



JVL AGRO INDUSTRIES LIMITED

Annual Report 2016-17

Forward-looking statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements, written or oral, that we periodically make, contain forward-looking statements that set out anticipated results based on management's plans and assumptions. We have tried, wherever possible, to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion relating to future performance of the Company

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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India is the world's fastest-growing economy.

This growth is reflected in a nationwide increase in disposable incomes.

This increase in incomes is transforming lifestyles faster than ever before.

The most palpable manifestation of this transformation has been in the evolution in the dietary preferences of the average Indian.

JVL Agro is capitalising on this transformation by making timely investments and widening its product portfolio.

Making it one of the fastest-growing edible oil processing companies in India today

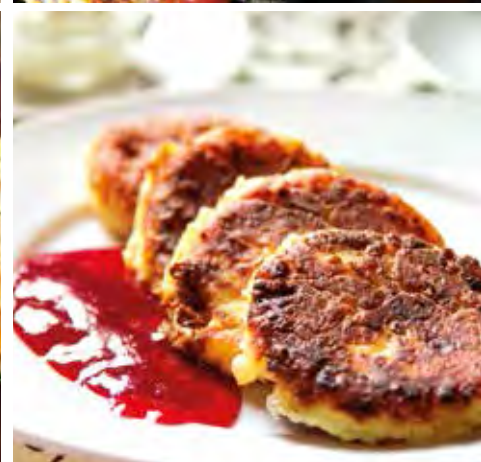
Essentially because JVL Agro has focused on widening choice and enhancing hygiene.

Immaculate product safety.
Extensive product mix. Integrated manufacturing infrastructure.

Making JVL Agro one of the most exciting edible oil processing companies in India today.

The right company. In the right place.
At the right time.

Ghar ghar mein JVL.



JVL Agro Industries Limited is not just a cooking media-cum-foods company; it is a well-respected sectoral player committed towards providing healthy food products that ensure consumer well-being.

Vision

To delight the consumer through a complete portfolio of vegetable oils and other FMCG products through continuous research and development, leading to single-stop convenience.

Mission

To extend leadership from saturated fats to the entire vegetable oils segment in the first stage and to agro-based premium food products thereafter, from being present in a single region in India to acquiring a global manufacturing and marketing presence.

Background

JVL Agro Industries was incorporated by Mr. D. N. Jhunjhunwala and Mr. Satya Narayan Jhunjhunwala. The Company commenced operations as a small-scale manufacturer of hydrogenated vegetable oils with a capacity of 25 tonnes per day in 1989. Today, JVL Agro has expanded into one of the largest single-unit manufacturers of *vanaspati* in India with a cumulative vegetable oil producing capacity of 3,000 tonnes per day. Apart from *vanaspati*, the Company is also engaged in the manufacture of refined oil (such as olein, soyabean, cotton seed, palm, sunflower), mustard oil and bakery shortening agents. JVL Agro's rice producing mill in Bihar has a capacity of 60,000 tonnes per annum.

Presence

Headquartered in Varanasi, the Company's manufacturing facilities are based in the following locations:

- Naupur (Uttar Pradesh): Refined oil and *vanaspati* mill
- Dehri-on-Sone (Bihar): Refined oil and *vanaspati* mill
- Alwar (Rajasthan): Mustard and refined oil mill
- Haldia (West Bengal): Refined oil mill
- Akhori-gola (Bihar): Rice mill

Subsidiaries

JVL Agro operates a wholly-owned subsidiary company as a back-office in Singapore.

Listing

The Company's shares are listed and actively traded on the Bombay and National Stock Exchanges.



Awards and accreditations

- All JVL Agro plants and products comply with national food quality standards like FSSAI
- All plants are ISO 9001: 2008-certified
- The Company was recognised as the fastest-growing *vanaspati* brand in 2006
- The Company was adjudged 'Emerging Company of the Year' 2007 by Globoil
- Mr. S.N. Jhunjunwala, Managing Director, was conferred with the 'Globoil Man of the Year 2008' award
- Mr. D.N. Jhunjunwala, Chairman, was awarded the 'Globoil India Legend 2011' award
- Mr. S.N. Jhunjunwala, Managing Director, was made Co-Chairman of Oil Technology Association of India, Central Zone on 16 November 2014

