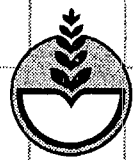
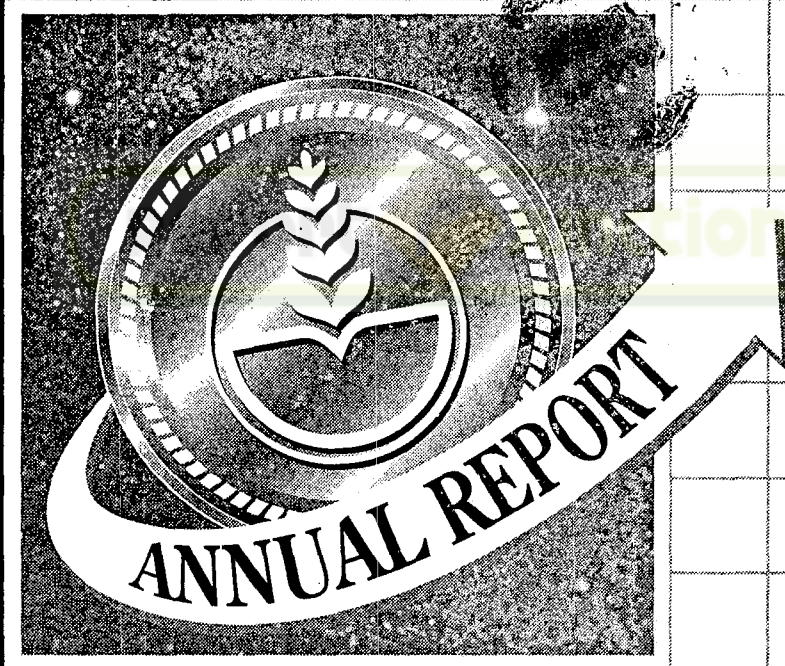


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CS	<input checked="" type="checkbox"/>		DPY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
TRA	<input checked="" type="checkbox"/>		AC	<input checked="" type="checkbox"/>
AGM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	SHI	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>



**DEEPAK FERTILISERS
AND PETROCHEMICALS
CORPORATION
LIMITED**

1997-1998





**DEEPAK FERTILISERS
AND PETROCHEMICALS CORPORATION LIMITED**

**ANNUAL
REPORT
1997-98**

Board of Directors

C.K. Mehta *Chairman & Managing Director*
S.C. Mehta *Deputy Managing Director*
S.S. Marathe
F.J. Heredia
R.A. Shah
P.J. Fernandes
A.K. Basu (*Nominee of IDBI*)
A.P. Pradhan (*Nominee of GIC*)
N.C. Singhal
D.C. Mehta
O.P. Khungar

Management Team

C.K. Mehta *Chairman & Managing Director*
S.C. Mehta *Deputy Managing Director*
T. Balaraman *President (Agro Business)*
R.K. Jain *Sr. Vice-President (Commercial & Petrochem Marketing)*
N.D. Joshi *Sr. Vice-President (Finance & Accounts)*
S.S. Alam *Vice-President (Personnel & HRD)*
T.D. Mathwani *Vice-President (Operations)*
R.P. Karnik *Vice-President (International Trade)*
R. Sriraman *Company Secretary & Chief (Law)*

Bankers

State Bank of India
Dena Bank
Central Bank of India
Bank of Baroda

Solicitors

Crawford Bayley & Co.
Udwadia, Udeshi, Desai, Berjis & Chinoy

Auditors

B.K. Khare & Co.

Registered Office

Opp. Golf Course, Shastri Nagar, Yerawada, Pune - 411 006
Phone : (0212) 684155, 684342, 684235, 684597 – Telex : 145-7794 – Fax : (0212) 687499
E-mail : deepak.dfpc @ gems.vsnl.net.in

Plant

Plot No. K-1, MIDC Industrial Area, Taloja, A.V. 410 208, Dist. Raigad, Maharashtra.
Phone : (022) 7412203, 7412319, 7412346, 7412960 – Gram : DEEPAMMON
Telex : 0133-217 – Fax : (022) 7412413



