



RESPONSIBLE
CHEMISTRY

Deepak Nitrite Limited

47th Annual Report **2017-18**

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Cautionary Statement Regarding Forward-Looking Statement

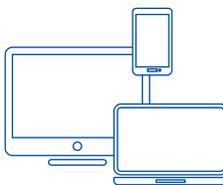
This Report may contain certain forward-looking statements relating to the future business, development and economic performance. Such Statements may be subject to a number of risks, uncertainties and other important factors, such as but not limited to (1) competitive pressure; (2) legislative and regulatory developments; (3) global, macro-economic and political trends; (4) fluctuations in currency exchange rates and general market conditions; (5) delay or inability in obtaining approvals from authorities; (6) technical developments; (7) litigations; (8) adverse publicity and news coverage, which could cause actual developments and results to differ materially from the statements made in this Report. Deepak Nitrite Limited assumes no obligation to update or alter forward-looking statements whether as a result of new information, future events or otherwise.



Headquartered at Vadodara, Gujarat, Deepak Nitrite Limited (DNL) is a multi-division and multi-product, chemical intermediate manufacturer with its plants at Nandesari and Dahej in Gujarat, Roha and Taloja in Maharashtra, and at Hyderabad, Telangana. Its product portfolio comprises Basic Chemicals (BC), Fine and Speciality Chemicals (FSC) & Performance Products (PP). The Company has also set up a wholly owned subsidiary, Deepak Phenolics Limited to manufacture Phenol and Acetone in a new state-of-the-art plant. As a partner of choice for domestic and global chemical majors, DNL is one of the fastest growing chemical intermediaries Company in India, adhering to Responsible Chemistry.

Forty Seventh Annual General Meeting

Day & Date : Friday, August 3, 2018
Time : 10:00 a.m.
Venue : Grand Mercure Vadodara Surya Palace,
Opposite Parsi Agiyari, Sayajigunj,
Vadodara - 390 020



www.deepaknitrite.com

Visit Company's official website to download the Annual Report.



Deepak Nitrite has built a reputation over the last 50 years of being a partner of choice with its world-class manufacturing facilities to deliver key intermediates to several leading Indian and global chemical companies.

We continue adhering to the 3P philosophy – people, planet, profit – in our journey of sustainable growth.

A recipient of several awards and accreditations that highlight Deepak Nitrite's responsible manufacturing practices, we are also proud to be contributing to the Government's 'Make in India' initiative.



UNVEILING THE NEW IDENTITY - RESPONSIBLE CHEMISTRY

Deepak Nitrite's new brand identity is not just a change of logo but of the entire stakeholder experience and of the commitment to Responsible Chemistry.



VISION:

To become the fastest growing Indian chemical intermediates company



ESSENCE:

Roots that accelerate growth



The birth of Deepak Phenolics necessitated a redesign of our brand family. A detailed diagnosis of the stakeholders further revealed need for a new face and personality, reflecting our growth aspirations. So emerged Deepak Nitrite's new logo - sharing its vision, values and new look with the other group companies.

ORGANIC SHAPE:

The dynamic transforming space inspired from the amorphous form of a chemical reaction.

SQUARE BOX:

Inspired from the periodic table. A solid, stable foundation to make the magic of transformation possible.

**BLUE COLOUR:**

The colour of trust and technology that drives our long-standing relationships and growth plans.

**GREEN COLOUR:**

The colour of cutting-edge technology and care for our people and the environment.

OUR VALUE PROPOSITION

Responsible chemistry, for us, is not just a thematic proposition but a value system that is rooted in our solid foundation.

Aligning ourselves intrinsically to future growth aspirations, we have articulated this value proposition to drive our new vision, and seize the opportunities of tomorrow.

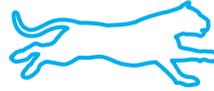
We will ensure that our growth comes sustainably by:

- Giving the highest importance to safety, environment and health as a signatory of Responsible Care
- Continuing our legacy of ethical business practices
- Ensuring pride in our own performance by being agile, innovative and responsive



**INNOVATIVENESS:**

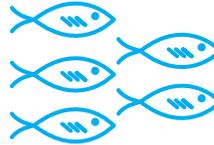
Driving not just product ideas but also innovation in terms of processes and employee engagement, thus maximising growth.

