

SERVING AUTHENTICITY



2009-10
ANNUAL REPORT



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Joint Venture : Rich Rice Raisers Factory L.L.C.
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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: 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
- IndusInd Bank
- HDFC Bank Limited
- ICICI Bank Ltd.
- IDBI Bank Ltd.

Transfer Agents:

M/s Skyline Financial Services Pvt. Ltd.
246, First Floor, Sant Nagar, East Of Kailash,
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Listing of Equity Shares :

- National Stock Exchange of India Ltd.
- Bombay Stock Exchange Ltd.



Chairman's Message



Dear Fellow Shareowners,

In 2009-10, Kohinoor Foods Ltd. delivered fairly good results as compared to previous years. Your company recorded significant increase in turnover and net profit during the year.

The company achieved turnover of Rs.7727.98 millions with a growth of 26.46% in the Exports and 15.98% in the Domestic sales. The overall growth that the company achieved was 21.55% over the previous year.

Largely, our new range of True Basmati Rice - Kohinoor Platinum, Gold & Silver added a lot of impetus to the entire business. Collectively all three varieties gained tremendous acceptance in almost all the markets where Basmati as a category exists.

The other factors that added a lot to the company's books were the focused approach of treating each country individually, bringing in the new range of healthy Heat & Eat products, broader penetrations, both in the Domestic & the Export markets and some new avenues that the Food division explored.

With a vision of bringing authentic Indian flavors to people all over the world, we want your company Kohinoor Foods to become one of the leading name, not only in the Rice, but the entire Food category, that too worldwide. In this endeavor, we would keep developing food products that help us come closer to achieving our vision. We will continue to follow our successful strategies and try every step to make our future brighter & better. We would focus on improving our portfolio, increasing efficiency, product innovation and expanding our business in order to get close to our ultimate goal for the company.

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 stakeholders, who have shown their trust in us and have extended their constant support.

With best wishes,

Sincerely
Jugal Kishore Arora
Chairman



*“ The Visionaries of **KOHINOOR** ”*



(Sh. Gurnam Arora, Sh. Jugal Kishore Arora & Sh. Satnam Arora)

Director's 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, 2010 and the audited financial statements and notes for the year ended March 31, 2009. 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.

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 flavor. Just the reason why it offers an extensive range that caters to all kinds of consumers need in all different parts of the world - a wide variety of Basmati Rice, range of Healthy Ready to Eat Indian Curries, Meals & Desserts, Range of Frozen Indian Breads & Snacks, Different kinds of Spices & Seasonings, unique range of Readymade Gravies & variety of Cooking Pastes. 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, Middle East, Canada, Japan, Australia, Singapore & other European countries.

In this endeavor of serving the true Indian culinary experience, largely, your company has achieved another landmark this year.

Financial Overview

The year under review was a fairly good year for the company and it achieved an overall turnover growth of 21.55% in comparison to Previous Year.

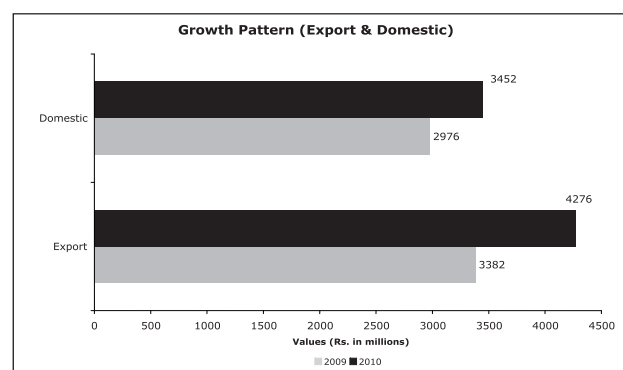
Particulars	FY'10	FY'09
Net Sales & Other Income	7,748.48	6,396.05
Profit before Depreciation	500.02	437.62
Depreciation	102.12	107.19
Profit before Tax and extraordinary items	397.89	330.43
Less:-		
Extra Ordinary Items	290.75	500.09
Profit before Tax	107.15	(169.66)
Provision for Taxation	24.91	(61.68)
Profit after Tax	82.24	(107.97)
Figures in Rs. Million		

The EBITDA margin (Earnings before interest, depreciation, tax and amortization) of the company is 14.98% of turnover in FY'10 compared to 15.23% in the previous year. However net profit after tax in FY' is Rs. 82.24mn in comparison to in Net loss after tax of Rs 107.98mn in FY'09.

