

Opening New Horizons



DEEPAK NITRITE LIMITED

Fortieth Annual Report 2010-2011

Inside

2	Highlights	30	Notice	56	Cash Flow Statement
6	From the Desk of the Vice Chairman & Managing Director	34	Management Discussion and Analysis	58	Schedules
10	Board of Directors	38	Directors' Report	82	Balance Sheet Abstract
16	Milestones	43	Report on Corporate Governance		
20	Community Services	51	Auditors' Report		
24	European Chemicals Legislation : REACH	54	Balance Sheet		
28	Financial Highlights	55	Profit and Loss Account		

GREEN INITIATIVE

The Company welcomes the move of 'Green Initiative in the Corporate Governance' taken by the Ministry of Corporate Affairs (MCA), Government of India, allowing the companies to send the official documents to their shareholders electronically. To support this green initiative of the Government in full measure, members who have not registered their E-mail address, so far, are requested to do the same immediately.

Fortieth Annual General Meeting

Day & Date : Friday, August 5, 2011 ■ **Time** : 10:30 a.m.

Venue : Hotel Surya Palace, Opposite Parsi Agiyari, Sayajigunj, Vadodara - 390 005.



Opening New Horizons

In a globalised business environment, the challenge before companies is to continually expand their reach and enhance their capabilities. Deepak Nitrite did so successfully in FY 2010-11, opening new horizons across geographies and business segments. Despite considerable uncertainty in global markets, Deepak Nitrite recorded impressive all round performance. Revenues from the US market increased by over 50%, significant inroads were made in the highly competitive Chinese market, and domestic businesses recorded growth of 34%. With strategic investments in new manufacturing facilities aimed at opening further horizons, Deepak Nitrite is poised to become a ₹ 1000-crore enterprise within next three years.



HIGHLIGHTS



Increased turnover
by volume 23% and by value 24%
in FY11 compared to FY10



Fuel additives
contributed ₹ 63 crore
of revenue in FY11



Reduction in interest costs by 17%
due to decrease in average net debt



Net debt to equity ratio : 0.25



Augmentation of existing
manufacturing facilities on track



Achieved 'REACH' compliance



Listed on National Stock
Exchange (NSE)



Highest ever dividend
recommended : 60%



Turnover crossed the
₹ 650 crore mark



Improved ICRA ratings :
Short Term Debt : A1+
Long Term Debt : LA+

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The Success of Strategic Thrusts

In a business environment marked by increasing competition as well as opportunity, long-term strategic planning is the key requirement for a company's sustained success. The strategy has to be based on keen understanding of one's strengths vis-à-vis the emerging market scenario. Once shaped through rigorous analysis, a good strategy has to be carried out with strong conviction.

Deepak Nitrite has since inception grown on the foundation of robust business strategies. Deepak Nitrite is a company operating in multiple business areas, with multiple and multi-purpose manufacturing units producing a wide spectrum of products, catering to a multitude of customers in dispersed locations. This degree of flexibility has enabled the Company to develop a de-risked business model. The model offers major advantages. Overall the Company is cushioned from the impact of economic cycles in both customer and end-user industry segments : presence in different industries, economic cycles and currencies provides a natural hedge. Exposure to different verticals has also helped Deepak Nitrite enhance its technological as well as marketing expertise.

Multiple Products and Applications

Nitro Chloro Benzene

- Pharmaceuticals
- Dyes
- Rubber Chemicals
- Agro-chemicals
- Pigments

Oximes

- Agro-chemicals

Sodium Nitrite

- Dyes/Pigments
- Pharma Intermediaries
- Food Colours
- Electroplating
- Speciality Chemicals
- Colourants

Cumidines

- Agro-chemicals

Nitro Tolunes

- Colourants
- Speciality Chemicals
- Rubber Chemicals
- Pharmaceuticals
- Explosives
- Dyes
- Diamino Stillbene Disulphonic Acid (DASDA)
- Agro-chemicals

DASDA

- Paper
- Textiles
- Detergents

Speciality

- Colourants

Xylidines

- Pigments
- Fuel Additives
- Agro-chemicals
- Pharma Intermediaries

Fuel Additives

- Petrol Blending
- Diesel Blending
- Aviation Turbine Fuel

From the Desk of the Vice Chairman & Managing Director



Dear Stakeholders,

I am delighted to address you on yet another successful year for Deepak Nitrite. Our strategy in FY 2010-11 was aimed at entering new business segments and strengthening our presence in existing markets. I am happy to report that your Company achieved success in these efforts and delivered robust performance in all business segments. This has given us impetus to dream bigger and aim higher. Considering the overall performance, the Board of Directors has recommended a dividend of ₹ 6 per equity share of face value of ₹ 10 each.

The global economy posed major challenges in FY 2010-11. Developed countries reported improvement in economic indicators, largely on account of government stimulus packages. However, there was also an upsurge in commodity prices, especially in emerging market economies. There were concerns regarding the sovereign debt of some European countries. Political unrest in the Middle East, catastrophes in Japan and fast changing weather patterns added to the complications and made the overall business environment more unpredictable than ever.

Your Company successfully met these challenges. We have a broad-based product mix catering to varied applications and industries and hence we can address uncertain and volatile market conditions with some ease.

Leveraging our competencies, our strategy in FY 2010-11 was to achieve growth in the fuel additives market, continue with our expansion plans at Dahej, and penetrate difficult markets like USA and China. In terms of segmental growth, we wanted to better our performance compared to previous years. I am proud to state that your Company not only met but exceeded its targets with respect to these strategies.

We have a broad-based product mix catering to varied applications and industries and hence we can address uncertain and volatile market conditions with some ease. Leveraging our competencies, our strategy in FY 2010-11 was to achieve growth in the fuel additives market, continue with our expansion plans at Dahej, and penetrate difficult markets like USA and China.

New Product Horizons

We are one of the few players in India to capitalise on the demand for fuel additives and this market has become an important business segment for us. All our products for this market, encompassing petrol, diesel and aviation turbine fuel blending applications are doing well. Apart from fuel additives, which were introduced in FY 2009-10, we have launched some other products that, we are confident, will be equally successful. You will be pleased to note that over 50% of your Company's incremental revenues in FY 2010-11 came from sale of products introduced in the last two years.

New Market Horizons

Another significant aspect of our performance in FY 2010-11 was the progress made in widening and strengthening our diversified geographical reach. While Europe has historically been a good market for us, we have recently taken steps to increase our presence in USA and China. Our success was due to acceptance of our products by our esteemed customers. Our products enjoy competitive advantage due to superior quality backed by sustainable after-sales support. China is renowned for its low cost manufacturing capabilities. Our ability to derive revenues from this market speaks volumes about our global cost competitiveness and value proposition. Another feather in our cap was registration of our products under the European Union's REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) regulation. This will strengthen our long-term relationships with European buyers.

In the Indian market, our products flourished and our businesses reported growth of 34% in FY 2010-11. While our export revenues increased in absolute terms by 14%, the share of revenues from the domestic market increased from 53% in FY 2009-10 to 57% in FY 2010-11 due to strong performance in all segments. We foresee good growth in both the markets. We derive much strength from the fact that the Indian economy continues to grow rapidly, and is expected to register around 9% annual growth in the coming years. This will help further development of your Company's domestic business.

New Financial Horizons

Your Company has greatly improved its financial strength. On the operating side, we have been able to significantly reduce our interest cost despite steadily increasing interest rates. Our net debt to equity ratio stands at 0.25 as on March 31, 2011. We have also steadily increased net worth, thereby sharing our progress with all our stakeholders. Our stronger financial position backed by low leverage will enable us to finance our expansion plan, cost-effectively.

New Manufacturing Horizons

Let me share some exciting information about our expansion plans, which will open up new horizons for us. In our Greenfield expansion at Dahej, we are setting up facilities for manufacture of a performance chemical, which will be a forward integration of one of our existing fine and speciality chemicals. The project has a capital outlay of around ₹ 150 crore. We are well on course to complete this project on schedule.

Our commitment to work ethics, research & development, environmental standards, safety norms and community services remained unstinted.

We are also excited about our Brownfield expansion at Nandesari in Gujarat which will be completed in the first half of FY 2012-13. This investment is aimed at expanding our inorganic-intermediates business.

I can proudly say that your Company is on course to exceed revenue earnings of ₹ 1,000 crore within next three years.

To conclude, I would like to reiterate that we ended FY 2010-11 on an extremely positive note. Our strategies for opening new horizons were successful and all our businesses performed well. Our commitment to work ethics, research & development, environmental standards, safety norms and community services remained unstinted.

I appreciate the hard work put in by our employees and the support of all our stakeholders, which has greatly contributed to our success and am confident that it shall be always available in our endeavour to place ourselves on a path of rapid growth.

Best wishes,

D. C. Mehta

Vice Chairman & Managing Director

OPENING NEW HORIZONS



Embracing the Challenge of Globalisation

In the age of globalisation it is imperative for forward-thinking companies to establish and enhance presence in developed as well as emerging economies across geographies. Going global is an opportunity as well as a challenge. While it promises high revenue growth, it demands astute market intelligence and high degree of flexibility.

Deepak Nitrite's product basket commands demand in North America, Western Europe, Japan and emerging economies in Asia and Latin America. The Company has been catering to a majority of these markets, and has made inroads in extremely challenging markets like China and USA. The Company has leveraged its strengths in quality, process expertise and environmental awareness to penetrate the Chinese market. While China enjoys a reputation of being a low cost manufacturer, Deepak Nitrite has demonstrated the competitive advantage of its quality and customer responsiveness. In the large and lucrative US market, the Company recorded substantial revenue growth in FY 2010-11.

Global Business Drivers

- Growth markets are shifting to Asia.
- Cost competitiveness is causing consolidation of weaker players in developed economies.
- Demand for end products is growing well in regional economies.
- India is perceived as a favourable and reliable supplier in view of heightened environmental awareness.

Deepak Nitrite's Strategic Response

- Growth in environmentally challenging areas.
- Leveraging strengths to establish in Chinese markets.
- Developing 'new process' pipeline for established markets.
- Splitting supplies between different customers, markets and currencies, thereby mitigating risks in individual markets.

Global Thrust - Highlights

- Deepak Nitrite is already catering to India and Europe. By establishing itself in China and USA, the Company will be operating in the largest markets across the globe.
- The Company's revenues from exports to USA were ₹ 45 crore in FY 2010-11 marking growth of over 50% compared to the previous financial year.
- Exports to China in FY 2010-11 brought ₹ 35 crore.



Shri
C. K. Mehta
Chairman



Shri
A. C. Mehta
Managing Director



Shri
M. R. B. Punja
Director



Shri
D. C. Mehta
Vice Chairman &
Managing Director



Shri
Shrenik K. Lalbhai
Director



Shri
A. K. Dasgupta
Director



Board of Directors

Shri C. K. Mehta (Chairman)

He is the promoter of the Company and is associated with it since 1970, right from the inception of the Company. He is a well-known industrialist having more than five decades of versatile experience in the Chemical Trade and Industry, and is also the founder of Deepak Fertilisers And Petrochemicals Corporation Limited. He is the Chairman of both the companies.

Shri D. C. Mehta (Vice Chairman & Managing Director)

He is a Science Graduate from the University of Bombay. He is at the helm of affairs at Deepak Nitrite Limited for the last 32 years as its Managing Director and is presently the Vice Chairman and Managing Director of the Company.

Shri D. C. Mehta has been the Chairman of the National Chemicals Committee of FICCI. He is a Member of the 'National Committee on Chemicals, Petrochemicals and Fertilisers' of the Confederation of Indian Industry (CII).

Shri A. C. Mehta (Managing Director)

He is a Science Graduate with Honours and Master of Science (Chemical Engineering) from the University of Texas, USA. He has been actively associated with the Company since 1984.

Shri Shrenik K. Lalbhai

He is a well-known industrialist and an MBA from Harvard University. He is a financial expert and a person who upholds the highest values. He provided exemplary leadership as the Chairman of the Company for a period of 27 years, from the Company's inception till 1998. He has been associated with the Lalbhai Group of Companies for the past many years.

Shri M. R. B. Punja

He is a former Chairman and Managing Director of the Industrial Development Bank of India (IDBI), a premier financial institution in the country. He possesses rich experience in the field of Finance and Management.



Shri
Hasmukh Shah
Director



Shri
Sudhin Choksey
Director



Dr. Richard H.
Rupp
Director



Shri
Nimesh
Kampani
Director



Shri
Berjis Desai
Director



Shri
Sudhir Mankad
Director



Shri A. K. Dasgupta

He is a Science Graduate and a Bachelor of Chemical Engineering. He has rich experience in the field of design, erection and operation of chemical, petrochemical and fertiliser plants. He is associated with a number of medium and large scale chemical industries in India and abroad, and is also responsible for producing various resins and chemicals for the first time in India.

He is associated with many professional bodies like FICCI and IChE at various levels. He was also one of the members of the Board of Studies at Faculty of Technology, DDU, Nadiad. He has been associated with the Company since 1972.

Shri Hasmukh Shah

He is the former Chairman and Managing Director of Indian Petrochemicals Corporation Ltd. He has also held various important positions like Joint Secretary to the Prime Minister of India, Chairman of Gujarat Industrial Investment Corporation, Chairman of Gujarat Ecology Commission, Joint Director of Bureau of Public Enterprise, Government of India and Chairman of National Institute of Design.

He has made significant contributions in social, cultural and rural development activities. Shri Shah has also contributed significantly in academic and research areas.

Shri Nimesh Kampani

He is a Commerce Graduate from Sydenham College, and a qualified Chartered Accountant. He is the Founder and Chairman of the JM Financial Group, one of India's leading financial services groups.

In his career spanning more than three and a half decades, Shri Kampani has made pioneering contributions to the development of Indian capital markets and has advised several corporates on their strategic and financial needs, especially capital raising as well as mergers and acquisitions. He has served on various committees constituted by BSE, NSE, SEBI and ICAI.

Shri Sudhin Choksey

Shri Sudhin Choksey is a Fellow Member of the Institute of Chartered Accountants of India. He has working experience of handling functional areas of finance, commerce and general management both in India and abroad. He is the Managing Director of GRUH Finance Ltd. and Alternate Director of Hunnar Shaala Foundation for Building Technology and Innovations.

Shri Berjis Desai

Shri Berjis Desai (LL.M Cambridge University, UK) is a practicing Solicitor since 1980 and is currently the Managing Partner of J. Sagar Associates, a national law firm having its offices at Mumbai, New Delhi, Gurgaon, Bengaluru and Hyderabad.

Shri Desai's core practice areas are securities, derivatives, banking and finance as well as mergers and acquisitions.

Dr. Richard H. Rupp

Dr. Rupp holds a Ph.D in Chemistry from University of Karlsruhe, Germany and has completed a 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.

Shri Sudhir Mankad

Shri Mankad, IAS (Retd.) holds a Masters in History from the University of Delhi. He has served in senior positions, both in Government of India and in the Government of Gujarat. His last assignment was Chief Secretary, Government of Gujarat. He has served as a Director / Chairman on the Board of several cement, power, fertiliser and finance companies.

He is the Chairman of Bhavnagar Energy Co. Ltd, Gujarat International Finance Tec-City Ltd. and a member of High Power Expert Committee on Urban Development, GOI. He is also the Chairman of Gujarat Institute of Desert Ecology (GUIDE) and is associated with several educational institutions.





Corporate Information

Senior Management Team :

- Shri Umesh Asaikar : Chief Executive Officer
- Shri Sanjay Upadhyay : Sr. Vice President (Finance) & Company Secretary
- Dr. Pramod Garg : Vice President (Operations)
- Shri Pramod Talegaon : Vice President (Technology)
- Shri Vijay Tikekar : Vice President (Marketing)

Audit Committee :

- Shri M. R. B. Punja : Chairman
- Shri A. K. Dasgupta : Member
- Shri Sudhin Choksey : Member
- Shri Sudhir Mankad : Member

Investors Grievance Committee :

- Shri A. K. Dasgupta : Chairman
- Shri D. C. Mehta : Member
- Shri A. C. Mehta : Member

Remuneration Committee :

- Shri A. K. Dasgupta : Chairman
- Shri Berjis Desai : Member
- Shri Sudhir Mankad : Member

Sr. Vice President (Finance) & Company Secretary :

- Shri Sanjay Upadhyay

Bankers :

- State Bank of India
- Bank of Baroda
- Dena Bank
- ICICI Bank Ltd.
- AXIS Bank Ltd.
- ING Vysya Bank
- Standard Chartered Bank

Auditors :

- B. K. Khare & Company
Chartered Accountants, Mumbai

Registered Office :

9/10, Kunj Society, Alkapuri,
Vadodara - 390 007.
Tel : +91-265-235 1013, 233 4481/82
Fax : +91-265-233 0994
E-mail : investor@deepaknitrite.com
Website : www.deepaknitrite.com

Corporate Office :

Deepak Complex,
National Games Road,
Yerawada, Pune - 411 006.
Tel : +91-20-6609 0200
Fax : +91-20-2668 5448

Plants :

■ **Nitrite & Nitroaromatics Division**
4-12, GIDC Chemical Complex,
Nandesari, Dist. Vadodara - 391 340.

■ **Taloja Chemical Division**
Plot Nos. K/9-10, MIDC Taloja,
Dist. Raigad - 410 208.

■ **APL Division**
Plot Nos. 1, 2, 26 & 27, MIDC Dhatav,
Roha, Dist. Raigad - 402 116.

■ **Hyderabad Specialities Division**
Plot Nos. 90-F/70-A and B, Phase-II,
Industrial Development Area,
Jedimetla, Tal. Qutbullapur Madal,
Dist. Ranga Reddy,
Hyderabad - 500 055.



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Leveraging the Spirit of Innovation

Innovation has emerged as a key differentiator in all spheres of business. In the manufacturing sector, innovation demands substantial investments in research & development facilities and unflagging top-management support and commitment to research & development efforts. Product and process development have to be necessarily dovetailed with the company's overall business strategy, market analysis and forecasting.

Since inception Deepak Nitrite has been committed to new product development. The Company spends a substantial part of its annual revenues for this purpose. It has a dedicated Research & Development facility in Pune, which is recognised by Department of Science and Technology, Government of India. Over 90 highly experienced and skilled professionals, including five doctorate-holders, work at the facility. Deepak Nitrite also has a state-of-the-art pilot facility that acts as a catalyst between Research & Development trials and commercial production. Research & Development efforts contributed around 18% of the Company's revenue in FY 2010-11. Half the incremental revenue in FY 2010-11 was from new products. Research & Development efforts are also directed towards improvement of existing processes to enhance competence.

R&D Strategy

- Development of innovative technologies to enter mature markets.
- Expanding product basket on the foundation of current and new technologies.
- Exploring inorganic opportunities to add business value with attractive return on invested capital.

New Product Development

Fuel Additives

- Antioxidants and cetane improver have been developed for improving quality of fuels to meet emission norms.
- The Company offers petrol additives, diesel additives and aviation fuel additives.

- Fuel additives constitute a lucrative and growing market with strong demand.
- FY 2010-11 revenue from fuel additives was ₹ 63 crore.

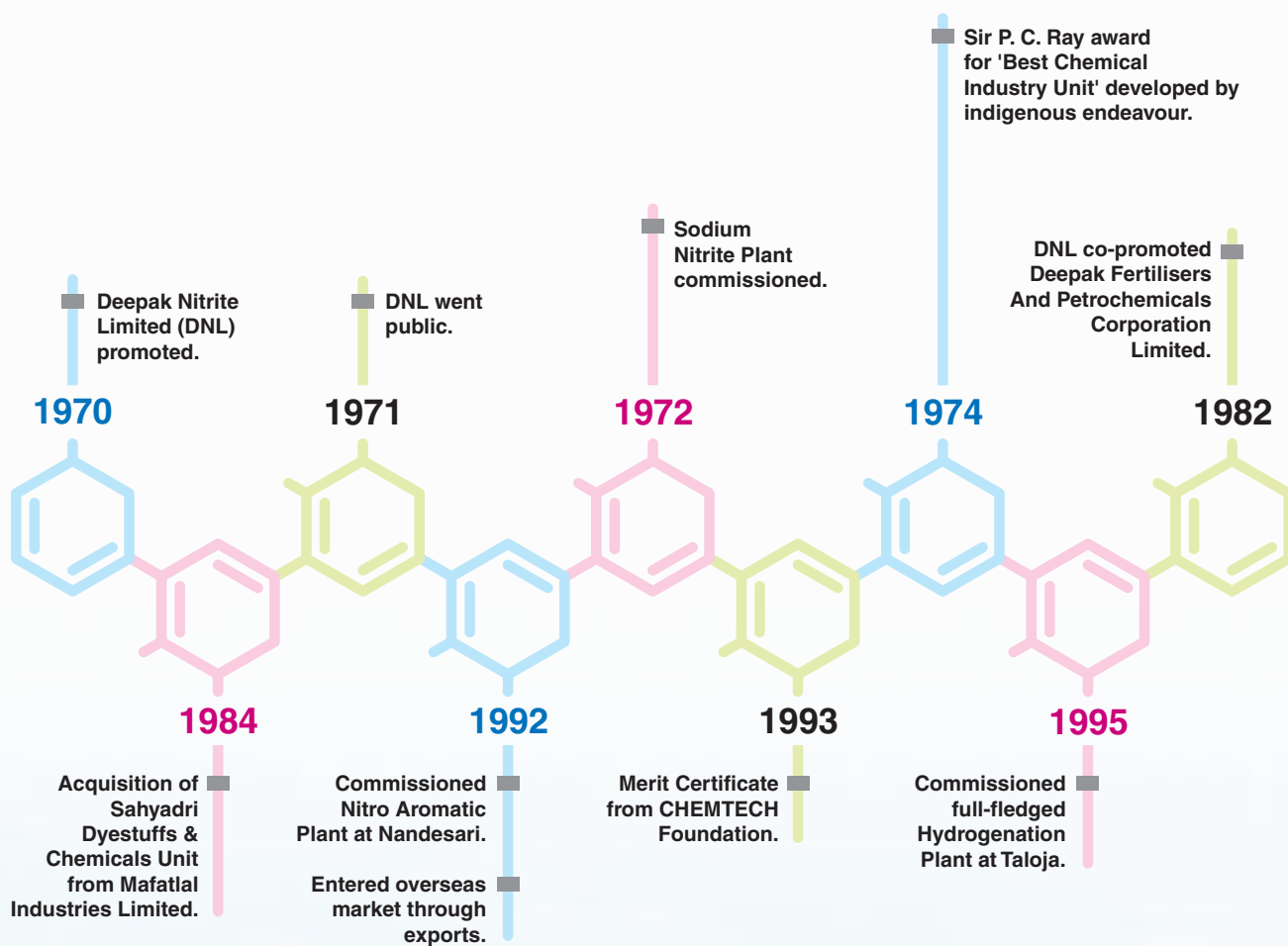
Xylidines

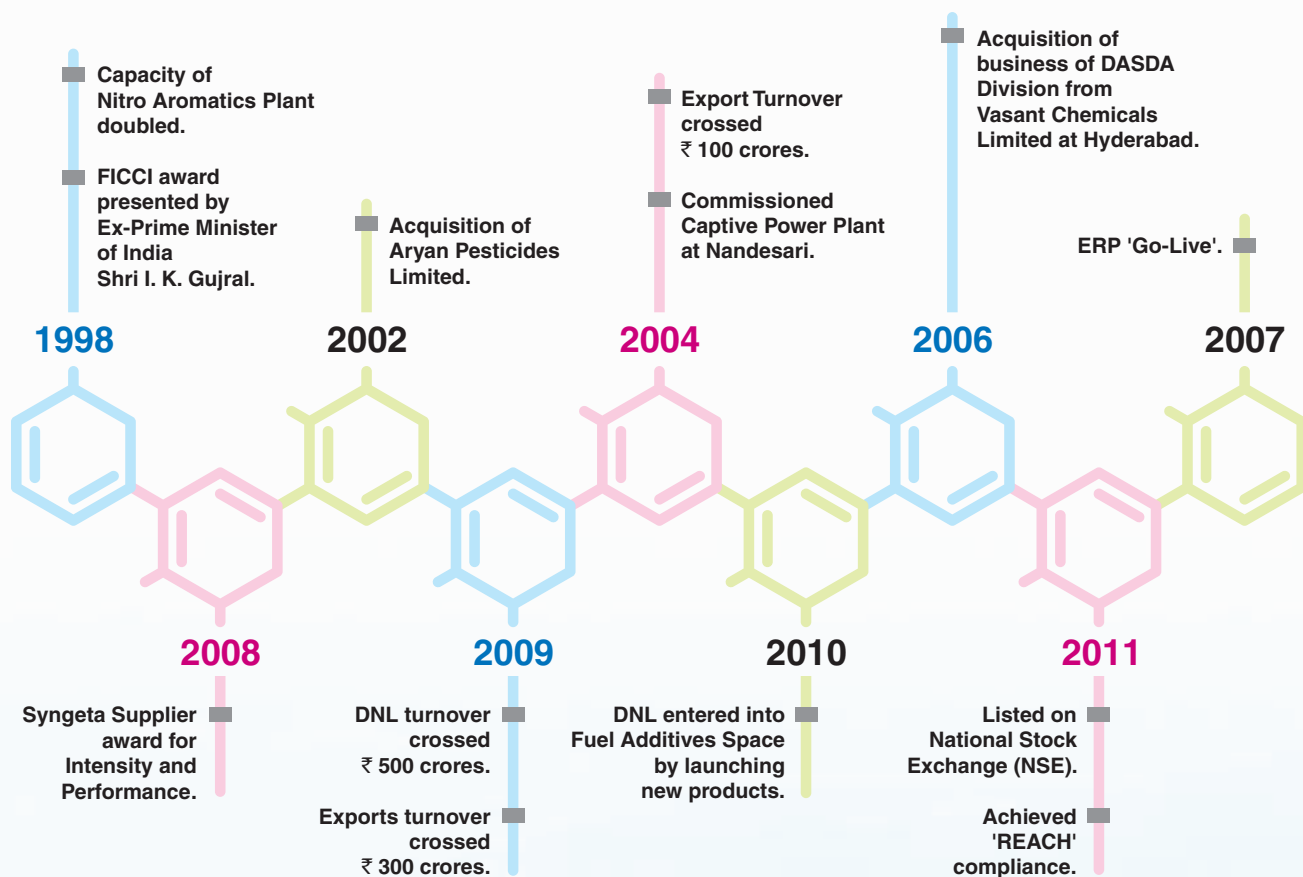
- The Company has developed an agro intermediate as a downstream product of existing products.
- Good demand for the end product is driving the market for this product.
- FY 2010-11 revenue from this innovative product was ₹ 20 crore.

