



## Directors' Report

To the Members,

Your Directors have pleasure in presenting the Twenty-Ninth Annual Report together with Audited Accounts of the Company for Financial Year ended 31st March, 2009.

### ■ FINANCIAL RESULTS

The summarised financial results for the year are as under :

	(Rupees in Lacs)	
	2008-09	2007-08
Sales (including other income)	1,44,810.83	1,08,131.07
Profit before depreciation	26,774.40	19,897.87
Less : a) Depreciation	5,237.58	4,470.51
b) Prior years' adjustments (net)	<u>5.62</u>	<u>-</u>
Profit before Exceptional Items	21,531.20	15,427.36
Less : Exceptional Items	<u>331.11</u>	<u>276.02</u>
Profit Before Tax (PBT)	21,200.09	15,151.34
Less : a) Provision for Income Tax	5,847.78	5,386.77
b) Provision for Deferred Income Tax	336.70	(375.98)
c) Provision for Fringe Benefit Tax	120.00	92.00
d) Provision for Wealth Tax	<u>25.25</u>	<u>22.00</u>
Net Profit	14,870.36	10,026.55
Add : a) Balance brought forward	41,949.44	36,729.79
b) Transferred from Debenture Redemption Reserve	<u>285.00</u>	<u>-</u>
	57,104.80	46,756.34
Appropriations :		
a) Transferred to Debenture Redemption Reserve	625.00	190.00
b) Transferred to General Reserve	1,500.00	1,005.00
c) Dividend on Equity Shares	3,528.31	3,087.20
d) Corporate Dividend Tax	<u>273.65</u>	<u>524.70</u>
Surplus carried to Balance Sheet	<u>51,177.84</u>	<u>41,949.44</u>

Sales (including other income) increased to Rs. 1,448.11 crores (including trading operations of Rs. 509.40 crores) as against Rs. 1,081.31 crores (including trading operations of Rs. 357.93 crores) for the previous year. PBT for the year under review was Rs. 212.00 crores as against Rs. 151.51 crores in the previous year. Net Profit for the current year was Rs. 148.70 crores as compared to Rs. 100.27 crores in the previous year.

### ■ DIVIDEND

During the year under review, your Company's varied basket of products and inherent capabilities to leverage its marketing network to optimal value, contributed to the significant increase in sales turnover and net profit, despite the economic slowdown globally.

Considering such consistent good performance, your Directors recommend a dividend @ 40% i.e. Rs. 4/- per share (Previous Year 35% i.e. Rs. 3.50 per share) on Equity Shares of Rs. 10/- each of the Company for the year ended 31st March, 2009. The proposed dividend (including Corporate Dividend Tax) will absorb Rs. 38.02 crores.

## ■ SECURED DEBENTURES

In accordance with the terms of issue of Secured Non-Convertible Debentures of Rs. 10 Lacs each aggregating Rs. 20 crores and Rs. 18 crores, earlier issued in favour of Financial Institutions, your Company during the year under review, has partly redeemed the Debentures on the due date 15th September, 2008 and 30th September, 2008 respectively.

During the year under review, your Company has also issued 10.80% 1,250 Secured Redeemable Non-Convertible Debentures of Rs. 10 Lacs each aggregating Rs. 125 crores in favour of Life Insurance Corporation of India Limited and the same are listed on the Bombay Stock Exchange Limited.

## ■ MANAGEMENT DISCUSSION AND ANALYSIS

A report on Management Discussion and Analysis (MDA), which forms part of this Report, inter-alia, deals adequately with the operations as also current and future outlook of the Company.

## ■ DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of sub-section (2AA) of Section 217 of the Companies Act, 1956, your Directors confirm that :

- (i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- (ii) the accounting policies selected had been applied consistently and judgements and estimates made were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year on 31st March, 2009 and of the profit of the Company for that period;
- (iii) proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the annual accounts had been prepared on a 'going concern' basis.

## ■ CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section titled 'Corporate Governance' is attached to this Annual Report.

