
Consolidated Financial Accounts

AUDITORS' REPORT

To the Board of Directors of

DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED on the Consolidated Financial Statements of Deepak Fertilisers And Petrochemicals Corporation Limited and its Subsidiary.

We have examined the attached Consolidated Balance Sheet of Deepak Fertilisers And Petrochemicals Corporation Limited and its subsidiary as at 31st March, 2004 and the Consolidated Profit and Loss Account for the year then ended.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statement of the subsidiary, whose financial statements reflect total assets of Rs.6,703.85 lacs as at 31st March, 2004 (before giving effect to the consolidation adjustments) which have been audited by other auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of subsidiary, is based solely on the report of the other auditor. We have also not audited the total revenues of Rs.1,804.21 lacs of the subsidiary (before giving effect to the consolidation adjustments) based on the management accounts drawn for the period 9th December, 2003, being the date of commencement of parent / subsidiary relationship upto 31st March, 2004.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS-21), Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Deepak Fertilisers And Petrochemicals Corporation Limited and its subsidiary included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit report on individual audited financial statements of Deepak Fertilisers And Petrochemicals Corporation Limited and its subsidiary, we are of the opinion that

- (a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Deepak Fertilisers And Petrochemicals Corporation Limited and its subsidiary as at 31st March, 2004, and
- (b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Deepak Fertilisers And Petrochemicals Corporation Limited and its subsidiary for the year then ended.

Mumbai
Dated 20th May, 2004

For B.K. KHARE & CO.
Chartered Accountants

D.P.Bapat
Partner

Membership Number: 30388

Consolidated Financial Accounts

Consolidated Balance Sheet as at 31st March, 2004
(Rupees in Lacs)

Consolidated Profit and Loss Account For The Year Ended 31st March, 2004
(Rupees in Lacs)

	Schedule	
I. SOURCES OF FUNDS		
1. SHAREHOLDERS' FUNDS		
(a) Share Capital	1	8,820.49
(b) Reserves & Surplus	2	40,496.04
		49,316.53
2. MINORITY INTEREST		
		0.01
3. LOAN FUNDS		
Secured Loans	3	13,768.49
4. DEFERRED TAX LIABILITY		
		6,589.17
TOTAL		
		69,674.20
II. APPLICATION OF FUNDS		
1. FIXED ASSETS (AT COST) 4		
(a) Gross Block	4	74,601.58
(b) Less: Depreciation/ Amortisation		36,167.56
		38,434.02
(c) Net Block		38,434.02
(d) Capital Work-in- Progress-Others		236.07
(e) Capital Work-in- Progress-Projects	4a	4,802.03
		43,472.12
2. INVESTMENTS 5		
		15,288.44
3. CURRENT ASSETS, LOANS AND ADVANCES 6		
(a) Interest Accrued on Deposits		292.72
(b) Inventories		4,212.94
(c) Sundry Debtors		9,351.09
(d) Cash and Bank Balances		4,395.04
(e) Loans and Advances		18,457.31
		36,709.10
Less: CURRENT LIABILITIES AND PROVISIONS 7		
(a) Liabilities		9,121.22
(b) Provisions		16,674.24
		25,795.46
Net Current Assets		10,913.64
TOTAL		
		69,674.20

As per our Report of even date

FOR B.K.KHARE & CO. Chartered Accountants	C.K.MEHTA Chairman	N.C.SINGHAL Director
D.P. BAPAT Partner	D.C.MEHTA Vice Chairman	R.SRIRAMAN Sr. Vice-President (Legal) & Company Secretary
	S.C.MEHTA Managing Director	
Mumbai	Mumbai	
Dated 20th May, 2004	Dated 20th May, 2004	

	Schedule	
INCOME		
Gross Sales Own		
Manufactured Products		46,697.27
Less: Excise Duty		4,898.39
		41,798.88
Net Sales Own Manufactured excluding Excise and Sales Tax		
Traded Products		7,158.64
Less: Counter Vailing Duty		257.93
		6,900.71
Net Sales Traded Products excluding Counter Vailing Duty and Sales Tax		
		48,699.59
Total Sales		
Other Income	8	2,553.70
		51,253.29
EXPENDITURE		
Manufacturing and Other Expenses		
Inventory Adjustment	9	35,816.20
Interest and Other Financial Charges	10	331.89
		37,632.69
PROFIT BEFORE DEPRECIATION		
Depreciation/Amortisation		13,620.60
Less: Transferred from Special Reserve		3,052.07
		18.18
Less: Transferred from Revaluation Reserve		36.47
		2,997.42
PROFIT BEFORE PRIOR YEARS' ADJUSTMENTS		
Prior Years' Adjustments (Net)		10,623.18
		56.71
PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS		
Extraordinary Items (Net)		10,566.47
[Refer Note 11]		622.95
		9,943.52
PROVISION FOR TAX		
Current Income Tax (Net of Reversal of Previous Years' excess provision of Rs.484.63 lacs Previous Year: Nil)		
Deferred Income Tax		3,493.82
		(675.60)
		2,818.22
Wealth Tax		
		11.70
		2,829.92
NET PROFIT		
Balance Brought Forward		7,113.60
Transferred from Debenture Redemption Reserve		17,926.81
		75.00
		18,001.81
Transferred to Debenture Redemption Reserve		
		582.00
Transferred to General Reserve		
Proposed Dividend		714.41
Corporate Dividend Tax		1,693.20
		217.00
SURPLUS IN PROFIT & LOSS ACCOUNT		
		21,908.80
NOTES FORMING PART OF ACCOUNTS		
	12	
As per our Report of even date		
FOR B.K.KHARE & CO. Chartered Accountants	C.K.MEHTA Chairman	N.C.SINGHAL Director
D.P. BAPAT Partner	D.C.MEHTA Vice Chairman	R.SRIRAMAN Sr. Vice-President (Legal) & Company Secretary
	S.C.MEHTA Managing Director	
Mumbai	Mumbai	
Dated 20th May, 2004	Dated 20th May, 2004	

