

Agro Tech Foods Limited

Annual Report 2016



Making the food India loves.

Agro Tech Foods Limited

Board of Directors

Directors	Anna Elizabeth Biehn (DIN 06925818) Javier Eduardo Alarcon Ruiz (DIN 06563158) Michael D Walter * (DIN 00863955) Steven Lee Harrison @ (DIN 07491599) Lt Gen D B Singh (DIN 00239637) Sanjaya Kulkarni (DIN 00102575) Arun Bewoor (DIN 00024276) Narendra Ambwani (DIN 00236658) Veena Vishindas Gidwani (DIN 06890544) Pradip Ghosh Chaudhuri (DIN 02650577)	Chairperson Whole-time Director
Leadership Team	Sachin Gopal Arijit Datta Asheesh Sharma Dharmesh K Srivastava N Narasimha Rao Nilesh Agarwal Satish Kumar Singh	President & CEO Chief Financial Officer Vice President - Marketing Vice President – Supply Chain & Procurement Sr. Vice President–Human Resources & Corporate Communication Head of Sales Vice President - Research, Quality & Innovation
Company Secretary	Phani K Mangipudi	
Auditors	M/s. B S R & Associates LLP Chartered Accountants Hyderabad	
Registered Office	31, Sarojini Devi Road Secunderabad - 500 003, India Website: www.atfoods.com Tel No. 66333444, Fax No. 27800947 CIN : L15142TG1986PLC006957	
Registrars & Share Transfer Agents	Karvy Computershare Private Limited Karvy Selenium Tower B, Plot 31-32, Gachibowli Financial District, Nanakramguda, Hyderabad-500032 * Resigned as Director with effect from 26 th April, 2016 @ Appointed as Director with effect from 26 th April, 2016	

Agro Tech Foods Limited

NOTICE TO MEMBERS

Notice is hereby given that the Twenty Ninth Annual General Meeting of the Members of Agro Tech Foods Limited will be held on Wednesday, the 27th July, 2016 at 10.00 A.M. at The Manohar, Old Airport Exit Road, Begumpet, Hyderabad – 500 016, Telangana to transact the following businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements for the Financial Year Ended 31st March, 2016, the Consolidated Financial Statements for the said Financial Year and the Report of the Directors and Auditors thereon.
2. To declare a dividend for the Financial Year ended 31st March, 2016.
3. To appoint a Director in place of Ms. Anna Elizabeth Biehn, who retires by rotation and being eligible, offers herself for reappointment.
4. To ratify the appointment of M/s. B S R & Associates LLP, Chartered Accountants (ICAI Registration.No.116231W/W-100024), as the Statutory Auditors of the Company and to authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

5. To appoint Mr. Steven Lee Harrison, an Additional Director of the Company, who vacates office at this Meeting and to consider and, if thought fit, to pass with or without modification, the following Ordinary Resolution of which the prescribed Notice under Section 160 of the Companies Act, 2013 along with deposit of ₹ 1,00,000/- has been received by the Company. Mr. Steven Lee Harrison has filed his consent pursuant to the provisions of section 152 of the Companies Act, 2013 to act as Director, if appointed.
“RESOLVED that Mr. Steven Lee Harrison be and is hereby appointed a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation.”
6. To appoint Mr. Sachin Gopal, an Additional Director of the Company, who vacates office at this Meeting and to consider and, if thought fit, to pass, with or without modification, the following Ordinary Resolution of which the prescribed Notice under Section 160 of the Companies Act, 2013 along with deposit of ₹ 1,00,000/- has been received by the Company. Mr. Sachin Gopal has filed his consent pursuant to the provisions of section 152 of the Companies Act, 2013 to act as Director, if appointed:
“RESOLVED that Mr. Sachin Gopal be and is hereby appointed a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation.”
7. To consider and if thought fit, to pass, with or without modification, the following Resolution as a SPECIAL RESOLUTION:
“RESOLVED that pursuant to the provisions of Sections 196, 197, 188, 203 read with Schedule V and other applicable provisions, if any of the Companies Act, 2013 or any amendment or modification or re-enactment thereof, and subject to such approval or consents including the Central Government as may be necessary or required, the

appointment of Mr. Sachin Gopal as a Managing Director of the Company, with effect from 1st July, 2016 for a period of 5 years subject to the applicable retiral policies of the Company (both days inclusive) on such remuneration including salary and perquisites as have been set out in the Explanatory Statement attached to the Notice convening this Annual General Meeting, a copy whereof initialed by the Chairman for the purposes of identification is placed before this Meeting, including a variation of such terms in salary and perquisites as approved by the Board on the recommendation of the Nomination and Remuneration Committee and agreed to by Mr. Sachin Gopal, be and the same is hereby approved.”