The major contributor for this was the all round growth in business generated in different regions, both in the Export & the Domestic markets coupled along with all the new initiatives that the company took in this financial year.

Operations

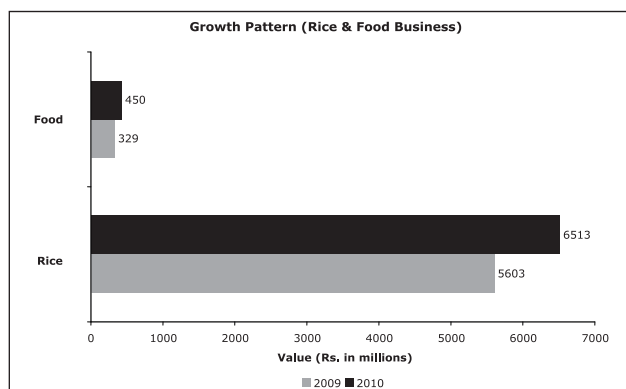
For the year under review, the company has shown positive growth patterns vis-à-vis in the previous year. As shown below, the Exports have grown by 26.46% while the Domestic Sales showed a growth of 15.98%. This year, the export sales was Rs. 4,276 millions as against Rs. 3,382 millions in the previous year, while the domestic sales was Rs. 3,452 millions as against Rs. 2,976 millions in the previous year.



The contribution that both the Basmati Rice & the Food business generated to the entire business of the



company was Rs.6,513 millions and Rs.450 millions respectively. Rice sales grew by around 16.22% while the Food sales grew by 36.78% over the previous year.



For this year's company growth, on a larger scale, the major contributors were:

1. Global acceptance of the new avatars of Kohinoor the Platinum, Gold & Silver (PGS) versions of Basmati Rice - The Company's move of introducing Kohinoor Platinum, Gold & Silver in the entire rice industry, globally, was a strategic and bold move that it took during the year. Not only did it gain acceptance in the Domestic market, but also in the Export markets. Platinum, Gold & Silver, together broadened the horizon of Kohinoor and made it more approachable to a larger base of consumers, that too worldwide. Making a product like Kohinoor Basmati Rice available to a larger bandwidth of consumers made the brand enter more number of houses, which in turn brought good results into the company's books.
2. Company's focus on Kohinoor Platinum, Gold & Silver - Not only did the PGS gain considerable acceptance, but this year the company focused all its efforts onto the availability of these three products in as many shelves, stores, cities & countries as possible.
3. The revamped version of Heat & Eat - the healthy India on Platter range (IOP) - this was another move that gave enough impetus to the business of Kohinoor Foods, especially to the Food Division. In the countries where it is consumed the most, it gained tremendous response - not only from the

Ethnic Consumers, but also from the Mainstream. In markets where there were all kinds of Heat & Eat products, this introduction of Kohinoor's healthy range of Heat & Eat dishes made its own way. What made a great impact among consumers was the factor that the entire range was "Cooked in Olive Oil" which brought in all the healthy benefits to the entire range of products.

