



**DEEPAK FERTILISERS
AND PETROCHEMICALS CORPORATION LIMITED**

27th Annual Report 2006-2007

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Weaving... Passionately...

DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED

Annual Report 2006-07

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
Smt. Parul S. Mehta

C. K. Mehta *Chairman*
S. C. Mehta *Vice-Chairman & Managing Director*
Dr. T. K. Chatterjee *President-Strategic Initiatives & Projects*
N. D. Joshi *Chief Financial Officer*
R. Sriraman *Sr. Vice-President (Legal) & Company Secretary*
R. P. Karnik *Sr. Vice-President (Operations & Marketing)*
D. A. Desai *Vice-President (Co-ordination)*
S. P. Arya *Vice-President (Technology)*
S. M. Desai *Vice-President (Co-ordination)*
Dr. 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)*
R. S. Ghotge *Vice-President (MD's Cell)*

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

Crawford Bayley & Company
J. Sagar Associates

B. K. Khare & Co.

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

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Taloja, A. V. 410 208,
Dist. Raigad, Maharashtra.
Phone : (022) 6768 4000
Fax : (022) 2741 2413



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DFPCL posts 48% growth in Net Sales for 2006-07 (FY07) to Rs. 833.13 crores

Strong growth in price realizations across key products

Net Profit for FY07 improves to Rs. 92.93 crores

