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in looking beyond
just profit curves.



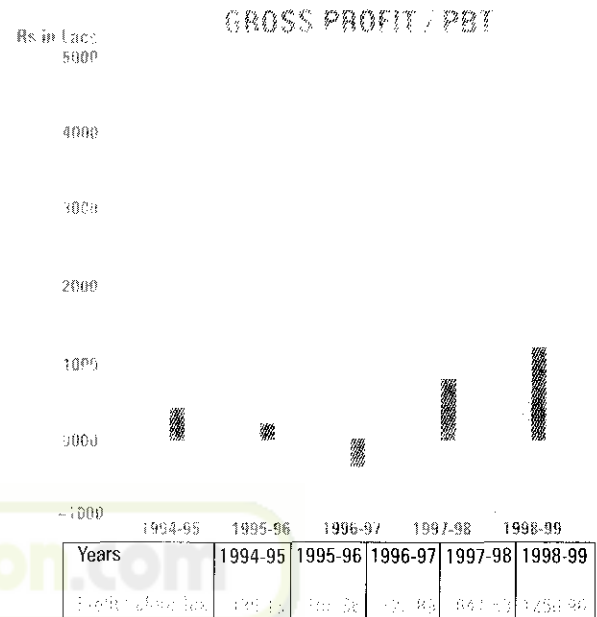
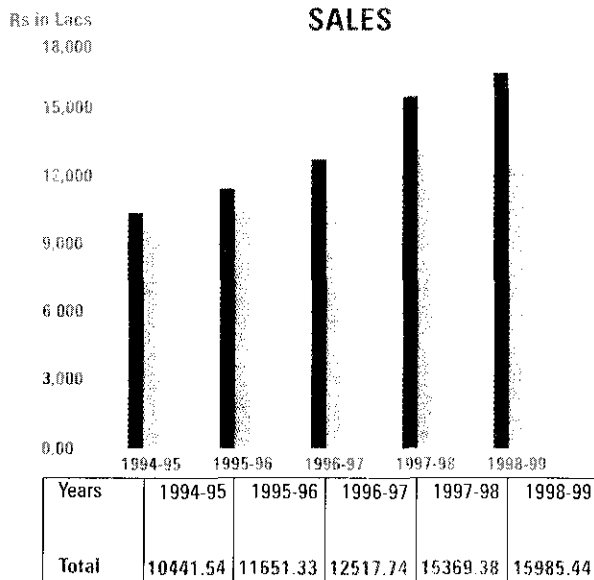
Like the
curve of satisfaction
in the smile
of our investors.

28th Annual Report 1998-99

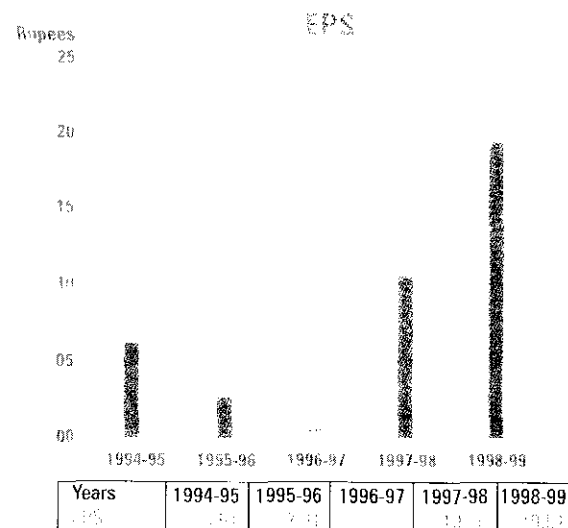
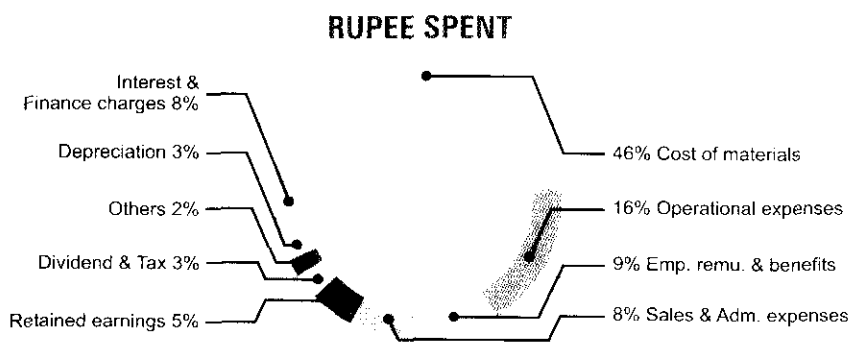


