



DEEP INDUSTRIES LIMITED

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18th Annual Report 2007-2008



DEEP INDUSTRIES LIMITED

BOARD OF DIRECTORS

Mr. Paras S. Savla
Mr. Rupesh K. Savla
Mr. Dharen S. Savla
Mr. Prabodhkumar G. Baruah
Mr. Harish G. Bhinde
Mr. Vijay R. Shah

Chairman & Managing Director
Managing Director
Executive Director
Independent Director
Independent Director
Independent Director

BANKERS

Bank of Baroda
UTI Bank Ltd.
Union Bank of India
State 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, Astron Tower,
Opp. Fun Republic Cinema,
S. G. Highway,
Ahmedabad-380015



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NOTICE is hereby given that the EIGHTEENTH ANNUAL GENERAL MEETING of the members of Deep Industries Limited will be held on Friday, the 30th of May, 2008 at 02.00 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, 2008 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. Prabodh G. Baruah, who retires by rotation and being eligible offers himself for re- appointment.
3. To appoint a Director in place of Mr. Rupesh Savla, 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 resolution as an ordinary resolution:

"RESOLVED THAT in supersession of all earlier resolutions in this respect and pursuant to the provisions of Section 293(1)(d) of the Companies Act 1956 the consent of the Company be and is hereby accorded to the Board of Directors to borrow money from time to time even though the money to be borrowed together with moneys already borrowed by the Company (apart from temporary loans obtained from company's bankers in the ordinary course of business) exceeds the aggregate of the paid up capital of the Company and its free reserve that is to say, reserve not set apart for any specific purpose, provided however the total amount of such borrowing shall not exceed the sum of Rs.500 Crores (Rupees Five Hundred Crores only)."

6. To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution:

"RESOLVED THAT the Company do hereby accord its consent under Section 293(1)(a) of the Companies Act, 1956, to the Board of Directors of the Company, to hypothecate and/or mortgage and/or charge tangible movable properties, stocks, book debts and plant and machineries and immoveable assets both present and future or the whole or substantially the whole of the undertaking or the undertakings of the Company for securing any loan obtained or to be obtained from any financial institution, bank or person or persons together with interest, costs, charges, expenses and any other money payable by the Company."

Date: 15.04.2008

By Order of Board of Directors

Registered Office:

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

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 & Item No. 6 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 23rd May, 2008 to 30th May, 2008 (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.



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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.

Date: 15.04.2008

By Order of Board of Directors

Registered Office:

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

PARAS SAVLA

Chairman & Managing Director

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF COMPANIES ACT, 1956

ITEM NO.5

The Company proposes to raise funds upto Rs. 500 Crores from Banks/Financial institutions for its Service business and Exploration business. As per the provision of Sec. 293(1) (d) of the Companies Act, 1956, Public Company shall not borrow money in excess of its Paid up Capital and Free Reserves except with the consent of the members in the General Meeting of the Company. Now it is proposed to obtain consent of the members of the Company to increase the borrowing limit of the Board of Directors from the Existing limited upto Rs. 500 Crores. As such your Directors recommend to pass the Ordinary resolution for authorizing the Board of Directors to borrow money upto Rs. 500 Crores, as set out in the notice.

None of the Directors of the Company is interested in the above resolution.

ITEM NO.6

Consequent upon raising of funds from the Banks/Financial institutions, the Company will be required to hypothecate/ mortgage its assets. As per the provision of Sec 293(1)(a) of the Companies Act, 1956, Public Company shall not hypothecate or mortgage the whole or substantially the whole of its assets except with the consent of the members in the General Meeting of the Company. As such your Directors recommend to pass the Ordinary resolution for authorizing the Board of Directors to hypothecate and/or mortgage and/or charge the assets of the Company, as set out in the notice.

None of the Directors of the Company is interested in the above resolution.

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 other Public Companies as on 31st March 2008
Mr. Prabodh G. Baruah	He is a post-graduate in Petroleum Technology and Bachelor Degree in Mechanical Engineering and has 37 years of vast experience in Oil & Gas Industry. He has worked as a member of the Task Group of the Ministry of Petroleum and Natural Gas to implement the vision of integrating the petroleum pipeline in India. He has also served as the Chairman of the Institute of Engineers of India.	Other Directorship NIL Committee Membership NIL
Mr Rupesh K. Savla	He is a Commerce Graduate from Gujarat University and Masters in Business Administration from Bentley College, USA. He is having experience of more than 11 years in the co-ordination and execution of projects in the gas compression services.	Other Directorship Deep CH4 Pvt. Ltd. Deep Methane Pvt. Ltd. Kanvel Finance Pvt. Ltd. Deep Energy, LLC (USA) Committee Membership NIL



DIRECTOR'S REPORT

To the members,

Your Directors have pleasure in presenting Eighteenth Annual Report together with the Audited Accounts of the company for the financial year ended 31st March 2008.