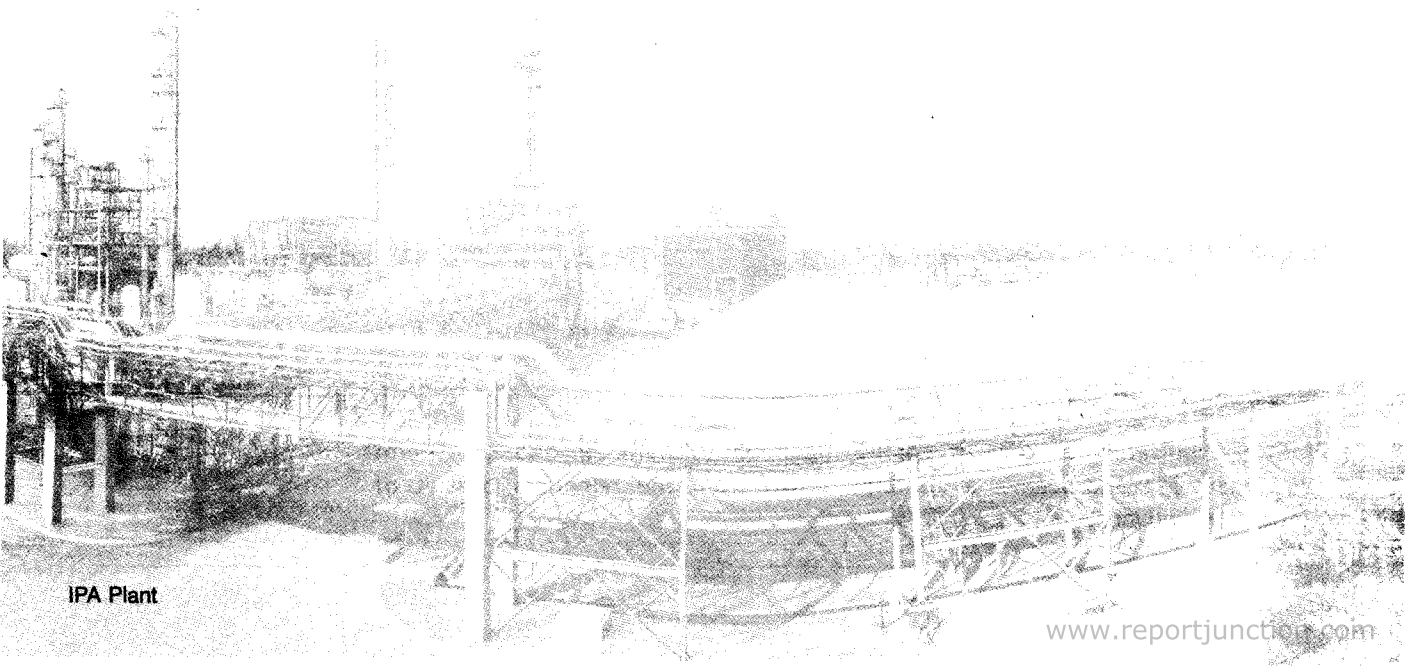
EPS up at Rs. 10.54 for FY07

Debt-Equity Ratio remains healthy at 0.51 for FY07

**'Ishanya', India's largest Design Centre and Speciality Mall,
will house over 2,000 brands and 80 stores...**

Occupant hand-overs are in full swing

**'Mahadhan Saarrthie', now with over 2500 farmers as members,
covering over 7,000 acres, and helping exports of grapes to Europe,
potato supplies to MNC food processors,
is fast emerging as a successful agri-business model**



IPA Plant

DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED

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From the Vice-Chairman & Managing Director's desk



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Weaving... to build, to compose, to create.

*Passionate ... to develop an intense enthusiasm for something,
to be spirited... stirring... relentless.*

India's growth story is here to stay...

...our potential to create, to nurture, to consume and to make growth sustain, is now slowly but surely well on its way towards becoming an impactful reality.

A pulsating reality is all around us... in the form of products, fashion, news, you name it... and all at a global scale.

Indeed, it's an exciting era to be in!

But...

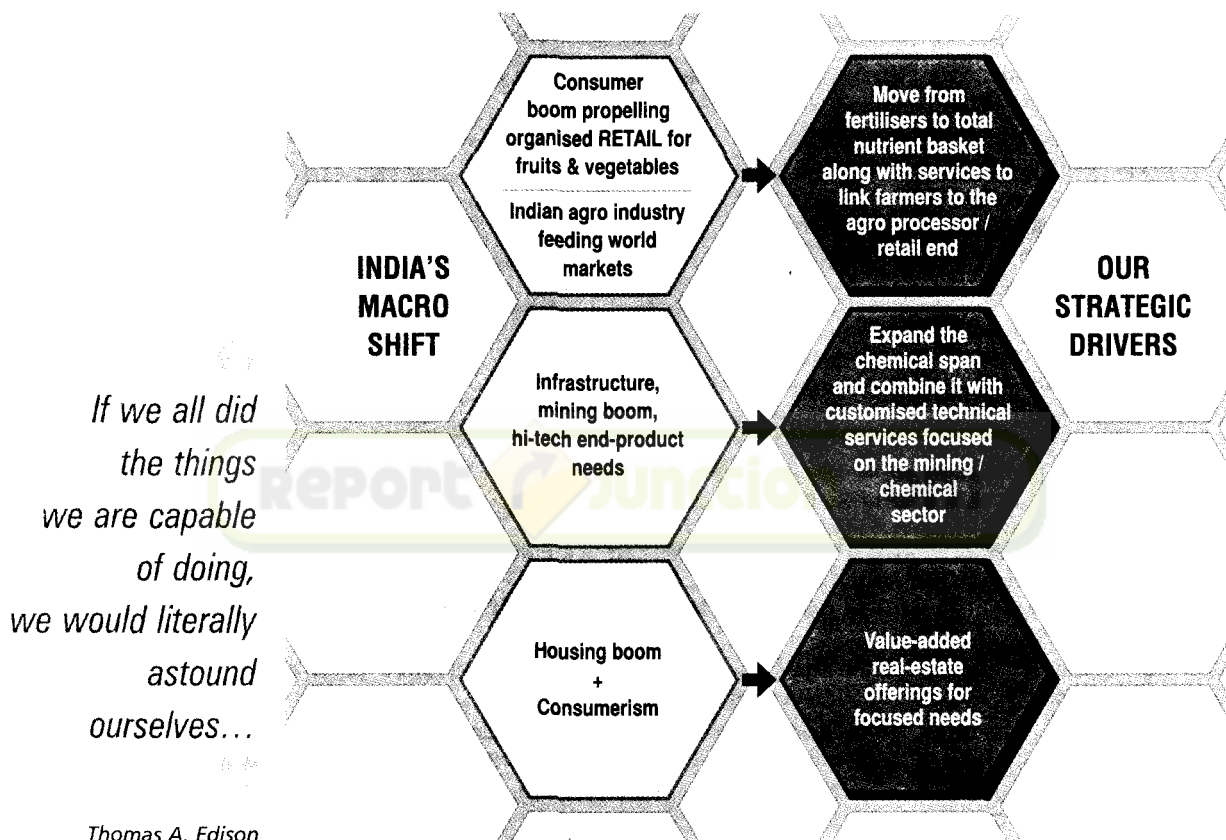
- Will it last...
- Will global competition kill the domestic players...
- Will the cost structures become unbearable...

