

Annual Report 2015-16



Kohinoor Foods Ltd.



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Kohinoor Foods Ltd.

ANNUAL REPORT - 2015 - 16



Registered Office : 201, Vipps Centre, Masjid Moth
Greater Kailash II, New Delhi-110 048
Tel: +91-11-29220330

Corporate Office and Share Department : Pinnacle Business Tower, 10th Floor,
Surajkund, Faridabad, (Haryana)-121001
CIN : L52110DL1989PLC037097
Tel: +91-129-424 2222 (30 Lines)
Fax: +91-129-424 2233
E-mail: info@kohinoorfoods.in
Web: www.kohinoorfoods.in

Works : 50-51 Milestone, G.T. Karnal Road
Murthal, Sonapat (Haryana)
: 42-43 Milestone, G.T. Karnal Road,
Village Sultanpur, Bahalgarh,
Sonapat (Haryana) (Production not yet
commence)

Wholly Owned Subsidiary Companies : Indo European Foods Limited
Kohinoor Congress House, 6th Floor,
Suite 2, 14 Lyon Road, Harrow, Middlesex,
Post Code: HA2 2 EN, United Kingdom

: Kohinoor Foods USA INC.
285, Durham Ave Ste # 01
South Plainfield, NJ 07080

: Sachdeva Brothers Private Limited
201, Vipps Centre, Masjid Moth, Greater
Kailash II, New Delhi-110 048, India

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.

Associates Company : Al Dahra Kohinoor LLC
Abu Dhabi, U.A.E.

: Al Dahra Kohinoor Industries LLC
Abu Dhabi, U.A.E.

Listing of Equity Shares : National Stock Exchange of India Ltd. (NSE)
Bombay Stock Exchange Ltd. (BSE)

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 Independent Director
Mr. Sandeep Kohli	Non-Executive Independent Director
Mr. M.K. Trisal	Non-Executive Independent Director
Mr. S.C. Gupta	Non-Executive Independent Director
Mr. Khedaim Abdulla Saeed Faris Alderei	Non-Executive Investor Director
Ms. Madhu Vij	Non-Executive Independent Director

Company Secretary & GM (Legal) Mr. Rama Kant

CFO Mr. Prabhat Kumar

Auditors M/s. Rajender Kumar Singal &
Associates LLP
Chartered Accountants

Cost Auditors M/s. Cheena and Associates
Cost Accountants

Bankers

Oriental Bank of Commerce
State Bank of India
Punjab National Bank
Allahabad Bank
ICICI Bank Ltd.
IDBI Bank Ltd.
Bank of India
Axis Bank Ltd.
UCO Bank
Central Bank of India

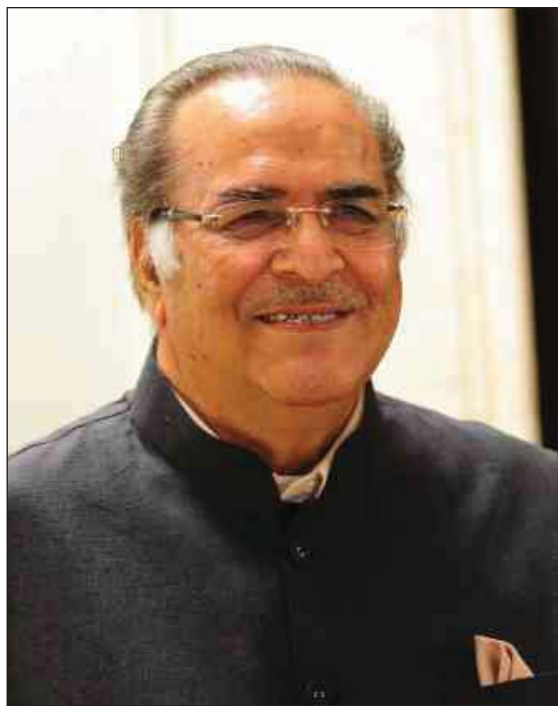
Depositories:

