



**DEEPAK FERTILISERS  
AND PETROCHEMICALS CORPORATION LIMITED**

1980 - Ammonia

1990 - Nitric Acids, Methanol,  
Nitro Phosphate Fertiliser,

Ammonium Nitrate

and now

Moving beyond Fertilisers -

- Speciality Mall,

- Co-gen Power Plants,

- Iso Propyl Alcohol,

- Additional Capacities

in Chem. S...

**24th Annual Report**

**2003-2004**



## DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED

### Board of Directors

**C. K. Mehta** *Chairman*  
**D. C. Mehta** *Vice - Chairman*  
**S. C. Mehta** *Managing Director*  
**S. S. Marathe**  
**R. A. Shah**  
**D. Basu**  
**N. C. Singhal**  
**O. P. Khungar**  
**A. C. Mehta**  
**Aloke Sengupta** *(Nominee of IDBI)*

### Management Team

**C. K. Mehta** *Chairman*  
**S. C. Mehta** *Managing Director*  
**Dr. T. K. Chatterjee** *Chief Operating Officer*  
**N. D. Joshi** *Chief Financial Officer*  
**T. D. Mathwani** *Sr. Vice - President (Projects & Technology)*  
**R. Sriraman** *Sr. Vice - President (Legal) & Company Secretary*  
**R. P. Karnik** *Vice - President (Projects)*  
**V. M. Deshpande** *Vice - President - Marketing (Fertiliser)*  
**D. A. Desai** *Vice - President (Co-ordination)*  
**S. P. Arya** *Vice - President (Manufacturing)*  
**S. M. Desai** *Vice - President (Co-ordination)*  
**A. C. Augustine** *Vice - President (Corporate HR)*  
**V. S. Laghate** *Vice - President (Strategic Planning)*

### Bankers

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

### Solicitors

Crawford Bayley & Co.  
J. Sagar Associates

### Auditors

B. K. Khare & Co.

### Registered Office

Opp. Golf Course,  
Shastri Nagar, Yerawada,  
Pune - 411 006.  
Phone : (020) 2668 4155  
Fax : (020) 2668 3727  
E-mail : [shares@deepakfertilisers.com](mailto:shares@deepakfertilisers.com)

### Plants

Plot K-1, MIDC Industrial Area,  
Taloja, A. V. 410208.  
Dist. Raigad, Maharashtra.  
Phone : (022) 2741 2411/12,  
2741 2810 /11/ 12  
Fax : (022) 2741 2413

### Contents

<b>MD's Address</b>	<b>1</b>
<b>Notice</b>	<b>3</b>
<b>Directors' Report</b>	<b>5</b>
<b>Management Discussion and Analysis</b>	<b>10</b>
<b>Corporate Governance</b>	<b>14</b>
<b>General Shareholder Information</b>	<b>17</b>
<b>Social Report</b>	<b>20</b>
<b>Auditors' Report</b>	<b>21</b>
<b>Balance Sheet</b>	<b>24</b>
<b>Profit &amp; Loss Account</b>	<b>25</b>
<b>Schedules</b>	<b>26</b>
<b>Cash Flow Statement</b>	<b>47</b>
<b>Consolidated Accounts</b>	<b>49</b>
<b>Reports and Accounts of Subsidiary Company</b>	<b>58</b>

## Looking Beyond : From a Strategic Perspective



*An Annual Report tends to overload its readers with data, write-ups and facts - sometimes in rather a dry fashion in view of various statutory, perfunctory and age-old traditional needs. On the other hand, the reader of an Annual Report is looking forward to data he can see in co-relation with trends, figures tied-up to read a story, analysis which can reach to conclusions. While these expectations are indeed a tall order, with a view to help the process, we drew questions from various analysts and shortlisted those which avoid a straight repetition of what is already in the Management Discussion and Analysis or elsewhere in the Annual Report. Below is an attempt to respond to these queries in the hope that it will bring an interesting and contextual perspective to the pages that follow.*

**Q.** As you look at the year that ended, tell us the major positive and negative happenings which have impacted the FY. 2003-04.

