


Kohinoor

Fine taste, finer traditions.

Annual Report 2004-05

Building Sustainable Growth on Taste



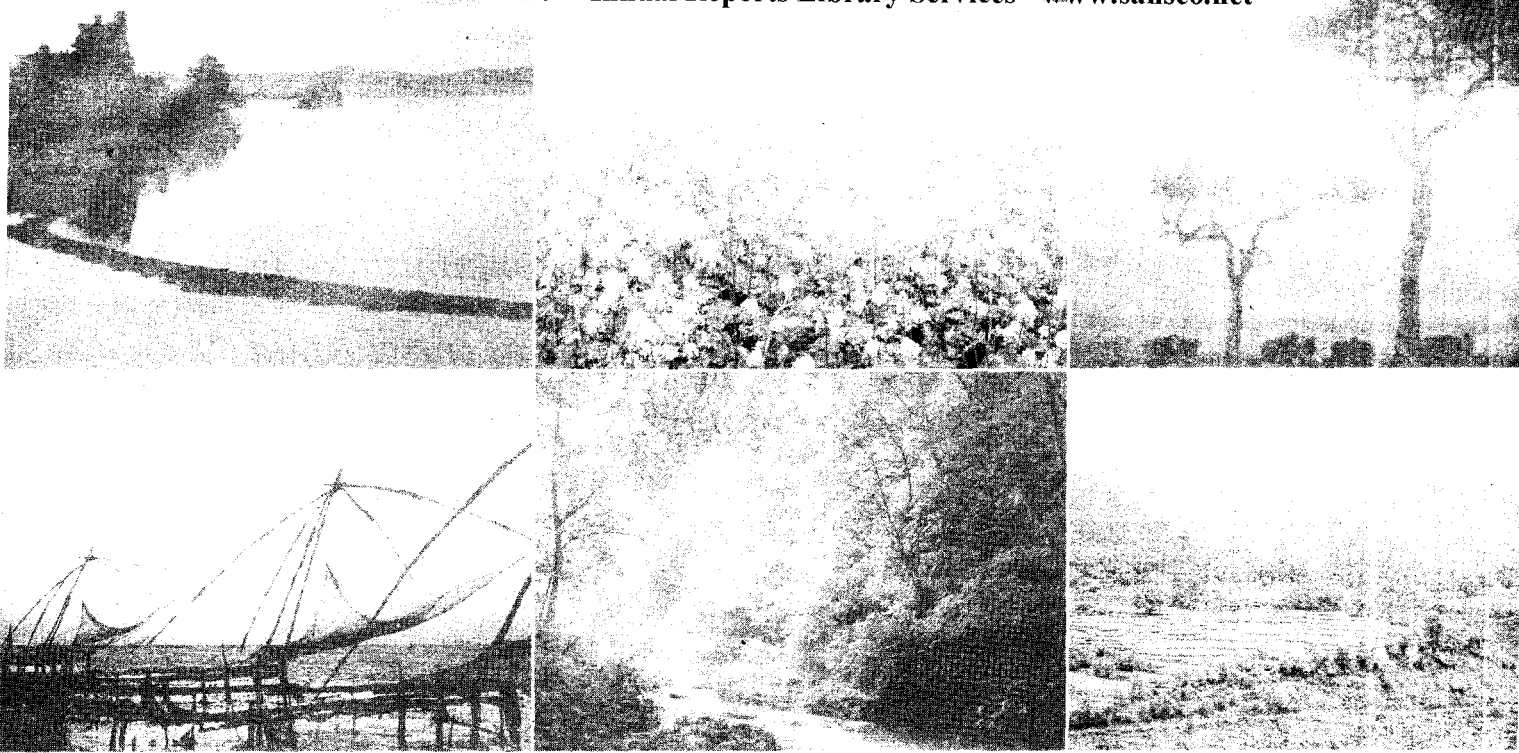
Satnam Overseas Limited

www.satnamoverseas.com

“At Satnam Overseas, we are driven by the quest for business excellence centered around an unflinching commitment to quality at every step that makes us stand out as one of India's emerging modern food companies.”

