

## **Conceptualise**

trends into focused businesses.

## **Customise**

business with niche knowledge.

## **Compete**

with knowledge assets riding on commodities.

## **Create**

virtuous cycles of corporate growth.



**Deepak Fertilisers And Petrochemicals Corporation Limited**

**Annual Report  
2008-09**  
(Abridged)

# Corporate information

## Board of Directors

C. K. Mehta – *Chairman*  
S. C. Mehta – *Vice-Chairman & Managing Director*  
R. A. Shah  
D. Basu  
N. C. Singhal  
U. P. Jhaveri  
S. R. Wadhwa  
Dr. S. Rama Iyer  
Smt. Parul S. Mehta  
Dr. Manu Seth  
Anil Sachdev

## Management Team

C. K. Mehta, *Chairman*  
S. C. Mehta, *Vice-Chairman & Managing Director*  
Dr. T. K. Chatterjee, *President - Strategic Initiatives & Projects*  
N. D. Joshi, *Chief Financial Officer*  
R. P. Karnik, *Chief Operating Officer*  
M. C. Goel, *Chief Executive Officer (Agri Specialities & Farming Solutions)*  
T. A. Mehta, *Chief Executive Officer (Ishanya)*  
R. Sriraman, *Sr. Vice-President (Legal) & Company Secretary*  
Dr. A. C. Augustine, *Sr. Vice-President (Human Resources)*  
K. V. Nayak, *Sr. Vice-President (Fertiliser)*  
G. Arumugam, *Sr. Vice-President (Operations)*  
V. Y. Kelkar, *Sr. Vice-President - Strategic Communication*

## Bankers

State Bank of India  
Bank of Baroda  
IDBI Bank Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Axis Bank Limited

## Solicitors

Crawford Bayley & Company  
J. Sagar Associates

## Auditors

B. K. Khare & Co.

## Registered Office

Opp. Golf Course, Shastri Nagar, Yerawada,  
Pune – 411 006.

Phone : (020) 6645 8000

Fax : (020) 2668 3727

E-mail : [investorgrievance@deepakfertilisers.com](mailto:investorgrievance@deepakfertilisers.com)

Website : [www.dfpcl.com](http://www.dfpcl.com)

## Plants

Plot K-1, MIDC Industrial Area, Talaja, A.V. 410 208

District Raigad, Maharashtra

Phone : (022) 6768 4000

Fax : (022) 2741 2413

## ► Across the pages

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# Raising the performance bar

Highest-ever operating revenue at  
**Rs. 1,412.11 crores**

Highest-ever operating EBIDTA at  
**Rs. 272.21 crores**

Highest-ever post-tax profit at  
**Rs. 148.70 crores**

Highest-ever EPS at  
**Rs. 16.86**

Highest-ever production of IPA at  
**51,217 MT**

Highest-ever production of CNA at  
**84,971 MT**

► Footfalls at Ishanya, the design centre and specialty mall for interiors and exteriors crossed 1.5 million with over 35 percent conversions into business.

► Capacities at key plants augmented with capital expenditure of Rs. 237 crores.

► Sulphur Bentonite, speciality fertiliser plant commissioned.

► Became the world's first Iso Propyl Alcohol manufacturer to receive US Pharmacopoeia certification for its product.

► Accredited with the prestigious ISO 9001:2000, ISO 14001:2004 and OHSAS 18001:2007 in 2008-09.

► Ranked 5th by Dun & Bradstreet in the chemicals sector in India.

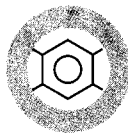


# DFPCL today stands dynamically poised to ride on India's macro-economic growth drivers – agriculture, mining, chemicals and value-added real estate.



## Agri-products and services

- ▶ Nitro Phosphate fertiliser
- ▶ Sulphur Bentonite, Speciality fertiliser
- ▶ NPKs, Water Solubles, Micro-nutrients and Bio-mixes (outsourced products)
- ▶ Farmer consultancy services through Mahadhan Saarthie Centres
- ▶ Produce management (fruits and vegetables)



## Mining chemicals

- ▶ Low Density Porous Prilled Ammonium Nitrate
- ▶ Ammonium Nitrate Solution
- ▶ High Density Prilled Ammonium Nitrate



## Industrial chemicals

- ▶ Methanol
- ▶ Concentrated Nitric Acid
- ▶ Strong Nitric Acid
- ▶ Dilute Nitric Acid
- ▶ Iso Propyl Alcohol
- ▶ Liquid Carbon Dioxide



## Value-added real estate

- ▶ Ishanya, Design Centre and Specialty Mall



The word "QUALITY" at its very core differentiates for each one of us in our lives in DFPCL

- ▶ mere day-to-day existence from Meaningful & purposeful living
- ▶ mere production from Globally bench-marked manufacturing
- ▶ mere sales & distribution from a relationship leading to delight, value & loyalty
- ▶ mere dividends from maximization of returns based on deep-rooted Corporate Governance of the means to this end

"Quality" for us in DFPCL will remain a never-ending journey, a continuous, spiritfull effort to bring pride in what we do.

