

nourished with values,
nurtured with vision.

Quality commitment

Vision

Customer satisfaction

Corporate governance

World class R&D

Environment friendly

Acquisition

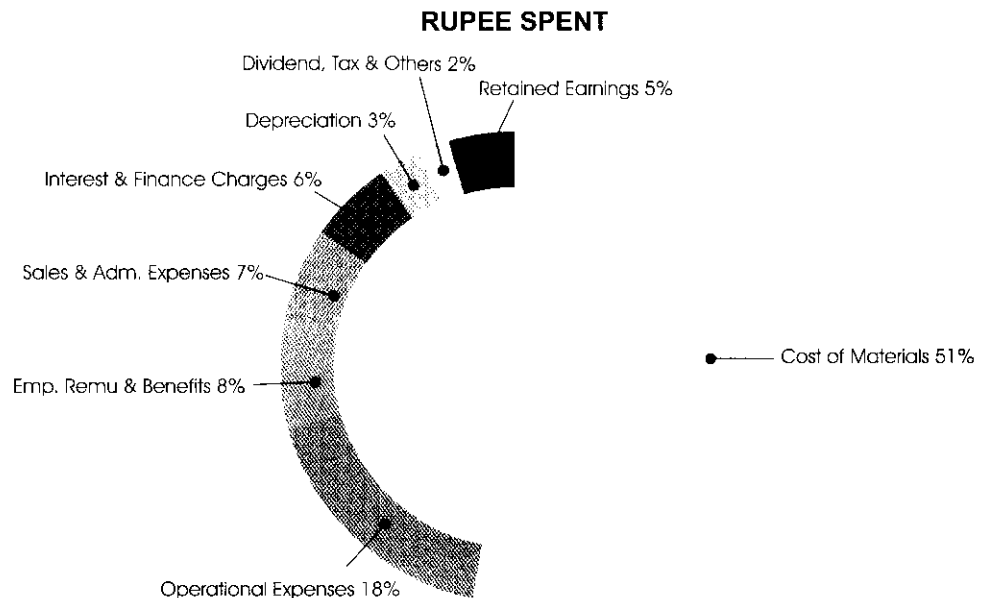
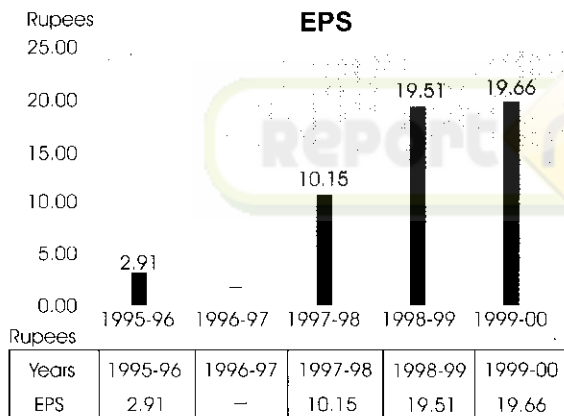
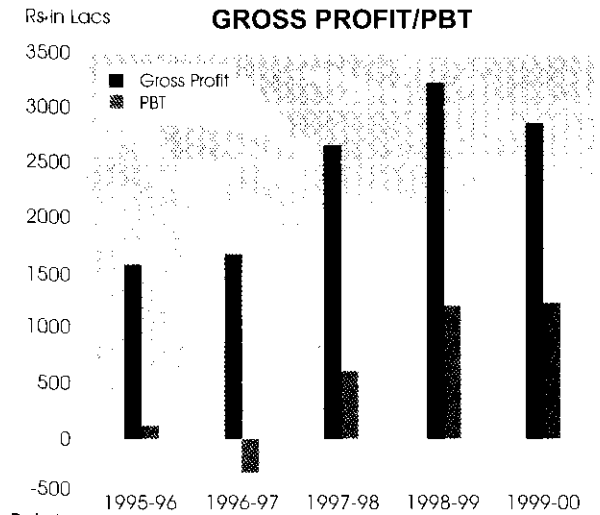
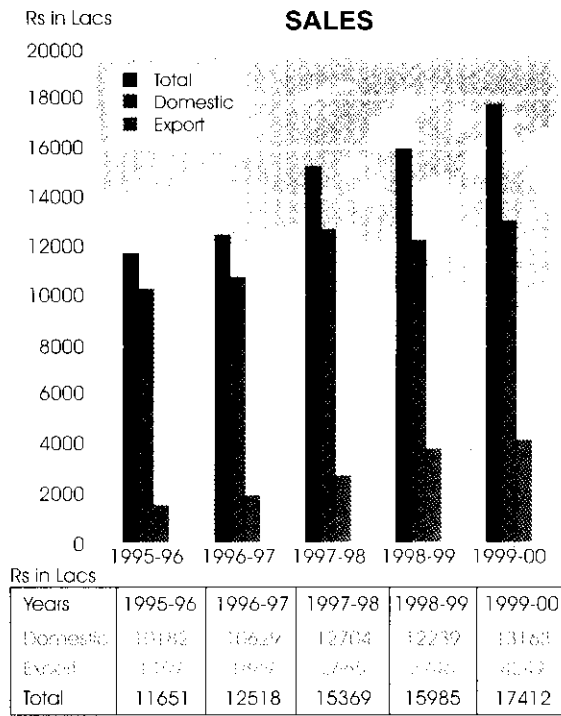
29th Annual Report 1999-2000