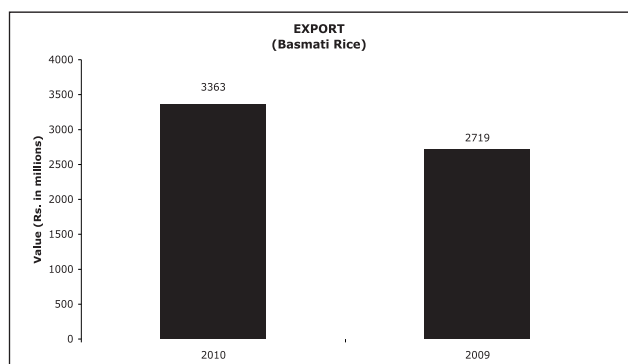
4. Broader Penetrations - This year, the company also worked towards broadening its penetration in as many countries, for both the Rice & the Food products. Today, there are many additional countries that get to savor the fine taste that Kohinoor brings through its different range of products. The company also broadened its penetrations in the Domestic markets, especially for the Rice products, by implementing FMCG Distribution model. It was another strong move towards doing a commodity business in a completely new way, within the same parameters.
5. Growth in focused countries - This was another move where the company tried doing business in a little different way. To have a deep focus in every country, this year the company looked at individual countries and approached each of them in their own way. A reason why some of the countries have shown tremendous growth patterns in this financial year.
6. New Avenues - This year, especially in the Food Division, the company also explored some of the new avenues. Supplying our range of products to Defence & CSD Canteens were the new moves that the company took. Exploring possibilities like this not only ensured extra business for the company, but also enhanced the reach of Kohinoor products to more number of consumers.

The Export Market

Exports - Basmati Rice

This year, in the Export of the Basmati Rice, the company did a business of around Rs. 3,363 millions as against Rs. 2,719 millions in the previous year. Kohinoor Foods exported to around 54 countries and gained a growth of 23.68% over the last year's business. Some of the countries that showed remarkable growth were UK,

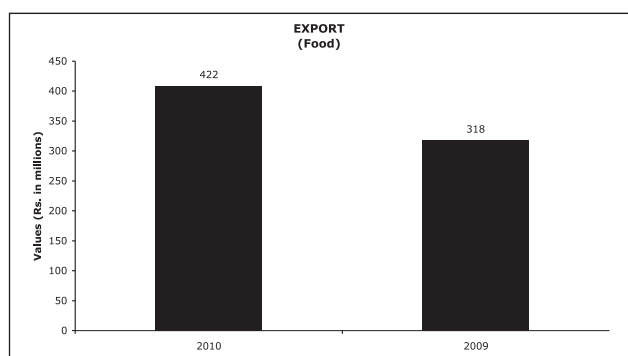
Botswana, Egypt, Kenya, Kuwait, New Zealand, Mauritius, Syria & Yemen. With its range of Basmati Rice, Kohinoor Foods made its mark in all of these countries.



The growth in the export of Basmati Rice was due to a combination of factors. Some of them being a deeper penetration in every country, exploration of new countries, Investment in the brand - especially in some of the focused markets and heavy consumer promotions during peak seasons.

Exports - Food

This year, Kohinoor Foods exported different Food products and recorded a business of around Rs. 422 millions as against Rs.318 millions in the previous year. The company exported its products Heat & Eat, Spices & Frozen Food product to around 18 countries and gained a growth of around 32.70% over the last year.



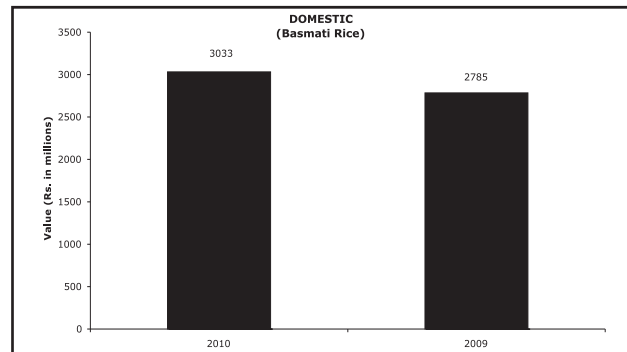
The growth in the Export Business (Food) was largely due to the new range of Healthy Heat & Eat products that the company conceptualized this year. It gained significant recognition in all the International markets and also helped the company open new markets, globally. What also helped was some of the new product developments that the company did in this year, coupled along with

some of the parallel Pvt. Labels business that the company generated in this year. The main focus in the next 5 years would be to increase our share in mainstream segment in Europe, USA and Australia by targeting mass retail chains in these respective territories.

