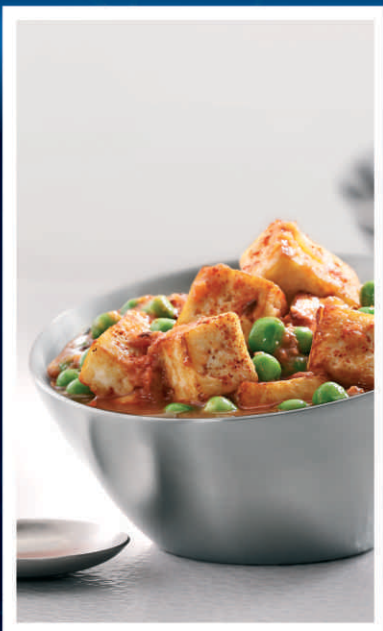


# Kohinoor Foods Ltd.

**ANNUAL REPORT 2018-19**





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# Kohinoor Foods Ltd.

## ANNUAL REPORT 2018-19

**Registered Office and Share Department** : Pinnacle Business Tower, 10th Floor,  
Shooting Range Road, Surajkund,  
Faridabad, (Haryana)-121001  
CIN: L52110HR1989PLC070351  
w.e.f. 16th August, 2017  
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)-131027  
  
: 42-43 Milestone, G.T. Karnal Road,  
Village Sultanpur, Bahalgarh,  
Sonapat (Haryana)-131021

**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  
Old No.- 25, New-33, G/F JMD  
Koninoor Galleria Masjid Moth,  
G.K-II, New Delhi - 110048

**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.

**Listing of Equity Shares** : National Stock Exchange of India Ltd. (NSE)  
BSE 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. M.K. Trisal	Non-Executive Independent Director (Resigned w.e.f. 22/10/18)
Mr. S.C. Gupta	Non-Executive Independent Director (Resigned w.e.f. 28/05/19)
Ms. Madhu Vij	Non-Executive Independent Director (Resigned w.e.f. 11/06/19)
Mr. Sandeep Kohli	Non-Executive Independent Director (Resigned w.e.f. 22/06/18)
Mr. Nitin Arora	Whole Time Director (Resigned w.e.f. 10/08/18)

### Company Secretary

Mr. Deepak Kaushal  
(Appointed w.e.f. 14.08.18)  
Mr. Rama Kant  
(Resigned w.e.f. 19/01/19)  
Mr. Ankit Sharma  
(Appointed w.e.f. 13/06/19 and resigned  
w.e.f. 10/07/19)

### CFO

Mr. Kamal Deep Chawla

### 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

### Depositories:

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

### Registrar & Transfer Agents

M/S. Skyline Financial Services Pvt. Ltd.  
D-153A, 1st Floor, Okhla Industrial Area, Phase-I, New Delhi-110020  
Tel.: +91-011-4045 0193-197 | Fax: +91-011-2681 2682  
Web: www.skylinert.com



### Chairman Message



Dear Shareholders,  
Greeting

It gives me pleasure to place before you the Annual Report of your Company for the financial year 2018-19. Your Company achieved a total turn-over of INR 3997 Million (Mn.) as against INR 8,584 Mn. of last year, the lower turnover is on account of erratic global rice market conditions and cash crunch faced by the Company. The rice export value stood at INR 171 Mn. as against INR 4,609 Mn. of last year. However, in domestic rice segment your company has registered a growth of 24.30% on YOY basis.

Basmati Rice Export is mainly driven by demand from some of the Middle East Countries like, Iran, Saudi Arabia, Yemen, Iraq, UAE etc. Iran, Yemen, Iraq are facing various problems making it difficult to export and realize sale proceeds from these countries.

Nevertheless, last year had been challenging one because of financial constraint and ongoing economic pressure. On the hindsight export market was low on sentiments & actual realization due to economic instability around countries beside our own constraint of business operation due to liquidity crunch. However Kohinoor is still striving to grow steadily and place its presence around world across renowned players.

KFL participates across nations and around world, under its few

prestigious brands for sale of rice and processed & packed food business.

However you will be glad to note that the company has done well in the current situation in domestic rice segment which has registered a Year on Year (YOY) growth of 24.30%.

Our UK operations continue to focus on growth both in Rice and processed food range of products.

We further inform the members that with an objective to improve the financials of the company, your company is exploring the possibilities such as:

- a. Monetising some of the assets of the company.
- b. Looking for Investor to infuse funds in the company.
- c. Negotiating with the Banks for restructuring of borrowings.