**DEEPAK FERTILISERS
AND PETROCHEMICALS CORPORATION LIMITED**

NOTICE

NOTICE is hereby given that the Eighteenth Annual General Meeting of DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED will be held on Friday, the 11th September, 1998 at 11.00 a.m. at Bal Gandharva Rang Mandir, Jangli Maharaj Road, Shivaji Nagar, Pune - 411 005 to transact the following ordinary business :

1. To receive, consider and adopt the Audited Balance Sheet as at, and the Profit & Loss Account for the financial year ended 31st March, 1998 together with the Directors' Report and the Auditors' Report thereon.
2. To declare a dividend on Equity Shares of the Company for the financial year ended 31st March, 1998.
3. To appoint a Director in place of Shri R.A. Shah, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri D.C. Mehta, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

Dated 25th June, 1998
Registered Office :
Opp. Golf Course,
Shastri Nagar,
Yerawada,
Pune 411 006.

By Order of the Board of Directors,
R. SRIRAMAN
Company Secretary & Chief (Law)

NOTES

- (1) **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.**
- (2) Proxies, in order to be effective, should be duly completed, stamped and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
- (3) The Register of Members and the Share Transfer Books of the Company shall remain closed from Monday, the 24th August, 1998 to Friday, the 11th September, 1998 (both days inclusive) for the purpose of payment of dividend on equity shares.
- (4) The dividend will be paid to those members whose names appear on the Register of Members of the Company as on 11th September, 1998 being the date of the Annual General Meeting of the Company.
- (5) Members are requested to intimate to the Company immediately details of their Bank Account/change in Bank Account, if any, to enable the Company to mail the Dividend Warrants accordingly.
- (6) Members who have not so far sent the Nomination Form in respect of the Personal Accident Policy under Investors' Welfare Scheme of the Company are, in their own interest, requested to do so at the earliest. This should be sent to the Registered Office of the Company.
- (7) Members holding shares in the same name(s) and in the same order under different ledger folios are requested to apply for consolidation of such folios enclosing the relevant share certificates.
- (8) Members are requested to intimate immediately to the Company, quoting Registered Folio Number, change in their address, if any, with the Pin Code number.
- (9) Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to send their queries to the Company Secretary at least seven days before the date of the meeting, so that the information required by the members may be made available at the meeting.
- (10) Members attending the meeting are requested to bring with them the Attendance Slip attached to the Annual Report and hand over the same at the entrance of the hall, duly filled in and signed.

Dated 25th June, 1998
Registered Office :
Opp. Golf Course,
Shastri Nagar,
Yerawada,
Pune 411 006.

By Order of the Board of Directors,
R. SRIRAMAN
Company Secretary & Chief (Law)

Directors' Report

To the Members,

Your Directors have pleasure in presenting herewith the Eighteenth Annual Report together with the Audited Accounts of the Company for the Financial Year ended March 31, 1998.

FINANCIAL RESULTS

The summarised financial results for the year are as under :

	(Rs. in lacs)	
	<u>1997-98</u>	<u>1996-97</u>
Sales (including other income).....	41,419.09	29,827.14
Profit before depreciation and prior years' adjustments and extraordinary items	10,587.10	6,538.61
Less :		
a) Depreciation	2,137.24	2,455.09
b) Prior years' adjustments (net)	<u>47.70</u>	<u>765.65</u>
Profit before Extraordinary Items	8,402.16	3,317.87
Less : Extraordinary Items (net of tax Rs.279.69 lacs)	<u>2,384.05</u>	—
Profit before tax	6,018.11	3,317.87
Less :		
a) Provision for Income-Tax (net of tax credit on Extraordinary Items and inclusive of provision for Income-Tax for earlier year Rs.17.57 lacs).....	897.26	399.42
b) Provision for Wealth Tax (net)	<u>6.30</u>	<u>2.79</u>
Net Profit	5,114.55	2,915.66
Add :		
a) Investment Allowance Utilised Reserve, transferred	—	1,200.00
b) Balance brought forward	<u>3,435.38</u>	<u>704.72</u>
	8,549.93	4,820.38
Appropriation :		
a) Transferred to Debenture Redemption Reserve	1,009.00	1,100.00
b) Transferred to Capital Redemption Reserve	—	150.00
c) Dividend paid on Cumulative Redeemable Preference Shares ..	—	135.00
d) Transferred to General Reserve	256.00	—
e) Dividend on Equity Shares	1,120.57	—
f) Corporate Dividend Tax	<u>112.06</u>	—
Surplus carried to the Balance Sheet.....	6,052.30	3,435.38