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*We continuously strive to harvest nature's
purest products, process them using the most modern technology
and make them available as far and wide
across the globe as possible.*

Registered Office, Corporate Office and Share Department

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Works

50-51 Milestone, G.T. Road,
Murthal Dist. Sonapat (Haryana)

O/S Gate Bhagtanwala, Amritsar (Punjab)

71, Libaspur, Bahalgarh, Dist. Sonapat,
(Haryana)

Subsidiary Companies

Satnam Overseas Limited INC.
400, Apgar Drive, Suite 'F', Somerset
NJ08873, U.S.A.
Tel: 1(732) 8684400, Fax : 1(732) 8684404
E-mail: info@kohinoorfoods.com

Indo European Foods Limited
East Fort, 40 Langer Road, Felixstowe
Suffolk, IP 11 2ER, United Kingdom
Tel: 01394 276 700, Fax: 01394 276 771
E-mail: info@kohinoorfoods.co.uk

Sachdeva Brothers Limited
50-51 Milestone, G.T. Road
Murthal, Dist. Sonapat (Haryana)

Joint Venture Company

Rich Rice Raisers Factory L.L.C.
Post Box No. 15542, Al Quoz Industrial Area
3rd Interchange, Sh Zayed Road, Dubai, U.A.E.
Tel: (9714) 3382800, 2262644
Fax: (9714) 3382900, 2262282
E-mail: richrice@emirates.net.ae

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
Mr Vijay Parkash Aggarwal	Non-Executive Director

Company Secretary	Ms Kanika Verma
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Auditors	M/s Nath Ahuja & Co Chartered Accountants
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Bankers

Oriental Bank of Commerce
Canara Bank
UTI Bank
Punjab National Bank
Corporation Bank
State Bank of India
State Bank of Patiala
Indian Overseas Bank

Transfer Agents

M/s Skyline Financial Services Pvt Ltd
123, Vinoba Puri, Lajpat Nagar II, New Delhi-24
Tel: 26838501, 26847136, 26920625

Listing of Equity Shares

National Stock Exchange of India Ltd.
Bombay Stock Exchange, Mumbai

THE YEAR

Enhanced Focus on Branded Business

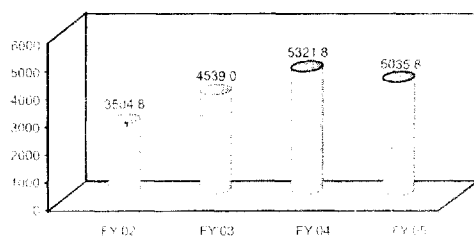
- Branded Sales up by 33% to Rs 2,477mn from Rs 1,861mn in FY'04
- Branded Basmati sales increased by 31.5% to Rs 2,386mn
- Food business grew by a robust 93% to Rs 91mn from Rs 47mn in FY'04
- EBITDA increased from 7.01% in FY'04 to 7.88%
- The company recorded a 19% increase in PAT to Rs 155mn
- EPS increased to Rs 7.90 from Rs 6.62 in FY'04

Global Manufacturing & Distribution Capabilities

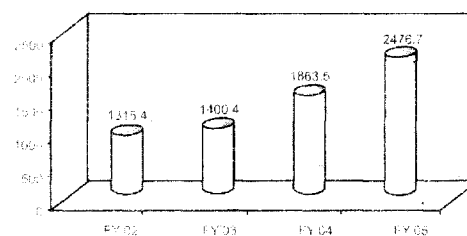
- The company set up its first overseas manufacturing base in the United Kingdom (at the port city of Felixtowe) for basmati rice processing with a capacity of 8 MT/hour.
- One of the country's modern Food processing unit at Bahalgarh became operational for development of innovative, healthy and nutritious food products; with a capacity of 50,000 meals per day.

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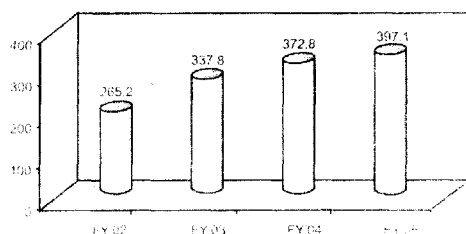
Revenues (Rs Million)



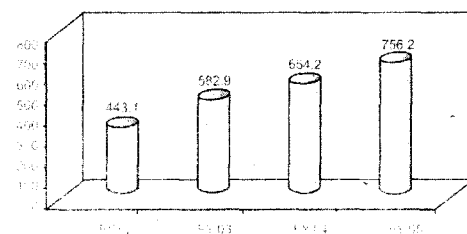
Branded Sales (Rs Million)



EBITDA (Rs Million)



