

annual report 2006-07

building a [reportjunction.com](http://reportjunction.com)

# global food brand

for sustainable growth

Kohinoor

**Kohinoor**  
FOODS LIMITED

## The world of Kohinoor

The fine taste of India has been the inspiration behind Kohinoor. With master chefs working on recipes days together with their mystical blend of spices along with fresh ingredients from the fields, what Kohinoor brings to the dining table is something extra special.



Capturing the taste and traditions from different regions of India, Kohinoor's authentic range of cuisine promises a journey of delight for the discerning food connoisseurs.

Kohinoor today reflects the attributes of an authentic culinary brand dishing out a special culinary experience with unique taste and flavour. The brand 'Kohinoor' has captured imagination of millions of customers across countries and continents with its authentic food offerings.

**Registered Office  
Corporate Office and  
Share Department**

201, Vipps Centre, Masjid Moth  
Greater Kailash II, New Delhi-110 048  
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)

**Wholly Owned Subsidiary Companies**

Satnam Overseas Limited INC.  
58, Northfield Avenue  
Edison, NJ 08837  
Tel.: 1(732) 8684400  
Fax: 1(732) 8684404  
Email: info@kohinoorfoods.com  
Web: www.kohinoorfoods.com  
Indo European Foods Limited  
Kohinoor House, 40 Langer Road  
Felixstowe, Suffolk, IP 11 2BW  
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  
Fax: (9714) 3382900  
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

Auditors M/s Mayur Batra & Co  
Chartered Accountants

**Bankers**

Oriental Bank of Commerce  
State Bank of India  
Punjab National Bank  
Corporation Bank  
Standard Chartered Bank  
HSBC Ltd.  
HDFC Bank Limited

**Transfer Agents**

M/s Skyline Financial Services Pvt. Ltd.  
123, Vinoba Puri, Lajpat Nagar II, New Delhi-110024  
Tel: 29833777, 29847136  
Fax: 91-11-29848352

**Listing of Equity Shares**

National Stock Exchange Ltd.  
Bombay Stock Exchange

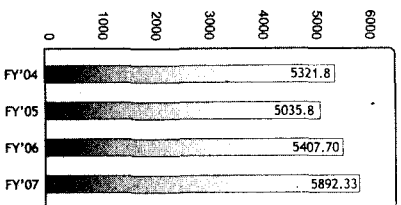


## Contents

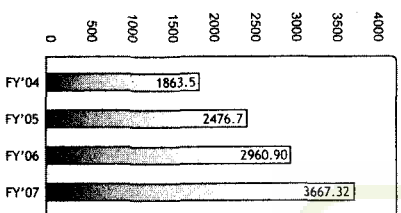
The year at a glance	4
Kohinoor's foot-prints	5
Chairman's message	6
Spreading the aroma of nature	8
Forever growing on taste	10
Making the right market move	12
Making it possible	13
Directors' report and management discussion & analysis	14
Auditors' report	31
Balance sheet	35
Profit & loss account	36
Schedules	37
Consolidated balance sheet, Profit & loss account and schedules	52
Auditors' report	63
Subsidiary companies	64
Joint venture company	70

## The year at a glance

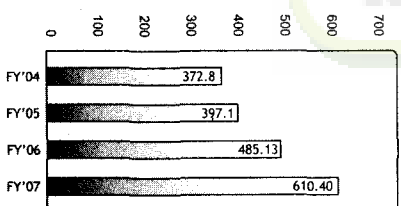
- Branded Sales up by 23.84% to Rs. 3667 mn from Rs. 2961 mn in FY'06
- Branded Basmati Sales increased by 20.31% to Rs. 3293 mn
- Food Business grew by a robust 67% to Rs. 374.4 mn from Rs. 223.7 mn
- EBITDA increased to 10.36% from 8.97%
- PAT increased to Rs. 220.7 mn from Rs. 207.8 mn
- EPS increased to Rs. 11.26 from Rs. 10.61



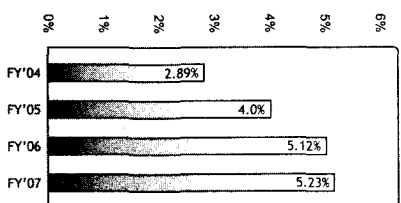
Revenues (Rs Million)



Branded Sales (Rs Million)



EBITDA (Rs Million)



Operating Margins



## Kohinoor's foot-prints

### 1989

- The company 'Satnam Overseas Limited' (earlier name of Kohinoor Foods Limited) was incorporated in 1989
- The flagship brand 'Kohinoor' was known for its finest quality of basmati rice in the Indian domestic market.

