

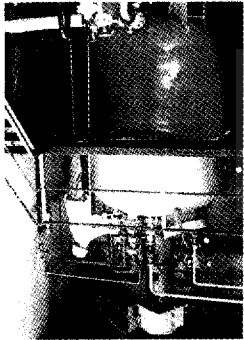
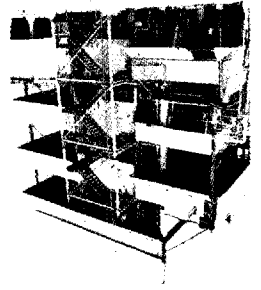
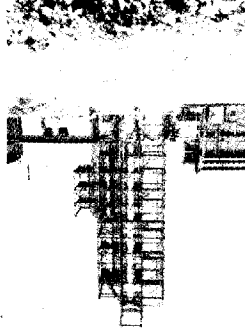
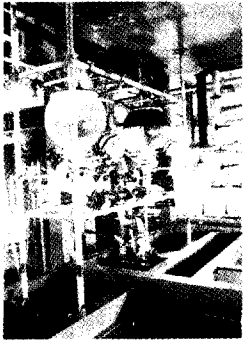


DEEPAK NITRITE LIMITED

33rd
Annual
Report
2003-2004

*Crosses the Milestone
of Rs. 100 crore
in exports....*

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Consistency...

Reliability...

Quality...



33rd ANNUAL GENERAL MEETING

Day/Date : Saturday, 4th September, 2004
 Time : 10.30 a.m.
 Venue : Hotel Surya Palace, Opposite Parsi Agiari,
 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
 K.N. Pujara (Nominee of UTI upto 6th June, 2004)
 D.R. Mehta (Nominee of ICICI Bank Ltd.)
 A.K. Dasgupta
 Hasmukh Shah
 Nimesh Kampani

COMPANY SECRETARY & GENERAL MANAGER (FINANCE)

Sanjay Upadhyay

BANKERS

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

UTI Bank Ltd. • Canara Bank

SOLICITORS

Udwadia & Udeshi, Mumbai

M & M Legal Ventures, Mumbai

AUDITORS

B.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, Plot Nos. K/9-10, MIDC Talaja Dist. Raigad - 410 208
- (4) APL Division, Plot Nos. 1, 2, 26 & 27, MIDC Dhatav, Roha, Dist. Raigad - 402 116.

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**NOTICE**

NOTICE is hereby given that the Thirtythird Annual General Meeting of the Company will be held at Hotel Surya Palace, Opposite Parsi Agiari, Sayajigunj, Baroda - 390 005 on Saturday, the 4th September, 2004 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 31st March, 2004, and the Profit and Loss Account for the financial year ended 31st March, 2004 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 C. K. Mehta who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri M.R.B. Punja 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.

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 and all other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, (including any statutory modification or re-enactment thereof, for the time being in force) the Company hereby approves the re-appointment of and the remuneration payable to Shri D. C. Mehta as a Managing Director of the Company, as approved by the Board of Directors, for a further period of five years with effect from 14th December, 2003 on the terms and conditions as set out in the Explanatory Statement and the draft letter of re-appointment to be issued by the Company to Shri D. C. Mehta and placed before this meeting, 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 alter or vary the terms and conditions of the said re-appointment including remuneration from time to time so long as it does not exceed the limits specified in Schedule XIII of the Companies Act, 1956 or any modification or re-enactment thereof, for the time being in force and also to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient to give effect to this resolution."

7. To consider and, if thought fit, to pass, with or without modifications, the following Resolution as an Ordinary Resolution :
 "RESOLVED THAT pursuant to Article 127(a) of the Company's Articles of Association and in conformity with the provisions of Section 260 of the Companies Act, 1956, Shri Hasmukh Shah, who was appointed as an Additional Director of the Company by the Board of Directors and who holds office under the said Article and Section 260 of the Companies Act, 1956 only upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby elected and appointed a Director of the Company, liable to retire by rotation."
8. To consider and, if thought fit, to pass, with or without modifications, the following Resolution as an Ordinary Resolution :
 "RESOLVED THAT pursuant to Article 127(a) of the Company's Articles of Association and in conformity with the provisions of Section 260 of the Companies Act, 1956, Shri Nimesh Kampani, who was appointed as an Additional Director of the Company by the Board of Directors and who holds office under the said Article and Section 260 of the Companies Act, 1956 only upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby elected and appointed a Director of the Company, liable to retire by rotation."
9. To consider, and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution :
 "RESOLVED THAT pursuant to Section 309(4) of the Companies Act, 1956, the Company hereby accords its consent to the payment of remuneration to Non-Wholtime Directors of the Company by way of commission, for a period of five years commencing with the financial year 2004-2005, not exceeding 1% of the net profits of the Company as determined in accordance with the provisions of Sections 198, 349 and 350 and any other applicable provisions, if any, under the Companies Act, 1956.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to decide, from time to time, the quantum and manner of distribution of the commission to the said Directors within the limit aforesaid.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take all such steps as may be considered necessary, desirable or expedient for giving effect to this resolution."

