



LT Foods

Delivering Consumer **Delight**,
Creating Sustainable **Growth**.






An Emerging **Global Food** Company

The global food industry finds itself passing through a period of dynamic and exciting transformation. Growing urbanisation, rising disposable incomes, a growing working class population, and an overarching increase in health consciousness are creating, a greater demand for value-added products.

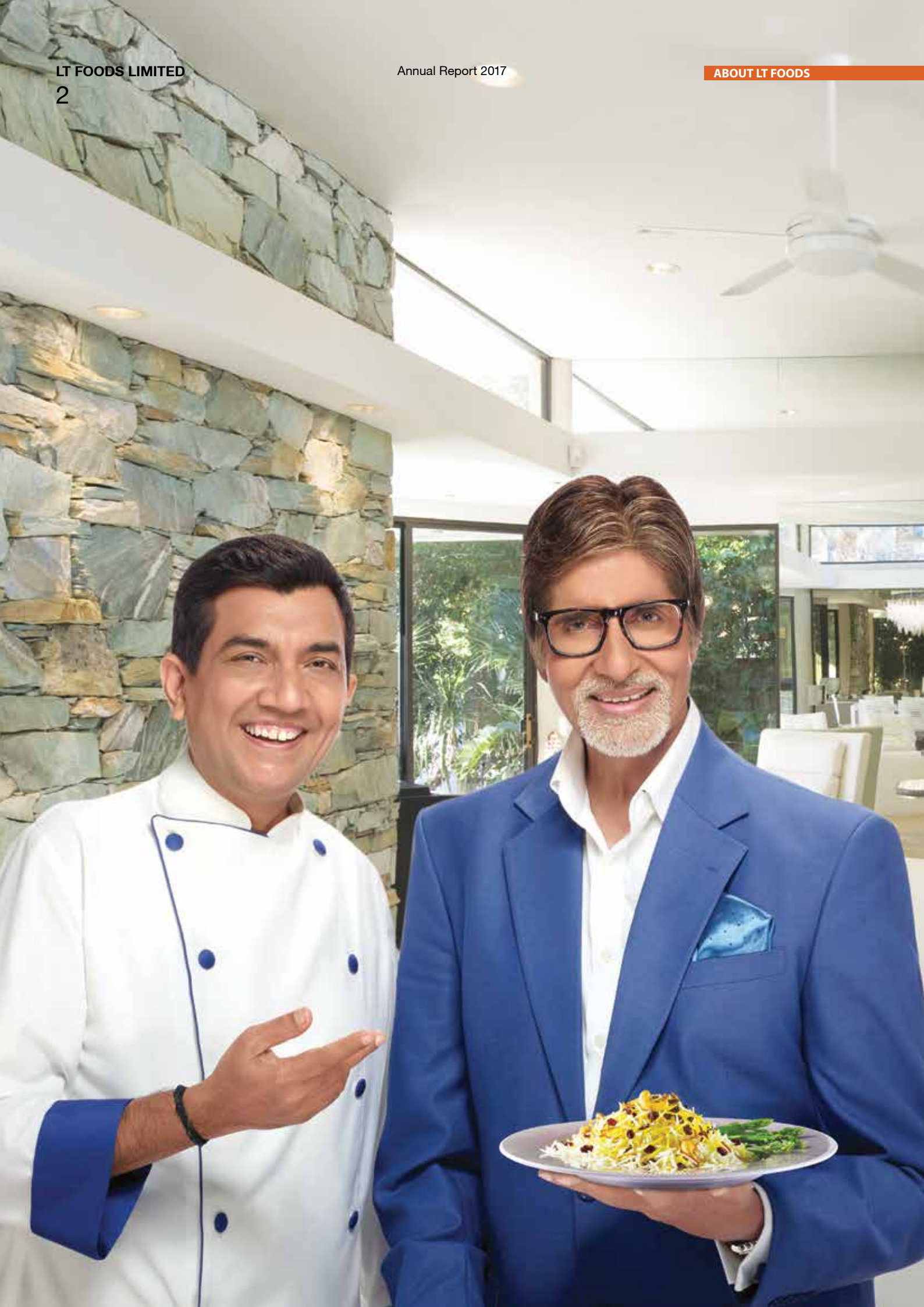
With this changing consumption pattern, we are emerging as a Global Food Company with a focus on basmati and other speciality rices, organic food and convenience rice based products. We are now pursuing strategies that involve greater differentiation and allow us to create sustainable value for all our stakeholders. To capitalise on the growing market opportunities, we embarked on diversifying our business, adding value through synergistic staples and organic foods business. At the same time, we aim to diversify into value added products to maximise shareholders value.