Consolidated Financial Accounts

Schedule 1

		(Rupees in Lacs)
AUTHORISED		
12,50,00,000	Equity Shares of Rs.10/-each	12,500.00
10,00,000	Cumulative Redeemable Preference Shares of Rs.100/- each	1,000.00
		13,500.00
ISSUED, SUBSCRIBED AND PAID UP		
8,82,04,943	Equity Shares of Rs.10/- each fully paid up	8,820.49
		8,820.49

Schedule 2

RESERVES AND SURPLUS

RESERVES

Capital Reserve	0.13
Capital Redemption Reserve	150.00
Share Premium Account	8,281.20
Add: Share premium received during the year	2,517.75
	10,798.95
Special Reserve (*)	173.12
Less: Transferred to Profit & Loss Account	18.18
	154.94
Revaluation Reserve	1,931.28
Less: Transferred to Profit & Loss Account	36.47
	1,894.81
Debenture Redemption Reserve	
Balance as per last Balance Sheet	1,620.00
Less: Transferred to Profit and Loss Account	75.00
Add: Transferred from Profit & Loss Account	582.00
	2,127.00

Schedule 2 (Contd.)

General Reserve	
Balance as per last Balance Sheet	2,747.00
Add: Transferred from Profit & Loss Account	714.41
	3,461.41
Surplus in Profit & Loss Account	21,908.80
	40,496.04

(*) Represents relief/incentive granted by Government of India by way of refund of 90% of Customs Duty paid on NP Project imports. This amount will be adjusted against depreciation over the remaining useful life of the Fixed assets of NP Project.

Schedule 3

(Rupees in Lacs)

LOAN FUNDS - SECURED LOANS

A. WORKING CAPITAL BORROWINGS FROM BANKS

(a) Cash Credit	611.81
(b) FCNRB Loan	942.81
(Payable within One Year)	

B. TERM LOAN

From banks	568.87
(Payable within One Year Rs. 396.20 lacs)	

C. SECURED NON-CONVERTIBLE DEBENTURES

(1) 14.75 % Privately Placed Non-Convertible Debentures	4,045.00
(2) 12.50 % Privately Placed Non-Convertible Debentures	3,300.00
(3) 12.50 % Privately Placed	1,000.00
Less: Repurchased and extinguished during the year 500 Debentures of Rs.1,00,000/- each	500.00
	500.00
(4) 7.50% Privately Placed Non-Convertible Debentures	2,000.00
(5) 7.25% Privately Placed Non-Convertible Debentures	1,800.00
	11,645.00
	13,768.49

Schedule 4

FIXED ASSETS

(Rupees in Lacs)

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	As on 1-4-03 *	Additions/	Deduct-ions/ Adjust-ments	Total upto 31-3-04	As on 1-4-03 *	Deduc-tions/ Adjust-ments	For the year	Total upto 31-3-04 *	As on 31-3-04	As on 31-3-03	
Land - Freehold	130.02	2.26	—	132.28	—	—	—	—	132.28	130.02	
Land - Leasehold (a)	907.17	—	—	907.17	56.41	—	13.05	69.46	837.71	850.76	
Buildings (b)	8,802.11	139.07	—	8,941.18	1,440.53	—	180.45	1,620.98	7,320.20	7,361.58	
Plant and Machinery (c)	57,251.04	1,509.84	1,201.29	57,559.59	30,047.13	206.54	3,553.60	33,394.19	24,165.40	27,203.91	
Electrical Installation and Fittings	83.10	—	3.00	80.10	60.59	1.89	5.13	63.83	16.27	22.51	
Furniture & Fixtures	432.00	13.20	9.16	436.04	366.68	5.97	22.08	382.79	53.25	65.32	
Office Equipments	616.88	194.77	29.05	782.60	393.84	10.31	99.83	483.36	299.24	223.04	
Vehicles	305.31	169.33	91.52	383.12	148.18	62.71	59.56	145.03	238.09	157.13	
Intangible Assets	—	263.74	—	263.74	—	—	7.92	7.92	255.82	—	
Goodwill on Consolidation	—	5,115.76	—	5,115.76	—	—	—	—	5,115.76	—	
TOTAL*	68,527.63	7,407.97	1,334.02	74,601.58	32,513.36	287.42	3,941.62	36,167.56	38,434.02	36,014.27	
Capital Work-in-Progress (d)									236.07	—	

- a) Leasehold land includes Rs.824.16 lacs being premium for acquiring additional plots of leasehold land possession of which is obtained but formal deeds are under preparation and execution.
- (b) Buildings include a sum of Rs.4,537.03 lacs represented by 25,652 Equity Shares of Rs.10/- each in a Company which is the legal owner of the buildings in respect of which the Company has an exclusive right of use and occupation by virtue of the shares so held. Also refer Note 3
- (c) Includes Exchange Rate Variance capitalised upto 31st March, 2004 of Rs.3,474.07 lacs net of Rs.113.50 lacs decapitalised during the year under report. Depreciation on Exchange Rate Variance so capitalised upto 31st March, 2004 amounts to Rs.2,572.23 lacs of which Rs.110.97 lacs pertains to the year under report.

