



DEEPAK NITRITE LIMITED

Forty First Annual Report 2011-12

ENTERING A NEW WORLD OF BRIGHTENERS

From Chemicals to Solution Provider



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Green initiative – a welcome step

We once again request shareholders to register their email address with their Depository Participant or with the Registrar and Transfer Agent of the Company to receive documents / notices in electronic mode from the Company in lieu of physical copies. Please note that, in case you have already registered your email address, you are not required to re-register unless there is a change in your e-mail address. Shareholders holding shares in physical form are requested to send email at deepaknitrite@shareproservices.com to register their email address for receiving the above documents by email. Further, please note that these documents will also be available on the Company's website www.deepaknitrite.com for your ready reference.



Forty First Annual General Meeting

| | | |
|-----------------------|---|--|
| Day & Date | : | Saturday, 4th August, 2012 |
| Time | : | 10.30 a.m. |
| Venue | : | Hotel Surya Palace, Opposite Parsi Agiyari, Sayajigunj, Vadodara - 390 005 |

ENTERING A NEW WORLD OF BRIGHTENERS

From Chemicals to Solution Provider

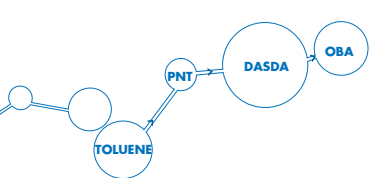
Deepak Nitrite Limited is India's leading manufacturer of organic, inorganic and fine & speciality chemicals.

The Company is now at a landmark inflection point as it climbs up the value chain to offer not only bulk chemicals and intermediates but also high value ready to use chemical products and also offer relevant chemical solutions to industries. A feat made possible by the expected completion of its greenfield project at Dahej which will manufacture Fine & Speciality Performance Chemical (Optical Brightening Agents - OBA). This would be the most integrated plant in the world.

The ability to manufacture OBA brightens the Company's growth potential, ushers it into a new promising world of product application markets and opens new vistas of opportunities as it climbs up the value chain from chemicals to solution provider.

"When you see brightness / white, think of Deepak Nitrite Limited"





Operational highlights

Increase in turnover by nearly **18%** in FY12 as compared to FY11



Fuel Additives contributed to about **₹ 100 crores** for FY12 as against ₹ 63 crores for FY11

Turnover crossed the **₹ 775 crores** mark

Greenfield state-of-the-art **project at Dahej** under implementation

Brownfield expansion at Nandesari is underway

Dividend rate maintained at **60%**

ECB loan availed **USD 45 million**

Turnover from U.S. contributed to about ₹ 60 crores for FY12, **34% growth** compared to FY11

Corporate information

BOARD OF DIRECTORS

| | |
|---------------------|-------------------------------------|
| Shri C. K. Mehta | - Chairman |
| Shri D. C. Mehta | - Vice Chairman & Managing Director |
| Shri A. C. Mehta | - Managing Director |
| Shri M. R. B. Punja | - Director |
| Shri A. K. Dasgupta | - Director |
| Shri Hasmukh Shah | - Director |
| Shri Nimesh Kampani | - Director |
| Shri Sudhin Choksey | - Director |
| Shri Berjis Desai | - Director |
| Dr. Richard H. Rupp | - Director |
| Shri Sudhir Mankad | - Director |
| Shri S. K. Anand | - Additional Director |

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 | DBS Bank Ltd. |
| Hongkong and Shanghai Banking Corporation | |

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
Email: investor@deepaknitrite.com
Website: www.deepaknitrite.com

GLOBAL HEADQUARTERS

Aaditya-I, National Highway No.8,
Chhani Road, Vadodara - 390 024
Tel: +91-265-276 5200 | Fax: +91-265-234 0506

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

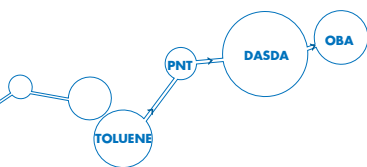
Plot Nos. 1, 2, 26 & 27
MIDC Dhatav, Roha, Dist. Raigad - 402 116

Hyderabad Specialities Division

Plot Nos. 90-F/70-A and B,
Phase II, Industrial Development Area,
Jeedimetla, Tal. Quthbullapur Madal,
Dist. Ranga Reddy, Hyderabad - 500 055

Project site under development

Plot No. 12/B GIDC, Dahej, Dist. Bharuch,
Gujarat - 392 130



ENTERING A NEW WORLD OF BRIGHTENERS.

From Chemicals to Solution Provider

Growth ready with a robust business model

Deepak Nitrite is today a multi-product, multi-location Company with a wide spectrum of products. With years of experience and deep understanding of the user-industry requirements, it is the preferred supplier to world renowned chemical brands spread over four continents and 20 countries. The Company has established long-term contracts with global MNCs and supplies a large quantum of their chemical requirement in key products manufactured by them.

STAYING AHEAD WITH A DE-RISKED BUSINESS MODEL

Wide spectrum of products with diverse applications

Multi-purpose manufacturing facilities

Export spread across diverse geographies, economies & currencies

Customers across diverse industries

Fully integrated business model from building blocks to Performance application products





Application of OBA in detergents ▼



PRESENT MULTI-PURPOSE MANUFACTURING FACILITIES

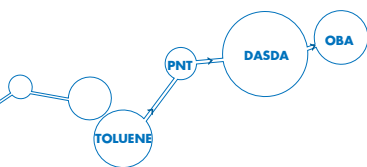
| Existing facility | Key processes |
|-----------------------------------|---|
| Nandesari, Gujarat | Ammonia Oxidation, Alkali Fusion, Sulfonation, Continuous Nitration, Condensation |
| Taloja (near Mumbai), Maharashtra | Hydrogenation |
| Roha, 120 kms from Mumbai | Alkylation, Oxidative Bromination, Reductive Alkylation, Diazotisation |
| Hyderabad, Andhra Pradesh | Sulfonation, Oxidation, Reduction |

The brownfield expansion at Nandesari in Gujarat will expand its inorganic-intermediates business while the greenfield expansion at Dahej is a forward integration in the performance chemicals segment.

WIDE GEOGRAPHIC PRESENCE

The Company is today recognised as a globally proactive chemical entity with a presence in over 20 countries including the most advanced economies of the U.S. and Europe and the cost-competitive economy of China.

The genesis of strategically thinking ahead of times is reflected in the Company's robust business model and it will continue to pave the path for future value accretion and growth.



From the **Desk of Vice Chairman & Managing Director**



Your Company succeeded
in capitalising on the
opportunities that prevailed
even in the overall negative
environment to report steady
growth in turnover of **18%** to
touch **₹ 776.91** crores in the
current fiscal.



Dear Stakeholders,

It is with immense pleasure that I share your Company's exemplary performance in the tough and challenging environment that prevailed through the financial year 2011-12. It was a year in which circumstances tested the mettle of businesses around the world. However, despite the turbulence in the operating environment, we are glad to report growth and also delighted to have made significant progress on key strategic initiatives.

The fiscal under review threw up many challenges, some of which carried forward from the previous year while others arose from recent developments. The continued sluggishness in the developed economies kept global businesses on their toes. To further aggravate the situation was the intensification of the Eurozone debt crisis, the after-effects of the tsunami in Japan and political events in the Middle East. These developments combined to result in softening of demand for end-user industries, coupled with continued pressure on commodity prices, notably crude and heightened volatility in foreign exchange rates.

In India, we kicked off FY12 on an optimistic note, but were forced to soon downgrade our outlook as persistent inflation, policy inaction and shocks from the macro environment resulted in moderation of the growth rate. Stubborn inflation and firmer input prices impacted corporate profitability as well as household budgets. All this led to lower than expected GDP growth. Worse still, the fiscal deficit exceeded targets in FY11, annual budget, resulting in sustained pressure on liquidity and interest rates. However, with the FY12 budget seeking to address some of these challenges, the scenario, going forward, is once again beginning to look positive.



D.C. MEHTA
VICE CHAIRMAN
& MANAGING DIRECTOR

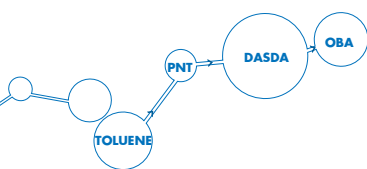
While, admittedly, it is easy to focus on circumstances and succumb to the prevailing pressures, let us not forget that when the playing field is level for all companies, the strength of an organisation lies in making the most of the operating environment. I am pleased to state that your Company, on the back of its experience and expertise, succeeded in capitalising on the opportunities that prevailed even in the negative environment to report steady growth in turnover of 18%, from ₹ 661.08 crores last year to ₹ 776.91 crores in the current fiscal.

What makes this achievement truly remarkable is that it encompassed all our business segments, with each of them performing strongly. Revenue growth was driven by higher volumes with some improvements in realisations. Inorganic intermediates, Organic intermediates, as well as Fine & Speciality chemicals, all lived up to our expectations and we are glad to have performed well across each segment of our business.

One of our key strengths is our diversified customer base, to which we are continually adding. The end-user industries that we supply to, are diversified across dyes, pigments, agro-chemicals, pharmaceuticals, paper, explosives, textiles, rubber chemical intermediates, chemicals for refineries and cosmetics, to name a few. This provides us with a natural hedge as a slowdown in any one of these industries is compensated by improved demand in another.

Exports also proved a great driver for growth during the year and revenues from exports stood at approximately 44% of total

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ENTERING A NEW WORLD OF BRIGHTENERS.

From Chemicals to Solution Provider

“THROUGH EXPANSION INTO OBA, WE ARE POISED TO MOVE TO THE NEXT LEAGUE – FROM MERE CHEMICAL MANUFACTURING TO ENTER THE OTHER HIGH-END OF CUSTOMISED CHEMICAL SOLUTIONS BUSINESS.”



revenues, registering growth of 24% from ₹ 282 crores last year to ₹ 350 crores in the current fiscal.

The positive performance on the exports front came amidst concerns of a slowdown in exports, given that a large proportion of exports are to European countries. However, since a significant part of our exports are to countries such as Germany and Switzerland, which were not so severely impacted by the economic turmoil in Europe, we were able to keep our performance on this count well on track.

Further, our customers are large multinational companies with a global presence and well established businesses. The growth in exports was also attributable to our prudent foreign exchange hedging policies, wherein we were able to take advantage of the depreciating rupee, which aided better realisations.

Apart from Europe, we supply products to markets in China & U.S. Exports to China this year stood at ₹ 35 crores, while to the U.S. it scaled to ₹ 63 crores. We have recently entered both these markets and operations are currently at a nascent stage. There is scope to increase revenues from both these markets and our strategy is to establish a significant presence in these new major two export markets.

In operational terms, a key highlight of our performance during the year was the development in our fuel additives business, where we could successfully achieve a turnover closer to the ₹ 100 crore mark. With oil prices increasing at a rapid rate, demand for Fuel Additives is also increasing. Fuel Additives help Refineries maximize fuel efficiency and reduce emissions, and improves the overall quality of different types of fuels like gasoline, diesel, Aviation Turbine Fuel and lubricants and are thus in high demand. One of such Fuel Additive is Cetane Booster, which is used for Diesel is also witnessing strong demand. Other Fuel Additives such as Anti-Oxidants are being introduced by the Company in the near future.

I believe this to be truly a landmark for your Company as it

is a testament to our strong in-house R&D capabilities. Going forward, we are focussed on more such initiatives and I must stress that your Company believes in innovation as a key component of its business strategy and spends almost 1% of its revenue on R&D each year.

Unfortunately, even though our performance on revenue growth and business expansion has been noteworthy, there has been a moderation in margins. This is attributed to the increase in input prices across various categories. Due to higher prices of crude oil and natural gas, inputs derived from these commodities also firmed up. The earthquake and tsunami in Japan resulted in a disruption in the supply of caustic lye, which also put pressure on input prices. However, the good news is that the prices of inputs have peaked out and the time lag in passing on higher costs to customers is behind us; so we definitely expect an improved performance going forward.

Another notable event that I would like to touch upon is the progress made on our expansion plans. Apart from the debottlenecking activities undertaken earlier, which resulted in higher volumes on the existing manufacturing base, we are focussed on expanding our capacities.

Our greenfield expansion in Dahej and brownfield expansion at Nandesari are progressing as planned. Our greenfield expansion in Dahej is a forward integration to manufacture OBA. With the completion of this greenfield project at Dahej, we will complete the vertical integration from Toluene to Optical Brightening Agent - OBA (Toluene ->PNT -> DASDA -> OBA). This feat places us amongst the very few fully integrated player in the world with such a capability.

Optical Brightening Agents (OBA) enjoys good demand across industries like Paper, Detergents, Textiles, Coating applications in Printing and Photographic Paper. Through this expansion, we are poised to move to the next league – from mere chemical manufacturing to enter the other high-end customised chemical solutions business.

**“YOUR COMPANY HAS ALWAYS ADHERED TO
THE MOST STRINGENT OF ENVIRONMENTAL
STANDARDS AND BELIEVES IN CONTRIBUTING
TO THE COMMUNITY AS WELL.”**

We are the dominant manufacturer of Sodium Nitrite. Since last two years, our plants are operating at almost 100% capacity. Through the brownfield expansion, we will enhance our production capacity by at least 50%. The new production will cater mainly to high price export market.

Your Company is also embarking on a new business segment that is of heat storage related Solar Salts. Through this, we will manufacture sodium and potassium nitrate of advanced quality, matching the needs of the Solar Industry. The demands for such solar salts would be project-based particularly where solar companies are targeting peak power supply. With the increasing oil prices, support to solar-based power may not come only from the green angle or wild solar energy, but will continue to be supported as a best non-conventional energy source. The increasing oil prices make such solar-based projects more economically viable and seek less government support. These factors make us confident of a bright future for Deepak's Salts for solar energy.

Your Company has always adhered to the most stringent of environmental standards and believes in contributing to the community as well. It is our small initiatives of reaching out to the community that make such a big difference to our approach, which is focussed not only on financial gains but also on social enhancement and growth.

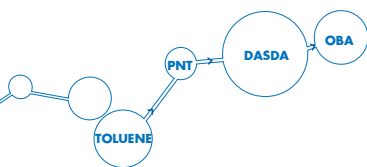
Clearly, your Company is on an excellent growth trajectory and I must thank our employees for the hard work put in by them, as well as our stakeholders for their extended support that made it possible.

Best wishes,

D.C. Mehta

Vice Chairman & Managing Director





Brightening the world with Optical Brightening Agents (OBA)

Optical Brightening Agents (OBA) is the hidden chemical present in almost any detergent that promises to make clothes appear cleaner, brighter and whiter. OBA is also used by paper manufacturers (for manufacturing writing and printing papers), especially high brightness papers and for coating and is also extensively used by the textile industry.

OBA APPLICATION MARKET DISTRIBUTION

| | GLOBAL | INDIA |
|------------|--------|-------|
| Paper | 65% | 63% |
| Detergents | 15% | 15% |
| Textiles | 20% | 22% |

GLOBAL DEMAND

The global OBA market is shifting its base from the high cost advanced economies to Asia and some of the major manufacturers in Europe are expected to realign their manufacturing plans.

The global OBA market which is estimated to be ₹ 4200 crores and is expected to grow at 2-3% over the long term. OBA is used since last 70 years and a substitution is highly unlikely in near future.

LOCAL DEMAND

The local market for OBA is estimated to be growing at around 8-10%. As a brightener, OBA is expected to have a high demand potential from FMCG companies manufacturing detergents whose USP is bringing back the brightness and retaining the whiteness in clothes. Further, OBA has high demand from the paper industry as literacy increases in the country - demand for writing and printing paper would continue to grow positively.

The domestic opportunity horizon appears promising as OBA is expected to enjoy consistent demand growth of 8-10% p.a.



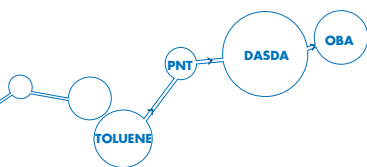
MAJOR USER SEGMENT OF OPTICAL BRIGHTENING AGENT (OBA)



Textiles ▲

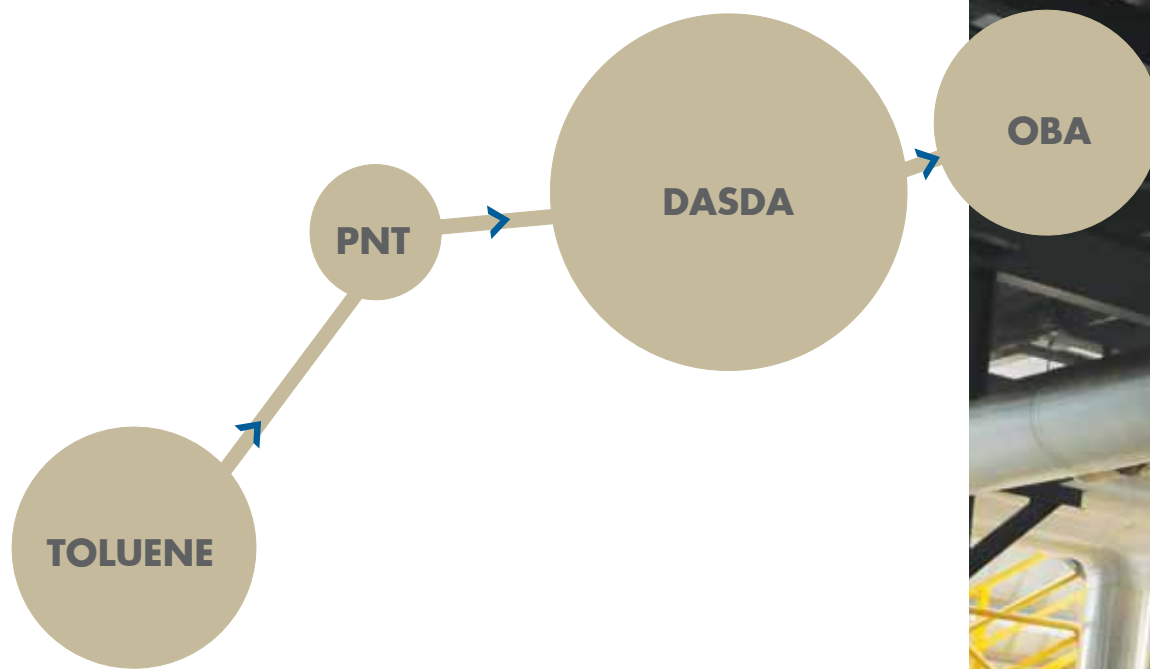


Detergent ▲



OBA plant at Dahej

The Company's new greenfield plant at Dahej will be manufacturing Optical Brightening Agents (OBA), a Fine & Speciality chemical. The Company's new state-of-the-art plant at Dahej will be one of the largest.



INTEGRATION ADVANTAGE

DASDA is manufactured at the Company's Hyderabad facility while PNT is manufactured at the Nandesari plant. Deepak Nitrite will be the most integrated player in the world.

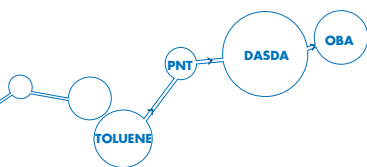
LOCATION ADVANTAGE

On the location side, the new Dahej facility has a clear logistic advantage as the facility is located near the port which provides an easy gateway to the export market. Further, the location is the country's important chemical hub – which adds to the cost competitiveness and improves the strength of the OBA business. The project is expected to be completed by FY13.

Thus, the new OBA manufacturing capabilities combined with the existing strengths and the expected business opportunities is poised to push the Company's growth trajectory to new levels.







ENTERING A NEW WORLD OF BRIGHTENERS.
From Chemicals to Solution Provider

Board of Directors



Sitting (From Left to Right):

Shri A. K. Dasgupta, Shri Nimesh Kampani, Shri C. K. Mehta (Chairman), Shri M. R. B. Punja, Shri Hasmukh Shah

Standing (From Left to Right):

Shri A. C. Mehta (Managing Director), Shri Berjis Desai, Shri Sudhir Mankad,
Shri D. C. Mehta (Vice Chairman & Managing Director), Shri S. K. Anand, Shri Sudhin Choksey

Not in the Photograph:

Dr. Richard H. Rupp

SHRI C. K. MEHTA, *Chairman*

A pioneer and a visionary, Shri C. K. Mehta is a first generation entrepreneur who founded Deepak Nitrite. Led by an able Board, he is credited with laying the foundation of a strong professionally driven organisation on principles of deep-rooted values and the commitment to always excel. He has over five decades of versatile experience in the Chemical Trade and Industry. He has also successfully set up Deepak Fertilisers and Petrochemicals Corporation Limited. He provides the overall strategic business direction to the Company and is the Chairman of both the companies. It is his aspiration to usher social change that has enabled the Company to look beyond business needs. He has been instrumental in initiating many of the CSR initiatives in and around the communities and the setting up of Deepak Foundation.

SHRI D. C. MEHTA, *Vice Chairman & Managing Director*

A dynamic personality, Shri D.C. Mehta's business acumen has enabled the Company take swift strides forward and achieve new laurels year-after-year. At the helm of affairs at Deepak Nitrite Limited for the last 33 years as its Managing Director, he is currently the Vice Chairman and Managing Director of the Company. An active participant at the industry forums, Shri D. C. Mehta has been the Chairman of the National Chemicals Committee at FICCI and is currently a Member of the 'National Committee on Chemicals, Petrochemicals and Fertilisers' of the Confederation of Indian Industry (CII). He is a Science Graduate from the University of Bombay.

SHRI A. C. MEHTA, *Managing Director*

With extensive experience, a comprehensive approach and industry foresight, Shri A. C. Mehta has paved the way for innovation and excellence in the Company. He has been actively associated with the Company since 1984. He is a Science Graduate with Honours and Master of Science (Chemical Engineering) from the University of Texas, USA.

SHRI M. R. B. PUNJA

The 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.

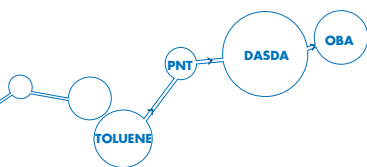
SHRI A. K. DASGUPTA

He brings to the table years of rich experience in the field of design, erection and operation of chemical, petrochemical and fertiliser plants and has been associated with the Company since 1972. Shri Dasgupta is associated with a number of medium and large scale chemical industries in India and abroad, and is credited with introducing and enabling the manufacturing of various resins and chemicals for the first time in India. He is associated with professional bodies like IChE at various levels. Shri Dasgupta was also a member of the Board of Studies at Faculty of Technology, DDU, Nadiad. He is a Science Graduate and a Bachelor of Chemical Engineering.

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

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 invaluable contributions to the development of Indian capital markets. He 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. He is a Commerce Graduate from Sydenham College and a qualified Chartered Accountant.

SHRI SUDHIN CHOKSEY

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. Shri Sudhin Choksey is a Fellow Member of the Institute of Chartered Accountants of India.

SHRI BERJIS DESAI

Shri Berjis Desai (LL.M Cambridge University, UK) is a practising 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 U.S., European and Asian markets, especially the Indian sub-continent.

SHRI SUDHIR MANKAD

Shri Mankad, IAS (Retd.) holds a Masters degree in History from the University of Delhi. He has served in senior positions, both with the Government of India and 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, Government of India. He is also the Chairman of Gujarat Institute of Desert Ecology (GUIDE) and is associated with several educational institutions.

