

Directors' Report

To the Members,

Your Directors have pleasure in presenting the Twenty-Eighth Annual Report together with Audited Accounts of the Company for Financial Year ended 31st March, 2008.

■ FINANCIAL RESULTS

The summarised financial results for the year are as under :

	(Rupees in Lacs)	
	<u>2007-08</u>	<u>2006-07</u>
Sales (including other income)	1,08,131.07	86,943.46
Profit before depreciation	19,897.87	16,846.60
Less : a) Depreciation	4,470.51	3,908.32
b) Prior years' adjustments (net)	–	(58.65)
Profit before Exceptional Items	15,427.36	12,996.93
Less : Exceptional Items	276.02	182.12
Profit Before Tax (PBT)	15,151.34	12,814.81
Less : a) Provision for Income Tax	5,386.77	1,690.30
b) Provision for deferred Income Tax	(375.98)	1,745.66
c) Provision for Fringe Benefit Tax	92.00	69.00
d) Provision for Wealth Tax	22.00	17.21
Net Profit	10,026.55	9,292.64
Add : Balance brought forward	36,729.79	31,653.15
	46,756.34	40,945.79
Appropriations :		
a) Transferred to Debenture Redemption Reserve	190.00	190.00
b) Transferred to General Reserve	1,005.00	930.00
c) Dividend on Equity Shares	3,087.20	2,646.20
d) Corporate Dividend Tax	524.70	449.80
Surplus carried to Balance Sheet	41,949.44	36,729.79

Sales (including other income) increased to Rs. 1,081.31 crores (including trading operations of Rs. 357.93 crores) as against Rs. 869.43 crores (including trading operations of Rs. 315.78 crores) for the previous year. PBT for the year under review is Rs.151.51 crores as against Rs. 128.15 crores in the previous year. Net Profit for the current year is Rs. 100.27 crores as compared to Rs. 92.93 crores in the previous year.

■ DIVIDEND

Considering the continued good performance of the Company during the year under review, your Directors recommend a dividend @ 35% (Previous Year 30%) on Equity Shares of the Company for year ended 31st March, 2008. The proposed dividend (including Corporate Dividend Tax) will absorb Rs. 36.12 crores.

■ 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 alongwith 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, 2008 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 investors of the Company and the subsidiary companies upon request made in this regard to the 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

Shri R. A. Shah, Shri D. Basu and Shri U. P. Jhaveri retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Dr. S. Rama Iyer was appointed as an Additional Director of the Company and holds office up to the date of ensuing Annual General Meeting and is eligible for appointment as Director of the Company.

The term of Shri S. C. Mehta as Vice-Chairman & Managing Director of the Company shall be expiring on 31st July, 2008. Shri S. C. Mehta has been re-appointed by the Board of Directors for a further period of five years w.e.f. 1st August, 2008, subject to approval of Members.

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■ **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 2008-09 will be within the limit prescribed under Section 224(1-B) of the Companies Act, 1956. The Board of Directors commends their re-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 30th May, 2008

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

In Ammonia Plant :

- i. synthesis second stage suction gas chilling has been provided for compressors, resulting in energy saving of 0.08 Gcal/MT of Ammonia product.
- ii. an additional NG heater has been installed to utilise Methanator exit gas heat which was earlier lost to cooling water. This has resulted in saving of 0.25 Gcal/hr energy.
- iii. addition of process air chilling at compressor suction has resulted in energy saving of 0.014 Gcal/MT of Ammonia product.
- iv. Zirconium coating was done for reformer furnace refractory. This has resulted in better reformer heat recovery efficiency thereby reducing fuel consumption by 0.009 Gcal/MT of Ammonia product.

In Nitric Acid Plant :

- v. New vacuum ejection system installed for condensing system of air compressor turbine, resulting in saving of 0.3 MT/hr steam.

Investment in these measures has been Rs. 64.30 lacs and annual expected benefit is Rs. 84 lacs.

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

- i. In Ammonia plant, provision of LP flash column in CO₂ removal section along with solvent change is being implemented. This will reduce the reboiler heat duty by about 0.16 Gcal/MT of ammonia product. Investment in this regard is Rs. 371 lacs and savings Rs. 309 lacs per year.
- ii. A scheme of addition of back pressure turbo alternator for utilising the let down steam energy in IPA plant is being implemented. This will produce about 3.0 MW electric power through optimising the overall steam network of the complex. Investment is Rs. 536 lacs and savings is about Rs. 800 lacs per year.
- iii. In WNA-1 & 2 plants, BFW pump turbine back pressure is being reduced, resulting in saving of 0.1 MT/hr steam consumption.
- iv. Further energy saving measures are under review based on NPC study feedback.

(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.

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(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, 2007 to March, 2008)	Previous Year (April, 2006 to March, 2007)	
1. Electricity				
a) Purchased				
Unit	'000 KWH	24069	24280	
Total Amount	(Rs. in Lacs)	1175	1142	
Rate / Unit	(Rs. / KWH)	4.88	4.70	
b) Own Generation				
i. Captive Power Generation	'000 KWH	27130	19907	
ii. Through Diesel Generator	KWH	52456	31011	
iii. Through Windmill Turbine Generators	'000 KWH	9178	2306	
2. Consumption per unit of Production - Unit (KWH/MT)				
Sr. No.	Product	Standard Budget Norms (2007-08)	Current Year (April, 2007 to March, 2008)	Previous Year (April, 2006 to March, 2007)
1	Liquid Anhydrous Ammonia	73.53	89.20*	71.35
2	Weak Nitric Acid	27.38	21.55	21.90
3	Concentrated Nitric Acid	9.00	8.15	8.39
4	Methanol	72.86	104.94*	82.53
5	Nitro Phosphate	31.50	60.14*	38.78
6	Low Density Prilled Ammonium Nitrate	44.00	37.91	41.92
7	Liquid CO ₂	237.00	257.15	236.85
8	Iso Propyl Alcohol (IPA)	360.00	332.67	494.21

* On account of lower capacity utilisation emanating from raw material constraints.

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

The R&D work was carried-out for producing cosmetic grade IPA successfully. The commercial scale production is being planned.

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

The commercial scale production is yet to start.



SCALING NEW HEIGHTS

(3) Future Plan of Action

It is planned to develop USP grade IPA.

(4) Expenditure on R&D

(Rs. in Lacs)

a. Capital	:	Nil
b. Recurring	:	105.28
c. Total	:	105.28
d. Total R&D expenditure as a percentage of total turnover	:	0.10

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

The plant for manufacturing IPA using BP technology was run successfully throughout the year.

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

IPA has been widely accepted in international as well as domestic market. The product is being sold in bulk as well as drum packaging.

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:

a. Technology imported	GT from Turbomach, Switzerland	BP Technology for Iso Propyl Alcohol	UHDE Technology for WNA plant
b. Year of Import	2004	2005	2007
c. Has technology been fully absorbed?	Yes	Yes	Being absorbed
d. If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action.	Not Applicable	Not Applicable	Plant still under installation after relocation

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars with regard to Foreign Exchange Earnings and Outgo are set out in Note 17F and 17E of Schedule 12 to the Accounts.

Mumbai
Dated 30th May, 2008

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