

# Winning strategies. Scaling the value chain...



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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](mailto:sharepro@shareproservices.com).

## Forty Third Annual General Meeting

Day & Date : Friday, August 8, 2014

Time : 10.30 a.m.

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

# 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 Umesh Asaikar  
*Executive Director & Chief Executive Officer*

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  
*Director*

## AUDIT COMMITTEE

Shri Sudhin Choksey  
*Chairman*

Shri Sudhir Mankad  
*Member*

Shri S. K. Anand  
*Member*

## STAKEHOLDERS RELATIONSHIP COMMITTEE

Shri S. K. Anand  
*Chairman*

Shri A. C. Mehta  
*Member*

Shri Umesh Asaikar  
*Member*

## NOMINATION & REMUNERATION COMMITTEE

Shri Sudhir Mankad  
*Chairman*

Shri Sudhin Choksey  
*Member*

Shri S. K. Anand  
*Member*

## CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Shri Sudhir Mankad  
*Chairman*

Dr. Swaminathan Sivaram  
*Member*

Shri D. C. Mehta  
*Member*

Shri Umesh Asaikar  
*Member*

## CHIEF FINANCIAL OFFICER

Shri Sanjay Upadhyay

## COMPANY SECRETARY & COMPLIANCE OFFICER

Shri Arvind Bajpai

## BANKERS

State Bank of India  
Bank of Baroda  
Dena Bank  
ICICI Bank Ltd  
Axis Bank Ltd  
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 - 400 021.  
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

## SECRETARIAL AUDITORS

KANJ & Associates,  
Company Secretaries,  
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  
CIN: L24110GJ1970PLC001735

## CORPORATE OFFICE

Aaditya - I, National Highway No. 8,  
Chhani Road, Vadodara - 390 024  
Tel: +91-265-276 5200  
Fax: +91-265-276 5300

## PLANTS

**Dahej**  
Plant No. 12/B, GIDC, Dahej  
Dist. Bharuch - 392 130

**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. 1-6, 26-27, 29 & 31  
MIDC Dhatav, Roha,  
Dist. Raigad - 402 116

**Hyderabad Specialities Division**  
Plot Nos. 90-F, 70-A & B and 22  
Phase I, Industrial Development Area,  
Jeedimetla, Tal. Quthbullapur Madal,  
Dist. Ranga Reddy, Hyderabad - 500 055



# Winning strategies. Scaling the value chain...



Growth is not just a function of numerical permutations and combinations. Numbers are simply a manifestation of growth, which is actually a performance-backed process of progressive continuity.





At Deepak Nitrite, such continuity is sustained by a focussed winning strategy to continually scale the value chain. It is led by a persistent need to go beyond numbers to deliver exceptional value in both, tangible and intangible ways.

A de-risked business model continues to drive our financial growth to ensure a robust platform for even better performance in the coming years.

The growth charter draws its potency from your Company's business strengths, it is steered by evolving strategies that have realigned our business verticals and in turn deliver the growth numbers that reward our stakeholders. Our growth is buttressed by our focus on quality and our commitment towards responsible care of the environment. It is augmented by our commitment to the society that is manifest in our CSR activities and in our continual efforts to raise the bar in our human capital.

**This Annual Report is the story of all those winning strategies that have enabled us to scale new levels of success to deliver more growth and greater value across every function of our business structure.**

# Implementing strategies, setting the right chemistry for growth

Deepak Nitrite is an integrated producer of organic, inorganic and fine & speciality chemicals with specialisation in hydrogenation, nitration, customised molecule development, hazardous reaction and toluene derivatives.







The Company is the market leader for Sodium Nitrite, Sodium Nitrate & Nitro Toluenes in India and among the top three global producers of products like Xylidines, Cumidines and Oximes. Chemicals manufactured by the Company find applications in varied industries including Agrochemicals, Rubber, Pharmaceuticals, Paper, Textiles, Detergents, Colourants, Petrochemicals, and Fine and Speciality Chemicals.

A significant 39% of the business comes from exports and the Company has an established presence in 20 countries spread across 6 continents. It is the supplier of choice to several leading global conglomerates.

