



**DEEPAK FERTILISERS
AND PETROCHEMICALS CORPORATION LIMITED**

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*
 N. D. Joshi *Sr. Vice-President (Finance & Accounts)*
 S. S. Alam *Sr. Vice-President (HR & TQM)*
 T. D. Mathwani *Sr. Vice-President (Operations)*
 R. P. Karnik *Vice-President (International Trade)*
 R. Sriraman *Company Secretary & Chief (Law)*
 Dr. T. K. Chatterjee *Vice-President (Marketing - IC & Explosives)*
 V. M. Deshpande *Vice-President (Marketing - Agri Inputs)*

Bankers

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

Solicitors

Crawford Bayley & Co.
 Udwadia, Udeshi & Berjis

Auditors

B. K. Khare & Co.

Registered Office

Opp. Golf Course, Shastri Nagar, Yerawada, Pune - 411 006
 Phone : (020) 6684155, 6684342, 6684235, 6684597
 Fax : (020) 6687499
 E-mail : deepak_fertiliser @ vsnl.com

Plants

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



NOTICE

NOTICE is hereby given that the Nineteenth Annual General Meeting of DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED will be held on Wednesday, the 1st September, 1999 at 11.00 a.m. at Bal Gandharva Rang Mandir, Jangli Maharaj Road, Shivaji Nagar, Pune - 411 005 to transact the following business :

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, 1999 together with the Directors' Report and the Auditors' Report thereon.
2. To declare a dividend for the financial year ended 31st March, 1999.
3. To appoint a Director in place of Shri F. J. Heredia, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri O.P. Khungar, 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 and to fix their remuneration.

SPECIAL BUSINESS

6. To consider, and if thought fit, to pass, with or without modifications, the following resolution as a SPECIAL RESOLUTION :

"RESOLVED THAT pursuant to Section 309 (4) of the Companies Act, 1956 the Company hereby accords its consent to the payment of remuneration to Non-Wholetime Directors of the Company by way of commission, for a period of five years commencing with the financial year 1998-99, not exceeding 1% of the net profits of the Company as determined in accordance with the provisions of Sections 198, 349 and 350 and any other provisions applicable under the Companies Act, 1956."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to decide, from time to time, the quantum and manner of distribution of the commission to the said Directors within the limit aforesaid."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take all such steps as may be considered necessary, desirable or expedient for giving effect to this resolution."

Dated 1st July, 1999

Registered Office :
Opp. Golf Course,
Shastri Nagar,
Yerawada,
Pune 411 006.

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



DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED

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 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) An Explanatory Statement, as required by Section 173(2) of the Companies Act, 1956 in respect of Item No.6 set out above is annexed hereto.
- (4) The Register of Members and the Share Transfer Books of the Company shall remain closed from Saturday, the 14th August, 1999 to Wednesday, the 1st September, 1999 (both days inclusive) for the purpose of payment of dividend on equity shares.
- (5) The dividend, if declared, will be paid to those members whose names appear on the Register of Members of the Company as on 1st September, 1999 being the date of the Annual General Meeting of the Company.
- (6) 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.
- (7) 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.
- (8) Members holding shares in the same name(s) and in the same order under different ledger folios are requested to apply to the Company for consolidation of such folios enclosing the relevant share certificates.
- (9) Members are requested to intimate immediately to the Company, quoting Registered Folio Number, change in their address, if any, with the Pin Code number.
- (10) Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to send their queries to the Company Secretary atleast seven days before the date of the meeting, so that the information required by the members may be made available at the meeting.
- (11) Members attending the meeting are requested to bring with them the Attendance Slip attached to the Annual Report duly filled in and signed and handover the same at the entrance of the hall.

Annexure to the Notice

Explanatory Statement as required by Section 173(2) of the Companies Act, 1956.

Item No.6

In recognition of the valuable services being rendered by the Non-Wholetime Directors for the management of the Company, the Board of Directors has proposed subject to the approval of the shareholders the payment of remuneration to them by way of commission, for a period of five years commencing with the financial year 1998-99, not exceeding 1% of the net profits of the Company as determined in accordance with the provisions of Section 198 read with Sections 349 and 350 of the Companies Act, 1956.

Shri S. S. Marathe, Shri F. J. Heredia, Shri R. A. Shah, Shri P. J. Fernandes, Shri A. K. Basu, Shri A. P. Pradhan, Shri N. C. Singhal, Shri D. C. Mehta and Shri O. P. Khungar being Non-Wholetime Directors are concerned or interested in the resolution.

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

Dated 1st July, 1999

Registered Office :
Opp. Golf Course,
Shastri Nagar,
Yerawada,
Pune 411 006.