A determined drive for excellence

Financial Highlights



Report Junction.com



Deepak Nitrite Limited



BOARD OF DIRECTORS

Chimanlal K. Mehta — *Chairman*
Deepak C. Mehta — *Managing Director*
Ajay C. Mehta — *Managing Director*
Shrenik Kasturbhai Lalbhai
Narendra N. Kapadia
S.S. Aggarwal
D.D. Udeshi
M.R.B. Punja
L. Mansingh — *(Nominee of GLIC)*
D.R. Mehta — *(Nominee of ICICI)*
K.N. Pujara — *(Nominee of UTI)*
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 & Berjis, 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

Deepak Complex, National Games Road, 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 .

28th ANNUAL GENERAL MEETING

Date : Saturday, 7th August, 1999
Time : 10.30 a.m.
Venue : Hotel Surya Palace, Opposite Parsi Agiari, Sayajigunj, Baroda - 390 005

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NOTICE

NOTICE is hereby given that the Twentyeighth Annual General Meeting of the Company will be held at Hotel Surya Palace, Opposite Parsi Agiari, Sayajigunj, Baroda - 390 005 on Saturday, the 7th August, 1999 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, 1999 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 C. K. Mehta who retires by rotation and, being eligible, offers himself for re-appointment.
- 4 To appoint a Director in place of Shri S. S. Aggarwal who retires by rotation and, being eligible, offers himself for re-appointment.
- 5 To appoint a Director in place of Shri A. K. Dasgupta 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 an ORDINARY RESOLUTION :

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modifications or re-enactment thereof, for the time being in force) the Company hereby approves the re-appointment of and the remuneration payable to Shri D. C. Mehta as the Managing Director of the Company, as approved by the Board of Directors, for a period of five years with effect from 14th December, 1998 as set out in the Explanatory Statement and the draft letter of re-appointment to be issued by the Company to Shri D.C. Mehta and placed before this meeting and initialled by the Chairman for the purpose of identification.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to revise such remuneration from time to time so long as it does not exceed the limits specified in Schedule XIII of the Companies Act, 1956 and also to, do all such acts, deeds, matters and things as may be necessary, requisite, desirable or expedient for the purpose of giving effect to this resolution."

Registered Office :
9/10, Kunj Society,
Alkapuri,
BARODA - 390 007
Dated : 28th April, 1999

By Order of the Board of Directors,

H. N. SHAH

Company Secretary &
Chief (Law)

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 item 7 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 22nd July, 1999 to Saturday, the 7th August, 1999 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 9th August, 1999 to those Shareholders whose names stand on the Register of Members of the Company as on 7th August, 1999.
- 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, 1995 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



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dividends for and upto the financial year ended 31st March, 1995 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.

- 9 Members are requested to encash their Dividend Warrants immediately upon receipt, as Dividends remaining unclaimed for seven years are now required to be transferred to the 'Investor Education and Protection Fund' to be established by the Central Government under the amended provisions of the Companies Act, 1956, and Members shall not be able to claim any unpaid dividend from the said fund or from the Company thereafter.

