ntc industries limited

Annual Report 2011-12

CORPORATE INFORMATION

Registered office / factory

149, B.T. Road, P.O. Kamarhati
Kolkata – 700058
Ph no. 033 30190513
Email id: ntc@ntcind.com
Website: www.ntcind.com

Auditors

Statutory Auditors
S.M. Daga & Co.
Chartered Accountants
11, Clive Row, 2nd Floor
Kolkata-700001

Internal Auditors
R Kothari & Co.
16A, Shakespeare Sarani
Kolkata – 700071

Bankers

Axis Bank
Oriental Bank of Commerce
Corporation Bank
Kotak Mahindra Bank
State Bank of India

Registrar and Share Transfer Agent

Niche Technologies Private Limited

Solicitors

Dipayan Choudhury, Advocates

WHAT'S INSIDE

IN 2011-12, WHEN THE GLOBAL ECONOMY WENT THROUGH A TAILSPIN,

ntc industries limited carried on its pre-set trend of reporting a positive performance.

The Company is modernising equipment, investing in brand building and seeking new opportunities to enhance revenues and profits.

CORPORATE IDENTITY

Lineage

- ntc industries limited acquired plant and facilities of erstwhile New Tobacco Company Limited (established in 1935) which was one of the oldest cigarette manufacturers in India
- The Company's products are principally marketed under three brands, namely COOL, REGENT and NO.10
- The Company launched India's first filter and menthol cigarette brands
- The Company is the fifth-largest licensed cigarette manufacturing company in India (15,700 million sticks per annum); the Company possesses an installed capacity of 1,905 million sticks per annum as on 31st March 2012
- The Company is headed by Mr. Lawrence Baptist Fernandes (Managing Director), assisted by a professional management team
- The promoters hold 61.57% of the Company's equity (as on 31st March 2012)

Presence

- The Company is headquartered in Kolkata, India
- The Company's shares are listed on BSE and Calcutta Stock Exchange
- The Company's market capitalisation was ₹2043 lacs as on 31st March 2012
- The Company's brands have a pan-India acceptance

Research achievements

- Research & Development department is on a constant endeavour to cater to the new market segment of lighter varieties of cigarettes with less TAR and Nicotine content
- Developed a number of new concept blends creating new customer base in both domestic and export market
- Developed some premium new blends for new cigarettes and smoking mixtures based on which the Company would be launching some premium cigarette brands in king size (84 mm) category to explore new opportunities

Over the years

1991

The Company was incorporated as R D Builders and Developers Limited

1994

Took over the assets of New Tobacco Company Limited on lease for three years and changed its name to RDB Industries Limited

1994

Went public and got itself listed in BSE Limited. The Company also started commercial production of cigarettes in May 1994 in Calcutta

Segment	Brand name	Nature	Available size	Geographical area
Domestic	Cool	Menthol filter	84 mm and 69 mm	Western India, Southern India
	Regent Miniking	Virginia filter	69 mm	Southern India, Eastern India
	Regent Luxury Filter	Virginia filter	84 mm	Eastern India
	Regent Special	Virginia filter	69 mm	Eastern India
	Regent Royale	Virginia filter	69 mm	Northern India, Eastern India
	Regent Standard	Virginia filter	64 mm	Eastern India
	NO.10	Virginia filter	69 mm	Northern India
	Deluxe Tenor	Virginia non-filter	69 mm	Northern India
	Prince Henry smoking mixture	Flavoured American type	50 gms pouch	Eastern India
Export	Maypole and others	American blend	84 mm	UAE, Central and South America and North Africa

2003

Entered into an agreement with Sampoorna Asia Pte Limited to import and distribute 'EXCLUSIVE' brand cigarettes in India

2010

The change in ownership happened and the Company fully acquired its plants and facilities

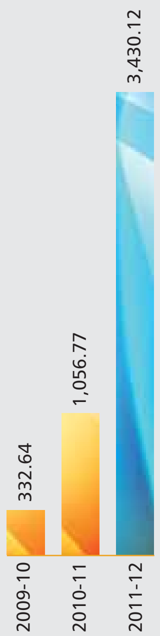
2011

Took a foot ahead for modernisation of its manufacturing and packaging technologies by investing ₹335 lacs till 2012

