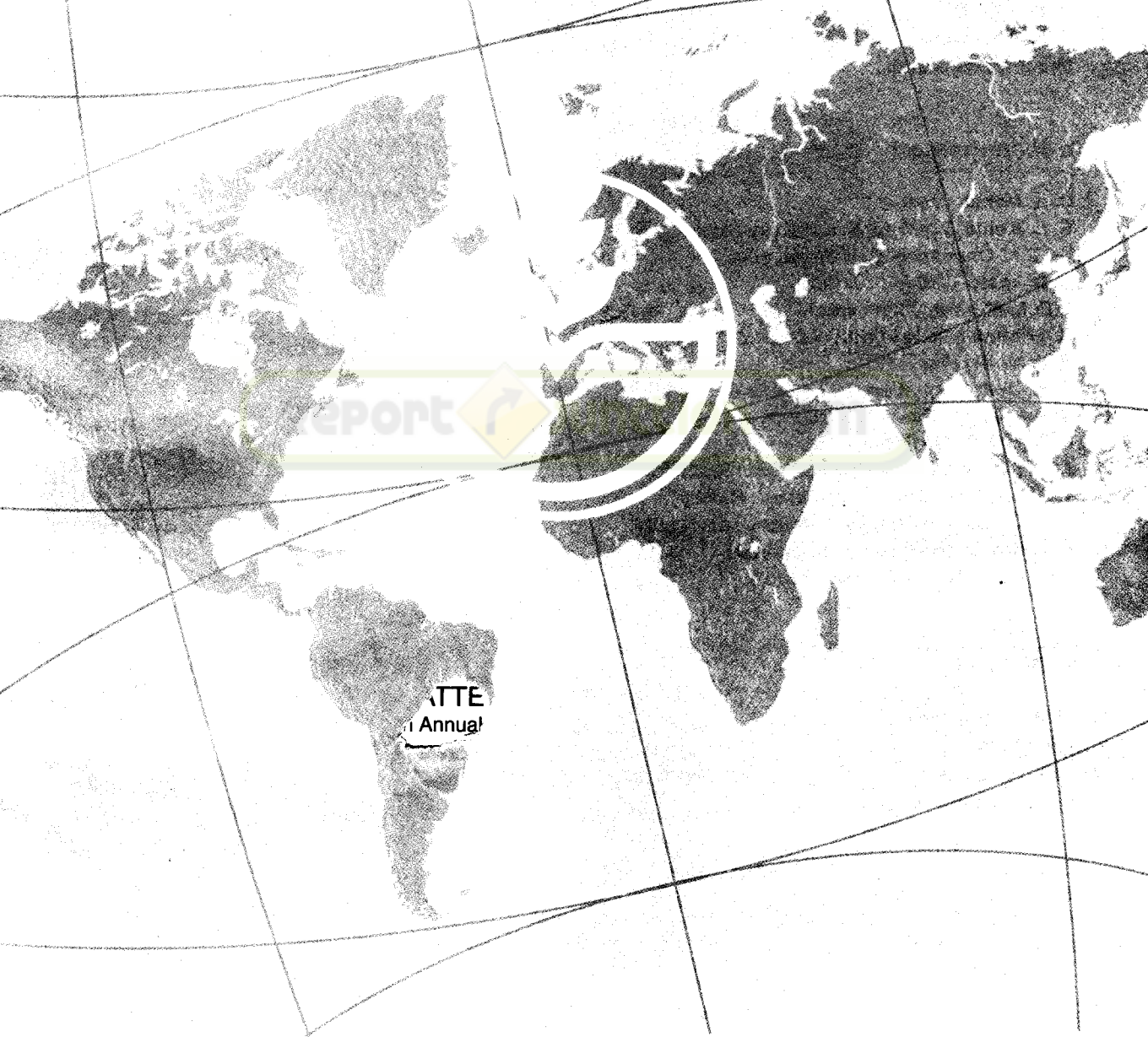


## Shaping A Global Future



**DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED**

**26th Annual Report 2005-06**

**DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED****Annual Report 2005-06****■ Board of Directors**

**C. K. Mehta** *Chairman*  
**S. C. Mehta** *Vice-Chairman & Managing Director*  
**S. S. Marathe**  
**R. A. Shah**  
**D. Basu**  
**N. C. Singhal**  
**U. P. Jhaveri**  
**S. R. Wadhwa**  
**Mrs. Parul S. Mehta**

