



LT Foods Ltd.

ANNUAL REPORT 2011-12



Creating  
value  
across the  
agri food  
chain...

..by building brand strength  
...through strategic initiatives  
...by expanding geographies

# Contents

CORPORATE INFORMATION	{01}
VALUE CHAIN	{02}
CHAIRMAN'S MESSAGE	{04}
CEO'S LETTER	{06}
BUSINESS REVIEW	
↳ Value-driven Evolution	{08}
↳ Value across Geographies	{12}
↳ Value through Numbers	{14}
↳ Quality delivering Value	{16}
↳ Awards endorsing Growth	{17}
↳ Value for Communities	{18}
MANAGEMENT REPORTS	
↳ Directors' Report and Management Discussion & Analysis	{20}
↳ Corporate Governance Report	{37}
FINANCIAL STATEMENTS	
↳ Standalone Financials	{47}
↳ Consolidated Financials	{75}

## Corporate Information

### BOARD OF DIRECTORS

Mr. Vijay Kumar Arora  
*Chairman & Managing Director*

Mr. Surinder Kumar Arora  
*Joint Managing Director*

Mr. Ashwani Kumar Arora  
*Joint Managing Director*

Mr. Rajesh Kumar Srivastava  
*Nominee Director*

Mrs. Radha Singh  
*Independent Director*

Mr. Pramod Bhagat  
*Independent Director*

Mr. Jagdish Chandra Sharma  
*Independent Director*

Mr. Alok Sinha  
*Independent Director*

### COMPLIANCE OFFICER & COMPANY SECRETARY

Mrs. Monika Chawla Jaggia

### PLANTS

43Km Stone, GT Road, Bahalgarh, Sonapat  
Kamaspur, Bahalgarh, Sonapat  
Mandideep, Bhopal  
Phoola Road, Amritsar  
Varpal, Punjab

### AUDITORS

Walker, Chandio & Co

### BANKERS

Oriental Bank of Commerce  
Allahabad Bank  
Punjab National Bank  
Bank of Baroda  
State Bank of Hyderabad  
ICICI Bank  
Corporation Bank  
Axis Bank  
Karur Vysya Bank  
Indian Overseas Bank  
IDBI Bank Limited  
HDFC Bank Limited

### REGISTRAR & SHARE TRANSFER AGENT

Bigshare Services (P) Ltd.  
E-2/3, Ansa Industrial Estate,  
Saki Vihar Road, Saki Naka,  
Andheri (East), Mumbai-400072  
Tel: 91-22-28470652  
Fax: 91-22-28475207  
Email: ipo@bigshareonline.com  
Contact Person: Mr. N.V.K. Mohan

### REGISTERED OFFICE

Unit-134, 1st Floor, Rectangle-1,  
Saket District Centre, New Delhi-110017

### CORPORATE OFFICE

Plot No. 119, Sector-44, Institutional Area,  
Gurgaon, Haryana-122002  
Tel: 91-124-3055100  
Fax: 91-124-3055199



A value-accretive business philosophy lies at the core of LT Foods' growth strategy. The Company believes in creating and delivering holistic and long-term value to all its stakeholders across the entire gamut of its business structure.

Propelled by its value-centric, progressive focus, the Company has consistently expanded its business portfolio into new product streams and geographies through impactful strategic initiatives, backed by an expanding, domestic and global marketing and distribution network.

From being a pure rice player, the Company has evolved into a leading organisation engaged in value creation across the complete agri food chain.