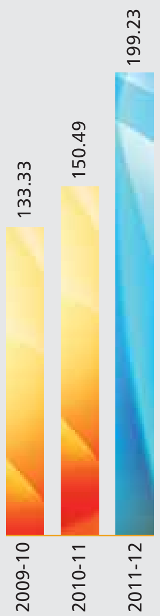
OUR BRANDS


Menthol Mist
Cool
Filter Tipped
India's first mentholated cigarette
NOT FOR SALE TO MINORS
PREMIUM FILTER CIGARETTES
20
MayPole
AMERICAN BLEND
No10
FILTER PREMIUM
Original
REGENT
MINI KINGS
de Luxe
TENOR
VIRGINIA
SMOKING KILLS
NOT FOR SALE TO MINORS
moments for
REGENT
ROYALE

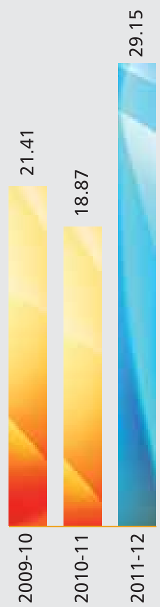
THE TURNAROUND



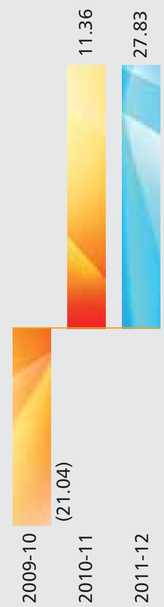
Net sales
(₹ in lacs)



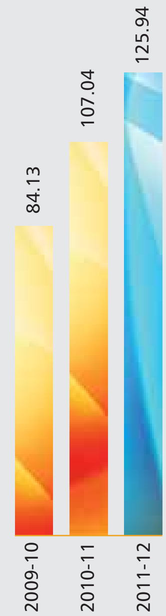
EBIDTA
(₹ in lacs)



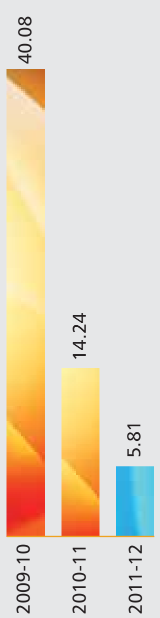
Pre-tax profit
(₹ in lacs)



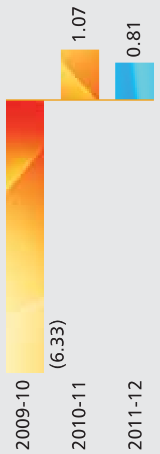
Post-tax profit/(loss)
(₹ in lacs)



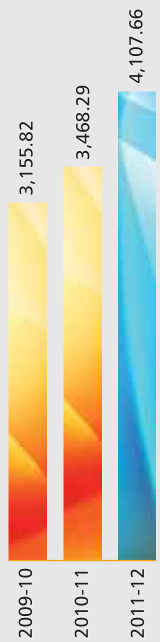
Cash profit
(₹ in lacs)



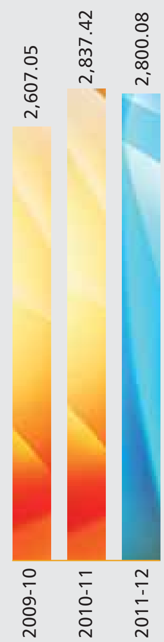
EBIDTA margin
(%)



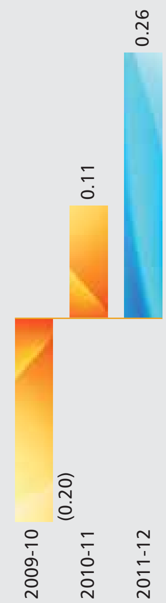
Net profit margin
(%)



Capital employed
(₹ in lacs)



Gross block
(₹ in lacs)



EPS
(₹)

"ENCOURAGING PERFORMANCE IN 2011-12."

Mr. Lawrence Baptist Fernandes, Managing Director, provides an overview of where the Company is headed.

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

A There were a number of challenges in our business in 2011-12. Despite adverse market situations, stiff competition and an adverse social and economical environment, our Company was able to explore different avenues of relevant business during the financial year under review. Revenues from the Company's core business increased 121% from ₹1,889.30 lacs in 2010-11 to ₹4,178.43 lacs in 2011-12. Profit after tax increased 144.77% from ₹11.37 lacs in 2010-11 to ₹27.83 lacs in 2011-12.

Q For a company intending to grow its industry presence, what were some of the challenges that you faced during the year under review?

A The high placement cost, advertisement restrictions, harsh pictorial warning on the product and a smoking ban in public are some of the challenges we faced, making it difficult to enhance our products sale.

Q How does the Company intend to grow its revenues in this challenging environment?

