



## Delivering Value

# Contents

01 Corporate Information	02 Delivering value	04 Deciphering the chemistry of value	06 Vice Chairman & Managing Director's Address	08 Board of Directors	11 Senior Management Team
12 Our strengths	13 Our values translate into excellent results	14 Rewarding our stakeholders	15 High quality of manufacturing and products	16 Value for human and environmental safety	18 Empowering communities through CSR initiatives
20 Human capability initiatives	22 Financial Highlights	25 Notice	31 Management Discussion and Analysis Report	37 Directors' Report	70 Corporate Governance Report
82 Independent Auditor's Report	86 Balance Sheet	87 Statement of Profit and Loss	88 Cash Flow Statement	90 Notes to the Financial Statements	122 Consolidated Financial Statements

## Forty Fourth Annual General Meeting

Day & Date : Friday, August 7, 2015

Time : 10:30 a.m.

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

## Life Time Achievement Award



Shri C. K. Mehta receiving the award and memento from Shri Ananth Kumar, Hon'ble Minister for Chemicals & Fertilisers, Government of India and Padma Vibhushan from Dr. Anil Kakodkar, Former Chairman, Atomic Energy Commission of India.

During the Financial Year 2014-15, Shri C. K. Mehta, Chairman of your Company has been conferred with the Life Time Achievement Award by the Indian Chemical Council (ICC) for his exemplary and pioneering role in the Indian Chemical Industry.

An eminent personality with proven business acumen of successfully building formidable corporate conglomerates in his illustrious career spanning over 6 decades, Shri C. K. Mehta has also been at the forefront for promoting several philanthropic activities, especially education and health care. His relentless pursuit for excellence and compassion for servicing the society and people inspires us all and makes him a role model for entrepreneurs who aspire and dream big while serving humanity.

# 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 & CEO*  
Shri Nimesh Kampani  
*Independent Director*  
Shri Sudhin Choksey  
*Independent Director*  
Dr. Richard H. Rupp  
*Independent Director*  
Shri Sudhir Mankad  
*Independent Director*  
Shri S. K. Anand  
*Independent Director*  
Dr. Swaminathan Sivaram  
*Independent Director*  
Prof. Indira Parikh  
*Additional Director*

## AUDIT COMMITTEE

Shri Sudhin Choksey  
*Chairman*  
Shri Sudhir Mankad  
*Member*  
Shri S. K. Anand  
*Member*

## NOMINATION & REMUNERATION COMMITTEE

Shri Sudhir Mankad  
*Chairman*  
Shri Sudhin Choksey  
*Member*  
Shri S. K. Anand  
*Member*

## STAKEHOLDERS' RELATIONSHIP & INVESTORS GRIEVANCE COMMITTEE

Shri S. K. Anand  
*Chairman*  
Shri D. C. Mehta  
*Member*  
Shri Umesh Asaikar  
*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

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  
The 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

## STATUTORY AUDITORS

B. K. Khare & Company  
Chartered Accountants, Mumbai

## SECRETARIAL AUDITORS

KANJ & Associates  
Company Secretaries, Pune

## 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  
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: +91-265-276 5300

## PLANTS

**Dahej**  
Plot No. 12/B GIDC, Dahej,  
Dist. Bharuch, Gujarat – 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, 2, 26 & 27  
MIDC Dhatav, Roha,  
Dist. Raigad – 402 116

## Hyderabad Specialties Division

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

## 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.





**Delivering value  
is not an objective  
decision**

but a subjective state of  
mind that is manifested in  
your every action.



In the end, we all become what we believe. If our deep internal belief is one of delivering value, it will not be restricted to business alone. We will find ourselves delivering value in both economic and personal terms.

At Deepak Nitrite, we define value in two ways, both of which are intimately interconnected.

- **Value in economic sense** that is a measure of the benefit that a customer gains from the goods or service that we render, and
- **Value in human terms** is the ethical framework within which we function – It is the sum total of our beliefs, our commitments and our ongoing concerns.

Deepak Nitrite has consistently focussed on leveraging its personal values – concern for the customer and stakeholders, excellence in chemistry, ability to customise our offerings, manufacturing and operational efficiencies, care for the environment and society, to deliver economic value to our clients – by offering them value that is perceptibly more than the cost.

In our relationship with our stakeholders too we are driven by our values of good corporate governance and sharing our earnings liberally.

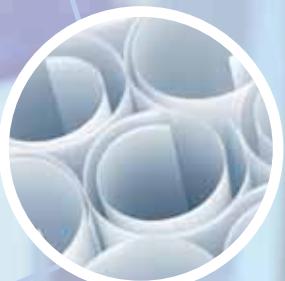
In simple terms, we believe that ‘who we are’ drives ‘what we do’ and ‘how we do it’.