8. To consider and if thought fit, to pass, with or without modification, the following Resolution as a SPECIAL RESOLUTION:

“Resolved that, the Non-Executive Independent Directors of the Company be paid annually, for a period not exceeding five years, for each of the financial years commencing from 1st April, 2016, commission of ₹ 3,90,000/- individually, as the Board of Directors (‘the Board’) may determine based on the recommendation of the Nomination and Remuneration Committee, in addition to the fees for attending the meetings of the Board or any Committee thereof, provided however that the aggregate commission paid in a financial year shall not exceed one per cent of the net profits of the Company, computed and referred to in terms of Section 197 of the Companies Act, 2013, or any amendment thereto or re-enactment thereof (‘the Act’).”

9. To consider and if thought fit, to pass, with or without modification, the following Resolution as an ORDINARY RESOLUTION:

“RESOLVED that pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 including any modification(s) or re-enactment thereof, M/s. Vajralingam & Co., Cost Accountants, the Cost Auditors appointed by the Board of Directors of the Company to conduct the audit of the cost records of the Company for the financial year 2016-17, be paid remuneration as set out in the Statement annexed to the Notice convening this Meeting”.

BOOK CLOSURE

The Register of Members and Share Transfer Books of the Company shall remain closed from Wednesday, 20th July, 2016 to Wednesday, 27th July, 2016 (both days inclusive). Share Transfers received in order by 6.00 p.m. on 19th July, 2016, will be in time to be passed for payment of dividend, if declared, to the transferees or to their mandatees and the dividend, if declared, will be paid on 19th August, 2016, to those Members entitled thereto and whose names shall appear on the Register of Members of the Company on 27th July, 2016, or to their mandatees. In respect of dematerialized shares, the dividend will be payable on the basis of beneficial ownership as on 19th July, 2016, as per details to be furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for this purpose.

Dated: 26th April, 2016

Registered Office : 31, Sarojini Devi Road,
Secunderabad - 500 003, Telangana, India.

By Order of the Board
for **Agro Tech Foods Limited**
PHANI K MANGIPUDI
Company Secretary

Agro Tech Foods Limited

NOTES:

1. In accordance with the Provisions of Section 102 of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements), 2015, an Explanatory Statement in respect of item Nos. 5 to 9 being items of Special Business is annexed.
2. A Member entitled to attend and vote on a poll is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a Member. Proxies in order to be effective must be received by the Company not less than forty eight hours before the Annual General Meeting (AGM). Proxy form is enclosed towards the end of the Annual Report
A person can act as a proxy on behalf of Members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A Member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or Shareholder.
3. Members are requested to bring their copies of the Reports and Accounts to the Meeting.
4. Pursuant to Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended and Regulation 44 of the Listing Regulations, the Company is pleased to provide the facility to Members to exercise their right to vote on the resolution proposed to be passed at AGM by electronic means. The Members, whose names appear in the Register of Members / List of Beneficial Owners as on Tuesday, 19th July, 2016, i.e. the date prior to the commencement of book closure, being the cut-off date, are entitled to vote on Resolutions set forth in this Notice. Members may cast their votes on electronic voting system from any place other than the venue of the meeting (remote e- voting). The remote e-voting period will commence at 9.00 A.M. on Saturday, 23rd July, 2016 and will end at 5.00 P.M. on Tuesday 26th July, 2016. The Members attending the AGM who have not cast their vote by remote e-voting shall be eligible to vote at the AGM. The Company has appointed Mr. Tumuluru Krishna Murty, Practicing Company Secretary, to act as the Scrutinizer, to scrutinize the entire e-voting process in a fair and transparent manner. The Members desiring to vote through remote e-voting are requested to refer to the detailed procedure given hereinafter.
5. Members whose shareholding is in the electronic mode are requested to direct change of address notifications and updates of savings bank account details to their respective Depository Participant(s). Members are encouraged to utilize the Electronic System (ECS) for recovering dividends.
6. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013 and Register of Contracts or Arrangements in which Directors are interested, maintained under Section 189 of the Companies Act, 2013, will be available for inspection by the Members at the Annual General Meeting.
7. Members are requested to notify any change in their address immediately to Karvy Computershare Private Limited, Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad – 500 032.
8. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN to the Company / Karvy.
9. The Annual Report for 2015-16 including the Notice for the 29th Annual General Meeting is being sent through electronic mode only to members whose email addresses are registered with the Company / Depository Participant(s), unless any member has requested for a physical copy of the report. For Members who have not registered their email addresses, physical copies of the Annual Report 2015-16 are being sent by the permitted mode.
10. In case of joint holders attending the meeting only such joint holder who is higher in the order of names, will be entitled to vote at the meeting.
11. Unclaimed dividend for the financial year ended 31st March, 2009 will be due for transfer to the Investor Education and Protection Fund of the Central Government ('IEPF') on 30th July, 2016, pursuant to the provisions of Section 205A of the Companies Act, 1956 / Section 124 of the Companies Act, 2013, once notified. In respect of the said unclaimed dividend, it will not be possible to entertain claims received by Karvy Computershare Private Limited, Registrar and Share Transfer Agents after 26th July, 2016.
Details of unclaimed dividend in respect of the financial year ended 31st March, 2009 and up to and including the financial year ended 31st March, 2014 are available on the Company's website www.atfoods.com under Investor Relations.
12. Members are requested to contact M/s. Karvy Computershare Private Limited for encashing the unclaimed dividends standing to the credit of their account. The detailed dividend history and due dates for transfer to IEPF are available on the website of the Company www.atfoods.com

