



## Directors' Report

To the Members,

Your Directors have pleasure in presenting the Thirtieth Annual Report together with Audited Accounts of the Company for Financial Year ended 31st March, 2010.

### ■ FINANCIAL RESULTS

The summarised financial results for the year are as under :

	(Rs. in Lacs)	
	2009-10	2008-09
<b>Sales (including other income)</b>	1,33,288.13	1,44,810.83
Profit before Depreciation	27,708.34	26,774.40
Less : a) Depreciation	6,433.21	5,237.58
b) Prior years' adjustments (net)	1.73	5.62
Profit before Exceptional Items	21,273.40	21,531.20
Less : Exceptional Items	(2,504.36)	331.11
Profit Before Tax (PBT)	23,777.76	21,200.09
Less : a) Provision for Income Tax	6,839.61	5,847.78
b) Provision for Deferred Income Tax	(295.30)	336.70
c) Provision for Fringe Benefit Tax	-	120.00
d) Provision for Wealth Tax	28.65	25.25
<b>Net Profit</b>	17,204.80	14,870.36
Add : a) Balance brought forward	51,177.84	41,949.44
b) Transferred from Debenture Redemption Reserve	285.00	285.00
Amount available for Appropriation	68,667.64	57,104.80
Appropriations :		
a) Transferred to Debenture Redemption Reserve	1,542.00	625.00
b) Transferred to General Reserve	1,750.00	1,500.00
c) Dividend on Equity Shares	3,971.00	3,528.31
d) Corporate Dividend Tax	487.00	273.65
Surplus carried to Balance Sheet	60,917.64	51,177.84

Sales (including other income) decreased to Rs. 1,332.88 crores (including Rs. 293.37 crores from trading operations) as against Rs. 1,448.11 crores (including Rs. 509.40 crores from trading operations) for the previous year. PBT for the year under review improved to Rs. 237.78 crores as against Rs. 212.00 crores in the previous year. Net Profit for the current year was Rs. 172.05 crores as compared to Rs. 148.70 crores in the previous year.

### ■ DIVIDEND

Considering the continued good performance of the Company during the year under review, your Directors recommend a dividend @ 45% i.e. Rs. 4.50 per share (Previous Year 40% i.e. Rs. 4.00 per share) on Equity Shares of Rs. 10/- each of the Company for the year ended 31st March, 2010. The proposed dividend (including Corporate Dividend Tax) will absorb Rs. 44.58 crores.

### ■ SECURED DEBENTURES

In accordance with the terms of issue of Secured Non-Convertible Debentures of Rs. 10 Lacs each aggregating Rs. 20 crores and Rs. 18 crores, earlier issued in favour of Financial Institutions, your Company during the year under review, has partly redeemed the Debentures on the due date 15th September, 2009 and 30th September, 2009 respectively.



During the year under review, for part financing the ongoing capital expenditure and for meeting general corporate expenditure, your Company has issued Secured Redeemable Non-Convertible Debentures of Rs. 10 Lacs each aggregating Rs. 150 crores (in three tranches of Rs. 50 crores each) on Private Placement Basis and these Debentures are listed on the National Stock Exchange of India Limited. These Debentures carry coupon rate(s) of 10%, 9.75% and 8.35% p.a. and are due for repayment at different dates between Year 2013 and Year 2015 as per the terms and conditions of issue.

#### ■ **MANAGEMENT DISCUSSION AND ANALYSIS**

A report on Management Discussion and Analysis (MDA), which forms part of this Report, inter-alia, deals adequately with the operations as also current and future outlook of the Company.

#### ■ **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the provisions of sub-section (2AA) of Section 217 of the Companies Act, 1956, your Directors confirm that :

- (i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- (ii) the accounting policies selected had been applied consistently and judgements and estimates made were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year on 31st March, 2010 and of the profit of the Company for that period;
- (iii) proper and sufficient care had been taken 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
- (iv) the annual accounts had been prepared on a 'going concern' basis.

#### ■ **CORPORATE GOVERNANCE**

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section titled 'Corporate Governance' is attached to this Annual Report.

