

**Anil Limited**

Anil

**ANNUAL 2010**  
**REPORT 2011**





## LATE SHRI SHRIPAL SHETH

(Chairman & Managing Director)

1939 to 2010

We deeply mourn the sad demise of Shri Shripal Sheth, our late Chairman who left us for his heavenly abode on 26th December, 2010. Under his visionary leadership the company grew from strength to strength in last 5 decades and the all round growth & the development in various fields can surely be attributed to his multi-faceted personality, dynamism and unbounded spirit. He put the company on the growth path and set the course for its future direction. The true tribute to him from all the company's stakeholders would be to continue to grow this company further & farther along the lines of his vision, which would have made him proud.

### Vision

Drive growth through Technology Excellence and expand into new, global markets with specialty products manufactured through Bio and Polymer technology to achieve a dominant player status

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## COMPANY INFORMATION



**Shri Amol S. Sheth**  
Chairman & Managing Director



**Shri Kamal R. Sheth**  
(Independent Director)



**Shri Anish K. Shah**  
(Independent Director)



**Smt. Indira J. Parikh**  
(Independent Director)

### CHIEF FINANCIAL OFFICER

Shri Dipal Palkhiwala

### COMPANY SECRETARY

Shri Chandresh Pandya

### 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 – 380 025  
Tel: 079 – 40282000  
Fax: 079 – 40282001  
E-mail: investor-relations@anil.co.in  
Website: www.anil.co.in

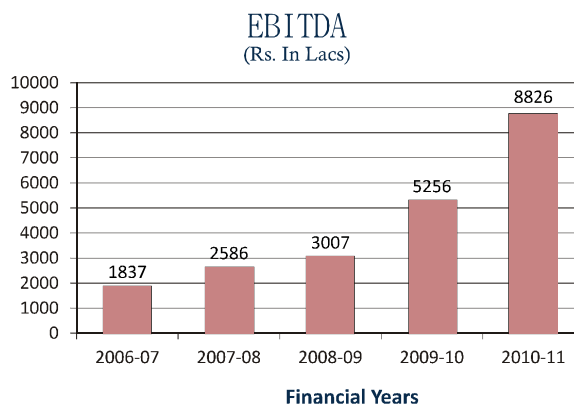
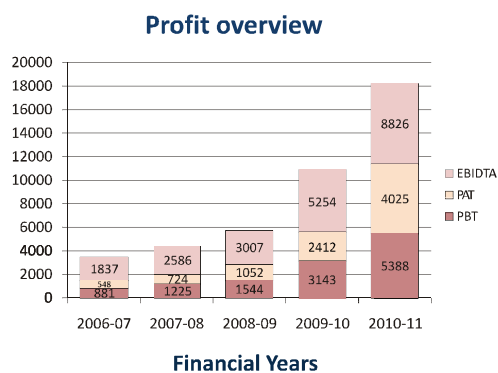
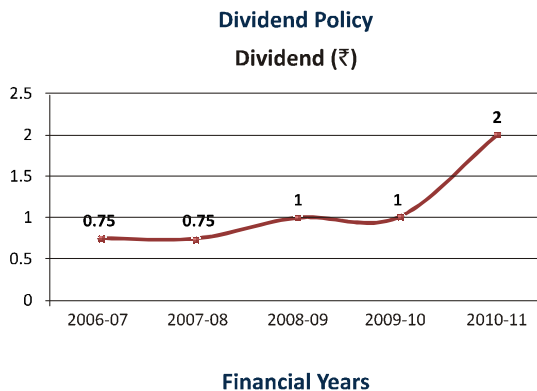
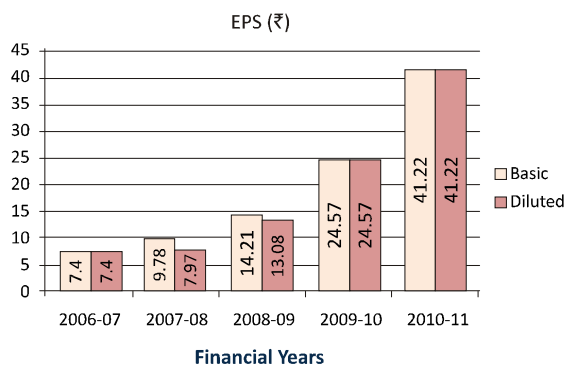
### PLANT LOCATION

