

Forward-looking statement

In this annual report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make, contain forward-looking statements that set out anticipated results based on the management’s plans and assumptions. We have tried wherever possible to identify such statements by using words such as ‘anticipates’, ‘estimates’, ‘expects’, ‘projects’, ‘intends’, ‘plans’, ‘believes’ and words of similar substance in connection with any discussion on future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated 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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Corporate information
(as on 2nd May, 2012)

BOARD OF DIRECTORS:

P K Khaitan

J P Kundra

Dr B Sen

B Bajoria

Y F Lombard

A Bagaria

R N Bhardwaj

D P Jindal

EXECUTIVE CHAIRMAN

C. K. Dhanuka

VICE CHAIRMAN & MANAGING DIRECTOR

M. Dhanuka

MANAGING DIRECTOR & CEO

B. Chattopadhyay

EXECUTIVE DIRECTOR (FINANCE)

R. K. Sharma

SENIOR VICE PRESIDENT (COO-TEA DIVISION)

P. C. Dhandhanian

SENIOR VICE PRESIDENT (IT SEZ)

K. K. Tibrewalla

COMPANY SECRETARY & COMPLIANCE OFFICER

K. V. Balan

STATUTORY AUDITORS

Lovelock & Lewes

Chartered Accountant

COST AUDITORS

Mani & Co.

Cost Accountant

BANKERS & FINANCIAL INSTITUTIONS

Axis Bank

Allahabad Bank

Bank of Baroda

Bank of India

Canara Bank

Deutsche Bank

Development Credit Bank

DBS Bank Limited

Export-Import Bank of India

HSBC Limited

HDFC Bank Limited

ICICI Bank Limited

IDBI Bank Limited

International Finance Corporation, Washington

Punjab National Bank

State Bank of India

State Bank of Travancore

Syndicate Bank

Standard Chartered Bank

United Bank of India

REGISTERED OFFICE

“Dhunseri House”, 4A, Woodburn Park, Kolkata-700020.

PET RESIN PLANT

Unit I: JL-126, Mouza- Basudevpur, PS Durgachak, Haldia, District: Midnapore (East), Pin - 721 602, West Bengal, India.

Unit II: JL-126, Mouza - Basudevpur, PS Durgachak & JL-145 Mouza - Paranchak, PS Bhabanipur, Haldia, District: Midnapore (East), West Bengal, India.

TEA ESTATES/FACTORIES

Bahadur Tea Estate, P.O. Tinsukia, Assam, Pin: 786125

Bahipookri Tea Estate, P.O. Mazbat, Assam, Pin: 784507

Bettybari Tea Estate, P.O. Mazbat, Assam, Pin: 784507

Dhunseri Tea Estate, P.O. Mazbat, Assam, Pin: 784507

Dilli Tea Estate, P.O. Parbatpur, Assam, Pin: 786623

Hatijan Tea Estate, P.O. Hoogrijaan, Assam, Pin: 786601

Khagorijan Tea Estate, P.O. Sepekhati, Assam, Pin: 786592

Khetojan Tea Estate, P.O. Tinsukia, Assam, Pin: 786125

Namsang Tea Estate*, P.O. Jeypore, Assam, Pin: 786614

Orang Tea Estate, P.O. Mazbat, Assam, Pin: 784507

Santi Tea Estate, P.O. Hoogrijaan, Assam, Pin: 786601

Primax Tea Factory, P.O. Borhapjan, Assam Pin: 786150

Shreemoni Tea Factory, P.O: Tingkhong, Assam Pin: 786612

Sona Assam Tea Factory, P.O: Makum Junction, Assam Pin: 786170

* agreement for sale executed

ITSEZ

Dhunseri IT Park, Kolkata IT Park, SEZ, Kolkata Leather Complex, Bantala, South 24 Paraganas, West Bengal.