**AGILITY:**

Change is constant. This equips the organisation to respond rapidly to a dynamic world.

**OWNERSHIP:**

Where the vision becomes not just the company goal but the individual goal as well.

**PERFORMANCE DRIVEN:**

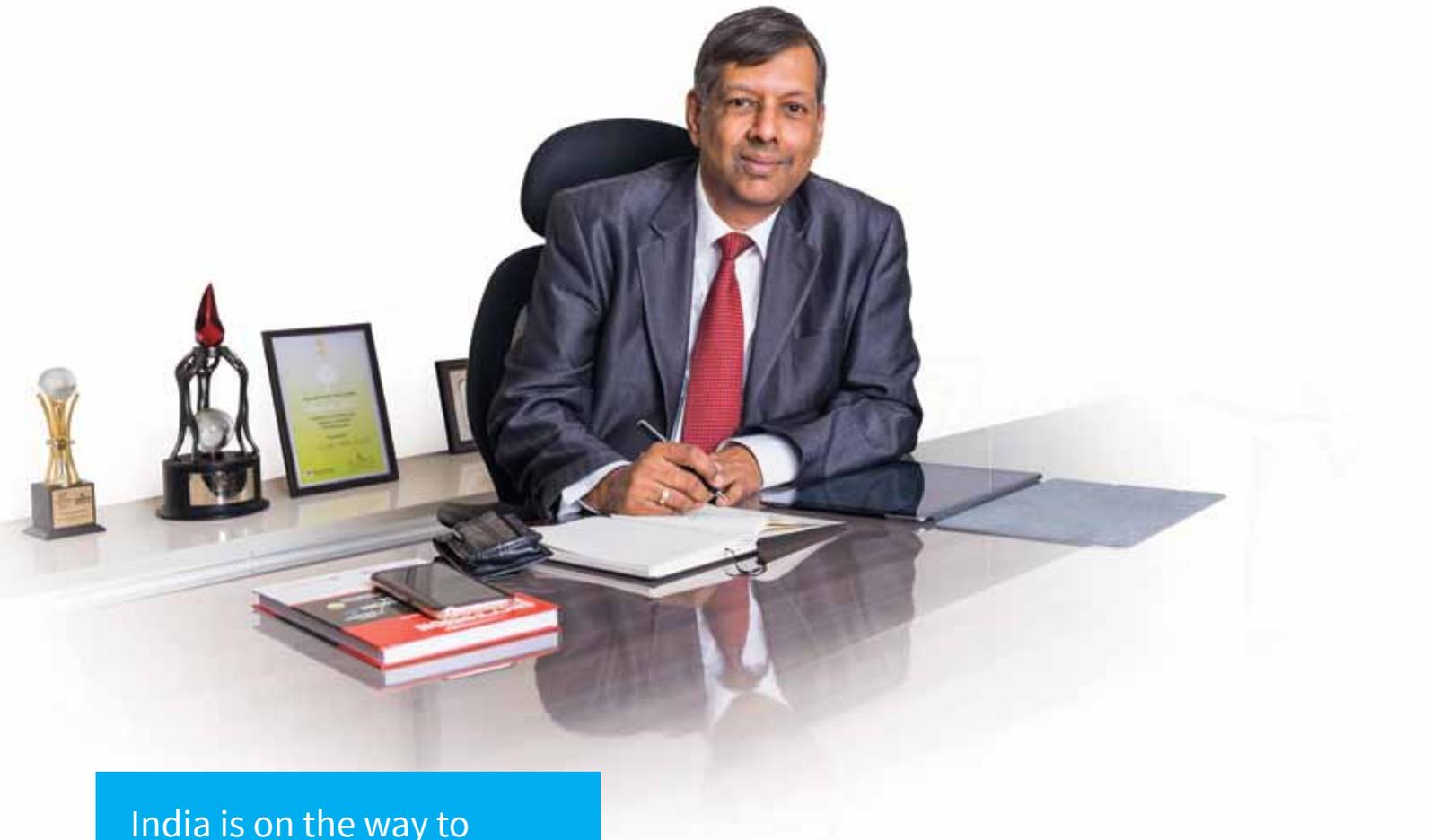
Rewarding performance across verticals, thereby setting examples of leadership.

