



Thirty Seventh Annual Report 2007-2008

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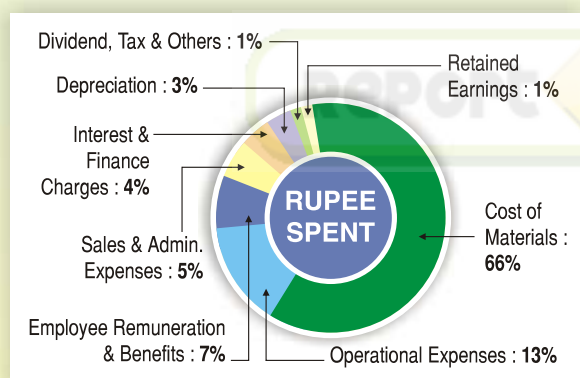
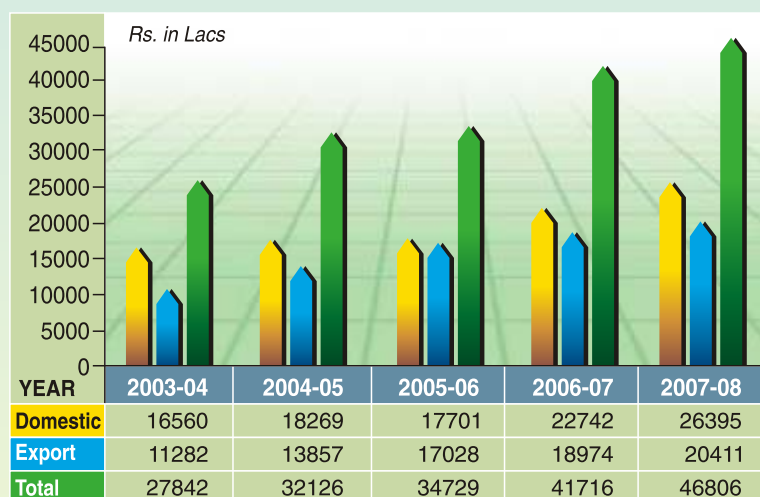


'Environment First' is a Must

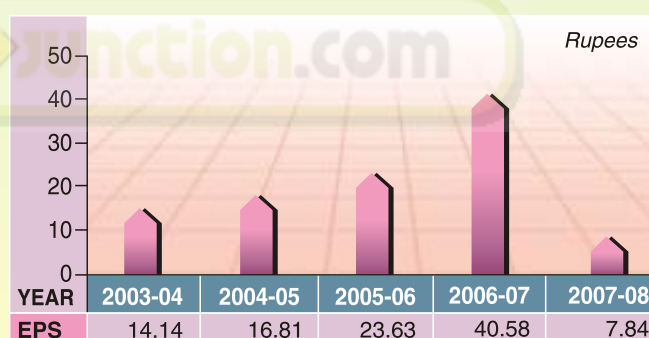


Financial Highlights

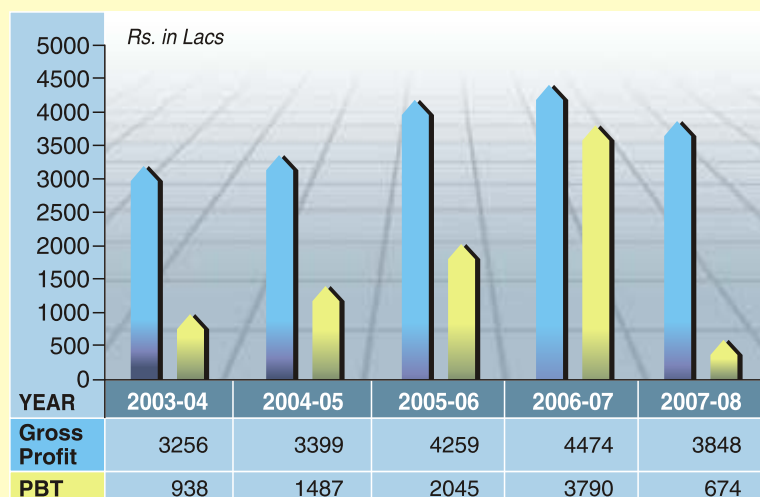
SALES



EPS



GROSS PROFIT / PBT





Registered Office : 9/10, Kunj Society, Alkapuri, Vadodara - 390 007.

