

**Expanding Business**  
**Increasing Spread**  
**Scaling Growth**



Annual Report  
2011-12

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## Board of Directors



**Mr. Hari S. Bhartia**  
*Chairman*



**Mr. Priyavrat Bhartia**  
*Director*



**Mr. Shamit Bhartia**  
*Director*



**Mr. Videh Kumar Jaipuriar**  
*CEO and Whole Time Director*



**Mr. R. Bupathy**  
*Director*



**Mr. S.K. Roongta**  
*Director*

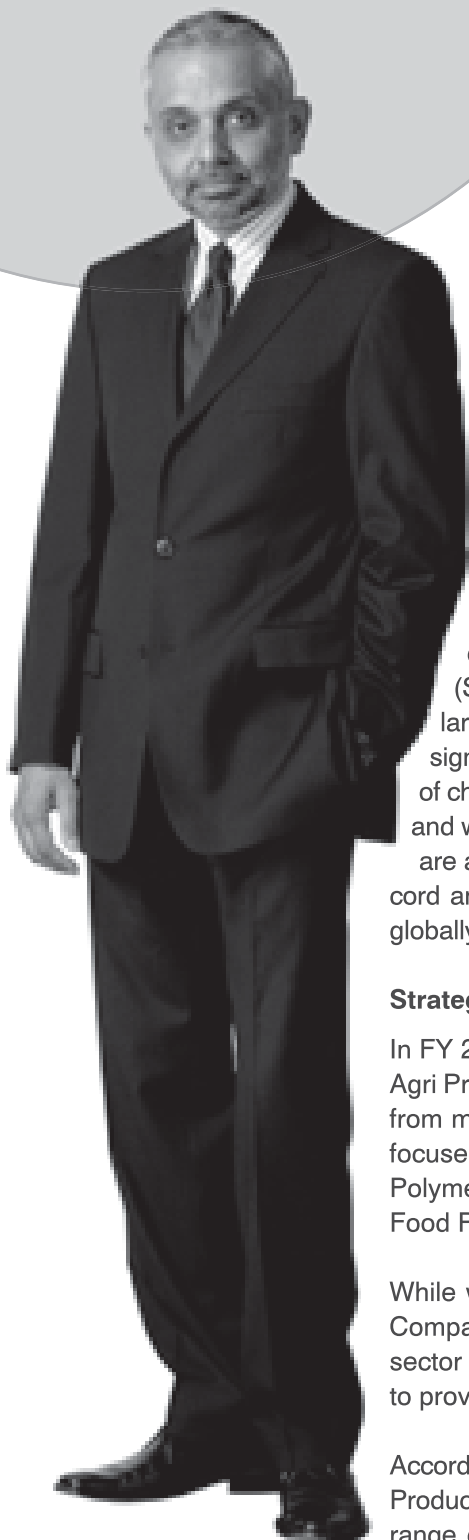


**Mr. Ghanshyam Dass**  
*Director*



**Dr. Ashok Misra**  
*Director*

# Chairman's Message



**Mr. Hari S. Bhartia**  
Chairman

## Dear Shareholders,

We are excited to represent ourselves as a well diversified company with strong presence in Agri, Performance Polymers and Retail business. We successfully streamlined the operations of the Company as an independent entity which came into existence after the demerger from its parent company Jubilant Life Sciences Limited in November 2010 and acquired retail business as a strategic growth initiative. The strategic vision of the management has stimulated the Company to attain remarkable growth and leadership position in the select businesses.

## Leadership Position

I am proud to share that we have successfully maintained our respective leadership positions in all the business domains. In Agri Products, we continue to be amongst the leading players in India for Single Super Phosphate (SSP) fertilizer, selling products under the brand "Ramban". We are the 2<sup>nd</sup> largest consumer adhesives player in India with brand "Jivanjor" and also are a significant player in wood finishes and sealants. Our leading position as provider of chewing gum base (solid PVA) to global chewing gum manufacturers continues and we are No. 1 in India and amongst top 3 players in food polymers globally. We are also the leading provider of VP Latex, SB and NB Latex for application in tyre cord and conveyor belt globally and are ranked No. 1 in India and amongst top 3 globally in the segment.

