

Annual Report 2010-11



Contents

Board of Directors	01
Chairman's Message	02
Awards & Recognitions	04
Management Discussion & Analysis	05
Directors' Report	15
Report on Corporate Governance	23
Auditors' Report and Annexure to the Auditors' Report	35
Balance Sheet and Profit & Loss Account	38
Cash Flow Statement	40
Schedules	41
Notes to the Accounts	47
Auditors' Report to Consolidated Accounts	63
Consolidated Balance Sheet and Profit & Loss Account	64
Consolidated Cash Flow Statement	66
Schedules to Consolidated Accounts	67
Notes to the Consolidated Accounts	74
Details of Subsidiary Company	87
Corporate Information	

Board of Directors



Mr. Hari S. Bhartia
Chairman



Mr. Priyavrat Bhartia
Director



Mr. Ananda Mukherjee
CEO and Whole Time Director



Mr. Ghanshyam Dass
Director



Mr. R. Bupathy
Director



Mr. S.K. Roongta
Director



“We are confident of continuing the growth story backed by good performance across businesses”

Chairman's Message

Dear Shareholders,

At the outset we would like to express our delight at presenting you the financial results of Jubilant Industries Limited, a focussed Agri and Performance Polymers Company carved out of Jubilant Life Sciences on November 15, 2010, effective from April 1, 2010. Thank you for your participation in the evolution of the Company so far.

Jubilant Industries Limited (JIL), is now a listed business entity of Jubilant Bhartia Group. The creation of this independent entity will enable focused growth and value realization across multiple business groups of the Company aimed at delivering value to our stakeholders.

We are glad to report an excellent growth in revenue and profit in FY 2011, driven by both Agri Products & Performance Polymers business. The full year Revenue stood at ₹5,540 million, EBITDA stood at ₹468 million & Net Profit was ₹286 million. The Basic EPS for FY 2011 is ₹35.70.

Our Agri Products business posted Revenue of ₹2,613 million on the back of strong performance by our Ramban SSP segment. This business contributed 47.2% to the overall Company's revenue. Performance Polymers business posted a revenue of ₹2,571 million, while balance came from others and discontinuing business segments.

Over the years, we have built a sizeable business in India and with renewed focus as Jubilant Industries as an independent entity, we aim to accelerate our growth into global markets.

Our Leadership Positions

Agri Products	Amongst Top brands in India for Single Super Phosphate fertilizer and a significant agro nutrient player
Food Polymers	No.1 in India and amongst the Top 3 manufacturers in the world
Consumer Products	Consumer brand "Jivanjor" is the 2nd largest brand in India in consumer adhesives and a significant player in the Indian wood finishes market
Latex	No.1 in India and amongst the Top 3 players globally for Vinyl Pyridine Latex for automobile tyres

Agri Products

The agri-opportunity has always been large and attractive but it is only now that this sector is getting additional attention. Our company offers a range of products in *Crop Nutrition*, *Crop Growth Regulator* and *Crop Protection* areas under the brand "Ramban"; which is a widely accepted brand in the market. Our largest product in Agri Products is Single Super Phosphate in terms of volumes. We intend to target full capacity utilization given the buoyancy in demand and favourable pricing environment.



“The full year Revenues stood at ₹5,540 million, EBITDA at ₹468 million and Net Profit was ₹286 million”

Performance Polymers

Under Performance Polymers we are one of the leading manufacturers of products such as Vinyl Pyridine Latex, Adhesives, Wood Finishes, Specialty Polymers and Food Polymers in the country. Our products find application in diverse sectors such as Automobile Tyres, Conveyor Belts, Construction, Wooden Furniture and Foods. This business comprises Consumer Products, Food Polymers and Latex.

The *Consumer Products* business has an excellent brand profile; the Business focuses on providing complete range of wood working solutions under the “Jivanjor” umbrella.

Under *Food Polymers* business the Company serves global market leaders in chewing gum. In *Latex* the Company manufactures 3 different types of Latex.

Our multiple businesses deliver a broad range of technology based products and solutions having a wide range of application across different industries. We are engaged in continuous improvement of our products and processes to enhance the quality of our production and cost competitiveness in order to build value for our customers. Our business works closely with customers using research and

development to introduce intelligent system solutions and sophisticated products to meet their evolving needs.