From the desk of Vice Chairman and Managing Director

Dear Shareholders,

The Financial Year 2007-08 saw a difficult first half for DNL. The operations of your Company were severely affected due to scarcity of key inputs resulting in closure of the respective plants for around two and a half months. Increase in input prices, low realizations consequent upon unhealthy Chinese competition and unfavorable Rupee-Dollar movement also contributed to operational loss during the first half.

In the second half, the performance of your Company improved substantially due to high turnover from high value products coupled with improved realizations on account of stricter compliance policies of the Chinese Government and change in global macro-economic conditions. The Company faced positive challenges in managing Logistics, Supply Chain and above all making its Nitroaromatics plant truly multipurpose. Meeting these challenges helped in establishing the company's reputation as a company which can rise to the occasion, which can well blend creativity and operational discipline to deliver unmatched performance.

Your Company is confident that through its well-planned long term forward thinking strategies, technical expertise and global customer relationship, it will grow from strength to strength in the coming years.

On the International front, situation is changing for the better as Chinese prices have escalated giving our marketing a better opportunity to improve sales realization. However, some raw material prices like Sulphuric Acid have increased multifold, causing concern.

As issues of global warming and problems associated with environmental contamination continue, a growing movement towards 'green' products and services is rapidly becoming a key component for the industry. With global awareness improving through political support, media coverage and overall education, the rising popularity of environmentally safe products and materials has received a boost, creating opportunities for sector participants.

Being aware of the global warming, your Company has been playing its role as a committed caring Corporate Citizen. Your company believes in sustainable development, which translates into meeting today's needs without jeopardizing the needs of future generations. This also means understanding that the earth's resources are finite and that as far as possible, using these sparingly and in a responsible manner, makes greater business sense.

I and my colleagues on the Board sincerely thank the Central Government, State Governments, Regulating Authorities, Financial Institutions and Banks for their support and guidance. I also greatly appreciate the encouragement and trust shown by the company's shareholders, customers and business associates, as well as committed employees, and also look forward to a similar support in future for the company's growth and success.

With best wishes,

D. C. MEHTA

Vice Chairman & Managing Director

INVESTORS' WELFARE SCHEME

The Company's scheme covers the risk of death and permanent (total/partial) disability sustained due to an accident by first-named shareholder of the Company solely and directly from external, violent and visible means.

Details of entitlement under the Personal Accident Policy are as under :

I. Coverage :

- a. Death
- b. Permanent (total / partial) disablement :

Explanation :

(i) Permanent Total Disablement :

- Loss of sight of both eyes or of actual loss by physical separation of two entire hands or two entire feet.

(ii) Permanent Partial Disablement :

- Loss of sight of one eye or actual loss by physical separation of one entire hand or one entire foot.
- Loss of physical separation of a part of hand or part of foot.

II. Sum Insured :

No. of Equity Shares held	Sum Insured (Rs.)
Up to 150	20,000
151 to 500	40,000
501 & above	60,000

III. Benefits :

The benefits available under the Group Personal Accident Insurance Policy are as under :

1. Fatal Accident (Death) : Sum Insured*
2. Permanent Total Disablement : Sum Insured*
3. Loss of two limbs or two eyes or one limb and one eye : Sum Insured*
4. Loss of one limb or one eye : 50% of the Sum Insured*
5. Permanent Partial Disablement : Specific percentage of the Sum Insured* depending on the extent of disablement.

[* Sum insured is as explained in para (II) above]

- Note :**
1. Temporary disablement, Medical/Hospitalisation Expenses are out of the purview of the scheme.
 2. Members who have not filed the Nomination Form earlier in respect of Personal Accident Policy may approach the Company for obtaining the Nomination Form and return the same duly filled-in and signed for registration with the Company.