In both the economic and personal sense, ours is a business that is driven by value, and powered by our commitment.

**By consistently  
delivering value, we  
create the valuable.**

## **Deciphering the chemistry of value**

**Our chemistry for growth is  
a continual chain reaction  
between our personal  
concerns and our need to  
deliver economic benefit to  
our clients.**





**36**  
**countries**

Towards this end, we bring together the disparate elements of human capital, knowledge base, R&D capabilities, innovation, manufacturing excellence, market reach and strong relationship mindset to create the molecules of success. It is underpinned with our environmental concerns and our commitment to safety. It is driven by our stakeholder commitment that is centred on the value of rewarding those who have invested in our Company.

These factors have powered our growth into an integrated producer of organic, inorganic and fine and specialty chemicals with a specialisation in hydrogenation, nitration, customised molecule development, hazardous reactions and toluene derivatives.

It has made your Company into the market leader for Sodium Nitrite, Sodium Nitrate and Nitro Toulenes in India and among the top three global producers of products like Xylidines, Cumidines and Oximes. Deepak Nitrite has also emerged as a fully integrated producer of Optical Brightening Agents. Chemicals produced at our plants find applications in varied industries such as Agrochemicals, Rubber, Pharmaceuticals, Paper, Textiles, Detergents, Colorants, Petrochemicals and Fine and Specialty Chemicals.



It has helped us build a robust export market presence in 36 countries and made us the supplier of choice for several leading Multinationals.

Our deep commitment towards quality and reliability has turned us into a fully integrated business with in house availability of the building blocks, the capability of producing complete value chains, with high quality and cost competency.

**Our chemistry of value is a formulation that rests on quality, responsible chemistry, manufacturing excellence, product and process innovation, and customer-friendly relationship-based mindset, which makes us preferred supplier to our customers**

## Vice Chairman & Managing Director's Address



**"Delivering value is the basic purpose of every business. While it is always a challenging task, it is made more difficult when global economies are passing through a transition"**

### Dear Stakeholders,

The global economy continued to emanate mixed signals in FY 2014-15. The recovery from the events of the last few years remains uneven as some regions have rebounded faster than others. However, even those that have performed relatively better than others cannot remain insulated from uncertainty given sustained volatility and the dynamics of the economic landscape.

The US economy has reported several positive indicators, yet a full-fledged recovery remains subtle. Europe continued to remain under pressure even as Central Banks in this region rolled out stimulus measures. China reported marginally lower growth which impacted global commodity prices and had a spiralling effect on economies of Brazil, Russia and Australia. Unlike other emerging economies, India's growth has been below its potential

and is expected to accelerate further due to low inflationary pressures and easing supply constraints. The year was not one of the best in terms of execution but the new Government clearly lifted and re-energised the overall sentiment. Since taking over last year, the Government's efforts of rolling out reforms and implementing policies have revived domestic investments and there are visible signs of pick-up in manufacturing activity.

During the year, we aligned our internal workings across research & development, innovation, expansion of manufacturing; operations, marketing and customer care to deliver exemplary value. During uncertain times, we focussed on the certainty of bettering ourselves to deliver better outcomes.

Notwithstanding the impact of volatile crude oil prices and weak macro-economic environment globally, the Company's total income and profitability grew to healthy levels. Over the past year, we continued to focus on delivering high value products along with improving cost saving efficiencies and de-bottlenecking initiatives. Our export revenues grew by 3% to ₹ 517 crores and contributed 39% of total revenues for the year. Marginal growth in exports was witnessed amidst global slowdown, especially in EU region. Fuel additives, one of our key growth drivers over the last few years, were under pressure and growth was marginally lesser compared to last year due to impact of volatility in crude oil prices. The prices of this product have shown signs of revival towards the end of the year as energy prices have stabilised.

Over the last two years, we have been working on a transformation strategy to realign our business segments into Strategic Business Units (SBUs). We reached completion of the process last year and reported as per these SBUs in FY 2014-15. We believe that the enhanced focus accorded to the business through the SBU structure will drive growth and propel your Company into a higher growth trajectory. A deeper dive into segment-wise performance provides

a critical overview into each SBU. Below are the details:

### Bulk Chemicals & Commodities (BCC)

This segment witnessed a slowdown due to sharp fall in global prices of crude oil related petrochemical intermediates. The impact was concentrated in the second half of the year and it is expected to normalise towards the end of the fiscal year. Overall, BCC has been able to maintain cost leadership through process excellence across the product offerings and is confident of sustaining such leadership.