Demerger

Jubilant Industries Limited represents the demerged Agri and Performance Products business of Jubilant Life Sciences Limited. The demerger was approved by the Board of Directors on January 21, 2010. This demerger Scheme has the sanction of the Court and is effective since November 2010. As an independent entity JIL largely focuses on growth across its operations. The shares of Jubilant Industries Limited got listed on the NSE & BSE on February 14, 2011.

Dividend

For FY 2011, we have announced a dividend of 30%. This year's dividend will result in a pay-out of ₹28 million including Dividend Tax.

Outlook for FY 2012

We are confident of continuing the growth story backed by good performance across businesses.

Agri products business is expected to continue growth with higher capacity utilization and enhanced distribution reach. Under the Performance Polymers

segment, consumer products would grow with higher penetration through distribution channels. Good order book bodes well for the Solid PVA business and debottlenecking would yield growth for the Latex business.

We take this opportunity to thank our Independent Directors, our Customers, Partners, Bankers and Shareholders for reposing their confidence in the Company and providing their unstinted support.

We also take this opportunity to thank our employees for their untiring efforts, enthusiasm and dedication, without which we would not have evolved as Jubilant Industries. We stay committed to deliver value to our stakeholders and renew our promise to constantly focus on exceeding customer expectations by providing world class products and services.

Best Wishes & Regards,

Hari S. Bhartia

Hari S. Bhartia

Chairman

Date : April 29, 2011

Financials at a Glance

₹ in mn

PAT	EBITDA	Revenue
₹ 286	₹ 468	₹ 5,540

Awards & Recognitions

We received few prestigious awards within a month of formation of Jubilant Industries Limited



Greentech Safety Gold Award 2011 in Chemical sector for Outstanding Safety Management

We received Greentech Safety Gold Award in chemical sector for outstanding achievement in safety management at Gajraula facility. This includes Sulphuric acid Plant and Fertilizer plant of Agri Business, Wood finishes and Solid PVA plants of the Performance Polymers business. The award acknowledges the Company's work and commitment towards safety management in its business operations making them safe and environmentally sustainable.



Fertilizer Association India award 2010 for Environment Protection in Single Super Phosphate (SSP) Fertilizer plant

Our fertilizer plant at Kapasan, Chittorgarh received award for environment conservation initiatives from Fertilizer Association of India (FAI). The Company was chosen as the joint runner up for Environment Protection Award. The award was given for SSP fertilizer plants category at FAI annual seminar 2010 in New Delhi.

Mr. Ananda Mukherjee, CEO & Whole Time Director, Jubilant Industries Limited, received the award on behalf of the Company from Mr. K. Azhagiri, Union Minister of Chemicals and Fertilizers.



Frost & Sullivan 2010 Competitive Strategy Leadership Award

We were recognized by Frost & Sullivan for leveraging competitive Intelligence, execution of competitive strategy, impact on market share, competitive brand positioning and impact on customer satisfaction/value and awarded "The Competitive Strategy and Leadership Award" 2010.

This award is an outcome of Frost & Sullivan research that focuses on determining the best practices that enable companies to manage growth, innovation and leadership. Frost & Sullivan employs a customized decision support matrix (DSM) which is an analytical tool that compares company's performance relative to each other with an integration of qualitative and quantitative metrics.

Jubilant emerged as a winner amongst three strong finalists.

Mr. Ananda Mukherjee, CEO & Whole Time Director, Jubilant Industries limited along with Mr. R. Jayendran, BU Head, CPD received the award on behalf of the Company.



Management Discussion & Analysis

Industry Overview

Agriculture Products

Agriculture which accounts for one fifth of GDP, provides sustenance to two-thirds of India's population. Successive five-year plans have laid stress on self-sufficiency and self-reliance in food grains production and concerted efforts in this direction have resulted in substantial increase in agriculture production and productivity. The contribution of fertilizers to India's success in Agriculture is significant and well recognized in meeting the country's total food grains requirement and generating exportable surpluses. The annual consumption of fertilizers in nutrient terms (N, P & K), has increased from 0.7 lakh MT in 1951-52 to 249.09 lakh MT 2008-09, while per hectare consumption of fertilizers, which was less than 1 Kg in 1951-52 has risen to the level of 128.60 Kg (estimated) in 2008-09. (Source: Annual Report 2009-2010, Department of Fertilizers,

Ministry of Chemicals & Fertilizers, GoI).

