



*improving
life through
innovative
science*

32nd Annual Report 2002-2003



A determined drive for excellence

www.deepaknitrite.com

our vision

*We are a role model enterprise, respected globally
for excellence in quality and innovation.*

*We enhance stakeholder value while adhering to
the code of responsible care and ethical values.*

*We are an employer of choice and preferred
business partner worldwide.*

our values

Integrity

We are open, honest, transparent & uncompromising in
our work.

Team Spirit

We encourage group interaction & working together.
United & collective drive achieves the desired goal.

Commitment

We honour all promises made within & outside the
company.

Caring

We are concerned about our environment, society &
employees and work for their betterment.

Excellence

We are a role model & benchmark company for our
product services & business processes.

Innovation

We nurture creativity & encourage application of
knowledge & ideas in all facets of our business.

Customer Orientation

Customer is uppermost in our mind. We work to exceed
his expectations.

**DEEPAK NITRITE LIMITED****32nd ANNUAL GENERAL MEETING**

Day/Date : Saturday, 27th September, 2003
 Time : 10.30 a.m.
 Venue : Hotel Surya Palace, Opposite Parsi Agari,
 Sayajigunj, Baroda - 390 005

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 Bank Ltd.)
 K.N. Pujara (Nominee of UTI)
 A.K. Dasgupta

COMPANY SECRETARY

S. B. Upadhyay

BANKERS

State Bank of India • Dena Bank • Bank of Baroda • ICICI Bank Ltd. • UTI Bank Ltd.

SOLICITORS

Udwadia & Udeshi, Mumbai
 M & M Legal Venture, Mumbai

AUDITORSB.K. Khare & Co., *Chartered Accountants*, Mumbai**REGISTERED OFFICE**

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

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) Talaja Chemical Division, Plots K/9-10, MIDC Talaja
Dist. Raigad - 410 208

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NOTICE

NOTICE is hereby given that the Thirtysecond Annual General Meeting of the Company will be held at Hotel Surya Palace, Opposite Parsi Agiari, Sayajigunj, Baroda - 390 005 on Saturday, the 27th September, 2003 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, 2003 together with the Directors' Report and the Auditors' Report thereon.
2. To declare a dividend on Equity Shares.
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 Dr. S. S. Aggarwal 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 and to authorise the Board of Directors to fix their remuneration.

Registered Office :
9/10, Kunj Society,
Alkapuri,
BARODA - 390 007
Dated : 28th May, 2003

By Order of the Board of Directors,

S. B. Upadhyay
Company Secretary

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 Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, the 17th September, 2003 to Saturday, the 27th September, 2003 (both days inclusive).
4. The dividend as recommended by the Board, if declared at the meeting, will be paid on or after 29th September, 2003, to those members whose names appear on the Company's Register of Members on 27th September, 2003. In respect of the shares in electronic form, the dividend will be paid to those beneficial owners as per details furnished by the Depositories for the purpose.
5. Members holding shares in electronic form may please note that their Bank details as furnished by the respective Depositories to the Company will be printed on their dividend warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such members for deletion of / change in such bank details. Members may, therefore, give instructions regarding bank accounts in which they wish to receive dividend, directly to their Depository Participants. Instructions if any, already given by them in respect of shares held in physical form will not be automatically applicable to the dividend paid on shares in electronic form.
6. Members holding equity shares in physical form are requested to notify immediately to the Company's Registered Office at 9/10, Kunj Society, Alkapuri, Baroda - 390 007 quoting reference of their Registered Folio Number :
 - (i) the Change of Address, if any and
 - (ii) the details of their Bank Account / Change in Bank Account, if any, to enable the Company to print the details on the Dividend Warrant.
7. Members are requested to note that pursuant to the provisions of Section 205C of the Companies Act 1956, the dividend remaining unclaimed / unpaid for a period of seven years from the date they become due for payment are required to be transferred to the 'Investor Education and Protection Fund' set up by the Central Government. Members who have so far not claimed the dividend are requested to claim the same from the Company as no claim shall lie against the Fund or the Company in respect of individual amounts once credited to the said Fund.