National Securities Depository Ltd. (NSDL)
Central Depository Services (India) Ltd. (CDSL)

Transfer Agents

M/s Skyline Financial Services Pvt. Ltd.
D-153A, 1st Floor, Okhla Industrial Area, Phase -I
New Delhi-110020, Ph.: 011-26812682, 83, 84

Chairman Message



Dear Shareholders,

Greetings

It gives me immense pleasure to place before you the Annual Report of your Company for the financial year 2015-16. The export of Basmati Rice grew by healthy 11% in volume terms as compared to last financial year, a satisfying performance in the backdrop of current market. Your Company achieved total revenues of INR 11,302 Mn as against INR 11,571 Mn in the same period last year. The last year was very challenging one because it saw lowest basmati prices in last 8 years that resulted into lower top-line for the Company.

The growth of volume terms has been possible due to focused sales and marketing efforts in all the major basmati rice importing countries of the world viz., UK, Saudi Arabia, Iran and to the US. IRAN basmati rice market is again giving immense opportunities; KFL have reinforced its marketing efforts by infusing additional resources, thereby ensuring that we get good share in the world's largest basmati rice market of 1 million metric tons.

In our processed & packaged food business, we acquired a new Food Processing Unit near Sonipat, Haryana, which will add to our existing out-sourced production capacity and enable us to meet the increasing demand of our clients for Ready to Eat & Ready to Cook products. The acquisition of new food facility would not only reduce the dependence on our existing out-

sourced facilities but also help us to focus on business by acquiring new customers. We will continue to Invest & Innovate and expand our product offering to add value to our Food business operations.

Our wholly owned subsidiary in UK, Indo European Foods Limited (IEFL) had a very good year with business growth of more than 14% in volume. Led by the flagship Kohinoor Brand, the IEFL has become the leading supplier of rice in big bags in UK grocery market.

Our JV Company, Al Dahra Kohinoor LLC, in its second year of operation is progressing well. Through this JV we'll be able to gain enhanced marketing & trading access for our rice products across the Arabian Gulf & Middle East Region. The rice facility is expected to be operational in Abu Dhabi by the year end.

Keeping in line with our business philosophy, we have developed 100% Certified Organic range of Products under 'Green Grown' brand such as Pulses, Spices, Cereals, Healthy Grains and much more. We plan to introduce this new range in next financial year in the markets of US, Canada, Saudi Arabia, Iran, Oman & Qatar.

With the objective of bringing authentic Indian flavours to the people all over the world, we want your company Kohinoor Foods to become a leading name in the food business globally. In pursuit of our vision to make Kohinoor the most trusted & preferred food brand globally, we would continue to develop quality products, increase operational efficiency and follow our successful strategies.

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 consumers, business partners, employees and stakeholders who have shown their trust in us and have extended their constant support.

With best wishes,

Sincerely

Sd/-

Jugal Kishore Arora

Chairman

Directors' Report and Management Discussion & Analysis

(Rs. In Million)

The following report should be read in conjunction with the audited financial statements and notes for the year ended March 31, 2016 and the audited financial statements and notes for the year ended March 31, 2015. 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 flavour. The Company offers an extensive range that caters to consumers' need in all parts of the world – a wide variety of Basmati Rice, Ready to Eat Curries & Meals, Readymade Gravies, Cooking Pastes, Chutney's, Spices and Seasonings to Frozen Breads, Ghee, Snacks & Paneer (Indian Cottage Cheese), healthy grains, edible oils. Today, the most powerful brand of the Company "Kohinoor" is a household name in the countries like UK, USA, UAE, Canada, Australia, Middle East, Singapore, Japan, Mauritius & other European countries. As of now, the brand 'Kohinoor' is known worldwide.

Your Directors have pleasure in presenting the 27th Annual Report and the Audited Annual Accounts of the Company for the Financial Year ended 31st March, 2016.