FINANCIAL RESULTS :

	(Rupees in Lacs)	
Particulars	2007-08	2006-07
Sales/ Income from Operation	2001.7	825.97
Other Income	156.32	154.28
Expenditure	965.14	531.93
Profit Before Interest and Depreciation	1192.88	448.32
Less: Interest	75.57	54.97
Profit Before Depreciation	1117.31	393.34
Less: Depreciation	226.91	98.58
Profit Before Tax	890.4	294.76
Less:		
Provision for: Current Taxation F.B.T	178.25	35.16
Short Provision of Taxation	-0.33	
Deferred Taxation	3.27	27.94
Net Profit	709.21	231.65
Balance brought forward from last year	796.04	267.61
Exceptional Items	-256.60	297.54
Profit available for appropriation	1248.64	796.80
APPROPRIATIONS:		
Transfer to General Reserve	0.00	0.00
Investment Reserve Fund	3.69	0.77
Dividend	0.00	0.00
Dividend Distribution Tax	0.00	0.00
Balance carried to Balance Sheet	1244.94	796.03

DIVIDEND

Your Directors have deemed it prudent not to recommend any dividend on equity shares for the year ended 31st March, 2008 in order to conserve the resources for the further years and due to requirements of cash flow for further expansion plans.

PREFERENTIAL ISSUE

During the Financial year 2007-08, for funding the operation of Coal Bed Methane Blocks of Singrauli (M.P) and Godavari (A.P), the company has issued 20,00,000 Lacs Convertible Warrants of Rs.200/- each aggregating to Rs. 40 Crores to Promoters/Associate Companies and Non Promoters. The Company has received Rs. 4 Crores from the applicants of Convertible Warrants. The Company has obtained in- principle approval from BSE for listing of equity shares converted after conversion of Warrants. The Company has allotted 20,00,000 Convertible Warrants to the applicants on 31.01.2008. The Warrants shall carry right/entitlement to subscribe equivalent number of equity shares of Rs. 10/- each at a premium of Rs. 190/- each per share within 18 months from the date of allotment of such Convertible Warrants.

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.

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.


DIRECTORS

Mr. Prabodh G. Baruah and Mr. Rupesh K. Savla 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

The Company has not paid any remuneration attracting the provisions of section 217(2A) of the Companies Act, 1956, Read with Companies (particulars of employee) Rules, 1975.

Hence no information is required to be given.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

The Company is not engaged in activities specified in Companies, (Disclosure of particulars in report of Board of Directors) Rules 1988, and as such the Company is not required to give information relating to conservation of energy and technology absorption.

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	2007-08	2006-07
Earning	-	25.25
Outgo	1025.18	333.60

SUBSIDIARY COMPANY:

During the current Financial year 2008-09, the Company has set up Subsidiary Company, Deep Energy LLC in USA for exploration, production & development of Oil & Gas fields. Deep Energy, LLC has got operatorship license in USA. As Deep Energy, LLC has become Subsidiary of the Company during the current year the Company is not required to give statement under section 212 of the Companies, Act, 1956.

ACKNOWLEDGEMENTS

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

For and on behalf of the Board of Directors

Date: 15.04.2008

Registered Office:

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

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.

CEO/CFO Certificate

In terms of Clause 49 of the Listing Agreement, the certification by the Managing Director & Chairman and Chief Financial Officer on the financial statements has been obtained.

