOR**

**Sd/-**  
**SATNAM ARORA**  
**JT. MG. DIRECTOR**

**Sd/-**  
**GURNAM ARORA**  
**JT. MG. DIRECTOR**

Membership No: 80178  
Place :- New Delhi  
Dated :- 09.08.2012

**Sd/-**  
**RAMA KANT**  
**COMPANY SECRETARY & GM (LEGAL)**

**Sd/-**  
**KAMAL DEEP CHAWLA**  
**DGM (FINANCE & ACCOUNTS)**

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**STATEMENT PURSUANT TO SECTION 212(8) OF THE COMPANIES ACT, 1956**

As per AS-21 issued by the Institute of Chartered Accountants of India, the financial statements of the Company reflecting the consolidation of the accounts of its subsidiary companies to the extent of equity holding of the company in these companies are included in this Annual Report.

In terms of general exemption provided by the Central Government, Ministry of Company Affairs vide General Circular No. 2 /2011 dated 8th Feb 2011, The copy of the balance sheet, profit and loss account report of the board of directors and the report of the auditors of the subsidiary companies have not been attached to this annual report. The accounts of these companies have been separately audited as per Generally Accepted Accounting Principles/Practices as applicable in their respective jurisdiction of the country of incorporation. A statement pursuant to the above circular giving details of subsidiaries is attached herewith:-

Name of subsidiaries Company	(Rs. in Lacs)		
	Sachdeva Brothers Pvt Ltd	Kohinoor Foods USA. Inc	Indo European Foods Limited
Capital	15.84	4,348.30	1,922.28
Reserves	(18.26)	(3,144.60)	(181.49)
Total Assets	0.21	7195.09	14,279.10
Total liabilities	0.21	7195.09	14,279.10
Details of Investment (Excluding Investment in Subsidiaries)	—	—	—
Turnover	—	6,802.08	15,188.42
Profit / Loss Before Tax	(0.58)	(426.91)	874.71
Provision for Tax	—	—	12.04
Profit / Loss after Tax	(0.58)	(426.91)	862.68
Proposed Dividend including Dividend declared during the year	—	—	—

Foreign exchange rate as on March 31, 2012  
1 USD=Rs. 51.16, 1 GBP=Rs. 81.80

The amount given in the table above are from the Annual Account made for the respective financial year end for each of the companies

**Undertaking:-**

We undertake that the annual accounts of the subsidiary companies and the related detailed information will be made available to the investors, who seek such information, at any point of time. The annual accounts of the subsidiary companies will also be kept for inspection by the investor in the Registered/Head office of Kohinoor Foods and that of subsidiary companies concerned.

**FOR AND ON BEHALF OF THE BOARD**

Sd/-  
**SATNAM ARORA**  
JT. MG. DIRECTOR

Sd/-  
**GURNAM ARORA**  
JT. MG. DIRECTOR

Place :- New Delhi  
Dated :- 09.08.2012

Sd/-  
**RAMA KANT**  
COMPANY SECRETARY & GM (LEGAL)

Sd/-  
**KAMAL DEEP CHAWLA**  
DGM (FINANCE & ACCOUNTS)

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## AUDITORS' REPORT

To The Board of Directors of Kohinoor Foods Limited,

1. We have audited the attached Consolidated Balance Sheet of Kohinoor Foods Limited (the "company") and its subsidiaries, its joint venture; hereinafter referred to as the "Group" as at March 31, 2012, the related Consolidated Profit & Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of three subsidiaries and one joint venture included in the consolidated financial statements, which constitutes total assets of INR 24,516.60 Lacs, total revenue of INR 26,088.13 Lacs for the year then ended. These financial Statements and other financial information have been audited by the other auditors, whose reports have been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such auditors.
4. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standards (AS-21) Consolidated Financial Statements and Accounting Standards (AS-27) Financial Reporting of Interests in Joint Ventures, notified under sub-section 3C of Section 211 of the Companies Act, 1956.
5. Attention is invited to the following note as appearing in the Independent Auditors' Report of Rich Rice Raisers Factory LLC, the joint venture company in which Kohinoor Foods Limited holds 25% of the Nominal value of Shares. *"Investments in properties to the tune of Dirham 14,731,525 (equivalent to INR. 2043.19 Lacs) are in the personal name of one of the shareholder (other than Kohinoor Foods Limited)".*
6. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components of the group, and to the best of our information and according to the explanations given to us, in our opinion (*except for the matter referred to in preceding paragraph*), the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i. In the case of consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2012;
  - ii. In the case of consolidated Profit and Loss Account, of the Results of the Group for the year ended on that date; and
  - iii. In the case of consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

**For NATH AHUJA & CO.**  
(CHARTERED ACCOUNTANTS)  
Firm registration no: 001083N

Place: New Delhi  
Date: 09-08-2012

Sd/-  
**(N.N. AHUJA)**  
PROPRIETOR  
Membership No. 80178

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**CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2012**

