

■ **Technical Ammonium Nitrate (TAN)**

The Government of India is making continuous efforts to augment investments in infrastructure and expedite clearances to various projects. The Government of India has planned investments of US\$ 1 trillion over the period of the Twelfth Five Year Plan (2012-17), and the roll-out of these projects will provide demand impetus for coal, steel, cement etc., which in turn will lead to more sustained demand for TAN.

On the exports front, your Company has already identified the primary markets abroad (including Middle East, East Africa, Indonesia and Australia) for expanding its TAN footprints globally, thereby ensuring strategic geographic de-risking and hedging of the currency risks. Your Company remains optimistic about both, the domestic & export potential of the TAN business and will look at expanding and growing these markets in the years to come.

■ **Industrial Chemicals**

In chemicals sector, having established leadership in IPA based on propylene, your Company has identified new business opportunities based on building blocks other than Gas. As a preferred supplier to the growing pharma sector, your Company's growth plans in the chemical sector will continue to enhance shareholder value in the times to come.

■ **Value Added Real Estate**

Home and interiors will remain the prime focus of Ishanya. During the year under review, your Company recalibrated its business strategy to attract more retailers in the Interior field and has also attracted an equally exciting and growing category of Food and Beverages (F&B) linked with Entertainment to holistically make Ishanya a full family destination.

In the medium term, your Company remains optimistic about this business and will continue to explore more retailers which will help enhance the home and interior category as well as build a strong brand loyalty.

■ **Current Year's Working**

For the first quarter of the current Financial Year, your Company has recorded Sales of Rs. 939 Crores as against Rs. 738 Crores for the corresponding period of the previous year. The increase has come mainly in the trading portfolio.

Profitability of your Company for the first quarter of the current year has been affected adversely due to stoppage of supply of domestic natural gas.

■ **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.

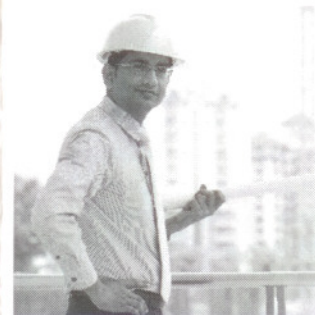
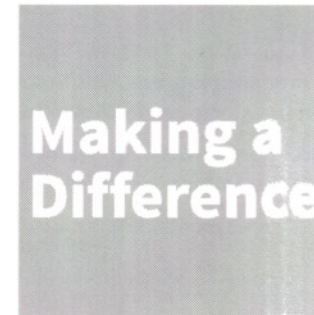
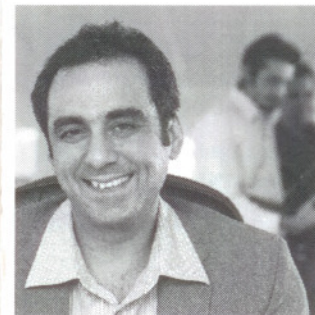
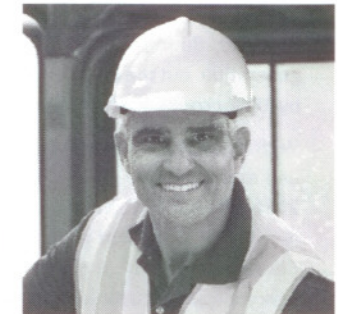
I would also like to thank the Company's employees at all levels.

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

Jai Hind

**Chairman's Address**

Address by **SHRI S. C. MEHTA**, Chairman & Managing Director to the Shareholders at the 34th Annual General Meeting of the Company held on **31st July 2014** at Pune







Ladies & Gentlemen,

I extend a very warm and hearty welcome to you all at the Thirty Fourth Annual General Meeting of your Company.

#### ■ Economic Scenario

During the year 2013-14, India's GDP growth dipped to below 5%. Economic growth has slowed down due to domestic structural and external factors. Two successive years of sub 5% growth is witnessed for the first time in 25 years. The growth in mining sector continued into negative zone at -1.4%.

However, during the year 2013-14, favourable monsoons helped agricultural growth and power generation, but the overall slowdown in industry continued. Tight monetary policy stance was followed by RBI for containing inflation and restoring stability in the foreign exchange market.