ANNEXURE TO THE NOTICE

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

ITEM NO. 7

At its meeting held on 26th September, 1998, the Board of Directors of the Company has approved, subject to the approval of members, the re-appointment of Shri D.C. Mehta as the Managing Director of the Company with effect from 14th December, 1998 for a period of five years inter alia upon the following terms and conditions :

- 1 The remuneration comprising of salary, perquisites, other benefits and allowances payable to Shri D.C. Mehta, as the Managing Director shall be Rs. 87,500/- p.m. or Rs. 10,50,000/- p.a. which is within the limits specified in Schedule XIII of the Companies Act, 1956, (the Act). In the absence or inadequacy of profits, the aforesaid remuneration shall be the maximum remuneration payable to him.
- 2 In addition to the salary, perquisites and allowances payable as stated in (1) above, the Managing Director shall also be paid the Commission calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board of Directors of the Company as at the end of each financial year, subject to the overall ceilings stipulated in Sections 198, 309 and other relevant provisions of the Act.
- 3 Perquisites and allowances shall include accommodation (furnished or otherwise) or house rent allowance in lieu thereof, house maintenance allowance together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings and repairs, medical reimbursement, leave travel concession for himself and his family, club fees, medical insurance and such other perquisites and allowances in accordance with the rules of the Company or as may be agreed to by the Board of Directors.
- 4 The Company's contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income-tax Act, 1961, gratuity payable at a rate not exceeding half a month's salary for each completed year of service and encashment of leave at the end of the tenure shall not be included in the computation of the remuneration as set out in paragraph (1) above.
- 5 The aforesaid remuneration specified in Clause (1) and (2) above shall be reviewed by the Board after the close of the financial year, if the Company has made the profits in that year and Shri D.C. Mehta be paid such enhanced remuneration as the Board may decide subject to the ceiling limits specified in Sections 198, 309 and other applicable provisions of the Act read with the Schedule XIII of the Act or any modifications or re-enactment thereof.
- 6 OTHER TERMS :
 - (a) The Company shall provide a Car with driver and telephone facility at the residence of the Managing Director. Provision of a Car for use of Company's business and telephone at residence will not be considered as perquisites.
 - (b) The Managing Director shall be entitled to reimbursement of all expenses including on entertainment and travelling actually incurred in the course of Company's business.
 - (c) The Managing Director shall not be entitled to sitting fees for attending the meeting of the Board of Directors or Committees thereof.
 - (d) The Managing Director shall perform such duties and exercise such powers bestowed on him or as may from time to time be assigned to him by the Board of Directors of the Company.
 - (e) The Managing Director shall not be liable to retire by rotation as a Director of the Company.

The approval of the members is, therefore, sought to the re-appointment of and remuneration payable to Shri D.C. Mehta, with the authority to the Board of Directors to alter and vary the said terms of appointment and remuneration and perquisites within the limits specified in Schedule XIII of the Companies Act, 1956 or any amendments made hereafter in that regard.

A draft of the letter of re-appointment proposed to be issued to Shri D.C. Mehta is open for inspection to the members at the Registered Office of the Company between 10.30 a.m. and 1.00 p.m. on all working days of the Company, upto and including the day of the Meeting.

Except Shri C.K. Mehta, Shri D.C. Mehta and Shri A.C. Mehta, no other Director of the Company is concerned or interested in the said Ordinary Resolution.

The above should be treated as an abstract as required under Section 302 of the Companies Act, 1956.

Registered Office :
9/10, Kunj Society,
Alkapuri,
BARODA - 390 007
Dated : 28th April, 1999.

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 Twentyeighth Annual Report and Accounts for the financial year ended 31st March, 1999 together with the Auditors' Report thereon.

	Current Year Rs.	Previous Year Rs.
Sales and Other Income	162,91,69,654	155,44,17,672
FINANCIAL RESULTS :		
Gross Profit (before interest, depreciation and tax)	31,55,39,348	26,53,71,047
Less :		
(i) Interest	12,07,67,754	13,90,98,142
(ii) Depreciation	5,59,46,579	4,92,02,347
(iii) Provision for Tax	1,35,00,000	58,00,000
Profit (after interest, depreciation and tax)	12,53,25,015	7,12,70,558
Add (Less) :		
Prior Years' adjustments	19,40,327	(21,59,502)
Extraordinary Items	(1,50,69,684)	(1,07,58,136)
Net Profit after adjustments	11,21,95,658	5,83,52,920
Surplus in Profit & Loss Account Brought Forward	3,68,54,582	—
Add :		
Transfer from Investment Allowance Reserve	30,78,000	19,06,000
Amount available for appropriation	15,21,28,240	6,02,58,920
Appropriation :		
Debenture Redemption Reserve	—	75,19,338
Dividend :		
Directors recommend the Dividend of 45% (Previous year 18%) on 57,50,000 Equity Shares of Rs. 10/- each	2,58,75,000	1,03,50,000
Corporate Dividend Tax	25,87,500	10,35,000
General Reserve No. 1 (as required by Section 205 (2A) of the Companies Act, 1956)	4,00,00,000	45,00,000
Balance carried to Balance Sheet	8,36,65,740	3,68,54,582