DEEPAK NITRITE LIMITED

37th ANNUAL GENERAL MEETING

Day/Date : Thursday, 14th August, 2008
Time : 10.30 a.m.
Venue : Hotel Surya Palace, Opposite Parsi Agiari,
Sayajigunj, Vadodara - 390 005

BOARD OF DIRECTORS

Chimanlal K. Mehta *Chairman*
Deepak C. Mehta..... *Vice Chairman & Managing Director*
Ajay C. Mehta *Managing Director*
Shrenik Kasturbhai Lalbhai
S.S. Aggarwal
M.R.B. Punja
A.K. Dasgupta
Hasmukh Shah
Nimesh Kampani
Sudhin Choksey
Berjis Desai
Richard H. Rupp

VICE PRESIDENT (FINANCE) & COMPANY SECRETARY

Sanjay Upadhyay

BANKERS

State Bank of India • Dena Bank • Bank of Baroda • ICICI Bank Ltd.
AXIS Bank Ltd. • ING Vysya Bank

SOLICITORS

M & M Legal Ventures, Mumbai

AUDITORS

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

REGISTERED OFFICE

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

CORPORATE OFFICE

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

PLANTS

- (1) 4-12, GIDC Chemical Complex, Nandesari - 391 340, Dist. Vadodara
- (2) Talaja Chemical Division, Plot Nos. K/9-10, MIDC Talaja
Dist. Raigad - 410 208
- (3) APL Division, Plot Nos. 1, 2, 26 & 27, MIDC Dhatav,
Roha, Dist. Raigad - 402 116.
- (4) Hyderabad Specialities Division, Plot Nos. 90-F/70-A & B, Phase II,
Industrial Development Area, Jeedimetla, Tal. Qutbullapur Madal,
Dist. Ranga Reddy, Hyderabad - 500 055.

C O N T E N T S

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NOTICE

NOTICE is hereby given that the Thirty-Seventh Annual General Meeting of the Company will be held at Hotel Surya Palace, Opposite Parsi Agiari, Sayajigunj, Vadodara – 390 005 on Thursday, the 14th August, 2008, 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, 2008, 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 M. R. B. Punja who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri A. K. Dasgupta, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri Sudhin Choksey, who retires by rotation and, being eligible, offers himself for re-appointment.
6. 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:

7. To consider and, if thought fit, to pass with or without modification, 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 Berjis Desai, who was appointed as an Additional Director of the Company by the Board of Directors at their meeting held on 16th April, 2008 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 appointed as a Director of the Company, liable to retire by rotation."
8. To consider and, if thought fit, to pass with or without modification, 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, Dr. Richard Helmut Rupp, who was appointed as an Additional Director of the Company by the Board of Directors at their meeting held on 27th May, 2008 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 appointed as a Director of the Company, liable to retire by rotation."

Registered Office:
9/10 Kunj Society
Alkapuri
VADODARA – 390 007

By Order of the Board of Directors,

SANJAY UPADHYAY
Vice President (Finance) &
Company Secretary

Dated: 27th May, 2008

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 Monday, 4th August, 2008 to Thursday, 14th August, 2008 (both days inclusive).
4. The dividend as recommended by the Board, if approved at the meeting, will be paid on or after 18th August, 2008 to those members whose names appear on the Company's Register of Members on 14th August, 2008. In respect of the shares in electronic form, the dividend will be payable on the basis of beneficial ownership as per the details furnished by the Depositories for the purpose.
5. In order to avoid risk of loss of dividend warrants in transit and/or fraudulent encashment of dividend warrants, the Company has provided a facility to the Shareholders for remittance of dividend through Electronic Clearing System (ECS). The ECS facility is available at locations identified by Reserve Bank of India from time to time and covers most of the cities and towns. Shareholders are advised to avail of ECS facility whereby the dividend will be directly



credited electronically to their respective Bank Account. Shareholders holding shares in physical form who have not availed the ECS facility and are desirous of availing this facility may send ECS Mandate with necessary details to the Company's Registrar and Share Transfer Agent M/s. Sharepro Services (India) Pvt. Ltd., Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (East), Mumbai 400 099, quoting their Registered Folio Number.