**A.** At the outset let us examine the year ended from a trend perspective and then on its own. Last year's total sales of our manufactured products as a part of a five year trend shows a fair degree of stability. This, despite continuous lowering of customs duties on the imported product indicates a distinct undercurrent of resilience and customer loyalty developed.

Taking a look at last year per se, among the positive happenings were a 8.75% hike in net profit despite a 15% cut in gas availability over the previous year. Looking deeper, a volume growth of 15% in Acids and 14% in Ammonium Nitrate combined with a value growth of 11% in Acids and 23% in Ammonium Nitrate indicates

- (a) Growing markets
- (b) Customer loyalty
- (c) Synergistic product-mix

Above all, the Chemical Sector contributed to 60% of the total turnover making a distinct statement that Deepak Fertilisers is more than fertilisers!

Among the major negative happening was the gas shortage which dampened the operations.

**Q.** Till there is an improvement in the gas availability, what will be your survival strategy? Post-abundant availability what are your growth strategies?

**A.** As you may be aware, the GAIL-Petronet LNG terminal at Dahej has already been commissioned and is operational. Shell's LNG terminal will also be operational shortly. With this, the current year itself will see fair size additions to the gas availability in Western India. While its indirect positive impact would reach us faster, its direct impact will emerge once the Dahej-Uran-Pune pipeline is laid as per already approved/announced plans. This is

expected to reach Uran by the middle of next year - which will finally remove the perennial gas shortage problems faced by us.

In the meanwhile, where possible, we have resorted to conversion of some utilities and fuel applications to dual fuel to allow naphtha usage. Additionally, we have developed three good sources of ammonia supplies which will ensure that our down-stream products based on ammonia, do not suffer. However, both these options, being higher cost options, would erode the contributions on the additional production based on these options. In the short run, we are also hoping that our fair request to the Petroleum Ministry for higher gas allocation, would bear fruits.

In the two-three year time horizon, once the national gas grid linking KG Basin to the West Coast is laid, gas supplies will be available in abundance. Keeping in view these developments, we have already begun implementing since last year, retrofits in each of our plants to extract another 10-15% capacities with marginal investments. A brown field expansion could be considered as we see the situation unfold.

**Q.** The fertiliser segment continues to lose heavily, what's the way forward; closure, spin-off, change?

**A.** At the root of the problems in the fertiliser segment is the under-utilisation of the capital assets and human assets arising out of the shortage of gas/ammonia. The subsidy policy also adds fuel to the problems with under-recovery of fixed costs as also not supporting the higher out-sourced ammonia prices. These issues should be behind us once the gas availability improves.

Further, with the integrated production facilities built to draw synergy, spin-off etc would not make financial sense. We will see the light at the end of the tunnel in the next year or two and thus will be turning around this segment too. At the macro level, India's demand for fertilisers will continue to grow. In the long run, if the





## DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED

total industry is decontrolled with zero subsidies, fair feedstock pricing and market determined fertiliser prices, the industry in general and our company in particular would thrive based on quality products and brand loyalty built over the last two decades.

### **Q. What has been the strategy behind the growth plans taken up today?**

**A.** Our growth strategy is based on three drivers namely:

- Maximise the present performance through retrofits, energy saving schemes and improved productivity measures.
- Expanding on the present product base building on the strengths built over the last two decades.
- Diversify from the present by entering into new sunrise sectors.

The projects on hand envisage a capital outlay of over Rs 400 Cr. Further details on this have been given in the Management Discussion and Analysis (MDA) section of this Annual Report.

### **Q. Don't you feel a Mall is a risky proposition away from your core competency?**

**A.** Firstly, let me clarify that what we are developing is a Speciality Mall focused on a specific need which is quite distinct from a general mall selling merchandise like apparel and personal use items. There are many general malls opening up in various cities. Our focused Speciality Mall for its product range and size would be unique.