Financial Overview

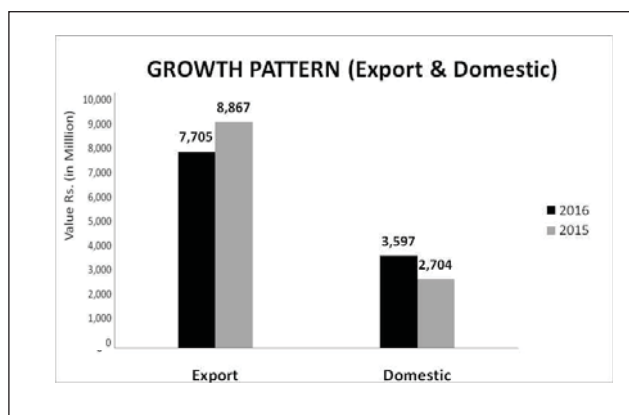
The financial highlights for the year ending 31st March, 2016 are as under:

Particulars	FY'16	FY'15
Total Turnover	11338.27	11611.29
Profit Before Interest, Depreciation and Tax (PBIDT)	1397.88	177.56
Profit/(Loss) Before Exceptional and Extra-Ordinary Items	295.30	(974.03)
Exceptional and Extra Ordinary Items	250.00	—
Profit Before Tax	45.30	(974.03)
Less: Tax Expense	7.17	248.51
Profit After Tax	38.13	(725.52)

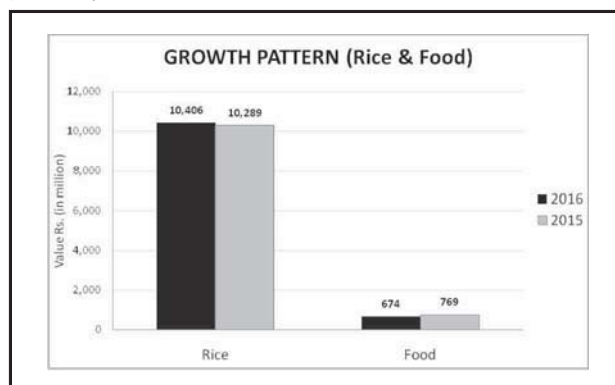
The Board's Report is based on the stand alone financial statements of the Company.

Operations:

For the financial year under review 2015-16, the company's Export Sales stood at INR 7,705 millions as against INR 8,867 millions in previous year and the Domestic Sales stood at INR 3,597 millions as against INR 2,704 millions in the last financial year.



During 2015-2016, the contribution of Rice to the Company's total business is INR 10,406 millions as against Rs.10,289 millions during the last financial year. The Food Business has contributed INR 674 millions in the total turnover as against INR 769 millions in the previous year.



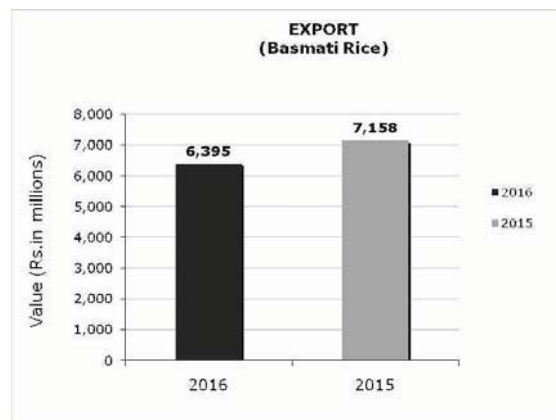
The year saw an increase in Basmati rice exports from India in volume terms; however there was decrease in total value of goods exported. The major reason was low average price of Basmati Rice Paddy due to all time high domestic production of 4.5 Mn Metric Tonnes. Also political instability in countries such as Iraq, Syria & Yemen contributed to the decline of Indian export of basmati rice. In addition, many importing countries of Basmati rice held back as they had enough stock of Indian Rice imported earlier and were now disposing that inventory instead of ordering fresh quantities. Major highlights of performance during the financial year being:

- -Focused sales and marketing efforts in all the major basmati rice importing countries of the world viz. UK, Saudi Arabia, Iran and to the US.
- -Our over-all Basmati Rice exports grew by 11% in volume terms.
- -Impressive growth in the export volume of Basmati Rice in the markets of United Kingdom, USA, Canada, UAE, Kuwait, Qatar, Oman, Egypt, Morocco, New Zealand & Singapore.
- -The UK subsidiary has not only added volumes but have also increased 'Kohinoor' brand listings and its presence in many new multiple stores. TESCO has recently awarded it with an honour of the "Most Preferred Suppliers"
- -The private label business of Basmati Rice grew on the back of acquiring new clients & more buying from existing customer. New clients include from countries such as Iran, USA, Saudi Arabia, Qatar, Kuwait & Sweden. The company focussed on spreading its foot prints across the globe and reaching out to new customers.
- Our Private Label business of Basmati Rice in Saudi Arabia, USA, and Canada has recorded a robust growth.
- Kohinoor Basmati Rice (Brand) exports saw significant increase over last year in Qatar, Oman, Kuwait, UK, New Zealand & Morocco
- We have recorded phenomenal growth in both value and volume terms in export of Basmati Rice to our JV Company M/s Al Dahra Kohinoor LLC (Abu Dhabi)
- Acquired business from new countries such as – Brunei, Cyprus, Djibouti, Mauritania, Guinea, Somalia, Sweden & Taiwan.
- Also a robust increase of 30% in volume in our business of export of Non Basmati Rice.

EXPORT MARKETS

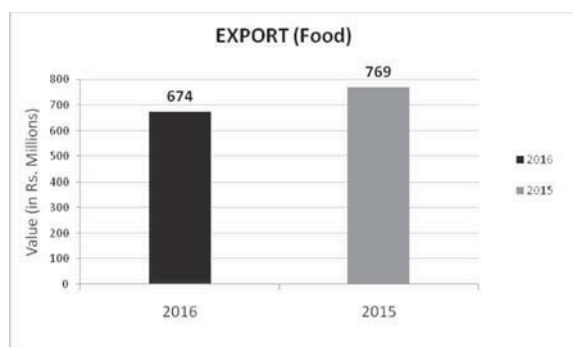
Export- Basmati Rice

This year, in the Export of Basmati Rice, the company did a business of INR 6,395 millions as against INR 7,158 millions in the previous financial year.



Export- Processed Food

This year the export of processed & packaged food products recorded a decline in revenues and stood at INR 674 millions as against INR 769 millions in the previous year. On account of restructuring of US operations, low business revenue from one of our major client of Private Label in South Africa and erratic supply from one of the Vendor the overall business \ momentum was hampered that resulted in slow-down.



Subsidiaries/Joint Venture

UK Operations

Indo European Foods Limited (IEFL) was incorporated in year 2000 in United Kingdom (UK), as a wholly owned subsidiary of Kohinoor Foods Limited (KFL), India, to cater the markets of UK and Europe.

Business performance and plans

IEFL had a very good year, with business growth of around 14% in volumes. Led by the flagship Kohinoor Brand, the IEFL has become the leading supplier of big bags rice to the UK grocery market. (Source: IRI, UK Grocery Major Multiples). The marketing and new product development efforts have focussed on revitalizing the portfolio packaging and on reformulating the food range. IEFL has also invested in road shows that have sampled the products and showcased the brands at major retail outlets.



Investment in People-

The sales and marketing teams of IEFL has been strengthened, experienced marketing people have been hired and provided exposure to various training programmes.

BRC Audit –

The IEFL have been awarded the highly sought after “Grade AA” by the British Retail Consortium (BRC). The Felixstowe factory meets the criteria of global standard for food safety and is equipped to supply all major international retailers.

Forward Thinking-

IEFL while focusing on rice business is also strengthening the food side of its business. The Efforts of IEFL will continue to open new accounts in the UK and Continental Europe.