SUBSIDIARY COMPANIES

Egyptian Indian Polyester Company S.A.E (EIPET), 10, Nehru Street, Behind Merryland Park, Heliopolis Cairo-11341, Egypt

Dowamara Tea Company Private Ltd. (DTCPL), Kakopath Road, Vill: Rangajan, P.O: Rupaisiding, Assam Pin: 786153

Dhunseri Petrochem & Tea Pte Ltd. (DPTPL), 80 Raffles Place, UOB Plaza 1, #26-01, Singapore 048624

REGISTRARS AND SHARE TRANSFER AGENTS

Maheshwari Datamatics Pvt. Ltd.

6, Mangoe Lane, 2nd Floor, Kolkata-700001

NEW PRODUCT
GRADES. NEW
COUNTRIES TO
MARKET IN. THIS
HAS BEEN OUR
STRATEGY TILL
DATE. FROM NOW,
WE WILL INVEST IN
NEW CAPACITY.
MANUFACTURE IN
MORE LOCATIONS.
AND CREATE A
STRONGER
COMPANY.



Most companies were focused on playing it safe in a slow 2011-12. However, we are engaged in raising our PET resin capacity by four times. And emerging as one of the world's top ten PET resin producers.

Legacy

Dhunseri Petrochem & Tea Limited is a ₹ 2000 crores organisation, headquartered in Kolkata, India. The Company is headed by Mr. C. K. Dhanuka (Executive Chairman), ably assisted by Mr. M. Dhanuka (Vice Chairman & Managing Director) and a professionally managed competent team. The promoter holding in the

Company was 63.51% as on 31st March 2012.

Certifications

■ **PET resin:** Quality certification from USFDA, EC, ITRC, Food and Health Bodies of Japan and Canada.

ISO 9001: 2008 (quality),
ISO 14001:2004 (environment protection)
and BS OHSAS 18001:2007 (health and

safety), SA 8000:2008 (social accountability)-certified.

■ **Tea:** ISO 22000:2005 (food safety)-certified for nine gardens with factories

Corporate strategy

To maximise shareholder value by scaling up PET sales, increasing tea production capacity and focusing on marketing packet tea.


Brands

PET resin: ASPET®



Tea: LAL GHORA and KALA GHORA





From the
Executive
Chairman's
desk

Over the last few years, the Company primarily focused on consolidating its core strengths and embarked on scaling up production in those areas.

Q. How would you analyse the Company's performance in 2011-12?

A. It is an interesting commentary on the PET resin industry, that despite a sluggish year for the global economy marked by consumer resistance across various sectors, the global PET resin industry grew at six per cent and Dhunseri registered a capacity utilisation of 105% with a 26% increase in sales revenue in 2011-12. This outperformance indicates that the global

PET resin industry is not as dependent on the global economy as most other sectors, which is one of the reasons why Dhunseri embarked on an unprecedented expansion in its production capacity.

Q. How then would you explain the decline in the Company's profits in 2011-12?

A. The Company's EBIDTA and PAT declined by 47% and 61% respectively,

despite increased revenues for the following reasons.

One, the Company was severely affected by currency volatility, which influenced the value of raw material and finished goods inventory on the Company's books and translated into a loss. Margins were also under pressure.

Two, in the tea division, even as production increased 31% from 10.29 mn kg to 13.48 mn kg, principally due to the acquisition of four bought leaf

factories, profitability was affected on account of lower tea processing due to severe drought, pest attack at gardens and impact of increased labour wages across the tea industry.

Q. What initiatives helped minimise the impact of these unfavourable developments?

A. In the business of PET resin manufacture, the objective is to produce as much as possible with an aim to amortise our fixed costs and earn an attractive margin above our breakeven point. During the year under review, we benefited from the technological upgradation and plant maintenance that we carried out periodically in the past to generate a capacity utilisation of 105% compared with the global average of 79%.

At Dhunseri, we recognised that we needed to push deeper into our existing markets to achieve higher realisations and superior terms of trade. The result is that the Company derived 68% of its PET resin sales revenues from within India. The remaining 32% came from the global market.

