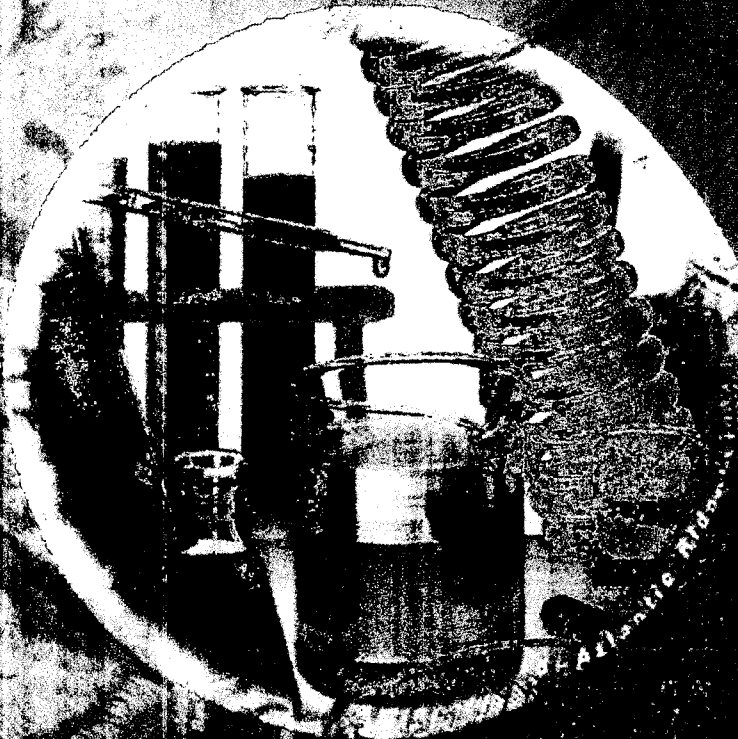


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MD	☒		BKC	☒
CS	☒		DPY	☒
RO	☒		DIV	☒
TRA	NA		AC	☒
AGM	☒	☒	SHI	☒
YE	☒	☒		