In the final analysis beyond any external yardstick, ultimately we will measure "Quality" in terms of the pride we feel in our hearts in each of our actions/inter-actions with all our stake-holders, be it suppliers, customers, employees, shareholders and above all, the Society at large.

*S. C. Mehta*

S. C. Mehta

Vice-Chairman & Managing Director

## Certifications and recognition

• Accredited with the prestigious ISO 9001:2000, ISO 14001:2004 and OHSAS 18001:2007

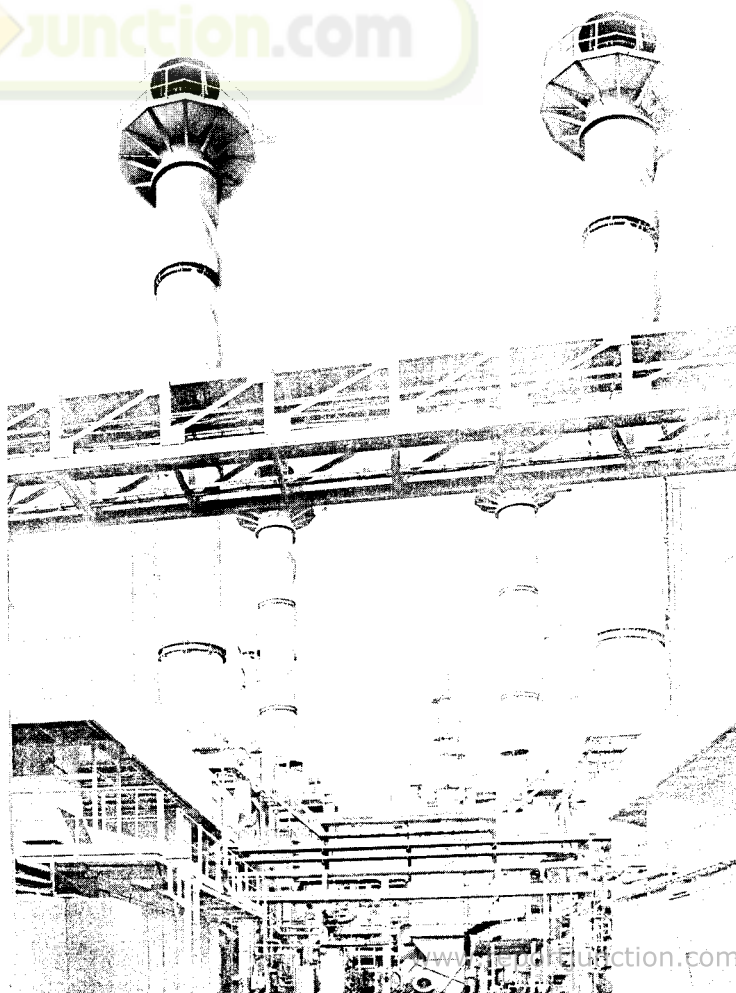
• Received the Fertiliser Association of India's Mahadhan Award for excellence in Fertiliser Extension Services for 2008-09

• Received the British Safety Council award on account of high health and safety standards for three consecutive years

• Awarded by the Indian Merchants Chamber for confirming to 'environment, agriculture and rural development' in 2001

• Winner of the Prashansa Puraskar award from National Safety Council of India for developing and implementing effective occupational safety and health management systems and procedures as well as achieving superior performance

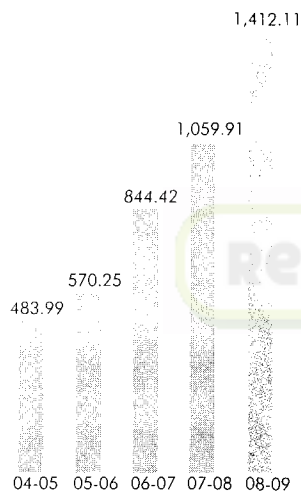
Products	Technology	Installed capacity (MTPA)
Ammonia	Fish International Engineers, The USA	1,25,400
Methanol	Davy McKee, The UK	1,00,000
Dilute Nitric Acid	Weatherly Inc, The USA	2,97,000
Concentrated Nitric Acid	Plinke, Germany	79,200
Technical Ammonium Nitrate	Stamicarbon, The Netherlands, GP, France	1,32,000
Iso Propyl Alcohol (IPA)	Plant from BP, The UK	70,000
Nitrophosphate Fertilisers	Stamicarbon, The Netherlands	2,29,500
Sulphur Bentonite	OmniSulphur, The USA	25,000



