

DIFFICULT  
TIMES.  
DEFINING  
RESULTS.



Annual Report 2015-16

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# Corporate Information

## BOARD OF DIRECTORS

### Chairman & Managing Director

Mr. Anil Kumar Mittal

### Joint Managing Directors

Mr. Arun Kumar Gupta

Mr. Anoop Kumar Gupta

### Whole Time Directors

Mr. Ashok Chand

Ms. Priyanka Mittal

### Independent Non-Executive Directors

Mr. Ashwani Dua

Mr. Devendra Kumar Agarwal

Mr. Shyam Arora

Mr. Vinod Ahuja

## CHIEF FINANCIAL OFFICER

Mr. Rakesh Mehrotra

## COMPANY SECRETARY AND COMPLIANCE OFFICER

Mr. Raman Sapra

## BOARD COMMITTEES

### • Audit Committee

Mr. Devendra Kumar Agarwal - Chairman

Mr. Ashwani Dua - Member

Mr. Shyam Arora - Member

Mr. Vinod Ahuja - Member

### • Nomination and Remuneration Committee

Mr. Ashwani Dua - Chairman

Mr. Shyam Arora - Member

Mr. Vinod Ahuja - Member

### • Stakeholders Relationship Committee

Mr. Ashwani Dua - Chairman

Mr. Shyam Arora - Member

Mr. Vinod Ahuja - Member

### • Corporate Social Responsibility Committee

Mr. Anil Kumar Mittal - Chairman

Mr. Anoop Kumar Gupta - Member

Mr. Ashwani Dua - Member

Ms. Priyanka Mittal - Member

### • Risk Management Committee

Mr. Arun Kumar Gupta - Chairman

Mr. Anoop Kumar Gupta - Member

Mr. Ashok Chand - Member

Mr. Rakesh Mehrotra - Member

## STATUTORY AUDITORS

M/s. Vinod Kumar Bindal & Co.

Chartered Accountants

Shiv Shushil Bhawan

D-219, Vivek Vihar, Phase-I,

New Delhi - 110 095

## SECRETARIAL AUDITORS

M/s. DMK Associates

Company Secretaries

31/36, Basement, Old Rajinder Nagar,

Delhi - 110 060

## INTERNAL AUDITORS

M/s. Ernst & Young LLP ("EY"),

Golf View Corporate Tower-B, Sector-42,

Sector Road, Gurgaon - 122 002, Haryana

## COST AUDITORS

M/s. HMVN & Associates

Cost Accountants

1011, Pearls Best Heights-II, C-9, Netaji

Subhash Place, Pitampura, Delhi - 110 034

## REGISTRAR & SHARE TRANSFER AGENTS

Alankit Assignments Limited

Alankit Heights, 1E/13,

Jhandewalan Extension,

New Delhi - 110 055

Phone: (011) 4254 1955/59

## REGISTERED OFFICE

5190, Lahori Gate, Delhi - 110 006

Phone: 011 - 2396 8328

Fax: 011 - 2396 8327

E-mail: investor@krblindia.com

Website: www.krblrice.com

CIN No.: L01111DL1993PLC052845

## CORPORATE OFFICE

C-32, 5th & 6th Floor, Sector 62,

Noida, Uttar Pradesh - 201 301

Phone: 0120-4060 300

Fax: 0120-4060 398

## BANKERS

State Bank of India

The Hongkong & Shanghai Banking Corporation Limited

ICICI Bank Limited

DBS Bank Limited

HDFC Bank Limited

Kotak Mahindra Bank Limited

Karnataka Bank Limited

Corporation Bank

Societe Generale

Scotia Bank

## WORKS

- Ghaziabad Unit  
9th Milestone, Post Dujana, Bulandshahr Road,  
Distt. Gautambudh Nagar, Uttar Pradesh - 203 207
- Dhuri Unit  
Village Bhasaur (Dhuri), Distt. Sangrur, Punjab - 148 024
- Alipur Unit 1  
29/15-29/16, Village Jindpur, G.T. Karnal Road, Alipur, Delhi - 110 036
- Alipur Unit 2  
Plot 258-260, Extended Lal Dora, Alipur, Delhi - 110 036
- Sonipat Unit  
Village Akbarpur Barota, Distt. Sonipat, Haryana - 131 104





# DIFFICULT TIMES. DEFINING RESULTS.

In FY 2015-16, just about everyone in the agri-business had an excuse for reporting a below average performance. They blamed the weather. They blamed the economy. They blamed lack of government support.

