

22ND ANNUAL REPORT 2001-02



DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED



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
A. C. Mehta
Aloke Sengupta *(Nominee of IDBI)*

Registered Office

Opp. Golf Course,
Shastri Nagar, Yerawada,
Pune - 411 006.
Phone : (020) 668 4155
Fax : (020) 668 3727
E-mail : shares@deepakfertilisers.com

Plants

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

Management Team

C. K. Mehta *Chairman*
D. C. Mehta *Managing Director*
S. C. Mehta *Deputy Managing Director*
O. P. Khungar *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 (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
- Central Bank of India
- Dena Bank
- Bank of Baroda

Solicitors

- Crawford Bayley & Co.
- Udwadia, Udeshi & Berjis

Auditors

B. K. Khare & Co.

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MANAGING DIRECTOR'S ADDRESS

Dear Shareholder,

I have pleasure in addressing you through this Annual Report – for the first time. I take this opportunity to share with you the Company's progress over the last year and its plans for the future. The year gone by has been challenging, given the stagnation in the manufacturing sector in the country. The performance of your Company has to be viewed against this backdrop.



Today, your Company is a financially strong and resilient organisation. It has achieved a multiproduct status ensuring its profits are not dependent only on one market. Also your Company's ability to modify and adjust its product mix in response to dynamic market conditions is a measure of its agility. This has helped your Company in mitigating the risks associated with individual product cycles and ensuring stable operations and profit levels.

Low availability of Natural Gas and a sharp fall in international prices of Methanol affected the bottom line of the last year. Given the limited availability of gas, the operational flexibility developed within the Company enabled us to maximise Ammonia production versus Methanol, thereby optimising the contribution from gas utilisation.

The lack of demand for fertilisers due to a lean season was taken advantage of to make more explosives-grade Ammonium Nitrate for about a month. Since in-built capacities of downstream plants were still available, your Company opted to run them at higher capacities by using bought-out Ammonia to complement in-house production, thereby increasing volumes of its own NP fertiliser from 1.4 lac tons to 1.8 lac tons. The Chemicals business continued to support the bottom line, thereby minimising the effects of the adverse factors mentioned above.

Brand Building : Over the last decade, your Company has invested substantially in creating, developing and sustaining brands of our leading products. Our umbrella brand of fertilisers and agri-inputs, 'Mahadhan', is well trusted by farmers across western India and the hinterland as a symbol of quality and high yield. In the Industrial Chemicals and Petrochemicals segment, your Company's name stands for customised quality and anytime / prompt service. Similarly, the 'Optimex' brand of explosives-grade prilled Ammonium Nitrate is popular in the mining and construction industries. Optimex is known to give the highest blasting impact in its use as ANFO-type explosives.



OPTIMEX
Explosives Grade
Prilled
Ammonium Nitrate

Benchmarking with the Best : Moving on to operations, after recent modifications, the Ammonia plant is comparable with the best in terms of operational efficiencies for similar-sized plants worldwide. Our NP plant is one of the most



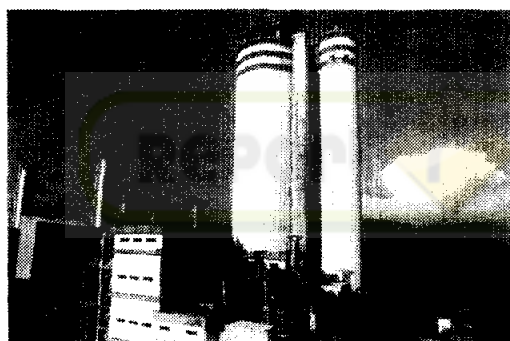
efficiently-run plants and makes the best prilled quality complex fertilisers in India.

We are making a constant effort to improve our operational capabilities by benchmarking with the best manufacturing practices within and outside the industry.

Cost Reduction in Manufacturing : Rising costs is one area of concern which requires constant control. Pursuing in this direction, an 'Energy Task Force' was set up. Its recommendations, when implemented, led to significant improvement in the consumption of Gas and steam, incorporating several energy recovery systems in the plants.