Secondly, I would also clarify that our role would be predominantly restricted to construction/development of the space. The actual retailing will be done by our domestic and global tenants who will be hand-picked based on their vast experience in marketing and well-known brands.

Thirdly, in terms of the construction/development activity the Group comes with wide project management experience including building and marketing value-added real estate such as IT/software ventures.

Fourthly, with over 189 million sq ft of residential and 14 million sq ft of commercial construction coming up within 3-4 hours of driving distance from the Speciality Mall site, all the surveys done indicate a strong demand base.

Lastly, a specific survey feedback from over 500 potential tenants have confirmed the need for the Speciality Mall, the buoyancy of the sector as well as the specific interest in taking up space in our Mall.

A further reading of the details in the MDA will throw more light on why we feel comfortably placed as regards the risks associated with the project.

### **Q. Will the funding of the new projects not put a severe load on the current operations?**

As you would have noticed, the Company has been generating around Rs 75 Cr cash since some years now and expects to continue doing so based on the operational trends. As the Annual Report reflects, more than Rs 100 Cr are sitting parked in Mutual Funds. On the other hand, the Company today has extremely healthy ratios of debt/equity (0.4:1) and interest coverage ratio of over 7.74 times.

Keeping the above facts in mind, while each project can stand up on its own merit for project funding, the overall Balance Sheet of the Company provides ample scope for comfortable funding.

Lastly, since the projects are a mix of acquisition (with returns from day one), super track projects (Co-gen Power Plant in 9 months) and fast track projects (IPA in 22 months) the spread and the low gestations would ensure no undue strain on the operations.

### **Q. On a longer-time horizon, where do you see the Company going?**

**A.** As we look ahead, the growth directions the Company will take will be based on the following strategic drivers:

- (a) Enlarge current areas of operation by expansion / acquisitions domestically/globally to reach capacities and economies of scale at global levels in our areas of strength.
- (b) Strengthen by way of investments/strategic tie-ups each link in the supply-chain from raw material-storage-shipping etc. to ensure cost competitiveness.
- (c) Climb up the value-chain moving from Basic Chemicals to Performance Chemicals, Ammonium Nitrate to Explosives to Mining, Fertilisers to Agri Inputs to Contract Farming to Food Processing

Thus in the years ahead I see exciting growth unfolding on the foundation of the strengths built over last two decades.

**S. C. MEHTA**  
Managing Director

**NOTICE**

NOTICE is hereby given that the Twenty-Fourth Annual General Meeting of DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED will be held on Monday, 19th July, 2004 at 11.00 a.m. at S. M. Joshi Socialist Foundation Nanasaheb Gore Academy, Navi Peth, Ganjave Chowk, Opp. Patrakar Bhavan, Pune-411 030 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, 2004 together with the Directors' Report and the Auditors' Report thereon.
2. To declare a dividend for the financial year ended 31st March, 2004.
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 pursuant to the provisions of Section 293 (1) (e) and other applicable provisions, if any, of the Companies Act, 1956 consent of the Company be and is hereby accorded to the Board of Directors to contribute any amount or amounts, to charitable and / or other funds, not directly related to the business of the Company or the welfare of its employees, from time to time in any financial year, to the extent of Rs. 1,00,00,000/- or 5% of the Company's average net profits as determined in accordance with the provisions of Sections 349 and 350 of the said Act during the three financial years immediately preceding, whichever is greater.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary, desirable or expedient for giving effect to the foregoing resolution."

Dated 20th May, 2004

Registered Office :

Opp. Golf Course,  
Shastri Nagar,  
Yerawada,  
Pune - 411 006.

