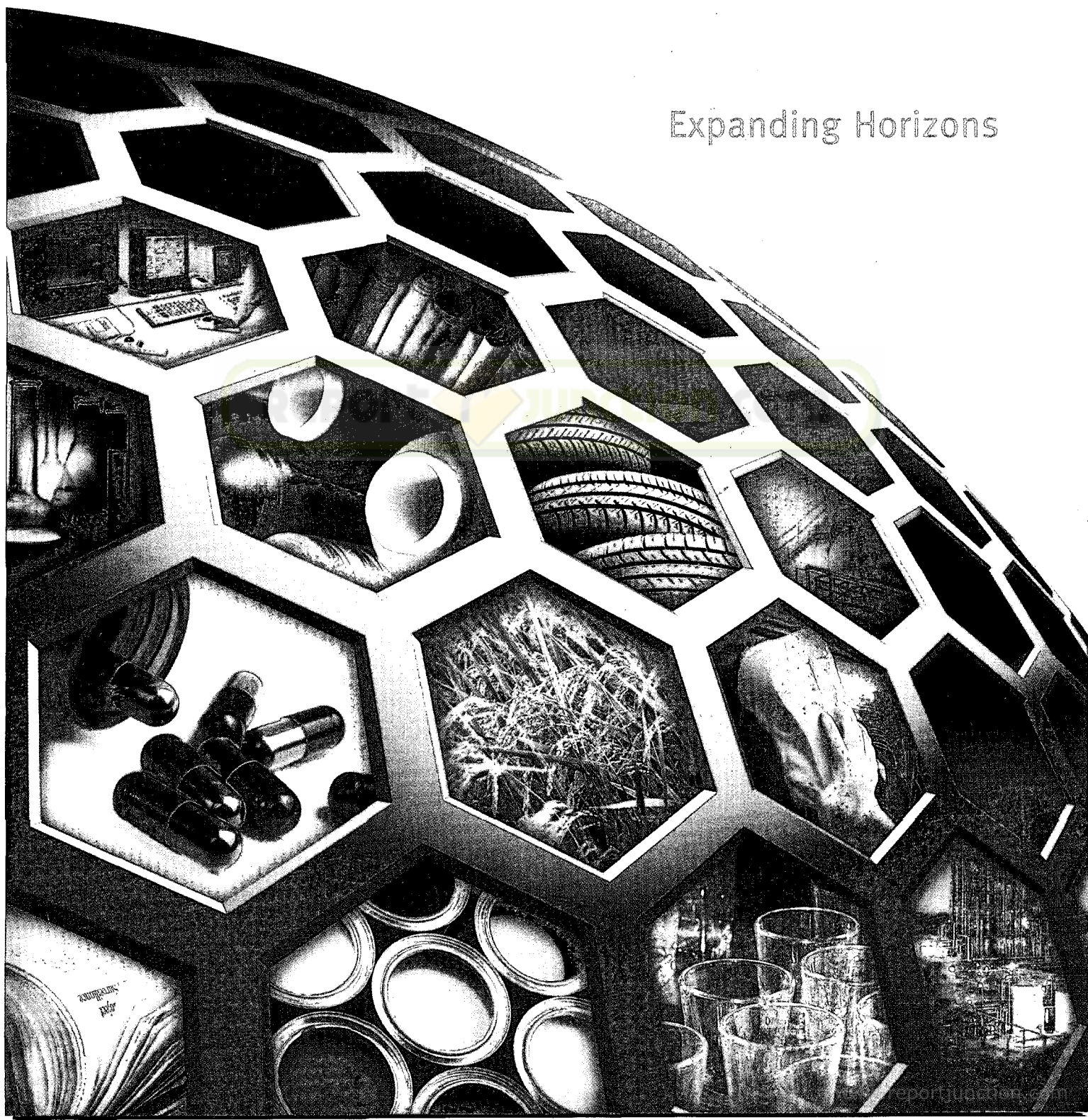


Expanding Horizons



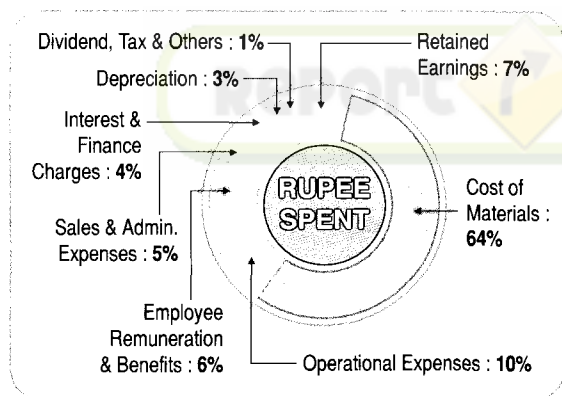
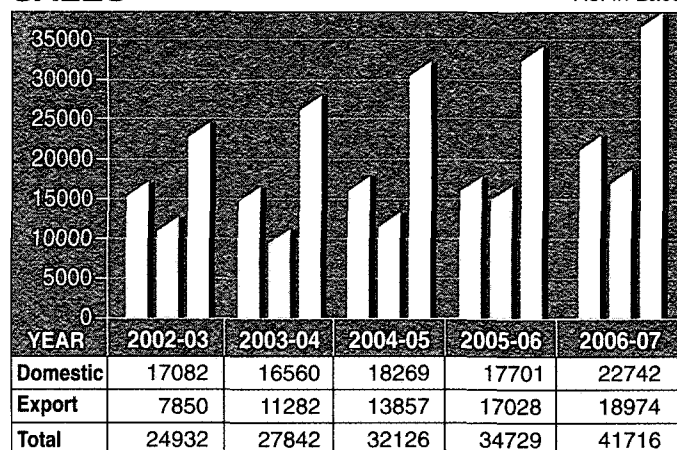


Thirty Sixth Annual Report 2006-2007

Financial Highlights

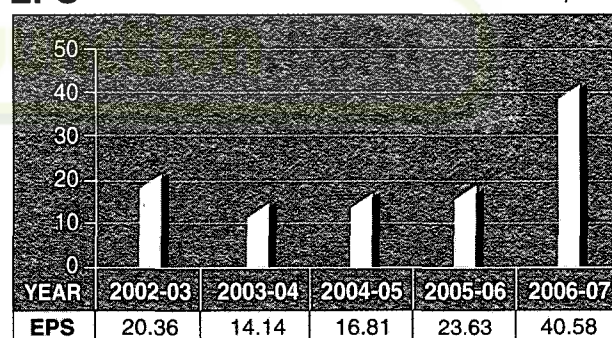
SALES

Rs. in Lacs



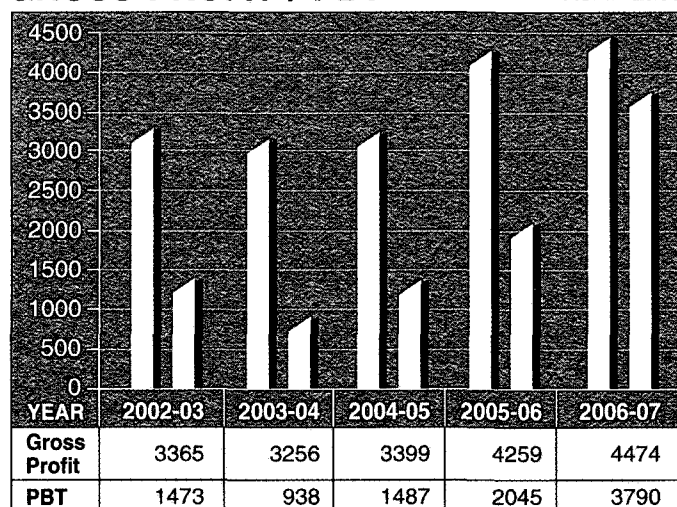
EPS

Rupees



GROSS PROFIT / PBT

Rs. in Lacs





Registered office : 9/10, Kunj Society, Alkapuri, Vadodara - 390 007

ATTENDANCE SLIP

36th ANNUAL GENERAL MEETING - 21st SEPTEMBER, 2007

Reg. Folio No.

No. of Equity Shares

DP ID.

CLIENT ID.

I certify that I am a registered shareholder / proxy for the registered shareholder of the Company.

