

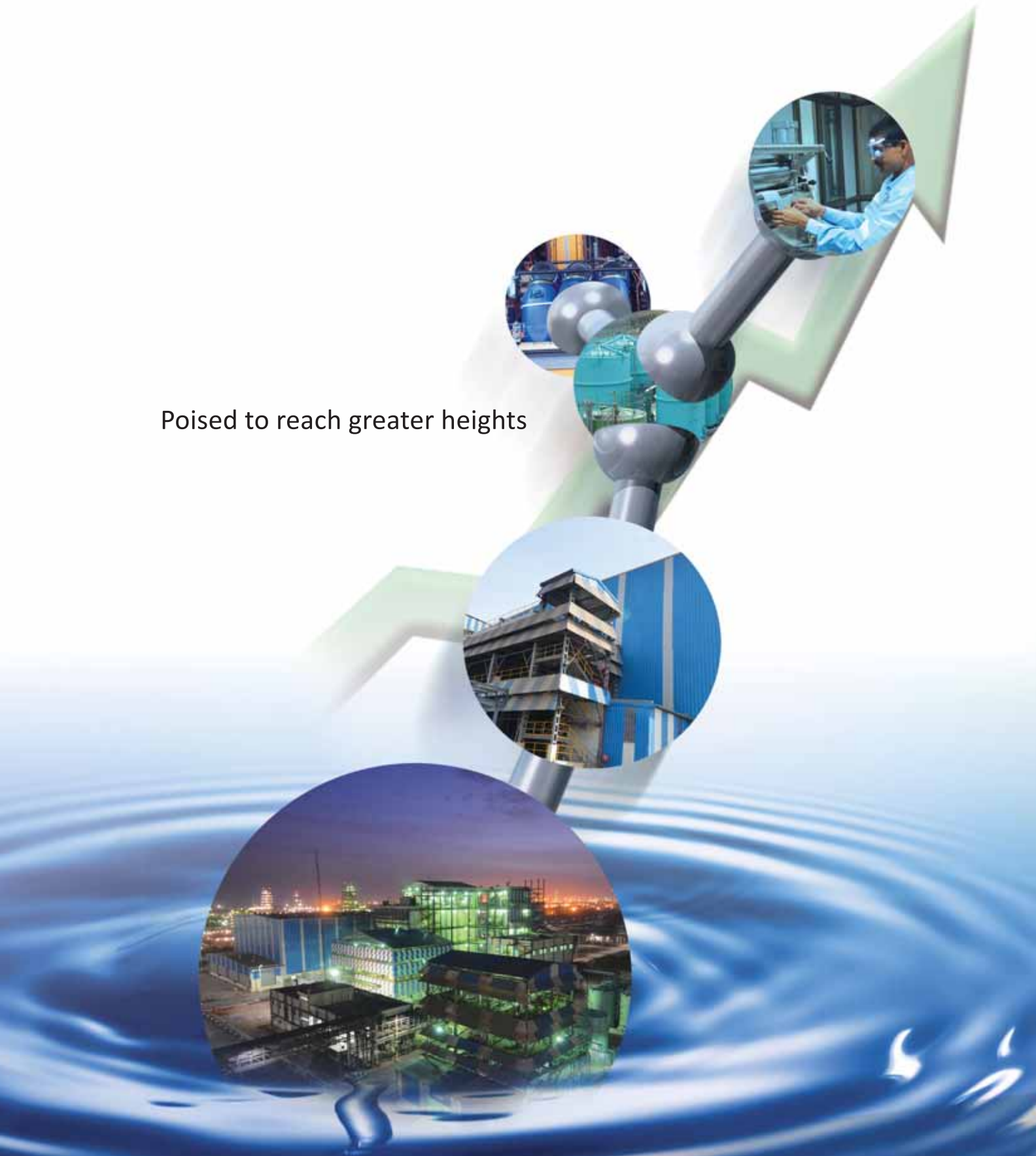


DEEPAK NITRITE LIMITED

Committed to 'Responsible Care'

42ND ANNUAL REPORT 2012-2013

Poised to reach greater heights



Blueprint for 'Responsible Care'

In the exciting world of chemicals and chemistry, there are two significant words which have now become a global mandate: '*Responsible Care*'.

'Responsible Care' embodies the ethics and principles which compel companies to constantly innovate and deliver safer products through processes which are environment friendly and which eliminate harm through the entire product life cycle.

It is a matter of pride for us at Deepak Nitrite that safety and innovation are firmly embedded in your Company's DNA. This is demonstrated by the commitment to manage risks associated with manufacturing and operations. It is also built into the efforts to make continuous improvements in Health, Safety, Security and Environment parameters, and thus promote sustainable development.

