Dhunseri Petrochem & Tea Limited

Annual Report, 2013-14

ON THE GROWTH TRACK

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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.

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'.

Until FY 2009-10, the sales turnover of Dhunseri Petrochem & Tea Limited was around ₹1,200 crores.

Thereafter, the Company embarked on one of the biggest investments during its existence.

Thereafter, Dhunseri Group more than quadrupled its PET resin capacity, extended its PET presence from one location to two and augmented its tea presence from one country to two thereby increasing its tea acreage by 86%.

Dhunseri Group ventured towards expanding its PET resin capacity in Egypt. Line-I and Line-II commenced commercial production in February 2014 and May 2014 respectively, setting the foundation for one of the dramatic growth phases in the Company's existence.

WE ARE ON THE GROWTH TRACK NOW...

AT DHUNSERI, WE ARE ON THE GROWTH TRACK. IN MORE SENSES THAN ONE.

THE COMPANY IS AT THE CUSP OF THE COMPLETION OF THE BIGGEST EXPANSION IN ITS EXISTENCE. MORE THAN QUADRUPLING ITS PET PRODUCTION CAPACITY OVER THE BASE YEAR OF 2011-12.

THE COMPANY IS ALSO AT A POINT WHERE IT WILL SOON SEGREGATE ITS PETROCHEM AND TEA BUSINESSES TO ENHANCE SHAREHOLDER VALUE.

WHAT HAS BEEN ONE COMPANY ENGAGED IN TWO BUSINESSES FOR THE LAST FIVE YEARS WILL SOON BECOME TWO COMPANIES ENGAGED IN ONE BUSINESS EACH.

WITH THE OBJECTIVE TO ENHANCE VALUE IN A SUSTAINABLE WAY ACROSS EACH BUSINESS SEGMENT IN THE FUTURE.

Our vision and mission

Dhunseri Petrochem & Tea Limited is in business to ensure a lasting commitment to:

- Global eminence through quality leadership
- Raise the bar in line with the best global practices
- Create customer confidence
- Enhance shareholder value

Our presence

Headquartered in Kolkata, Dhunseri Group's manufacturing plants are located in India and Egypt while its plantations are located in India and Malawi. This makes Dhunseri a multi-product, multi-locational and multi-country player.

Petrochemicals: The Company has two PET resin plants in Haldia (port town in West Bengal) with an aggregate capacity of 4,10,000 TPA. Dhunseri Group has another manufacturing facility at Ain-El-Sokhna, a deep-sea port on the Red Sea in Egypt (through subsidiary Egyptian Indian Polyester Company S.A.E.) with a manufacturing capacity of 4,20,000 TPA.

Tea: All the 10 tea estates of the Company having nine tea factories are located in Assam (India). Dhunseri Group also has two tea estates both with factories in Malawi (Africa). It has blending and tea packaging unit in Jaipur (Rajasthan), where a new facility has been created, by constructing a new building.

IT SEZ: The Company embarked on the construction of a commercial IT Park with a built-up area of 7,50,000 square feet (two phases) in South-East Kolkata.

Our background

Incorporated in 1916, Dhunseri Petrochem & Tea Limited is a part of the ₹4,200 crore Dhunseri Group, which is not only one of the largest PET producers in India but also among the global top 10 (along with its subsidiaries).

Our management

Headed by Mr. C.K. Dhanuka (Executive Chairman), ably assisted by Mr. M. Dhanuka (Vice Chairman & MD) and a professional management team.

Our credentials

- Among the top 10 PET resin manufacturers in the world
- Among the top 10 tea manufacturers of India
- Among the top 5 producers of Assam tea

Our footprint

Petrochem

Dhunseri's products are marketed under the ASPET brand in around 55 countries across the Indian sub continents, North America, South America, the European Union, the Middle East, Eastern Europe and North Africa. The Company has a branch office in Dubai Multi Commodities Centre to facilitate its international presence.

Tea

The Company's products are largely sold in leaf form to institutional buyers while its packaged tea brands (LAL GHORA, KALA GHORA and BAHIPOOKRI) are marketed in Rajasthan. Dhunseri Group's international gardens in Malawi caters to the tastes and preferences of consumers in Europe.