**■ Management Team**

**C. K. Mehta** *Chairman*  
**S. C. Mehta** *Vice-Chairman & Managing Director*  
**Dr. T. K. Chatterjee** *Chief Operating Officer*  
**N. D. Joshi** *Chief Financial Officer*  
**T. D. Mathwani** *Chief Projects Officer*  
**R. Sriraman** *Sr. Vice-President (Legal) & Company Secretary*  
**R. P. Karnik** *Vice-President (Special Assignments)*  
**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 (Human Resources)*  
**V. S. Laghate** *Vice-President (Strategic Planning)*  
**V. Y. Kelkar** *Vice-President (Corporate Communication)*  
**K. V. Nayak** *Vice-President (Agri-Business)*  
**Anil Rakheja** *Vice-President (Projects)*

**■ Bankers**

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

**■ Solicitors**

Crawford Bayley & Co.  
J. Sagar Associates

**■ Auditors**

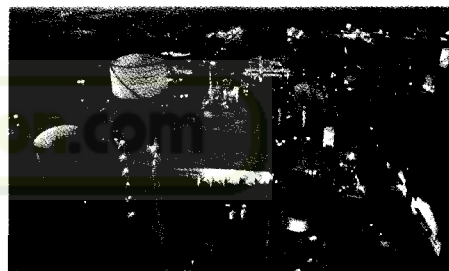
B. K. Khare & Co.

**■ Registered Office**

Opp. Golf Course,  
Shastri Nagar, Yerawada,  
Pune 411 006.  
Phone : (020) 6645 8000  
Fax : (020) 2668 3727  
E-mail : shares@deepakfertilisers.com  
Website : www.dfpc.com

**■ Plants**

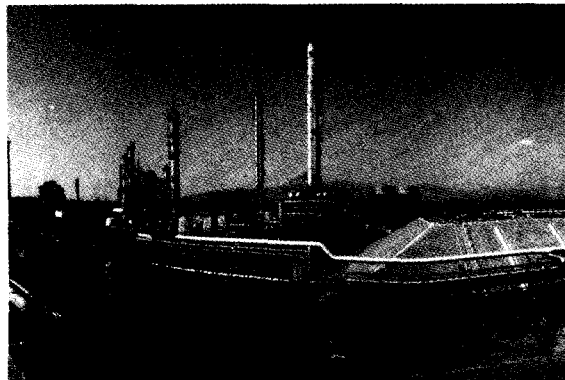
Plot K-1, MIDC Industrial Area,  
Taloja, A. V. 410 208,  
Dist. Raigad, Maharashtra.  
Phone : (022) 2741 2411/12,  
2741 2810/11/12  
Fax : (022) 2741 2413

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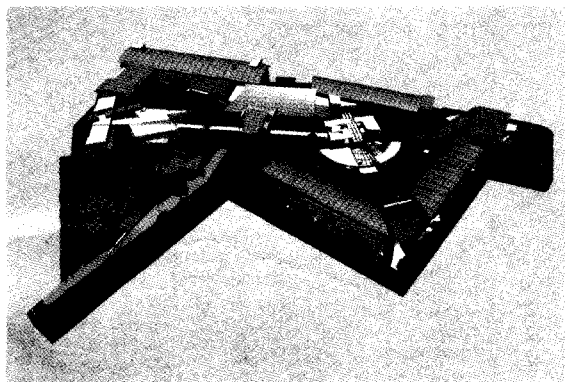


# Highlights



## Iso Propyl Alcohol Plant:

A view of DFPCL's Iso Propyl Alcohol plant at Taloja near Mumbai. This is India's largest plant for manufacturing the product with an installed capacity of 70,000 MTPA conforming to international standards.