During the year, all the plants of your Company have worked at high capacity utilisation and several production milestones were crossed. Sales (including other income) also increased to Rs. 414 crores as against Rs.298 crores for the previous year. The Company has made a net profit of Rs.51 crores after taxes as against Rs. 29 crores for the previous year.



DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED

DIVIDEND

Keeping in view the consistent good performance of the Company during the last few years and particularly the year under review, your Directors have pleasure in recommending a dividend @ 15% on the Equity Shares of the Company for the year ended 31st March, 1998. In view of the amendments made to the Income-Tax Act, 1961, the corporate dividend tax @ 10% has been provided on the dividend amount and the dividend in the hands of the shareholders is not taxable.

OPERATIONS

A) Production

The product-wise output during the year and the previous year was as follows :

	1997-98		1996 - 97	
	Production (MT)	Capacity Utilisation (%)	Production (MT)	Capacity Utilisation (%)
Ammonia	97,000	108	99,800	111
Methanol	94,356	94	92,500	92
DNA	1,92,825	97	1,71,400	86
CNA	39,015	118	32,100	97
AN	57,959	161	55,900	155
ANP	1,84,906	81	1,61,500	70

The production of Ammonia was curtailed due to restricted supply of natural gas.

The production of Methanol improved but was still below the full capacity utilisation due to limited availability of CO_2 from Ammonia plant and early deterioration of Synthesis Catalyst.

The DNA, CNA, AN and ANP plants have recorded the highest ever production as compared to any financial year so far.

During the year, the Government announced steep graded increase in the administered price of naphtha and gas. Over a period of next 3 years, such graded gas price increase has been linked with the basket of international price of fuel oil after adjustment for the calorific value of gas. However, since the Company has its own pipeline for supply of natural gas, the impact of hike in price is minimal in the year under review as compared to those consumers who are on HBJ pipeline.

B) Marketing

As a result of the South-East Asian crisis, there has been a drastic decline in the global prices of Methanol during the year under review, which continued to depress price realisation especially in the later half of the year. The prices of natural gas being considerably higher in India as compared to other nearby countries producing Methanol, imports of low-cost Methanol would continue to be a threat. Over 55,000 MT of Methanol was imported during the year. Looking into such large imports of Methanol, the Government is considering an increase in the Customs Duty on Methanol to bring it in line with other chemicals. The duty increase and dollar appreciation would bring some relief to the indigenous Methanol producers.

In the Acids segment, your Company continues to be one of the major suppliers and commands good market acceptance, ensuring better margins. As regards Ammonium Nitrate, the product quality and well created niche in the prilled AN market, has helped achieve high capacity utilisation.

It is now well-accepted that the Fertiliser Policy framed by the Government in 1992 has been severely

detrimental to the farmers, producers as also the exchequer. It had led to an imbalance in the use of fertilisers which the Government has corrected by introducing a scheme of ad hoc concession on Phosphatic and Potassic fertilisers. Unfortunately, subsidy on Nitrogen content in the complex fertilisers has not been granted. This lop-sided and indecisive approach has eventually benefitted only the foreign suppliers. The Government is yet to come out with a firm comprehensive policy on the fertilisers. Despite this, your Company's fertiliser sales have improved as a result of a firmly entrenched brand image; however, the price realisation of ANP fertiliser remained below cost on account of insufficient ad hoc subsidisation. Moreover, for the year 1998-99, the Government is yet to announce revision in the ad hoc subsidy for compensating the hike in the prices of natural gas and phosphoric acid, besides impact of depreciation of rupee against the dollar.