SHRI S. K. ANAND

He is a Bachelor of Engineering (Chemical) from Delhi University and has done Petrochemical Course at I.I.P., Dehradun. He has also done an advance course on Management at the Indian Institute of Management, Ahmedabad. He has a rich experience of around 40 years in the field of Project Management, Operations, Corporate Planning, Quality Management, Health, Safety and Environment Management, Energy Management, Strategic Planning etc. Shri Anand held various important positions in Indian Petrochemicals Corporation Limited (1995 to 2002) and retired as a Whole-time Director – Member on Board from June 2002 to December, 2008.

He is a member of various committees and institutions like ICMA, IICChE and Advisor to the Government of India on Health, Safety and Environment aspects on the organisation for prevention of chemical weapons convention.

Senior Management Team



SHRI UMESH ASAIKAR
Chief Executive Officer



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



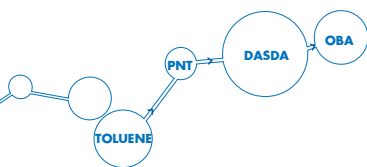
DR. PRAMOD GARG
Vice President (Operations)



SHRI PRAMOD TALEGAON
Vice President (Technology)



SHRI VIJAY TIKEKAR
Vice President (Marketing)



Providing solutions to the solar energy segment

The challenge facing the world today is to meet its increasingly large energy needs while minimising the damage to the environment. Solar energy is an important step to foster the production of clean, sustainable new and renewable energy sources and will play an important role in enabling tomorrow's carbon free energy mix. For it to take off in a large way, technology advancement solutions are being devised so that the energy absorbed by the solar cells is effectively stored and can be retrieved for use later.

This is just where Deepak Nitrite steps in with a solution for heat storage related Solar Salts. Through this new business segment and the brownfield expansion capacity, the Company will manufacture a series of nitrates such as Sodium and Potassium Nitrate of advanced quality, matching the needs of the Solar Industry. The demand for such solar salts would be project-based particularly where solar companies are targeting peak power supply. The increasing oil prices make such solar-based projects more economically viable and less-dependant on government support.

OPPORTUNITY HORIZON

It is estimated that each MW of solar power needs 300 MT of Sodium Nitrate. Hence the opportunity horizon for this product exists both within the country and overseas.

The Indian Government has established the Jawaharlal Nehru National Solar Mission (JNNSM) under which it intends to commission 20,000 MW solar power by 2022. India's solar energy potential is humongous as barring two months of heavy rain – most states enjoy sunshine for nearly ten months of the year.

Globally too, the new opportunities for Solar Salts is huge as each MW of solar power will consume 300 MT of Sodium Nitrate.

BROWNFIELD EXPANSION

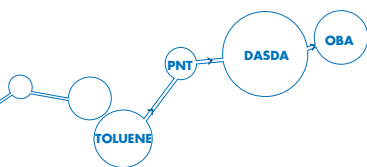
Identifying this opportunity of Sodium Nitrate for solar power well in advance, the Company had embarked upon a brownfield expansion at Nandesari. Through this, we will manufacture sodium and potassium nitrate of advanced quality, matching the needs of the Solar Industry. The demands for such solar salts would be project-based particularly where solar companies are targeting peak power supply.

This facility is likely to be operational by FY13 and will help the Company add a new segment to its growing product portfolio.



IDENTIFYING THIS OPPORTUNITY OF SODIUM NITRATE FOR SOLAR POWER WELL IN ADVANCE, THE COMPANY HAD EMBARKED UPON A BROWNFIELD EXPANSION AT NANDESARI.





Staying ahead with quality and sustainability

Quality is the critical core across all major operational activities in the Company, whose commitment to maintain the highest international standards is apparent from the dedicated and highly trained manpower supporting the Quality and Technical functions at its various manufacturing facilities. All its manufacturing facilities have been upgraded to conform to the highest international standards.



SUSTAINABLE OPERATIONS

The Company's commitment to quality and sustainability is reflected in its efforts to not only adhere to the statutory norms but also adopt a holistic approach towards environmental protection. The Company is a signatory to the worldwide Responsible Care initiative. A specially constituted Pollution Control Cell at its R&D centre is actively engaged in developing technologies for environment protection at its facilities. The efforts are directed to conserve energy, to improve process yields and product quality. Ongoing manufacturing processes are studied in detail with a view to minimising generation of liquid/gaseous waste streams as a part of continuous improvement. These initiatives are supervised by environmental scientists to ensure that all processes optimise resources and minimise impact on environment. The compliance with environmental standards and green, sustainable business models are important parameters when serving global customers. By leveraging its strengths in quality, process expertise and environmental awareness, the Company has successfully penetrated the U.S., European and the Chinese market.

HEAT RECOVERY FROM
WASTE GASES

CONTROLLING NOX
EMISSION

INVESTING IN MODERN
EFFLUENT TREATMENT
PLANTS

SUSTAINABLE MANUFA

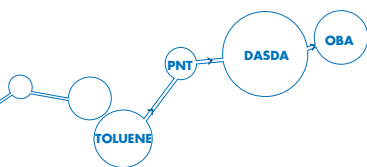


MONITORING OF AMBIENT
AIR QUALITY

MONITORING OF
EFFLUENTS AND EMISSION
QUALITY

CTURING OPERATIONS

SAFELY DISPOSING SOLID
WASTE



Growing by being with customers every step of the way

By adhering to global quality standards and a strong service commitment, the Company has carved a niche in the industry. The Company's products find acceptance with clients in over 20 countries, including U.S., European Union & East European nations, Japan, ASEAN countries, South Korea and South America.

With a strong focus on customer satisfaction, the Company has also set up Custom Manufacturing services to meet specific needs of end users. The Company's capabilities extend to the manufacture of high-value, speciality products, either based on its own end products or developed especially for its customers and this is part of the value climb as a solution provider.

To further expand its presence in EU, the Company has successfully completed the mandatory CLP notification under REACH for all its products exported to EU. This registration will provide it a niche in EU and will further strengthen long-term relationships with its European buyers.

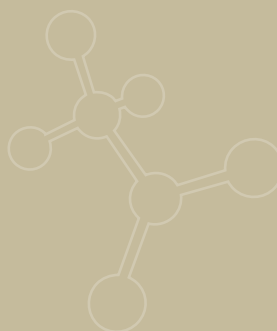
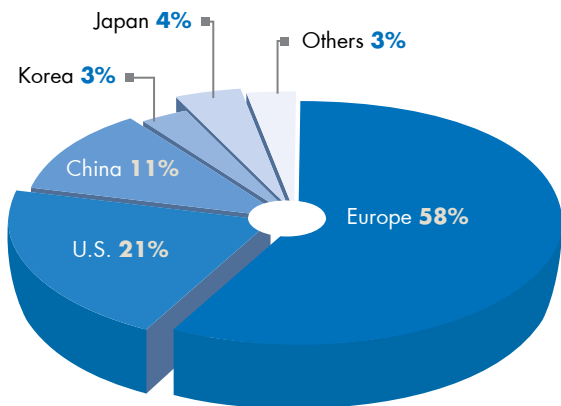
The Company has also made major inroads into the U.S. market and will continue to pursue additional business wins as the U.S. market is large and lucrative, offering significant growth opportunities.

Through the strong foothold achieved in China and the US, the Company will be catering to the largest markets across the globe.

Servicing renowned global and domestic majors with the combination of products, technical process expertise, quality and providing excellent service to customers, the Company has nurtured business relationships and has partnered several customers for several decades.

Deepak Nitrite will continue to strategically align its diverse portfolio to maximise value in attractive and resilient end-markets and expand its already-strong footprint in emerging regions.

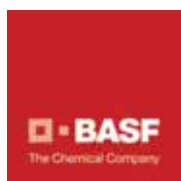
REGION-WISE EXPORT SALES 2011-12



THE COMPANY HAS ALSO MADE MAJOR INROADS INTO THE U.S. MARKET AND WILL CONTINUE TO PURSUE ADDITIONAL BUSINESS WINS AS THE U.S. MARKET IS LARGE AND LUCRATIVE.

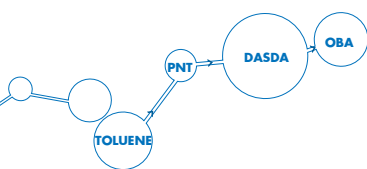
Deepak Nitrite will continue to strategically align its diverse portfolio to maximise value in attractive and resilient end-markets and expand its already strong footprint in emerging regions.

PRESTIGIOUS CLIENTS



(Trademarks of companies referenced on this page are the property of their respective owners.)



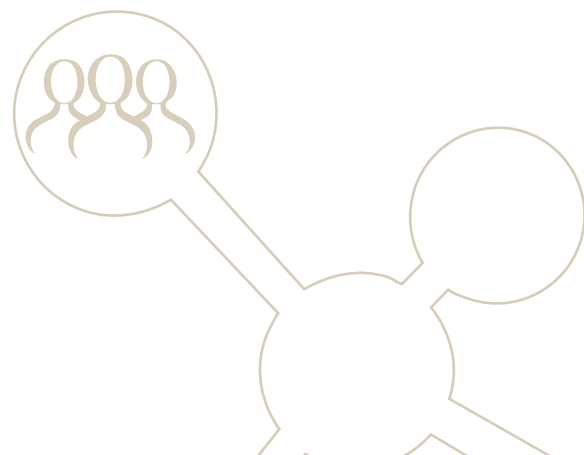


Beyond business

The Company's passion and commitment to go beyond the revenue focus is reflected in setting up an ingenious plant to reduce the country's dependence on exports way back. This passion of looking at opportunities beyond business is also showcased in the welfare and well being of the communities in and around its facilities in Gujarat.

The Company, through the Group Trust (Deepak Foundation), encourages the development of communities, in particular the empowerment of women in rural and tribal areas, by providing livelihood and healthcare opportunities. What began as medical and healthcare service to people living in 30 villages is now an initiative spread across the whole of Vadodara, covering all the 1,548 villages, through its multifaceted programmes broadly falling into the domains of Women & Child Welfare, Integrated Livelihood Promotion, Disaster Relief and Rehabilitation and Integrated Child Development Schemes. The Foundation, through its various programmes, now reaches out to more than 1.9 million people of Vadodara. In recognition of its services, the Foundation was accredited by Credibility Alliance and also received the ISO 9001:2008 certification.

During the year, the Foundation took a major stride by establishing a **Public Health Training Institute (PHTI)** in Vadodara. This institute was successfully set up within a year of signing the Memorandum of Understanding by the Department of Health & Family Welfare. PHTI will primarily be focussed in the areas of: Training and Capacity Building, Research and Surveillance, Clinical Services and Livelihood.



TRAINING AND CAPACITY BUILDING

One of the key components of the National Rural Health Mission (NRHM) is to provide every village in the country with a trained female community health activist "ASHA" or Accredited Social Health Activist. Selected from the village itself and accountable to it, ASHA is trained to work as an interface between the community and the public health system. Within one year of setting up of PHTI, the National Health Systems Resource Centre, New Delhi selected five trainers of the PHTI as National and State level trainers for training females for NRHM's Asha. The Division will also impart training to trainers of local civil society organisation in various districts in the state in Health and Livelihood activities.



**Training and
Capacity
Building**

**Research and
Surveillance**

Livelihood

RESEARCH AND SURVEILLANCE

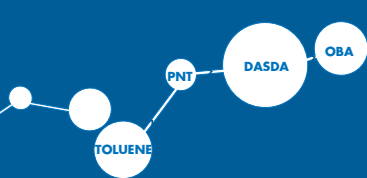
PHTI undertakes collaborative research work for various national and international organisations (ICMR, World Bank, Department of Rural Development etc.) in the areas of Population, Health, Nutrition and Livelihood. The Clinical Research Division of PHTI, during the year, undertook research and implementation of clinical activities through two hospitals in local rural and tribal areas linked with a Help Desk at district level government hospital. The Comprehensive Emergency Obstetric and Newborn Care (CEmONC) Unit at Jabugam was awarded as the best performing unit in the state by the Gujarat State AIDS Control Society, Health & Family Welfare Dept., Government of Gujarat. PHTI also started a mobile medical unit in a remote tribal block – Kawant, in partnership with NRHM, Gujarat.



LIVELIHOOD

This Division of PHTI has been implementing the Kawant Livelihood Project (KALP) in Kawant since the last four years. The sectors of intervention are agriculture, horticulture, dairy and animal husbandry, and water resources management, as well as promoting savings and credit through Self Help Groups. The Livelihood Division has initiated a new intervention of establishing Agri malls in its tribal blocks. Agri malls are retail outlets that ensure that the farmers get the right type and quantity of agri-inputs at rates lower than the MRP, in a timely manner. The first Agri Mall, 'Apna Kisan Mall' was inaugurated in Naswadi block on May 23, 2011, followed by two other agri-mall in Pavi Jetpur and Kawant blocks in FY12. The initiative has received a good response and over 700 farmers have registered at these two agri-malls.





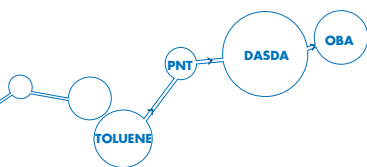
Shifting headquarters – *closer control over destiny*

The Company has recently moved its major operational functions from Pune (Maharashtra) to Vadodara (Gujarat). This is part of the synergistic expansion plan in Gujarat. To attain higher efficiencies, the Company has consolidated its operations at Vadodara which will be in close proximity to its key manufacturing plants at Dahej and Nandesari. The Headquarters shifting to Gujarat also centralises the Company's operations in the country's chemical hub – Gujarat. The shift will also facilitate even faster and more efficient servicing of its customers and being closer to the port at Kandla – it will be the gateway to the export market.

It would improve the efficiencies, lead to better co-ordination and faster deliverables to stakeholders which would result in best services to customers.

Deepak Nitrite consolidates its major offices at its newly established Global Headquarters with all ultra modern state-of-the-art facilities.

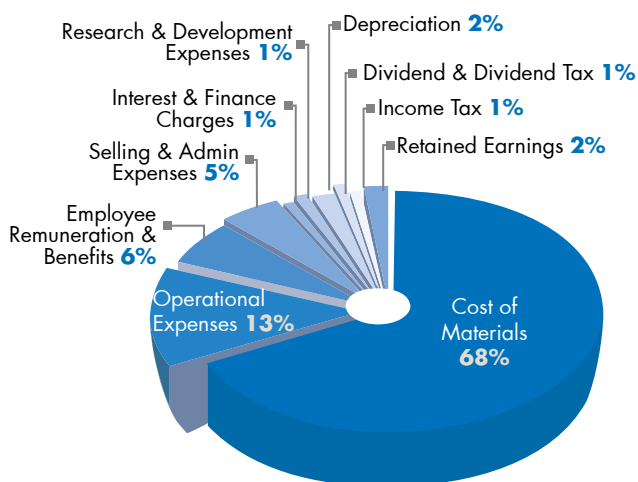




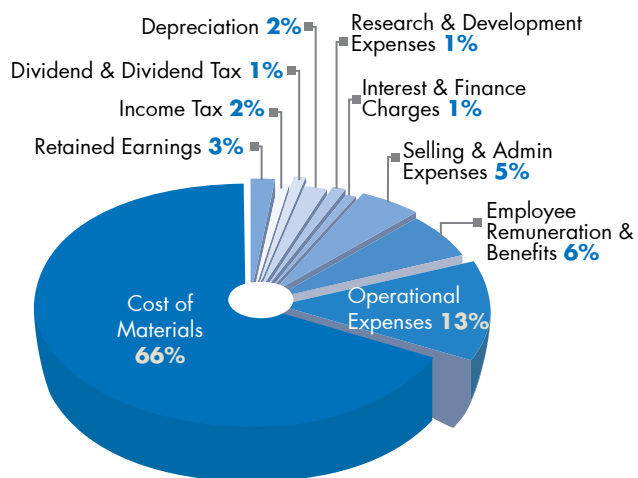
Financial Highlights

FUNDS OUTFLOW

2011-12

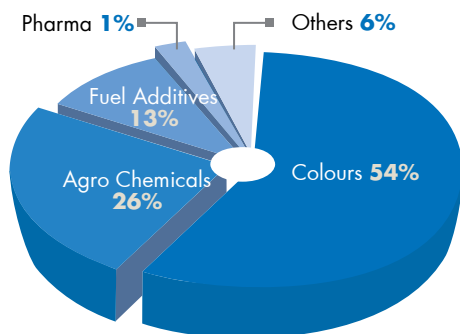


2010-11

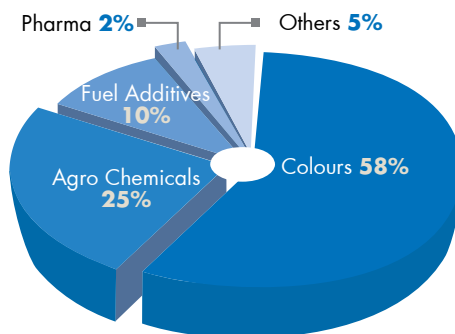


APPLICATION-WISE SALES

2011-12

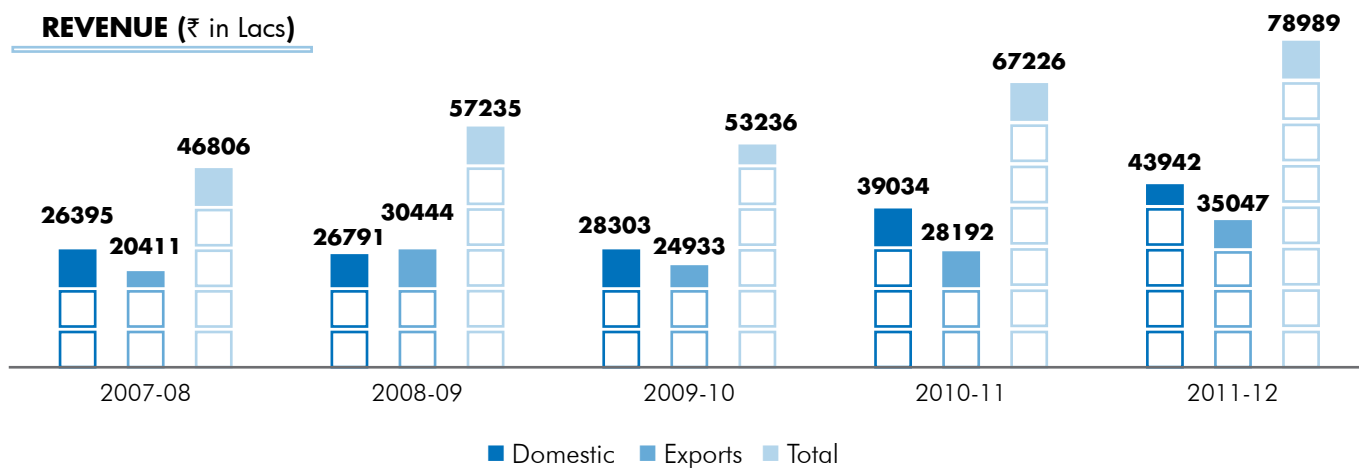


2010-11

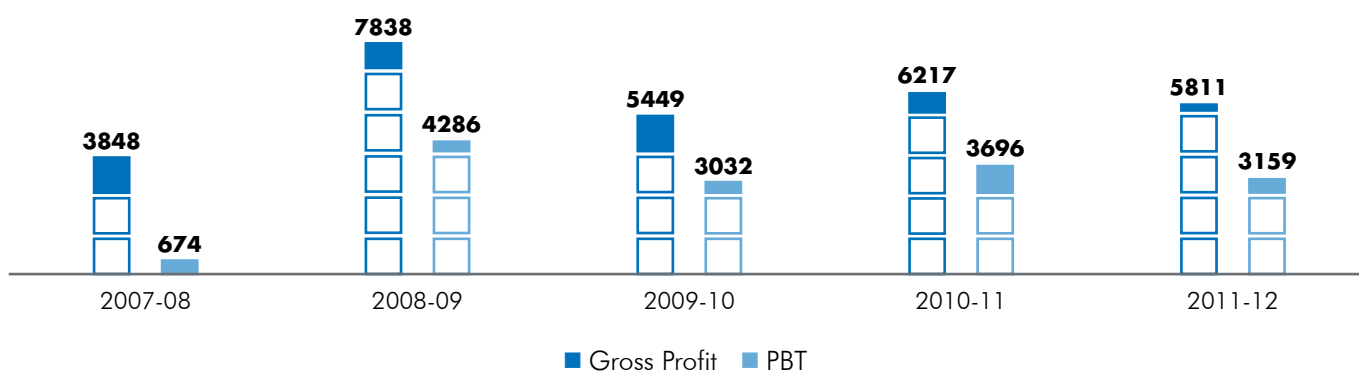


Financial Highlights

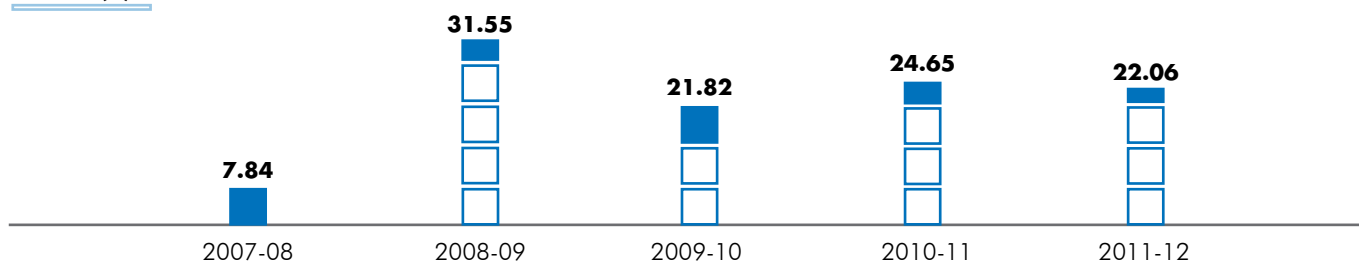
REVENUE (₹ in Lacs)

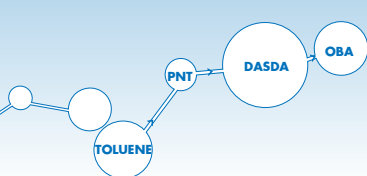


PROFIT / PBT (₹ in Lacs)



EPS (₹)





Financial Highlights for the last Ten Years

| Particulars | UOM | 2011-12 | 2010-11 | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 | 2004-05 | 2003-04 | 2002-03 |
|----------------------------------|-----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Total Income | ₹ in Lacs | 79,273 | 67,742 | 54,646 | 58,289 | 47,213 | 45,218 | 35,381 | 32,902 | 29,032 | 25,422 |
| YoY Growth | % | 17.02 | 23.97 | (6.25) | 23.46 | 4.41 | 27.80 | 7.54 | 13.33 | 14.20 | 16.84 |
| EBIDTA | ₹ in Lacs | 5,811 | 6,217 | 5,449 | 7,838 | 3,848 | 6,619 | 4,259 | 3,399 | 3,256 | 3,365 |
| Profit / (Loss) Before Taxation | ₹ in Lacs | 3,159 | 3,696 | 3,032 | 4,286 | 674 | 3,790 | 2,045 | 1,487 | 938 | 1,473 |
| Percentage to Total Income | % | 3.98 | 5.46 | 5.55 | 7.35 | 1.43 | 8.38 | 5.78 | 4.52 | 3.23 | 5.79 |
| Profit / (Loss) After Taxation | ₹ in Lacs | 2,308 | 2,580 | 2,001 | 2,828 | 702 | 3,568 | 1,414 | 1,006 | 813 | 1,171 |
| Percentage to Total Income | % | 2.91 | 3.81 | 3.66 | 4.85 | 1.49 | 7.89 | 4.00 | 3.06 | 2.80 | 4.61 |
| Equity | ₹ in Lacs | 1,045 | 1,045 | 1,045 | 896 | 896 | 896 | 598 | 598 | 575 | 575 |
| Net worth | ₹ in Lacs | 25,278 | 23,791 | 21,944 | 19,064 | 16,765 | 16,518 | 9,010 | 7,909 | 7,429 | 6,998 |
| Debt | ₹ in Lacs | 17,096* | 5,958 | 9,256 | 8,955 | 13,502 | 17,045 | 13,393 | 13,046 | 10,148 | 9,178 |
| Dividend on Equity Capital | ₹ in Lacs | 628 | 628 | 523 | 448 | 359 | 359 | 359 | 239 | 179 | 173 |
| Percentage | % | 60 | 60 | 50 | 50 | 40 | 40 | 40 | 40 | 30 | 30 |
| EPS | ₹ | 22.06 | 24.65 | 21.82 | 31.55 | 7.84 | 40.58 | 23.63 | 16.81 | 14.14 | 20.36 |
| Book Value | ₹ | 242 | 235 | 210 | 213 | 187 | 184 | 151 | 132 | 129 | 122 |
| Net Debt/ Equity Ratio | % | 67.63 | 25.04 | 30.33 | 46.97 | 80.54 | 103.19 | 148.66 | 164.95 | 136.60 | 131.15 |

*Excludes Deposits with Banks amounting to ₹ 8951 Lacs

Notice

NOTICE is hereby given that the Forty First Annual General Meeting of the Company will be held at Hotel Surya Palace, Opposite Parsi Agiyari, Sayajiganj, Vadodara - 390 005 on Saturday, the 4th day of August, 2012 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 Statement of Profit and Loss for the financial year ended March 31, 2012, together with the Directors' Report and the Auditors' Report thereon.
- 2) To declare a dividend on Equity Shares.
- 3) To appoint a Director in place of Shri C. K. Mehta who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint a Director in place of Shri Sudhir Mankad who retires by rotation and being eligible, offers himself for re-appointment.
- 5) To appoint Auditors and in this regard to consider and if thought fit, to pass the following Resolution, with or without modification, as an Ordinary Resolution:

 "RESOLVED THAT M/s. B. K. Khare & Company, Chartered Accountants, be and are hereby re-appointed as Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at the remuneration of ₹ 16,50,000/- (Rupees Sixteen Lacs Fifty Thousand only) towards fees for statutory and tax audit plus such other fees for any other consultation or certification work as may be carried out by them as also reimbursement of out of pocket and traveling expenses incurred by them in performance of their duties."