Gross Block of Plant and Machinery includes Rs.157.23 lacs being the cost of Fixed Assets, ownership of which does not vest with the Company, being amortised over 60 months.

- (d) Capital Work-in-progress includes advances/deposits for fixed assets Rs.24.50 lacs.

* Includes Gross Block, Depreciation and Net Block as on 9.12.2003 in respect of Subsidiary Company.

Consolidated Financial Accounts

Schedule 4a (Rupees in Lacs)

CAPITAL WORK-IN-PROGRESS - PROJECTS

Description	Incurring upto 31-03-2003	Incurring during 2003-2004	Total as on 31-03-2004
Land and Site Development (a)	3617.79	70.13	3687.92
Building (under construction)		19.70	19.70
Plant and Machinery (under installation)		11.54	11.54
Advances		487.19	487.19
Technical Know-how and Engineering Fees		468.77	468.77
Pre-operative expenditure pending Capitalisation/Amortisation:			
Employees' emoluments		24.81	
General expenses		88.43	113.24
Interest and other Financial charges		13.67	13.67
TOTAL	3,617.79	1,184.24	4,802.03

(a) Includes Rs.3,600 lacs represented by 24,000 equity shares of Rs.10/- each in a company, which is the legal owner of the land in respect of which the Company has acquired exclusive rights of development [Refer Note 3].

Schedule 5 INVESTMENTS

LONG TERM

A. TRADE UNQUOTED

1 88,448 Shares of Sterling Pound 1/- each of Deepak International Limited		68.69	
2 700 Equity Shares of Rs.10/- each of Deepak Agro Solutions Limited.		0.07	
3 100 Equity Shares of Rs.10/- each of Deepak Phosphatics Private Limited		0.01	
			68.77

B. NON-TRADE QUOTED

1 2,00,000 Equity Shares of Rs.10/- each of Hindustan Oil Exploration Company Limited		30.00	
2 6,199 Equity Shares of Rs.10/- each of Noble Explochem Limited.		0.64	
Aggregate market price of quoted investments Rs.78.16 lacs			
UNQUOTED			
1 6 Years National Savings Certificates (Deposited with Government Authorities).		0.05	
2 730 units of Unit Trust of India (Venture Capital Scheme 1990) of Rs.100/- each.		0.73	
			31.42

CURRENT INVESTMENT

A. LIQUID FUNDS

1 Alliance Capital Mutual Fund 1,60,83,826.043 units of Rs.10/- each.		1,608.40	
2 Canbank Mutual Fund 30,20,260.340 units of Rs.10/- each.		303.47	
3 Chola Mutual Fund 1,03,14,321.500 units of Rs.10/- each.		1,105.48	
4 DSP Merrill Lynch Mutual Fund 40,22,629.216 units of Rs.10/- each.		402.65	
5 HDFC Mutual Fund 63,88,216.607 units of Rs.10/- each.		679.48	

Schedule 5 INVESTMENTS (Contd.)

(Rupees in Lacs)

6 LIC Mutual Fund 27,85,585.969 units of Rs.10/- each.		300.15	
7 Reliance Mutual Fund 1,25,05,756.748 units of Rs.10/- each.		1,907.05	
8 Templeton Mutual Fund 23,175.683 units of Rs.1,000/- each.		350.41	
			6,657.09
Less: Provision for diminution in value		0.14	
			6,656.95
B. SHORT TERM FUNDS			
1 Chola Mutual Fund 41,18,359.498 units of Rs.10/- each.		417.11	
2 Deutsche Mutual Fund 79,18,918.348 units of Rs.10/- each.		810.37	
3 DSP Merrill Lynch Mutual Fund 41,46,301.892 units of Rs.10/- each.		423.21	
4 HDFC Mutual Fund 10,87,120.189 units of Rs.10/- each.		114.18	
5 IL&FS Mutual Fund 25,74,683.311 units of Rs.10/- each.		261.29	
6 SBI Mutual Fund 13,42,269.949 units of Rs.10/- each.		136.77	
7 Standard Chartered Mutual Fund 63,21,847.040 units of Rs.10/- each.		651.66	
8 Templeton Mutual Fund 33,347.444 units of Rs.1,000/- each.		364.89	
			3,179.48
Less: Provision for diminution in value		19.21	
			3,160.27
C. INCOME FUNDS			
1 JM Mutual Fund 18,96,626.281 units of Rs.10/- each.		500.00	
2 Kotak Mahindra Mutual Fund 9,62,914.936 units of Rs.10/- each.		100.00	
3 Sundaram Mutual Fund 9,20,777.340 units of Rs.10/- each.		94.74	
			694.74
D. MONTHLY INCOME PLAN			
1 Alliance Capital Mutual Fund 28,90,640.688 units of Rs.10/- each.		313.53	
2 Birla Sun Life Mutual Fund 64,00,749.809 units of Rs.10/- each.		704.63	
3 DSP Merrill Lynch Mutual Fund 54,32,843.113 units of Rs.10/- each.		570.14	
4 HDFC Mutual Fund 26,90,339.646 units of Rs.10/- each.		271.20	
5 Principal Mutual Fund 34,79,601.255 units of Rs.10/- each.		377.79	
6 Prudential ICICI Mutual Fund 76,54,429.703 units of Rs.10/- each.		825.46	

