



Excellence Defined



Anil Products Limited

Annual Report 2009-10

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MILESTONES



1939

Corn Wet Milling



1st to Market

- 1970 Anhydrous Dextrose
- 1976 Sorbitol



Growth

- 1 Ton / Day
- 550 Tons / Day
- Research Lab
- Library
- Redefine Market Place



Paradigm Shift

- Value Added Offerings
- 30 End user industries
- Application Support
- Commodities to Value

Year	Milestones
1941	Commencement of Corn Wet Milling (CWM) facility
1943	Commencement of Corn Syrup Production
1951	Commencement of Calcium Gluconate facility
1959	Commencement of Dextrose facility
1967	Commencement of Dextrose Monohydrate production
1970	Established R & D
1976	Commencement of Sorbitol production
1980-90	Gradual augmentation of starch manufacturing capacities
1995-01	Re-engineering of Business Focus Increased activity on R&D front & commercialization of new modified starch Major Corporate Restructuring
2001-02	(Consolidation of starch business, Hiving of Non-starch business) Installation of ERP-SAP
2002-03	Augmentation of CWM capacity to 350 TPD Completion of bottlenecking exercise
2003-04	Further augmentation of CWM capacity to 400 TPD Commencement of Pharmaceutical starch plant
2004-05	Commercialization of three major modified starches Installation of new FBC Boiler Augmentation of R&D pipeline by addition of new products
2005-06	Increase of CWM capacity to 450 TPD Increase of capacities of value added products
2006-07	Increase of CWM capacity to 500 TPD Increase of capacities of value added products
2007-08	Increase in capacity of modified starches
2009-10	Implementation of SAP ECC 6 ISO 9001 – 2008 Certification received

COMPANY INFORMATION



Shri Shripal C. Sheth
Chairman & Managing Director



Shri Amol S. Sheth
Managing Director



Shri Kamal R. Sheth
Director



Smt. Indira J. Parikh
Director



Shri Anish K. Shah
Director

Chief Executive Officer & Chief Financial Officer
Shri Dipal Palkhiwala

Company Secretary
Shri Hardik Sanghvi

Auditors
M/s. Parikh & Majmudar
Chartered Accountants

Bankers
Bank of India, Punjab National Bank & IDBI Bank

Registered Office
P.O. Box. : 10009, Anil Road, Ahmedabad - 380025

Plant Location
Anil Road, Ahmedabad - 380025

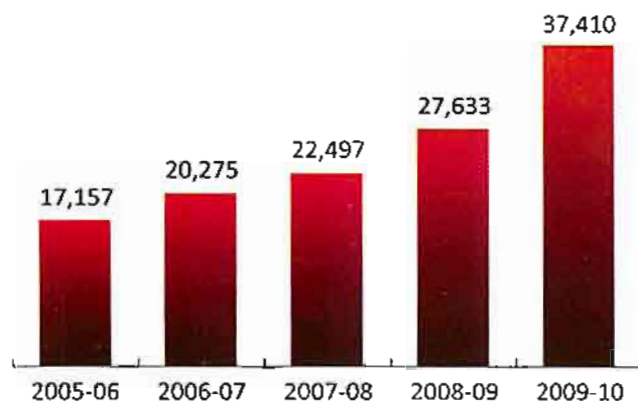
Website
www.anil.co.in

Registrars & Share Transfer Agent
Link Intime India Pvt. Ltd.
Unit : Anil Products Limited,
211, Sudarshan Complex, Nr. Mithakhali
Underbridge, Navrangpura, Ahmedabad - 380009
Phone & Fax : 079 - 2646 5179
E-Mail : ahmedabad@linkintime.co.in