Registered Office :
 9/10, Kunj Society,
 Alkapuri,
 BARODA - 390 007
 Dated : 17th June, 2004

By Order of the Board of Directors,
 Sanjay Upadhyay
 Company Secretary &
 General Manager (Finance)

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 Statements pursuant to Section 173 of the Companies Act, 1956, in respect of the business under Items 6 to 9 as set out above are annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, the 25th August, 2004 to Saturday, the 4th September, 2004 (both days inclusive).
5. The dividend as recommended by the Board, if declared at the meeting, will be paid on or after 6th September, 2004, to those members whose names appear on the Company's Register of Members on 4th September, 2004. 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.
6. 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 account 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.
7. In order to avoid the risk of loss/interception of dividend warrants in postal transit and/or fraudulent encashment of dividend warrants, Shareholders are advised to avail of ECS facility whereby the dividend will be directly credited electronically to their respective Bank Accounts. This will ensure speedier credit of dividend. You may use the enclosed 'ECS Mandate Form' and forward necessary details to the Registrar and Share Transfer Agent or Depository Participants, as the case may be, to avail benefit of this service.
8. Members holding equity shares in physical form are requested to notify immediately to the Company's Registrar and Share Transfer Agent M/s. Sharepro Services, Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (East), Mumbai - 400 099 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.
9. 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.
10. 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 requested to bring alongwith them Client ID and DP ID Numbers for easy identification.
11. At the ensuing Annual General Meeting, Shri C. K. Mehta and Shri M.R.B. Punja retire by rotation and being eligible offer themselves for re-appointment. A brief profile of the Directors retiring by rotation and eligible for their re-appointment, as required by Clause 49 VI A of the Listing Agreement with the Stock Exchange is given under :
 1. Shri C.K. Mehta is founder of the Company and is associated with the Company since 2nd May, 1970, the date of inception of the Company. He is a well known Industrialist having 48 years of versatile experience in the Chemical Trade and Industry and is also founder of Deepak Fertilisers and Petrochemicals Corporation Limited. He is the Chairman of both the Companies. His Directorships as on 31st March, 2004 are as under :
Chairman : Deepak Fertilisers and Petrochemicals Corporation Ltd. • **Director :** Hindustan Oil Exploration Co. Ltd. • Blue Shell Investments Pvt. Ltd. • Deepak Medical Foundation • Sofotel Software Services Pvt. Ltd. • The Lakaki Works Pvt. Ltd. • Deepak Asset Reconstruction Pvt. Ltd. • Storewell Credits & Capital Pvt. Ltd.
 2. Shri M.R.B. Punja is a Director of the Company, since 28th January, 1988. He is Ex-Chairman and Managing Director of The Industrial Development Bank of India (IDBI), a premier financial institution of the Country. He



possesses rich experience in the field of Finance and Management. His Directorships as on 31st March, 2004 are as under:

Chairman : Andhra Petrochemicals Ltd. • LML Ltd. • Suprajit Engineering Ltd. • Suprajit Chemicals Private Limited • Adeep Roloforms Limited • Adeep Locks Limited • **Director :** Hindoostan Spg. Wvg. Mills Ltd. • Apollo Tyres Ltd. • Chowgule Steamships Ltd. • Sushruta Medical Aid & Research Hospital Ltd. • Seshasayee Paper & Boards Ltd. • Delite Engineering Private Limited • Adeep Auto Private Limited • Agrim Automach Private Limited • Aleef India Pvt. Ltd.

ANNEXURE TO THE NOTICE :

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

ITEM No. 6

At its meeting held on 21st October, 2003, the Board of Directors of the Company has approved, subject to the approval of members, the re-appointment of Shri D.C. Mehta as a Managing Director of the Company for a period of five years with effect from 14th December, 2003 inter alia upon the following terms and conditions :

1. The remuneration comprising of salary, perquisites, other benefits and allowances payable to Shri D. C. Mehta, as the Managing Director shall be Rs. 1,75,000/- per month or Rs. 21,00,000/- per annum 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 minimum 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 a 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 ceiling 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, super annuation 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, and if the Company has made the profits in that year then Shri D. C. Mehta shall 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 Companies Act, 1956 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 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 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 Board of Directors shall have the authority to alter or vary the terms of re-appointment and remuneration including commission and perquisites payable to Shri D. C. Mehta within the overall limits specified under Sections 198, 309 and Schedule XIII of the Companies Act, 1956.