SPECIAL BUSINESS

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

 "RESOLVED THAT the vacancy caused on the Board of Directors by retirement by rotation of Shri Hasmukh Shah at this Annual General Meeting, as he has not offered himself for re-appointment, be not filled up."
- 7) To consider and if thought fit, to pass, with or without modifications, the following Resolution as an Ordinary Resolution:

 "RESOLVED THAT pursuant to Article 127(a) of the Company's Articles of Association and in conformity with the provision of Section 260 of the Companies Act, 1956, Shri S. K. Anand who was appointed as an Additional Director of the Company by the Board of Directors at their meeting held on November 4, 2011 and who holds office under the said Article and Section 260 of the Companies Act, 1956 only up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

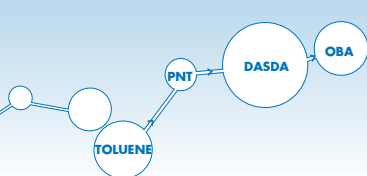
By Order of the Board of Directors,

SANJAY UPADHYAY

Sr. Vice President (Finance) &
Company Secretary

Place: Mumbai

Dated: May 4, 2012



Notes

ENTERING A NEW WORLD OF BRIGHTENERS.

From Chemicals to Solution Provider

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL ONLY AND A PROXY NEED NOT BE A MEMBER.
2. A proxy, in order to be effective, should be duly completed, stamped and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. An Explanatory Statement, as required under Section 173(2) of the Companies Act, 1956 in respect of Special Business as set out in the Notice, is annexed hereto.
4. Among the Directors who are due to retire by rotation in this Annual General Meeting, Shri Hasmukh Shah has not opted for re-appointment as a Director. It is proposed, not to fill the vacancy so caused in the Board of Directors.
5. The Register of Members and Share Transfer Books of the Company will remain closed from **Thursday, July 26, 2012 to Saturday, August 4, 2012** (both days inclusive).
6. The dividend as recommended by the Board, if approved at the meeting, will be paid on or after August 9, 2012 to those members whose names appear on the Company's Register of Members on July 25, 2012. 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 respective Depositories for the purpose.
7. In order to avoid risk of loss of dividend warrants in transit and/or fraudulent encashment of dividend warrants, the Company has provided 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 centralized 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 Registrar & Share Transfer Agent (RTA) of the Company in case they hold shares in physical form and to the concerned Depository Participant in case they hold shares in demat form.
8. Members holding shares in dematerialised mode are requested to intimate all 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 services to the members.
9. 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.
10. Members are requested to note that pursuant to the provisions of Section 205C of the Companies Act 1956 the dividend remaining unclaimed / unpaid for a period of seven years from the date they become due for payment are required to be transferred to the 'Investor Education and Protection Fund' set up by the Central Government. Members who have so far not claimed the dividend are requested to claim the same from the Company as no claim shall lie against the Fund or the Company in respect of individual amounts once credited to the said Fund.
11. 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 of the place of the Meeting. Proxy/Representative of a Member should mark on the Attendance slip as "Proxy" or "Representative" as the case may be. Members holding shares in electronic form and desirous of attending meeting are required to bring alongwith them their Client ID and DP ID Numbers for easy identification.
12. The Ministry of Corporate Affairs, Government of India (MCA) had taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by the companies and has permitted companies vide their Circular No. 18/2011 dated April 29, 2011 to issue copies of Balance Sheets and Auditors' Report etc. by email to the shareholders.

Further, the Securities and Exchange Board of India (SEBI) vide its Circular No. CIR/CFD/DIL/7/2011 dated October 05, 2011, has directed listed companies to supply soft copies of full Annual Report to all the shareholders who have registered their email addresses for the purpose.

The Company welcomes this move of MCA/SEBI and recognizing the spirit of the circulars issued by MCA/SEBI. 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.

13. A brief resume, together with details of the 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 C. K. Mehta

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

His other Directorships as on March 31, 2012 are as under:

- Deepak Fertilizers and Petrochemicals Corporation Limited
- Deepak Novochem Technologies Limited
- Blueshell Investment Private Limited
- Sofotel Infra Private Limited
- The Lakaki Works Private Limited
- Storewell Credits & Capital Private Limited
- Deepak Asset Reconstruction Private Limited
- Deepak Medical Foundation (Sec 25 Company)
- Kawat Development Corporation (Sec 25 Company)
- Deepak Research & Development Foundation (Sec 25 Company)

He is not a Member or Chairman of any Committee of the Board of Directors of the companies of which he is a Director. Shri C. K. Mehta is holding 307839 equity shares of ₹ 10/- each in the Company.

2. Shri Sudhir Mankad

Shri Sudhir Mankad, aged 64 years, IAS (Retd.) holds Masters Degree in History from the University of Delhi. He has served in senior positions, both with the Government of India and Government of Gujarat.

He has held various important positions with the Government of India as Additional Secretary - Development of

Economic Affairs, Ministry of Finance, Additional Secretary and Financial Advisor, Ministry of Agriculture and Joint Secretary, Higher Education, Ministry of Human Resources Development. During the year 2005 to 2007, he has been the Chief Secretary, Government of Gujarat. Shri Mankad has also held various important positions in Government of Gujarat as Principal Secretary, Finance Department, Principal Secretary, Education Department, MD, Gujarat Alkalies and Chemicals Ltd., Joint MD, Gujarat Industrial Investment Corporation, Director of Higher Education. He has also served as a Director / Chairman on the Board of several cement, power, fertilizer and finance companies.

He is also a Member of Audit Committee, Remuneration Committee, Project Committee and Selection Committee of the Company.

His other Directorships as on March 31, 2012 are as under:

- Gujarat International Finance Tec-City Co. Limited
- Bhavnagar Energy Company Limited
- IL&FS Education Investment and Technology Services Limited
- Gruh Finance Limited
- Shri Dinesh Mills Limited
- Navin Fluorine International Limited
- IL&FS Skills Development Corporation Limited
- Gujarat Gas Company Limited

His Membership/Chairmanship in the Committees of the Board (other than Deepak Nitrite Ltd.) as on March 31, 2012 is as under:

Shareholders/Investors Grievance Committee:

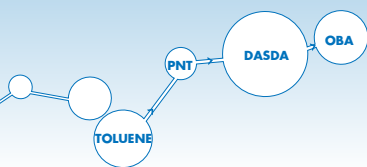
Gruh Finance Limited - Member

Shri Sudhir Mankad does not hold any shares in the Company.

3. Shri S. K. Anand

Shri S. K. Anand, aged 68 years, is a Bachelor of Engineering (Chemical) from Delhi University and has done Petrochemical Course at I.I.T., Dehradun. He has also done advance course on Management at the Indian Institute of Management, Ahmedabad.

He has a rich experience of around 40 years in the field of Project Management, Operations, Corporate Planning, Quality Management, Health, Safety and



Environment Management, Energy Management, Strategic Planning etc.

Shri Anand held various important positions in Indian Petrochemicals Corporation Limited (1995 to 2002) and retired as a Whole-time Director – Member on Board from June 2002 to December, 2008.

Shri Anand is a member of various committees and institutions like ICMA, Indian Institute of Chemical Engineers and Advisor to the Government of India on Health, Safety and Environment aspects on the organization for prevention of chemical weapons convention.

He is a member of the Project Committee of Directors of the Company.

His other Directorships as on March 31, 2012 are as under:

- Sunrise Private Limited
- Paramount Environment Private Limited
- SARA Consultants Private Limited

He does not hold any Membership / Chairmanship in the Committees of the Board across the companies in which he is a Director.

Shri S. K. Anand 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. 6

Shri Hasmukh Shah, a Director of the Company liable to retire by rotation, is due to retire by such rotation at the ensuing Annual General Meeting. Shri Hasmukh Shah although eligible for re-appointment, has not offered himself for re-appointment. The Board of Directors are of the view that there is no need to fill the vacancy that will be caused by Shri Hasmukh Shah not offering himself for reappointment. Hence, the proposed resolution.

None of the Directors are in any way concerned or interested in the Ordinary Resolution as set out in Item No. 6 of the Notice.

ITEM NO. 7

Shri S. K. Anand was appointed by the Board of Directors as an Additional Director of the Company at their meeting held on November 4, 2011. In terms of Section 260 of the Companies Act, 1956, Shri S. K. Anand holds office upto the date of the ensuing Annual General Meeting. A notice has been received from a member of the Company under Section 257 of the Companies Act, 1956 proposing Shri S. K. Anand as a candidate for the office of Director, liable to retire by rotation.

The Board of Directors is of the view that the services of Shri S. K. Anand will be of immense value to the Company. Your Directors, therefore, recommend his appointment as Director of the Company.

None of the Directors of the Company except Shri S. K. Anand is concerned or interested in the Ordinary Resolution as set out in Item No. 7 of the Notice.

Management Discussion and Analysis

ECONOMIC OUTLOOK

Globally, the operating environment over the last fiscal remained challenging for companies. The trigger effect of the financial crisis of 2008-09 continued and 2011-12 was an extended period of consolidation and uncertainty.

The Euro zone debt crisis intensified during the year and threatens to continue to be an overhang. In the near term, the tensions in the Middle East are leading to rising crude oil prices, the U.S. is showing only sporadic signs of a recovery and Japan is still reeling from the effects of last year's Tsunami. Commodity prices also remain an area of concern. In this prevailing depressing environment, it is fast growing countries like India and China that have emerged as pillars of support for the global economy.

However, the last fiscal was one of slight disappointment even for India. Pressures due to persistent inflation, the overall global environment and weak political governance led to depression in business sentiment, all of which translated into a moderation in demand and growth rates.

Moving forward, however, GDP numbers are expected to improve gradually as interest rates have peaked out and a reversal is expected to follow. There are still many challenges in the economy, that we will need to overcome, especially as the situation globally is not very favourable. The near term outlook remains subdued mainly because of prevailing situations in Europe, U.S. and the Middle East which are hampering global growth. However, fundamentally strong companies in India should be able to effectively counter such challenges and emerge successful in the long-run.

In the midst of all this gloom, it is important to note that India will continue to be the second fastest growing economy in the world, after China.

INDUSTRY STRUCTURE & RECENT DEVELOPMENTS

The chemical industry is one of the largest industries globally and contributes directly or indirectly to almost every sector of the economy. It plays a pivotal role, especially in a high growth country like India which is benefitting from strong domestic demand as well as ever increasing linkages to the global economy.

With a total size of about US \$108 billion, the Indian chemical industry is the 6th largest in the world and the 3rd largest industry in India. It accounts for nearly 3% of the global chemical industry.

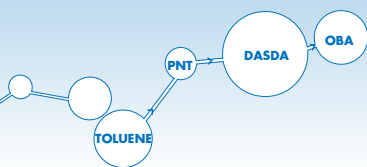
Growth prospects for the industry are attractive and are driven by increased demand, product innovation and improved production processes. The chemical industry in India is estimated to grow at 11% p.a. to cross US \$ 220 billion mark by 2017 on a conservative basis.

Diversified in structure, the Indian chemical industry caters largely to broad manufacturing bases and markets like fertilisers, petrochemicals, pharmaceuticals, dyes and intermediates, textiles, paper and food processing. Having emerged as a net earner of foreign exchange, the chemical industry is contributing significantly to the country's industrial and economic growth. Fine & Speciality chemicals and knowledge-based chemicals are, in particular, playing a significant role in driving the growth of India's chemical industry.

Notwithstanding the importance of this industry in the nation's



The Index of Industrial Production (IIP) growth averaged 2.8% in 2011-12 compared with 8.2% in the previous fiscal year. IIP year-on-year growth from April 10 to March 12 dropped into the negative zone touching (-4.4%) while the manufacturing growth from the same period was (-3.5%) and Capital goods was (-21.3%).



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economic growth, the Indian chemical industry continues to be highly fragmented, with small scale of operations and limited emphasis on exports, hampering its growth. Challenges to cost competitiveness due to high taxation & cost of capital and low pace of adoption of technology are other critical characteristics of the Indian chemical industry.

Despite these negative factors, the Indian chemical industry is today a key trade partner to the global chemical industry, which is becoming more and more inclined towards the East. Global chemical sales have increased by about 14% in Asia from 1999 to 2009, and this trend is expected to be further augmented. Individual segmental performance with respect to organic, inorganic and speciality chemicals is expected to grow.

The Indian chemical industry is responding suitably to the global trend. With companies around the world becoming more and more conscious about environmental norms, discharge of effluents and better safety for employees, quality standards in India have also shown considerable improvement in the recent past. This augurs well for the Indian chemical industry.

SWOT ANALYSIS

STRENGTHS

Market leader in key products

Your Company enjoys leadership position in several product categories. Having started as a key player in Sodium Nitrite and Nitrate, it continues to be a market leader in these products enjoying over 60% market share across India. Keeping these well-developed business lines as the base, your Company has expanded its product portfolio to include niche and knowledge intensive chemicals such as Xylidines, Fuel Additives, etc. Moving forward, the Company will foray into the production of Optical Brightening Agent (OBA) and various other salts. Through these products the Company will enter into two new sectors namely FMCG and the Solar energy sector.

Excellent track record

Your Company's promoter group has immense experience in the chemical industry. Launched in the 1970's by Shri C.K. Mehta, your Company enjoys an excellent reputation built and nurtured over a period of 40+ years. Your Company has established itself as a trustworthy and reliable entity with the capability of executing projects proficiently, as proven by the consistent performance since inception. Your Company is today a well-established organisation in the chemical industry and enjoys an exemplary track record of growth and profitability.

Process competence

Your Company has developed competencies in key chemical

processes. These competencies include the ability to run hazardous chemical reactions in a controlled manner; ability to minimise use of inputs and resources; reduction of wastage and effective treatment of effluents while maintaining a high level of cost competence. Your Company leverages its competence in these processes to deliver products of high quality.

Impressive customer profile comprising global leaders

Your Company caters to some of the leading companies in the chemical industry. The platform of trust with customers is built on your Company's vast experience and competence, which inspires some of the largest and most reputed players worldwide to associate with us for their requirements. Some of these prestigious customers include multinational companies like Ciba, Syngenta, Bayer Crop Science and Clariant, among others.

WEAKNESSES

Raw material fluctuation

Raw materials based on crude/natural gas and caustic have shown increasing volatility. With prices fluctuating on a regular basis, the ability to absorb costs and price in an economically viable manner becomes increasingly challenging. However, with rapid fluctuations in input costs, there is sometimes a time lag before the costs are passed on to customers. To deal with such raw material fluctuations, your Company has entered into formula based contracts with customers incorporating some preventive mechanisms to protect its margins. Your Company is also working on increasing the proportion of complex products which have a greater component of value addition and are less susceptible to raw material price increases. Your Company is focussed on higher component of fine & speciality and knowledge intensive products, which are niche, low-volume, high margin and where demand is less elastic.

OPPORTUNITIES

Shifting of manufacturing from developed to low-cost countries

Manufacturing operations in developed regions like the U.S. and countries in Europe are becoming increasingly expensive. Hence, companies in these regions are left with no choice but to outsource their manufacturing to low-cost producing nations such as India and China. This augurs well for your Company and creates more opportunities for it even in segments where absolute demand from end-user industries is stable or declining.

Innovation focus

Your Company has always believed in R&D and innovation as a key element of business strategy. This is portrayed in our policy to invest around 1% of our revenues to dedicated Research and Development activities. Your Company executes R&D through

the research facility in Pune. This research focus enables the Company to develop products like Fuel Additives which now contribute to nearly ₹ 100 crore in revenues. Your Company is continuously working on new applications for existing products as well as improvements in existing manufacturing processes.

Under-penetration of larger markets

In the last few years, your Company has forayed into the difficult markets of China and the U.S. The ability to successfully supply products in the cost-competitive Chinese market speaks volumes about your Company's quality and competence. Similarly, your Company has made good initial progress in supplying products to the U.S. market. Both these markets are large, lucrative and offer significant growth opportunities.

Growth

Your Company strives to maintain a low gearing ratio which ensures financial stability and provides the strength to expand both organically and inorganically. This has helped your Company garner funds for its greenfield and brownfield expansions in both Dahej and Nandesari. The Company has made acquisitions in the past but as a measure of prudence prefers not to rush into such initiatives unless it is absolutely certain that such an acquisition is synergic to the clearly defined focus areas.

Your Company is confident that any such acquisitions in the future will usher opportunities of growth and take the business to the next level. While your Company is not actively considering any acquisition at this point of time, it has a fairly successful track record of inorganic growth. Your Company remains open to such initiatives in case, it comes across any opportunities that are strategically and financially suitable.

Greenfield Expansion

The greenfield expansion at Dahej is a forward integration step for one of its Speciality Chemicals – DASDA. DASDA is a key ingredient used for manufacturing Optical Brightening Agents (OBA), a Fine & Speciality chemical which is used across various industries like Paper, Detergents, Textiles, Coating applications in printing, etc.

With the completion of this greenfield project at Dahej, your Company will be the most integrated player in the world to be present across the entire value chain from Toluene to Optical Brightening Agent - OBA (Toluene -> PNT -> DASDA -> OBA).

Your Company's facility at Dahej is strategically located near the port which not only facilitates an easy gateway to reach the export markets but also results in cost competitiveness. This plant is expected to be operational by FY 2013.

Brownfield Expansion

Your Company's brownfield expansion is underway at Nandesari. This will enhance the production capacity of its core product – Sodium Nitrite by at least 50%. This additional production will cater mainly to the high price export market.

Through this expansion, your Company is also embarking on a new business segment of heat storage related Solar Salts. The new production capacity will enable it to manufacture Sodium and Potassium Nitrate of advanced quality which caters to the Solar Industry. The demand for such solar salts would be project-based particularly where solar companies are targeting peak power supply.

This facility is likely to be operational by FY 2013 and would cater to the domestic as well as international markets. A part of the salt facility has already been commissioned in FY 2012.

Your Company has tied up External Commercial Borrowing (ECB) of US \$45 million for the projects at competitive rates and this projects are expected to be completed on schedule. With the commissioning of these projects, your Company is hopeful of crossing revenues of the ₹ 1,000 crore mark in the near future.

End user industries that your Company caters to are performing well. This will augur well for its business and it is felt that growth prospects are particularly bright in the agro-chemicals space.

Overall, your Company is on an excellent growth trajectory for the next fiscal and has all the building blocks in place that will help it achieve greater heights and take it to the next level.

THREATS

Competition

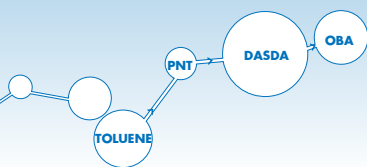
The industry and operating environment are dynamic and ever changing. There may be new entrants, or new initiatives by existing players. Although barriers to entry exist, there is always the likelihood of new players doing well and cannibalising the market share.

New technologies

As markets are highly competitive, several companies lay strong emphasis on R&D and new technologies. These companies are constantly looking to challenge existing norms which could lead to obsolescence of existing technologies and processes.

Currency fluctuation

Currency fluctuation can severely impact profitability and your Company has to be very watchful since approximately 50% of revenues flow from exports. Your Company follows a simple



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policy of hedging the net exposures through forward contracts and options which help to mitigate the risks in this regard.

COMPANY PERFORMANCE

During FY 2012, the turnover of your Company increased to ₹ 776.91 crore from ₹ 661.08 crore in FY 2011. PBT for FY 2012 was ₹ 31.59 crore compared to ₹ 36.96 crore in FY 2011. PAT stood at ₹ 23.08 crore in FY 2012 as against ₹ 25.80 crore in FY 2011.

Your Company performed well during the year, despite the highly uncertain global scenario, as volumes of products increased, leading to higher topline numbers. However, prices of raw materials remained volatile, thereby impacting margins, as the end product pricing takes some time for the necessary corrections.

SEGMENTAL PERFORMANCE

Organic Intermediates

Revenues for Organic Intermediates stood at ₹ 460.98 crore for FY 2012 compared to ₹ 381.23 crore in FY 2011.

Organic Intermediate sales were higher due to increase in sales of Fuel Additives and Nitro Toluene business.

Inorganic Intermediates

Revenues for Inorganic Intermediates stood at ₹ 132.10 crore for FY 2012 compared to ₹ 122.11 crore in FY 2011.

In FY 2012, the Inorganic Intermediates segment 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 ₹ 220.54 crore for FY 2012, as against ₹ 204.96 crore for FY 2011.

The increase in Fine & Speciality Chemicals revenues was mainly on account of increase in volume and prices of Fine & Speciality Chemical business.

OUTLOOK

The year 2011-12 ended on a good note with total revenues touching a new high of ₹ 792.73 crore. Your Company is positive about the growth plans in the forthcoming fiscal year.

Going ahead, your Company foresees stronger relationships with its customers. Globally and domestically, the Company's relationships with customers has been good. Quality, efficiency and cost competitiveness provides customers with a sense of comfort and satisfaction and encourages them to enter into long-term contracts with your Company. Your Company expects the

existing partnerships with key global players like Ciba, Syngenta and Bayer Cropscience to strengthen further and provide more opportunities.