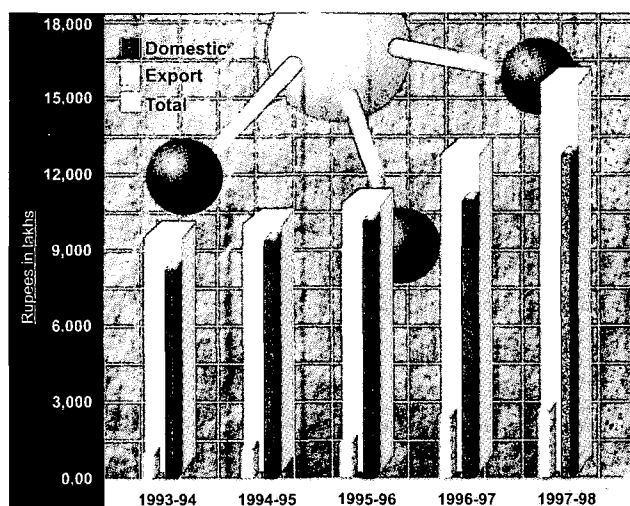
**Deepak
Nitrite
Limited**



**A determined drive
for excellence**

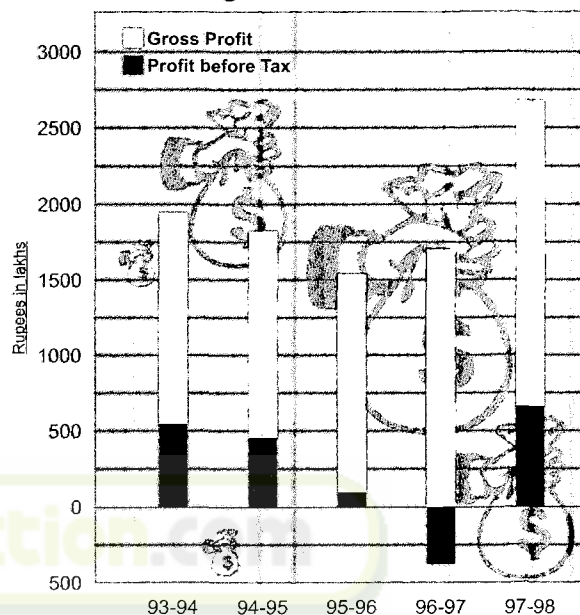
FINANCIAL HIGHLIGHTS

SALES
23% Growth over 1996-97



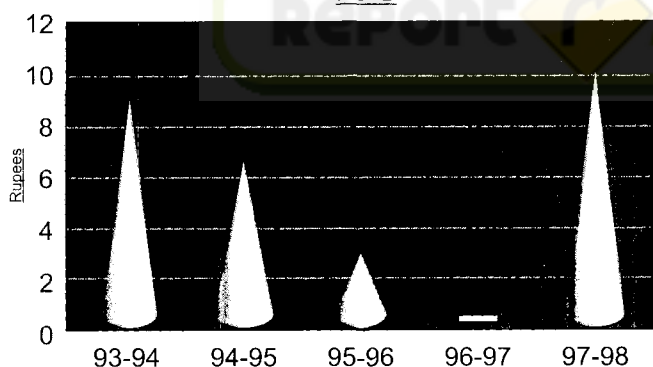
Years	1993-94	1994-95	1995-96	1996-97	1997-98
Domestic	8385.52	9418.54	10182.33	10628.74	12704.33
Export	951.00	1023.00	1469.00	1889.00	2665.05
Total	9336.52	10441.54	11651.33	12517.74	15369.38

GROSS PROFIT / PBT
59% growth in GP over 1996-97



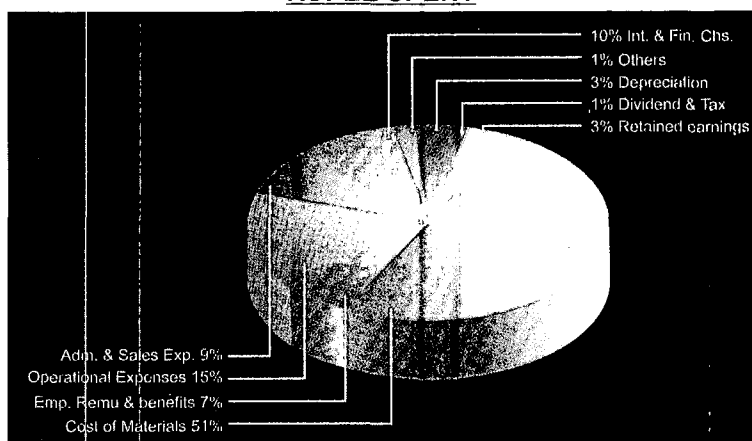
Years	1993-94	1994-95	1995-96	1996-97	1997-98
Gross Profit	1818.16	1707.33	1554.17	1669.33	2653.71
Profit before Tax	534.62	435.13	155.36	-322.89	641.53

EPS



Years	1993-94	1994-95	1995-96	1996-97	1997-98
EPS	9.01	6.51	2.91	--	10.15

RUPEE SPENT



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 GIIC)*
D.R. Mehta — *(Nominee of ICICI)*
A.K. Dasgupta
Gurcharan Das

COMPANY SECRETARY AND CHIEF (LAW)

H.N. Shah

BANKERS

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

SOLICITORS

Crawford Bayley & Co., Mumbai
Udwadia, Udeshi, 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) Sahyadri Dyestuffs & Chemicals, 117, Parvati, Vithalwadi, Pune - 411 030
- (3) Taloja Chemical Division, Plot K-10, MIDC Taloja, Dist. Raigad - 410 208