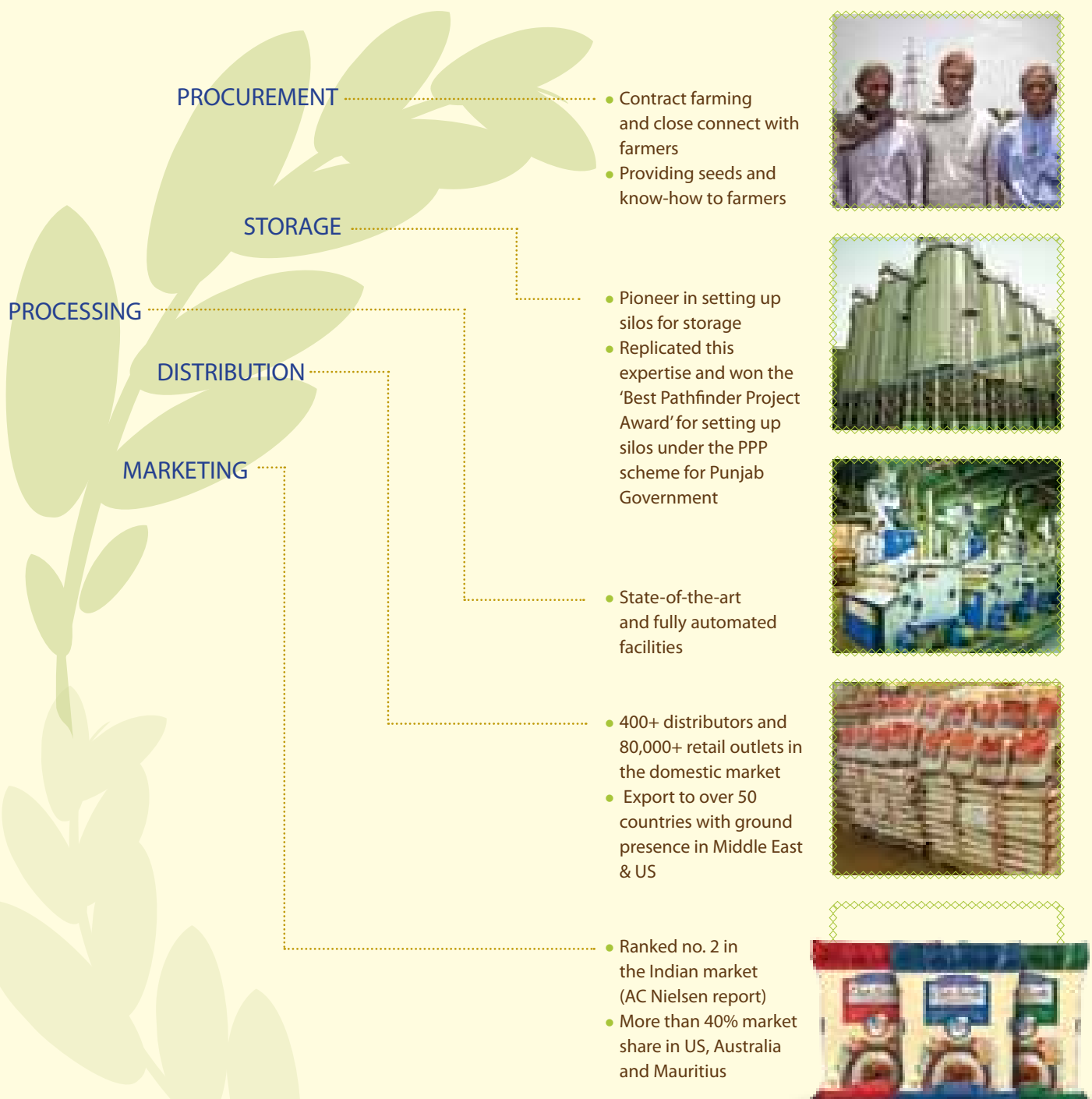
↳ **Building a strong, future-focused platform** to leverage the emerging opportunities beyond its core business of rice and allied products, it has consistently expanded its value chain to encompass new business streams, such as Organic Food, Private Label, Agri-infrastructure and Food Ingredients.

↳ **Leveraging its brand strength,** it has expanded its global portfolio beyond its niche offering of basmati to span non-basmati and value-added products through its foray into International Trading.

↳ **Steered by a futuristic vision,** it has gone in for extensive backward and forward integration, building a strong connect across its value chain – from the farm to the fork, continuously strengthening its relations with the farmers as well as consumers.

↳ **Continuously upgrading and modernising** its plants and storage facilities, it has pioneered setting up of silos through its foray into agri-infrastructure and has built robust state-of-the-art processing and milling facilities.

## Strong presence across the value chain



## Chairman's message



### Dear Shareholders,

The challenging macro environment notwithstanding, 2011-12 proved to be a satisfactory year for your Company. The consistent growth in the food vertical blended with the strong momentum being built in the new businesses to underline your Company's positive performance. Our diversification focus moved on track with our planned targets to set the platform for robust, cohesive growth during the coming years. Our value-centric thrust continued to sustain our growth beyond numbers to ensure long-term strategic strength for your Company.