I hereby record my presence at the THIRTY-SIXTH ANNUAL GENERAL MEETING of the Company held at Hotel Surya Palace, Opposite Parsi Agiari, Sayajigunj, Vadodara - 390 005 on Friday, the 21st September, 2007 at 10.30 a.m.

.....
(Shareholder's / Proxy's name in BLOCK letters)

.....
(Shareholder's / Proxy's signature)

- Notes :** (i) Shareholders/Proxyholders are requested to bring the Attendance Slips duly signed with them when they come to the Meeting and hand them over at the gate.
(ii) Shareholder/Proxyholder attending the meeting should bring his copy of the Annual Report, since the practise of distributing the Annual Report at the time of the meeting is discontinued.

PLEASE CUT HERE AND BRING THE ABOVE ATTENDANCE SLIP TO THE MEETING

REGD. FOLIO OR CLIENT ID	NO. OF EQUITY SHARES	SERIAL NO.

PROXY FORM



Registered office : 9/10, Kunj Society, Alkapuri, Vadodara - 390 007

I/We of
in the district of being a member/members of
Deepak Nitrite Limited hereby appoint
of in the district of
or failing him of
in the district of as my/our proxy to attend and
vote for me/us on my/our behalf at the Thirty Sixth Annual General Meeting of the Company to be held on
Friday, the 21st September, 2007 at 10.30 a.m. and at any adjournment thereof.

Signed this day of 2007.

Signature

15 Paise
Revenue
Stamp

- Notes :** (1) Revenue Stamp of 15 Paise is to be affixed on this form.
(2) The form should be signed across the stamp as per specimen signature registered with the Company.
(3) The Proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the Meeting.
(4) A Proxy need not be a member.



Registered Office : 9/10, Kunj Society, Alkapuri, Vadodara - 390 007.

Dear Shareholders,

The financial year 2006-07 for DNL was quite eventful and challenging. I am grateful to the shareholders for their trust and support shown by the way of subscription of rights issue. The funds raised were used for acquisition of diamino stilbene disulphonic acid (DASDA) business of Vasant Chemicals Limited. The Rs 55 crore acquisition will enable DNL to move up the value chain in its nitro toluene business as well as to expand its international market presence. This is one of the most significant acquisitions and will undeniably enhance shareholder value. The acquired business has been named as "Hyderabad Specialities Division – DNL", and we will introduce newer technologies there to add value and improve return on assets.

The company is expanding its horizons by de-bottlenecking its operations and putting up one more multi-purpose nitration stream at Vadodara. This shall enhance the total capacity of nitration to 45,000 tonnes. Newer fine chemicals for pharma are also being planned at Vadodara and Roha. We have also set up a multi-purpose pilot plant at Roha to develop a wide range of fine chemicals. During the year we have successfully implemented Enterprise Resource Planning software which would be instrumental in better and faster decision making.

While we have made significant strides towards a better future, the price-driven competition from China has been at its worst. Though we have been able to retain or increase our market share, the profitability has suffered. On the positive note, the prices seem to have bottomed out and have started inching upwards. In order to improve our long-term competitive position, we have conducted a detailed scrutiny of all our business processes from efficiency viewpoint. We have taken a range of targeted measures to raise efficiency and reduce cost. Hence a combination of improved external environment and internal measures to boost efficiency should augur well for the future.

I wish to place on record my appreciation of the commitment and hard work of all our employees. I am also grateful for continued support of my colleagues, our customers and business associates and above all the shareholders and members of the Board.

With best wishes,

D. C. Mehta
Managing Director

**DEEPAK NITRITE LIMITED****36th ANNUAL GENERAL MEETING**

Day/Date : Friday, 21st September, 2007
 Time : 10.30 a.m.
 Venue : Hotel Surya Palace, Opposite Parsi Agari,
 Sayajigunj, Vadodara - 390 005

BOARD OF DIRECTORS

Chimanlal K. Mehta *Chairman*
 Deepak C. Mehta *Managing Director*
 Ajay C. Mehta *Managing Director*