De-bottlenecking at existing plants has been progressing smoothly, while the greenfield and brownfield expansions in Dahej and Nandesari are on schedule and progressing well.

RISK MANAGEMENT

Your Company has a team in place to identify and clarify the risk levels and put in place appropriate systems and processes for risk management. These systems and processes consider opportunities and threats to short and medium term objectives as defined. For a Company like yours, risks largely relate to foreign currency fluctuations, safety standards and environmental care norms, credit risks, volatility in prices, the global macro environment, to name a few. Your Company has aligned its policy on risk assessment in line with global approach and risk assessment reports are reviewed at regular intervals to assess the progress on mitigation steps.

Key risk management practices include

Currency fluctuations: About 50% of your Company's turnover is through exports. During FY12, your Company experienced tremendous price volatility in the exchange rate of the rupee against various currencies. Your Company has a stringent hedging policy wherein it mitigates this risk through plain vanilla forward contracts / premium paid options.

Credit risks: Your Company deals with a range of clients, spanning large, multinational companies to mid-sized domestic companies. Your Company has long-term contracts in place which are structured to protect interests of both the parties. Your Company also requests its clients to make advance payments against orders and regularly monitors the financial health of its customers to assess the level of credit risk.

Safety standards: Being in the chemicals business, your Company needs to take utmost care for safety as even a small adverse chemical reaction in its facilities could prove to be hazardous. Your Company promotes best practices and ensures that utmost care is taken while conducting processes to develop products. Regular safety and maintenance checks are scheduled on an ongoing basis and best practices are followed in the Company's manufacturing processes.

Environmental care norms: It is of utmost importance to protect the environment while also making sure that your Company's facilities operate well. The Company takes steps to reduce the gas emissions, treat the effluents appropriately and also strive to improve the manufacturing processes to minimise environmental impact.

PORTER FIVE FORCES ANALYSIS

| | |
|--|---|
| THREAT OF NEW COMPETITION - LOW De-risked business model. Wide spectrum of products with diverse applications. Strong R&D focus = Forward integration. Developing new high margin products. | THREAT OF SUBSTITUTE PRODUCTS - LOW Buyers propensity to substitute is low. Number of similar substitutes is low. Products supplied are part of the core products manufactured by clients. In many case specifically customised to customers requirement. |
| THREATS OF NEW ENTRANTS - LOW High entry barriers. Capital intensive. Long gestation period. Trust of customers. High technical expertise required. Stringent quality standards. | BARGAINING POWER OF CUSTOMER - MEDIUM Servicing renowned chemical majors. Products supplied are part of the core products manufactured by clients. Customers across diverse geographies. High quality adherence offers high comfort. Strong service commitment. |
| BARGAINING POWER OF SUPPLIERS - HIGH External factors impact crude prices, rupee fluctuation can also adversely impact industry. Complete vertical integration enables the Company to counter the bargaining power of suppliers. The Company also has well established long-term relationships with suppliers. | |

INTERNAL CONTROLS

Your Company and its management have ensured that adequate systems for internal control commensurate with your Company's size are in place. These ensure that your Company's 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 is clear demarcation of roles and responsibilities at various levels of operations. The Internal Control system aims to make sure that the business operations function efficiently, and that applicable laws, rules, regulations and policies of your Company are followed, along with maintenance of the reliability of financial reporting. The Finance Department implements and monitors the internal control environment and compliance with statutory requirements. These controls are regularly reviewed by both internal and external agencies for their efficiency and effectiveness. Findings of internal audit reports and effectiveness of internal control measures are reviewed by the top management and Audit Committee of the Board.

HUMAN RESOURCES

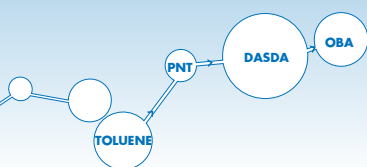
Your Company perceives its employees to be a critical component of its growth strategy. Your Company makes sure that it goes above and beyond the mandatory and statutory compliances to look after the needs of its employees. Hence your Company stresses on Human Resource Development, towards which it regularly provides its employees with on job training, in-house and external training programmes and workshops are conducted by subject matter experts from time-to-time on various topics related to technical/functional, behavioural/general and health areas, safety & environment and ISO certification standards. Your Company screens its prospective employees to recruit only qualified professionals with top-class capabilities. Your Company's thrust will always be to develop and retain talent through focussed initiatives. There are processes in place to involve the top management of your Company in understanding, imbibing, practising and educating your Company's values through transparent communication, exchange of ideas, sharing of experiences and establishing clear goals. Industrial relations remained cordial at all the plants during FY 2012.

ENVIRONMENT, CORPORATE SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Your Company manufactures chemical products that meet basic needs across a wide variety of applications, help to improve the quality of life and enhance the standard of living. Your Company constantly strives to meet and exceed expectations in terms of the quality and safety of its products and places significant importance on reducing environmental footprint. Your Company is firmly committed to Quality, Environment & Occupational Health and Safety standards and methodologies. Your Company commits itself to ethical and sustainable operations and development of all business activities according to responsible care and its own code of conduct. Corporate Social Responsibility is an integral part of the Company's philosophy and it actively participates in areas of health and welfare.

CAUTIONARY STATEMENT

Certain Statements made in the Management Discussion and Analysis Report relating to the 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 the 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 the Company does not have any direct control.



Directors' Report

Dear Shareholders,

Your Directors have the pleasure of presenting your Company's Forty First Annual Report, together with the Audited Statement of Accounts for the financial year ended March 31, 2012.

FINANCIAL RESULTS

| | 2011-12 (₹ in Lacs) | 2010-11 (₹ in Lacs) |
|--|------------------------|------------------------|
| Sales & Other Income | 79,273.32 | 67,741.60 |
| Gross Profit (before interest, depreciation, impairment and tax) | 5,810.85 | 6,216.88 |
| Less : | | |
| (i) Interest | 943.27 | 551.18 |
| (ii) Depreciation | 1,778.58 | 1,813.38 |
| (iii) Impairment | (69.60) | 156.64 |
| (iv) Provision for Tax | | |
| - For the Year | | |
| - Current Tax | 749.51 | 1,162.95 |
| - Deferred Tax | 72.70 | (165.90) |
| - Prior Year | | |
| - Current Tax | 28.11 | 150.38 |
| - Deferred Tax | - | (31.46) |
| Profit After Tax | 2,308.28 | 2,579.71 |
| Add: Surplus in Statement of Profit & Loss Brought Forward | 10,895.27 | 9,545.22 |
| Amount available for appropriation | 13,203.56 | 12,124.96 |
| Appropriation : | | |
| Dividend | 627.82 | 627.82 |
| Corporate Dividend Tax | 101.85 | 101.85 |
| General Reserve | 500.00 | 500.00 |
| (as required by Section 205 (2A) of the Companies Act, 1956) | | |
| Balance carried to the Balance Sheet | 11,973.89 | 10,895.29 |
| | 13,203.54 | 12,124.94 |

DIVIDEND

Your Directors are pleased to recommend the payment of a dividend of ₹ 6.00 (Rupees six) per equity share {same as in the previous year i.e. ₹ 6.00 (Rupees six) per equity share} 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 ₹ 729.67 lacs).

THE YEAR IN RETROSPECT

Notwithstanding the challenging operating environment that prevailed, FY 2011-12 was a year of steady progress for your Company as turnover increased by 18%. Turnover grew to ₹ 776.91 crores from ₹ 661.08 crores in the previous year to touch a new high. This increase in turnover was driven by increased volume off-take, contribution from emerging product lines like Fuel Additives and Xylidines, as well as efforts to expand its base in new geographies like U.S. and China. Volume growth was achieved by de-bottlenecking activities undertaken in earlier

years. The Fuel Additives business also touched a new high during FY 2011-12, generating a revenue of almost ₹ 100 crores as compared to ₹ 63 crores in the previous year. The share of overall revenue contributed by the domestic market decreased from 58% to 56%, and in absolute terms, revenue grew from ₹ 390 crores in FY 2010-11 to ₹ 439 crores in FY 2011-12. While the share of exports to total revenues increased from 42% to 44%, revenue increased significantly on an absolute basis from ₹ 282 crores to ₹ 350 crores.

The Profit before Interest, Depreciation, Impairment and Tax for the year was ₹ 58.11 crores compared to ₹ 62.17 crores in previous year, and Profit After Tax for the year was ₹ 23.08 crores as against ₹ 25.80 crores in FY 2010-11. Earnings per Share stood at ₹ 22.06 in FY 2011-12, as compared to ₹ 24.65 per Share in FY 2010-11.

The year under review threw up varying operating conditions for countries around the world. Continued stagnation in the developed economies, intensification of the Eurozone debt crisis, persistent inflation in emerging markets and the events in the Middle East led to sluggish demand. However, your Company's business showed remarkable resilience, mainly on account of a robust domestic demand and because of the fact that a majority of the Company's exports in Europe are to economically stronger countries such as Germany and Switzerland. Further, exports to markets such as the U.S. and China are still at a nascent stage but your Company is confident of growing on the small base established in these countries.

In the domestic markets, your Company saw continued demand from agrochemicals, pharma and dyes & pigments segments, as well as growth in products like Fuel Additives and Xylidines.

While revenue growth was good, given the prevailing circumstances, profitability was muted due to price increases in raw materials, firming up of interest rates and fluctuations in foreign exchange rates. However, these pressures are showing signs of moderating and your Company is confident of improved margins, going forward.

During the year, your Company also continued to make steady progress on key strategic initiatives. A key area of your Company's focus, over the last few quarters, has been expansion, for which it has tied up US \$ 45 million in ECBs at competitive rates for greenfield and brownfield projects at Dahej and Nandesari respectively. Once these projects become functional, your Company is hopeful of crossing revenues of the ₹ 1,000 crore mark in the near future.

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

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

GREENFIELD EXPANSION

Your Company had embarked on a greenfield expansion at Dahej by establishing a new facility which would be a forward integration step of its Fine & Speciality Chemical - DASDA for manufacturing Optical Brightening Agents (OBA). With the completion of this greenfield project at Dahej, your Company will be amongst the few fully integrated players in the world to be present across the entire value chain from Toluene to Optical Brightening Agent - OBA (Toluene -> PNT -> DASDA -> OBA). This plant will enable your Company to penetrate deeper into the global markets which is estimated at ₹ 4200 crores. The project is well on track and it is expected to be operational by FY 2013.

BROWNFIELD EXPANSION

Your Company through its brownfield expansion has achieved a dual purpose of expanding the production capacity and also foraying into a new business segment (Heat storage related Solar Salts).

Your Company's existing facility of Sodium Nitrite is operating at almost full capacity. This expansion will enhance the manufacturing capacity by at least 50%. The additional production will cater mainly to the high price export market.

Your Company is also embarking on a new business segment i.e. heat storage related Solar Salts. It is creating a capacity which would make it capable of manufacturing sodium and potassium nitrate of advanced quality, matching the needs of Solar Industry. The demands for such solar salts would be project based particularly where solar companies are targeting peak power supply. A part of this facility has been commissioned in FY 2012.

FINANCE

Your Company has availed External Commercial Borrowing (ECB) of USD 45 million for the projects at very competitive rates. Out of the above, USD 40 million has already been drawn.

Effective Working Capital management has always been a key aspect of your Company's growth plan, especially in the last few years. This focus has enabled your Company to reduce its interest costs significantly over the years and the gearing is also very comfortable with debt-equity ratio of 0.68.

As a result, the cash flows of your Company have improved and it has enough leveraging ability for its expansion plans.

ICRA has re-affirmed your Company's short term rating at A1+ and long term rating at LA+.

DIRECTORS

During the year under review, Shri Shrenik K. Lalbhai resigned from the directorship of the Company with effect from May 25, 2011, due to his advancing age. The Board of Directors place on record their sincere appreciation for Shri Shrenik K. Lalbhai's valuable contribution and guidance provided as a Chairman of the Company from 1971 to 1998 and as a Director of the Company thereafter. Under the able leadership of Shri Shrenik K. Lalbhai, your Company made progress and earned its name not only at the national level but has achieved international acclaim too.

In accordance with the provision of the Companies Act, 1956 and those contained in the Articles of Association of your Company, Shri C. K. Mehta and Shri Sudhir Mankad retire by rotation at the 41st Annual General Meeting and being eligible, offer themselves for re-appointment.

Shri Hasmukh Shah, who is also due to retire by rotation has indicated his desire not to seek re-appointment.

Shri Shah was associated as a Director with your Company since October 21, 2003. The Board of Directors place on record their sincere appreciation of the valuable services rendered, advice given and contribution made by Shri Hasmukh Shah towards the growth of the Company and also his commitment to social work for the betterment of the society. It is proposed not to fill the vacancy so caused in the Board of Directors.

Shri S. K. Anand was appointed as an Additional Director by the Board of Directors on November 4, 2011. Under the provisions of Section 260 of the Companies Act, 1956 and Article 127(a) of the Articles of Association of your Company, Shri Anand holds office up to the date of forthcoming Annual General Meeting. Your Company has received a notice in writing from a Member proposing the candidature of Shri S. K. Anand for his appointment as Director of your Company. The Resolution seeking approval of the members for appointment of Shri S.K. Anand as a Director of your Company has been incorporated in the Notice of the forthcoming Annual General Meeting.

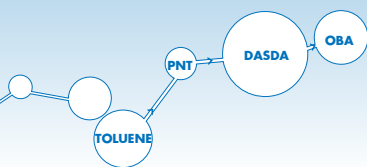
FIXED DEPOSITS

The total amount of Fixed Deposits held by your Company from the Shareholders and public was ₹ 17.87 crores as at March 31, 2012 (₹ 24.33 crores). 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



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forms part of this Annual Report. A Certificate from the Statutory Auditors of your 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

Your Company plays strong emphasis on Research & Development and innovation as levers for value creation. Your Company has a world-class set-up, including a dedicated pilot plant at Roha primarily for the purpose of Research and Development. Its continued focus on R&D has been yielding rich dividends and Fuel Additives, which were developed in-house, have alone contributed to nearly ₹ 100 crores in revenue this year. Your Company invests around 1% of its revenues in R&D each year and is working on several initiatives, which it hopes to commercialise in the ensuing financial years.

SAFETY, HEALTH & ENVIRONMENT

Your Company takes matters of safety, health and environment very seriously. There is great emphasis on the well-being of all employees and the health of employees is consistently being monitored. Your Company's facilities are monitored on a regular basis to ensure a safe working environment.

With the ever increasing threat of pollution caused due to factories all over India, it is your Company's constant endeavour to focus strongly on pollution control, treatment of effluents and compliance of stringent environmental norms. Adherence to these is of utmost importance not only to your Company but also to its customers and has contributed to the stability of your Company's relationships with world class international companies.

Your Company is committed to sustainable development and is a signatory to Global Responsible Care Core Principles. These principles, inter alia, govern technology, processes and products to minimise the impact to overall environment and to enhance sustainability. Your Company is committed to the Responsible Care Programme to achieve established goals, targets and objectives with due consideration for the environment.

HUMAN RESOURCES

Your Directors are pleased to inform that industrial relations at all manufacturing and other locations remained amicable during the year under review. Your Company's initiatives to provide a constructive work environment enables it to attract and retain employees with high potential and calibre.

Your Company recognises that its people are central to its growth strategy and all efforts are made to attract and retain the best talent in the industry. Your Company's human resource policy is focussed on the development of the skill-sets of the individuals, keeping the morale and performance level high, providing employees the platform for personal growth within the organisation, suitably recognising and rewarding individual achievements, while simultaneously addressing the business needs of your Company.

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

As required by the Companies (Disclosure of particulars in the Report of Board Directors) Rules, 1988, the relevant data pertaining to the conservation of energy, technology absorption and foreign exchange earnings and outgo is 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.

CORPORATE SOCIAL RESPONSIBILITY

Deepak Foundation is a CSR initiative of your Company. Having worked in the areas of maternal and child health for the past 28 years, the Foundation has taken a major stride forward by establishing a Public Health Training Institute in Vadodara. The institute was established within a year of signing an MoU with the Department of Health & Family Welfare.

The core activity of PHTI comprises four major divisions: 1) Training and Capacity Building 2) Research and Surveillance, 3) Clinical Services and 4) Livelihood.

The Foundation was accredited by Credibility Alliance and also certified as an ISO 9001:2008 organisation during the year.

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 & Company, Chartered Accountants, Mumbai, hold office until the conclusion of the 41st Annual General Meeting and are recommended for re-appointment. Certificate from the Auditors has been received to the effect that their re-appointment, if made, would be in the limits prescribed under section 224 (1B) of the Companies Act, 1956.

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, 2012 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 of March 31, 2012 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 wishes 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.

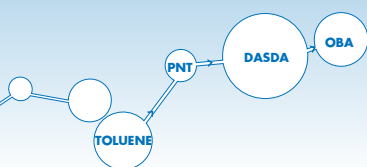
ACKNOWLEDGEMENT

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 Director recognise and appreciate the significant contributions made by employees at all levels through their competence, perseverance and hard work that has enabled your Company to reach the new highs in a very challenging environment.

For and on behalf of the Board

Place : Mumbai
Date : May 4, 2012

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: • Installation of energy efficient pumps for boiler and cooling towers • Installation of coal feed boiler at Roha • Optimisation of batch cycle times • Installation of Oxygen analyser and blowdown system to improve efficiency of boiler • Installation of once through Oil Vacuum pumps in place of steam ejectors.

FORM - A

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

(a) POWER AND FUEL CONSUMPTION

| | UOM | 2011-12 | | | | | 2010-11 | | | | |
|---|-----|-------------|------------|----------|-----------|----------|-------------|------------|----------|-----------|----------|
| | | 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 | 2895888 | 2139412 | 2888963 | 8128957 | 11507962 | 1948125 | 1305975 | 2466895 | 7213623 | 13566409 |
| Total Amount | ₹ | 23574367 | 17352039 | 19273501 | 53531851 | 51473425 | 15815280 | 10671684 | 14593012 | 40254879 | 59053858 |
| Rate / Unit | ₹ | 8.14 | 8.11 | 6.67 | 6.59 | 4.47 | 8.12 | 8.17 | 5.92 | 5.58 | 4.35 |
| (b) Own Generation | | | | | | | | | | | |
| (i) Through Own diesel Generator Unit | KWH | 3582 | 1929 | 7841 | 141352 | 2400809 | 696 | 375 | 17317 | 94664 | 1479355 |
| Units per litre of Diesel Oil | KWH | 3.00 | 3.00 | 3.23 | 3.36 | 3.19 | 3.00 | 3.00 | 3.34 | 3.74 | 3.22 |
| Cost/ Unit | ₹ | 15.30 | 15.30 | 12.72 | 14.87 | 14.26 | 13.98 | 13.98 | 12.20 | 13.21 | 12.36 |
| (ii) Through Steam Turbine/Generator Unit | KWH | 11185563 | 8216277 | - | - | - | 12133436 | 8237373 | - | - | - |
| Total Amount | ₹ | 64848205 | 47633795 | - | - | - | 58680266 | 39837952 | - | - | - |
| Rate/ Unit | ₹ | 5.80 | 5.80 | - | - | - | 4.84 | 4.84 | - | - | - |
| 2 Coal | | | | | | | | | | | |
| Quantity | MT | 10375 | 14119 | 2300 | 3753 | 19029 | 8152 | 13035 | - | - | 20703 |
| Total Amount | ₹ | 45463889 | 61869938 | 11068000 | 19390391 | 99721039 | 40739621 | 65145782 | - | - | 96753941 |
| Average Rate/MT | ₹ | 4382 | 4382 | 4812 | 5167 | 5240 | 4998 | 4998 | - | - | 4673 |
| 3 Furnace Oil | | | | | | | | | | | |
| Quantity | KL | 39 | 41 | 2826 | 951 | 534 | 85 | 121 | 2580 | 2899 | 448 |
| Total Amount | ₹ | 1082109 | 1132437 | 98073000 | 32312600 | 20571255 | 1979108 | 2799943 | 64259000 | 73732799 | 13024460 |
| Average Rate/KL | ₹ | 27502 | 27502 | 34703 | 33991 | 38542 | 23157 | 23157 | 24906 | 25437 | 29062 |
| 4 Regasified Liquid Natural Gas | | | | | | | | | | | |
| Quantity | KL | 367 | 986 | - | - | - | 108 | 870 | - | - | - |
| Total Amount | ₹ | 7222386 | 19391653 | - | - | - | 1509369 | 12159683 | - | - | - |
| Average Rate/KL | ₹ | 19657 | 19657 | - | - | - | 13977 | 13977 | - | - | - |

(b) CONSUMPTION PER UNIT OF PRODUCTION

| | 2011-12 | | | 2010-11 | | |
|-----------------------|-------------|--------------------|--|-------------|--------------------|--|
| | Electricity | Furnace Oil / Coal | | Electricity | Furnace Oil / Coal | |
| | KWH | Ltr./KG | | KWH | Ltr./KG | |
| Inorganic Salts | 268 | 105 | | 245 | 83 | |
| DNPT | 1645 | 363 | | 1331 | 370 | |
| Nitro Aromatics | 262 | 140 | | 261 | 150 | |
| Aromatics Amines | 231 | 226 | | 201 | 210 | |
| Organic Intermediates | 784 | 202 | | 779 | 309 | |
| Colour Intermediates | 2139 | 3009 | | 1999 | 2810 | |

B - TECHNOLOGY ABSORPTION

FORM - B

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

a) RESEARCH AND DEVELOPMENT (R&D)

- Specific areas in which R&D is carried out by the Company
 - Research and Development activities comprises cost leadership activities to improve profitability and making more eco-friendly processes. R&D also develops new processes and technologies for improvement of processes
- Benefits derived as a result of the above R&D
 - An intermediate for Agrochemical is being produced based on new process developed at R&D center
 - As a part of improvement in quality, moisture from Fuel Additive was reduced thereby entering into new markets and exports
 - The Company has initiated to use an in-house cheaper and abundant raw material as a strategic resource to develop various bulk and speciality products
 - An alternate and highly efficient process is developed for an intermediate of Optical Brighteners
- Future plan of action
 - To apply new technologies to enhance profitability of existing products expansion plan
 - Development of new processes and modifying existing processes to make more environment friendly processes by reducing waste
 - Improve quality of existing products to increase market share

4) Expenditure on R&D

| | ₹ in lacs | |
|--|-----------|---------|
| | 2011-12 | 2010-11 |
| a) Capital | 58.54 | 59.76 |
| b) Recurring | 616.37 | 551.96 |
| c) Total | 674.91 | 611.72 |
| d) Total R&D expenditure as a percentage to total turnover | 0.85% | 0.91% |

b) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

R&D develops new technologies based on internal expertise and in-house developmental activities. Technical help is taken from various world leader engineering companies for scale up of developed technologies

c) FOREIGN EXCHANGE EARNINGS AND OUTGO

This information is contained in Note No. 36, 37 & 39 to the Financial Statements of the Annual Report.

| | ₹ in lacs | |
|-------------------------------|-----------|----------|
| | 2011-12 | 2010-11 |
| Total Foreign Exchange Earned | 34638.52 | 27631.21 |
| Total Foreign Exchange Outgo | 15546.57 | 7468.21 |

Report on Corporate Governance for the year ended on March 31, 2012

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Your Company's philosophy on Corporate Governance envisages the attainment of a high level of transparency and accountability in its functioning 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 an organization 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 organization, which leads to increasing employee and customer satisfaction.