#### ■ **SUBSIDIARY COMPANIES**

The Company has three subsidiaries viz. Smartchem Technologies Limited, Deepak Nitrochem Pty. Limited and Deepak Mining Services Private Limited (which has become a subsidiary company during the year).

A statement pursuant to Section 212 of the Companies Act, 1956 in respect of these subsidiaries is appended to the Balance Sheet. In terms of approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, the annual accounts and other reports specified in Section 212(1) in respect of the subsidiary companies have not been attached to the Balance Sheet. The Company will make available these documents / details to the members of the Company and the subsidiary companies upon request made in this regard to the Company. The Annual Accounts of the subsidiary companies will also be kept for inspection by any member of the Company at its registered office and also at the registered office of the concerned subsidiary company.

In accordance with the requirements of Accounting Standard AS-21 prescribed by the Institute of Chartered Accountants of India, the Consolidated Financial Statement of the Company and its subsidiaries is annexed to this Annual Report.

#### ■ **INDUSTRIAL RELATIONS**

Industrial Relations during the year under review continued to be cordial.

#### ■ **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the relevant data pertaining to conservation of energy, technology absorption and foreign exchange earnings and outgo are given in Annexure forming part of this Report.



## ■ DIRECTORS

During the year, Dr. Manu Seth, a member of the Board passed away on 8th August, 2009 after a brief association with the Company. The Board wishes to place on record its appreciation of his keen interest and valuable contribution made during his tenure as a Director on the Board.

Shri R. A. Shah, Shri D. Basu and Shri U. P. Jhaveri, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Shri Pranay Vakil was appointed as an Additional Director of the Company and holds office up to the date of the ensuing Annual General Meeting and is eligible for appointment as a Director of the Company.

## ■ AUDITORS

M/s. B. K. Khare & Co., Chartered Accountants, Mumbai, the Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting. The Company has received a letter from them to the effect that their appointment, if made, by the Company for the year 2010-11 will be within the limit prescribed under Section 224(1-B) of the Companies Act, 1956. The Board of Directors commends their appointment.

## ■ PERSONNEL

As required by the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of employees are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the annual report and accounts are being sent to all members of the Company excluding the aforesaid information. Any member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

## ■ ACKNOWLEDGEMENT

Your Directors wish to place on record their sincere appreciation to the Governmental authorities, Company's bankers and customers, vendors and investors for their continued support during the year.

Your Directors are also pleased to record their appreciation for the dedication and contribution made by employees at all levels who through their competence and hard work have enabled your Company achieve good performance year after year and look forward to their support in future as well.

Mumbai  
Dated 25th May, 2010

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



## Annexure 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

##### (a) Energy Conservation Measures taken

- (i) LP Flash Column was installed in the Ammonia plant and the solvent for CO<sub>2</sub> removal section has been changed. This has resulted in an average steam saving of 3 MT/hr.
- (ii) VFD has been installed in IPA plant cooling tower fan to control the cooling water temperature. The envisaged saving is 23 KWH.
- (iii) Exhaust steam from BFW Pump drive turbine in WNA-II plant has been diverted to the De-aerator which means about 2.4 MT steam saving per day.
- (iv) A steam pump has been installed for collection of LP steam condensate from Ammonia Superheater in WNA-I plant and condensate diverted to De-aerator. This saves about 0.4 MT/hr of condensate.
- (v) Magnetic Resonator has been installed in Boiler A, B & D. These are expected to save fuel energy equivalent to about 0.004 Gcal/MT.
- (vi) IPA recovery system has been commissioned which recovers around 10 MTPD of IPA resulting in annual saving of about Rs. 2.90 crores.
- (vii) New facility has been installed in GP plant which apart from producing 85% good quality AN Melt also reduces energy consumption.

##### (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy

- (i) The scheme for improving concentration of product acid to 60% from the current 55% is under implementation in WNA-III plant. This would result in expected saving of 2.5 MT/hr of steam.
- (ii) WNA-I & II plants: Heat Recovery schemes have been proposed and are under study.
- (iii) Optimisation of CW circuit in IPA plant is under study.

##### (c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods

The measures referred to under (a) and the proposals under (b) will result in reduction of energy consumption as stated above.