As part of this commitment to 'Responsible Care', we follow a strong blueprint for '*Responsible Chemistry*'. This helps your Company to contribute to eco-friendly development even as it allows us to meet the world's growing need for essential chemicals and the products which those chemicals make possible.

In every part of our plants and operations, you will therefore see single-minded focus on key challenges like sustainable development, effective management of chemicals along the value chain and greater industry transparency – all adding up to improved harmonization and consistency of Responsible Care.





DEEPAK NITRITE LIMITED

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Breaking new ground

At Deepak Nitrite, this year's showpiece of safety and innovation is our world class plant at Dahej. This far sighted and groundbreaking investment has catapulted India into a select band of countries which have the capability to develop world-class Optical Brightening Agents and thus create continuing value-driven growth.

Talking of growth, it is pertinent to examine the factors which help to fuel your Company's consistent growth. The first of these is the powerful footprint which your Company has created not only in India but also in key US and European markets. The second is the continuing effort to build a dedicated customer base nurtured by meaningful relationship marketing programs. The third is the catalytic force of well-defined processes, committed people and a very high caliber of professional and management skills. Deepak Nitrite is, in the true sense of the term, a 'learning organization'. It has shown consummate skill in anticipating the ever-changing demand-supply situation. It has, over the years, developed the resilience to step back occasionally, review the trends, take corrective actions and then surge forward again, in profitable and dynamic directions.



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GREEN INITIATIVE

Deepak Nitrite has made huge investments to become a truly environment friendly company. You can see this right from the manufacturing process to the way we communicate with our stakeholders.

Join this green drive by registering your Email address with your Depository Participant or with the Registrar and Transfer Agent of your Company and receive documents and notices in electronic form. Shareholders who hold shares in physical form are requested to send an Email to sharepro@shareproservices.com.

Forty Second Annual General Meeting

Day & Date : Friday, 2nd August, 2013

Time : 10.30 a.m.

Venue : Hotel Surya Palace,
Opposite Parsi Agyari, Sayajigunj,
Vadodara - 390 005



Envisioning the future

As global pressures and problems in the domestic market have increased, our response has multiplied. We have, therefore, created a new paradigm through better products, strategic market initiatives, best practices and better 'people' programs. These have served as a catalyst for added value creation.

The first stream for the commercial production of Optical Brightening Agent (OBA) facilities has been commissioned on March 15, 2013, representing a Capex cost of around ₹ 140 crore. Expansion of the salt section in Nandesari is also nearing completion; it will cater to a growing market in the US.

The R&D team meanwhile, continues to develop in-house high-value products. This has been one of the growth drivers for your Company.

Turnover crosses ₹ 1,000 crores

Revenue up 29%

Exports ₹ 451 crores up by 28%

45% of your Company's turnover through exports

₹ 196 crores sale of Fuel Additives

EBITDA up 38%

Profit After Tax up 37%

Dividend 80%

Living up to the Vision & Mission

Improving **life** through
innovative science



Our Vision is to

- Become a role model enterprise that commands global respect for excellence in quality and innovation
- Enhance stakeholder value while adhering to the code of 'Responsible Care' and ethical values
- Be an employer of choice and a preferred business partner worldwide

Our Mission

The purpose of all human activity is to make life better. Deepak Nitrite believes in improving life through innovative science.

Through innovations, we constantly endeavor to bring better products and processes that create greater value for society.



Corporate Information

BOARD OF DIRECTORS

Shri C. K. Mehta	- Chairman
Shri D. C. Mehta	- Vice Chairman & Managing Director
Shri A. C. Mehta	- Managing Director
Shri M. R. B. Punja	- Director
Shri A. K. Dasgupta	- Director
Shri Nimesh Kampani	- Director
Shri Sudhin Choksey	- Director
Dr. Richard H. Rupp	- Director
Shri Sudhir Mankad	- Director
Shri S. K. Anand	- Director
Dr. Swaminathan Sivaram	- Additional Director*
Shri Umesh Asaikar	- Executive Director*

* Appointed with effect from May 9, 2013

AUDIT COMMITTEE

Shri M. R. B. Punja	- Chairman
Shri A. K. Dasgupta	- Member
Shri Sudhin Choksey	- Member
Shri Sudhir Mankad	- Member

INVESTORS GRIEVANCE COMMITTEE

Shri A. K. Dasgupta	- Chairman
Shri D. C. Mehta	- Member
Shri A. C. Mehta	- Member

REMUNERATION COMMITTEE

Shri A. K. Dasgupta	- Chairman
Shri Sudhir Mankad	- Member
Shri S. K. Anand	- Member

COMPLIANCE OFFICER

Shri Sanjay Upadhyay

Senior Vice President (Finance) & Company Secretary

BANKERS

State Bank of India • Bank of Baroda
Dena Bank • ICICI Bank Ltd.
AXIS Bank Ltd. • ING Vysya Bank
Standard Chartered Bank • DBS Bank Ltd.
Hongkong and Shanghai Banking Corporation