BOARD OF DIRECTORS

As on 31st March, 2008, 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	10	YES	NIL	4
Dharen S. Savla (Executive Director)	Executive, Non- Independent	10	YES	NIL	NIL
Vijay R. Shah (Director)	Non-Executive, Independent	5	YES	2	3
Harish G. Bhide (Director)	Non-Executive, Independent	3	NO	NIL	NIL
Prabodh G. Baruah (Director)	Non-Executive Independent	2	NO	NIL	NIL

Number of Board meetings held and the date on which held

Board Meeting	Date	Board Meeting	Date
1.	28.04.2007	7.	08.11.2007
2.	24.07.2007	8.	10.12.2007
3.	31.07.2007	9.	17.12.2007
4.	18.10.2007	10.	18.01.2008
5.	25.10.2007	11.	31.01.2008
6.	31.10.2007	12.	26.02.2008

AUDIT COMMITTEE

The Audit Committee as on 31st of March, 2008 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 292A of the Companies Act 1956, which is as under:

- 1 Supervision of the Companies Financial Reporting process.



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- 2 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.
- 3 Reviewing the adequacy of the audit and compliance function, including their policies, procedures, techniques and other regulatory requirements with the statutory auditors.
- 4 Reviewing the observation of statutory auditors about the finding during the audit of the company.
- 5 Keeping watch on timely payment to shareholders and creditors.
- 6 Reviewing the performance of Statutory Auditors.
- 7 Reviewing the management discussion and analysis of financial condition and result of operations.
- 8 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, 2008, the Audit Committee comprised of the following:

Name	Designation	Category	Committee meeting attended
Mr. Vijay R. Shah	Chairman	Non- Executive, Independent	6
Mr. Harish G. Bhinde	Member	Non- Executive, Independent	6
Mr. Prabodh G. Baruah	Member	Non- Executive, Independent	2

Six meetings of Audit Committee were held during the financial year 2007-08 on the following dates:

Committee Meeting	Date	Committee Meeting	Date
1.	28.04.2007	4.	18.10.2007
2.	24.07.2007	5.	31.10.2007
3.	31.07.2007	6.	18.01.2008

INVESTORS GRIEVANCES COMMITTEE

Composition

As on 31st March, 2008 Investors Grievances Committee comprised of Non- Executive, Independent Directors and Executive, Non-Independent Director namely:

Name	Designation	Category	Committee meeting attended
Mr. Vijay R. Shah	Chairman	Non- Executive, Independent	5
Mr. Harish G. Bhinde	Member	Non- Executive, Independent	5
Mr. Prabodh G. Baruah	Member	Non- Executive, Independent	5
Mr. Paras Savla	Member	Executive, Non- Independent	1

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.

Five meetings of Investors Grievances Committee were held during the financial year 2007-08 on the following dates:

Committee Meeting	Date
1	28.04.2007
2	31.07.2007
3	31.10.2007
4.	08.11.2007
5.	18.01.2008


REMUNERATION COMMITTEE
Composition

As on 31st March, 2008 Remuneration Committee comprised of the following Directors:

Name	Designation	Category	Committee meeting attended
Mr. Vijay R. Shah	Chairman	Non- Executive, Independent	4
Mr. Harish G. Bhide	Member	Non- Executive, Independent	4
Mr. Prabodh G. Baruah	Member	Non- Executive, Independent	2

Details of Directors Remuneration in the Financial year 2007-08 are as under:

Sr No.	Name of Director	Amount Paid (Rs. In Lacs)
1.	Paras Savla (Chairman & Managing Director)	9.05
2.	Rupesh Savla (Managing Director)	7.13
3.	Dharen Savla (Executive Director)	6.7

Four Meetings of Remuneration Committee were held during the financial year 2007-08 on the following dates:

Committee Meeting	Date
1	28.04.2007
2	31.07.2007
3	31.10.2007
4	08.11.2007

GENERAL BODY MEETING

Details of last three Annual General Meetings:

YEAR	DATE	TIME	VENUE
2004-05	30.09.2005	11.00 A.M	Opp. Suryanarayan Bunglows, Sabarmati-Kalol State Highway, Motera, Gandhinagar- 380005
2005-06	12.06.2006	10.00 A.M	-do-
2006-07	11.09.2007	4.00 P.M	Shree Vishwakarma Hall, Sabarmati Gandhinagar Highway, Near Visat Petrol Pump, Motera Gandhinagar

NOTE ON DIRECTORS APPOINTMENT/RE-APPOINTMENT

Mr. Prabodh G. Baruah and Mr. Rupesh K. Savla Directors of the company are retiring by rotation at the ensuing Annual General Meeting 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 of Clause 49 of the Listing Agreement.

MEANS OF COMMUNICATION

The Quarterly, Half yearly and Annual results are published in English and Gujarati newspapers. 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.