

Your World, Our Brands...



LT Foods

“ It is often said that great brands aim for customers’ hearts, not their wallets. People decide which brands to buy and which ones to stick with based on how they make them feel. Our rich portfolio of branded specialty foods places the Company in the league of leading Food Companies that have strong emotional connection with their consumers.



Your World, Our Brands...

Our consumers are constantly in need to navigate their way carefully through a sea of choices. When it comes to their diet, they invariably look to place their trust in ethical food companies that are clear beacons of quality and good standing.

At LT Foods, we help bring simplicity to our consumers' complex world. They recognise us as a true standard bearer of

nutritious food products, that have great taste, that are the best in quality and that respects their health, as well as the environment's. In a world full of options, our Brands stand tall in the hearts and minds of our consumers. They have faith in our brands to be the caretakers of their interests and needs globally. This has, in turn, transformed us into a leading Food Company out of India, that sells top quality specialty food products under compelling Brands globally.





CONTENTS

01

About LT Foods

- 02. Chairman's Message
 - 06. A Conversation with the CEO
 - 10. Financial Highlights
 - 12. Our Journey From B2B To B2C
 - 14. Great Brands that People Trust
 - 16. Our North Atlantic Business
 - 18. Our Middle East Business
 - 20. Our Growing Value Added Portfolio
 - 26. Our Deep Market Access
 - 28. Corporate Social Responsibility
 - 30. Board of Directors
 - 31. Corporate Information
-

02

Statutory Reports

- 32. Management Discussion and Analysis
 - 48. Directors' Report
 - 84. Corporate Governance Report
-

03

Financial Statements

STANDALONE FINANCIAL STATEMENTS

- 102. Independent Auditor's Report
- 108. Balance Sheet
- 109. Statement of Profit and Loss
- 110. Cash Flow Statement
- 112. Summary of Significant Accounting Policies and other Explanatory Information

CONSOLIDATED FINANCIAL STATEMENTS

- 142. Independent Auditor's Report
- 146. Balance Sheet
- 147. Statement of Profit and Loss
- 148. Cash Flow Statement
- 150. Summary of Significant Accounting Policies and other Explanatory Information



CHAIRMAN'S MESSAGE

“ We feel a special connect with our consumers, making taste, health and quality the key ingredients in cultivating a deeper bond with them.

Dear Stakeholders,

A warm welcome to our Annual Report for the financial year 2015-16. A year in which bold steps were taken to march towards becoming a brand driven Food Company with a wide basket of products, covering multiple price points and reaching house-holds of all economic groups across the world like never before. We also enhanced our reach and penetrated deeper into our markets and ventured into newer geographies as well. Most importantly, we feel a special connect with our consumers, making taste, health and quality the key ingredients in cultivating a deeper bond with them. It's with this spirit that the chosen theme for this year is "Your World, Our Brands...", which is about how our brands are connected to the evolving and changing demographics, habits and expectations of our consumers, both at home and abroad.

LT@its home ground

For the Indian economy, FY2016 proved to be a challenging year that, nevertheless, provided a ray of hope for the future. The country's macro-economic situation is far better today, compared with a couple of years ago. As a result, retail consumption in the Indian context is in a growth sweet spot. Strong GDP Growth, improved ease of doing Business and better clarity regarding foreign direct investment (FDI) regulations has significantly improved conditions for foreign brands and national brands to expand their presence in India and take advantage of the opportunity that the Indian retail market offers. Overall, the Indian Retail Market supported by its enormous

potential, improving regulatory environment and favourable young and middle class demographics is expected to continue its growth in the longer term.

According to the 2011 official census, India has about 500 million Indians under the age of 25 years. Young Indians are driving purchases in categories such as mobile phones, fashion, accessories, food and beverage and quick service restaurants. They are usually better informed, (thanks to the internet age) and are willing to experiment and change habits. Young Indians have access to more money than before, driving independence, aspirations and demand for products. India also has a large and aspirational middle-class of 75 million households or 300 million individuals. Over the years, the disposable income of middle-class Indian consumers has increased significantly, which is leading to a substantial change in their spending habits. At the top end of the pyramid, the growth in millionaires in India is driving indulgence in luxury products, inclusive of finest value-added food products. According to the World Wealth Report 2014, the total number of millionaires in India grew by ~51%, the second fastest in the Asia-Pacific Region.