REGISTRAR & SHARE TRANSFER AGENT

Sharepro Services (India) Pvt. Ltd.
Investor Relation Centre: 912, Raheja Centre, Free Press Journal
Road, Nariman Point, Mumbai - 400021.
Tel: +91-022-22825163/22881569 • Fax: +91-022-22825484
Email: sharepro@shareproservices.com

AUDITORS

B. K. Khare & Company
Chartered Accountants, Mumbai

COST AUDITORS

B. M. Sharma & Company
Cost Accountants, Pune

INTERNAL AUDITORS

Deloitte Haskins & Sells
Pune

REGISTERED OFFICE

9/10, Kunj Society, Alkapuri, Vadodara - 390 007
Tel: +91-265-235 1013, 233 4481/82
Fax: +91-265-233 0994
Email: investor@deepaknitrite.com
Website: www.deepaknitrite.com

CORPORATE OFFICE

Aaditya-I, National Highway No.8,
Chhani Road, Vadodara - 390 024
Tel: +91-265-276 5200 • Fax: +91-265-234 0506

PLANTS

Dahej

Plant no.12/B, GIDC, Dahej
Dist. Bharuch - 392130

Nitrite & Nitroaromatics Division

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

Taloja Chemical Division

Plot nos. K/9-10, MIDC Taloja,
Dist. Raigad - 410 208

APL Division

Plot nos. 1, 2, 26 & 27,
MIDC Dhatav, Roha, Dist. Raigad - 402 116

Hyderabad Specialities Division

Plot nos. 90-F/70-A and B,
Phase II, Industrial Development Area,
Jeedimetla, Tal. Quthbullapur Madal,
Dist. Ranga Reddy, Hyderabad - 500 055



FROM THE DESK OF THE

VICE CHAIRMAN & MANAGING DIRECTOR

D. C. MEHTA

VICE CHAIRMAN
& MANAGING DIRECTOR

Dear Shareholders,

I am delighted to share a few critical insights after yet another successful year during which your Company reported aspirational growth despite the globally challenging environment; thus emerging as a powerful organization. We have made positive advancements in all business segments. With several strategic initiatives in place, we are poised for a strong growth trajectory, keeping in mind Deepak Nitrite's core value that has always been and continues to be: making safe and innovative products through Responsible Care. I would like to commend the dedication and hard work put in by every member of our team. This is one of the crucial driving forces behind your Company's consistent performance.

Global scenario

This year, the global economy is still recovering from the financial shocks of 2008 albeit, at a slow pace. Some economies are doing better than others, but the Eurozone Debt crisis has left European economies burdened with situations which are graver than envisaged. We expect ongoing measures to revive these economies, but these are not likely to have any immediate impact on your Company. A key positive is that the US economy is showing signs of growth but an overall return to normalcy is awaited. Analysts see mixed signals, but it is encouraging that manufacturing is returning to the US and this is a key enabler for a solid and sustained recovery.

In spite of this global environment that has challenged

“Deepak Nitrite's core value has always been and continues to be: making safe and innovative products through Responsible Care”

businesses the world over, your Company is well-positioned to take on new challenges as it is comfortably placed because of its strong presence in exports markets. The adverse circumstances which we have endured along with our customers have served to strengthen the customer relationships. The global showdown has affected the Indian economy during this fiscal year, but there are signs that the problems will bottom out. With inflation issues being addressed, RBI is taking steps to reduce rates – with a third rate cut in March – to increase liquidity in the financial system and bolster growth.

Growth despite challenges

At your Company, we are not deterred by these challenging environments – globally or in India. We believe that for a company which has a strong innovation quotient and distinctive competencies with broad-based management, there are abundant opportunities ahead. It is our unwavering commitment to process excellence and our adherence to stringent environmental norms that have ensured stability despite the headwinds of uncertainty. We have taken a successful leap by retracting



a step and then making a bigger impact. In this context, we are happy to report record turnover of ₹ 1004.09 crores and profits at an all-time high of ₹ 81.22 crores this fiscal. Most products have shown outstanding growth with revenue primarily driven by the organic segment. This growth is not just a result of high volumes, but also of progressively higher realizations. We are confident that the value we deliver is in tandem with the quality that our customers demand at competitive costs. This is reflected in our performance as exports to Europe have grown by 21% and the US by 10% this year. The US market has proved to be very rewarding for us and it has a strong potential for future growth of all our businesses. On the other hand, China is one of the most difficult markets to penetrate. However, with continuous efforts, increasing acceptance of our products in Chinese markets and our focus on quality that is unmatched by local competitors, operations even in Chinese markets have generated a sizeable revenue contribution.