6. Members holding shares in dematerialized mode are requested to intimate any changes pertaining to their bank details, ECS mandates, nominations, power of attorney, change of address / name etc. to their Depository Participant only and not to the Company's Registrar & Share Transfer Agent. Changes intimated to the Depository participant will then be automatically reflected in the Company's records which will help the Company and its Registrar & Share Transfer Agent to provide efficient and better service to the members.
7. Members holding shares in physical form are requested to intimate all changes pertaining to their bank details, ECS mandates, nominations, power of attorney, change of address / name etc. to the Company's Registrar & Share Transfer Agent, quoting their Registered Folio Number. The Bank Account particulars of the members will be printed on the Dividend Warrant.
8. 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 became due for payment are required to be transferred to the "Investor Education Protection Fund" set up by the Central Government. Members who have so far not claimed dividends 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.
9. Members attending the meeting are requested to bring with them the Attendance Slip being sent alongwith the Annual Report duly filled in and signed and handover the same at the entrance at the place of the Meeting. Proxy/ Representative of a Member should mark on the Attendance Slip "Proxy" or "Representative" as the case may be. Members holding shares in electronic form and desirous of attending the meeting are required to bring along with them the Client ID and DP ID Numbers for easy identification.
10. At the ensuing Annual General Meeting Shri M. R. B. Punja, Shri A. K. Dasgupta and Shri Sudhin Choksey retire by rotation and being eligible offer themselves for reappointment.
Dr. S. S. Aggarwal who retires by rotation on the date of 37th Annual General Meeting has not opted for re-appointment.
11. A brief profile of the Directors retiring by rotation and eligible for reappointment, as required by Clause 49 VI A of the Listing Agreement with the Stock Exchange, is given below.

Shri M. R. B. Punja

Shri M. R. B. Punja, is an Arts Graduate and 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. He is also Chairman of the Audit Committee of the Company. His other Directorships as on 31st March, 2008 are as under:

- Andhra Petrochemicals Ltd. • Suprajit Engineering Ltd. • Hindoostan Spg. & Wvg. Mills Ltd. • Apollo Tyres Ltd. • Chowgule Steamships Ltd. • Sushruta Medical Aid & Research Hospital Ltd.

Shri M. R. B. Punja does not hold any shares in the Company.

Shri A. K. Dasgupta

Shri A. K. Dasgupta is a Science Graduate and a Bachelor of Chemical Engineering. He is having a rich experience in the field of Chemicals and is responsible for producing various resins and chemicals for the first time in India. He is associated with many professional bodies at various levels and has presented many papers at various national and international seminars. He has been associated with the Company since 1978. His other Directorships as on 31st March 2008 are as under:

- Enpro Projects Consultants Pvt. Ltd.

Shri A. K. Dasgupta does not hold any shares in the Company.

Shri Sudhin Choksey

Shri Sudhin Choksey is a Chartered Accountant having experience of 30 years in handling various areas of finance, commercial and general management both in India and abroad. He is the Managing Director of GRUH Finance Ltd., Ahmedabad. He is also a Member of the Audit Committee of the Company. His other Directorships as on 31st March 2008 are as under:

- GRUH Finance Ltd. • Gujarat State Financial Services Ltd. • Hunnar Shaala Foundation for Building Technology and Innovations.

Shri Sudhin Choksey does not hold any shares in the Company.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173 OF THE COMPANIES ACT, 1956

ITEM No. 7

Shri Berjis Desai was appointed by the Board of Directors as an Additional Director of the Company at their meeting held on 16th April, 2008. In terms of Section 260 of the Companies Act, 1956, Shri Berjis Desai holds office upto the date of the ensuing Annual General Meeting. A notice has been received from a member of the Company under Section 257 of the Companies Act, 1956 proposing Shri Berjis Desai as a candidate for the office of Director liable to retire by rotation.

Shri Berjis Desai is a Solicitor and a Managing Partner of M/s. J. Sagar & Associates, a renowned firm of Solicitors & Advocates.