SHAREHOLDING DISTRIBUTION

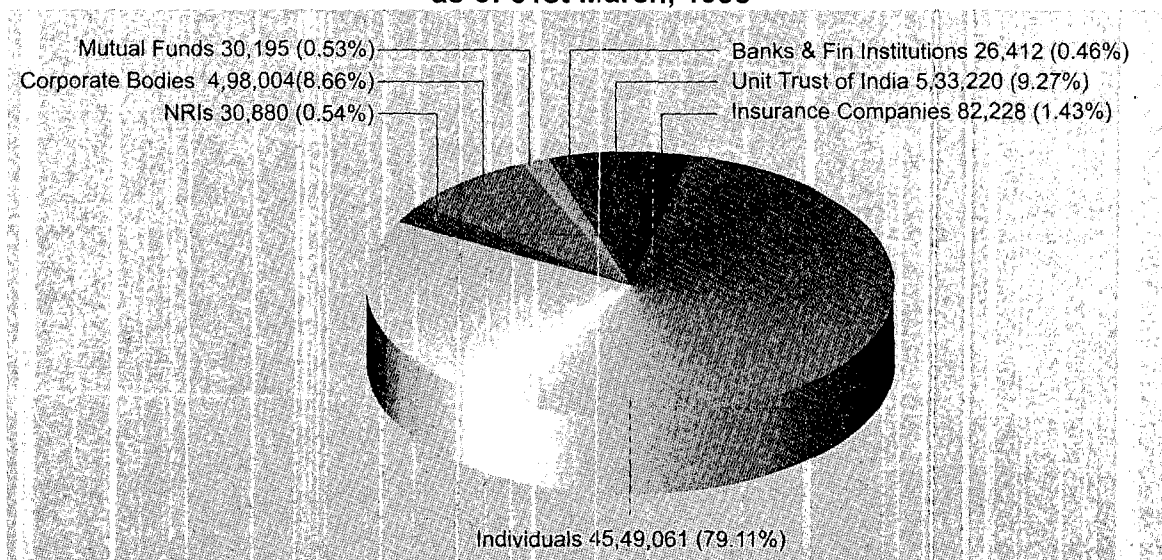
as of 31st March, 1998

Number of Shares	Number of Shareholders	% Share Holders	Total number of Shares	% Holding
1 to 500	10499	92.01	1423684	24.76
501 to 1000	555	4.86	379003	6.59
1001 to 2000	181	1.59	243735	4.24
2001 to 3000	57	0.50	141571	2.46
3001 to 4000	18	0.16	63881	1.11
4001 to 5000	11	0.10	49647	0.86
5001 to 10000	29	0.25	202340	3.52
10001 and above	61	0.53	3246139	56.46
Total				100.00

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SHAREHOLDING PATTERN

as of 31st March, 1998





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NOTICE

NOTICE is hereby given that the Twentyseventh Annual General Meeting of the Company will be held at Hotel Surya Palace, Opposite Parsi Agiari, Sayajigunj, Baroda - 390 005 on Saturday, the 26th September, 1998 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, 1998 together with the Directors' Report and the Auditors' Report thereon.
2. To declare a dividend on Equity Shares.
3. To appoint a Director in place of Shri Shrenik Kasturbhai Lalbhai who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri D. D. Udeshi who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri M.R.B. Punja who retires by rotation and, being eligible, offers himself for re-appointment.
6. 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.

SPECIAL BUSINESS :

7. To consider and, if thought fit, to pass with or without modifications, the following Resolution as a SPECIAL RESOLUTION :

"RESOLVED THAT pursuant to Section 94 read with Section 16 and other applicable provisions, if any, of the Companies Act, 1956 read with Article 14 of the Articles of Association of the Company:

Clause V of the Memorandum of Association of the Company be and is hereby amended to read as follows :

"V. The Share Capital of the Company is Rs. 50,00,00,000/- (Rupees Fifty crores only) divided into 3,00,00,000 (Three crores) Equity Shares of Rs. 10/- (Rupees Ten) each, and 20,00,000 (Twenty lacs) Preference Shares of Rs. 100/- (Rupees One hundred) each with the rights, privileges and conditions attaching thereto as are provided by the Articles of Association of the Company for the time being with power to increase and reduce the Capital of the Company and to divide the Shares in the Capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights with the Articles of Association of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association of the Company" and

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

8. To consider and, if thought fit, to pass with or without modifications, the following Resolution as a SPECIAL RESOLUTION :

"RESOLVED THAT pursuant to the provisions of Sections 94, 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals, permissions and consents as may be required or necessary, the consent of the Company be and is hereby accorded to the Board of Directors of the Company for increasing from 10,00,000 (Ten lacs) to 20,00,000 (Twenty lacs) Cumulative Redeemable Preference Shares of Rs. 100/- (Rupees One Hundred) each and issuing the same to such persons and/or Body Corporates, Financial Institutions, Investment Institutions, Banks, Trusts and/or Mutual Funds as the Board may deem fit in its absolute discretion.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to fix the terms of the issue such as rate of dividend, date of redemption and such other terms as may be thought fit and as may be necessary for issue of Preference Shares in accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company.

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

Registered Office :
9/10, Kunj Society,
Alkapuri,
BARODA - 390 007
Dated : 25th June, 1998.