Shrenik Kasturbhai Lalbhai

S.S. Aggarwal

M.R.B. Punja

A.K. Dasgupta

Hasmukh Shah

Nimesh Kampani

Sudhin Choksey

VICE PRESIDENT (FINANCE) & COMPANY SECRETARY

Sanjay Upadhyay

BANKERS

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

UTI Bank Ltd. • ING Vysya Bank

SOLICITORS

M & M Legal Ventures, Mumbai

AUDITORS

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

REGISTERED OFFICE

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

CORPORATE OFFICE

Deepak Complex, National Games Road, Yerawada, Pune - 411 006

PLANTS

(1) 4-12, GIDC Chemical Complex, Nandesari - 391 340, Dist. Vadodara

(2) Taloja Chemical Division, Plot Nos. K/9-10, MIDC Taloja

Dist. Raigad - 410 208

(3) APL Division, Plot Nos. 1, 2, 26 & 27, MIDC Dhatav,

Roha, Dist. Raigad - 402 116.

(4) Hyderabad Specialties Division, Plot Nos. 90-F/70-A & B, Phase II,
 Industrial Development Area, Jeedimetla, Tal. Quthbullapur Madal,
 Dist. Ranga Reddy, Hyderabad - 500 055.**C O N T E N T S****Page No.****Page No.**

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• Report on Corporate Governance	10	• Balance Sheet Abstract	39
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NOTICE

NOTICE is hereby given that the Thirty-sixth Annual General Meeting of the Company will be held at Hotel Surya Palace, Opposite Parsi Agiari, Sayajigunj, Vadodara – 390 005 on Friday, the 21st September, 2007 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, 2007 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 Hasamukh Shah, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri Nimesh Kampani, 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.

Registered Office:

9/10 Kunj Society
Alkapuri
Vadodara – 390 007
Dated: 30th June, 2007

By Order of the Board of Directors,

SANJAY UPADHYAY
Vice President (Finance) &
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 Tuesday 11th September, 2007 to Friday, 21st September, 2007 (both days inclusive).
4. The dividend as recommended by the Board, if sanctioned at the meeting, will be paid on or after September 24, 2007 to those members whose names appear on the Company's Register of Members on Friday, 21st September, 2007. In respect of the shares in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by the Depositories for the purpose.
5. In order to avoid risk of loss of dividend warrants in transit and/or fraudulent encashment of dividend warrants, the Company has provided a facility to the Shareholders for remittance of dividend through Electronic Clearing System (ECS). The ECS facility is available at locations identified by Reserve Bank of India from time to time and covers most of the cities and towns. Shareholders are advised to avail of ECS facility whereby the dividend will be directly credited electronically to their respective Bank Account. Shareholders holding shares in physical form who have not availed the ECS facility and are desirous of availing this facility may send ECS Mandate with necessary details to the Company's Registrar and Share Transfer Agent M/s. Sharepro Services (India) Pvt. Ltd., Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (East), Mumbai 400 099, quoting their Registered Folio Number.
6. Members holding shares in dematerialized mode are requested to intimate any changes pertaining to their bank details, ECS mandates, nominations, power of attorney, change of address / name etc. to their Depository Participant only and not to the Company's Registrar & Share Transfer Agent. Changes intimated to the Depository Participant will then be automatically reflected in the Company's records which will help the Company and its Registrar & Share Transfer Agent to provide efficient and better service to the members.
7. Under the provisions of the Companies Act, 1956 the facility of making nomination is available to the shareholders in respect of the shares held by them in physical form. Nomination Forms can be obtained from the Company's Registrar and Share Transfer Agent.
8. Members holding shares in physical form are requested to intimate all changes pertaining to their bank details, ECS mandates, nominations, power of attorney, change of address / name etc. to the Company's Registrar & Share Transfer Agent, quoting their Registered Folio Number. The Bank Account particulars of the members will be printed on the Dividend Warrant.



9. 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 they became due for payment are required to be transferred to the "Investor Education Protection Fund" set up by the Central Government. Members who have so far not claimed dividends are requested to claim the same from the Company, as no claim shall lie against the Fund or the Company in respect of individual amounts once credited to the said Fund.
10. 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 place of the Meeting. Proxy/Representative of a Member should mark on the Attendance Slip "Proxy" or "Representative" as the case may be. Members holding shares in electronic form and desirous of attending the meeting are required to bring alongwith them Client ID and DP ID Numbers for easy identification.
11. At the ensuing Annual General Meeting, Shri Shrenik Kasturbhai Lalbhai, Shri Has Mukh Shah and Shri Nimesh Kampani retire by rotation and being eligible offer themselves for reappointment. A brief profile of the Directors retiring by rotation and eligible for reappointment, as required by Clause 49 VI A of the Listing Agreement with the Stock Exchange, is given under :

