

Deepak Nitrite Limited



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Deepak Nitrite Limited



BOARD OF DIRECTORS

Shrenik Kasturbhai Lalbhai - *Chairman*
Chimanlal K. Mehta - *Vice-Chairman*
Deepak C. Mehta - *Managing Director*
Ajay C. Mehta - *Managing Director*
Narendra N. Kapadia
S.S. Aggarwal
D.D. Udeshi
M.R.B. Punja
R. Balakrishnan - (*Nominee of GLIC*)
D.R. Mehta - (*Nominee of ICICI*)
A.K. Dasgupta
Gurcharan Das

COMPANY SECRETARY

H.N. Shah

BANKERS

State Bank of India • Dena Bank
Bank of Baroda • ICICI Banking Corporation Ltd.

SOLICITORS

Crawford Bayley & Co., Mumbai
Desai, Berjis & Chinoy, Mumbai

AUDITORS

B.K. Khare & Co., *Chartered Accountants*, Mumbai

REGISTERED OFFICE

9 / 10, Kunj Society, Alkapuri, Baroda - 390 007

HEAD OFFICE

- 10-B, Bakhtawar, Nariman Point, Mumbai-400 021 &
- Mehta Mahal, 89, Dadasaheb Phalke Road, Dadar (E), Mumbai-400 014

CORPORATE OFFICE

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

PLANTS

- (1) 4-12, GIDC Chemical Complex, Nandesari - 391 340, Dist. Baroda
- (2) Sahayadri Dyestuffs & Chemicals, 117, Parvati, Vithalwadi, Pune - 411 030
- (3) Talaja Chemical Division, Plot K - 10, MIDC Talaja Dist. Raigad - 410 208



Deepak Nitrite Limited

NOTICE

NOTICE is hereby given that the Twentysixth Annual General Meeting of the Company will be held at Hotel Surya Palace, Opposite Parsi Agiari, Sayajigunj, Baroda - 390 005 on Saturday, the 27th September, 1997 at 10.30 a.m. to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider, approve and adopt the audited Balance Sheet as at, and the Profit and Loss Account for the financial year ended 31st March, 1997 together with the Directors' Report and the Auditors' Report thereon.
2. To appoint a Director in place of Shri S.S. Aggarwal who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri A.K. Dasgupta who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Gurcharan Das 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 of the Company and to authorise the Board of Directors to fix their remuneration.

Registered Office :

9/10, Kunj Society,

Alkapuri,

BARODA - 390 007

Dated : 25th June, 1997

By Order of the Board of Directors,

H. N. SHAH

Company Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL ONLY AND A PROXY NEED NOT BE A MEMBER.
2. A proxy, in order to be effective, should be duly 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 Share Transfer Books of the Company will remain closed from Wednesday the 10th September, 1997 to Saturday the 27th September, 1997 both days inclusive.
4. Members are requested to notify the change of address, if any, to the Company's Registered Office at 9/10, Kunj Society, Alkapuri, Baroda - 390 007 quoting reference of their Registered Folio Number.
5. For the convenience of Members, Attendance Slip is annexed to the Proxy Form. Members are requested to affix their signatures (as per the specimen registered with the Company) at the space provided thereof and hand over the Attendance Slip at the entrance to the place of the Meeting. Proxy/Representative of a Member should mark on the Attendance Slip as "Proxy" or "Representative" as the case may be.
6. Members who did not respond to the Company's individual advices to claim the unpaid dividends for the financial year ended 31st March, 1993 may now submit their claims for dividend to the Registrar of Companies, Gujarat at Jivabhai Chambers, Ashram Road, Ahmedabad - 380 009 as all unclaimed dividends for and upto the financial year ended 31st March, 1993 pursuant to the provisions of Section 205-A of the Companies Act, 1956 have been transferred to the General Revenue Account of the Central Government. Members are requested to claim their unclaimed dividend, if any, in respect of dividend for the year ended 31st March, 1994, 31st March, 1995 and 31st March, 1996 at the earliest, since the unclaimed amounts will have to be credited to the General Revenue Account of the Central Government in September 1997, October 1998 and November 1999 respectively.



ANNUAL REPORT 1996-97

DIRECTORS' REPORT

Your Directors hereby present the Twentysixth Annual Report and Accounts for the financial year ended 31st March, 1997 together with the Auditors' Report thereon.

