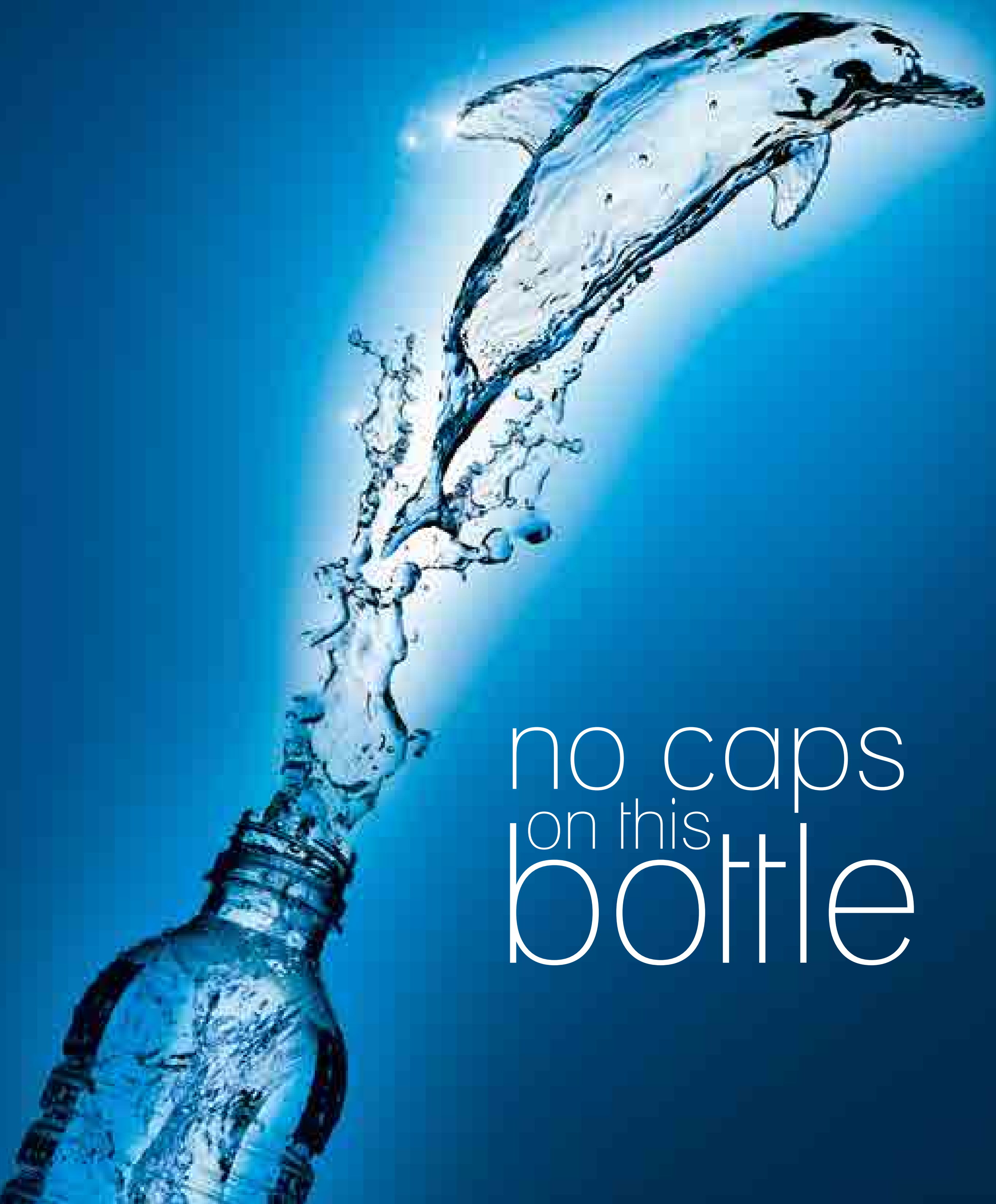
**Dhunseri Petrochem & Tea Limited**

Annual Report, 2012-13



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**Note:** Wherever we have referred to the global operations (including that of subsidiaries) in the document we have used 'Dhunseri group' and for Company operations (standalone) we have used 'the Company'.

## 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.

# the challenge.

The ongoing challenge for a company like Dhunseri Petrochem & Tea is to enhance organisational value, slowdown or not.

In 2012-13, the Company did so by widening its revenue engines, leading to the prospect of sustainable growth.

The Company doubled its Haldia PET resin capacity in 2012-13, readied for the commissioning of its Egypt capacity through its subsidiaries and completed the acquisition of two Malawi tea plantations (that doubled its consolidated tea output in one stroke).

