



Annual Report 2000-2001



DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED

**BOARD OF DIRECTORS**

C. K. Mehta *Chairman*
 D. C. Mehta *Managing Director*
 S. C. Mehta *Deputy Managing Director*
 S. S. Marathe
 R. A. Shah
 D. Basu
 N. C. Singhal
 O. P. Khungar
 Siby Antony (*Nominee of IDBI*)
 Y. D. Patil (*Nominee of GIC*)

MANAGEMENT TEAM

C. K. Mehta *Chairman*
 D. C. Mehta *Managing Director*
 S. C. Mehta *Deputy Managing Director*
 K. C. Mahapatra *President*
 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 (Commercial & IC Marketing)*
 R. Sriraman *Company Secretary & Chief (Law)*
 Dr. T. K. Chatterjee *Vice-President (Marketing - Explosives)*
 V. M. Deshpande *Vice-President (Marketing - Agri Inputs)*
 D. A. Desai *Vice-President (Co-ordination)*

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.
 Ph. : (020) 668 4155
 Fax : (020) 668 3727
 E-mail: shares@deepakfertilisers.com

Plants

Plot K-1, MIDC Industrial Area,
 Jalgaon, A.V. 410 208,
 Dist. Raigad, Maharashtra.
 Ph : (022) 741 2411, 741 2412,
 741 2810
 Fax : (022) 741 2413
 Gram : DEEPAMMON

CONTENTS

■ Notice	1
■ Directors' Report	4
■ Management's Discussion and Analysis	11
■ Corporate Governance	14
■ General Shareholder Information	19
■ Environment Protection - Our Sustained Commitment	22
■ Social Report - Relief to Earthquake Victims	23
■ Auditors' Report	24
■ Balance Sheet	26
■ Profit & Loss Account	27
■ Schedules	28
■ Cash Flow Statement	43
■ Subsidiary Companies	45

NOTICE

NOTICE is hereby given that the Twenty-first Annual General Meeting of DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED will be held on Wednesday, 25th July, 2001 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, 2001 together with the Directors' Report and the Auditors' Report thereon.
2. To declare a dividend for the financial year ended 31st March, 2001.
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 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 an ORDINARY RESOLUTION :

"RESOLVED THAT Shri D. Basu who was appointed as an Additional Director of the Company by the Board of Directors and who holds office upto the date of the Annual General Meeting under Section 260 of the Companies Act, 1956 and in respect of whom the Company has under Section 257 of the said Act received notices in writing proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."

7. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an ORDINARY RESOLUTION :

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) and subject to the approval of the financial institutions, the Company hereby approves the re-appointment of Shri S.C. Mehta as Deputy Managing Director of the Company for a period of 5 years with effect from 4th September, 2001 on the terms and conditions including the remuneration as set out in the Explanatory Statement and the draft of the Agreement to be entered into between the Company and Shri S.C. Mehta, a copy whereof is placed before this meeting.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to alter or vary the terms and conditions of the said appointment including the remuneration, so long as it does not exceed the limit specified in Schedule XIII of the Companies Act, 1956 or any modification or re-enactment thereof and also to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient to give effect to this resolution."

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

Dated 25th May, 2001
Registered Office :
Opp. Golf Course,
Shastri Nagar,
Yerawada,
Pune 411 006.



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 Items No. 6 and 7 set out above is annexed hereto.
- (4) The Register of Members and the Share Transfer Books of the Company shall remain closed from Wednesday, 11th July, 2001 to Wednesday, 25th July, 2001 (both days inclusive).
- (5) The dividend, if declared, will be paid to those members whose names appear on the Register of Members of the Company as on 25th July, 2001 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 print these details on the Dividend Warrants.
- (7) Members are requested to intimate immediately to the Company, quoting Registered Folio Number, change in their address, if any, with the Pin Code Number.
- (8) 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.
- (9) 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

Shri D. Basu was appointed by the Board of Directors as an Additional Director of the Company. In terms of Section 260 of the Companies Act, 1956 Shri D. Basu holds office upto the date of Annual General Meeting. Notices have been received from members of the Company under Section 257 of the Companies Act, 1956 proposing Shri D. Basu as a candidate for the office of Director, liable to retire by rotation.