Not us.

We were persistent and determined to grow. Over the years, we devised strategies and persevered to create a business model that was robust, relatively non-cyclical and resistant against weather vagaries.

The result is evident for all to appreciate. While others focussed on volumes, we focussed on extensive research for enhancing seed quality and developing new rice varieties, that stand tall, that are truly premium.

When others focussed on rigorous cost-control, we spent on empowering the farmers with modern agriculture practices.

When others looked for quick returns, we invested in state-of-the-art manufacturing and large scale warehousing facilities that are our assets today and our biggest strength for tomorrow.

When others treated rice as a commodity, we painstakingly created premium, aromatic, well-aged basmati brands coupled with a range of value-added products.

It's no surprise then that when we nurture your business with care and confidence, you defy difficult times and achieve defining results.

And in the process, set new benchmarks for excellence and passion at work.



# MANAGEMENT DISCUSSION & ANALYSIS



## Global economy

The global economy, having shown signs of recovery in 2014, struggled to maintain growth momentum as increasing instability in the financial markets, geopolitical tensions, declining growth and capital flows to emerging and developing nations, weak oil prices and slowdown in global trade weighed down growth. The global economy grew 3.1% in 2015 compared to 3.4% in 2014.

The advanced economies grew marginally from 1.8% in 2014 to 1.9% in 2015 driven by recovery in Euro area where low energy prices, fiscal expansion, rising credit growth and declining unemployment led to growth of 1.6% against 0.9% in 2014. In the US, improvements in housing markets and strengthening balance sheet were offset by weak exports, declining energy investments and pressure across certain sectors.

The emerging and developing nations, though accounting for majority of the global growth, slowed down a bit driven by weakening of Chinese economy and recessions in Russia and Brazil. The emerging and developing Asia grew 6.6% compared to 6.8% in 2014 with India and China accounting for majority of the growth. Chinese economy grew 6.9% in 2015 compared to 7.3% in 2014 driven by economic re-balancing, consolidation and slowdown in manufacturing activities. While growth in five major ASEAN countries (Indonesia, Malaysia, Philippines, Thailand and Vietnam) improved marginally from 4.6% in 2014 to 4.7% in 2015. Strong domestic demand and gradual rise in exports is expected to drive growth in these regions.

(Source: IMF, World Economic Outlook 2016)

## Indian economy

Under the dynamic and charismatic leadership of investment-friendly Prime Minister Mr. Narendra Modi, India's growth rate is climbing. Various investor-friendly initiatives like 'Make in India', 'Digital India' and 'Start-up India' have already started contributing towards the improvement of business scenario in the country. In the World Bank's ease of doing business index, India moved up four places to 130 among 189 countries. Tangible signs of improvements in business environment relating to faster project clearances, fast-tracking of stalled projects, allocation of funds and focus on single-window clearance mechanism are clearly visible. As per Credit Suisse's May 2016 report, the Indian economy is expected to grow at 7.8% in the current fiscal year (2016-17) as compared to 7.5% in the last fiscal year largely driven by recovery in agriculture.

The Indian economy strengthened amidst global weakness and uncertainties reinforced by various internal factors. The favourable government policies, commitment to fiscal targets and rising private consumption due to falling oil prices led to a robust growth in real GDP from 7.2% in FY 2014-15 to 7.6% in FY 2014-15. All the sectors of the economy witnessed growth in the gross value added by agriculture sector grew by 1.25%, industrial sector by 7.4% and services sector by 8.92%.

(Source: <http://statisticstimes.com/economy/gdp-growth-of-india.php>)

Factors impacting the macro-economic environment were under control. Headline inflation fell to 4.83% in March 2016. Food and beverages contributed 53% to the average headline inflation of 5.4% for the entire year. Fiscal deficit declined from 4.5% in FY 2014-15 to 3.99% by the end of March 2016 and foreign reserves reached an all-time high of USD 355.60 Billion as on March 2016. The current account balance for January-March 2016 is expected to record a surplus of USD 3 Billion (0.6% of GDP) owing to decline in oil and gold imports. The overall balance of payments (current account and net FDI combined) of the country is expected at its highest level with a surplus of USD 16 Billion in FY 2015-16.