## ■ SUBSIDIARY COMPANIES

As mentioned in the last year's Directors' Report, the Company has two subsidiaries viz. Smartchem Technologies Limited and Deepak Nitrochem Pty. Limited.

A statement pursuant to Section 212 of the Companies Act, 1956 in respect of these subsidiaries is appended to the Balance Sheet. In terms of approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, the annual accounts and other reports specified in Section 212(1) in respect of the subsidiary companies have not been attached to the Balance Sheet. The Company will make available these documents /details to the members of the Company and the subsidiary companies upon request made in this regard to the Company. The Annual Accounts of the subsidiary companies will also be kept for inspection by any member of the Company at its registered office and also at the registered office of the concerned subsidiary company.

In accordance with the requirements of Accounting Standard AS-21 prescribed by the Institute of Chartered Accountants of India, the Consolidated Financial Statement of the Company and its subsidiaries is annexed to this Annual Report.

## ■ INDUSTRIAL RELATIONS

Industrial Relations during the year under review continued to be cordial.



## ■ CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the relevant data pertaining to conservation of energy, technology absorption and foreign exchange earnings and outgo are given in Annexure forming part of this Report.

## ■ DIRECTORS

During the year, one of the senior members of the Board, Shri S. S. Marathe passed away on 28th September, 2008 after a long association of about 26 years with the Company. Shri Marathe, a renowned economist, had been a source of inspiration to the Board members and played a pivotal role in the overall development of the Company by his vision, mature outlook, gentle and affable manners. The Board wishes to place on record its deep appreciation of his long and fruitful association with the Company.

Shri N. C. Singhal, Shri S. R. Wadhwa and Smt. Parul S. Mehta, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Dr. Manu Seth and Shri Anil Sachdev were appointed as Additional Directors of the Company and hold office up to the date of ensuing Annual General Meeting and are eligible for appointment as Directors of the Company.

## ■ AUDITORS

M/s. B. K. Khare & Co., Chartered Accountants, Mumbai, the Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting. The Company has received a letter from them to the effect that their appointment, if made, by the Company for the year 2009-10 will be within the limit prescribed under Section 224(1-B) of the Companies Act, 1956. The Board of Directors commends their appointment.

## ■ PERSONNEL

As required by the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of employees are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the annual report and accounts are being sent to all members of the Company excluding the aforesaid information. Any member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

## ■ ACKNOWLEDGEMENT

Your Directors wish to place on record their sincere appreciation to the financial institutions, Company's bankers and customers, vendors and investors for their continued support during the year.

Your Directors are also pleased to record their appreciation for the dedication and contribution made by employees at all levels who through their competence and hard work have enabled your Company achieve good performance year after year and look forward to their support in future as well.

Mumbai  
Dated 20th May, 2009

For and on behalf of the Board,  
C. K. MEHTA  
Chairman

## Annexure to Directors' Report

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

#### SECTION 217(1)(e) OF THE COMPANIES ACT, 1956

#### The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

#### A. CONSERVATION OF ENERGY

##### (a) Energy Conservation Measures taken

- (i) A back pressure turbo-alternator has been installed as part of the overall steam network to recover energy from steam as it is let down from 40 bar. This can produce 3 MW of electricity.
- (ii) In IPA plant, a saving of about 2 MT/hr of steam has been achieved by optimising the reflux in the distillation columns.
- (iii) In WNA plant, the steam exhaust from BFW Pump drive turbine has been directed to the deaerator which has resulted in steam saving.
- (iv) Variable speed drives have been incorporated in Pre-dryer and pumps for additives in LDAN plant which has resulted in reduction of energy at part load operations of the plant.
- (v) In CNA plant, segregation of condensate lines from the steam traps of both reboilers of column and evaporator along with other modifications has resulted in steam saving of 1 MT/hr.