The approval of members is, therefore, sought for the re-appointment of and remuneration payable to Shri D. C. Mehta.

Except Shri C. K. Mehta, Shri D. C. Mehta and Shri A. C. Mehta, no other Directors of the Company are concerned or interested in the Ordinary Resolution as set out at item no. 6.

A draft of the letter of re-appointment proposed to be issued to Shri D. C. Mehta is open for inspection by 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.

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

ITEM No. 7

Shri Hasmukh Shah was appointed by the Board of Directors as an Additional Director with effect from 21st October, 2003 under Article 127(a) of Articles of Association of the Company and Section 260 of the Companies Act, 1956 and holds office upto the date of ensuing Annual General Meeting. Notice has been received from a member signifying his intention to propose Shri Hasmukh Shah as a candidate for the office of Director.

Shri Shah is Ex-Chairman and Managing Director of Indian Petrochemicals Corporation Limited. He has also held various important positions like Joint Secretary to the Prime Minister of India, Secretary of Post and Telegraph Board, Chairman of Gujarat Industrial Investment Corporation, Vice Chairman of GE Capital (India), Chairman of Gujarat Industrial Research and Development Agency and Gujarat Ecology Commission.

Shri Shah has made significant contribution in social, cultural and rural development activities like leprosy eradication, water management conservation and management of man-made and other natural heritage.

Shri Shah has also contributed significantly in the academic research areas. He is holding the office of Chairman in National Institute of Design and Gujarat Institute of Desert Ecology and is an active member on the Board of several Companies. Shri Hasmukh Shah is interested in the resolution as it relates to his appointment. His Directorships as on 31st March, 2004 are as under :

Chairman : Shaily Engineering Plastics Ltd. • Oswal Multimedia K.I.D. Ltd. • Gujarat Gas Co. Ltd. • **Director :** Supreme Petrochem Ltd. • Hindustan Oil Exploration Co. Ltd. • Micro Inks Ltd. • Feedback First Urban Infrastructure Fund Ltd. • Sun Pharmaceutical Industries Ltd. • Atul Ltd. • Cosmo Films Ltd.

ITEM No. 8

Shri Nimesh Kampani was appointed by the Board of Directors as an Additional Director with effect from 21st October, 2003 under Article 127(a) of Articles of Association of the Company and Section 260 of the Companies Act, 1956 and holds office upto the date of ensuing Annual General Meeting. Notice has been received from a member signifying his intention to propose Shri Nimesh Kampani as a candidate for the office of Director.

Shri Kampani is a Chartered Accountant. He has built up 25 years strong domestic franchise for the J M Financial Group in India. Shri Kampani who is arguably the oldest investment banker in the Country, has in a career spanning the last three decades, been involved in the development of the capital markets in India and advised many Corporates on restructuring, merger and acquisitions and providing complete financial solutions tailor-made for their capital raising needs.

Shri Kampani has been an active member of numerous committees and has been a committed participant in initiatives taken to introduce best practices in the capital markets. He has served on various committees of Securities and Exchange Board of India (SEBI) and was a member of the Bhagwati Committee on SEBI Regulation for (Substantial Acquisition of Shares and Takeovers). Shri Kampani has also served as a Chairman and Member of the Financial Services Committee and National Council of the Confederation of Indian Industry (CII).

Shri Kampani is greatly valued by many of the top Corporates in India for his advisory role and is an active member on the Board of several Companies. Shri Nimesh Kampani is interested in the resolution as it relates to his appointment. His Directorships as on 31st March, 2004 are as under :

Chairman : J. M. Financial & Investment Consultancy Services Pvt. Ltd. • J. M. Share & Stock Brokers Ltd. • J. M. Trustee Company Pvt. Ltd. • J. M. Morgan Stanley Retail Services Pvt. Ltd. • J. M. Morgan Stanley Fixed Income Securities Pvt. Ltd. • J. M. Morgan Stanley Securities Pvt. Ltd. • Capital Market Publishers India Pvt. Ltd. • Kampani Consultants Limited • **Chairman & Managing Director :** J. M. Morgan Stanley Private Limited • **Director :** J. M. Financial Limited, Jersey. • Ambuja Cement India Ltd. • Apollo Tyres Limited • Britannia Industries Ltd. • Escorts Limited • Gujarat Ambuja Cements Ltd. • KSB Pumps Limited • Ranbaxy Laboratories Ltd. • The Indian Index Fund Ltd., Mauritius.