Shri D. Basu was Chairman of State Bank of India till his retirement in August, 1995. He has to his credit rich and vast experience especially in the banking and finance field. He is also on the Board of many reputed companies.

The Board of Directors are of the view that the services of Shri D. Basu will be of immense value to the Company. Your Directors, therefore, recommend his appointment as Director of the Company.

None of the Directors except Shri D. Basu is in any way concerned or interested in the resolution.

Item No. 7

Shri S.C. Mehta has been the Deputy Managing Director of the Company since 4th September, 1991 and has contributed significantly to the successful working of the Company. He holds a Master's degree in Business Administration from U.S.A.

In view of his valuable experience and expertise, the Board at its meeting held on 25th May, 2001 has approved, subject to the approval of members, the re-appointment of Shri S.C. Mehta as Deputy Managing Director of the Company for a period of 5 years with effect from 4th September, 2001 on the following terms and conditions :

(A) Salary

Rs. 1,25,000/- (Rupees One Lakh Twenty Five Thousand only) per month.

(B) Commission

Commission at such percentage of the net profits of the Company computed in the manner laid down under Section 309 of the Companies Act, 1956 or such amount, as the Board of Directors may determine.

(C) Perquisites

In addition to salary and commission as stated above, Shri S.C. Mehta shall be entitled to the following perquisites :

- (i) Housing – Rent free furnished residential accommodation. In case no accommodation is provided by the Company, Shri S.C. Mehta shall be paid house rent allowance as may be decided by the Board of Directors.
- (ii) Reimbursement of gas, electricity, water charges and furnishings.
- (iii) Reimbursement of medical expenses incurred for self and members of his family, as per the rules of the Company.
- (iv) Leave travel concession for self and members of his family, as per the rules of the Company.
- (v) Fees of clubs subject to a maximum of two clubs.
- (vi) Personal Accident Insurance, as per the rules of the Company.
- (vii) Provision of car and telephone at residence. The expenditure on use of car for private purposes and personal long distance calls on telephone shall be billed by the Company to Shri S.C. Mehta.
- (viii) Company's contribution to provident fund, superannuation fund or annuity fund, gratuity and encashment of leave, as per the rules of the Company.

(D) The Board of Directors shall have the authority to alter or vary the terms of re-appointment and remuneration, including commission and perquisites, payable to Shri S.C. Mehta within the overall limits specified under Sections 198, 309 and Schedule XIII of the Companies Act, 1956.

(E) In the absence or inadequacy of profits, the salary mentioned in paragraph (A) above and perquisites shall be the minimum remuneration payable to Shri S.C. Mehta subject to applicable provisions of the Companies Act, 1956.

Shri S.C. Mehta shall not be liable to retire by rotation as Director of the Company.

The approval of the members is sought to the re-appointment of and remuneration payable to Shri S.C. Mehta.

Shri S.C. Mehta is interested in the resolution and Shri C.K. Mehta, being father, and Shri D.C. Mehta, being brother of Shri S.C. Mehta, may be deemed to be interested in the resolution.

The above may also be treated as an Abstract as required under Section 302 of the Companies Act, 1956.

A draft of the Agreement proposed to be entered into with Shri S.C. Mehta is open for inspection to the members at the Registered Office between 10.30 a.m. and 1.00 p.m. on all working days of the Company, upto and including the day of the Meeting.

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

Dated 25th May, 2001

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



DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED

Directors' Report

To the Members,

Your Directors have pleasure in presenting the Twenty-first Annual Report together with the Audited Accounts of the Company for the Financial Year ended March 31, 2001.