The Domestic Market

Domestic Market- Basmati Rice

In the Domestic market, your company recorded a growth of 8.87% with a value of Rs.3,033 millions in this financial year versus Rs.2,785 millions in the previous year. In comparison to the Export result, though the percentage growth of the Domestic market seems marginal, but this year the company did fairly well in building the Consumer Pack segment of the Basmati Rice products, which showed a strong growth of around 34% as compared to the last year. Also, the company's initiative of implementing FMCG Distribution Model in as many cities is helping it gain enough of grounds in every market.

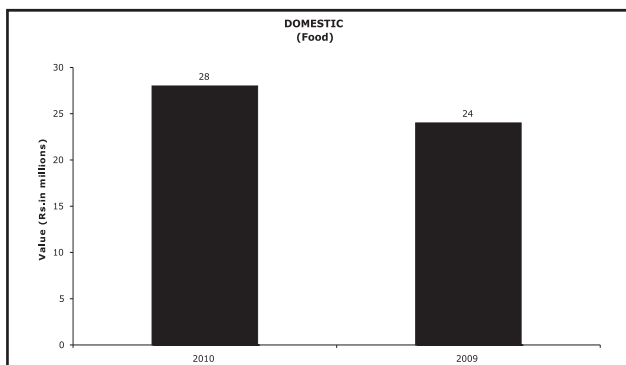


Domestic Market - Foods

In the Domestic market, your company achieved a turnover of around Rs.28 millions as against Rs.24 millions in the previous year showing a growth of around 17.8% over the previous year. Like in the export market, the highlighting feature of this year in the domestic market for Food was the introduction of healthy range of Heat & Eat products (India on Platter). This introduction helped the company in distinguishing its range of Heat & Eat products in the Indian market to a great extent.

Overview

The Indian market offers a huge potential for the food processing industry. According to the Confederation of



Indian Industry (CII), the Indian food industry is estimated to be worth over \$200 billion and is expected to grow to \$310 billion by 2015. Even though India is one of the world's largest food producers, it accounts for less than 1.5% of international trade and presents a huge opportunity. However we plan to change that.

Processed food market is the most important segment of the food industry accounting for over 32% of the total food market (Source: ibef). While India has an abundant supply of food, the food processing industry is still nascent: only 2% of fruit and vegetables; and 15% of milk produced are processed. Despite this, the processed food industry in India ranks 5th in size, representing 6.3% of GDP. It accounts for 13% of the country's exports and 6% of total industrial investment. The industry size is estimated at \$70 billion, including \$22 billion of value-added products.

Convenience food

The Food Service business in India is seeing explosive growth driven by increasing incomes, changing lifestyles, increasing urbanization and changing demographics where the average age in working population is decreasing. According to Euromonitor International a market research company, the amount of money Indians spend on meals outside the home has more than doubled in the past decade, to about \$5 billion a year and is expected to double again in about half that time. With the increase of women in the working population, convenience foods are also likely to become popular. The emerging large retail chains make these foods more easily accessible. According to the Ministry of Food Processing the industry size of the semi-processed and ready-to-eat packaged food industry is over \$1 billion and is growing at a CAGR of 20%.

Basmati rice

Among the rice growing countries, India has the largest area (40.2 million hectares) followed by China and Bangladesh. India and Pakistan grow and export aromatic rice and the main buyers are the Middle East and Europe. The global production of basmati rice is approximately 2.3 million tons, out of which India's share is a whopping 74%. Total basmati rice market in India is estimated at Rs 10 billion, out of which branded basmati rice market is approximately 50% in value and 33% in volume terms.

