CA FINAL - PAPER 6: INTEGRATED BUSINESS SOLUTIONS (IBS)

"Strategy is the creation of a unique and valuable position, involving a different set of activities."

Michael E. Porter

A cornerstone of the Integrated Business Solutions (IBS) curriculum is the 'Case Study,' where students apply knowledge from five core subjects and Self-paced Modules Set A & B. These case studies simulate real-world business scenarios, complete with mission, vision, objectives, challenges, and stakeholder concerns, requiring strategic adaptations. This capsule features two agrochemical industry case studies, offering practical insights into corporate governance, taxation, and strategic decision-making.



Strategic Insights into the Chemical and Petrochemical (CPC) Industry

Industry Landscape

The Chemical and Petrochemical (CPC) industry holds a pivotal position in an economy as it provides the basic materials required for the functioning of other industries. It serves as a reliable indicator of manufacturing trends and supply chain challenges within an economy. The CPC industry is vast, encompassing various manufacturing sectors that heavily rely on chemicals. It provides critical feedstock to numerous industries, making it indispensable. In India, the chemical industry is highly diversified, covering more than 80,000 commercial products[1].

The applications of the CPC industry span multiple sectors. In *Agriculture and Nutrition*, it plays a crucial role by contributing to fertilizers and crop protection. In the *Pharma* sector, it provides essential raw materials for the production of drugs and healthcare products. The *Building and Construction* sector benefits from key components such as adhesives, sealants, and polymers supplied by the CPC industry. Furthermore, it supports *Mining and Infrastructure* through specialized chemicals essential for processing and construction activities. In *Personal Care and Hygiene*, it enables the production of soaps, cosmetics, and sanitizers. The *Automotive and Transportation* sector depends on CPC for high-performance oils and greases, while the Paint and Coatings industry relies on raw materials for protective and decorative finishes. Additionally, the *Consumer Goods and Electronics* sector benefits from CPC products like plastics, adhesives, and packaging materials, emphasizing the industry's indispensability across diverse domains.

This diversity can be broadly classified[2] into –

- *Bulk Chemicals (Commodity Chemicals):* Chemicals produced in large quantities but with lower value are considered bulk chemicals. They significantly cater to the downstream industries. They are further divided into 3 categories alkali, organic and inorganic.
- *Petro-Chemicals:* Also known as petroleum distillates, these chemicals are derived from petroleum and natural gas by refining. It includes polymers, and synthetic fibres, performance plastics and others.
- *Speciality Chemicals:* Chemicals with high value but low production volume are considered specialty chemicals like surfactants, textile chemicals, paints and coating, dyes, agrochemicals and others. This is highly researched and development-intensive category of chemicals. Speciality Chemicals account for more than 50% of the total chemical exports from India.

India's Chemical and Petrochemical (CPC) industry is worth 220 billion USD and it is expected to grow to about 300 billion USD by 2030[3]. India offers a lucrative business ecosystem with favourable investment policies that have attracted global CPC industry, converting it into a potential investment region to that plays a pivotal role within the global supply chain.

Various international and national megatrends, such as shifts in consumer preferences and income demographics, increasing digitalization, and innovation, are expected to drive the growth of India's CPC industry in the coming years.

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[1]https://aiaiindia.com/chemicals/

[2]India's Booming Chemical and Petrochemical Industry: Understanding Industry Landscape, Institute for Competitiveness (https://chemicals.gov.in/sites/default/files/inline-files/Report_Understanding_Industry_Landscape.pdf)

[3]https://indiachem.ficci.in/pdf/2024.pdf

Supply Chain Dynamics

The supply chain of this industry is a complex and multi-stage process. It involves sourcing of raw materials, transportation, manufacturing, distribution and disposal of waste products. Analysing this supply chain is crucial to identify potential bottlenecks, inefficiencies and risks in the process and suggest ways to improve it.

The main stages of supply chain (a simplified generic version for student's understanding) within this industry are as below:

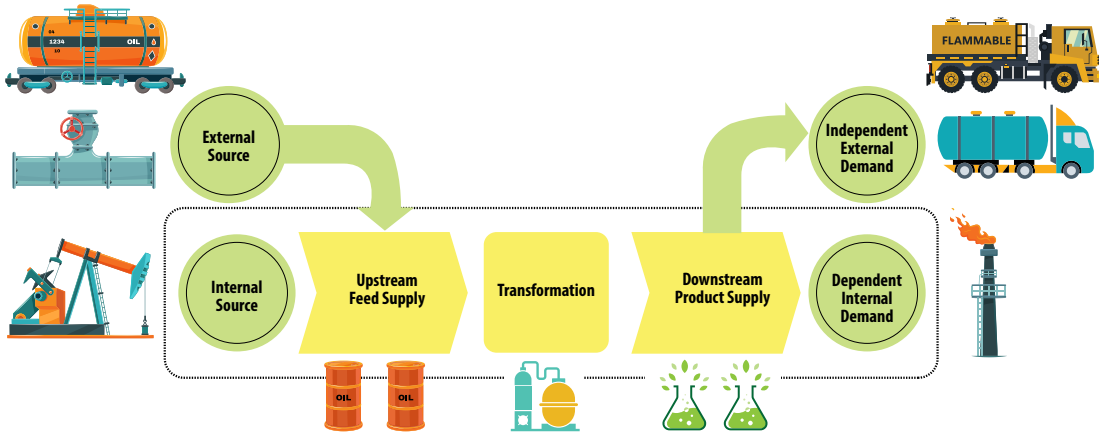


Figure- Supply Chain[4]

Agrochemical Industry (Fertilizers/ Crop Nutrition / Speciality Chemicals)

(a core product in our case studies)

Agrochemical industry is an important segment of the giant chemical and petrochemical (CPC) industry. Like medicines is to human beings, agrochemicals protect plants from insects, pests, diseases, weeds among others, all of which lead to destruction of agricultural crops. Given the rising population, agrochemicals play an important role in ensuring food security. It is a *highly regulated industry* with lot of emphasis being placed on product safety.

India is an agrarian economy which needs a significant quantity of crop protection and nutrition products. Catering to food requirements of a growing population along with a constraint for availability of arable land has created an insatiable demand for high quality crop nutrition chemicals that can improve productivity from agricultural activities. India is emerging as a potential hub for production of agrochemicals, it is already a significant exporter of these products. The government places special emphasis on ensuring that farmers can get supplies in the form of fertilizers, pesticides, insecticides and other crop nutrition solutions at reasonable rates. *For this it has subsidy schemes like the Nutrient Based Subsidy (for non-urea products) and separate subsidies for urea-based products. It also provides grants to companies/ firms to promote research and development in order to develop less hazardous and eco-friendly products.*

Snapshot of Value Chain of a Firm in the Agrochemical Industry

The value chain refers to the series of activities a business performs to create and deliver a product or service to the market. It includes everything from product conception to final delivery and after-sales service. From forecast and planning to customer support, each stage of the value chain contributes to creating innovative, sustainable, and safe agrochemical solutions. By leveraging advanced technologies, maintaining rigorous quality standards, and aligning with market trends, agrochemical companies can meet the evolving demands of farmers while addressing environmental and regulatory challenges.

Forecasting and Planning –

The industry is characterized by high production and sales volumes. Hence planning and forecasting, in particular demand forecasting is the bedrock in ensuring seamless operations. Since these are complex activities, forecasting and planning may take the following into account:

Grouping Diverse Products: Grouping products based on types, such as fertilizers, pesticides, and specialty chemicals, allows for more accurate demand forecasting and better inventory management. This will help the company identify high performing, fast moving products as against slow moving low performing products.

Seasonal Forecasting: The agrochemical industry is heavily influenced by seasons, as different crops require different treatments at various growth stages. Seasonal forecasting helps companies prepare for demand spikes, aligning production and distribution with planting and harvesting cycles.

[4]Framework for advanced supply chain planning: Large-scale petrochemical companies by Johan Louw and Wessel Johannes Pienaar (https://www.researchgate.net/profile/Wessel-Pienaar/publication/288405454/figure/fig1/AS:515248451194880@1499856211140/Apetrochemical-value-chain-with-its-associated-supply-chain-elements.png)

Order Book Analysis: Analysing past order data helps predict future demand patterns, identifying trends that can inform production planning and inventory management. It also helps improve client management systems.

Trend Analysis: Keeping track of market trends, like increased demand for organic or eco-friendly agrochemicals, allows companies to adjust their strategies and invest in relevant R&D. Trend analysis is crucial in a dynamic industry where regulatory changes or environmental concerns can shift demand patterns.

R&D Laboratory –

Developing Formulations: Companies make crucial investments in R&D to discover effective, environmentally sustainable and safe products for crop nutrition and protection. Along with scientific experiments on chemical compounds, advanced technologies such as data science, artificial intelligence, *predictive analysis* among others are used to design compounds, predict efficacy and toxicity of different innovations. Such technologies can aid in company's efforts to reduce development timelines and costs.

Approval and Testing: Field trials, toxicity assessments and environmental impact studies are undertaken as part of rigorous testing procedures to ensure safety, effectiveness and environmental impact of formulations before they are released. *Regulatory approvals* from authorities (such as the Central Insecticides Board in India) are required to ensure the product meets both national and international safety standards.

Patenting: Post approval of a formulation, a company patents it to protect its intellectual property rights. Patents prevent competitors from replicating the product for a specified period, which incentivizes innovation and allows for a competitive edge in the market.

Material Procurement –

Approved Supplier and Vendor Selection: Quality, reliability, compliance with health and safety standards and cost-effectiveness are critical criteria while choosing suppliers and vendors. Reliable suppliers are required to ensure a steady flow of quality raw materials.

Long-Term Purchase Agreements: To secure a steady supply and potentially negotiate better rates, long-term agreements with suppliers are common. This also helps suppliers plan their own production cycles, which can be beneficial for both parties.

Just-in-Time (JIT) Arrangements: JIT procurement enables companies to receive materials as needed. This helps reduce waste, limit exposure of raw materials to potential degradation and minimize inventory costs.

Conformance and Quality Control Inspections: Raw materials should meet required specifications. For this, inspections and audit are conducted regularly to reduce the risk of non-compliant or defective material being used in production.

Material Traceability: It is important to be able to track the origin and movement of raw materials through the supply chain. This is crucial for crucial for quality control, regulatory compliance, and in case of recalls or audits. It ensures that any issue at any stage within the supply chain can be traced back to its source.

Product Manufacture –

Process Types (Continuous, Batch, or JIT): The type of production will depend on demand, production capacity, storage facility and cost considerations. Agrochemical companies may choose continuous (constant production) or batch production (smaller, specific quantities). Some may employ JIT production to align manufacturing with demand, reducing storage needs and minimizing waste.

Scalability and Capacity Utilization: In case of fluctuating market demands, the company should be able to scale up or scale down its production capacity to ensure that production resources are maximized leading to efficient output and cost management.