Gross Block (Rs Million)

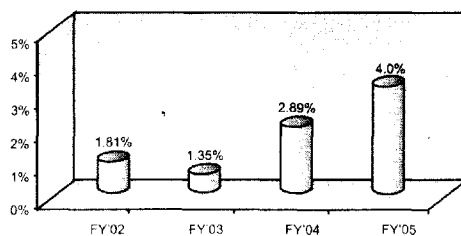


AT A GLANCE

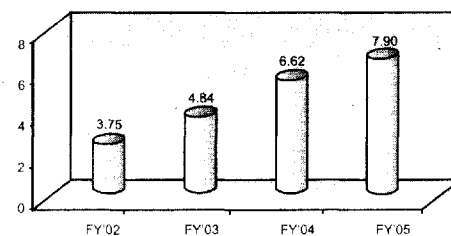
- Conversion of joint venture company, Indo European Foods Limited in the UK, to a 100% Wholly Owned Subsidiary
- Entry into big retail chains like TESCO in the UK, Costco in Canada, Hankyu, Daimaru, Takashimaya & Mitsukoshi in Japan, Coles & Woolworths in Australia and Seven Eleven in Singapore. Made breakthrough in Malaysia Airlines.
- 5 new markets successfully added to the export portfolio including Australia, Japan and Iran
- New Products launched in branded rice - 'Kohinoor Ultimate', a connoisseur range of basmati rice
- In foods category, an array of new product launches; Rice & Curry - Microwaveable Ready Meals, Rice Treat - Ready to Eat Gourmet Basmati Rice, Cooking Pastes, Chutneys, Cook-in Sauces and a range of Spices & Seasonings.
- Rice Plant at Murthal (Haryana) received the coveted BRC Certification
- Food Processing Unit at Bahalgarh earned ISO 9001:2000, HACCP and BRC Certification.

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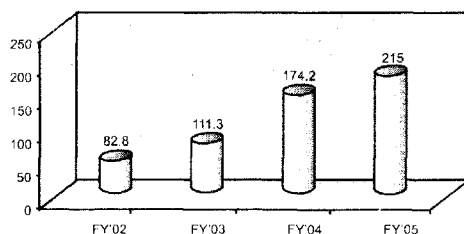
Operating Margins



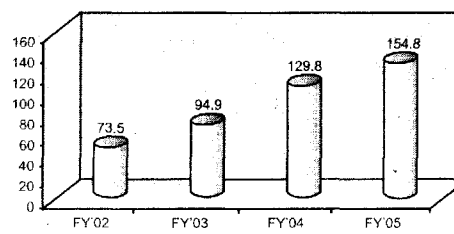
EPS (Rs)



PBT (Rs Million)



PAT (Rs Million)





Chairman's Message

Dear Shareholders,

The year 2004-05 marks a major milestone for your company on its journey to move up the value chain and become a global Indian Foods Company. We have seen success in all key strategic endeavors building global brands, successful product innovation and creating world-class infrastructure.

Building Brands for Sustainable Competitive Advantage

Your company has pursued to build "Kohinoor" as a global food brand, leveraging the existing brand equity and global distribution network. 'Kohinoor' today has become synonymous with premium quality food offerings across the world.

This focus on branded sales has already started delivering positive results on your Company's

margins. Increase of branded sales by 33% to Rs 2,477mn from Rs 1,861mn in FY'04 helped increase operating margins to 7.88% from 7.01%. In the year, 49% of revenue came from branded sales, a significant achievement and a major encouragement for all of us. The relentless pursuit of your company in reducing dependence on commodity turnover and increase branded turnover has started bearing fruits. In the next 4 years, our endeavour would be to grow the branded turnover to 90% of total revenues.

During the course of the year, your company has made several marketing break-throughs and entered with its array of food offerings to mainstream retail chains like TESCO (U.K.), Costco (Canada), Hankyu, Daimaru, Takashimaya & Mitsukoshi (Japan), Coles & Woolworths (Australia) and Seven Eleven (Singapore). Your company has also made inroads for providing convenient ready meals in Malaysia Airlines.