DEEPAK NITRITE LIMITED

A determined drive for excellence

Financial Highlights





BOARD OF DIRECTORS

Chimanlal K. Mehta — *Chairman*
Deepak C. Mehta — *Managing Director*
Ajay C. Mehta — *Managing Director*
Shrenik Kasturbhai Lalbhai
S.S. Aggarwal
D.D. Udeshi
M.R.B. Punja
D.R. Mehta — *(Nominee of ICICI)*
K.N. Pujara — *(Nominee of UTI)*
A.K. Dasgupta
Gurcharan Das

COMPANY SECRETARY AND CHIEF (LAW)

H.N. Shah

BANKERS

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

SOLICITORS

Crawford Bayley & Co., Mumbai
Udwadia, Udeshi & Berjis, Mumbai

AUDITORS

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

REGISTERED OFFICE

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

HEAD OFFICE

- 10-B, Bakhtawar, Nariman Point, Mumbai - 400 021 &
- Mehta Mahal, 89, Dadasaheb Phalke Road, Dadar (E), Mumbai - 400 014

CORPORATE OFFICE

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

PLANTS

- (1) 4-12, GIDC Chemical Complex, Nandesari - 391 340, Dist. Baroda
- (2) Sahyadri Dyestuffs & Chemicals, 117, Parvati, Vithalwadi, Pune - 411 030
- (3) Taloja Chemical Division, Plot K-10, MIDC Taloja Dist. Raigad - 410 208

29th ANNUAL GENERAL MEETING

Date : Saturday, 29th July, 2000
Time : 10.30 a.m.
Venue : Hotel Surya Palace, Opposite Parsi Agiari, Sayajigunj, Baroda - 390 005

CONTENTS

	Page No.		Page No.
Financial Highlights	Inside Cover	Schedules to the Accounts	18 - 31
Board of Directors	1	Balance Sheet Abstract & General Business Profile	32
Notice	3 - 5	Cash Flow Statement	33
Directors' Report	6 - 10	Statement pursuant to Sec. 212	34
Annexures to the Directors' Report	11 - 13	Subsidiary Companies :	
Auditors' Report	14 - 15	– Nova Synthetic Ltd.	35 - 39
Balance Sheet	16	– Deepak Refineries Ltd.	40 - 44
Profit and Loss Account	17	Shareholding Pattern	Inside Back Cover

Shareholder Information

Distribution of Shareholding as of March 31, 2000.