Consolidated Financial Accounts

Schedule 5		(Rupees in Lacs)
INVESTMENTS (Contd.)		
7	Reliance Mutual Fund 20,00,000 units of Rs.10/- each.	200.00
8	Sundaram Mutual Fund 10,00,000 units of Rs.10/- each.	100.00
9	Templeton Mutual Fund 58,18,289.594 units of Rs.10/- each.	655.76
10	Tata Mutual Fund 53,53,325.932 Units of Rs.10/- each	622.51
		4,641.02
	Less: Provision for diminution in value	12.91
		4,628.11
E EQUITY FUND		
1	HDFC Mutual Fund 1,21,636.744 units of Rs.10/- each.	23.18
2	HSBC Mutual Fund 1,52,439.024 units of Rs.10/- each.	25.00
		48.18
		15,288.44

Units of Mutual Funds Allotted and Redeemed during the year:

Sr. No.	Description (Units of Face value of Rs. 10/- each)	Allotted Units	Redeemed Units
A LIQUID FUNDS			
1	Alliance Capital Mutual Fund	6,52,06,576.251	4,92,24,094.027
2	Birla Sun Life Mutual Fund	16,96,134.510	26,65,217.074
3	BOB Mutual Fund	—	14,05,494.547
4	Canbank Mutual Fund	2,69,44,446.490	23,924,186.150
5	Chola Mutual Fund	1,86,70,608.979	1,00,21,047.393
6	Deutsche Mutual Fund	44,69,655.817	44,69,655.817
7	DSP Merrill Lynch Mutual Fund	1,01,46,136.088	74,99,875.629
8	HDFC Mutual Fund	1,18,51,175.297	54,62,958.690
9	IL & FS Mutual Fund	66,19,081.319	1,10,79,504.594
10	JM Mutual Fund	2,55,76,026.299	2,73,66,707.594
11	Kotak Mahindra Mutual Fund	54,68,930.297	54,68,930.297
12	LIC Mutual Fund	9,293,963.403	65,08,377.434
13	Prudential ICICI Mutual Fund	1,66,66,912.611	1,81,80,296.739
14	Reliance Mutual Fund	1,97,63,510.896	72,57,754.148
15	SBI Mutual Fund	72,59,353.927	72,59,353.927
16	Standard Chartered Mutual Fund	47,41,627.356	47,41,627.356
17	Sundaram Mutual Fund	2,40,58,334.300	2,56,87,566.981
18	Tata Mutual Fund	1,10,26,387.182	1,10,26,387.182
19	Templeton Mutual Fund	5,83,313.617	19,19,488.549
20	Zurich India Mutual Fund	17,53,857.041	41,56,201.729
B. SHORT TERM FUNDS			
1	Birla Sun Life Mutual Fund	77,21,189.900	1,13,78,185.719
2	BOB Mutual Fund	—	2,50,000.000
3	Chola Mutual Fund	51,16,421.852	9,98,062.354
4	Deutsche Mutual Fund	1,78,96,210.061	99,77,291.713
5	DSP Merrill Lynch Mutual Fund	70,79,598.722	29,33,296.830
6	HDFC Mutual Fund	1,50,20,634.015	1,48,36,591.482
7	HSBC Mutual Fund	1,15,97,126.713	1,15,97,126.713
8	IL&FS Mutual Fund	—	6,06,155.935
9	JM Mutual Fund	2,01,64,873.182	3,12,63,673.587
10	Kotak Mahindra Mutual Fund	33,06,241.614	42,45,217.567
11	Prudential ICICI Mutual Fund	1,28,43,270.461	2,04,03,002.652
12	Reliance Mutual Fund	1,06,64,904.781	1,06,64,904.781
13	SBI Mutual Fund	73,40,920.280	79,39,465.195
14	Standard Chartered Mutual Fund	72,91,534.607	15,56,610.915
15	Tata Mutual Fund	55,98,507.627	92,15,388.721
16	Templeton Mutual Fund	85,71,284.092	85,71,284.092
17	Templeton Mutual Fund*	1,35,768.481	1,02,421.037
18	Zurich India Mutual Fund	3,97,859.055	10,69,766.305

Sr. No.	Description (Units of Face value of Rs.10/- each)	Allotted Units	Redeemed Units
C. INCOME FUNDS			
1	Birla Sun Life Mutual Fund	—	3,44,487.189
2	HDFC Mutual Fund	—	7,99,985.105
3	IL & FS Mutual Fund	27,46,769.161	27,46,769.161
4	JM Mutual Fund	18,96,626.281	6,11,882.763
5	Kotak Mahindra Mutual Fund	7,937.346	7,03,594.839
6	Prudential ICICI Mutual Fund	—	7,51,899.550
7	Templeton Mutual Fund	—	5,15,529.275
D. FIXED MATURITY FUNDS			
1	Zurich India Mutual Fund	—	3,53,786.150
E. EQUITY FUNDS			
1	Zurich India Mutual Fund	—	1,84,331.797
2	Templeton Mutual Fund	—	4,49,111.676

