

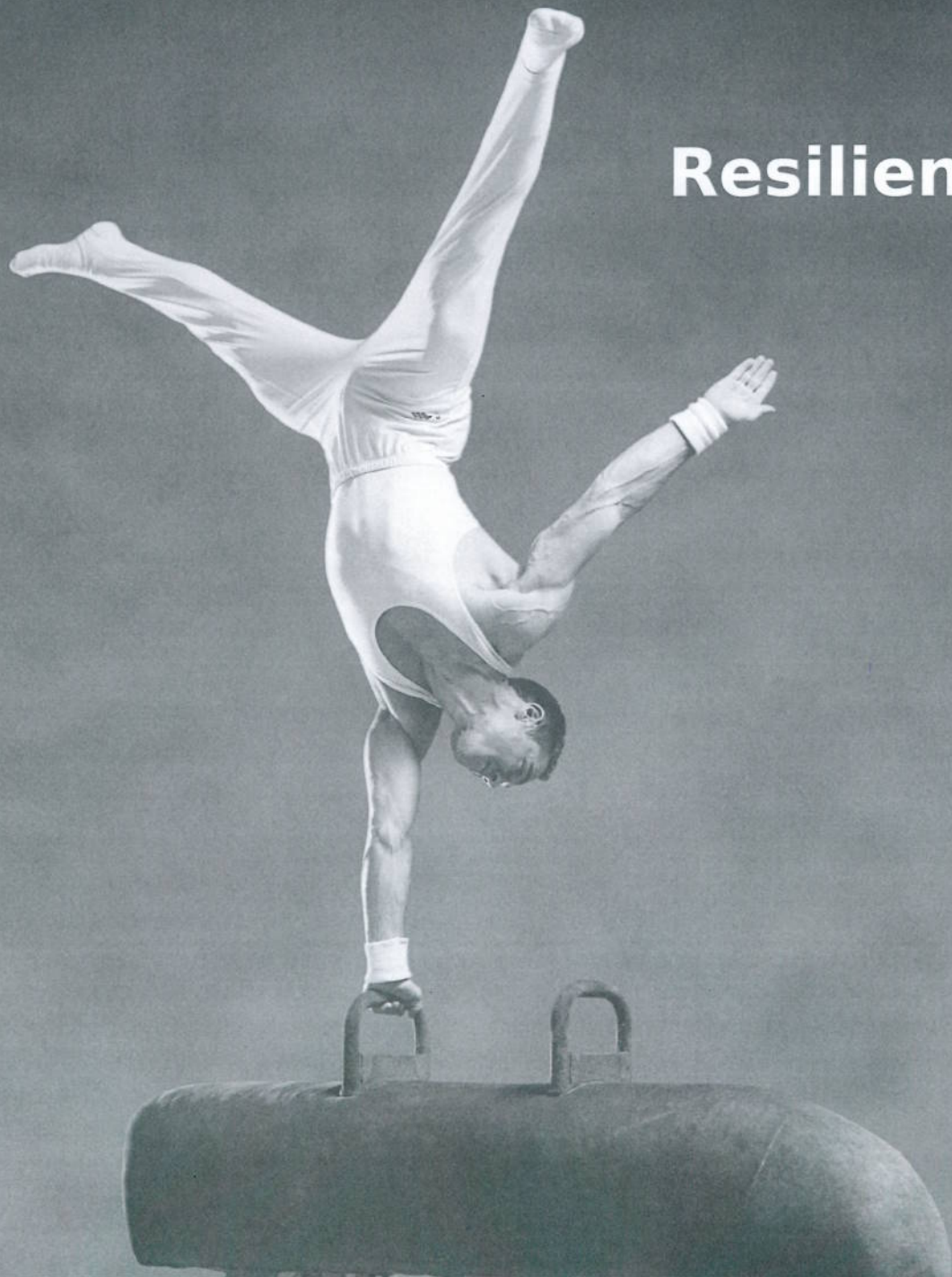


**DEEPAK FERTILISERS  
AND PETROCHEMICALS  
CORPORATION LIMITED**

**Chairman's Address**

Address by **SHRI S. C. MEHTA**, Chairman & Managing Director to the Shareholders at the 35<sup>th</sup> Annual General Meeting of the Company held on **5<sup>th</sup> August 2015** at Pune

**Resilience**





Ladies & Gentlemen,

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

## **Economic Scenario**

During the year under review, global economy remained turbulent in many countries due to the financial and Euro zone crises. Global growth was moderate at 3.4%, uneven across the countries and regions. While advanced economies reported a pick-up in growth, emerging and developing economies continued to slow down.