Nitrosylsulfuric Acid (NSA)

- NSA has been developed as a downstream value-added product of inorganic intermediates.

Milestones





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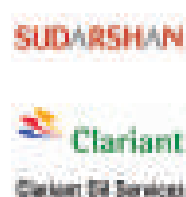


Sustaining Long-term Partnerships

A company is known by the company it keeps. Close and long-term associations with business leaders in different segments give stability to a company's financial progress, enhances its visibility and prestige, and helps it make concrete plans for the future.

Deepak Nitrite has a diversified customer base comprising some of the largest chemical companies in the world. The Company is the preferred supplier to some of the leading global companies and enjoys stable and remunerative business contracts from them. Deepak Nitrite has consciously forged deep relationships with world players - it has been supplying products for periods ranging from 5 to 10 years to several customers. Further, the Company has gone beyond the conventional customer-vendor paradigm and developed long-term partnership arrangements with many of its customers. This strategy has enabled it to grow steadily, strengthen its brand, and respond proactively to changing business environments.

Some of Deepak Nitrite's Valued Customers



Community Services

Deepak Foundation is a non-profit voluntary organisation set up by the Deepak Group as a part of their Corporate Social Responsibility. The Foundation has been implementing health and livelihood projects in rural areas of Vadodara district, Gujarat, since past 28 years. Currently it provides services in all 1548 tribal and rural villages of the district covering a two million populace. Deepak Foundation undertakes most of its ventures in partnership with concerned government departments to ensure sustainability and replicability of the initiatives.

Safe Motherhood and Child Survival Project (2005-2010)

This public private partnership initiative used a comprehensive package of services with focus on community mobilisation and strengthening of public health delivery channel and has been able to reduce maternal mortality in tribal areas of Vadodara by 41% and infant mortality by 7%.

Capacity building of 2,994 members of 350 Village and Health Sanitation Committees (VHSC) was taken up to orient them about various government programmes and to equip them in the role of community monitoring of health system. A total of 24 Jan Samvads were conducted which saw enthusiastic participation of over 10,000 villagers.

The Foundation was instrumental in strengthening community based groups at primary health center level (75), block level (12) and district level (1) and was, the first in the entire state, to facilitate formulation of need based, decentralized District Health Action Plan.

Nutrition Interventions

In the past three years, 6,567 village level campaigns were conducted to create awareness on maternal anemia, correct breast-feeding and complementary feeding practices and child under-nutrition. As many as 128,156 women were screened for anemia and 6,987 severely anemic women were referred for treatment. As many as 1,752 severely anemic women have received the life saving Iron Sucrose injectibles at CEmONC, Jabugam. Nearly a thousand low birth weight babies were identified of whom 40% could be referred to health facilities for management. In 300 tribal villages, the village health and sanitation committees monitored the provision of nutrition services to young children and women.

Kawant Livelihood Project (KALP)

The Foundation is implementing a holistic development program, Kawant Livelihood Project (KALP) in the most undeveloped, remote tribal block of the State, Kawant



District Health Action Plan by Federation members.



Birth celebration of newborns under Nutrition project.



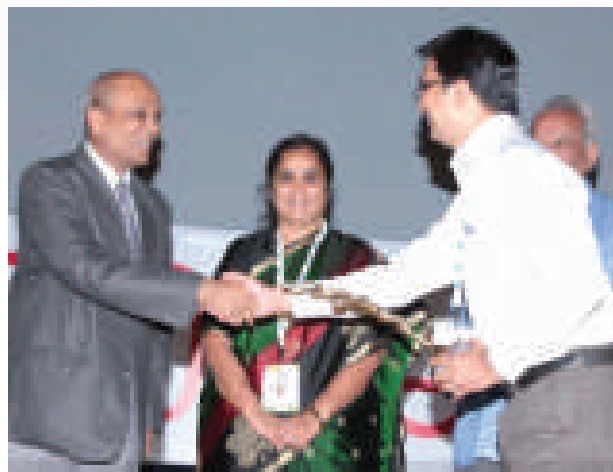
Beauty Parlour class at the Skills Development Centre.

using a multi- sectoral, multi-stakeholder, public-private-partnership approach since 2008. Efforts have been made to uplift the tribal populace through various livelihood activities such as agriculture and horticulture promotion, dairy, irrigation, watershed and skill development.

During the project period, 11,145 farmers have been given agriculture and horticulture (orchard) inputs and resultant produce was marketed through 30 Farmers Representative Committees. Two large check dams and 10 group wells were constructed, 436 wells were deepened, 52 drip systems installed and 1500 hectare land was covered as part of the irrigation and watershed activities. A total of 191 tribal youth have been trained for various skills such as gardening, nursing, tailoring and para-vet and beauty parlour services. Capacity building of members of 62 dairy cooperatives is in process and 78 self-help groups with more than 600 women members have been formed for savings and credit activities.

The Foundation's activities were recognised at several national forums:

- Deepak Foundation's web enabled Computerised Management Information System (CMIS) created to track individual pregnant women beneficiaries of the Vadodara district received the Citizen's Choice award for the Civil Society/Development Agency Initiative in the E-Health category at the E-India Awards 2010, hosted by Department of Information Technology, Government of India.
- The Foundation participated in the third roundtable meeting in Kenya as a core member of World Bank - Civil Society Organizations Health Nutrition and Population Group.



Representative from Deepak Foundation receiving the E-India Award at Hyderabad in August 2010.

- Computerised Management Information System (CMIS), used for the Safe Motherhood and Child Survival Project of Deepak Foundation, was chosen as a Finalist for Manthan Award South Asia 2010 organised by Digital Empowerment Foundation, New Delhi.
- Ms. Bhartiben Patel, Counselor at Comprehensive Emergency Obstetric Care Unit of the Foundation in tribal area of Vadodara was shortlisted for Confederation of Indian Industries (CII) Women Exemplar Award.



Self Help Group meeting.



Round-table meeting in Kenya in October 2010.



Deepak Foundation as one of the finalists for Manthan Award South Asia 2010.

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Expanding to New Boundaries

It is well recognised in today's world that continuous growth is a pre-requisite not only to enhance investor value but also to maintain existing competitive edge. Growth demands foresight and courage of conviction. In the manufacturing sector, it calls for substantial volumes of investment in Greenfield and Brownfield projects.

Deepak Nitrite is setting up manufacturing facilities at Dahej, Gujarat, for a speciality chemical in its existing speciality chemicals segment. The Company is also undertaking Brownfield expansion at Nandesari, targeted towards growth in the inorganic-intermediates business, both in domestic and US markets. Being set up at rapid pace, these facilities will help the Company expand its revenue base. Once operational, the new plant at Dahej and the expanded competency at Nandesari are expected to turn Deepak Nitrite into a ₹1000-crore company within next three years.

Greenfield Expansion at Dahej - Highlights

- Product : Performance Chemical
- Segment : Fine & Specialty Chemicals
- Capital Outlay : ₹ 150 crore approx.
- Time Frame for Completion : FY 2012-13

Brownfield Expansion at Nandesari - Highlights

- Product : Inorganic Intermediate
- Segment : Inorganic Chemicals
- Capital Outlay : ₹ 50 crore approx.
- Time Frame for Completion : FY 2012-13



European Chemicals Legislation : REACH

REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) is a European Union (EU) regulation that requires compulsory registration of substances manufactured or imported into EU in quantities of one ton or more.



REACH came into force on June 1, 2007 requiring the pre-registration of substances in time period of June 1, 2008 to November 30, 2008. Deepak Nitrite Limited has pre-registered all the products that are exported or have export potential in EU. All the pre-registered products are given the registration deadlines of December 1, 2010; June 1, 2013 and June 1, 2018 based on the tonnage exported to EU and hazardous nature of the products.

Deepak Nitrite Limited has successfully completed the registration of the products having the registration deadline of December 1, 2010. Registration process involved the following main activities:

1. Generating the spectral analysis of the registered product in-house at our state-of-the-art Research and Development facility in Pune. Spectral data of the particular product is required to prepare the mini dossier as part of registration process.
2. Sharing the product data specific to registration and its cost with the Lead Registrant of the particular registered product.
3. Establishing end use profile of the registered products.

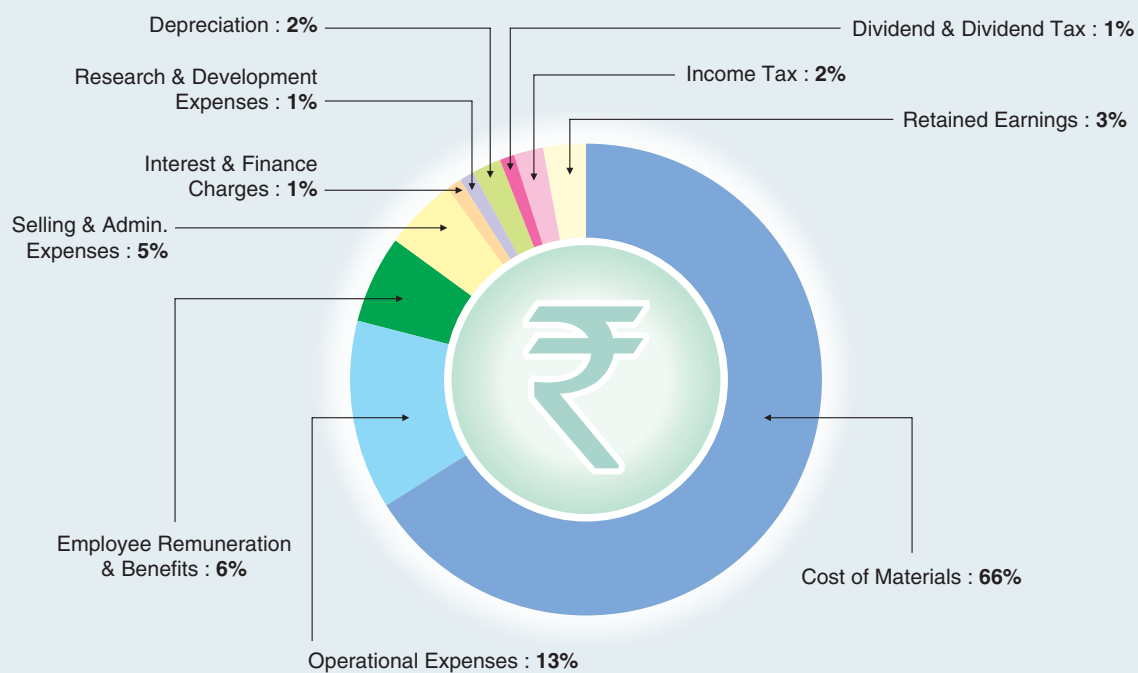
4. Final registration with the European Chemicals Agency.

We have successfully completed the mandatory CLP notification under REACH for all our products exported to EU. Deepak Nitrite Limited is now working towards the registration of the products having deadline of 2013 and 2018.

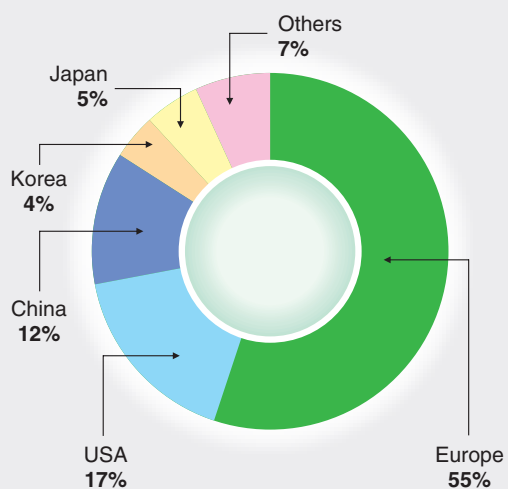
Deepak Nitrite Limited has now gained experience in registering the products under REACH regulation and we are very confident that we will complete the registration of the products well ahead of the above registration deadlines. This confirms our commitment towards meeting international regulations. Also, with these registrations Deepak Nitrite Limited will have an edge in the market place and will further strengthen long-term relationships with its European buyers.

Financial Highlights

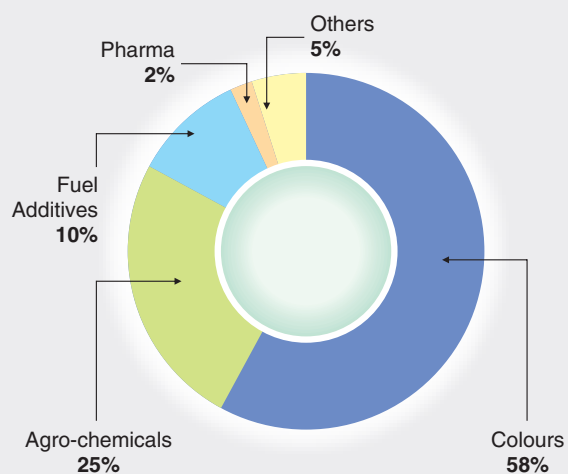
FUNDS OUTFLOW



REGION-WISE EXPORT SALES 2010-11



APPLICATION-WISE SALES 2010-11



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Delivering on Customers' Trust

The most valuable asset of a business organisation is the trust and credibility it enjoys among its customers. Built consciously over years, trust has to be maintained continually through unstinted commitment to quantity and quality of deliverables, and proactive responsiveness to customer needs.

Over the years, Deepak Nitrite has forged deep bonds with customers across its business segments. As a perceptive company, Deepak Nitrite has positioned itself in each segment as a reliable business partner. The Company provides products that are tested and proven for quality and efficacy. By discerning emerging needs of customers, the Company has developed a basket of products for a large number of applications. With a strong track record in efficiently running complex manufacturing facilities that fully comply with environmental and safety norms, expertise in multiple chemical processes, and flexible manufacturing facilities, Deepak Nitrite has been able to consistently deliver on the trust reposed on it by its customers.

Testimony of Trust

Deepak Nitrite is among the top 3 in almost all the products and markets it operates.

Customer Verbatim*

Product quality is very good in terms of purity. Delivery is always on time and proper test certificates are also provided. No issue with transportation.

Packaging quality is very good as per the test certificates. Quality of the product is excellent.

Company has a good image in the market because of the product. They should maintain the same.

Time taken for solution to our problems is very good (material & transportation). There is adherence to contract and credit terms are also proper. We have a good rapport with the company as we have been working together for many years.

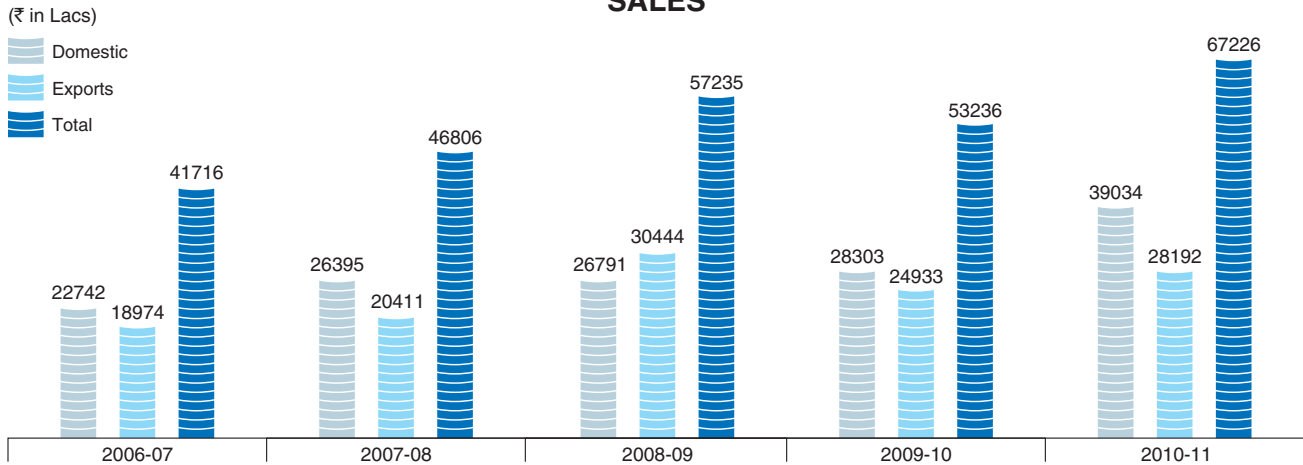
They understand our requirements effectively and supply materials as per our specifications.

Company is a technology leader and they are by far best in the market.

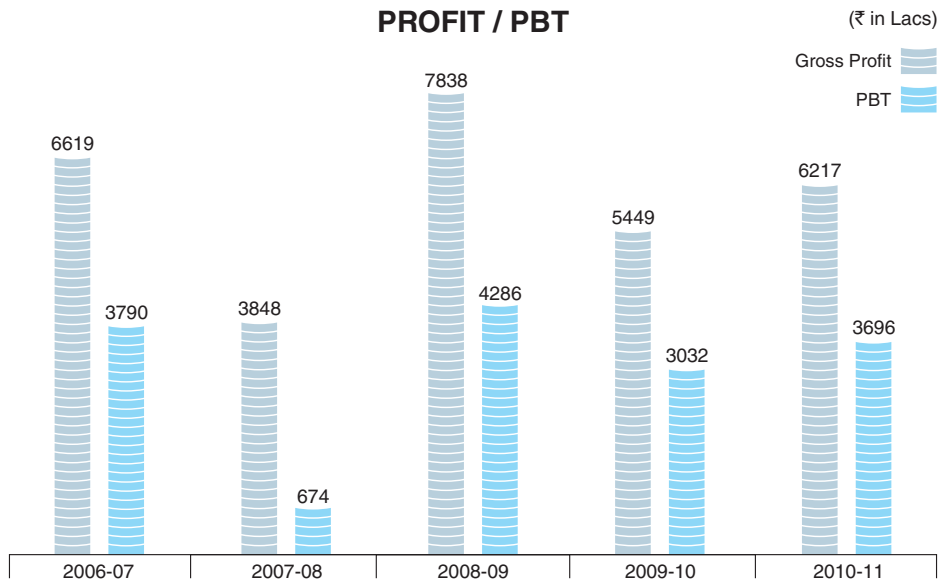
*Remarks made by some sampled domestic customers covered by the Customer Satisfaction Measurement Study conducted for Deepak Nitrite Limited by The Nielsen Company.

Financial Highlights

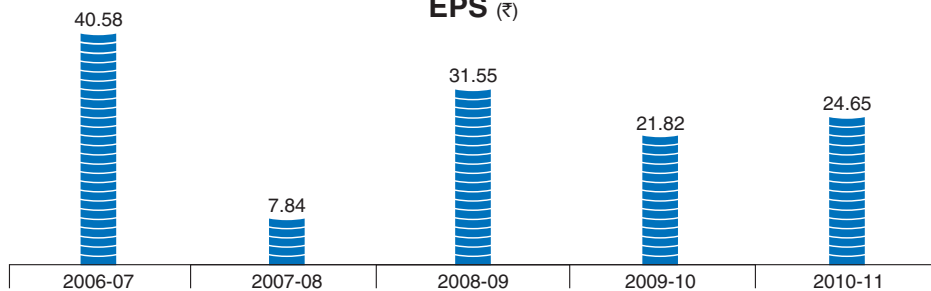
SALES



PROFIT / PBT



EPS (₹)



Financial Highlights for the last Ten Years

S. No.	Particulars	UOM	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
1	Total Income	₹ in Lacs	67,742	54,646	58,289	47,213	45,218	35,381	32,902	29,032	25,422	21,758
	YoY Growth	%	23.97	(6.24)	23.47	4.41	27.80	7.54	13.33	14.20	16.84	2.63
2	EBIDTA	₹ in Lacs	6,217	5,449	7,838	3,848	6,619	4,259	3,399	3,256	3,365	2,920
3	Profit / (Loss) Before Taxation	₹ in Lacs	3,696	3,032	4,286	674	3,790	2,045	1,487	938	1,473	938
	Percentage to Total Income	%	5.46	5.55	7.35	1.43	8.38	5.78	4.52	3.23	5.79	4.31
4	Profit / (Loss) After Taxation	₹ in Lacs	2,580	2,001	2,828	702	3,568	1,414	1,006	813	1,171	790
	Percentage to Total Income	%	3.81	3.66	4.85	1.49	7.89	4.00	3.06	2.80	4.61	3.63
5	Equity Capital	₹ in Lacs	1,045	1,045	896	896	896	598	598	575	575	575
6	Net Worth	₹ in Lacs	23,791	21,944	19,064	16,765	16,518	9,010	7,909	7,429	6,998	6,038
7	Debt	₹ in Lacs	5,958	9,256	8,955	13,502	17,045	13,393	13,046	10,148	9,178	8,483
8	Dividend on Equity Capital	₹ in Lacs	628	523	448	359	359	359	239	179	173	173
	Percentage	%	60	50	50	40	40	40	40	30	30	30
9	EPS	₹	24.65	21.82	31.55	7.84	40.58	23.63	16.81	14.14	20.36	13.73
10	Book Value	₹	235	210	213	187	184	151	132	129	122	105
11	Net Debt / Equity Ratio	%	25.04	30.33	46.97	80.54	103.19	148.66	164.95	136.60	131.15	140.50

Notice

NOTICE is hereby given that the Fortieth Annual General Meeting of the Company will be held at Hotel Surya Palace, Opposite Parsi Agiyari, Sayajiganj, Vadodara - 390 005 on Friday, the August 5, 2011 at 10:30 A.M. to transact the following businesses:

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 March 31, 2011, 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 Berjis Desai who retires by rotation and being eligible, offers himself for re-appointment.
- 5) To appoint a Director in place of Dr. Richard H. Rupp 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 fix their remuneration.