Process Automation: Technology enabled automation of business processes is called process automation. Especially useful while performing repetitive tasks, automation improves precision in mixing, processing, and packaging, reducing the risk of human error and enhancing efficiency. It also supports scalability, allowing companies to quickly ramp up production when necessary and can help transform business processes.

Maintenance: Maintaining peak performance of assets and equipment requires scheduled maintenance at regular intervals. This is essential for efficient operations, upkeep of equipment, prevent breakdowns and ensure consistent production quality. They minimize downtime and improve operational longevity.

Quality Control and Inspection: Due to the hazardous nature of many of its products, agrochemical companies are carrying out stringent quality checks, ensuring adherence to regulatory and company standards. Analytical testing, such as chemical composition analysis and stability testing, helps ensure product efficacy and safety.

Inventory Management and Distribution –

Warehouse Management: Receiving, storing, packing and shipping products are the day-to-day processes in warehouse management. These vital behind the scene activities ensure on-time delivery to customers. Warehouse management systems should optimize use of warehouse space to store maximum inventory, it should be easy for staff to find the required inventory, accurate and efficient order fulfilment, co-ordinating with suppliers and transportation companies so that materials arrive and orders ship on time. Efficient management of these activities improves productivity while keeping the costs low.

Storing and Handling Hazardous Goods: Since agrochemicals can be hazardous, specialized storage facilities with proper ventilation, temperature control, and spill containment are necessary. Minimizing accumulation of expiring products through better inventory management. Staff must also be trained in the safe handling of chemicals to ensure safety and regulatory compliance.

Inventory Traceability and Expiry: Inventory management systems help track expiration dates and ensure proper rotation of stock. Traceability ensures any issues with a batch can be quickly isolated, which is especially crucial in the case of hazardous or sensitive chemicals. Use barcode, QR code, or RFID technology for accurate and efficient track and trace across the supply chain. Traceability is also important to combat the grey market where spurious products are sold.

Packing and Dispatch: Proper packaging is essential to maintain product integrity during transportation. Packing protocols are followed to protect against damage, leaks, and contamination. Efficient dispatch processes help reduce lead times, ensuring timely delivery to customers.

Sales Management –

Managing distribution channels: Distribution channels play an important role in maximising profits for the company. *Strong relationships with distributors, wholesalers and retailers* is needed to motivate them to promote the company's products. Identifying high performing distributors and high performing products is essential to understand which products to focus on and which distributor network to utilize to maximise sales. Engaging distributors by communicating about product launches and promotional activities is important. In order to have a wider reach, a company can have multiple channels for distribution such as direct sales or retail partnerships. It is vital to integrate the different distribution channels to ensure coordination and collaboration between them.

Sales order management: Optimizing warehouse location, warehouse management systems, robust inventory management systems, minimising lead times and stock outs, real time tracking and efficient transportation networks, error free and timely delivery of orders to customers, efficient complaint management processes are essential to ensure customer satisfaction, strengthens client relationships and drives business growth. *Companies enter into long term supply contracts with their customers hence it is important to adhere to the terms and conditions in the contract. Companies, particularly those manufacturing fertilizers are covered under government subsidy schemes. The government subsidy is based on the sales made by the company and hence accountability and traceability of orders is very important.*

Product Pricing: Pricing strategies are influenced by production costs, market demand, competitor pricing, and regulated pricing, where applicable. In some cases, the *price is regulated by government policies or industry norms.* Companies also consider external factors such as raw material costs and exchange rates, which are particularly significant in the agrochemical industry due to its reliance on imported raw materials.

Customer Support and After-Sales Service –

Technical Support: As a unique selling proposition, agrochemical companies often provide on-ground technical support to help farmers with product application and answer questions regarding usage, safety, and compatibility with crops. Better understanding about the products would improve crop yield. This would be a key driver for ensuring food security to a growing population.

Feedback Mechanisms: Feedback from farmers and distributors helps companies improve products and identify potential issues. This information is valuable for refining R&D and manufacturing processes.

Product Recall and Traceability: In case of defective or harmful products, companies must have efficient recall systems to withdraw products from the market and communicate with users promptly. Traceability systems ensure companies can quickly identify affected batches.

Sustainability and Environmental Impact Initiatives: Many agrochemical companies now offer post-sales services focused on sustainability, such as recycling programs for used containers and programs to help farmers reduce chemical usage.

Summary

Each of these steps collectively supports an efficient, resilient, and compliant supply chain in the agrochemical industry. By integrating strong quality controls, safety protocols, and responsive customer service practices, agrochemical companies can not only meet regulatory requirements but also drive growth in a competitive, regulation-heavy market.

Strategic Role of Ammonia and Natural Gas



Ammonia plays an essential role within industrial chemicals, fertilizers, and mining chemicals. Its applications range from being a foundational ingredient in nitrogen-based fertilizers that drive agricultural productivity to serving as a critical component in the production of various industrial and mining chemicals. Ammonia's importance in these sectors stems not only from its chemical properties but also from the essential products derived from it, which support the broader economy by ensuring food security, advancing mining efficiency, and driving industrial manufacturing. The production of ammonia itself heavily relies on natural gas, which serves as both a feedstock and a fuel source in the synthesis process.

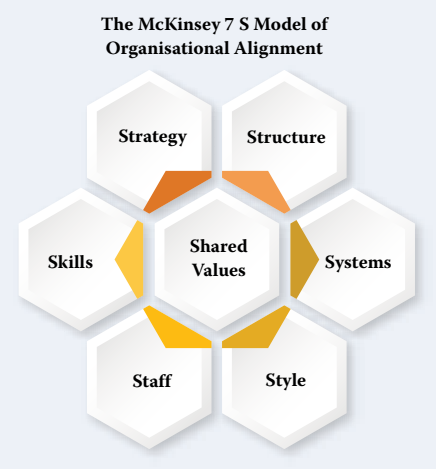
Natural gas is primarily converted into hydrogen, which is then combined with nitrogen to produce ammonia. The dependency on natural gas in ammonia production is a key strategic factor, as fluctuations in natural gas prices directly affect the cost of ammonia production. Reliable access to natural gas can therefore stabilize ammonia production costs, ensuring operational continuity and allowing for predictable pricing of its ammonia-based products.



For companies engaged in diverse fields such as industrial chemicals, fertilizers, and mining chemicals, securing both ammonia and natural gas supplies is vital. Consistent availability of these resources helps organisations mitigate risks associated with supply chain disruptions and cost volatility. This is especially significant in times of global uncertainty, where geopolitical factors can disrupt natural gas supply routes or increase prices dramatically.

Thus, *focus on ensuring an uninterrupted supply of ammonia and natural gas* enhances its competitiveness and ability to maintain pricing stability for its products. This strategic approach reinforces the company's position in the market, allowing it to continue supporting its key business sectors effectively, remain resilient in volatile markets, and pursue sustainable growth.

Managing Supply Chain Disruptions



The COVID-19 pandemic and recent geopolitical upheavals have underscored the critical need for resilience and agility within global supply chains. For the CPC industry, which consumes large volumes of oil and gas, price volatility has a substantial impact on profitability, often requiring cost escalations that pass to end users and contribute to inflation across industries. This highlights the need for robust supply chain management not only for the chemical industry but also sectors that rely on its products. Holistic organizational models like **McKinsey's 7S framework** can be used to diagnose the existing operations of the company and identify any blind spots within the organization. Strategic decisions can then be made to change the operations that can help build supply chains that are resilient to disruptions. This framework addresses the critical role of co-ordination, where all elements work together to build organizational effectiveness.

Structure – Organizations are required to be agile in order to respond rapidly to disruptions. This requires various functions within the organization like sales, operations, logistics, finance, and infrastructure to be tightly integrated and not operate in silos. Well defined authority and responsibility structure will enable effective decision making that promotes alignment across departments to take coordinated action across the organization, thereby supporting effective supply chain management. *Mergers and acquisitions are very common within the CPC industry specially when strategic decisions focus on forward and backward integrations within the supply chain. Therefore, many companies have subsidiaries and other associates like joint venture partnerships as part of their group structure.* These units should also be included while using the McKinsey 7S framework.

Systems – Systems can include client management systems, risk management systems etc. Strong processes and streamlined systems are essential in managing complex supply chains. *Real-time communication* and decision-making help companies monitor and adjust to disruptions as they arise. Efficiencies within the systems are vital for responding to the unpredictable fluctuations in the market, particularly for industries like the CPC industry, where a stable supply chain is essential to mitigating price volatility. Implementing such systems also helps companies avoid stockouts and better manage inflationary cost trends.

Style – Style defines *organizational culture*, the way the company operates and the rules of conduct. Leadership style, while they may be hard to diagnose, plays a critical role in developing the ethos of an organization.

For example, within the CPC industry where mergers and acquisitions are common, the leadership style can very well define the final outcome of these strategic measures. While an *autocratic leadership style* may lead to resentment, a *delegative leadership style* that promotes autonomy and flexibility, if not aided by proper direction from the leader may also create scenarios where there can be a stalemate while taking critical decisions. *Transparency and collaboration* play a significant role in disruption management. Leaders should be capable of taking proactive problem-solving approaches. *Fostering teamwork* that inculcates an adaptive, responsive organizational culture ensures that the entire organization aligns with company goals during times of supply chain stress.

Leadership style should emphasize *open communication*, ensuring that strategic decisions cascade through every level of the company. The leader should ultimately be able to translate the operations of each of the units to work towards *goal congruence* within the organization in order to achieve its vision and mission.

Staff – The range of activities within the chemical industry requires employees specialising in a myriad of expertise. *Technical staff* require the support of staff capable of handling logistics, sales, procurement and inventory management, finance among others. *Recruitment processes* should enable the selection of the ideal candidate within the company's workforce. *Workforce capacity management* should be commensurate with the scale of operations and the requirements of the company.

Skills – Employees in addition to their specialized skill should also be *trained* with focus on skills relating to strategic decision-making, data analysis, and crisis management. Skills like these are essential for navigating the complexities of supply chain disruptions. Developing specialized skills enables teams to make informed, proactive decisions, positioning the organization to adapt quickly to changing market dynamics. In cases where required skill set cannot be procured in-house, companies may want to consider *outsourcing the process / work* to outside vendors.

Shared Values – Agility, teamwork and customer centric approach have become the *guiding principles* of many organizations. These values act as guiding principles, promoting a culture of adaptability and ensuring all employees are aligned on a shared vision of resilience and operational stability. Shared Values foster a collective commitment to maintaining supply chain integrity, even under pressure.

Taking cognizance of increased awareness and concerns of the hazardous nature of many of their products, environment and public health safety are values that many companies in the CPC industry have actively imbibed. This is very important in order to build sustainable business models in the long run.