Our businesses

The Company is engaged in the business of PET resin, tea and is in the process of moving into the third business of annuity income (through IT infrastructure development).

Petrochem: The Company is engaged in the manufacture of PET resin which finds applications in the manufacture of diverse packaging materials used in marketing mineral water, carbonated soft drinks, edible oil, cosmetics, toiletries, milk, hot-fill drinks and juices.

Tea: The Company produces 10.01 million kgs of CTC and orthodox tea, which are marketed in the domestic markets.

IT SEZ: The Company has embarked on the development of IT-focused commercial infrastructure at Bantala in south-east Kolkata (West Bengal).

Our technologies

Dhunseri has consistently invested in state-of-the-art technologies translating into the manufacture of quality products, high operating efficiencies and environmentally safe processes.

- The Company invested in state-of-the-art PET resin manufacturing technology from Germany
- The Company periodically modernised its tea factories through progressive asset-related investments.

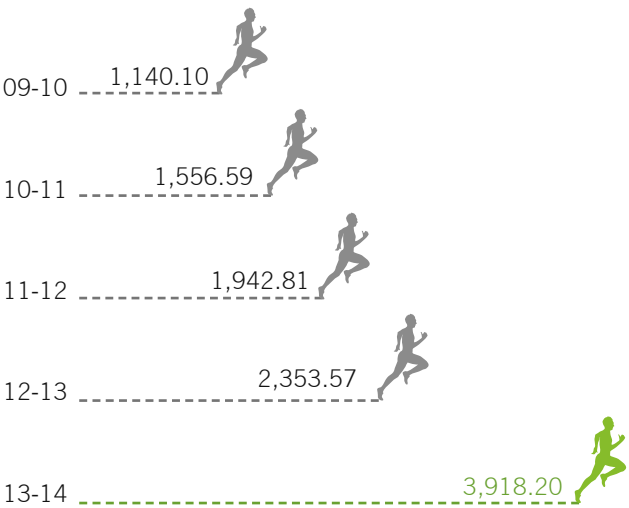
Our certifications

- **PET resin:** Quality certifications from USFDA, EC, ITRC, food and the health regulatory bodies of Japan and Canada.

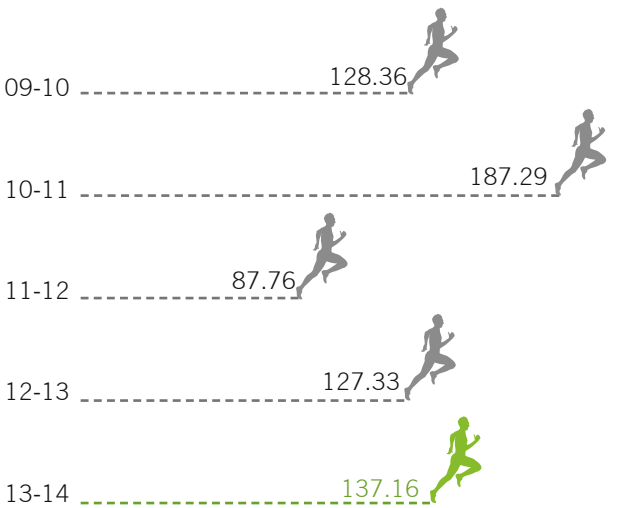
ISO 9001: 2008 (quality), ISO 14001:2004 (environment protection) and BS OHSAS 18001:2007 (health and safety), SA 8000:2008 (social accountability) - certified.

- **Tea:** ISO 22000:2005 (food-safety) certifications for all the gardens of the Company having factories.