**(d) Total energy consumption and energy consumption per unit of production as per Form A in respect of industries specified in the Schedule**

<b>FORM A</b>			
<b>Disclosure of Particulars with respect to Conservation of Energy</b>			
<b>Power &amp; Fuel Consumption</b>	<b>UOM</b>	<b>Current Year 2009-10</b>	<b>Previous Year 2008-09</b>
<b>1 Electricity</b>			
<b>a) (i) Purchased for K-1</b>			
Unit	MWH	7825	17098
Total Amount	Rs. (Lacs)	579	965
Rate / Unit	Rs. /KWH	7.40	5.65
<b>(ii) Purchased for K-7</b>			
Unit	MWH	356.15	-
Total Amount	Rs. (Lacs)	21.07	-
Rate / Unit	Rs. /KWH	5.92	-
<b>b) Own Generation</b>			
<b>(i) Through Diesel Generator</b>			
Unit	MWH	6.71	11.68
Units per ltr. of diesel oil	KWH/Ltr.	1.25	2.02
Cost / Unit	Rs. /KWH	27.48	17.96
<b>(ii) Through Gas Turbine / Generators</b>			
Unit	MWH	56864	38735
Units per M <sup>3</sup> of Gas	KWH/M <sup>3</sup>	5.42	5.43
Cost / Unit	Rs. /KWH	1.31	1.89
<b>(iii) Through Steam Turbine / Generators</b>			
Unit	MWH	3745	-
Cost / Unit	Rs. /KWH	3.00	-
<b>(iv) Through Windmill Turbine / Generators</b>			
Unit	'000 KWH	19285	16342
Cost / Unit	Rs. /KWH	1.84	1.96
<b>2. Coal (specify quality and where used)</b>	-	Nil	Nil
<b>3. Furnace oil</b>	-	Nil	Nil
<b>4. Others/internal generation</b>	-	Nil	Nil

**2. Consumption per unit of Production - Unit (KWH/MT)**

<b>Sr. No.</b>	<b>Product</b>	<b>Standard Budget Norms (2009-10)</b>	<b>Current Year 2009-10</b>	<b>Previous Year 2008-09</b>
1.	Liquid Anhydrous Ammonia	74.96	88.77	111.22
2.	Weak Nitric Acid	37.02	35.13	26.26
3.	Concentrated Nitric Acid	8.50	7.11	7.24
4.	Methanol	74.30	74.62	221.03
5.	Nitro Phosphate	31.50	29.72	37.91
6.	Low Density Prilled Ammonium Nitrate	47.00	37.06	39.53
7.	Low Density Ammonium Nitrate Melt	5.00	4.14	4.92
8.	Liquid CO <sub>2</sub>	240.00	237.73	238.70
9.	Iso Propyl Alcohol (IPA)	307.00	276.34	300.44
10.	Bensulf	64.00	33.17	-



## B. TECHNOLOGY ABSORPTION

### FORM B

#### Disclosure of Particulars with respect to Technology Absorption

#### RESEARCH & DEVELOPMENT (R&D)

**(1) Specific areas in which R&D carried out by the Company**

IPA recovery from NPA rich effluent scheme has been developed in-house. Simulation study was done and the scheme executed along with DIPE purification project.

**(2) Benefits derived as a result of the above R&D**

The above efforts have increased the IPA production by 10 MTPD.

**(3) Future plan of action**

Development for DIPE purification from the same system is being taken up.

**(4) Expenditure on R&D**

**(Rs. in Lacs)**

a. Capital	:	<b>NIL</b>
b. Recurring	:	<b>84.84</b>
c. Total	:	<b>84.84</b>
d. Total R&D expenditure as a percentage of total turnover	:	<b>0.06</b>

#### TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

**1. Efforts in brief, made towards Technology Absorption, Adaptation and Innovation**

All the plants' technologies have been fully absorbed and are being operated efficiently.

**2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.**

The quality of products are globally accepted.

**3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished:**

Technology imported	Year of Import	Has technology been fully absorbed?	If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action
Not applicable			

## C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars with regard to Foreign Exchange Earnings and Outgo are set out in Note 17F and 17E of Schedule 13 to the Accounts.

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

Mumbai  
Dated 25th May, 2010