We work with the single-minded belief to transform LT Foods into a food company with a focus on basmati and other speciality rices, organic food and convenience rice based products. Our steady focus on creating a vibrant portfolio has resulted in the success of several leading brands such as Daawat, Royal, Ecolife, Devaaya, and many more. Going forward, our diversified business portfolio and persistent efforts will help maximise our return on equity and capital employed.



We have capitalised on global trends and invested in growing our product base to include organic range, saute sauces and fast cooking brown rice.





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CHAIRMAN'S MESSAGE



We have embarked on sustainable business strategies and have built future drivers of growth.

Vijay Kumar Arora
Chairman



Dear Shareholders,

We are pleased to present the annual review for FY2016-17. The fiscal gone year by has been an eventful year. We continued to out perform sectoral growth. The Company also created wealth for its shareowners and it consistently achieved high margins and reported robust year-on-year growth.

However, the past financial year did not come without its own set of challenges. We faced significant foreign exchange headwinds, as well as economic and political disruptions in many large markets.

Overview

Despite another year of tough economic conditions, FY2016-17 once again saw the delivery of sustainable, competitive, profitable and responsible growth, a trend that has now been firmly established at LT Foods.

Over the past years, LT Foods has undergone noteworthy changes. We consistently augmented our proficiencies. The portfolio strategy has been sharpened and adapted in order to increase LT Food's presence in faster growing and more profitable segments of the market. Innovations have been made bigger and stronger, and many more products have been introduced successfully. We also heightened our investments to enhance plant's product, quality and information technology. In this process, we modernised the Company's essential infrastructure and to support growth over the longer term.

Further, we streamlined our organisational structure and re-aligned our business on a clear distinction of product segments. These together have helped enhance focus on each business segment while also resulting in significantly higher levels of operational discipline.

Forging Stronger Ties with Farmers

As an organisation, we have forged stronger ties with the farmer community. We continued to focus on strengthening our partnership with the farmers by undertaking welfare initiatives and to improve their economic well-being. In doing so, we imparted education on sustainable farming practices, provided technical assistance and promoted the use of ecologically sound agriculture technologies. This has helped LT Foods to maintain superior farm output and deliver consistent quality. We consistently delivered pesticide compliant product for our international market.

Advancing Growth


LT Foods is now an emerging global Food Company with a focus on basmati and other speciality rices, organic foods and convenience rice based product.

We invested in branding by increasing our advertising and promotion spends to 1% in FY2017 from 0.1% in FY2013. We diversified our business by increasing the share of branded, organic, staples, and valued added products. This has been supported by widening of distribution reach across India as well as globally.

With c.60% of brand-led business and a high market share in our key markets of US and India, LT Foods today, enjoys better pricing power, distribution leverage, and a strong brand recall. In US alone, LT Foods has a market share of over 40% and is growing at a CAGR of more than 20%.

Today, we are evolving swiftly from being an established branded rice company to an emerging global Food Company, with new strategic advancements and product developments underway.

CHAIRMAN'S MESSAGE

 We have capitalised on global trends and invested in growing our product base to include our organic range, sauté sauces and fast cooking brown rice.

Transforming with Changing Trends

The consumer landscape is in a constant state of transformation and it is vital to keep pace with the changing trends. The growing population of working women, and the wave of consumer awareness about health and nutrition, has created a significant business opportunity to be tapped. At LT Foods, we are capturing these opportunities by investing in products that are appealing to contemporary consumers.

We have embarked on sustainable growth strategies and have built future drivers of growth. We have capitalised on global trends and invested in growing our product base to include our organic range, sauté sauces and fast cooking brown rice. Going forward, in line with this changing consumption pattern, we are setting a plant for Ready-to-Heat (RTH) organic products in the US.

The consumers of today are looking for convenience, along with healthy, nutritious and flavourful products. To further expand our portfolio and the backend knowhow, we entered into a JV with Kameda Seika of Japan to manufacture rice-based snacks. There is an increasing demand for shelf steady ready meals due to changing consumer lifestyles, including

longer work hours and multi-schedule of a household leading to unstructured meal times.

India Growth Story

We are happy to share that our India Business has been growing at a CAGR of 14% over the period FY 2012-17. This was achieved owing to our robust business model, created around our careful understanding of the needs of Indian consumer. The result is that we are continuously future-facing, and creating new lines of branded products based on extensive market research.