Strategy – A robust, proactive strategy allows companies to anticipate and mitigate supply chain disruptions effectively. In the chemical industry, real-time visibility across the supply chain is essential for *tracking fluctuations in raw material supplies*. Leveraging technology to enable end-to-end transparency allows companies to adjust operations based on market trends, helping them plan for potential shortages or inflationary trends and adapt to changing customer demands. *A well-defined strategy ensures that the company can pivot quickly in response to supply chain challenges.*

In conclusion, the McKinsey 7S framework elements work in harmony to create a supply chain that is agile, transparent, and equipped to withstand disruptions. By embedding these principles, companies in the chemical industry—and across sectors—can effectively navigate market fluctuations, maintain operational stability, and meet evolving customer needs, ensuring a strong, adaptive supply chain for the future.

About Case Studies



Two case studies connected with the **Agrochemical Industry** highlight the need for effective supply chain management to tackle disruptions and price volatility. In Case Study 1, Dakshin Fertilizer and Petrochem Ltd. (DFPL) made the ***strategic decision*** to produce ammonia domestically within its manufacturing facility at Eloor. This decision was aimed at mitigating the impact of supply chain disruptions and volatility in procurement prices. This backward integration allowed for better realignment of the supply chain, ensuring seamless production of its core products. Similarly, in Case Study 2, Crop Yield Private Limited (CYPL) established a joint venture in Gopalpur, Odisha. The management's strategy in this case was to gain cost efficiencies through economies of scale by manufacturing fertilizers on a large scale. As part of supply chain management, it was decided that setting up a plant in the same region as its supplier, GIL, Gopalpur, would ensure an adequate supply of natural gas, a critical raw material.

The profitability of any business is significantly influenced by the ***tax structure***. Case Study 1 discusses how setting up fertilizer manufacturing facilities, can help companies avail themselves of income tax benefit under Section 35AD of the Income Tax Act. Similarly, Case Study 2 addresses indirect tax issues relating to Goods and Services Tax (GST) and customs duty. It touches upon the impact of:

(i) government subsidy on while determining value of supply of fertilizers for GST,

(ii) how continuous procurement of natural gas requires proper internal checks to ensure that invoices under GST regulations are received on time,

(iii) not-so-common scenarios of dealing with unutilized Input Tax Credit (ITC) with respect to GST,

(iv) liability to pay custom duty and seek compensation in case of pilfered raw material while in the custody of custodians like the Port Trusts.

Both case studies demonstrate how strategic decisions that drive cost leadership can help maintain a company's competitive position. DFPL, in Case Study 1, plans to achieve this through backward integration by setting up its in-house ammonia plant in Eloor, which can reduce storage, transportation, and logistics costs while mitigating price volatility. In Case Study 2, CYPL aims to achieve economies of scale to gain cost efficiencies. Additionally, Case Study 2 illustrates how disruptions at key supplier GIL's facilities in Gopalpur can have a detrimental impact on CYPL's operations. Limited quantities of natural gas had to be procured from alternative suppliers, and the inability to operate at planned capacity for a prolonged period affected CYPL's business viability. This highlights the critical need for managing the upstream supplier chain to address unforeseen exigencies. Financial stability also impacts CYPL's negotiating power when entering and terminating contracts with suppliers.

Strategic tools, such as the Altman Z-score, helped CYPL's management assess its financial stability and take appropriate measures. The issue of going concern and the possibility of onerous contracts should also be carefully evaluated by the statutory auditor during the audit process. These considerations are discussed in Case Study 2.

With increasing awareness of the health hazards and environmental damage caused by chemicals, there has been heightened regulation and scrutiny of companies in this industry. Case Study 2 demonstrates how Mendelow's Matrix can be employed by CYPL to address stakeholder concerns effectively, ensuring minimal disruptions to business activities. Case Study 1 illustrates how environmental cost accounting can be incorporated into product pricing to support long-term profitability and competitiveness, helping the company build a sustainable business model. In Case Study 2, government subsidy support is shown to partly alleviate financial distress, while the need for CYPL to remain agile and continuously reposition itself for long-term sustainability is emphasized.

To navigate this challenging industrial landscape, strong ***corporate governance*** is essential. The Board of Directors should include professionals with expertise in diverse fields to provide balanced and informed decision-making. Case Study 1 highlights the importance of adhering to proper procedures to ensure compliance with laws and regulations, particularly under the Companies Act, 2013, and SEBI regulations. Effective corporate governance emphasizes accountability for decisions taken and reinforces ethical corporate responsibility, which can significantly boost stakeholder confidence. Accountability extends not only to the Board of Directors and internal officers but also to the statutory auditor, who, as part of their role, is privy to sensitive and confidential information about the company and its prospects. Case Study 2 addresses the *evaluation of top management's performance* during critical situations, such as those faced by CYPL, and underscores the value of integrating non-financial performance measures with financial metrics to ensure a comprehensive assessment of management effectiveness and overall organizational resilience.

The upcoming issue will delve into related problems and their solutions, featuring with a broader range of interconnected questions. This approach ensures comprehensive coverage while offering enhanced opportunities for in-depth practice.

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Dakshin Fertilizers and Petrochem Ltd.

Dakshin Fertilizers and Petrochem Ltd. (DFPL), a leading producer of industrial chemicals, crop nutrition, and mining chemicals, stands as a testament to the vision and entrepreneurial spirit of its founder, Mr. N. Venkata Ravi. Born in October 1948 in the modest village of Nungambakkam, Tirupati, Venkata Ravi displayed a natural acumen for business from an early age. At just 18, he began his career in trade, demonstrating an insatiable curiosity and a drive to build something extraordinary. In 1962-64, he established Dakshin Trading Co., a venture through which he quickly gained prominence, earning the nickname "The Chemical Architect" for his expertise and influence in the chemical market.

Sustained by the success of Dakshin Trading Co., Mr. Ravi expanded into manufacturing, promoting Dakshin Chemicals Private Limited in 1975. Under his leadership, the company achieved profitability within three years, reinforcing his reputation as a visionary in the chemicals industry. Building on this success, he founded Dakshin Fertilizers and Petrochem Ltd. (DFPL) in 1980, with an aim to meet the increasing demand for industrial and agricultural chemicals across India. Headquartered in Thiruvananthapuram, Kerala, DFPL's main manufacturing facility is in Eloor, Ernakulam, along with additional plants in Dahej (Gujarat), Hisar (Haryana), and Brahmapur (Odisha). These facilities produce specialty products that serve critical sectors of the Indian economy, including agriculture, pharmaceuticals, mining, and infrastructure. The units in Hisar and Brahmapur are currently small-scale units. The Board of DFPL decided to set up these units in order to have a pan India presence. In the coming years, DFPL plans to deepen its market presence in northern and eastern India. As and when this is achieved, the scale of production at these units will be ramped up to cater for the increased demand. The Board felt that this ramping up of capacity will be easier if there is already an existing manufacturing set up in these areas.

Venkata Ravi's long-term aspirations continue to guide DFPL's business strategy and operations. The company is committed to leadership in chemicals and agri-nutrients, underpinned by a dedication to excellence and sustainability. DFPL's vision ***to become a leader in chemicals and agri-nutrients***, reflects its emphasis on sustainable growth, aligning closely with India's rapid development in key sectors like agriculture and infrastructure. With a mission ***to manufacture and deliver sustainable chemicals and agri-nutrients***, DFPL aims to be the trusted partner for industries that drive India's growth. Through these foundational values, the company continually strives for profitable growth while remaining committed to a sustainable future, honoring Venkata Ravi's legacy of foresight, determination, and excellence.

At a recent board meeting convened to discuss the company's strategic direction, Mr. Venkata Ravi, the Chairman of DFPL, addressed the board members, sharing his insights on the challenges and opportunities faced by the company.

"The financial years 2023-24 and 2024-25 have been among the most volatile on record. All our raw material inputs saw an unprecedented hike due to global uncertainties, forcing us to raise the price of all our finished products. Fortunately, despite these price hikes to offset the increase in raw material costs, there has been no impact on the demand for our products from any of our core sectors and markets. The robust domestic demand, despite high prices, is driven by the growth of sectors that are critical to the Indian economic growth story. Our revenues have touched ₹12,000 crores for FY 2024-25, and profits are expected to increase by 60% compared to the previous year. The final results will soon be made available to you and our statutory auditors, FRP & Co. We can look forward to strong results and hopefully propose a good dividend payout to our shareholders.

At the same time, volatility requires us to remain agile and resilient. Ammonia, a nitrogen and hydrogen compound, is a key ingredient and critical raw material for each of our business segments. The availability of ammonia is not a constraint, as we import it primarily from Middle Eastern countries. However, due to various factors, including global geopolitical uncertainties, the price of this commodity has fluctuated drastically, from ~ US$ 150 per MT to as much as ~ US$ 750 per MT on an FOB Middle East basis. Adding to the complexity is the challenge of transporting the raw material from Kochi Port in Ernakulam to our manufacturing facility in Eloor, on the outskirts of Ernakulam. Out of our total requirement of 1,600 Metric Tons Per Day (MTPD), we meet almost 80% of it through imports, requiring the safe movement of ~ 65,000 trucks annually to Eloor.

Given the operational and logistical challenges, I propose setting up our own ammonia manufacturing plant with a capacity of 1,500 MTPD at Eloor, within our current manufacturing complex. Our Eloor facility already has a well-established natural gas pipeline, which is a key component in the production of ammonia. The piped ammonia from the new plant can be supplied directly to our finished goods manufacturing units within the same complex. Having our own ammonia manufacturing unit will make us more resilient and mitigate risks associated with the supply of this key raw material. Our forex savings due to import substitution could potentially reach ₹17,000 crores (~US$ 2.0 Bn) over the next 10 years. Direct supply to our finished products manufacturing facility will also help reduce storage, transportation, and logistics costs. Freight cost savings alone could amount to ~₹4,500 per ton. Our goals for creating an environmentally sustainable business will also be effectively supported by this project.

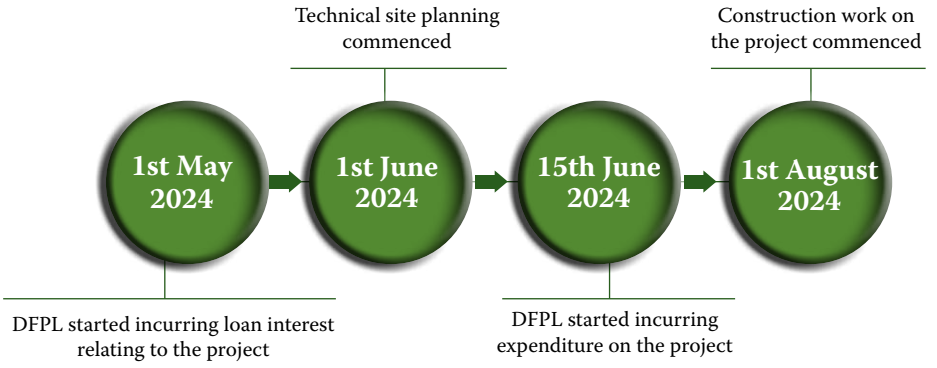
Currently, none of our competitors have the capability to set up such a large ammonia manufacturing plant within India. Therefore, in times of supply uncertainties, volatility, and increased pressure on margins, it is prudent to commence this project as soon as possible. The initial capital expenditure (Capex) is estimated to be around ₹2,000 crores."