Growth Plan : Given the present economic conditions and uncertain fertiliser policies, your Company has chosen the option to de-bottleneck through marginal investment rather than set up grass-root investment in fertilisers. Keeping this in view and the need to reduce dependence on gas availability - at the same time exploiting the brand equity in both NP for fertilisers (Mahadhan) and AN for explosives (Optimex) - your Company has taken up projects to de-bottleneck AN and NP plants to increase production by 50% as well as set up an Ammonia storage terminal at JNPT. Your Company is also concentrating its efforts on Speciality Agro Products to meet the agro needs of high-tech farming, including fertigation. Your Company has been making efforts to further improve the utilisation of its network to market other fertilisers.

Level Playing Field : The primary reforms of the 90s have affected the entire industry directly and your Company felt the impact as well. It was perceived by the industry that primary reforms would be followed quickly by secondary reforms. Sadly that has not happened. To enable us to become globally competitive, areas that require urgent attention are availability of gas, power supply at international levels of tariff and quality, Value Added Tax (VAT) to replace all taxes and, finance at rates prevailing in developed countries. On various occasions and forums, your Company continues to raise these issues with the appropriate authorities.



Your Company is also looking forward for the Government to free the fertiliser industry from control. This will help the fertiliser industry to maximise its returns based on the value generated for the farmers.

We shall continue to strive with the determination to succeed.

I thank you all for your support.

DEEPAK C. MEHTA
MANAGING DIRECTOR

Dated 15th June, 2002

NOTICE

NOTICE is hereby given that the Twenty-Second Annual General Meeting of DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED will be held on Friday, 23rd August, 2002 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, 2002 together with the Directors' Report and the Auditors' Report thereon.
2. To declare a dividend for the financial year ended 31st March, 2002.
3. To appoint a Director in place of Shri S. S. Marathe, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri N. C. Singhal, 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.

Dated 15th June, 2002

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 OF THE COMPANY.**
- (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) The Register of Members and the Share Transfer Books of the Company shall remain closed from Friday, 9th August, 2002 to Friday, 23rd August, 2002 (both days inclusive).
- (4) The dividend, if declared, will be paid to those members whose names appear on the Register of Members of the Company as on 23rd August, 2002 being the date of the Annual General Meeting of the Company. In respect of shares held in electronic form, the dividend will be paid to those beneficial owners whose names appear in the statement furnished by the Depositories for the purpose.
- (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 print these details on the Dividend Warrants.
- (6) Members are requested to notify to the Company immediately, quoting Registered Folio Number, change in their address, if any, with the Pin Code Number.
- (7) 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 required information can be made available at the meeting.
- (8) 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. Members who hold shares in electronic form and desirous of attending the meeting are requested to bring alongwith them Client ID and DP ID numbers for easy identification.



DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED

- (9) Members are requested to note that dividend payable is subject to tax deduction at source from 1st April, 2002. No tax at source will be deducted if the dividend payable to a resident individual does not exceed Rs.1,000/-. Further, income-tax will not be deducted at source from the dividend payable to the resident individual, if a declaration in Form 15G, in duplicate, is submitted to the Company on or before 9th August, 2002. In other cases, the tax at source will be deducted at the prescribed rates in accordance with the provisions of the applicable tax laws.
- (10) Members are requested to note that pursuant to the provisions of Section 205C of the Companies Act, 1956 the dividend remaining unclaimed / unpaid for a period of seven years from the date they became due for payment shall be credited to the Investors Education and Protection Fund, set up by the Central Government. Members who have so far not claimed the dividend are requested to make claim with the Company as no claim shall lie against the Fund or the Company in respect of individual amounts once credited to the said Fund.

Dated 15th June, 2002
Registered Office :
Opp. Golf Course,
Shastri Nagar, Yerawada,
Pune - 411 006.