NUMBER OF SHARES	NUMBER OF SHARE HOLDERS	% SHARE HOLDERS	TOTAL NUMBER OF SHARES	% HOLDING
1 to 500	9971	91.84	1346110	23.41
501 to 1000	542	4.99	379817	6.60
1001 to 2000	173	1.59	238106	4.14
2001 to 3000	56	0.52	137843	2.40
3001 to 4000	21	0.19	73531	1.28
4001 to 5000	14	0.13	64342	1.12
5001 to 10000	31	0.29	214519	3.73
10001 and above	49	0.45	3295732	57.32
Total	10857	100.00	5750000	100.00

Listing :

The Company's shares are listed on Mumbai and Vadodara Stock Exchanges.

The Company has paid the Annual Listing Fees to both the aforesaid Stock Exchanges, within the prescribed time.

Stock Code : 6401

Shareholder Assistance :

The Investor Service Department operates at the Registered Office of the Company at Baroda to provide assistance to shareholders in dealing with the Company.

Book Closure Dates :

19th July, 2000 to 29th July, 2000 (both days inclusive).

Depository System : The Company has entered into an agreement with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) and has appointed Sharepro Services as the Registrar of Electronic connectivity with NSDL and CDSL whose office is located at Satam Estate, 3rd Floor, Cardinal Gracious Road, Chakala, Andheri (East), Mumbai - 400 099.

The securities bear the ISIN "INE288B01011"

Web Site :

Please visit us at www.deepaknitrite.com for financial and other information about the Company.

**NOTICE**

NOTICE is hereby given that the Twentyninth Annual General Meeting of the Company will be held at Hotel Surya Palace, Opposite Parsi Agiari, Sayajigunj, Baroda - 390 005 on Saturday, the 29th July, 2000 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, 2000 together with the Directors' Report and the Auditors' Report thereon.
2. To appoint a Director in place of Shri Shrenik Kasturbhai Lalbhai who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri D. D. Udeshi who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Gurcharan Das who retires by rotation and, being eligible, offers himself for re-appointment.
5. 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.

SPECIAL BUSINESS :

6. To consider and, if thought fit, to pass with or without modifications, the following Resolution as an ORDINARY RESOLUTION :

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modifications or re-enactment thereof, for the time being in force) the Company hereby approves the re-appointment of and the remuneration payable to Shri A. C. Mehta as the Managing Director of the Company, as approved by the Board of Directors, for a period of five years with effect from 1st December, 1999 as set out in the Explanatory Statement and the draft letter of re-appointment to be issued by the Company to Shri A. C. Mehta and placed before this meeting and initialled by the Chairman for the purpose of identification.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to revise such remuneration from time to time so long as it does not exceed the limits specified in Schedule XIII of the Companies Act, 1956 and also to do all such acts, deeds, matters and things as may be necessary, requisite, desirable or expedient for the purpose of giving effect to this resolution."

7. To consider and, if thought fit, to pass with or without modification, the following Resolution as a SPECIAL RESOLUTION :

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby amended in the manner following :

After existing Article 62, the following new Articles be added as Article 62-A and 62-B with respective marginal notes :

62-A Nomination :

- (i) Every holder of share(s) in and/or debenture(s) of the Company, so entitled under the Act and Rules framed thereunder, may, at any time, nominate, in the manner prescribed under the Act, a person to whom his share(s) in and/or debenture(s) of the Company shall vest in the event of his death.
- (ii) Where the share(s) in and/or debenture(s) of the Company are held by more than one person jointly, the joint-holder, so entitled under the Act and Rules framed thereunder, may together nominate, in the manner prescribed under the Act, a person to whom all the rights in the share(s) and/or debenture(s) of the Company, as the case may be, shall vest in the event of death of all the joint-holder(s).
- (iii) Notwithstanding anything contained in any other law for the time being in force or in these articles or in any disposition, whether testamentary or otherwise, in respect of the share(s) and/or debenture(s) of the Company, where a nomination made in the manner prescribed under the act, purports to confer on any person the rights to vest the share(s) and/or debenture(s) of the Company, the nominee shall, on the death of the shareholder and/or debentureholder concerned or on the death of all the jointholders, as the case may be, become entitled to all the rights in relation to such share(s) and/or debenture(s), to the exclusion of all other persons, unless the nomination is varied or cancelled in the manner prescribed under the Act.
- (iv) Where the nominee is a minor, the holder of the share(s) and/or debenture(s) of the Company, can make a nomination in the manner prescribed under the Act, to appoint any person to become entitled to the share(s) and/or debenture(s) of the Company, in the event of his death, during the minority.