By Order of the Board of Directors,

R. SRIRAMAN

Sr. Vice-President (Legal) &  
Company Secretary

**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) 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 Monday, 5th July, 2004 to Monday, 19th July, 2004 (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 19th July, 2004 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 as per the details furnished by the Depositories for the purpose.
- (6) Members holding shares in physical form are requested to intimate immediately to the Company quoting Registered Folio Number (a) details of their Bank Account / change in Bank Account, if any, to enable the Company print these details on the Dividend Warrants; and (b) change in their address, if any, with the Pin Code Number.  
Members holding shares in electronic form shall address communication to their respective Depository Participants only.



## DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED

- (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 prior to 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.
- (9) 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 it 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 immediately as no claim shall lie against the Fund or the Company in respect of individual amount once credited to the said Fund.

### ANNEXURE TO THE NOTICE

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

#### Item No.6

As the members may be aware, at the Annual General Meeting of the Company held on 17th July, 1990 a resolution under Section 293 (1) (e) of the Companies Act, 1956 was passed authorising the Board of Directors to contribute any amount to charitable and / or other funds, not directly related to the business of the Company, in excess of the limits prescribed in the aforesaid section subject to such contributions not exceeding Rs. 50 lacs in any financial year. The Company has been contributing to various charitable institutions and worthy causes during the last many years. Considering the consistent good performance of the Company and long passage of time since the above limit was set forth as also the future charitable activities and contributions in mind, it is proposed to revise the limit as set out in the resolution.

The accompanying resolution is, therefore, placed before the members for approval.

None of the Directors of the Company is concerned or interested in the resolution.

Dated 20th May, 2004

Registered Office :

Opp. Golf Course,

Shastri Nagar,

Yerawada,

Pune - 411 006.

By Order of the Board of Directors,

R. SRIRAMAN

Sr. Vice-President (Legal) &  
Company Secretary

### Details of Directors seeking re-appointment at the Annual General Meeting

*(In pursuance of Clause 49 of the Listing Agreement)*

1. **Name of Director :** Shri R. A. Shah; **Age :** 72 Years; **Qualification :** LL.B, Solicitor; **Date of Appointment :** 26th December, 1979; **Expertise :** Solicitor and Senior Partner of M/s. Crawford Bayley & Co., a Solicitors firm, having rich and vast experience in the field of Corporate Laws and Corporate Governance; **Directorships as on 31st March, 2004 :** Pharmacia Healthcare Ltd., Godfrey Philips India Ltd., Pfizer Ltd., Colgate Palmolive India Ltd., Abbott India Ltd., Atul Ltd., Asian Paints (India) Ltd., The Bombay Dyeing & Mfg. Co. Ltd., BASF India Ltd., Colour Chem Ltd., Clariant India Ltd., Deepak Fertilisers And Petrochemicals Corporation Ltd., Nicholas Piramal India Ltd., Procter & Gamble Hygiene and Healthcare Ltd., Philips India Ltd., **Alternate Director :** Fulford India Ltd., Roche Scientific Co. (I) Pvt. Ltd., Century Enka Ltd., Modicare Ltd., RPG Life Sciences Ltd., Schrader Duncan Ltd., Shaw Wallace & Co. Ltd., Uhde India Ltd., Wockhardt Ltd.; **Chairman / Member of the Audit Committees as on 31st March, 2004 :** Pfizer Ltd. - Chairman; Colgate Palmolive India Ltd.- Chairman; The Bombay Dyeing & Mfg. Co. Ltd. - Chairman; Nicholas Piramal India Ltd. - Chairman; BASF India Ltd.- Member; Colour Chem Ltd. - Member; Abbott India Ltd. - Member; Procter & Gamble Hygiene and Healthcare Ltd. - Member; Century Enka Ltd. - Member; Wockhardt Ltd. - Member.
2. **Name of Director :** Shri O. P. Khungar; **Age :** 69 Years; **Qualification:** B. Sc. (Mech.); **Date of Appointment:** 28th November, 1996; **Expertise:** Honours Graduate in Mechanical Engineering with more than 40 years of vast industrial experience in design, construction, maintenance and revamp of large fertiliser and chemical plants and process equipments; **Directorships as on 31st March, 2004 :** Deepak Fertilisers And Petrochemicals Corporation Limited; **Chairman / Member of the Committees as on 31st March, 2004 :** Nil.