The increased demand of food grains is expected to drive fertilizer growth. India already consumes 16% of the global fertilizer production and this is growing. On top of that, the country's Single Super Phosphate (SSP) consumption is expected to grow by 46% from 2008-09 through 2012-13 (Source: Fertiliser Association of India). The Indian market for crop protection products is valued at ₹55 billion and the increased focus on improving acreage of production and high yield is expected to provide a fillip to the industry. Higher procurement prices offered by the Government for food crops is further expected to drive Crop Protection chemical markets in India.

Consumer Products

Rapid urbanization, changes in socio-economic structure, greater awareness among consumers about wood coatings, increased activity in construction and furniture are expected to impact the demand for adhesives, epoxies and wood coatings in India. Wood working adhesives and wood

“Our presence across diverse product categories helps us to mitigate risks from excessive dependence on any particular category”



Scientists at work



Farmer using “Ramban”
for crop protection

finishes usage is driven by the growth of the Furniture industry in India which is estimated to be worth ₹350 billion. Home furniture is the largest segment in the Indian furniture market, accounting for about 65% of sales followed by the office furniture segment with a 20% share and the contract segment, accounting for the remaining 15%. It is estimated that the demand for furniture space in India will grow at a CAGR of 20% over the next 3-5 years (Source: India Brand Equity Foundation). This is expected to drive the growth of the wood working solutions business in India. Footwear Adhesive caters to the unorganised footwear industry comprising cobblers which meet requirements of the retail clientele. However, growth in this sector has historically been stable and is expected to grow at a steady pace.

Food Polymers

The Chewing Gumbase market that consumes Solid Poly Vinyl Acetate (SPVA) is growing at 3-4% per annum globally and growth in India is at a much faster pace of 15% per annum. It is a highly concentrated market with the Top 4 suppliers accounting for more than 75% of the Global SPVA consumption.

Chewing Gum is among the fastest growing categories within the confectionery Industry. This exceptional growth is attributed to extremely high level of innovation within the chewing gum space with the introduction of center-filled gums, exciting new flavors and functional products. We are one of the major suppliers of SPVA to the global chewing gum industry.

Latex

Vinyl Pyridine Latex (VP Latex) is used to impregnate man made fabrics and enable the adhesion of fabrics to the rubber of automobile tyres and conveyor belts.

Globally the consumption of VP Latex in tyre cord fabric dipping is growing at 2-3 percent per annum. In spite of automotive industry recession worldwide, the market is holding well because of the replacement tyres market demand and the growth in China, India and the rest of Asia. In fact the Indian market for tyres has shown growth rates of 8-9% per annum and offers potential for growth of our Latex segment.

Increased economic activity has resulted in growth in industrial production which in turn has increased the use of conveyors. This leads to increased requirement for tyre

cord and conveyor belting fabric and hence higher requirements for VP Latex.

Business Introduction

Jubilant Industries Limited (JIL), part of the Jubilant Bhartia Group, is engaged in the business of Agri and Performance Polymers. It is the global supplier of SPVA & VP Latex and currently holds number 1 position in India and ranks amongst top 3, globally. JIL's “Ramban” is also one of the top brands in the country for Single Super Phosphate (SSP) fertilizer. Our consumer brand “Jivanjor” is the 2nd largest brand in India in consumer adhesives and a significant player in the Indian wood finishes market. We have a distribution network all over the country. We operate from five locations in India and have a dedicated Research & Development set-up which is located at Noida, U.P., India.

In the year 2010-11 our Net Sales were at ₹5,540 million, out of which Agri Products business contributed ₹2,613 million, Performance Polymers business contributed ₹2,571 million to total revenues and ₹22 million came from Others. Revenues of the discontinuing business for the year stood at ₹334 million. Our EBITDA

“Agri products business clocked in revenues at ₹2,613 million with EBIT of ₹274 million, Performance Polymers segment recorded revenues of ₹2,571 million with EBIT of ₹294 million”

for the full year stood at ₹468 million and EBITDA margins were at 8.5%. Reported full year Profit After Tax was ₹286 million after a depreciation charge of ₹57 million, minimal interest cost of ₹7 million and taxes of ₹118 million. Earnings Per Share for the year stood at ₹35.70 per equity share of the Face value ₹10. The Company has a strong balance sheet with cash and investments of ₹778 million and no long term debt except ₹42 million for working capital.