By Order of the Board of Directors,

H. N. SHAH
Company Secretary &
Chief (Law)



Deepak Nitrite Limited

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 relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of Special Business under items 7 & 8 as set out above, is annexed hereto and forms part of this Notice.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday the 10th September, 1998 to Saturday, the 26th September, 1998 both days inclusive.
5. The dividend on Equity Shares as recommended by the Board of Directors of the Company, if declared at the Meeting, will be payable on or after 28th September, 1998 to those Shareholders whose names stand on the Register of Members of the Company as on 26th September, 1998.
6. Members are requested to notify immediately 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.
7. 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.
8. Members who did not respond to the Company's individual advices to claim the unpaid dividends for the financial year ended 31st March, 1994 may now submit their claims for dividend to the Registrar of Companies, Gujarat at R.O.C. Bhavan, Opp. Rupal Park, Behind Ankur Bus Stand, Naranpura, Ahmedabad - 380 061 as all unclaimed dividends for and upto the financial year ended 31st March, 1994 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, 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 October, 1998 and November, 1999 respectively.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT as required by Section 173 of the Companies Act, 1956.

ITEM NO. 7

The Company proposes to raise Preference Shares upto Rs. 20 Crores. The existing Capital Clause in the Memorandum of Association of the Company states the Authorised Capital of the Company as Rs. 50,00,00,000/- divided into 3,95,00,000 Equity Shares of Rs. 10/- each, 10,00,000 Preference Shares of Rs. 100/- each and Unclassified Shares of Rs. 50,00,000/-. For the issue of Preference shares of the aforesaid amount, Capital Clause is required to be amended so as to increase the Preference Shares of Rs. 10 crores to Rs. 20 crores in the Authorised Capital. Since the Unclassified Capital of Rs. 50,00,000/- introduced in the present Authorised Capital during the inception of the Company is no longer required, it is thought fit to cancel the Unclassified Shares of Rs. 50,00,000/-. It is now proposed to reclassify the Authorised Capital in such a way that the amount of the Authorised Capital remaining the same i.e. Rs. 50 crores and hence, this Resolution. The Company has requisite authority and power under its Articles of Association. The Board commends this Resolution for your acceptance.

None of the Directors may be considered to be interested in passing of the above Resolution.

ITEM NO. 8

In order to meet the Normal Capital Expenditure and to augment resources for Working Capital requirements the Board of Directors has decided to increase the present Preference Shares from Rs. 10 crores to Rs. 20 crores and issue the Preference Shares upto Rs. 20 crores to such persons who would find this instrument favourable. It has been therefore thought fit to authorise the Board of Directors of the Company to issue such Preference Shares on such terms and conditions to such persons and/or Body Corporates, Financial Institutions, Investment Institutions, Banks, Trusts and/or Mutual Funds as the Board may deem fit in its absolute discretion.

As the issue of such Preference Shares may be to the persons other than the Shareholders, approval of the Shareholders by a Special Resolution is required pursuant to the provisions of the Section 81 (1A) of the Companies Act, 1956.

The Directors therefore, recommend passing of the Special Resolution contained in item No. 8 of the accompanying Notice for the above purpose.

None of the Directors may be considered to be interested in passing of the above Resolution.

Registered Office :

9/10, Kunj Society,

Alkapuri,

BARODA - 390 007

Dated : 25th June, 1998.

By Order of the Board of Directors,

H. N. SHAH

Company Secretary &
Chief (Law)



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DIRECTORS' REPORT

Your Directors are happy to present the Twentyseventh Annual Report and Accounts for the financial year ended 31st March, 1998 together with the Auditors' Report thereon.