With the pulsating excitement comes the need to think beyond short-term herd mentality and weave a strategy drawn from the relentless pursuit of competitive advantage.

Weaving... Passionately...

Beyond the weaving comes the clear need for a *passionate*, single-minded, and focused pursuit. With global competition at our doorstep, a superficial attempt at implementing a strategy may only bring short-lived success.

The year gone by has seen the beginning of our efforts to dedicatedly push your Company forward on the path of growth, aligning some of India's emerging macro shifts with our strategic drivers and thus *weaving passionately* onwards.



The Management Discussion & Analysis explains the details of some of the strategies on the drawing board and under implementation.

India and the Indian Corporates are beginning to do the things they are capable of... and are ready to astound the world! We believe we are as well!

Warm regards,

S. C. MEHTA

DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED

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NOTICE is hereby given that the Twenty-Seventh Annual General Meeting of DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED will be held on Monday, 16th July, 2007 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, 2007 together with the Directors' Report and the Auditors' Report thereon.
2. To declare a dividend for the financial year ended 31st March, 2007.
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 18th May, 2007
 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) The Register of Members and the Share Transfer Books of the Company shall remain closed from Monday, 2nd July, 2007 to Monday, 16th July, 2007 (both days inclusive).
- (3) The dividend, if declared, will be paid to those members whose names appear on the Register of Members of the Company as on 16th July, 2007 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.
- (4) 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 to 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.
- (5) 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.
- (6) 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.
- (7) 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.dfpl.com for details.



- (8) Members are requested to note that pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, shareholding of the Non-Executive Directors proposed to be appointed is given below and forms part of the Notice.

Dated 18th May, 2007

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 S. S. Marathe
Age : 84 Years
Qualification : M.A. (Economics)
Date of Appointment : 29th October, 1982
Expertise : An economist having extensive experience in the Government and the Corporate Sector
Directorships as on 31st March, 2007 : Automotive Axles Ltd., Bharat Forge Ltd., Finolex Industries Ltd., Deepak Fertilisers And Petrochemicals Corporation Ltd., Futura Polyesters Ltd., Kinetic Motor Ltd., Kirloskar Brothers Ltd., Force Motors Limited, Sandvik Asia Ltd., GDA Trustee & Consultancy Pvt. Ltd., Life & General Associates (Pvt) Ltd., Synrise Technologies Ltd., Tata Asset Management Pvt. Ltd.
Chairman / Member of the Audit Committee as on 31st March, 2007 : Bharat Forge Ltd. - Chairman, Deepak Fertilisers And Petrochemicals Corporation Ltd. - Chairman, Automotive Axles Ltd. - Member, Finolex Industries Ltd. - Member, Futura Polyesters Ltd. - Member, Kirloskar Brothers Ltd. - Member, Sandvik Asia Ltd. - Member
Chairman / Member of the Shareholders' / Investors' Grievance Committee as on 31st March, 2007 : Automotive Axles Ltd., - Member, Finolex Industries Ltd. - Member
Chairman / Member of the Remuneration Committee as on 31st March, 2007 : Deepak Fertilisers And Petrochemicals Corporation Ltd.- Chairman, Kirloskar Brothers Ltd. Member
Shareholding in the Company : Nil.
2. **Name of Director** : Shri N. C. Singhal
Age : 70 Years
Qualification : M.A.(Economics), M.Sc. (Statistics), P.G. Dip. Pub. Admn.
Date of Appointment : 25th March, 1997
Expertise : Rich and vast experience in the field of banking and finance
Directorships as on 31st March, 2007 : Shapoorji Pallonji Finance Ltd., Deepak Fertilisers And Petrochemicals Corporation Ltd., Max India Ltd., XL Telecom Limited, Max New York Life Insurance Co. Ltd., UTI Bank Ltd., Birla Sun Life Asset Management Co. Ltd., Tolani Shipping Ltd., Samalpatti Power Company Pvt. Ltd., Ambit Corporate Finance Pte. Ltd.
Chairman / Member of the Audit Committee as on 31st March, 2007 : Max India Ltd. - Chairman, UTI Bank Ltd. - Chairman, Deepak Fertilisers And Petrochemicals Corporation Limited - Member, Max New York Life Insurance Co. Ltd. - Member.
Chairman / Member of the Remuneration Committee as on 31st March, 2007 : Samalpatti Power Company Pvt. Ltd. - Chairman, Birla Sun Life Asset Management Co. Ltd. - Member, Max India Limited - Member.
Shareholding in the Company : Nil.

