

KEYTAKEAWAYS FROM ANNUAL REPORT 2015-16

THE POWER OF BELIEF

Belief, the ubiquitous human trait, has often been the harbinger of change, evolution and innovation. Belief is the power that helps us sustain, motivates the mind and body to continuously perform and strengthens our journey towards our goals. Be it in navigating through rough weathers or sighting and seizing an emerging trend or opportunity, belief has always catalyzed spirited performances.

At DFPCL it is only through our resilience and strong belief of overcoming challenges of the past two years that has helped us spring back on to our feet – renewed and rejuvenated. To add to this, our undulating belief in the underlying potential of Indian domestic market is resonating well with the economy which is being credited as one of the few shining bright spots among global economies. With the effects of various government initiatives of recent past expected to become visible at the ground over the coming months, two significant factors of 2016 add to our quintessential optimism. These are the forecast of a good monsoon and the union budget's judicious allocations towards rural economy.

With all these factors adding to our affirmed belief in attaining higher goals, we are accelerating our capability built with renewed vigour. FY17 shall witness some capacity addition as well as our foray into new geographies, both enabling us to make the most of unfolding prospects.

CHAIRMAN & MANAGING DIRECTOR'S MESSAGE: The year saw the highest-ever production and sale of Concentrated Nitric Acid, highest-ever chemical trading sales in volumes and revenue, an increase in the overall sales of TAN by 15% and highest-ever overall sales of fertilisers. During the year, we also achieved over 15 million accident free man hours and NSC award at National level for excellence in safety at our manufacturing sites, Prashansa Patra award at the Vidghyan Bhavan and most innovative retailer award of Indian Retail Congress for Ishanya Mall's "Home Sukh".

We also hope to take concrete steps to enhance the capacity of our TAN and Chemical businesses shortly.

It is felt that in view of the proposed expansion plans of the Company, the Company may need to borrow in excess the (1,000crores) limit. It is therefore proposed to authorise the Board of Directors to borrow an amount not exceeding 2,000 Crore (Rupees Two Thousand Crore only) over and above the aggregate of the paid-up capital and free reserves of the Company (apart from temporary loans obtained / to be obtained from the Company's Bankers in the ordinary course of business).

STATE OF AFFAIRS OF THE COMPANY : Your Company has achieved the top line of 4,258.72 Crore (including 1,938.44 Crore from trading operations) during the year under review, which is higher by 15% over previous year's level of 3,711.77 Crore (including 1,672.63 Crore from trading operations). Despite continuance of the unfair discriminatory gas cut, Profit Before Tax (PBT) for the year under review was 169.40 Crores as against ` 108.22 Crore in the previous year. Net Profit for the current year was recorded at 121.13 Crore as against ` 78.35 Crore in the previous year. A detailed analysis of the performance is available in the Management Discussion and Analysis (MDA),

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which forms part of this Report, and inter-alia, deals adequately with the operations and also current and future outlook of the Company.

SCHEME OF ARRANGEMENT WITH SCM FERTICHEM LIMITED AND SMARTCHEM TECHNOLOGIES LIMITED (BOTH WHOLLY OWNED SUBSIDIARIES OF THE COMPANY) In order to enable better realisation of potential of the businesses of the Company and its Wholly Owned Subsidiary Companies

PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

| Sr. No. | Name and Address of the Company | NIC Code of the Product/ service | CIN/GLN | Holding/ Subsidiary/ Associate | % of Share held |
|---------|--|----------------------------------|-----------------------|--------------------------------|-----------------|
| 1. | Smartchem Technologies Ltd. (STL) | 20123 | U67120AP1987PLC039114 | Subsidiary | 100% |
| 2. | SCM Soilfert Ltd. | – | U24120PN2012PLC145024 | Subsidiary | 100% |
| 3. | SCM Fertichem Ltd. (SFL) | – | U24211PN2012PLC145023 | Subsidiary | 100% |
| 4. | Deepak Mining Services Private Ltd. | 09900 | U14100PN2008PTC132562 | Subsidiary | 100% |
| 5. | RungePincockMinarco India Private Ltd.# | 09900 | U14200PN2012PTC145300 | Subsidiary | 51% |
| 6. | Yerrowda Investments Ltd. | – | U65990MH1954PLC009228 | Subsidiary | 85% |
| 7. | Ishanya Brand Services Ltd. | – | U74900PN2008PLC131967 | Associate | 49.99% |
| 8. | Ishanya Realty Corporation Ltd. | – | U70101PN2008PLC131330 | Associate | 49.99% |
| 9. | Mumbai Modern Terminal Complex Private Limited | – | U45201MH2014PTC257412 | Associate | 40.00% |
| 10. | Desai Fruits and Vegetables Private Ltd. | – | U63020GJ1999PTC035377 | Joint Venture | 49% |
| 11. | Deepak Nitrochem Pty. Ltd. | – | – | Subsidiary | 100% |
| 12. | Platinum Blasting Services Pty. Ltd.** | – | – | Subsidiary | 79.27 |
| 13. | Australian Mining Explosives Pty Ltd.*** | – | – | Subsidiary | 79.27 |

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

| Sr. No. | Particulars of Remuneration | Name of Chairman & Managing Director/ Executive Director | | Total Amount |
|---------|--|---|---------------------------|------------------------|
| | | Shri S. C. Mehta | Shri Partha Bhattacharyya | |
| 1. | Gross salary | 2,16,40,769.00 | 2,75,94,021.62 | 4,92,34,790.62 |
| | (a) Salary as per provisions contained section 17(1) of the Income-tax Act, 1961 | | | |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | 51,75,621.00 | 7,33,116.00 | 59,08,737.00 |
| | (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | | | |
| 2. | Stock Option | | | |
| 3. | Sweat Equity | | | |
| 4. | Commission* | 6,04,39,000.00 | 25,00,000.00 | 6,29,39,000.00 |
| | - as % of profit | | | |
| | - others, specify... | | | |
| 5. | Others, please specify | | | |
| | Total (A)⁵ | 8,72,55,390.00 | 3,08,27,137.62 | 11,80,82,527.62 |
| | Ceiling as per the Act | | | 20,54,45,228.32 |

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Company Operational Review: Your Company is one of the leading manufacturer of fertilisers in Western India and has strong brand equity in the fertiliser segment. Being an established player in the space of speciality and complex fertilisers, the Company's flagship brand 'Mahadhan' enjoys a strong bond with dealers and farmers in its core markets. The Company also has business interests in farming activities and is a leading producer and exporter of fruits and vegetables.

The Company manufactures prilled nitro phosphate fertiliser under the brand name “Mahadhan Mahapower” and trades in a number of NPK and bulk fertilisers under the brand “Mahadhan”. It also manufactures speciality nutrients like Bentonite Sulphur (Bensulf) and distributes many other water soluble and organic nutrients.

Speciality Fertilisers: The Company continues to maintain its leadership position in Speciality Fertilisers, especially in the product category of Bensulf and water soluble fertilisers. There is a growing awareness amongst farmers with regard to the use of speciality fertilisers and its benefits in the likes of water conservation and crop nutrients management resulting in improved quality and yields. In last 5 years the speciality fertilisers grew from 140.25 crore to 211.76 crore.

Brand: 'Mahadhan' received best brand award from India's Most Trusted Brand Awards Council in its class during the current year. Its “Mahadhan” brand is considered a product of quality and tangible improvement to crop yield. Product has a very good brand image especially in Maharashtra, Karnataka, Andhra Pradesh and Gujarat.

Capacity Expansion Projects : Company has started to expand its reach to newer geographies of Punjab, Uttar Pradesh, Madhya Pradesh, Bihar and West Bengal and is in the process of increasing its complex fertiliser manufacturing capacity to 11,00,000 MTPA at Taloja in Maharashtra. The new granulator plant will have flexibility to use raw materials like Phosphoric acid from multiple sources and would be operational in the fourth quarter of FY17. The expanded manufacturing capacity will also enable the Company to manufacture various new grades of complex fertilisers including various fortified grades.