EXPLANATORY STATEMENT PURSUANT TO SECTION 101(1) OF THE COMPANIES ACT, 2013 AND THE LISTING AGREEMENT

Item No. 5

Mr. Steven Lee Harrison was appointed as an Additional Director of the Company on 26th April, 2016 pursuant to Section 161 of the Companies Act, 2013 read with Article 130 of the Articles of Association of the Company and holds office up to the date of this Annual General Meeting. Notice under Section 160 of the Companies Act, 2013 along with the requisite deposit of ₹1,00,000/- has been received from a Member proposing

the appointment of Mr. Steven Lee Harrison as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation. Mr. Steven Lee Harrison filed his consent and declaration pursuant to the provisions of Section 152 of the Companies Act, 2013 and the provisions of the Companies (Appointment & Qualification of Directors) Rules, 2014, to act as Director, if appointed.

Agro Tech Foods Limited

Interest of Directors :

Mr. Steven Lee Harrison may be deemed to be interested in the above Resolution in so far as the same relates to him. No other Director, Key Managerial Personnel or their relatives, of your Company is concerned or interested in this Resolution.

Your Directors recommend the Resolution for your approval.

Item No. 6

Mr. Sachin Gopal was appointed as an Additional Director of the Company pursuant to Section 161 of the Companies Act, 2013 read with Article 130 of the Articles of Association of the Company and holds office up to the date of this Annual General Meeting. Notice under Section 160 of the Companies Act, 2013 along with the requisite deposit of ₹1,00,000/- has been received from a Member proposing the appointment of Mr. Sachin Gopal as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation. Mr. Sachin Gopal filed his consent and declaration pursuant to the provisions of Section 152 of the Companies Act, 2013 and the provisions of the Companies (Appointment & Qualification of Directors) Rules, 2014, to act as Director, if appointed.

Interest of Directors :

Mr. Sachin Gopal may be deemed to be interested in the above Resolution in so far as the same relates to him. No other Director of your Company is interested in this Resolution.

Your Directors recommend the Resolution for your approval.

Item No. 7

The Board of Directors on the recommendation of the Nomination & Remuneration Committee recommended for approval of the Members, the appointment of Mr. Sachin Gopal as a Managing Director of the Company with effect from 1st July, 2016 for a period of 5 years subject to the applicable retiral policies of the Company (both days inclusive) on the following remuneration:

(i) Salary:

₹15,20,500/- per month with annual increments (which in accordance with the Rules of the Company is 1st July every year) up to a maximum of 25% with liberty to the Board of Directors to sanction any further increase over and above the mentioned percentage as it may in its absolute discretion determine subject to approval of the shareholders and Central Government if required as per the prevailing law in force.