Besides, we entered into an agreement with M&G (Italy) to manufacture barrier grade resin using state-of-the-art BicoPET technology. This resin grade provides an effective barrier against atmospheric oxygen and keeps edible products fresh for longer periods. It will strengthen the Company's presence in the food processing industry and provide a strategic entry into the global beverage industry, resulting in increased production volumes.

The Company countered the drought through extensive irrigation, pest attack

by using new-generation pesticides, sold one bought leaf factory and is in advanced stages of negotiations to sell another factory. Meanwhile, operations in the other two bought leaf factories are being stabilised. The expansion on the Hatijan tea estate is on schedule and expected to be commissioned in May 2012. The Company's factory automation and yield improvement programmes resulted in improved quality, increased productivity and cost reduction.

The Company sustained the construction of its IT park, the first phase of which is expected to be completed by Q4 FY 2012-13, resulting in rentals from FY 2013-14.

Q. The big question is how the Company expects to market the additional material that will come out of its significant PET resin capacity expansion?

A. The Company's principal strength is its quality commitment. The Company is well known worldwide for its ability to produce different PET resin grades. We expect that this fundamental commitment to quality will translate into a wider market reach and enhanced production. So from the moment we commission our expanded capacity, we expect to leverage our goodwill from sustained relations with existing customers across 40 countries. As a prudent sales allocation strategy, our Indian plant will concentrate primarily on the Asian market (including India) and some demand in Europe and the US, while our proposed Egypt plant will cater to the growing demand from the Middle East, Africa, Europe and the US.

The Egyptian plant expects to capitalise on attractive regional realities as well. The plant is expected to emerge as the first bottle-grade PET resin plant in North Africa and one of the largest in the Middle East. The plant is being set up near Ain Sukhna, a 17m draft deep sea port on the Red Sea. This location is ideal for making supplies to Europe within 48 hours and USA within seven days. I am happy to state that this plant received private free-zone status from the government (duty-waiver benefits). Egypt also enjoys free trade status with a number of African, Middle Eastern and European countries. The availability of tax benefits, low-cost labour and energy will make it one of the most competitive PET resin manufacturers in the region.

Q. What is your message to the shareholders?

A. Over the last few years, the Company primarily focused on consolidating its core strengths and embarked on scaling production in those areas. I am pleased to state that much of this growth will be reflected in numbers following the commissioning of our expanded PET resin capacity starting June 2012, the completion of the first phase of our IT park and commissioning of the Egypt plant in Q4 FY 2012-13.

Once complete, we expect to witness a significant growth in our topline and bottomline, which on an unaltered equity, will translate into enhanced value in the hands of all those who own shares in our Company.

Regards,

C. K. Dhanuka,
Executive Chairman



Future-focused

Because tomorrow, people will turn to a bottle or container by reflex action.

While most consumers globally were largely using glass bottles, we at Dhunseri recognised that the old order would change... with speed.

That consumers would increasingly switch to PET for reasons of cost, weight, clarity and convenience.

By taking what was clearly a call on the future, Dhunseri invested in a 1,40,000 TPA PET resin manufacturing facility in 2003.

While most doubted whether the Company would indeed be able to survive and succeed in a challenging global environment, Dhunseri grew manufacturing capacity 43% through responsible cost-effective de-bottlenecking to 2,00,000 TPA in the first four years.

The time has come for Dhunseri to embark on increasing its production capacity from 200,000 TPA to 830,000 TPA by 2013.

For just one reason: more consumers will use a PET bottle or container by reflex action in the years to come.



Future-focused

Because tomorrow, more and more packaging industries will switch to PET bottles, given its wide usage & applications.

While most manufacturers were using PET bottles to package carbonated beverages, we at Dhunseri recognised that applications would grow ... with speed.

An increasing number of PET bottle manufacturers – our primary customers – will work closely with their downstream users to create new and customised applications.

And so emerging applications gradually replaced the conventional...one sector at a time.