The Company has grown on the back of a focussed strategy of building a fully integrated business model with in-house availability of the building blocks, capability of producing complete value chains, high quality standards and cost competitiveness and customer-focussed chemistry.





## From the Desk of Vice Chairman & Managing Director

“Sound strategy starts with having the right goal.” - Michael Porter

### Winning strategies. Sustained growth.

Winning strategies involve setting goals and implementing them through concerted action, while mobilising the required resources. Such strategies precipitate the achievement of goals through the means chosen to achieve them.

### Operations

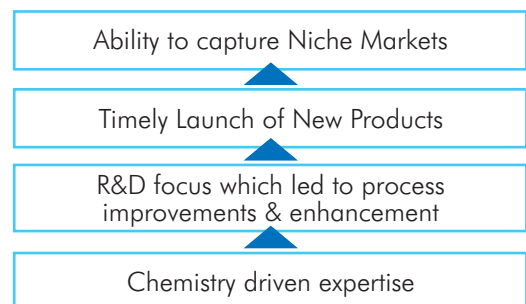
FY 2013-14 has been an exciting year for your Company. Your Company has sustained the growth momentum of the last couple of years, and made progress on important initiatives which will pave the way for continued growth in the years ahead. Your Company has implemented several winning strategies. These strategies include an ability to capture new markets, launch of new products on time, focus on R&D for process improvement and enhancement, and leveraging expertise to build the right chemistry.

### Dear Stakeholders,

The year in review was marred by an ongoing strained global environment. While the global economy has showed signs of recovery from the challenging environment of the last three to four years, there is still some way to go. The US economy has demonstrated enough positive momentum for regulators to begin reduction in levels of fiscal intervention; while the performance in Europe remains cautious, with need for further consolidation. Japan embarked on its own expansionary monetary policy to consolidate the initial positive results, while economies like China and Russia witnessed noticeably lower growth. China seems to be shifting its attention more towards domestic consumption than exports.

At home, aggressive steps taken by the Finance Ministry to address the twin problems of growing trade deficit and weak rupee, as well as some innovative and forward-looking policies by RBI helped India defend its currency from the impact of global events. All of this serves to remind us that not only has the global economy become increasingly integrated, but heightened volatility in the operating environment is expected to be a permanent feature.

Notwithstanding various domestic and global issues, we successfully managed these challenges, thanks to our strong customer-centric approach. We went beyond conventional supplier - customer engagements, creating deeper and meaningful associations with consumers, thereby allowing us to gain greater insights into their requirements.





As a result of these strategic initiatives, revenues have doubled from ₹ 546 crores in FY 2009-10 to ₹ 1,270 crores in FY 2013-14.

Three years ago, in a similar communication to you, I had shared my optimism that your Company was on course to exceed revenues of ₹ 1,000 crores by FY 2013-14. As you are all aware, we successfully surpassed this milestone in FY 2012-13 itself. It gives me immense pleasure to state that the growth momentum has continued to be robust. It is greatly satisfying to share with you that the revenues for FY 2013-14 have touched ₹ 1,270 crores, with Profit After Tax of ₹ 38 crores.

Such performance would have been impossible without the trust and faith reposed by all the stakeholders. The Board of Directors is happy to share the success with each one of you and thus recommends a Dividend of ₹ 10 per Equity Share of a face value of ₹ 10 each.

The growth and improved margins have been underpinned by initiatives for operational excellence that your Company has undertaken during the year. The Rupee was highly volatile and weakened against the US Dollar. In spite of this, your Company was able to contain the impact on the input costs and at the same time secure higher realisation on output values. This was possible on account of your Company's endeavour to increase volumes through constant debottlenecking of capacities, become market savvy, and thereby increase market share.

Over the past two years, your Company has successfully implemented the Brownfield expansion plan and Phase I of the Greenfield project to address the growing demand for its products and explore emerging opportunities for growth.