With expectation of better performance in manufacturing, improved balance of payments situation and modest global growth revival, the economy is expected to grow in the range of 5.4% to 5.9% in 2014-15. Global economic activity is also expected to strengthen in 2014-15 on the back of some recovery in advanced economies. Shri Narendra Modi's election messages clearly emphasized that development alone is the solution of all problems and the government's motto will be to be with everyone and for everyone's development. It's indeed a time for new hope and strength.

#### ■ Performance In 2013-14

As you all know 2013-14 was a good year for your Company. Total revenue of your Company crossed Rs. 3,800 Crore, an increase of 46% over preceding year, EBITDA crossed Rs. 550 Crore, an increase of 45% and Net Profit crossed Rs. 240 Crore, an increase of 66% over the preceding year.

For the first time in the history of your Company, the Agri Business revenue crossed Rs. 1,000 Crore, growing to Rs. 1,410 Crore from Rs 995 Crore in the preceding year, an increase of 42%.

The Chemicals Business, including TAN sales grew 49% to Rs. 2,516 Crore from Rs 1,689 Crore in the preceding year.

#### ■ Raw Material Scenario

Your Company's key raw materials are Natural Gas, Ammonia, Phosphoric Acid and Propylene.

#### ■ Natural Gas

Though the natural gas supply during the financial year 2013-14 was good but unfortunately the supply of natural gas to your Plant situated at K-1, Taloja MIDC has been stopped w.e.f 15th May, 2014 pursuant to order of Ministry of Petroleum and Natural Gas. The decision by Ministry to stop supply of Natural Gas to your Company has been taken without any prior notice and is arbitrary, unfair and discriminatory. This sudden step is also contrary to three EGoM decisions. Your Company has approached the High Court of Delhi to seek appropriate remedial measures and the hearing is in progress.

In the meanwhile it is understood that the GOI has appointed a new committee to review Gas prices going forward and have not accepted the Rangarajan price formula.

#### ■ Ammonia

The ammonia supply situation improved in FY 2013-14 as compared to previous years. While the temporary uncertainty over the geo-political unrest in Ukraine could have some impact, your Company has firm quantity contracts with a leading global player for supply of Ammonia. The domestic availability is also likely to remain strong.

#### ■ Phosphoric Acid

In line with stabilisation of the global Diammonium Phosphate (DAP) demand and prices, phosphoric acid prices are also expected to remain stable during the FY 2014-15. Well equipped in this business, your Company is confident of efficiently managing the procurements thus minimizing stock out situations.

#### ■ Propylene

The propylene supply situation improved in FY 2013-14 as a result of easy availability of refinery grade propylene from BPCL and other companies. The raw material prices moved upwards, followed by rise in global IPA prices allowing your Company to gradually pass on the hikes in raw material pricing.

#### ■ Growth Plans

With its firm footprint in four business arenas, namely fertilisers, mining, chemicals & value-added real estate, your Company remains committed to seeking steps to enhance market share and profitability in each arena through growth, leveraging its product quality and service, brands, distribution network and relationships in its current businesses and thus augment shareholder value in the times to come.

#### ■ Agri-business Fertilisers

Your Company has foreseen rise in demand from its core regions and surrounding areas for quite sometime and is therefore in the process of doubling its NPK plant capacity to 6,00,000 MT, through a brown-field expansion, which is in progress at the Taloja plant. The project is expected to be operational by late 2015/early 2016 and will set the stage for the launch of a variety of complex fertilisers and fortification with micro nutrients like boron, zinc and copper. Going forward, this project will also provide a bigger platform for its flagship product, MAHAPOWER.

To address the small but growing demand of speciality fertilisers, especially in the northern India market, your Company is setting a 30,000 MT plant for Bentonite Sulphur. Strategically located at Panipat (Haryana), next door to a refinery, this plant will serve the markets of Madhya Pradesh, Haryana, Uttar Pradesh and Punjab. The project is expected to be commissioned by late 2015, will enable your Company to effectively open the northern market.

#### ■ Investment In Mangalore Chemicals & Fertilizers Limited [MCFL]

As a part of our strategic growth drive in the fertiliser business, SCM Soilfert Limited, a wholly owned subsidiary of your Company has made an open offer for acquiring 26% of MCFL at a price of Rs. 63 per Equity Share on 23rd April, 2014 pursuant to the provisions of SEBI take over guidelines. Your Company is "person acting in concert" (PAC) in the Open Offer.

The open offer is awaiting approval from Competition Commission of India (CCI) for final SEBI clearance.