USA Operations

Kohinoor Foods USA Inc. was incorporated in year 2000 in the state of New Jersey, USA, as a wholly owned subsidiary of Kohinoor Foods Limited (KFL), India, to cater to the markets of US & Canada. Through this subsidiary the Company has demonstrated its presence in both the Ethnic & the Mainstream segment of the business for both Rice & Processed & Packaged food products. The brand 'Kohinoor' is well known in US and under our new strategy we plan to increase the width and the depth of distribution across US & Canada markets to further improve the visibility & strengthen the brand.

During the financial year 2015-16, the company operated under a new restructured business plan; wherein the company appointed a national distributor to sell & promote its brands in US market. It would helped the company (Kohinoor Foods USA Inc.) to considerably reduce the cost of operation & improve financial position. Under this new business model the role of US subsidiary is to support & supervise the Distributor to generate business & sales volume. The re-alignment of business operations of Kohinoor Foods USA Inc. has reduced cost of operations. We expect an improvement in our sales to US under the distribution system. This year we plan to focus on mainstream buyers of rice and food products.

UAE Operations

In FY: 2013-14, Kohinoor Foods Limited entered into a Joint Venture Agreement with Al Dahra (Abu Dhabi) that seeks to establish a robust frame work for supply of Rice & other agro products from India UAE and provide long-term sustainable food security to the people of UAE. Kohinoor Foods also entered into the Shareholders Agreement to jointly develop and manage brown to white rice facility in Abu Dhabi with a capacity of approximately 60,000 MTs per annum scalable up to 1,00,000 MTs and also to build storage facility of approx 30,000 MT. The Joint venture Company M/s Al Dahra Kohinoor LLC and Al Dahra Kohinoor Industries LLC, have been incorporated in Abu Dhabi in which Kohinoor Foods Limited is a Share Holder and also having

a board seat in consideration for providing supervision/guidance to establish these JV Companies. This JV Company in its second year of operation has conducted satisfying & encouraging business so far.

The Rich Rice Raisers Factory LLC, (RRR) is a Joint Venture Company having 25% equity of KFL. The RRR is not doing any business activity since the inception of Al Dahra-Kohinoor Joint Venture. As per the terms of the JV agreement with Al-Dahra; Kohinoor Foods Ltd., have already initiated steps to exit from Rich Rice Raisers Factory LLC, Dubai.

FOOD BUSINESS:

During the year (2015-16) our Food Vertical, executed a business of INR 674 Mn as against INR 769 Mn in the previous financial year, a decline of 12% over last year. UK & US are two major markets for our range of processed & packaged food products. The restructuring of our US subsidiary coupled with ban on import of Indian origin dairy products by UK & EU has resulted into a decline in turnover.

Food Business has few large buyers and we need to expand customer base to avoid over dependence on few buyers, efforts are being made in this direction.

Highlights (2015-16)

- Acquired a new Food Processing Unit near Sonipat, Haryana to add to our existing production capacity and enable us to meet the increasing demand of our clients for Ready to Eat & Ready to Cook products. The acquisition of new food facility would not only reduce the dependence on our existing facilities but also help us to focus on business by acquisition of new customers.
- Developed 100% Certified Organic range of Products under 'Green Grown' brand such as Pulses, Spices, Cereals, Healthy Grains and much more. We are planning to launch this new category of products in Saudi Arabia, Oman & Qatar to name a few.
- Secured a long-term contract (4 years) from our major Private Label Client- COLES thus ensuring steady business over a long period of time.
- Revamped & gave new look to the entire packaging of Kohinoor Branded Products for UK Market for Ready to Cook- Sauces and Ready to Eat-Curries.
- Added new markets such as Oman, Sri Lanka, Uganda, Saudi Arabia & Nepal..

CHALLENGES:-

- Erratic supply from a major vendor resulted in delayed shipment & business loss.
- Re-structuring of US office contributed to business slow-down.