**DIRECTORS' REPORT**

To the Members,

Your Directors have pleasure in presenting the Twenty-Fourth Annual Report together with Audited Accounts of the Company for Financial Year ended 31st March, 2004.

**FINANCIAL RESULTS**

The summarised financial results for the year are as under :

	(Rupees in Lacs)	
	2003-04	2002-03
Sales (including other income)	49,630.29	54,597.34
Profit before depreciation	13,379.53	12,916.21
Less :		
a) Depreciation	2,958.34	3,068.79
b) Prior years' adjustments (net)	56.71	46.64
Profit before Extraordinary Items	10,364.48	9,800.78
Less :		
Extraordinary Items	622.95	(147.48)
Profit before tax	9,741.53	9,948.26
Less :		
a) Provision for Income-tax	3,415.37	4,219.30
b) Provision for deferred Income-tax	(657.38)	(693.64)
c) Provision for Wealth-tax	11.20	11.46
Net Profit	6,972.34	6,411.14
Add: Balance brought forward	17,926.81	14,219.67
Add: Transferred from Debenture Redemption Reserve	75.00	225.00
	24,974.15	20,855.81
Appropriation :		
a) Transferred to Debenture Redemption Reserve	582.00	417.00
b) Transferred to General Reserve	700.00	650.00
c) Dividend on Equity Shares	1,693.20	1,650.00
d) Corporate Dividend Tax	217.00	212.00
Surplus carried to Balance Sheet	21,781.95	17,926.81

Sales (including trading operations of Rs. 69.00 crores) decreased to Rs. 496.30 crores as against Rs.545.97 crores (including trading operations of Rs. 113.52 crores) for the previous year. The operating profit has gone up to Rs. 148.24 crores from Rs. 146.03 crores for the previous year. Profit after tax has improved to Rs.69.72 crores from Rs. 64.11 crores for the previous year.

**DIVIDEND**

Considering the continued good performance of the Company during the year under review, your Directors recommend a dividend @ 22% (Previous Year 22%) on Equity Shares of the Company for year ended 31st March, 2004. The proposed dividend (including Corporate Dividend Tax) will absorb Rs. 19.10 crores.

**MANAGEMENT DISCUSSION AND ANALYSIS**

A report on Management Discussion and Analysis (MDA) which is forming part of this Report, inter alia, adequately deals with the operations as also current and future outlook of the Company.





## DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED

### **— 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 were 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, 2004 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.

### **— ISSUE OF DEBENTURES ON PRIVATE PLACEMENT —**

During the year under review, the Company has made issue of Secured Non-Convertible Debentures of (i) 7.50% aggregating Rs. 20 crores; and (ii) 7.25% aggregating Rs. 18 crores thus totalling to Rs. 38 crores on private placement basis which are redeemable in the ratio of 30:30:40 at the end of 5th, 6th and 7th year from the date of allotment. The said debentures have been listed on the National Stock Exchange of India Limited (NSE) at Mumbai.

### **— REDEMPTION OF DEBENTURES —**

In respect of 14.75% Secured, Non-Convertible Debentures aggregating Rs. 50.45 crores issued on private placement, the Company has redeemed the balance debentures of Rs. 40.45 crores outstanding as on 10th April, 2004 in accordance with the terms of issue as contained in the Memorandum of Private Placement dated 22nd January, 1999.

### **— INCREASE IN PAID-UP SHARE CAPITAL —**

Pursuant to the expansion and diversification projects taken up during the year, the Company called up balance amount payable on 1,50,00,000 equity shares allotted to Promoter Group and received the same. The said shares have now become fully paid-up.