Agri Products

The Agri Products business revenues at ₹2,613 million, contributed 47.2% to the total revenue.

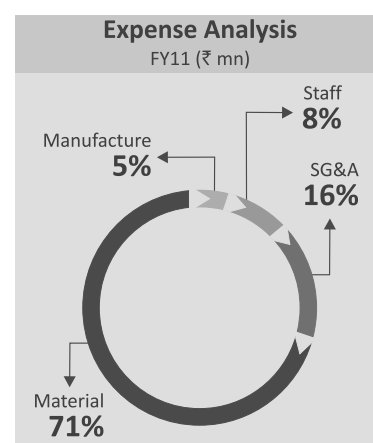
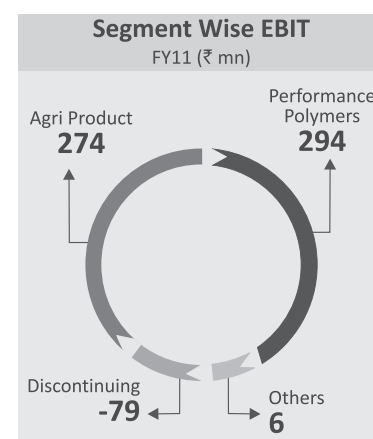
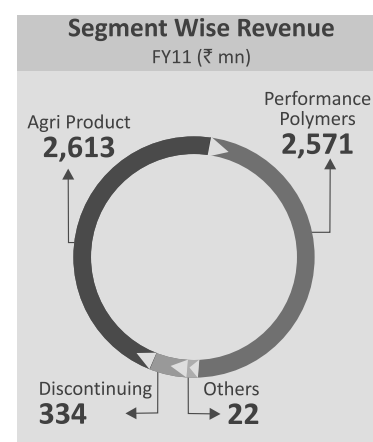
Jubilant offers a range of products in Crop Nutrition, Crop Growth Regulator and Crop Protection areas under the brand “Ramban”, which is a widely accepted brand in the market. JIL’s “Ramban” is amongst the top brands in India for Single Super Phosphate fertilizer and a significant agro nutrient player. The products are made available through Jubilant’s registered dealers, institutional agencies and Co-operatives which are the prime channels of distribution.

The Agri Products business comprises of:

- **Crop Nutrition:** This category of products primarily aids in root and shoot development and increases the crop yield. They help to provide conditioning to soil and fight against crop diseases. The products offered under this category are: Ramban SSP, Bentosulph, Ramban Bhoo Sanjeevani, Nutra Plus and Sulpha Gold. Ramban SSP is an ideal phosphorus supplying fertilizer, generally applied at the time of crop sowing/transplantation. Our product is

well-known for showing pronounced results in Sulphur deficient soils and Sulphur loving crops like Oil Seeds and Pulses. It increases oil content and protein in seeds. Ramban SSP is available in both Powder and Granular forms. The cabinet approved the implementation of Nutrient Based Subsidy (NBS) policy to decontrol Phosphatic and Potassic fertilizers effective from April 1, 2010. This scheme seeks to fix the subsidy on the 3 macro nutrients viz Nitrogen (N), Phosphorus (P), and Potassium (K) based on the soil balance required for healthy development of arable farm land. The objective of shifting from product based subsidy (PBS) to NBS regime was to restore soil health by addressing the nutrient imbalances of NPK and the lack of secondary and micro nutrients through use of fertilisers on specific soil-moisture conditions and crop needs. Our two manufacturing facilities at Gajraula, Uttar Pradesh and at Kapasan, Rajasthan are equipped to produce both Powder SSP and Granulated SSP.

