



# DEEP INDUSTRIES LIMITED

Report  junction.com

**17th Annual Report 2006-2007**



## DEEP INDUSTRIES LIMITED

### BOARD OF DIRECTORS

Mr. Paras S. Savla	<i>Chairman &amp; Managing Director</i>
Mr. Rupesh K. Savla	<i>Managing Director</i>
Mr. Dharen S. Savla	<i>Executive Director</i>
Mr. Prabodhkumar G. Baruah	<i>Independent Director</i>
Mr. Harish G. Bhinde	<i>Independent Director</i>
Mr. Vijay R. Shah	<i>Independent Director</i>

### BANKERS

Bank of Baroda  
UTI Bank Ltd.  
Union Bank of India

### AUDITORS

M/s. Jayesh M. Shah & Co.  
Chartered Accountants

### SHARE TRANSFER AGENT

Intime Spectrum Registry Limited  
211, Sudershan Complex,  
Mitkhali Six Roads,  
Navrangpura,  
Ahmedabad-380009

### REGISTERED OFFICE

Opp. Suryanarayan Bunglows,  
Sabarmati-Kalol State Highway,  
Motera, Gandhinagar-380005

### CORPORATE OFFICE

6th Floor, N G. Tower,  
Opp. Fun Republic Cinema,  
S. G. Highway,  
Ahmedabad-380015

**NOTICE**

NOTICE is hereby given that the SEVENTEENTH ANNUAL GENERAL MEETING of the members of Deep Industries Limited will be held on Tuesday, the 11th of September, 2007 at 04.00 P.M. at Shree Vishwakarma Hall, Sabarmati Gandhinagar Highway, Near Visat Petrol Pump, Motera Gandhinagar to transact the following business:

**ORDINARY BUSINESS :**

1. To receive, consider and adopt Audited Balance Sheet as at 31st March, 2007 and Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Vijay R. Shah, who retires by rotation and being eligible offers himself for re- appointment.
3. To appoint a Director in place of Mr. Harish G. Bhinde, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint M/s. Jayesh M. Shah, & Co., Chartered Accountants, as Auditors who shall hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration

**SPECIAL BUSINESS:**

5. To consider and if thought fit, to pass with or without modification(s), the following as Special Resolution:

**"RESOLVED THAT** consent of the Company be and is hereby given to deploy funds as raised from the Initial Public Offer of Equity Shares of the Company along with the Term Loan as sanctioned by Union Bank of India for acquisition of Compressors and Work Over Rigs of different specifications and design. Instead of acquisition of only Compressors as planned earlier, and that the Board of Directors of the Company be and is hereby authorized to do all such acts and deeds as may be required in this regard."

By Order of the Board of Directors

Date : 24th July, 2007

Place : Ahmedabad

**PARAS SAVLA**

*Chairman & Managing Director*

**NOTES :**

1. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of business under Item No. 5 of the Notice is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING PROXY SHOULD HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
3. The Register of Members and Share Transfer Book of the company will remain closed from 8th September 2007 to 11th September 2007 (both days inclusive).
4. Members holding shares in physical form are requested to intimate Registrar and Share Transfer Agent of the company i.e. Intime Spectrum Registry Limited, 211 Sudarshan Complex, Near Mithakali Six Roads Navrangpura, Ahmedabad-380009 change, if any, in their registered address along with pin code. Members holding shares in electronic form may update such details with their respective Depository Participant.
5. Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, where the equity shares of the company are listed, additional information pertaining to Directors proposed for re- appointment at the Annual General Meeting is attached hereto.



**Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 to the accompanying Notice Dated 24th July, 2007.**

#### ITEM NO. 5

The Board of Directors had passed resolution on 25th September, 2006 for deployment of funds raised from Initial Public Offer and Term Loan as sanctioned by Union Bank of India for acquisition of Compressors and Work Over Rigs of different specifications and design.

The company had initially planned to purchase Gas Compressors to provide natural gas compression services to the clients to India and abroad. As per its plan the company had bid for a project with Bangladesh Gas Field Company Limited for providing compression services by deploying three compressors. The offer of the company was lowest still the work order was not awarded to it but was given to a Singapore based company as per discretion clause in the Tender.

The process of deploying compressor is a long one. The client company first floats a tender and based on the requirement of the client, the designing of the compressor is done by the bidders and the rates are quoted. And the needs are different for each client as the pressure in the oil reservoir varies place to place. After technical evaluation the financial bids are asked for from the approved bidders. Once the bid is lowest, the bidder is awarded the LOI and is given sufficient time to acquire the compressors. Meanwhile the demand for other services to Oil & Gas sector like work over rig services is also booming.

