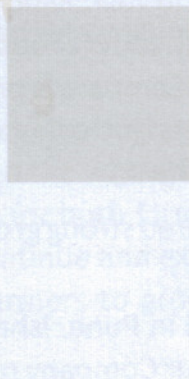
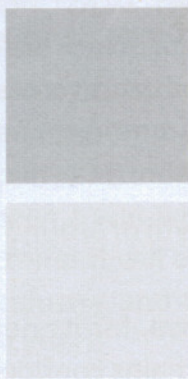




DEEPAK FERTILISERS  
AND PETROCHEMICALS  
CORPORATION LIMITED

## Chairman's Address

Address by **SHRI C. K. MEHTA**, Chairman,  
to the Shareholders at the 32<sup>nd</sup> Annual General Meeting  
of the Company held on **26th July, 2012** at Pune



## The Core Of Life

ENRICHING... NOURISHING... EMPOWERING...





**Ladies & Gentlemen,**

It is indeed a privilege to extend a very warm and hearty welcome to all of you at the Thirty Second Annual General Meeting of your Company.

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■ **Economic Scenario**

The continuing global crisis during the year has affected India's Growth and Gross Domestic Product (GDP) too. The growth rate dropped to 6.9 % in 2011-12. This must be compared to the previous year growth rate of 8.4%. Despite a significant drop in GDP, India still remains among the front runners in economic growth on a relative basis.

Despite the prevailing subdued economic conditions and difficult global environment, the Economy is expected to achieve between 6% to 7% growth in 2012-13. A volatile dollar-rupee scenario is expected to continue. Efficient fiscal management policy initiatives by the Government will have a positive impact on corporate investment and could boost aggregate demand. There is a crucial need for the Government to indicate positive and time bound signal for further implementation of badly needed reforms.

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■ **Performance in 2011-12**

During the year 2011-12 your Company has achieved improved performance through increased production levels across all major products by which:

- Total Revenue crossed Rs. 2300 Crores.
- Profit Before Tax crossed Rs. 290 Crores.
- Profit After Tax crossed Rs. 212 Crores.
- Considering the continued good performance of your Company, the Board has recommended 55% equity dividend, the Company's highest-ever.

On the operations front, during the year, your Company's production crossed the previous records for almost all the products including Ammonia, Technical Ammonium Nitrate (TAN) and Iso Propyl Alcohol (IPA).

Total revenue from the agri-business has registered strong growth of around 82% as compared to the previous year.

The remodeling of your Company's iconic mall in Pune, Ishanya, for its new High Street positioning is about to be completed. Your Company remains confident that good value will be derived from its Ishanya venture through business improvement strategies and other value-drivers.

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■ **Raw Material Scenario**

The major raw materials of your Company are Natural Gas, Ammonia, Propylene and Phos Acid.

The Natural Gas scenario in India is today uncertain with a lack of clarity on how much gas can actually be available from the KG Gas Basin and other gas finds across the country, besides policy and pricing uncertainties.





On the global front, the shale gas recovery in USA has brought Natural Gas prices in USA to below \$2.5/mmbtu as against the prevailing Natural Gas Price ranging from \$6 to \$15 in India.

It is expected that many new finds of Natural Gas in Africa and other Countries will improve the availability of Natural Gas at reasonable price in the near future.

Your Company manufactures and outsources Ammonia. Your Company has secured firm quantity contracts for supply of Ammonia with a leading global player, besides the several sources now available domestically. Large Ammonia storage facilities have been created by your Company both at Port as well as at plant site, which will enable your Company to source and store Ammonia both domestically and globally. However, the present high global ammonia prices are impacting margins but it is expected that the ammonia prices will come down to normal levels by the end of the calendar year bringing down the annual average to reasonable levels.

Your Company has also achieved considerable raw material security for Propylene required for IPA production with a long-term contract with BPCL apart from alternative sources available domestically.

Your Company is also managing procurement of another key raw material, Phosphoric Acid efficiently.

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#### ■ Fertiliser Policy and its Impact

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Indian industry is beginning to cope with the new competitive scenario that is emerging post the new Nutrient Based Subsidy (NBS) Policy, which is effective from 1st April, 2010. The objectives of NBS Policy, inter alia, are to ensure that farmers will have access to various types of fertilisers such as customised, fortified fertilisers etc., to ensure efficient use and balanced fertilisation which will arrest soil degradation and achieve higher productivity of crops of better quality. Your Company and indeed the whole fertiliser industry commend the NBS scheme that has been a win-win for both farmers and industry. Your Company is hopeful that Government will continue and extend the NBS Policy to Urea which will help both the Industry and farmers to grow and will go a long way in ensuring balanced fertilisation.

Production of NPK 24:24:0 is very well received by farmers and has further boosted our brand strategy. This will enhance the farmer-customer loyalty base in the coming years.

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#### ■ Recognition

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It gives me pleasure to inform you that your Company has been ranked fourth in the Chemicals sector in Dun & Bradstreet's India's Top 500 Companies, for the year 2011. This clearly reflects your Company's commitment to quality, growth and customer satisfaction.



Your Company has received the First Prize for Excellence in Energy Conservation & Management 2009-10 for the Chemical Industries sector given by Maharashtra Energy Development Agency (MEDA), a state government level nodal agency.

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■ **Growth Plans**

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Your Company will continue to explore organic and inorganic, domestic and global growth possibilities in the years to come based on its track record of consistently growing profitability, healthy long term debt-equity ratio and strong cash flows.

In line with the robust demand and growth plans of the Company in the Agri Sector, your Company is setting up an NP / NPK Granulation Plant at Taloja to enhance the capacity of its integrated fertiliser complex from the existing 2.29 Lac MTPA to 6 Lac MTPA at an estimated project cost of Rs. 360 Crores. The project is expected to be completed in the third quarter of 2014-15.

In order to meet the growing demand, your Company is setting up a Bentonite Sulphur Plant at Panipat with a capacity of 32,000 MTPA at an estimated project cost of Rs. 55 Crores. This green-field project is expected to be completed in the first quarter of 2014-15.

In order to make further inroads in the ever-growing fruits and vegetables demand in the country, your Company has acquired a 49% stake in Desai Fruits and Vegetables, one of India's leading exporters of bananas, which will give it both the knowledge base and market access to augment its fresh produce business. Your Company believes that this business will be clearly value accretive to its agri business in the years to come.

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■ **Current Year's Working**

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During the first quarter of the current Financial Year, your Company has recorded Sales of Rs. 631 crores as against Rs. 472 crores for the corresponding period of the previous year.

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■ **Acknowledgement**

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Before I conclude, I would like to extend my personal thanks to the investors, bankers, customers and all stakeholders for reposing their confidence in the Management.

I also thank all my colleagues on the Board for their whole-hearted support and encouragement.

I would also like to thank the Company's employees at all levels whose dedication and contribution enabled your Company to register another record performance.

With your continued support and encouragement, I am sure the Company will achieve greater heights year after year.

Jai Hind