



22<sup>nd</sup> September, 2017

The Secretary  
BSE Limited  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Fort,  
Mumbai – 400 001

Listing Department  
National Stock Exchange of India Ltd.  
“Exchange Plaza”,  
Bandra-Kurla Complex, Bandra (E)  
Mumbai – 400 051

Sub: Copy of AGM Speech

Dear Sir,

Please find attached a copy of a Chairman's Speech delivered at the 37<sup>th</sup> Annual General Meeting of the shareholders of the Company held on Thursday, 21<sup>st</sup> September, 2017 at 12 Noon at Opus Banquets, 6, Ishanya Mall, Off. Airport Road, Shastrinagar, Yerawada, Pune – 411 006.

Thanking you,

Yours truly,

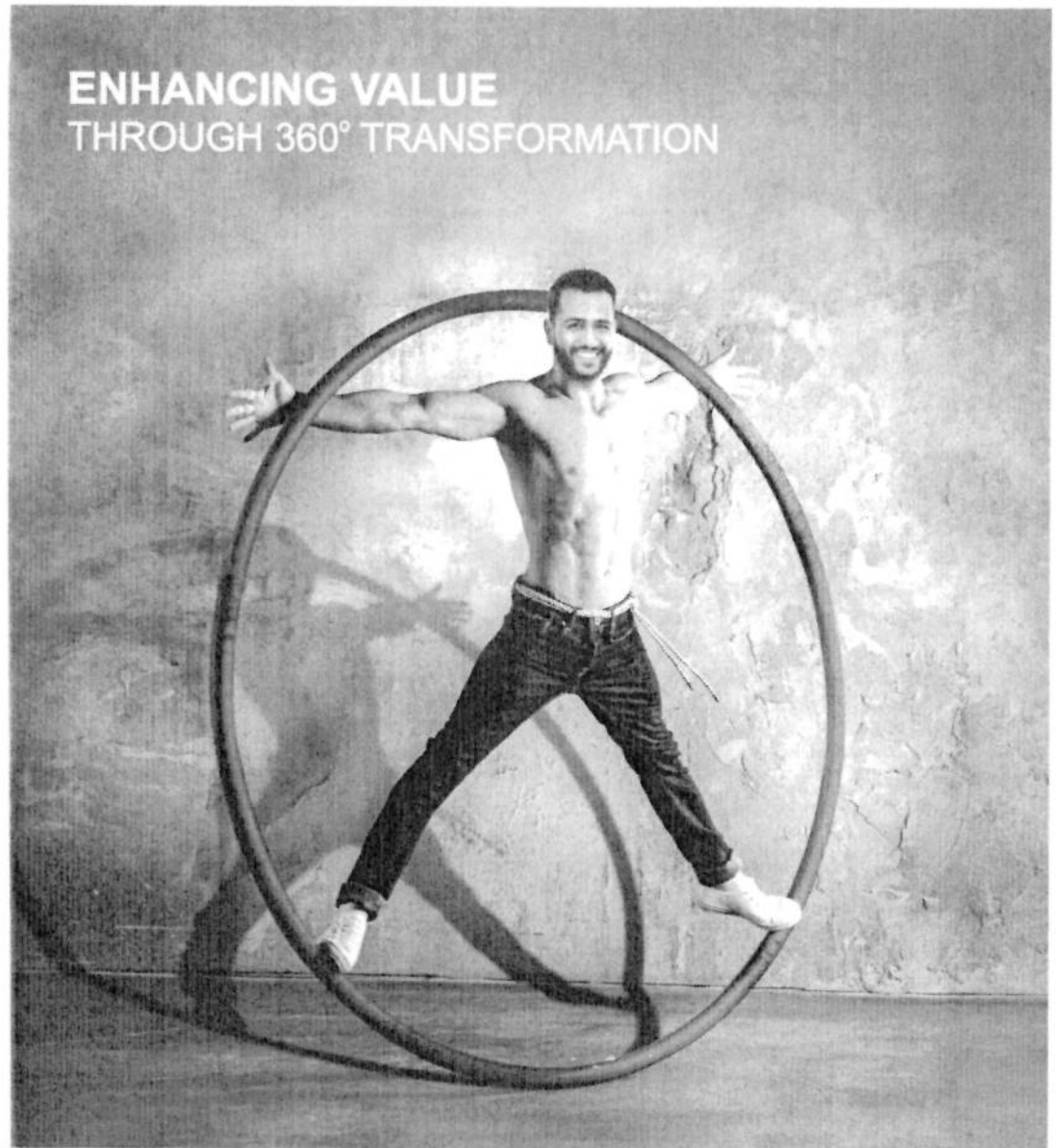
For DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED

**K. SUBHARAMAN**

**EXECUTIVE VICE PRESIDENT – LEGAL & COMPANY SECRETARY**

**Chairman's Address**

Address by **SHRI S.C. MEHTA**, Chairman & Managing Director to the Shareholders at the 37<sup>th</sup> Annual General Meeting of the Company held on **21<sup>st</sup> September, 2017** at Pune.