## Ishanya:

India's First International Design Centre and Specialty Mall for interiors and exteriors will, besides retail spaces, offer complete solutions for consumers and big business.

- DFPCL posts 18% growth in Net Sales for 2005-06 (FY06) to Rs. 562.86 crores
- Strong growth in price realisations across key products
- Total Revenues for FY06 were Rs. 595.49 crores
- Dividend stands at 30%
- Net Profit for FY06 at Rs. 79.77 crores
- EPS stays at Rs. 9.04 for FY06
- Debt-Equity Ratio remains healthy at 0.39 for FY06
- Debtors Turnover Ratio at 7.74 in FY06 against 6.76 in FY05
- Commences work on a 3,00,000 MTPA Ammonium Nitrate plant at Paradip in Orissa

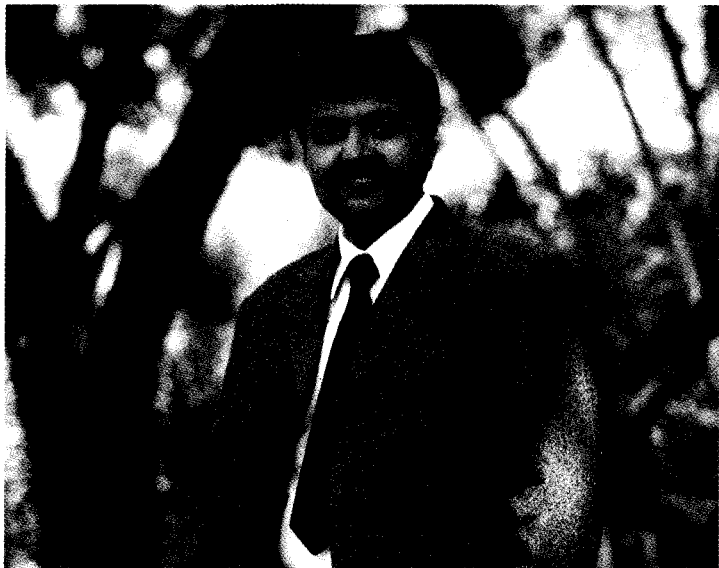


## 'Mahadhan Saarrthie' Centre:

A 'Mahadhan Saarrthie' centre at Manchar, near Pune, providing a complete basket of solutions and services to ensure better farm economics.



From the Vice-Chairman & Managing Director's desk



# Shaping A Global Future

To shape...

is a verb that for us at DFPC, encompasses all actions beginning from scanning the environment, evaluating our past strengths, conceptualising the growth directions, crystallising projects and implementing the total strategy... followed by the continuum of the cycle.

To shape...

... is for us not action by accident or chance or a herd mentality. For us it calls for a hard measure of in-depth, proactive deliberation.

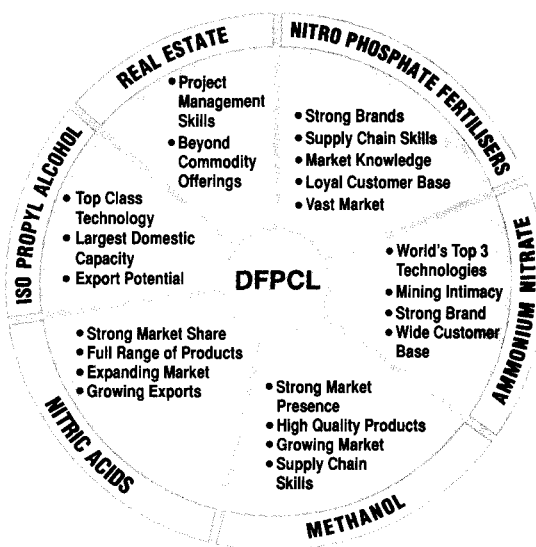
To shape...