These conditions augur extremely well for our full range of high quality branded and value added food products that are known for their top quality. Keeping India's demographics in mind, we have tried to match up with the lifestyle trends taking shape before us in our home market. In line with the "Your World, Our Brands" theme, we are into the business of understanding our consumers' needs and adapting our products to their requirements

“ In line with the “Your World, Our Brands” theme, we are into the business of understanding our consumers’ needs and adapting our products to their requirements and making them accessible globally.

and making them accessible globally. Our continuous innovation model is helping us and leading us to be ahead of the curve by using latest technological advancements in our R&D methodologies and meet the challenge head on. This business will be driven through innovation and the real action in value creation will be pinned on our growing range of high value-added products. Today, we have an extensive presence across India and we are consistently expanding our distribution, enlarging product portfolio and making continuous investments in the Brand globally. Daawat has today emerged as a top player in the premium segment, with more than 35% market share, which led to a 15% volume growth on a YoY basis in our India branded business.

Retail consumption around the world

Retail consumption around the world is a little different from India. In broad terms, consumer demand remained weak in FY2016, with market growth continuing to be subdued in emerging markets sans India, while showing some signs of low-level growth in North America and Europe. Many emerging markets were hit by local currency devaluations versus the US dollar, driving up the cost of consumer goods faster than wage growth. A number of these economies export commodities and have also been hit by slowing global demand. In response to devaluations, interest rates in many countries remained relatively high, further squeezing incomes. Stalling economic growth in China undermined the performance of many of its South East Asian trading partners, further weakening local currencies. European markets were characterised by small amounts of volume growth cancelled out by price deflation. North America achieved modest overall growth of 1%-2%.

Vijay Kumar Arora
Chairman



CHAIRMAN'S MESSAGE

“Despite another year of tough economic conditions globally, FY2016 once again saw the delivery of consistent, competitive, profitable and responsible growth, a trend that has now been firmly established at LT Foods, despite tough market conditions.

As a Food Company focusing on premium, high quality, pollutant free and environmentally sensitive food products, LT Foods finds itself becoming more relevant in the minds of its consumers in Europe and USA. In keeping with the “Your World, Our Brands” theme once again, we are extremely cognisant of the influences around us and have been highly adaptive to maintain commendable growth in these markets despite the myriad of challenges. Today, we export to more than 65 countries around the world with sizeable presence in US through our brand Royal which is the No. 1 brand there and have more than 50% market share. Our US business has been witnessing a CAGR of 30% over the last five years ending FY2016. We are consistently expanding our distribution, enlarging product portfolio and making repeated investments on the brand.

The year gone by had witnessed huge volatility movement in basmati prices. The industry as whole saw a drop in realisations. Despite another year of tough economic conditions globally, FY2016 once again saw the delivery of consistent, competitive, profitable and responsible growth, a trend that has now been firmly established at LT Foods, despite tough market conditions. Prices of paddy came down by 17%, however our realisation dropped by only 15%. Thanks to the brand strength of Daawat and Royal, we registered strong volume growth of 25% both in India and in international markets as compared to last year. The portfolio strategy has been sharpened and adapted in order to increase LT Foods' presence in faster growing and more profitable segments of the market. Innovations have been made bigger and stronger and more brands have been introduced successfully into existing and new markets, most recently in 2016 with the launch of “Devaaya” and “Ecolife” in the USA. Further, to widen our product range to target markets, we have taken the inorganic route by acquiring three brands this year: “Gold Seal Indus Valley”, “Rozana” and “817 Elephant”.

Governance & Quality

We are committed to building an outstanding organisation on the foundations of Governance and Quality. LT Foods believes in maintaining the best Corporate Governance Practices that meet the highest standards. It is our unique method of self-governance by instating our own culture, policies and rules to our employees from the highest to the lowest levels. It is our way of ensuring that a key pillar of our value system - Business Ethics, is upheld and visible in our conduct at all times. In terms of record keeping and corporate reporting, we have engaged a leading and respected auditing firm in the business - Walker Chandiok & Co LLP. We have rigorous internal control systems in place. A world class renowned consulting firm Protivity conducts Internal Audit to further strengthen our systems and procedures. To make our internal financial controls more robust, this year we implemented world's leading ERP system SAP, across the organisation, inculcating best business practices in our day to day workings. Our Board of Directors play an important role in providing direction with respect to strategy, goal setting and governance and controls in the Company. There is a special focus of the Board on ensuring that the Company works towards delivering best results to its shareholders. During the year, we are privileged to have Mr. Adesh Gupta, Mr. Gokul Patnaik and Mr. Suparas Bhandari, join the Board, complementing our existing eminent leaders who have been contributing significantly to the organisation.