**62-B Transmission in case of Nomination :**

- (i) Notwithstanding anything contained in these Articles, any person who becomes a nominee by virtue of the provision of Article 62-A, upon the production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either :
 - (a) to be registered himself as holder of the share(s) and/or debenture(s), as the case may be, or
 - (b) to make such transfer of the share(s) and/or debenture(s), as the case may be, as the deceased shareholder and/or debentureholder concerned, as the case may be, could have made.
- (ii) If the person being a nominee, so becoming entitled, elects himself to be registered as holder of the share(s) and/or debenture(s), as the case may be, he shall deliver or send to the Company, a notice in writing duly signed by him stating the nominee concerned, so elects and such notice shall be accompanied with the death certificate(s) of the deceased shareholder / debentureholder, as the case may be.
- (iii) All the limitations, restrictions and provisions of these Articles, relating to the right to the transfer and the registration of transfer of share(s) and/or debenture(s), shall be applicable to any such notice or the transfer as aforesaid as if the death of the shareholder / debentureholder had not occurred and the notices or transfer were signed by that shareholder/debentureholder, as the case may be.
- (iv) A person being a nominee, becoming entitled to the share(s) and/or debenture(s), by reason of the death of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share(s) and/or debenture(s), except that he shall not, before being registered a member in respect of his share(s) and/or debenture(s) be entitled in respect of it, to exercise, any right conferred by membership in relation to meeting of the Company.

Provided that the Board may, at any time give notice requiring any such person to elect either to be registered himself or to transfer the share(s) and/or debenture(s); and if the notice is not complied with, within ninety days, the Board may thereafter withhold payments of all dividends, bonuses or other moneys payable or rights accruing in respect of the share(s) and/or debenture(s), until the requirements of the notice have been complied with."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary, requisite, desirable or expedient for the purpose of giving effect to this Resolution."

Registered Office :
9/10, Kunj Society,
Alkapuri,
BARODA - 390 007
Dated : 18th May, 2000

By Order of the Board of Directors,

H. N. SHAH

Company Secretary &
Chief (Law)

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 relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of Special Business under items 6 & 7 as set out above, is annexed hereto and forms part of this Notice.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, the 19th July, 2000 to Saturday, the 29th July, 2000 both days inclusive.
5. Members are requested to notify immediately the change of address, if any, to the Company's Registered Office at 9/10, Kunj Society, Alkapuri, Baroda - 390 007 quoting reference of their Registered Folio Number.
6. For the convenience of Members, Attendance Slip is annexed to the Proxy Form. Members are requested to affix their signatures (as per the specimen registered with the Company) at the space provided thereof and hand over the Attendance Slip at the entrance to the place of the Meeting. Proxy/Representative of a Member should mark on the Attendance Slip as "Proxy" or "Representative" as the case may be.
7. Members who did not respond to the Company's individual advices to claim the unpaid dividends for the financial year ended 31st March, 1995 may now submit their claims for dividend to the Registrar of Companies, Gujarat at R.O.C. Bhavan, Opp. Rupal Park, Behind Ankur Bus Stand, Naranpura, Ahmedabad - 380 061 as all unclaimed dividends for and upto the financial year ended 31st March, 1995 pursuant to the provisions of Section 205-A of the Companies Act, 1956 have been transferred to the General Revenue Account of the Central Government.
8. Members are requested to encash their Dividend Warrants immediately upon receipt, as Dividends remaining unclaimed for seven years are now required to be transferred to the 'Investor Education and Protection Fund' to be established by the Central Government under the amended provisions of the Companies Act, 1956, and Members shall not be able to claim any unpaid dividend from the said fund or from the Company thereafter.