	Current Year Rs.	Previous Year Rs.
Sales and Other Income	155,44,17,672	129,44,77,233
FINANCIAL RESULTS :		
Gross Profit (before interest, depreciation and tax)	26,53,71,047	16,69,32,731
Less :		
(i) Interest	13,90,98,142	14,63,78,799
(ii) Depreciation	4,92,02,347	4,23,86,218
(iii) Provision for Tax	58,00,000	—
Profit/(Loss) (after interest, depreciation and tax)	7,12,70,558	(2,18,32,286)
Add (Less) :		
Prior Years' adjustments	(21,59,502)	29,47,764
Extraordinary Items	(1,07,58,136)	75,09,461
Net Profit/(Loss) after adjustments	5,83,52,920	(3,22,89,511)
Surplus in Profit & Loss Account Brought Forward	—	4,79,55,403
Add : Transfer from:		
(1) Investment Allowance Reserve	19,06,000	28,02,770
(2) Debenture Redemption Reserve	—	67,50,000
Amount available for appropriation	6,02,58,920	2,52,18,662
Appropriation :		
Debenture Redemption Reserve	75,19,338	2,52,18,662
Dividend :		
Directors recommend the Dividend of 18% (Previous year Nil) on 57,50,000 Equity Shares of Rs. 10/- each.	1,03,50,000	—
Corporate Dividend Tax	10,35,000	—
General Reserve No. 1	45,00,000	—
(as required by Section 205 (2A) of the Companies Act, 1956)		
Balance carried to Balance Sheet	3,68,54,582	—

PERFORMANCE :

Retrospecting at the year that has just gone by, there is a sense of satisfaction particularly when the task was fraught with numerous challenges and impediments. During the year under review the Company had initiated a number of measures, both at the macro and micro levels. This year the Company could see the benefits of investment in modernisation and expansion - doubling of capacities at the Nitroaromatics plant; stabilising of the Hydrogenation plant at Taloja; improvement in quality of export oriented products and achieving improved efficiencies all round.

Nitrite Division :

The completion of the modernisation project has enabled improvement in the quality as well as efficiency. Lower raw material prices contributed to improve its bottomline performance. The division continued to show sustained production levels which are expected to be maintained during the current year as well.



Deepak Nitrite Limited

Nitroaromatics Division :

With the completion of the expansion project, Nitroaromatics division has had substantial increase in turnover. This has helped improve profits despite increase in input costs and competition. The Company is continuing its efforts to expand to international markets.

Taloja Chemical Division :

The Division has now stabilised production of entire range of Toluidines (OT, PT, and MT). Exports of all three products have also commenced. Various other hydrogenation based products are under pilot scale development.

Sahyadri Dyestuffs and Chemicals Division :

The Division continued to register impressive growth in export. Efforts are continuing to increase world market share through improved quality products.

DIVIDEND :

In view of the improved performance of the Company, your Directors are glad to bring back the Company on the Dividend list and recommend for your approval at the ensuing Annual General Meeting, the payment of dividend of 18% (free of tax in the hands of the members), on 57,50,000 Equity Shares aggregating Rs. 103.50 lacs. The Corporate Dividend Tax borne by the Company on this year's dividend is Rs. 10.35 lacs.

FINANCE :

(a) During the year under review :

- (i) The Company has made the payment of Rs. 300 lacs to UTI towards principal amount of Short Term Loan covered by Secured Transferable Notes and the original loan aggregating Rs. 450 lacs now stands fully paid.
 - (ii) The Company has made the payment of Rs. 850.50 lacs towards first redemption of 24,30,000 14% Secured Redeemable Non-Convertible Debentures (NCDs) of Rs. 100/- each @ Rs. 35/- per NCD.
 - (iii) In accordance with the terms and conditions of the Issue of 12.5% Secured Redeemable Partly Convertible Debentures (PCDs), it has been decided by the Board of Directors of the Company that Part-B i.e. Non-Convertible Portion amounting to Rs. 30/- of 29,16,000 PCDs shall be redeemed on 24th May, 2001.
- (b) Your Directors are happy to inform you that the Board of Directors of Deepak Fertilisers And Petrochemicals Corporation Limited (DFPCL) has recommended Equity Dividend of 15% for the year ended 31st March, 1998. Accordingly, your Company will receive from DFPCL Dividend aggregating Rs. 66 lacs. Actual benefit of this dividend will accrue to the Company during the current year. Thus, the investments made by the Company in DFPCL will now start giving returns.
- (c) 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. 967.22 lacs at the close of the financial year. The Company has no deposits which are matured and claimed, but remained unpaid.

EXPORTS :

The Company continued to make commendable progress on the exports front, increasing its exports from Rs. 1889 lacs in the previous year to Rs. 2665 lacs during the year under review. Since a significant portion of exports are to the USA and Europe, South East Asian crisis is not affecting the performance of the Company so far.



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The quantum of exports qualified the Company to the status of Export House and the Certificate of Recognition for which has been received by your Company from the Joint Director of Foreign Trade, Ministry of Commerce, during the current year.