The company is working aggressively on the said lines to improve its financial/business to achieve the seamless working.

With the objective of bringing authentic Indian flavours to the people all over the world, we want your company Kohinoor Foods Ltd. to become a leading name in the food business globally as well. In pursuit of our vision to make Kohinoor the most trusted & preferred food brand in export markets, we would continue to develop 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, 2019 and the audited financial statements and notes for the year ended March 31, 2018. 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. 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, 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. During the current year the company is promoting its "MONSOON" brand in India as well as worldwide and started selling product under this new brand as well.

Your Directors have pleasure in presenting the 30th Annual Report and the Audited Annual Accounts of the Company for the Financial Year ended 31st March, 2019.

#### Financial Overview

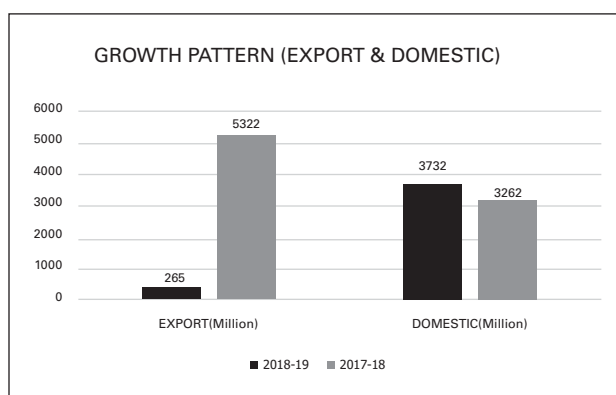
The financial highlights for the year ending 31st March, 2019 are as under:

Particulars	FY'19	FY'18
<b>Total Turnover</b>	<b>4065.84</b>	<b>8623.96</b>
Profit/(Loss) Before Interest, Depreciation and Tax (PBITD)	(1758.75)	274.87
Profit/(Loss) Before Tax	(2913.88)	(695.80)
Less: Tax Expense	941.86	14.48
Profit/(Loss) After Tax	(3855.75)	(710.28)
Total Comprehensive income for the year	(3854.50)	(709.73)

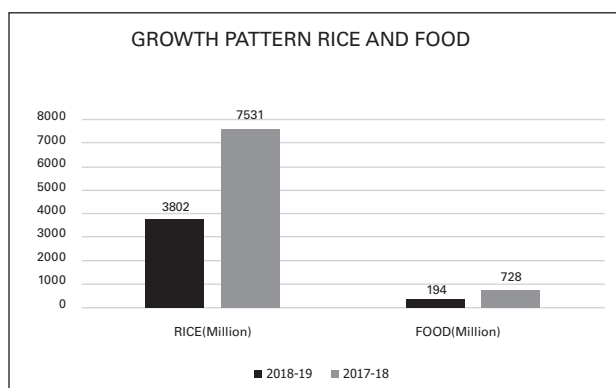
The Board's Report has been prepared based on the stand alone financial statements of the Company.

#### Operations:

For the financial year under review 2018-19, the company's Export stand at INR 265 million as against INR 5,322 million in previous year while as the Domestic Sales stood at INR 3,732 million as against INR 3,262 million in the last financial year.



The contribution made by Rice to the Company's business is INR 3802 million as against INR 7531 million in the last financial year, while the Food Business stood at INR 194 million as against INR 728 million in the previous year.







# Kohinoor Foods Ltd.

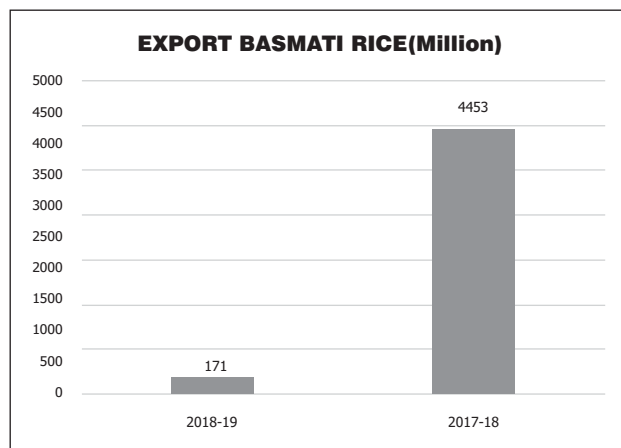
## ANNUAL REPORT 2018-19

The year saw an increase of 24.30% in basmati rice domestic sales in value terms in comparison to last year sales. Export market was down due to political instability in countries such as Iraq & Syria and the financial constraint faced by the company. During the year under review export realisation price had an upward trend as it is evident from the fact that average sale price was Rs 75,778 per MT as compared to Rs. 70,987 during the last year. These phenomena in the pricing led to the sub-dude sentiment. Focused sales and marketing efforts in all the major basmati rice importing countries of the world viz. UK, Australia, Saudi Arabia, Iran, UAE, Yemen and US were exercised to control the steep debacle in sale of Basmati Rice in international market.