I truly believe that business transparency is the key to promoting shareholder trust. Having reached a certain scale of size and investor base, the Company recently initiated a full-fledged Investor Relations outreach programme as a normal course of fostering transparency and pro-active investor communications. Our strong governance is also reflected in the grading we get from leading rating agencies from time to time. I am pleased to inform you that during the year, our credit rating by CRISIL improved to “BBB+/Stable” for our long term bank loans and “A2” for our short term loans.

“ I truly believe that business transparency is the key to promoting shareholder trust.

As part of our ongoing Quality Assurance programme, our objective is to promote, encourage and support development of our products and brands. We are sustaining our position as a leading Food company through our impeccable performance on delivering quality, thereby creating value for stakeholders. We are committed to provide our consumers high-quality products by way of stringent quality assurance norms – with state-of-the-art technology and a high degree of automation. We are constantly improving our products to ensure we have a competitive market advantage. Our sustained delivery on this commitment ensures your Company's products are trusted by consumers. During the year, we also continued our focus on driving the quality culture and productivity management across all our facilities, with increased capacities and technology.

People

Your Company has a strong and diversified talent pool, geared up to fulfil our goal. Attracting, developing and retaining the very best people is critical to ensure that we succeed in our vision of accelerating growth in our business while reducing our environmental footprint and increasing our positive social impact. These priorities are supported by our investment in our people's well-being, while we continue to make progress in the diversity and inclusiveness of our workforce. We work hard to ensure that we are attracting the right mix of talent and are committed to providing an environment in which our people can balance work and life the best way possible.

Way Forward

To keep ahead of the challenges that we continue to face, our set strategic goals keep pushing us to keep the relentless hard work on and keep growing. Supported by an asset-light outsourcing model, we have expanded our distribution reach and made consistent investments in our brands globally. We have also taken steps to strengthen our position in

the Middle East and Canada through strategic brand acquisitions; tightened our grip in existing markets through product extensions and brand reinforcements; launched new product lines globally through “Devaaya”; and, we have also added an exciting organic product line through Ecolife that is getting a great response in USA. With this, and more exciting developments planned through FY2017, I am confident of a continued growth trend at LT Foods and are committed to our customers and all stakeholders world- wide.

I would like to take this opportunity to sincerely thank our, board members, advisory council members, regulators, central and state governments, financial institutions, bankers, farmers, vendors, employees and most of all our consumers - for their support in shaping LT Foods to what it is today.

Finally, I would like to express my deepest thanks to you, our shareholders for having trust and belief in our Company.

I am confident that with your support, the Company will achieve greater heights of success in times to come.

Sincerely,



Vijay Kumar Arora
Chairman

A CONVERSATION WITH MR. ASHWANI KUMAR ARORA

Chief Executive Officer and Managing Director



Ashwani Kumar Arora

Chief Executive Officer & Managing Director

Q How did LT Foods perform for FY2016?

A A great way to start the chat! I am delighted with FY2016's performance data on my dashboard. Our strategic goals to lead our industry, shape our future and create growth opportunities, produced solid results for the year gone by. Firstly, I am pleased to tell you that despite enormous price volatility and challenging market conditions witnessed during the year, our total revenue rose by 7% to ₹ 2,979 crores, mainly due to a favourable brand mix and our strong marketing initiatives. This is in line with the longer term trends, where we have delivered 20% CAGR growth in revenues over the last five years. Correspondingly, our sales and marketing expenses were up 50%, as we continued to actively invest in growing and nurturing our brands globally. You might recall the memorable campaigns we ran with brand ambassadors Amitabh Bacchan and Sanjeev Kapoor. These campaigns put us on the map as a highly recognised brand with immediate recall value. As per our consumer tracks, "Daawat" ranks the best in terms of consumer perceptions on most of the key basmati quality parameters.

Interestingly, as a testimony to our premiumisation strategies, our EBITDA grew by 17% to ₹ 363 crores, and the EBITDA margin expanded by 106 basis points to 12.2%. We are confident of sustaining this profitability expansion going forward through our continuing and increased focus on expanding our branded products portfolio and improving the demand for them due to our back-end efficiencies. Our profit before taxes excluding exceptional items grew to ₹163 crores, up by an impressive 47% from the previous year.

As for leverage, we ended the year with a ratio of net debt to EBITDA of 4.40 times, in line with our plans. At the close of the year, the consolidated networth of your Company stood at ₹ 571 crores and consolidated gross debt was ₹ 1,597 crores. The cash and bank balances on a consolidated basis was ₹ 26.12 crores and the net debt to equity ratio was 2.80 times.