SPECIAL BUSINESS

- 7) To consider and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

“RESOLVED THAT in supersession of the Ordinary Resolution passed at the 38th Annual General Meeting of the Company held on July 30, 2009 and pursuant to Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing from time to time any sum or sums of money on such terms and conditions as the Board may deem fit, which together with the monies already borrowed by the Company (apart from temporary loans obtained/to be obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the maximum amount so borrowed by the Board shall not at any time exceed ₹1500 Crores (Rupees One Thousand and Five Hundred Crores).

RESOLVED FURTHER THAT pursuant to the provisions of Section 293(1)(a) of the Companies Act, 1956, the Board of Directors be and is hereby authorised to secure the borrowing of monies as aforesaid with interest, costs, charges and other monies in such manner as they may think fit and for that purpose to create mortgage, charge and/or hypothecation in respect of the whole or any part of the properties and assets of the Company, both present and future, and on such terms and conditions as the Board of Directors may think fit from time to time.

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

- 8) To consider and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 314 (1B) of the Companies Act, 1956 read with Director's Relatives (Office or Place of Profit) Rules, 2003 as amended vide Director's Relatives (Office or Place of Profit) Amendment Rules, 2011 (“the Rules”) and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-enactment thereof for the time being in force), consent of the Company be and is hereby accorded for the appointment of Shri Maulik D. Mehta, son of Shri Deepak C. Mehta, Vice Chairman & Managing Director of the Company, to hold an office or place of profit under the Company as Product Head in Senior Management Cadre effective from August 6, 2011 on such terms and conditions and on such monthly remuneration as may be fixed by the Board of Directors or any Committee thereof, provided that the total monthly remuneration payable to Shri Maulik D. Mehta as Product Head shall always be less than ₹ 2,50,000/- (Rupees Two Lac Fifty Thousand) prescribed under Rule 3 of the Director's Relatives (Office or Place of Profit) Rules, 2003 as amended vide Director's Relatives (Office or Place of Profit) Amendment Rules, 2011.”

By Order of the Board of Directors

SANJAY UPADHYAY

Sr. Vice President (Finance) &
Company Secretary

Place : Mumbai
Date : May 6, 2011

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. The instrument appointing 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. An Explanatory Statement, as required under Section 173(2) of the Companies Act, 1956 in respect of Special Businesses as set out above is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will remain closed from **Thursday, July 28, 2011 to Friday, August 5, 2011** (both days inclusive).
5. The dividend as recommended by the Board, if approved at the meeting, will be paid on August 10, 2011 to those members whose names appear on the Company's Register of Members on July 27, 2011. In respect of the shares in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by the Depositories for the purpose.
6. 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 National Electronic Clearing System (NECS), which operate on the new and unique bank account number, allotted by banks post implementation of Core Banking Solutions (CBS) for centralised processing of inward instructions and efficiency in handling bulk transactions.

The shareholders are requested to furnish the new Bank Account Number allotted by the banks post implementation of CBS, along with a copy of cheque pertaining to the concerned account, to the RTA of the Company in case they hold shares in physical form and to the concerned DP in case they hold shares in demat form.

In case they do not provide their new account number allotted after implementation of CBS, please note that ECS to their old account may either be rejected or returned.
7. Members holding shares in dematerialised mode are requested to intimate any changes pertaining to their bank details, NECS 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.

8. 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.
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 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.
10. Members attending the meeting are requested to bring with them the Attendance Slip attached to 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.
11. Recently, the Ministry of Corporate Affairs (MCA), Government of India, through its circulars nos. 17/2011 and 18/2011, dated April 21, 2011 and April 29, 2011 respectively, allowed companies to send official documents to their shareholders electronically as part of its "Green Initiative in the Corporate Governance".

The Company welcome this move of the MCA and recognising the spirit of the circulars issued by MCA, the Company henceforth proposes to send documents like Notice convening the general meetings, Financial Statements, Directors' Report, Auditors' Report, etc. to the email address provided by shareholders to their Depositories through their concerned Depository Participants.

The Company requests the shareholders to update their email address with their Depository Participants to ensure that the Annual Report and other documents reach them on their preferred email.
12. A brief resume, nature of expertise, other Directorships, membership of the Committees of the Board and shareholding of the Directors seeking appointment / re-appointment at the Annual General Meeting, as

required by Clause 49 (IV) (G) of the Listing Agreement with the Stock Exchange(s), is given below.

1. Shri M. R. B. Punja

Shri Punja is an Arts Graduate and Director of the Company since January 28, 1988. He has been 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 March 31, 2011 are as under:

● Andhra Petrochemicals Limited ● Apollo Tyres Limited ● Chowgule Steamships Limited ● Sushruta Medical Aid & Research Hospital Limited ● Delite Engineering Private Limited.

His Membership / Chairmanship in the Committees of the Board (other than Deepak Nitrite Ltd.) as on March 31, 2011 are as under:

Audit Committee:

● Apollo Tyres Limited - Chairman

Remuneration Committee:

● Apollo Tyres Limited - Member

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

2. Shri Berjis Desai

Shri Berjis Desai has done LL.M from Cambridge University, UK and is a practicing Solicitor since 1980. He is a Managing Partner of M/s. J. Sagar Associates, a renowned national law 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. His other Directorships as on March 31, 2011 are as under:

● Sterlite Industries (India) Limited ● The Great Eastern Shipping Company Limited ● NOCIL Limited ● Praj Industries Limited ● Edelweiss Capital Limited ● Himatsingka Seide Limited ● Greatship (India) Limited ● Emcure Pharmaceuticals Limited ● Centrum Fiscal Private Limited ● Capricorn Studfarm Private Limited ● Capricorn Agrifarms & Developers Private Limited

● Capricorn Plaza Private Limited ● Sabre Capital Investment Advisors Private Limited ● Equine Bloodstock Private Limited ● Spring Healthcare Advisors Private Limited ● Eden Realtors Private Limited.

His Membership / Chairmanship in the Committees of the Board (other than Deepak Nitrite Ltd.) as on March 31, 2011 are as under:

Audit Committee:

● Sterlite Industries (India) Limited - Member ● Praj Industries Limited - Chairman ● The Great Eastern Shipping Company Limited - Member ● Edelweiss Capital Limited - Member ● Greatship (India) Limited - Member ● Emcure Pharmaceuticals Limited - Member

Shareholders/Investors Grievance Committee:

● Sterlite Industries (India) Limited - Member ● NOCIL Limited - Chairman ● The Great Eastern Shipping Company Limited - Member ● Edelweiss Capital Limited - Member

Remuneration Committee:

● Sterlite Industries (India) Limited - Chairman ● Praj Industries Limited - Chairman ● The Great Eastern Shipping Company Limited - Member ● Emcure Pharmaceuticals Limited - Member

Shri Berjis Desai does not hold any shares in the Company.

3. Dr. Richard H. Rupp

Dr. Rupp holds Ph. D in Chemistry from University of Karlsruhe, Germany and has completed a programme 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. Presently, Dr. Rupp is associated with Acoris Research Limited as President.

He does not hold directorship in any other Indian Company.

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

Annexure to the Notice

Explanatory Statement as required by Section 173 (2) of the Companies Act, 1956

ITEM NO.7

Under Section 293(1)(d) of the Companies Act, 1956, the Board of Directors cannot except with the consent of the Company in general meeting, borrow monies apart from temporary loans obtained from the Company's bankers in the ordinary course of business, in excess of the aggregate of the paid up capital and free reserves of the company, that is to say, reserves not set apart for any specific purpose.

The shareholders at the 38th Annual General Meeting of the Company held on July 30, 2009, had authorized the Board of Directors to borrow monies for an amount not exceeding ₹400 crores (Rupees Four Hundred crores only).

In view of the Company's fund requirements in the near future for its Greenfield Project at Dahej, other plans for expansions, acquisitions, growing operations etc. it is desirable to enhance this limit of ₹400 crores to ₹1500 crores.

Your Directors recommend the Ordinary Resolution as set out above for approval by the Members.

None of Directors of the Company are, in any way, concerned or interested in the Ordinary Resolution as set out above.

ITEM NO.8

The Company wishes to appoint Shri Maulik D. Mehta, as Product Head in Senior Management Cadre of the Company or with such designation as is appropriate for the functions to be performed by him in the Company.

Shri Maulik D. Mehta, aged 28 years, has done Bachelors of Business Administration from University of Liverpool, UK. He has also done Masters in Industrial and Organisational Psychology from Columbia University, USA.

The Selection Committee of the Independent Directors of the Company had approved the proposed appointment of Shri Maulik D. Mehta at their meeting held on May 6, 2011.

As per Section 314 (1B) of the Companies Act, 1956 read with Director's Relatives (Office or Place of Profit) Rules, 2003 as amended vide Director's Relatives (Office or Place of Profit) Amendment Rules, 2011, a relative of a Director may be appointed to an office or place of profit with the prior consent of the Company in General Meeting by a Special Resolution provided that the total monthly remuneration is less than ₹ 2,50,000/-. In case the total monthly remuneration is ₹ 2,50,000/- or more, in addition to prior consent of the Company in General Meeting by a Special Resolution, approval of the Central Government is also required.

The total monthly remuneration that the Company proposes to pay presently to Shri Maulik D. Mehta shall be within the limits (i.e. ₹ 2,50,000/- per month) prescribed under Rule 3 of the Director's Relatives (Office or Place of Profit) Rules, 2003 as amended vide Director's Relatives (Office or Place of Profit) Amendment Rules, 2011. Consequently, no approval of the Central Government is, at this point of time, required.

Your directors recommend the special resolution as set out at item no. 8 for approval by the Members.

Except Shri C. K. Mehta, Chairman and Shri Deepak C. Mehta, Vice Chairman & Managing Director, being relatives of Shri Maulik D. Mehta, none of the other Directors of the Company are, in any way, concerned or interested in the Special Resolution as set out at item No. 8 of the Notice.

By Order of the Board of Directors

SANJAY UPADHYAY

Sr. Vice President (Finance) &
Company Secretary

Place : Mumbai

Date : May 6, 2011

Management Discussion and Analysis

ECONOMIC OUTLOOK

Global Economy

The fiscal year 2010-11 began on an encouraging note, as developed economies have picked up and showed signs of growth. There was steady and gradual improvement in the economic indicators of the leading world economies as they were aided by economic stimulus. Though there have been several challenges like debt restructuring of European countries and political unrest in the Middle East, the global economy was able to register growth. However, the liquidity infusion has resulted in significant amounts of asset price inflation. This has resulted in increase in prices of food articles, crude oil as well as precious and other metals.

The Indian economy continues to display remarkable resilience to the lingering effects of the global recession in 2008-2009, as the GDP continues to grow at an accelerated rate between 8.5% and 9%. Improved levels of savings and investment coupled with increased private consumption provide a critical component to the Indian growth story, contributing significantly towards GDP growth.

However, higher interest rates and the disconcertingly high levels of inflation during the second half of FY 2010-11 threatened to hamper the growth momentum.

The developments on India's external sector in the current year have been encouraging. Even as the recovery in developed countries is gradually taking root, our trade performance has improved. Exports have grown at 29.4% to reach USD 184.6 billion, while imports at USD 273.6 billion have recorded a growth of 17.6% during April-January period of FY 2010-11, over the corresponding period last year. The current account deficit is around the 2009-10 level and poses some concerns because of the composition of its financing.

Real GDP growth was driven mainly by rebound in the industrial and services sector growth, after a period of noticeable fall in the wake of the global recession. India's economy continues to be the second fastest growing major economy in the world after China.

However, the near term outlook remains mixed as sharp rise in prices of commodities and food articles put pressure on emerging nations while the developed nations will have to deal with effects of withdrawal of fiscal stimulus.

INDUSTRY STRUCTURE & RECENT DEVELOPMENTS

The chemical industry world-wide as well as in India has seen significant changes in the FY 2010-11. As the global economy has started recovering from the down-turn in 2008, the growth

in global chemical industry is also witnessing an excellent growth trajectory. End user industries have also been performing well which enhances the outlook for your Company.

The chemical industry globally was estimated at USD 3.5 trillion in 2009 and is one of the fastest growing sectors in the manufacturing sector. The industry is also estimated to have grown by 3% annually from 2005 which signifies the vast opportunities that the industry has to offer. Major markets for chemicals are North America, Western Europe, Japan and emerging economies in Asia and in Latin America. Your Company caters to a majority of these markets, and its inroads into difficult markets like China and USA make it well positioned to use its strengths to capitalise on emerging opportunities in these countries. Also the trend of shifting of manufacturing from current locations in USA and Europe to emerging low cost markets like India and China continues, resulting in an abundance of opportunities for companies like yours which operate in these regions. Demand from end user industries like agro chemicals, pharma and dyes etc. are now gradually increasing.

In India, the chemical industry contributes 3% of the GDP of the country. Growth of chemicals and petrochemicals is projected at 12.6% and 8% respectively in the 11th Five year plan. The chemical industry in India is the 6th largest in the world and 3rd largest in India. The Indian Chemical Industry continues to focus on high environmental standards. Effective cost structures are also apparent within the Chemical Industry in India.

SWOT ANALYSIS

STRENGTHS

Pedigree

The Deepak Group was established in the 1970's by Shri C.K. Mehta. What started off with manufacturing of Sodium Nitrite and Nitrate has evolved to create leadership in several products in the Organic, Inorganic and Fine & Speciality chemicals segments. Multiple products, multiple facilities and multiple customers have enabled it to create a de-risked business model and your Company enjoys good recognition and reputation.

Experienced Management

Much of the success of your Company should be owed to efforts of the management. The current management team can be credited with a number of years of experience and this has contributed towards the achievements that your Company has shown thus far.

Global Presence

The Chemical Industry world over is dominated by its presence in continents like North America, Europe and Asia. Your Company has a very strong presence domestically. Your Company has always been a strong supplier to Western

European countries and has now made inroads into difficult markets like USA and China. It has entered these markets successfully and efforts to expand its presence within these markets continue.

Customer Profile

Your Company is now the preferred supplier to some of the leading global companies and has cultivated business relationships over 5-10 years. As a result, your Company is able to enjoy stable business contracts from them.

Diversified Operations

As it has been in existence for over forty years, your Company now has its plants at multiple locations in the states of Gujarat, Maharashtra and Andhra Pradesh. Your Company also has an R&D Centre in Pune dedicated to development of new products. Being a process-driven Company, it has the capability to develop multiple spread products. Your Company's diversified customer base, which is in all geographies across the world, gives an excellent platform to expand its businesses. Dealing in multiple currencies can be risky but your Company takes necessary measures to hedge these risks through effective foreign currency management.

Research & Development

R&D is one of the key inputs for companies to succeed in the current environment. Investment in R&D is a norm globally and this practice is now being implemented by companies in India as well. Your Company has always given importance to this area by contributing around 1% of its revenues for this purpose. The highly advanced Pilot Plant at Roha is a contributing factor to this initiative.

Expertise in Complex Processes

Unlike other companies, your Company focuses on product development through complex processes of hydrogenation, chlorination, alkylation, absorption, to name a few. These processes make it possible for your Company to manufacture a wide range of products that enable it to cater to many of its clients internationally. Any requirements for more products domestically as well as globally give your Company the opportunity to cater to the needs of the customers.

WEAKNESSES

Linear Business

Your Company is currently undertaking many debottlenecking initiatives to maximise its productivity. Also, augmenting capacity at existing plants is currently underway. However, to achieve a significant growth in revenues your Company needs to undergo significant expansion and effective steps are being taken with respect to its Greenfield expansion at Dahej. The first phase is set to start soon with construction work beginning in FY 2011-12.

Infrastructure & External Support

Infrastructure & external support from Government bodies is extremely important to enhance a company's productivity which is expected to come in due course. To mitigate such problems, your Company has strategically chosen its Greenfield project expansion at Dahej, due to its proximity to the port.

Complex Nature of Business requires additional care

Your Company's business requires adherence to stringent environmental norms. Being a chemical company, your Company has to undertake several hazardous chemical processes and has to take care of these in a very structured manner. All its effluents need to be treated with utmost care. These are important aspects that your Company has to address. Your Company is a part of Responsible Care initiative and has incorporated it into its business process map and designated it as an enabling mega-process.

Susceptibility to currency fluctuations

Over 40% of your Company's revenues come from exports to China, USA and European countries. This leaves your Company susceptible to currency fluctuations. Your Company also imports raw materials, as well as purchases them locally at import parity prices. This acts as a natural hedge. Effective measures have been taken to cover net open positions by deploying tools like forward contracts, simple option structures and borrowing in foreign currencies.

OPPORTUNITIES

New Products

R&D as well as new products go hand in hand and your Company has been able to successfully manufacture new products through its R&D efforts. Some of the new products developed by your Company last year were Fuel Additives and Xylidines. These products have been good contributors to your Company's top line. In the long run, these products will put your Company on a higher growth trajectory.

End-User Industries

The Chemical Industry globally as well as in India has withstood the downturn of the economy in 2008 and has since experienced substantial growth. End-user industries like dyes, pigments, agrochemicals, paints, etc., are now growing at a significant pace and, since your Company has a portfolio of products that cater to these segments, opportunities are tremendous.

THREATS

Emerging Competition

As economies world-wide continue to grow, chemical companies globally as well as domestically are faced with severe competition from their counterparts. Deepak Nitrite is

also faced with such challenges but is well-equipped to navigate this situation, as it enjoys key competitive strengths and its strong customer base is an indication of this.

New Technology

Cutting edge technology is a need for any company to make progress in today's cut-throat environment. Your Company continues to upgrade its technologies with the help of its R&D/Technical team.

COMPANY PERFORMANCE

During the FY 2010-11 the turnover of your Company has increased to ₹ 660.46 crore from ₹ 532.36 crore in FY 2009-10. Profit Before Tax for FY 2010-11 was ₹ 36.96 crore compared to ₹ 30.32 crore in FY 2009-10. Profit After Tax was higher at ₹ 25.80 crore in FY 2010-11 compared to ₹ 20.01 crore in FY 2009-10.

Your Company has performed exceedingly well during the year, as volumes of products have increased leading to higher top line and bottom line numbers. Also prices of raw materials have been fairly stable.

SEGMENTAL PERFORMANCE

Organic Intermediates

Revenues for Organic Intermediates stood at ₹ 381.23 crore for FY 2010-11 compared to ₹ 296.56 crore for FY 2009-10.

Organic Intermediate sales were higher due to increase in sales of recently introduced Fuel Additives and Xylidine Intermediates.

Inorganic Intermediates

Revenues for Inorganic Intermediates stood at ₹ 122.11 crore for FY 2010-11 compared to ₹ 112.14 crore for FY 2009-10.

In FY 2010-11 the Inorganic Intermediate segment has operated at almost full capacity utilisation on the back of increased demand in the domestic market and increased market share.

Fine & Speciality Chemicals

Revenues for Fine & Speciality Chemicals stood at ₹ 204.96 crore for FY 2010-11 compared to ₹ 166.19 crore for FY 2009-10.

Fine & Speciality Chemicals revenue has increased mainly on account of increase in volume and prices of Colour Intermediate products and re-introduction of product having application in colour former.

OUTLOOK

The global epicenter of manufacturing has slowly been shifting towards India and China. This is creating opportunities for manufacturing companies in India. Your Company has all the

resources in place to meet this demand and reap benefit therefrom.

Your Company caters to many end-user industries like paints, dyes, pigments, etc. The needs of these end-user industries is increasing, which is slowly and steadily contributing to your Company's growth as well.

Innovation has been an area that your Company continuously focuses on through development of new products. This has enabled your Company to manufacture products like Fuel Additives and Xylidines which provide your Company higher revenues. Revenues from Fuel Additives and Xylidines were ₹ 63 crore and ₹ 19 crore respectively, for the year and your Company is confident of strong revenues from these products in the current financial year as well.

De-bottlenecking initiatives and augmentation at all your Company's four existing plants are taking place as planned. Your Company has also drawn up plans for a Greenfield expansion at its site at Dahej and a Brownfield expansion at the existing facility at Nandesari.

The Dahej expansion will require an estimated investment of around ₹ 150 crore and shall be completed by FY 2012-13. Your Company will manufacture a Fine & Speciality Chemical at this facility. For Inorganic Intermediates segment your Company shall expand the capacity at Nandesari with an estimated investment of around ₹ 50 crore and is also likely to be commissioned by FY 2012-13.

Your Company continues to make significant progress into difficult markets like China as well as USA. Your Company is able to compete in these regions in spite of severe competition with domestic suppliers present locally. Today, your Company is one of the few companies to successfully sell products in these markets.

Lastly, your Company continues to be a process-driven company with expertise in processes like hydrogenation, chlorination, absorption, etc. It is due to its capabilities in these processes that your Company is able to manufacture a variety of different products to meet the growing needs of its customers. Your Company's strong customer base domestically and globally is a testament to this fact.

RISK MANAGEMENT

Your Company has a well-established Risk Management framework which has been developed to meet the needs of constantly changing business environment. Due to its global operations, your Company is subject to stringent customer requirements on product quality and safety, impact of technological changes, financial exposures due to exchange fluctuations, stringent environmental care norms and ever increasing regulatory compliance and oversight. These factors require extremely robust risk management practices to be in place to ensure continuity of global operations. The Board periodically reviews the risk assessment procedure and risk mitigation procedures laid down by your Company.

There are various kinds of risks that your Company is subject to in the regular course of its operations.

These include but are not limited to:

Concentration Risk: Risk of concentration of single product, segment, customer, geography or currency. Your Company seeks to mitigate these risks through diversified operations. Thus it does not rely on a single product or segment for growth. It has various segments such as Organic, Inorganic and Fine & Speciality. Further, it caters to several customers who service various end-user industries ranging from pharmaceuticals, dyes, pigments, explosives to fuel additives. It currently serves the domestic market and has a strong presence in Europe. It is building up its presence in USA and China to further expand and de-risk its business.

Credit Risk: Your Company may be constrained if any of its customers is unable to pay or honour their part of a contract. Thus, your Company assesses credit worthiness, enters into legally bound contracts and insulates itself by requesting advance payment wherever necessary. Further, your Company transacts with large, multinational chemical majors, where risk of default is minimal.

Currency Risk: Your Company transacts with multiple clients across various geographies. As a result, it is exposed to dealings in various currencies. Any adverse fluctuation in exchange rate would have a bearing on the profitability of your Company. Your Company also imports raw materials, as well as purchases locally at import parity prices. This acts as a natural hedge. The Foreign Exchange Policy of your Company seeks to mitigate the currency risk by hedging itself from these risks by entering into forward covers and options.

