



DEEPAK FERTILISERS
AND PETROCHEMICALS
CORPORATION LIMITED

Chairman's Address

Address by **SHRI S. C. MEHTA**, Chairman & Managing Director
to the Shareholders at the 33rd Annual General Meeting
of the Company held on **8th August, 2013** at Pune



Customer Centricity

DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED

Ladies & Gentlemen,

It is indeed a pleasure for me to address all of you for the first time as Chairman of your Company. At the outset, I extend a very warm and hearty welcome to you all at the Thirty Third Annual General Meeting of your Company.

■ **Economic Scenario**

The continuing global crisis during the year has affected India's growth and Gross Domestic Product (GDP). India's GDP growth has hit decade-low of 5% in 2012-13. However, as per latest India Development Update of the World Bank, Indian Economy is likely to grow over 6% during the current financial year i.e. 2013-14 and it is expected to increase further to over 6.5% in financial year 2014-15. The Indian currency during the year depreciated by around 8% against US Dollar and recently crossed the 60 Rupees per dollar mark.

■ **Performance in 2012-13**

As you all know 2012-13 was a challenging year for the economy and more particularly for the sectors your Company operates in. There was an unprecedented rise in raw material prices, natural gas supplies from the KG Basin declined drastically, the country faced a drought situation and the mining industry was subdued. Despite these odds, during the year under review your Company registered total Revenue of Rs. 2,606 Crores against Rs. 2,343 Crores in the previous year, an increase of 11%. Sales for the Agri Business grew 2% to Rs. 993 Crores from Rs. 970 Crores, while Sales for the Chemicals Business grew 18% to Rs. 1,689 Crores from Rs. 1,430 Crores. However, Profit Before Tax dropped to Rs. 201 Crores against Rs. 290 Crores in the previous year, while Net Profit stood at Rs. 147 Crores against Rs. 213 Crores. Broadly speaking Rs. 65 Crores profit erosion was a result of the unprecedented ammonia price hike and Rs. 24 Crores due to reduced methanol production on account of unviable LNG prices.

The performance was also affected due to labour strike from 3rd January, 2013 over productivity issues, disciplinary action and wage settlement at the K-1 Plant, Taloja. The strike was called off on 30th May, 2013 upon amicable settlement of the issues including reduction of over 150 positions and signing of a long term wage agreement.

Overall, the growth in the top-line does underscore the resilience, your Company's basic business model and its customer loyalty bonds.

■ **Raw Material Scenario**

Your Company's key raw materials are Natural Gas, Ammonia, Phosphoric Acid and Propylene. The natural gas scenario in India today continues to remain somewhat uncertain. Though potential for the KG Basin remains high, the gas extraction levels are far from optimal. Policy and pricing uncertainties remain.

But the easing of global gas scenario with the new shale gas finds in the USA should be a game changer for the industry. This has the potential to positively impact the global fertiliser sector, including India, by way of reasonably priced ammonia in the medium term. The huge gas finds in East African countries also offer opportunities to benefit India since these are in its



freight-economic zone. Your Company is studying these developments closely and will seek out optimal ways to gain from these emerging prospects.

Globally, ammonia shortages and the delayed commissioning of new capacities resulted in an abnormal price rise during the year under review. However, with the new capacities now coming online the situation has begun easing already.

There is a substantial domestic availability of ammonia. Your Company has firm quantity contracts tied-up with a leading global player. Your Company is now poised to fully exploit its supply chain assets, including its well connected tankages at JNPT and Taloja. These provide flexibility for both global and domestic sourcing efficiently.

In line with falling global DAP prices, Phosphoric Acid prices are also expected to soften in 2013-14. Your Company is confident of being able to manage the procurement of phos acid efficiently.

Your Company's long-term contract with BPCL for propylene, apart from alternative sources available domestically, gives it a strong edge as the leading player in the Iso Propyl Alcohol market. Demand for the product remains strong and with your Company's domestic scale and marketing skills, the product should be a strong driver for future growth of the business.

■ Growth Plans

Your Company remains committed to growth and augmenting the shareholders value. It will continue to seek ways to enhance market share and profitability through its product quality and service, brands, distribution network and relationships in its current businesses.

As you know your Company is expanding its capacity in NPK fertilisers at Taloja to 6,00,000 MTPA and the expansion is targeted to be completed in the first half of Financial Year 2015-16. Your Company is also setting-up a new 30,000 MTPA Bentonite Sulphur Plant in Panipat, Haryana. The Plant is targeted to be commissioned in the first half of Financial Year 2014-15.

Your Company's business model in agri-business is end to end with linkages and value enhancers from fertilisers to fruits and vegetables delivered to consumers across India and the globe. Desai Fruits & Vegetables Private Limited, where your Company has a 49% Equity stake, is a step in this direction.

The TAN business is growing and we are now poised to take full advantage of our technical knowledge of downstream sectors in TAN and provide blasting services. Mine consulting is being offered through a new joint venture with a world leader RungePincockMinarco Limited of Australia. We now have a comprehensive offering across the mining value chain.

In chemicals, we are identifying new business opportunities based on feedstock other than ammonia, like propylene, and are confident that we should be able to enhance shareholder value considerably with this strategy.

Ishanya with its enhanced value proposition including F&B, entertainment and accessories, beyond the primary home and interiors, is catching on well. Two new home and interiors retailers, plus Blue Frog, one of the best known food and entertainment brands have signed on. The Ishanya enabled retail venture, Houslife, has also signed on 25 brands.

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■ Investment in Mangalore Chemicals & Fertilizers Limited

Through wholly owned subsidiary, SCM Soilfert Limited, your Company has acquired 24.46% paid-up share capital of Mangalore Chemicals & Fertilizers Limited (MCFL) on 3rd July, 2013.

Given your Company's considerable strength in the fertiliser business, the investment is strategic and a good fit with your Company's business.

Your Company looks forward to working closely with MCFL to enhance long-term value for the shareholders of both companies.

■ Current Year's Working

For the first quarter of the current Financial Year, your Company has recorded Sales of Rs. 738 Crores as against Rs. 631 Crores for the corresponding period of the previous year.

■ Directors

In order to focus on philanthropic and spiritual pursuits, your Company's founder, Shri C. K. Mehta decided to step down from the position of Chairman of the Company during the year under review. The Board of Directors of your Company placed on record its deep and heartfelt appreciation of the services and herculean contribution rendered by Shri C. K. Mehta and prevailed upon him to continue as Chairman-Emeritus.

The Board of Directors has appointed Shri Partha Bhattacharyya as Whole-Time Director of the Company and designated him as an Executive Director for a period of five years with effect from 31st October, 2012.

Shri Bhattacharyya is Former Chairman and Managing Director of Coal India Limited, a Maharatna Company of Govt. of India and Managing Director of Haldia Petrochemicals Limited.

■ Acknowledgement

Before I conclude, I would like to extend my personal thanks to the investors, bankers, customers and all stakeholders for continuously 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.

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

Jai Hind