(Rs. In Lacs)

PARTICULARS	NOTE	AS AT 31.03.2012	AS AT 31.03.2011
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholder's Fund</b>			
Share Capital	1	2,819.32	2,819.32
Reserve and Surplus	2	30,343.23	13,391.18
		33,162.55	16,210.50
<b>Non-Current Liabilities</b>			
Long Term Borrowings	3	10,617.32	13,189.39
Long Term Provisions	4	139.65	165.49
		10,756.97	13,354.88
<b>Current Liabilities</b>			
Short Term Borrowings	5	79,856.58	78,220.13
Trade Payables	6	2,434.77	9,875.94
Other Current Liabilities	7	13,254.52	11,674.01
Short Term Provisions	8	6,885.04	3,022.42
		102,430.91	102,792.51
<b>TOTAL</b>		<b>146,350.42</b>	<b>132,357.89</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Fixed Assets	9		
Tangible Assets		10,164.52	9,070.28
Intangible Assets		151.04	309.00
Capital Work-in-Progress		3,254.40	3,856.80
Non-Current Investments	10	4,777.48	793.53
Deferred tax assets (net)		1,886.59	1,996.16
Long Term Loans and Advances	11	1,356.72	1,180.57
		8,020.79	3,970.26
<b>Current Assets</b>			
Inventories	12	95,939.97	87,125.79
Trade Receivables	13	17,408.68	18,893.47
Cash and Bank Balances	14	2,050.13	1,926.12
Short Term Loans and Advances	15	9,273.99	7,168.51
Other Current Assets	16	86.90	37.65
		124,759.68	115,151.55
<b>TRANSLATION RESERVE</b>			
<b>TOTAL</b>		<b>146,350.42</b>	<b>132,357.89</b>

Significant Accounting Policies  
Notes on Financial Statements

In terms of our separate report of even date attached

FOR AND ON BEHALF OF THE BOARD

**For NATH AHUJA & CO.**  
**CHARTERED ACCOUNTANTS**  
FRN : 001083N

Sd/-  
**(N.N. AHUJA)**  
PROPRIETOR

Sd/-  
**SATNAM ARORA**  
JT. MG. DIRECTOR

Sd/-  
**GURNAM ARORA**  
JT. MG. DIRECTOR

Membership No: 80178  
Place :- New Delhi  
Dated :- 09.08.2012

Sd/-  
**RAMA KANT**  
COMPANY SECRETARY & GM (LEGAL)

Sd/-  
**KAMAL DEEP CHAWLA**  
DGM (FINANCE & ACCOUNTS)

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**worldwide**

**STATEMENT OF CONSOLIDATED PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012** (Rs. In Lacs)

PARTICULARS	FOR THE YEAR ENDED		FOR THE YEAR ENDED	
		31.03.2012		31.03.2011
<b>INCOME</b>				
Revenue from Operations	17	107,638.15		102,270.81
Other Income	18	<u>33,983.66</u>		<u>261.93</u>
Total Revenue		141,621.81		102,532.74
<b>EXPENDITURE</b>				
Cost of Material Consumed	19	56,193.45		62,437.15
Purchases of Stock-in-Trade		27,393.59		8,733.62
Changes of Inventories of Traded Goods,	20	(4,159.65)		(1,065.96)
Employee Benefits Expenses	21	3,102.30		2,535.49
Finance Costs	22	9,582.78		8,679.94
Depreciation and Amortisation Expenses		1,208.89		1,011.27
Other Expenses	23	<u>21,761.87</u>		<u>16,607.36</u>
Total Expenses		<u>115,083.22</u>		<u>98,938.87</u>
Profit Before Extra Ordinary items and Tax		26,538.59		3,593.87
Less :- Extra Ordinary Items		3,619.83		5,407.85
Profit Before Tax		22,918.76		(1,813.98)
Tax Expenses				
Current Tax		3,862.04		—
Deferred Tax		191.43		(916.22)
Profit for the year		18,865.30		(897.76)
Earnings per equity share of face value of Rs. 10 each				
Basic and Diluted (in Rs.)		66.91		(3.18)

Significant Accounting Policies  
Notes on Financial Statements

In terms of our separate report of even date attached  
For **NATH AHUJA & CO.**  
**CHARTERED ACCOUNTANTS**  
FRN : 001083N

**FOR AND ON BEHALF OF THE BOARD**

Sd/-  
**(N.N. AHUJA)**  
PROPRIETOR

Sd/-  
**SATNAM ARORA**  
JT. MG. DIRECTOR

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Sd/-  
**RAMA KANT**  
COMPANY SECRETARY & GM (LEGAL)

Sd/-  
**KAMAL DEEP CHAWLA**  
DGM (FINANCE & ACCOUNTS)