**ANNEXURE TO THE NOTICE**

EXPLANATORY STATEMENT as required by Section 173 of the Companies Act, 1956.

ITEM NO. 6

At its meeting held on 27th October, 1999, the Board of Directors of the Company has approved, subject to the approval of members, the re-appointment of Shri A.C. Mehta as the Managing Director of the Company with effect from 1st December, 1999 for a period of five years inter alia upon the following terms and conditions :

1. The remuneration comprising of salary, perquisites, other benefits and allowances payable to Shri A.C. Mehta, as the Managing Director shall be Rs. 87,500/- p.m. or Rs. 10,50,000/- p.a. which is within the limits specified in Schedule XIII of the Companies Act, 1956, (the Act). In the absence or inadequacy of profits, the aforesaid remuneration shall be the maximum remuneration payable to him.
2. In addition to the salary, perquisites and allowances payable as stated in (1) above, the Managing Director shall also be paid the Commission calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board of Directors of the Company as at the end of each financial year, subject to the overall ceilings stipulated in Sections 198, 309 and other relevant provisions of the Act.
3. Perquisites and allowances shall include accommodation (furnished or otherwise) or house rent allowance in lieu thereof, house maintenance allowance together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings and repairs, medical reimbursement, leave travel concession for himself and his family, club fees, medical insurance and such other perquisites and allowances in accordance with the rules of the Company or as may be agreed to by the Board of Directors.
4. The Company's contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income-tax Act, 1961, gratuity payable at a rate not exceeding half a month's salary for each completed year of service and encashment of leave at the end of the tenure shall not be included in the computation of the remuneration as set out in paragraph (1) above.
5. The aforesaid remuneration specified in Clause (1) and (2) above shall be reviewed by the Board after the close of the financial year, if the Company has made the profits in that year and Shri A.C. Mehta be paid such enhanced remuneration as the Board may decide subject to the ceiling limits specified in Sections 198, 309 and other applicable provisions of the Act read with the Schedule XIII of the Act or any modifications or re-enactment thereof.
6. **OTHER TERMS :**
 - (a) The Company shall provide a Car with driver and telephone facility at the residence of the Managing Director. Provision of a Car for use of Company's business and telephone at residence will not be considered as perquisites.
 - (b) The Managing Director shall be entitled to reimbursement of all expenses including on entertainment and travelling actually incurred in the course of Company's business.
 - (c) The Managing Director shall not be entitled to sitting fees for attending the meeting of the Board of Directors or Committees thereof.
 - (d) The Managing Director shall perform such duties and exercise such powers bestowed on him or as may from time to time be assigned to him by the Board of Directors of the Company.
 - (e) The Managing Director shall not be liable to retire by rotation as a Director of the Company.

The approval of the members is, therefore, sought to the re-appointment of and remuneration payable to Shri A.C. Mehta, with the authority to the Board of Directors to alter and vary the said terms of appointment and remuneration and perquisites within the limits specified in Schedule XIII of the Companies Act, 1956 or any amendments made hereafter in that regard.

A draft of the letter of re-appointment proposed to be issued to Shri A.C. Mehta is open for inspection to the members at the Registered Office of the Company between 10.30 a.m. and 1.00 p.m. on all working days of the Company, upto and including the day of the Meeting.

Except Shri C.K. Mehta, Shri D.C. Mehta and Shri A.C. Mehta, no other Director of the Company is concerned or interested in the said Ordinary Resolution.

The above should be treated as an abstract as required under Section 302 of the Companies Act, 1956.

ITEM NO. 7

The Companies (Amendment) Act, 1999 has inserted new Sections 109-A and 109-B in the Companies Act, 1956 (the Act), by virtue of which a facility of Nomination has been provided to the shareholders and debentureholders.