The Board of Directors of the company, through a resolution passed at its meeting, decided to borrow an additional sum of ₹1,500 crores from the company's bankers by following the due procedure as per the Companies Act, 2013. These funds will be used to set up the proposed ammonia manufacturing unit. Following the Board's approval for this borrowing, DFPL approached FRP & Co., the statutory auditors, to have the prospective financial information examined. This examination will add credibility to the company's application when they approach the bankers for the additional loan.

Y & E Law Firm, a boutique legal practice based in Ernakulam, has been appointed to ensure compliance with the necessary regulatory requirements for the project. With an annual turnover of less than ₹1 crore, the firm has earned a strong reputation for its expertise in corporate law, regulatory compliance, and dispute resolution. Despite its modest size, Y & E is known for delivering high-quality, client-focused legal solutions, making it a trusted choice for complex assignments. The firm successfully completed the required compliances within 30 days for a consolidated fee of ₹10,00,000.

CA. Fiona, the proprietor of FRP & Co., is uncertain whether she can get involved in the examination of the prospective financial information to be submitted to DFPL's bankers relating to a ₹1,500 crore loan. She seeks the opinion of her peer Chartered Accountant, CA. T. Ramaswamy, on this matter.

The additional loan of ₹1,500 crores has been sanctioned by the company's bankers. Below are some key dates related to the new borrowing of ₹1,500 crores for the project:



At the end of August 2024, as project construction began, Mr. Ravi shifted his focus to strategic aspects within the company's existing business operations. He requested that the heads of the various manufacturing units—industrial chemicals, crop nutrition, and mining chemicals—conduct an in-depth analysis of their business performance. The goal is to identify measures that will help DFPL establish a sustainable business model. This includes evaluating whether the selling prices and costs of each product are appropriate to support long-term profitability and competitiveness.

Mr. Panchal, head of the crop nutrition business, began analyzing his unit's financial and environmental data, focusing particularly on fertilizer production. The crop nutrition unit manufactures two main types of fertilizers: Grade A and Grade B, priced at ₹560 and ₹800 per kilogram, respectively. During production, both products pass through three cost centers—CC1, CC2, and CC3.

The direct material cost per kilogram of fertilizer totals ₹600, divided as follows: ₹180 in CC1, ₹240 in CC2, and ₹180 in CC3. Additionally, direct labour costs amount to ₹400 per kilogram, allocated as ₹120 to CC1, ₹160 to CC2, and ₹120 to CC3. The cost allocation between Grade A and Grade B fertilizers varies by cost center: in CC1, 30% of costs are assigned to Grade A and 70% to Grade B; in CC2, costs are split equally, with 50% allocated to each grade; and in CC3, the allocation mirrors CC1, with 30% to Grade A and 70% to Grade B. Additional expenses of ₹300 per kilogram, considered overheads, are divided equally between Grade A and Grade B.

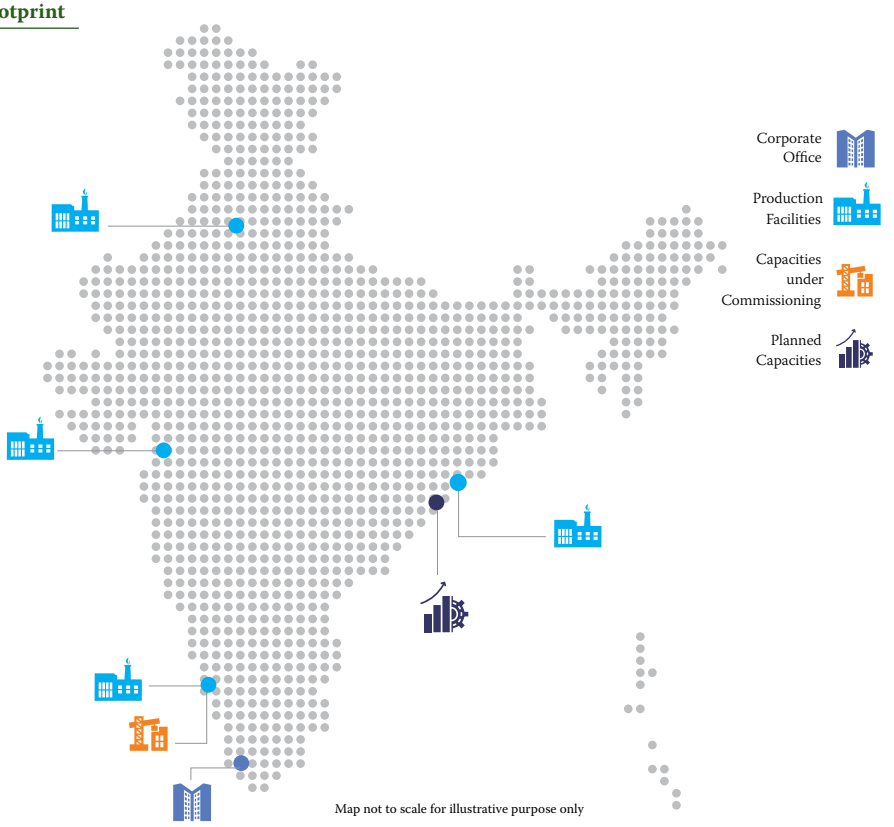
Recently, Mr Panchal encountered the concept of environmental management accounting and recognized the importance of incorporating environmental costs into pricing. Given the oligopolistic nature of the Indian fertilizer market, he saw this as a strategic advantage. His further analysis revealed that the overheads of ₹300 per kilogram include incinerator costs of ₹180 per kilogram, necessary for disposing of the solid waste generated during production. Grade A and Grade B have differing environmental impacts: Grade A produces 6 tons of waste annually (2 tons in CC1, 3 tons in CC2, and 1 ton in CC3), while Grade B generates 9 tons (2 tons in CC1, 2 tons in CC2, and 5 tons in CC3). Mr. Panchal believes it would be appropriate to adjust the incinerator cost allocation to better reflect each product's environmental impact, while the remaining overheads of ₹120 per kilogram will continue to be equally shared between Grade A and Grade B.

Public perception of fertilizer and petrochemical industry is that it is a major contributor to environmental pollution. This is due to the release of harmful chemicals into the environment – land, water and air. The emission of greenhouse gases is a major contributor to climate change, which has wreaked havoc globally. Mr. Ravi realizes that the future of business depends on creating a sustainable and environmentally friendly business model. Further, DFPL is a large company that supports the livelihood of roughly 5,000 employees. Mr. Ravi wants DFPL to be a good corporate citizen and has undertaken several CSR initiatives. He has requested the unit heads of the 3 units to list their division's CSR activities using which a Triple Bottom Line report will be prepared. This will be used for the upcoming call with analysts / investors next month to discuss business performance.

Mr. Panchal, the head of the crop nutrition unit, has undertaken a series of initiatives aligned with DFPL's ethical and environmental goals. Firstly, he ensured due diligence within the supply chain to confirm vendors adhere to ethical labour practices. Upon discovering instances of unethical practices, including non-payment of wages and hazardous working conditions with two vendors, he promptly terminated their services and onboarded alternate vendors. In the area of environmental responsibility, DFPL introduced a state-of-the-art technology this year to mitigate ammonia emissions, reducing them to levels significantly below regulatory requirements, despite the essential use of liquid ammonia in fertilizer production. Additionally, during the financial year 2024-25, approximately ₹1,600 crores—accounting for 40% of the turnover from the crop nutrition unit—was generated from environmentally friendly fertilizers (EFF), a significant increase from the previous 15-20% share. Moreover, Mr. Panchal has focused on enhancing the internal reporting mechanism to include non-financial metrics, such as innovation, brand equity, and competitor activities, thereby integrating external market considerations. He has submitted these activities to Mr. Ravi's secretary for inclusion in DFPL's Triple Bottom Line report.

Extracts from the Annual Report 2023-24
Dakshin Fertilizers and Petrochem Ltd.

Geographical Footprint



Core Product Portfolio

Crop Nutrition Business	Nitro Phosphate Fertilizer - Installed Capacity (Eloor) - 2,00,000 MT/Yr Nitrogen Phosphorous Potassium Fertilizer - Installed Capacity (Eloor) - 5,00,000 MT/Yr Nitrogen Phosphorous Potassium Fertilizer - Installed Capacity (Hisar) - 50,000 MT/Yr Nitrogen Phosphorous Potassium Fertilizer - Installed Capacity (Brahmapur) - 50,000 MT/Yr Bentonite Sulphur - Installed Capacity (Dahej) - 50,000 MT/Yr
Industrial Chemicals	Concentrated Nitric Acid - Installed Capacity (Eloor) - 2,00,000 MT/Yr Diluted Nitric Acid - Installed Capacity (Eloor and Dahej) - 1,00,000 MT/Yr Iso Propyl Alcohol - Installed Capacity (Dahej) - 50,000 MT/Yr
Mining Chemicals	Technical Ammonium Nitrate - Installed Capacity (Eloor) - 5,00,000 MT/Yr

Ammonia- Capacity Under Commissioning (Eloor) - 5,00,000 MT/ Yr
Fertilizer - Planned Capacity (Gopalpur) - 10,00,000 MT/Yr

Extracts from the Annual Report 2023-24
Dakshin Fertilizers and Petrochem Ltd.

Key Sectors of Economy Serviced

Crop Nutrition Business: Agriculture
Industrial Chemical Business: Pharmaceuticals, Paints and Coatings, Cosmetics, Steel, Explosives
Mining Chemicals (Technical Ammonium Nitrate Business): Mining, Infrastructure, Explosives

Balance Sheet

As at 31st March 2024 (All amounts in ₹Crores unless otherwise stated)

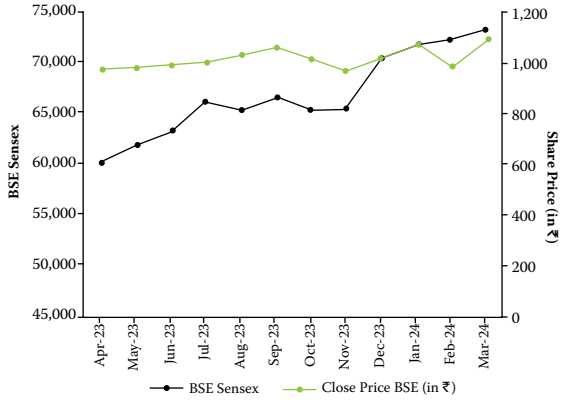
Authorized Capital	₹4,350
Paid up share capital	₹2,000
General Reserves	₹500
Debenture Redemption Reserve	₹600
Provision for Taxation	₹300
Securities Premium	₹500
Loan (Long Term)	₹2,000
Short Term Creditors	₹100

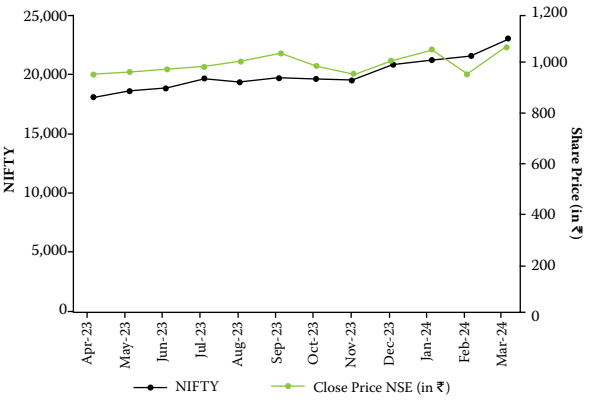
Statement of Profit and Loss

For the year ended March 31, 2024 (All amounts in ₹ Crores unless otherwise stated)

Revenue from Operations	₹11,982
Other Income	₹2,200
Cost of materials consumed	₹7,348
Remeasurement of defined benefit obligations	₹8
Cash Flow hedge	(₹701)
Deferred tax (credit)/charge	₹25

Performance of the Company's average monthly share price data in comparison to broad-based indices like BSE Sensex and Nifty in FY 2023-24





Extracts from the Annual Report 2023-24
Dakshin Fertilizers and Petrochem Ltd.