As a result, Dhunseri Group expects to quadruple its PET resin capacity by 2014-15 over the base year of 2011-12.

## Who we are

Headquartered in Kolkata, India, Dhunseri Petrochem & Tea Limited, a part of the ₹ 2,500 crores Dhunseri Group, has become the largest PET resin manufacturer in India following the capacity expansion in Haldia. The Company is headed by Mr. C.K. Dhanuka (Executive Chairman), ably assisted by Mr. M. Dhanuka (Vice-chairman & MD) and a professional management team. The promoter's holding in the Company was 67.18% as on 31st March 2013.

## Company's Vision & Mission

**Global eminence through quality leadership.** Dhunseri Petrochem & Tea Limited is in business to ensure a lasting commitment to the following objectives:

- Raise the bar in line with the best global practices
- Create customer confidence
- Enhance shareholder value

## Business model

Dhunseri Petrochem & Tea Ltd is one cohesive entity involved in multiple businesses. Its steady business of tea is complemented by a growing demand for PET resin with IT infrastructure development as a stepping stone for the future. The strategy of the Company comprises the following:

- Creating an all-pervasive presence across the stretch of the global PET value chain
- Augmenting tea production in its estates after the acquisition of the Malawi estates
- Enhancing the branded/packet tea segment to ensure a significant value-addition for the tea business and ensuring consistent growth in the years to come
- Augmenting the value for shareholders through efficient and transparent business practices, via strategic decision-making

## Locations

- Dhunseri Petrochem & Tea Ltd is headquartered in Kolkata (West Bengal).
- The Company has two PET resin plants in Haldia (port town of West Bengal). Another manufacturing facility is coming up at Ain El Sokhna, a deep-sea port on the Red Sea in Egypt through its subsidiary namely Egyptian Indian Polyester Company S.A.E. (EIPET).
- The tea estates of Dhunseri Group are located in Assam (India) and Malawi (Africa). The Company has ten tea estates with nine tea factories in Assam and its subsidiaries have two tea estates with two tea factories in Malawi.
- The Company's tea packaging and blending units are located in Dhunseri Tea Estate (Assam) and at Jaipur (Rajasthan).
- The commercial IT Park of the Company is located at Bantala in the South-eastern part of Kolkata.

## Footprint

### Petrochem

The Company enjoys a marketing presence covering around 500 PET-consuming customers in around 50 countries. The Company's products are available in the ASPET brand in North America, the European Union, the Middle East, Eastern Europe and Africa. To help deal with its international operations better, the Company established a branch office in Dubai Multi Commodities Centre Authority under the name of Dhunseri Petrochem & Tea Limited (DMCC branch).

### Tea

The Company enjoys a strong presence within the Indian tea market through its brands LAL GHORA and KALA GHORA. To boost its international presence Dhunseri Group has acquired two tea estates in Malawi in South Eastern Africa.

## Technologies

Dhunseri has invested in cutting-edge technology to manufacture quality products and achieve high manufacturing efficiency through energy conservation and environmentally safe processes accredited with the relevant quality standards.

- Established a plant with world-class German technology.
- Dhunseri modernises its tea factories by replacing old machines with new higher output machines and continuously replacing old tea bushes with high yielding and superior clones

## Certifications

### PET resin

Quality certifications from USFDA, EC, ITRC, Food and the health regulatory 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 for Plant I.

### Tea

ISO 22000:2005 (food-safety) – certified for eight gardens with factories.

**Our Business**

- Petrochemical
  - **Capacity** 4,10,000 TPA as on 31.3.2013
  - **Brands** ASPET
- TEA
  - **Capacity** 12 million kg as on 31.3.2013
  - **Brands** LAL GHORA and KALA GHORA
- IT SEZ
  - **Location** Bantala (Kolkata)
  - **Built-up area** 7,50,000 sq. ft. of commercial space being built in two phases

# From the Chairman's desk

**If there is one big idea that I want to share with our shareholders, it is this.**

Over the last two years, in what was one of the most challenging periods during our existence and of the capital markets, we embarked on the bold initiative of creating a robust growth engine without altering our equity structure.

We expect to quadruple our capacity over the base year of 2011-12 and expect the revenues to be around ₹ 8,000 crores during 2014-15. What makes this story of aggressive growth credible is that we possess a rich experience in these businesses, a wide and deep distribution pipeline that facilitates the marketing of the incremental production, and we have grown vertically without depending on any one single business.