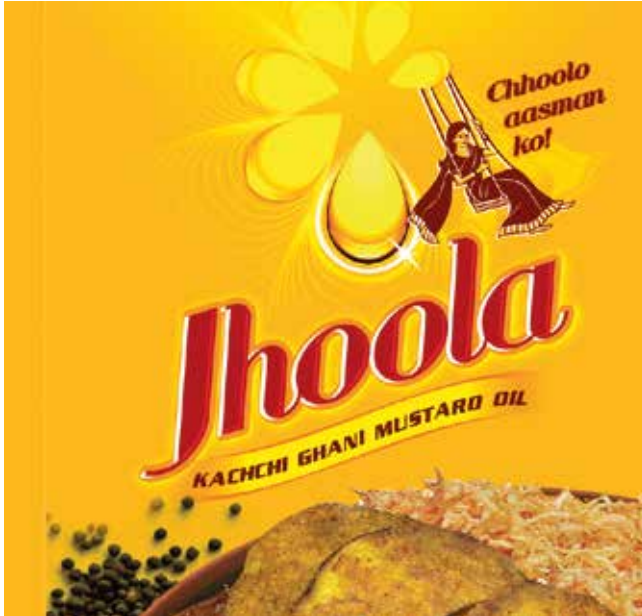
Product portfolio

Brands Jhoola	Brands Jhoola, JVL Royal, Payal	Brands Jhoola, Shankar, JVL Royal	Brands Jhoola, Payal, JVL Royal	Brands Jhoola
Products: <i>Vanaspati</i>	Products: Refined oil	Products: Mustard oil	Products: Rice	Products: Bakery shortening agents
Variants <ul style="list-style-type: none"> ■ <i>Vanaspati</i> ■ <i>Ghee</i> 	Variants <ul style="list-style-type: none"> ■ Olein ■ Soya bean ■ Mustard ■ Cotton seed ■ Palm ■ Sunflower 	Variants <ul style="list-style-type: none"> ■ <i>Kachchi ghani</i> ■ <i>Pakki ghani</i> 	Variants <ul style="list-style-type: none"> ■ Steamed ■ Par-boiled white rice 	

Our cooking solutions



Portfolio



JVL Agro's portfolio is an actively evolving and consciously relevant one. Here's why.

One, the Company's portfolio comprises edible oils that are being increasingly preferred by a health-conscious Indians.

Two, the Company's product basket accounts for a sizeable chunk of the contemporary domestic consumption base.

Three, the growing demand for these edible oils ensures revenue visibility for years to come.

The result: JVL Agro is one of the most trusted cooking media-cum-foods companies in India today.

At JVL, we have not only invested in synergic capacities that consume captive raw materials but also ensured across-the-table qualitative consistency.

Besides, the Company intends to foray into the realms of food manufacturing and logistics infrastructure, in a bid to take the entire industry ahead.

Capacity



JVL Agro has periodically invested in bolstering its edible oil processing capacities with the objective to feed the growing needs of the world's second-most populous country.

The Company has also invested in improving manufacturing competence by accessing best-in-class technologies – irrespective of a boom or bust cycle.

Here's proof: the Company added 122.22%* to its manufacturing capacity during the bearish period following 2008-09.

The Company widened its manufacturing footprint to capitalise on raw material proximity on the one hand and large consumption markets on the other.

*As percentage of its total manufacturing capacity as on 31st March 2016

Brand



Even across some of the most demanding consumer segments, JVL Royal stands principally for two words – ‘safety’ and ‘health’.

JVL Royal is gradually emerging as a much sought-after product in millions of kitchens, pan-India.

Across consumers. Across regions. Across time.

Inspiring the conviction that if it is JVL Royal, one can trust it with eyes closed.

The result: JVL Agro’s brands are the most popular cooking media brand in the states of Uttar Pradesh and Bihar.

Value



JVL Agro does not just manufacture products; it markets products that consumers *want* to buy.

In the first phase of the Company’s existence, the preference for JVL’s products and brands was the result of a prudent positioning strategy which targeted at the country’s price-conscious middle-class and lower middle-class consumers.

In the second phase, JVL reoriented its product mix to address evolving lifestyles, growing disposable incomes and a greater desire for hygienic cooking media.

This accelerated the launch of premium brands and allowed JVL to clock a growth rate that was higher than the broad sectoral average.

Distribution



At JVL Agro, we believe that it is not enough to manufacture quality products. We must make them easily accessible to the consumers.

Over the decades, JVL has made prudent investments in creating a widespread distribution channel. This makes it possible for JVL brands to be available in more than 100,000 Indian retail outlets across 19 Indian states, accounting for 60% of the country's population base.

This extensive footprint has allowed us to not only report a linear increase in revenues but also progressively widen the product mix. In turn, this has made it possible for the new products to achieve break-even faster, enhancing product viability and overall profitability.

Quality



At JVL Agro, we have invested extensively in guaranteeing qualitative consistency. The result is that our products can be trusted as not just safe for consumption but palatable as well.

At our Company, this uncompromising focus on product quality has been mediated via stringent quality control measures: from raw material purchase to final product packaging.

Besides, this qualitative emphasis has been reinforced by a proactive compliance with relevant global standards. Making it possible to deliver first-rate quality to consumers. Time and time again.