Corporate Governance

Philosophy on Corporate Governance

Effective corporate governance practices form the strong foundation on which successful commercial enterprises are built to endure. The Company's philosophy on corporate governance involves overseeing business strategies while ensuring fiscal accountability, ethical corporate behavior, and fairness to all stakeholders, including employees, investors, customers, regulators, suppliers, and society at large. Strong leadership and effective corporate governance practices have always been hallmarks of the Company.

Board Of Directors

The composition of the Company's Board reflects a commitment to diversity and is exemplified by its balanced, independent structure. The Board includes a well-proportioned representation of Executive, Non-Executive, and Independent Directors, strengthening the Company's organizational capabilities. Each Board member has been carefully selected to provide a valuable blend of expertise, experience, oversight, and security, all aimed at enhancing the Company's overall effectiveness.

Name of Director	Profile
Venkata Ravi Chairman & Managing Director	**Mr. Venkata Ravi**, a seasoned expert in the chemical industry, has over 50 years of experience driving sustainable growth. A Science graduate from the University of Madras, he is renowned for expertise in chemical and petrochemical sectors, particularly in optimizing formulations and precise blending techniques to enhance product quality. Actively participating in national forums, he promotes best practices and policies that drive innovation, collaboration, and manufacturing excellence, positioning India's chemical industry as a global leader.
W. Prock-Schauer CEO & Executive Director	**Mr. W. Prock-Schauer** brings 16 years of results-driven experience in business development, product innovation, HR, brand equity, and external relations. An Oxford University BBA alumnus, he has led the organization as Executive Director & CEO since June 2020. Known for his strategic vision and versatility, he has implemented McKinsey's 7S framework, aligning key organizational elements to achieve excellence and sustainable growth.
Salil Parekh Director – Finance	**Mr. Salil Parekh**, a Chartered Accountant and Company Secretary, has over 40 years of experience in finance, treasury, taxation, corporate restructuring, and business valuations. Joining the Company in 1999, he has held key roles and contributed significantly to its financial strategy. Appointed to the Board as Director (Finance) in September 2019, he continues to drive financial leadership with his expertise and strategic insight.
C. Cummins Non-Executive Director	**Mr. C. Cummins**, an accomplished Mechanical Engineer from the Massachusetts Institute of Technology with expertise in Material Science Technology, has served as Non-Executive Director of the Company since May 22, 2022. Renowned for his strategic vision and operational acumen, he played a crucial role in commissioning the state-of-the-art Phenol plant and spearheading projects for downstream products.
K. Mistry Non-Executive Director	**Mr. K. Mistry** holds a Bachelor's in Conservation Biology from the University of Delhi and a Master's in Environmental Science from Yale University. As Vice Chairman of Wesfarmers Fertilisers Limited, he drives growth in technical textiles and advanced materials. A strong ESG advocate, he leads the "Ethical Chemistry" initiative, focusing on sustainability and inclusion. With expertise in ESG and sustainable financial strategy, he has strengthened governance, improved operational efficiency with advanced IT systems, and introduced progressive policies at DFPL.
Ajay Bhushan[1] Independent Director	**Mr. Ajay Bhushan**, a B.E. (Mechanical) graduate from ICT, University of Mumbai, has over 30 years of extensive experience in the chemical industry, including 18 years in leadership roles. He successfully developed the LNG business using a novel spot cargo model, later integrating service provider arrangements with spot cargoes and short-term contracts. His expertise also includes implementing hedging strategies and managing long-term supply contracts, ensuring operational efficiency and risk mitigation.
Meleveetil Damodaran Independent Director	**Mr. Meleveetil Damodaran**, Senior Partner at Mehta & Mehta, has over 30 years of experience in law and corporate affairs. A practising Advocate since 1992, Solicitor since 1994, and a qualified Chartered Accountant, his expertise includes corporate law, cross-border mergers and acquisitions, foreign exchange management compliances, and customs regulations. Throughout his career, Mr. Damodaran has provided key legal counsel on strategic business transactions, significantly contributing to the success of his clients' legal, financial, and operational ventures.

 **Jeevitha Chopra** Independent Director	**Ms. Jeevitha Chopra** holds a BA in Economics and Political Science from St. Xavier's College, Mumbai University. As CEO of Z Consultants, India's premier Strategic HR consulting firm, she specializes in resolving HR issues with cultural sensitivity while incorporating global best practices. A second-generation entrepreneur, she drives business growth and leadership excellence. Ms. Chopra serves on multiple boards, chairing Nomination & Remuneration Committees and other key committees.
 **Gavan Ord**[2] Independent Director	**Mr. Gavan Ord** is a Fellow Member of the Institute of Chartered Accountants of England and Wales, with over 32 years of professional experience. He specializes in accounting, tax, and corporate advisory services for international clients. His expertise includes structuring collaborations and joint ventures, corporate restructuring, and implementing turnaround and change management strategies. Mr. Ord is also proficient in analysing the tax impact of various financial instruments, offering strategic solutions that optimize business performance and foster growth.
 **A. Bindra**[3] Independent Director	**Mr. A. Bindra** is a B.Sc. in Chemical Engineering and Master of Science in Polymer Science from the University of Texas, Austin, United States. With over three decades years of experience in the petrochemical and plastic polymers sector, Mr. Bindra has spearheaded several initiatives and practices to increase sustainability within the industry. Mr. Bindra has also served as Chairperson of the Management Committee for the Chlorine Chemistry Division of the American Chemistry Council.
 **Siva Ganesan**[4] Independent Director	**Mr. Siva Ganesan** studied Chemical Engineering at The Indian Institute of Technology (IIT), Bombay and graduated in 1973. Mr. Ganesan has a rich experience in acquisition and project implementation including planning, procurement and construction of several projects in the field of petrochemicals, caustic soda/ chlorine, polymers, fertilisers, oil refinery, organic and inorganic chemicals, cryogenic tank systems in India and Middle East region.
 **Aditi Singh**[5] Independent Director	**Ms. Aditi Singh**, aged 32, is a distinguished legal professional with an impressive academic and professional trajectory. She earned her B.A. LL.B. from Calcutta University in 2012 and later enhanced her expertise with an LL.M. from the renowned National Law School of India University, Bangalore, in 2016. With her profound legal acumen, Ms. Singh currently holds the position of Partner at Y & E Law Firm.
 **Prem Chakraborty**[6] Independent Director	**Mr. Prem Chakraborty**, aged 72, is a Postgraduate in Commerce, Company Secretary, Cost Accountant and a Law Graduate. He has vast experience in the fields of finance, banking, treasury, legal, secretarial, personnel and administration, direct and indirect taxes. He worked as the Company Secretary and Chief Law Officer of big PSUs for sixteen years.
 **Lila Poonawalla**[7] Independent Director	**Ms. Lila Poonawalla**, aged 43 years, is a practicing Cost Accountant. She is a fellow member of the Institute of Cost Accountants of India (FCMA), MBA (Finance) and fellow member of Insurance Institute of India (FIII-Life).

1. *His initial appointment as an Independent Director was for a term of 1 year and followed by a reappointment for another term of 3 years, which ended on 30th July 2024. Based on the recommendation of the nomination and remuneration committee and after taking into account the performance evaluation of his four years and considering the knowledge, acumen, expertise, experience and the substantial contribution he brings to the Board, the committee has recommended the appointment of Ajay to the Board for an additional term of 3 years. If the proposal is accepted as per applicable laws and regulations, Mr. Ajay will be 67 years of age by the completion of his third term.*

2 & 3. *In the Board meeting held on 2nd February 2024, the Board recommended the appointment of Mr. Gavan Ord and Mr. A. Bindra as Independent Directors of the company for a first term of 3 consecutive years, effective 2nd February 2024.*

4. *The Board, via Circular Resolution on 21st February 2024, recommended the appointment of Mr. Siva Ganesan as an Independent Director of the company for a first term of 3 consecutive years, w.e.f. 20th February 2024.*

5. *The Board proposes to appoint Ms. Aditi Singh as an Independent Director of the company for her first term of 3 consecutive years, w.e.f. 2nd August 2024.*

6. *Mr. Prem Chakraborty, upon completion of his first term as Independent Directors, ceased to be directors of the company, w.e.f. 21st April 2023.*

7. *Ms. Lila Poonawalla, upon completion of her first term as an Independent Director, ceased to be director of the company w.e.f. 6th July 2023.*

The Board recommends the appointment/ reappointment to the shareholders. The notice convening the 43rd AGM, to be held on 9th September 2025, sets out the details.

Remuneration Paid to Non-Executive Directors

Mr. K. Mistry, a Non-Executive Director of the Company, also provides professional consulting services under a formal contract with the Company. In his role as consultant, he offers expert guidance on matters related to Environment, Health and Safety (EHS), Plant Operations, Pollution Control, and related activities across the Company's various facilities.

For his consultancy services, the Company paid him a professional fee of ₹25,00,000 during the financial year 2023-24. Mr. Mistry's insights are instrumental in supporting the Company's commitment to safe, compliant, and sustainable operations.