### EXPORT MARKETS

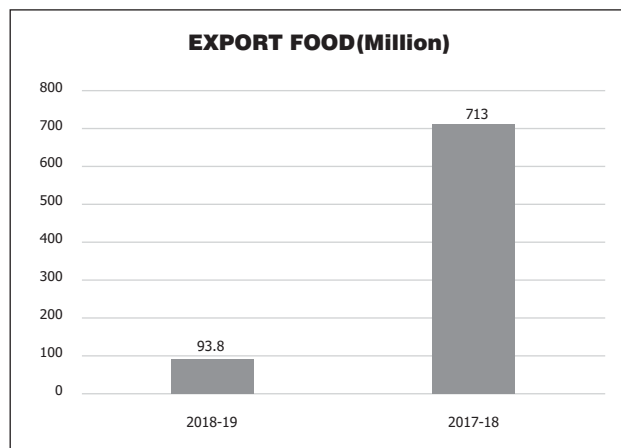
#### Export- Basmati Rice

This year, in the Export of Basmati Rice, the company did the business of around INR 171 million as against INR 4,453 million in the previous financial year.



#### Export- Food

This year the export of processed & packaged food products the company did the business of around INR 93.8 million as against INR 713 million in the previous year. The new food factory has started its operation effectively which improved our production & revenues.



### Subsidiaries / Joint Venture:

#### U.K 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.

IEFL Sales show marginal decreases from last year i.e GBP 21.80 Million in comparison of last year GBP 24.15 Million. The Loss of this company decreased effective cost control. This operation continues to focus on profitable growth both in Rice and processed food range of products.

IEFL, has created a wide network of distribution for our Rice & Processed food items in UK market.

IEFL, in recent times has focused more on Kohinoor processed food products. Kohinoor cooking sauces and ready meals are currently listed and placed with prestigious multiple retail chains like -Tesco, Asda, Sainsburys, Aldi & Bookers etc.

IEFL marketing team is also focused in doubling the 'Kohinoor' processed foods, having re-launched the sauces & RTE lines in fresh packaging & refurbished recipes.

#### 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. The brand 'Kohinoor' is well known in USA for its quality rice and food items.

However during the current year this company did not carry any business nor earned any commission income. However it expects to restart its business and will soon improve its operations.

### FOOD BUSINESS:

During the year 2018-19, in processed & packaged food products the company did the business of around INR 194 million as against INR 727 million in the previous year. The new food factory has started its operation effectively which improved our production & revenues.

UK, Australia, USA, Canada are major markets for our range processed & packaged food products.

Kohinoor has introduced the new packaging of ready to eat curries and simmer sauces to the World market where UK has got the maximum appreciation from the entire mainstream and got listed with top retails of the country such as TESCO, ASDA, COOP & many more

It's not just stop here strong Research and Development team has gained appreciation from leading retail giants like as ALDI Australia, ALDI UK, Coles, etc by submitting their new developments to these



clients and same would definitely go for the launch once their respective procedure will be completed.

### **Highlights (2018-19)**

- Kohinoor has obtained 100% Export Oriented Unit (EOU) status for its food processing unit to fetch new businesses from Australia, UK & USA to and import all restricted Grains.
- Focus on mainstream private label of world leading retail giants of their respective local product lines which have bigger chunk in the market.
- Further introductions of new range of Ready to eat Curries & Simmer Sauces under Kohinoor brand in UK market.

### **CHALLENGES:**

- Intermittent supplies from our major business partner resulted in delayed shipments.
- Export of Basmati Rice and ready to eat rice to US, UK etc. with respective allowed pesticide MRL's limit.
- Major changes in import procedures in markets like Australia, US & UK.