It is considered desirable to insert Article 62-A and 62-B in the Articles of Association of the Company after Article 62 as detailed in the Special Resolution set out at item 7 of the accompanying notice, in order to bring them in conformity with the relevant provisions of the Act.

The Directors commend the Resolution for approval of the Members.

None of the Directors of the Company is, in any way concerned or interested in the said Resolution.

A copy of the Memorandum and Articles of Association of the Company together with the proposed alterations is available for inspection by the members of the Company at the Registered Office between 10.30 a.m. and 1.00 p.m. on all working days of the Company.

Registered Office :
9/10, Kunj Society,
Alkapuri, BARODA - 390 007.
Dated : 18th May, 2000

By Order of the Board of Directors,

H. N. SHAH
Company Secretary &
Chief (Law)



DIRECTORS' REPORT

Your Directors are happy to present the Twentyninth Annual Report and Accounts for the financial year ended 31st March, 2000 together with the Auditors' Report thereon.

	Current Year Rs.	Previous Year Rs.
Sales and Other Income	177,51,56,413	162,91,69,654
FINANCIAL RESULTS :		
Gross Profit (before interest, depreciation and tax)	28,48,28,822	31,55,39,348
Less :		
(i) Interest	9,77,77,624	12,07,67,754
(ii) Depreciation	6,11,30,667	5,59,46,579
(iii) Provision for Tax	1,32,50,000	1,35,00,000
Profit (after interest, depreciation and tax)	11,26,70,531	12,53,25,015
Add (Less) :		
Prior Years' adjustments	3,63,299	19,40,327
Extraordinary Items	—	(1,50,69,684)
Net Profit after adjustments	11,30,33,830	11,21,95,658
Surplus in Profit & Loss Account Brought Forward	8,36,65,740	3,68,54,582
Add :		
Transfer from Investment Allowance Reserve	44,50,000	30,78,000
Amount available for appropriation	20,11,49,570	15,21,28,240
Appropriation :		
Dividend :		
(a) Interim Dividend of 25% on 57,50,000 Equity Shares of Rs. 10/- each (previous year Nil)	1,43,75,000	—
(b) Proposed Final Dividend (previous year 25% and also a special dividend of 20%)	—	2,58,75,000
Corporate Dividend Tax (including Rs. 2.59 lacs for the previous year)	18,40,000	25,87,500
General Reserve No. 1	4,00,00,000	4,00,00,000
(as required by Section 205 (2A) of the Companies Act, 1956)		
Balance carried to Balance Sheet	14,49,34,570	8,36,65,740

PERFORMANCE :

Although the turnover has improved marginally during the year under review, your company continued to retain the high levels of production. However, the year just gone by was a difficult one for the Chemical Industry. Margins were under pressure due to severe competition from cheaper imports, sluggish growth in local demand and substantial increase in fuel, energy and raw material costs. In order to combat the unfavourable market conditions, your Company has planned a greater focus on newer and high value added products in the export markets, since exports continued to grow at a higher pace compared to the domestic market.

Nitrite Division :

The Division continued to run at optimum levels, but two of its main products, namely Sodium Nitrite and Hydroxylamine Sulphate faced severe dumping of cheaper imports from abroad. Both these cases have been



taken up with appropriate authorities for necessary relief. The Division is focussing more on export market and introducing new high value products.

Nitroaromatics Division :

The production levels of Nitro Chloro Benzene and Nitro Toluene were further improved by debottlenecking and achieving reduction in downtime, resulting into an improvement in overall efficiencies. Consistent high quality standards of its products enabled the Division to further improve its export performance.

Taloja Chemical Division :

The Division continued its market leadership in the entire range of Toluedines (OT, PT and MT). Effective Hydrogenation capacities have been expanded through addition of balancing equipment. Facility to manufacture reductive Alkylation based products has been commissioned during the year by this division. This facility will enable the Division to introduce few new products, which will increase Export potentials. During the year under review, the division has received a prestigious certificate under ISO 9002 from KPMG Quality Registrar for its current range of products.