**"Strategy must have continuity. It can't be constantly reinvented."**

- Michael Porter

### Strengthening strategic focus

Your Company has commenced the process of realignment of its present business segments into three Strategic Business Units (SBUs) based on customer profile and end-use of products. These SBUs include Bulk Commodities & Chemicals, Fine & Speciality Chemicals and Fluorescent Whitening Agent. Realignment will lead to shifting of certain Organic Intermediaries into Fine & Speciality Chemicals segment and Bulk & Commodity Chemicals segment. End-use products like DASDA will continue to remain in the Fine & Speciality Chemicals division. However, it will ultimately become a part of Fluorescent Whitening Agent segment in the long run.

Each of the SBUs will require specific skill-set to optimise performance in line with new segments, business strategies, R&D focus, investment focus and logistics costs. The SBUs will require customised planning, marketing and strategic approach, which

will be executed by the SBU Heads who will drive growth and profitability.

Each of the designated and empowered SBU Heads brings with him/her vast years of experience and knowledge about the business and industry, as well as demonstrated track record of their passion to excel and innovate in the face of challenges. All of this gives me immense confidence that, together, we will steer the SBUs and the Company to achieve new benchmarks of excellence and prosperity in a socially responsible manner.

On this positive note of assurance, I want to emphatically state that we are working closely together and are determined and well-poised to aggressively seize opportunities to further enhance the performance of your Company. We have, during this year, achieved a significant benchmark in our growth, but with our sustained performance, we are sure of achieving many more such milestones in the future.

### Shareholders

Your Company remains sensitised to its Shareholders' concerns. One of the concerns pertain to lower liquid nature of the Shares at the Stock Exchanges. To ensure higher circulation of Equity Shares in the market and enable investors to derive higher returns on their investment, your Company's Board has recommended a sub-division of Equity Shares from a face value of ₹ 10 per Share into five Shares of ₹ 2 each, subject to approval of the shareholders.

The last time, shareholders were rewarded by issuing Bonus Shares in the year 1986. Your Company has been delivering healthy performance year-on-year over the last decade. The sustained performance testifies the stakeholders' valued trust in your Company. To show appreciation for this trust, your Company's Board of Directors deem that it is an appropriate time for declaring Bonus Shares. The Board has recommended an issue of Bonus Shares in the ratio of 1:1 i.e. one fully paid-up Bonus Share of ₹ 2 each for every one Share of a face value of ₹ 2, subject to approval of the shareholders.

Good corporate governance has been one of the contributing factors in our growth. In keeping with the Companies Act, 2013, we have raised our Corporate Governance benchmarks. We have consistently viewed good corporate governance not as a regulatory requirement but as an essential contributor of our performance.

I take this opportunity to express my sincere gratitude to all our stakeholders on behalf of the Board of Directors. I would like to thank our shareholders for their continued support. I personally thank my fellow employees for their unwavering support and valued contribution. Together, we have much to look forward to as we strive to make your Company stronger, so as to scale greater heights as we move into FY 2014-15.

Best Wishes,

**D. C. Mehta**

Vice Chairman & Managing Director

# Board of Directors



**SHRI C. K. MEHTA**

Chairman

Shri C. K. Mehta, the founder of Deepak Nitrite, is a pioneer, visionary and first generation entrepreneur. Supported by an able Board, he is credited with laying the foundation of a strong, professionally-driven organisation, rooted in values and the commitment to excel always. Shri C. K. Mehta has over five decades of versatile experience in the Chemicals Trade and Industry. He provides the overall strategic business direction to the Company. It is his aspiration to usher social change that has enabled the 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

Shri D. C. Mehta is a dynamic personality whose business acumen has enabled the Company to take swift strides forward and achieve new laurels year after year. At the helm of affairs at Deepak Nitrite for the last 35 years, he is currently the Vice Chairman & Managing Director of the 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

Shri A. C. Mehta has been actively associated with the Company since 1984. With extensive experience, comprehensive approach and strong industry foresight, he has paved the way for innovation and excellence in the Company. An active participant at industry forums, he is the Member of Maharashtra Chamber of Commerce and National Agriculture and Food Analysis and Research Institute, World Presidents' Organisation. Shri A. C. Mehta is a Science Graduate with Honours and Master of Science (Chemical Engineering) from the University of Texas, USA.