### **Overview - Ready To Eat Industry**

India ready-to-eat food market stood at \$ 261 million in 2017 and is projected to grow at a CAGR of over 16% during 2018-2023 to reach \$ 647 million by 2023. Anticipated growth in the market can be attributed to rising urbanization, increasing disposable income of middle-class population and changing taste preferences of Indian consumers. Moreover, growing demand for quick food and presence of freshness and high nutritional value in these foods is further aiding growth of India ready-to-eat food market. Demand for ready-to-eat food products is recording high growth in metros where a lot of working people don't get enough time to cook proper meals. Additionally, longer shelf life and easy availability of ready-to-eat food products is further pushing their demand across the country. The most popular ready-to-eat items include preparations of paneer, chana masala, rajma masala, pav bhaji, etc. Rise in demand for ready-to-eat food products has created the interest among many companies to enter this space which is likely to contribute to the growth of the market in the coming years. Furthermore, innovation in products offerings, sustainable packaging, preference of single serving frozen products, aggressive marketing & promotional strategies would steer growth in the market during forecast period.

Convenience food is a concept that has been prevalent and popular in the western countries for a long time now. Globally, the demand for ready-to-eat (RTE) food products has been increasing over the

last few years on account of busier lifestyle of consumers and their rising income levels. Similar factors are fuelling the growth in the packaged food sector in India.

The Indian food and grocery market is the world's sixth largest, with retail contributing 70 percent of the sales. The Indian food processing industry accounts for 32 percent of the country's total food market, one of the largest industries in India and is ranked fifth in terms of production, consumption, export and expected growth. It is believed that the Food Processing industry will be a US\$ 25 billion market in India by 2020. Out of which, the serviceable metro market is expected to be close to almost US\$ 20 billion. The past couple of years have seen a tremendous growth of this segment due to high consumer acceptance for convenience food nationwide.

Convenience food is a concept that has been prevalent and popular in the western countries for a long time now. Globally, the demand for ready-to-eat (RTE) food products has been increasing over the last few years on account of busier lifestyle of consumers and their rising income levels. Similar factors are fuelling the growth in the packaged food sector in India.

Increased employment opportunities have increased migration of people from tier 1 and tier 2 cities to metropolitans, which is an important driver for RTE food products in the country. Nuclear families and bachelors residing in metros for study or employment purpose are among the major consumers of RTE food products in India. The number of working women is particularly on the rise, which is again driving the demand. All these factors are creating significant awareness about ready meals among consumers. Growth in retail chains and outlets is also adding to the product awareness among consumers in the country's, supermarkets, convenience stores and hypermarkets, which are emerging as the key points-of-sale for offering a wide range RTE food products.

The Indian cooking styles have undergone considerable changes over the past few years owing to the advent of modern technology and several other changes such as urbanization, increasing working population, increase in female work population and the rise of nuclear families. People have been increasingly shifting to ready-to-eat food items in order to save the time involved in preparing meals.

With the growing media awareness, literacy rates and standard of living, people have grown more responsive towards the health and hygiene standards associated with food products. There has been a shift witnessed in the customers focus from price to quality in the recent years, particularly in the urban and a few semi-urban areas. Consumers have been drifting from openly or loosely sold food products to the consumption of hygienically packaged fortified RTE foods.

A recent survey done by Assocham (Associated Chamber of



Commerce and Industry of India) says about 79 percent of Indian households today prefer to have instant food due to time constraints. With two working parents and families becoming nuclear, people prefer authentic, nutritious store bought options rather than spending hours in the kitchen after work. In recent years, the focus of the ready-to-eat market has gradually shifted from just homemakers or students to young professionals and families.

It is found that 76 percent of parents in big cities, mostly both working with children under the age of five, are serving easy-to-make meals in some form or the other, at least 10-12 times every month! No wonder that the RTE market continues to expand at a brisk pace. The market for spreads, sauces and dips is now close to US\$ 2 billion and growing at 22 percent CAGR. The RTE meals market is currently valued at INR 23 crore. It grew at a compounded annual growth rate of 3-5 percent in the last five years. According to data research company Nielsen, the breakfast mixes market is growing at 17 percent and is currently pegged at Rs 275 crore.

However, as fancy as the various breakfast cereals available in the market might be, we crave the satisfaction that only a traditional dish can give. And hence the traditional brands are coming up with options that are suitable for the Indian palate. The traditional brands have forayed into items such as bhel bar, pot upma, poha which can be had on the go, anytime, anywhere. To fulfil the demand of this large section of consumers, one will find a lot of new RTE brands in the market.