Ladies & Gentlemen,

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

### **Economic Scenario**

Growth rate of industrial sector was estimated to moderate to 5.2% in 2016-17 from 7.4% last fiscal. During April-November 2016, a modest growth of 0.4% has been observed in the Index of Industrial Production (IIP) due to strong growth in electricity generation, offset by moderation in mining and manufacturing.

The eight core infrastructure supportive industries, viz. coal, crude oil, natural gas, refinery products, fertilisers, steel, cement and electricity that have a total weight of nearly 38% in the IIP, registered a cumulative growth of 4.9% during April-November, 2016-17 as compared to 2.5% during April-November, 2015-16.

The growth rate for the agriculture and allied sectors was estimated to be 4.1% for 2016-17. The production of Kharif food-grains during 2016-17 was estimated at 135 million tonnes compared to 124.1 million tonnes in 2015-16. The area sown under kharif and rabi crops during 2016-17 was higher by 3.5% and 5.9% respectively compared to 2015-16.

### **Demonetisation and GST**

Demonetisation has had short-term costs in the form of slow growth but holds the potential for long-term benefits which includes reduced corruption, greater digitalisation of the economy, increased flows of financial savings, and greater formalisation of the economy, all of which could eventually lead to higher GDP growth, better tax compliance and greater tax revenues.

Goods and services tax (GST) has become a reality from July 1.

GST is expected to provide the much-needed stimulant for economic growth in India by transforming towards free flow of goods and services. GST is also expected to eliminate the cascading effect of taxes. India is projected to play an important role in the world economy in the years to come.

There are expectations that the reform measures will boost the Indian economy and huge shift will be seen from unorganised to organised sector. However, some near term hiccups can be seen for the next one or two quarters.

While keeping Natural Gas out of GST and the inverted GST structure of Fertilisers is expected to have negative impact inline with their impact on the industry, overall the Company is expected to have positive impact as explained above.

### **Performance In 2016-17**

Performance for the year has been encouraging. Though the topline reduced marginally as compared to the previous year, profitability of the company has recorded growth. On an annual basis, total income for the Company dropped marginally to Rs. 4257.25 crores in FY 17 as compared to Rs. 4468.52 crores in FY 16, whereas Profit Before Tax increased to Rs. 223.29 crores in FY 17 from Rs. 167.51 crores in FY 16, an increase of 33% and Profit After Tax (PAT) increased to Rs. 160.15 crores in FY 17 from Rs. 119.83 crores in FY 16, an increase of 34%.

### **Raw Material Scenario**

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

### **Natural Gas**

The Company is yet to receive domestic gas as recommended by Inter Ministerial Committee and directed by Hon'ble Delhi High Court. The Company continues to operate its manufacturing facilities with LNG procured from domestic players. In view of the abundant global availability and many new import facilities being created, the softness in the price of LNG is expected to continue to the benefit of your Company.



### **Ammonia**

With the commissioning of expanded capacity of NPK fertilisers, the requirement of ammonia has further gone up. The Company is procuring significant quantity of ammonia from the international market. Though there was short term spurt in the prices of ammonia in the international market in Q1 of current financial year, the Company expects the price to be around the present level during next couple of years.

### **Phosphoric Acid**

The requirement of this critical raw material has also increased post commissioning of expanded NPK fertiliser capacity. As mentioned earlier, the new flexible granulation facility will now allow sourcing of Phosphoric Acid from multiple sources thus ensuring sufficient availability for the operation. Keeping in view the Global capacity expansion the Phosphoric Acid prices are expected to remain stable at around the present level.

### **Muriate of Potash (MOP)**

In the past the Company was importing MOP for its supply to farmers as fertilisers. However now, with the new NPK fertilisers being manufactured by the Company, MOP has also become an important raw material providing the third nutrient 'K' in the fertiliser. The Company has already entered into annual contract with global suppliers at fixed price for this raw material which will ensure its adequate availability.

### **Propylene**

During the year Propylene prices have comparatively remained stable and are expected to remain so in the near future. As you may be aware, the Company has long term contract for supply of the raw material which ensures its adequate availability.