With continued focus on speciality nutrients, the Company is expanding its Bensulf manufacturing capacity by 32,000 MTPA by setting up a Greenfield plant at Panipat, in Haryana. The plant is expected to commence operation by last quarter of FY17. With this new plant, the Company will make strong inroads into the highly arable states of Punjab, Madhya Pradesh, Uttar Pradesh and Haryana.

Farm Produce: The Company holds 49% stake in Desai Fruits and Vegetables which is one of India's largest banana exporter. The Company also operates its farm produce business through contract farming and trading in Grapes, Onions, Pomegranates through its Agri Business & Farming Solutions (ABFS) division.

Saarrthie Centres: Under its ABFS division, the Company owns and operates 12 Saarrthie Centers in India. These Centers provide a host of services to the farmers and act as the last mile connectivity between farmers and the Company.

Business Overview: The Company is India's largest and world's 5th largest TAN manufacturer. The manufacturing is spread across two locations, one at Taloja in Maharashtra and another under a wholly owned subsidiary Smartchem Technologies Limited (STL) at Srikakulam in Andhra Pradesh. The Company is also the only producer of explosive grade low density prilled AN in India. It also manufactures AN Melt, high density AN and low density AN.

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Exports: The Company reported a strong growth of 64% in exports during the year FY16. The growth was largely from Africa and South East Asia mines. The Company continues to enhance its market share in new global mining regions.

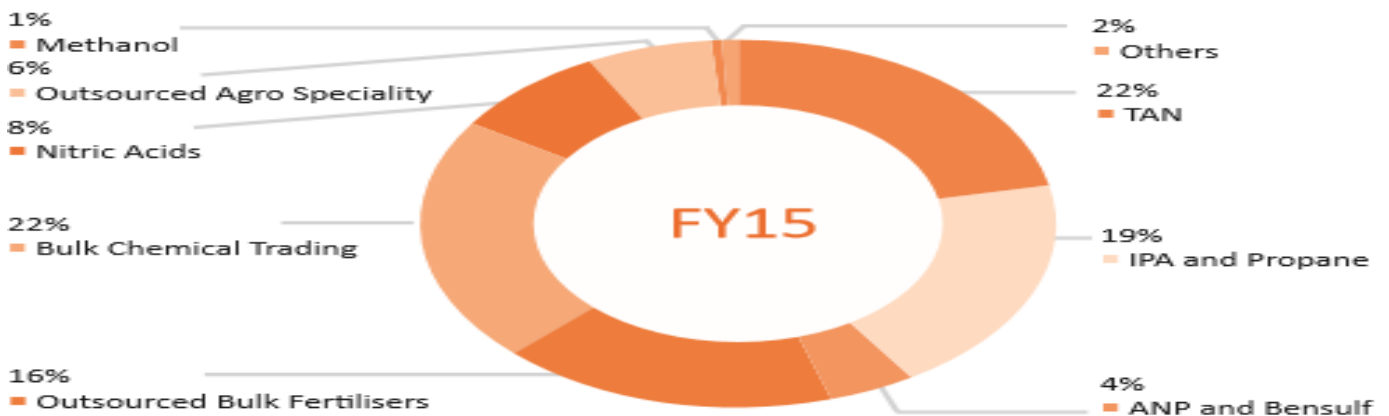
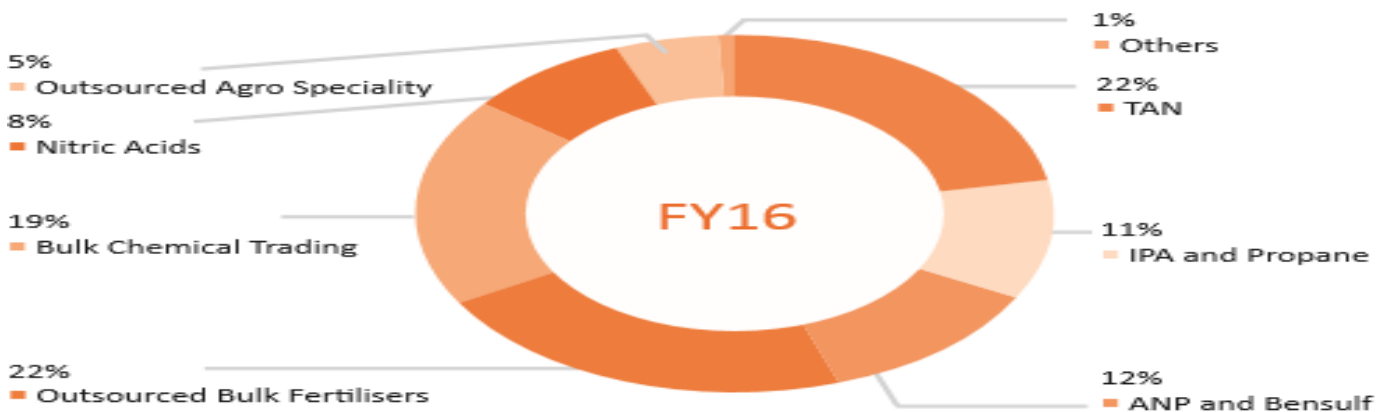
Iso Propyl Alcohol (IPA): The IPA market in India is estimated to have reached 1,25,000 MT and is witnessing a steady demand growth. The key drivers of demand are pharmaceuticals, cosmetics, dyes and printing inks. Pharmaceutical is the most important industry which consumes close to 80% of the total IPA consumed in India. The Company is India’s largest manufacturer and achieved 102% utilisation of its capacity in FY16.