#### TACKLING CHALLENGES SUCCESSFULLY

Propelled by our inherent strengths, we successfully managed to tackle the myriad challenges that faced the industry at large. With rupee on a freefall trajectory, forex management emerged as a major, unforeseen challenge during the year under review. Your Company took a strategic decision to put in place a focused policy to tackle the forex problem and ease the risk attached to it. We are optimistic that our new forex management policy shall help check exposure to volatility, thus helping us protect our bottom-line at all costs.

In the domestic market, we faced difficulties with the entry of several low priced competitors on the one hand and the downswing in market prices on the other. This placed a twin pressure on volumes and profits. We were however able to successfully meet these challenges with the strength of our brand franchise and through marketing and sales initiatives to sustain and grow consumer preference for our brands. We further expanded the portfolio through innovative products like Daawat Fast Cook Brown Rice and Daawat Pulav Basmati Rice, both were well accepted by consumers. I am pleased to share that during the year, we grew our volumes and increased our market share in the domestic market which resulted in occupying the number two slot in terms of market share.

#### GROWTH AND EXPANSION ON TRACK

With strong policy initiatives to boost business sentiment, your Company was not only able to sustain its growth momentum but, in fact, expanded its business portfolio

## “The focus, going forward, shall be on continued growth beyond numbers through both, the organic and the inorganic route.”

across revenue streams, product lines and geographies during FY 12.

With the launch of our International Trading division, we leveraged our distribution and marketing strengths in the global markets to create a new platform for growth in the non-basmati segment of rice as well as other value-added products with synergistic strengths.

A constantly enriching product basket in the foods and organic foods segments led to strong growth across these businesses, with our healthy snacking vertical, soft-launched in the previous fiscal, evoking favourable response. We are now set for the formal, pan-India launch of this segment, which we expect to emerge as one of the key growth driver for your Company, going forward.

We are also optimistic about the future of our agri-infrastructure business, which offers significant growth potential for your Company, with its extensive expertise in silos management. We are currently looking at an investing partner to join hands with us in taking this business forward to new levels of growth.

The flagship Daawat brand continued to lead your Company's growth impetus in our segments. It is our focused endeavour to position Daawat as specialty rice in both, the domestic and the international markets. With new rice blends and variants being regularly introduced by your Company in existing and new markets, the opportunity matrix continues to be bright.

### POISED TO DELIVER MORE VALUE

Leveraging the learnings of the fiscal under review, we are now looking at pushing the boundaries of our business even further to deliver long-term growth and value not just in the foods business but across the agri value chain.

As the investments of the past couple of years begin to yield positive results, we shall continue to further diversify our business portfolio with value-additions to our product range, as well as through geographical expansion. Geographically, we are targeting about a dozen more countries on the LT Foods roadmap for development in the coming year.

New blends of rice under the Royal brand will further augment our core business in the fast-growing US market. In the organic stream, we are exploring other healthy, nutritious food option, after having successfully launched organic soyabean.

We are looking at a more cost-effective model for our silo business, with new capacities on the anvil. Our international trading business, which has kick-started to a highly positive response, is set for expansion in the coming year, with the addition of new products and geographies.

It also gives me a great sense of pride in sharing with you that our flagship brands Daawat and Royal were launched 25 years ago in their respective markets. This year, we celebrate “25 years of excellence” for these well established brands. These brands have been built on product quality, consumer responsiveness and innovation, which have all engendered strong relationship of trust and preference amongst our consumers.

### MOVING TOWARDS GREATER GROWTH

I am personally very optimistic and bullish about all the verticals of your Company. The focus, going forward, shall be on continued growth beyond numbers through both, the organic and the inorganic route. We are currently identifying opportunities to scale up growth through strategic Joint Ventures, Alliances and M&As.

Committed to living up to our vision of “customer delight through value-added agri business”, we have plans of expanding extensively into value-added rice products, rice based snacks, organic foods and also diversify with products of similar nature. With this spirit of reaching new heights, the Company is looking at an overall growth rate of 25%.

Your continued support, as well as the dedicated efforts of our team members, under the able guidance of the Advisory Board and also the Board of Directors, will steer our value-driven growth plans in the coming years.

Best regards,  
Vijay Kumar Arora

## From the CEO's desk

### Dear Shareholders,

Progress is defined not by numbers alone but by growth that delivers value beyond numbers. In this belief lies the growth philosophy of your Company, which continued to expand beyond its traditional business and product streams to launch new, value-added products across established and new business divisions, even as it expanded its geographical reach across new boundaries.