FINANCIAL RESULTS

The summarised financial results for the year are as under :

	(Rs. in Lacs)	
	2000-2001	1999-2000
Sales (including other income)	48,998.80	59,696.74
Profit before depreciation	11,863.59	8,590.05
Less :		
a) Depreciation	2,757.80	2,324.58
b) Prior years' adjustments (net)	20.29	10.10
Profit before Extraordinary Items	9,085.50	6,255.37
Less :		
Extraordinary Items (Before tax credit Rs. 66.00 lacs; Previous Year : Rs. 88.00 lacs)	637.05	(466.91)
Profit before tax	8,448.45	6,722.28
Less :		
a) Provision for Income-tax	2,166.00	877.00
b) Provision for Wealth-tax	12.00	11.90
Net Profit	6,270.45	5,833.38
Add : Balance brought forward	16,367.90	12,630.97
	22,638.35	18,464.35
Appropriation :		
a) Transferred to General Reserve	630.00	438.00
b) Dividend on Equity Shares	1,867.62	1,494.10
c) Corporate Dividend Tax	190.50	164.35
Surplus carried to the Balance Sheet	19,950.23	16,367.90

Sales (including trading operations of Rs.124.28 crores) dropped to Rs.489.99 crores as against Rs.596.97 crores (including trading operations of Rs.204.17 crores) for the previous year. Profit before tax has improved by 26% and the Profit after tax increased by 7.5% as compared to previous year.

DIVIDEND

Considering the improved performance during the year under review, your Directors are happy to recommend a dividend @ 25% (Previous Year 20%) on the Equity Shares of the Company for the year ended 31st March, 2001. The proposed dividend including corporate dividend tax will absorb Rs.20.58 crores as against Rs.16.58 crores for the previous year.

OPERATIONS**A) Production**

The production of various products during the year and the previous year are as follows :

Product	2000-2001	1999-2000
	Production (MT)	Production (MT)
Ammonia	89,100	89,400
Methanol	83,200	81,100
DNA	1,81,300	1,89,600
CNA	46,300	40,700
AN / LDAN	64,700	60,300
ANP	1,46,900	1,90,000

The production of Ammonia and Methanol continued to be affected adversely during the period under review due to restricted supply of Natural Gas. As against the allocated supply of 0.6 million SM³/day, the actual availability of Natural Gas was much lower and at times as low as 0.25 SM³/day. The calorific value of Natural Gas supplied was also lower at around 8300 kcal/SM³ as compared to 9200 kcal/SM³ in normal circumstances.

The restricted supply of Natural Gas leading to lower production of Ammonia severely affected production of ANP fertiliser especially in the first half of the year under review. However, to meet the demands of the farmers, the Company procured Ammonia from market though at high prices.

The commissioning of third stream of DNA plant was completed within scheduled time and the budgeted cost. This is a second-hand plant which was relocated from Ireland (where the operating temperature was quite low) and was suitably modified to operate under Indian climatic conditions. This plant has been commissioned and the operations stabilised within record time. With the availability of this relocated plant, the Company could undertake and complete revamping of one of the other DNA plants which has improved its energy efficiency significantly. Based on this experience, the Company is also considering revamping the second DNA plant.

The improved availability of DNA helped the Company to achieve the highest production of CNA and AN for any financial year.

The Project for the Waste Heat Recovery from engine flue gases was also completed as scheduled during the year. This is likely to reduce the requirement of high priced Naphtha for steam generation.

B) Marketing

The Company's strategy of being in multi-product business viz. Fertilisers and Industrial Chemicals helped the Company in off-setting adverse impact of fertiliser business by improved performance of the Industrial Chemicals Division and thus achieve overall good results for the year.

a) Industrial Chemicals :

The overall sale volume of Methanol was lower at 98,000 MT as compared to 1,06,000 MT for the previous year despite importing and selling of about 20,000 MT to meet the specific requirements of the dedicated customers. The cyclical upsurge in international prices benefitted the Company in getting better realisation from the domestic market.



DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED

In the Acid segment, with strategic marketing efforts, both CNA and DNA showed marked improvement in sale. The total sale of Nitric Acid has gone up by 15% during the year under review.

Your Company continued to do well in the AN Prills segment. The overall volume of AN sales went up by 5% over the previous year. There was marginal improvement in sale price despite severe pressure in the market.

b) Fertilisers :

During the year the rainfall distribution was uneven leading to drought in several parts of the country particularly in the State of Maharashtra. As a result, the consumption of Phosphatic fertilisers in the State recorded substantial decline by about 40% as compared to the previous year. Consequently, the sale of Company's ANP fertiliser in general and Speciality Agri Products like Micronutrients, Sulphur etc. in particular, were adversely affected. The accumulated inventory of Phosphatic fertilisers in the beginning of the year restricted scope for further imports for trading. However, the Company retained its market share in the falling fertiliser market. The Company also introduced a new mixture of fertilisers "18:18:10" under the brand name "Bhoodhan".