...is for us to bring synergies at play leading to such competitive advantages to the table which others would find difficult to bring to form.

To shape...

...for us takes time, but time meaningfully spent leading to an energised, uni-directional force, once we begin.

A snapshot of our last 25 years of planned and synergistically driven growth is as alongside:

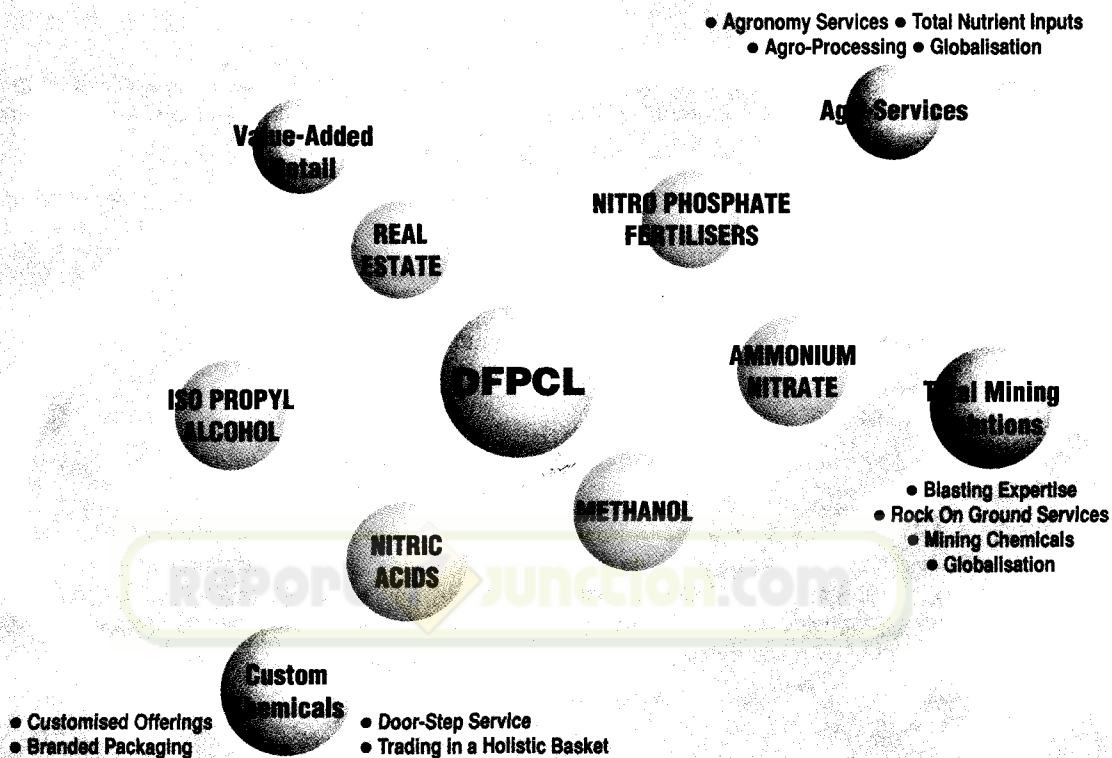


Strengths in Current Business



As we see the external opportunities and growth paths driven by internal synergies, we foresee the following picture unfold over the next decade...

### Leveraging for the Future



As is evident, in the context of the emerging macro-scenario for India, the outer circle presents a unique, vast and global opportunity path where DFPCL's proven strengths over the last 25 years will find synergistic leverage. Something only a few others, if any at all, may find.

### To shape...

...is for us a verb signifying action according to a time-driven achievement plan.

The Management Discussion and Analysis that follows provides an insight into some of the steps we have already taken, the action plan that emerges...