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012**

(Rs. In Lacs)

PARTICULARS	FOR THE YEAR ENDED 31.03.2012	FOR THE YEAR ENDED 31.03.2011
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax & extra ordinary items	26,539	3,594
Adjustments for :		
Depreciation	1,209	1,011
Interest	9,583	8,680
Deferred Revenue Expenditure	146	139
Profit from sale of business	(33,598)	—
<b>Operating profit before working capital changes</b>	<b>3,878</b>	<b>13,425</b>
Adjustments for :		
Debtors	1,485	(4,984)
Inventories	(8,814)	(15,719)
Current Liabilities & Provision	(2,024)	7,544
Direct taxes	(3,862)	
Deferred Tax	—	
Un realized Foreign exchange Gain/Loss	(1,995)	(175)
<b>Cash flow before extra ordinary items</b>	<b>(11,332)</b>	<b>91</b>
Extra ordinary items	(3,620)	(5,408)
<b>Net cash from operating activities</b>	<b>(14,952)</b>	<b>(5,317)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Profit from sale of business	33,598	—
Purchase of fixed assets and change in Capital work in progress	(1,689)	(3,743)
Investments	(3,984)	(86)
Loans & advances and other current assets	(2,331)	68
<b>Net cash from Investment activities</b>	<b>25,594</b>	<b>(3,761)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Redemption of FCCB (Including redemption premium)		(4,130)
Proceeds from short term borrowings	1,636	21,347
Repayment of long term borrowing	(2,572)	—
Interest paid	(9,583)	(8,680)
<b>Net cash flow from financing activities</b>	<b>(10,518)</b>	<b>8,537</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>124</b>	<b>(541)</b>
- Cash & Cash equivalent at begning of the year	1,926	2,467
- Cash & Cash equivalent at end of the year *	2,050	1,926
<u>* Cash &amp; Cash equivalent include :</u>		
Restricted Bank Balance ( In dividend accounts)	11	15
FDR/Margin money with Bank	1,533	841

In terms of our separate report of even date attached

**FOR AND ON BEHALF OF THE BOARD**

**For NATH AHUJA & CO.**  
**CHARTERED ACCOUNTANTS**  
FRN : 001083N

Sd/-  
**(N.N. AHUJA)**  
**PROPRIETOR**

Sd/-  
**SATNAM ARORA**  
**JT. MG. DIRECTOR**

Sd/-  
**GURNAM ARORA**  
**JT. MG. DIRECTOR**

Membership No: 80178  
Place :- New Delhi  
Dated :- 09.08.2012

Sd/-  
**RAMA KANT**  
**COMPANY SECRETARY & GM (LEGAL)**

Sd/-  
**KAMAL DEEP CHAWLA**  
**DGM (FINANCE & ACCOUNTS)**

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## **SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS**

### **A) SIGNIFICANT ACCOUNTING POLICIES**

#### **1. Principles of Consolidation**

These Consolidated Financial Statements (CFS) relate to Kohinoor Foods Limited (i.e. Parent company), its subsidiary companies (i.e. Indo European Foods Ltd, Kohinoor Foods Inc. and Sachdeva Brothers Pvt Ltd.), and its Joint Venture company i.e. Rich Rice Raisers LLC. These Consolidated Financial Statements are prepared and presented in Indian Rupees under the historical cost convention, on the accrual basis of accounting and comply with the Accounting Standards prescribed by the Companies (Accounting Standard) Rules, 2006 and the relevant provisions of the Companies Act, 1956 to the extent applicable, as adopted consistently by the company. The Financial Statements of the subsidiaries and joint venture are in their respective local currencies.

#### **2. Basis of Preparation of Consolidated Financial Statements**

These CFS are prepared in accordance with Accounting Standard (AS-21) "Consolidated Financial Statements" prescribed by the Companies (Accounting Standard) Rules, 2006. The financial statements of the Parent and its subsidiaries are combined on a line by line basis by adding together sums of like nature, comprising assets, liabilities, income and expenses and after eliminating intra-group balances/ transactions.

The Financial Statements of foreign subsidiaries and the joint venture, are prepared on the basis of generally accepted accounting principles, local laws and regulations as prevalent in their respective countries and such financial statements are considered for consolidation. The effect of adjustments on account of variance in accounting policies of such associate and joint venture vis-à-vis those of the parent is not material, and accordingly, not considered.

Investment in Joint Venture undertaking over which the company exercises joint control is accounted for using proportionate consolidation method as prescribed under Accounting Standard (AS) 27 'Financial Reporting of Interests in Joint Ventures' prescribed by the Companies (Accounting Standard) Rules, 2006.

For the purpose of consolidation, foreign currency assets, liabilities, income and expenditure are translated using the exchange rate as prescribed under Accounting Standard (AS-11) on 'Accounting for the Effects of Changes in Foreign Exchange Rates', prescribed by the Companies (Accounting Standard) Rules, 2006. The exchange difference arising on consolidation is recognised in the Foreign Currency Translation Reserve classified under Reserves and Surplus.