#### POSITIVE OPERATIONAL PERFORMANCE

With a consolidated revenue growth of 13.4%, the growth index of your Company remained firmly on track during FY 12. An EBITDA growth of 48.8% indicated robust operational performance reported by your Company during the year, even though increased finance cost and massive rupee depreciation impacted PBT. Though forex volatility impacted results, our operational performance remained positive and we expect our new forex policy to stabilise growth further during the coming year.

Operationally, the growth momentum was well sustained in the international business, driven by new geographies and an expanding customer base, during FY 12.

#### STRATEGIC BLUEPRINT

Our strategic blueprint is centred on our brand focus, which is evident in our vision to make Daawat the most preferred kitchen brand. We will achieve this through strategic expansion into categories that can provide both, convenience and taste to the consumer.

We have progressively been undertaking several brand-building initiatives, enabling us to build a strong brand platform that can be leveraged for long-term brand portfolio development and brand value creation. We have carved a leadership position in several markets across our product lines and will work towards further strengthening and building on these positions.

#### SUSTAINABLE BUSINESS MODEL

As we pursue our strategic roadmap for future growth, we do see the strength of our robust and sustainable business model, which we have developed and strategically realigned to the evolving market scenario over the years.

Even as we focus on growth in our branded foods business, we are constantly looking at new and emerging opportunities in allied products, such as organic foods, healthy snacks and other value-added offerings, such as dalia, suji.

Our existing capacities and capabilities are sufficient to facilitate our foray into extruded and roasted snacks market and we are slated to go in for a formal launch in this segment in the latter half of FY 13. While we have no immediate plans for capex additions, if required, we are ready to set up dedicated facilities for manufacture of value-added products as we expand this business stream to encompass new offerings and markets.

Our backward integration initiatives also remain a focused area of business development and we are actively engaged in sourcing of agri commodities, processing and packaging such as wheat, pulses, wheat flour (chakki atta), besan, in Madhya Pradesh.

With our contract farming thrust in an expansion mode and showing consistent growth, we are continuously strengthening our procurement policy, which we further evolved during the year with help from Ernst & Young.

Our strategic efforts to expand our business geographically found manifestation in the development of a strong, professional team to focus on different verticals of sales and markets to grow our outlet reach in the domestic market, while commensurately increasing our international presence. The favourable Government policy regarding MEP removal is sure to give a boost to exports, with your Company effectively positioned to make the most of this opportunity.



**“Progress is defined not by numbers alone but by growth that delivers value beyond numbers.”**

#### **STRONG FOCUS ON VALUE CREATION**

Focused on greater value creation for all our stakeholders, going forward, we shall strive to further strengthen our distribution and branding niche, while continuously adding more food products to our portfolio over the next 2-3 years. Enriching the product basket to drive improved margins shall remain our key focus, with packaged food a strong area of our growth plans, along with new organic foods and food ingredients.

We shall also look at JVs in packaged food areas to jointly develop capability to address white space in the convenience food areas.

We shall continue to build the momentum on our brand focus in existing and new markets, both within and outside the country. On the domestic front, we shall be investing significantly in brand building, particularly for our specialty range, which is doing quite well in this market. We are looking at double digit growth in both, the domestic and the international segments, during FY 13.

Further, with our focused efforts towards increasing the depth, width and reach of distribution, we perceive strong growth emanating across our business lines in the coming years.

#### **IN CONCLUSION**

As we embark on the next phase of our growth, I would like to thank, on my own behalf and on behalf of the Management, all our team members, customers, JV partners and shareholders for their continued support and belief in us. It shall be our constant endeavour to deliver greater value to all of them as we scale new levels of progress.

Sincerely,  
**Ashwani Kumar Arora**





## A journey of value-driven evolution

### CONSUMER PRODUCTS – FOODS

- Domestic (Daawat, Heritage, Chef's Secretz, Devaaya)
- International (Royal, Daawat, Devaaya, Heritage, Leher)

### INTERNATIONAL TRADING

- Rice
- Other Staples

### ORGANIC FOODS

- Rice, Pulses, Soyabean, Cashew Nuts
- Flaxseeds, Others

#### Domestic



#### International



#### ECOLIFE<sup>™</sup> Organic