2. BOARD OF DIRECTORS

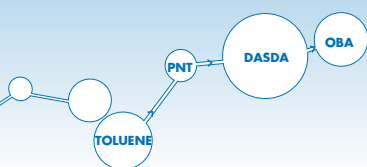
Currently, the strength of the Board is twelve members, comprising two Executive Directors and ten Non-Executive Directors. Nine of the Non-Executive Directors are Independent Directors and the Board is headed by Non-Executive Chairman. Accordingly, the composition of Board is in conformity with the 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 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) |
| III. | Independent and Non-Executive Directors | Shri A. C. Mehta (Managing Director) |
| | | 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 |
| | | Shri S. K. Anand* |

* Shri S.K. Anand was appointed as Additional Director w.e.f. November 4, 2011.

During the year under review, four Board Meetings were held on May 6, 2011, August 5, 2011, November 4, 2011 and February 3, 2012. The maximum time gap between two Board Meetings was not more than four calendar months.



Attendance of each Director at the Board Meetings, last Annual General Meeting and their directorship and membership in committees of other Companies is 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 | 2(C) |
| Shri A. C. Mehta | 4 | 3 | YES | 1 | 2(C) & 1(M) |
| Shri Shrenik K. Lalbhai * | 4 | 1 | NO | - | - |
| Shri M. R. B. Punja | 4 | 3 | YES | 4 | 1 (C) & 1(M) |
| Shri A. K. Dasgupta | 4 | 4 | YES | - | - |
| Shri Nimesh Kampani | 4 | 3 | YES | 5 | 3(C) & 3(M) |
| Shri Hasmukh Shah | 4 | 3 | YES | 6 | 5(C) & 2 (M) |
| Shri Sudhin Choksey | 4 | 2 | NO | 2 | 1 (C) & 1 (M) |
| Shri Berjis Desai | 4 | 3 | NO | 10 | 3(C) & 11 (M) |
| Dr. R. H. Rupp | 4 | 1 | NO | - | - |
| Shri Sudhir Mankad | 4 | 4 | YES | 8 | 1(M) |
| Shri S. K. Anand [#] | 4 | 1 | NO | - | - |

* Shri Shrenik Kasturbhai Lalbhai ceased to be a Director w.e.f. May 25, 2011.

[#] Shri S.K. Anand was appointed as Additional Director w.e.f. November 4, 2011.

- Note:**
- (1) 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.
 - (2) Committee of Directors includes Audit Committee, Remuneration Committee and Shareholders/Investor Grievance Committee only.

3. COMMITTEES OF BOARD OF DIRECTORS

i) Audit Committee:

As per its terms of reference, the Audit Committee is mandated 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 internal control systems, 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 and the appointment, removal and terms of remuneration of the Statutory Auditors and Internal Auditors.

The Audit Committee comprises the following members:

| Name of 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 |

The Company Secretary acts as Secretary to the Committee.

Four meetings of the Audit Committee were held during the year ended March 31, 2012 on May 5, 2011, August 4, 2011 November 3, 2011 and February 3, 2012.

Attendance of each Director at the Audit Committee Meetings is as under:

| Name of Member | No. of Audit Committee Meetings held | No. of Audit Committee Meetings attended |
|---------------------|--------------------------------------|--|
| Shri M. R. B. Punja | 4 | 3 |
| Shri A. K. Dasgupta | 4 | 4 |
| Shri Sudhin Choksey | 4 | 2 |
| Shri Sudhir Mankad | 4 | 4 |

ii) Share Transfer Committee

The Share Transfer Committee has been constituted to approve and monitor transfers, transmissions, splitting and consolidation of shares, issue of duplicate share certificates etc.

The Share Transfer Committee consists of Shri D. C. Mehta, Vice Chairman & Managing Director, Shri A. C. Mehta, Managing Director and Shri A. K. Dasgupta, Non-Executive Director.

The committee met 25 times during the year.

iii) Investors Grievance Committee

The Investors Grievance Committee has been constituted to specifically look into redressal of complaints like transfer of shares, non-receipt of dividends, non-receipt of Annual Report etc. received from shareholders/investors, and improve efficiency in investor services, wherever possible.

The Investors Grievance Committee comprises 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 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.

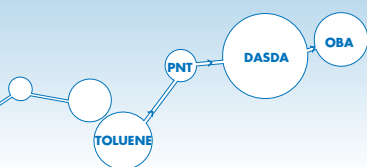
The details of complaints received and resolved during the financial year ended March 31, 2012 are as follows:

| Opening Balance | Received during the year | Resolved during the Year | Closing Balance |
|-----------------|--------------------------|--------------------------|-----------------|
| Nil | 04 | 04 | Nil |

iv) Remuneration Committee

The Remuneration Committee comprises the following Directors:

| Name of 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 |



ENTERING A NEW WORLD OF BRIGHTENERS.

From Chemicals to Solution Provider

The Company Secretary acts as Secretary to the Committee.

During the financial year 2011-12, the Remuneration Committee met on May 6, 2011 and all the Members of the Committee were present in the said meeting.

The details of Managing Directors' Remuneration during the financial year 2011-12 are as under:

| (₹ in Lacs) | | | | | |
|------------------|--------|--------------------------|---------------------|------------|--------|
| Name | Salary | Perquisites & Allowances | Retirement Benefits | Commission | Total |
| Shri D. C. Mehta | 27.48 | 18.81 | 7.25 | 68.84 | 122.38 |
| Shri A. C. Mehta | 33.94 | 12.62 | 8.28 | 68.84 | 123.68 |

The details of payments made to Non-Executive Directors during the financial year 2011-2012 are as under:

| Name | Sitting Fees ₹ | Commission ₹ | Total ₹ |
|-----------------------------------|-------------------|------------------|------------------|
| Shri C. K. Mehta | 20,000 | 1,50,000 | 1,70,000 |
| Shri Shrenik Kasturbhai Lalbhai * | 5,000 | 25,000 | 30,000 |
| Shri M. R. B. Punja | 30,000 | 3,00,000 | 3,30,000 |
| Shri A. K. Dasgupta | 65,000 | 3,00,000 | 3,65,000 |
| Shri Nimesh Kampani | 15,000 | 1,50,000 | 1,65,000 |
| Shri Hasmukh Shah | 15,000 | 1,50,000 | 1,65,000 |
| Shri Sudhin Choksey | 20,000 | 3,00,000 | 3,20,000 |
| Shri Berjis Desai | 30,000 | 1,50,000 | 1,80,000 |
| Dr. R. H. Rupp | 5,000 | 1,00,000 | 1,05,000 |
| Shri Sudhir Mankad | 60,000 | 3,00,000 | 3,60,000 |
| Shri S. K. Anand# | 5,000 | 1,50,000 | 1,55,000 |
| Total | 2,70,000 | 20,75,000 | 23,45,000 |

* Shri Shrenik Kasturbhai Lalbhai ceased to be a Director w.e.f. May 25, 2011.

Shri S.K. Anand was appointed as Additional Director w.e.f. November 4, 2011.

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

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

4. GENERAL BODY MEETINGS

Details of last three Annual General Meetings held:

| Meeting | Date | Time | Venue |
|----------|----------------|------------|--|
| 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 |
| 40th AGM | August 5, 2011 | 10:30 A.M. | Hotel Surya Palace, Sayajigunj, Vadodara 390 005 |

Special Resolutions proposed at the 38th and 40th Annual General Meeting were duly approved and passed by the Shareholders.

During the year ended March 31, 2012, the Company did not pass any special resolution through Postal Ballot as per the provisions of Companies Act, 1956 and the rules framed thereunder.

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

5. DISCLOSURE

- (i) There are 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, is given under Note No. 32 in the Notes to Financial Statements for the year ended March 31, 2012.
- (ii) 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.
- (iii) The Company has comprehensive risk management policy and the same is periodically reviewed by the Board of Directors of the Company.
- (iv) The Company has complied with all mandatory requirements of Clause 49 of the Listing Agreement in respect of Corporate Governance. As regards the non-mandatory requirements under the said Clause 49, the Company has constituted a Remuneration Committee, but has not framed a Whistle Blower Policy.
- (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 & local dailies, such as The Economic Times (English & Gujarati). These are not sent individually to the shareholders.

The Company's results are displayed on its website.

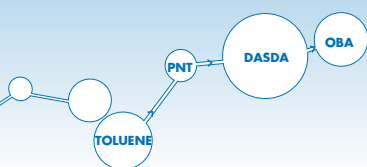
No presentations were made to the institutional investors. However, presentations were made to analysts and Brokerage Firms during the year under review.

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 of Conduct has been circulated to all the members of the Board and Senior Management, and the same is also posted 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, 2012 and a declaration to that effect, signed by the Vice Chairman & Managing Director 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 2011-12. | |
| Place : Mumbai | D. C. Mehta |
| Date : May 4, 2012 | 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 | : | Saturday, August 4, 2012 |
| Time | : | 10:30 a.m. |
| Venue | : | Hotel Surya Palace, Opp. Parsi Agiari, Sayajigunj, Vadodara 390 005. |
| Date of Book Closure | : | Thursday, 26th July, 2012 to Saturday, August 4, 2012 (both days inclusive). |
| Dividend payment date | : | On or after August 9, 2012 but within the statutory time limit of 30 days, subject to shareholder's approval. |

Financial Calendar

| Results for the Quarter ending | Tentative Time of Reporting |
|---|--------------------------------|
| June 30, 2012 | On or before August 15, 2012 |
| September 30, 2012 | On or before November 15, 2012 |
| December 31, 2012 | On or before February 15, 2013 |
| Audited Annual Accounts for the year ended March 31, 2013 | On or before June 30, 2013 |

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 2011-12 and 2012-13 have been paid to both the exchanges.

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

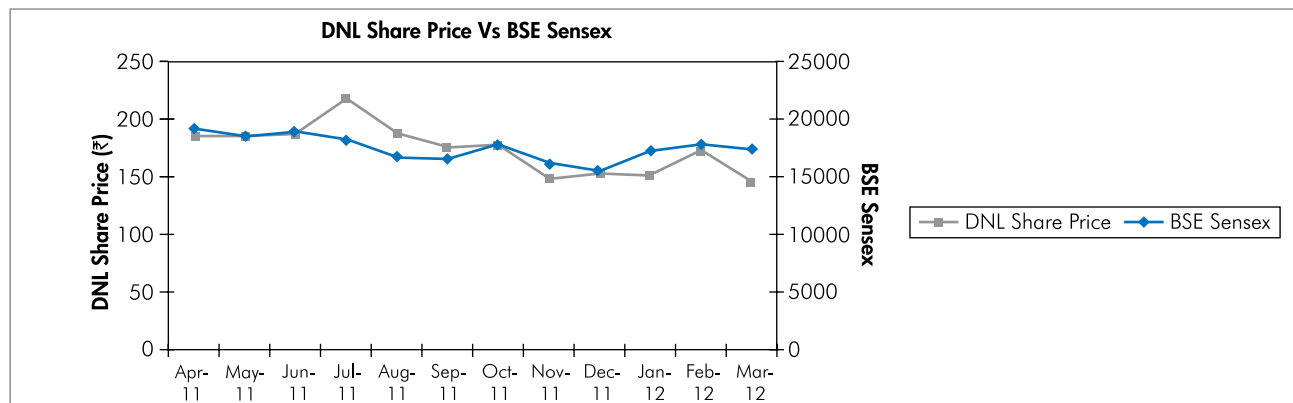
ISIN Number for Equity Shares (NSDL & CDSL): INE288B01011

Market Price Data of Equity Shares

Market Price Data – monthly high & low during the year 2011-2012 at BSE:

| Month | High (₹) | Low (₹) | Month | High (₹) | Low (₹) |
|-----------------|----------|---------|----------------|----------|---------|
| April, 2011 | 189.00 | 170.10 | October, 2011 | 185.00 | 169.00 |
| May, 2011 | 199.50 | 175.10 | November, 2011 | 180.00 | 136.10 |
| June, 2011 | 189.45 | 168.75 | December, 2011 | 167.00 | 146.05 |
| July, 2011 | 230.00 | 181.85 | January, 2012 | 156.80 | 145.00 |
| August, 2011 | 215.00 | 171.35 | February, 2012 | 175.00 | 145.05 |
| September, 2011 | 194.80 | 167.00 | March, 2012 | 184.75 | 139.00 |

Source: www.bseindia.com



Distribution of Shareholding as on March 31, 2012

| Range | No. of Holders | % | No. of Shares | % |
|---------------|----------------|---------------|-----------------|---------------|
| 1 – 500 | 7628 | 87.50 | 962745 | 9.21 |
| 501 – 1000 | 642 | 7.36 | 459489 | 4.40 |
| 1001 – 2000 | 229 | 2.63 | 323850 | 3.10 |
| 2001 – 3000 | 74 | 0.85 | 185050 | 1.77 |
| 3001 – 4000 | 35 | 0.40 | 122531 | 1.17 |
| 4001 – 5000 | 23 | 0.26 | 104727 | 1.00 |
| 5001 – 10000 | 41 | 0.47 | 274801 | 2.63 |
| 10001 & above | 46 | 0.53 | 8020626 | 76.72 |
| TOTAL | 8718 | 100.00 | 10453819 | 100.00 |

Shareholding Pattern as on March 31, 2012

| Category of Shareholders | No. of Shares | % to Equity Capital |
|-----------------------------------|-----------------|---------------------|
| Promoters | 5847177 | 55.93 |
| Mutual Fund & Unit Trust of India | 1800 | 0.02 |
| Financial Institutions, Banks | 353992 | 3.38 |
| Foreign Institutional Investors | 652891 | 6.25 |
| Bodies Corporate | 699699 | 6.69 |
| Non Resident Individuals | 21021 | 0.20 |
| Resident Individuals & Trust | 2877239 | 27.53 |
| TOTAL | 10453819 | 100.00 |

The Company has not issued any GDRs/ADRs.

Dematerialisation of Equity Shares

Electronic holding by Members comprises 96.67% of the paid up equity capital of the Company as on March 31, 2012, 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) 67720300, 67720400
Fax Number: (022) 28591568, 28508927
E-mail : sharepro@shreproservices.com

Investor Relation Centre :

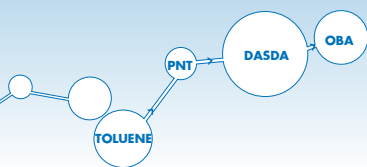
912, Raheja Centre Free Press Journal Road
Nariman Point Mumbai – 400 021
Telephone Numbers : (022) 2282 5163, 22881569 (022) 66134700,
Fax Number: (022) 22825484
E-mail : sharepro@shreproservices.com

Address for Correspondence and Investor Assistance

Deepak Nitrite Limited
9/10, Kunj Society
Alkapuri, Vadodara – 390 007
Contact Person: Shri Shailesh Vaidya

Telephone Numbers: (0265) 2351013, 233 4481, 233 4482
Fax No. : (0265) 233 0994
E-mail : investor@deepaknitrite.com
Website : www.deepaknitrite.com

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* |
|----------------|-----------------------|-------------------------------------|
| 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 |
| 2010-2011 | August 10, 2011 | August 9, 2018 |

* 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 Dhataav, 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. Qutbyullapur Mandal, Dist. Ranga Reddy, Hyderabad - 500 055 |
| 5. The New Project Site under development at Plot No. 12/B, GIDC, Dahej, Dist. Bharuch, Gujarat - 392130 | |

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, 2012 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

Place: Mumbai
Date: May 4, 2012

Membership No. 47942
Firm Registration No: 105102W

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, 2012 and the related Statement of Profit and Loss 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, Statement of Profit and Loss 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, Statement of Profit and Loss 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, 2012 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, 2012;
 - (ii) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

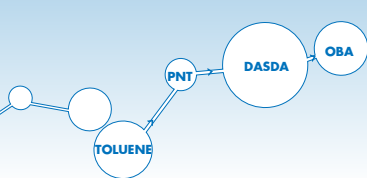
For **B.K.KHARE & COMPANY**
Chartered Accountants

Santosh Parab

Partner

Place: Mumbai
Date: May 4, 2012

Membership No. 47942
Firm Registration No: 105102W



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 lacs 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 ₹ 11.65 lacs under the Works Contract Tax Act of Maharashtra pending before Commissioner of Works Contract Tax (Appeals) at CBD Belapur, Navi Mumbai, (ii) Interest and penalty of ₹ 85.61 lacs payable on differential Excise duty pending before CESTAT for the years from 2004-05 to 2009-10, 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) ₹ 99.36 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

In our opinion, Company has maintained adequate documents with respect to loan granted on the basis of security by way of pledge of shares & 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

To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were prima facie, applied by the Company during the year for the purposes for which the loans were obtained, other than temporary development pending application.

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

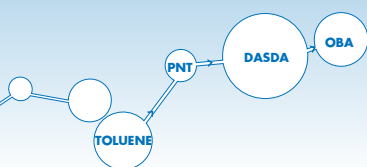
During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed 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 4, 2012

Membership No. 47942
(Firm Registration No. 105102W)



ENTERING A NEW WORLD OF BRIGHTENERS.

From Chemicals to Solution Provider

Balance Sheet as at March 31, 2012

| | | ₹ in Lacs | |
|--|----------|-------------------------|-------------------------|
| | Note No. | As At March 31, 2012 | As At March 31, 2011 |
| EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| Share Capital | 3 | 1,045.38 | 1,045.38 |
| Reserves and Surplus | 4 | 24,232.37 | 22,745.56 |
| | | 25,277.75 | 23,790.94 |
| Non-Current Liabilities | | | |
| Long-Term Borrowings | 5 | 22,147.61 | 3,201.32 |
| Other Long-Term Liabilities | 6 | 202.12 | 175.03 |
| Long-Term Provisions | 7 | 311.74 | 311.89 |
| Deferred Tax Liability | 8 | 1,680.29 | 1,607.59 |
| | | 24,341.76 | 5,295.83 |
| Current Liabilities | | | |
| Short-Term Borrowings | 9 | 2,497.36 | 1,362.35 |
| Trade Payables | 10a | 13,217.02 | 6,470.54 |
| Other Current Liabilities | 10b | 4,019.00 | 3,778.52 |
| Short-Term Provisions | 7 | 802.83 | 823.10 |
| | | 20,536.21 | 12,434.51 |
| TOTAL | | 70,155.72 | 41,521.28 |
| ASSETS | | | |
| Non-Current Assets | | | |
| Fixed Assets | | | |
| Tangible Assets | 11 | 17,993.38 | 16,162.59 |
| Intangible Assets | 12a | 138.69 | 123.27 |
| Capital Work-in-Progress | 12b | 10,167.00 | 708.58 |
| Non-Current Investments | 13 | 132.92 | 132.92 |
| Long-Term Loans and Advances | 14 | 4,585.44 | 2,327.40 |
| Other Non-Current Assets | 15 | 26.70 | - |
| | | 33,044.13 | 19,454.76 |
| Current Assets | | | |
| Inventories | 16 | 8,543.63 | 5,907.25 |
| Trade Receivables | 17 | 15,748.75 | 12,798.38 |
| Cash and Cash Equivalents | 18 | 9,353.77 | 587.45 |
| Short-Term Loans and Advances | 14 | 3,367.35 | 2,741.15 |
| Other Current Assets | 15 | 98.09 | 32.29 |
| | | 37,111.59 | 22,066.52 |
| TOTAL | | 70,155.72 | 41,521.28 |
| Summary of Significant Accounting Policies | 1 & 2 | | |

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 4, 2012

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
SUDHIN CHOKSEY
SUDHIR MANKAD } Directors

Mumbai: May 4, 2012

Statement of Profit and Loss for the year ended March 31, 2012

₹ in Lacs

| | Note No. | 2011-12 | 2010-2011 |
|---|----------|------------------|------------------|
| INCOME | | | |
| Revenue from Operations (Gross) | | 84,075.41 | 72,076.79 |
| Less: Excise Duty | | 5,086.22 | 4,852.39 |
| Revenue from Operations (net) | 19 | 78,989.19 | 67,224.40 |
| Other income | 20 | 284.13 | 517.20 |
| Total Revenue (I) | | 79,273.32 | 67,741.60 |
| EXPENSES | | | |
| Cost of Raw Materials and Components Consumed | 21 | 50,833.23 | 39,025.69 |
| Purchase of Traded Goods | 22 | 4,349.07 | 4,750.68 |
| (Increase)/ Decrease in Inventories of Finished Goods, Work-in-Progress and Traded Goods | 23 | (874.16) | 960.05 |
| Employee Benefits Expenses | 24 | 5,057.55 | 4,591.66 |
| Power & Fuel Expenses | 25 | 7,688.41 | 6,516.30 |
| Other Expenses | 26 | 6,239.20 | 5,517.34 |
| Total (II) | | 73,293.30 | 61,361.72 |
| Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) [(I) – (II)] | | 5,980.02 | 6,379.88 |
| Depreciation and Amortisation Expenses | | 1,781.73 | 1,816.18 |
| (Less): Recoupment from Revaluation Reserve | | (3.15) | (2.80) |
| Net Depreciation and Amortisation Expenses | 27 | 1,778.58 | 1,813.38 |
| Impairment Provision / (Reversal) | | (69.60) | 156.64 |
| Finance Costs | 28 | 1,112.44 | 714.18 |
| Profit/(Loss) before Tax | | 3,158.60 | 3,695.68 |
| Tax Expenses | | | |
| Current Tax | | 777.62 | 1,313.33 |
| Deferred Tax | | 72.70 | (197.36) |
| Total Tax Expenses | | 850.32 | 1,115.97 |
| Profit/(Loss) for the year | | 2,308.28 | 2,579.71 |
| Earnings per Equity Share: | | | |
| Basic (in Rupees) | 31 | 22.06 | 24.65 |
| Diluted (in Rupees) | 31 | 22.06 | 24.65 |
| Face Value Per Share (in Rupees) | | 10.00 | 10.00 |
| Summary of Significant Accounting Policies | 1 & 2 | | |