#### **3. Use of Estimates and Judgements**

The preparation of financial statements are in conformity with the Accounting Standards which requires Management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures relating to the contingent liabilities as on the date of balance sheet and the reported amount of revenues and expenditures during the reporting period. The estimates and assumptions used in the Financial Statements are based upon Management's best evaluation of the relevant facts and circumstances as of the date of the Financial Statements. Examples of such estimates include useful life of fixed assets, creation of deferred tax asset, lease rentals and write off of deferred revenue expenditure. Actual results may differ from those estimates.

#### **4. Revenue Recognition :**

The company follows the mercantile system of accounting and recognises the income and expenditures on accrual basis except in case of significant uncertainties. Certain items of income such as insurance claim, market fees refund, overdue interest from customers etc have been considered to the extent the amount is accepted by the parties. The principles of the revenue recognition are given below:-

Sales are recognised as follows :

- Domestic Sales - At the point of dispatches to customers.
- Export Sales - At the time of issue of Bill of Lading.

Sales are recorded net off sales returns, price differences and sales tax.  
Sale of license and duty draw back are recognised on realisation basis.

#### **5. Fixed Assets**

Fixed Assets are stated at cost less accumulated depreciation.  
Capital work in progress is stated at cost.

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**6. Inventories**

Inventories are valued at cost or net realisable value whichever is lower, as taken, valued and certified by the management. The basis for determining cost for various categories of inventories are as under:

Raw Material	- At cost on FIFO Basis
Finished Stock	- At material cost + appropriate share of production overhead. (On weighted average cost basis).
Work in Progress	- At material cost + appropriate share of production overhead. (On weighted average cost basis).
Packing Material	- At Cost
Stores & spares	- At Cost

**7. Investments**

Investment are stated at cost.

**8. Current Tax:**

Provision is made for current Income Tax Liability estimated to arise on the results for the year at the current rate of tax in accordance with Income Tax Act 1961.

**9. Deferred Tax**

Deferred tax assets and liabilities are computed on the timing differences at the balance sheet date between the carrying amount of assets and liabilities and their respective tax bases. Deferred Tax Assets (DTA) is recognized based on management estimates of virtual certainty that sufficient future taxable income will be available against which such DTA can be realized. The deferred tax charge or credit is recognized using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

**10. Employees Benefits**

Contributions to specific schemes are charged to profit and loss account for the year in which they are paid. Provisions for future liabilities in respect of gratuity benefits are made on the basis of actuarial valuation.

**11. Research & Development**

Revenue Expenditure on Research & Development is charged as an expense in the year in which it is incurred.

**12. Miscellaneous Expenditure**

Deferred Revenue expenditure is being written off over a period of ten years by subsidiary company Indo European Foods Limited (UK) and five years by Kohinoor Foods Inc.(USA).

**13. Consolidated Financial Statements** comprise the financial statements of KFL, its subsidiaries and its joint venture company listed below.

<b>A. Subsidiaries</b>	<b>Country of Incorporation</b>	<b>% OF Ownership</b>
Wholly Owned Subsidiary (WOS)		
<b>Domestic :</b>		
Sachdeva Brothers Pvt. Ltd.	India	100%
<b>Overseas :</b>		
Indo European Foods Ltd	United Kingdom	100%
Kohinoor Foods Inc.	USA	100%
<b>B. Joint Venture</b>		
Rich Rice Raisers Factory LLC	Dubai	25%

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NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012

(Rs. In Lacs)

PARTICULARS	AS AT 31.03.2012	AS AT 31.03.2011
<b>1. SHARE CAPITAL</b>		
<u>AUTHORISED CAPITAL</u>		
5,00,00,000 Equity shares of Rs. 10/- each	5,000.00	5,000.00
<u>ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</u>		
2,81,93,224 (Previous year 2,81,93,224)	2,819.32	2,819.32
Equity Shares of Rs. 10/- each fully paid-up		
	<b>2,819.32</b>	<b>2,819.32</b>

a) The reconciliation of the number of shares outstanding is set out below:

PARTICULARS	AS AT 31.03.2012 NO. OF SHARES	AS AT 31.03.2011 NO. OF SHARES
Equity Shares at the beginning of the year	28,193,224	28,193,224
Equity Shares issued during the year	—	—
Equity Shares at the end of the year	28,193,224	28,193,224

b) Shares held by Shareholders holding more than 5 percent shares in the Company :

	As At 31.03.2012		As At 31.03.2011	
	No. of Shares	% holding	No. of Shares	% holding
(1) Jugal Kishore Arora	4,425,299	15.70%	4,051,661	14.37%
(2) Satnam Arora	3,705,345	13.14%	3,380,845	11.99%
(3) Gurnam Arora	4,741,990	16.82%	4,407,658	15.63%