Repo rates declined by 75 basis points from 7.50% in April 2015 to 6.75% on March 2016 as RBI softened monetary policy. This was further reduced by 25 basis points to 6.5% (lowest since March 2011) by the RBI in its first monetary policy review for the FY 2016-17, on April 2016. In terms of nominal effective exchange rate (NEER) and real effective exchange rate (REER), the rupee depreciated by 4.1% and 1.4% respectively in FY 2015-16.

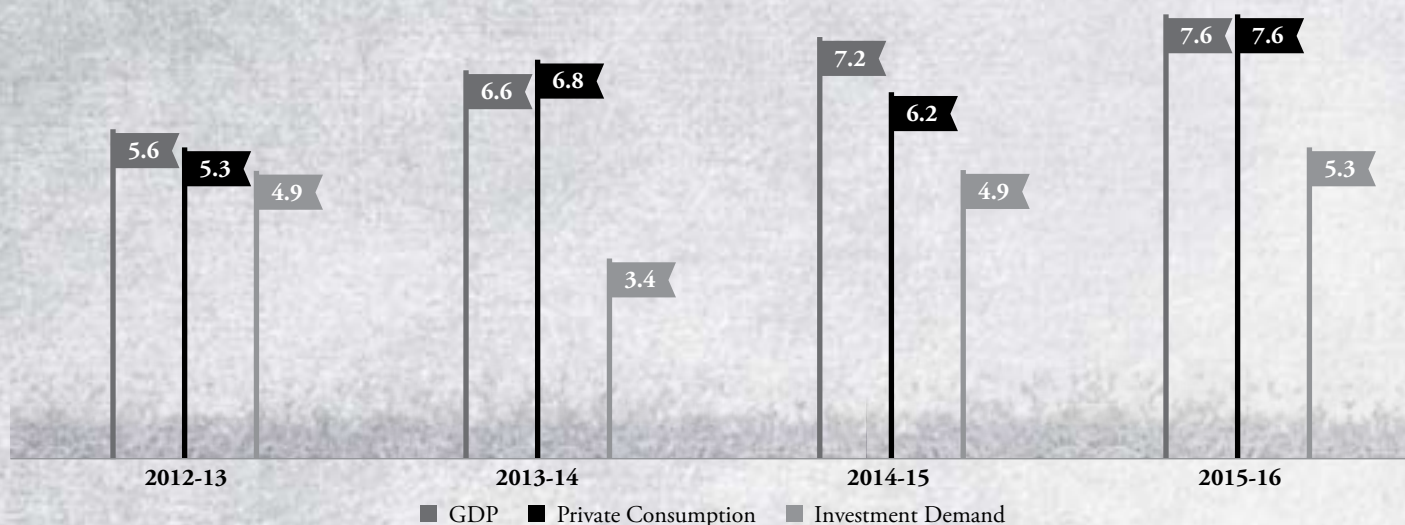
One of the major concerns facing the Indian banking sector is the rise in non-performing assets of banks due to corporate frauds as a result of fraudulent disbursement of loans. Ten public sector banks have suffered losses to the tune of ₹ 15,000 Crores due to provisioning to cover for bad debts. The Government of India has allocated a sum of ₹ 25,000 Crores in FY 2016-17 for revamping public sector banks. Finance Minister, Mr. Arun Jaitley, expects the bankruptcy code and debt recovery legislation to help banks in dealing with stressed assets.

(Source: <http://www.tribuneindia.com/news/business/large-part-of-banks-bad-loans-result-of-fraud-cag/259854.html>)

The emerging and developing Asia grew 6.6% compared to 6.8% in 2014 with India and China accounting for majority of the growth



Year-on-year changes in GDP, private consumption and investment demand (in %)



The outlook for the Indian economy is positive as various fiscal initiatives taken by the government, higher infrastructure spending and low oil prices would drive growth in the coming year. Moreover, in FY 2016-17, the agriculture sector with all the reforms is likely to grow by 4% which in turn would push growth of the overall economy to 7.6% and above. (Source: RBI: Monetary Policy Report, NITI Aayog, IBEF, Union Budget 2016-17)