	Current Year Rs.	Previous Year Rs.
Sales and Other Income	1,29,44,77,233	1,20,20,23,144
FINANCIAL RESULTS :		
Gross Profit (before interest, depreciation and tax)	16,69,32,731	15,54,16,632
Less :		
(i) Interest	14,63,78,799	10,73,35,590
(ii) Depreciation	4,23,86,218	3,36,51,063
Profit/(Loss) (after interest, depreciation and tax)	(2,18,32,286)	1,44,29,979
Add (Less) :		
Prior Years' adjustments	29,47,764	11,06,142
Provision for retirement benefits	1,05,67,000	—
Depreciation write back	(30,57,539)	—
	(3,22,89,511)	1,55,36,121
Surplus in Profit & Loss Account Brought Forward	4,79,55,403	6,02,25,596
Add : Transfer from:		
(1) Investment Allowance Reserve	28,02,770	19,68,000
(2) Share Premium Account	—	1,32,93,191
(3) Export Profit Reserve	—	1,30,000
(4) Debenture Redemption Reserve	67,50,000	—
Amount available for appropriation	2,52,18,662	9,11,52,908
Appropriation :		
Debenture Redemption Reserve	2,52,18,662	2,69,29,000
Dividend :		
In view of the Loss Directors do not recommend any Dividend. [(Previous year 22%) on 57,50,000 Equity Shares of Rs. 10/- each - out of which 4,04,000 Equity Shares were qualified for proportionate dividend.]	—	1,17,68,505
General Reserve No. 1 (as required by Section 205 (2A) of the Companies Act, 1956)	—	45,00,000
Balance carried to Balance Sheet	—	4,79,55,403

DIVIDEND :

The year 1996-97 was a very difficult year for your Company. Several factors beyond its control adversely impacted the Company's performance and for the first time in 25 years, the Company had to report a loss in the Balance Sheet. Your Directors, therefore, regret their inability to declare any dividend for the year 1996-97.

PERFORMANCE :

The performance of the Company for the year 1996-97 was so affected primarily due to increased interest burden on account of higher cost of borrowings, delayed loan disbursements and longer gestation period of the new projects costing about Rs. 37 crores and intermittent closure of plants for reasons of pollution control.



Deepak Nitrite Limited

You may recall that in 1995-96 the Company undertook various projects for modernisation of its Nitrite Division, expansion of Nitroaromatics Division at Nandesari and setting up a Hydrogenation plant at Taloja. Owing to the overall liquidity crunch with the resultant delay in loan disbursements, the completion of these projects was delayed beyond the targeted dates spilling over well into 1996-97. Moreover, initial teething problems in the stabilisation of the technology and the process of the Hydrogenation plant caused further drain on the available resources. As a result, the Company could not generate the budgeted turnover and profits.

In the second half of the year, the Company suffered a further setback on account of pollution problems and the Gujarat Government/Gujarat High Court decisions related thereto. This, infact, was a back lash of the damage caused to the environment by certain other polluting units which either did not have any effluent treatment facilities or were not exercising proper control on their effluents. The hardening of the judiciary's attitude towards such environmental issues has resulted in very strict and stringent implementation of pollution rules.

As a consequence thereof, your Company's plants at Nandesari were required to intermittently suspend production for implementing certain extra pollution control measures. The Company has appropriately upgraded its existing effluent treatment plants incurring substantial expenditure and loss of revenue on account of unutilised production capacity.

These plants are, however, currently in operation.

As an integral part of the process of globalisation and liberalisation of the Indian economy, the import duty barriers are progressively being lowered. The value of the Rupee has also remained stable vis-a-vis the Dollar. Both these factors have led to intense price competition from international companies thereby putting pressure on the margins of the Company's products. The increase in the overall interest costs during the year has further eroded the margins and has resulted in the Company showing a loss for the year 1996-97.

With all its plants currently fully operational, the Company is now focusing sharply on maximising capacity utilisation, leveraging the new investments for improved margins and increasing exports directly and through strategic alliances. The Company is simultaneously striving to improve its liquidity through increased turnover, better working-capital management and by releasing funds invested in non-core areas of business.

The Company, thus, is geared to embark on a phase of sustained consolidation and profitable growth from the year 1997-98 onwards and, barring unforeseen circumstances, expects to regain its proven performance record in the near future.

Nitrite Division :

Sustained high production levels and improved margins have contributed to better performance of the Division. This trend has been and is expected to be maintained during the current year.

Nitroaromatics Division :

The Nitroaromatics Division recorded about 25% higher production but on account of high input costs and competitive pressure on the selling price, the turnover and the profitability was adversely affected.

These factors coupled with underutilisation of the newly expanded capacities due to intermittent suspension of production for pollution related matters caused the Division as well as the Company to incur heavy losses.

Now, the constraints on fuller utilisation of expanded capacity have been resolved and all plants of the Division are expected to run at full/enhanced capacity during the current year.

Taloja Chemical Division :

In the Plant for Hydrogenation of Nitroaromatics at Taloja, commercial production of Toluidines has been established while the production of other Hydrogenation products is at an advanced stage of stabilisation.



ANNUAL REPORT 1996-97

Sahyadri Dyestuffs and Chemicals Division :

The Division registered impressive growth in export orders and exports of newly developed intermediates helped bolster its overall performance.