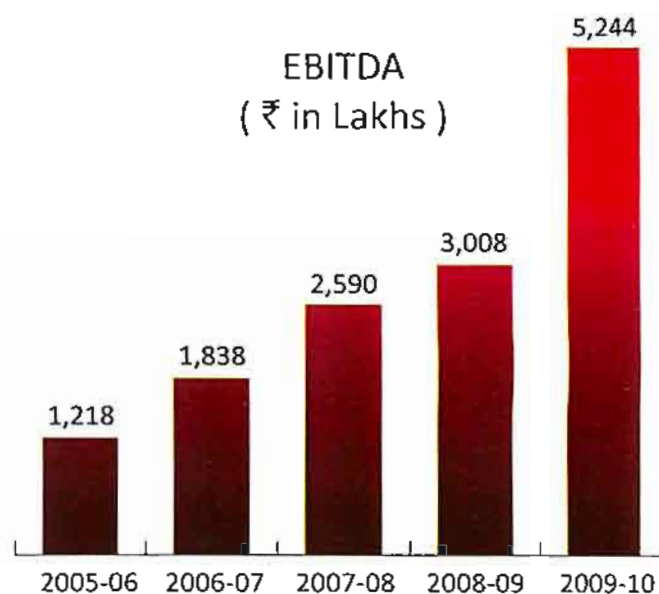
Investor Relations E-Mail ID
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FINANCIAL HIGHLIGHTS

Total Income from Operations
(₹ in Lakhs)



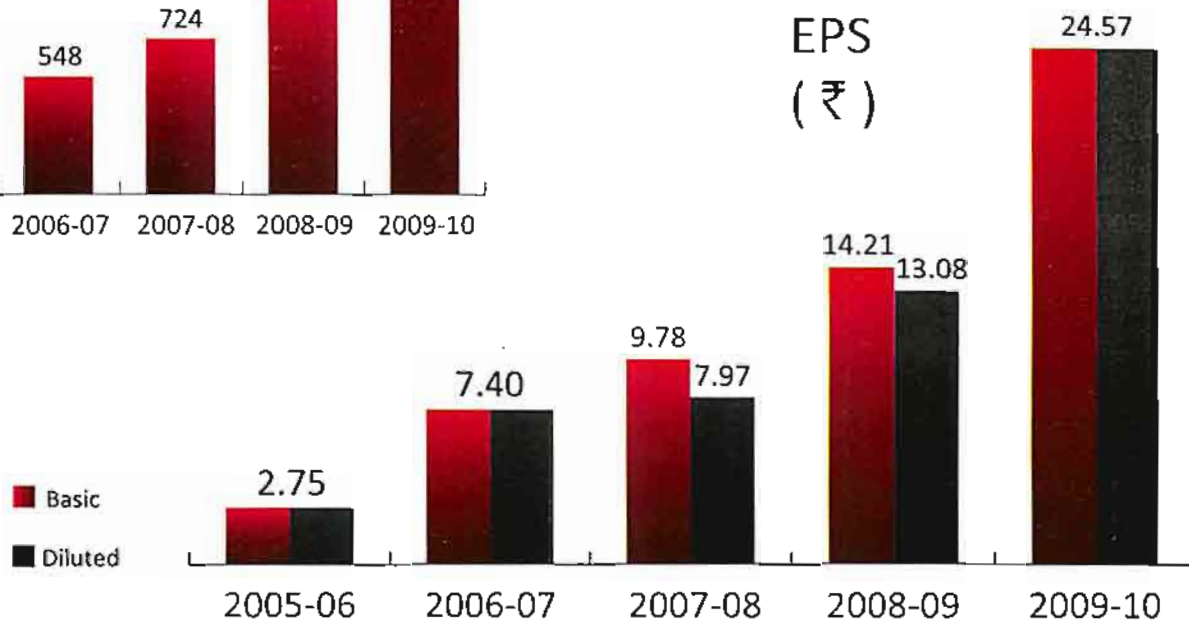
EBITDA
(₹ in Lakhs)



Net Profits
(₹ in Lakhs)



EPS
(₹)



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENTS

The Indian Economy is surging ahead by leaps and bounds, keeping pace with rapid urbanization, increased literacy levels, and rising per capita income. The Gross Domestic Product (GDP) in India expanded at an annual rate of 8.60 percent in the last quarter. India Gross Domestic Product is worth 1159 billion dollars or 1.87% of the world economy, according to the World Bank.

This has brought about a considerable increase in India's personal disposable income. As a result, both saving and consumption expenditure in the household sector has had considerable growth. During 2003-04, India's total personal disposable income was ₹ 23,585 billion and 24.6% of this income was directed into savings by the household sector.

Index of industrial production, which measures the overall industrial growth rate, stood at 5.2% in 2009 and is expected at 7.5% in 2010, which reflects that India's growth is fuelled by the domestic consumption and our end-use industries are contributing largely to this growth.