## AGRICULTURE SECTOR

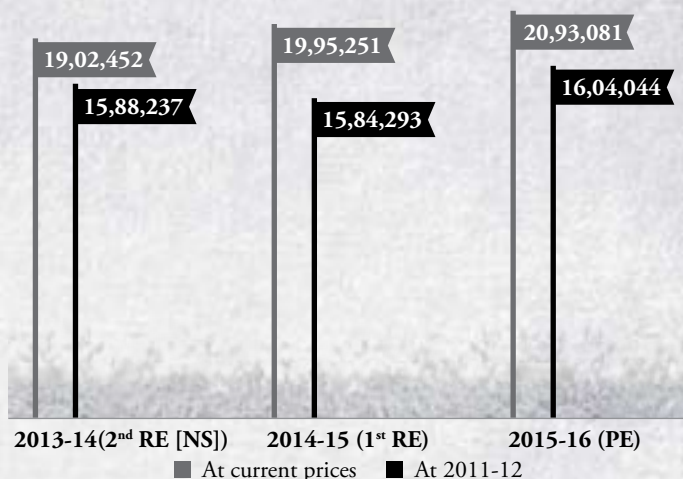
The agriculture and its allied sectors plays a crucial role in the Indian economy. Apart from ensuring the country's food security, it provides employment to nearly 58% of the population and accounts for nearly 15% of the GDP and 10% of the exports of the Country.

The FY 2015-16 was the second consecutive year of deficit rainfall in India leading to severe droughts in 11 states across the country. This made the scenario difficult for Indian farmers hampering production of major crops. In spite of this, the gross value added by the agriculture and its allied sectors grew by 1.25%. Fruits and vegetables accounted for 61% of the GVA, while livestock products, forestry, fishing and aquaculture account for remaining 39%. The overall foodgrain output in the country is likely to increase from 252.02 million tonnes (MMT) in FY 2014-15 to 252.23 MMT in 2015-16 primarily driven by rising wheat output. In the Union Budget FY 2016-17, the Government of India proposed various initiatives to boost the crippled Indian agricultural sector. These initiatives include a 44% higher allocation to the sector, identification of various new irrigation areas and fast-tracking of the existing slow moving irrigation projects, higher allocation for agricultural credit and premium for crop insurance, distribution of soil health card, increasing fertiliser use and farm mechanisation and adoption of modern technologies to enhance yields. Moreover, the Indian Meteorological Department has predicted for an above normal rainfall in the country this year. All these factors combined are likely to bring about the much-needed revolution in the agriculture sector that is the most important but most ignored.

(Source: 3rd Advance estimate by Ministry of Agriculture)



Gross value added by Agriculture and allied sectors (₹ in Crores)



NS: New Series Estimates; RE: Revised Estimates; PE: Provisional Estimates  
(Source: <http://pib.nic.in/newsite/PrintRelease.aspx?relid=145814>)

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## GLOBAL RICE OVERVIEW

The 2015 global paddy production is expected to continue its downtrend from the already poor outcome of 2014 declining by 0.8% to 738.2 MMT (490.3 MMT, milled basis) due to influence of the El Niño weather anomaly. The global paddy plantations declined 1.3% to 160.6 million hectares, while yields improved to 4.60 tonnes per hectare. Majority of decline came from the Asian region owing to a second consecutive year of low rainfall. Production in China (Mainland), Indonesia and Sri Lanka recorded significant increase, however, the same was offset by low production in Thailand, the Philippines, the DPR Korea and Myanmar.