**2. RESERVE AND SURPLUS**

	AS AT 31.03.2012	AS AT 31.03.2011
<b>Capital Reserve</b>		
As per last Balance Sheet	742.76	742.76
<b>Securities Premium Reserve</b>		
As per last Balance Sheet	3,976.97	5,077.68
Less Utilization during the year (for redemption premium on conversion of FCCB) (net of tax)	—	1,100.71
	3,976.97	3,976.97
<b>General Reserve</b>		
Opening Balance	9,048.70	9,248.20
Less :- Un-Amortised Deferred Revenue Expenditure	—	199.50
Written off	9,048.70	9,048.70
<b>Profit &amp; Loss A/c</b>		
Opening Balance	(897.76)	(897.76)
Add: Profit/Loss during the year	18,865.30	(897.76)
<b>Foreign Currency Translation Reserve</b>		
	(1,392.73)	520.52
	<b>30,343.23</b>	<b>13,391.18</b>

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### 3. LONG TERM BORROWINGS

	<u>AS AT</u> <u>31.03.2012</u>	<u>AS AT</u> <u>31.03.2011</u>
<b>Secured Loans</b>		
Term Loans from Banks	6,724.30	8,400.77
Deferred Payment Liabilities for Capital Goods	451.37	1,238.96
Long Term maturity of Finance Lease obligations	92.47	128.71
	<u>7,268.15</u>	<u>9,768.44</u>
<b>Unsecured Loans</b>		
Term Loans from Banks	2,423.10	3,420.95
Loan and Advances from Related Party	926.07	—
	<u>3,349.17</u>	<u>3,420.95</u>
Total	<u><b>10,617.32</b></u>	<u><b>13,189.39</b></u>

### 4. LONG TERM PROVISIONS

Provision for Gratuity	139.65	165.49
	<u>139.65</u>	<u>165.49</u>

### 5. SHORT TERM BORROWINGS

<b>Secured</b>		
Working Capital Loan from Banks	71,062.65	74,219.72
Buyers Credit	8,793.93	4,000.41
	<u><b>79,856.58</b></u>	<u><b>78,220.13</b></u>

a) Working Capital Loan from Banks are secured by hypothecation of Inventory, book debts and other current assets of the company, both present and future and the first charge on fixed assets of the company (excluding of specific assets charged to Term lending Banks).

b) Buyers Credit has been availed from banks against lien on L.C limits secured as described in para5(a) above for non fund based limits of working capital loans.

### 6. TRADE PAYABLE

-Due to Micro, Small and Medium Enterprises	1,068.05	3,583.66
-Due to Others	1,366.72	6,292.29
	<u><b>2,434.77</b></u>	<u><b>9,875.94</b></u>

### 7. OTHER CURRENT LIABILITIES

Current maturities of long-term debt (Secured)	6,087.88	8,991.76
Current maturities of long-term debt (Unsecured)	1,025.24	219.05
Current maturities of finance lease obligations	77.48	58.51
Interest Accrued and due on borrowings	429.04	261.76
Advance received from customers	1,125.71	125.57
Current maturities of deferred payment liabilities	969.74	997.96
Unclaimed Dividends	10.79	14.69
Other Liabilities	3,528.65	1,004.73
	<u><b>13,254.52</b></u>	<u><b>11,674.01</b></u>

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	<u>AS AT</u> <u>31.03.2012</u>	<u>AS AT</u> <u>31.03.2011</u>
<b>8. SHORT TERM PROVISIONS</b>		
Income Tax	6,789.04	2,927.00
Fringe Benefit Tax	94.00	94.00
Wealth Tax	2.00	1.42
	<b><u>6,885.04</u></b>	<b><u>3,022.42</u></b>
<b>9. FIXED ASSETS</b>		
<b><u>TANGIBLE ASSETS</u></b>		
Land	773.87	815.56
Building	5,518.01	5,532.88
Plant & machinery and office equipments	10,901.80	10,444.50
Vehicles	1,141.11	1,039.17
Wooden Crates	27.29	80.04
Computers	217.89	248.81
Furniture & Fixtures	493.95	441.48
<b>GROSS BLOCK</b>	<b>19,073.92</b>	<b>18,602.45</b>
LESS		
Accumulated Depreciation	8,909.40	9,532.17
<b>Net Block</b>	<b>10,164.52</b>	<b>9,070.28</b>
<b><u>INTANGIBLE ASSETS</u></b>		
Website	1.96	0.00
Goodwill	55.51	55.51
Deferred Marketing Expenses	93.56	253.49
<b>Net Block</b>	<b>151.04</b>	<b>309.00</b>
<b><u>CAPITAL WORK IN PROGRESS</u></b>		
Plant & Machinery	1,345.72	3,352.66
Building	1,908.67	446.34
Software Development	0.00	57.80
<b>TOTAL</b>	<b>3,254.40</b>	<b>3,856.80</b>
<b>10. NON-CURRENT INVESTMENTS</b>		
<b>Investment in Equity Instruments</b>		
<b>Joint Ventures</b>		
Unquoted Trade Investment		
Kohinoor Speciality Foods India Pvt. Ltd 44161 (Previous year - Nil) shares of Rs. 10 each.	4,220.86	—
<b>Other Investments</b>		
Quoted, non trade Investments		