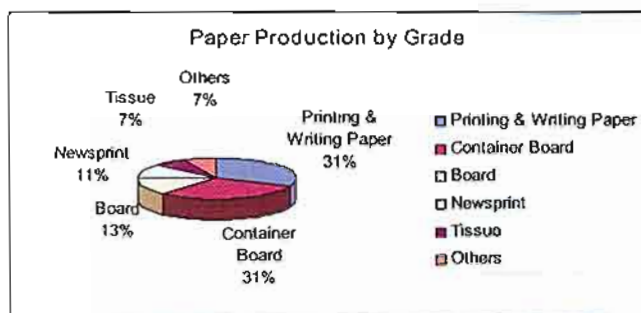
According to a report published in April 2010, titled 'Indian Food and Drinks Market: Emerging Opportunities', the Indian food and beverages market is expanding rapidly and is projected to grow at a compound annual growth rate (CAGR) of about 7.5 per cent during 2009-13 and would touch US\$ 330 billion by 2013.

Moreover, the food processing sector has grown from 6 per cent a year ago to 14.9 per cent in 2010. At present the country was processing 10 per cent of the total food produce and aimed to enhance it to 20 per cent by 2015.

Segment wise structure in brief:

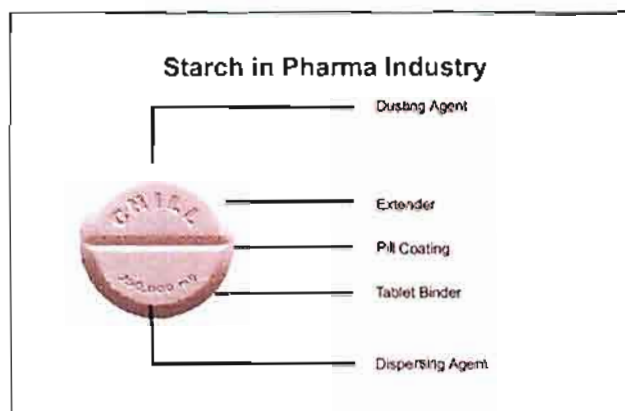
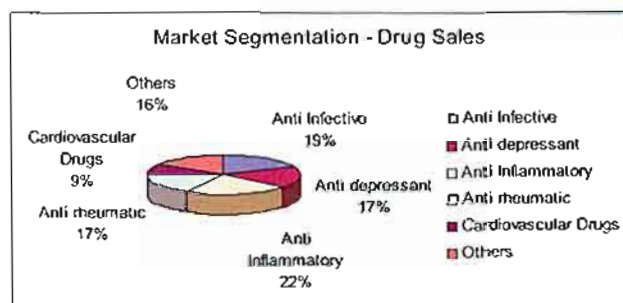
Paper Industry

India is the fastest growing market for paper globally in 2009. The country's paper and board consumption totaled 9.0 million tonnes. The IMPA reckons these will reach 13.95 million tones by 2015-2016. India has 660 paper mills apparently 38 mills are responsible for 60% of total production.



Pharma

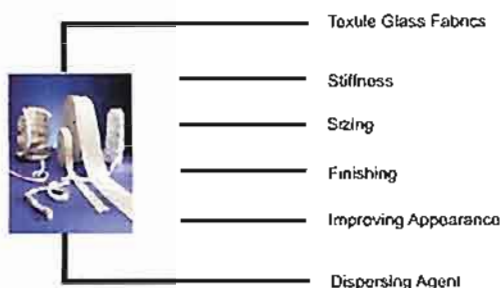
The Indian domestic pharmaceuticals market was US\$ 10.76 billion in 2008 and is expected to grow at a compound annual growth rate (CAGR) of 9.9% till 2010 and thereafter at a CAGR of 9.5% till 2015. The leading 250 pharmaceutical companies control 70% of the market share with market leader holding nearly 7% of the market share.



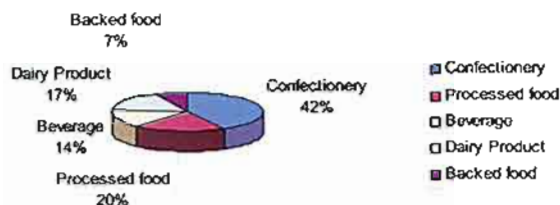
Textile

India is one of the largest exporters of Yarn in international market and contributes around 25% share of the global trade in Cotton Yarn. The Apparel Industry is one of largest foreign revenue contributor and holds 12% of the country's total export. Indian textile industry contributes about 22% to the world spindleage and about 6% to the world installed rotor capacity. India contributes to about 25% share in the world trade of cotton yarn.