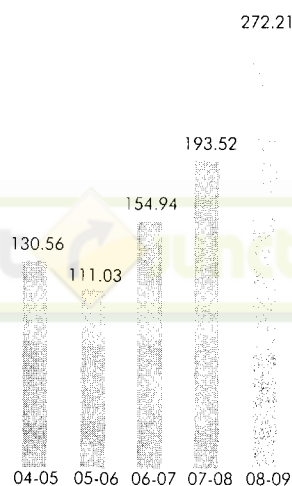


The strength of our business model is reflected in our year-on-year growth despite growing global competition.

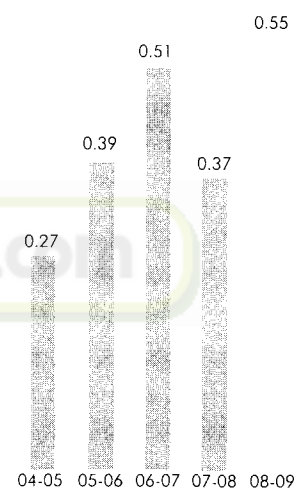
Income from operations (Rs. cr)



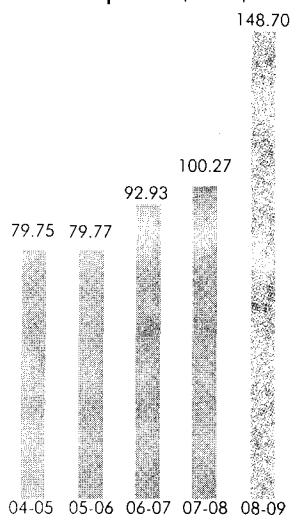
Operating EBITDA (Rs. cr)



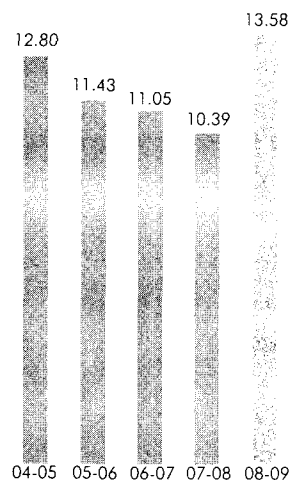
Debt-equity ratio



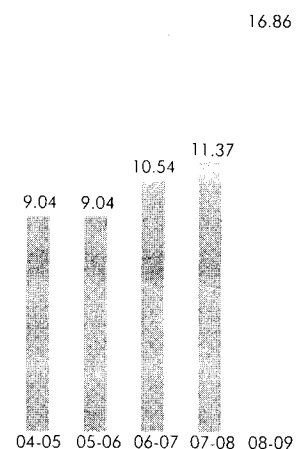
Net profit (Rs. cr)



ROCE (Percent)



Earnings per share (Rs.)



## From the desk of the Vice-Chairman and Managing Director

**"'Business is to make profits'..... the answer is not only false, it is irrelevant." – Peter Drucker**

The year 2008-09 witnessed financial volatility comparable to a tsunami, marked by sharp price swings in commodities, real-estate and stock-markets. During the course of the year, oil, DAP, Sulphur and Ammonia touched their highest-ever levels, bolstering revenues to unprecedented levels.

Just about as suddenly thereafter came the decline with a speed, magnitude and ferocity that spared no one – banks, companies and countries.

What could possibly be our take-home learning from this turbulent period? At the root of it all, what went wrong? My answer: the singular pursuit of short-term profits.

**"Profitability is not the purpose of, but a limiting factor on business. Profit is not the explanation, cause or rationale of business behaviour and business decisions but rather the test of their validity." – Peter Drucker**

If organisational actions are focused on short-term profits as opposed to the creation of true, comprehensible and sustainable value, there could be the risk of creating the basis for another speculative euphoria leading to value depreciation and finally profit erosion.

At DFPCL, the one overriding question that we constantly ask ourselves is: how do we add value to our 29 years of fertiliser and chemical experience and our insight into the Indian and global scenario? How do we focus on sustainable value-





creation as opposed to a fleeting increase in profits? How do we reconcile short-term aspirations with long-term considerations?

The answer points to a considerable potential before us in our specific businesses for the following reasons:

- ▶ India represents a large local market
- ▶ The country possesses untapped and vast mineral resources
- ▶ The region's sun-soil-labour advantage powers its agriculture

Each of these provide a growing scope for profits today as well as opportunities in synergic value creation in the years to come.