### 1990

- Kohinoor started organized marketing of basmati rice in the Indian domestic market
- Set-up organized distribution exclusive to market Kohinoor brand of basmati rice

### 1992

- Launched the first ever advertising campaign espousing virtues of basmati rice
- Introduced smaller consumer packs of basmati rice

### 1995

- First advertising campaign on national television, using celebrities; brand endorsement by the reigning Bollywood Queen 'Ms. Sharmila Tagore' with former Indian Cricket Captain Mr. M.A.K. Pataudi

### 1997

- Launch of 'Trophy' as a value for money brand of basmati rice; the second flagship brand from the stable

### 2000

- Set-up 3 strategic bases in USA, UK and Dubai with own offices

### 2004

- Went up the food value chain-forayed into branded packaged convenience foods and took authentic Indian flavour abroad with ready-to eat Indian curries and authentic Indian ready-meal preparations
- Established one of India's most modern and sophisticated food processing units at Bahalgarh (Haryana)

### 2005

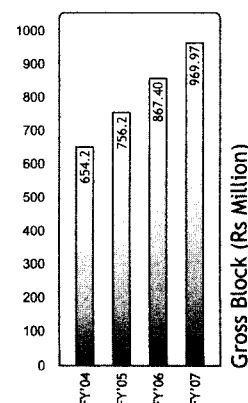
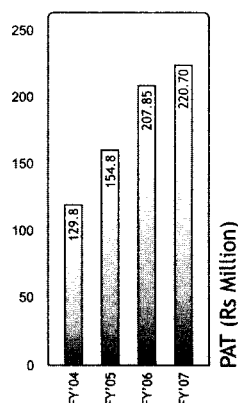
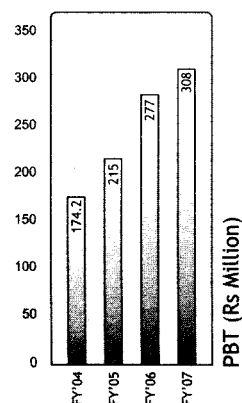
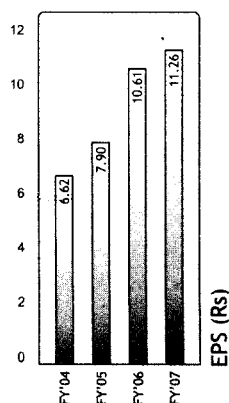
- Set-up the first ever overseas basmati rice processing unit at Felixtowe, UK

### 2006

- Ventured into Frozen Foods with a state-of-the-art frozen foods facility at Bahalgarh (Haryana)

### 2007

- Launched a unique range of 100% vegetarian frozen foods comprising of Indian snacks, breads, curries and ready meals
- Launched a strategic marketing initiative in the form of 'Kohinoor Chefree' a convenience food solution chain offering natural and healthy fine foods





## Chairman's message

Dear Shareholders,

I am happy to report that we are on target in executing our strategy to build a global food brand. We have been able to successfully increase the penetration of your company's products across the world. It is exciting times for your company because Indian food is growing in popularity across the world. We are able to watch retail trends carefully and have successfully launched several new products.

During the year, we set up our own distribution centres in the US, one of the largest markets in the world; added to the list of prestigious retail chains that stock Kohinoor products across the globe; introduced Kohinoor to ten new countries; made a foray into frozen foods and established tie-ups with international food chains.

We have also successfully increased the percentage of branded product sales to 62.23% of our turnover. We made a decision to focus on rapidly changing domestic market and have taken several strategic initiatives to exploit this opportunity.

### Focusing on the domestic market

Your company has a history of spotting new opportunities and markets across the globe. Currently 37.35% of our turnover comes from the domestic market and our domestic branded basmati rice business is growing at around 20%. We observe that the domestic retail and food markets are going through a disruptive phase throwing up several opportunities.

We believe that our branded basmati sales will be driven by the domestic market and we have put together a dedicated team to build relationships with the Indian retail chains. Our branded basmati rice is available at all the major

We believe that the branded basmati sales will be driven by the domestic market and Kohinoor has put together a dedicated team to build relationships with the Indian retail chains.

Indian retail chains. While we have a 38% market share in the Indian branded basmati market we have managed to garner a 52% market share in the modern retail formats.

The foods services division is also pursuing the domestic opportunity aggressively and has won several prestigious institutional clients. Our key marketing initiative this year was the launch of Kohinoor Chefree a quick-service food outlet chain that would stock all Kohinoor products.