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	<u>AS AT</u> <u>31.03.2012</u>	<u>AS AT</u> <u>31.03.2011</u>
Punjab national bank 110 (Previous year - 110) shares of Rs. 10 each	0.43	0.43
Anu Laboratories Ltd 2970 (previous year - 2970) shares of Rs. 1 each.	0.62	0.62
Investment Property	555.57	792.48
	<u><b>4,777.48</b></u>	<u><b>793.53</b></u>
a) Aggregate amount of quoted investments	1.05	1.05
Aggregate amount of Market value of quoted investments	1.07	1.43
Aggregate amount of un-quoted investments	4,776.43	792.48
b) All the investments are carried at cost.		
c) During the year the parent company has invested a sum of Rs. 4220.86 lacs to acquire 15% share holding in Joint venture Company M/s Kohinoor Speciality Foods India pvt Ltd.		
<b>11. LONG TERM LOAN AND ADVANCES</b>		
(Unsecured, Considered Good)		
Capital Advances	98.27	—
Security Deposit	80.72	149.70
Loan and advances to related parties	1,177.72	1,030.87
	<u><b>1,356.72</b></u>	<u><b>1,180.57</b></u>
a) Loans and advances to related parties		
To Joint Venturs		
Rich Rice Raisers factory LLC.	1,177.72	1,030.87
	<u>1,178.09</u>	<u>1,030.87</u>
<b>12. INVENTORIES</b>		
Raw Material	16,765.27	4,145.70
Work in Progress	—	8.12
Finished Goods	69,925.17	78,683.30
Stock-in-trade	7,343.97	325.51
Stores and Spares	142.90	122.90
Packing Materials	698.38	2,650.55
Stock in Transit	1,064.27	1,189.71
	<u><b>95,939.97</b></u>	<u><b>87,125.79</b></u>
a) Inventories are valued at cost or net realizable value which ever is lower.		
<b>13. TRADE RECEIVABLES</b>		
Unsecured Considered Good		
Outstanding for a period exceeding six months	1,259.51	1,589.31
Others	16,149.17	17,304.16
	<u><b>17,408.68</b></u>	<u><b>18,893.47</b></u>
a) Trade receivables include the following amount due from related parties		
Joint Venture Company		
Rich Rice Raisers Factory LLC.	2,156.60	1,016.65
	<u>2,156.60</u>	<u>1,016.65</u>

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**14. CASH & BANK BALANCES**

	<u>AS AT</u> <u>31.03.2012</u>	<u>AS AT</u> <u>31.03.2011</u>
Cash & cash Equivalents		
Cash in Hand	179.91	234.70
Balances with Banks		
Current Accounts	326.30	835.68
	<u>506.21</u>	<u>1,070.38</u>
Other Bank Balances		
Fixed Deposits with Banks	1,533.14	841.06
Un-paid Dividend Accounts	10.79	14.69
	<u>1,543.92</u>	<u>855.74</u>
Total	<u><b>2,050.13</b></u>	<u><b>1,926.12</b></u>

**15. SHORT TERM LOAN AND ADVANCES**

Unsecured considered good		
Capital Advances	25.00	463.76
Staff Advance	40.73	57.33
Pre-paid Expenses	1,195.93	294.66
Advance agst Purchases	144.70	23.80
Advance Tax	7,108.59	3,882.55
Others	759.03	2,446.41
	<u><b>9,273.99</b></u>	<u><b>7,168.51</b></u>

**16. OTHER CURRENT ASSETS**

Interest accrued but not due	86.90	37.65
	<u><b>86.90</b></u>	<u><b>37.65</b></u>

**17. REVENUES FROM OPERATIONS**

	<u>For the Year Ended</u> <u>31 st March,2012</u>	<u>For the Year Ended</u> <u>31 st March,2011</u>
Sales of Products	107,498.30	102,155.83
Sales of Services	14.56	53.10
Other Operating Revenues	126.04	64.52
	<u>107,638.90</u>	<u>102,273.45</u>
Less :- Excise Duty	0.76	2.64
Sales	<u><b>107,638.15</b></u>	<u><b>102,270.81</b></u>

**18. OTHER INCOME**

Dividend from Key man Insurance Policy	3.96	2.40
Profit (Loss) on sale of Assets	33.95	(11.75)
Profit on Sale of Business	33,597.72	—
Interest Income	112.23	226.41
Miscellaneous Income	235.80	44.87
	<u><b>33,983.66</b></u>	<u><b>261.93</b></u>

- a) During the year the parent company has transferred part of its business pursuant to consent of share holders obtained under section 293(1)(a) of the Companies Act-1956. Other income includes profit of Rs. 33597.72 lacs on sale of the part of business.