### Fine & Speciality Chemicals (FSC)

This segment caters to high value intermediates for agro, pharma and other specialities. During the year under review, the performance of the same has witnessed slowdown due to temporary demand disruption across the geography and particularly in the middle of the year which started moderating over the year end. This business focusses on high value niche products and the margins in this segment are enriching. We will continue to focus on improving processes and deliver to the dynamic needs of our customers to widen and deepen our supply relationships.

While prices for products are less affected by oil and petrochemical prices, the demand and growth in terms of volume is dependent upon how the world economy is performing. While this group has been largely dominated by speciality intermediates for agro, a concerted effort to make pharma intermediates is underway. It is expected that in the next few years, a healthy mix of agro and pharma effect chemical intermediates will be achieved, which shall be offering opportunities for healthy and sustainable growth in top and bottom line for the segment.

### Fluorescent Whitening Agents (FWA)

The third business segment is Optical Whiteners. These are performance

products which are branded and offer an optical whitening effect to paper – particularly writing paper and for whitening of cotton textiles. Besides knowledge of making the whiteners, we need to have reasonable knowledge of its application. Currently, mills all over Asia and North America are being targeted for field trials. We believe that one day this segment will include many more performance products that the world sell as branded products offering solutions to customers. Segment revenues have improved in a steady manner. We witnessed gradual uptick in volumes during the year. We are confident that this will scale up further in FY 2016.

### Future Plans

During the year, your Company announced a Greenfield expansion project, through a wholly owned Subsidiary Company, to manufacture 200,000 MT of Phenol and 120,000 MT of Acetone at Dahej in Gujarat. The project is expected to be commissioned towards the end of FY 2017-18 and it targets to substitute the current imports of Phenol and Acetone. The present requirement in India is about 270,000 MT for Phenol and 170,000 MT for Acetone which is expected to grow at 7%-8% CAGR; hence, the market is expected to expand to 310,000 MT and 200,000 MT respectively around the time when this project is expected to be commissioned. The domestic opportunity appears very promising for these products and the Company is aiming for market leadership. These efforts are a part of our strategic initiatives to improve our product offering and deliver long-term value.

Following the Greenfield and Brownfield expansion, our facilities at Dahej and Nandesari are fully operational with both facilities now contributing substantially to the incremental revenue growth. The Dahej facility which manufactures OBAs have contributed ₹ 118.94 crores to total revenues and it is expected

that the facility shall achieve gradual improvement in utilisation. Further, our strategic initiatives like de-bottlenecking have consistently shown results leading to higher revenues driven by cost saving initiatives.

Over the last twelve months, we continued to build on our strengths and focussed on core competencies, which enabled us to deliver enhanced profitability. Despite a weak macro-economic environment and volatile energy prices globally, our revenue growth outperformed broader industry performance. As we move into fiscal year 2015-16, we will continue to focus on our medium to long-term objectives along with enhancing our current product portfolio to further deliver value and accelerate growth. We believe that this will be supported by strong demand on the back of improving economic conditions both globally and in India.

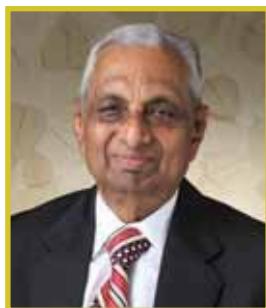
The Board of Directors of your Company and all employees join me in congratulating Shri C. K. Mehta, Chairman of your Company on being conferred with the prestigious Life Time Achievement Award by the Indian Chemical Council (ICC), for his exemplary and pioneering role in the Indian Chemical Industries. At 82, he continues to be the inspiring force for all of us.

On behalf of the Board of Directors, I would like to take this opportunity to acknowledge the entire team of Deepak Nitrite for their contribution and commitment. I would also like to thank all of our business partners and associates. Finally, I would like to extend my sincere gratitude to all our stakeholders for their unwavering confidence through the years and count on their support going forward.

Best wishes,

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

# Board of Directors



**SHRI C. K. MEHTA**

Chairman

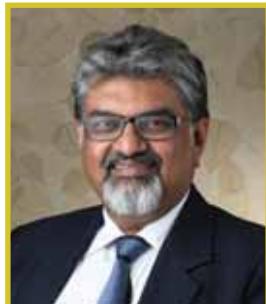
Shri C. K. Mehta, the founder of Deepak Nitrite, is a pioneer, visionary and first generation entrepreneur. Supported by an able Board, he is credited with laying the foundation of a strong, professionally-driven organisation, rooted in values and the commitment to excel always. Shri C. K. Mehta has 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 37 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 Mahratta Chamber of Commerce and 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.