Starch in Textile Industry



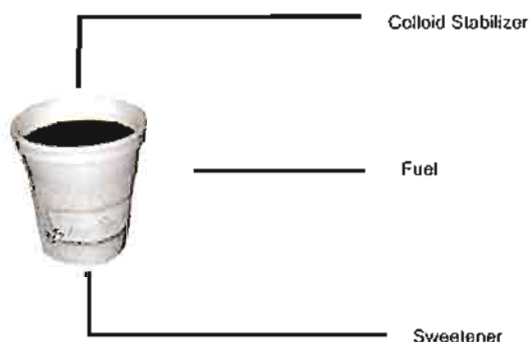
Starch usage - By volume



Beverage

India stands third in the consumption of beverage, and accounts for almost 10% of global beverage consumption. The Indian soft drink market is worth ₹ 21,600 million a year with a growth of around 7%. Tetra pack drinks market is currently growing at the rate of 10% with a total market share of 48%. The Indian beer market estimated currently at 7,500 million a year has been growing at the rate of 15% p.a.

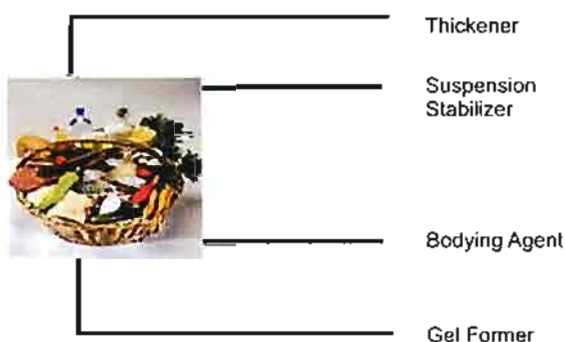
Starch in Beverage Industry



Food

India is the world's second largest producer of food next to China, the Indian food market is estimated at over US\$ 182 billion in 2008, and accounts for about two thirds of the total Indian retail market. India is one of the world's major food producers but accounts for less than 1.5% of international food trade. This indicates vast scope for both investors and exporters. According to consultancy firm McKinsey & Co, the retail food sector in India is likely to grow from around US\$ 70 billion in 2008 to US\$ 150 billion by 2025

Starch in Food Industry



Developments at Anil Products Limited in 2009-2010

₹

Your Company has a solutions approach and has a structured engagement program with all its key customers. This has resulted in customer loyalty and ensured sustained business. Our investments in R&D and steady focus on improvisation have helped develop new products for our customers. Some notable developments are

Specialty Modified Starch

This is a unique modified starch that can be autoclaved at high temperature and used in rubber industry as lubricating powder. This product was developed to compete in the International Market against the world's leading manufacturers. After achieving a successful breakthrough in the Malaysian market, commercialization of this product is to commence very soon.

Specialty Sizing Product

This product is ready to size mix for the sizing of coarser cotton counts such as bottom weight and denim. Based on modified starches, it offers various advantages to customers such as user friendliness, can eliminate products such as PVA, increased loom performance and ease in desizing.

Specialty Fabric Finishing Product

Conventionally finishing of textile is done with native (commodity) starches, PVA/PVAc emulsion and dextrin. We have developed a starch that can perform singularly or it can reduce the consumption of PVA and PVAc emulsions. It also reduces use of other lubricants and softeners from the recipe. The product is eco-friendly.

Specialty Feed Supplements

Two grades of calcium sources were developed that can increase productivity of dairy animals and also of poultry. One is based on Calcium phosphate to fulfill the need of calcium and phosphorous. Another grade was developed to provide high bioavailability using Calcium Gluconate as a principal raw material.