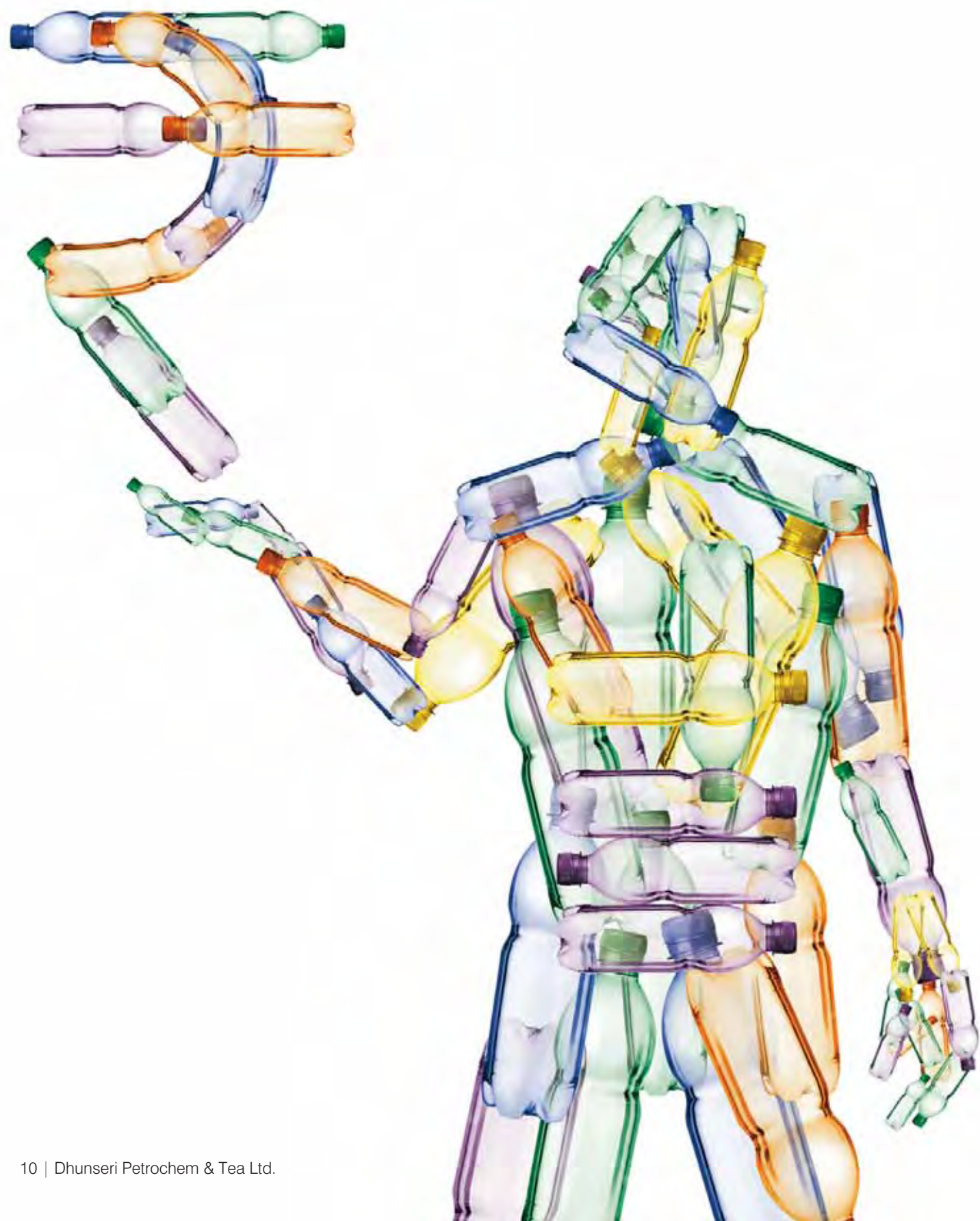
Beer was always perceived to be a chilled glass bottle taken out of the refrigerator and served on a bar table. Until the bottle turned PET.