8. Members attending the meeting are requested to bring with them Attendance Slip attached to the Annual Report duly filled in and signed and handover the same at the entrance of place of the Meeting. Proxy / Representative of a Member should mark on the Attendance Slip as "Proxy" or "Representative" as the case may be. Members holding shares in electronic form and desirous of attending meeting are required to bring alongwith them Client ID and DP ID Numbers for easy identification.
9. At the ensuing Annual General Meeting, Shri D. D. Udeshi and Dr. S. S. Aggarwal retire by rotation and being eligible offer themselves for reappointment. A brief profile of the Directors retiring by rotation and eligible for their reappointment, as required by Clause 49 VI A of the Listing Agreement with the Stock Exchange is given under :
 1. Shri D. D. Udeshi is a renowned solicitor and senior partner of M/s. Udwadia & Udeshi a well known firm of Solicitors in Mumbai. He is having rich and vast experience in the field of Corporate and Labour Laws. His Directorships as on 31st March, 2003 are as under :

Sr. No.	Name of the Company	Nature of Interest
1.	Sundaram Clayton Ltd.	Director
2.	Baltic Consultancy & Services Pvt. Ltd.	Director
3.	Nova Synthetic Ltd.	Director
4.	NR Jet Enterprises Ltd.	Director
5.	Olympus Enterprises Ltd.	Director
6.	Secure Meters Ltd.	Director
7.	Chandabhoy & Jassoobhoy Consultants P. Ltd.	Director
8.	Serendib Investments Pvt. Ltd.	Director

2. Dr. S. S. Aggarwal is associated with the Company as a Director right from the inception viz. 2nd May, 1970. He is M. Tech. from IIT, Bombay and is doctorate in Chemistry. He is a member of Institute of Standard Engineers and Institute of Foundry Men. He has also done specialisation as a Chemical Technologist from USSR. He is an expert in the field of chemical industry and has developed many technologies in India. His Directorships as on 31st March, 2003 are as under :

Sr. No.	Name of the Company	Nature of Interest
1.	Foundry Chemicals Industries Pvt. Ltd.	Managing Director
2.	S. S. Foundry Chemical Industries P. Ltd.	Managing Director
3.	Buse India Pvt. Ltd.	Managing Director
4.	Bihar Hydro Carbon Products Pvt. Ltd.	Managing Director
5.	NMC Carbonic Industries Pvt. Ltd.	Director
6.	Bharat Prakashan Ltd.	Director



DIRECTORS' REPORT

Your Directors have pleasure in presenting the Thirtysecond Annual Report and Accounts for the financial year ended 31st March, 2003 together with the Auditors' Report thereon.

	Current Year Rs.	Previous Year Rs.
FINANCIAL RESULTS :		
Sales (net of Excise) and Other Income	254,21,54,197	217,58,40,873
Gross Profit (before interest, depreciation and tax)	33,64,84,366	29,20,32,669
Less :		
(i) Interest	11,18,02,051	12,54,73,868
(ii) Depreciation	7,73,83,399	7,33,31,908
(iii) Provision for Tax		
– Current	2,87,00,000	61,00,000
– Deferred	15,25,011	87,22,964
Profit (after interest, depreciation and tax)	11,70,73,905	7,84,03,929
Add (Less) :		
Prior Years' adjustments	—	5,71,001
Net Profit after adjustments	11,70,73,905	7,89,74,930
Surplus in Profit & Loss Account Brought Forward	21,49,26,926	19,32,01,996
Add : Transfer from Debenture Redemption Reserve	2,00,00,000	11,79,82,695
Amount available for appropriation	35,20,00,831	39,01,59,621
Appropriation :		
Dividend on Equity Shares	1,72,50,000	1,72,50,000
Corporate Dividend Tax	22,10,156	—
General Reserve No. 1	5,00,00,000	15,79,82,695
Balance carried to the Balance Sheet	28,25,40,675	21,49,26,926
	35,20,00,831	39,01,59,621

PERFORMANCE :

Your Company recorded an increase in turnover of around 18%. Exports a thrust area for the Company increased by 32% to reach Rs. 7850 Lacs.

In consonance with the increased turnover, the Company also posted increased profitability for the year as compared to the previous year. This was mainly on account of higher sales volumes and better operational efficiencies.

OUTLOOK AND FUTURE PLANS :

Our growth initiative in fine chemicals area has already opened opportunities based on global customer confidence in our capabilities in innovative chemistry. More than half of the Company's Capital Expenditure during the year was directed at this segment.

Further, the Company intends to debottleneck capacities for some of the existing products so as to maintain its competitive edge in view of the reduced custom duties and likely international competition.