Our products are supported with parallel brand investments. Our consistent efforts and investment in this direction has elevated our brand equity, which can be further leveraged to launch newer products. In addition, we widened and deepened our distribution reach across all channels, retailers, distributors, HORECA and modern trade. We also entered into Joint Venture with Future Group to source and manufacture regional rice such as sona masoori, a South Indian rice variant. This association will help us expand our product portfolio, while leveraging our distribution network.

Expanding Horizons Globally

Growth is the mantra of LT Foods. Keeping this in mind we invested in greenfield expansion to establish our first rice processing

 We are assertive towards meeting our goals and relentlessly work towards enhancing value for all our stakeholders.

plant in Europe at Rotterdam, Netherlands. This is first rice processing plant by any Indian food brand in Europe. Going forward, the strategic location of Rotterdam is expected to give us an easy access to the whole of Europe and UK.

We have also undertaken the inorganic route of acquisitions to add value to our portfolio and widen our reach. We acquired HUL's branded rice businesses - 'Gold Seal Indus Valley' and 'Rozana' which will help us enter into the markets of Qatar, Oman, and Bahrain; while the acquisition of the rice brand '817 Elephant' from the Amritsar-based parent company will strengthen our presence in Canada, USA, Australia, and Israel.

Support System

To enhance our growth, we focused on creating a robust foundation for our support system. We are harnessing technology to build a leading edge in operational and marketing capabilities. We have extensively worked on strengthening our system and processes with the help of technology and SAP compliance tools, while reaching higher standards of corporate governance.

We nurtured our strengths by relentlessly focusing on execution and our cost efficiency.

We exercised our resources more productively, including infrastructure, brand, distribution and the people. We have been successful in creating a strong overall talent pipeline to ensure highest commitment of performance. Furthermore we are working on expanding our distribution reach, not only in India, but globally as well.

Supported by strong systems and strategies, we are geared to keep ourselves ahead of the challenges that we continue to face. We are assertive towards meeting our goals and relentlessly work towards enhancing value for all our stakeholders.

Acknowledgement

We would like to take this opportunity to thank each and every one of our employees, whose commitment and hard work helped deliver another successful year. We would also like to thank you, all our shareholders, for your continued support in our journey to deliver value to all our stakeholders.



Sincerely,

Vijay Kumar Arora
Chairman

A CONVERSATION WITH MR. ASHWANI KUMAR ARORA

Managing Director and Chief Executive Officer

 We remain prudent in our approach and single-mindedly focus on building resilience and agility of our portfolio and organisation.

Q How would you summarise the last financial year?

A Our vision is to emerge as a global Food Company, admired for its wide range of quality products, while delivering sustainable, consistent, competitive and responsible growth. This is increasingly difficult in today's volatile environment, characterised by low growth and geopolitical challenges. Despite this, we delivered another year of strong growth with solid underlying sales growth of 27% and 14% in India and the International market respectively. The Company reported an EBITDA and cash profit growth of 11% and 9% respectively over the previous year. Our profits grew 26% over the previous year to ₹ 129 Crores. The growth has been driven by consistent brand investments, along with the addition of new consumers in each segment globally.

The gearing in the Company has been kept under control. It has been further bought down during the year, despite expansion and increase in the product portfolio. As a result our debt equity ratio reduced from 2.77 in the previous year to 2.30. Our PAT margins improved by 45 bps to 3.87%, during the year. The improvement in margins is attributed to favourable product mix, scale and continuous focus on efficiency enhancing initiatives.

Q What reasons would you ascribe for your growth?

A Our growth has been bolstered by our consistent investment in brand building and distribution. It is further supported by our integrated approach, right from procurement, based on our extensive farm extension practices, fully automated state-of-the-art plants, strong focus on product development and quality.

The basmati rice constitutes majority of our business. India remains a dominant player in the global basmati rice industry both in terms of consumption, production, and exports. Besides our presence in India, we continue to be amongst the few handful players with strong presence in the US, Middle East, Europe, and rest of the world. The demand for basmati rice has been constantly increasing from India as well as the developed economies such as the US and Europe, in addition to the traditional Middle East markets. The favourable industry dynamics aided LT Foods to strengthen its basmati rice-oriented business, despite the macro-economic challenges. This in turn, helped us in keeping up the price realisation and maintaining healthy gross margin.

Overall, while our direct exports continue to reach over 65 countries; the product reached a much larger number of countries through re-export of our products from other countries.