Anil Road,  
Ahmedabad – 380 025

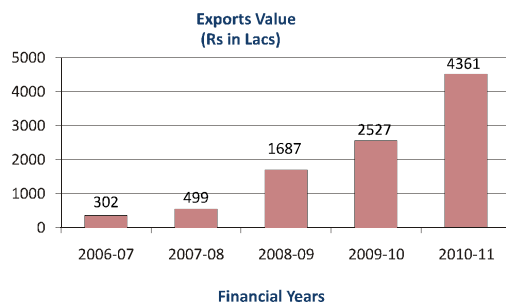
### REGISTRAR & SHARE TRANSFER AGENT

Link Intime India Pvt. Ltd.  
Unit: Anil Limited  
211, Sudarshan Complex,  
Near Mithakhali Under Bridge,  
Navrangpura, Ahmedabad – 380 009  
Phone: 91-79-2646 5179  
Fax No. 91-79-2646 5179  
Email: ahmedabad@linkintime.co.in

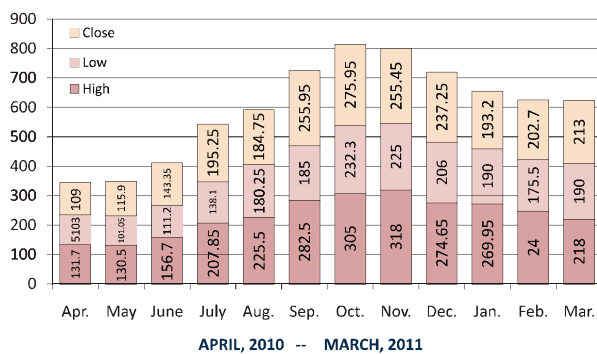
## FINANCIAL HIGHLIGHTS



## Earnings In Foreign Currency



## Market Price Data



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### INDUSTRY STRUCTURE & DEVELOPMENTS

In 2010 – 11, Indian economy has been characterized by robust economic growth and steady fiscal consolidation. The economy emerged with growth of 8.6 percent (advance estimate) in 2010-11 and is expected around 8.2 percent next year. This growth is also broader: agriculture is rebounding, manufacturing continues its momentum, and private services are picking up.

Growth in the industrial sector was buoyant during the first two quarters (April-June, July-September) of the financial year. The manufacturing sector, in particular, showed a remarkable robustness, growing at rates of 12.6 percent and 9.9 percent respectively, during these two quarters. Thereafter industrial output growth has begun to moderate. This compares with global trends as global manufacturing continued to rebound post crisis till the first half of 2010 and has thereafter moderated.

Maintaining a close check of the prevailing trend in its end-user industries, Anil Limited has charted a roadmap which provides ample scope of business potential and revenue generation in the long run.

### SEGMENT-WISE STRUCTURE (IN BRIEF)

#### Food (Food Processing, Beverages, Confectionaries) Industry

India is one of the world's largest producer as well as consumer of food products. Food and food products are the biggest consumption category in India, with spending on food accounting for nearly 21% of India's GDP and with a market size of USD181 billion. Increased income levels, cheap credit facilities, higher disposable income have resulted in greater spending and consumption among consumers. Increased mobility, exposure, increased aspirations and availability of a wider range and products, have also contributed to shifts in spending orientation.

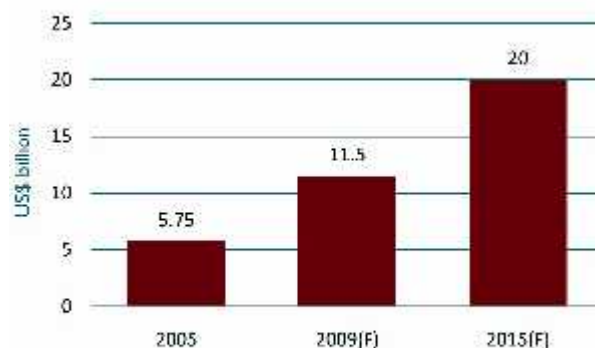
Indian non-alcoholic drinks market was estimated at around US\$ 4.43 billion in 2008 and is expected to grow at a CAGR of around 15 percent during 2009-2012. The fruit/vegetable juice market will grow at a CAGR of around 30 percent in value terms during 2009-2012, followed by

the energy drinks segment which will grow at a CAGR of around 29 percent during the same period.

The Indian Confectionery Business is about ₹ 4100 crores (9% CAGR for the past 5 yrs). Industry statistics reveal 18 percent market share for hard-boiled candies, toffees followed by 13 percent for gums and mints. With presence of young demography, higher disposable income and more urbanization, the industry is expected to grow wherein companies can look forward to foreign collaborations, and tie-ups in bringing new products and technology.