Shri Shrenik Kasturbhai Lalbhai is well known Industrialist and an MBA from Harvard University. He is a financial expert and known for upholding the highest virtues. He provided exemplary leadership as the Chairman of the Company for a period of 27 years from the Company's inception till 1998. He was associated with Lalbhai Group of Companies for past many years. His Directorships as on 31st March, 2007 are as follows :

- Nirma Limited • Anukul Investments Pvt. Ltd., • Able Investments Pvt. Ltd., • Animesh Holdings Pvt. Ltd.,
- Sonalank Investment & Trading Pvt. Ltd.,

Shri Has Mukh Shah was Chairman and Managing Director of Indian Petrochemicals Corporation Limited. He has also held various important positions like Joint Secretary to the Prime Minister of India, Secretary of Post and Telegraph Board, Chairman of Gujarat Industrial Investment Corporation, Vice Chairman of GE Capital (India), Advisor to General Electric Co., Chairman of Gujarat Industrial Research & Development Agency, Chairman of Vikram A. Sarabhai Community Science Centre, Member Board of Governors of IIT- Mumbai, CPCB and other Institutions, Chairman of Gujarat Ecology Commission, Joint Director of Bureau of Public Enterprise, Govt. of India and Chairman of National Institute of Design. He has also made significant contribution in Social, Cultural and Rural Development activities like leprosy eradication, water management, conservation and management of man-made and other natural heritage.

His Directorships as on 31st March, 2007 are as follows:

- Shaily Engineering Plastics Ltd. • Gujarat Gas Co. Ltd. • Supreme Petrochem Ltd. • Atul Ltd. • Dinesh Remedies Ltd. • Sun Pharmaceutical Industries Ltd. • Cosmos Films Ltd. • Micro Inks Ltd.

Shri Has Mukh Shah is also associated with following Institutes:

- Chairman, Gujarat Institute of Desert Ecology • Chairman, Gujarat Ecology Society • Chairman, Darshak Itihas Nidhi • Chairman, Centre for Fuel Studies & Research • Chairman, Expert Committee on Disinvestment, Govt. of Gujarat • Chairman, Advisory Committee on Natural Gas, Govt. of Maharashtra • Chairman, Kachnar Trust (Public Service) • Vice Chairman, INTACH (Heritage Conservation) • Member, Governing Council of IRMA • Member, Dhirubhai Ambani Institute of Information & Communication Technology

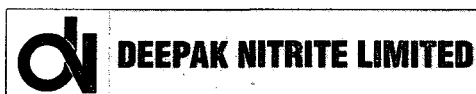
Shri Nimesh Kampani is a commerce graduate from Sydenham College, and a qualified Chartered Accountant. He is the founder and Chairman of the JM Financial group, one of the India's leading financial services group, which has interests in investment banking, capital markets, asset management, alternative assets and retail brokerage. In his career spanning more than three decades, he has made pioneering contributions to the development of Indian Capital Markets and has advised several corporates on their financial needs, especially capital raising and mergers & acquisitions. Shri Kampani is the Chairman of the CII's National Committee on Capital Markets and a member of the High Powered Expert Committee constituted by the Ministry of Finance on making Mumbai a Regional Finance Centre. Shri Kampani is a member of the SEBI Primary Market Advisory Committee and the Governing Council of the Indian Institute of Capital Markets. He is also on the Governing Board of the Centre for Policy Research. He is greatly valued by many of the top Corporates in India for his advisory role and is an active member on the Board of several companies as follows :

Public Limited Companies

- Apollo Tyres Limited • Britannia Industries Limited • KSB Pumps Limited • Ranbaxy Laboratories Ltd.
- JM Financial Limited • Kampani Consultants Ltd.

Private Limited Companies

- Capital Market Publishers India Pvt. Ltd. • J.M. Financial & Investment Consultancy Services Pvt. Ltd.
- JM Financial Trustee Company Pvt. Ltd. • JM Financial Consultants Pvt.Ltd. • JM Financial Securities Pvt.Ltd.
- JM Financial Services Pvt.Ltd. • Morgan Stanley India Company Pvt.Ltd. (formerly known as JM Morgan Stanley Securities Pvt.Ltd.)