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

Details of Directors seeking re-appointment at the Annual General Meeting (In pursuance of Clause 49 of the Listing Agreement)

Name of Director	Shri S. S. Marathe	Shri N. C. Singhal
Age	79 Years	65 Years
Qualification	M. A. (Economics)	M. A. (Economics), M. Sc. (Statistics), P. G. Dip. in Pub. Admn.
Date of Appointment	29th October, 1982	25th March, 1997
Expertise	An economist having extensive experience in the Government and the Corporate Sector	Rich and vast experience in the field of banking and finance.
Other Directorships as on 31st March, 2002	Automotive Axles Limited Bajaj Tempo Limited Bharat Forge Limited Tata TD Waterhouse Asset Management Pvt. Ltd. Finolex Industries Limited Indian Organic Chemicals Limited Kirloskar Brothers Limited Mandovi Pellets Limited Sandvik Asia Limited Kinetic Motor Limited Accord Solutions Pvt. Ltd. G. D. A. Trust Management Pvt. Ltd. Pan Gulf Group Limited Larsen & Toubro Limited	Cholamandalam Investment & Finance Co. Ltd. Sharat Chatterjee & Co. (VSP) Pvt. Ltd. Shapoorji Pallonji Finance Limited Max India Limited Samajpatti Power Company Pvt. Ltd. Ambit Corporate Finance Pte. Ltd. The Shipping Corporation of India Limited Kothari Pioneer AMC Limited Max New York Life Insurance Co. Ltd. Tolani Bulk Carriers Limited
Chairman / Member of the Committees as on 31st March, 2002	Audit Committee : Bharat Forge Limited - Chairman Finolex Industries Limited - Member Indian Organic Chemicals Limited - Member Kirloskar Brothers Limited - Member Sandvik Asia Limited - Member Shareholders Grievance Committee : Larsen & Toubro Limited - Member Remuneration Committee : Kirloskar Brothers Limited - Member Larsen & Toubro Limited - Member	Audit Committee : Cholamandalam Investment & Finance Co. Ltd. - Member Max India Limited - Chairman The Shipping Corporation of India Ltd. - Member Max New York Life Insurance Co. Ltd. - Member Tolani Bulk Carriers Limited - Member Shareholders Grievance Committee : Max India Limited - Member The Shipping Corporation of India Ltd. - Chairman

DIRECTORS' REPORT

To the Members,

Our Directors have pleasure in presenting the Twenty-Second Annual Report together with the Audited Accounts of the Company for the Financial Year ended 31st March, 2002.

FINANCIAL RESULTS

The summarised financial results for the year are as under :

	(Rupees in Lacs)	
	2001-2002	2000-2001
Sales (including other income)	51,227.02	48,998.80
Profit before depreciation	9,669.18	11,863.59
Less :		
a) Depreciation	2,876.17	2,757.80
b) Prior years' adjustments (net)	125.81	20.29
Profit before Extraordinary Items	6,667.20	9,085.50
Less :		
Extraordinary Items	62.75	637.05
Profit before tax	6,604.45	8,448.45
Less :		
a) Provision for Income-tax	1,588.29	2,166.00
b) Provision for deferred Income -tax	142.35	—
c) Provision for Wealth-tax	10.16	12.00
Net Profit	4,863.65	6,270.45
Add : Balance brought forward	19,950.23	16,367.90
Less : Cumulative deferred Tax Liability upto 31.3.2001	7,306.21	—
Less : Transferred to Debenture Redemption Reserve for earlier years	936.00	—
	11,708.02	16,367.90
	16,571.67	22,638.35
Appropriation :		
a) Transferred to Debenture Redemption Reserve	492.00	—
b) Transferred to General Reserve	365.00	630.00
c) Dividend on Equity Shares	1,495.00	1,867.62
d) Corporate Dividend Tax	—	190.50
Surplus carried to the Balance Sheet	14,219.67	19,950.23

Sales (including trading operations of Rs. 142.11 crores) increased to Rs. 512.27 crores as against Rs. 489.99 crores (including trading operations of Rs. 124.28 crores) for the previous year. The operating profit has dropped to Rs. 117.94 crores from Rs. 147.20 crores of the previous year. Profit after tax has come down to Rs. 48.64 crores from Rs. 62.70 crores of the previous year.