Serving Delights World-wide

I must share with you the rapid development in the convenience foods business. Your company has launched an array of new products under Kohinoor brand; Rice & Curry - a range of Microwaveable Ready Meals, Rice Treat - Ready to Eat Gourmet Basmati Rice, Cooking Pastes, Chutneys, Cook-in Sauces and a range of Spices & Seasonings. The products in a very short span of time have gained popularity with both Indian and Asian Diaspora and also with mainstream global consumers. In the past year foods business grew by a robust 93% to Rs 91mn from Rs 47mn in FY'04. Considering the excellent response, we set up a new food factory at Bahalgarh, Haryana and augmented the capacity from 10,000 meals to 50,000 meals per day.

So far our focus in the Ready-To-Eat (RTE) Food market has been on exports, however, we see

strong growth prospects in the domestic market with the Indian branded market for RTE foods touted to grow to Rs 3bn in three years from Rs 500mn at present. The early successes of our launches have reinforced our belief in this category and we are determined to make it bigger. To expand our food portfolio, we are getting into the business of frozen foods, which offers another big opportunity for the organization. We have made significant progress in this upcoming frozen foods, project. Building & constructions have already begun at the plant site. We are using state-of-the-art technologies for the frozen business with orders already placed for world renowned 'Frigoscandia Spiral Freezer' from FMC FoodTech, USA. The packing line has been ordered from Italy's well known manufacturer G. Mondini.

Customer Centric Focus

I would like to congratulate all our distributors global and domestic for helping us serve our customers well. With their unstinted support, we have been able to put Kohinoor on the world map. Today, Kohinoor has presence in more than 57 countries with a basket of food products.

Further for the export market, the company will continue to drive growth by entering into new markets. The newly set UK factory is aimed at

serving big retail chains in Europe like Sainsburys, Tesco, Somerfield, etc. The initiative will help drive sales in Europe through better customer relationship management and increased brand presence of Kohinoor. In UK we have formed a wholly owned subsidiary after buying out our JV partner in Indo European Foods Limited.

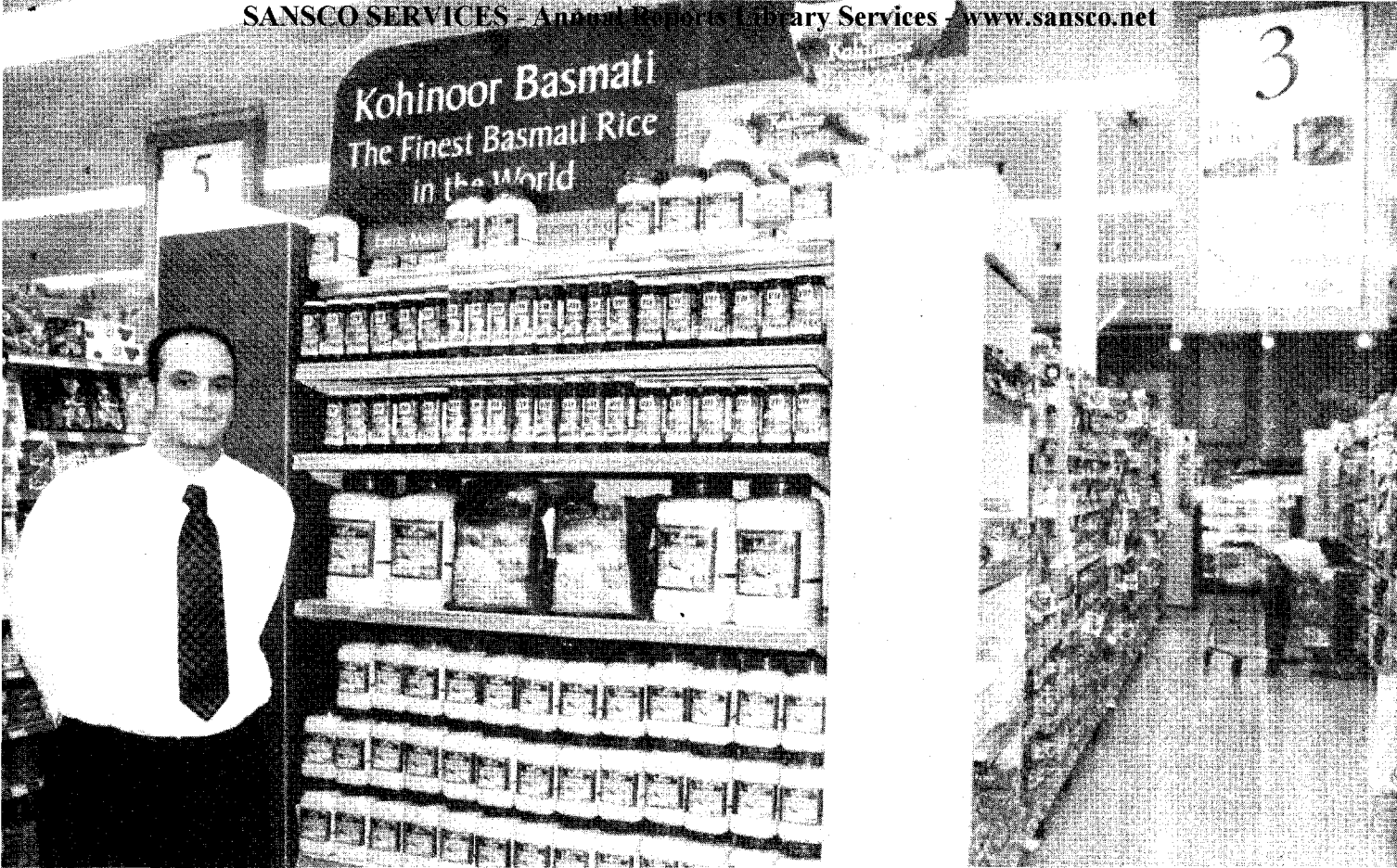
During the year, we successfully ventured into 5 new markets including China and Japan. One of the most successful launches was in Iran where within the first year we have made a significant breakthrough. Also, increased focus on existing markets like Mauritius where we relaunched our brands saw our market share multiply.