* Face value of Rs.1,000/- each

Schedule 6 (Rupees in Lacs) CURRENT ASSETS, LOANS AND ADVANCES

A. CURRENT ASSETS		
1. INTEREST ACCRUED ON DEPOSITS		292.72
2. INVENTORIES (taken, valued & certified by management)		
(a) Raw Materials (at cost)	878.30	
(b) Stores, Spares, Oils, Chemicals and Catalysts (at cost) (Net of provision for obsolescence Rs.54 lacs)	2,511.89	
(c) Finished Goods (at lower of Cost and net realisable value)	822.75	4,212.94
3. SUNDRY DEBTORS [Refer Note 12(i)]		
(a) Unsecured, Considered good:		
(i) Over six months	910.27	
(ii) Others	8,440.82	
(b) Considered doubtful	379.88	
Less: Provision for doubtful debts	379.88	9,351.09
4. CASH AND BANK BALANCES		
(a) Cash and Cheques on hand	213.04	
(b) Balances with Scheduled Banks:		
(i) Current/Cash Credit Accounts	865.50	
(ii) Short Term/Margin Deposits (Under Lien with Banks Rs.457.01 lacs)	3,316.50	4,395.04
B. LOANS AND ADVANCES [Refer Note 12 (ii)]		
Unsecured, considered good: (Unless provided for)		
1. Security and other Deposits	628.64	
2. Loans/deposits with Joint Stock Companies	4,094.78	
Less: Provision	383.78	
	3,711.00	
3. Balance with Central Excise, Customs etc.	265.31	
4. Prepaid Expenses	489.06	
5. Advance Payment of Taxes	12,660.42	
6. Advances recoverable in cash or kind or for value to be received	702.88	
		18,457.31
		36,709.10

Consolidated Financial Accounts

Schedule 7	(Rupees in Lacs)	Schedule 10	(Rupees in Lacs)
CURRENT LIABILITIES AND PROVISIONS		INVENTORY ADJUSTMENTS	
A. CURRENT LIABILITIES		1. Opening Stock of Finished Goods 1,151.79	
1. Sundry Creditors	2,583.67	2. Closing Stock of Finished Goods 819.90	
2. Due to Directors	319.13	Decrease 331.89	
3. Other Liabilities	5,330.98		
4. Unclaimed Dividend/ Interest / Matured Debentures [Refer Note 14]	570.82	Schedule 11	
5. Interest Accrued but not due	316.62	INTEREST AND OTHER FINANCIAL CHARGES	
	9,121.22	1. Interest on Loans * 1,343.41	
B. PROVISIONS		2. Interest - Others 33.97	
1. Provision for Taxation	14,017.62	3. Other Financial Charges* 107.22	
2. Provision for Retirement Benefits	250.82	1,484.60	
3. Provision towards Shutdown / Catalyst Expenses	495.60	* Excluding amount capitalised Rs.13.67 lacs	
4. Proposed Dividend	1,693.20	Schedule 12	
5. Corporate Dividend Tax	217.00	SIGNIFICANT ACCOUNTING POLICIES TO THE CONSOLIDATED	
	16,674.24	BALANCE SHEET AND PROFIT AND LOSS ACCOUNT	
	25,795.46	1. The consolidated financial statements envisage combining of financial statement of Deepak Fertilisers And Petrochemicals Corporation Limited and its subsidiary Smartchem Technologies Limited in which its parent Company holds 99.99% voting rights.	
Schedule 8		2. Principles of consolidation	
OTHER INCOME		(i) The financial statements of the Company and its subsidiary company are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses in accordance with Accounting Standard (AS-21) – “Consolidated Financial Statements” issued by the Institute of Chartered Accountants of India.	
1. Interest on Inter-Corporate Deposits (Gross) (Tax Deducted at Source Rs.82.74 lacs)	403.63	(ii) The difference between the cost of investment in the subsidiary, over the net assets at the time of acquisition of shares in the subsidiary is recognised in the financial statements as Goodwill or Capital Reserve as the case may be. The carrying value of goodwill is subjected to the test of impairment.	
2. Interest on Term Deposits with Banks (Gross) (Tax Deducted at Source Rs.21.70 lacs)	120.17	(iii) Minority Interest's share of the net profit of consolidated subsidiary for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the Company.	
3. Other Interest (Gross) (Tax Deducted at Source Rs.3.23 lacs)	38.99	(iv) Minority interest's share of net assets of consolidated subsidiary is identified and presented in the Consolidated Balance Sheet separate from liabilities and the equity of the Company's shareholders.	
4. Insurance Claims	0.25	(v) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements. Variation in the respective accounting policies is given effect in the consolidated financial statement only if the impact is significant.	
5. Dividend Trade Investments	18.00	3. Company holds certain rights in immoveable properties by virtue of equity shares held in an associate enterprise, as stated in Note b of Schedule 4 and Note a of Schedule 4a. Since the equity shares so held do not really represent financial investment simpliciter but rather the means to acquire and hold the properties for use in Company's operations, the cost of acquisition of the shares is treated as cost of fixed assets and is dealt with in accordance with Accounting Standard 10. Accordingly the requirements of Accounting Standard 13 (Accounting for Investments) and Accounting Standard 23 (Accounting for Investments in Associates in consolidated financial statements) are considered to be not applicable. Even otherwise, the actual effect on the consolidated financial statement will not be contextually significant.	
6. Dividend - Mutual Funds	629.29	4. Other significant accounting policies These are set out under “Significant Accounting Policies” as given in the Unconsolidated Financial Statements of Deepak Fertilisers And Petrochemicals Corporation Limited and its subsidiary.	
7. Profit on Sale/Redemption of Investments	152.78	5. Contingent Liabilities not provided for:	
8. Miscellaneous Receipts	1,188.99	<ul style="list-style-type: none"> ● Amounts claimed by suppliers from the Company not acknowledged as debts: Rs.678.54 lacs. 	
	2,553.70		
Schedule 9			
MANUFACTURING AND OTHER EXPENSES			
1. RAW MATERIALS CONSUMED (including use of gas for primary reformer heating)	17,501.34		
2. MATERIAL HANDLING CHARGES	234.84		
3. PURCHASES OF GOODS TRADED	5,960.44		
4. PACKING MATERIAL CONSUMED	577.13		
5. EMPLOYEES' EMOLUMENTS			
(a) Salaries, Wages & Allowances	3,103.16		
(b) Contribution to Provident, Superannuation and Gratuity Funds	357.73		
(c) Welfare and other Amenities	272.91		
	3,733.80		
6. OPERATING AND OTHER EXPENSES			
(a) Power, Fuel and Water	1,779.55		
(b) Stores, Spares, Oils, Chemicals and Catalysts Consumed	1,204.52		
(c) Repairs to:			
(i) Buildings	92.81		
(ii) Plant and Machinery	678.85		
(iii) Others	176.80		
	948.46		
(d) Insurance	372.40		
(e) Rent	297.90		
(f) Rates, Taxes and Duties	98.98		
(g) Directors' Sitting Fees	1.92		
(h) Auditors' Remuneration	25.99		
(i) Carriage Outward (Net)	916.03		
(j) Cash Discounts	193.61		
(k) Miscellaneous Expenses	1,969.29		
	7,808.65		
	35,816.20		