- Export of products to UK containing 'Dairy' suffered due to EU regulations.

- Quality related issues with one of our major clients in South Africa (M/s Tiger Brands) hampered the business & momentum.

FINANCIAL YEAR (2016-17)

- We'll consolidate the existing categories & products by increasing the Width & Depth of Distribution in focus markets.

- We will discontinue non core product categories such as cookies, pickles etc.

- Focus on mainstream market in US & Canada.

- "Green Grown" Organic range of products would be our focused category and look to launch in several countries.

Overview - Food Processing Industry

The Indian market offers a huge potential for the food processing industry - more so because of the fact that it promotes two main growing factors of our Indian Economy - Industry & Agriculture. During the last one decade, India moved from a position of scarcity to surplus in Food. Given the trade in production of food commodities, the Food Processing Industry in India is on an assured track of growth and profitability. It is expected to attract phenomenal investment in capital, human, technological and financial areas. A reason why the Food Processing Industry sector in India has been accorded high priority by the Government of India, with a number of fiscal relief and incentives, to encourage commercialization and value addition. As per a study conducted by McKinsey and Confederation of Indian Industry (CII), the turnover of the total food market is approximately Rs.250,000 Crores, out of which value-added food products comprise Rs.80,000 Crores.

Basmati Rice

Like any other commodity business, Basmati Rice is a category which is little complex and widely unorganized. With an industry estimated consumption of around 1.5 million tonnes of Basmati Rice in India, this is one category which has grown significantly over the years and slated to grow further in times to come. Though majorly unorganized, but year on year this category is experiencing good number of conversions from unbranded to branded packaged Basmati Rice in terms of consumptions in India. This is mainly due to introduction of branded and package basmati rice in many retail outlets. India's growing middle class has augmented the domestic demand of branded rice. Moreover, introduction of modern food retail formats has also propelled the packaged food market, facilitating the availability, visibility and accessibility of branded products. The domestic branded market in India is expected to grow in double digits as compared to single digit growth for unbranded rice. Eating rice is common habit in most of the Indian households and it is usually a part of one of the 3

meals cooked every day. Geographically, the consumption of Basmati is higher in the Northern & Western part of the country while culturally, its consumption is quite high in the Punjabi & Gujarati families. With the view of serving the best to their customers, Basmati consumption is also high in well recognized hotels & large institutions. The consumption of branded packaged Basmati Rice is also being driven by the modern retail that offers wide choice to customers

Ambient - Ready Meals

Ready Meals, is a category which is gaining popularity globally though still at a growing stage; but the factors that has so far contributed to sales of Ready Meals have been increasing consumer base of working people who have less time to spend on cooking, Eating out of home have become a common phenomena on weekends, growth of Modern trade, the Convenience of making exotic vegetarian & non-vegetarian dishes in just a few minutes, etc. As this category grows, an Innovative value addition to products with Health & Nutrition is expected to become an important aspect of it.

Frozen Food - Ready Meals

Though Frozen Food as a category constitutes many products, majority of it being the frozen unprocessed non-vegetarian food, but within this segment vegetarian Frozen Ready Meals, snacks too is growing at significant rate. The factors that contribute to the growth of this category is very similar to that of Ambient Ready Meals like growing consumer base of working people who have less time to spend on cooking, eating out of home becoming a common phenomena every week & on weekend, growth of Modern trade, the convenience of making exotic vegetarian dishes in just a few minutes, etc.

Risks & Concerns

Macro-economic factors like recession, subdued demand and political uncertainty may affect the business of the Company and the industry at large as well. 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 or other calamity or violent changes in the cost structure could



adversely affect the Company's ability to reach its consumers with the right value proposition. However, we are ready with plans that might help us at such times. However, the Company's long term relationship with farmers built on trust ensures constant supply and thus over the years it has not faced any procurement problems. Also, adequacy of irrigation facilities in the Basmati producing regions mitigates these uncertainties.