Liquid Carbon Dioxide (CO2): The Company manufactures food grade CO2 which forms a key ingredient for soft drink as well as dry ice. The Company re-entered into the CO2 market in the current financial year by commencing production and has regained a major part of its lost market share.

Methanol: The Company has a manufacturing capacity of 1,00,000 MT of Methanol. Due to non-availability of competitively priced raw material and unfavourable market conditions, the capacity remained unutilised during the year.

Raw Material :The major raw materials for the Company’s manufacturing unit at Taloja are Natural Gas, Ammonia, Phosphoric Acid and Propylene while the manufacturing facility at Srikakulam operates on bought out Ammonia.

Revenue Mix For Products / Sector



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Production & Sales in Volume (in MT)

| Products | Production | | Sales | |
|----------------------------|------------|----------|----------|----------|
| | FY16 | FY15 | FY16 | FY15 |
| Ammonia | 1,07,535 | 50,143 | NA | NA |
| Methanol | - | 8,578 | - | 9,419 |
| Iso Propyl Alcohol | 71,177 | 74,983 | 71,296 | 75,923 |
| Propane | 13,858 | 13,614 | 13,848 | 13,488 |
| Dilute Nitric Acid | 5,13,185 | 4,28,662 | 57,963 | 61,314 |
| Concentrated Nitric Acid | 1,05,064 | 87,783 | 92,946 | 75,956 |
| Technical Ammonium Nitrate | 3,38,483 | 3,03,721 | 3,49,290 | 2,98,995 |
| Bulk Fertilisers Traded | NA | NA | 3,36,684 | 2,97,203 |
| Nitro Phosphate Fertiliser | 1,59,573 | 38,989 | 1,57,977 | 43,160 |
| Bentonite Sulphur | 14,543 | 18,525 | 13,332 | 20,074 |
| Liquid Carbon Dioxide | 33,452 | 11,730 | 33,557 | 11,733 |
| Water Soluble Fertiliser | 2,109 | - | 829 | - |
| Windmill Power ('000 KWH) | 15,331 | 16,126 | 14,724 | 15,478 |