OPPORTUNITIES, THREATS, RISKS & CONCERNS

Threats / Risk

Uncertainties in business offer opportunities and downside risks. Consequently, your Company recognises the importance of a well structured system to identify and manage the different elements of risk. Anil Products Limited has introduced a risk-based control system and appointed risk officers across all Company locations. The basis of this process driven risk management system is the risk register that not only lists a comprehensive set of risks across 15 functional domains but also states control tools under process owners that are there to minimise each risk. The inherent risks across operational, strategic and tactical issues are mapped in terms of likelihood of occurrence and materiality. Some key areas where risks have been identified and mitigation tools put in place are:

- **Finance and Treasury risks** – apart from regular risks like authorisation risks, reporting risks and exposure risks, your company, with an increasing international presence, is continuously exposed to risks associated with foreign exchange fluctuations. Like any other Company, Anil Products Limited is also exposed to risks attached to economic and political uncertainty.
- **Supply Chain and procurement risks** – These are risks associated with the market dynamics of the company's inputs, where the company needs to take positions. There are systems in place that enhance transparency and scientific decision making in procurement and production planning. Many of the Company's inputs are in the nature of herbs and

plant extracts, some of which are endangered. Your Company has put in place a system of backward linkages where contract farming of such inputs is promoted.

- **Other set of risks deal with development and retention of human resources**, compliance and regulatory activities, data security and recovery systems across the company's IT infrastructure and issues related to quality and research and development. The Company is putting in place a Business Continuity Plan and a Disaster Recovery Plan to mitigate risks in the event of unforeseen exigencies.

The enterprise-wide risk management system analyses and deals with these risks based on the overall objective with a focus on identifying, assessing and subsequently developing controls to minimise risks. The framework so designed ensures adherence to the rules, regulations and internal policies of the company.

Opportunity

With the possibility of Foreign Direct Investment being allowed in the retail sector and consequent entry of large international retail chains, the FMCG industry will see some structural changes happening which could result in a strong growth momentum. Anil Products Limited is gearing up to capitalize on this opportunity by putting in place a specialized sales structure dedicated to cater to the emerging opportunities. On the production side, the location of our plants deriving fiscal benefits, coupled with procurement and supply chain efficiencies, we will be able to maintain good margins.

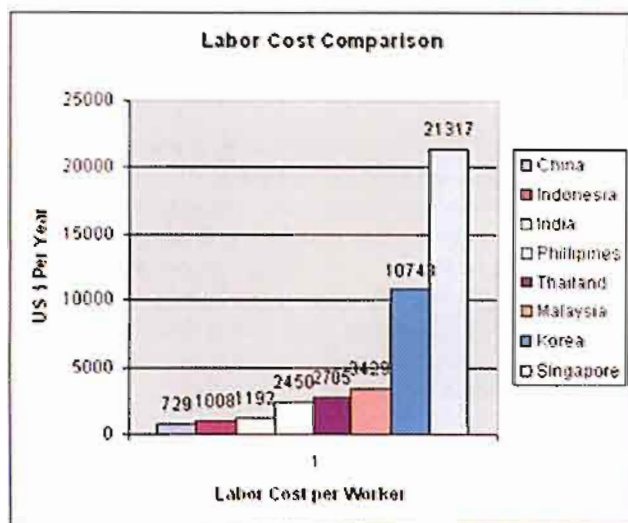
Indian Competitiveness and Comparison with the World Markets

The following factors make India a competitive player in FMCG sector:

Availability of raw materials

Because of the diverse agro-climatic conditions in India, there is a large raw material base suitable for food processing industries. India is the largest producer of livestock, milk, sugarcane, coconut, spices and cashew and is the second largest producer of rice, wheat and fruits & vegetables. India also produces caustic soda and soda ash, which are required for the production of soaps and detergents. The availability of these raw materials gives India the location advantage.

Labor cost comparison



Low cost labor gives India a competitive advantage. India's labor cost is amongst the lowest in the world, after China & Indonesia. Low labor costs give the advantage of low cost of production. Many MNC's have established their plants in India to outsource for domestic and export markets.

India has set itself a target of doubling its processed food production by 2015, and will set up 10 food technology parks during the next year with a view to achieving this. Organized retail today provides a national market for processed food. Large corporations are entering and strengthening their presence in this sector. It is expected that in future bulk investments and modern food processing technologies are going to turn the fortune for Indian food processing industry. Innovation in the food and beverage market will create innumerable opportunities for corn wet milling industry.

REVIEW OF OPERATIONS

As part of our long-standing commitment to environmental safety and protection, an ultra-modern effluent treatment plant and an elaborate environmental management system has been commissioned. Your company believes that with its superior technology, modern manufacturing processes and exacting quality control procedures this plant will go a long way in further strengthening market position of Anil Products Limited.

Sales during the year 2009-10

During 2009-10 we have shifted our focus from Commodity Starch to Value added products as shown in the table below. This has helped us get better realization and hence increase our profit.