The result: JVL's products enjoy a premium over competing unbranded alternatives.

Technology



Even as JVL Agro has addressed the realities of the day, we have invested in the technologies of tomorrow.

The result is that the Company's manufacturing facilities are benchmarked with the best in the industry (at the time of their commissioning).

We invested in the cutting-edge Alfa Laval technology for its Haldia plant to maximise oil extraction and refining efficiencies, and report lower energy consumption.

The result: the Haldia plant is acknowledged as one of the most modern oil processing facilities in India.

This combination – efficiency and consistency – has positioned JVL Agro as a front-ranking Indian edible oils company.

JVL's products are available across more than 100,000 retail outlets across India.

From an one-product portfolio in 2005-06, the Company has now evolved into a multi-product manufacturer.

Management discussion and analysis

Global economic overview

Buoyant financial markets, combined with a long-awaited cyclical recovery in manufacturing and trade, indicate an increase in global growth from 3.2% in 2016 to 3.5% in 2017 and 3.6% in 2018. Aggregate growth for emerging markets and developing economies was estimated at 4.1% for 2016, just above the post-crisis low reached in 2015. After stagnating in 2015, growth in commodity-exporting nations for 2016 was pegged at 0.4% – substantially below the forecasted 1.6% (January 2016). This reflects a significant downward revision in terms of commodity prices spurred by weak global trade, capital

flow volatilities and inherent domestic challenges. With China reorienting itself into a consumption-centric economy and Saudi Arabia reducing its dependence on oil, the case for base metals has been strengthened. This has in turn propped up commodity prices. Consequently, inflation rates have recovered across advanced economies and commodity prices bottomed out in recent months. *[Source: IMF, World Bank]*

Outlook

The global economy entered its sixth year of stagnation with growth estimates for 2017 continuing to trend the historical

path. A projected stabilisation in energy and commodity prices may provide some respite for resource-rich economies in 2017, but the medium-term outlook continues to be bleak with growth weakening in terms of investment and labour supply. Businesses will need to prepare themselves adequately in order to address the challenges arising from geopolitical tensions, policy uncertainties, financial market volatilities and rapid changes in technology. They can do so by leveraging qualitative sources of growth and boosting their technological quotients and business productivity ratios. *[Source: IMF]*

Growth

	2016	2017(E)	2018 (P)
Global economy	3.2%	3.5%	3.6%
Advanced economies	1.7%	2.0%	1.9%
Emerging market and developing economies	4.1%	4.6%	4.8%
Emerging and developing Asian economies	6.4%	6.5%	6.5%

[Source: IMF]

Global economic overview

The Indian economy slowed in 2016-17 to 7.1% from 8% in FY2015-16, largely owing to the currency demonetisation in the third quarter of the financial year under review. Although the demonetisation initiative has affected the growth rate by 25-100 bps, it is expected to have long-term benefits. Over the last 30 years, India's growth has been robust, backed by policy reforms that have eased the flow of goods and capital. The challenges that India faces include ambivalence about property rights and the private sector, deficiencies in state capacity, especially in delivering essential services, and inefficient redistribution of capital. The growth rate of the industrial sector was estimated to moderate to 5.2% in FY 2017, down from 7.4% in FY 2016. The country's IIP registered a modest growth of 0.4% during the April-November period of 2016-17. With Rajasthan, Madhya Pradesh and

Maharashtra receiving 20% more rain than the usual, the agriculture sector is expected to grow at an above-average level of 4% on a weak base caused by two consecutive poor monsoons. This should lift the sagging rural demand and, by extension, the GDP growth rate. The major impetus is expected to come from the farms as non-agriculture growth is pegged to pick up by 10 bps over the previous fiscal to 8.6%. The Union Budget for 2016-17 came in the context of a fragile economic situation. It was not just the stress in the rural economy, which has caused a steady decline in real wages as well as lowered farm incomes. *[Source: Crisil, HT]*

Outlook

The near-term growth outlook for India seems brighter than it was during the last fiscal. Nonetheless, the growth forecast

for the next fiscal has been trimmed by 40 bps. This has been primarily due to the temporary negative consumption shock induced by cash shortages and payment disruptions associated with the recent currency note withdrawal and exchange initiative. Subsequently, India's GVA growth is likely to stay at 6.6% as economic activity will take more time to normalise. The imminent implementation of the GST will boost interstate trade by ushering in investments, reducing supply chain-related issues, improving economies-of-scale and cutting down overheads. The Asian Development Bank expects the Indian economy to grow at an accelerated 7.4% in 2017-18 and 7.6% in 2018-19, retaining its position as the world's fastest-growing major economy. *[Source: IMF, World Bank, RBI, IBEF]*