For the Food Industry, Anil Limited has developed and introduced a range of speciality starches and starch derivatives to be used as a sweetener, thickener and for texture and taste improvement. These products offer high level of stability against acidic condition of food, high temperature and shear during the processing of various packaged food, beverages and confectionaries. Some of these products provide freeze thaw stability to food products.

Market size of the Indian pharmaceutical industry



Sources: Taking wings, Ernst & Young, 2009; "Indian pharma market valued at over Rs 55K crore in FY'10,"

#### Pharmaceutical Industry

India's pharmaceutical industry is the third largest in the world in terms of volume and stands 14th in terms of value. The domestic pharma sector continued its strong show in 2010 and recorded a 16.5 percent growth during January-December. In 2010, the Indian Retail Pharmaceutical Market was valued at US\$ 10.2 billion, growing at 16.5 percent over 2009. As per market research reports, Indian generic drug market to expected to grow at a CAGR of around 17 percent between 2010-11 and 2012-13. The healthcare sector has attracted growing investor support in 2010 with nearly a tenth of the total private equity funding going to this sector. The

## ANIL LIMITED

consistently rising financial numbers are indicative of growth potential in the pharmaceutical industry.

In this sector also, Anil has introduced some niche starch derivatives and speciality ingredients for IV fluid applications.

### Animal Healthcare (Feed / Livestock) Industry

During previous decade, production of total compound feed by members of Compound Livestock Feed Manufacturer's Association (CLFMA) increased from 2.79 million tonnes (2001-02) to 3.77 million tonnes (2008-09). The production of compound poultry feed has shown an increase over the years. Total feed consumption in India is estimated at 21.4 metric tonne in the organized sector, comprising 7 metric tonne broiler feed, 8.5 metric tonne layer feed, 5.5 metric tonne dairy feed, 0.25 metric tonne shrimp feed, 0.1 metric tonne fish feed, and 0.05 metric tonne for other species.

Anil Limited has created its own niche in catering to requirements of Animal Healthcare Industry by developing innovative speciality Feed Pre-mixes and Biological agents. These products are used to improve the feed utilization resulting in giving more ME to the animals, thus improving the FCR (food conversion ratio).

### Paper Industry

The Paper Industry in India is witnessing significant growth and capacity expansions to meet the growing demand for paper consumption as a result of growth in education sector and increasing literacy rate. Indian paper industry is poised to grow and touch 11.5 million tonnes from 9.18 million tonnes to 2011-12 from 2009-10 at the rate of 8% per annum. Per capita paper consumption increased to 9.18 kg on 2009-10 as compared to 8.3 kg during 2008-09.

The 5.6% cumulative annual growth rate in paper consumption (excluding newsprint segment) over the last five years has prompted Indian paper manufacturers to undertake significant capacity expansions. With closure of paper mills in European countries, there exists new opportunity for Indian paper mills to explore export markets. Paper consumption is increasing due to packaging requirements, government literacy programs and policy of using more paper bags than plastic. With reduction in import duty on waste paper from 5% to 2.5% announced in Budget 2011-12, paper mills will be benefited. Increased economic activity is providing the players an opportunity for growth and expansion.

Anil Limited has introduced a range of modified starches for wet-end and size press applications in paper mills replacing a range of chemicals. These products have capability to be used in high speed paper machines. We have just completed laboratory and pilot scale work for a premium category speciality starch to be used as adhesives for paper packaging applications. The introduction of this product brings a new dimension in the paper packaging application. We are in the process of commercializing this product in India as well as global markets in the coming fiscal.

### Textile Industry

The Indian textile industry contributes about 14 percent to industrial production, 4 percent to the country's gross domestic product (GDP) and 17 percent to the country's export earnings. The total cloth production has increased by 2.9 percent during December 2010 as compared to December 2009. The highest growth was observed in the power loom sector (3.7 percent), followed by handloom sector (3.3 percent). The total cloth production during April-December 2010 increased by 2.3 percent compared to the same period of the previous year. The production of spun yarn and cotton yarn increased by 6.0 percent and 8.6 percent, respectively during December 2010 as compared to December 2009. The total textile exports during April-September 2010 (provisional) were valued at US\$ 11275.58 million as against US\$ 10115.78 million during the corresponding period of the previous year, registering an increase of 11.47 percent.