Volatility of market demand: Any sharp increase in price of input or sharp decline in demand for finished goods would have a material impact on your Company. To insulate itself from these risks, your Company enters into long-term contracts for supply of materials as well as off-take of finished products. Further, the diversified operations of your Company insulates it from spikes in the performance of a single product/segment.

Economic Uncertainties: As the global economy has become more inter-related, impact of trends in a single economy / country can have a bearing on the performance of another economy / country. The financial crisis in the USA in 2008 had a bearing on the entire global economy. This resulted in onset of recession in many countries, resulting in decline in demand for end products. In order to protect itself from such risks and shocks to the financial system, your Company maintains a sound financial profile which will enable it to overcome any short-term crises.

Your Company constantly benchmarks its risk management function with the global best as it recognises that the markets are dynamic and ever changing. This ensures that high standards are met and your Company is always well-prepared to face the challenges of the external environment.

INTERNAL CONTROLS

Your Company and its management have ensured that adequate systems for internal control commensurate with the Company's size are in place. These ensure that its assets and interests are carefully protected; checks and balances are in place to determine the accuracy and reliability of accounting data. Well documented processes have been implemented throughout the organisation to ensure that policies are promoted and adhered to. There are clear demarcation of roles and responsibilities at various levels of operations. The Internal Control system aims to make sure that the business operations are carried on efficiently.

HUMAN RESOURCES

Your Company believes that people are the most valuable assets of the Company as they contribute substantially to the achievement of business objectives. Hence, Human Resource Development is given the top priority through on-the-job training, in-house and external training programmes and workshops conducted by experts from time to time on various topics related to technical/functional, behavioural/ general and health, safety & environment, ISO certification standards, etc. Your Company recruits professionals of high academic achievement, experience and behavioural competencies across the operations, research and marketing functions.

Your Company is always on the look-out for regular improvements in its current practices while also remaining open to adopting best practices from outside. The focus area for the Human Resource function for the coming year is to identify and retain talent, and to develop internal talent through focused initiatives.

CAUTIONARY STATEMENT

Certain statements made in the Management Discussion and Analysis Report relating to your Company's objectives, projections, outlook, expectations, estimates and others may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ from such expectations, projections and so on whether express or implied. Several factors could make a significant difference to your Company's operations. These include climatic conditions and macroeconomic conditions affecting demand and supply, government regulations and taxation, natural calamities and so on, over which your Company does not have any direct control.

Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting the Fortieth Annual Report, together with the Audited Statement of Accounts, for the financial year ended March 31, 2011.

FINANCIAL RESULTS

Sales & Other Income

Gross Profit (before interest, depreciation impairment and tax)

Less :

- (i) Interest
- (ii) Depreciation
- (iii) Impairment
- (iv) Provisions for Taxation

- For the Year

Current Tax

Deferred Tax

- Prior Year

Current Tax

Deferred Tax

Profit After Tax

Add: Surplus in Profit & Loss Account Brought Forward

Amount available for appropriation

Appropriation :

Dividend

Corporate Dividend Tax

General Reserve

(as required by Section 205 (2A) of the Companies Act, 1956)

Balance carried to the Balance Sheet

2010-11 (₹)	2009-10 (₹)
677,41,61,732	546,45,78,360
62,16,89,900	54,48,93,709
5,51,18,788	6,66,12,600
18,13,38,236	17,51,01,574
1,56,63,955	-
11,62,95,000	6,92,71,000
(1,65,90,000)	2,12,02,000
1,50,38,000	3,20,84,675
(31,46,000)	(1,95,15,000)
25,79,71,620	20,01,36,860
95,45,22,378	86,53,93,344
121,24,93,998	106,55,30,204
6,27,82,074	5,23,18,395
1,01,84,822	86,89,431
5,00,00,000	5,00,00,000
108,95,27,102	95,45,22,378
121,24,93,998	106,55,30,204

DIVIDEND

Your Directors are pleased to recommend the payment of a dividend of ₹ 6.00 (Rupees Six) per equity share (as against ₹ 5.00 (Rupees Five) per equity share in the previous year) on 1,04,63,679 Equity Shares.

The dividend, if approved along with the Corporate Dividend Tax, will absorb a sum of ₹ 729.67 lacs (Previous year ₹ 610.07 lacs).

THE YEAR IN RETROSPECT

This financial year 2010-2011 has laid an excellent foundation for your Company's plans for the years ahead. Your Company's revenue has grown by 24% to ₹ 660.46 crore when compared to revenues of ₹ 532.36 crore in the previous year. This was largely driven by strong demand in the domestic market which saw its domestic revenues increase from ₹ 292.88 crore in FY 2009-10 to ₹ 390.34 crore in FY 2010-11. The share of overall revenue contributed by the domestic market has increased from 54% to 58%. While the share of exports to total revenues has reduced to 42% when compared to 46% in the previous year, the gross revenue has increased significantly on an absolute basis to ₹ 130.03 crore. This portrays significant expansion in the top line numbers which has crossed the ₹ 600 crore mark during the year. The strong growths in revenues were largely driven by expansion in volumes which grew by 23%.

The Profit before Interest, Depreciation, Impairment and Tax for the year was ₹ 62.17 crore compared to ₹ 54.49 crore in previous year and Profit After Tax for the year was ₹ 25.80 crore compared to ₹ 20.01 crore in FY 2009-10. The Earnings per Share was ₹ 24.65 in FY 2010-11 compared to ₹ 21.82 per share in FY 2009-10.

The global economy has encountered many unsettling events in the past year. Events like the unrest in the Middle East saw oil prices hitting USD 90 a barrel in January. Although the Indian economy has experienced very high growth this year, inflation remains a worry. Your Company has not been affected to a great extent and has taken necessary steps to mitigate the effects of these events.

Your Company continues to make significant inroads into China and USA. Although China is considered to be the epicenter of global manufacturing and is an extremely competitive market, we have been able to leverage strengths in quality, process expertise and environmental awareness to make inroads into the Chinese market. Exports to China during the year stood at ₹ 35 crore, while exports to USA this year stood at ₹ 45 crore.

By catering to markets such as India, Europe, China and USA, your Company will be catering to the largest markets across the globe. Fuel Additives business continues to be promising despite the current global tensions, and your Company has made significant progress in all Aviation Fuels, Petrol Blending as well as Diesel Blending. Turnover from this business segment was around ₹ 63 crore during the year, and your Company sees a higher growth potential in this business for the current year.

Your Company continues to strive for in-house development of its products. The focus to develop new products, through expenditure of around 1% of its revenues, has led to successful creation of products like Fuel Additives, Xylidine Derivatives and Nitro Sulphuric Acid.

The business outlook remains strong as your Company anticipates the healthy demand for its products to continue. It has drawn up an expansion plan which will incorporate Greenfield expansion at Dahej and Brownfield expansion at Nandesari at an estimated combined expenditure of around ₹ 200 crore.

Your Company has maintained its policy of taking adequate measures to hedge currency risk as a significant part of its revenues comes from exports.

A review of the performance during the year is given under the section Management Discussion and Analysis Report.

FINANCE

Effective Working Capital management has always been a key aspect in your Company's operations, especially in the last few years. Your Company has been able to reduce its interest costs significantly and its debt to equity ratio has been more or less stable, being 0.25 as compared to 0.30 for the preceding year. As a result the cash flows of your Company have improved and it has enough leveraging ability for its capacity expansion plans at Dahej.

You will be pleased to know that ICRA has upgraded your Company's short term rating from A1 to A1+ and long term rating from LA to LA+.

LISTING

During the year under review, the Equity Shares of your Company were listed on the National Stock Exchange of India Limited (NSE) with effect from September 29, 2010. This would facilitate the investors across the country to trade in Company's Equity Shares more conveniently.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and those contained in the Articles of Association of the Company, Shri M. R. B. Punja, Shri Berjis Desai and Dr. Richard H. Rupp retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

FIXED DEPOSITS

The total amount of Fixed Deposits held by your Company from the Shareholders and the Public was ₹ 24.33 crore as at March 31, 2011 (₹ 27.03 crore). Your Company does not have any deposits which are matured and claimed but remain unpaid.

CORPORATE GOVERNANCE

Your Company believes in maintaining the highest standards of Corporate Governance. A Report on Corporate Governance as stipulated under clause 49 of the Listing Agreement with the Stock Exchanges forms part of this Annual Report. A Certificate from the Statutory Auditors of the Company

confirming compliance of the conditions of Corporate Governance as stipulated under the aforesaid Clause 49, is annexed to the Report on Corporate Governance.

RESEARCH & DEVELOPMENT

Research & Development has always been a key focus area for your Company. Your Company strongly believes that it is through investment in its in-house Pilot Plant at Roha that your Company is able to develop competitive products. About 1% of its revenues go towards R&D. One of your Company's key developments last year was in the Fuel Additives sector. Your Company achieved revenue of around ₹ 63 crore through these products.

SAFETY, HEALTH & ENVIRONMENT

It is very important for a company with the scale and size of your Company to maintain top most standards with regards to safety. Safety of employees is paramount especially in the chemicals business and your Company takes utmost care in this department by not only following standard rules and regulations but also going above and beyond. All the plants and facilities of your Company are monitored on a regular basis to ensure safety of personnel. Your Company continues to focus on pollution control, treatment of effluents and compliance of stringent environmental norms.

Your Company's plant at Roha has received an award from National Safety Council-Maharashtra Chapter, for best safety performance.

Your Company recognises the importance of good environmental practices and strives to be on par with the best-in-class across the globe. Your Company's focus on environmental care is a USP for its global customers. This ensures that our industry gradually moves towards sustainable business practices.

Your Company is committed to sustainable development and Global Responsible Care Core Principles inter alia governing the technology, processes and products to minimise impact to the overall environment and to enhance sustainability. Responsible Care certification programme is at advanced stage of completion.

HUMAN RESOURCES

Your Company continues to regard human capital as its strategic resource. Sustained and focused efforts have been made to use in-house training programs, external professional development program and on-job training for up-gradation of the human capital. The inculcation of performance-based culture has been the high-priority area during the year.

In view of the ambitious growth plans, your Company has made significant addition to its Technology Skill base. Your Company has the requisite competencies to embark on a rapid and sustainable growth path.

Your Company continues to enjoy harmonious industrial relationship which has helped in scaling new levels of productivity.

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 the conservation of energy, technology absorption and foreign exchange earnings and outgo are given in Annexure 'A' forming part of this report.

INSURANCE

All the insurable interests of your Company including inventories, buildings, plant and machinery are adequately insured against risk of fire and other risks.

COMMUNITY SERVICE

Your Company remains committed to social development through Deepak Foundation.

Deepak Foundation has been implementing health and livelihood projects in rural areas of Vadodara district, Gujarat, since past 28 years. Currently it provides services in all 1548 tribal and rural villages of the district covering a two million populace. The Foundation undertakes most of its ventures in partnership with concerned government departments to ensure sustainability and replicability of the initiatives.

The Foundation was instrumental in strengthening of community-based groups at Primary Health Center level (75), Block level (12) and District level (1) and was, the first in the entire State, to facilitate formulation of need-based, decentralised District Health Action Plan.

AUDITOR'S REPORT

The Auditor's Report to the Shareholders, read together with relevant notes thereon, are self-explanatory and do not contain any qualifications, and hence do not call for any comments under section 217 of the Companies Act, 1956.

AUDITORS

The Auditors, M/s. B.K. Khare & Co., Chartered Accountants, Mumbai, hold office until the conclusion of the 40th Annual General Meeting and are eligible for re-appointment. Certificate from the Auditors has been received to the effect that their re-appointment, if made, would be in accordance with the limits prescribed under section 224 (1B) of the Companies Act, 1956. Members are requested to consider their re-appointment and fix their remuneration in the ensuing Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

As required by sub-section (2AA) of section 217 of the

Companies Act, 1956, the Board of Directors of your Company confirm that:

1. In the presentation of annual accounts for the year ended March 31, 2011, the applicable accounting standards have been followed along with proper explanations relating to material departures, if any;
2. Accounting policies selected were applied consistently. Reasonable and prudent judgments and estimates were made so as to give a true and fair view of the state of affairs of the Company as at March 31, 2011 and of the profit of the Company for the year ended on that date;
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with 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 annual accounts of the Company have been prepared on a going concern basis.

PERSONNEL

The Board of Directors wish to express their appreciation for the outstanding contribution made by the employees to the operations of your Company during the year.

The information required under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, forms part of this report. However, under the terms 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 the employees. Any Shareholder interested in obtaining a copy of the same may write to the Company Secretary at the Registered Office of the Company.

ACKNOWLEDGEMENT

Your Directors wish to acknowledge the contributions of all the stakeholders and are grateful for the co-operation of various government authorities, excellent support received from shareholders, Banks, Dealers and other business associates. Your Directors recognise and appreciate the hard work and efforts put in by all the employees of the Company and their contribution to the progress of the Company in a very challenging environment.

For and on behalf of the Board

Place : Mumbai
Date : May 6, 2011

C. K. MEHTA
Chairman

Annexure - A to Directors' Report

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo pursuant to 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											
A - CONSERVATION OF ENERGY											
Efforts have been put to identify and implement energy conservation measures at all locations. The units have been audited at specific intervals for system leakages in air, nitrogen, steam and insulation of chilled water and steam. Few of the energy conservation measures taken are : • Insulation of energy efficient pumps for boiler and cooling towers. Installation of variable speed drives for mototrs in continuous use. • Optimisation of batch cycle times. • Replacement of old compressors with energy efficient compressors. • Replacement of light fittings with energy efficient CFL fittings.											
FORM - A											
Disclosure of particulars with respect to Conservation of Energy (to the extent applicable)											
(a) POWER AND FUEL CONSUMPTION											
	UOM	2010 - 2011					2009 - 2010				
		Nitrite	N.A.Divn.	T.C.D.	APL	H.S.D	Nitrite	N.A.Divn.	T.C.D.	APL	H.S.D
		(Nandesari)	Taloja	Roha	Hyderabad		(Nandesari)	Taloja	Roha	Hyderabad	
1 Electricity:											
(a) Purchased											
Unit	KWH	1948125	1305975	2466895	7213623	13566409	2159489	1606911	2230252	5723216	11610529
Total Amount	₹	15815280	10671684	14593012	40254879	59053858	17153276	12616254	12222346	28293855	40926774
Rate / Unit	₹	8.12	8.17	5.92	5.58	4.35	7.94	7.85	5.48	4.94	3.52
(b) Own Generation											
(i) Through Own diesel											
Generator Unit	KWH	696	375	17317	94664	1479355	1124	1185	8173	87584	1474618
Units per litre of											
Diese Oil	KWH	3.00	3.00	3.34	3.74	3.22	2.68	2.43	3.38	3.93	3.19
Cost/ Unit	₹	13.98	13.98	12.20	13.21	12.36	13.48	14.87	21.84	12.43	11.41
(ii) Through Steam											
Turbine/Generator	KWH	12133436	8237373	-	-	-	11051669	7896201	-	-	-
Unit											
Total Amount	₹	58680266	39837952	-	-	-	59272112	42348763	-	-	-
Rate/ Unit	₹	4.84	4.84	-	-	-	5.36	5.36	-	-	-
2 Coal											
Quantity	MT	8152	13035	-	-	20703	3,944	6,821	-	-	17907
Total Amount	₹	40739621	65145782	-	-	96753941	20321748	35,147,431	-	-	68859329
Average Rate/MT	₹	4998	4998	-	-	4673	5,153	5,153	-	-	3845
3 Furnace Oil											
Quantity	KL	85	121	2580	2899	448	1073	895	2137	2184	421
Total Amount	₹	1979108	2799943	64259000	73732799	13024460	20299011	16944472	46962970	47869739	12083322
Average Rate/KL	₹	23157	23157	24906	25437	29062	18926	18926	21976	21915	28716
4 Regasified Liquid Natural Gas											
Quantity	KL	108	870	-	-	-	367	2049	-	-	-
Total Amount	₹	1509369	12159683	-	-	-	5005217	27927694	-	-	-
Average Rate/KL	₹	13977	13977	-	-	-	13627	13627	-	-	-
(b) CONSUMPTION PER UNIT OF PRODUCTION											
2010-2011											
Electricity Furnace Oil / Coal											
KWH Ltr./KG											
Inorganic Salts		245		83			297		78		
DNPT		1331		370			1402		267		
Nitro Aromatics		261		150			321		199		
Aromatics Amines		201		210			207		197		
Organic Intermediates		779		309			896		337		
Colour Intermediates		1999		2810			2107		2952		
2009-2010											
Electricity Furnace Oil/ Coal											
KWH Ltr./KG											
Inorganic Salts		245		83			297		78		
DNPT		1331		370			1402		267		
Nitro Aromatics		261		150			321		199		
Aromatics Amines		201		210			207		197		
Organic Intermediates		779		309			896		337		
Colour Intermediates		1999		2810			2107		2952		
B - TECHNOLOGY ABSORPTION											
FORM - B											
Disclosure of particulars with respect to Conservation of Energy (to the extent applicable)											
(a) RESEARCH AND DEVELOPMENT (R & D)						(b) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION					
1) Specific areas in which R&D is carried out by the Company :						The Research and Development Center keeps itself abreast of the technical developments and innovations relating to the Company's line of products and bring about improvement in the products of the Company for the better quality, process improvements, cost effectiveness and import substitution.					
• Process development of new products and intermediates.											
• Improvements in productivity / quality leading to higher yields and lesser effluents and reduction in cost.											
• Establishing the standards, specification and analytical procedures of new products and intermediates.											
2) Benefits derived as a result of the above R&D :											
• More efficient process for manufacture of some of the intermediates resulting into quicker and higher economic returns.											
• Cost reduction / improved quality of existing products leading to enhanced customer satisfaction.											
• Safer environment and strategic resource management.											
3) Future plan of action :											
The existing activity levels to continue with emphasis on:-											
• Development of new products and intermediates.											
• Production of bulk chemicals right from basic stages.											
• Improvements in productivity / quality and reduction in cost of production.											
4) Expenditure on R&D											

Report on Corporate Governance for the Year Ended on March 31, 2011

1. Company's Philosophy on Code of Governance

Your Company's philosophy on Corporate Governance envisages the attainment of a high level transparency and accountability in the functioning of the Company and the efficient conduct of its business, including its interaction with employees, shareholders, depositors, creditors, consumers, financial institutions and other lenders. Accountability improves decision-making and transparency helps to explain the rationale behind decisions which in turn helps in building confidence in the Company.

Your Company firmly believes that for a company to succeed on a sustained basis, it must maintain global standards of Corporate Conduct. It also believes that Corporate Governance is not simply a matter of creating checks and balances; it is about creating an outperforming organisation, which leads to increasing employee and customer satisfaction.

2. Board of Directors

Currently, the strength of the Board is twelve members comprising of two Executive Directors and ten Non-Executive Directors. Nine of the Non-Executive Directors are Independent Directors and the Board is headed by Non-Executive Chairman. Accordingly, the composition of Board is in conformity with the Code of Corporate Governance under the Listing Agreement with the Stock Exchanges. The Non-Executive Directors of the Company are highly experienced professionals in their fields and in the corporate world.

The Composition of Board of Directors of the Company is as under:

Sr. No.	Category	Name of the Director
I.	Promoter and Non-Executive Director	Shri C. K. Mehta (Chairman)
II.	Promoter and Executive Directors	Shri D. C. Mehta (Vice Chairman & Managing Director) Shri A. C. Mehta (Managing Director)
III.	Independent and Non-Executive Directors	Shri Shrenik Kasturbhai Lalbhai Shri M. R. B. Punja Shri A. K. Dasgupta Shri Nimesh Kampani Shri Hasmukh Shah Shri Sudhin Choksey Shri Berjis Desai Dr. Richard H. Rupp Shri Sudhir Mankad

During the year under review, four Board Meetings were held on May 14, 2010, July 31, 2010, October 30, 2010 and February 4, 2011. The maximum time gap between the two Board Meetings was not more than four calendar months.

Attendance of each Director at the Board Meetings, last Annual General Meeting and their other Directorships and Memberships/Chairmanships in committees of other Companies as at March 31, 2011 are as under:

Name of the Director	No. of Board Meetings held during the year	No. of Board Meetings Attended	Attendance at Last AGM	No. of Other Directorships Held*	No. of Committee Positions in other Public Companies# [Member (M)/Chairman (C)]
Shri C. K. Mehta	4	4	YES	2	-
Shri D. C. Mehta	4	4	YES	2	1 (C)
Shri A. C. Mehta	4	4	YES	1	1 (C) & 1 (M)
Shri Shrenik Kasturbhai Lalbhai	4	1	NO	1	-
Shri M. R. B. Punja	4	4	YES	4	1 (C)
Shri A. K. Dasgupta	4	4	YES	-	-
Shri Nimesh Kampani	4	4	YES	5	2 (C) & 2 (M)
Shri Hasmukh Shah	4	3	YES	7	3 (C) & 2 (M)
Shri Sudhin Choksey	4	4	YES	2	1 (M)
Shri Berjis Desai	4	2	NO	8	2 (C) & 8 (M)
Dr. Richard H. Rupp	4	4	YES	-	-
Shri Sudhir Mankad	4	4	YES	6	-

* Number of directorships held in other companies excludes directorships in Private Limited Companies, Section 25 Companies, Foreign Companies, Membership of Managing Committee of various chambers/bodies and alternate directorships.

Committee of Directors includes Audit Committee and Shareholders/Investors Grievance Committee only.

As required under Clause 49 IV (G) of the Listing Agreement with the Stock Exchanges, particulars of directors seeking appointment/re-appointment are given in the Notes annexed to the Notice of the Annual General Meeting.

3. Committees of Board of Directors

i) Audit Committee:

The brief description of terms of reference of the Audit Committee are inter alia to oversee the Company's financial reporting process, to review Director's Responsibility Statement, changes, if any, in accounting policies and reasons for the same, qualifications in the draft audit report, performance of statutory and internal auditors, reports of Company's internal auditors and financial statements audited by the statutory auditors and also to review the internal control systems, risk management, information relating to Management Discussion and Analysis of financial condition and results of operations, statement of significant related party transactions, Management letters/letters of internal control weaknesses, if any, issued by the Statutory Auditors, recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees and approval of payment to statutory auditors for any other services rendered by the statutory auditors.

The Audit Committee comprises of the following members:

Name of the Member	Designation	Category
Shri M. R. B. Punja	Chairman	Non-Executive Independent Director
Shri A. K. Dasgupta	Member	Non-Executive Independent Director
Shri Sudhin Choksey	Member	Non-Executive Independent Director
Shri Sudhir Mankad*	Member	Non-Executive Independent Director

*Shri Sudhir Mankad was inducted as a member of the Audit Committee on October 30, 2010.

All the members of the Audit Committee are financially literate and Shri Sudhin Choksey is a Chartered Accountant. The Company Secretary acts as a Secretary to the Committee.

Five meetings of the Audit Committee were held during the year under review. The meetings of Audit Committee were held on May 14, 2010, July 30, 2010, October 30, 2010, December 16, 2010 and February 4, 2011.

The attendance of the members at the Audit Committee Meeting is given below:

Name of the Member	No. of Audit Committee Meetings Held	No. of Audit Committee Meetings Attended
Shri M. R. B. Punja	5	5
Shri A. K. Dasgupta	5	5
Shri Sudhin Choksey	5	5
Shri Sudhir Mankad*	5	2

*Shri Sudhir Mankad was inducted as a member of the Audit Committee on October 30, 2010.