##### (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy

- (i) In Ammonia plant, provision of a LP flash column and change of solvent for CO<sub>2</sub> removal is underway. The scheme will come in line after the planned shutdown during 2009-10.
- (ii) The scheme of recovering energy from the stack gases of one of the HRSG systems of Gas Turbine generator sets and using it for chilling the suction air of the GT has been taken up for implementation. This will result in additional power generation of 1 MW from the GT.
- (iii) In WNA-3 plant, the scheme of improving the concentration of the product acid to 60% from the current 55% is under implementation. The changes will result in reduction in steam consumption in the downstream plants, apart from increased steam generation in WNA-3 plant.

##### (c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods

The measures referred to under (a) and the proposals under (b) will result in reduction of energy consumption as stated above.



d) Total energy consumption and energy consumption per unit of production as per Form A in respect of industries specified in the Schedule

**FORM A**

**Disclosure of Particulars with respect to Conservation of Energy**

Power & Fuel Consumption		Current Year (April, 2008 to March, 2009)	Previous Year (April, 2007 to March, 2008)
<b>1. Electricity</b>			
<b>a) Purchased</b>			
Unit	MWH	17098	24069
Total Amount	Rs. (Lacs)	965	1175
Rate / Unit	Rs./KWH	5.65	4.88
<b>b) Own Generation</b>			
i. Through Diesel Generator			
Unit	MWH	11.68	52.46
Units per ltr. of diesel oil	KWH/Ltr.	2.02	2.46
Cost / Unit	Rs./KWH	17.96	13.70
ii. Through Gas Turbine / Generators			
Unit	MWH	38735	27130
Units per M <sup>3</sup> of Gas	KWH/M <sup>3</sup>	5.43	5.59
Cost / Unit	Rs./KWH	1.89	1.69
iii. Through Windmill Turbine / Generators			
Unit	'000 KWH	16342	9178
Cost / Unit	Rs./KWH	1.96	2.97
<b>2. Coal</b>		-	Nil
<b>3. Furnace Oil</b>		-	Nil
<b>4. Others / internal generation</b>		-	Nil

**2. Consumption per unit of Production - Unit (KWH/MT)**

Sr. No.	Product	Standard Budget Norms (2008-09)	Current Year (April, 2008 to March, 2009)	Previous Year (April, 2007 to March, 2008)
1.	Liquid Anhydrous Ammonia	75.70	111.22	89.20
2.	Weak Nitric Acid	27.84	26.26	21.55
3.	Concentrated Nitric Acid	8.00	7.24	8.15
4.	Methanol	71.00	221.03	104.94
5.	Nitro Phosphate	31.50	37.91	60.14
6.	Low Density Prilled Ammonium Nitrate	55.00	39.53	37.91
7.	Liquid CO <sub>2</sub>	239.00	238.70	257.15
8.	Iso Propyl Alcohol (IPA)	315.00	300.44	332.67

## B. TECHNOLOGY ABSORPTION

### FORM B

#### Disclosure of Particulars with respect to Technology Absorption

#### RESEARCH & DEVELOPMENT (R&D)

(1) **Specific areas in which R&D carried out by the Company**

Cosmetic grade IPA has been developed through in-house R&D with assistance from experts. Pilot plant scale production has received positive feedback from market. The commercial production is being taken up.

(2) **Benefits derived as a result of the above R&D**

The above efforts will add value to our IPA and will replace other grades of solvents in the cosmetic industry.

(3) **Future plan of action**

Market seeding and development is planned for cosmetic grade IPA.

(4) **Expenditure on R&D**

	(Rs. in Lacs)
a. Capital	NIL
b. Recurring	155.33
c. Total	155.33
d. Total R&D expenditure as a percentage of total turnover	0.11

#### TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. **Efforts in brief, made towards Technology Absorption, Adaptation and Innovation**

All the plant's technologies have been fully absorbed and are being operated efficiently.

2. **Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.**

The quality of products are globally accepted.

3. **In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished:**

Technology imported	Year of import	Has technology been fully absorbed ?	If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action.
Not Applicable			

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars with regard to Foreign Exchange Earnings and Outgo are set out in Note 17E and 17F of Notes forming part of the Accounts.

Mumbai  
Dated 20th May, 2009

For and on behalf of the Board,  
C. K. MEHTA  
Chairman