The domestic branded basmati market is growing rapidly driven by rising incomes and changing lifestyle. The major driver for branded basmati sales will be organized retail which is growing at 9% p.a. and is expected to grow by 30% in 5 years. As organized retail penetrates semi-urban and rural areas branded basmati penetration to rural areas is expected to increase.

Strengthening presence in key international markets

During the year under review, your company has strengthened its presence in leading international markets and also made successful inroads into new markets. It entered several new markets for the branded basmati segment including Saudi Arabia, the largest market of basmati rice in the world. It also entered new countries for the food business including Bahrain and Kuwait. Today, the company's products are available at over 3,50,000 retail outlets across the globe and its clientele includes leading retail chains world over.

The company has 2 wholly-owned subsidiaries in US and UK and a Joint Venture Company in Dubai to look after these markets, which jointly form the largest market for food.

USA operations

USA is a large potential market for Indian food products. According to the US-based Food Marketing Group, Indian food is growing rapidly and is expected to overtake Chinese and Kosher food and occupy the No. 3 position (below Italian and Mexican) in the next 3 years.

Realizing the strong demand in that country, we established our wholly-owned subsidiary in New Jersey, Kohinoor Foods USA, Inc. in the year 2000. KFUI is

presently supplying to leading mainstream stores such as Whole Foods, Krogers, select stores of Walmart, BJ's Club Stores and Costco apart from almost all leading ethnic Indian stores in the US.

UK operations

Indian food is hugely popular in UK and enjoys mainstream acceptance. There are more than 10,000 Indian restaurants in greater London alone. Kohinoor Foods had set up Indo European Foods Limited, a wholly-owned subsidiary in the year 2001 in UK. The subsidiary owns a rice processing facility at the port city of Felixstowe with a milling capacity of 8 MT per hour. It presently services mainstream stores like Tesco, Somerfield, ASDA Walmart, Bestway, Costco, Tesco, Ireland and almost all leading ethnic stores in UK.

Indo European Foods Ltd. has taken Kohinoor to a new high. The brand Kohinoor has grown by leaps and bounds and has become the No. 2 brand in dry basmati in UK in a very short span of time (Source: AC Nielsen). Kohinoor is one of the fastest growing brands in TESCO (50% YoY). Kohinoor today is recognized as the 4th most favored food brand in the UK (Source: Ethnic Focus Research, Jan 2007 UK).

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 is presently supplying Kohinoor range of basmati rice and other food products in mainstream stores like Carrefour, Lulu's Chain and Geant Stores.

Strengthening domestic presence for food business

Kohinoor Foods has also taken measures to strengthen its presence in the domestic market for foods business. It has set up an independent distribution unit for marketing its range of food products in India and building relationships with modern retail stores. The Company has also tied up with international chains like Pizza Hut, Papa John's, Pulse Foods for supplies to the domestic market.

Business outlook

A rapidly growing domestic economy with changing

consumption patterns presents a huge opportunity for your company going forward. Your company is committed to building a global food brand and has drawn up a strategy to continue its focus on the branded foods business. It will continue to introduce new products and penetrate new markets, overseas.

Focus on branded business

We will continue our focus on branded product sales and capitalize on the high margin convenience foods segment. We believe that 90% of our turnover would come from the branded segment (Basmati rice and Food business) by FY 2012

We expect the food business to contribute 25% of our turnover by FY 2012.

After the successful launch of frozen foods, your company is eyeing the much larger chilled foods business in UK and India to further consolidate its position as a global player in this arena.

International market

The company plans to enter into more big retail formats across the world, in mainstream markets. Major focus would be on US and UK, the largest markets for food products in the world.

Your company intends to acquire major market share of US ethnic food market by leveraging distribution centers in five major cities of US.

We aim to add at least another 25 countries to our list of customer countries in the next 2 years in the food business.

Risks & concerns

Macro-economic factors like recession, subdued demand and political uncertainty may affect the business of the Company as also the industry at large. 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