High working capital requirement: Basmati rice requires to be aged for 9-12 months before selling, leading to huge working capital requirements. This results in low ROCE for the industry. Combating this risk, efficient working capital management system has been set in place by the Company and cash flow is monitored on daily basis.

Intense competition from unorganized sector: Another characteristic of this industry is the presence of unorganized sector offering basmati in loose unbranded form which intensifies competition. The Company is moving towards branded products and has invested significantly in building strong brands which helps differentiate their product.

Dividend

Your Directors do not recommend any dividend for the financial year 2015-16.

Re-Appointment / Appointment of Directors

In accordance with the provisions of the Companies Act, 2013, Mr. Khedaim Abdulla Saeed Faris Alderei (holding DIN – 06699678), Director of the Company shall retire by rotation at the ensuing Annual General Meeting and being eligible offer himself for reappointment. Your Directors recommend his re-appointment.

Mr. Vijay Burman, Mr. Sandeep Kohli, Mr. Maharaj Kishen Trisal and Mr. Satish Chander Gupta, were appointed as an Independent Director of the Company, under Section 149 of the Companies Act, 2013, for a period of two consecutive years from 1st April, 2014 to 31st March, 2016, at the Annual General Meeting of the Company held on 29th September, 2014.

The Board of Directors on the recommendation of the Nomination and Remuneration Committee, have approved at their Meeting held on 11th February, 2016 the re-appointment of Mr. Vijay Burman, Mr. Sandeep Kohli, Mr. Maharaj Kishen Trisal and Mr. Satish Chander Gupta, as an Independent Directors of the Company, from 1st April, 2016, to hold office upto 31st March, 2021, not liable to retire by rotation, subject to the approval of the shareholders.

Subsidiary, Joint Ventures and Associate Companies

The company has no material subsidiary in accordance with the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

In accordance with section 129(3) of the Companies Act, 2013, we

have prepared consolidated financial statements of the Company and all its subsidiaries, which form part of the Annual Report. The statement provides the details of performance, financial positions of each of the subsidiaries.

During the year the Board of Directors of the Company had reviewed the affairs of the subsidiaries and a statement containing the salient features of the financial statement of our subsidiaries and Joint Venture in the prescribed format AOC-1 is enclosed as Part I and Part II of Annexure A to the Consolidated Financial Statement and hence not repeated here for the sake of brevity.

In accordance with Section 136 of the Companies Act, 2013, the audited financial statement, including the consolidated financial statements and related information of the Company and audited accounts of each of its subsidiaries, are available on our website www.kohinoorfoods.in/investor. These documents will also be available for inspection during business hours at our corporate office.

Further the Policy for determining material subsidiaries as approved by the Board may be accessed on the Company's website at the link: www.kohinoorfoods.in/investor

Internal Control System

The Company has in place adequate internal control systems that facilitates the accuracy and timely compilation of financial statements and management reports, ensures regulatory and statutory compliance, and safeguards investor interest by ensuring the highest level of governance. The control system ensures that all assets are safeguarded and protected and that the transactions are authorised, recorded and reported correctly. A CEO and CFO Certificate provided by Jt. Managing Director and CFO, included in the Corporate Governance Report confirms the existence of effective internal control systems and procedures in the Company's Internal audit function evaluates the adequacy of, and compliance with policies, plans, regulatory and statutory requirements. The Internal Auditors directly report to the Board's Audit Committee, thus ensuring the independence of the process. It also evaluates and suggests improvement in effectiveness of risk management, controls and governance process. The Audit committee and Board provides necessary oversight and directions to the Internal audit function and periodically reviews the findings and ensures corrective measures are taken. In the opinion of the management and the internal auditors, there exists adequate safeguard against fraud and negligence within the Company.

Our Offices as well as the manufacturing facilities endorse the highest health, safety, security and environmental standards.



Internal Financial Controls

The Company has in place well defined and adequate Internal Financial Controls which are tested from time to time for necessary improvement, if any required.