ITEM No. 9

In recognition of the valuable services being rendered by the Non-Wholetime Directors of the Company, the Board of Directors has proposed, subject to the approval of the shareholders, payment of remuneration to them by way of commission, for a period of five years commencing with the financial year 2004-05, not exceeding 1% of the net profits of the Company as determined in accordance with provisions of Section 198 read with Sections 349 and 350 of the Companies Act, 1956.

Shri C. K. Mehta, Shri Shrenik Kasturbhai Lalbhai, Dr. S. S. Aggarwal, Shri D. D. Udeshi, Shri M. R. B. Punja, Shri D. R. Mehta, Shri A. K. Dasgupta, Shri Hasmukh Shah and Shri Nimesh Kampani being Non-Wholetime Directors may be considered as concerned or interested in the Special Resolution at item no. 9.

Registered Office :

9/10, Kunj Society,

Alkapuri,

BARODA - 390 007

Dated : 17th June, 2004

By Order of the Board of Directors,

Sanjay Upadhyay
Company Secretary &
General Manager (Finance)



DIRECTORS' REPORT

Your Directors have pleasure in presenting the Thirtythird Annual Report and Accounts for the financial year ended 31st March, 2004 together with the Auditors' Report thereon.

FINANCIAL RESULTS :

	Current Year Rs.	Previous Year Rs.
Sales (net of Excise) and Other Income	290,31,87,276	254,16,31,445
Gross Profit (before interest, depreciation and tax)	32,56,23,879	33,64,84,366
Less :		
(i) Interest	11,50,48,764	11,18,02,051
(ii) Depreciation	11,63,81,574	7,73,83,399
(iii) Provision for Tax		
- Current	1,03,59,558	2,87,00,000
- Deferred	21,41,162	15,25,011
Profit (after interest, depreciation and tax)	8,16,92,821	11,70,73,905
Add (Less) :		
Prior Years' adjustments	(3,94,612)	—
Net Profit after adjustments	8,12,98,209	11,70,73,905
Surplus in Profit & Loss Account Brought Forward	28,25,40,675	21,49,26,926
Add : Transfer from Debenture Redemption Reserve	2,72,60,305	2,00,00,000
Amount available for appropriation	39,10,99,189	35,20,00,831
Appropriation :		
Dividend on Equity Shares	1,79,46,186	1,72,50,000
Corporate Dividend Tax	22,99,355	22,10,156
General Reserve No. 1	4,00,00,000	5,00,00,000
Balance carried to the Balance Sheet	33,08,53,648	28,25,40,675
	39,10,99,189	35,20,00,831

PERFORMANCE :

Your Company recorded an increase in turnover of around 12%. During the year, the Company achieved a significant landmark when its exports crossed a turnover of Rs. 100 crores to reach a figure of Rs. 112 crores showing an increase of 44% over the previous year. However the operating margins of the Company were under pressure due to steep increase in the prices of major raw materials. Withdrawal of SAD and lowering of customs duty in the interim budget presented in the month of February 2004 also had its impact on operating margins. The margins of the NCB business of the Company recorded a significant drop during the year mainly because of over capacity in this segment. The Company divested its holding in Deepak Fertilisers & Petrochemicals Corporation Limited and Nova Synthetic Limited, a subsidiary Company, during the year.

AMALGAMATION OF ARYAN PESTICIDES LIMITED WITH THE COMPANY :

All legal formalities for amalgamation of erstwhile Aryan Pesticides Limited with your Company were completed during the year after obtaining approvals of Hon'ble High Courts at Mumbai and Gujarat. The amalgamation became effective on 31st March, 2004 upon filing of certified copy of High Court Order with the Registrar of Companies, Gujarat, the appointed date being 1st April, 2003. The scheme has accordingly been given effect to in these accounts. Consequent upon the amalgamation 2,32,062 Equity Shares of Rs. 10 each are being issued and allotted in the ratio of one Equity Share of the Company at par as fully paid-up for every five Equity Shares fully paid-up held by the members of erstwhile Aryan Pesticides Limited.

OUTLOOK AND FUTURE PLANS :

The Company has a unique capability in nitration based organic intermediates and can offer widest range of such products from its batch or continuous plants at multiple locations. The Company is further rationalising and consolidating these capabilities to service local as well as international customers and has been able to tie-up long term supply contracts based on the performance with major international users. These efforts will reduce the impact



of adverse market conditions prevailing in Nitro chloro benzene business. The amalgamation of Aryan Pesticides Limited with the Company has opened new avenues in the field of fine and speciality chemicals.