Consolidated Financial Accounts

- Income tax demands in respect of matters:
 - (i) Decided in Company's favour by Appellate Authorities where the Department is in further appeal: Rs.2,744.98 lacs.
 - (ii) Pending before Appellate Authorities in respect of which the Company is in appeal Rs.55.95 lacs.
 - Excise/Service Tax demands contested in appeal: Rs.358.19 lacs.
 - Customs show cause notices not accepted: Rs.454.35 lacs.
 - Sales Tax demand not accepted: Rs.379.22 lacs.
 - Others: Rs.3.30 lacs.
 - As against the claims by the Government of India (GoI) for penalty of Rs.90.10 lacs, levied for delay in completion of Ammonia project and for interest thereon of Rs.144.17 lacs the Sole Arbitrator (Jt. Secretary, Ministry of Law, GoI) appointed by the Secretary, Department of Fertilisers, has given an award of Rs.8.50 lacs for penalty and Rs.4.57 lacs for interest (which aggregated payment of Rs.13.07 lacs the Company has already tendered). However, GoI has challenged the Award and filed a Petition in the Bombay High Court, which has been dismissed. The Government has filed an appeal, with the Division Bench of Bombay High Court against dismissal. The appeal though time-barred, has been admitted and is yet to be listed for hearing.
 - Excise Duty and price difference payable / receivable, if any, on quantity of natural gas used otherwise than as a feedstock in the manufacture of Ammonia, by the Company upto 28th February, 1988: amount unascertainable.
 - Pending settlement of new terms related to workers/staff and other labour disputes: amount unascertainable.
 - Bank Guarantee furnished on behalf of the Company for various purposes and outstanding as on 31st March, 2004 and for which the Company has given counter guarantee: Rs.202.92 lacs.
 - Custom Duty on import of capital goods for the Projects is assessed on provisional basis pending final assessment. Further liability, if any, is unascertainable.
 - Contingent Liability towards delayed construction on leasehold land at Kalamboli by way of deposal of land or additional premium is unascertainable in absence of any communication from the concerned authority in this regard.
6. The Company's subsidiary has revalued its plant & machinery on the basis of replacement values. Revaluation reserve has been created towards increase in value of gross block and depreciation on incremental value is withdrawn from revaluation reserve and credited to Profit & Loss Account every year.
7. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.5,549.98 lacs.
8. The Company has entered into currency swap transactions of Rs.3,800 lacs and coupon swap transactions of Rs.5,800 lacs towards its underlying debenture liabilities. As at 31st March, 2004 the Company does not have any incremental liability on this account.
9. Gas Authority of India Limited (GAIL) supplier to the Company of natural gas, one of the main raw materials, has effected the supplies at provisional rate as indicated in the invoices. However, according to the Company any revision in natural gas price will be only prospective as per the existing convention/practice followed by Government of India.
10. The committee constituted by FICC at the directive of the Delhi High Court has examined the Company's claim for revision in the reimbursement of additional transport cost for the period ended 31st March, 1992. The committee's decision is awaited. Revenue, if any, will be recognised only after finalisation of proceedings.
11. Extraordinary items net of tax include:
- Depreciation of Rs.890 lacs for earlier years charged in respect of DNA Plant (II Stream) due to change in the accounting policy of depreciation.
 - Other non-recurring items of Rs.267 lacs.
12. (i) Sundry Debtors include due from companies in which some of the Directors are Directors/Members: Rs.566.21 lacs Maximum amount due during the year: Rs.1,085.17 lacs.
- (ii) Loans and Advances include:
- Security deposit of Rs.200 lacs placed with Managing Director towards lease of residential premises.
 - Due from companies in which some of the Directors are Directors/Members: Rs.1,511 lacs.
 - Dues from Officers Rs.3.14 lacs Maximum amount during the year Rs.3.14 lacs.
13. Net exchange difference credited to Profit & Loss Account is Rs.194.11 lacs.
14. The Investor Education and Protection Fund shall be credited by the following amounts:
- | (Rs.in Lacs) | |
|-------------------------------------|----------------------|
| <u>2003-2004</u> | |
| a) Unclaimed dividends | 181.06 |
| b) Unclaimed interest on debentures | 182.94 |
| c) Unclaimed debentures matured | 206.82 |
| | <u>570.82</u> |
15. Major components of Deferred Tax Liabilities and Deferred Tax Assets.
- | Sr. No. | Particulars | Opening as on 1.4.2003 | Net Increase/ (Decrease) During the year | Closing Balance as on 31.3.2004 |
|------------------------------------|--|------------------------|--|---------------------------------|
| A. Deferred Tax Liabilities | | | | |
| 1 | Depreciation | 8,144.00 | (852.15) | 7,291.85 |
| 2 | Others | 69.41 | — | 69.41 |
| | Total A | 8,213.41 | (852.15) | 7,361.26 |
| B. Deferred Tax Assets | | | | |
| 1 | Provisions for Doubtful Debts / Loan & Advances | 244.92 | 32.99 | 277.91 |
| 2 | Accrued expenses deductible on actual payment/quantification | 703.72 | (209.54) | 494.18 |
| | Total B | 948.64 | (176.55) | 772.09 |
| | Net Tax effect of Timing Differences (A-B) | 7,264.77 | (675.60) | 6,589.17 |
16. This being the first year of consolidated accounts, previous year's figures and cash flow statement are not provided.
17. Earnings Per Share as computed in accordance with the Accounting Standard 20.
- | <u>2003-2004</u> | |
|--|--------------------|
| (i) Net Profit After Tax (Rs. in Lacs) | 7,113.60 |
| (ii) Number of Equity Shares of Rs.10/- each | 8,82,04,943 |
| (iii) Weighted Average number of Equity Shares of Rs.10/- each | 7,69,54,943 |
| (iv) Basic and Diluted Earnings Per Share (Rs.) | 9.24 |
| (v) Basic and Diluted Earnings Per Share (Rs.) (excluding extraordinary items) | 10.05 |
18. Segment Reporting - Refer Annexure-A
19. Related Party Disclosure - Refer Annexure-B
-
- As per our Report of even date
- | | | |
|---|---------------------------------------|---|
| FOR B.K.KHARE & CO.
<i>Chartered Accountants</i> | C.K.MEHTA
<i>Chairman</i> | N.C.SINGHAL
<i>Director</i> |
| D.P. BAPAT
<i>Partner</i> | D.C.MEHTA
<i>Vice Chairman</i> | R.SRIRAMAN
<i>Sr. Vice-President (Legal) & Company Secretary</i> |
| | S.C.MEHTA
<i>Managing Director</i> | |
- Mumbai
Dated 20th May, 2004
- Mumbai
Dated 20th May, 2004