**RESPONSIVENESS:**

Towards customers, employees and all other stakeholders.

Our efforts throughout the year remained focussed on strengthening this value proposition. Our performance during FY 2017-18 stands testimony to its success.

FROM THE DESK OF CHAIRMAN & MANAGING DIRECTOR



India is on the way to regaining its momentum that was temporarily affected by various monetary exercises over the last two years. Higher per capita consumption, a stable GST and focussed approach by the Government on infrastructure are all effectively accelerating growth.

Dear Stakeholders,

The Financial Year 2017-18 has proved to be a mix of risks and opportunities for the chemical industry. The global economy continues to grow at a brisk pace, albeit under the shadow of trade barriers, volatile oil prices and nationalist agendas - threats that will hurt mismanaged organisations and provide opportunities to well-managed ones. Let us take a look at some of the global externalities that is impacting the world economy - a taciturn Chinese premier, unchallenged by elections for the near future, has tied his reputation to pollution and corruption control; a reticent American policy is focussed on one-on-one deals instead of multi-party agreements and an 'America First' agenda; there is uncertainty about Iran and Venezuela's oil reserves reaching those badly in need of them; and Europe remains mired in confusion about its own membership and economic policies. The world over, money is turning to look towards India as a safe harbour to offer stability and high returns.

The global chemical industry has looked at rampant M&A to achieve its 5.5% growth rate - Dow and DuPont, Bayer and Monsanto, LyondellBasel and Braskem may be the headlines, but there are many more just under the radar that are sure to change the landscape we have known for so many years. The crackdown on polluting industries in China has pushed increased demand toward India's agrochemical and dyes manufacturers who are rapidly expanding to ensure a sustainable competitive advantage. The global hunt intensifies for partners in developing countries that share similar values of responsibility and Environment Health and Safety (EHS) competitively.

India is on the way to regaining its momentum that was temporarily affected by various monetary exercises over the last two years. Higher per capita consumption, a stable GST, and focussed approach by the Government on infrastructure are all effectively accelerating growth. The Government is also improving ease of access to physical and digital infrastructure with schemes designed to bring its far-flung masses into the mainstream. The PM's 'Make in India' projects may have had a rocky start but are anticipated to gather momentum. The metric of India's growth may be gauged by the fact that USD 337 billion the country added to its GDP between 2016 and 2017 is more than USD 323 billion added by Germany and France combined.

The performance demonstrated by Deepak Nitrite Limited highlights your Company's strengths in such an environment. With only minor changes to its production capacity, your Company has managed its business processes to optimise profits by strengthening customer and supplier relationships, operational excellence initiatives and effective governance. It is well-positioned to now use these streamlined practices in brownfield and greenfield expansions. Your Company has taken advantage of this inflection point to further fortify its core competencies and value system, starting with a re-imagined brand identity that retains the goodwill created by decades of responsibility, ethics and, the vibrancy of growth.

Your Company has put plans in motion to expand its capacity to cater to a growing demand in products where it has a competitive advantage. While your Company remains committed to being an intermediate supplier, increasingly it is wooed by fine chemical companies to become their partner of choice. Rallis, a TATA company recognised your Company with the **'Most Collaborative Partner in 2017'** award. Your Company has embarked upon ambitious project, which will cater to Phenol and Acetone demand, a larger portion of which was imported until now. Your Company aims to

Your Company has embarked upon ambitious project, which will cater to Phenol and Acetone demand, a larger portion of which was imported until now. Your Company aims to provide 65% of India's demand for Phenol and Acetone. At full capacity, the supply will save the nation's USD 400 million that would otherwise be spent on imports each year.

provide 65% of India's demand for Phenol and Acetone. At full capacity, the supply will save the nation's USD 400 million that would otherwise be spent on imports each year. As a reliable domestic supplier, your Company also plans to develop the downstream products, which shall foster new verticals to grow the segment of value-added import substitutes that are in high demand locally.