Directors' Report

To the Members,

Your Directors have pleasure in presenting herewith the Nineteenth Annual Report together with the Audited Accounts of the Company for the Financial Year ended March 31, 1999.

FINANCIAL RESULTS

The summarised financial results for the year are as under :

| | (Rs. in lacs) | |
|--|---------------|-----------|
| | 1998-99 | 1997-98 |
| Sales (including other income) | 52,179.21 | 41,420.01 |
| Profit before depreciation and prior years' adjustments and extraordinary items | 10,342.09 | 10,587.10 |
| Less : | | |
| a) Depreciation | 2,221.01 | 2,137.24 |
| b) Prior years' adjustments (net) | 6.76 | 47.70 |
| Profit before Extraordinary Items | 8,114.32 | 8,402.16 |
| Less : Extraordinary Items (net of tax credit Rs.214.49 lacs; Previous Year : Rs. 279.69 lacs) | 1,828.29 | 2,384.05 |
| Profit before tax | 6,286.03 | 6,018.11 |
| Less : | | |
| a) Provision for Income-Tax (Gross of tax credit on Extraordinary Items and inclusive of provision for Income-Tax for earlier year Rs.2.53 lacs) | 842.02 | 897.26 |
| b) Provision for Wealth Tax (net) | 7.89 | 6.30 |
| Net Profit | 5,436.12 | 5,114.55 |
| Add : Balance brought forward | 6,052.30 | 3,435.38 |
| | 11,488.42 | 8,549.93 |
| Transferred from Debenture Redemption Reserve | 3,209.00 | — |
| | 14,697.42 | 8,549.93 |
| Appropriation : | | |
| a) Transferred to Debenture Redemption Reserve | — | 1,009.00 |
| b) Transferred to General Reserve | 408.00 | 256.00 |
| c) Dividend on Equity Shares | 1,494.10 | 1,120.57 |
| d) Corporate Dividend Tax | 164.35 | 112.06 |
| Surplus carried to the Balance Sheet | 12,630.97 | 6,052.30 |

During the year, all the plants of your Company have continued to work at high capacity utilisation and several production milestones were crossed. Sales (including other income) also increased to Rs. 522 crores as against Rs. 414 crores for the previous year. The Company has made a net profit of Rs.54 crores after taxes as against Rs.51 crores for the previous year.



DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED

DIVIDEND

Considering the consistently good performance of the Company and encouraging results for the year under review, your Directors have pleasure in recommending a dividend @ 20% (previous year 15%) on the Equity Shares of the Company for the year ended 31st March, 1999. The proposed dividend including corporate dividend tax will absorb Rs. 16.58 crores as against Rs.12.33 crores for the previous year.

OPERATIONS

A) Production

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

| | 1998-99 | | 1997 - 98 | |
|-----------|----------------------|----------------------------|----------------------|----------------------------|
| | Production (M.T.) | Capacity Utilisation(%) | Production (M.T.) | Capacity Utilisation(%) |
| Ammonia | 1,01,800 | 113 | 97,000 | 108 |
| Methanol | 1,02,200 | 102 | 94,400 | 94 |
| DNA | 1,85,500 | 94 | 1,92,800 | 97 |
| CNA | 35,200 | 107 | 39,000 | 118 |
| AN / LDAN | 60,100 | 167 | 58,000 | 161 |
| ANP | 1,76,900 | 77 | 1,84,900 | 81 |

The Ammonia and Methanol plants have recorded the highest ever production during the year under review as compared to any previous financial year. Despite the restricted supply of Natural Gas, the use of Naphtha as an alternative fuel has helped to maximise production of Ammonia and Methanol during the year.

The production of Nitric Acid was in line with the market demand. Coated AN Prills continued to be your Company's premium product because of superior quality and being best suited for cost effective blasting in mines.

Production of ANP was lower during the year due to frequent changes in the Government Policy.

B) Marketing

In the global scenario, the supply of Methanol was in excess of its demand particularly due to the continued depressed demand on account of South-East Asian crisis which in turn resulted in reduction of global prices during the year under review, and this had a direct impact on the price realisation for the Company's Methanol.

In the Nitric Acid segment, the recession in the chemical industry affected the domestic demand. However, your Company continued to be one of the major suppliers in the industry.

Your Company continues to be the market leader in coated AN prills despite recession in the core sector of mining. Your Company could improve its performance with better product service and niche marketing strategy.