### Introducing Kohinoor Chefree - Quick bite on the go

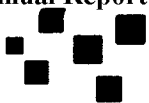
We have set up the first outlet in Gurgaon, Haryana (outskirts of Delhi) this year. But we believe that this is a potentially winning idea since it requires very little space; and is very hygienic. We see an opportunity for Kohinoor Chefree to be set up very easily in many locations like the burgeoning malls, rapidly modernizing railway stations, emerging budget hotels and new metro stations with very little investment. It is also a very franchisable model since standards can be controlled easily.

Our key marketing initiative this year was the launch of Kohinoor Chefree a quick-service food outlet chain that would stock all Kohinoor products.

### Building the high-margin convenience foods business

During the year, your company started exporting frozen foods (Indian snacks, curries and rice). This market is at least three times larger than the ambient ready-to-eat foods business. Your company's frozen foods are stocked at prestigious retail chains like Seven Eleven in Singapore. We now export to US, UK, Australia, New Zealand, Mauritius, Switzerland and Singapore and plan to make a presence in ten more countries in FY'08. We have also introduced frozen foods in the domestic market (Delhi NCR region to begin with) and will take it to other cities in India too.

Our products are well received world-wide because they are 100% natural, authentic



tasting, vegetarian products with no preservatives. We added four more product lines with more than 40 stock keeping units this year.

#### **Strengthening our global distribution network**

The Kohinoor brand has already made an impression in the UK retail market and has become the No. 2 brand in dry basmati in a very short span of time. It is one of the fastest growing brands in TESCO and also captures more than 48% of the ethnic food shelves. During the year your company's products entered several new stores including Palmer & Harvey and Costco in UK, Globus in Switzerland and Norma in Germany. Your company's Basmati rice is now exported to 63 countries.

Kohinoor brand has already made an impression in the UK retail market and emerged as the No. 2 brand in dry basmati in a very short span of time.

We introduced our branded Basmati rice into the large and competitive Saudi Arabian market with the appointment of an exclusive distributor to market Kohinoor Basmati Rice. We have changed our business model in the US and have set up five of our own distribution centers in the country to be able to reach both ethnic and mainstream retailers. Indian food is well received across the world now. A study done by the Food Marketing Group in the US forecasts that it will become the third most preferred food choice after Italian and Mexican food in that country and our goal is to capture a large share of the market.

#### **Increasing sales from branded products**

In line with our goal your Company crossed another milestone to get at the target of 90% sales from branded products by 2010, grossing nearly 62.23% sales from branded products in the current year; an increase from 54% last year. Sales from high-margin food services grew 67.37% but on a small base.

Today the revenue from the food business is Rs. 374.44mn constituting 6.35% of the turnover but we expect this business to contribute to 25% of sales by 2010. We are

building a strong foundation and believe that our future is in this business.

During the financial year 2007, your company's sales increased to Rs. 5,892.33mn from Rs. 5,407.70mn, registering a very modest 8.96% growth. This is because of our conscious decision to reduce unbranded and commodity sales. The operating profit margin increased to 10.36% from 8.97% due to higher branded sales.

Our journey from a modest rice company to a food brand that you can spot in retail shelves across the world gives me conviction to commit to you that we will continue to innovate and spot new opportunities and markets in the coming future. We are committed to building Kohinoor Foods into a global food company.

Let me end by thanking all our customers, distributors, vendors, culinary specialists and employees for helping us through this journey. And a special thanks to all shareholders, for continued trust and support.

Yours sincerely,

**Jugal Kishore Arora**

Chairman





# Spreading the aroma of nature



The sprawling  
rice factory at Murthal  
Sonapat (Haryana)



Right nurturing and care is what Kohinoor Foods gives to the rice it produces. It is of little surprise then that it has world class rice processing plants that collectively produce some of the most sought after basmati rice brands in the country and around the world.

The rice factory at Murthal (Haryana) is one of the largest in the country with a rice production capacity of 40 metric tonnes per hour. The plant is ISO 9001:2000 certified, HACCP Certified and BRC certified along with being EUFSA and USFDA compliant. Fully automated through the entire chain of processing and final packaging, the factory uses the world's best possible technologies and equipment for churning out flawless rice grains.

The manufacturing facility is backed by a strong scientific procurement system. We have a highly technical team of procurement personnel to source the best produce. The company has entered into contract farming to ensure consistency of agri produce and to have control on the entire value chain of basmati rice. The entire chain is documented to minutest details to ensure 100% traceability as per international quality norms.