He has extensive experience as an arbitrator and counsel in the field of Corporate Laws and also in international commercial & domestic arbitration.

He has also worked as a journalist with a leading Indian daily and continues to be a columnist in the Indian newspapers.

Shri Desai is a member of:

● American Arbitration Association ● The Bombay Incorporated Law Society

and an Arbitrator at ● The London Court of International Arbitration ● ICC - India

His other Directorships as on date are as under:

● Centrum Capital Ltd. ● Sterlite Industries (India) Ltd. ● Reliance Asset Reconstruction Co. Ltd. ● The Great Eastern Shipping Company Ltd. ● Nocil Ltd. ● Praj Industries Ltd. ● Wockhardt Hospitals Ltd. ● IRB Infrastructure Ltd. ● Emcure Pharmaceuticals Ltd. ● Greatship (India) Ltd. ● Kotak Mahindra Trusteeship Services Ltd.

Shri Desai does not hold any shares in the Company.

ITEM No. 8

Dr. Richard H. Rupp was appointed by the Board of Directors as an Additional Director of the Company at their meeting held on 27th May, 2008. In terms of Section 260 of the Companies Act, 1956, Dr. Rupp holds office upto the date of the ensuing Annual General Meeting. A notice has been received from a member of the Company under Section 257 of the Companies Act, 1956 proposing Dr. Rupp as a candidate for the office of Director liable to retire by rotation.

Dr. Rupp is Ph. D. Chemistry (with distinction) from University of Karlsruhe, Germany and has done his program for Executive Development, IMD at Lausanne, Switzerland. Dr. Rupp has held various top level positions in leading multinational companies such as Hoechst AG, Germany, Lonza, Switzerland and Allessachemie, Germany. His focus has been in the field of pharmaceuticals and fine chemicals. Dr. Rupp's experience encompasses a mix of scientific, technical as well as managerial roles. He is well acquainted with the US, European and Asian markets, especially the Indian sub-continent by virtue of his earlier tenure as R&D Director, Hoechst India Ltd. (1984 – 1988). Presently, Dr. Rupp is associated with Acoris Research Limited as President.

He does not hold any other Directorship of Indian Company.

Dr. Rupp does not hold any shares in the Company.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Thirty-seventh Annual Report together with the Audited Statement of Accounts for the financial year ended 31st March, 2008.

FINANCIAL RESULTS:

	2007-08 Rs.	2006-07 Rs.
Sales and Other Income	4,72,12,70,758	4,22,32,42,671
Exceptional Income - Sale of Land	—	29,85,46,166
Gross Profit (before interest, depreciation and tax)	38,48,44,597	66,18,75,738
Less :		
(i) Interest	15,31,70,424	13,49,00,545
(ii) Depreciation	16,42,93,325	14,79,69,762
(iii) Provision for		
— Current tax (including MAT set off)	1,10,27,531	2,78,78,000
— Prior Years' Tax adjustment	(64,34,592)	(3,13,84,000)
— Fringe benefit tax	23,65,432	29,80,531
— Deferred tax	(98,20,367)	2,27,34,459
Net Profit (after interest, depreciation and tax)	7,02,42,844	35,67,96,441
Add: Surplus in Profit & Loss Account Brought Forward	66,93,32,306	40,45,28,146
Amount available for appropriation	73,95,75,150	76,13,24,587
Appropriation :		
Proposed Dividend	3,58,92,372	3,58,92,372
Corporate Dividend Tax	60,99,909	60,99,909
General Reserve No. 1 (as required by Section 205 (2A) of the Companies Act, 1956)	1,25,00,000	5,00,00,000
Balance carried to the Balance Sheet	68,50,82,869	66,93,32,306
	73,95,75,150	76,13,24,587

DIVIDEND:

Your Directors are pleased to recommend the payment of dividend of Rs. 4/- per Equity Share (40%), on the Equity Share Capital of 8973093 Equity Shares (Previous year : 40% on 8973093 Equity Shares).