In order to utilise the existing dealership network effectively, your Company has started importing DAP and sold more than 55,000 MT. during the year. Agricultural Sulphur, Micronutrients and Seeds were the new products introduced during the year. The total sales of fertilisers including ANP, DAP, Urea, Ammonium Sulphate and SSP were 2,54,164 M.T.

CURRENT AND FUTURE OUTLOOK

During June 1998 major repairs had to be carried out to one of the Nitric Acid lines. As the facilities for carrying out these repairs are not available in India, the equipments had to be air-freighted to U.S.A. As a result, the acid line will not be in operation for about 45 days. Despite this, your Company is hopeful of achieving targets set for 1998-99 which are in line with the performance of the previous year.

Your Company has undertaken a retrofit/debottlenecking program to maximize the production and return on the current investments with marginal additions.

The CNA plant is being retrofitted to increase its capacity from 100 MTPD to 130 MTPD. In view of the shortage of gas, conversion of one of the boilers from gas to naphtha and a further retrofit of the Ammonia plant are underway. Your Company is also exploring the various avenues of availability of cheaper gas in nearby countries for setting-up of Ammonia based fertiliser plant.

Your Company is also considering to expand its markets by further investments in the Speciality Agro-Inputs.

Your Company has continued in-depth, Company-wide TQM program alongwith bench-marking as a part of a drive to bring global competitiveness.

INDUSTRIAL RELATIONS

Industrial relations during the year continued to be peaceful and cordial. In May, 1998 your Company has signed a three-year wage settlement with the Workers' Union.

INVESTORS' WELFARE SCHEME

As you are aware that considering the wide appreciation by the investors of the Company and the benefits made available under the Investors' Welfare Scheme, the Scheme was renewed for a further period of 5 years effective 2nd October, 1994 and shall remain in force till 1st October, 1999. The Company has settled since the inception of the said Scheme i.e. on 2nd October, 1989 till 31st March, 1998 as many as 389 claims comprising 255 death claims and 134 permanent disability claims for a total amount of Rs.103.39 lacs.

FICCI AWARD

In appreciation of the significant contribution made through Deepak Medical Foundation and Deepak Charitable Trust for excellence in the field of family welfare activities including reduction in infant mortality rate, safe motherhood etc., FICCI award was presented to Shri C.K. Mehta, Chairman & Managing Director of your Company by the then Prime Minister Shri I.K. Gujral. This award was shared with Harrisons Malayalam Limited, Cochin.



**DEEPAK FERTILISERS
AND PETROCHEMICALS CORPORATION LIMITED**

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 I forming part of this Report.

SUBSIDIARY COMPANIES

A statement pursuant to Section 212 of the Companies Act, 1956 in respect of the subsidiary companies is appended to the Balance Sheet.

DIRECTORS

During the year under review, IDBI has withdrawn the nomination of Shri R.S. Agarwal and has appointed Shri A.K. Basu in his place.

During the current year, GIC has withdrawn the nomination of Shri S.A. Beyabani and has appointed Shri A.P. Pradhan in his place.

Shri D.C. Mehta and Shri R.A. Shah are liable to retire by rotation and being eligible, offer themselves for re-appointment.

AUDITORS AND AUDITORS' REPORT

M/s. B.K. Khare & Co., 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 1998-99 will be within the limit prescribed under Section 224 (1-B) of the Companies Act, 1956.

Notes to the Accounts referred to in the Auditors' Report are self-explanatory and, therefore, do not call for any further comments.

PERSONNEL

As required by the provisions of sub-section (2A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in Annexure II forming part of this Report.

ACKNOWLEDGEMENT

The Company continues to receive the necessary support and guidance from the financial institutions led by IDBI and the consortium of banks led by State Bank of India and your Directors would like to place on record their sincere appreciation for the same.

Yours Directors are also pleased to record their appreciation for the hard work put in by the employees at all levels which has enabled your Company to achieve good performance in the emerging competitive environment.