## Strategic Growth Initiatives

In FY 2012, the Company showed remarkable growth in its existing businesses of Agri Products and Performance Polymers. In Agri Products, our market share grew from mere 4% to 19% in FY 2012 in our key economic region Rajasthan, through focused marketing initiatives and helped improve sales growth. In the Performance Polymers segment, debottlenecking of capacity aided volume driven growth in Food Polymers and higher realisations drove growth in the Latex business.

While we are growing well organically, the Board of Directors decided to put the Company on a faster growth track inorganically, with foray into the upcoming retail sector having enormous potential. With this acquisition, the Company is expected to provide growth prospects to shareholders and enable value creation.

Accordingly, businesses have been reorganised into three major segments of Agri Products, Performance Polymers and Retail. Agri Products continue to include a range of crop nutrition, growth and protection products besides SSP, with a wide spread dealer network and strong experienced sales team. The Performance Polymers segment enjoys leadership positions in manufacture and sale of vinyl pyridine latex, food polymers, wood finishes and adhesives, catering to national and global customers across diversified industries. Retail segment, the 2<sup>nd</sup> largest retailer

“The strategic vision of the management has stimulated the Company to attain remarkable growth and leadership position in the select businesses.”

in Bangalore, runs state of the art 5 hypermarkets and malls under the brand “Total Superstore” with a single city focus yielding smoother supply chain and better cost efficiencies. This segment focuses on the hypermarket business with emphasis on offering variety and value to its core customers. We have embarked upon an aggressive plan to refine the value proposition, right-size and upgrade the stores, improve marketing efficacy and optimise our cost structure which will result in enhanced financial performance.

### Financial Performance

While the sales of existing businesses grew 26% at ₹6,358 million, their Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) grew 40% at ₹871 million in FY 2012. Agri Products recorded revenue of ₹3,042 million, with growth of 20% Y-o-Y on the strength of strong business performance. Performance polymer business grew by 33% to ₹3,316 million on account of higher volumes and better realisations. After acquisition of the Retail segment, we recorded consolidated Revenue of ₹9,949 million from the three businesses and EBITDA of ₹193 million.

After accounting for depreciation & amortisation of ₹169 million, Net Interest charges of ₹247 million and amortisation of goodwill of ₹124 million, we reported PBT of ₹(348) million. Reported Profit after tax of the Company was at ₹(567) million. However, Normalised Profit after tax was ₹(145) million after adjusting for exceptional items of ₹157 million primarily with respect to write offs of fixed and other assets, Lease Rent Equalisation Reserve of ₹141 million and goodwill amortisation of ₹124 million.

The Board of Directors of the Company propose to re-invest the cash generated from operations for business growth and expansion and hence have not recommended any dividend for the financial year ended March 31, 2012.

### Outlook

We believe that our Company continues to be on a strong growth trajectory thereby ensuring high value creation to all stakeholders. Agri Products business is expected to continue momentum in SSP volumes especially in North & Central India where it has a

strong brand presence, through improved operating efficiency.

Under the Performance Polymers segment, our dealer reach has been constantly growing and we are focusing more on innovative distribution channels to increase penetration of “Jivanjor” brand in Consumer Products business. We are gradually enhancing our solid PVA production capacity with minimal investments to match growing business aspirations. Higher capacity utilisation and good order book would ensure sustained growth for the product line. In Latex, the Company is holding onto its dominant position in the domestic VP Latex customer base of tyre cord market and is Globally No. 2 in the VP Latex segment. Latex business growth would be driven by improving our footprint geographically and across various applications.

Retail business is expected to work on a city saturation model of expansion with a clear focus on variety and value. With a refined merchandising approach and granular marketing, we aspire to be a leading tier 1 metro hypermarket retailer. Processes and controls are being upgraded and dealings with vendors streamlined to optimise performance and bring in efficiencies.

We remain committed to strengthen our diverse business portfolio through process improvements and innovative solutions to deliver value to our customers worldwide.