### **Restructuring**

Restructuring proposed by your company was approved by National Company Law Tribunal (NCLT) and came into effect from 1st May 2017. As per the scheme of arrangement, your company demerged two of its core businesses viz, Fertilisers and Technical Ammonium Nitrate (TAN) into a wholly owned subsidiary company, Smartchem Technologies Limited, while Industrial Chemicals and its Home Lifestyle and Retail Business, Ishanya, will continue to operate under DFPCL. The restructured business will ensure more focused operations with greater strategic thrust in its markets.

### **Crop Nutrition Business**

Two streams of the brown field NPK plant at Taloja were gradually commissioned in Q4 FY17, enhancing the installed capacity from existing 3,00,000 MTPA to 6,00,000 MTPA, with a provision to scale it to 1.1 million MTPA. The state-of-the-art INCRO technology plant, can produce multiple grades of complex fertilisers giving the company a distinct advantage to opt for launching several variants, with a provision to fortify the products with micronutrients to cater to the requirements of farmers in various types of farming and soil conditions. The Company, in addition to its flagship 24:24:00 grade, has already successfully introduced three new manufactured grades viz: 10:26:26, 12:32:16 and 20:20:00:13.

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

Your company's TAN finds its predominant end users in the Coal, Cement and Infra Sectors. Lower production in Q1 of the financial year due to water shortage and surge in imports of low priced ammonium nitrate, impacted the volumes and revenues of Technical Ammonium Nitrate (TAN).

As regard Coal, the long term target for Coal India Limited (CIL) continues to be 1 billion tonnes by 2020. A report by Nomura Securities International Inc. says CIL registered its highest-ever production growth in fiscal 2016-17 with output in March exceeding even the firm's own target by 4.5%, this is encouraging for your Company and provides an impetus of growth.

The Company continues to see growth for its products in the Cement and Infra Sectors riding on the India Growth Story.

## DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED

Your Company remains optimistic about both, the domestic & export potential of the TAN business and is actively exploring expanding capacities to cater to the growing markets.

The newly commissioned Bentonite Sulphur plant strategically located at Panipat (Haryana), will serve the markets of Madhya Pradesh, Haryana, Uttar Pradesh and Punjab to fill the growing gap of Sulphur in the Indian soils.

As of September, while the cumulative countrywide rainfall continued to be slightly deficient, in Maharashtra, Karnataka and Gujarat, the core markets of your Company, the rains have been normal. We anticipate a good rabi season and expect increase in sowing acreage as compared to last year, leading to higher demand of fertilisers.

### Industrial Chemicals

Chemicals maintained consistent performance and have sustained their market share. In solvents, Company continued to maintain its market leadership in Iso Propyl Alcohol (IPA) and trading of solvents registered substantial growth. In the Acids also, your Company continued to maintain its leadership position.

Progress of the green field nitric acid plant is on schedule and is expected to be commissioned in H2 FY 19. Considering the growth in demand of IPA, the Company is actively exploring expanding its manufacturing capacity speedily. 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 remains to be the primary focus of Ishanya. During the year, Ishanya has signed up several new retailers, including Ashley, North America's largest manufacturers of furniture. It is also slated to house one of the largest International pavilions for home and interiors.

Ishanya has received encouraging response from F&B segment and over half a dozen new outlets with around 30,000 sq.ft. has been operational during the year and another half a dozen restaurants occupying 20,000 sq.ft. have been signed-up and would be operational in the current year, making Ishanya one of the largest casual and fine dine destination.

### Growth Plans

The brown field NPK plant with investment of Rs. 750 crores at Taloja and green field Bentonite Sulphur plant at an investment of Rs. 55 crores at Panipat have been commissioned and production has started. Progress of the green field Nitric Acid plant at Dahej at an outlay of Rs. 580 crores is as per schedule and is likely to get commissioned in H2 FY 2019.

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.

In the near future, the Company is actively evaluating various options to strengthen its market leadership in its core business verticals and also securitise its key raw material, mainly Ammonia. It is already actively exploring a strategic alliance in an investment of around Rs. 2,700 crores in an Ammonia capacity to cater to its growing captive needs. Additionally in the near future targets capacity hike of Technical Ammonium Nitrate boosting your Company to be among the global top three manufacturers of the product and making available this much-needed product for the growing coal, infra and cement sectors, through its subsidiary, STL. Similarly, considering the growth in demand for its IPA, the Company is actively considering enhancing the capacity and in discussion with possible technology suppliers. Shortly we expect to take a final decision on all these projects bringing a new era of growth for your Company.

### 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.