The dividend, if approved, along with the Corporate Dividend Tax, will absorb a sum of Rs. 419.92 lacs (Previous year Rs. 419.92 lacs).

REVIEW OF THE YEAR:

For the fiscal 2007-2008, your Company earned Rs. 7.02 crore profit after tax (PAT) on total income of Rs. 472.12 crore. Total income grew by 12% over the last year. The increase in domestic sales by 21% from Rs. 218 crore to Rs. 264 crore was the major contributory to the rise in total income this year. The exports sales showed a modest growth of 3% and grew from Rs. 199 crore to Rs. 204 crore.

The performance of your Company during the first half was severely affected due to non availability of key inputs which forced your Company to close the respective plants for a period of 75 days, increase in input prices and low realizations as a result of unhealthy Chinese competition. The performance of your Company started improving from the third quarter as a result of much improved realizations due to stricter compliance policies of the Chinese Government for the local industry, change in global macro-economic conditions as well as certain strategic initiatives taken by your Company.

Your Company has planned investments for the purpose of augmenting the capacities of the existing plants to satisfy the increasing demand for the Company's products, and also in energy efficient utility equipment to reduce costs. These measures will help in enhancing the revenues as well as profits for the future years.

FINANCE:

During the year, your Company raised long-term Secured Loans of Rs.9.09 crores and repaid installments of Rs.15.98 Crores.

Your Company, with the approval from warrant holders, amended the terms of the Detachable Warrants allotted on 5th May 2006 which would have been due for conversion in the month of November 2007 in consultation with the Bombay Stock Exchange as under:

- 1) The Record Date for conversion of the Warrants be fixed by the Board of Directors during the 42nd month from the Date of Allotment i.e. in the month of November 2009 instead of 18th month from the Date of Allotment.
- 2) The Warrants be converted at a premium to be decided by the Board of Directors at the time of fixing the Record Date.
- 3) The unexercised Warrants out of the Warrants issued, instead of allowed to lapse, be offered and allotted to the Warrant holders who are applying for additional shares at the time of conversion of Warrants.
- 4) The remaining unexercised Warrants be allowed to lapse.
- 5) In case of over-subscription for such additional shares, the additional shares applied for be allotted on pro-rata basis.

FIXED DEPOSITS:

The total amount of Fixed Deposits held by the Company from the Shareholders and Public stood at Rs. 22.49 Crores at the close of the financial year. The Company has no deposits which are matured and claimed, but remained unpaid.

CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS:

Your Company believes in transparency and has always maintained high level of Corporate Governance. The Report on Corporate Governance as required by Clause 49 of the Listing Agreement and the Management Discussion and Analysis are included as a part of this Annual Report. A Certificate from the Statutory Auditors of the Company confirming compliance of the Corporate Governance requirements is attached to the Report on Corporate Governance.

RESEARCH & DEVELOPMENT:

Your Company's R & D continued its efforts for improving the existing products, processing and developing new products. Development of products in agrochemicals and pharmaceuticals is being given an impetus.

During the year, your Company has shifted its R & D centre from National Chemical Lab Innovation Park campus, Pune to Ambervet, Taluka-Mulshi, Pune.

ENVIRONMENT & SAFETY:

Your Company is conscious of the importance of environmentally clean and safe operations. Your Company's policy requires the conduct of all operations in such a manner as to ensure safety of all concerned, compliance of statutory and industrial requirements for environment protection and conservation of natural resources to the extent possible.

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

Your 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 units.

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

INSURANCE:

All properties and insurable interest of your Company including buildings, plant and machinery, stores and spares have been adequately insured.

COMMUNITY SERVICE:

Your Company remains committed to social development through Deepak Foundation in the areas of (1) women and child health, (2) pre-school education and nutrition, (3) HIV and sexual health, (4) livelihood and (5) disaster relief and rehabilitation.

The major aim of the Safe Motherhood and Child Survival program commenced by the Foundation is to reduce maternal and infant mortality rates to half within a period of five years, i.e. by 2010 in Vadodara District of Gujarat.

HIV / AIDS awareness and prevention interventions are targeted towards the industrial workers and out-of school adolescents.