Unlike the giant brands though, the new entrants are trying to create a niche category for themselves, be it breakfast cereals, canned, frozen foods, spreads, chutneys, and so on. Companies are looking to attract consumers within areas like olive oil, spreads and ready meals by offering promotions, new product developments, health and nutritional benefits and attractive packaging.

The Indian consumer behavior has been influenced by exposure to other cultures primarily in the West through travels, and popular literature. The ready-to-eat market is somewhat saturated in the West, hence developing countries like India are attracting the majority of big players in the promise of a high growth opportunity. The booming food sector, multiple food outlets, the popularity of international brands and distinctive distribution channels adopted by players are expected to help the market grow at a continuous pace.

Consumers are increasingly realizing that majorly RTE foods are loaded with preservatives for a longer shelf life. Increasing health awareness, particularly in the young generation, is hindering the growth of this market. Still a large Indian population is price sensitive and therefore the price factor of RTE food makes them affordable only to select economic classes of the society. Hence it becomes all the more essential for new players in this field to marry convenience

with health benefits to ensure convenience food does not mean compromising on quality. The key is to provide RTE food options focused on Indian taste for everyday consumption, which are not harmful in the long run.

This is the challenge taken up specifically by food tech start-ups who want to be considered as serious players and are getting into the game after years of R&D. With state of the art technology in packaging and processing to ensure the end product is not just a world class product that can eventually be on the shelves in countries across the globe but a product that is a strong contender in being a game changer.

### **Basmati Rice**

The year of 2019 has been a year of records of sorts for the Indian basmati rice industry as on the one side it is going to break all previous export figures in value terms, the total export value crossing 30,000 Crores & on the other the industry has concerns & issues to be addressed in terms of 'pesticide residues' & cash flows from its largest importing country viz. Iran.

For the year 2019 – 20, the scenario on the basmati rice horizon is quite bright as the coming harvest is indicating towards all time high bumper crop of 1121 variety & Iran, being the largest importer of this Indian 1121 quality of basmati, with payments of old dues now having started in right earnest from Iran, this will pave way for maintaining the basmati rice export figure of 30,000 Crores if not crossing this mark as well. The challenge of Pesticide residue shall remain, however, since Europe only contributes meagre 7 to 8% of total exports from India, the exporters shall recover the deficit from other emerging markets of Australia and the Far East along with North America, which too is showing an excellent growth in its demand for the king of rice i.e. Indian Basmati. The traditional basmati rice hub for India i.e. the Arab World (Middle East) in general and Saudi Arabia is particular is showing no slow down, the region is a bastion of Indian basmati rice and shall maintain the status quo in all probability.

### **Risks & Concern**

The Banks have classified the Company's Accounts as Non Performing Asset and served Notice under section 13(2) of The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, in the month of July 2018. The Company had replied of said notices and negotiating with different workable options.

The Banks have filed petition against Company before Hon'ble NCLT Bench Chandigarh, the company is contesting the matter and the petition is yet to be admitted.

The observations of the Auditor with regard to the management assessment of the company's ability to continue as going concern in





view of the liquidity problems/decrease in business. The management of the company believes that it can continue to retain as going concern, based on the Resolution plan submitted to the Banks by company and the interest shown by prospective investors in the company.

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:**

In a country like India, where more than 60 per cent of the area under cultivation is not irrigated, farm production is highly vulnerable to fluctuations in rainfall. Beside production risk, Indian farmers also face high market risk. Farm harvest prices in the country show high inter and intra year volatility. Price variation is quite pronounced in the regions and commodities where price support mechanism is not operative. Further 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 a strong brand which helps in differentiating their product.

### **Dividend**

Your Directors do not recommend any dividend for the financial year 2018-19.

### **Re-Appointment / Resignation of Directors**

In accordance with the provisions of the Companies Act, 2013, Mr. Gurnam Arora (holding DIN – 00010731), Director of the Company retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment. Your Directors recommend this resolution for approval of the members.

The Re-Appointment and Remunerations of Mr. Jugal Kishore Arora (DIN 00010704), Mr. Satnam Arora (DIN 00010667) and Mr. Gurnam Arora (DIN - 00010731) had been approved by the Shareholders in the 28th Annual General Meeting of the Company held on 25th September, 2017 for the period of three years subject to the approval of the Central Government. Further the Company had obtained approval from the Central Government in this regard.

During the year the company has received resignation of Mr. Nitin Arora, Executive Director and Mr. M. K. Trisal, Independent Director of the Company from Board and Committees of Kohinoor Foods Limited w.e.f. 10th October, 2018 and 22nd October, 2018 respectively. The Board has accepted the resignation and necessary form has been filed with Registrar of Companies NCT of Delhi and Haryana.