DIVIDEND :

Your Directors are pleased to recommend the payment of dividend of 30%, which shall in the hands of Shareholders be free of tax this year, as against 30% paid in the previous year, on 57,50,000 equity shares for the approval of the Shareholders. The dividend, if approved, alongwith the corporate dividend tax will absorb a sum of Rs. 194.60 lacs. (Rs. 172.50 lacs).

FINANCE :

Interest Costs :

- (a) The Company continued its efforts in cutting down interest cost across the various segments of borrowings. Greater reliance on export financing and foreign currency borrowings have helped the Company reduce its interest cost. The Company will continue its endeavour to optimise borrowing cost.



- (b) During the year under review the Company paid Rs. 1511 lacs towards normal repayments of its installments of term loans and debentures.
- (c) Funds raised from issues of various debentures have been utilised for the purposes for which they have been raised. The Company has since paid off the final installment of the Non-Convertible Debentures.

FIXED DEPOSITS :

The total amount of Fixed Deposits held by the Company from the Shareholders and Public stood at Rs. 2026.11 lacs at the close of the financial year. The Company has no deposits, which are matured and claimed, but remained unpaid.

EXPORTS :

Exports for the year were higher at Rs. 7850 lacs as compared to Rs. 5930 lacs indicating a growth of 32%. Reliability and quality of our products has built a strong customer base which includes some of the major international companies.

CORPORATE GOVERNANCE :

The Company is committed to provide top value to its stake holders by adhering to the values of good Corporate Governance. A report on Corporate Governance alongwith the Auditors' report on its compliance is also annexed forming part of the Annual Report.

INFORMATION TECHNOLOGY :

The Company continues to upgrade its Information Technology facilities and thereby leverage this to improve operational efficiencies.

RESEARCH AND DEVELOPMENT :

During the year under review the thrust was on expanding analytical facilities as well as application of Information Technology to provide research and patent information to scientists working in R&D. Continuous process improvement work ensured successful start up as well as reaching the desired capacity for one of the new products even before our target. Apart from working on new products, R&D continues to do valuable work on process improvement pertaining to existing product line. During the year the Company spent Rs. 224.11 lacs on its R&D activities which constitutes around 1% of its turnover.

DEPOSITORY SYSTEM :

In terms of a notification issued by Securities and Exchange Board of India (SEBI), trading in the equity shares of the Company is permitted only in dematerialised form with effect from 26th June 2000. The Company has entered into Agreement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to enable the Shareholders to hold shares in dematerialised form. The members are requested to avail of the facility of dematerialisation of the Company's shares on either of the Depositories as aforesaid.

ENVIRONMENT & SAFETY :

Safety in work place and adherence to the environment control norms continues to be of priority at all manufacturing sites.

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

The energy conservation is being pursued with considerable focus and commitment by the Management.

A Statement under Section 217 (1) (e) of the Companies Act, 1956 read with the 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.

INSURANCE :

All properties and insurable interests of the Company including buildings, plant and machineries, stores and spares have been adequately insured.

INVESTORS' WELFARE INSURANCE SCHEME :

The Company continued the Personal Accident Insurance Scheme for the benefit of all the Shareholders.

COMMUNITY SERVICES :

Deepak Foundation (Deepak Charitable Trust and Deepak Medical Foundation) celebrated "A decade of Women's development". A function on the occasion was graced by several leading dignitaries. The trust also continues to provide services in the field of public health in and around Nandesari.



STATUS OF ACQUISITION OF ARYAN PESTICIDES LTD. :

The Company has during the year acquired additional equity in Aryan Pesticides Ltd. which as on 31st March, 2003 stands at 76.92%. As a result, Aryan Pesticides Ltd. has now become a subsidiary of your Company.

Synergies of business have helped both the Companies pool their strength and the association has helped your Company to broaden its basket of products in the International Market.

SUBSIDIARY COMPANIES :

Pursuant to the requirements of Section 212 of the Companies Act, 1956, the Annual Accounts for the year ended 31st March 2003 as also the Auditors' and Directors' Report in respect of the Company's Subsidiaries viz, Aryan Pesticides Limited and Nova Synthetic Limited are attached to the Accounts. The consolidated financial statements of your Company with those of its subsidiaries in accordance with the AS 21 are also annexed.