Paper	+29% compared to 2008-09
Textiles	+49% compared to 2008-09
Value Added Products (Modified Starch)	+76% compared to 2008-09
Value Added Products (Pre-gel, Dextrins, Sp. Starch)	+34% compared to 2008-09
Commodity Starch	- 41% compared to 2008-09

Quality

Your company remains resolute in its commitment to enhance quality levels across its product portfolio. In this regard, over the last few years, your Company has maintained a sharp focus on upgrading technology and improving manufacturing processes at all its plants. As part of its quality assurance programme, it undertakes regular factory quality audits by trained quality auditors, ensures compliance with ISO 9001:2008 procedure and implementation of established standard operating procedures across its manufacturing bases.

Supply Chain

In the current inflationary backdrop, supply chain efficiencies have assumed even greater importance. Our initiatives over the last couple of years in supply chain management have stood us in good stead and during 2009-10, your company continued to realize procurement efficiencies and reduce its input costs in spite of inflationary pressures. Through usage of innovative procurement strategies and modern forecasting and research tools, the Company's material cost as percentage of sales came down

Research and Development

R&D has been the cornerstone of success for your company. In 2009-10, the depth and knowledge of research capabilities at Anil Products Limited is particularly reflected in its success in the area of new product development. In the year under review, the notable developments are:

- Your company introduced the concept of Application labs in R&D to evaluate the new product for its application and also to develop new application of new products as well as for existing products. We have introduced Food, textile and paper application labs. Shortly we will also introduce application labs

for feed, Pharma and General Application. The general application lab will cover the applications such as adhesives, oil well drilling, etc.

- Modernisation of pilot plant for value-added Products were carried to develop the product/process more precisely so that scaling up the product into the production is easier.
- Modified Starches for Textile industry with specific uses and with unique feature such as sizing that can be removed without enzymes specifically for terry towel industry.

Modified Starches for Food

Modified Starches for Food processing that can act as a thickener to replace costlier thickeners. The Indian food industry was looking for such products since they had to import such products. These products will also helping us to enter into the international food industry.

Binder for paper lamination

We intend to compete with international players by introducing such products which will offer high adhesiveness and blend harmoniously during the processing of paper lamination.

Specialty Modified Starch for rubber industry

R&D worked closely with an overseas buyer who manufactures rubber threads, a unique rubber product. This challenging grade of modified starch was developed to suit the requirement. We were successful and the commercial supplies have started. With this we have also started competing in international market with an advanced product where MNCs had monopoly business.

Value added / Specialty feed Supplement

With required by-pass protein, all needed minerals, fats, energy and other essential nutritional values these two grades were introduced for dairy cattle. One product offers adequate level of by-pass proteins and designed to suit the requirement of adult animals. The other provides better energy level and protein for calves.

Investment in last year

₹ 750 lacs were invested in 2009-10 for new equipments for Research & Development.

FUTURE OUTLOOK

- o India has incredible opportunities in the field of food processing because of diverse agro-climatic zones, growing population, favorable demographic profile making it one of the largest consumption hubs. Globally, the per capita consumption of corn wet milling products is very high and with growing Indian consumption will be higher in coming years.
- o Initiated discussion / interactions with Institutes and Universities to work on joint research projects
- o Modernising Quality Control labs with latest equipments and protocols Pharma & Food requirements
- o Processed foods market in India, stood at \$72bn-75bn for the full year 2007-2008 and has been growing consistently at the rate of 9% year on year. The Indian food processing market is the fifth-largest market in the country and is a "sunrise sector" in India after IT.
- o Textile exports are targeted to reach \$50 billion by 2010. The industry has the potential of attaining \$34bn export earnings by the year 2010.
- o In current financial year we are going to upgrade the R&D facilities with the investment of ₹ 5 crore. R&D will have application labs in addition to chemical labs. The investment will be made in the area of necessary equipments for process, analysis, and also application equipment in the area of textile, paper, food, Pharma, adhesive, etc.

INTERNAL CONTROL AND ADEQUACY

Your Company has adequate internal control systems commensurate with the size of its operations and nature of its business. The internal audit is regularly conducted to review internal control systems, to examine their adequacy and suggest improvements for their effective observation and implementation.

CONTINGENT LIABILITIES

Details of contingent liabilities are given in Schedule 21 of balance sheet and profit and loss account.