Pharmaceutical tablets and capsules were usually emptied out of brown glass bottles. Until the bottle turned PET.

Ketchup and juice was, for decades, in heavy bottles sitting on the kitchen table. Until the bottles turned PET.

Recognising this transition, in 2011, Dhunseri entered into an agreement with M&G (Italy) to provide the latest BicoPET technology to manufacture barrier resins that would help protect food content in high-shelf life products.

For just one reason: a wider product application means wider market reach.



Future-focused

Because tomorrow, companies will need to generate larger profits and bigger value.

While most analysts were likely to dismiss the manufacture of PET resin as a commodity, we at Dhunseri perceived a window of opportunity ... in the fine print.

That in a business marked by a growing number of consumers, the magic would lie in leveraging economies of scale consistently.

This is how the economies will work: running the manufacturing plant at a high capacity utilisation, generating a reasonable delta, recovering proceeds with speed, spending effectively in capacity de-bottlenecking, minimising downtime, generating an additional production, and enhancing returns.

The result is evident in the Company's financials: the Company's investment in capacity quadrupling was funded through a prudent combination of accruals and debt resulting in low leverage and high cash flows.

This decision to quadruple capacity without altering the Company's equity structure will enhance shareholder value significantly across the foreseeable future.



Future-focused

Because tomorrow,
more people will
drink tea.

While most people will be inclined to dismiss tea as a drink for the aged, Dhunseri recognised that this notion would progressively evolve. That tea would become trendier with the youth due to its health benefits. That the government would promote tea more aggressively after declaring it as national beverage from April 2013.

In view of this, the Company embarked on expanding its tea manufacturing capacity from 10.5 mn kgs in 2010-11 to 20 mn kgs by 2015 by purchase of bought leaf factories and if negotiations to acquire tea gardens overseas fructify.