(ii) Perquisites:

In addition to the aforesaid salary, Mr. Sachin Gopal shall be entitled to perquisites like medical reimbursement, leave travel concession for self and family, personal accident insurance, ESOPs prospectively granted, performance linked incentive by whatever name called, etc. in accordance with the Rules of the Company, the monetary value of such perquisites being limited to ₹ 83,00,000/- Lakhs per annum, for the purposes of which limit perquisites shall be evaluated as per Income Tax Rules, wherever applicable, and in absence of any such Rule, perquisites shall be evaluated at actual cost.

However, the following shall not be included in the aforesaid perquisite limit:

- Rent free furnished accommodation owned/leased/rented by the Company or Housing Allowance in lieu thereof, as per the Rules of the Company.
- Contribution to Provident Fund and Superannuation Fund

up to 27% of salary and contribution to Gratuity Fund up to 5% of salary as defined in the Rules of the respective Funds, or up to such other limit as may be prescribed under the Income Tax Act, 1961 and the Rules there under for this purpose.

- Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.
- Car / allowance as per the rules of the Company.
- Encashment of unavailed leave as per the Rules of the Company at the time of retirement/cessation of service.
- Costs and expenses incurred by the Company in connection with joining/transfer from one location to another as per the Rules of the Company.

(iii) Minimum Remuneration:

Notwithstanding anything contained herein, in the event of loss or inadequacy of profits in any financial year during the period of his appointment as Managing Director, the Company will, subject to applicable laws and such sanctions and approvals as may be required and received, pay remuneration to Mr. Sachin Gopal as provided herein above.

Subject to the superintendence, control and direction of the Board of Directors, Mr. Sachin Gopal shall manage and conduct the business and affairs of the Company. Mr. Sachin Gopal will not be entitled to any sitting fee for attending Meetings of the Board or of any Committee thereof.

The aforesaid appointment and remuneration payable to Mr. Sachin Gopal may be further varied, altered or modified as may be agreed to by the Board of Directors and Mr. Sachin Gopal, in the light of any amendment/modification of the Companies Act or any re-enactment thereof as prescribed under the Companies Act, 2013.

Mr. Sachin Gopal is the Chief Executive Officer of your Company. A graduate from St. Stephen's College, Delhi and MBA from the IIM, Ahmedabad, Sachin Gopal has an accomplished career over the last 25 years in some of the world's leading FMCG companies in India and abroad. He has a strong experience and is a pioneer in Sales, Marketing and Business of the FMCG sector.

He joined Agro Tech Foods Limited (ATFL) in April 2007 as COO, and took over the role of President and CEO from 1st November, 2008. Prior to his association with ATFL, Mr. Sachin Gopal was handling the role of Director-Customer Business Development with Procter & Gamble. Prior to this, he had a long career with Gillette India from 1987 to 2005 and handled significant Sales, Marketing and Business roles such as Group Product Manager, Vice President Marketing and General Sales Director. In his overseas assignments, Sachin handled the roles of Marketing Manager for Gillette Egypt; Group Business Director - Batteries, Duracell Eveready South Africa Pty., Johannesburg S.A and Group Business Manager - Batteries, Gillette Group H.Q. London, U.K.

Mr. Sachin Gopal had started his career with Escorts Ltd., where he worked as Senior Marketing officer. He also spent three years with Cadbury where he worked as Product Manager and Regional Sales Manager. His contributions to the Company have been invaluable.

Your Directors consider that it would be appropriate and desirable to appoint him as his experience will be beneficial to the Company. Mr. Sachin Gopal continues to hold office as the Chief Executive Officer of the Company. As appointment and remuneration are subject to compliance with the requirement of Section 188 and other applicable provisions of

Agro Tech Foods Limited

the Companies Act, 2013, your Directors commend passing of the Special Resolution set out in the Notice of the Meeting.

Interest of Directors

Excepting Mr. Sachin Gopal, who is interested in his appointment and the remuneration/minimum remuneration payable to him, no other Director, Key Managerial Personnel or their relatives of your Company is concerned or interested in the said Resolution.

This may be treated as his memorandum issued pursuant to the provisions of Section 190 of the Companies Act, 2013.

Your Directors recommend the Resolution for your approval.