Consolidated Financial Accounts

ANNEXURE-A
(Rs. in Lacs)

SEGMENT REPORTING

Sr. No.	PARTICULARS	CHEMICALS	BULK FERTILISERS	OTHERS	ELIMINATIONS	COMMON	TOTAL
1	Revenue						
	a) External Sales						
	i) Manufactured	27,667.71	14,131.17	—	—	—	41,798.88
	ii) Traded	2,304.94	3,722.40	873.37	—	—	6,900.71
	b) Inter-segment sales	3,132.28	—	—	(3,132.28)	—	—
	c) Other income	217.76	107.09	195.92	—	—	520.77
	d) Unallocated Corporate other income	—	—	—	—	2,032.93	2,032.93
	Total Revenue	33,322.69	17,960.66	1,069.29	(3,132.28)	2,032.93	51,253.29
2	Segment Result	15,611.33	(3,193.68)	(3.35)	—	2,032.93	14,447.23
3	Unallocated Corporate expenses	—	—	—	—	7,333.63	7,333.63
4	Net profit	—	—	—	—	—	7,113.60
5	Other Information						
	a) Segment Assets	36,050.14	9,214.59	4,510.08	—	—	49,774.81
	Unallocated corporate Assets	—	—	—	—	45,694.85	45,694.85
	Total Assets	—	—	—	—	—	95,469.66
	b) Segment Liabilities	1,643.86	2,092.39	68.18	—	—	3,804.43
	Unallocated corporate Liabilities	—	—	—	—	42,348.70	42,348.70
	Total Liabilities	—	—	—	—	—	46,153.13
	c) Capital Expenditure incurred during the year.	6,289.08	494.72	10.11	—	614.06	7,407.97
	d) Depreciation	2,203.87	532.29	13.40	—	247.86	2,997.42
	e) Other non-cash expenditure	—	—	—	—	—	—

Segment information

- Primary segment reporting (by business segments)
Composition of business segment

Segment	Products covered
a) Chemicals	Ammonia, Methanol, DNA, CNA, CO ₂ , AN
b) Bulk Fertilisers	NP, MOP, DAP, Ammonium Sulphate, Mixtures, SSP
c) Others	Real Estate, Seeds, Sulphur, Micronutrients, SSF

- Intersegment Sales Pricing : Intersegment revenue has been recognised as estimated under Excise Regulations.
- Secondary Segment Information : There are no reportable geographical segments since the Company caters mainly to needs of Indian Markets.

