



POWERED BY
INTEGRATION



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Forward Looking Statement

In this Annual Report, we have shared information and made forward looking statements to enable investors to know our product portfolio, business logic and direction and thereby comprehend our prospects. Such and other statements - written and oral - that we may periodically make are based on our assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'intend', 'plan', 'project' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward looking statements will be realised although we believe we have been prudent in our assumptions. The achievement of results is subject to uncertainties, risks and even inaccurate assumptions. If uncertainties or known or unknown risks materialise or if underlying assumptions prove inaccurate, actual results can vary materially from those anticipated, estimated, intended, planned or projected. We undertake no obligation to publicly update any forward looking statements, whether as a result of new information, future events or otherwise.



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Integration as a business strategy and model was first introduced to the world by Andrew Carnegie in the late 19th century. By acquiring coke and iron mines and by owning railroads, he integrated both quality of raw materials and their supply to his steel manufacturing plant. Carnegie Steel Company became the world's largest producer of steel with an unprecedented profit of US\$ 40 million in 1900 –

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Much like the surge in demand led to growth in the steel industry in the 19th century, the growing demand for processed food is creating larger opportunities in food protection business. At the heart of food protection business is food preservation and shelf life extension. Food protection is a complex business encompassing elements of basic chemistry, food chemistry, bio-chemistry and bio-technology.

In the world of fine sciences, power comes from integration - integration of raw materials and supply chain, integration of manufacturing with capacity, integration of research with new product development, and integration of customer needs with effective and collaborative solutions.

At CFS, we are





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After the acquisition of Borregaard Italia S.p.A., (Now, CFS Europe) we have become the world's largest integrated manufacturer of Diphenol downstream products - TBHQ and BHA.





Backward Integration with CFS Europe means :

-  Stability in availability of raw materials
-  Stability in supply of products to customers
-  Opening new opportunity of growth, by way of new diphenol downstream products
-  Long term viability to business

More Products...

More Markets...

More Growth...

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CFS SURGING AHEAD

Our strategy moving ahead is to build on the strength of integration by developing and launching Diphenol downstream products. CFS launched 3 products during the year - Vanillin, an aroma compound for food applications, TBC and Guaiacol in the industrial segment.

Focussed Divisions

CFS has created strategic divisions based on applications - Food Ingredients, Industrial Products and Agri-Products. The aim is to expand reach, penetration, development and commercialisation of diphenol downstream products in the coming years.

New Products. New Markets. Expanding Horizons.

Food Division

The food division of CFS has taken a leadership position globally in the synthetic food antioxidant segment. Our range of antioxidants products are extensively used by our global customers in a wide range of applications directly or indirectly for shelf life extension.

The ever evolving food industry has globally witnessed a significant growth in demand for ready to eat packaged foods in recent times. Food preservation and shelf life extension therefore have emerged as important areas of attention and focus. CFS, with its strong presence in the shelf life extension space because of its global leadership in food antioxidants TBHQ and BHA, is rightly positioned to capitalise on this potential business opportunity.





CFS has taken a leading position as a preferred supplier of bulk ingredients to a wide range of customers in the food industry. To address the growing demand of bulk food antioxidants, CFS has expanded its manufacturing capacity and will continue to build on the leadership position.

Vanillin, the aroma compound, has been launched in the market. CFS has ambitious plans to aggressively promote the product in the food industry. Further initiatives are being undertaken to enhance manufacturing capacity and develop new product variants

CFS SURGING AHEAD

Forward Integration

With a clear near-term focus on the shelf life extension space, CFS is offering its customers a wider range of customised, ready-to-use solutions under the umbrella of SOLENTUS. A team of technical expert will work closely with customers, especially from fats and oils, bakery, confectionery and dairy segments to develop tailor-made specialised solutions.

The Technology Platform

SOLENTUS will be driven by a state of the art Food Application Laboratory with a team of food technologists, having expertise in testing and development across a range of food segments like fats and oils, bakery, confectionery and dairy. The Food Application Laboratory will be a nerve-centre for the creation and development of solutions for the customers in shelf life extension.

Customer Reach

CFS is expanding its global footprint in the emerging markets of Asia, Latin America, Middle East, India and China to further strengthen its existing global network and will be appointing technical sales teams in key locations to build the solutions business under the SOLENTUS umbrella.

Industrial Products Division

The industrial products division has successfully commercialised Diphenol downstream products TBC, Guaiacol and Veratrole.

The Industrial Products Division is expanding the network of distribution in key markets and working towards building a strong base in the product segments.



Agri Products Division

Preservation of fresh farm produce is a growing global concern. All over the world major efforts are being taken to minimise losses due to microbial damage, transportation and storage.

The Agri-products division has started commercialisation of the products developed by CFS in India and has obtained success in high cash crops and fruits. The division has appointed dedicated technical sales teams who are assisting farmers and cooperatives to develop better farming practices and CFS products are helping in reducing damage to crops.

MANAGING DIRECTOR'S MESSAGE

Dear Shareholders,

Welcome to another year that saw the Company deliver outstanding performance in a challenging macro-economic scenario. I am delighted to share with you highlights of the year 2012-13 and how we plan to keep up the momentum of growth as we leverage the power of integration.

We started the process of integration in 2010-11 with the acquisition of Borregaard Italia S.p.A. This critical backward integration enabled the Company to have a firm control over the prices as well as supply of Hydroquinone (HQ), the basic raw material used by the Company. Today, Borregaard Italia S.p.A., renamed CFS Europe S.p.A., is fully integrated with the operations of the Company, and is instrumental in the Company achieving a stellar performance during the year. In a year that was marked by extremely volatile market conditions, low demand and margin pressures the Company has actually increased its market-share of food anti-oxidants, which is indeed commendable.

The operations team, the R&D team and the marketing team all worked in tandem to deliver this exceptional performance during the year, and I would like to congratulate them all. Well done!

Driven by our focussed approach of stable supplies and competitive prices, as well as introduction of new value-added products, the Company was successful in :

- *Increasing Total Income to ₹ 31,639.97 Lacs compared to ₹ 25,562.02 Lacs last year, a growth of 23.77%.*
- *Profit Before Tax for the year was ₹ 2,252.77 Lacs as against ₹ 1,644.07 Lacs last year, an increase of 37.02%.*
- *Net Profit after tax for the year was ₹ 1,475.91 Lacs as against ₹ 1,014.03 Lacs in the previous year, an impressive improvement of 45.54%.*

In view of this superlative performance, the directors of the Company have proposed a dividend of ₹ 0.60 per share of ₹ 2/- each (i.e., 30%).

On the operational side, we integrated our supply chain, successfully re-engineered processes and de-bottlenecked our capacities which made it possible for us to achieve a quantum jump in manufacturing capacities with a marginal capex.

On the products front, in the Industrial Products business, the Company launched downstream products such as TBC, Guaiacol and Veratrole. These value-added products have been developed with technical expertise of CFS Europe, and hold a high growth potential. In the Food Business, Vanillin – the aroma compound manufactured by the Company, is also poised to take a larger share of the market.

In the Food Business, the Company is creating a new identity SOLENTUS, distinct from the bulk products and will offer customised solutions in natural and synthetic anti-oxidants on a collaborative approach with