DIVIDEND

Considering the performance during the year under review, your Directors recommend a dividend @ 20 % (Previous Year 25%) on Equity Shares of the Company for year ended 31st March, 2002. The proposed dividend will absorb Rs.14.95 crores as against Rs. 20.58 crores (including corporate dividend tax) for the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis Report which is forming part of this Report, inter-alia, adequately deals with the operations as also current and future outlook of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- (i) in the preparation of the Annual Accounts, the applicable accounting standards had been followed alongwith proper explanation relating to material departures;
- (ii) the accounting policies selected had been applied consistently and judgements 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 on 31st March, 2002 and of the profit of the Company for that period;
- (iii) proper and sufficient care had been taken 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) the annual accounts had been prepared on a going concern basis.

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.

SAFETY & ENVIRONMENT

In recognition of its performance in the past 3 years, your Company has won "Excellence in Safety" award for 2000-01 in Nitrogenous and Complex Fertiliser Sector from Fertiliser Association of India. As a part of its continued efforts towards environment protection, your Company has initiated various measures for reducing wastes, effluent and in conservation of natural resources.

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 Annexure forming part of this Report.

SUBSIDIARY COMPANIES

Owing to changes in shareholding, Priyank Mercantile Limited, Sandhya Commercial Limited and Deepak Agro Solutions Limited are no longer subsidiaries of the Company.

DIRECTORS

During the year, IDBI had withdrawn the nomination of Shri Siby Antony from the Board of Directors of the Company and appointed Dr. A. S. Kane and subsequently Shri Alope Sengupta in his place.

The Company has repaid the entire amount of term loans availed from UTI, LIC and GIC. GIC has withdrawn the nomination of Shri Y. D. Patil from the Board of Directors of the Company.

Shri A. C. Mehta, who was co-opted as an Additional Director of the Company during the year, holds office upto the date of the ensuing Annual General Meeting and is not seeking appointment.

Shri S. S. Marathe and Shri N. C. Singhal are liable to retire by rotation and being eligible, offer themselves for re-appointment.

AUDITORS

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 2002-2003 will be within the limit prescribed under Section 224 (1-B) of the Companies Act, 1956. The Board of Directors commends their re-appointment.

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 particulars may write to the Company Secretary at the Registered Office of the Company.

ACKNOWLEDGEMENT

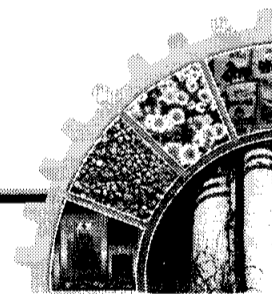
Your Company continues to receive the necessary support and guidance from the financial institutions led by IDBI and the consortium of banks led by State Bank of India and your Directors would like to place on record their sincere appreciation for the same.

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 15th June, 2002





ANNEXURE 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

- The Gas Expander of WNA-II plant was similarly modified as WNA-I earlier. This has resulted in increased power recovery and considerable saving of steam.
- The use of excess process steam available from the Ammonium Nitrate reaction for recovery section and of low pressure steam for heating up dehumidified air, combined with implementation of various steps to avoid losses in steam traps helped to bring down considerably the steam requirement of AN and NP plants.
- Installation of microprocessor based unit for one of the electrical transformers has helped to balance three phases reducing harmonics distortion level and save energy.
- Recycle of process condensate from AN plant to WNA-I and WNA-III plants has helped to improve the nitrogen efficiency, reduce consumption of DM water and reduce pollutants.

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

A scheme of unloading liquid Ammonia brought in from outside in road tankers and transferring directly to Div. III instead of the present system of unloading first in atmospheric Ammonia storage tank is being planned. This will save substantial energy consumed in unloading of Ammonia and pumping to the user plant.

(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 measures referred to above under (a) and the proposal under (b) will result in permanent reduction of energy consumption. Since the utilities are common for all the plants, it is not possible to quantify the savings for individual product.

(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

Power & Fuel Consumption		Current Year (April, 2001 to March, 2002)	Previous Year (April, 2000 to March, 2001)
1) Electricity			
a) Purchased			
Unit	'000 KWH	27907.34	26388.23
Total Amount	(Rs. in Lacs.)	1111.01	1110.36
Rate / Unit	(Rs. / KWH)	3.98*	4.21
b) Own Generation (Through Diesel Generator)	A very small quantity of Power through 2815 KVA D.G. Set was generated for use during emergencies whenever there was power outage from MSEB to sustain plant operations.		

*This drop is due to differential tariff rates for consumption during day and night.