Given the above developments, I am confident that the company is well on its way to become a leading name in the Indian foods industry.

Let me end by thanking all our customers, distributors, vendors, culinary specialists and employees for contributing to the success of your Company. And a special thanks to all shareholders, for continued trust and support.

Yours sincerely

Jugal Kishore Arora
Chairman



Building Global Brands

At Satnam Overseas, we focus ruthlessly on every detail of our brands, honing simple, cohesive identities that are consistent in every product, in every market around the world, and in every contact with consumers. From commodity to product to brand to experience, we have endeavored to give our consumers a better value offering. As we have progressed up the value chain, so the experiential content of our brands have increased significantly. That's the reason our 'Kohinoor' brand today commands a 5-10% premium over similar products in the domestic market. Globally 'Kohinoor' has carved a niche for itself as 'a finer taste that can be trusted' in all the 57 countries of the world where it is being marketed. As a result, 'Kohinoor' range of products can be spotted in some of the world's leading retail chains like Tesco in the UK, BJ's in the USA, Coles and Woolworths in Australia, Hankyu, Takashimaya and Daimaru in Japan, Carrefour in the Middle East and Mustafa & Seven Eleven in Singapore.

Each aspect of the brand whether it be product, packaging, marketing, communication and most important distribution has been globally benchmarked to ensure we are giving our consumers the very best..... And this is just the beginning in our effort to make our brands carry forward the legacy of Indian cuisine to the world at large.



India on a Platter

Kohinoor products selling at AICHI EXPO, Japan

Satnam Overseas participation in US Fancy Food Show

As Indians, we are very emotional about what we eat! Our food is not just a celebration of taste, flavour and aroma; it is steeped in customs and traditions that have formed the thread of our existence. Our range of culinary offerings, launched under the flagship 'Kohinoor' brand, is a tribute to this great Indian heritage. In 2001, when we first conceptualized our entry into the packaged foods business, the idea was to leverage the brand strength of 'Kohinoor', our marketing capabilities as well as our global distribution network. With the Ready-to-Eat market expected to grow to US\$ 220 million by 2010 and Rs 3 billion in India by 2008, the opportunities were huge. We took a small but assured step. But the initial response reinforced our belief in this category. Thereafter, foods took the centre-stage in our portfolio. This year, our food business has grown by a robust 93% to Rs 91mn from Rs 47mn in FY'04. We have already scaled up operations to meet the increasing demand with an augmented capacity of 50,000 meals per day in our Bahalgarh unit.

The innovations in Satnam Overseas Kitchen have been getting widespread acclaim. At the SIAL Food Fair, the world's second largest food fair, we became the first Indian company to receive an award in the "New product-innovation and design" category for Kohinoor Rice & Curry - the range of Microwaveable Ready Meals. Closer home, we bagged the APEDA award for new product development under the value added food products category and its excellent export promotion of these products for the year 2003-04.