DIRECTORS' REPORT

Your Directors have pleasure in presenting the Thirty-sixth Annual Report together with the Audited Statement of Accounts for the financial year ended 31st March, 2007.

	Current Year Rs.	Previous Year Rs.
FINANCIAL RESULTS :		
Sales and Other Income	4,52,17,88,837	3,53,81,36,627
Gross Profit (before interest, depreciation and tax)	66,18,75,738	42,59,46,217
Less :		
(i) Interest	13,49,00,545	10,70,65,124
(ii) Depreciation	14,79,69,762	11,44,18,365
(iii) Provision for		
— Current tax	2,78,78,000	4,82,51,000
— Prior Years' Tax adjustment	(3,13,84,000)	
— Deferred tax	2,27,34,459	1,05,04,148
— Fringe benefit tax	29,80,531	43,43,262
Net Profit (after interest, depreciation and tax)	35, 67, 96,441	14 13,64,318
Surplus in Profit & Loss Account Brought Forward	40, 45, 28,146	35,40,90,105
Amount available for appropriation	76,13, 24, 587	49,54,54,423
Appropriation :		
Proposed Dividend	3,58,92,372	3,58,92,372
Corporate Dividend Tax	60,99,909	50,33,905
General Reserve No. 1 (as required by Section 205 (2A) of the Companies Act, 1956)	5,00,00,000	5,00,00,000
Balance carried to the Balance Sheet	66,93,32,306	40,45,28,146
	76,13,24,587	49,54,54,423

DIVIDEND :

Your Directors are pleased to recommend the payment of dividend of Rs.4/- per Share (40%), on the Equity Share Capital of 8973093 Equity Shares (Previous year : 40% on 8973093 Equity Shares).

The dividend, if approved, along with the Corporate Dividend Tax, will absorb a sum of Rs. 419.92 lacs (Previous year Rs. 409.26 lacs).

REVIEW OF THE YEAR:

Your Company recorded an increase in turnover of around 20 %. However the operating margins were under pressure due to steep increase in prices of major raw materials and inability to proportionately increase the selling prices of its products due to the market conditions. The export turnover registered a growth of 12 % over the last year, from Rs. 170.27 Crores to Rs.189.73 Crores. The profit before tax for the year was Rs. 37.90 Crores registering a growth of 85 % compared to Previous Year. However, the profit for the current year includes non-recurring income of Rs.29.85 Crores on account of sale of factory plot of land located at Singhagad Road, Pune.



ACQUISITION OF BUSINESS OF DASDA DIVISION FROM VASANT CHEMICALS AT HYDERABAD:

During the year, the Company acquired DASDA business of M/s Vasant Chemicals Limited, a closely held Company based in Hyderabad, effective 1st August 2006 on a 'going concern' basis, for a consideration of Rs.55 Crores.

The said division has been named by the Company as "Hyderabad Specialities Division." It has one of the best chemical processes for manufacturing DASDA, the environmental standards practice being amongst the highest in the industry. The quality of DASDA is also amongst the best in the industry worldwide. The major competition, volume wise, is from China.

DASDA accounts for 50% of PNT market worldwide and 80% in India. The Company has considerable synergy by integrating the DASDA business and will strengthen its position by moving up the value chain.

DASDA is a very critical intermediate for manufacture of Optical Brightening Agents (OBA) used in paper, textiles and detergent industries.

The division registered a turn-over of Rs. 56 Crores during the period 1st August, 2006 to 31st March, 2007.

FINANCE :

- 1) The Rights Issue proceeds amounting to Rs. 44.72 crores were received by the Company during the year under review. The proceeds of the rights issue have been utilised for the purposes mentioned in the Letter of Offer for the rights issue.
- 2) The Company raised long-term Secured Loans aggregating Rs. 16.35 crores. The Company also repaid installments aggregating Rs. 16.05 Crores during the year.

FIXED DEPOSITS :

The total amount of Fixed Deposits held by the Company from the Shareholders and Public stood at Rs. 22.53 Crores at the close of the financial year. The Company has no deposits which are matured and claimed, but remained unpaid.