OUR STORY IN NUMBERS



NET SALES
(₹ crores)



CASH PROFIT
(₹ crores)

OUR COMPETENCIES

Project commissioning capability

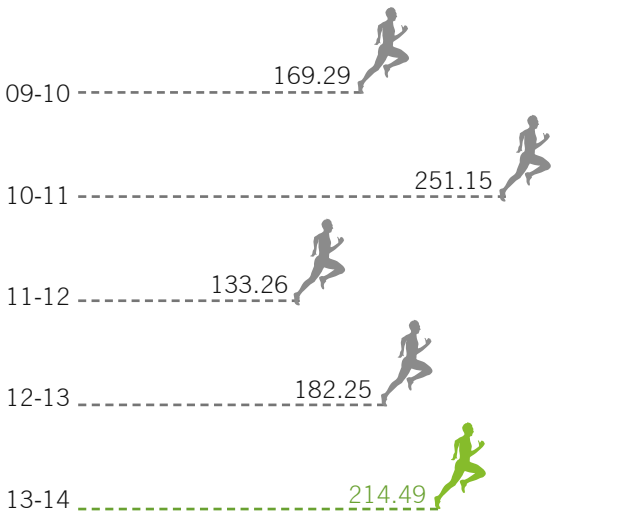
Dhunseri Group commissioned the Egypt-based PET manufacturing project, while leveraging its captive engineering and project management capabilities. Inspite of prevalent sociopolitical conditions in Egypt, the plant was commissioned within a reasonable time frame.

Scale and respect

Following the commissioning of the expansions within India and Egypt, Dhunseri is now expected to emerge among the 10 largest PET manufacturers in the world. The Company is also among the 10 largest tea producers of India (second largest tea producing country in the world) and owns plantations across two continents.

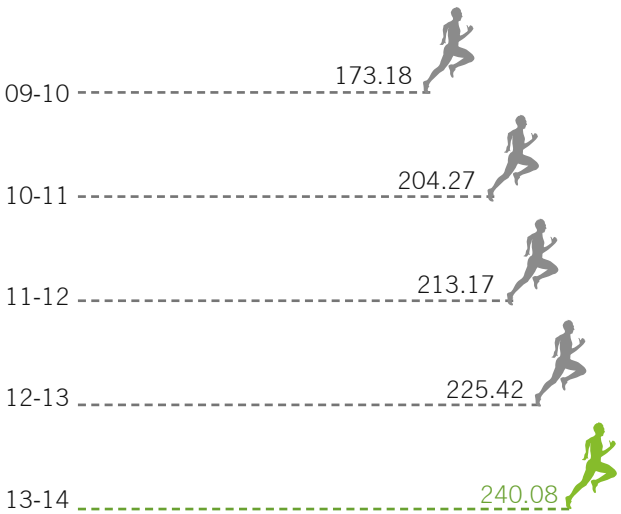
Customer relationships

The Company maintains a high level of efficiency when it comes to satisfying its customers through various initiatives like doorstep delivery system in tandem with the customers' requirement for maximum ease, customised service with regard to order size and specifications, along with timely and regular support services.



EBIDTA

(₹ crores)



BOOK VALUE PER SHARE

(₹)

Logistical advantage

Dhunseri has invested in port-based industrial facilities (Haldia and Ain-El-Sokhna) resulting in the ease of raw material access as well as export of finished products.

Global footprint

The Company's PET resin is marketed across 55 countries; its tea from the Malawi gardens is marketed across 10 countries. This extensive international footprint has helped mitigate geographical risk.

Emphasis on quality

Dhunseri's products comply with the internationally established qualitative parameters. The ISO 9001:2008 certification that was bestowed on the petrochem operations ensured sizeable long-term revenues. Dhunseri's choicest teas from Assam and Malawi have resulted in a long-term customer relationships.

FROM THE CHAIRMAN'S DESK

Chandra Kumar Dhanuka,
Executive Chairman *(Right)*

Mrigank Dhanuka,
Vice Chairman
& Managing Director *(Left)*

OVER PAST FEW YEARS, THE MANAGEMENT OF DHUNSERI PETROCHEM & TEA LIMITED EMBARKED ON A NUMBER OF INITIATIVES TO ENHANCE SHAREHOLDER VALUE.