Item No. 8

The Members, at the Annual General Meeting of the Company held on 25th July, 2012, approved payment of remuneration by way of commission to the Non-Executive Independent Directors of the Company not exceeding one per cent of the net profits of the Company as provided under the then Section 309(4) of the Companies Act, 1956, for each financial year, subject to a maximum of ₹ 3,12,500/-, individually, for a period of five years from 1st April, 2011 to 31st March, 2016.

In order to bring the remuneration of the Non-Executive Independent Directors in line with the current trends and commensurate with the time devoted and the contribution made by them, the Board of Directors of your Company ('the Board') at their Meeting held on 26th April, 2016, recommended

for the approval of the Members, payment of remuneration by way of commission to the Non-Executive Independent Directors of the Company for a period of five years from 1st April, 2016, as set out in this Special Resolution.

The Non-Executive Independent Directors of your Company may be deemed to be interested in this Special Resolution.

None of the other Directors of your Company are interested in this Special Resolution.

Item No. 9

The Board, on the recommendation of the Audit Committee, has approved the appointment and remuneration of the Cost Auditors to conduct the audit of the cost records of the Company for the financial year 2016-17 at a fee not exceeding ₹ 1,00,000/- (excluding taxes) and out of pocket expenses.

In accordance with the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be ratified by the shareholders of the Company. Accordingly, consent of the Members is sought for passing an Ordinary Resolution as set out at Item No. 9 of the Notice for ratification of the remuneration payable to the Cost Auditors for the financial year 2016-17.

None of the Directors, Key Managerial Personnel or their relatives, of your Company is concerned or interested in the said Resolution.

Your Directors recommend the Resolution for your approval

Dated: 26th April, 2016

Registered Office:
31, Sarojini Devi Road,
Secunderabad - 500 003
Telangana, India.

By Order of the Board
for **Agro Tech Foods Limited**

PHANI K MANGIPUDI
Company Secretary

Agro Tech Foods Limited

ADDITIONAL INFORMATION ON DIRECTORS RECOMMENDED FOR APPOINTMENT / RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING AS REQUIRED UNDER REGULATION 36 OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

Anna Elizabeth Biehn

Anna Biehn, is the President of Consumer Foods International. She joined ConAgra Foods in 1996 and has held positions in strategic planning, international marketing and business development. In her current role, she oversees the international business operating in over 65 countries with more than 1200 employees, 8 production facilities and 9 foreign offices. She has served in the CEO Signature Program, Culture Board and the Dow Jones Sustainability Index Emerging Markets Team.

ConAgra Foods is one of North America's largest packaged food companies. Its balanced portfolio includes consumer brands found in 99 percent of America's households, the largest private brand packaged food business in North America, and a strong commercial and foodservice business.

Anna holds a bachelor's degree in political science and Spanish from Concordia College and an M.B.A. from Daniels School of Business at the University of Denver.

Her DIN is 06925818.

Companies (other than Agro Tech Foods Limited) in which Anna Biehn holds Directorship and Committee Membership:

Directorship:

Productos Verde Valle in Guadalajara, Mexico

Hunts Universal Robina Corporation in Manila, Philippines.

Chairperson of Board Committees

None

Member of Board Committees

None

Shareholding in the Company:

Anna Biehn does not hold any equity shares in the Company.

Steven Lee Harrison

Steven Harrison manages International R&D, Labeling and Regulatory for ConAgra Foods Inc. He also serves as the chair for the Institute of Food Technologists – Aksarben Section to bring together food scientists, researchers and university staff/students in the Nebraska food industry. He has 20 years of experience in research and development in the food and beverage industry. Prior to ConAgra Steve led each of The Coca-Cola Company's International R&D Centers. In these roles he and his family lived in Brazil, Hong Kong, China and United Kingdom. During this time he also served as the Juice Business General Manager for Europe, Eurasia, Middle East and Africa. In the GM role, Steve doubled the juice business and created media with efficiencies equal to the best creative of brand Coca-Cola. Steve holds a B.S. in Chemistry from University of Idaho, M.S. in Food Science and Ph.D. in Food Science with minor in Analytical Chemistry from Washington State University. His DIN is 07491599.

Companies (other than Agro Tech Foods Limited) in which Steven Lee Harrison holds Directorship and Committee Membership:

Directorship:

None

Chairman of Board Committees

None

Member of Board Committees

None

Shareholding in the Company:

Steven Lee Harrison does not hold any equity shares in the Company.