EXPANSION PLANS

In FY 2017-18, your Company, through its wholly-owned subsidiary, Deepak Phenolics Limited (DPL), made substantial progress, in its ongoing project at Dahej, to manufacture 2,00,000 MTPA of Phenol and 1,20,000 MTPA of co-product Acetone. This project is also going to manufacture 2,60,000 MTPA of Cumene, feedstock to manufacture Phenol and Acetone. The demand for Phenol in India is growing at about 10%-12% per annum, which your Company is seeking to leverage on. Technology for manufacturing Phenol and Acetone has been sourced from Kellogg Brown & Root International Inc. and technology for manufacturing Cumene has been sourced from UOP LLC.

This project entails a capital outlay of ₹ 1,400 Crores. I am glad to inform that, we could achieve financial closure, for both debt and equity, successfully at desired terms. You are all aware that your Company completed third QIP of ₹ 150 Crores in

January 2018 towards achieving closure of equity. What is even more heartening is, while all the existing institutional investors participated in this QIP too, we could also bring in additional blue chip investor.

In view of the impending commissioning of Phenol project, DPL's leadership team is already in place and the marketing team has commenced customer outreach programme. Looking at the size of the project, it will be commendable to mention that DPL team has achieved 12 million safe man-hours. I am happy to share that, this greenfield project is expected to be commissioned in the first half of the current fiscal year.

Apart from the above, your Company is also in the process of expanding capacities of some of its existing products in order to cater to the growing demand and we expect these projects to be commissioned by the first half of the current fiscal year.

While various initiatives as stated above shall bear fruit in the ensuing years, I would like to highlight several achievements towards sustainable growth - People, Planet, Profit - in particular.

PEOPLE

Your Company's family has grown significantly in both size and competency over the last decade. Your Company has been awarded **Gujarat's Best Employer for 2017** by the World HRD Congress - an acknowledgement of the several initiatives to generate ideas, ownership and recognition at all levels from shop floor to senior management.

While your Company remains committed to being an intermediate supplier, increasingly it is wooed by fine chemical companies to become their partner of choice. Rallis, a TATA company recognised Deepak Nitrite Limited with the 'Most Collaborative Partner in 2018' award.

The Phenol project, registered 12 Million safe man-hours without incidents this year. It has also developed in-house talent for technology implementation at the factory floor and R&D centres.

PLANET

Your Company remains steadfastly committed to the environment. Besides Responsible Care, it is also part of the Nicer Globe and Together for Sustainability initiatives that make it a partner of choice for discerning international chemical companies.

Your Company continues to invest in its CSR outreach programmes through its Charitable arm, Deepak Foundation, which focusses on neonatal care, tribal and rural skill development, and education. Deepak Foundation was conferred with the **ICC Award for Social Responsibility, the GCSRA award for cohesive partnership** under the large companies' category for its obstetric and new born care unit in Jabugam. Deepak Foundation also received **CSR Leadership awards** for public-private partnership and **women's empowerment from ET NOW and recognition for woman and child care project from FGI.**

On Environment Health and Safety (EHS) front, **Deepak Nitrite Limited's Nandesari plant was awarded by Gujarat Safety Council, Vadodara and DISH, Gujarat** for achieving 8.7 Million accident-free man-hours.

PROFIT AND PERFORMANCE

After reconstruction of the plant at Roha in record time, post the fire incident, your Company was able to report resilient performance during the year. An impressive 60% growth in profit was backed by revenue growth of 18% during the year. Your Company's revenue, including other income, stood at ₹ 1,467 Crores at the end of FY 2017-18, which saw EBIDTA at ₹ 214 Crores, up by 40% from the previous fiscal, and PBT excluding exceptional items grew by 65% to ₹ 122 Crores in the same period. I am happy to share that the Fine and Speciality Chemicals division is back to normal operations after last year's production disruptions.

Domestic turnover, with y-o-y growth of 14%, stood at ₹ 968 Crores to contribute 65% of your Company's revenue. Exports contributing 35% of total turnover, grew 9% y-o-y, underlining the overall robustness of your Company's business model. Europe led the exports growth, contributing around 46% of export revenue, followed by Asia at 30% and USA at 16%.