Further in compliance of the provisions of Stock Exchanges Circular having Ref No. NSE/CML/2018/24 dated 20th June, 2018, Mr. Sandeep Kohli, Independent Director of the Company has voluntarily resigned from the Directorship of Kohinoor Foods Limited, effective from 22nd June, 2018 and necessary form has been filed in this regard.

This is to further inform that Mr. S. C. Gupta and Ms. Madhu Vij, Independent Directors of the company have resigned from the Board and Committees of Kohinoor Foods Limited w.e.f. 28th May, 2019 and 11th June, 2019 respectively and necessary form has been filed in this regard.

### **Appointment / Resignation of Company Secretary**

This is to inform that Mr. Deepak Kumar Kaushal, has been appointed as Company Secretary and Manager (Legal) of the Company w.e.f. 14th August, 2019.

This is to further inform that Mr. Rama Kant, Company Secretary and GM (Legal) (Ex-CS) of the Company has voluntarily resigned from the position of Company Secretary of Kohinoor Foods Limited, effective from 19th January, 2019 and necessary form has been filed in this regard.



This is to further inform that Mr. Ankit Sharma, was appointed as Company Secretary and Manager (Legal) of the Company w.e.f. 13th June, 2019. This is to further inform that earlier Mr. Ankit Sharma was designated as Assistant Manager, Secretarial and Legal of the Company and was handling the Secretarial and Legal function of the Company since 17th April, 2017. Mr. Ankit Sharma, Company Secretary and Manager (Legal) (Ex-CS) of the Company has voluntarily resigned from the position of Company Secretary of Kohinoor Foods Limited, effective from 10th July, 2019 and necessary form has been filed in this regard.

### Re-Valuation of Property, Plant and Equipment

The Company has adopted revaluation model for Land & Building. All the assets belonging to these classes of assets are carried at revalued amount being its fair value at the date of revaluation less subsequent depreciation. The company shall carry out the revaluation of these assets periodically after every 3 to 5 years.

Property, Plant & Equipment under all other classes are stated at cost of acquisition/installation inclusive of freight, duties, and taxes and all incidental expenses and net of accumulated depreciation. In respect of major projects involving construction, related pre-operational expenses form part of the value of assets capitalized. Expenses capitalized also include applicable borrowing costs. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably.

Property, plant and equipment which are not ready for intended use as on the date of Balance Sheet are disclosed as "Capital work-in-progress" and stated at the amount spent up to the date of balance sheet.

Intangible assets are stated at their cost of acquisition.

### 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.

Further these Financial Statements have been prepared in

accordance with the Indian Accounting Standards (hereinafter referred to as the 'Ind AS') as notified by Ministry of Corporate Affairs pursuant to section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016. These financial statements for the year ended March 31, 2019 are prepared under Ind AS. For all periods up to and including the year ended March 31, 2017, the financial statements were prepared in accordance with the accounting standards notified under the section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (hereinafter referred to as 'Previous GAAP') used for its statutory reporting requirement in India immediately before adopting Ind AS.

The Financial Statements have been prepared on the historical cost convention on going concern basis and on accruals basis unless otherwise stated.

The financial statements of Kohinoor Foods Limited ("Holding Company of KFL") together with its subsidiaries (hereinafter collectively referred to as "Group") are consolidated to form Consolidated Financial Statements (CFS). Consolidated Financial Statements consolidate the financial statements of KFL and its Wholly Owned Subsidiaries.

The parent company has not received audited financial statement from its Joint venture Company, Rich Rice Raisers LLC. The Management considers that the parent company is not in position to exercise control over this entity. Hence the results of Joint Venture Company have not been considered in the Consolidated Financial Statements. Rich Rice Raisers LLC, in which, KFL hold 25% shareholding, has closed its operation.

KFL was holding 20% share in Al Dhara Kohinoor LLC and Al Dhara Kohinoor Industries LLC. Al-Dahra Kohinoor LLC has exercised the call option, which KFL has accepted. Upon completion of the formalities the shareholding of the parent company in both of these associates has reduce to NIL and they are not considered as Associates Companies for the Current Year.

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 in the prescribed format AOC-1 is enclosed as Annexure to the Financial Statement and hence not repeated here for the sake of brevity.

In accordance with Section 136 of the Companies Act, 2013, the