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 4, 2012

For and on behalf of the Board

D.C. MEHTA
Vice Chairman & Managing Director

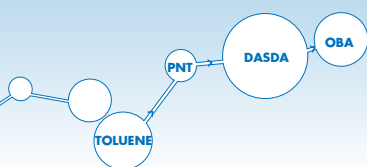
C.K. MEHTA Chairman

A.C. MEHTA
Managing Director

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

M.R.B. PUNJA
A.K. DASGUPTA
SUDHIN CHOKSEY
SUDHIR MANKAD } Directors

Mumbai: May 4, 2012



Cash Flow Statement for the year ended on March 31, 2012

₹ in Lacs

| | 2011-12 | 2010-2011 |
|---|--------------------|-----------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit Before Tax from Continuing Operations | 3,158.60 | 3,695.69 |
| Profit Before Tax from Discontinuing Operations | - | - |
| Profit Before Tax | 3,158.60 | 3,695.69 |
| Non-cash adjustment to reconcile Profit Before Tax to net Cash Flows | | |
| Add: | | |
| 1. Depreciation / Amortisation on Continuing Operations | 1,778.58 | 1,813.38 |
| 2. Depreciation/ Amortisation on Discontinuing Operations | - | - |
| 3. Impairment/ other write off on Tangible/ Intangible assets pertaining to Continuing Operations | (69.60) | 156.64 |
| 4. Loss/ (Profit) on Sale of Fixed Assets | 108.82 | 43.29 |
| 5. Wealth Tax | 20.83 | 10.00 |
| 6. Unrealized Foreign Exchange Loss | (80.12) | - |
| 7. Net (Gain)/ Loss on Sale of Current Investments | - | 0.77 |
| 8. Interest expenses | 943.26 | 551.19 |
| 9. Interest (Income) | (122.57) | (168.73) |
| 10. Dividend (Income) | (18.87) | (57.48) |
| Operating Profit Before Working Capital changes | 5,718.93 | 6,044.75 |
| Less: | | |
| Movements in Working Capital : | | |
| 1. Increase / (Decrease) in Trade Payables | 7,017.16 | 732.84 |
| 2. Decrease / (Increase) in Trade Receivables | (2,950.37) | (2,573.39) |
| 3. Decrease / (Increase) in Inventories | (2,636.38) | 396.81 |
| 4. Decrease / (Increase) in Long-Term Loans and Advances | (2,168.00) | (138.59) |
| 5. Decrease / (Increase) in Short-Term Loans and Advances | 317.21 | 271.72 |
| CASH GENERATED FROM /(USED IN) OPERATIONS | 5,298.55 | 4,734.14 |
| Direct Taxes paid (Net of refunds) | (1,005.09) | (910.18) |
| NET CASH FLOW FROM/ (USED IN) OPERATING ACTIVITIES (A) | 4,293.46 | 3,823.96 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| 1. Purchase of Fixed Assets, including Capital Work in Progress and Capital Advances | (13,965.67) | (2,281.04) |
| 2. Proceeds from Sale of Fixed Assets | 43.37 | 10.03 |
| 3. Proceeds of Non-Current Investments | - | 2,599.64 |
| 4. Purchase of Current Investments | (6,865.00) | (14,215.69) |
| 5. Proceeds from sale/maturity of Current Investments | 6,865.00 | 14,215.69 |
| 6. Interest received | 12.29 | 164.16 |
| 7. Dividend received | 18.87 | 57.48 |
| NET CASH FLOW FROM/ (USED IN) INVESTING ACTIVITIES (B) | (13,891.14) | 550.27 |

₹ in Lacs

| | 2011-12 | 2010-2011 |
|---|------------------|-------------------|
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| 1. Proceeds from Long-Term Borrowings | 20,225.80 | - |
| 2. Repayment of Long-Term Borrowings | (1,279.52) | (1,474.88) |
| 3. Proceeds from Short-Term Borrowings | 1,219.07 | - |
| 4. Repayment of Short-Term Borrowings | (224.61) | (1,627.83) |
| 5. Interest paid | (850.26) | (594.34) |
| 6. Dividend paid on Equity Shares | (624.64) | (520.48) |
| 7. Tax on Equity Dividend paid | (101.84) | (86.89) |
| NET CASH FLOW FROM/ (USED IN) FINANCING ACTIVITIES (C) | 18,364.00 | (4,304.42) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS [(A)+(B)+(C)] | 8,766.32 | 69.81 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 587.45 | 517.64 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 9,353.77 | 587.45 |
| Components of Cash and Cash equivalents | | |
| With Banks | | |
| - in Current Accounts | 198.51 | 284.74 |
| - in Deposit Accounts | 9,086.00 | 230.65 |
| - in Unpaid Dividend Accounts | 69.26 | 72.06 |
| TOTAL CASH AND CASH EQUIVALENTS (As per Note No.18) | 9,353.77 | 587.45 |

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 4, 2012

D.C. MEHTA
Vice Chairman & Managing Director

A.C. MEHTA
Managing Director

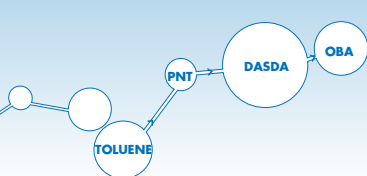
SANJAY UPADHYAY
Sr. Vice President (Finance)
& Company Secretary

For and on behalf of the Board

C.K. MEHTA Chairman

M.R.B. PUNJA
A.K. DASGUPTA
SUDHIN CHOKSEY
SUDHIR MANKAD } Directors

Mumbai: May 4, 2012



Notes to Financial Statements for the year ended March 31, 2012

COMPANY OVERVIEW

Deepak Nitrite Limited ('DNL' or 'The Company') is a leading chemical manufacturing Company. The Company manufactures Organic Intermediates, Inorganic Intermediates and Fine & Speciality Chemicals.

1. Significant Accounting Policies

Accounting Convention

The accompanying Financial Statements have been prepared under the historical cost convention, in accordance with Generally Accepted Accounting Principles in India. The Company has prepared these Financial Statements to comply in all material respects with Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956.

a) Use of Estimates

The preparation of Financial Statements in conformity with Generally Accepted Accounting Principles requires the management to make estimates and assumptions that affect the reported balances of Assets and Liabilities as of the date of Financial Statements and reported amounts of income and expenses during the period. Management believes that the estimates used in the preparation of Financial Statements are prudent and reasonable. Actual results could differ from those estimates. Difference between the actual results and estimates are recognised in the year in which the results are known / materialised.

b) Presentation and Disclosure of Financial Statements

Assets and Liabilities are classified as Current or Non-Current as per the provisions of the Revised Schedule VI notified under the Companies Act, 1956 and Company's normal operating cycle. Based on the nature of business and its activities, the Company has ascertained its operating cycle as twelve months for the purpose of Current & Non-Current classification of Assets & Liabilities.

c) (i) Tangible Fixed Assets and Depreciation

Fixed Assets are stated at their original cost of acquisition less accumulated depreciation and impairment losses. Cost includes all incidental expenses related to acquisition and installation and other pre operative expenses.

Depreciation is provided, pro rata for the period of use, by the straight line method (SLM) based on management's estimate of useful lives of the Fixed Assets at the following annual rates as prescribed in Schedule XIV to the Act, 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.

| | SLM Rate (%) |
|-----------------------------|--------------|
| Plant & Machinery | 5.28 |
| Factory and Other Buildings | 3.34 |
| Roads | 1.63 |
| Office Equipments | 4.75 |
| Furniture & Fixture | 6.33 |
| Computers | 16.21 |
| Vehicles | 9.50 |
| Ammonia Tankers | 9.50 |

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.

Premium paid on leasehold land is amortised equally over the tenure of the Lease.

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

Notes to Financial Statements for the year ended March 31, 2012

(ii) Intangible Fixed Assets

Intangible Assets other than software are stated at their cost of acquisition, less accumulated amortisation and impairment losses thereon. An Intangible Asset is recognised, where it is probable that the future economic benefits attributable to the Asset will flow to the enterprise and where its cost can be reliably measured.

The depreciable amount of intangible assets other than software is allocated over the best estimate of its useful life on a straight-line basis. Goodwill is amortised over a period of 60 months.

The company capitalises software and related implementation costs where it is reasonably estimated that the software has an enduring useful life. Software is depreciated over management's estimate of its useful life of 6 years.

d) Impairment of Assets

The carrying amount of cash generating units / assets is reviewed at the Balance Sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount is estimated as the net selling price or value in use, whichever is higher. Impairment loss, if any, is recognised whenever carrying amount exceeds the recoverable amount.

e) Inventories

- i) Raw Materials, Packing Materials and Stores & Spares are valued at cost determined on monthly moving weighted average basis and are net of Cenvat and VAT.
- 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) 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, the 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.

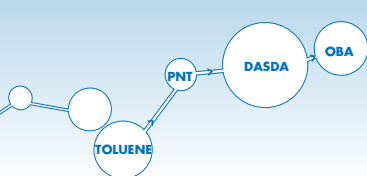
g) Employee Retirement Benefits

(i) Defined Contribution Plans

The Company's contributions paid / payable during the year to Provident Fund, Superannuation Fund are recognised in the Profit and Loss Account.

(ii) Defined Benefit Plan

The Company's liabilities towards gratuity and leave encashment are determined on actuarial basis using the projected unit credit method, which consider each period of service as giving rise to an additional unit of benefit and measure each unit separately to build up the final obligation. Past services are recognised on straight-line basis over the average period until the amended benefits become vested. Actuarial gain and losses are recognised immediately in the Statement of Profit and Loss Account as income or expense. Obligation is measured at the present value of estimated future cash flow using



Notes to Financial Statements for the year ended March 31, 2012

a discount rate that is determined by reference to market yields at the Balance Sheet date on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

h) 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.

i) Foreign Currency transactions

- (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. However exchange difference arising either on settlement or on translation, in case of Long-Term Foreign Currency Borrowings, in so far as they relate to fixed asset are capitalised and in other cases, are accumulated in a "Foreign Currency Monetary Item Translation Difference Account". The balance in "Foreign Currency Monetary Item Translation Difference Account" is amortised over the balance period of the related Long-Term Borrowings. Similar treatment to gain or loss on forward and hedge contracts relating to long-term borrowings is given. Gain or loss on other forward and hedge contracts are recognised in Statement of Profit and Loss.
- (ii) The Company uses foreign exchange forward contracts and options to hedge its actual underlying exposures to reduce exchange risk and / or cost to the Company.
- (iii) The difference between the forward rate and the exchange rate at the inception of the forward contract for underlying transactions is recognised as per the principles set out in i) (i) above.
- (iv) In respect of hedge contracts, for firm commitment or forecasted transactions, the attributable gain or loss is accrued on periodic settlement and/or completion of contract and is recognised as per the principles set out in i) (i) above.

j) Income Tax

Tax expense comprises both Current and Deferred Tax.

Current Tax is measured at the amount expected to be paid to the tax authorities, using the applicable tax rates and tax laws.

Deferred Tax Assets and Liabilities are recognised for future tax consequences attributable to the timing differences between taxable income and accounting income that are capable of reversal in one or more subsequent periods and are measured using tax rates enacted or substantively enacted as at the Balance Sheet date. Deferred Tax assets are not recognised unless, in the management judgment, there is virtual certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realised. The carrying amount of Deferred Tax is reviewed at each Balance Sheet date.

k) Earnings per Share

The Company reports Basic and Diluted Earnings per Share (EPS) in accordance with Accounting Standard 20 on 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.

l) 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.

Notes to Financial Statements for the year ended March 31, 2012

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 the 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".

m) Borrowing Costs

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.

n) Operating Lease

Operating Lease payments are recognised as an expense in the Profit & Loss Account on a straight-line basis, which is representative of the time pattern of the user's benefit.

o) Cash Flow Statement

The Cash Flow Statement is prepared by the indirect method set out in Accounting Standard 3, 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.

p) Provisions and Contingent Liabilities

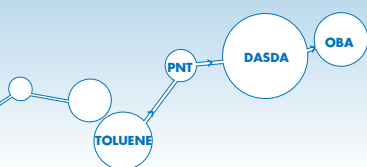
Provisions are recognised in the accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent Liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

2. Foreign Exchange Differences:

Pursuant to the provisions contained in the Companies (Accounting Standards) Amendment Rules, 2009, and related notifications of the Ministry of Corporate Affairs, the Company has adjusted to fixed assets, foreign exchange differences amounting to ₹ 696.31 lacs on revaluation of long term foreign currency borrowing for acquisition of fixed assets.

Further, the Company has also opted to follow the extension of provisions made vide Notification dated December 29, 2011, issued by the Ministry of Corporate Affairs to the Long Term Foreign Currency Borrowings other than those utilised for fixed assets. Accordingly, the Company has, with effect from April 1, 2011, amortised the foreign exchange loss incurred on such borrowings over their balance term. Total foreign exchange loss of ₹ 125.21 lacs has been transferred to "Foreign Currency Monetary Item Translation Difference Account" and ₹ 45.09 lacs has been amortised during the year under the head "Exchange Fluctuation Loss Account".



Notes to Financial Statements for the year ended March 31, 2012

3. SHARE CAPITAL

| | As At March 31, 2012 ₹ in Lacs | As At March 31, 2011 ₹ in Lacs |
|---|--------------------------------------|--------------------------------------|
| Authorised Shares : | | |
| 3,00,00,000 (3,00,00,000) Equity Shares of ₹ 10/- each | 3,000.00 | 3,000.00 |
| 20,00,000 (20,00,000) Preference Shares of ₹ 100/- each | 2,000.00 | 2,000.00 |
| | 5,000.00 | 5,000.00 |
| Issued, Subscribed and fully Paid-up Shares* : | | |
| 1,04,53,819# (1,04,53,819) Equity Shares of ₹ 10/- each | 1,045.38 | 1,045.38 |
| Total Issued, Subscribed and fully Paid-up Share Capital | 1,045.38 | 1,045.38 |

Excludes 9860 (9860) Equity Shares of ₹ 10/- each, kept in abeyance.

* Of the above Equity Shares:

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.

(a) Shares : Terms / Rights

- Authorised Shares have been classified into Equity and Preference Shares.
- The Company has issued Equity Shares having par value of ₹ 10/- per Share. Each holder of Equity Shares is entitled to one vote per Share. The Company declares and pays Dividends in Indian Rupees. The Dividend proposed by the Board of Directors is subject to the approval of the Shareholders at the ensuing Annual General Meeting.
- During the year ended March 31, 2012, the amount of per Share Dividend recognised as distribution to Equity Shareholders is ₹ 6/- (₹ 6/-).
- In the event of liquidation of the Company, the holders of Equity Shares shall be entitled to receive remaining assets of the Company, after distribution of all Preferential amounts. No Preferential amounts exist as on Balance Sheet date. The distribution will be in proportion to the number of Equity Shares held by the Shareholders.

(b) Reconciliation of the Shares outstanding and the amount of Share Capital at the beginning and at the end of the reporting period:

Company has not issued any Equity Shares or Preference Shares during the year.

Equity Shares

| | March 31, 2012 | | March 31, 2011 | |
|--|----------------|-----------|----------------|-----------|
| | No. in Lacs | ₹ in Lacs | No. in Lacs | ₹ in Lacs |
| At the beginning of the period | 104.54 | 1,045.38 | 104.54 | 1,045.38 |
| Issued during the period – Bonus issue | - | - | - | - |
| Issued during the period – ESOP | - | - | - | - |
| Outstanding at the end of the period | 104.54 | 1,045.38 | 104.54 | 1,045.38 |

9860 (9860) Equity Shares of ₹ 10/- each, have been kept in abeyance as per pending legal proceedings.

(c) Details of Shareholders holding more than 5% Equity Shares in the Company.

| Name of the Shareholder | March 31, 2012 | | March 31, 2011 | |
|--|----------------|-----------|----------------|-----------|
| | No. in Lacs | % holding | No. in Lacs | % holding |
| Equity Shares of ₹ 10/- each fully paid | | | | |
| Shri Deepak Chimanlal Mehta | 17.27 | 16.52 | 17.26 | 16.51 |
| Stiffen Credits & Capital Private Limited | 8.38 | 8.02 | 8.38 | 8.02 |
| Checkpoint Credits & Capital Private Limited | 7.21 | 6.89 | 7.21 | 6.89 |
| Stepup Credits & Capital Private Limited | 6.92 | 6.62 | 6.92 | 6.62 |
| Stigma Credits & Capital Private Limited | 6.18 | 5.91 | 6.18 | 5.91 |
| Fidelity Puritan Trust - Fidelity Low Priced | 6.53 | 6.25 | 6.04 | 5.77 |

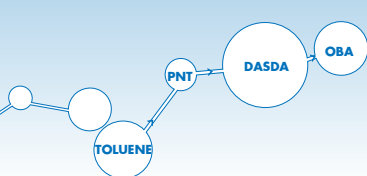
Notes to Financial Statements for the year ended March 31, 2012

4. RESERVES & SURPLUS

| | As At March 31, 2012 ₹ in Lacs | As At March 31, 2011 ₹ in Lacs |
|---|--------------------------------------|--------------------------------------|
| Capital Reserve | 51.27 | 51.27 |
| Capital Redemption Reserve | 15.00 | 15.00 |
| Capital Reserve (relating to Capital Subsidy received from SICOM) | 20.00 | 20.00 |
| Securities Premium Account | 6,711.77 | 6,711.77 |
| Revaluation Reserve | | |
| Balance as per the last Financial Statements | 163.79 | 166.59 |
| Less: Transferred to Statement of Profit & Loss for recoupment of Depreciation | 11.68 | 2.80 |
| Closing Balance | 152.11 | 163.79 |
| General Reserve | | |
| Balance as per the last Financial Statements | 4,888.44 | 4,388.44 |
| Add: Appropriated out of the Statement of Profit and Loss during the year | 500.00 | 500.00 |
| Closing Balance | 5,388.44 | 4,888.44 |
| Foreign Currency Monetary Item Translation Reserve | | |
| Balance as per the last Financial Statements (Refer Note No.: 2) | (125.21) | - |
| Amortised during the year | 45.09 | - |
| Closing Balance | (80.12) | - |
| Surplus | | |
| Balance as per the last Financial Statements | 10,895.29 | 9,545.25 |
| Net Profit for the year | 2,308.28 | 2,579.71 |
| Amount available for Appropriation | 13,203.57 | 12,124.96 |
| Less: Appropriations | | |
| Proposed Final Equity Dividend [(amount per Share ₹ 6/-) (March 31, 2011: ₹ 6/-)] | 627.82 | 627.82 |
| Tax on proposed Equity Dividend | 101.85 | 101.85 |
| Transfer to General Reserve | 500.00 | 500.00 |
| Total Appropriations | 1,229.67 | 1,229.67 |
| Surplus | 11,973.90 | 10,895.29 |
| TOTAL | 24,232.37 | 22,745.56 |

5. LONG TERM BORROWINGS

| | Non-Current March 31, 2012 ₹ in Lacs | Non-Current March 31, 2011 ₹ in Lacs | Current March 31, 2012 ₹ in Lacs | Current March 31, 2011 ₹ in Lacs |
|---|--|--|--|--|
| Term Loans | | | | |
| Secured | | | | |
| Foreign Currency Loan from Banks & Financial Institutions | 963.17 | 1,469.34 | 490.00 | 716.14 |
| External Commercial Borrowings | 20,225.80 | - | - | - |
| Other Loans and Advances | | | | |
| Unsecured | | | | |
| Deferred Sales Tax Loan | 70.82 | 130.84 | 60.02 | 41.26 |
| Deposits from Shareholders | 19.51 | 38.99 | 27.15 | 41.34 |
| Deposits from Public | 868.31 | 1,562.15 | 871.84 | 790.82 |
| TOTAL | 22,147.61 | 3,201.32 | 1,449.01 | 1,589.56 |
| The above amount includes: | | | | |
| Secured Borrowings | 21,188.97 | 1,469.34 | 490.00 | 716.14 |
| Unsecured Borrowings | 958.64 | 1,731.98 | 959.01 | 873.42 |
| Current Maturities of Long Term Borrowings have been disclosed under the head "Current Liabilities" (Refer Note No.10). | - | - | (1,449.01) | (1,589.56) |
| NET AMOUNT | 22,147.61 | 3,201.32 | - | - |



Notes to Financial Statements for the year ended March 31, 2012

Term Loans

The Term Loan is obtained from Bank of Baroda while External Commercial Borrowings are obtained from (a) Standard Chartered Bank (b) HSBC Bank (Mauritius) Limited and (c) DBS Bank Limited. These are Secured by first pari passu charge by way of mortgage of immovable properties of the Company, both present and future and hypothecation of movable assets of the Company and also by second pari passu charge over Current Assets of the Company. Charge in case of DBS Bank Limited is in the process of creation.

Repayment Schedule

- Rates of Interest for Term Loan and External Commercial Borrowings are based on LIBOR plus agreed spread.
- Term Loan from Bank of Baroda is repayable in equal half-yearly instalments of ₹ 245 lacs with the last instalment payable on March 29, 2015.
- External Commercial Borrowing from Standard Chartered Bank is repayable on half-yearly basis starting from August 23, 2013 with a step up repayment schedule with last instalment payable on February 23, 2018.
- External Commercial Borrowing from HSBC Bank (Mauritius) Limited is repayable on quarterly basis starting from March 30, 2014 with a step up repayment schedule with last instalment payable on March 29, 2018.
- External Commercial Borrowing from DBS Bank Ltd is repayable on quarterly basis starting from February 3, 2014 with a step up repayment schedule with last instalment payable on November 1, 2018.
- Deferred Sales Tax Loan is interest free and payable in 8 yearly instalments starting from April, 2008 and last instalment payable before March, 2016.

The instalments payable are as under:

| Year | ₹ in Lacs |
|---------|---------------|
| 2012-13 | 60.02 |
| 2013-14 | 43.06 |
| 2014-15 | 27.00 |
| 2015-16 | 0.62 |
| | 130.70 |

- Deposits from Shareholders and Public carry interest in the range of 8 to 12 % p.a and are repayable in maximum tenure of 3 years.

6. OTHER LONG TERM LIABILITIES

| | As At March 31, 2012 ₹ in Lacs | As At March 31, 2011 ₹ in Lacs |
|----------------------------|--------------------------------------|--------------------------------------|
| Security Deposits Received | 202.12 | 175.03 |
| TOTAL | 202.12 | 175.03 |

7. SHORT TERM AND LONG TERM PROVISIONS

| | Long-Term March 31, 2012 ₹ in Lacs | Long-Term March 31, 2011 ₹ in Lacs | Short-Term March 31, 2012 ₹ in Lacs | Short-Term March 31, 2011 ₹ in Lacs |
|--|--|--|---|---|
| Provision for Employee Benefits | | | | |
| Provision for Gratuity (Refer Note No. 29 A (v)) | - | - | 29.06 | 49.10 |
| Provision for Leave Benefits (Refer Note No. 29 B (3)) | 311.74 | 311.89 | 44.10 | 44.33 |
| | 311.74 | 311.89 | 73.16 | 93.43 |
| Other provisions | | | | |
| Proposed Equity Dividend | - | - | 627.82 | 627.82 |
| Provision for tax on proposed Equity Dividend | - | - | 101.85 | 101.85 |
| | - | - | 729.67 | 729.67 |
| TOTAL | 311.74 | 311.89 | 802.83 | 823.10 |

Notes to Financial Statements for the year ended March 31, 2012

8. DEFERRED TAX LIABILITY

| | As At March 31, 2012 ₹ in Lacs | As At March 31, 2011 ₹ in Lacs |
|--|--------------------------------------|--------------------------------------|
| Deferred Tax Liability | | |
| Fiscal difference due to Depreciation on Fixed Assets | 2,071.66 | 2,050.14 |
| Gross Deferred Tax Liability (A) | 2,071.66 | 2,050.14 |
| Deferred Tax Asset | | |
| Disallowances u/s 43 B | 181.63 | 328.36 |
| Provisions & Contingencies | 209.74 | 114.19 |
| Gross Deferred Tax Asset (B) | 391.37 | 442.55 |
| Net Deferred Tax Liability / (Asset) Recognised [(A) - (B)] | 1,680.29 | 1,607.59 |

9. SHORT TERM BORROWINGS

| | As At March 31, 2012 ₹ in Lacs | As At March 31, 2011 ₹ in Lacs |
|-----------------------------------|--------------------------------------|--------------------------------------|
| Cash Credit from Banks | 1,278.29 | 484.30 |
| Short Term Loans from Banks | 1,219.07 | 878.05 |
| TOTAL | 2,497.36 | 1,362.35 |
| The above amount includes: | | |
| Secured Borrowings | 1,278.29 | 484.30 |
| Unsecured Borrowings | 1,219.07 | 878.05 |
| | 2,497.36 | 1,362.35 |

- Cash Credit 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 hypothecation and mortgage.
- Cash Credit is repayable on demand and carries interest @ base rate plus range spread of 2.50% to 4.25% p.a.
- Short Term Loans from Bank represent Buyers' Credit and Packing Credit including borrowing against Letter of Undertaking. This line of Credit is generally due within 180 days and carry interest in the range of LIBOR plus 1.5 % to 3 % p.a.