PERFORMANCE :

The high production levels reached during the previous year were maintained during the year under review. Turnover as a whole improved marginally. Emphasis was placed on consolidating and improving quality and reliability which helped in expanding our Export turnover by 40%. Most significantly, the company was able to change the product mix to export the products having higher contribution, resulting into bottomline improvements. Effective treasury and working capital management helped reduce interest by Rs. 183 lacs.

As a long term economy measure Voluntary Retirement Scheme was introduced during the year.

Nitrite Division :

The division continued to run at optimum levels. Further strides were made on the export front besides improvement in exports of fine chemicals, the division was able to achieve the distinction of matching world class quality, international co-producers having supplied the Company's products to their discerning customers.



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Nitroaromatics Division :

While production levels of Nitro Chloro Benzene and Nitro Toluene were maintained as before, there has been major improvement in production of MCB. High quality of MCB available in-house had ensured rapid growth in export in Nitro Chloro Benzene.

Taloja Chemical Division :

The division is now market leader in the entire range of Toluidines (OT, PT and MT) based on quality and consistent production levels. Two other Hydrogenation based products were introduced during the year. The division's strength in the hydrogenation technology helped the Company to start toll manufacturing for other Companies.

Sahyadri Dyestuffs and Chemicals Division :

The division continued to maintain its growth in exports. Further improvement in quality has enabled the division to explore higher price in export markets.

FUTURE PLANS :

Investments are being made in upgrading utilities at the Nitroaromatics plants to improve reliability and increase production marginally. The fine chemical plants in the Nitrite division are being debottlenecked to increase capacity. Benefits of these may come in the second half of the current year. New products are being developed in the Taloja Chemical and Sahyadri Dyestuffs & Chemicals divisions. For enhancing R&D activities, the Company is also making significant investments in pilot plant facilities.

DIVIDEND :

Enthused by the excellent performance, your Board has recommended a dividend of 25% (as against 18% in the previous year) and also a special dividend of 20%, aggregating 45% (free of tax in the hands of the members). on 57,50,000 Equity Shares aggregating to Rs. 258.75 lacs. The Corporate Dividend Tax borne by the Company on this year's Dividend is Rs. 25.88 lacs. In its 25 years' history, the Company had skipped the dividend once in 1996-97. With a view to make up the investors' loss in that year, the Company has declared a special dividend as aforesaid.

FINANCE :

- (a) During the year under review the Company paid Rs. 433.69 lacs towards normal repayment and Rs. 585.96 lacs towards prepayment of loans obtained from the Financial Institutions.
- (b) At the request of the Company UTI has rescheduled the payment of second and third instalments of 14% Redeemable Non-Convertible Debentures (NCDs) aggregating Rs. 1696 lacs in respect of their holding. While pursuant to the consent of the 109 NCD holders, 8277 NCDs held by them have been fully redeemed.
- (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. 1065.80 lacs at the close of the financial year. The Company has no deposits which are matured and claimed, but remained unpaid.