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	<u>For the Year Ended 31 st March,2012</u>	<u>For the Year Ended 31 st March,2011</u>
<b>19. Cost of Material Consumed</b>		
Opening Stock	79,926.62	67,209.53
Purchases	64,016.31	76,356.84
Less Closing Stock	87,749.49	81,129.22
	<u><b>56,193.45</b></u>	<u><b>62,437.15</b></u>
<b>20. Changes of Inventories of Traded Goods,</b>		
Opening Stock	3,223.11	2,157.15
Closing Stock	7,382.77	3,223.11
	<u><b>(4,159.65)</b></u>	<u><b>(1,065.96)</b></u>
<b>21. EMPLOYEE BENEFIT EXPENSES</b>		
Staff Salaries	2,650.52	2,128.51
Director's Remuneration	152.67	100.92
Bonus	51.27	55.04
Staff Welfare	109.99	163.17
Employer's Contribution to P.F.& ESI	137.85	87.86
	<u><b>3,102.30</b></u>	<u><b>2,535.49</b></u>
<b>22. FINANCE COST</b>		
Interest Paid on Working Capital Loan	8,950.47	8,149.45
Bank Charges	632.31	530.50
	<u><b>9,582.78</b></u>	<u><b>8,679.94</b></u>
<b>23. OTHER EXPENSES</b>		
<b>a) Manufacturing Expenses</b>		
Loading and Unloading Charges	344.44	322.83
Packing Materials Consumed	5,676.16	3,776.80
Wages	563.91	328.02
Processing Charges	54.99	320.18
THC/DPA Charges	—	9.46
Repair to Machinery	211.47	261.74
Consumables & Stores Consumed	123.65	155.62
Power & Fuel	913.38	1,087.55
Brokerage & Commission	727.84	504.39
Freight and Octroi	116.60	1,026.16
	<u>8,732.44</u>	<u>7,792.75</u>
<b>Administrative Expenses</b>		
Rates, Fees and Taxes	268.05	449.78
Payment to Auditors		
-Statutory Audit Fee	37.78	20.73
-Tax Audit Fee	3.50	3.50
-Other Matters	13.21	10.96
Deferred Revenue Expenditure w/off	145.94	139.43
To Lease money W/off	—	—
Postage, Telegram and Telephone	112.06	137.18

Delivering values to customers  
**worldwide**

	<u>For the Year Ended</u> <u>31 st March,2012</u>	<u>For the Year Ended</u> <u>31 st March,2011</u>
General Expenses	240.62	288.34
Storage & Warehousing	135.00	—
Legal and Professional Charges	466.84	175.05
Charity and Donation	5.94	5.95
Vehicle Maintenance	255.08	205.49
Printing and Stationery	40.66	46.79
Fumigation Expenses	126.61	51.23
Insurance Charges	254.51	144.52
Conveyance	73.51	138.91
Membership & Subscription	14.35	10.40
Research & Development	336.30	24.59
Rent	217.36	448.49
Staff Recruitment Expenses	14.35	4.69
Repairs to Building	446.46	153.25
Warehouse Expenses	86.29	371.41
Repairs to Others	269.01	112.81
Foreign Exchange Gain / (Loss)	<u>1,757.99</u>	<u>—</u>
	5,321.42	2,943.49
Selling & Distribution Expenses		
Advertisement and Publicity	1,439.74	819.01
Business Promotion	1,080.93	1,307.60
Traveling Expenses (Directors)	112.98	96.29
Traveling Expenses (Others)	175.14	141.05
Rebate & Discount	83.32	212.58
Bad Debts	207.62	137.91
Ocean Freight	1,658.11	970.17
Expenses Against Export	82.37	99.18
Brokerage & Commission on Sales	229.51	348.13
Clearing and Forwarding	<u>2,638.29</u>	<u>1,739.20</u>
	<u>7,708.01</u>	<u>5,871.12</u>
	<u>21,761.87</u>	<u>16,607.36</u>
<b>24. Contingent Liabilities</b>		
	<u>AS AT</u>	<u>AS AT</u>
	<u>31.03.2012</u>	<u>31.03.2011</u>
a) Claims against the company, not acknowledged as debt		
i Income Tax	9,576.92	—
ii Sales Tax - Delhi	122.00	122.00
iii Excise & Taxation Deptt., Punjab	450.41	—
iv Excise Duty	42.91	42.91
v Service Tax	259.25	—
vi HRDF demand of Market Committee	39.69	39.69