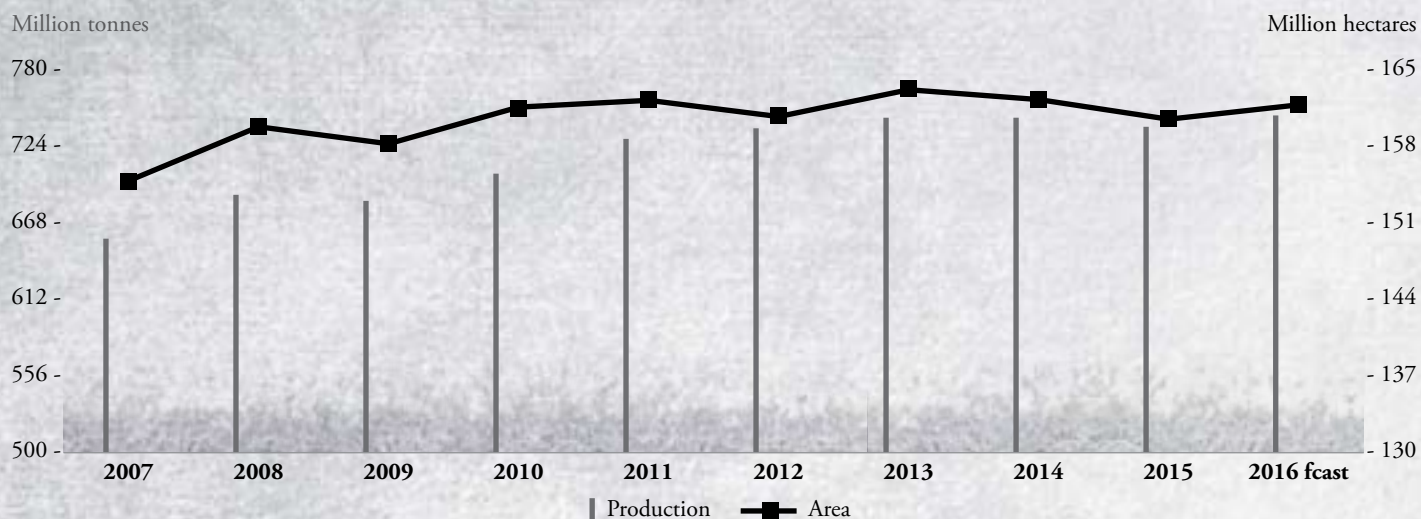
(Source: Rice Market Monitor, Food and Agriculture Organisation)

As per USDA (U.S. Department of Agriculture), the global rice production on milled basis is expected to decline from 478.73 MMT in FY 2014-15 to an estimated 470.89 MMT in FY 2015-16. The production in the United States is projected to decline 14.06% from 7.11 MMT (on milled basis) in FY 2014-15 to 6.11 MMT in FY 2015-16. The total area under rice plantation in the US was 2.61 million acres compared to 2.95 million acres in the previous year. The yield per harvested acre is expected to decline to 3.39 tonnes per acre from 3.44 tonnes per acre.





## Global paddy production and area



(Source: Rice Market Monitor, Food and Agriculture Organisation)

The El Niño after peaking in November-December 2015 is expected to gradually neutralise and give way to La Niña. However, the tailing influence of El Niño has already impacted the production outlook for some countries given the fact that first crops were already being planted during that time. In 2016, the global paddy production is expected to increase marginally by 1% to 745.5 MMT (495.2 million tonnes, milled basis) from the current estimated levels. The Asian region is expected to drive the global recovery. India, Thailand, Myanmar, DPR Korea, Nepal and the Philippines are expected to grow aggressively. Bangladesh and China (Mainland) are expected to have steady growths. While Africa, North America and Europe are expected to grow marginally. However, the production in South America and Australia are expected to decline.

(Source: Rice Market Monitor, Food and Agriculture Organisation)

As per USDA, the global rice production on milled basis is expected to grow 2% to 480.72 MMT in FY 2016-17. In the US, rice production is expected to witness a bumper production owing to a 17% increase in the rice planting area to 3.06 million acres. The production is likely to increase 20.13% to 7.34 MMT.

The international trade in 2015 is estimated to decline 2% to 44.6 MMT. Imports from West African countries declined significantly due to good harvests in the region and depreciating currencies. Imports from Asia increased to record levels owing to higher purchases from China (Mainland), Indonesia, the Lao PDR and the Philippines. Demand was also strong in Europe, US and especially in Latin America and the Caribbean owing to shortfall in production.

(Source: Rice Market Monitor, Food and Agriculture Organisation)

In international trade, India became the world's leading exporter for the fourth consecutive year in 2015 owing to its competitive pricing for non-basmati rice and decline in prices of Basmati Rice led by bumper output. Brazil, Cambodia, Guyana, Pakistan, US and Vietnam also witnessed surge in exports. Whereas Argentina, Australia, China (Mainland), Egypt, the European Union, Myanmar, the Russian Federation, Paraguay and Uruguay witnessed lower exports. In 2016, the international rice trade is expected to rise marginally by 1% to 44.9 MMT.

(Source: Rice Market Monitor, Food and Agriculture Organisation)

As per USDA, the global rice trade on milled basis to decline by 2.90% from 44.08 MMT in 2014 to 42.80 MMT in 2015. The United States accounted for 8.1% of the total global trade exporting 3.47 MMT rice during 2015. India was the major rice exporting country accounting for 25.81% (11.05 MMT) of the global exports. In 2016, the global exports are expected to decline 3.20% to 41.43 MMT.