EXPORTS :

International trading conditions were difficult, and several countries have recorded negative growths. The Russian difficulties, coming in the wake of the South East Asian crisis, lead to a global economic slowdown. Despite these difficulties, the Company continued to make a commendable progress on the exports front, increasing its export from Rs. 2665 lacs in the previous year to Rs. 3746 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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ISO 9002 :

As reported earlier, Nitroaromatics division received last year the prestigious ISO 9002 certificate from KPMG Quality Registrar for all its current range of products. Certificate of Approval was received this year from BVQI for a period of 3 years, i.e. 2001, in respect of products manufactured by Nitrite Division. With this, two major divisions, viz. Nitrite and Nitroaromatics, are covered with accredited certificates, while action has been initiated for availing of similar certificates of ISO 9002 by other two divisions. These efforts confirm the Company's commitment to quality, reliability and customers satisfaction. Gradual achievement in this direction puts the Unit in league with other such international and domestic companies.

Y2K (Year 2000) :

Most of the hardware systems are latest and the application programmes are developed in-house, which takes care of the Year 2000 issue. Modifications in the programmes are being made without incurring significant expenditure.

RESEARCH AND DEVELOPMENT :

Several new products were developed in R&D Laboratory and scaled up to pilot plant level. R&D has also made significant contribution in improvement of process and consequently in quality of the end products.

SAFETY, POLLUTION & ENVIRONMENTAL CONTROL :

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

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

The Company continues to take various measures for conservation of energy by regular monitoring of consumption and improved maintenance of systems alongwith adaption of any new and proven technology available.

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.

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. Your directors are happy to inform that the Shareholders are now availing benefits under this Scheme, which shows adequate awareness is taking place amongst 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 :

Shri Shrenik Kasturbhai Lalbhai, who was the Chairman of your Company ever since its inception-for the last 27 years has relinquished the office as Chairman of the Company with effect from 23rd October, 1998.

The Board of Directors are indebted to Shri Shrenikbhai for the support and guidance that he gave for these many years at all the Board Meetings. As a mark of sincere appreciation your Directors had presented a memento to Shri Shrenik Lalbhai for upholding the highest virtues, being a central guiding force and providing exemplary leadership as the Chairman of the Company for twentyseven years since the Company's inception.

The Board of Directors reluctantly accepted his decision, respecting his desire to pursue his goals in religious activities and social work. You will be happy to learn that he however, continues, as Director of your Company and thereby the Company continues to avail of his valuable advise.



Deepak Nitrite Limited

Shri C.K. Mehta, Vice Chairman and founder Director has taken over as the New Chairman of the Company.

During the year under review :

- (i) Shri K. N. Pujara has been appointed on the Board as a nominee Director of Unit Trust of India (UTI) and
- (ii) Gujarat Industrial Investment Corporation Limited (GIIC) has appointed Shri L. Mansingh, a Managing Director of Sardar Sarovar Narmada Nigam Ltd. as its nominee Director in place of Shri R. Balakrishnan.

The Board records the valuable contribution made by Shri R. Balakrishnan and hopes that the Company will be benefited by the new nominees of UTI and GIIC.

Shri D.C. Mehta, the Managing Director of the Company has been re-appointed by the Board for a period of five years with effect from 14th December, 1998. A resolution in this behalf is recommended for adoption at the ensuing Annual General Meeting.

Your Directors, Shri C.K. Mehta, Shri S.S. Aggarwal and Shri A.K. Dasgupta retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

EMPLOYEE RELATIONS :

The Company continued to have cordial and harmonious relations with its employees. The Board wishes to place on record its appreciation of the contribution made by all employees in ensuring the high levels of performance and growth that your Company has achieved during the year.

AUDITORS' REPORT :

As regards the comments made in Para 2 (e) of the Auditors' Report, the Directors would like to refer to the Note no. 7 (c) in Schedule 19 of the Accounts. which is self-explanatory.

AUDITORS :

At the Twentyseventh 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 Twentyeighth 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 appointed by the Company continues to conduct cost audit relating to several products.

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 as amended, forms an integral part of this Report as Annexure-B.

THANK YOU :

Your Board of Directors would like to place on record its sincere appreciation for the whole hearted support and contributions made by Banks, Financial Institutions, Suppliers, Depositors and other Business Associates towards the conduct of the efficient operations of your company. Last but not the least, the Board of Directors wish to thank the Investor Shareholders/Debentureholders of the Company.

For and on behalf of the Board,

Mumbai,

Dated : 28th April, 1999

C. K. MEHTA

Chairman