The main reason for the high demand is that due to liberalization policy of the Government giving boost to Oil & Gas Exploration activities, the government through its agency DGH (Directorate General of Hydrocarbon) had offered Oil & Gas blocks to competitive bidders. DGH had already come out with CBM I, II & III blocks (Coal Bed Methane Blocks) in last few years and it has also offered blocks under NELP IV, V & VI open to international competitive bidding. Each block in each round of CBM/NELP offers huge opportunity to service providers. Therefore there is huge opportunity for the service providers who can provide Rigs. Internationally also the Rigs are in short supply due to booming oil prices. It means that whosoever has access to Rigs can immediately deploy it on very favorable terms.

The oil/gas blocks drilled would also result into good demand for compressors also, albeit at a slightly later stage. This demand will be in addition to the existing demand for the compressors. Looking to this, it would be interest of the Company to have a flexible approach towards acquisition of equipments by keeping its option open for both compressors & rigs. If it can lay its hand on Rigs, it would be beneficial for the company to acquire it and deploy it profitably. The company would continue to have its thrust on compressors wherein it is a market leader. The margins from both the activities are similar which are around 40% - 50% and therefore deployment of either of the equipments would boost the topline & bottomline of the company.

The Board accordingly recommended the Special Resolution set out at Item No. 5 of the Notice for the approval of the members. None of the Directors of the Company are concerned or interested in the said Resolution.

By Order of the Board of Directors

Date : 24th July, 2007

Place : Ahmedabad

**PARAS SAVLA**

*Chairman & Managing Director*

#### **Details of Directors seeking re-appointment at the Annual General Meeting**

(in pursuance of clause 49 of the Listing Agreement)

Name of the Director	Brief resume and nature of expertise in functional area	List of other Directorship/ Committee membership in public Companies as on 31st March 2007
Mr. Vijay R. Shah	He is a Chartered Accountant with 24 Years of experience in Accounts and Finance. He has been into Practice undertaking various statutory audits, taxation matters and project finance.	<b>Other Directorship :</b> Kautilya Fin Securities Ltd. Saurashtra Chemicals Ltd.  <b>Committee Membership :</b> Saurashtra Chemicals Ltd.
Mr Harish G. Bhide	He Has a Diploma in Mechanical Engineering. He has more than 40 years of experience out of which 32 with Indian Oil Corporation limited.	<b>Other Directorship :</b> NIL  <b>Committee Membership :</b> NIL

**DIRECTOR'S REPORT**

**To the members,**

Your Directors have pleasure in presenting Seventeenth Annual Report together with the Audited Accounts of the company for the financial year ended 31st March 2007.

**FINANCIAL Results :**

(Rupees in Lacs)

Particulars	2006-07	2005-06
Sales/ Income from Operation	825.97	729.49
Other Income	724.33	66.83
Expenditure	531.93	442.50
Profit Before Interest and Depreciation	1018.37	353.82
<b>Less:</b> Interest	54.98	56.87
Profit Before Depreciation	963.39	296.95
<b>Less:</b> Depreciation	98.58	88.26
Profit Before Tax	864.81	208.69
<b>Less:</b> Provision for : Current Taxation	350.45	20.27
Deferred Taxation	27.94	9.31
Net Profit	486.42	179.11
Balance brought forward from last year	267.61	227.22
Profit available for appropriation	754.03	406.33

**APPROPRIATIONS:**

Transfer to General Reserve	0.00	100.00
Investment Reserve Fund	0.77	0.08
Dividend	0.00	33.89
Dividend Distribution Tax	0.00	4.75
Balance carried to Balance Sheet	753.26	267.61

**DIVIDEND:**

Your Directors have deemed it prudent not to recommend any dividend on equity shares for the year ended 31st March, 2007 in order to conserve the resources for the further years and due to requirements of cash flow for further expansion plans.

**MANAGEMENT DISCUSSION AND ANALYSIS**

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

**CORPORATE GOVERNANCE**

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

**ARBITRATION CLAIM**

As per the arbitration award, during the year under reference, the company has received Rs. 5,70,05,538/- as full and final payment towards the disputed revenue of ONGC Ltd., Gandhar Gas Compression project. Since Income Tax Department has already levied taxes in the respective years on such revenue of Gandhar Project, the Company during the year has not made provision of taxation on such income. However, as per the demand raised by the Income Tax Department and deemed think fit by the Company, the same has been provided as Short Provision of Income Tax for earlier years. The Company has disputed the contention of the Department and has appealed against the orders which are pending with various appellate authority. However, the Company has already paid under protest major amount of the demand raised by the Department.

**DIRECTORS**

Mr. Vijay R. Shah and Mr. Harish G. Bhide retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re- appointment.