10. OTHER CURRENT LIABILITIES

| | As At March 31, 2012 ₹ in Lacs | As At March 31, 2011 ₹ in Lacs |
|--|--------------------------------------|--------------------------------------|
| a) Trade Payables (including acceptances) (Refer Note No.40 for details of dues to Micro and Small Enterprises) | 13,217.02 | 6,470.54 |
| b) Other Current Liabilities | | |
| Current Maturities of Long-Term Borrowings (Refer Note No. 5) | 1,449.01 | 1,589.56 |
| Interest accrued but not due on Borrowings | 209.57 | 116.55 |
| Advance from Customers | 15.65 | 11.65 |
| Investor Education and Protection Fund will be credited by following amounts (as and when due): | | |
| Unpaid Dividend | 27.08 | 23.90 |
| Unclaimed Matured Deposits | 2.35 | 1.80 |
| Unpaid Interest on Matured Fixed Deposits | 26.52 | 31.58 |
| Others Payables | 2,288.82 | 2,003.48 |
| | 4,019.00 | 3,778.52 |
| TOTAL [(a) + (b)] | 17,236.02 | 10,249.06 |

Notes to Financial Statements for the year ended March 31, 2012

FIXED ASSETS

11. TANGIBLE ASSETS (Refer Note No.1(c) (ii))

₹ in Lacs

| Sr. No. | Particulars | GROSS BLOCK | | | DEPRECIATION | | | NET BLOCK | | |
|---------|-----------------------------|---------------------|-----------|-----------|----------------------|--------------------|--------------|---------------------------------|-----------|----------------------|
| | | As at April 1, 2011 | Additions | Deletions | Total March 31, 2012 | Upto April 1, 2011 | For the year | Impairment Provision (Reversal) | Deletions | Total March 31, 2012 |
| 1 | 2 | 3 | 4 | 5 | 6 (3+4-5) | 7 | 8 | 9 | 10 | 11 (7+8-10) |
| 1 | Freehold Land | 571.21 | - | - | 571.21 | - | - | - | - | - |
| 2 | Leasehold Land | 1,530.19 | - | - | 1,530.19 | 108.43 | 17.29 | - | - | 125.72 |
| 3 | Plant and Machinery | 27,731.49 | 2,960.02 | 273.91 | 30,417.60 | 16,880.13 | 1,508.28 | (69.60) | 176.50 | 18,211.91 |
| 4 | Factory and Other Buildings | 3,812.17 | 489.18 | 42.60 | 4,258.75 | 1,193.81 | 108.06 | - | 17.94 | 1,283.93 |
| 5 | Roads | 62.09 | - | - | 62.09 | 19.43 | 0.96 | - | - | 20.39 |
| 6 | Office Equipments | 289.98 | 33.49 | 2.25 | 321.22 | 152.32 | 18.50 | - | 0.77 | 170.05 |
| 7 | Furniture & Fixture | 494.97 | 63.02 | 1.20 | 556.79 | 308.94 | 23.39 | - | 0.16 | 332.17 |
| 8 | Vehicles | 458.97 | 93.84 | 72.91 | 479.90 | 125.42 | 40.87 | - | 36.49 | 129.80 |
| | Current Year's Total | 34,951.07 | 3,639.55 | 392.87 | 38,197.75 | 18,788.48 | 1,717.35 | (69.60) | 231.86 | 20,273.97 |
| | Previous Year's Total | 33,439.73 | 1,704.73 | 193.39 | 34,951.07 | 17,048.18 | 1,723.73 | 156.64 | 140.07 | 18,788.48 |

12 a. INTANGIBLE ASSETS (Refer Note No.1(c) (iii))

| | | | | | | | | | | | | |
|---|---------------------------------------|-----------|----------|--------|-----------|-----------|----------|---------|--------|-----------|-----------|-----------|
| 1 | Goodwill | 233.50 | - | - | 233.50 | 217.93 | 15.57 | - | - | 233.50 | - | 15.57 |
| 2 | Computer Software (Office-equipments) | 294.38 | 84.58 | - | 378.96 | 192.37 | 52.79 | - | - | 245.16 | 133.80 | 102.02 |
| 3 | Others (Technical Know how) | 18.74 | - | - | 18.74 | 13.05 | 0.80 | - | - | 13.85 | 4.89 | 5.69 |
| | Current Year's Total | 546.62 | 84.58 | - | 631.20 | 423.35 | 69.16 | - | - | 492.51 | 138.69 | 123.27 |
| | Previous Year's Total | 546.62 | - | - | 546.62 | 330.90 | 92.45 | - | - | 423.35 | 123.27 | - |
| | Grand Total - Current Year | 35,497.69 | 3,724.13 | 392.87 | 38,828.95 | 19,211.83 | 1,786.51 | (69.60) | 231.86 | 20,766.48 | 18,132.07 | 16,285.86 |
| | Grand Total - Previous Year | 33,986.35 | 1,704.73 | 193.39 | 35,497.69 | 17,379.08 | 1,816.18 | 156.64 | 140.07 | 19,211.83 | 16,285.86 | 16,607.28 |

Notes:

- Buildings include a sum of ₹ 541.95 lacs represented by 2876 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.
- Certain assets of Nirrite 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 valuer, 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:

| Sr. No. | Assets | Original Cost ₹ in Lacs | Replacement Cost ₹ in Lacs | Method and Indices |
|---------|---------------------------|----------------------------|-------------------------------|--|
| 1 | 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. |
| 2 | Plant & Machinery | 329.44 | 704.77 | |
| 3 | R&D Equipment | 19.70 | 28.82 | |
| 4 | Factory & Other Buildings | 73.31 | 184.46 | |
| 5 | R&D Building | 6.57 | 16.76 | |
| 6 | Roads | 0.94 | 2.97 | |
| | | 446.49 | 1,061.88 | |
| | Previous year | 475.54 | 1,088.25 | |

Notes to Financial Statements for the year ended March 31, 2012

3. Capitalised Borrowing Costs:

Addition to Fixed Assets includes Borrowing Costs (including exchange difference considered as an adjustments to borrowing costs) amounting to ₹ 83.78 lacs (₹ Nil).

| Sr. No. | Particulars | Capitalised during the year ₹ in Lacs |
|--------------|--|--|
| 1 | Interest on External Commercial Borrowings | 9.22 |
| 2 | Legal expenses | 1.83 |
| 3 | Processing Fees | 44.95 |
| 4 | Finance charges | 0.01 |
| 5 | Exchange loss transferred to Interest | 27.77 |
| Total | | 83.78 |

4. During financial year 2008-09, Company had provided impairment loss of ₹ 69.60 lacs on the assets of DNPT Unit being a cash generating unit forming part of Inorganic Intermediates Segment. During the current financial year, the entire asset of this unit have been demolished / scrapped. Loss on demolition/ scrapping of these assets amounting to ₹ 66.31 lacs has been recognised which includes cost of demolition of ₹ 25 lacs and is net of scrap value realised ₹ Nil. Accordingly, the impairment provision of ₹ 69.60 lacs has been reversed during the year.

12 b. CAPITAL WORK IN PROGRESS

| Sr. No. | Particulars | 2011-2012 ₹ in Lacs | 2010-2011 ₹ in Lacs |
|---------------------------------------|---------------------------------------|------------------------|------------------------|
| 1 | Capital Work in Progress (others) | 476.76 | 545.11 |
| 2 | Capital Work in Progress (Projects) # | 9,690.24 | 163.47 |
| 3 | Capital Work in Progress (Building) | 381.38 | 381.38 |
| 4 | Less: Impairment Loss | (381.38) | (381.38) |
| Capital Work in Progress (Net) | | 10,167.00 | 708.58 |

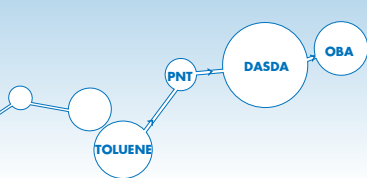
Capital Work in Progress- Projects

| Sr. No. | Description | Incurred till March 31, 2011 | Incurred during 2011-12 | Capitalised/ Transferred 2011-12 | ₹ in Lacs Total as on March 31, 2012 |
|-----------------------------------|---|------------------------------------|-------------------------------|--|---|
| Capital Work In Progress : | | | | | |
| 1 | Land & Site Development | 29.15 | 342.26 | - | 371.41 |
| 2 | Buildings (under construction) | - | 983.16 | 360.33 | 622.83 |
| 3 | Plant & Machinery | - | 6,755.21 | 1,318.42 | 5,436.79 |
| 4 | Other Assets | - | 730.56 | - | 730.56 |
| Pre-operative expenses : | | | | | |
| 1 | Employees' Emoluments | 37.40 | 302.52 | 9.02 | 330.90 |
| 2 | Other Expenses | 96.92 | 1,038.10 | 16.11 | 1,118.91 |
| 3 | Foreign Exchange Fluctuations | - | 696.31 | 46.17 | 650.14 |
| 4 | Interest (Net) on Loans & Finance Charges | - | 464.20 | 35.50 | 428.70 |
| Total | | 163.47 | 11,312.32 | 1,785.55 | 9,690.24 |

Note to above:

Foreign Exchange difference and Interest Includes:

- ₹ 696.31 lacs (₹ Nil) being exchange difference considered as an adjustments to borrowing costs. Out of the above ₹ 46.17 lacs has been capitalised during the year.
- Interest is net of interest earned ₹ 456.60 lacs (₹ Nil) on temporary deployment of capital funds. Out of the above, ₹ 20.51 lacs related to capitalised amount has been transferred to Fixed Assets.



Notes to Financial Statements for the year ended March 31, 2012

12 c . RESEARCH & DEVELOPMENT ASSETS INCLUDED IN FIXED ASSETS

| Sr. No. | Particulars | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | | ₹ in Lacs |
|---------|-----------------------|---------------------|-----------|-----------|----------------------|--------------------|--------------|---------------------------------|-----------|----------------------|----------------------|-----------|
| | | As at April 1, 2011 | Additions | Deletions | Total March 31, 2012 | Upto April 1, 2011 | For the year | Impairment Provision (Reversal) | Deletions | Total March 31, 2012 | As at March 31, 2012 | |
| 1 | 2 | 3 | 4 | 5 | 6 (3+4-5) | 7 | 8 | 9 | 10 | 11 (7+8-10) | 12 (6-9-11) | 13 (3-7) |
| 1 | Plant and Machinery | 819.71 | 56.63 | - | 876.34 | 410.43 | 40.25 | - | - | 450.68 | 425.66 | 409.28 |
| 2 | Buildings | 49.92 | | - | 49.92 | 6.11 | 1.67 | - | - | 7.78 | 42.14 | 43.81 |
| 3 | Office Equipments | 38.40 | 1.91 | - | 40.31 | 24.64 | 5.42 | - | - | 30.06 | 10.25 | 13.76 |
| 4 | Furniture & Fixtures | 138.54 | - | - | 138.54 | 46.38 | 8.33 | - | - | 54.71 | 83.83 | 92.16 |
| | Current Year's Total | 1,046.57 | 58.54 | - | 1,105.11 | 487.56 | 55.67 | - | - | 543.23 | 561.88 | 559.01 |
| | Previous Year's Total | 988.13 | 59.76 | 1.33 | 1,046.56 | 432.88 | 54.99 | - | 0.32 | 487.55 | 559.01 | 555.26 |

₹ in Lacs

ENTERING A NEW WORLD OF BRIGHTENERS.

From Chemicals to Solution Provider

Notes to Financial Statements for the year ended March 31, 2012

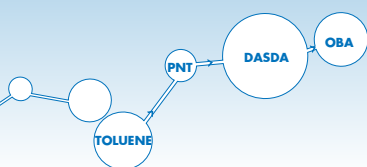
13. NON-CURRENT INVESTMENTS

| | As At March 31, 2012 ₹ in Lacs | As At March 31, 2011 ₹ in Lacs |
|---|--------------------------------------|--------------------------------------|
| Long Term Investments at Cost | | |
| Trade (Unquoted) Investments in Equity Shares - Fully Paid up | | |
| 73,706 (73,706) Shares of Deepak International Ltd. of GBP 1 each, fully paid | 57.36 | 57.36 |
| Non Trade (Unquoted) | | |
| a. Investment in Equity Instruments - Fully Paid up | | |
| 800 (800) Shares of Nandesari Environment Control Limited | 0.08 | 0.08 |
| 20 (20) Shares of Baroda Co-operative Bank Limited | 0.01 | 0.01 |
| 2,000 (2,000) Equity Shares of Shamrao Vitthal Co-op Bank Limited | 0.50 | 0.50 |
| 798 (798) Equity Shares of New India Co-op Bank Limited | 0.08 | 0.08 |
| 52,342 (52,342) Equity Shares of Jedimetla Effluent Treatment Limited | 52.49 | 52.49 |
| | 53.16 | 53.16 |
| b. Investment in Government Securities | | |
| National Saving Certificate | 0.01 | 0.01 |
| Quoted (Non trade) (Valued at cost) | | |
| 10,000 Equity Shares of Bank of Baroda | 8.50 | 8.50 |
| 6,240 Equity Shares of IDBI | 5.07 | 5.07 |
| 29,400 Equity Shares of Dena Bank | 8.82 | 8.82 |
| | 22.39 | 22.39 |
| TOTAL | 132.92 | 132.92 |

- i) Aggregate amount of Unquoted Investments is ₹ 110.53 lacs (₹ 110.53 lacs).
ii) Aggregate amount of Quoted Investments is ₹ 22.39 lacs (₹ 22.39 lacs).
iii) Aggregate Market Price of Investment in Equity Instrument (Quoted) ₹ 112.36 lacs (₹ 136.02 lacs).

14. LOANS & ADVANCES (Long Term & Short Term)

| | Non-Current March 31, 2012 ₹ in Lacs | Non-Current March 31, 2011 ₹ in Lacs | Current March 31, 2012 ₹ in Lacs | Current March 31, 2011 ₹ in Lacs |
|--|---|---|---|---|
| Capital Advances | | | | |
| Unsecured, considered good | 933.35 | 64.92 | - | - |
| | 933.35 | 64.92 | - | - |
| Security Deposit | | | | |
| Unsecured, considered good (Refer to foot note) | 1,330.90 | 1,207.07 | 60.21 | - |
| | 1,330.90 | 1,207.07 | 60.21 | - |
| Advances recoverable in cash or kind | | | | |
| Unsecured, considered good | - | 409.09 | 889.61 | 832.02 |
| | - | 409.09 | 889.61 | 832.02 |
| Other Loans and Advances | | | | |
| Loans to Companies | 313.68 | - | 88.42 | - |
| Advance Income-Tax (Net of Provision for Taxation) | 327.08 | 94.55 | - | - |
| Prepaid Expenses | 8.09 | 17.07 | 51.69 | 28.41 |
| Loans to Employees | 14.90 | 18.52 | 46.01 | 6.30 |
| Balances with Statutory / Government Authorities | 1,657.44 | 516.18 | 2,231.41 | 1,874.42 |
| | 2,321.19 | 646.32 | 2,417.53 | 1,909.13 |
| TOTAL | 4,585.44 | 2,327.40 | 3,367.35 | 2,741.15 |



Notes to Financial Statements for the year ended March 31, 2012

Notes:

Loans and advances due by directors or other officers, etc.

| | Non-Current | Non-Current | Current | Current |
|--|-------------------|-------------------|-------------------|-------------------|
| | March 31, 2012 | March 31, 2011 | March 31, 2012 | March 31, 2011 |
| | ₹ in Lacs | ₹ in Lacs | ₹ in Lacs | ₹ in Lacs |
| Loans to Employees include | | | | |
| Dues from officers | - | - | - | 0.08 |
| Loans and Advances to related parties include | | | | |
| Security Deposit towards lease of residential premises | 400.00 | 400.00 | - | - |
| TOTAL | 400.00 | 400.00 | - | - |

15. OTHER NON-CURRENT AND CURRENT ASSETS

| | Non-Current | Non-Current | Current | Current |
|---|-------------------|-------------------|-------------------|-------------------|
| | March 31, 2012 | March 31, 2011 | March 31, 2012 | March 31, 2011 |
| | ₹ in Lacs | ₹ in Lacs | ₹ in Lacs | ₹ in Lacs |
| Unsecured, considered good unless stated otherwise | - | - | - | - |
| Unamortised expenditure: | | | | |
| Unamortised premium on option contract | 26.70 | - | 80.09 | 14.29 |
| Others | - | - | 18.00 | 18.00 |
| TOTAL | 26.70 | - | 98.09 | 32.29 |

16. INVENTORIES (valued at lower of cost and net realisable value)

| | Non-Current | Non-Current | Current | Current |
|---|-------------------|-------------------|-------------------|-------------------|
| | March 31, 2012 | March 31, 2011 | March 31, 2012 | March 31, 2011 |
| | ₹ in Lacs | ₹ in Lacs | ₹ in Lacs | ₹ in Lacs |
| Raw materials and Components (including packing material) | - | - | 2,993.94 | 1,695.18 |
| Stock in Process | - | - | 1,552.67 | 1,353.05 |
| Finished Goods | - | - | 3,215.66 | 2,541.12 |
| Stores and Spares | - | - | 888.61 | 523.19 |
| | - | - | 8,650.88 | 6,112.54 |
| Less: Provision for Obsolescence | - | - | 107.25 | 205.29 |
| TOTAL | - | - | 8,543.63 | 5,907.25 |

17. TRADE RECEIVABLES

| | Non-Current | Non-Current | Current | Current |
|--|-------------------|-------------------|-------------------|-------------------|
| | March 31, 2012 | March 31, 2011 | March 31, 2012 | March 31, 2011 |
| | ₹ in Lacs | ₹ in Lacs | ₹ in Lacs | ₹ in Lacs |
| Debts Outstanding for a period exceeding six months | | | | |
| Unsecured, considered good | - | - | 257.36 | 38.62 |
| Doubtful Debts | - | - | 36.51 | 20.60 |
| | - | - | 293.87 | 59.22 |
| Provision for Doubtful Debts | - | - | (36.51) | (20.60) |
| | - | - | 257.36 | 38.62 |
| Other receivables | | | | |
| Unsecured, considered good* | - | - | 15,491.39 | 12,759.76 |
| | - | - | 15,491.39 | 12,759.76 |
| TOTAL | - | - | 15,748.75 | 12,798.38 |

* Net of Bills Factored / Discounted

Notes to Financial Statements for the year ended March 31, 2012

Note :

Trade Receivables include:

| | Non-Current March 31, 2012 ₹ in Lacs | Non-Current March 31, 2011 ₹ in Lacs | Current March 31, 2012 ₹ in Lacs | Current March 31, 2011 ₹ in Lacs |
|--|---|---|---|---|
| Dues from Companies in which the Company's Non-Executive Director is a Director [#] | - | - | 111.66 | 29.55 |
| TOTAL | - | - | 111.66 | 29.55 |

[#] Details of Dues from Companies in which Company's Non- Executive Director/s is a Director

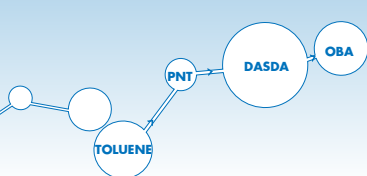
| | March 31, 2012 ₹ in Lacs | March 31, 2011 ₹ in Lacs |
|----------------------------|-----------------------------|-----------------------------|
| Name of the Company | | |
| Micro Inks Ltd | 31.19 | 19.48 |
| Atul Ltd. | 80.47 | 10.07 |
| TOTAL | 111.66 | 29.55 |

18. CASH AND BANK BALANCES

| | Non-Current March 31, 2012 ₹ in Lacs | Non-Current March 31, 2011 ₹ in Lacs | Current March 31, 2012 ₹ in Lacs | Current March 31, 2011 ₹ in Lacs |
|--|---|---|---|---|
| Cash and Cash Equivalents | | | | |
| Balances with Banks: | | | | |
| - In Current Accounts | - | - | 151.59 | 89.80 |
| - In EEFC Accounts | - | - | 46.92 | 194.94 |
| - Deposits with maturity of less than three months (Refer to foot note (b)) | - | - | 8,951.00 | - |
| - On Unpaid Dividend / Interest Account | - | - | 69.26 | 72.06 |
| Cash on Hand | - | - | - | - |
| | - | - | 9,218.77 | 356.80 |
| Other Bank Balances | | | | |
| Deposits with original maturity for more than three months but less than twelve months | - | - | 126.00 | 182.00 |
| Margin Money Deposit (Refer to foot note (a)) | - | - | 9.00 | 48.65 |
| | - | - | 135.00 | 230.65 |
| Amount disclosed under Non-Current Assets | - | - | - | - |
| TOTAL | - | - | 9,353.77 | 587.45 |

Note :

- a) Margin Money Deposits with a carrying amount of ₹ 9 lacs (₹ 48.65 lacs) is lien as a Security against Bank Guarantee issued.
- b) Deposits with maturity of less than three months is the amount invested pending utilisation for ultimate purpose of capital expenditure.