The Division expects to maintain the performance during the current year.

FINANCE :

During the year under review the Company has received from the Financial Institutions further part disbursement against the loans sanctioned in the previous year. However, increase in the cost of interest has made the borrowing dearer than the previous year.

During the current year, in order to meet the commitment towards the first redemption of the 14% – Secured Non-Convertible Debentures, the Company has disposed off some of its surplus real estate at Mumbai and Pune.

Funds raised from the issues of the various debentures have been utilised for the purposes for which they have been raised.

FIXED DEPOSITS :

The total amount of Fixed Deposits received by the Company from the Shareholders and Public stood at Rs. 553.20 lacs at the close of the financial year. The Company has no deposits which are matured and claimed, but remained unpaid.

EXPORTS :

The exports increased from Rs. 1469 lacs to Rs. 1889 lacs. The Company expects to show higher growth rate in the current year.

ISO 9002 :

Like previous year, this year too a Surveillance Audit was carried out by Bureau Veritas Quality International in the Nitrite Division and was found to be satisfactory.

RESEARCH AND DEVELOPMENT :

The Company successfully commissioned its new ETP plant at Taloja. The said plant was designed based on in-house R&D using the newly developed and novel biotechnological process.

New value added downstream products have been developed and based on market feedback, necessary up-scaling would be done. Constant efforts are on for improvement of yields of various products.

R&D has also made significant contributions towards controlling both liquid and gaseous effluent in all the Divisions in Nandesari and Pune.

SAFETY, POLLUTION & ENVIRONMENTAL CONTROL :

During the year under review, the chemical industry in Gujarat passed through a difficult phase due to very stringent control measures and adherence to stipulated norms adopted by the Government and the public interest litigation filed in Gujarat High Court.

The Company has maintained a satisfactory safety record at all its divisions during the year.

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO:

During this year, various steps have been taken to improve energy efficiency in all the divisions. Significant saving in power costs was thus achieved in the Nitrite Division. A statement under Section 217 (1) (e) of the Companies



Deepak Nitrite Limited

Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) is annexed which forms integral part of this Report as Annexure-A.

EMPLOYEE RELATIONS :

The long term wage settlement for both the Nitrite and SDC Divisions are upto 30th June, 1997. Action for fresh settlements have been initiated.

INSURANCE :

All properties and insurable interests of the Company including Building, Plant and Machineries, Stores and Spares, wherever necessary and to the extent required, have been adequately insured.

INVESTORS WELFARE INSURANCE SCHEME :

The Company continued the Personal Accident Insurance Scheme for all the Shareholders.

SUBSIDIARY COMPANIES :

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

DIRECTORS :

Your Directors, Shri S.S. Aggarwal, Shri A.K. Dasgupta and Shri Gurcharan Das retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

AUDITORS' REPORT :

As regards the comments made in Para 2(d) of the Auditors' Report, the Directors would like to refer to the Note No. 6 (c) in the Schedule 21 of the Accounts, which is self-explanatory.

AUDITORS :

At the Twentyfifth Annual General Meeting, Messrs B.K. Khare & Company, Chartered Accountants, Mumbai, were re-appointed as Auditors of the Company to hold Office until the conclusion of the Twentysixth Annual General Meeting. Accordingly, the said Auditors retire at the conclusion of the ensuing Annual General Meeting but, being eligible offer themselves for re-appointment. The Auditors have furnished to the Company the requisite Certificate under Section 224 (1) of the Companies Act, 1956.

COST AUDITORS :

Pursuant to the directives of the Central Government under the provisions of Section 233B of the Companies Act, 1956, qualified Cost Auditors have been appointed this year also to conduct cost audits relating to several products of the Company.

OTHER INFORMATION :

Information on particulars of Employees' Remuneration as per Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, forms an integral part of this Report as Annexure-B.

ACKNOWLEDGEMENT :

Your Board would like to place on record its sincere appreciation for the unflinching commitment of its employees across the organisation. Thanks are also due to the State Governments, Financial Institutions/Banks and the Investors for their continued support and the confidence reposed by them in the Company all these years and especially during these trying times.