**DIRECTORS RESPONSIBILITY STATEMENT**

Pursuant to requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors responsibility statement, it is hereby confirmed:

- i. That in preparation of the Annual Accounts, all the applicable accounting standards have been followed.
- ii. That the accounting policies are adopted and consistently followed and the judgments and estimates made are 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 and of profit of the company for the financial year.
- iii. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing/ detecting fraud and irregularities.
- iv. That the Directors have prepared the Annual Accounts on the going concern basis.

**AUDITORS**

The Audit Committee of Board of Directors of the Company has recommended the re- appointment of M/s. Jayesh M. Shah & Co., Chartered Accountants, who retire at the conclusion of the ensuing Annual General Meeting. The Auditors have offered themselves for re-appointment. The Board recommends their appointment by the member. They have submitted certificate regarding their eligibility for re-appointment, under Section 224(1-B) of the Company's Act, 1956.

**INSURANCE**

All movable properties as owned by the company continued to be adequately insured against risks.

**PARTICULARS OF EMPLOYEES**

There is no employee drawing remuneration for which information is required to be submitted under Section 217(2-A) of the Companies Act, 1956.

**CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION**

Companies (Disclosures of Particulars in Report of Board of Directors) Rules 1988, is not applicable.

**FOREIGN EXCHANGE EARNING AND OUTGO**

The information in respect of Foreign Exchange Earnings and Outgo as required by Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 is given below:

(Rs. in Lacs)		
Particulars	2006-07	2005-06
Earning	25.25	15.73
Outgo	333.60	82.97

**ACKNOWLEDGEMENTS**

Your Directors also take this opportunity to place on record the co-operation and continued support extended by the Banks and Government Authorities during the year under review.

Your Directors wish to place on record their deep sense of appreciation for the contribution made by the employees at all levels enabling the Company to achieve the satisfactory performance during the year under review.

Your Directors would like to express their sincere appreciation and wish to thank the shareholders for their continued support and confidence reposed on the management.

For and on behalf of the Board of Directors

Date : 24th July, 2007

Place : Ahmedabad

**PARAS SAVLA**

Chairman & Managing Director





## CORPORATE GOVERNANCE REPORT

### COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The principle characteristics of corporate governance are Transparency, Independence, Accountability, Responsibility, Fairness and Social Responsibility. Corporate Governance pertains to system of blending law, regulations and voluntary practices, which enables the company to attract financial and human capital, perform efficiently and thereby perpetuate it into generating long term economic value for its shareholders, while respecting interests of other stakeholders and the society as a whole. We take pleasure in reporting that your Company's existing policies and procedures are in conformity with the requirements stipulated under Clause 49 of the Listing Agreement.

### BOARD OF DIRECTORS

As on 31st March, 2007, the Board of Directors comprised of six Directors out of which three Directors are Executive, Non-Independent and three Directors are Non – Executive, Independent, the details of which are as follows:

#### Composition and Category of Directors

Name of Directors	Category of Directorship	No. of board meeting attended	Attendance at last AGM	Member/ Chairman of other Board Committee	Number of other Directorship held
Paras S. Savla (Chairman & Managing Director)	Executive, Non- Independent	11	YES	NIL	5
Rupesh K. Savla (Managing Director)	Executive, Non- Independent	11	NO	NIL	3
Dharen S. Savla (Executive Director)	Executive, Non- Independent	9	YES	NIL	NIL
Vijay R. Shah (Director)	Non-Executive, Independent	3	YES	3	2
Harish G. Bhide (Director)	Non-Executive, Independent	3	No	Nil	Nil
Prabodh Kumar Baruah (Director)	Non-Executive Independent	3	No	Nil	1

#### Number of board meetings held and the date on which held

Eleven board meetings were held during the year and the gap between two board meetings did not exceeded four months. These meetings were held on 17th April 2006, 18th May 2006, 22nd June 2006, 10th August 2006, 15th September 2006, 25th September 2006, 14th October 2006, 8th November 2006, 20th November 2006, 15th December 2006 and 27th January 2007.

### AUDIT COMMITTEE

The Audit Committee as on 31st of March, 2007 comprised of three Non – Executive, Independent Directors. The constitution of Audit Committee also meets with the requirement under sec 292A of the Companies Act, 1956.

The terms of reference of Audit Committee cover the matter specified for Audit Committee under the clause 49 of the Listing Agreement and Section 292 A of the Companies Act 1956, which is as under:

- Supervision of the Companies Financial Reporting process.
- Reviewing with the Management, the financial result before placing them to the board with a special emphasis



on accounting policies and practices, internal controls, compliances with accounting standards and other Legal requirements concerning financial statements.

- Reviewing the adequacy of the audit and compliance function, including their policies, procedures, techniques and other regulatory requirements with the statutory auditors.
- Reviewing the observation of statutory auditors about the finding during the audit of the company.
- Keeping watch on timely payment to shareholders and creditors.
- Reviewing the performance of Statutory Auditors.
- Reviewing the management discussion and analysis of financial condition and result of operations
- Reviewing of significant related party transactions, if any.