Sachin Gopal

A graduate from St. Stephen's College, Delhi and MBA from the IIM, Ahmedabad, Sachin Gopal has an accomplished career over the last 25 years in some of the world's leading FMCG companies in India and abroad. He has a strong experience and is a pioneer in Sales, Marketing and Business of the FMCG sector.

He joined ATFL in April 2007 as COO, and took over the role of President and CEO from 1st November, 2008. Prior to his association with ATFL, Sachin was handling the role of Director-Customer Business Development with Procter & Gamble. Prior to this, he had a long career with Gillette India from 1987 to 2005 and handled significant Sales, Marketing and Business roles such as Group Product Manager, Vice President Marketing and General Sales Director. In his overseas assignments, Sachin has handled the roles of Marketing Manager for Gillette Egypt; Group Business Director - Batteries, Duracell Eveready South Africa Pty., Johannesburg S.A and Group Business Manager - Batteries, Gillette Group H.Q. London, U.K.

Sachin started his career with Escorts Ltd., where he worked as Senior Marketing officer. He also spent three years with Cadbury where he worked as Product Manager and Regional Sales Manager. His DIN is 07439079

Companies (other than Agro Tech Foods Limited) in which Mr. Sachin Gopal holds Directorship and Committee Membership:

Directorship:

None

Chairman of Board Committees

None

Member of Board Committees

None

Shareholding in the Company:

Mr. Sachin Gopal holds 45,672 equity shares in the Company.

Attendance record of the Directors seeking appointment/re-appointment

Directors	Number of Meetings	
	Held	Attended
Anna Elizabeth Biehn	4	3

Inter-se relationships between Board Members

There are no inter-se relationships between the Board Members

Instructions for electronic voting (e-voting)

The complete details of the transactions to be conducted through e-voting is provided as an annexure to the Annual Report and is to be treated as an integral part of the Notice to the Annual General Meeting.

REPORT OF THE DIRECTORS AND MANAGEMENT DISCUSSION & ANALYSIS

Your Directors hereby present their Annual Report, together with the audited accounts of the Company for the financial year ended 31st March, 2016.

1. PERFORMANCE OF THE COMPANY

1.1 Results

Your Company's performance for the year ended 31st March, 2016 is as follows:

	(₹ Millions)	
	2015-16	2014-15
Net Sales	7,801.94	7,562.34
Other Income	20.16	36.41
Total Income	7,822.10	7,598.75
Operating Expenses	7,252.80	6,985.89
PBDIT	569.30	612.86
Depreciation	160.12	147.58
Interest	53.28	12.29
Profit Before Tax (PBT)	355.90	452.99
Taxes	122.31	80.20
Profit After Tax (PAT)	233.59	372.79

Net Sales for the year at 7,801.94 MM were 3% higher than Prior Year reflecting continued strong growth in the Foods business which registered an increase in Net Sales of 8% to reach a turnover of Rs 1,713 MM. In the Edible Oils business, Net Sales increased by 2% with a 5% increase in turnover of Sundrop Oils offset by an 8% decline in the commodity Crystal business. Depreciation increased by 8% reflecting the absorption of a significant Capex program with Interest costs rising due to higher imports of popcorn kernels to ensure input supply continuity. Effective Tax rate for FY'16 at 34% was higher than previous year (PY) of 18% reflecting the end of Section 80IC benefits at the Kashipur facility.

1.2 Key Indicators

	(₹ Millions)	
	2015-16	2014-15
Gross Margin (GM)	1,826.48	1,897.64
GM %	23.4%	25.1%
Advertising & Sales Promotion	426.50	443.89
A&P %	5.5%	5.9%

Gross Margin % was lower than PY by 170 basis points reflecting 3 key investments made by the Company to drive Growth – (a) Absorption of higher Manufacturing Costs as a consequence of a significant Capex program over the period FY'14 to FY'16 (b) Distributor support investments for higher delivery costs incurred for an additional 200 Company Salesmen (c) Improvement in value proposition

despite higher corn costs for continued volume growth in the Snacks category. A&P spend was lower by 40 basis points reflecting the choice made by the Company to increase investments in Distribution through higher Company Salesmen and Distributor Support mechanisms translating into an additional 100 basis points of investment in Distribution.