Mumbai,
Dated : 25th June, 1997

For and on behalf of the Board,
SHRENIK KASTURBHAI LALBHAI
Chairman



ANNUAL REPORT 1996-97

ANNEXURE - A 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) Rule, 1988

A - CONSERVATION OF ENERGY

FORM - A

Disclosure of particulars with respect to Conservation of Energy (to the extent applicable)

(a) POWER AND FUEL CONSUMPTION

		1996-97				1995-96			
		Nitrite	N.A.Divn.	T.C.D.	SDC. Pune	Nitrite	N.A. Divn.	T.C.D.	SDC. Pune
		(Nandesari)				(Nandesari)			
1. Electricity :									
(a) Purchased									
Unit	KWH	9034197	5917786	711940	4145380	10919830	5336400	-	3670710
Total Amount	Rs.	33004276	18445540	2801320	14464771	31021663	12969793	-	11025208
Rate/Unit	Rs.	3.65	3.12	3.93	3.49	2.84	2.41	-	3.01
(b) Own Generation									
(i) Through Own									
Diesel Generator									
Unit	KWH	66420	980	9977	26404	174157	965	-	34044
Unit per ltr. of									
Diesel Oil	KWH	3.363	1.57	1.72	2.20	2.623	1.40	-	2.44
Cost/Unit	Rs.	2.19	5.71	4.25	4.12	2.95	4.30	-	3.34
(ii) Through Steam									
Turbine/	Rs.	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Generator									
2. Coal	Rs.	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
3. Furnace Oil									
Quantity	KL	483	-	375	1746	536	-	-	1311
Total Amount	Rs.	3024497	-	2217231	11492678	2797920	-	-	7147069
Average Rate/KL	Rs.	6259	-	5912	6582	5220	-	-	5452
4. L.S.H.S./L.D.O.									
Quantity	KL	2818	3606	-	505	2155	2806	-	728
Total Amount	Rs.	18395736	23961622	-	4578368	11269063	15321272	-	5261864
Average Rate/KL	Rs.	6528	6645	-	9073	5229	5460	-	7227
5. Others									
By Product Steam in tons									
(Nandesari)	MT	24164	-	-	-	28566	-	-	-
L.P. Gas Pune									
Quantity	MT	-	-	-	-	-	-	-	-
Total Amount	Rs.	-	-	-	-	-	-	-	-
Average Rate/MT	Rs.	-	-	-	-	-	-	-	-

(b) CONSUMPTION PER UNIT OF PRODUCTION (NANDESARI UNITS)

	1996-97		1995-96	
	Electricity KWH	Furnace Oil Ltr.	Electricity KWH	Furnace Oil Ltr.
Sodium Nitrite/Nitrate	257	87	240	106
Dilute Nitric Acid	583	-	600	-
Concentrated Nitric Acid	-	-	-	-
Ammonium Nitrate	139	10	94	11
Guanidine Nitrate	1014	1242	1791	1435
DNPT	1913	44	1800	51
HAS	579	250	723	289
S.S.	579	250	723	289
Nitroaromatics	545	332	586	308



Deepak Nitrite Limited

(c) CONSUMPTION PER UNIT OF PRODUCTION (PUNE UNIT)

	1996-97		1995-96	
	Electricity KWH	Furnace Oil Ltr.	Electricity KWH	Furnace Oil Ltr.
Dyes	5.49	4.02	4.13	4.77
Dye-Intermediates	2.90	1.06	2.80	1.08

(d) CONSUMPTION PER UNIT OF PRODUCTION (TALOJA UNIT)

	1996-97		1995-96	
	Electricity KWH	Furnace Oil Ltr.	Electricity KWH	Furnace Oil Ltr.
Nitro Aromatic - Down Stream	925	487	—	—

B - TECHNOLOGY ABSORPTION

FORM - B

Disclosure of Particulars with respect to Technology Absorption (to the extent applicable)

(a) RESEARCH & DEVELOPMENT (R & D)

- Specific areas in which R&D carried out by the Company :
The Company carried out further R&D work on Catalytic Hydrogenation of Nitroaromatic compounds. Various processes were developed for value added fine chemicals with special focus on export .
Work on effluent treatment related to effluent from the Hydrogenation plant was continued.
- Benefits derived as a result of the above R&D :
Three products based on Catalytic Hydrogenation process are now in commercial production. Consistent high quality of products have ensured expanding Export markets.
The effluent treatment plant at Talaja Chemical Division is working satisfactorily to meet all the requirements.
- Future plan of action :
Further R&D work is slated in the fields of Nitration and reduction unit processes. Also efforts to improve yield through better by-product recoveries etc. are continuing. As part of upward integration, a few value added fine chemicals based on Company's products are under development.
- Expenditure on R & D :

	Rs. in lacs	
	1996-97	1995-96
(a) Capital	4.77	15.35
(b) Recurring	60.57	44.16
(c) Total	65.34	59.51
(d) Total R&D expenditure as a percentage of total turnover	0.52	0.51

(b) TECHNOLOGY, ABSORPTION, ADAPTATION AND INNOVATION

Catalytic Hydrogenation based on environment friendly in-house R&D process plant has been successfully commissioned.

(c) FOREIGN EXCHANGE EARNINGS AND OUTGO

The information is contained in items No. 10 (d), (e) and (f) of Schedule 21 (Notes forming part of the Accounts) of the Annual Report.

Mumbai,
Dated : 25th June, 1997

For and on behalf of the Board,
SHRENIK KASTURBHAI LALBHAI
Chairman