Mr. Vijay R. Shah is the Chairman of the Committee. The Chairman was present at the last Annual General Meeting. As on 31st March, 2007, the Audit Committee comprised of the following:

Name	Designation	Category	Committee meeting attended
Mr. Vijay R. Shah	Chairman	Non- Executive, Independent	3
Mr. Harish G. Bhinde	Member	Non- Executive, Independent	3
Mr. Prabodh G. Baruah	Member	Non- Executive, Independent	3

Three meetings of Audit Committee were held during the financial year 2006-07 on the following dates:

Committee Meeting	Date
1	18.05.2006
2	14.10.2006
3	27.01.2007

## INVESTORS GRIEVANCES COMMITTEE

### Composition

As on 31st March, 2007 Investors Grievances Committee comprised of Non- Executive, Independent Director, namely:

Name	Designation	Category	Committee meeting attended
Mr. Vijay R. Shah	Chairman	Non- Executive, Independent	2
Mr. Harish G. Bhinde	Member	Non- Executive, Independent	2
Mr. Prabodh G. Baruah	Member	Non- Executive, Independent	2

### Terms Of reference

Investors Grievances Committee meets periodically for the redressal of investors grievances related to share transfer, transmissions, transpositions, rematerialisation, split and issue of duplicate share certificates, non receipt of Annual Report, non receipt of declared dividend and such other related issues.

Investors Grievances Committee meeting were held on 14th October, 2006 and 27th January, 2007.

During the year under review the Company Received 114 complaints and the Company's Registrar and Share Transfer Agent has resolved all the complaints.

## REMUNERATION COMMITTEE

### Composition

As on 31st March, 2007 Remuneration Committee comprised of the following Directors:

Name	Designation	Category	Committee meeting attended
Mr. Vijay R. Shah	Chairman	Non- Executive, Independent	2
Mr. Harish G. Bhinde	Member	Non- Executive, Independent	2
Mr. Prabodh G. Baruah	Member	Non- Executive, Independent	2



**GENERAL BODY MEETING**

Details of last three Annual General Meetings:

Year	Date	Time	Venue
2003-04	28.09.2004	2.00 P.M	Opp. Suryanarayan Bunglows, Sabarmati- Kalol State Highway, Motera, Gandhinagar- 380005
2004-05	30.09.2005	11.00 A.M	-do-
2005-06	12.06.2006	10.00 A.M	-do-

**NOTE ON DIRECTORS APPOINTMENT/RE-APPOINTMENT**

Mr. Vijay R. Shah and Harish G. Bhinde Directors of the company are retiring by rotation at the ensuing AGM and are eligible for reappointment.

**Disclosures**

- None of the transactions with any of the related parties were in conflict with the interest of the Company.
- The Company has complied with the requirements of regulatory authorities on matters related to capital markets and no penalties /strictures have been imposed against the Company during the last three years.
- The Company has complied with all the mandatory requirements and the non- mandatory requirements.
- The Company has complied with all the mandatory requirement of Clause 49 of the Listing Agreement.

**MEANS OF COMMUNICATION**

The Quarterly, Half yearly and Annual results are published in widely circulated national and local dailies in English and Gujarati. The same were sent to the stock exchange.

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

The Management Discussion and Analysis Report (MDA) forms part of the Annual Report.

**GENERAL SHAREHOLDER INFORMATION****Annual General Meeting**

Date : 11th September, 2007.  
Time : 04.00 P.M  
Venue : Shree Vishwakarma Hall, Sabarmati Gandhinagar Highway,  
Near Visat Petrol Pump, Motera Gandhinagar.

Date of Book closure : 8th September, 2007 to 11th September, 2007 (Both days inclusive)

**Financial calendar**

Results for first quarter ending June 30, 2007. : On or before 31st July, 2007  
Results for second quarter ending September 30, 2007 : On or before 31st October, 2007  
Results for third quarter ending December 31, 2007 : On or before 31st January, 2008  
Results for fourth quarter ending March 31, 2008 : On or before 31st May, 2008

**Listing on stock exchange**

The equity shares of the Company are listed on the Bombay Stock Exchange Limited. (BSE). The Scrip Code is 532760. The company has paid annual listing fees for the year 2007-08.

**Market Price Data : High, Low during each month in last financial since listing on the stock exchange till 31st of March, 2007.**

MONTH	HIGH	LOW
September, 2006	49.00	27.00
October, 2006	39.40	31.10
November, 2006	35.85	29.25
December, 2006	36.65	23.50
January, 2007	58.10	34.00
February, 2007	63.50	42.10
March, 2007	58.00	41.80