Sahyadri Dyestuffs and Chemicals Division :

The stiff competition due to cheaper imports has adversely affected the performance of the Division. Thrust continued in export volumes, though margins remained under pressure.

This division also received during the year the ISO-9002 Certification from KPMG Quality Registrar for all its current range of products

FUTURE PLANS :

The Company plans to introduce new products by upward integration of its existing products and process expertise. Availability of in-house new pilot plant facility and enhanced emphasis on R&D enables the company to work closely with some of the overseas customers for developing exclusive products for them. Emphasis on maximum capacity utilisation will also continue simultaneously.

DIVIDEND :

Your Board at its meeting held on 28th March, 2000 had declared interim dividend of 25% on 57,50,000 Equity Shares aggregating to Rs. 143.75 lacs, which has already been paid by the Company on 8th May, 2000. The Corporate Dividend Tax on the said interim Dividend amounting to Rs. 15.81 lacs has been borne by the Company. The Board has not recommended any final dividend on the equity shares for the year ended 31st March, 2000.

FINANCE :

During the year under review interest cost reduced by about 19% through skillful management of operating funds and working capital.

Funds raised from the issues of the various debentures have been utilised for the purposes for which they have been raised.

FIXED DEPOSITS :

The total amount of Fixed Deposits received by the Company from the Shareholders and Public stood at Rs. 1120.24 lacs at the close of the financial year. The Company has no deposits, which are matured and claimed, but remained unpaid.

EXPORTS :

The Company, having achieved the Export House status earlier, continues to make good progress on the export front despite stiff competition from China as also from weakening Euro exports. The exports have increased from Rs. 3746 lacs to Rs. 4249 lacs during the year, which shows a growth of about 13% over the last year. Your Directors are happy to inform you that consistent export performance was recognised by



Indian Chemical Manufacturers Association (ICMA) awarding a Merit Certificate to your company in the category of export of Chemical products.

DONATIONS :

During the year under review, the Company has donated Rs. 1.50 lacs to Army Central Welfare Fund and Rs. 2.57 lacs to other organisations, contributing towards social welfare services and charitable purposes.

ISO 9002 :

All the Divisions of your Company have now received the ISO-9002 Certification, which reconfirms the Company's long standing commitment to quality, reliability and customer satisfaction. This will no doubt reflect in expanding the Company's domestic as well as international customer base.

DEPOSITORY SYSTEM :

In keeping with the endeavour to provide better facilities to the shareholders for holding/trading of equity shares, your Company has entered into an agreement with the National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) for dematerialisation of your Company's shares. In accordance with SEBI's directive, your Company's shares have already been included in the list in which trading is compulsory for Institutional Investors and OCB's in dematerialised form with effect from 26th June, 2000. Thus, the members have the option/discretion to hold their shares in the Company either in physical form or demat form through the aforesaid Depositories.

YEAR 2000 COMPLIANCE (Y2K) :

Your Directors are pleased to inform you that because of the various initiatives and adequate precautions taken to address Y2K compliance, your Company managed smooth transition to the new millennium without any disruption to its business operations.

INFORMATION TECHNOLOGY :

The Company continues to be at the forefront in use of Information Technology. This year we have networked all the locations so that there is smooth flow of information and speedy communication. Continuous efforts are being made to upgrade the hardware, software and overall systems.

RESEARCH AND DEVELOPMENT :

The Company made substantial investments in a new pilot plant set up close to the R&D Centre in Pune. This will enable scaling up of laboratory processes and preparation of new products for customer trials.

Several new products were developed in the R&D Laboratory and scaled up in the new pilot plant facilities. Some of these will be introduced during the current year.

SAFETY, POLLUTION & ENVIRONMENTAL CONTROL :

Safety and Environment control continue to receive high priority, resulting in observance of high standards at all the Company's divisions. During the year under review all environmental related issues were successfully dealt, with enhanced pollution control measures.

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

The Company continues to take various measures for conservation of energy by regular monitoring of consumption and improved maintenance of systems as also adaption of proven technology.

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