(ii) Share Transfer Committee:

To expedite the process of share transfers, transmissions, splitting and consolidation of shares, issue of duplicate share certificates, etc., the Board has delegated the powers of share transfers and other related matters to the Share Transfer Committee comprising of Shri D. C. Mehta, Vice Chairman & Managing Director, Shri A. C. Mehta, Managing Director and Shri A. K. Dasgupta, Independent Director.

During the reporting period, the Committee met 21 times.

(iii) Investors Grievance Committee:

The Investors Grievance Committee inter alia deals with various matters relating to redressal of shareholders and investors complaints like delay in transfer / transmission of shares, non-receipt of balance sheet, non-receipt of dividends etc. and to improve the performance of investor services.

The Investors Grievance Committee comprises of the following Directors:

Name of Member	Designation	Category
Shri A. K. Dasgupta	Chairman	Non-Executive Independent Director
Shri D. C. Mehta	Member	Executive Director
Shri A. C. Mehta	Member	Executive Director

The Company Secretary acts as a Secretary to the Committee and he is also the Compliance Officer.

The Company and Sharepro Services (India) Pvt. Ltd. (Registrar & Transfer Agent) attend to all the grievances of the Investors promptly on its receipt, either directly or through SEBI, Stock Exchanges, Ministry of Corporate Affairs, etc. Continuous efforts are being made to ensure that grievances are more expeditiously redressed to the satisfaction of the investors.

The details of complaints received and resolved during the financial year ended March 31, 2011 are as follows.

Opening Balance	Received during the year	Resolved during the year	Closing Balance
Nil	02	02	Nil

No transfers / demat of shares were pending at the close of the financial year 2010-11.

(iv) Remuneration Committee:

The broad terms of reference of the Remuneration Committee is to determine on behalf of the Board and the Shareholders, Company's policy on specific remuneration packages for Executive Directors including pension rights and any compensation payment.

The Remuneration Committee comprises of the following Directors:

Name of the Member	Designation	Category
Shri A. K. Dasgupta	Chairman	Non-Executive Independent Director
Shri Berjis Desai	Member	Non-Executive Independent Director
Shri Sudhir Mankad	Member	Non-Executive Independent Director

The Company Secretary acts as a Secretary to the Committee.

During the financial year 2010-11, the Remuneration Committee met on May 14, 2010 and all the Members of the Committee were present in the said meeting.

The Remuneration Committee determines and recommends to the Board, salary, perquisites and commission to be paid to the Executive Directors.

The Non-Executive Directors of the Company are paid sitting fees for attending the meetings of the Board or Committees thereof. Apart from the sitting fees, the Non-Executive Directors are also paid commission not exceeding 1% of the net profits of the Company for the year, calculated as per provisions of Companies Act, 1956.

The details of remuneration paid to the Executive Directors for the financial year ended March 31, 2011 are as under:

Name	Salary ₹	Perquisites & Allowances ₹	Retirement Benefits ₹	Commission ₹	Total ₹
Shri D. C. Mehta	27,48,000	18,51,203	7,25,268	77,18,715	1,30,43,186
Shri A. C. Mehta	31,33,920	12,31,736	8,27,569	77,18,715	1,29,11,940

The details of payments made to Non-Executive Directors during the financial year ended March 31, 2011 are as under:

Name	Sitting Fees ₹	Commission ₹	Total ₹
Shri C. K. Mehta	20,000	1,00,000	1,20,000
Shri Shrenik Kasturbhai Lalbhai	5,000	75,000	80,000
Shri M. R. B. Punja	45,000	2,75,000	3,20,000
Shri A. K. Dasgupta	55,000	2,75,000	3,30,000
Shri Nimesh Kampani	20,000	1,25,000	1,45,000
Shri Hasmukh Shah	15,000	1,25,000	1,40,000
Shri Sudhin Choksey	45,000	2,75,000	3,20,000
Shri Berjis Desai	15,000	1,25,000	1,40,000
Dr. R. H. Rupp	20,000	1,50,000	1,70,000
Shri Sudhir Mankad	35,000	2,75,000	3,10,000
Total	2,75,000	18,00,000	20,75,000

Details of shares held by the Non-Executive Directors in the Company are as under:

S. No.	Name of Non-Executive Director	No. of Shares held
1	Shri C. K. Mehta	307839
2	Shri Shrenik Kasturbhai Lalbhai	14635
3	Shri M. R. B. Punja	Nil
4	Shri A. K. Dasgupta	Nil
5	Shri Nimesh Kampani	Nil
6	Shri Hasmukh Shah	Nil
7	Shri Sudhin Choksey	Nil
8	Shri Berjis Desai	Nil
9	Dr. Richard H. Rupp	Nil
10	Shri Sudhir Mankad	Nil

(v) Selection Committee:

The Selection Committee comprises of the following Directors :

Name of the Member	Designation	Category
Shri A. K. Dasgupta	Chairman	Non-Executive Independent Director
Shri Berjis Desai	Member	Non-Executive Independent Director
Shri Sudhir Mankad	Member	Non-Executive Independent Director
Shri Shripad Gumaste	Member	External Expert

The purpose of constitution of the Selection Committee is to approve the appointment of relative of a Director to an office or place of profit.

4. General Body Meetings

Details of last three Annual General Meeting held:

Meeting	Date	Time	Venue
37th AGM	August 14, 2008	10:30 A.M.	Hotel Surya Palace, Sayajigunj, Vadodara 390 005
38th AGM	July 30, 2009	10:30 A.M.	Hotel Surya Palace, Sayajigunj, Vadodara 390 005
39th AGM	July 31, 2010	11:00 A.M.	Hotel Surya Palace, Sayajigunj, Vadodara 390 005

Special Resolution proposed at the 38th Annual General Meeting was duly approved and passed by the Shareholders.

During the year ended March 31, 2011, the Company has not passed any Special Resolution through Postal Ballot as per the provisions of Companies Act, 1956 and the rules framed there under.

No Special Resolution requiring approval of the Shareholders through Postal Ballot is being proposed at the ensuing Annual General Meeting.

5. Disclosure

- There have been no materially significant related party transactions of the Company which have potential conflict with the interests of the Company at large. However, normal trade transactions were entered into by the Company with the related parties. Disclosure on related party transactions as per Accounting Standard 18 issued by the Institute of Chartered Accountants of India, are given in Note No. 10 (d) in the Notes forming part of the Accounts for the year ended on March 31, 2011 (Schedule 22).
- There is no non-compliance by the Company nor any penalty or stricture imposed on the Company by any Stock Exchanges, SEBI or any other statutory authority on any matter relating to capital markets during the last three years.
- The Company has laid down procedures for risk assessment and minimisation procedures. This is being periodically reviewed by the Board to ensure that the management manages the risk through properly defined framework.
- The Company has complied with the mandatory requirements of Clause 49 of the Listing Agreement in respect of Corporate Governance. The Company has not implemented the non-mandatory requirements enlisted by way of annexure to Clause 49 of the Listing Agreement except for the constitution of a Remuneration Committee.

- (v) Disclosure of relationships between Directors inter-se: Shri C. K. Mehta is the father of Shri D. C. Mehta and Shri A. C. Mehta. None of the other Directors have any relationships inter-se.

6. Means of Communication

The Quarterly and Half yearly results are published in widely circulating national and local dailies such as, The Economic Times (English & Gujarati). These are not sent individually to the shareholders.

The Company's results are displayed on Company's website.

No presentations were made to the institutional investors. However, presentations were made to Analysts and Brokerage Firms during the year under review.

7. Code of Conduct

The Company has adopted a Code of Conduct for the members of the Board and the Senior Management in compliance with the provisions of Clause 49 of the Listing Agreement. The Code had been circulated to all the members of the Board and Senior Management and the same had been put on the Company's website at www.deepaknitrite.com.

All the members of the Board and the Senior Management have affirmed compliance with the Code of Conduct as on March 31, 2011 and a declaration to that effect signed by the Vice Chairman & Managing Director (CEO) is given below:

DECLARATION	
As per clause 49 of the Listing Agreement with Stock Exchanges, this is to confirm that all the members of the Board and Senior Management Personnel have affirmed compliance with the Code of Conduct of the Company for the financial year 2010-11.	
Place : Mumbai Date : May 6, 2011	D. C. Mehta Vice Chairman & Managing Director

8. Management Discussion and Analysis

This Annual Report contains a report on Management Discussion and Analysis.

9. General Shareholder Information

Annual General Meeting:

Day & Date	: Friday, August 5, 2011
Time	: 10:30 A.M.
Venue	: Hotel Surya Palace, Opp. Parsi Agiari, Sayajigunj, Vadodara 390 005.
Date of Book Closure	: Thursday, July 28, 2011 to Friday, August 5, 2011 (both days inclusive).
Dividend Payment Date	: On or after August 10, 2011 but within the statutory time limit of 30 days, subject to shareholders' approval.

Financial Calendar:

Results for the Quarter Ending	Tentative Time of Reporting
June 30, 2011	: On or before August 15, 2011
September 30, 2011	: On or before November 15, 2011
December 31, 2011	: On or before February 15, 2012
Audited Annual Accounts for the year ended March 31, 2012	: On or before June 30, 2012

Listing on Stock Exchanges:

The Company's Equity Shares are listed on the following Stock Exchanges:

Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Ltd. (NSE)

Listing fees for financial years 2010-11 and 2011-12 have been paid to both the exchanges.

Stock Code for Equity Shares: 506401 (BSE) ; DEEPAKNTR (NSE)

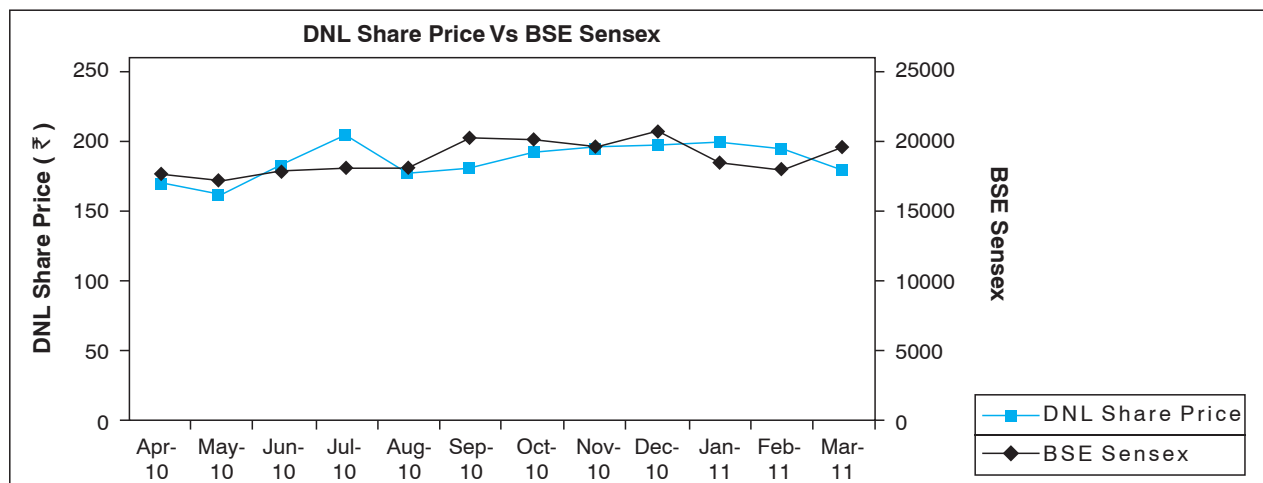
ISIN Number for Equity Shares (NSDL & CDSL): INE288B01011

Market Price Data of Equity Shares:

Market Price Data - monthly high & low during the year 2010-2011 at BSE:

Month	High	Low	Month	High	Low
April, 2010	174.25	135.05	October, 2010	199.00	177.60
May, 2010	182.00	160.00	November, 2010	219.00	182.50
June, 2010	190.00	135.05	December, 2010	209.10	191.50
July, 2010	213.00	179.00	January, 2011	217.95	188.50
August, 2010	219.25	173.10	February, 2011	202.75	192.00
September, 2010	204.85	175.15	March, 2011	194.00	170.10

Source : www.bseindia.com



Distribution of Shareholding as on March 31, 2011:

Range	No. of Holders	%	No. of Shares	%
1 - 500	7519	87.00	966707	9.24
501 - 1000	668	7.73	480303	4.60
1001 - 2000	229	2.65	325840	3.11
2001 - 3000	79	0.91	197145	1.89
3001 - 4000	38	0.44	132852	1.27
4001 - 5000	21	0.24	95612	0.92
5001 - 10000	45	0.52	302240	2.89
10001 & above	44	0.51	7953120	76.08
TOTAL	8643	100.00	10453819	100.00

Shareholding Pattern as on March 31, 2011:

Category of Shareholders	No. of Shares	% to Equity Capital
Promoters	5847177	55.93
Mutual Fund & Unit Trust of India	66613	0.64
Financial Institutions, Banks	353992	3.39
Foreign Financial Institute	603704	5.77
Bodies Corporate	643867	6.16
Non Resident Individuals	19765	0.19
Resident Individuals & Trust	2918701	27.92
TOTAL	10453819	100.00

The Company has not issued any GDRs/ADRs.

Dematerialisation of Equity Shares:

Electronic holding by Members comprises 96.37% of the paid up equity capital of the Company as on March 31, 2011 held through National Securities Depository Limited and Central Depository Services (India) Limited.

Share Transfer System:

Securities lodged for transfer at the Registrar's address are normally processed within 15 days from the date of lodgment, if the documents are clear in all respects. All requests for dematerialisation of securities are processed and the confirmation is given to the depositories within 15 days.

Pursuant to Clause 47 (c) of the Listing Agreement with Stock Exchanges, certificates, on half yearly basis have been issued by a Company Secretary-in-Practice for due compliance of share transfer formalities by the Company. Pursuant to SEBI (Depositories and Participants) Regulation, 1996, certificates have been received from a Company Secretary-in-Practice for timely dematerialisation of shares and for reconciliation of the share capital of the Company on a quarterly basis.

Registrar and Share Transfer Agent:

M/s. Sharepro Services (India) Pvt. Ltd.: Unit: Deepak Nitrite Ltd.

Registered Office :

13 AB, Samhita Warehousing Complex, 2nd Floor,
Near Sakinaka Telephone Exchange,
Andheri-Kurla Road, Sakinaka, Andheri (East),
Mumbai - 400 072

Telephone Numbers : (022) 6772 0300, 6772 0400

Fax Number : (022) 2859 1568, 2850 8927

E-mail : sharepro@shareproservices.com

Investor Relation Centre :

912, Raheja Centre,
Free Press Journal Road,
Nariman Point, Mumbai - 400 021.

Telephone Numbers : (022) 2282 5163, 2288 1569, 6613 4700

Fax Number : (022) 2282 5484

E-mail : sharepro@shareproservices.com

Address for Correspondence and Investor Assistance:

Deepak Nitrite Limited
9/10, Kunj Society,
Alkapuri,
Vadodara - 390 007.

Telephone Numbers : (0265) 2351013, 233 4481, 233 4482

Fax No. : (0265) 233 0994

E-mail : investor@deepaknitrite.com

Website : www.deepaknitrite.com

Contact Person : Shri Shailesh Vaidya

Shareholders holding shares in electronic mode should address all their correspondence to their respective Depository Participants.

Unclaimed / Unpaid Dividend:

As per the provisions of Section 205A read with Section 205C of the Companies Act, 1956, the Company is required to transfer unclaimed dividends, matured deposits and interest accrued thereon remaining unclaimed and unpaid for a period of seven years from the due date to the Investor Education and Protection Fund (IEPF) set by the Central Government.

Given below are the due dates for transfer of unclaimed and unpaid dividend to the Investors Education & Protection Fund (IEPF) by the Company:

Financial Year	Dividend Payment Date	Proposed Date for Transfer to IEPF*
2003-2004	September 6, 2004	September 5, 2011
2004-2005	August 8, 2005	August 7, 2012
2005-2006	August 7, 2006	August 6, 2013
2006-2007	September 24, 2007	September 23, 2014
2007-2008	August 18, 2008	August 17, 2015
2008-2009	August 3, 2009	August 2, 2016
2009-2010	August 5, 2010	August 4, 2017

* Indicative dates, actual date may vary.

Plant Locations:

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

Auditors' Certificate on Compliance of conditions of Corporate Governance under Clause 49 of the Listing Agreement

We have examined the compliance of conditions of Corporate Governance by DEEPAK NITRITE LIMITED for the year ended on March 31, 2011 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We have to state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Registrar & Transfer Agent and reviewed by the Shareholders/Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **B.K.KHARE & COMPANY**
Chartered Accountants

Santosh Parab
Partner

Membership No.: 47942
Firm Registration No. 105102W

Place : Mumbai
Date : May 6, 2011

Auditors' Report

TO

THE MEMBERS OF DEEPAK NITRITE LIMITED

1. We have audited the attached Balance Sheet of DEEPAK NITRITE LIMITED as at March 31, 2011 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed with reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraph 4 & 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of these books.
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the said Balance Sheet, Profit Loss Account and Cash Flow Statement comply with, the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - (e) On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - (f) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011; and
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date.
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **B.K.KHARE & COMPANY**
Chartered Accountants

Santosh Parab
Partner

Membership No. 47942
Firm Registration No : 105102W

Place: Mumbai
Date : May 6, 2011

Annexure Referred to in Paragraph 3 of our Report of Even Date:

i) FIXED ASSETS:

- (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. Discrepancies noticed during the verification were not material and have been properly dealt with in the books of accounts.
- (c) We are of the opinion that, Company has not disposed off substantial part of fixed assets during the year.

ii) INVENTORY:

- (a) Inventory has been physically verified during the year by the management at regular intervals. In our opinion, the frequency of verification is reasonable. In respect of stocks of raw materials lying with converters, the management has obtained confirmation certificates with regard to the respective closing stock.
- (b) In our opinion, the procedure of physical verification of stocks followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion, the Company is maintaining proper records of inventory. Having regard to the size of the operations of the Company and the nature of stocks held, the discrepancies noticed on verification between physical stocks and book records been properly dealt with in the books of accounts.

iii) LOANS AND ADVANCES GRANTED / TAKEN FROM CERTAIN ENTITIES:

According to the information and explanations given to us, the Company has not taken or granted secured or unsecured loans from/to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

iv) INTERNAL CONTROL SYSTEM:

In our opinion, there is adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed asset and with regard to the sale of goods and services. During the course of our audit, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the internal control procedures.

v) CONTRACTS OR ARRANGEMENT REFERRED TO IN THIS SECTION 301 OF THE COMPANIES ACT, 1956:

- (a) Based on audit procedures applied by us, we are of the opinion that the contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under Section 301 and exceeding the value of ₹ 5,00,000/- in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

vi) PUBLIC DEPOSITS:

In our opinion, Company has complied with the provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposit) Rules 1975, with regard to the deposits accepted from the public. We are further informed that no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal intimating the contravention of the said provisions.

vii) INTERNAL AUDIT SYSTEM:

In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

viii) COST RECORDS:

We have broadly reviewed the books of accounts maintained by the Company in respect of products where pursuant to the rules made by the Central Government of India, the maintenance of cost records has been prescribed under section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We however have not made a detailed examination of the records with a view to determine whether they are accurate or complete.

ix) STATUTORY DUES:

- (a) Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other material statutory dues applicable to it.

- (b) There are no dues of Income Tax, Wealth Tax, Service Tax, Sales Tax, Custom duty, Excise duty and Cess which have not been deposited on account of dispute except in respect of (i) Sales Tax of ₹ 6.97 Lacs under the Central Sales Tax Act for F.Y. 2005-2006 which is pending before Commissioner of Sales Tax (Appeals), and ₹ 10.14 Lacs under the Commercial Tax Act of Andhra Pradesh at Hyderabad pending before Commissioner of Commercial Tax (Appeals), ii) Interest and penalty of ₹ 59.34 Lacs payable on differential Excise duty pending before CESTAT for the years from 1998-99 & 2001-02 to 2004-05, Excise Duty alongwith interest and penalty of ₹ 5.31 Lacs which is pending before CESTAT for the years 2003-04 and 2005-06 and iii) ₹ 25.47 lacs in respect of disputed liability relating to non-utilisation of industrial plot within specified time frame.

x) ACCUMULATED LOSSES:

The Company does not have accumulated losses as at the end of the year and the Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.

xi) DUES TO FINANCIAL INSTITUTIONS, BANKS AND DEBENTURE HOLDERS:

Based on our audit procedures, we are of the opinion that the Company has not defaulted in the repayment of dues to Financial Institutions and Banks.

xii) SECURITY FOR LOANS & ADVANCES GRANTED:

Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii) SPECIAL STATUTE:

The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/society are not applicable to the Company.

xiv) DEALINGS/TRADING IN SHARES, SECURITIES, DEBENTURES AND OTHER INVESTMENTS:

In our opinion Company is not dealing in or trading in shares, securities, debentures and other investments.

xv) GUARANTEES GIVEN:

Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.

xvi) TERM LOANS:

According to the information and explanations given to us, the Company has not taken any Term Loan during the year.

xvii) UTILISATION OF FUNDS:

On an overall examination of the Balance Sheet and the Cash Flow of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

xviii) PREFERENTIAL ALLOTMENT OF SHARES:

Company has not made any preferential allotment of shares during the year.

xix) SECURITY FOR DEBENTURES ISSUED:

Company has not issued any debentures during the year.

xx) PUBLIC ISSUE OF EQUITY SHARES:

During the year Company has not raised any money by public issue.

xxi) FRAUDS NOTICED:

During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

For **B.K.KHARE & COMPANY**
Chartered Accountants

Santosh Parab
Partner

Place: Mumbai
Date : May 6, 2011

Membership No. 47942
Firm Registration No : 105102W

Balance Sheet as at March 31, 2011

I SOURCES OF FUNDS	SCHEDULE	₹	AS AT	AS AT
			MARCH 31, 2011	MARCH 31, 2010
			₹	₹
(1) SHAREHOLDERS' FUNDS				
(a) Share Capital	1		10,45,38,190	10,45,38,190
(b) Reserves & Surplus	2		227,45,53,821	208,98,29,207
			<u>237,90,92,011</u>	<u>219,43,67,397</u>
(2) LOAN FUNDS				
(a) Secured Loans	3		24,74,84,332	53,00,58,701
(b) Unsecured Loans	4		34,83,46,028	39,55,36,727
			<u>59,58,30,360</u>	<u>92,55,95,428</u>
(3) DEFERRED TAX LIABILITY	5		16,07,58,648	18,04,94,648
			<u>313,56,81,019</u>	<u>330,04,57,473</u>
II APPLICATION OF FUNDS				
(1) FIXED ASSETS				
(a) Gross Block	6	354,97,70,260		339,86,35,409
(b) Less: Depreciation & Impairment Provision		<u>192,11,83,413</u>		<u>173,79,07,648</u>
(c) Net Block			162,85,86,847	166,07,27,761
(d) Capital Work in Progress (Net of Impairment Provision)			7,73,48,759	1,97,19,106
			<u>170,59,35,606</u>	<u>168,04,46,867</u>
(2) INVESTMENTS	7		1,32,91,680	27,33,32,364
(3) CURRENT ASSETS, LOANS & ADVANCES				
(a) Inventories	8	59,07,25,755		63,04,06,814
(b) Sundry Debtors	9	127,98,37,783		102,24,98,696
(c) Cash & Bank Balances	10	3,92,50,132		5,17,63,624
(d) Other Current Assets (Refer Note No.6 in Schedule 22)		5,10,24,242		9,65,31,116
(e) Loans & Advances	11	45,25,67,393		46,02,30,404
		<u>241,34,05,305</u>		<u>226,14,30,654</u>
LESS: CURRENT LIABILITIES & PROVISIONS	12			
(a) Liabilities		88,34,52,814		81,11,30,045
(b) Provisions		<u>11,34,98,758</u>		<u>10,36,22,367</u>
		99,69,51,572		91,47,52,412
NET CURRENT ASSETS			<u>141,64,53,733</u>	<u>134,66,78,242</u>
(4) MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	13		-	-
			<u>313,56,81,019</u>	<u>330,04,57,473</u>
Significant Accounting Policies and Notes forming part of the Accounts	22			
Computation of net profit under Section 349 and Managerial Remuneration under Section 198 of the Companies Act, 1956	23			