We would like to take the opportunity to thank every stakeholder viz. shareholders, employees and customers / partners in the Company for being a part of this growth story and value creation. We remain grateful towards our employees, customers, vendors, bankers and shareholders for their continued support. We are hopeful that they will remain with us as we venture into the future which holds unbounded promise.

Best Wishes

*Hari S. Bhartia*

**Hari S. Bhartia**

Chairman

Date : 9<sup>th</sup> May, 2012

# Awards & Recognitions

## Awards received during the year 2011-12



Frost and Sullivan - India manufacturing gold award



Fertilizer Association of India (FAI) - Runner up in Golden Jubilee Award



National Quality Conclave - Joint Winner of prestigious Quality Council of India (QCI) - D.L. Shah National Award on "Economic of Quality" (under category B1: Large Scale Manufacturing Sector)

## Awards & Recognitions



District Administration Chittorgarh - Letter of appreciation for support in health programs through CSR



Agriculture Leadership Summit 2011 - Corporate Leadership Award 2011



Jubilant Industries Limited (JIL) conferred the "Amity HR Excellence Award for Leadership Builders"

# Management Discussion & Analysis

*“ The Company adopted a two pronged strategy for growth of the diversified business. One was the acquisition led growth opportunity which was tapped while the other was more in line with its natural organic progression ”*

## Business Focus for Growth Opportunities

Jubilant Industries Limited (JIL) was carved out of Jubilant Life Sciences in FY 2011 to bring focus to its key businesses of Agri and Performance Polymers. While the first year was invested in streamlining these operations as an independent entity which got its coveted listing on the Indian bourses in February, 2011; FY 2012 witnessed many more growth opportunities being considered by the Board. India's consumption led growth has offered opportunities in retail segment. This opportunity was found attractive for profitable growth of the organisation from a long term perspective. Hence, during the year, the Company took a major step in acquiring Retail business after getting the requisite regulatory approvals.

## Strategic Initiatives

The Company adopted a two pronged strategy for growth of the diversified business. One was the acquisition led growth opportunity which was tapped while the other was more in line with its natural organic progression.

**Acquisition led growth** – The Company had been in search of growth opportunities in order to effectively utilise the surplus cash generated. A foray into the sunrise retail sector with untapped potential appeared an attractive proposition. The retail vertical had been nurtured by the Jubilant Bhartia Group (JBG) in a private entity for over a decade. By vesting Agri and Consumer Products business into a wholly owned subsidiary Jubilant Agri and Consumer Products Ltd. (JACPL) and acquiring the Retail business in consideration of equity shares to JBG will enable both the businesses to grow to the next level and create a better value for all stakeholders. This would also enable the Company to attract a different set of investors, strategic partners who can bring relevant experience for the growth of this business. The Hon'ble Allahabad High Court approved the Scheme of Arrangement in January 2012 with effective date of February 1, 2012 and the appointed date being April 1, 2011.





India is amongst the top 5 emerging retail markets driven by increased household incomes and a propensity for increased consumer spending. The urbanisation of India along with the growth of nuclear families has resulted in changing spending patterns with a trend towards aspirational lifestyles. While the Indian consumer is evaluating trading up, they also continue to be value conscious and are looking for a good mix of assortment and price in their buying choices. Modern retail formats offer a good tradeoff between assortment and price and consumers are increasingly purchasing from them. These favorable tail winds will continue to propel the organised retail sector which is expected to grow at 27% Compound Annual Growth Rate (CAGR) over the next four years.

With “Total Superstore”, the Company gets an established brand with a leadership in the hypermarket segment and a single city footprint offering supply chain, advertising and administrative advantages.

**Organic Growth** – The Company continued to grow organically in its key business segments. The Agri Products business depicted excellent growth backed by enhanced capacity utilisations and higher market shares in some of the key markets led by Rajasthan. Performance Polymers segment posted exceptional growth in top line on account of stable capacity utilisation on enhanced capacity in the Food Polymers division along with effective sales network.

#### **Financials (₹ in million other than % of total sales)**

Substantial portion of the business now resides in the subsidiary companies and hence management considers it prudent to discuss consolidated financials rather than the standalone entity numbers. Accordingly, consolidated financial results are being discussed and analysed.