ISO 9002 :

Like previous year, this year too Nitrite Division has successfully passed the final Surveillance Audit by the Bureau Veritas Quality International.

Your Directors are happy to inform you that during the current year Nitroaromatics Division has received a prestigious certificate under ISO 9002 from KPMG Quality Registrar (A business unit of KPMG Peat Marwick LLP) for all its current range of products.

RESEARCH AND DEVELOPMENT :

New value added downstream products were developed and scaled upto pilot plant level. R&D support was crucial in stabilising the new Hydroxyl Amine Hydrochloride plant, while maintaining performance standards of the ETP at Taloja.

R&D has also made significant contribution towards process modifications with the aim of controlling liquid as well gaseous effluent levels.

SAFETY, POLLUTION & ENVIRONMENTAL CONTROL :

During the year under review all environmental related issues were successfully dealt with the enhanced pollution control measures.

Your Directors are pleased to inform you that in the Special Leave Petition filed by the Company in the Hon'ble Supreme Court against the Order of Gujarat High Court, the Court has granted stay against the levy of 1% penalty amounting to Rs. 87 lacs until further Orders. Meanwhile, having satisfied with environmental treatment facilities in the plants, Gujarat High Court during the current year has refunded the deposit amounting to Rs. 134 lacs to the Company.

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

During the year, the Company undertook various steps towards efficient use of energy. This has resulted in savings in power cost per unit in most of the divisions of the Company. The Company has also succeeded in converting one of its waste by-products into fuel, thus saving valuable furnace oil and simultaneously taking care of disposal.

A statement under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) is annexed which forms an integral part of this Report as Annexure-A.

EMPLOYEE RELATIONS :

The Company continued to have cordial relations with its employees. Your Directors acknowledge and thank the employees for their commitment to and involvement in the continuing efforts of the Company to achieve the Organisation's productivity and effectiveness.

Long-term wage settlements for both the Nitrite and SDC Divisions of the Company covering the period of 3 years upto June, 2000 have been signed during the year.

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.



Deepak Nitrite Limited

DONATION AND COMMUNITY SERVICES :

During the current year the Company has donated a sum of Rs. 10 lacs to "Gujarat Chief Minister's Relief Fund" towards the task of massive relief work for the tremendous damage caused, both in terms of human lives and properties, due to recent devastating Cyclonic Storm during the second week of June, 1998, which ravaged the Saurashtra and Kutch regions of Gujarat.

The Members may be aware that the Deepak Medical Foundation (DMF) and Deepak Charitable Trust (DCT) were promoted by your Company to provide free consultation and medicines, organising health camps etc. in order to improve the quality of life of the people in and around Nandesari. Among many outstanding activities of these institutions, impact of their work on reduction of Infant Mortality Rate excels all. In recognition of the aforesaid institutional initiatives, Shri C. K. Mehta, Vice Chairman of your Company, on behalf of DMF / DCT received from Shri I. K. Gujral, the former Hon. Prime Minister of India, the prestigious 1996-97 FICCI Award on 18th November, 1997. This award was shared by DMF / DCT with Harrisons Malayalam Limited, Cochin.

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 Shrenik Kasturbhai Lalbhai, Shri D.D. Udeshi and Shri M.R.B. Punja 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 Notes No. 7 (c) and 8 in the Schedule 20 of the Accounts, which are self-explanatory.

AUDITORS :

At the Twentysixth 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 Twentyseventh 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 audit 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.

In order to meet the normal capital expenditure and augment resources for enhanced working capital requirements, your Directors thought fit in the interest of the Company to raise funds through various routes. Accordingly the source of issue of preference shares has been proposed to be expanded through resolutions at items No. 7 & 8 of the Notice for consideration, which are for reclassification of Authorised Capital and increase/issue of Preference Shares.

ACKNOWLEDGEMENT :

The Board expresses its gratitude to the Company's customers and suppliers who have stood by the Company over a long period of time and promises even better services and quality of products in the years to come.

Your Company values the continued support from the State Governments, its Bankers and Financial Institutions. The Board is also grateful to the Shareholders, Depositors, Debentureholders and other Lenders for the confidence reposed in the Company and acknowledges their contribution.

For and on behalf of the Board,

SHRENIK KASTURBHAI LALBHAI
Chairman

Mumbai,
Dated : 25th June, 1998