Listing at Stock Exchange

The Equity Shares of the Company are listed with BSE Limited and National Stock Exchange of India Ltd. The annual listing fee for the year 2016-17 has been paid to the Exchanges.

Corporate Governance

Your Company has taken adequate steps to ensure compliance with the provisions of Corporate Governance as stipulated by the Stock Exchanges. Pursuant to SEBI (LODR), Regulation, 2015, a report on the Corporate Governance, Certificate regarding Compliance, Secretarial Audit Report and Jt. Managing Director (CEO) and CFO certification along with the Auditors Certificate has been made part of the Annual Report.

Auditors

M/s Rajender Kumar Singal & Associates LLP, Chartered Accountants, New Delhi, Statutory Auditors of the Company, holds office till the ensuing Annual General Meeting and are eligible for re-appointment. They have confirmed their eligibility to the effect that their re-appointment, if made, would be within the prescribed limits and they are not disqualified for re-appointment.

The Board pursuant to the provisions of Section 139, 142 and other applicable provisions of the Companies Act, 2013 and on the recommendation of the Audit Committee has considered the appointment of M/s Rajender Kumar Singal & Associates LLP, Chartered Accountants, New Delhi (Firm Registration No. 016379N), as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting to the conclusion of next Annual General Meeting.

Auditors Report

The Company has received the Auditors Report duly signed by M/s Rajender Kumar Singal & Associates LLP, Chartered Accountants, New Delhi, and took note on the same. Further as mentioned in the Auditors Report, attention is drawn to Note No. 11(c), 38(a)(i) and 24 to the financial statements, the board discussed the contention of the Auditor and is of the view that the losses incurred by the Wholly Owned Subsidiary is not going to affect the Company's investment in long run. As per advice receive from legal experts and on the basis of merit of the case, there is a high probability that the income tax order will be set aside and the demand will be quashed. Further with regard to the managerial remuneration paid to Executive Director, Mr. Jugal Kishore Arora, Mr. Satnam Arora and Mr. Gurnam Arora, during the period from April 2015 to March 2016 in excess of the limit specified in the section 197 of the Companies Act, 2013, which is subject to approval of the central government. The Management

is in the view that the company is in the process of obtaining the requisite approval from the central government for such excess remuneration and is hopeful that it will received the approval without any modification, as the same approval was received earlier as well without any modification. Accordingly, management is of the view that no provision in respect of the above demand is required to be made in the books of accounts.

Cost Auditors

The Cost Auditor M/s Cheena and Associates appointed as Cost Accountants of the Company for the year 2015-16 and has completed the audit of the cost record of the Company. The Cost Audit Report does not contain any qualification, reservation or adverse remark.

The Board pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 and Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), on the recommendation of the Audit Committee has approved the appointment of M/s Cheena & Associates, Cost Accountant Firm to conduct the audit of the cost records of the Company for the financial year ending on March 31, 2017 and remuneration to be paid subject to rectification by shareholders.

Secretarial Audit

The Board of Directors pursuant to the Provision of Section 204 of the Companies Act, 2013, has appointed M/s Vinod Aggarwal and Associates, Company Secretary Firm, (having FCS No. 8007 and CP No. 8816) to conduct Secretarial Audit of the Company for the Financial Year 2016-2017.

Secretarial Audit Report

The Secretarial Auditor M/s Vinod Aggarwal and Associates, Company Secretaries, appointed for the year 2015-16 and has completed the secretarial audit of the Company. The Secretarial Audit Report as received from the Practicing Company Secretary is annexed to the Annual Report. As per the Secretarial Audit Report the Company has complied with all the applicable acts, laws, rules and regulations and does not contain any qualification, reservation or adverse remark.

Internal Auditor

The terms of M/s SPMG & Co., Chartered Accountants, New Delhi, who was reappointed as Internal Auditor of the Company for the Financial Year 2015-16 expired on 31st March, 2016.

Your Directors have approved their reappointment in the Board Meeting dated 30th May, 2016, for the financial year 2016-17.