As per our report of even date
For **B.K. Khare & Company**
Chartered Accountants

SANTOSH PARAB
Partner
Membership No.47942
FRN No.105102W

Mumbai: May 6, 2011

D.C. MEHTA
Vice Chairman & Managing Director

A.C. MEHTA
Managing Director

SANJAY UPADHYAY
Sr. Vice President (Finance)
& Company Secretary

For and on behalf of the Board

C.K. MEHTA Chairman

M.R.B. PUNJA
A.K. DASGUPTA
HASMUKH SHAH
SUDHIR MANKAD } Directors

Mumbai: May 6, 2011



Profit and Loss Account for the year ended March 31, 2011

	SCHEDULE	2010-2011 ₹	2009-2010 ₹
INCOME :			
Sales		708,98,43,416	563,92,61,524
Less: Excise Duty on Sales		48,52,37,778	31,56,71,345
		<u>660,46,05,638</u>	<u>532,35,90,179</u>
Operating Income	14	11,78,34,613	9,85,19,944
Other Income	14	5,17,21,481	4,24,68,237
		<u>677,41,61,732</u>	<u>546,45,78,360</u>
EXPENDITURE :			
Cost of Material	15	437,30,79,388	333,58,07,785
Employees' Remuneration and Benefits	16	43,09,09,680	37,49,76,355
Operational Expenses	17	86,02,64,135	75,85,28,731
Administrative, Selling and General Expenses	18	32,52,16,765	30,46,60,275
Interest and Finance Charges	19	7,14,18,275	8,33,48,052
Research & Development Expenses (Excluding Depreciation)	20	4,96,97,745	5,63,16,769
Depreciation	18,16,18,346		17,52,85,795
Less: Transfer from Revaluation Reserve	2,80,110		1,84,221
		<u>18,13,38,236</u>	<u>17,51,01,574</u>
Impairment Loss		1,56,63,955	-
Add (Less) : Decrease / (Increase) in Stocks	21	9,60,04,933	7,16,23,544
Wealth Tax		10,00,000	10,35,740
		<u>640,45,93,112</u>	<u>516,13,98,825</u>
Profit before Tax		<u>36,95,68,620</u>	<u>30,31,79,535</u>
Provision for Taxation	- Income Tax		
	- For the year		
	Current Tax	11,62,95,000	6,92,71,000
	Deferred Tax	(1,65,90,000)	2,12,02,000
	- Prior Year		
	Current Tax	1,50,38,000	3,20,84,675
	Deferred Tax	(31,46,000)	(1,95,15,000)
Profit after Tax		<u>25,79,71,620</u>	<u>20,01,36,860</u>
Add: Surplus in Profit and Loss Account brought forward		<u>95,45,22,378</u>	<u>86,53,93,344</u>
BALANCE AVAILABLE FOR APPROPRIATIONS		<u>121,24,93,998</u>	<u>106,55,30,204</u>
APPROPRIATIONS			
Dividend - Proposed		6,27,82,074	5,23,18,395
Corporate Dividend Tax		1,01,84,822	86,89,431
Transfer to General Reserve		5,00,00,000	5,00,00,000
Surplus in Profit and Loss Account Transferred to Balance Sheet		<u>108,95,27,102</u>	<u>95,45,22,378</u>
TOTAL		<u>121,24,93,998</u>	<u>106,55,30,204</u>
Earnings Per Share (in ₹) (Refer Note No 10 (c) in Schedule 22)			
Basic (in ₹)		24.65	21.82
Diluted (in ₹)		24.65	21.07
Face Value Per Share (in ₹)		10.00	10.00
Significant Accounting Policies and Notes forming part of the Accounts	22		
Computation of Net Profit under Section 349 and Managerial Remuneration under Section 198 of the Companies Act, 1956.	23		

As per our report of even date

For **B.K. Khare & Company**
Chartered Accountants**SANTOSH PARAB**
Partner
Membership No.47942
FRN No.105102W

Mumbai: May 6, 2011

D.C. MEHTA
Vice Chairman & Managing Director**A.C. MEHTA**
Managing Director**SANJAY UPADHYAY**
Sr. Vice President (Finance)
& Company Secretary

For and on behalf of the Board

C.K. MEHTA Chairman**M.R.B. PUNJA**
A.K. DASGUPTA
HASAMUKH SHAH
SUDHIR MANKAD } Directors

Mumbai: May 6, 2011

Cash Flow Statement for the year ended on March 31, 2011

	2010-11	2009-10
	₹	₹
A) CASH FLOW FROM OPERATING ACTIVITIES:		
Net profit before Income tax and extra ordinary items:	36,95,68,620	30,31,79,535
Add 1. Depreciation	18,13,38,236	17,51,01,574
2. Interest	5,51,18,788	6,66,12,600
3. Wealth Tax	10,00,000	10,35,740
4. Deferred Expenses	-	38,315
5. Loss on Sale of Fixed Assets	43,44,328	28,45,372
6. Loss on Impairment of Assets	1,56,63,955	-
7. Loss on Sale of Investments	76,761	-
	62,71,10,688	54,88,13,136
Less: 1. Interest Income	1,68,73,067	88,65,794
2. Dividend Income	57,47,281	2,99,184
3. Profit on Sale of Fixed Assets	14,634	1,90,14,540
	2,26,34,982	2,81,79,518
Operating Profit before changes in working capital	60,44,75,706	52,06,33,618
Adjustment for changes in current assets / liabilities		
Add: 1. Loans & Advances	1,33,11,044	-
2. Inventories	3,96,81,059	1,15,47,931
3. Trade Payable	7,32,84,188	30,87,61,217
	12,62,76,291	32,03,09,148
Less: 1. Loans & Advances	-	5,88,48,472
2. Trade Receivable	25,73,39,089	33,87,83,789
	25,73,39,089	39,76,32,261
	(13,10,62,798)	(7,73,23,113)
Cash generated from operations	47,34,12,908	44,33,10,505
Less: Direct Taxes paid	9,10,18,145	12,47,54,385
	9,10,18,145	12,47,54,385
CASH INFLOW BEFORE EXTRA ORDINARY ITEMS	38,23,94,763	31,85,56,120
NET CASH INFLOW FROM OPERATING ACTIVITIES (A)	38,23,94,763	31,85,56,120
B) CASH FLOW FROM INVESTING ACTIVITIES:		
1. Sale of Fixed Assets	10,02,769	2,16,18,507
2. Interest received	1,64,16,848	1,00,97,506
3. Dividend received	57,47,281	2,99,184
4. Sale of Investment	26,00,40,684	250
	28,32,07,582	3,20,15,447
Less: 1. Purchase of Fixed Assets (including advance on capital accounts)	22,81,03,501	13,71,14,654
2. Purchase of Short Term Investments	-	26,00,40,684
3. Loss on Sale of Investments	76,761	-
	22,81,80,262	39,71,55,338
NET CASH GENERATED FROM INVESTING ACTIVITIES (B)	5,50,27,320	(36,51,39,891)

**C) CASH FLOW FROM FINANCIAL ACTIVITIES:**

In flow:

	2010-11	2009-10
	₹	₹
1. Proceeds from long term borrowings from Banks & Financial Institutions	-	24,50,00,000
2. Proceeds from other borrowings	29,91,81,205	29,27,73,591
3. Proceeds from issue of Share Capital	-	1,49,05,860
4. Proceeds on account of Share Premium	-	13,41,52,740
	<u>29,91,81,205</u>	<u>68,68,32,191</u>

Less: Outflow:

1. Repayment of long term borrowings	14,74,88,161	17,29,80,283
2. Decrease in Working Capital borrowings	13,50,86,209	11,69,52,521
3. Decrease in other borrowings	34,63,71,904	21,77,15,298
4. Interest paid	5,94,34,418	6,78,06,378
5. Dividends paid including Corporate Dividend Tax	<u>6,07,36,088</u>	<u>5,18,65,200</u>
	<u>74,91,16,780</u>	<u>62,73,19,680</u>

NET CASH GENERATED FROM FINANCIAL ACTIVITIES (C)

(44,99,35,575) 5,95,12,511

NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)

(1,25,13,492) 1,29,28,740

Cash and Cash Equivalents -

Opening Balance April 1, 2011 (April 1, 2010)	5,17,63,624	3,88,34,884
Cash and cash Equivalent as at March 31, 2011 (March 31, 2010)	3,92,50,132	5,17,63,624

As per our report of even date
For **B.K. Khare & Company**
Chartered Accountants

SANTOSH PARAB
Partner
Membership No.47942
FRN No.105102W
Mumbai: May 6, 2011

D.C. MEHTA
Vice Chairman & Managing Director

A.C. MEHTA
Managing Director

SANJAY UPADHYAY
Sr. Vice President (Finance)
& Company Secretary

For and on behalf of the Board

C.K. MEHTA Chairman

M.R.B. PUNJA
A.K. DASGUPTA
HASMUKH SHAH
SUDHIR MANKAD } Directors

Mumbai: May 6, 2011

Schedules Forming Part of the Balance Sheet

SCHEDULE 1 - SHARE CAPITAL

Authorised:

3,00,00,000 (3,00,00,000) Equity Shares of Rs.10/- each

30,00,00,000

30,00,00,000

20,00,00,000

20,00,00,000

50,00,00,00050,00,00,000

Issued, Subscribed and Paid up *:

1,04,53,819[#] (1,04,53,819) Equity Shares of Rs.10/- each fully paid

10,45,38,190

10,45,38,190

TOTAL

10,45,38,19010,45,38,190

* Of the above Equity Shares:

- 19,80,000 Equity Shares of ₹ 10/- each were allotted as Bonus Shares by capitalisation of General Reserve.
- 29,16,000 Equity Shares of ₹ 10/- each fully paid up at a premium of ₹ 40/ per share were allotted on conversion of Debentures.
- 2,32,062 Equity Shares of ₹ 10/-each fully paid up were allotted pursuant to Schemes of Amalgamation without payment being received in cash.
- 29,81,171 Equity Shares of ₹ 10/- each fully paid at a premium of ₹ 140/- per share were allotted on Right basis.
- 14,90,586 Equity Shares of ₹ 10/- each fully paid at a premium of ₹ 90/- per share were allotted on Conversion of Detachable Warrants issued with Right Shares.

Excludes 9,860 (9,860) Equity Shares of ₹ 10/- each, kept in abeyance.

SCHEDULE 2 - RESERVES AND SURPLUS

	AS AT APRIL 1, 2010 ₹	ADDITIONS ₹	DEDUCTIONS ₹	AS AT MARCH 31, 2011 ₹
Capital Reserve	51,26,667	-	-	51,26,667
	(51,26,667)	-	-	(51,26,667)
Capital Reserve - SICOM Subsidy	20,00,000	-	-	20,00,000
	(20,00,000)	-	-	(20,00,000)
Capital Redemption Reserve	15,00,000	-	-	15,00,000
	(15,00,000)	-	-	(15,00,000)
Share Premium	67,11,76,962	-	-	67,11,76,962
	(53,70,24,222)	(13,41,52,740)	-	(67,11,76,962)
Revaluation Reserve	1,66,59,291	-	2,80,110	1,63,79,181
	(1,68,43,512)	-	(1,84,221)	(1,66,59,291)
General Reserve	43,88,43,909	5,00,00,000	-	48,88,43,909
	(38,88,43,909)	(5,00,00,000)	-	(43,88,43,909)
Surplus in Profit and Loss Account	95,45,22,378	13,50,04,724	-	108,95,27,102
	(86,53,93,344)	(8,91,29,034)	-	(95,45,22,378)
TOTAL	208,98,29,207	18,50,04,724	2,80,110	227,45,53,821
	(181,67,31,654)	(27,32,81,774)	(1,84,221)	(208,98,29,207)

Schedules Forming Part of the Balance Sheet (contd.)

	AS AT MARCH 31, 2011 ₹	AS AT MARCH 31, 2010 ₹
SCHEDULE 3 - SECURED LOANS		
Term Loans from Financial Institutions / Banks		
(a) Rupee Loans	-	4,44,44,446
(Repayable within one year - ₹ Nil)		
(Previous year ₹ 4,44,44,446/-)		
(b) Foreign Currency Loans	21,85,48,369	32,15,92,084
(Repayable within one year ₹ 7,16,14,193/-)		
(Previous year ₹ 10,55,91,257/-) *		
Working Capital Borrowing from Banks	2,89,35,963	16,40,22,171
(Net of balances in collection accounts)		
TOTAL	24,74,84,332	53,00,58,701

* Amount restated based on revision of repayment schedule of instalments during the year.

1. The Term Loans obtained from the Financial Institutions/ Banks are secured by mortgage of the immovable properties of the Company, both present and future and Hypothecation of movable assets of the Company.
2. The Working Capital Loans from Banks are secured by a prior charge over Company's stocks of Raw Materials, Semi-Finished and Finished Goods, Consumable Stores and Book Debts and by second charge on all Fixed Assets by way of mortgage.

SCHEDULE 4 - UNSECURED LOANS

Fixed deposits (Due for repayment within one year ₹ 8,32,16,000/-)	24,33,30,000	27,03,43,000
(Previous year ₹ 12,12,11,000/-)		
Short Term Loans from Banks	8,78,05,610	9,97,78,386
Sales Tax Deferral * (Repayable within one year ₹ 41,26,430/-)	1,72,10,418	2,54,15,341
(Previous year ₹ 53,63,141/-)		
TOTAL	34,83,46,028	39,55,36,727

* Includes adjustment of Sales Tax Refund of earlier year ₹ 28,41,782/- (Previous Year - ₹ Nil)

SCHEDULE 5 - DEFERRED TAX LIABILITY

	Deferred Tax (asset) / liability as at April 1, 2010 ₹	Current Year charge / (credit) ₹	Deferred Tax (asset) / liability as at March 31, 2011 ₹
Timing differences on account of :			
Depreciation	22,78,02,149	(2,27,88,299)	20,50,13,850
Disallowances u/s 43B	(2,86,76,685)	(41,59,827)	(3,28,36,512)
Others	(1,86,30,816)	72,12,126	(1,14,18,690)
TOTAL	18,04,94,648	(1,97,36,000)	16,07,58,648

Schedules Forming Part of the Balance Sheet (contd.)

SCHEDULE 6 - FIXED ASSETS (REFER NOTE NO.1 (b) IN SCHEDULE 22)

Sr. No.	Particulars	GROSS BLOCK				DEPRECIATION					NET BLOCK	
		As at April 1, 2010 ₹ 3	Additions ₹ 4	Deletions ₹ 5	Total March 31, 2011 ₹ 6 (3+4-5)	Upto April 1, 2010 ₹ 7	For the year ₹ 8	Deletions ₹ 9	Total ₹ 10 (7+8-9)	Impairment ₹ 11	As at March 31, 2011 ₹ 12 (6-10-11)	As at March 31, 2010 ₹ 13 (3-7)
1	Goodwill	2,33,50,312	-	-	2,33,50,312	1,71,23,561	46,70,062	-	2,17,93,623	-	15,56,689	62,26,751
2	Freehold Land	5,71,20,190	-	-	5,71,20,190	-	-	-	-	-	5,71,20,190	5,71,20,190
3	Leasehold Land	15,30,19,064	-	-	15,30,19,064	91,14,296	17,28,895	-	1,08,43,191	-	14,21,75,873	14,39,04,768
4	Plant and Machinery	269,14,44,398	12,48,48,360	1,18,30,432	280,44,62,326	154,38,43,121	15,79,55,403	89,07,513	169,28,91,011	1,56,63,953	109,59,07,362	114,76,01,277
5	Factory and Other Buildings	36,15,80,788	1,96,36,835	-	38,12,17,623	10,92,61,073	1,01,19,881	-	11,93,80,954	-	26,18,36,669	25,23,19,715
6	Roads	62,08,920	-	-	62,08,920	18,46,156	96,361	-	19,42,517	-	42,66,403	43,62,764
7	Office Equipments	2,77,83,286	21,60,510	9,45,314	2,89,98,482	1,41,07,480	16,77,817	5,53,652	1,52,31,645	-	1,37,66,837	1,36,75,806
8	Furniture & Fixture	4,93,54,469	14,76,467	13,34,122	4,94,96,814	2,94,56,286	23,99,120	9,61,242	3,08,94,164	-	1,86,02,650	1,98,98,183
9	Vehicles	2,87,73,982	2,23,51,676	52,29,129	4,58,96,529	1,31,55,675	29,70,807	35,84,127	1,25,42,355	-	3,33,54,174	1,56,18,307
	Current Year's Total	339,86,35,409	17,04,73,848	1,93,38,997	354,97,70,260	173,79,07,648	18,16,18,346	1,40,06,534	190,55,19,460	1,56,63,953	162,85,86,847	166,07,27,761
	Previous Year's Total	322,53,88,067	19,47,13,449	2,14,66,107	339,86,35,409	157,86,38,619	17,52,85,795	1,60,16,766	173,79,07,648	-	166,07,27,761	164,67,49,448
	Capital Work in Progress										11,54,87,012	5,78,57,359
	Less: Impairment Loss										3,81,38,253	3,81,38,253
	Capital Work in Progress (net)										7,73,48,759	1,97,19,106

Note: 1. Buildings include a sum of ₹ 5,41,94,625/- represented by 2,876 equity shares of ₹ 10/- each in a body corporate in respect of which the Company has exclusive beneficial occupancy and user right in the concerned premises by virtue of shares so held.

2. Research & Development Assets included in Fixed Assets :

61

Schedules Forming Part of the Balance Sheet (contd.)

	AS AT MARCH 31, 2011 ₹	AS AT MARCH 31, 2010 ₹
SCHEDULE 7 - INVESTMENTS		
LONG TERM TRADE INVESTMENTS (UNQUOTED)		
73,706 Shares of Deepak International Ltd. Of GBP 1 each, fully paid	57,36,000	57,36,000
Sub - Total	<u>57,36,000</u>	<u>57,36,000</u>
LONG TERM - FULLY PAID (AT COST)		
NON TRADE (UNQUOTED)		
800 (800) Shares of Nandesari Environment Control Ltd., of ₹ 10/- each	8,000	8,000
20 (20) Shares of Baroda Co-operative Bank Ltd., of ₹ 25/- each	500	500
National Saving Certificate	1,000	1,000
2,000 (2,000) Equity shares of Shamrao Vitthal Co-op. Bank Ltd., of ₹ 25/- each	50,000	50,000
798 (798) Equity Shares of New India Co-op. Bank Ltd., of ₹ 10/- each	7,980	7,980
52,342 (52,342) Equity Shares of Jedimetla Effluent Treatment Ltd., of ₹ 10/- each	52,49,200	52,49,200
	<u>53,16,680</u>	<u>53,16,680</u>
NON TRADE (QUOTED)		
10,000 (10,000) Equity Shares of Bank of Baroda of ₹ 10/- each	8,50,000	8,50,000
6,240 (6,240) Equity Shares of IDBI of ₹ 10/- each fully paid up	5,07,000	5,07,000
29,400 (29,400) Equity Shares of Dena Bank of ₹ 10/-each fully paid up	8,82,000	8,82,000
TOTAL NON - TRADE (QUOTED)	<u>22,39,000</u>	<u>22,39,000</u>
CURRENT		
NON - TRADE (QUOTED)		
a) In fully paid units of ₹ 10/- each		
Nil (41,79,802) Units of State Bank of India Magnum Insta Cash Fund - Daily Dividend	-	7,00,12,938
Nil (49,96,122) Units of Baroda Pioneer Treasury Advantage Fund - Daily Dividend	-	5,00,06,684
Nil (29,76,610) Units of Kotak Floater Long Term Fund - Daily Dividend	-	3,00,03,637
Nil (39,88,115) Units of HDFC Cash Management Fund Treasury Advantage - Daily Dividend	-	4,00,06,778
Nil (29,98,511) Units of Birla Sun Life Savings Fund - Daily Dividend	-	3,00,05,501
b) In fully paid units of ₹ 1000/- each		
Nil (39,955) Units of Reliance Money Manager Fund- Daily Dividend	-	4,00,05,146
TOTAL NON - TRADE (QUOTED)	-	26,00,40,684
TOTAL	<u>1,32,91,680</u>	<u>27,33,32,364</u>

Aggregate Market Price of Non Trade Investment (Quoted) ₹ 1,36,02,186 /- (Previous year ₹ 26,94,60,235/-).

Current Investments acquired and sold during the year

Name of the Mutual Fund	No of Units	Purchase Cost ₹
i) In fully paid units of ₹ 10/- each		
Kotak Floater Long Term Fund	1,01,68,853	10,25,00,000
Kotak Quarterly Interval Plan	35,00,000	3,50,00,000
Kotak Liquid Fund	69,51,203	8,50,00,000
HDFC Cash Management Fund	39,87,440	4,00,00,000
BOB Pioneer Treasury Advantage Fund	49,95,454	5,00,00,000
IDFC Money Manager Fund	99,77,094	10,00,02,966
IDFC Cash Fund Plan	33,05,848	3,50,00,000
Birla Sunlife Savings Fund	92,83,164	9,28,94,763
Birla Sunlife Medium Term Plan	29,82,712	3,00,22,485
Birla Sunlife Cash Plus	32,43,675	3,25,00,000
UTI Mutual Fund	85,00,000	8,50,00,000
TATA Floater Fund	49,83,880	5,00,16,225

Schedules Forming Part of the Balance Sheet (contd.)

	No of Units	Purchase Cost ₹
SBI Insta Cash Fund	1,20,90,108	20,25,00,000
SBI Ultra Short Term Fund	27,48,822	2,75,04,712
Reliance Liquidity Fund	1,50,08,858	15,45,00,000
Reliance Quarterly Interval Fund	62,00,632	6,20,28,027
Reliance Medium Fund	14,62,339	2,50,00,000
ii) In fully paid units of ₹ 1000/- each		
Reliance Money Manager Fund	1,21,937	12,21,00,149
TATA Liquid Super High Investment Fund	80,752	9,00,00,000

	AS AT MARCH 31, 2011 ₹	AS AT MARCH 31, 2010 ₹
SCHEDULE 8 - INVENTORIES		
Raw Material	15,95,89,333	8,79,82,233
Packing Material	99,28,475	45,93,307
Stock in Process	13,53,04,572	20,48,48,931
Finished Goods	25,41,12,410	28,05,72,984
Stores & Spares	5,23,19,637	6,15,57,443
	61,12,54,427	63,95,54,898
Less: Provision for Obsolescence	2,05,28,672	91,48,084
TOTAL	59,07,25,755	63,04,06,814

SCHEDULE 9 - SUNDRY DEBTORS (UNSECURED)

Outstanding for a period exceeding 6 months		
- Considered Good	38,61,833	67,47,586
- Considered Doubtful	20,60,417	1,37,85,541
Other Debts		
- Considered Good *	127,59,75,950	101,57,51,110
- Considered Doubtful	-	-
	128,18,98,200	103,62,84,237
Less: Provision for Doubtful Debts.	20,60,417	1,37,85,541
TOTAL	127,98,37,783	102,24,98,696

* Net of bills Factored / Discounted.