For and on behalf of the Board,

C.K. MEHTA

Chairman & Managing Director

*Mumbai,
Dated 25th June, 1998*

Annexure I 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 :

Following energy conservation measures have been carried out :

- i. Reformer tubes were changed with tubes of better metallurgy and larger volume. This has reduced the pressure on the system which in turn resulted in the energy saving from compression.
- ii. Absorbent solution for Co₂ removal has been changed to AMDEA. This has reduced the energy consumption for stripping of Co₂ and has helped export of steam.
- iii. The internals of synthesis converter has been replaced with S-200 basket. This has given better ammonia conversion and reduced the pressure drop in the synthesis loop thereby reduced the consumption of fuel in Engine.

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

- i. Ammonia plant revamp for increased capacity and reduction in specific energy consumption is planned. Order for basic and detailed engineering has been awarded. The project will cost Rs. 22 crores.
- ii. The Cooling tower fans of Methanol and ANP will be modified in this financial year at an expense of Rs. 10 lacs to reduce energy consumption.

(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 above modifications are expected to reduce the gas energy consumptions in Ammonia plant and electrical energy consumption in Methanol and ANP cooling towers.

(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 (to the extent applicable)

Power & Fuel Consumption

		Current Year (April, 1997 to March, 1998)	Previous Year (April, 1996 to March, 1997)
1.	Electricity		
a)	Purchased		
	Unit	'000 KWH	27388.51
	Total Amount	(Rs. in Lacs)	1067.04
	Rate/Unit	(Rs./KWH)	3.90
b)	Own Generation (Through Diesel Generator)	A very small quantity of Power through 2815 KVA D.G. Set was used during emergencies whenever there was power outage from MSEB to sustain plant operations.	

2. Consumption per unit of Production Products (with details) Unit (KWH/M.T.)

Sr. No.	Product	Standard Budgeted Norms (KWH/M.T.) (1997-98)	Current Year (April, 1997 to March, 1998)	Previous Year (April, 1996 to March, 1997)
1.	Liquid Anhydrous Ammonia	64.500	70.448	66.359
2.	Weak Nitric Acid	9.120	8.517	10.024
3.	Concentrated Nitric Acid	10.100	9.165	10.671
4.	Methanol	68.700	71.099	78.463
5.	Ammonium Nitrate Phosphate	30.000	31.381	31.968
6.	Low Density Prilled Ammonium Nitrate	50.900	42.030	48.719



**DEEPAK FERTILISERS
AND PETROCHEMICALS CORPORATION LIMITED**

B. TECHNOLOGY ABSORPTION

FORM B

Disclosure of particulars with respect to Technology Absorption (to the extent applicable)

RESEARCH & DEVELOPMENT (R & D)

1. Specific areas in which R & D carried out by the Company

- a) Development work for recovery of chemicals from ANP gaseous effluents and spillages and for improvement in the performance of scrubbers.
- b) Development work for improvements in the performance of Methanol synthesis converter.

2. Benefits derived as a result of the above R & D

- a) System has been developed to recover and reprocess spillages. Scrubber performance has improved by 70% after carrying out modifications in the equipment. Studies on the recovery of chemicals generated from ANP effluents are in progress.
- b) The TCC mixing system has given encouraging results. Further, modification of the existing TCC mixing system is under study.
- c) Trial with structured packings are being planned for increasing the capacity and better stability of operations in CNA plant.

3. Future plan of Action

- a) Trials for reusing ANP plant effluent containing phosphatic sludge in the manufacture of fertiliser will be continued.
- b) Modifications to the scrubbers will be implemented in other three scrubbers.
- c) Study to modify the Methanol converter to improve the catalyst life will be taken up.

4. Expenditure on R & D

	(Rs. in Thousands)
a) Capital	NIL
b) Recurring	2308
c) Total	2308
d) Total R & D expenditure as a percentage of total turnover	0.06

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

All the plants have been brought to the full capacity utilisation and improvement for higher capacity utilisation is also being worked out. The technology employed in all the plants has been fully absorbed.

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

As above.

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
 - b) Year of Import
 - c) Has technology been fully absorbed ?
 - d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action
- | |
|----------------|
| Not applicable |
| Not applicable |
| Not applicable |
| Not applicable |

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars with regard to Foreign Exchange Earnings and Outgo are set out in Note No. 18 in Schedule 12 to the Accounts.

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

Mumbai,
Dated 25th June, 1998