As per our Report of even date

FOR B.K.KHARE & CO.
Chartered Accountants

D.P. BAPAT
Partner

C.K.MEHTA
Chairman

D.C.MEHTA
Vice Chairman

S.C.MEHTA
Managing Director

N.C.SINGHAL
Director

R.SRIRAMAN
Sr. Vice-President (Legal) &
Company Secretary

Mumbai

Dated 20th May, 2004

Mumbai

Dated 20th May, 2004

Consolidated Financial Accounts

ANNEXURE-B

1. NAMES OF THE RELATED PARTIES AND RELATIONSHIP

A. Associates

1. Blue Shell Investments Pvt. Ltd.
2. Checkpoint Credits And Capital Pvt. Ltd.
3. Deepak Agro Solutions Limited
4. Deepak Nitrite Limited
5. Deepak Phosphatics Pvt. Ltd.
6. Deepak Refinery Limited
7. Forex Leafin Pvt. Ltd.
8. Hardik Leafin Pvt. Ltd.
9. Nova Synthetic Limited
10. Pranava Leafin Pvt. Ltd.
11. Prolific Credits And Capital Pvt. Ltd.
12. Sapna Investments Pvt. Ltd.
13. Skyrose Finvest Pvt. Ltd.
14. Smartchem Technologies Limited (upto 8.12.2003)
15. Sofotel Software Services Pvt. Ltd.
16. Stiffen Credits And Capital Pvt. Ltd.
17. Storewell Credits And Capital Pvt. Ltd.
18. Sundown Finvest Pvt. Ltd.
19. Superpose Credits And Capital Pvt. Ltd.
20. The Lakaki Works Pvt. Ltd.
21. Yarrowada Investments Limited

B. Key Management Personnel

1. Shri C.K.Mehta
2. Shri S.C.Mehta
3. Shri K.S.Gopalakrishnan
4. Shri A.Visweswara Rao

2. RELATED PARTY TRANSACTIONS

(Rs. in Lacs)

Sr. No.	Nature of Transactions	Associates	Key Management Personnel	Relatives of Key Management Personnel	Total
1	Sale of Goods	2,564.32	—	—	2,564.32
2	Rendering of Services	27.36	—	—	27.36
3	Receiving of Services	125.21	361.03	0.21	486.45
4	Security Deposit for Leased Accommodation	—	200.00	—	200.00
5	Leasing or Hire Purchase arrangements	202.44	5.01	—	207.45
6	Purchase of Equity Shares	—	6,368.76	—	6,368.76
7	Finance (including Loans, Equity contribution in cash or in kind)	22.70	—	—	22.70
8	Interest Received	171.62	—	—	171.62
9	Dividend Received	18.00	—	—	18.00
10	Dividend Paid	101.00	265.44	15.40	381.84
11	Management Contracts Including for deputation of employees.	16.34	—	—	16.34
12	Balance Receivable/(Payable)	2,058.59	(38.84)	—	2,019.75
	Less: Provision for Receivable/(Payable)	—	—	—	—
13	Net Outstanding Receivable/(Payable)	2,058.59	(38.84)	—	2,019.75

3. NAMES OF THE RELATED PARTIES FOR VALUE EXCEEDING 10% OF TOTAL TRANSACTIONS

(Rs. in Lacs)

Sr. No.	Nature of Transactions	Associates	Key Management Personnel
1	Sale of Goods		
	Deepak Nitrite Limited	2,272.91	—
2	Rendering of Services		
	Deepak Nitrite Limited	22.64	—
3	Receiving of services		
	Yarrowada Investments Limited	109.81	—
	Shri C.K.Mehta (Commission)	—	29.42
	Shri C.K.Mehta (Remuneration)	—	26.02
	Shri S.C.Mehta (Commission)	—	264.75
	Shri S.C.Mehta (Remuneration)	—	33.74
4	Security Deposit for Leased Accommodation		
	Shri S.C.Mehta	—	200.00
5	Leasing or Hire Purchase arrangements		
	Sofotel Software Services Pvt. Ltd.	202.44	—
6	Purchase of Equity Shares		
	Shri S.C.Mehta	—	6,368.76
7	Finance (including Loans, Equity contribution in cash or in kind)		
	Deepak Agro Solutions Limited	22.70	—
8	Interest Received		
	Deepak Nitrite Limited	170.41	—
9	Dividend Received		
	Smartchem Technologies Limited	18.00	—
10	Dividend Paid		
	Shri S.C.Mehta	—	261.04
	Forex Leafin Pvt. Ltd.	17.91	—
	Hardik Leafin Pvt. Ltd.	15.28	—
	Pravana Leafin Pvt. Ltd.	17.34	—
	Skyrose Finvest Pvt. Ltd.	17.78	—
	Sundown Finvest Pvt. Ltd.	17.60	—
	Storewell Credits And Capital Pvt. Ltd.	11.96	—
11	Management Contracts Including for deputation of employees.		
	Deepak Nitrite Limited	16.34	—
12	Balance Receivable/(Payable)		
	Shri C.K.Mehta	—	(23.76)
	Shri S.C.Mehta	—	(213.80)
	Shri S.C.Mehta	—	200.00
	Deepak Nitrite Limited	1,795.10	—
	Deepak Agro Solutions Limited	262.80	—

As per our Report of even date

FOR B.K.KHARE & CO.
Chartered Accountants

C.K.MEHTA
Chairman

N.C.SINGHAL
Director

D.P. BAPAT
Partner

D.C.MEHTA
Vice Chairman

R.SRIRAMAN
Sr. Vice-President
(Legal) & Company
Secretary

S.C.MEHTA
Managing Director

Mumbai
Dated 20th May, 2004

Mumbai
Dated 20th May, 2004