### To shape...

Warm regards,

*S. C. Mehta*

S. C. MEHTA

**DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED**

Annual Report 2005-06

**Notice**

NOTICE is hereby given that the Twenty-Sixth Annual General Meeting of DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED will be held on Monday, 17th July, 2006 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, 2006 together with the Directors' Report and the Auditors' Report thereon.
2. To declare a dividend for the financial year ended 31st March, 2006.
3. To appoint a Director in place of Shri D. Basu, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri R. A. Shah, 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 S. R. Wadhwa who was appointed as an Additional Director of the Company by the Board of Directors and who holds office up to 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 Smt. Parul S. Mehta who was appointed as an Additional Director of the Company by the Board of Directors and who holds office up to 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 her candidature for the office of Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."

Dated 18th May, 2006  
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. 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.
- (2) 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.
- (3) The Register of Members and the Share Transfer Books of the Company shall remain closed from Monday, 3rd July, 2006 to Monday, 17th July, 2006 (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 17th July, 2006 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.

- (5) Members holding shares in physical form are requested to intimate immediately to the Registrar & Share Transfer Agent of the Company, M/s. Sharepro Services (India) Pvt. Ltd., 3, Chintamani Apartments, Lane No.13, Off. V. G. Kale Path, 824/D, Bhandarkar Road, Pune 411 004, 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.

- (6) 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.
- (7) 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.
- (8) 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. Please visit Company's website : [www.dfpcl.com](http://www.dfpcl.com) for details.
- (9) Members are requested to note that pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, shareholding of the non-executive Directors proposed to be appointed is given below and forms part of the Notice.

## ■ ANNEXURE TO THE NOTICE

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

#### Item No.6

Shri S. R. Wadhwa 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 Wadhwa holds office up to the date of Annual General Meeting of the Company. Notices under Section 257 of the Companies Act, 1956 have been received from members of the Company proposing Shri Wadhwa as a candidate for the office of Director, liable to retire by rotation.

Shri Wadhwa is a Former Chief Commissioner of Income-tax, Chairman Income-tax Settlement Commission and was Director, Ministry of Finance CBDT. He has to his credit rich and vast experience in Tax Management both in India and Foreign countries. He is an advocate practicing in taxation at Delhi.

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

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

#### Item No.7

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

Smt. Parul S. Mehta has made notable contributions over the last few years in the areas of corporate public relations and more currently in the Landscape design, F&B, Convention Centre and Arts block of Ishanya, the Company's Speciality Mall project. Additionally, she has also very actively taken up the social welfare activities of the Company, key among which are, the upliftment of the village community near Talaja and a Diabetic Care Centre in Pune.



**DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED****Annual Report 2005-06**

The Board of Directors is of the view that the services of Smt. Parul S. Mehta will indeed add value to the Company. Your Directors, therefore, recommend her appointment as Director of the Company.

Smt. Parul S. Mehta is interested in the resolution and Shri C. K. Mehta, and Shri S. C. Mehta being related, may be deemed to be concerned or interested in the resolution.

Dated 18th May, 2006

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 appointment / re-appointment at the Annual General Meeting