The sale of ANP (MAHADHAN 23:23:0) in the year under review was characterised by uncertain Government policies and delayed decisions on the ad-hoc concession for Phosphatic fertilisers. Although the Government had announced well in time the continuation of farmgate prices at the same rate as



was prevailing in the previous year, the quantum of ad-hoc concession was not made known till December, 1998. In fact, the Government policy has changed four times during the last 12 months which resulted in uncertainty in the area of production planning and sales. The only redeeming feature is that your Company's representations for recognition of subsidy for Nitrogen content in the complex fertilisers have been partially granted after a long period of 7 years.

In the new policy, the Government was to review regularly on a quarterly basis the quantum of ad-hoc concession to compensate the impact of changes in the input cost, exchange rate variation etc. However, the last two quarterly reviews for 1998-99 have not been completed so far by the Government.

The sale of Ammonium Sulphate, Agricultural Sulphur, Micronutrients, Solid Soluble Fertilisers and Seeds though small in volumes are gradually strengthening the Company's brand image in the niche market segments.

Your Company continued to leverage on its distribution and marketing network by trading in 1,22,870 MT of DAP and 9,993 MT of MOP during the year under review.

CURRENT AND FUTURE OUTLOOK

The current year operations have started on a good note. With the Government of India (GoI) having announced the new Fertiliser Policy valid for a year, your Company expects to fully utilise the ANP capacity in the current financial year and hopes that a long term fertiliser policy decision will be announced on the subsidy by GoI soon for all the nutrients i.e. N,P and K.

With a view to optimising the production of ANP as well as LDAN plant your Company has recently purchased a second-hand DNA plant having 300 mtpd capacity. The contract for basic engineering has been awarded to M/s. Jacobs Engineering Ltd., U.K. and detailed engineering to M/s. Jacobs H & G Ltd., India. The contractors have since started their jobs and the plant is scheduled to be commissioned early next year. The increase in capacity of DNA would thus help in enhancing the capacity of ANP as well as LDAN plant.

The programme for retrofit of Ammonia plant is in progress and would be completed during the current financial year. After retrofitting, the plant will have a capacity to produce 354 mtpd of Ammonia as against the present capacity of 272 mtpd.

In order to meet the export demand for international quality LDAN your Company has taken effective steps to install an Air Dehumidification Plant for the LDAN plant, and this is expected to be completed by October, 1999. This step will also help in enhancing the capacity of the plant for coated products.

As a result of hike in the international prices of crude oil there is a likelihood of steep increase in the prices of Natural Gas when equated with prices of imported fuel oil from the second quarter of the current year. On the other hand, there is likely to be reduction in the interest cost due to higher repayment schedule as also reduction in interest cost on the Debentures.

With a view to utilising the established large marketing network, your Company has decided to increase the trading activities and has already planned import of about 1,50,000 MT of DAP in the current year. This will be further increased depending on the long term policy of GoI for fertilisers. Methanol also will be imported and sold based on the domestic demand and supply position.

Overall, the outlook for the current year is promising.

REDEMPTION OF DEBENTURES

In accordance with the terms of issue as contained in the Prospectus and the Letter of Offer and also as decided by the Board of Directors, the Company has during the year under review redeemed non-convertible Part 'C' Debentures of Rs.50/- each aggregating Rs. 85.65 crores.



ISSUE OF DEBENTURES ON PRIVATE PLACEMENT BASIS

Your Company has made an issue of 14.75% Secured Redeemable Non-Convertible Debentures aggregating Rs. 50.45 crores on private placement basis redeemable at the end of 5 years. The debentures have been listed on the National Stock Exchange of India Limited at Mumbai.

INDUSTRIAL RELATIONS

Industrial relations during the year under review continued to be cordial and peaceful.

Y2K PREPAREDNESS

Your Company has proactively addressed the Y2K problem since the beginning of year 1999 and has completed the assessment of the impact of Y2K problem. The steps taken in this regard are as under :

a) Process control and system in the plants -

The contract for upgradation of Control System has been given to the supplier to make it Y2K compliant and the same will be executed by September, 1999.

b) Data Processing and other related equipment -

- (i) All personal computers (PCs) have been upgraded at the level of Hardware and Operating System to be Y2K compliant;
- (ii) Application Systems with regard to Financial, Sales, Payroll and Investors' transactions are fully equipped but that of Material transactions is being converted to overcome the Y2K problem which will be completed much before the end of calendar year 1999;
- (iii) The main Database Servers are being upgraded and this upgradation will be completed by September, 1999.

The cost involved in addressing the Y2K problem is estimated at Rs. 120 lacs.

INVESTORS' WELFARE SCHEME

As you are aware, considering the wide appreciation by the investors of your Company and the benefits availed by them through the Investors' Welfare Scheme, the Board of Directors of your Company has decided to renew the said Scheme, for a further period of 5 years effective from 2nd October, 1999. This Scheme will cover more than 2.30 lacs shareholders of your Company.