The sale value of seeds during the year registered a growth of 20% as compared to the previous year.

CURRENT AND FUTURE OUTLOOK

The impending steep increase in the price of Natural Gas is likely to have an adverse impact on the profitability of the Company. The present scenario of short supply of Natural Gas and feasibility of getting LNG by the year 2004 is likely to result in under-utilisation of the plants capacity in the coming years. The vigorous follow up by your Company, alongwith the efforts of Government of Maharashtra, may help in securing additional supply of Gas to Uran from Bassein fields. This will help in achieving better capacity utilisation of not only your plants but also of all gas-based industries in Maharashtra without affecting existing industries located on the HBJ pipeline, as considerable new gas sources have been found in Gandhar fields, Gujarat.

Keeping in mind the constraint of Gas supply, the Company is planning to invest in a port-based storage facility for imported Ammonia. Based on the adequate availability of Ammonia, the Company is proposing to de-bottleneck the plants of the downstream products and increase production by utilising the existing infrastructure. Further, as a long term strategy, the Company is on one hand exploring the possibility of increasing the number of sources of Ammonia including the option of setting up a gas-based Ammonia Plant abroad and on the other, studying opportunities for broad-basing industrial chemical products through forward integration.

The Project for installation of purified Food Grade liquid Carbon Dioxide plant utilising CO₂ presently vented is expected to be commissioned by August, 2001. The plant shall also be capable of producing dry ice.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of sub-section (2AA) of Section 217 of the Companies Act, 1956, your Directors confirm :

- (i) that in the preparation of the Annual Accounts, the applicable accounting standards had been followed alongwith proper explanation relating to material departures;
- (ii) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that 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 as on 31st March, 2001 and of the profit of the Company for that period;

- (iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) that the Directors had prepared the annual accounts on a going concern basis.

ISSUE OF DEBENTURES ON PRIVATE PLACEMENT BASIS

During the year under review, your Company has made an issue of 12.5% Secured Redeemable Non-Convertible Debentures aggregating Rs. 10 crores, on private placement basis, redeemable at the end of 5 years from the date of allotment.

AWARDS

In recognition of improvement in overall performance, your Company has won the FAI award for the year 1999-2000 presented by the Fertiliser Association of India.

Your Company has been adjudged as the second best entry in the Video Film Competition for the year 2000 constituted by the Fertiliser Association of India for its film titled "Sulphur: The Fourth Nutrient" and was presented the Award.

For the third year in succession, your Company has been presented by the British Safety Council its prestigious Safety Award for the year 2000 in appreciation of the Company's skills and efforts in maintaining a good record on health and safety of the plant.

INDUSTRIAL RELATIONS

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

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 the Annexure 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 D. Basu, who was appointed as an Additional Director of the Company during the year, holds office upto the date of the ensuing Annual General Meeting and is eligible for appointment.

Shri F.J. Heredia resigned as Director of the Company due to advancing age and on health grounds. Shri Heredia, with his excellent background in the fertiliser industry both in private and public sector, had been a great source of strength and the Board is indebted for the support and valuable guidance provided by him during his long association of 17 years with the Company.

GIC has withdrawn the nomination of Shri A.P. Pradhan and appointed Shri Y.D. Patil in his place.

During the year, one of the senior members of the Board Shri P.J. Fernandes passed away. Shri Fernandes made significant contributions to the Company especially during the most testing times. The Board has placed



DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED

on record its deep appreciation for his long and fruitful association with the Company.

Shri R.A. Shah and Shri O.P. Khungar 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 2001-2002 will be within the limit prescribed under Section 224 (1-B) of the Companies Act, 1956. The Board of Directors commends their re-appointment.

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 Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the annual report and accounts are being sent to all members of the Company excluding the aforesaid information. Any member interested in obtaining such information may write to the Company Secretary at the Registered Office of the Company.

ACKNOWLEDGEMENT

Your 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 achieve good performance in the emerging competitive environment.

For and on behalf of the Board,

C.K. MEHTA

Chairman

Mumbai

Dated 25th May, 2001

Report Junction.com