2. DIVIDEND

Given the continued strong performance of the Company, your Directors are pleased to recommend a Dividend of ₹ 2/- per equity share of the face value of ₹ 10/- each for the period ended 31st March, 2016 subject to the approval of the share holders at the Annual General Meeting to be held on 27th July, 2016.

	(₹ Millions)	
	2015-16	2014-15
Profit after Tax	233.59	372.79
Profit brought forward from Previous year	2,041.97	1,727.84
Surplus available for Appropriation	2,275.56	2,100.63
Transfer to General Reserve	-	-
Proposed Dividend for the Financial year at the rate of ₹ 2/- each* (previous year ₹ 2/-)	-	48.74
Tax on Proposed Dividend	-	9.92
Forward to the following year	2,275.56	2,041.97

*Refer Note No. 2.46 in notes to accounts

3. RESPONSIBILITY STATEMENT

The Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- they have selected such accounting policies and applied them consistently and made judgments and estimates that 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 and loss of the Company for that period;
- they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- they have prepared the annual accounts on a going concern basis;

- (e) they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- (f) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

4. CORPORATE GOVERNANCE

In terms of the Listing Agreement, a report on Corporate Governance along with Auditors' Report on its compliance is annexed, forming part of the Annual Report.

Additionally, this contains compliance report signed by the CEO of the Company in connection with compliance with the Code of Conduct, and also CEO/CFO Certification as required by SEBI (Listing Obligations and Disclosure Requirements) 2015.

In line with the requirements of new Companies Act, 2013, your Company has constituted new Board Committees and has in place all the statutory Committees required under the law. Details of Board Committees along with their terms of reference, composition and meetings of the Board and Board Committees held during the year, are provided in the Corporate Governance Report.

5. MANAGEMENT DISCUSSION & ANALYSIS REPORT (MD&A)

Based on feedback from members on the Annual Report and Accounts, this report includes MD&A as appropriate so that duplication and overlap between the Directors' Report and a separate MD&A is avoided and the entire material is provided in a composite and comprehensive document.

6. INDUSTRY STRUCTURE & DEVELOPMENTS

The Food industry continued to remain sluggish during FY'16. However, your Company has taken significant measures to ensure continued strong growth through a combination of investments in manufacturing capacities and increased investments in distribution expansion.

We expect to be able to continue to deliver strong growth and take advantage of the significant capital investments we have recently completed behind products with clear competitive advantage and "right to win". An improvement in the overall consumption climate will enable us to further accelerate this growth.

7. OPPORTUNITIES AND THREATS

The Indian food industry is still at a nascent stage and we expect it to record solid growth rates for several years to come. This represents a significant opportunity for your Company given that we have already made balanced capital investments to develop a portfolio

capable of delivering steady profitable growth.

The continuing digitization of today's world presents both an opportunity and a threat. An opportunity because it enables us to communicate with and deliver to consumers in a far more focused manner than was possible in the pre-digital age. However, it is also a threat because it enables smaller competitors to reach out to consumers in a manner not possible in the pre-digital age because of the high costs of legacy distribution systems. We have to approach this in a nimble and balanced manner and are confident that in doing so we will be able capture the opportunities while overcoming the threats.

8. STATE OF THE COMPANY'S AFFAIRS

In FY'16 Act II remained the fastest growing Snacks brand in the Modern Trade and Sundrop Peanut Butter the fastest growing Spread in the Spreads Category, enabling us to deliver strong growth in the Foods business of the Company.

Our strong and profitable position in both the Snacks and the Spreads categories means that we are well placed to seize growth opportunities in both of these categories with a portfolio which is profitable and meets emerging consumer needs.

In the last year's Director's Report we had stated our intent to increase investments in Distribution with the establishment of a strong portfolio. In FY'16 your Company increased its investment in Distribution Expansion by c Rs.80 MM or 100 basis points of Net Sales which was largely funded by savings in administrative expenses. This investment was made with a steady build up during the year translating into an accelerated quarter on quarter growth in our Foods business in FY'16.

Your Company will continue to leverage the investments made both in portfolio expansion & distribution expansion to drive growth in both the Snacks & the Spreads categories while maintaining a strong position in the Edible Oils category.

This will enable us to progress towards our goal of being amongst India's "Best Performing Most Respected Foods Companies".