Since the inception of the said Scheme i.e. 2nd October, 1989 till 31st March, 1999, 413 claims comprising 273 death claims and 140 permanent disability claims for a total of Rs. 110.16 lacs have been settled and paid.

BRITISH SAFETY COUNCIL AWARD

In recognition and commendation of services rendered in the cause of safety, your Company has been presented by the British Safety Council its prestigious Safety Award for the year 1998. This Safety Award highlights organisations that reach the top levels of health and safety.

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

Shri F.J. Heredia and Shri O.P. Khungar are liable to retire by rotation and being eligible, offer themselves for re-appointment.

AUDITORS AND AUDITORS' REPORT

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 1999-2000 will be within the limit prescribed under Section 224 (1-B) of the Companies Act, 1956. The Board of Directors commends their reappointment.

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 the 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.

Your 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 once again achieve a good performance in the emerging competitive environment.

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

Mumbai,
Dated 1st July, 1999



DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED

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

- i. In Ammonia plant based on the earlier experience of changing to hollow FRP blades in one of the cooling tower fans, the other cooling tower fan was also modified. This has resulted in reduction of 25% of energy consumption in the equipment.
- ii. On similar lines of Ammonia cooling tower fan, the cooling tower fans of Ammonium Nitrate Phosphate and Methanol plants were changed to hollow FRP Blades. This has resulted in reduction in the energy consumption of the equipment by 20%-25%.
- iii. In Methanol plant core rods were fitted in the BFW preheater, which has resulted in better heat transfer and has increased steam production from RG Boiler.

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

- i. Ammonia plant revamp for increasing its capacity and reduction in specific energy consumption is at an advanced stage and is expected to be completed by March, 2000.
- ii. Further study in Methanol plant to get the best benefits out of the increased steam production from the RG boiler will be undertaken shortly.

(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 consumption in Ammonia and Methanol plants. The reduction in electrical energy consumption from the modification including change of fan blades will result in energy saving.

(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, 1998 to March, 1999) | Previous Year (April, 1997 to March, 1998) | |
|--------------------------|---|---|--|--|
| 1. | Electricity | | | |
| a) | Purchased | | | |
| | Unit | '000 KWH | 27612.40 | 27388.51 |
| | Total Amount | (Rs. in Lacs.) | 1150.84 | 1067.04 |
| | Rate / Unit | (Rs. / KWH) | 4.17 | 3.90 |
| b) | Own Generation (Through Diesel Generator) | A very small quantity of Power through 2815 KVA Diesel Generator 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 (1998-99) | Current Year (April, 1998 to March, 1999) | Previous Year (April, 1997 to March, 1998) |
| 1 | Liquid Anhydrous Ammonia | 65.000 | 63.465 | 70.448 |
| 2 | Weak Nitric Acid | 8.260 | 11.046 | 8.517 |
| 3 | Concentrated Nitric Acid | 9.870 | 10.344 | 9.165 |
| 4 | Methanol | 70.600 | 65.052 | 71.099 |
| 5 | Ammonium Nitrate Phosphate | 31.000 | 30.918 | 31.381 |
| 6 | Low Density Prilled Ammonium Nitrate | 43.200 | 44.021 | 42.030 |

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 gaseous effluents of AN and ANP plants is continued by improving performance of scrubbers and mist eliminators.
- b) Development work for better use of cheaper source of Phosphorous viz. Rock Phosphate instead of Phosphoric Acid is completed.
- c) Trials with structured packing on CNA column for improving the capacity was carried out and the column internals were changed to structured ceramic packing.

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

- a) Improvement in scrubber performance and subsequent reduction in Ammonia and Nitric Acid consumption.
- b) Improvement schemes are finalised which when implemented will result in improved performance to 60 kg/m.t. of ANP as against the present level of 45 kg/m.t. of ANP.
- c) CNA plant can be operated upto 130 mtpd capacity which is 30% above the designed capacity.

3. Future plan of Action

- a) Modifications of existing three scrubbers.
- b) Installation of phosphate solution heater to improve use of Rock Phosphate in ANP manufacture.

4. Expenditure on R & D

(Rs. in Thousands)

| | |
|--|------|
| a) Capital | NIL |
| b) Recurring | 3743 |
| c) Total | 3743 |
| d) Total R & D expenditure as a percentage of total turnover | 0.07 |

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**1. Efforts in brief, made towards Technology Absorption, Adaptation and Innovation**

All the plants have achieved full capacity utilisation and further improvement for increasing 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 | Not applicable |
| b. Year of Import | Not applicable |
| c. Has technology been fully absorbed ? | Not applicable |
| d. If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action. | 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.

Mumbai,
Dated 1st July, 1999

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