The Indian economy showed some resilience but the GDP growth of 5.5% during the year fell short of expectation. Growth of 7.4% is estimated for the fiscal as per the recent Central Statistics Office new series for GDP.

The International Monetary Fund (IMF) projections indicate that India's economic growth will accelerate to 7.5% in FY 2016. IMF also forecast that India will emerge as the fastest growing economy in the world at the end of the current financial year.

## **Performance in 2015**

During the FY 2015 your Company was faced with four unprecedented and challenging situations viz; sudden, unfair and discriminatory stoppage of gas supplies, extreme volatility in global commodity prices, restriction in coal mining and a sea-change in Ammonium Nitrate Rules, which resulted into significant impact on overall performance of the Company.

Each of the events not only impacted us significantly, but they were also out of our zone of control. Each of our past crises have been a unique opportunity for us to question our paradigm, no matter how successful they may have been, and enabled us to draw deep-rooted learnings for the future. They have brought in new meaning to team-work, raising the performance bar, re-focus and internal resilience in every aspect of our working.

The current scenario has also been an experience in similar stress handling where we were pushed into a soul-searching journey to bring a paradigm shift into each of our businesses. However, due to our past experience of managing crisis that has built our resilience and stood us in good stead during the year, your Company was able to largely retain its market share by way of ensuring a close to the previous year topline at ₹ 3,711.77 Crore. Your Company recorded profits which were lower by 68% as compared to the previous year largely owing to gas cut.

While Q4 of FY 2015 saw green shoots, it will be FY 2016 onwards that will unfold the positive long-term impact of these learnings.

The last quarter of FY 2015 witnessed improved performance in Technical Ammonium Nitrate and Nitric Acid on the back of higher demand for these products and improved margins that offset the losses arising from non-availability of domestic gas. On an annual basis, acids, IPA and traded chemicals performed significantly better than the previous year. Despite the unavailability of its flagship nitro phosphate fertiliser, the sale of traded fertiliser increased substantially by around 60,000 MT in bulk fertilisers, an increase of around 18% in specialty fertilisers and the company's own manufactured Bensulf grew to the tune of around 43%.

## **Raw Material Scenario**

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

## **Natural Gas**

The Company faced crisis situation with regards to Domestic Gas, following the Order issued by Ministry of Petroleum and Natural Gas (MOPNG), whereby supply of Domestic Natural Gas from all the sources was discontinued to the Company from 15th May 2014 on the grounds that diversion of this gas to Urea manufacturers would reduce their subsidy burden. The Order was challenged by your Company before the Hon'ble High Court at Delhi on the grounds of discrimination and arbitrariness. The Hon'ble High Court of Delhi vide its order passed on 7th July, 2015, has directed the Government of India to resume the supply of gas to the Company, until an uniform policy is applied to all P&K units. Your Company is pursuing the implementation of the order with concerned authorities.





### ■ Ammonia

The price of ammonia is expected to remain stable with strong possibilities of sanctions on Iran being lifted resulting in augmenting of global ammonia availability.

Further, new capacities coming on-stream and stable geo-political situation, is likely to ensure uninterrupted supplies at reasonable prices. Domestic availability is also likely to continue at existing levels in the current year. Your Company is in a comfortable position to exploit its supply chain assets due to improved supplies and continues to explore avenues for long term supplies of ammonia at reasonable prices.

### ■ Phosphoric Acid

Phosphoric Acid consumption during the year was lowest as ANP plant was closed. During FY 2016 Phosphoric Acid price is expected to remain soft. The major contributing factors for this is improved availability on account of growth in global capacities and fall in Rock Phosphate prices.

### ■ Propylene

The raw material prices are low at present and the Company does not expect major upward revision due to low crude price outlook.

### ■ Growth Plans

With its firm footprint in four business areas, namely fertilisers, mining chemicals, industrial chemicals and value added real estate, your Company remains committed to taking steps to enhance market share and profitability in each business area through its product quality and service, brands, distribution network and relationships in its current businesses augmenting shareholder value in the times to come.