"The highest use of capital is not to make more money, but to make money do more for betterment of life." – Henry Ford

At DFPCL, after another record breaking year of topline and bottomline despite the global meltdown, going forward we see ourselves poised to capitalise on the vast potential in four high-growth sectors of:

- ▶ Agriculture
- ▶ Mining
- ▶ Chemicals and
- ▶ Value-added real estate

During 2008-09, we undertook a number of strategically guided and decisive steps, which will help us leverage India's macro-economic momentum through the following businesses:

- ▶ Our Speciality Fertiliser Business grew 139 percent, creating a firm footprint in the non-subsidised fertiliser segment and making in-roads into the high potential fruit and vegetable sectors. At the front-end, small but potentially attractive steps were taken to enter the agri-produce, purchase and export businesses. A

state-of-the-art Sulphur Bentonite manufacturing facility was commissioned and a world-class speciality fertiliser product was placed in a market deficient of Sulphur nutrients in the soils.

- ▶ A detailed analysis of the needs of the mining industry (including contract mining) was undertaken following the opening up of the coal sector, indicating new opportunities. The new project for tripling capacities of Technical Ammonium Nitrate to service the mining sector was well underway for commissioning during FY2011 leading to further avenues for growth.

- ▶ In the Chemical Segment, a cosmetic grade IPA was developed, a strategic step towards conversion of some of our commodity chemicals into speciality niches. A 450 TPD Nitric Acid project was undertaken and the plant is under commissioning, slated to give a fillip to downstream fertilisers and chemicals.

- ▶ In the Value-added real estate space, with over a million footfalls and over 35 percent conversions achieved at Ishanya, a sharper positioning with value-added services for the B-2-B and B-2-C segments was underway.

The pages that follow are a peep into an exciting future that we see... value creation that will synergise India's macro-drivers with DFPCL's proven past to chisel a future of promising potential... where profits will be a test of our validity and sustainability but not the overriding rationale of our existence.

Sincerely,



S. C. Mehta

## Indian macro-environment drivers

- ▶ 100 percent growth in the demand for speciality fertilisers (chief use for fruits and vegetables)
- ▶ 28 percent contribution of horticultural crops to the agri-GDP
- ▶ 35 percent is the proportion of horticultural exports to the total agri-exports
- ▶ 10 million tonnes is projected shortfall of urea in 2010-11
- ▶ 6.5 percent is the projected growth in the mining and quarrying sector in 2009-10
- ▶ 467 million tonnes is the projected coal production in 2008-09, doubling in 8-10 years
- ▶ Rs. 254 billion is the projected investment in road transport and infrastructure projects over 2009-10
- ▶ 6 percent is the current growth in per capita income; projected growth of 9 percent
- ▶ Projected 12 percent CAGR for the Indian pharmaceutical sector over the next five years

## Our strategic focus areas

- ▶ DFPCL is among the few Indian fertiliser manufacturers that is now forward integrating successfully into comprehensive farm solutions and output management
- ▶ DFPCL is enhancing strategic international presence through exports of agri-products and Technical Ammonium Nitrate
- ▶ DFPCL is India's only manufacturer of porous Prilled Technical Ammonium Nitrate and is creating new capacity in order to exploit emerging market opportunity in the mining sector
- ▶ DFPCL provides top-class chemicals for the high quality, growing needs of the pharma sector
- ▶ DFPCL has created India's largest design centre and specialty mall, Ishanya, focused on catering to the most comprehensive residential / commercial real estate needs taking advantage of the burgeoning needs of the Indian middle and upper middle class

## Our recent business initiatives

- ▶ Recently completed retrofitting of the Ammonia plant to raise the overall capacity to 125,400 MTPA
- ▶ Completed the 15,000 MTPA Ammonia tank at JNPT to create an efficient make-or-buy option, thereby ensuring maximum feedstock assurance
- ▶ Commissioned the 25,000 TPA Sulphur Bentonite plant (speciality fertiliser)
- ▶ Agri-services strategy initiated based on four pillars: 1) strong Agronomy; 2) customised fertiliser manufacture; 3) direct farmer contact through retail chain 4) produce procurement comprising fresh fruits and vegetables catering to retail and food processing sectors in India and abroad
- ▶ Within a short period, Mahadhan Saarthie farmer membership increased to 5,500 members
- ▶ Focus on India's emerging consumption pattern and the retail surge through Ishanya, India's largest design centre and specialty mall, with a scale of 5.5 lakh sq. ft. Ishanya is currently home to over 5,000 brands and over 50 retail outlets