Venkata Ravi/ Managing Director/ Dakshin Fertilizers and Petrochem Ltd. (DFPL)

From: "Managing Director" <md@dfpl.com>
Sent: 12 June 2024 19:49
To: " Salil Parekh" <salilparekh@dfpl.com>
Cc: "Venkata Ravi" <nvenkataravi@dfpl.com>
Subject: Gopalpur Proposal
Date: 12 June 2024

Dear Salil,

Gaspro India Limited (GIL) our main supplier of natural gas plans to set up a Liquified Natural Gas (LNG) receipt facility at Gopalpur port, Odisha. Our crop nutrition unit in Brahmapur already receives natural gas supplies from GIL's unit in Paradeep, Odisha. Now that GIL plans to set up its facility in Gopalpur our ability to scale up operations on the East Coast will become easier. We have made significant market penetration for our crop nutrition products in Odisha and Northern belt of Andhra Pradesh. I plan to start a bigger unit with a capacity of 10,00,000 MT/ Yr. in Gopalpur. This unit will exclusively manufacture fertilizers only. Since this will be our biggest venture in fertilizers, the new facility in Gopalpur will be created as a separate entity. It will be company that is a joint venture between DFPL and Greenspan Gmbh, a reputed fertilizer company based in Germany. Greenspan Gmbh can provide technical assistance to develop energy efficient, modern manufacturing techniques. This will enable CYPL to achieve the scale of production that is required to get the benefit of cost economies of scale. The profitability of this unit will be driven significantly by the cost efficiencies due to economies of scale that we can achieve by operating at large scale.

The Brahmapur facility will no longer be required and will be shut down. Therefore, I plan to shift some of our existing machinery from Brahmapur facility to the proposed facility at Gopalpur. The value of the second-hand machinery so transferred will be ₹45 crores, 15% of the total plant and machinery required at the new facility. Greenspan Gmbh also plans to transfer some of its plant and machinery to the Gopalpur facility. These machineries have the latest technology and have a larger processing capacity, much more than what we can build or buy domestically in India. However, these are also second hand machineries that was used by a subsidiary of Greenspan Gmbh within its facility at Weisbaden, Germany. The new company at Gopalpur will be importing these machineries from this German subsidiary valued at ₹120 crores, 40% of the total plant and machinery required at the new facility. These machineries have been used only by the German subsidiary of Greenspan Gmbh and by no other entity whether in Germany or India. In addition, we are in talks to acquire industrial land worth ₹100 crores at Gopalpur. The project planning has not yet been finalized; it is in the nascent stage. At the same time, I need some advice from you regarding a taxation angle.

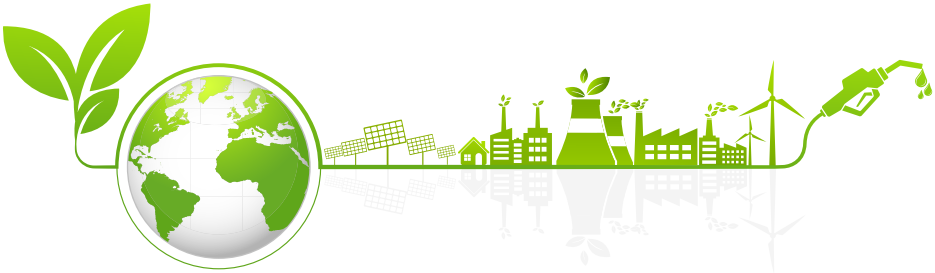
I recall that as per the Income Tax Act, 1961, companies are eligible to claim certain "investment-linked tax incentives" for specified businesses. Please advise, from the point of view of the new company assessee, the conditions subject to which the above capital expenditures can be claimed as deductions.

Regards,

Managing Director

Auditor Investigated Following Allegations of Insider Trading, 30th June 2024

The Securities and Exchange Board of India today initiated an inquiry against CA. Fiona, the proprietor of FRP & Co., a reputed Chartered Accountants firm in Mumbai. FRP & Co. is the statutory auditor of Dakshin Fertilizers and Petrochem Ltd. (DFPL), a listed company on both BSE and NSE (BSE: 500123 | NSE: DFPL | ISIN: INE000A00123). The allegation is that CA. Fiona was privy to DFPL's plans to open an ammonia manufacturing unit within its manufacturing complex at Eloor. In March 2024, the company had even approached her services to help it avail loan facilities from its bankers. This project is of vital importance since it enables the company to build substantial agility and robustness in its operations, due to substantial cost advantages as well as an unbeatable competitive edge over its competitors. However, as soon as she became privy to this information in the month of March 2024, CA. Fiona shared this information with Mr. A. Sahu, a stockbroker who trades on both BSE and NSE. At the time of passing, this information was not available in the public domain through the company. Following this, Mr. A. Sahu had taken positions on DFPL's shares and when the share price rose in the month of May 2024, he netted a profit of approximately ₹3 crore on account of this trade alone. This incident came to light following an independent investigation launched by SEBI against Mr. A. Sahu, who was under the scanner for irregularities relating to insider trading deals of other companies as well. SEBI has claimed that it has evidence against CA. Fiona in the form of emails and telephonic conversations. CA. Fiona vehemently denies these charges and has decided to appeal against such charges. She is currently co-operating with the authorities in this regard.





Crop Yield Private Limited

Dakshin Fertilizers and Petrochem Ltd. (DFPL) is a reputed company manufacturing industrial chemicals, crop nutrition and mining chemicals. Headquartered in Thiruvananthapuram, Kerala, DFPL's main manufacturing facility is in Eloor, Ernakulam, along with additional plants in Dahej (Gujarat), Hisar (Haryana), and Brahmapur (Odisha). These facilities produce specialty products that serve critical sectors of the Indian economy, including agriculture, pharmaceuticals, mining, and infrastructure. The units in Hisar and Brahmapur are currently small-scale units. The Board of DFPL decided to set up these units in order to have a pan India presence. In the coming years, DFPL plans to deepen its market presence in northern and eastern India. As and when this is achieved, the scale of production at these units will be ramped up to cater for the increased demand. The Board felt that this ramping up of capacity will be easier if there is already an existing manufacturing set up in these areas.

Setting up new manufacturing facility at Gopalpur and closure of Brahmapur facility

DFPL has established a strong foothold in the crop nutrition market, including fertilizers, with significant penetration in Odisha and the northern belt of Andhra Pradesh. To capitalize on rising demand in these markets, the company is poised to expand its production capacity, paving the way for increased market presence.

The fertilizer industry operates under stringent regulations and is supported by government subsidies aimed at ensuring affordability for farmers. In such a regulated environment, achieving cost efficiencies is crucial for enhancing profitability. As a capital-intensive sector, the fertilizer industry depends heavily on economies of scale, which play a vital role in driving these efficiencies.

To meet its expansion goals, DFPL plans to set up a new manufacturing unit exclusively for fertilizer production, with a planned capacity of 10,00,000 MT per year. The facility will produce both urea-based and non-urea-based fertilizers, requiring a substantial and consistent supply of natural gas—a key raw material in fertilizer manufacturing.

Currently, Gaspro India Limited (GIL), through its Paradip unit, is the primary supplier of natural gas to DFPL's Brahmapur facility. However, the Brahmapur unit operates on a modest scale, making it a smaller customer for GIL. Recently, GIL has commissioned a larger Liquefied Natural Gas (LNG) facility at Gopalpur, Odisha, which has the capacity to meet the significant natural gas demands of DFPL's proposed fertilizer unit.

Leveraging its strong business relationship with GIL and the cost benefits achievable through economies of scale, DFPL's Board of Directors has decided to establish the new fertilizer manufacturing unit in Gopalpur, Odisha. GIL's management has also shown interest in the initiative, as it represents a significant growth opportunity for their business.

A new company, Crop Yield Private Limited (CYPL), will be established as a joint venture between DFPL and Greenspan GmbH, a globally reputed fertilizer company headquartered in Germany. Greenspan GmbH is widely recognized for its advanced fertilizer technologies and energy-efficient manufacturing processes. This collaboration brings together DFPL's deep understanding of the southern Indian market and its growing presence in the eastern market through the Brahmapur unit, making CYPL, DFPL's largest initiative in the fertilizer sector. For Greenspan GmbH, this venture marks its entry into the Indian market, an important step in its global expansion.

Greenspan GmbH will provide technical assistance to CYPL, facilitating the adoption of modern, energy-efficient manufacturing techniques. Additionally, its subsidiary owns state-of-the-art machinery with cutting-edge technology and superior processing capacity—far beyond what DFPL could independently build or acquire within India. This machinery, valued at ₹120 crores, will account for approximately 40% of the total plant and equipment requirements for CYPL's new facility. By leveraging this advanced technology, CYPL aims to achieve the production scale necessary to capitalize on cost efficiencies through economies of scale.

Negotiations and project planning are currently at an advanced stage. Recognizing DFPL's limited experience in negotiating joint venture agreements, both parties have engaged Pro International (PI), a leading consulting firm, to assist in finalizing the agreement. PI's responsibilities include guiding the joint venture's legal and regulatory compliance, facilitating the establishment of the manufacturing facility at Gopalpur, and providing management consulting services to ensure smooth operations and strategic alignment.

Mission of CYPL: "Be a good corporate citizen assisting to Indian farmers to improve their yield, while also generating wealth for our shareholders by following environment and social friendly business practices."

Vision of CYPL: "Be the most preferred supplier of fertilizers in India."

By September 2024, the company had already purchased land worth ₹100 crores in Gopalpur. During this time, negotiations for a multi-year purchase agreement between CYPL and Gaspro India Limited for the supply of natural gas commenced. Other raw materials required for production are readily available in adequate quantities in the open market. CYPL's management plans to initiate discussions with the suppliers of these materials after operations begin, as the immediate priority is securing natural gas on favorable terms and conditions.

CYPL has also procured plant and machinery for the unit, which require constant maintenance. To address this, the company has entered into short-term contracts, lasting less than a year, for factory consumables, primarily tools and other maintenance equipment. These consumables are supplied by small enterprises located in the industrial area of Gopalpur. Since full-fledged operations have not yet begun as of 2024, CYPL is just one of many customers served by these suppliers.

DFPL's facility in Brahmapur will be shut down following the establishment of the new facility in Gopalpur. Workers have been given the option to either relocate to Gopalpur to continue their employment or accept one month's severance pay and exit the company.

Concerned by the developments detailed in mail communication, DFPL's Chairman, Mr. Venkata Ravi, and Greenspan GmbH's Managing Director, Mr. Gerhard Braun, have approached Mr. Jeevan Sampath, a partner at the consulting firm Pro International (PI). The following is an excerpt from their meeting:

"Jeevan, we are worried about the public resistance to our proposed facility at Gopalpur. If we are required to shift the facilities as farther away as 600 kilometers from Gopalpur, the entire venture will become unviable. Moreover, we would not want our international brand image tarnished by any controversy. At the same time, we are keen to enter the Indian market. DFPL is a partner we trust and would like to leverage their experience to begin our venture in the Indian market. Our shareholders primarily consist of large financial institutions, they have shown keen interest in our entry into the Indian market due to the potential business opportunity that the market offers. Hence, we would like to maintain their perception of these developments on a positive note. They have the power to overturn our decision if the project is found to be unviable. It is also important to note that government authorities in Germany would not hesitate to take legal action if we are found engaging in practices that compromise public or environmental safety at any of our facilities worldwide."