SCHEDULE 10 - CASH AND BANK BALANCES

Cash on hand	-	-
With Scheduled Banks :		
i) In Current Accounts for the payments of Dividend, Interest and Fixed Deposits	72,05,572	70,98,615
ii) Current Accounts with Scheduled Banks	89,79,584	2,56,39,777
iii) Deposit with Banks for Statutory Purposes	1,82,00,000	1,60,00,000
iv) In Margin Deposit (as a security against bank guarantees' issued)	48,64,976	30,25,232
TOTAL	3,92,50,132	5,17,63,624

Schedules Forming Part of the Balance Sheet (contd.)

	AS AT MARCH 31, 2011	AS AT MARCH 31, 2010
SCHEDULE 11 - LOANS AND ADVANCES		
(UNSECURED CONSIDERED GOOD)		
Advances recoverable in cash or in kind or for value to be received*	12,65,93,242	4,96,12,447
Deposits (Refer Note No 5 in schedule 22)	12,07,07,463	12,15,98,008
Balances with Customs, Port Trust, Excise, etc.	18,98,36,566	23,26,72,834
Prepaid Expenses	59,76,132	65,78,269
Tax Paid (Net of Provisions)	94,53,990	4,97,68,846
TOTAL	45,25,67,393	46,02,30,404

* Includes Dues from Principal Officer of the Company ₹ 8,148 /-
(Previous Year - ₹ 64,872/-)

SCHEDULE 12 - CURRENT LIABILITIES & PROVISIONS**(A) CURRENT LIABILITIES :**

Sundry Creditors		
Micro, Small and Medium Enterprises (Refer Note No. 8 in Schedule 22)	92,20,807	96,94,770
Others	81,20,94,922	72,26,27,377
Security Deposits	1,75,02,510	1,72,32,614
Interest accrued but not due	1,16,54,828	1,59,70,458
Advances from Customers	11,65,383	57,49,015
Liabilities towards Investors Education and Protection Fund under Section 205 C of the Companies Act, 1956 not due		
- Unclaimed Dividend	23,89,953	21,18,215
- Unclaimed Matured Fixed Deposits	1,42,000	2,00,000
- Unencashed Interest on Fixed Deposits	31,57,553	36,66,251
- Application Money Received and Due for Refund	37,500	37,500
	57,27,006	60,21,966
Other Liabilities	2,60,87,358	3,38,33,845
	88,34,52,814	81,11,30,045

(B) PROVISIONS:

Leave Encashment	3,56,21,930	3,31,35,340
Retirement Benefits	49,09,932	94,79,201
Dividend - Proposed	6,27,82,074	5,23,18,395
Corporate Dividend Tax	1,01,84,822	86,89,431
	11,34,98,758	10,36,22,367
TOTAL	99,69,51,572	91,47,52,412

**SCHEDULE 13 - MISCELLANEOUS EXPENDITURE
(TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED)**

Deferred Revenue Expenditure:		
Voluntary Retirement Benefits	-	6,52,31,546
Add: Incurred during the year	-	-
Less: Written off	-	6,52,31,546
	-	-
TOTAL	-	-

Schedules Forming Part of the Profit and Loss Account

	2010-2011	2009-2010
₹	₹	₹
SCHEDULE 14 - OTHER INCOME		
(A) OPERATING INCOME:		
Conversion Charges (Tax Deducted at Source ₹ 11,62,057/-)	5,60,27,685	5,46,26,491
(Previous Year ₹ 11,73,250/-)		
Insurance Claim	6,12,556	29,50,562
Gain on Exchange Fluctuation	2,37,91,790	2,36,02,256
Miscellaneous Sales	3,74,02,582	1,73,40,635
	<u>11,78,34,613</u>	<u>9,85,19,944</u>
(B) OTHER INCOME:		
Sundry Receipts (Tax Deducted at Source ₹ 27,237/-)	2,89,16,729	141,19,469
(Previous Year ₹ 2,000/-)		
Rent (Tax Deducted at Source ₹ Nil)	1,69,770	1,69,250
(Previous Year ₹ Nil/-)		
Profit on Sale of Assets	14,634	1,90,14,540
Dividends:		
On Non-Trade Investment	2,27,520	1,40,880
On Mutual Fund	55,19,761	1,58,304
Interest:		
On Deposits (Tax Deducted at Source ₹ 2,35,459 /-)	25,05,336	15,80,158
(Previous Year ₹ 1,18,732/-)		
Other Interest (Tax Deducted at Source ₹ 5,93,604/-)	<u>1,43,67,731</u>	<u>72,85,636</u>
(Previous Year ₹ 6,23,705/-)		
	<u>1,68,73,067</u>	<u>88,65,794</u>
	<u>5,17,21,481</u>	<u>4,24,68,237</u>
TOTAL	<u>16,95,56,094</u>	<u>14,09,88,181</u>

SCHEDULE 15 - COST OF MATERIALS

A) Raw Materials:		
Stock (Opening)	8,79,82,233	2,88,47,200
Add: Purchased during the year	384,95,28,113	293,30,42,297
	<u>393,75,10,346</u>	<u>296,18,89,497</u>
Less: Stock (Closing)	15,95,89,333	8,79,82,233
	<u>377,79,21,013</u>	<u>287,39,07,264</u>
B) Consumption of Packing Material	12,00,90,443	10,21,27,006
C) Purchase of Finished Goods for Resale	<u>47,50,67,932</u>	<u>35,97,73,515</u>
TOTAL	<u>437,30,79,388</u>	<u>333,58,07,785</u>

Schedules Forming Part of the Profit and Loss Account (contd.)

	2010-2011	2009-2010
₹	₹	₹
SCHEDULE 16 - EMPLOYEES' REMUNERATION AND BENEFITS		
Salaries, Wages and Bonus	38,26,90,779	32,63,12,798
Contribution to Provident and Other Funds	2,42,98,605	2,52,84,928
Staff Welfare Expenses	2,39,20,296	2,33,78,629
TOTAL	43,09,09,680	37,49,76,355

SCHEDULE 17 - OPERATIONAL EXPENSES

Power, Fuel and Water	65,08,34,242	53,00,97,313
Insurance	1,45,78,004	1,12,10,013
Repairs & Maintenance :		
(a) Plant & Machinery	13,44,83,791	15,25,16,195
(b) Buildings	53,21,849	72,37,255
(c) General	59,10,489	1,00,99,808
	14,57,16,129	16,98,53,258
Other Manufacturing Expenses	1,73,61,381	1,79,89,557
Excise Duty Paid	24,10,725	20,67,452
Excise Duty on Increase / (Decrease) of Finished Goods	1,41,847	27,52,195
Conversion Charges	1,35,96,281	1,25,65,486
Loss on Discarding / Disposal of Fixed Assets	42,44,938	28,45,373
Provision for Inventory Obsolescence (net)	1,13,80,588	91,48,084
TOTAL	86,02,64,135	75,85,28,731

Schedules Forming Part of the Profit and Loss Account (contd.)

		2010-2011	2009-2010
	₹	₹	₹
SCHEDULE 18 - ADMINISTRATIVE, SELLING & GENERAL EXPENSES			
Rent		1,40,65,608	1,33,02,244
Rates & Taxes		1,15,91,626	1,94,76,221
Travelling & Conveyance		2,02,07,167	1,66,73,301
Vehicle Expenses		1,40,21,476	1,03,84,225
Sales and Carriage Outward Expenses		10,09,74,697	10,37,12,256
Sales Commission		67,30,771	1,08,73,788
Donation		75,45,257	86,77,059
General Expenses		14,83,45,244	11,50,95,331
Loss on Sale of Investment		76,761	-
Provision for Doubtful Debts	4,80,741		43,47,382
Add : Bad Debts	97,85,557		1,45,74,503
Less: Transfer from Provision for Doubtful Debts	1,22,05,866		1,49,55,314
		(19,39,568)	39,66,571
Directors' Sitting Fees		2,75,000	2,35,000
Auditors Remuneration (excluding service tax)			
(a) Audit fees	11,00,000		11,00,000
(b) in any other Capacity in respect of:			
(i) Tax Audit	2,50,000		2,50,000
(ii) Taxation Matters	14,75,000		5,25,000
(iii) Management Services and	1,00,000		1,00,000
(iv) in any other matter	2,65,000		1,65,000
(c) Expenses Reimbursed	1,32,726		1,24,279
		33,22,726	22,64,279
TOTAL		32,52,16,765	30,46,60,275

SCHEDULE 19 - INTEREST AND FINANCE CHARGES

Interest*			
Term Loans	2,24,97,389		1,92,26,873
Other Loans	3,26,21,399		4,73,85,727
		5,51,18,788	6,66,12,600
Finance / Bank Charges		1,62,99,487	1,67,35,452
TOTAL		7,14,18,275	8,33,48,052

* Foreign Exchange losses amounting to ₹ 41,85,436/- (Previous year ₹ 1,04,160/-) are regarded as adjustment to interest cost and debited to interest expenditure.

Schedules Forming Part of the Profit and Loss Account (contd.)

	₹	2010-2011 ₹	2009-2010 ₹
SCHEDULE 20 - RESEARCH & DEVELOPMENT EXPENSES (REVENUE)			
a) Research and Development expenses comprise :			
1) Employees' Remuneration and Benefits :			
Salaries, Wages and Bonus & Contribution to Funds		2,71,97,092	2,72,57,636
Staff Welfare Expenses		10,59,808	12,94,906
		2,82,56,900	2,85,52,542
2) Materials		46,11,579	56,28,689
3) Power, Fuel & Water		7,95,677	12,17,526
4) Repairs & Maintenance :			
- Research & Development Equipments	8,519		5,73,030
- General	17,38,651	17,47,170	19,16,415
5) Loss on Discarding of Assets		99,390	16,70,264
6) Rent		16,69,255	13,60,800
7) Rates & Taxes		1,01,911	39,162
8) Travelling & Conveyance		7,70,800	10,43,336
9) Vehicle Expenses		18,78,462	21,55,356
10) General Expenses		98,76,601	1,23,79,649
		4,98,07,745	5,65,36,769
Less: Sale of Prototypes		1,10,000	2,20,000
TOTAL		4,96,97,745	5,63,16,769

b) Total Depreciation shown in Profit & Loss Account includes ₹ 54,98,564/- (Previous Year ₹ 54,27,542/-) pertaining to Research & Development Assets.

SCHEDULE 21 - DECREASE / (INCREASE) IN STOCKS**Stock as at April 1, 2010**

Stock in Process	20,48,48,931	24,36,69,728
Finished Goods	28,05,72,984	31,33,75,731
	48,54,21,915	55,70,45,459
Less: Stock as at March 31, 2011		
Stock in Process	13,53,04,572	20,48,48,931
Finished Goods	25,41,12,410	28,05,72,984
	38,94,16,982	48,54,21,915
TOTAL	9,60,04,933	7,16,23,544

Schedule 22 - Notes Forming Part of the Accounts

(FIGURES IN BRACKET ARE OF PREVIOUS YEAR)

1. Statement of Significant Accounting Policies and changes therein:

(a) Revenue Recognition :

- (i) Sales are recognised when goods are supplied and are recorded net of trade discounts, rebates, sales taxes, VAT and excise duties (recovery of which is shown separately) but include, where applicable, export incentives. Conversion income is recognised on completion of production.
- (ii) Revenue in respect of export incentive, overdue interest, insurance claim, etc. is recognised to the extent, Company is reasonably certain of its ultimate realisation.
- (iii) Expenses are accounted for on accrual basis.
- (iv) Provisions are recognised when a present legal or constructive obligation exists and the payment is probable and can be reliably estimated.

(b) Fixed Assets :

(i) Cost:

Fixed assets are recorded at historical cost of acquisition or construction including borrowing cost and expenditure incidental and related to such construction/acquisition except in respect of certain Fixed Assets which have been revalued.

(ii) Impairment of Assets :

The carrying amounts of Cash Generating Units/Assets are reviewed at Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated at the higher of net selling price and value in use. Impairment loss is recognised wherever carrying amount exceeds the recoverable amount.

(iii) Depreciation/Amortisation :

- i) Depreciation is provided on Straight Line basis by applying the rates prescribed in Schedule XIV to the Companies Act, 1956 except in respect of Aromatics Amines plant where depreciation in respect of plant & machinery is provided on Written Down Value basis. The items of continuous process plant are identified by the technical officials of the Company.

The excess depreciation provided on revalued fixed assets over the amount computed on the above basis is withdrawn from the Revaluation Reserve and transferred to the Profit & Loss Account.

In respect of depreciable assets for which Impairment Loss is recognised, depreciation/amortization is charged on the revised carrying amount over the remaining useful life of the assets.

- ii) Goodwill is amortised over a period of 60 months.

- iii) Premium paid on leasehold land is amortised equally over the tenure of the lease.

(c) Foreign Currency Transaction :

- (i) Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Foreign currency monetary assets and liabilities are translated at year end exchange rates. Exchange difference arising on settlement of transactions and translation of monetary items are recognised as income or expense in the year in which they arise.
- (ii) In respect of forward exchange contracts, the difference between the forward rate and the exchange rate at the inception of the contract is recognised as income or expense over the period of the contract.
- (iii) Gains or losses on cancellation / settlement of forward exchange contracts are recognised as income or expense.

(d) Cost of borrowing :

Borrowing costs directly attributable to the acquisition/construction of qualifying assets as also the borrowing costs of funds borrowed generally and used for the purpose of acquisition/construction of such assets is capitalised up to the date the assets are ready for use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

(e) Valuation of Inventories :

- i) Raw materials, packing materials and stores & spares are valued at cost determined on monthly moving weighted average basis and is net of CENVAT and VAT.

Schedule 22–Notes Forming Part of the Accounts (contd.)

- ii) Finished goods and stock-in-process are valued at cost of purchase of raw materials and conversion thereof including the cost incurred in the normal course of business in bringing the inventories up to the present condition or at the net realisable value whichever is lower. The inventories of joint products are valued by allocating the costs to the joint products by 'Relative Sales Value' method. By-products are valued at net realisable price.

(f) Employee Benefits :

Short term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

Post-employment and other long term benefits are recognised as an expense in the profit and loss account for the year in which the employee has rendered services. The expense is recognised at the Present Value of the amount payable determined using actuarial valuation techniques. Actuarial Gains and Losses in respect of post employment and other long term benefits are charged to profit and loss account.

(g) Investments :

Long term investments are valued at cost after appropriate adjustment, if necessary, for permanent diminution in their value. Current Investments are stated at lower of cost and fair value.

(h) Income Tax :

Company provides for deferred tax in respect of timing differences between taxable income and accounting income for a period that are capable of reversal in one or more subsequent period subject to consideration of prudence. The provision for deferred tax also includes the effect of change in tax rate. Provision for current Income Tax is made on current tax rate based on assessable income computed under the Income Tax Act 1961 or Book Profit computed under section 115JB, whichever is higher and correspondingly set-off available under section 115 JAA is credited to profit and loss account of the year.

(i) Earnings Per Share :

Basic earnings per equity share are computed by dividing net income by the weighted average number of equity shares outstanding for the period. Diluted earnings per equity share are computed by dividing net income by the weighted average number of equity shares adjusted for the effects of all dilutive potential equity shares.

(j) Segment Reporting-Basis of Information :

The Company operates in three segments: Inorganic Intermediates, Organic Intermediates and Fine & Speciality Chemicals. Segments have been identified and reported taking into account the nature of the product, the differential risks and return of the segments, the organisation structure and the internal financial reporting systems.

Inter segment transfer prices are normally negotiated amongst the segments with reference to the costs, market prices and business risks, within an overall optimisation objective of the Company.

Revenue and expenses have been accounted on the basis of their relationship to the operating activities of the segment. Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocable Expenses". Assets and Liabilities which relate to the enterprise as a whole but not allocable to segments on a reasonable basis, have been included under "Unallocable Assets / Liabilities".

(k) Contingent liabilities :

Contingent liabilities are disclosed by way of notes to accounts. Provision is made if it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as contingent liability.

(l) Cash Flow Statements :

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Company are segregated.

2. Estimated amount of contracts (net of advances) remaining to be executed on capital account not provided for: ₹291.23 lacs (₹92.81 lacs).

Schedule 22–Notes Forming Part of the Accounts (contd.)

3. Contingent liabilities not provided for :

	March 31, 2011 ₹ in Lacs	March 31, 2010 ₹ in Lacs
(a) in respect of Income Tax matters	77.43	214.82
(b) in respect of Sales Tax / VAT matters	17.11	172.51
(c) in respect of Excise matters	64.65	64.65
(d) Bank Guarantees :		
- Financial	513.79	320.12
- Performance	339.59	329.67
(e) in respect of disputed liability relating to non-utilisation of industrial plot within specified time frame	25.47	-
(f) Disputed labour matters	Amounts not ascertained	
In respect of (a) to (c) & (e) to (f) future cash outflow in respect of contingent liabilities is determinable only on receipt of judgments pending at various forums/authorities.		
Total	<u>1038.04</u>	<u>1101.77</u>

4. Certain assets of Nitrite unit at Nandesari, Vadodara, were revalued on October 31, 1985 as per the valuation report submitted by M/s. P. C. Gandhi & Associates, Chartered Engineers and Government approved valuers, whereby original cost of ₹ 944.05 lacs as of that date was restated at replacement cost of ₹ 1903.81 Lacs. The details of said assets as on Balance Sheet date net of subsequent deletions are as follows:

Assets	Original Cost ₹ in Lacs	Replacement Cost ₹ in Lacs	Method and Indices
Leasehold Land	16.53	124.10	} Prevailing market price on the date of valuation. Replacement costs of these fixed assets have been arrived at by using Reserve Bank of India indices for buildings and indigenous plant, and for imported equipments, by using respective countries indices as also adjusting for customs duty and foreign exchange fluctuations.
Plant & Machinery	352.35	727.86	
R&D Equipment	19.70	28.82	
Factory & Other Buildings	79.45	194.78	
R&D Building	6.57	16.76	
Roads	0.94	2.97	
	<u>475.54</u>	<u>1095.29</u>	
Previous year	<u>478.03</u>	<u>1095.29</u>	

5. Security deposit of ₹ 400 lacs (₹ 400 lacs) placed with Shri D.C. Mehta towards lease of residential premises.
6. Other Current Assets include estimated realisable value of assets held for disposal of ₹ 18.00 lacs (₹ 60.99 lacs), accrued benefits under Duty Entitlement Pass Book Scheme of ₹ 407.26 lacs (₹ 732.03 lacs) and Target Plus Scheme ₹ 84.98 lacs (₹ 172.29 lacs).

Schedule 22–Notes Forming Part of the Accounts (contd.)

7. The Company takes forward contracts to hedge exposures arising out of net foreign currency payables and receivables. The unhedged exposure of foreign currency transactions is as follows:

		Currency	March 31, 2011	March 31, 2010
Payables				
(a)	Term and Working Capital Loan (Net of balances in EEFC Account)	USD	63,82,636	91,59,820
		EURO	(11,690)	19,13,262
(b)	Sundry Creditors	USD	20,02,789	27,62,574
		EURO	6,11,325	Nil
Receivables				
(c)	Sundry Debtors	USD	1,24,98,431	69,48,078
		EURO	5,68,620	12,33,715
		GBP	Nil	8,505

8. Disclosures under Micro, Small and Medium Enterprises Development Act, 2006:

To the extent, the Company has received intimation from the "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006, the details are provided as under:

(Amount in ₹)

Particulars	March 31, 2011	March 31, 2010
(i) Principal amount remaining unpaid as on March 31.	92,20,807	96,94,770
(ii) Interest due thereon remaining unpaid as on March 31.	51	8,045
(iii) Interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during the year.	6,55,162	Nil
(iv) Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006 (net of tax deducted at source).	1,98,923	6,12,847
(v) Interest accrued and remaining unpaid as at March 31 (net of tax deducted at source).	2,34,151	6,32,696
(vi) Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise.	35,177	11,804

Schedule 22–Notes Forming Part of the Accounts (contd.)

9. a. Accounting for Research and Development	2010-11 ₹ in Lacs	2009-10 ₹ in Lacs
(i) Capital Expenditure	59.76	28.63
(ii) Revenue Expenditure :		
Materials	46.12	56.29
Utilities	7.96	12.17
Maintenance	17.47	24.89
Personnel	282.57	285.53
Others	126.28	156.18
	<u>480.40</u>	<u>535.06</u>
Lease Rent	16.69	13.61
Discarding of Assets	0.99	16.70
Depreciation	54.98	54.27
	<u>72.66</u>	<u>84.58</u>
Total Revenue Expenditure	553.06	619.64
(iii) Total Capital & Revenue Expenditure	<u>612.82</u>	<u>648.27</u>
(iv) Sales Proceeds - Prototypes	1.10	2.20

b. R&D Disclosure for Department of Scientific & Industrial Research (DSIR). Additional disclosure in terms of DSIR requirements in respect of Capital Expenditure and Revenue Expenditure.

	2010-11	2009-10	2008-09	2007-08	2006-07
	₹ in Lacs				
(i) Capital Expenditure	59.76	28.63	63.00	45.45	81.05
(ii) Revenue Expenditure	553.06	619.64	673.78	481.12	425.94
(iii) Total Capital & Revenue Expenditure	612.82	648.27	736.78	526.57	506.99
(iv) Sales Proceeds - Prototypes	1.10	2.20	29.16	-	-

10. Disclosures pursuant to the requirements of Accounting Standards:

(a) Impairment of Assets:

Based on the assessment for any indication of impairment in the carrying amount of the fixed assets, Company has recognised impairment loss as on March 31, 2011 of fixed assets, being Plant and Machinery producing certain Fine & Speciality Chemicals by ₹ 156.64 lacs (₹ Nil). The impairment is mainly on account of low economic performance, due to which the carrying amount of these assets is significantly higher than the current recoverable amount. Resultantly an amount of ₹ 156.64 lacs (₹ Nil) has been recognized as impairment loss during the year.

Schedule 22–Notes Forming Part of the Accounts (contd.)

(b) Segment Results

	Twelve Months Ended March 31, 2011 (₹ in Lacs)	Twelve Months Ended March 31, 2010 (₹ in Lacs)	Other Information	Twelve Months Ended March 31, 2011 (₹ in Lacs)	Twelve Months Ended March 31, 2010 (₹ in Lacs)
I) Segment Revenue			V) Segment Assets		
a) Inorganic Intermediates	12211.03	11213.85	a) Inorganic Intermediates	4918.98	4075.47
b) Organic Intermediates			b) Organic Intermediates	18507.08	16710.45
Own Manufactured	33128.05	25873.20	c) Fine & Speciality Chemicals	12837.03	13816.63
Traded	4995.43	3782.52	d) Others	5063.24	7549.55
Total	38123.48	29655.72	Total	41326.33	42152.10
c) Fine & Speciality Chemicals	20495.86	16619.18	VI) Segment Liabilities		
d) Others	241.89	249.12	a) Inorganic Intermediates	1456.07	1577.95
Total	71072.26	57737.87	b) Organic Intermediates	4320.52	3604.79
Less: Inter Segment Revenue	3847.86	3516.77	c) Fine & Speciality Chemicals	2125.56	2268.54
Net Sales / Income from operations	67224.40	54221.10	d) Others	2067.37	1696.25
			Total	9969.52	9147.53
II) Segment Results			VII) Capital Expenditure		
(Profit) + Loss (-) Before Tax & Interest			a) Inorganic Intermediates	171.73	838.65
a) Inorganic Intermediates	2283.16	2228.48	b) Organic Intermediates	759.94	874.86
b) Organic Intermediates	2195.21	1184.71	c) Fine & Speciality Chemicals	314.23	174.72
c) Fine & Speciality Chemicals	2022.74	2239.82	d) Others	458.85	58.90
Total	6501.11	5653.01	Total	1704.74	1947.13
Less : i) Interest	551.19	666.12	VIII) Depreciation		
ii) Other un-allocable Expenditure net of un-allocable Income	2254.23	1955.09	a) Inorganic Intermediates	208.61	206.99
			b) Organic Intermediates	770.25	751.59
III) Total Profit Before Tax	3695.69	3031.80	c) Fine & Speciality Chemicals	659.81	627.85
Provision for Taxation			d) Others	174.72	164.59
- For the year			Total	1813.38	1751.02
Current Tax	1162.95	692.71			
Deferred Tax	(165.90)	212.02			
- Prior Year					
Current Tax	150.38	320.85			
Deferred Tax	(31.46)	(195.15)			
IV) Profit After Tax	2579.72	2001.37			

Note: Current Year segmental results are net of Impairment Loss of ₹ 156.64 lacs for Fine & Speciality Segment (Previous year: ₹ Nil)

Schedule 22–Notes Forming Part of the Accounts (contd.)