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Note-55 SEGMENT REPORTING

| | | | | | | | (₹ in Lacs) | |
|----------|--|--------------------|--------------------|-------------------|---------------|--------------------|------------------|--------------------|
| Sr. No. | PARTICULARS | CHEMICALS | FERTILISERS | REALTY | OTHERS | ELIMINATIONS | COMMON | TOTAL |
| 1 | Revenue | | | | | | | |
| | a) External Sales | | | | | | | |
| | i) Manufactured | 1,84,146.82 | 51,392.00 | - | 693.41 | - | - | 2,36,232.23 |
| | <i>Previous Year</i> | <i>1,92,406.61</i> | <i>16,582.03</i> | <i>-</i> | <i>703.18</i> | <i>-</i> | <i>-</i> | <i>2,09,691.82</i> |
| | ii) Traded | 79,886.54 | 1,16,149.07 | 427.10 | - | - | - | 1,96,462.71 |
| | <i>Previous Year</i> | <i>79,753.76</i> | <i>89,065.85</i> | <i>333.84</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>1,69,153.45</i> |
| | b) Inter-segment sales | 17,551.16 | - | - | - | (17,551.16) | - | - |
| | <i>Previous Year</i> | <i>4,231.99</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>(4,231.99)</i> | <i>-</i> | <i>-</i> |
| | c) Other operating income | 1,685.96 | 367.10 | 521.52 | - | - | - | 2,574.58 |
| | <i>Previous Year</i> | <i>1,471.11</i> | <i>438.58</i> | <i>489.91</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>2,399.60</i> |
| | d) Unallocated Corporate other income | - | - | - | - | - | 6,962.84 | 6,962.84 |
| | <i>Previous Year</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>2,891.59</i> | <i>2,891.59</i> |
| | Total Revenue | 2,83,270.48 | 1,67,908.17 | 948.62 | 693.41 | (17,551.16) | 6,962.84 | 442,232.36 |
| | <i>Previous Year</i> | <i>2,77,863.47</i> | <i>1,06,086.46</i> | <i>823.75</i> | <i>703.18</i> | <i>(4,231.99)</i> | <i>2,891.59</i> | <i>384,136.46</i> |
| 2 | Segment Result | 33,841.14 | 3,512.60 | (1,944.73) | 338.67 | - | 6,962.84 | 42,710.52 |
| | <i>Previous Year</i> | <i>24,615.30</i> | <i>2,215.31</i> | <i>(1,719.79)</i> | <i>318.58</i> | <i>-</i> | <i>2,891.59</i> | <i>28,320.99</i> |
| 3 | Unallocated Corporate expenses | - | - | - | - | - | 31,178.50 | 31,178.50 |
| | <i>Previous Year</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>21,522.16</i> | <i>21,522.16</i> |
| 4 | Net profit | - | - | - | - | - | - | 11,532.02 |

Notes-23 COST OF MATERIALS CONSUMED

| | | (₹ in Lacs) | |
|-------------------------------|--|--|--|
| | | Year ended 31 st March, 2016 | Year ended 31 st March, 2015 |
| Raw materials consumed | | | |
| Ammonia | | 50,902.74 | 55,002.95 |
| Natural gas | | 46,021.24 | 35,621.44 |
| Propylene | | 28,696.45 | 43,378.57 |
| Phosphoric acid | | 21,666.10 | 4,129.02 |
| Sulphur | | 1,599.63 | 2,291.33 |
| Others | | 1,681.50 | 1,028.08 |
| | | 1,50,567.66 | 1,41,451.39 |
| Packing material consumed | | 4,272.83 | 3,997.63 |
| Total | | 1,54,840.49 | 1,45,449.02 |

Note: Raw Material consumption figures are derived from Purchases and Stock variations. Wastage if any is within the tolerable limit and included in above amount.

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Note-42 VALUE OF IMPORTED AND INDIGENOUS RAW MATERIAL, COMPONENTS, SPARE PARTS CONSUMED (₹ in Lacs)

| | Year ended 31 st March, 2016 | % | Year ended 31 st March, 2015 | % |
|------------------------------|--|-------------|--|-------------|
| Raw material | | | | |
| - Imported | 45,526.28 | 30.23% | 39,572.19 | 27.98% |
| - Indigenous | 1,05,041.38 | 69.77% | 1,01,879.20 | 72.02% |
| (A) | 1,50,567.66 | 100% | 1,41,451.39 | 100% |
| Components and spares | | | | |
| - Imported | 98.91 | 2.38% | 67.99 | 2.15% |
| - Indigenous | 4,046.72 | 97.62% | 3,092.29 | 97.85% |
| (B) | 4,145.63 | 100% | 3,160.28 | 100% |
| Total | (A + B) 1,54,713.29 | | 1,44,611.67 | |