– Mr. Gerhard Braun

"Thank you, Gerhard, for your continued confidence in us. Jeevan, I share Gerhard's concerns and agree that we must address this issue promptly to prevent a potential public relations crisis. Both Gerhard and I want to assure you of our unwavering commitment to implementing best practices to safeguard public health and environmental safety. While unforeseen events, such as a pipeline leak, are always a possibility, we are prepared to take all necessary measures to minimize these risks and their impact.

Although government authorities have been cooperative in granting us the license for CYPL, the laws regarding social justice, public health, and environmental protection are highly stringent, leaving little room for error.

DFPL's shareholders are aware of these developments, but there has been no dissenting voice yet. This may be because our shareholding pattern is largely fragmented, with most shareholders individually holding less than 2% of the total share value. They do not actively participate in every decision made by DFPL. However, during our latest earnings calls, shareholders expressed keen interest in the Gopalpur facility, expecting it to unlock significant value and generate considerable wealth. There were also inquiries about the public resistance to the project reported in the media.

Meanwhile, the workers' union in Brahmapur is demanding a higher compensation package for the relocation of workers from Brahmapur to Gopalpur. CYPL can benefit from the experience and skills of these 112 workers, but meeting their demands will set a precedent. If we offer this package, we will need to extend a similar one to newly hired workers from the external market, significantly increasing operational costs.

I am also aware that union heads at our other facilities are closely watching these developments. Currently, there is no collaboration between the unions at different locations, but mishandling these demands could sow discontent across all unions, leading to a company-wide crisis. This would be disastrous for both our operations and our domestic reputation.

Please guide us on how to manage these developments effectively."

– Mr. Venkata Ravi

"In situations like these, it is first important to assess the power and interest of each stakeholder in influencing the issue. This assessment will help us determine the best way to communicate with each category of stakeholder. Please allow me a few days to evaluate the situation before I can guide you on the next steps forward."

– Mr. Jeevan Sampath

After several rounds of careful negotiations, an amicable settlement was reached between the management and the displaced workers at Brahmapur. Consequently, DFPL's facility in Brahmapur was officially closed on December 31, 2024. Production at CYPL's Gopalpur facility commenced on January 1, 2025. Additionally, the issues related to public resistance to the establishment and operation of CYPL in Gopalpur were fully resolved by January 31, 2025.

Indirect tax matters for CYPL

Mr. Lalit Shah, the newly appointed finance head of CYPL, joined the company on April 1, 2025. A fresh commerce postgraduate with strong academic credentials but no prior experience in tax matters, Mr. Shah has been entrusted with preparing CYPL's GST return. Recognizing his limited experience in this area, he has identified the need for expert guidance to ensure accurate and compliant filing.

Earlier in the week, Mr. Ramakant Bhushan, Managing Director of CYPL, also directed Mr. Shah to investigate potential recovery claims from Paradip Port Trust regarding a shipment of potash pilfered in June 2025. This incident has raised concerns about potential financial losses and recovery options.

While reviewing the GST return for the period ending June 30, 2025, Mr. Shah uncovered a significant issue related to the GST structure for CYPL's operations. Fertilizers, the company's end product, are taxed at a concessional rate of 5% GST. However, key inputs like ammonia, used in the production of P&K fertilizers, and packaging materials attract an 18% GST rate. He realizes that this structure could lead to higher working capital requirements and a significant accumulation of input tax credits (ITC), potentially straining the company's cash flow. Recognizing the impact, Mr. Shah is eager to explore the possibility of claiming refunds for unutilized ITC under GST regulations, aiming to optimize CYPL's tax position and ensure financial stability.

To handle these complex matters, Mr. Shah, after consulting with Mr. Bhushan, reached out to CA. Shrihari for professional advice. In his email, he requested comprehensive guidance on several matters.



Gas Leak in pipeline of Gaspro India Limited

Gaspro India Limited (GIL) is a well-established supplier of natural gas to various industrial and commercial companies. It recently set up its Liquefied Natural Gas (LNG) facility in Gopalpur, Odisha, from which it supplies natural gas to customers via a pipeline network spanning nearly 1,000 kilometers across Odisha and Andhra Pradesh. In January 2025, CYPL and GIL, Gopalpur, entered into a 5-year long-term contract for the supply of natural gas, covering the period from January 2025 to January 2030. Given the large scale of CYPL's operations, it became one of GIL's largest customers.

On September 30, 2025, a massive fire broke out following a gas leak that led to an explosion in GIL's underground natural gas pipeline at Arjyapalli, Odisha. The incident tragically claimed the lives of 15 people and caused significant property damage. As a result, GIL was forced to halt the supply of natural gas through its pipelines in Odisha to all customers for an extended period until the safety of operations could be fully ensured. This time was necessary for GIL's technical team to repair the pipelines and conduct safety tests across the entire pipeline network originating from its LNG facility in the region.

The suspension of natural gas supply caused major disruptions for all of GIL's customers, who relied heavily on gas for their production needs. CYPL also suffered significant losses due to the sudden stoppage of the gas supply from GIL. Despite the critical business need for natural gas, the extraordinary nature of the accident made it impossible to predict when GIL would be able to resume its supply. Consequently, CYPL canceled its long-term contract with GIL.

To maintain minimal operations, in October 2025, Mr. Ramakant Bhushan, Managing Director of CYPL, approached Natural Gas Suppliers Limited (NGSL)—a competitor of GIL—for the procurement of natural gas. NGSL, with facilities in Paradip, Odisha, agreed to supply natural gas to CYPL.

To secure a stable procurement price, CYPL entered into a 5-year fixed-price contract with NGSL, spanning from October 2025 to September 2030. Compared to GIL, NGSL's production capability was significantly smaller, and the volume of gas NGSL could supply to meet CYPL's demands was much lower. Additionally, since the Gopalpur region is still developing as an industrial hub, there were no other alternative suppliers willing to deliver natural gas to CYPL's Gopalpur facility. Therefore, NGSL became CYPL's sole supplier from October 2025 onward.

Since CYPL is currently operating at a minimal scale of production, it has lost the cost efficiencies it could generate from economies of scale. Most of its cost structure consists of fixed costs that must be incurred regardless of the actual scale of production. CYPL had to bear fixed expenses such as loan repayments, rent, and regular minimum maintenance of production facilities, despite operating at minimal capacity. This increased the per-unit cost of production for CYPL. However, due to regulatory constraints governed by the government's subsidy mechanism and market competition, the company could not pass on the increased cost of production to customers. As a result, CYPL sold its fertilizers at a loss, further straining its financial position.

Uncertainty regarding "Going Concern" of CYPL

In April 2026, CYPL's management is in the process of finalizing the financial statements for the fiscal year 2025-26. The prolonged aftermath of the GIL pipeline explosion has left the company in a precarious position, with no clear timeline for GIL's resumption of natural gas supplies to Gopalpur. The company has been compelled to scale down operations to the bare minimum, which has resulted in the loss of a substantial number of customers and severely impacted its revenue generation capabilities. Dis-economies of scale took away cost efficiencies that were originally expected to be garnered from such a large venture.

Cash flow has turned negative due to limited inflows, while outflows continue for fixed costs such as interest payments, staff salaries, rentals, plant maintenance and upkeep among other costs. This financial strain has raised serious concerns about the joint venture between DFPL and Greenspan GmbH, which is becoming increasingly economically unviable. CYPL's management, led by Mr. Ramakant Bhushan, is uncertain about the company's ability to continue operations in the near future. The management has decided to disclose the uncertainty regarding the company's "Going Concern" status in the notes to the financial statements, signaling a potential risk to the company's continued operations as well as the management's plans to deal with these conditions.

In light of this situation, CA. Bharat Chowdhary was appointed as the statutory auditor for the financial years 2024-25 and 2025-26. The management informed him of the adverse business conditions and potential "going concern" issues. Recognizing the gravity of the situation, the auditor noted the company's financial instability. On June 15, 2026, CA. Bharat Chowdhary issued his audit report for financial year 2025-26.

In August 2026, under the leadership of Mr. Ramakant Bhushan, CYPL established a recovery committee comprising key management personnel from operations, finance, human resources, and marketing, along with DFPL's executive directors and representatives from Greenspan GmbH. To strengthen the committee's approach, Mr. Bhushan invited Mr. Jeevan Sampath from Pro International, the consulting firm that played a pivotal role in establishing CYPL at Gopalpur. Mr. Sampath's external perspective brought valuable insights into the company's recovery strategies. The discussion concluded with a consensus to formulate actionable strategies

focused on securing subsidy support, implementing capital infusion, executing a market repositioning strategy, and conducting a comprehensive financial health assessment. For further details, please refer to the extracts of the committee minutes.

The performance assessment of Mr. Ramakant Bhushan, Managing Director CYPL

Due to the exceptional nature of the business environment CYPL is operating in, it has been decided that the performance assessment of Mr. Ramakant Bhushan for the financial years from 2025-26 to 2027-28 will been based with many metrics like building supply chain resilience, taking measures to improve market share, reducing costs, improving sales among others.

Mr. Ramakant Bhushan reports directly to Mr. Venkata Ravi, Chairman DFPL, and Mr. Gerhard Braun, Managing Director Greenspan GmbH, as a part of the leadership team overseeing CYPL's operations and strategic direction. The organizational structure ensures streamlined decision-making and alignment with the broader goals of DFPL and Greenspan GmbH.

Resumption of supplies under new contract with GIL, Gopalpur, Contract termination with Natural Gas Suppliers Limited (NGSL), Paradip

GIL restored its normal supply levels to the market by March 2028. NGSL had been a reliable supplier of natural gas to CYPL until this point. However, once GIL resumed supplies, the management of CYPL decided to scale back the operations to originally planned levels at the time of inception of the company. Renewing the contract with GIL was consistent with the original rationale for establishing CYPL at Gopalpur, based on the cost efficiencies of operating arising from economies of scale.

It was proposed to terminate the contract with NGSL, Paradip. The final decision to terminate the contract was made on April 1, 2028. Although the original contract with NGSL was valid for another 30 months, until September 2030, CYPL chose to exit due to the significant increase in the volume of natural gas supplies that it could procure from GIL. CYPL agreed to pay an exit cost of ₹15 crores for terminating the contract on April 1, 2028. Following this, GIL would become the sole supplier of natural gas to CYPL.

Shankar Patra/ Union Leader / Dakshin Fertilizers and Petrochem Ltd. (DFPL), Brahmapur



From: "Union Leader " <ul_brahmapur@dfpl.com>

Sent: 3rd November 2024 19:00

To: "Ramakant Bhushan" <ramakant@cypl.com>

Cc: "Venkata Ravi" <nvenkataravi@dfpl.com>

Subject: Relocation Compensation Package for Brahmapur Workers of DFPL.

Date: 3rd November 2024

Dear Mr. Ramakant,

We have received the official intimation regarding the compensation package offered by DFPL to the workers transitioning to CYPL, Gopalpur. While we appreciate the 5% salary hike, we respectfully reiterate our request for a 15% increase as adequate compensation.