Anil Limited, during 2010-11, successfully completed trials on introducing three modified starches for Textile Industry. These modified starches offer better weaving efficiency at low consumption level and replace conventional sizing ingredients like native starch, chemicals, adhesives, etc. All the three products also help in better subsequent processes like desizing, bleaching, etc.

## CONCLUSION

With increasing demand for Food, Pharmaceutical, Animal Health Care, Paper and Textile products, demand for our specialty starches and derivatives is consistently increasing. Due to attractive export opportunities and increase in global consumption of these products we are all set for sustainable growth path. Our acceptability as a global player is now being established and demand is expected to grow further from Asian, African & European countries.

## OPPORTUNITIES, THREATS, RISKS & CONCERNS

### Opportunity

With 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 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.

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.

### 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 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, Anil Limited, with an increasing international presence, is continuously exposed to risks associated with foreign exchange fluctuations.

Like any other Company, Anil 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.

### Review of Operations

As part of our long-standing commitment to environmental safety and protection, an ultra-modern effluent treatment plan 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 Limited.

## FUTURE OUTLOOK

Starch and its derivatives have emerged as the most promising environment friendly ingredient over the years and offers varied application benefits in both food as well as non-food industries. With growing consumption



of modified starches and starch derivatives, the global starch market is poised for growth in the next few years. The speciality starch market is projected to be the fastest growing segment over the period 2009 – 2015. This growth is primarily due to the rising health awareness across the globe and growing functional and nutritional needs in global economies, which demand use of innovative products keeping environmental aspects intact.

India has incredible opportunities in the field of food processing because of diverse agro-climatic zones, growing population, favourable demographic profile making it one of the largest consumption hubs. There has been a steady increase in demand of starch in Food & Beverage industry due to high prices of sugar, thereby starch acting as an alternative. Starch has emerged as an environment friendly alternative to plastics in many applications like carry bags. Use of starch in manufacture of ethanol and biodegradable plastics can potentially transform starch industry's size and prospects.

In pharmaceutical industry, starch consumption is likely to witness significant growth since bottling facilities are expanding and IV fluid manufacturers are growing above 15% per annum. India accounts for a turnover of about \$10b with an average growth of 10% over the past 5 yrs. In 2010-11 the growth is at 15%.

The textile industry in India is likely to witness growth due to high manufacturing costs in China and recovery

of US and European markets will lead to increase in demand. With growing purchasing power of Indian consumers, demand for high-end products is increasing.

## INTERNAL CONTROL AND ADEQUACY

The 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.

## CAUTIONARY STATEMENT

Statement in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be "forward-looking statements" within the meaning of applicable securities, law and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and other incidental factors.

## DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Annual Report and Audited Accounts of the Company for the year ended March 31, 2011.

## FINANCIAL RESULTS

The summary of financial results for the year under review is given below:

(₹ in Lakhs except per share data)

Particulars	2010-11	2009-10
Sales & Operating Income	<b>50,408</b>	37,410
Operating Profits (PBDIT)	<b>8,827</b>	5,256
Less Depreciation	<b>643</b>	519
Less Net Interest Expenses	<b>2,796</b>	1,595
Profit Before Exceptional Items & Tax	<b>5,388</b>	3,142
Less Exceptional Items	-	-
Less Tax Expenses	<b>1,373</b>	731
Less Short/Excess Pro Of earlier year w/o	<b>22</b>	-
<b>Profit After Tax</b>	<b>3,993</b>	2,411
Add Prior period adjustments	<b>32</b>	(12)
<b>Net Profit for the year</b>	<b>4025</b>	2,399
Balance brought forward	4343	2,308
<b>Distributable Profits</b>	<b>8368</b>	4,707
Appropriated as under:		
Transfer to General Reserve	400	250
Proposed Equity Dividend	195	98
Dividend Distribution Tax	32	16
<b>Balance Carried Forward</b>	<b>7741</b>	4,343
Earning Per Share (₹ per share)		
- Basic	<b>41.22</b>	24.57
- Diluted	<b>41.22</b>	24.57



### Analysis of Profit:

## OPERATIONS AND REVIEW

The Company continued to see strong and profitable growth in the financial year 2010-11 driven by good performance in existing and new business. During the year under review the Company has achieved total revenue mark of ₹ 500 crores. There has been a focus on improving efficiency in the utilization of Manpower, Machinery, Money and Material. The improvement in demand supply position, change in product mix and focused cost reduction measures have lead to improvement in overall profitability and productivity.