DIRECTORS :

In accordance with the provisions of the Companies Act, 1956, and the Company's Articles of Association, Shri D.D. Udeshi and Dr. S.S. Aggarwal retire by rotation and being eligible offer themselves for reappointment.

EMPLOYEE RELATIONS :

Your Company enjoys cordial relations with its employees. The Board wishes to place on record its appreciation of the contributions made by all the employees in ensuring high levels of performance and growth during the year.

AUDITORS :

At the Thirtyfirst Annual General Meeting, Messrs B.K. Khare & Company, Chartered Accountants, Mumbai, were re-appointed as Auditors of the Company to hold Office until the conclusion of the Thirtysecond Annual General Meeting. Accordingly, the said Auditors retire at the conclusion of the ensuing Annual General Meeting but, being eligible offer themselves for re-appointment. The Auditors have furnished to the Company the requisite certificate under Section 224 (1) of the Companies Act, 1956.

COST AUDITORS :

Pursuant to the directions of the Central Government under the provisions of Section 233B of the Companies Act, 1956, qualified Cost Auditors appointed by the Company continued to conduct cost audit of the notified products.

DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to the requirements under Section 217 (2AA) of the Companies Act, 1956 the Board of Directors confirms that :

- (1) in the preparation of the annual accounts for the financial year ended 31st March 2003 the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- (2) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2003 and of the profit of the Company for the period 1st April 2002 to 31st March 2003.
- (3) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (4) the Directors have prepared the annual accounts of the Company on 'going concern' basis.

OTHER INFORMATION :

Information on particulars of Employees' Remuneration as per Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 form part of this report. However, as per the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Report and Accounts are being sent to all shareholders of the Company excluding the statement of particulars of employees. Any shareholder interested in obtaining a copy of the statement may write to the Company Secretary at the Registered Office of the Company.

ACKNOWLEDGEMENTS :

The Company continues to receive excellent support and guidance from the Financial Institutions and Consortium of Banks and your Directors would like to place on record their sincere appreciation for the same.

The Directors also wish to thank the Shareholders, Debentureholders, Depositholders and all other business associates for the confidence reposed by them in the Company.

For and on behalf of the Board,

Mumbai,

C. K. MEHTA

Dated : 28th May, 2003

Chairman

**ANNEXURE - A TO DIRECTORS' REPORT**

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo.
Section 217 (1) (e) of the Companies Act, 1956.

The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

A - CONSERVATION OF ENERGY**FORM - A**

Disclosure of particulars with respect to Conservation of Energy (to the extent applicable)

(a) POWER AND FUEL CONSUMPTION

		2002-2003				2001-2002			
		Nitrite	N.A.Divn.	T.C.D.	SDC	Nitrite	N.A.Divn.	T.C.D.	SDC
		(Nandesari)	(Taloja)	(Pune)	(Pune)	(Nandesari)	(Taloja)	(Pune)	(Pune)
1. Electricity :									
(a) Purchased									
Unit	KWH	11587280	7759000	1608378	4331009	10972730	7677950	1482296	3997109
Total Amount	Rs.	61568042	41244598	5931403	15792682	59727470	41732089	5969013	15573723
Rate/Unit	Rs.	5.31	5.32	3.69	3.65	5.44	5.44	4.03	3.90
(b) Own Generation									
(i) Through Own Diesel Generator									
Unit	KWH	4245	15090	13788	348782	4245	6765	7470	62682
Unit per ltr. of Diesel Oil	KWH	2.09	3.32	2.82	3.40	2.28	3.32	1.87	2.30
Cost /Unit	Rs.	10.41	6.48	10.30	6.58	8.40	5.77	11.37	8.83
(ii) Through Steam Turbine/Generator	Rs.	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
2.Coal	Rs.	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
3.Furnace Oil									
Quantity	KL	3884	4756	1961	1605	3621	4519	1128	1451
Total Amount	Rs.	40823896	50979032	20955591	17496697	30701751	37292141	9090146	12667947
Average Rate/KL	Rs.	10511	10719	10686	10899	8479	8253	8059	8729
4. L.S.H.S./L.D.O.									
Quantity	KL	314	9	—	943	250	140	—	823
Total Amount	Rs.	3931022	128328	—	15735089	3243966	1904728	—	11235921
Average Rate/KL	Rs.	12523	15027	—	16678	12988	13605	—	13656
5.Others									
By Product Steam in tons (Nandesari)	MT	54496	57109	—	—	25492	—	—	—
L.P. Gas Pune	MT	—	—	—	—	—	—	—	—
Quantity	Rs.	—	—	—	—	—	—	—	—
Total Amount	Rs.	—	—	—	—	—	—	—	—
Average Rate/MT	Rs.	—	—	—	—	—	—	—	—