DIVIDEND :

Your Directors are pleased to recommend the payment of dividend of Rs. 3/-, per Equity Share (30%), which shall in the hands of Shareholders be free of tax this year, on 59,82,062 Equity Shares for the approval of the Shareholders. The dividend, if approved, alongwith the Corporate Dividend Tax will absorb a sum of Rs. 202.45 lacs (Rs. 194.60 lacs).

FINANCE :

Interest Costs :

- (a) As a move towards cutting down on interest costs, the Company has converted major portion of its long term liabilities into Foreign Currency denominated borrowings. The Company also availed most of its working capital borrowings by way of Rupee/Foreign Currency denominated packing credit and FCNR(B) loans.
- (b) During the year under review the Company paid Rs. 1191.80 lacs towards normal repayments of its installments of term loans and has fully redeemed the 15% Non-Convertible Debentures aggregating to Rs. 545.20 lacs.

FIXED DEPOSITS :

The total amount of Fixed Deposits held by the Company from the Shareholders and Public stood at Rs. 2261.54 lacs at the close of the financial year. The Company has no deposits, which are matured and claimed, but remained unpaid.

CORPORATE GOVERNANCE :

The Company is committed to provide top value to its stakeholders by adhering to the values of good Corporate Governance. The Management Discussion and Analysis and the Report on Corporate Governance are included as part of the Annual Report. A certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this report.

RESEARCH AND DEVELOPMENT :

During the year Company increased its capital and revenue expenditures on R & D to reach a total of Rs. 309 lacs. Intermediates for Agro and Imaging chemicals remained a major focus area. R & D continues to do valuable work on process improvements in existing products based on Nitration & Hydrogenation.

ENVIRONMENT & SAFETY :

The Company accords highest priority in maintaining the best safety practices and standards. The Company is conscious of its responsibility towards creating, maintaining and ensuring a safe and clean environment. Strict adherence to all regulatory requirements and guidelines is maintained at all times and the Company is a signatory to Responsible Care initiative of Indian Chemical Manufacturers Association.

OTHER INFORMATION :

A minor fire broke out at Nitro Aromatic Division at Nandesari, Baroda on 5th June, 2004, when the plant was under planned maintenance shut down, however there were no injuries. The loss on account of damage to the plant & machinery is Rs. 1.00 crore approximately. The plant is fully covered under insurance.

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

The Company ensures that the scarce energy resources are utilised in a most productive manner. The consumption of energy is closely monitored at all the manufacturing sites.

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 interest of the Company including buildings, plant and machineries, stores and spares have been adequately insured.

COMMUNITY SERVICES :

The goal of Deepak Foundation (Deepak Charitable Trust and Deepak Medical Foundation) has always been directed towards social upliftment of women. This year, following the Chairman's vision, Deepak Charitable Trust has launched a project to reduce the infant and maternal deaths in the entire district of Vadodara (rural). It has been decided to



work with the existing government infrastructures and personnel to achieve the goal, instead of setting up a parallel health infrastructure and facilities. Thus this project is envisaged to be a perfect example of the public private partnership (PPP) model wherein the corporate group once again has responded to its' social call and its' NGO shall work hand in hand with the government health systems.

DIRECTORS :

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Shri. C. K. Mehta and Shri M. R. B. Punja retire by rotation and being eligible offer themselves for re-appointment.

In the current year, Unit Trust of India (UTI) withdrew its Nominee Director Shri K. N. Pujara. The Board places on record its appreciation for the valuable contributions made by Shri K. N. Pujara during his tenure as a Director of the Company.

EMPLOYEE RELATIONS :

Employee relations are cordial at all locations. The Directors are pleased to place on record their appreciation of the services rendered by all the employees at all levels.

AUDITORS :

At the Thirtysecond 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 Thirtythird 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 :

The Company has discontinued the manufacture of "Dyes" to which the Cost Audit Order u/s 233B and maintenance of Cost records u/s 209(l)(d) of the Companies Act, 1956 are applicable. Consequently the Company has applied to the Department of Company Affairs seeking exemption from the applicability of the said provisions.

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 the applicable accounting standards have been followed alongwith proper explanations 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, 2004 and its profit for the year ended on that date;
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 a 'going concern' basis.

PERSONNEL :

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.

ACKNOWLEDGMENTS :

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.

Mumbai,
Dated : 17th June, 2004

For and on behalf of the Board,
C. K. MEHTA
Chairman