I AM PLEASED TO INFORM THAT MOST OF THE INITIATIVES THAT WE ACTED UPON ARE COMING TO FRUITION. WITH THE WORST BEING OVER IN THE GLOBAL ECONOMY, WE CAN SAFELY ASSUME THAT THINGS CAN ONLY GET BETTER FROM NOW ON. AND IN LIGHT OF THESE REALITIES, I CAN SAY THAT WE ARE WELL AND TRULY ON THE GROWTH TRACK.

AT DHUNSERI, WE RESOLVED TO ENHANCE ORGANISATIONAL VALUE THROUGH A PRUDENT QUADRUPLING OF OUR PET RESIN CAPACITY.

Overview

The principal idea that I want to convey to our shareholders is that we are in a business that is consistently striving to enhance the value of their holdings. Over the years, we introduced a number of initiatives to make this a reality - starting from the amalgamation of our PET resin business with our tea business, the internationalisation of our business in terms of PET plant and garden locations, the progressive movement towards global scale and our commitment to sustainable management.

As we embarked on these diverse initiatives, the secondary capital market showed signs of weakness. In normal circumstances, the Dhunseri market capitalisation would have moved in line with our enunciated plans and business acquisition; this time the reverse transpired. Our market capitalisation declined, while our Egypt expansion was delayed owing to sociopolitical conditions in the region, causing cost overruns.

However, with the Egyptian plant coming on stream, our prospects have somewhat brightened; the Board took the decision to demerge the Company into independent entities to ensure enhanced focus in each business.

PET resin business

At Dhunseri, we resolved to enhance organisational value through a prudent increase in our PET resin capacity, more than quadrupling our production capacity to 8,30,000 TPA over the base year of 2011-12 and graduating from one of India's largest to one of the top 10 PET resin manufacturers in the world. We did so in a number of distinctive ways – commissioning of the Indian plant followed by the commissioning of the Egyptian plant within a space of 18 months and by resisting equity dilution.

I am pleased to state that our Indian expansion from 2,00,000 TPA to 4,10,000 TPA was commissioned in November 2012 followed by the commercial production commenced in Line-I of our Egypt project in February 2014 and in Line-II in May 2014. This indicates that the project commissioning risk has been largely addressed and the only challenge now lies in scale-up towards rated capacity utilisation.

Our expansions (covering Indian and Egyptian operations) have been completed, and gives us a much-needed boost. With the commissioning

AT DHUNSERI, WE ARE CONVINCED THAT OUR SIZEABLE PET RESIN BUSINESS NOW NEEDS AN INDEPENDENT IDENTITY OF ITS OWN IN THE GLOBAL MARKETS.

of the plant in Egypt, despite the political upheavals, we believe that both these modules will generate adequate profits and will enhance the value of our globalised PET resin business.

Organisational restructuring

When Dhunseri was organisationally restructured the last time, the tea and PET resin businesses were amalgamated to create a unified 'Dhunseri' Balance Sheet. This was circumstantially warranted at that point in the Company's existence. It was imperative to leverage a robust financial foundation, which would make it possible for us to enhance lender confidence and mobilise debt at attractive rates towards funding our PET resin expansion on one hand while commissioning our expanded capacities and acquiring tea estates/factories on the other. This ensured the growth and development of our respective businesses.

What we would like to communicate is that even as the amalgamation was prudent and necessary at a certain moment in the Company's existence, it is just as necessary to restructure the Company again and this time segregate the PET resin and tea businesses for the very reason they were amalgamated in the first place – to enhance organisational value.

At Dhunseri, we are convinced that our sizeable PET resin business now needs an independent identity of its own in the global markets. We felt that our PET resin business could be valued higher if it was segregated from the tea business; similarly, we also feel that a multi-country tea plantation business would prosper if it was segregated from the PET resin business. At Dhunseri Group, we believe that this segregation will enable both our businesses to be valued appropriately, enhancing value for our shareholders.

Competitive positioning

At Dhunseri, we recognise that business restructuring can create the foundation for growth and transparent assessment; the various businesses would thereafter need to deliver a satisfactory performance.

At the Company, we are hopeful of the prospects of our PET resin business for some pertinent reasons. **One,** the