

From the desk of the Vice-Chairman and Managing Director

The Ultimate Pursuit: Profits or Value Creation?

"Business is to make profits'..... the answer is not only false, it is irrelevant." – Peter Drucker

The year 2008-09 witnessed financial volatility comparable to a tsunami, marked by sharp price swings in commodities, real-estate and stock-markets. During the course of the year, oil, DAP, Sulphur and Ammonia touched their highest-ever levels, bolstering revenues to unprecedented levels.

Just about as suddenly thereafter came the decline with a speed, magnitude and ferocity that spared no one – banks, companies and countries.

What could possibly be our take-home learning from this turbulent period? At the root of it all, what went wrong? My answer: the singular pursuit of short-term profits.

"Profitability is not the purpose of, but a limiting factor on business. Profit is not the explanation, cause or rationale of business behaviour and business decisions but rather the test of their validity." – Peter Drucker

If organisational actions are focused on short-term profits as opposed to the creation of true, comprehensible and sustainable value, there could be the risk of creating the basis for another speculative euphoria leading to value depreciation and finally profit erosion.

At DFPCL, the one overriding question that we constantly ask ourselves is: how do we add value to our 29 years of fertiliser and chemical experience and our insight into the Indian and global scenario? How do we focus on sustainable value-creation as opposed to a fleeting increase in profits? How do we reconcile short-term aspirations with long-term considerations?



The answer points to a considerable potential before us in our specific businesses for the following reasons:

- ▶ India represents a large local market
- ▶ The country possesses untapped and vast mineral resources
- ▶ The region's sun-soil-labour advantage powers its agriculture

Each of these provide a growing scope for profits today as well as opportunities in synergic value creation in the years to come.

"The highest use of capital is not to make more money, but to make money do more for betterment of life." – Henry Ford

At DFPCL, after another record breaking year of topline and bottomline despite the global meltdown, going forward we see ourselves poised to capitalise on the vast potential in four high-growth sectors of:

- ▶ Agriculture
- ▶ Mining
- ▶ Chemicals and
- ▶ Value-added real estate

During 2008-09, we undertook a number of strategically guided and decisive steps, which will help us leverage India's macro-economic momentum through the following businesses:

- ▶ Our Speciality Fertiliser Business grew 139 percent, creating a firm footprint in the non-subsidised fertiliser segment and making in-roads into the high potential fruit and vegetable sectors. At the front-end, small but potentially attractive steps were taken to enter the agri-produce, purchase and export businesses. A state-of-the-

art Sulphur Bentonite manufacturing facility was commissioned and a world-class speciality fertiliser product was placed in a market deficient of Sulphur nutrients in the soils.

- ▶ A detailed analysis of the needs of the mining industry (including contract mining) was undertaken following the opening up of the coal sector, indicating new opportunities. The new project for tripling capacities of Technical Ammonium Nitrate to service the mining sector was well underway for commissioning during FY2011 leading to further avenues for growth.

- ▶ In the Chemical Segment, a cosmetic grade IPA was developed, a strategic step towards conversion of some of our commodity chemicals into speciality niches. A 450 TPD Nitric Acid project was undertaken and the plant is under commissioning, slated to give a fillip to downstream fertilisers and chemicals.

- ▶ In the Value-added real estate space, with over a million footfalls and over 35 percent conversions achieved at Ishanya, a sharper positioning with value-added services for the B-2-B and B-2-C segments was underway.

The pages that follow are a peep into an exciting future that we see... value creation that will synergise India's macro-drivers with DFPCL's proven past to chisel a future of promising potential... where profits will be a test of our validity and sustainability but not the overriding rationale of our existence.

Sincerely,



S. C. Mehta