### **— CONSOLIDATED ACCOUNTS —**

During the year, based on the valuation done by I-Sec, the Company acquired equity shares of Smartchem Technologies Limited (STL). As a result, STL has become subsidiary of the Company. The Report and Accounts of STL are annexed to this Annual Report.

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

In accordance with the requirements of Accounting Standard AS - 21 prescribed by the Institute of Chartered Accountants of India, the Consolidated Accounts of the Company and its Subsidiary is annexed to this Annual Report.

### **— 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.





Annual Report  
2003-2004

## **DIRECTORS**

Shri R. A. Shah and Shri O. P. Khungar 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 2004-05 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 Directors wish to place on record their sincere appreciation to the financial institutions led by IDBI and the consortium of banks led by State Bank of India and Company's clients, vendors and investors for their continued support during the year.

Your Directors are also pleased to record their appreciation for the dedication and contribution made by employees at all levels who through their competence and hard work have enabled your Company achieve good performance year after year and look forward to their support in the future as well.

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

Mumbai,

Dated 20th May, 2004

## **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**

- i. The energy which was not being used fully in the Synthesis Section of Ammonia plant was diverted and used in CO<sub>2</sub> for stripping. An investment of Rs.16 lacs was made for this purpose. This has resulted in saving of steam which could be exported to other plants for use.
- ii. To utilise the excess 3.5 bar steam available in Ammonia plant, the headers of Methanol and Ammonia plants were interconnected. This has resulted in saving of HP steam which otherwise was being let down to low pressure and used in Methanol plant. The investment made was Rs.3 lacs.
- iii. After the audit of Weak Nitric Acid plants, it was observed that consumption of steam in the Boiler Feed Water pump turbine was more because of inadequate sizing of the exhaust header. By correcting the same, the steam consumption in the turbine has been brought down by about 0.3 MT/hr.

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

- i. Studies are being undertaken to find the availability of low grade energy like hot water and LP which can be utilised effectively in saving of steam and other energy. The scheme will be worked out and implemented.



## DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED

- ii. A scheme of cogeneration through gas turbine sets is being implemented which apart from ensuring optimum utilisation of energy to meet the entire steam and electric power requirements of Taloja plant shall enable more efficient operation of process plants by avoiding interruptions caused by external power supply failures.

**(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 reduction of energy consumption as stated above. 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, 2003 to March, 2004)	Previous Year (April, 2002 to March, 2003)
<b>1. Electricity</b>			
a) Purchased			
Unit	'000 KWH	31859.72	31008.22
Total Amount	(Rs.in Lacs)	1150.92	1174.59
Rate / Unit	(Rs./KWH)	3.61	3.79
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.		

2. Consumption per unit of Production - Unit (KWH/MT)				
Sr. No	Product	Standard Budget Norms (2003-2004)	Current Year (April, 2003 to March, 2004)	Previous Year (April, 2002 to March, 2003)
1	Liquid Anhydrous Ammonia	81.00	75.802	90.461
2	Weak Nitric Acid	15.65	21.311	14.046
3	Concentrated Nitric Acid	6.80	8.851	6.638
4	Methanol	75.00	72.300	72.351
5	Nitro Phosphate	29.00	28.722	26.475
6	Low Density Prilled Ammonium Nitrate	45.00	41.529	44.938
7	Liquid CO <sub>2</sub>	288.00	276.737	302.580

### B. TECHNOLOGY ABSORPTION

#### Form B

#### Disclosure of Particulars with respect to Technology Absorption

### RESEARCH & DEVELOPMENT (R & D )

#### (1) Specific areas in which R&D carried out by the Company

- a. Continuing with the efforts to manufacture water soluble fertilisers, trials were conducted to obtain water soluble fertilisers from commercial grade MAP. The scale up of the laboratory trials to a pilot plant will be taken up in due course. Earlier trials with product Mahadhan were also fruitful.