The move to CYPL presents an opportunity for skill development and career growth, which we recognize and value. Consequently, out of 112 workers, only two have opted out of this transition. However, relocating operations to Gopalpur from Brahmapur introduces additional challenges. Our families will continue residing in Brahmapur due to its superior facilities and infrastructure, necessitating a daily two-hour commute for us. The additional costs and inconvenience involved in this commute warrant a more substantial compensation adjustment.

Registered unions across DFPL's various locations, representing a combined membership of 5,000, are closely monitoring how the management is handling the reabsorption of displaced workers from Brahmapur. Although our group at Brahmapur is comparatively small, our successful reintegration under fair terms will set a positive precedent, reinforcing the company's commitment to employee welfare during strategic transitions.

Our collective experience at the Brahmapur facility has equipped us to contribute effectively to CYPL from day one, minimizing the need for additional training. This brings immediate value to your operations. We believe that addressing our compensation request will foster goodwill among the broader workforce and demonstrate management's dedication to balancing corporate objectives with employee well-being.

We respectfully urge you to reconsider and approve our request for a 15% salary increase. We look forward to a positive response and are eager to continue contributing to DFPL's and CYPL's success.

Thank you for your attention to this matter.

Regards,

Shankar Patra

Lalit Shah/ Finance Head CYPL/ Crop Yield Private Limited (CYPL), Gopalpur

From: " Lalit Shah" <lalits@cypl.com>
Sent: 23rd July 2025 19:10
To: "CA. Shrihari" <cashrihari@shassociates.com>
Cc: "Ramakant Bhushan" <ramakant@cypl.com>
Subject: Indirect Taxation Matters – CYPL
Date: 23rd July 2025

Dear CA. Shrihari,

Thank you for agreeing to assist us with indirect tax matters for CYPL. I have outlined the following clarifications needed:

(a) The Government of India provides subsidies on fertilizers under two schemes: the Nutrient Based Subsidy (NBS) Scheme for Phosphatic and Potassic (P&K) fertilizers, and the Urea Subsidy Scheme for urea-based fertilizers.

Urea is supplied to farmers at a statutorily notified Maximum Retail Price (MRP). The subsidy paid to urea manufacturers is the difference between the delivered cost of urea at the farm gate and the net market realization by the urea units.

Under the NBS scheme, manufacturers are allowed to set the MRP of P&K fertilizers at reasonable levels. A fixed subsidy amount is provided to manufacturers for subsidized P&K fertilizers based on their nutrient content.

In summary, the government fixes the MRP for urea fertilizers, while fertilizer companies like us determine the MRP for P&K fertilizers. The subsidy for urea fertilizers is the difference between the MRP and the cost price, while for P&K fertilizers, companies receive subsidies based on rates fixed under the NBS scheme.

These subsidies ensure farmers have access to fertilizers at affordable rates and support fertilizer companies in producing this critical agricultural input.

How is the value of supply determined for GST on fertilizers subsidized?

(b) We purchase natural gas from GIL to produce ammonia, which is used in fertilizer production. Additionally, we procure ammonia in gaseous form from the external market. In April 2025, we entered into a contract with Eastern Petrochemical Ltd. (EPL) to supply ammonia via pipeline to our Gopalpur unit for one year. The contract terms are as follows:

i. Monthly Payments: CYPL will make monthly payments to EPL, with each payment due by the 7th of the following month.
ii. Quarterly Statements: EPL will issue a quarterly statement of account showing the quantity and value of gas supplied, payments received, and payments due.
iii. Quarterly Adjustments: Any differential amount mentioned in the quarterly statement must be settled by CYPL each quarter.

Timeline of Events:

- May 5, June 5, and July 7: Payments of ₹5 crores were made each month for the quarter April to June.
- July 4: EPL issued a statement of account for April to June, showing ₹5.9 crores as unpaid.
- July 18: CYPL paid the balance of ₹90 lakh to EPL for the quarter ended June.

To maintain better internal control over the GST paid on our raw material procurement, we need clarity on this –

When is the latest date by which EPL must issue an invoice under GST regulations for this continuous supply of gas?

(c) Is the procurement of natural gas entirely exempt from GST?

(d) Our Managing Director, Mr. Ramakant Bhushan, has requested clarification on our legal position regarding a customs duty matter involving the pilferage of potash from an import shipment while it was in custody at Paradip Port.

In May 2025, we imported 1,000 MT of potash from Canada, a critical ingredient for fertilizer production. The shipment was unloaded in the customs area at Paradip Port on 1st June 2025. Upon clearance by the proper officer on 5th June 2025, it was discovered that some potash had been pilfered.

Since the goods were in the custody of the Port Trust, the customs authorities have demanded duty from the custodian under Section 45(3) of the Customs Act, 1962 for the pilfered potash. However, the Port Trust has denied this liability, arguing that it is not an "approved custodian" under Section 45 of the Customs Act, 1962 and that its possession of goods is governed by the Major Port Trusts Act, 1963, which exempts it from such liability.

Given this context, we need clarity on the following:

1. **Do we have legal grounds to demand compensation from the Port Trust for the loss of goods due to pilferage?**
2. **Would CYPL be held liable to pay customs duty on the pilfered goods, or can this liability be shifted to the Port Trust or another entity?**

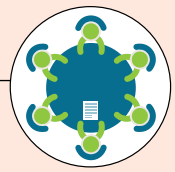
(e) **What are the possibilities for CYPL to claim refunds for unutilized Input Tax Credit (ITC) under GST law to optimize its tax position and maintain financial stability?**

Your prompt response on this matter will be greatly appreciated.

Regards,

Lalit Shah

Extracts of Minutes: Committee on Financial Challenges and Strategic Recovery Crop Yield Private Limited



Date: 20th September 2026

Location: CYPL Corporate Office, Gopalpur

Chairperson: Mr. Ramakant Bhushan, Managing Director

During the recovery meeting, several critical strategies were discussed in length to address the financial and operational challenges CYPL faced:

Financial Health Assessment and Altman Z-Score Analysis

The financial discussion highlighted key financial ratios that reflect CYPL's operational efficiency and financial stability. The Working Capital to Total Assets ratio stands at 0.1, indicating a moderate level of liquidity. The Retained Earnings to Total Assets ratio is 0.0125, suggesting limited reinvested profits relative to total assets. However, the EBIT to Total Assets ratio of -0.2 points to a concerning negative operational performance. On a more positive note, the Book Value of Equity to Total Liabilities ratio is 4, demonstrating a strong equity position relative to liabilities, which showcases a solid capital structure. Lastly, the Sales to Total Assets ratio at 0.1875 reveals the company's asset turnover rate, suggesting room for improvement in asset utilization to boost revenue generation.

Mr. Felix, the Chief Financial Advisor and a representative of Greenspan GmbH, proposed using the Altman Z-Score, a widely recognized financial model, to assess CYPL's financial health and identify early signs of distress. He emphasized the importance of this model in providing a comprehensive view of the company's financial position and enabling timely decision-making.

The committee acknowledged the urgency of addressing these issues to stabilize the company's financial position. It was agreed that reaching at least a breakeven point is critical, along with enhancing sales and EBIT to improve overall financial health and ensure long-term viability. Regular monitoring of financial ratios and periodic reporting to the recovery committee were also recommended to track progress and make timely adjustments. These measures were considered essential for steering CYPL out of financial distress and aligning it with the broader strategic goals of DFPL and Greenspan GmbH.

Capital Infusion Proposal

Recognizing the long-term potential of CYPL's operations, committee members deliberated on a proposal to infuse additional capital into CYPL for the 2026-27 financial year. This capital injection is expected to alleviate immediate financial stress and temporarily resolve going concern issues, providing CYPL with a two-year buffer to stabilize its operations.

Subsidy Support from the Government

W. Prock-Schauer, CEO & Executive Director of DFPL, emphasized that CYPL could optimize on government subsidies available through programs such as the Nutrient-Based Subsidy (NBS) for Phosphatic and Potassic (P&K) fertilizers, as well as the Urea Subsidy Scheme. He emphasized that this financial support, though limited, could partially offset CYPL's losses.

Market Repositioning Strategy

Mr. Sampath, presented a market repositioning strategy to counter the ongoing crisis:

- **Addressing Market Shortage:** Due to the reduced production of fertilizers, there was a shortage in the market, yet demand from farmers for the rabi and kharif seasons remained strong. He highlighted the growing issue of spurious fertilizers being sold by opportunistic distributors, warning that their usage could degrade soil health and cause extensive crop damage over time.
- **Digital and Direct Sales Approach:** To combat this, he proposed leveraging digital platforms, social media, radio, and print media to create awareness about the dangers of substandard fertilizers. By selling directly to farmers through the company's website, CYPL could ensure the availability of authentic, high-quality fertilizers. This can help the company increase its market reach. At the same time, it would eliminate costs like distributor commissions that can help improve profitability.
- **RFID Tag Implementation:** He also recommended the introduction of RFID tags to enhance product traceability, building trust and differentiating CYPL from competitors.

Committee Consensus

The committee unanimously agreed to implement the above-mentioned multi-pronged strategy to help CYPL regain market share, rebuild trust among farmers, and enhance its financial health. The Chairperson concluded the meeting with the message that successfully executing this strategy could position CYPL as a leader in the fertilizer industry, turning the current crisis into an opportunity for long-term growth and sustainability.

30th October 2024: Development at the Cost of Public Safety?



Bhubaneswar: Over 1,000 residents from Gopalpur and Brahmapur gathered at Town Hall Square, Gopalpur, to protest the proposed establishment of the fertilizer plant by Crop Yield Private Limited (CYPL). This is a joint venture between Dakshin Fertilizers and Petrochem Ltd. (DFPL) from Thiruvananthapuram, Kerala, and Greenspan GmbH, a leading fertilizer company from Germany. Aiming for large scale production with a planned capacity of 10,00,000 MT/Yr, this fertilizer plant would require large volume supply of natural gas which is a key raw material for its production. For such a large scale set up, the most viable place for setting up this unit would be in Gopalpur. Economies of scale would help CYPL achieve cost efficiencies, which can improve its competitive position and profitability. The company has already acquired land in Gopalpur worth ₹100 crores for the project.

However, the proposed location is within 1 kilometer of the town's public settlements in a densely populated area, raising concerns about safety. The resistance stems from a recent ammonia gas leak at a similar fertilizer unit in Paradip, Odisha, operated by Verico Ltd. The leak caused a severe public health hazard, with hundreds of residents affected, some resulting in casualties.

In response to inquiries, the company's Public Relations Officer, Mr. Prakash Singhal, stated, "The company has obtained the necessary license to establish and operate the facility, having complied with all government regulations. Both DFPL and Greenspan GmbH are reputable companies with an impeccable track record in social responsibility, public health, and environmental safety. The nearest suitable location for such a large facility is over 600 kilometers away. This would prove to be a hinderance operationally and would significantly raise the cost of operations, making the project unviable. If the project does not proceed, it would result in losses for the company's shareholders, reduced access to high-yield fertilizers for farmers, and missed economic opportunities for the town."

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