- **Crop Growth Regulator:** The products under this category primarily help to improve the strength and resistance of crops and curtail the unwanted vegetative growth, saving time and increasing the yield. Crop Growth Regulators are being used by the farmers to ensure the right growth of plant by balancing different crop life cycle stage. The products offered under this category are VAM C, Power Plus 500-Granuels and Ripex.
- **Crop Protection:** The products covered under this category are used from seed



“Ramban & Jivanjor - Brand are recognized for their class of products & customer orientation”



Crop Nutrition product from the leading brand Ramban



Jivanjor range of Adhesives

planting to harvesting stage thus ensuring a secure yield for farmers. During the complete crop life cycle, plants are being destroyed by insects, pests, weeds & fungus. The products offered under this category are Fungicides, Insecticides, and Herbicides.

- **Other Products:** The products offered under this category are Sulphuric Acid and Sodium Silico Fluoride.

Performance Polymers

Performance Polymers segment recorded revenue of ₹2,571 million for the year mainly on the strength of brand value of “Jivanjor”. It contributed 46.4% to the overall revenues.

Our Performance Polymers segments is one of the leading manufacturers of products such as Vinyl Pyridine Latex, Adhesives, Wood Finishes, Specialty Polymers and Food Polymers. Our products find applications in such diverse areas as Automobile Tyres, Conveyor Belting, Wooden Furniture and Foods.

Our Performance Polymers business comprises of:

- **Consumer Products:** The Consumer Products business is focused on providing customers with a complete range of wood working solutions, footwear products and epoxy sealants. With a nationwide network, Jubilant Industries Limited represented by its brand “Jivanjor”, is a major player in this segment. The products under this category are Wood working Adhesives, Wood Finishes, Footwear Adhesives and Epoxy Sealants. Our manufacturing operation for wood adhesives is located at Sahibabad, U.P. and those for Wood Finishes is at Gajraula, U.P.

- **Food Polymers:** Jubilant Industries Limited is one of the three major global suppliers of Solid Poly Vinyl Acetate (SPVA) and the only one in India. SPVA is the major raw material for making gum base for chewing gum and bubble gum. We have a customer profile which includes the market leaders in chewing gum industry worldwide. The products under this category are Vamipol 15, Vamipol 17 and Vamipol 30. Our food polymer products are manufactured at our plant at Gajraula, UP. The business also plans to expand its product offering and target new customers to become a preferred global supplier. Our production capacity was doubled during the year to cater to rising demand. The Company is also working on new product development for the chewing gum industry.

- **Latex:** Jubilant Industries is ranked No. 1 in India and is amongst the Top 3 globally for manufacturing VP Latex used in dipping of automobile tyre cord and conveyor belt fabric. We also produce SB latex for use in tyre cord fabric. We are bulk suppliers of these lattices to global automobile tyre manufacturers and dippers. The products under this category are: Encord VP Latex, Encord SBR Latex and Encord NBR Latex. We manufacture all three categories of latex in our plant at Samlaya near Vadodara, Gujarat. We also have a research and development laboratory equipped with testing facilities for different Latex products which is recognized by the Department of Science and Technology, Government of India. We have increased our production capacity at Samlaya by 15% through process improvement and de-bottlenecking in the year gone by.

Other businesses (IMFL)

JIL has been bottling IMFL products on a contractual basis for various established brands engaged in liquor business in India. The segment reported revenues of ₹22 million for the financial year 2011.

We have technological capacity to handle all sizes of bottles, with a configuration of five automatic and semi-automatic lines. All lines are equipped with the required Vats (used for blending alcohol) for storage of extra neutral alcohol and labeling machines which provides flexibility for bottling various sizes of IMFL. We also have a fully equipped, state of the art laboratory to support our bottling plant. Our bottling plant is at Nira, which is about 70 kms from Pune in Maharashtra.

Company Outlook

Over the years, these businesses across a broad range of products have attained a significant size in India and we aim at scaling up our businesses globally. To this end our strategic focus is to innovate, collaborate and accelerate the process of catering to the needs of the customers through delivery of good quality products and services. Our business works closely with customers using research and development to introduce intelligent system solutions and sophisticated products to cater to the requirements of our consumer's needs while simultaneously monitoring the bottomline such that focus remains on enhancing stakeholder value. Growth will accrue due to a combination of good performances in both the segments. In Agri Products, strong continued momentum in Single Super Phosphate volumes and our target to reach full capacity utilization should help us drive growth. In the Performance Polymers, strong