Secondary Segments Reporting - Geographical Segments

(i) The following table shows the distribution of the Company's Revenue by geographical market.

Revenue	Amount ₹ in Lacs	
	2010-11	2009-10
In India	39034.09	29288.25
Outside India	28190.31	24932.85
Total	67224.40	54221.10

(ii) The Company's tangible fixed assets are entirely located in India.

(c) Disclosure under AS 20 "Earnings Per Share" issued by Institute of Chartered Accountants of India.

	2010-11	2009-10
i) Basic Earnings per Share		
Number of Shares as on April 1, 2010.	1,04,63,679	89,63,233
Number of Shares as on March 31, 2011.	1,04,63,679	1,04,63,679
Weighted Average Number of Shares considered for Basic EPS.	1,04,63,679	91,71,507
Net Profit after Tax available for Equity Shareholders.	25,79,71,620	20,01,36,860
Basic Earnings (in ₹) Per Share of ₹ 10/- each.	24.65	21.82
ii) Diluted Earnings per Share		
Number of Shares as on April 1, 2010.	1,04,63,679	89,63,233
Number of Shares as on March 31, 2011.	1,04,63,679	1,04,63,679
Weighted Average Number of Shares considered for Basic Earning Per Share.	1,04,63,679	91,71,507
Effect of potential Equity Shares on Conversion of Warrants.	N.A.	3,25,362
Weighted Average Number of Shares considered for Diluted Earning Per Share.	N.A.	94,96,869
Net Profit after Tax available for Equity Shareholders.	25,79,71,620	20,01,36,860
Diluted Earnings (in ₹) Per Share of ₹ 10/- each.	24.65	21.07

(d) Disclosure under AS 18 "Related Party Disclosures" issued by Institute of Chartered Accountants of India.

List of Parties:

(i) Associate Companies :

Blue Shell Investment Private Limited • Check Point Credits & Capital Private Limited • Crossover Advisors Private Limited • Crossover Trustees Private Limited • Deepak Asset Reconstruction • Deepak Cleantech Limited • Deepak Fertilisers and Petrochemicals Corporation Limited • Deepak International Limited • Deepak Medical Foundation • Deepak Novochem Technologies Limited • Forex Leafin Private Limited • Grey Point Investments Private Limited • Hardik Leafin Private Limited • Kawant Developers Corporation • Nucore Capital Management Private Limited • Pranawa Leafin Private Limited • Prolific Credits & Capital Private Limited • Skyrose Finvest Private Limited • Sofotel Infra Private Limited • Stepup Credits & Capital Private Limited • Stiffen Credits and Capital Private Limited • Stigma Credit & Capital Private Limited • Storewell Credits & Capital Private Limited • Sundown Finvest Private Limited • Superpose Credits & Capital Private Limited • The Lakaki Works Private Limited • Yerowada Investment Limited.

(ii) Key Management Personnel :

- (i) Shri C. K. Mehta
- (ii) Shri D. C. Mehta
- (iii) Shri A. C. Mehta

Schedule 22–Notes Forming Part of the Accounts (contd.)

₹ in Lacs

(iii) Transaction with Related Parties		Financial Year 2010-11 Associates					Financial Year 2009-10 Associates				
Nature of Transactions		Deepak Fertilisers & Petrochemicals Corpn Ltd	Deepak Novachem Technologies Limited	Others	Key Management Personnel	Total	Deepak Fertilisers & Petrochemicals Corpn Ltd	Deepak Novachem Technologies Limited	Others	Key Management Personnel	Total
1	Purchases of Goods	4067.35	5787.59	-	-	9,854.94	2191.26	6533.55	-	-	8724.81
2	Sale of Goods	-	190.56	-	-	190.56	3.02	71.03	-	-	74.05
3	Conversion Charges Paid	-	12.40	-	-	12.40	-	-	-	-	-
4	Conversion Charges Received	-	580.89	-	-	580.89	1.60	560.29	-	-	561.89
5	Sale of Fixed Assets	-	4.44	-	-	4.44	-	-	-	-	-
6	Rendering of Services	-	6.57	-	-	6.57	-	17.17	-	-	17.17
7	Receiving of Services	28.12	10.90	21.32	259.80	320.14	25.75	12.17	20.50	207.11	265.53
8	Finance										
	-Interest Received	-	-	-	-	-	-	6.31	-	-	6.31
	-Equity Contribution	-	-	-	-	-	-	-	477.87	294.68	772.55
	-Dividend Paid	-	-	182.85	101.78	284.63	-	-	158.96	87.09	246.05
9	Management Contracts (including deputation of employees)	-	-	-	-	-	-	6.58	-	-	6.58
10	Net Accounts Receivable/(Payable)	(562.69)	(306.47)	-	244.63	(624.53)	(236.77)	(101.94)	-	280.87	(57.84)

11. As per Accounting Standard 15 "Employees Benefits" the disclosures of employee benefits as defined in the accounting standard are given below: -

Defined Contribution Plan

Contribution to Defined Contribution Plan recognised as expense for the year are as under:-

	2010-11 ₹	2009-10 ₹
Employer's Contribution to Provident Fund	1,50,40,126	1,42,84,114
Employer's Contribution to Superannuation Fund	55,25,768	57,02,222

Defined Benefit Plan

The Employee's Gratuity Fund Scheme managed by a trust is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the projected unit credit method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up final obligation.

Schedule 22–Notes Forming Part of the Accounts (contd.)

(i) GRATUITY AS ON MARCH 31, 2011

	March 31, 2011	March 31, 2010
I. Assumptions :	%	%
Discount Rate Previous	7.43 to 8.17	8.08 to 8.36
Salary Escalation	6.50	6.50
Discount Rate Current	7.80 to 8.38	7.43 to 8.17
II. Table Showing Change in Benefit Obligation :	₹	₹
Liability at the beginning of the year	5,87,95,411	5,34,84,411
Interest Cost	48,52,487	41,88,645
Current Service Cost	41,42,686	40,13,823
Past Service Cost (Non Vested Benefit)	-	-
Past Service Cost (Vested Benefit)	-	-
Liability Transfer in	-	-
Liability Transfer out	-	-
Benefit Paid	(42,81,485)	(34,64,688)
Actuarial (gain)/loss on obligations	(3,96,747)	5,73,220
Liability at the end of the year	6,31,12,352	5,87,95,411
III. Amount Recognised in the Balance Sheet :		
Liability at the end of the year	6,31,12,352	5,87,95,411
Fair Value of Plan Assets at the end of the year	5,82,02,420	4,93,16,209
Difference	49,09,932	94,79,202
Unrecognised Past Service Cost	-	-
Recognised Transition Liability	-	-
Amount Recognised in the Balance Sheet	49,09,932	94,79,202
IV. Expenses Recognised in the Income Statement :		
Current Service Cost	41,42,686	40,13,823
Interest Cost	48,52,487	41,88,645
Expected Return on Plan Assets	48,41,709	33,97,462
Past Service Cost (Non Vested Benefit) Recognised	-	-
Past Service Cost (Vested Benefit) Recognised	-	-
Recognition of Transition Liability	-	-
Actuarial Gain or Loss	-	-
Expense Recognised in Profit & Loss Account	33,87,158	45,75,751
V. Balance Sheet Reconciliation :		
Opening Net Liability	94,79,202	1,16,13,218
Expense as above	33,87,158	45,75,751
Employers Contribution	(79,56,428)	(67,09,767)
Amount Recognised in Balance Sheet	49,09,932	94,79,202

(ii) Leave Encashment

The accumulated balance of leave encashment (unfunded) provided, amounting to ₹ 3,56,21,930/- (₹ 3,31,35,340/-) is determined on actuarial basis using projected unit credit method.

Schedule 22–Notes Forming Part of the Accounts (contd.)

12. Additional information pursuant to the Provisions of Paragraph 3, 4C & 4D of Part II of Schedule VI to the Companies Act, 1956 (figures in bracket relate to previous year).

(a) INSTALLED CAPACITY (On Triple Shift basis):

(As certified by the Management and relied by the Auditors being a technical matter)

	2010-11 MTs	2009-10 MTs
i) Inorganic Salts	44,350	36,430
ii) Dinitrosopentamethylene Tetramine	1,800	1,800
iii) Dye Intermediates	660	660
iv) Nitro Aromatics	38,750	35,200
v) Aromatics Amines	18,000	18,000
vi) Agro -Chemical Intermediates	9,900	8,700
vii) Colour Intermediates	6,600	6,600

(b) MANUFACTURING ACTIVITY - PRODUCTION, TURNOVER & STOCKS:

PRODUCTS	ACTUAL PRODUCTION	OPENING STOCK		CLOSING STOCK		TURNOVER	
	QTY. MTS.	QTY. MTS.	VALUE ₹	QTY. MTS.	VALUE ₹	QTY. MTS.	VALUE ₹
i) Inorganic Salts	48459 (42773)	496 (242)	1,74,30,258 (1,32,12,742)	1148 (496)	4,33,36,554 (1,74,30,258)	46679 (41155)	(a) 155,81,62,465 (154,28,98,756)
ii) Dinitrosopenta methylene Tetramine	511 (936)	34 (23)	28,54,954 (19,93,468)	9 (34)	7,98,295 (28,54,954)	532 (924)	(b) 4,94,17,594 (8,69,75,578)
iii) Dye Intermediates	- (-)	2 (2)	3,98,331 (4,00,520)	2 (2)	4,03,147 (3,98,331)	- (-)	- (-)
iv) Nitro Aromatics	36072 (28529)	2193 (1100)	11,93,43,666 (4,78,03,272)	2323 (2193)	9,80,88,437 (11,93,43,666)	23775 (16822)	(c) 133,99,31,725 (84,07,81,540)
-By Products	29101 (20955)	405 (155)	89,29,833 (12,79,795)	331 (405)	54,54,876 (89,29,833)	27253 (20095)	(d) 13,79,19,857 (4,59,03,275)
v) Aromatics Amines	11447 (11438)*	628 (2428)	5,35,23,818 (13,13,09,698)	358 (628)	2,62,98,848 (5,35,23,818)	9685 (9957)	(e) 100,60,48,581 (114,36,52,510)
vi) Colour Intermediates	7526 (6208)	3 (293)	5,44,172 (4,25,45,173)	2 (3)	3,56,433 (5,44,172)	7525 (6498)	(f) 131,05,03,775 (101,09,01,273)
-By Products	8756 (7095)	78 (67)	5,54,694 (5,98,707)	32 (78)	8,501 (5,54,694)	8768 (6961)	(f) 5,99,04,805 (4,52,24,800)
vii) Agro-chemical Intermediates	9384 (6483)#	471 (597)	7,69,93,258 (7,42,32,356)	937 (471)	7,93,67,319 (7,69,93,258)	3647 (1789)	(g) 64,31,74,199 (22,89,99,749)

PRODUCTION INCLUDES CAPTIVE CONSUMPTION AS GIVEN BELOW:

(a)	1128	MTs	(1364 MTs)
(b)	4	MTs	(1 MTs)
(c)	12167	MTs	(10614 MTs)
(d)	1922	MTs	(610 MTs)
(e)	2032	MTs	(3281 MTs)
(f)	36	MTs	(123 MTs)
(g)	5271	MTs	(4820 MTs)

(*) includes 3386 MTs (2018 MTs) receipt from conversion activities & 2168 MTs (1779 MTs) produced on conversion basis.

(#) includes 3439 MTs (2336 MTs) produced on conversion basis.

Schedule 22–Notes Forming Part of the Accounts (contd.)

TRADING ACTIVITY

	OPENING STOCK		PURCHASE		CLOSING STOCK		TURNOVER	
	QTY. MTS.	VALUE ₹	QTY. MTS.	VALUE ₹	QTY. MTS.	VALUE ₹	QTY. MTS.	VALUE ₹
Nitro Aromatics	-	-	-	-	-	-	-	-
	-	-	(128)	(1,18,73,181)	-	-	(128)	(1,20,42,280)
Organic Chemicals	-	-	1573	47,50,67,932	-	-	1573	49,95,42,637
	-	-	(634)	(34,79,00,334)	-	-	(634)	(36,62,10,418)

(c)	(i)	CIF VALUE OF IMPORTS:	2010-11 ₹	2009-10 ₹
	1	Raw Materials	69,42,92,158	31,41,25,686
	2	Components, Spare Parts and Stores	2,75,966	7,51,073
	3	Capital Goods	15,58,880	23,78,504
	4	Finished Goods for Resale	-	93,47,764

(ii) CONSUMPTION OF RAW MATERIALS, STORES, COMPONENTS AND SPARES

	Amount		% of Total Consumption	
	2010-11 ₹	2009-10 ₹	2010-11	2009-10
I. RAW MATERIALS:				
i) Imported	62,77,28,851	36,26,14,083	16.62	12.62
ii) Indigenous	315,01,92,162	251,12,93,181	83.38	87.38
	<u>377,79,21,013</u>	<u>287,39,07,264</u>	<u>100.00</u>	<u>100.00</u>
II. STORES AND SPARE PARTS:				
i) Imported	2,75,966	7,51,073	0.33	1.01
ii) Indigenous	8,34,03,360	7,37,79,053	99.67	98.99
	<u>8,36,79,326</u>	<u>7,45,30,126</u>	<u>100.00</u>	<u>100.00</u>

(d) EXPENDITURE IN FOREIGN CURRENCY (Subject to deduction of tax where applicable):

	2010-11 ₹	2009-10 ₹
i) Travelling	36,11,975	22,74,579
ii) Books, Periodicals & Subscription	27,32,974	13,09,731
iii) Seminar & Conferences	2,80,335	-
iv) Interest on Loans	2,24,90,496	1,94,73,123
v) Professional fees for market survey	64,87,828	27,08,667
vi) Commitment Charges / Bank Charges	19,51,889	19,48,342
vii) Commission on Export Sales	60,03,695	56,00,419
viii) Reach Registration Fees	71,34,487	-
ix) Freight Outward	-	1,52,45,332
(e) EARNINGS IN FOREIGN EXCHANGE:		
F.O.B. Value of Exports	276,31,20,743	245,91,01,650

Schedule 22–Notes Forming Part of the Accounts (contd.)

(f) RAW MATERIAL CONSUMED:	2010-11		2009-10	
	QTY. MTs.	VALUE ₹	QTY. MTs.	VALUE ₹
i) Caustic Soda/Soda Ash	33148	49,99,11,357	30383	47,93,72,109
ii) Ammonia	8702	14,21,56,996	8511	12,13,08,510
iii) Nitric Acid	28901	29,66,47,294	24393	22,39,11,047
iv) Sulphuric Acid	17444	7,07,91,717	14735	3,02,08,689
v) Benzene	7285	35,32,21,278	3819	15,22,41,346
vi) Chlorine	7362	4,37,48,254	3843	91,20,932
vii) Toluene	14733	66,14,98,974	14950	65,08,55,508
viii) Metaxyline	1175	7,44,55,299	-	-
ix) Cumene	2336	14,76,11,624	1579	7,58,17,682
x) Para Nitro Toluene	1658	14,11,04,406	2263	13,08,75,919
xi) Oleum	14061	9,92,21,294	12082	5,63,41,329
xii) Iron Powder	5674	12,28,37,221	4776	9,90,36,950
xiii) 2, Ethyl Hexanol	4041	38,30,37,305	1349	8,67,10,138
xiv) Others	-	74,16,77,994	-	75,81,07,105

13. Previous year's figures are shown in bracket and regrouped / re-classified wherever necessary to conform to current year's groupings.

Schedule 23

	2010-11	2009-10
₹	₹	₹
(i) COMPUTATION OF NET PROFIT UNDER SECTION 349 OF THE COMPANIES ACT, 1956		
Net Profit before tax as per Profit & Loss Account	36,95,68,620	30,31,79,535
Add:		
1. Directors' Remuneration	2,80,30,127	2,23,44,771
2. Loss/(Profit) on sale/discard of Fixed assets	(14,634)	(1,90,14,540)
3. Loss/(Profit) on sale of Investment	76,761	38,315
4. Provision for Doubtful Debts (net)	(1,17,25,125)	(1,06,07,932)
	1,63,67,129	(72,39,386)
Net Profit under Section 349	38,59,35,749	29,59,40,149
(ii) MANAGERIAL REMUNERATION UNDER SECTION 198		
Commission to Managing Directors as approved by the Board of Directors @ 4 % (Previous Year @ 4%)	1,54,37,431	1,18,37,607
Total Remuneration		
(a) Salary	58,81,920	47,30,543
(b) Contribution to Provident, Superannuation and Gratuity fund	15,52,837	13,32,654
(c) Perquisites	23,25,867	21,19,972
(d) Leave Encashment	7,57,072	5,88,995
(e) Commission to Managing Directors	1,54,37,431	1,18,37,607
(f) Directors' Commission	18,00,000	15,00,000
(g) Directors' Sitting Fees	2,75,000	2,35,000
	2,80,30,127	2,23,44,771

Signatures to Schedules 1 to 23

As per our report of even date
For **B.K. Khare & Company**
Chartered Accountants

SANTOSH PARAB
Partner
Membership No.47942
FRN No.105102W
Mumbai: May 6, 2011

D.C. MEHTA
Vice Chairman & Managing Director

A.C. MEHTA
Managing Director

SANJAY UPADHYAY
Sr. Vice President (Finance)
& Company Secretary

For and on behalf of the Board

C.K. MEHTA Chairman

M.R.B. PUNJA
A.K. DASGUPTA
HASMUKEH SHAH
SUDHIR MANKAD } Directors

Mumbai: May 6, 2011

Balance Sheet Abstract & Company's General Business Profile

I. REGISTRATION DETAILS:

Registration Number :	04 - 1735
State Code :	04
Balance Sheet Date :	March 31, 2011

II. CAPITAL RAISED DURING THE YEAR:

(Amount in ₹ Thousands)

Public Issue :	NIL	Rights Issue :	NIL
Bonus Issue :	NIL	Private Placement :	NIL

III. POSITION OF MOBILISATION & DEPLOYMENT OF FUNDS:

(Amount in ₹ Thousands)

Total Liabilities	31,19,302	Total Assets	31,19,302
Sources of Funds:			
Paid-up Capital	1,04,538	Reserves & Surplus *	22,58,175
Secured Loans	2,47,484	Unsecured Loans	3,48,346
Deferred Tax Liability	1,60,759		
Application of Funds:			
Net Fixed Assets*	16,89,556	Investments	13,292
Net Current Assets	14,16,454	Misc. Expenditure	-
Accumulated Losses	-		

* Net of revaluation reserve

IV. PERFORMANCE OF THE COMPANY:

(Amount in ₹ Thousands)

Turnover (Gross Revenue)	72,59,400	Total Expenditure	68,89,831
Profit Before Tax	3,69,569	Profit after Tax	2,57,972
Earning Per Share (₹)	24.65	Dividend Rate (%)	60%

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY:

(As per monetary terms)

Item Code No.: ITC Code
283410 01
290490 05
290721 00
290270

Product description:

Sodium Nitrite
Para nitrochlorobenzene
Resorcinol
Para Cumidine

As per our report of even date
For **B.K. Khare & Company**
Chartered Accountants

SANTOSH PARAB
Partner
Membership No.47942
FRN No.105102W

Mumbai: May 6, 2011

For and on behalf of the Board

D.C. MEHTA
Vice Chairman & Managing Director

A.C. MEHTA
Managing Director

SANJAY UPADHYAY
Sr. Vice President (Finance)
& Company Secretary

C.K. MEHTA Chairman

M.R.B. PUNJA
A.K. DASGUPTA
HASMUKH SHAH
SUDHIR MANKAD } Directors

Mumbai: May 6, 2011

INVESTOR'S WELFARE SCHEME

The Company's scheme covers the risk of death and permanent (total/partial) disablement 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 the 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 by physical separation of a part of hand or a part of foot.

II Sum Insured:

<u>No. of Equity Shares held</u>	<u>Sum Insured</u>
Up to 150	Rs. 20,000
151 to 500	Rs. 40,000
501 and above	Rs. 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

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

ATTENDANCE SLIP

40th ANNUAL GENERAL MEETING - AUGUST 5, 2011

Reg. Folio No No. of Equity Shares.....

DP ID.

CLIENT ID.

I certify that I am a registered shareholder / proxy for the registered shareholder of the Company.

I hereby record my presence at the FORTIETH ANNUAL GENERAL MEETING of the Company held at Hotel Surya Palace, Opposite Parsi Agiyari, Sayajiguni, Vadodara - 390 005 on Friday, August 5, 2011.

.....
(Shareholder's / Proxy's name in BLOCK letters)

.....
(Shareholder's / Proxy's signature)

Notes: i) Shareholders / Proxyholders are requested to bring the Attendance Slips duly signed with them when they come to the Meeting and hand them over at the gate.

ii) Shareholder / Proxyholder attending the meeting should bring his/her copy of the Annual Report, since the practice of distributing the Annual Report at the time of the meeting is discontinued.

PLEASE CUT HERE AND BRING THE ABOVE ATTENDANCE SLIP TO THE MEETING

REGD. FOLIO OR CLIENT ID/DP ID	NO. OF EQUITY SHARES	SERIAL NO.

PROXY FORM



DEEPAK NITRITE LIMITED

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

I/Weof.....

in the district ofbeing a member/members of

Deepak Nitrite Limited hereby appoint.....

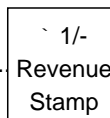
of.....in the district of.....

or failing him/herof.....

in the district of.....as my / our proxy to attend and vote for me / us on my / our behalf at the Fortieth Annual General Meeting of the Company to be held on Friday, August 5, 2011 at 10:30 a.m. and at any adjournment thereof.

Signed this.....day of.....2011.

Signature.....



Notes: 1) Revenue Stamp of ` 1/- is to be affixed on this form.

2) The Form should be signed across the stamp as per specimen signature registered with the Company.

3) The Proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the Meeting.

4) A Proxy need not be a member.



Overview of manufacturing facilities



Nandesari, Gujarat



Roha, Maharashtra



Hyderabad, Andhra Pradesh



Taloja, Maharashtra



Research & Development Centre at Pune



DEEPAK NITRITE LIMITED

CORPORATE OFFICE : Deepak Complex, National Games Road, Yerawada, Pune - 411 006, Maharashtra, INDIA.

Tel : +91-20-6609 0200 Fax : +91-20-2668 5448

REGISTERED OFFICE : 9/10, Kunj Society, Alkapuri, Vadodara - 390 007, Gujarat, INDIA.

Tel : +91-265-235 1013, 233 4481-82 Fax : +91-265-233 0994

www.deepaknitrite.com