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

- 1. Name of Director :** Shri D. Basu; **Age :** 70 Years; **Qualification :** M.A. (Economics); **Date of Appointment :** 27th July, 2000; **Expertise :** Rich and vast experience in the banking and finance sector; **Directorships as on 31st March, 2006 :** Securities Trading Corporation of India Ltd., Rain Calcining Ltd., Chambal Fertilisers & Chemicals Ltd., Peerless General Finance & Investment Co. Ltd., iGate Global Solutions Ltd., Asian Paints (India) Ltd., Deepak Fertilisers And Petrochemicals Corporation Ltd., Saregama (India) Ltd., SBI Cards & Payment Services Pvt. Ltd.; **Chairman / Member of the Audit Committees as on 31st March, 2006 :** Securities Trading Corporation of India Ltd. - Chairman, iGate Global Solutions Ltd. - Member, Peerless General Finance & Investment Co. Ltd. - Member, Asian Paints (India) Ltd. - Member; **Chairman / Member of the Shareholders' / Investors' Grievance Committees as on 31st March, 2006 :** Deepak Fertilisers And Petrochemicals Corporation Ltd. - Chairman, iGate Global Solutions Ltd. - Member; **Chairman / Member of the Remuneration Committees as on 31st March, 2006 :** Rain Calcining Ltd. - Chairman, iGate Global Solutions Ltd. - Chairman, Asian Paints (India) Ltd. - Chairman; **Shareholding in the Company :** Nil.
- 2. Name of Director :** Shri R. A. Shah; **Age :** 74 Years; **Qualification :** B.A., LL.B., Solicitor; **Date of Appointment :** 26th December, 1979; **Expertise :** Solicitor having rich and vast experience in the field of Corporate Laws and Corporate Governance; **Directorships as on 31st March, 2006 :** Pfizer Ltd., Godfrey Phillips India Ltd., Clariant Chemicals (India) Ltd., Roche Scientific Co. (I) Pvt. Ltd., Colgate Palmolive (India) Ltd., Abbott India Ltd., Asian Paints (India) Ltd., The Associated Cement Companies Ltd., The Bombay Dyeing & Mfg. Co. Ltd., BASF India Ltd., Deepak Fertilisers And Petrochemicals Corporation. Ltd., Gillette India Ltd., Lupin Ltd., Nicholas Piramal India Ltd., Procter & Gamble Hygiene and Healthcare Ltd., **Alternate Director :** Atul Ltd., BASF Polyurethanes India Ltd., Century Enka Ltd., Modicare Ltd., RPG Life Sciences Ltd., Schrader Duncan Ltd., Udhe India Ltd., Wockhardt Ltd.; **Chairman / Member of the Audit Committees as on 31st March, 2006 :** Pfizer Ltd. - Chairman; Colgate Palmolive (India) Ltd. - Chairman; The Bombay Dyeing & Mfg. Co. Ltd. - Chairman; Nicholas Piramal India Ltd. - Chairman; BASF India Ltd. - Member; Clariant Chemicals (India) Ltd. - Member, Abbott India Ltd. - Member; Procter & Gamble Hygiene and Healthcare Ltd. - Member; Century Enka Ltd. - Member; Wockhardt Ltd. - Member; **Shareholders' / Investors' Grievance Committees - Nil;** **Chairman / Member of the Remuneration Committees as on 31st March, 2006 :** The Bombay Dyeing & Mfg. Co. Ltd. - Member, **Shareholding in the Company :** 7,900 equity shares.
- 3. Name of Director :** Shri S. R. Wadhwa; **Age :** 70 Years; **Qualification:** M.A., LL.M., CAIIB, Master's Diploma in Pub. Admin.; **Date of Appointment :** 18th October, 2005; **Expertise :** Rich and vast experience in the field of finance and tax; **Directorships as on 31st March, 2006 :** Deepak Fertilisers And Petrochemicals Corporation Ltd.; **Chairman / Member of the Audit Committees as on 31st March, 2006 :** Deepak Fertilisers And Petrochemicals Corporation Ltd. - Member; **Chairman / Member of the Shareholders' / Investors' Grievance Committees as on 31st March, 2006 :** Deepak Fertilisers And Petrochemicals Corporation Ltd. - Member; **Shareholding in the Company :** Nil.
- 4. Name of Director :** Smt. Parul S. Mehta; **Age :** 41 Years; **Qualification:** B.Com.; **Date of Appointment :** 20th October, 2005; **Expertise :** Experience in the areas of corporate public relations and social welfare activities; **Directorships as on 31st March, 2006 :** Nova Synthetic Ltd., Deepak Fertilisers And Petrochemicals Corporation Ltd.; **Chairman / Member of the Committees as on 31st March, 2006 :** Nil; **Shareholding in the Company :** 10,00,100 equity shares.