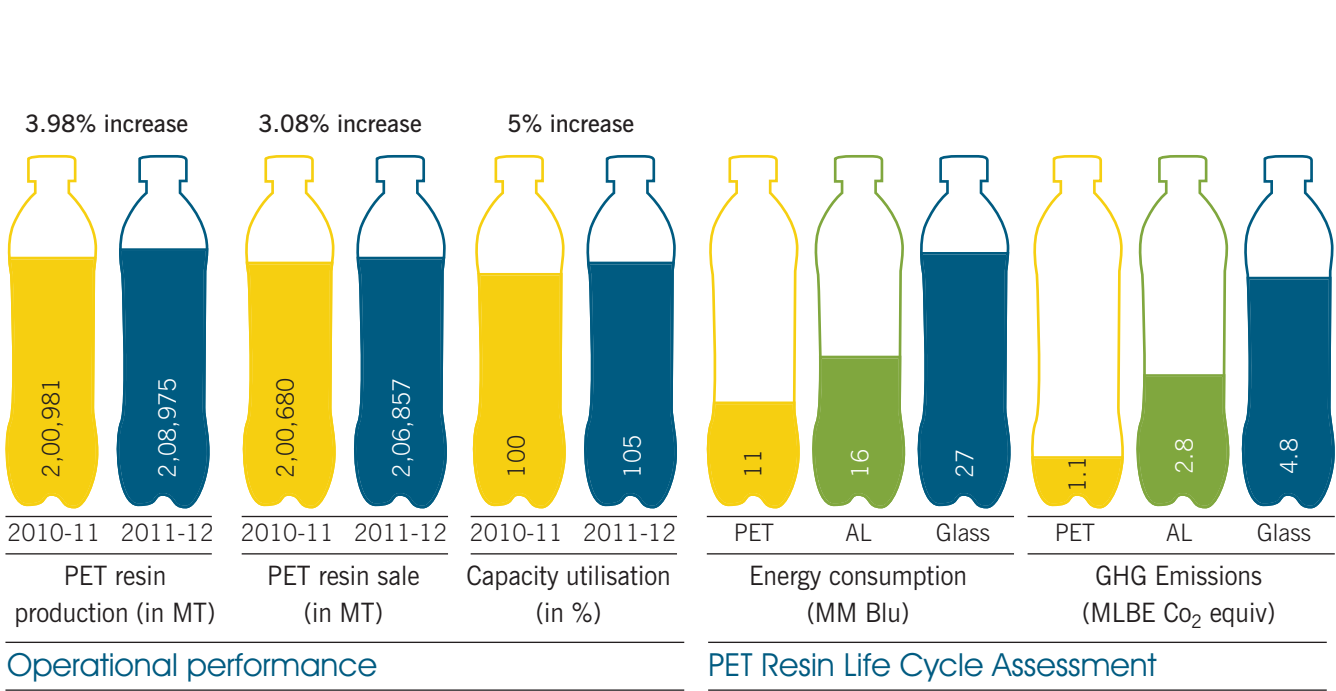
Business segment review

Business snapshot

	Petrochemicals	Tea	IT SEZ
Operational capacities/ built-up area	200,000 TPA PET resin manufacturing capacity in Haldia, a port town in West Bengal	10 tea estates in Assam with a production capacity of 10 mn kg* and three bought leaf factories with a processing capacity of 4.2 mn kg	750,000 sq. ft of commercial space in Bantala (Kolkata). Phase I to operationalise in Q4 FY 2012-13
Products and brand	PET resins for bottle/sheet/jar grade marketed under ASPET brand	Packet tea marketed under the LAL GHORA and KALA GHORA brands	Dhunseri IT Park
Capacity expansion	210,000 TPA brownfield expansion in Haldia by June 2012 and 420,000 TPA greenfield expansion in Egypt through subsidiary EIPET by Q4 FY 2012-13	Double capacity to 20 mn kgs by 2015, if negotiations to acquire tea gardens overseas fructify	Planning for Phase II in progress
Growth drivers	<ul style="list-style-type: none">■ Convenience of using PET bottles for packaging■ Globally, the PET packaging consumption to grow 5.1% CAGR by 2017	<ul style="list-style-type: none">■ Tea gaining popularity as a health drink among the youth■ Tea consumption in India is likely to grow by 2.4% annually during the coming three years (Source: Care Research)	<ul style="list-style-type: none">■ Kolkata – a popular IT destination■ Nine notified IT/ITeS SEZs in West Bengal■ The domestic IT/ITeS industry is expected to generate 2.3 lacs employment opportunities in 2012 which is likely to boost demand for office space

* excluding Namsang Tea Estate for which agreement to sale has been executed.

Business segment – 1



Overview

The Company embarked on manufacturing polyethylene terephthalate resins owing to the growing demand for clear, strong, lightweight unbreakable packaging material. The Company's domestic sales volumes accounted for 68% of total PET sales, whereas the rest is exported across around 40 countries. The Company's product is approved by global health and safety agencies for use in foods and beverages.

Advantages of PET

■ PET resin production process is environment-friendly over aluminium

and glass manufacture

- PET offers significant convenience advantages over glass – it is lightweight, transparent, convenient while travelling, and recyclable
- PET offers superior shelf life with low permeability to oxygen, carbon dioxide and water, protecting content integrity

Highlights, 2011-12

Financial highlights

■ Increased sales 26% from ₹ 1,419.09 crores in 2010-11 to ₹ 1785.59 crores. Despite this, margins were under pressure due to fluctuating raw material prices and the volatile foreign exchange scenario.

Operational highlights

- Achieved highest PET resin production of 2,08,975 MT
- Accelerated construction works at the Haldia plant for expansion (210,000 TPA) and setting-up a new PET resin plant in Egypt (420,000 TPA) with their respective commercial operations to start in June 2012 and Q4 FY 2012-13
- Achieved capacity utilisation of 105% through preventive and predictive plant maintenance to minimise downtime
- Commenced the import of MEG (raw material) from internationally-reputed producers to reduce dependence on a single supplier