Delivering values to customers  
**worldwide**

	<b>AS AT</b> <b>31.03.2012</b>	<b>AS AT</b> <b>31.03.2011</b>
vii Liability on account of Derivatives Transactions	2,749.00	—
viii MTM loss on Derivatives Transactions	3,922.00	—
ix TDS/TCS	1.57	4.74
b) Corporate Guarantee given by the Company	9,512.04	8,334.30
c) Surety Bonds issued to Govt. Agencies under EPCG scheme	1,838.40	1,799.59
<b>25. Commitments</b>		
Estimated amount of contracts remaining to be executed on capital account (Including advances)	2,170.02	1,608.53
<b>26. Bank Gurantee given by Bankers on behalf of the Company.</b>	21.56	132.30

**27. Earning Per Share**

a) Calculation of Weighted Average number of equity shares

**For Basic/Diluted EPS**

	<b>Current Year</b>	<b>Previous Year</b>
No. of Shares at the beginning of the year	28,193,224	28,193,224
Equity Shares issued during the year	—	—
Total number of equity shares outstanding at the end of the year	28,193,224	28,193,224
Equity shares outstanding for 365 days	28,193,224	28,193,224
Weighted Average number of equity shares outstanding during the year.	28,193,224	28,193,224

b) Net Profit after tax available for equity shareholders

Before Extra Ordinary item	22,485	4,510
After Extra Ordinary Item	18,865	(898)
Earnings per share (face value per share Rs. 10 each)		
Basic and Diluted: before extra ordinary item	79.75	16.00
Basic and Diluted: after extra ordinary item	66.91	(3.18)

**28. Extra Ordinary Items**

The company has entered into forward exchange contracts to hedge the foreign exchange fluctuation risk. The losses amounting to Rs. 3,619.83 lacs (Previous Year: Rs. 5,405.45 lacs) suffered in foreign exchange transactions are shown as Extra ordinary items.

**29. RELATED PARTIES DISCLOSURES UNDER ACCOUNTING STANDARD 18**

**29.1 List of related parties**

- i) Joint Venture of the Company
  - Rich Rice Raisers Factory LLC.- Dubai
- ii) Key Managerial Personnel and their relatives
  - Mr. Jugal Kishore Arora                      Chairman
  - Mr. Satnam Arora                              Jt.Mg.Director
  - Mr. Gurnam Arora                             Jt.Mg.Director
  - Mr. Nitin Arora                                 Son of Mr. Jugal Kishore Arora
  - Mr. Amit Arora                                 Son of Mr. Satnam Arora

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Mr. Ankush Arora	Son of Mr. Gurnam Arora
Mr. Nishant Arora	Son of Mr. Gurnam Arora
Mr. Sumit Arora	Son of Mr. Satnam Arora
Mrs. Chandini Arora	Daughter in Law of Mr. Satnam Arora

iii) Enterprise over which key managerial personnel exercise significant influence  
- Satnam Overseas (Exports) - Partnership Firm of Promoter directors

**29.2 The following transactions were carried out with related parties in the ordinary course of Business during the year**

	Joint Venture Company	Key management personnel and their relatives	Enterprises over which Key management personnel exercise significant influence
<b>Transactions during the year</b>			
- Sale of Finished Goods	7,379.54 (4,516.67)		
- Remuneration		282.59 (241.73)	
- Expenses incurred on behalf of the related party			(3.51)
Repayment of Advances			3.51
<b>- Balances outstanding at the year end:-</b>			
- Loans/Advances	1,177.72 (1,030.87)		
- Debtors	2,156.60 (1,016.65)		

**30. Prior Period Items**

There is no material prior period items included in profit & loss account required to be disclosed as per Accounting Standard - 5, prescribed by the Companies (Accounting Standard) Rules, 2006.

31. Some Debtors and Creditors are subject to confirmation.

32. Corresponding figures for the previous year have been regrouped/rearranged, wherever necessary to confirm to current year classification.

33. The Consolidated Financial Statement have been prepared in compliance of Clause 32 of the listing agreement with stock exchanges.

In terms of our separate report of even date attached  
For **NATH AHUJA & CO.**  
**CHARTERED ACCOUNTANTS**  
FRN : 001083N

**FOR AND ON BEHALF OF THE BOARD**

Sd/-  
**(N.N. AHUJA)**  
PROPRIETOR

Sd/-  
**SATNAM ARORA**  
JT. MG. DIRECTOR

Sd/-  
**GURNAM ARORA**  
JT. MG. DIRECTOR

Membership No: 80178  
Place :- New Delhi  
Dated :- 09.08.2012

Sd/-  
**RAMA KANT**  
COMPANY SECRETARY & GM (LEGAL)

Sd/-  
**KAMAL DEEP CHAWLA**  
DGM (FINANCE & ACCOUNTS)



THE TASTE  
OF AUTHENTICITY

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