DEEPAK FERTILISERS AND PETROCHEMICALS CORPORATION LIMITED

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Directors' Report

To the Members,

Your Directors have pleasure in presenting the Twenty-Seventh Annual Report together with Audited Accounts of the Company for Financial Year ended 31st March, 2007.

■ FINANCIAL RESULTS

The summarised financial results for the year are as under :

	(Rupees in Lacs)	
	2006-07	2005-06
Sales (including other income)	86,943.46	59,549.46
Profit before depreciation	16,846.60	13,062.98
Less :		
a) Depreciation	3,908.32	3,155.88
b) Prior years' adjustments (net)	(58.65)	9.54
Profit before Extraordinary Items	12,996.93	9,897.56
Less : Extraordinary Items	157.73	(1,272.55)
Profit Before Tax (PBT)	12,839.20	11,170.11
Less :		
a) Provision for Income Tax	1,714.69	3,373.13
b) Provision for deferred Income Tax	1,745.66	(275.72)
c) Provision for Fringe Benefit Tax	69.00	82.00
d) Provision for Wealth Tax	17.21	13.50
Net Profit	9,292.64	7,977.20
Add: Balance brought forward	31,653.15	27,559.95
Transferred from Debenture Redemption Reserve	-	125.00
	31,653.15	27,684.95
	40,945.79	35,662.15
Appropriation :		
a) Transferred to Debenture Redemption Reserve	190.00	190.00
b) Transferred to General Reserve	930.00	800.00
c) Dividend on Equity Shares	2,646.20	2,647.00
d) Corporate Dividend Tax	449.80	372.00
Surplus carried to Balance Sheet	36,729.79	31,653.15

Sales (including other income) increased to Rs.869.43 crores (including trading operations of Rs.315.78 crores) as against Rs.595.49 crores (including trading operations of Rs.208.71 crores) for the previous year. PBT for the year under review is Rs.128.39 crores as against Rs.111.70 crores in the previous year. Net Profit for the current year is Rs.92.93 crores as compared to Rs.79.77 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 30%) on Equity Shares of the Company for year ended 31st March, 2007. The proposed dividend (including Corporate Dividend Tax) will absorb Rs. 30.96 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, if any;
- (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, 2007 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 Agreements with the Stock Exchanges, a separate section titled "Corporate Governance" is attached to this Annual Report.

■ 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 S. S. Marathe and Shri N. C. Singhal retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The term of Shri C. K. Mehta as Executive Chairman of the Company expired on 30th September, 2006. Shri C. K. Mehta has been appointed as Non-Executive Chairman of the Company w.e.f. 1st October, 2006.

■ 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 2007-08 will be within the limit prescribed under Section 224(1-B) of the Companies Act, 1956. The Board of Directors commends their re-appointment.

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■ 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 and the consortium of banks led by State Bank of India and Company's customers, 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 future as well.

Mumbai
Dated 18th May, 2007

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

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