A At **ntc**, we possess the advantage of integration. Our primary division blends various tobacco varieties on the basis of aroma and taste, creating a rich and compelling mixture. In 2011-12, the Company amended its strategy: rather than focus only on domestic cigarette sales, the Company embarked on exports from its primary and secondary division. The benefit of exports is two-way: this liberates us from a dependence on branded revenues to be derived from a large consumer spread, making it possible for us to achieve a relatively larger quantum of revenues from a fewer customers and to transform what was largely intended to be for captive consumption into a standalone revenue driver. On the other hand, the export of our products from the primary division and secondary division liberates our buyers from a sizable investment in plant, machinery and people. As a result, a focus on exports represents value for the Company and customers. Exports accounted for ₹464 lacs in

2011-12 and the Company expects to increase this significantly during the current financial year.

Q You indicated challenges in branded sales. How does the Company expect to counter them?

A There are few realities that we intend to capitalise on. One, there are a number of old timers (among retailers and consumers) who have been buyers or consumers of the **ntc** brands. There is still some brand goodwill within them that we intend to leverage. Two, ntc is known for its natural tobacco flavour blends, marked by the judicious absence of flavours, a segment that we intend to address. Three, we possess a diversified portfolio with popular brands like NO.10, REGENT, COOL and DELUXE TENOR. Four, our Primary Manufacturing Division (tobacco processing) possesses an insight into creating diverse blends. Five, nearly 82% of the tobacco consumed in India is for the beedi segment, indicating a huge market in rural and semi-urban India waiting to be transitioned to the consumption of safer form segment – cigarettes.

Q What is the basis of your optimism that this is the right segment to address?

A In rural India, the standard of living is rising following the implementation of projects like NREGA, rise in crop procurement prices and agriculture sector growth. This is reflected in the per capita rural income levels of the last decade: 56% of India's income comes from the rural sector and the annual rural household income increased from ₹75,000 to ₹88,000 in 2011-12. As a result, we are optimistic that the right growth strategy will comprise a growing presence in rural and semi-urban India.

Q What can shareholders expect in 2012-13?

A There are a number of strategies that we expect to implement during the current financial year.

One, we expect to introduce premium new blends in the king size (84 mm) category; the Company will launch its second smoking mixture brand for the domestic market in the extra-premium category.

Two, we expect to enhance our export of processed tobacco and cigarettes and transform this into a profit centre.

Three, we expect to leverage our large land bank and generate more rental income starting 2012-13. We expect that this annuity non-fund income will provide us with the resources required to invest in brand building and distribution.

Q How does the Company expect to enhance value for shareholders across the medium-term?

A The one thing that we intend to assure our shareholders is that the tobacco business is intrinsically profitable on account of a huge consumer pull, strengthening demographics and growing aspirations. Besides, the industry is licensed and regulated, as a result of which no large greenfield capacity is likely to be commissioned.

For a number of years, the management could not invest sufficiently in new cost-effective plant machinery and brand-building, following clearance of all legal hiccups in ownership transfer in 2010, the Company began to invest in people, competencies and equipment; the Company invested around ₹335 lacs in modernisation in the last two years and expects to invest another ₹1500 lacs in the coming years. The result is already evident: we doubled our revenues in 2011-12 and we see this trend accelerate as our focus is on doubling the revenues every year for the next few years. Our objective will be to capture 1% of the market share in India and 5-7% of the market share in East India over the next three years, strengthening our presence, visibility and profitability.

ntc is known for its natural tobacco flavour blends, marked by the judicious absence of flavours, a segment that we intend to address.

CHANGE IN OWNERSHIP. IMPROVEMENT IN NUMBERS. TRANSFORMATION IN MINDSET.

The Company embarked on quadrupling its retail distribution network and on increasing exports from the primary division and secondary division.

In 1994, the assets and properties of New Tobacco Co Ltd was acquired on lease. In the capacity of a lessee, the management was not in a position to invest much in modernisation of operations. As a result, even as production and packaging standards improved across the rest of the industry, **ntc** lost ground owing to growing technological obsolescence.

This changed in 2010. The lessee fully acquired the Company's plants and facilities. The result is that the Company intends to recover much of the ground it lost across the decades at the earliest.

Following this reality, the Company made its first direct sizable investment of ₹335 lacs in packaging and manufacturing technologies in 2010-11 and 2011-12. The Company embarked on quadrupling its retail distribution network and on increasing exports from the primary division and secondary division. The Company generated rental income from allocating surplus warehousing space on its premises with the objective to enhance revenues.