Consolidated Profit & Loss	FY 2012 (₹ in million)	FY 2011 (₹ in million)
<b>Total Income from Operations</b>	<b>9,958</b>	<b>5,379</b>
Other Income	75	18
<b>Total Income</b>	<b>10,033</b>	<b>5,397</b>
Total Expenditure	9,840	4,933
Change in Inventories of FG, WIP & Stock in Trade	179	135
Purchase of Stock in Trade	2,910	60
Cost of Materials Consumed	3,615	3,066
Other Manufacturing Expenses	741	592
Employee Benefits Expense	812	429
Other Expenses	1,583	651
<b>EBITDA</b>	<b>193</b>	<b>464</b>
Depreciation & Amortisation	293	58
Finance Cost	247	2
Exceptional Items	157	–
Tax Expenses	63	118
<b>Net Profit After Tax</b>	<b>(567)</b>	<b>286</b>

**Revenue:** The consolidated Revenue increased to ₹9,949 million in FY 2012 as against ₹5,371 million in the same period last year, reflecting a growth of 85%. The rise in revenue on account of acquisition of retail business was to the tune of ₹3,591 million and sales growth of ₹1,311 million (26% YoY) was recorded from the existing Agri and Performance Polymers businesses.

**Total Expenditure:** Major expense heads for the company include Material costs, Manufacturing costs, Employee benefits expense and Selling General & Administrative expenses.



Agri Products Range

There has been an increase of 18% in the raw material cost which has increased to ₹3,615 million in FY 2012 from ₹3,066 million in FY 2011. This was mainly on account of high rock phosphate and VAM prices which are in line with revenue growth.

Increase in coal and fuel prices led to high manufacturing cost during FY 2012. Rise in staff cost has been in line with new talent acquisitions, annual increments given to the employees and inclusion of Retail business employees. The selling & distribution expenses have grown due to increased business development activities and expansion in geographical reach in Agri and Consumer businesses.

**EBITDA:** In FY 2012, the EBITDA stood at ₹193 million, compared to ₹464 million in FY 2011. While Agri and Performance Polymers segments posted growth of 40% in business EBITDA at ₹871 million with 13.7% margins, Retail business posted loss at EBITDA level.

**PAT:** After accounting for depreciation & amortisation of ₹169 million, Net Interest charges of ₹247 million and amortisation of goodwill of ₹124 million, we reported PBT of ₹(348) million. Reported Profit after Tax of the Company was at ₹(567) million. However, Normalised Profit after Tax was ₹(145) million after adjusting for exceptional items of ₹157 million primarily with respect to write offs of fixed and other assets, Lease Rent Equalisation Reserve of ₹141 million and goodwill amortisation of ₹124 million.

### Business Segments

Business segment wise consolidated net sales (₹ in million other than % of total sales)

Composition of Sales (₹ in million)	FY 2012	FY 2011
Agri Products	3,042	2,545
Performance Polymer	3,316	2,502
Retail Business*	3,591	
<b>Total</b>	<b>9,949</b>	<b>5,047</b>

\*Retail business has been merged w.e.f. April 1, 2011.

Note: Application Polymers business contributed ₹324 million to the total sales in FY 2011, which has been discontinued in FY 2011 and hence not included in the FY 2011 data above for comparison purposes.

### Agri Products

**Business Profile** - Agri business 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. "Ramban" is amongst the top brands in India for Single Super Phosphate fertilizer (SSP) and a significant agro nutrient player. The Company is engaged in manufacturing of SSP fertilizer and trading of agrochemicals products including crop growth regulator, crop protection and others.

**Industry Overview** - India is the second-largest producer of food in the world and holds the potential of being the biggest on global food and agriculture canvas. The crop requires primary (N, P, K), secondary (Ca, Mg, S) & micro nutrients (Fe, Zn, Mn, Cu, Br, Cl etc.) for optimum productivity and quality of produce. The balanced use of fertilizers is needed to correct nutrient deficiency, improve soil fertility, water use efficiency, enhances crop yields and farmer's income. The industry and government work together for achieving