CORPORATE GOVERNANCE:

Your Company believes in transparency and has always maintained high level of Corporate Governance. The Report on Corporate Governance as required by Clause 49 of the Listing Agreement and the Management Discussion and Analysis are included as a part of this Annual Report. A Certificate from the Statutory Auditors of the Company confirming compliance of the Corporate Governance requirements is attached to the Report on Corporate Governance.

RESEARCH & DEVELOPMENT:

Improving the yield and quality of various products remained a continuous task of our R & D center at Pune. Various intermediates in imaging chemicals, agrochemicals and pharmaceutical sector were developed and scaled up at pilot plant. These were also commercialized successfully. Process improvements in existing products were also implemented. An innovative approach in recycle of waste streams has been successfully commercialized and has been patented.

ENVIRONMENT & SAFETY:

The Company accords highest priority in maintaining the best safety practices and standards. The Company is conscious of its responsibility towards creating, maintaining and ensuring a safe and clean environment. Strict adherence to all regulatory requirements and guidelines is maintained at all times. The Company is a signatory to Responsible Care initiative of Indian Chemical Manufacturers Association.

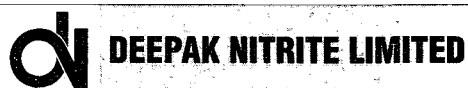
CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

The Company ensures that the scarce energy resources are utilised in a most productive manner. The consumption of energy is closely monitored at all the manufacturing units.

A statement under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed, which forms an integral part of this report.

INSURANCE :

All properties and insurable interests of the Company including buildings, plant and machinery, stores and spares have been adequately insured.



COMMUNITY SERVICE :

The Company remains deeply committed to social development as part of its social responsibility through Deepak Foundation. The key sectors of intervention are women and child health, pre-school education and nutrition, HIV and sexual health, livelihood, and disaster relief and rehabilitation. The Foundation promotes all its activities through community participation and reinforces the existing government services.

The Company will continue to support these endeavours and plans to expand its initiatives as a committed corporate citizen over the coming years.

DIRECTORS :

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association, Shri Shrenik Kasturbhai Lalbhai, Shri Hasmukh Shah and Shri Nimesh Kampani retire by rotation and, being eligible, offer themselves for reappointment.

EMPLOYEE RELATIONS:

Employee relations were cordial at all locations. The Directors are pleased to place on record their appreciation of the services rendered by the employees at all levels.

AUDITORS:

At the Thirty- fifth Annual General Meeting, M/s. B.K. Khare & Co., Chartered Accountants, Mumbai, were re-appointed as Statutory Auditors of the Company to hold Office until the conclusion of the Thirty-sixth Annual General Meeting.

Accordingly, the said Statutory Auditors retire at the conclusion of the ensuing Annual General Meeting and, being eligible, offer themselves for reappointment. The Statutory Auditors have furnished to the Company the requisite certificate under Section 224 (1) of the Companies Act, 1956. The Board of Directors recommends their reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT:

In accordance with the requirements of section 217(2AA) of the Companies Act, 1956, the Directors, based on the information provided by the operating management, confirm that :

1. In the preparation of accounts the applicable accounting standards have been followed and that there are no material departure;
2. Accounting policies selected were applied consistently. Reasonable and prudent judgments and estimates were made so as to give a true and fair view of the state of affairs of the Company as of 31st March 2007 and of the profit of the Company for the year ended on that date;
3. Proper and sufficient care has 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
4. The annual accounts of the Company have been prepared on a going concern basis.

PERSONNEL :

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 part of this report. However, as per the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Report and Accounts are being sent to all Shareholders of the Company excluding the statement of particulars of employees. Any Shareholder interested in obtaining a copy of the statement may write to the Company Secretary at the Registered Office of the Company.

ACKNOWLEDGEMENTS :

The Company continues to receive excellent support and guidance from the Financial Institutions and Consortium of Banks and your Directors would like to place on record their sincere appreciation for the same.

The Directors also wish to thank the Shareholders, Deposit holders and all other business associates for the confidence reposed by them in the Company.

For and on behalf of the Board,

Mumbai,
Dated : 30th June, 2007

C. K. MEHTA
Chairman