(b) CONSUMPTION PER UNIT OF PRODUCTION

	2002-2003		2001-2002	
	Electricity KWH	Furnace Oil Ltr.	Electricity KWH	Furnace Oil Ltr.
Inorganic Salts	274	119	297	104
DNPT	1447	285	1636	302
Nitro Aromatics	352	215	385	233
Dyes	—	—	8575	16281
Dye Intermediates	2894	1118	3241	1224
Aromatics Amines	246	300	271	209

B - TECHNOLOGY ABSORPTION**FORM - B**

Disclosure of Particulars with respect to Technology Absorption (to the extent applicable)

(a) RESEARCH & DEVELOPMENT (R & D)

- The special focus of R & D for the year under review was development of value added fine chemicals. Based on synergy with our core expertise certain new products were developed.
- Benefits derived as a result of the above R & D :
Improvement in terms of quality, energy, efficiency as well as development of ecofriendly processes continued. This helped the Company's products to be competitive in the world market.
- Expenditure on R & D :

	Rs. in lacs	
	2002-03	2001-02
(a) Capital	23.88	1.27
(b) Recurring	200.23	196.26
(c) Total	224.11	197.53
(d) Total R & D expenditure as a percentage of total turnover	0.90	0.93

(b) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Well equipped R & D facility as well as the pilot plant enables rapid adaption of innovative processes being developed for new products.

(c) FOREIGN EXCHANGE EARNINGS AND OUTGO

The information is contained in items No. 11 (c), (d) and (e) of Schedule 21 (Notes forming part of the Accounts) of the Annual Report.

For and on behalf of the Board,

Mumbai,
Dated : 28th May, 2003

C. K. MEHTA
Chairman



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. INDUSTRY STRUCTURE AND DEVELOPMENTS :

The economic slow down in developed countries impacted the Indian growth rate as well. Chemical Industry in particular, had to face challenges due to increasing raw material prices as well as competition from China in the end products. Reduced custom duties put further pressure on domestic prices. Your Company has been able to meet these challenges by improving its efficiency in terms of material as well as energy consumption. Thrust in export of value added products enabled the Company to consolidate its position in the area of fine and speciality chemicals in Europe and U.S.A.

2. OPPORTUNITIES AND THREATS :

The Company's multi-locational manufacturing facilities enabled it to offer products based on processes like nitration, chlorination, alkoxylation and hydrogenation from few tons to several thousand tons.

As developed Countries look for cost effective sourcing of Chemical intermediates, China remains a threat for Indian Chemical Industry in International Market. Your Company's thrust in R&D backed by new capex to augment capabilities in fine and speciality segment gives it a competitive edge in the market place.

3. SEGMENT-WISE PERFORMANCE :

The Company operates in three business segments :

INORGANIC INTERMEDIATES :

The turnover of this segment for the year under review is higher by about 5% as compared to the previous year. Favourable raw material prices, higher realisations and better efficiencies have resulted in an improved profitability for the segment as compared to the previous year.

ORGANIC INTERMEDIATES :

The turnover of this Segment was higher by about 23% as compared to the previous year mainly as a result of higher volumes. Although realisations were better than those for the previous year, the abnormal increase in raw material prices viz Benzene, Toluene and Chlorine have impacted the profitability.

FINE AND SPECIALITY CHEMICALS :

The turnover of this Segment was higher by nearly 28% as compared to the previous year. There has been substantial increase in export turnover, mainly as a result of the introduction of a new high value product. This has contributed towards higher profitability for the segment.

4. OUT LOOK :

This has been dealt with in the Directors' Report.

5. RISKS AND CONCERNS :

The Company is susceptible to fluctuations in prices of its major raw materials like Benzene, Toluene, Caustic Soda, Chlorine and Ammonia, which it monitors on a regular basis. With growing exports, appreciation of rupee can also be an area of concern. Our mix of export destinations partially averages out this impact of currency fluctuation.