Best of all, we have created this springboard from which are ready to take the next big leap by investing our accruals and mobilising funds whenever required. As a result, we expect to see a significant increase in value for all our stakeholders starting 2013-14 but set to be more clearly visible in 2014-15.

The fact that we have achieved so during one of the most challenging economic scenarios over the last century serves as an index of the prudent business decisions we have taken, the operational discipline maintained and the sheer hard work put in by each employee across the organisational chain.

### Growing our business

Our initiatives and performance in the last financial year served as a signpost in our journey to create a significantly larger company.

**Petrochemicals:** The year 2012-13 was challenging on account of the global economic slowdown, which translated into the slowest Indian GDP growth in a decade. The offtake in India's PET industry was correspondingly affected by an increase in raw material costs, weak international realisations, excess of supply over demand and volatile currency movements. The result was that global PET resin demand growth moderated to around 4-5% and in India to around 10%.

In this competitive environment, the Company doubled its Haldia PET resin capacity. The commissioning of the Egyptian project was delayed but it was only because of our consistent effort and deep project management insight that we turned this disadvantage around in our favour. The plant was commissioned in November 2012 and operated at full capacity utilisation in the Q4 of the FY 2012-13, indicating a short learning curve and quicker payback. This plant is expected to operate at full capacity utilisation and add positively to the bottomline from Year One.

At Dhunseri, we are attractively placed in this business for some valid reasons: even before we expanded our Haldia capacity, we were among the few producers of PET resin in the world enjoying competitive conversion cost benefits. Following the expansion, we bring to this low cost structure the magic of scale, which we feel will make it possible for us to emerge more competitive and carve out larger shares of the global market over the foreseeable future. This is no wishful thinking; during the last financial year, we commissioned a Dubai marketing branch office to focus on reaching untapped markets (the US, Africa, the Middle East and Europe) faster so that we have a sales network in place timed with the commissioning of our Egyptian facility from Q3 of 2013-14 onwards.

**Tea:** Over the last few years, the tea industry was marked by an increase in consumption on the one hand and a finite availability of land for plantation on the other. The result was an increase in realisations that, in turn, translated into an increase in plantation value. As this transpired, the number of plantations available for sale reduced and it became increasingly challenging to acquire and grow one's presence in the tea industry. Even when opportunities presented themselves, acquisition costs remained prohibitive, affecting payback.

The Company countered this daunting scenario with the acquisition of two Malawi plantations (estimated annual out put of 9.5 million kg) through its subsidiaries during the year under review. The Company successfully concluded the deal in a competitive sectoral environment marked by an increase of buyers over sellers. The acquisition serves as a neat fit with the Company's existing operations and de-risked the concentration of our business in a single tea-growing area: its middling quality serves to complement the Company's existing presence in the premium Assam tea segment; the output addresses a large and growing appetite for blending material used in tea bags; the plantations are low cost and high-yielding; they have sizeable unused areas that can be developed and monetised in a phased manner.

At Dhunseri, we are attractively placed in this business. Here is how: we possess a rich domain knowledge drawn out of our Assam gardens that can be utilised across the Malawi estates and processing facilities, potentially increasing average Malawi realisations. Besides, the presence of Malawi will enhance our international presence, make us a part of a global plantation deal flow and enable cross-learning on yield and other plantation practices.

**Outlook**

The one point that I want to communicate to shareholders is that we expect our revenues to be around ₹ 8,000 crores in 2014-15 at current price levels.

I am pleased to state that despite having made extensive capital expenditure in the three years leading to 2013-14, we have been able to maintain adequate liquidity to grow our business without compromising our margins and viability.

At Dhunseri, we are aware that our market capitalisation represents only a fraction of our intrinsic value. Going ahead, we expect that the full impact of our Malawi acquisition and PET resin plant commissioning will translate into enhanced revenues and profits and in turn, into enhanced value in the hands of the shareholders of the Company.

**C.K.Dhanuka,**
*Executive Chairman*

# Our growth trend over the years

| Particulars | Capacity | | | | | |
|---|---|---|---|---|---|---|
| | 2009-10 | | 2012-13 | | 2014-15 | |
| | Indian operations | Overseas subsidiary | Indian operations | Overseas subsidiary | Indian operations | Overseas subsidiary |
| PET resin (MT) | 2,00,000 | Nil | 4,10,000 | 4,20,000 | 4,10,000 | 4,20,000 |
| Tea (million Kg) | 11 | Nil | 12 | 10 | 12 | 10 |
| Tea garden (hectares) | 3335 | | 5631 | | 5731 | |