## Directors' Report

To the Members,

Your Directors have pleasure in presenting the Twenty-Sixth Annual Report together with Audited Accounts of the Company for Financial Year ended 31st March, 2006.

### ■ FINANCIAL RESULTS

The summarised financial results for the year are as under :

	(Rupees in Lacs)	
	2005-06	2004-05
Sales (including other income)	59,549.46	50,094.73
Profit before depreciation	13,062.98	13,886.88
Less :		
a) Depreciation	3,155.88	3,110.95
b) Prior years' adjustments (net)	9.54	(25.66)
Profit before Extraordinary Items	9,897.56	10,801.59
Less :		
Extraordinary Items	(1,272.55)	(444.60)
Profit Before Tax (PBT)	11,170.11	11,246.19
Less :		
a) Provision for Income Tax	3,373.13	4,040.00
b) Provision for deferred Income Tax	(275.72)	(781.31)
c) Provision for Fringe Benefit Tax	82.00	-
d) Provision for Wealth Tax	13.50	12.50
Net Profit	7,977.20	7,975.00
Add : Balance brought forward	27,559.95	21,781.95
Transferred from Debenture Redemption Reserve	125.00	1,837.00
	35,662.15	31,593.95
Appropriation :		
a) Transferred to Debenture Redemption Reserve	190.00	215.00
b) Transferred to General Reserve	800.00	800.00
c) Dividend on Equity Shares	2,647.00	2,647.00
d) Corporate Dividend Tax	372.00	372.00
Surplus carried to Balance Sheet	31,653.15	27,559.95

Sales increased to Rs. 595.49 crores (including trading operations of Rs. 208.71 crores) as against Rs. 500.95 crores (including trading operations of Rs. 110.36 crores) for the previous year. PBT for the year under review is Rs. 111.70 crores as against Rs. 112.46 crores in the previous year. Net Profit for the current year is Rs. 79.77 crores as compared to Rs. 79.75 crores in the previous year.

### ■ DIVIDEND

Considering the continued good performance of the Company during the year under review, your Directors recommend a dividend @ 30% (Previous Year 25% plus special dividend of 5% on the occasion of the Silver Jubilee Year) on Equity Shares of the Company for year ended 31st March, 2006. The proposed dividend (including Corporate Dividend Tax) will absorb Rs. 30.19 crores.

### ■ MANAGEMENT DISCUSSION AND ANALYSIS

A report on Management Discussion and Analysis (MDA), which forms part of this Report, inter-alia, deals adequately 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 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, 2006 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.

## ■ REDEMPTION OF DEBENTURES

In respect of 12.50% Secured, Redeemable Non-Convertible Debentures aggregating Rs. 10 crores issued by way of private placement, the Company has redeemed the balance debentures of Rs. 5 crores outstanding as on 1st November, 2005 in accordance with the terms of issue as contained in the Information Memorandum dated 20th October, 2000.

## ■ SUBSIDIARY COMPANIES

As mentioned in the last year's Directors' Report, the Company has two subsidiaries viz. Smartchem Technologies Limited and Deepak Nitrochem Pty. Limited.

A statement pursuant to Section 212 of the Companies Act, 1956 in respect of these subsidiaries is appended to the Balance Sheet. In terms of approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, the annual accounts and other reports specified in Section 212(1) in respect of the subsidiary companies have not been attached to the Balance Sheet. The Company will make available these documents /details to the investors of the Company and the subsidiary companies upon request made in this regard to the Company.

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

## ■ INDUSTRIAL RELATIONS

Industrial Relations during the year under review continued to be cordial.

## ■ 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.

## ■ DIRECTORS

Shri D. Basu and Shri R. A. Shah retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Shri D. C. Mehta, resigned as Director of the Company and consequently as Vice-Chairman with effect from 18th October, 2005. During the year, IDBI withdrew the nomination of Shri Aloke Sengupta from the Board of Directors of the Company.