9. PRODUCT CATEGORIES

9.1 Snacks:

Your Company continued to gain share in the ₹10,000+ crore Snacks category in India driven by further relevant extensions of the Act II brand and selective extension into Indian snacks of the Sundrop brand. Act II, which is now present in Ready to Cook Popcorn, Tortilla Chips, Ready to Eat Popcorn and Extruded Snacks recorded a turnover of ₹148 crore in Net Sales in FY'16. In the Modern Trade, Act II was the fastest growing Snack in FY'16 with a value share of

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roughly 9% of the Category as compared to an estimated 2% share across all channels. As we expand our distribution and manufacturing footprint we would expect to realize our fair share of the category nationally.

Success in the Snacks business requires both an expansion in distribution and a national manufacturing footprint. As stated earlier in this report we have significantly increased our investments in Distribution in FY'16. Last year, your Company also acquired land in both Chittoor (AP) and Kolkata (WB). Regulatory approval has already been received for Chittoor where we are in the process of commencing construction. In the case of Kolkata we will await the necessary regulatory clearances. Together with the 4 existing plants and the near completion of plant close to Guwahati will enable us to be a profitable and strong national Snacks player.

9.2 Spreads:

The ₹1000+ crore Spreads category was one of the fastest growing food categories nationally in India in FY'16. With a 30%+ growth in Volume & Value in FY'16, we estimate that Sundrop Peanut Butter now has roughly 3% of the category nationally and about 7% in the Modern Trade where it is clearly the driver of category growth.

Your Company continues to make steady investments behind the Peanut Butter business and we feel is well positioned to seize the growth opportunities and capture our fair share of the Category. In FY'16 the Company introduced small pack sizes to drive trial of the Category while continuing to drive distribution. In FY'17 we will continue to use innovation to drive the Spreads category and our share within the Category.

9.3 Edible Oils & Sprays:

With a 76% share of total revenue, the Edible Oils category continues to be a critical category for your Company. In FY'16 we recorded a steady performance on Sundrop Edible Oils which recorded a volume growth of 6% and a value growth of 5%. The commodity Crystal Oil which is sold largely in the states of Andhra Pradesh and Telangana however came under significant competitive pressure and recorded a decline of 14% in volume and 8% in value. Your Company continues to support our flagship Sundrop Heart in this Category with adequate level of investments to ensure that our position in this category remains healthy and profitable while delivering the highest returns to our shareholders.

9.4 Soups, Puddings & Desserts:

As stated in last year's report your Company is in the process of evaluating the impact of local production

capabilities in this category. This will be undertaken along with alternate options for investment choices, a process which is currently underway.

9.5 Meals & Meal Enhancers:

As stated in last year's report your Company is in the process of assessing the impact of local production on this category. Similar to 9.4 (above) this will be undertaken along with alternate options for investment choices, a process which is currently underway.

10. RESEARCH, QUALITY & INNOVATION (RQI)

Your Company continues to focus on innovation as a driver of growth. In FY'16 innovation drove the rapid growth that we saw in both the Spreads and the Bagged Snacks categories. This process will continue in FY'17 in addition to which we will also bring our innovation capabilities to test new categories.

11. CONSERVATION OF ENERGY, ABSORPTION, TECHNOLOGY, FOREIGN EXCHANGE AND EMPLOYEE PARTICULARS

A Statement giving details of conservation of energy, technology absorption and foreign exchange earnings and outgo in accordance with Rule 8(3) of the Companies (Accounts) Rules, 2014 is attached as annexure and forms part of this report.

12. HUMAN RESOURCES / INDUSTRIAL RELATIONS

As a part of a Company wide program to reduce the cost of Purchased Services while leveraging the digital world, we have discontinued the use of several external measurement systems including the use of retail audits. In the area of Human Resources we discontinued the use of external measurement of engagement and used available internal digital tools. Our engagement scores continue to be robust with an engagement level of 79%.

Your Company will continue to work to ensure that we have a highly engaged and productive organization to deliver against our vision of being amongst India's "Best Performing, Most Respected Foods Companies".

13. PARTICULARS OF EMPLOYEES

The information required under Section 197(12) of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 thereunder in respect of the employees who were in receipt of remuneration aggregating ₹ 60 lakhs or more or were employed for part of the year and were in receipt of remuneration aggregating ₹ 5 lakhs per month or more during the financial year ending 31st March, 2016 is provided in the Annexure forming part of this Report.