Exploring new skies

You will notice that Fuel additives have now become an integral part of our business. Revenues from this segment alone have touched ₹ 196 crores this year – reaching a new high. This business is an eloquent testimony to our in-house capabilities for a global standard of Research & Development driven by our state-of-the-art research facilities and our dedicated research teams. These fuel additives not only increase efficiencies of diesel, petrol and aviation fuels but also help in improving their quality; in turn reducing emissions and helping us contribute to a sustainable environment.

With expansion plans close to completion, your Company has gained positive momentum to soar higher. The investment in the OBA business will be a game changer for Deepak Nitrite. While with its current products, your Company serves major B2B customers in Agrochemicals, Colors and Speciality business, the OBA business would take your Company many stages forward into offering performance solutions for major customers in countries such as US, Canada, South America, Europe and South-East Asia. Deepak Nitrite would be offering OBA at the door-step not only from the world's largest Brightener plant but it would also be offering equally matching logistic solutions and after-sale technical services. As the OBA plant comes into production, the capital investments in the project would be completed. Investments in marketing and logistics and various operational trials at customers' end would lay the foundation for major long-term supply agreements with downstream industries

“OBA business would take your Company many stages forward into offering performance solutions for major customers”

including paper, detergents and textiles. With the facility having a commercial outlook, we are also working towards making it one of the most environmental friendly facilities in the world.

Your Company is also at an advanced stage of commissioning a brownfield expansion at Nandesari which will manufacture advanced quality of Inorganic Salts. Trial runs have already commenced. Going forward, this will prove to be a sizeable new contributor to your Company's turnover as well as a thrust in international markets. To mitigate the short-term risk of dependence on the Solar Energy sector, we have initiated Research & Development to develop salts for other applications.

It is anticipated that post such business tie-ups, business would be significantly more resilient compared to any of our current businesses besides bringing a quantum jump of almost 50% on our current turnover when the business reaches full capacity.

Lastly, I must say that we have taken on the challenge of setting significantly higher targets for the year ahead. Our de-bottlenecking efforts have been making processes more efficient and our prudent foreign exchange policies have helped us to hedge our risk against an unpredictable and volatile global market. But these accomplishments would have been unattainable without the loyal support of all our stakeholders. I would also like to thank our employees for their passion and dedication and for helping us to achieve newer milestones every year. With the commencement of another year, we will capture newer opportunities and tame every challenge by working harmoniously and cohesively. We hope to positively exceed the expectations of our stakeholders.

D. C. MEHTA

VICE CHAIRMAN & MANAGING DIRECTOR



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**Shri
C. K. Mehta**
Chairman



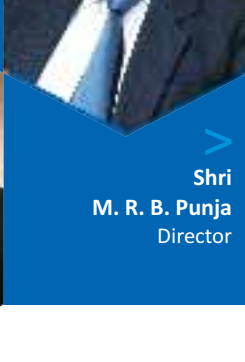
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**Shri
A. C. Mehta**
Managing Director



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**Shri
A. K. Dasgupta**
Director



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**Shri
D. C. Mehta**
Vice Chairman &
Managing Director



>
**Shri
M. R. B. Punja**
Director



>
**Shri
Nimesh Kampani**
Director



Our Board of Directors

SHRI C. K. MEHTA, Chairman

A pioneer and a visionary, Shri C. K. Mehta is a first generation entrepreneur who founded Deepak Nitrite. Led by an able Board, he is credited with laying the foundation of a strong professionally driven organization on principles of deep-rooted values and the commitment to always excel. He has over five decades of versatile experience in the Chemical Trade and Industry. He provides the overall strategic business direction to your Company. It is his aspiration to usher social change that has enabled your Company to look beyond business needs. He has been instrumental in initiating many of the CSR initiatives in and around the communities and the setting up of Deepak Foundation.

SHRI D. C. MEHTA, Vice Chairman & Managing Director

A dynamic personality, Shri D. C. Mehta's business acumen has enabled your Company take swift strides forward and achieve new laurels year-after-year. At the helm of affairs at Deepak Nitrite for the last 34 years. He is currently the Vice Chairman & Managing Director of your Company. An active participant at industry forums, Shri D. C. Mehta has been the Chairman of the National Chemicals Committee at FICCI. He is a Science Graduate from the University of Bombay.

SHRI A. C. MEHTA, Managing Director

With extensive experience, a comprehensive approach and industry foresight, Shri A. C. Mehta has paved the way for innovation and excellence in your Company. He has been actively associated with your Company since 1984. He is a Science Graduate with Honors and Master of Science (Chemical Engineering) from the University of Texas, USA.

SHRI M. R. B. PUNJA

The former Chairman & Managing Director of the Industrial Development Bank of India (IDBI), a premier financial institution in the country, he possesses rich experience in the field of Finance and Management.