### ■ Agri-business Fertilisers

Despite the gas cut, your company has resumed the production of its flagship fertiliser 24:24:00. Your company received many requests from farmer-suicide sensitive zones, farmer cooperatives / associations, MPs and MLAs, as well as a directive from the Department of Agriculture, Government of Maharashtra to meet the demand of the product during the ongoing kharif season. The resumption of production is based on expensive RLNG as the feedstock and your Company's decision at this stage is not driven by commercial considerations given the dire need of the farmers for our product.

Your Company's brown field expansion of its NPK plant at Taloja and a greenfield Bensulf plant in Panipat (Haryana) are progressing at a steady pace. Your Company has received all the relevant clearances during FY 15. The NPK plant is expected to be operational around last quarter of 2017.

The Bensulf plant at Panipat is slated to become operational in Q2 of FY 2017. The plant will produce 32,000 MTPA of Bensulf to further augment your Company's leadership position in the specialty business.

Going forward your Company will also focus on developing crop / soil-specific value-added products which will contribute to better profitability in its Customized Nutrient initiative.

Its farm produce business, under its JV – DFV continued its focus on growing banana plantation and supplies to domestic as well as international markets. Steered by a robust business model and greater access to new markets, the business reported a smart turnaround and its performance has significantly improved during FY 2015.

On the domestic front "Happy Banana", the DFV banana brand, is already available in over 300 retail food stores in Delhi and in a couple weeks it will soon be launched in over 50 retail stores in Bangalore.



## DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED

### **■ Technical Ammonium Nitrate (TAN)**

Your Company has a portfolio of strong brands, backed by a well-entrenched distribution system. World-class quality product with current day economies of scale, has given your Company a leadership position in this segment. During the year, your Company successfully established long-term contracts with several domestic customers, thereby consolidating its market presence.

Your Company has also received the much awaited approvals for its products from all the major consumers across the World. This has opened new vistas of growth for your Company's export segment, particularly in the matured markets of Australia, South Africa, Indonesia, South America and Middle East. Your Company hopes to successfully grow its global footprint with improved quality of TAN.

As a step towards enlarging its global presence, your Company's Wholly Owned Subsidiary Smartchem Technologies Limited (STL), as part of its forward integration initiative into blasting services, launched its overseas Joint Venture (JV) in Australia. Platinum Blasting Services Pty Ltd (PBS) is a JV with Local Australian partners having considerable experience in providing value-added blasting services and operational expertise.

Your Company has already started supplying TAN to Australia and is now evaluating setting up emulsion facilities under the JV, which will significantly improve margins. With the knowledge base, even in the domestic sector, your Company intends to create new paths beyond TAN to provide holistic blasting services to the mining sector.

### **■ Industrial Chemicals**

The Indian pharmaceutical industry will continue to be on growth track with more Active Pharma Ingredients (API's) and formulations getting added to the manufacturing base, which will be the driver of growth for IPA.

In order to meet the growing demand of IPA, your Company is planning to consolidate its market position by increasing IPA imports and enhancing capacities at its manufacturing facilities.

Along with the basket of hand-picked traded products your company is well poised to be the preferred solvent supplier to the Indian pharma sector. Additionally, going forward it plans to further explore the propylene chemistry for future growth.

### **■ Value Added Real Estate**

In the core category of home decor, your Company is launching yet another pioneering concept The 'Home Sukh' which is spread over 20,000 sq. ft. and has nearly 30 brands and over 10,000 products in various categories. This unique concept will add rich depth to the Value Added Real Estate Sector.

Your Company has allocated 30% of space to Food & Beverages (F&B) and entertainment. Blue Frog- Live Music Performance club with F&B became operational during FY 2014-15 while the first phase of PubTown, Pune's pioneering concept offering unmatched dining has become operational since early February and the remaining phases are expected to be operational in the current year.

### **■ Current Year's Working**

For the first quarter of the current Financial Year, your Company has recorded Sales of ₹ 1065 Crores as against ₹ 939 Crores for the corresponding period of the previous year. The increase has come mainly in the trading portfolio of fertilisers. PBT was recorded at ₹ 65.34 Crores as against ₹ 56.01 Crores in Q1 FY15. PAT stood at ₹ 45.33 Crores compared to ₹ 39.85 Crores in Q1 FY15.

Profitability of your Company for the first quarter of the current year continued to be affected adversely due to stoppage of supply of natural domestic 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 specifically like to thank the Company's employees at all levels for their optimistic and committed efforts during the testing times.