Notes to Financial Statements for the year ended March 31, 2012

19. REVENUE FROM OPERATIONS

| | 2011-2012 ₹ in Lacs | 2010-2011 ₹ in Lacs |
|--|------------------------|------------------------|
| Revenue from Operations | | |
| Sale of Products | | |
| Finished Goods (Refer to foot note) | 78,294.11 | 65,903.00 |
| Traded Goods (Refer to foot note) | 4,483.24 | 4,995.43 |
| Sale of Services (Conversion Charges) | 775.76 | 560.28 |
| Other Operating Revenue | | |
| Scrap Sales | 518.09 | 374.03 |
| Foreign Exchange Gain | - | 237.92 |
| Others | 4.21 | 6.13 |
| Revenue from Operations (Gross) | 84,075.41 | 72,076.79 |
| Less: Excise Duty | 5,086.22 | 4,852.39 |
| Revenue from Operations (Net) | 78,989.19 | 67,224.40 |

Note:

Detail of Products Sold (Net of Excise Duty)

| | 2011-2012 ₹ in Lacs | 2010-2011 ₹ in Lacs |
|--|------------------------|------------------------|
| Finished Goods Sold | | |
| i) Inorganic Salts | 18,855.81 | 15,581.62 |
| ii) Dinitrosopentamethylene Tetramine | 17.23 | 494.18 |
| iii) Dye Intermediates | 3.78 | - |
| iv) Nitro Aromatics (including related by-products) | 21,308.40 | 14,778.52 |
| v) Aromatics Amines | 13,156.27 | 10,060.48 |
| vi) Colour Intermediates (including related by-products) | 12,576.84 | 13,704.08 |
| vii) Agro-Chemicals Intermediates | 7,289.56 | 6,431.73 |
| | 73,207.89 | 61,050.61 |
| Traded Goods Sold | | |
| Organic Chemicals | 4,483.24 | 4,995.42 |
| | 4,483.24 | 4,995.42 |
| TOTAL | 77,691.13 | 66,046.03 |

20. OTHER INCOME

| | 2011-2012 ₹ in Lacs | 2010-2011 ₹ in Lacs |
|--------------------------|------------------------|------------------------|
| Interest Income on: | | |
| Bank Deposits | 23.74 | 25.04 |
| Long-Term Investments | 98.83 | 143.68 |
| Dividend Income on: | | |
| Current Investments | 16.17 | 55.20 |
| Long-Term Investments | 2.70 | 2.28 |
| Rent | 8.91 | 1.70 |
| Profit on Sale of Assets | 2.21 | 0.15 |
| Sundry Receipts | 131.57 | 289.15 |
| TOTAL | 284.13 | 517.20 |

Notes to Financial Statements for the year ended March 31, 2012

21. COST OF RAW MATERIALS AND COMPONENTS CONSUMED

| | 2011-2012 ₹ in Lacs | 2010-2011 ₹ in Lacs |
|--|------------------------|------------------------|
| a) Details of Raw Material and Components Consumed | | |
| Inventory at the beginning of the year | 1,595.89 | 879.82 |
| Add: Purchases during the year | 50,982.48 | 38,540.59 |
| | 52,578.37 | 39,420.41 |
| Less: Inventory at the end of the year | 2,993.94 | 1,595.89 |
| Cost of Raw Materials and Components Consumed (Refer to foot note) | 49,584.43 | 37,824.52 |
| b) Details of Packing Materials Consumed | | |
| Packing Materials | 1,248.80 | 1,201.17 |
| Cost of Packing Materials Consumed | 1,248.80 | 1,201.17 |
| TOTAL [(a) + (b)] | 50,833.23 | 39,025.69 |

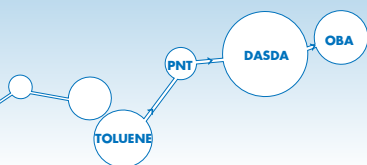
Note:

Details of Raw Material Consumed:

| | 2011-2012 ₹ in Lacs | 2010-2011 ₹ in Lacs |
|--------------------------|------------------------|------------------------|
| Raw Material | | |
| 1) Caustic Soda/Soda Ash | 7,244.14 | 4,999.11 |
| 2) Ammonia | 2,295.52 | 1,421.57 |
| 3) Nitric Acid | 3,418.28 | 2,966.47 |
| 4) Sulphuric Acid | 967.80 | 707.92 |
| 5) Benzene | 4,390.46 | 3,532.21 |
| 6) Chlorine | 291.28 | 437.48 |
| 7) Toluene | 7,991.63 | 6,614.99 |
| 8) Metaxylene | 2,282.02 | 744.55 |
| 9) Cumene | 1,554.05 | 1,476.12 |
| 10) Para Nitro Toluene | 2,740.49 | 1,411.04 |
| 11) Oleum | 917.69 | 992.21 |
| 12) Iron Powder | 1,199.44 | 1,228.37 |
| 13) 2, Ethyl Hexanol | 6,191.92 | 3,830.38 |
| 14) Others | 8,099.71 | 7,462.10 |
| TOTAL | 49,584.43 | 37,824.52 |

22. DETAILS OF PURCHASE OF TRADED GOODS

| | 2011-2012 ₹ in Lacs | 2010-2011 ₹ in Lacs |
|---------------------------------------|------------------------|------------------------|
| Purchase of Finished Goods for Resale | 4,349.07 | 4,750.68 |
| TOTAL | 4,349.07 | 4,750.68 |



Notes to Financial Statements for the year ended March 31, 2012

23. (INCREASE)/DECREASE IN INVENTORIES

| | 2011-2012 ₹ in Lacs | 2010-2011 ₹ in Lacs |
|---|------------------------|------------------------|
| Inventories at the beginning of the year: | | - |
| Stock in Process | 1,353.05 | 2,048.49 |
| Finished Goods | 2,541.12 | 2,805.73 |
| | 3,894.17 | 4,854.22 |
| Less: | | |
| Inventories at the end of the year: | | |
| Stock in Process | 1,552.67 | 1,353.05 |
| Finished Goods | 3,215.66 | 2,541.12 |
| | 4,768.33 | 3,894.17 |
| TOTAL | (874.16) | 960.05 |

24. EMPLOYEE BENEFITS EXPENSES

| | 2011-2012 ₹ in Lacs | 2010-2011 ₹ in Lacs |
|---|------------------------|------------------------|
| Salaries, Wages and Bonus | 4,475.82 | 4,083.49 |
| Contribution to Provident and Other Funds | 278.79 | 226.45 |
| Gratuity Expenses | 82.94 | 31.92 |
| Staff Welfare Expenses | 220.00 | 249.80 |
| TOTAL | 5,057.55 | 4,591.66 |

25. POWER & FUEL EXPENSES

| | 2011-2012 ₹ in Lacs | 2010-2011 ₹ in Lacs |
|----------------------------------|------------------------|------------------------|
| Consumption of Gas | 1,269.44 | 913.47 |
| Consumption of Furnace Oil | 1,324.93 | 1,495.31 |
| Consumption of High Speed Diesel | 338.06 | 182.80 |
| Consumption of Coal and Coke | 2,743.57 | 2,206.15 |
| Electricity Expenses | 1,746.09 | 1,490.05 |
| Water Charges | 240.44 | 212.79 |
| Other Expenses | 25.88 | 15.73 |
| TOTAL | 7,688.41 | 6,516.30 |

Notes to Financial Statements for the year ended March 31, 2012

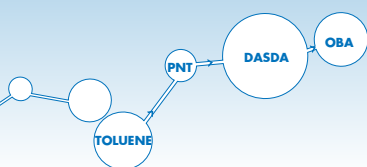
26. OTHER EXPENSES

| | 2011-2012 ₹ in Lacs | 2010-2011 ₹ in Lacs |
|--|------------------------|------------------------|
| Sub-contracting Expenses (Conversion Charges) | 124.52 | 135.96 |
| Excise Duty Paid | 25.04 | 24.11 |
| (Increase) / Decrease of Excise Duty on Inventory | 85.96 | 1.42 |
| Other Manufacturing Expenses | 210.99 | 174.15 |
| Lease Rent | 0.59 | - |
| Loss on Sale of Fixed Asset (Net) | 111.03 | 43.44 |
| Insurance | 135.48 | 145.78 |
| Repairs and Maintenance : | | - |
| Plant and Machinery | 1,669.87 | 1,344.92 |
| Buildings | 56.08 | 53.22 |
| Others | 95.40 | 76.49 |
| Freight and Forwarding Charges | 1,113.00 | 1,010.00 |
| Sales Commission | 96.40 | 67.31 |
| Donation | 28.61 | 75.60 |
| Rent | 162.47 | 157.35 |
| Rates and Taxes | 126.33 | 116.94 |
| Travelling and Conveyance | 175.97 | 209.78 |
| Vehicle Expenses | 173.38 | 158.99 |
| General Expenses | 1,441.88 | 1,580.72 |
| Foreign Exchange Loss | 404.97 | - |
| Provision / (Reversal) for Inventory Obsolescence (Net) | (98.25) | 113.81 |
| Loss on Sale of Investments | - | 0.77 |
| Provision for Doubtful Debts | 22.25 | 4.81 |
| Add:- Bad Debts | 28.78 | 97.85 |
| Less:- Transfer from Provision for Doubtful Debts | 6.34 | 122.06 |
| | 44.69 | (19.40) |
| Directors' Sitting Fees | 2.70 | 2.75 |
| Payment to Auditor (Refer to foot note) | 31.26 | 33.23 |
| Wealth Tax | 20.83 | 10.00 |
| TOTAL | 6,239.20 | 5,517.34 |

Note:

Payment to Auditor :

| | 2011-2012 ₹ in Lacs | 2010-2011 ₹ in Lacs |
|-------------------------------------|------------------------|------------------------|
| i) As Auditor: | | |
| Audit fees | 14.00 | 11.00 |
| Tax Audit fees | 2.50 | 2.50 |
| Quarterly Limited Review | 1.50 | 1.50 |
| ii) In Other Capacity: | | - |
| Taxation Matters | 10.50 | 14.75 |
| Management Services | 1.00 | 1.00 |
| Other Services (Certification Fees) | 0.10 | 1.15 |
| iii) Reimbursement of Expenses | 1.66 | 1.33 |
| TOTAL | 31.26 | 33.23 |



Notes to Financial Statements for the year ended March 31, 2012

27. DEPRECIATION AND AMORTISATION EXPENSES

| | 2011-2012 ₹ in Lacs | 2010-2011 ₹ in Lacs |
|---|------------------------|------------------------|
| Depreciation of Tangible Assets | 1,712.57 * | 1,723.73 |
| Amortisation of Intangible Assets | 69.16 | 92.45 |
| | 1,781.73 | 1,816.18 |
| Less: Recoupment from Revaluation Reserve | 3.15 | 2.80 |
| TOTAL | 1,778.58 | 1,813.38 |

* Excludes ₹ 4.78 lacs transferred to Pre-operative expenses

28. FINANCE COSTS

| | 2011-2012 ₹ in Lacs | 2010-2011 ₹ in Lacs |
|--|------------------------|------------------------|
| Interest | 568.68 | 509.34 |
| Bank charges | 169.17 | 162.99 |
| Exchange difference to the extent considered as an adjustment to Borrowing Costs | 374.59 | 41.85 |
| TOTAL | 1,112.44 | 714.18 |

29. EMPLOYEE RETIREMENT BENEFITS

A) Gratuity

Description of the Plan:

The Company has covered its Gratuity Liability by a Group Gratuity Policy named 'Employee Group Gratuity Assurance Scheme' issued by Life Insurance Corporation of India. Under the plan, employee at retirement is eligible for benefit, which will be equal to 15 days salary for each completed year of service. Thus, it is a Defined Benefit Plan and the aforesaid insurance policy is the Plan Asset.

Gratuity as per Actuarial Valuation:

| | March 31, 2012 | March 31, 2011 | March 31, 2010 | March 31, 2009 | March 31, 2008 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| I. Assumptions : | % | % | % | % | % |
| Discount Rate Previous | 7.80 to 8.38 | 7.43 to 8.17 | 8.08 to 8.36 | 7.90 to 8.60 | 7.90 to 8.60 |
| Salary Escalation | 6.50 | 6.50 | 6.50 | 6.50 | 6.00 |
| Discount Rate Current | 8.23 to 8.75 | 7.80 to 8.38 | 7.43 to 8.17 | 8.08 to 8.36 | 7.90 to 8.60 |
| II. Table Showing Change in Benefit Obligation : | ₹ in Lacs | ₹ in Lacs | ₹ in Lacs | ₹ in Lacs | ₹ in Lacs |
| Liability at the beginning of the year | 631.12 | 587.95 | 534.84 | 380.38 | 365.68 |
| Interest Cost | 56.15 | 48.52 | 41.89 | 34.29 | 29.35 |
| Current Service Cost | 47.50 | 41.43 | 40.14 | 32.79 | 27.78 |
| Past Service Cost (Non Vested Benefit) | - | - | - | - | - |
| Past Service Cost (Vested Benefit) | - | - | - | - | - |
| Liability Transfer in | - | - | - | - | - |
| Liability Transfer out | - | - | - | - | - |
| Benefit Paid | (26.50) | (42.81) | (34.65) | (32.68) | (50.29) |
| Actuarial (gain)/loss on obligations | 26.60 | (3.97) | 5.73 | 120.06 | 7.86 |
| Liability at the end of the year | 734.87 | 631.12 | 587.95 | 534.84 | 380.38 |

Notes to Financial Statements for the year ended March 31, 2012

| | March 31, 2012 | March 31, 2011 | March 31, 2010 | March 31, 2009 | March 31, 2008 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| III. Amount Recognised in the Balance Sheet : | ₹ in Lacs | ₹ in Lacs | ₹ in Lacs | ₹ in Lacs | ₹ in Lacs |
| Liability at the end of the year | 734.87 | 631.12 | 587.95 | 534.85 | 380.38 |
| Fair Value of Plan Assets at the end of the year | 705.81 | 582.02 | 493.16 | 418.71 | 343.90 |
| Difference | 29.06 | 49.10 | 94.79 | 116.13 | 36.49 |
| Unrecognised Past Service Cost | - | - | - | - | - |
| Recognised Transition Liability | - | - | - | - | 23.98 |
| Amount Recognised in the Balance Sheet | 29.06 | 49.10 | 94.79 | 116.13 | 36.49 |
| IV. Expenses Recognised in the Income Statement : | ₹ in Lacs | ₹ in Lacs | ₹ in Lacs | ₹ in Lacs | ₹ in Lacs |
| Current Service Cost | 47.50 | 41.43 | 40.14 | 32.79 | 27.78 |
| Interest Cost | 56.15 | 48.52 | 41.89 | 34.29 | 29.35 |
| Expected Return on Plan Assets | 53.90 | 48.42 | 33.97 | 32.84 | (27.59) |
| Past Service Cost (Non Vested Benefit) Recognised | - | - | - | - | - |
| Past Service Cost (Vested Benefit) Recognised | - | - | - | - | - |
| Recognition of Transition Liability | - | - | - | - | 23.98 |
| Actuarial Gain or Loss | - | - | - | - | (7.63) |
| Expense Recognised in Statement of Profit & Loss | 69.71 | 33.87 | 45.76 | 136.20 | 36.48 |
| V. Balance Sheet Reconciliation : | ₹ in Lacs | ₹ in Lacs | ₹ in Lacs | ₹ in Lacs | ₹ in Lacs |
| Opening Net Liability | 49.10 | 94.79 | 116.13 | 36.49 | 37.83 |
| Expense as above | 69.71 | 33.87 | 45.76 | 136.20 | 36.48 |
| Employers Contribution | (89.75) | (79.56) | (67.10) | (56.55) | (37.82) |
| Amount Recognised in Balance Sheet (Refer Note No. 7) | 29.06 | 49.10 | 94.79 | 116.13 | 36.49 |

B) Leave Encashment

- 1) The Leave Encashment Benefit Scheme is a Defined Benefit Plan and is wholly unfunded. Hence, there are no plan assets attributable to the obligation.
- 2) Principal Actuarial Assumptions:

| | 2011-12 | 2010-11 |
|---------------|---------|---------|
| Discount Rate | 8.50% | 8.62% |

- 3) The accumulated balance of Leave Encashment (unfunded) provided in the books as at March 31, 2012 is ₹ 355.84 lacs (₹ 356.22 lacs), which is determined on actuarial basis using Projected Unit Credit Method.

C) Defined Contribution Plan

| | 2011-12 ₹ in Lacs | 2010-11 ₹ in Lacs |
|--|----------------------|----------------------|
| Employer's Contribution to Provident Fund | 175.03 | 150.40 |
| Employer's Contribution to Superannuation Fund | 79.51 | 55.26 |

Notes to Financial Statements for the year ended March 31, 2012

30. SEGMENT REPORTING

- (a) The Company is primarily in the business of manufacture of Organic Intermediates, Inorganic Intermediates and Fine & Speciality Chemicals. Accounting Standard 17 on 'Segment Reporting' constitutes three reporting segments.

| | Twelve Months Ended March 31, 2012 ₹ in Lacs | Twelve Months Ended March 31, 2011 ₹ in Lacs | Other Information | Twelve Months Ended March 31, 2012 ₹ in Lacs | Twelve Months Ended March 31, 2011 ₹ in Lacs |
|---|---|---|---------------------------------|---|---|
| I) Segment Revenue | | | V) Segment Assets | | |
| a) Inorganic Intermediates | 13,209.64 | 12,211.03 | a) Inorganic Intermediates | 8,442.83 | 4,918.98 |
| b) Organic Intermediates | | | b) Organic Intermediates | 23,769.27 | 18,507.08 |
| Own Manufactured | 41,614.68 | 33,128.05 | c) Fine & Speciality Chemicals | 13,729.66 | 12,837.03 |
| Traded | 4,483.24 | 4,995.43 | d) Others | 24,167.03 | 5,063.24 |
| Total | 46,097.92 | 38,123.48 | Total | 70,108.79 | 41,326.33 |
| c) Fine & Speciality Chemicals | 22,053.54 | 20,495.86 | VI) Segment Liabilities | | |
| d) Others | - | 241.89 | a) Inorganic Intermediates | 3,845.81 | 1,456.07 |
| Total | 81,361.10 | 71,072.26 | b) Organic Intermediates | 8,189.97 | 4,320.52 |
| Less: Inter Segment Revenue | 2,371.91 | 3,847.86 | c) Fine & Speciality Chemicals | 2,309.64 | 2,125.56 |
| Net Sales/Income from operations | 78,989.19 | 67,224.40 | d) Others | 2,758.28 | 2,067.37 |
| II) Segment Results | | | Total | 17,103.70 | 9,969.52 |
| Profit (+) Loss (-) Before Tax & Interest | | | VII) Capital Expenditure | | |
| a) Inorganic Intermediates | 1,983.49 | 2,283.16 | a) Inorganic Intermediates | 1,883.48 | 171.73 |
| b) Organic Intermediates | 2,813.21 | 2,195.21 | b) Organic Intermediates | 762.75 | 759.94 |
| c) Fine & Speciality Chemicals | 2,027.47 | 2,022.74 | c) Fine & Speciality Chemicals | 758.00 | 314.23 |
| Total | 6,824.17 | 6,501.11 | d) Others | 319.90 | 458.83 |
| Less: i) Interest | 943.27 | 551.19 | Total | 3,724.13 | 1,704.73 |
| ii) Other un-allocable Expenditure net of un-allocable Income | 2,722.30 | 2,254.24 | VIII) Depreciation | | |
| III) Total Profit Before Tax | 3,158.60 | 3,695.68 | a) Inorganic Intermediates | 225.28 | 208.61 |
| Provision for Taxation | | | b) Organic Intermediates | 608.09 | 770.25 |
| - For the year | | | c) Fine & Speciality Chemicals | 751.92 | 659.81 |
| Current Tax | 749.51 | 1,162.95 | d) Others | 193.29 | 174.71 |
| Deferred Tax | 72.70 | (165.90) | Total | 1,778.58 | 1,813.38 |
| - Prior Year | | | | | |
| Current Tax | 28.11 | 150.38 | | | |
| Deferred Tax | - | (31.46) | | | |
| IV) Profit After Tax | 2,308.28 | 2,579.71 | | | |

Note:

- Current year Segmental Results are net of Impairment Loss Reversal of ₹ 69.60 lacs for Inorganic Intermediates Segment.
- Previous Year segmental results are net of Impairment Loss of ₹ 156.64 lacs for Fine & Speciality Chemicals Segment.

Notes to Financial Statements for the year ended March 31, 2012

(b) Secondary Segments Reporting - Geographical Segments.

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

| | 2011-12 ₹ in Lacs | 2010-11 ₹ in Lacs |
|----------------|----------------------|----------------------|
| Revenue | | |
| In India | 43,941.91 | 39,034.09 |
| Outside India | 35,047.28 | 28,190.31 |
| TOTAL | 78,989.19 | 67,224.40 |

ii) The Company's tangible Fixed Assets are entirely located in India.

31. DISCLOSURE UNDER AS 20 "EARNINGS PER SHARE" ISSUED BY INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

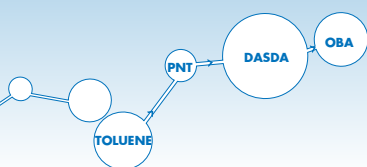
| | 2011-12 | 2010-11 |
|--|----------|----------|
| i) Basic Earnings per Share | | |
| Number of Shares as on April 1, 2011 (Nos. in Lacs). | 104.64 | 104.64 |
| Number of Shares as on March 31, 2012 (Nos. in Lacs). | 104.64 | 104.64 |
| Weighted Average Number of Shares considered for Basic Earning Per Share (Nos. in Lacs). | 104.64 | 104.64 |
| Net Profit after Tax available for Equity Shareholders (₹ in Lacs). | 2,308.28 | 2,579.72 |
| Basic Earnings (in Rupees) Per Share of ₹ 10/- each. | 22.06 | 24.65 |
| ii) Diluted Earnings per Share | | |
| Number of Shares as on April 1, 2011 (Nos. in Lacs). | 104.64 | 104.64 |
| Number of Shares as on March 31, 2012 (Nos. in Lacs). | 104.64 | 104.64 |
| Weighted Average Number of Shares considered for Basic Earning Per Share (Nos. in Lacs). | 104.64 | 104.64 |
| Net Profit after Tax available for Equity Shareholders (₹ in Lacs) | 2,308.28 | 2,579.72 |
| Diluted Earnings (in Rupees) Per Share of ₹ 10/- each. | 22.06 | 24.65 |

32. 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 Private Limited • Deepak Cleantech Limited • Deepak Fertilisers and Petrochemicals Corporation Limited • Deepak International Limited • Deepak Medical Foundation • Deepak Research and Development Foundation • Deepak Novochem Technologies Limited • Forex Leafin Private Limited • Grey Point Investments Private Limited • Hardik Leafin Private Limited • Kawant Development Corporation • Nucore Capital Management Private Limited • Pranawa Leafin Private Limited • Prolific Credits & Capital Private Limited • Skyrose Finvest Private Limited • Sofotel Software Services Private Limited • Stepup Credits & Capital Private Limited • Stiffen Credits and Capital Private Limited • Stigma Credits & 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.



Notes to Financial Statements for the year ended March 31, 2012

(ii) Key Management Personnel

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

(iii) Transaction with Related Parties

₹ in Lacs

| Sl. No. | Nature of Transactions | Financial Year 2011-12 | | | | | Financial Year 2010-11 | | | | |
|---------|------------------------------------|---|--------------------------------------|--------|--------------------------|----------|---|--------------------------------------|--------|--------------------------|----------|
| | | Associates | | | | | Associates | | | | |
| | | Deepak Fertilisers & Petrochemicals Corpn Ltd | Deepak Novochem Technologies Limited | Others | Key Management Personnel | Total | Deepak Fertilisers & Petrochemicals Corpn Ltd | Deepak Novochem Technologies Limited | Others | Key Management Personnel | Total |
| 1 | Purchases of Goods | 3,088.91 | 4,357.94 | - | - | 7,446.85 | 4,067.35 | 5,787.59 | - | - | 9,854.94 |
| 2 | Sale of Goods | - | 114.75 | - | - | 114.75 | - | 190.56 | - | - | 190.56 |
| 3 | Conversion Charges Paid | - | - | - | - | - | - | 12.40 | - | - | 12.40 |
| 4 | Conversion Charges Received | - | 775.76 | - | - | 775.76 | - | 580.89 | - | - | 580.89 |
| 5 | Sale of Fixed Assets | - | 16.41 | - | - | 16.41 | - | 4.44 | - | - | 4.44 |
| 6 | Rendering of Services | - | 0.91 | - | - | 0.91 | - | 6.57 | - | - | 6.57 |
| 7 | Receiving of Services | 26.45 | 15.56 | 48.88 | 259.30 | 350.19 | 28.12 | 10.90 | 21.32 | 259.80 | 320.14 |
| 8 | Deposit Paid | - | - | 15.26 | - | 15.26 | - | - | - | - | - |
| 9 | Dividend Paid | - | - | 219.42 | 122.93 | 342.35 | - | - | 182.85 | 101.78 | 284.63 |
| 10 | Net Accounts Receivable/ (Payable) | (984.25) | 153.04 | 11.76 | 260.83 | (558.62) | (562.69) | (306.47) | - | 244.63 | (624.53) |

33. CONTINGENT LIABILITIES NOT PROVIDED FOR

| | March 31, 2012 ₹ in Lacs | March 31, 2011 ₹ in Lacs |
|--|-----------------------------|-----------------------------|
| a) in respect of Income Tax matters | 136.79 | 77.43 |
| b) in respect of Sales Tax / VAT matters | 18.62 | 17.11 |
| c) in respect of Excise matters | 90.92 | 64.65 |
| d) Bank Guarantees: | | |
| - Financial | 521.58 | 513.79 |
| - Performance | 352.97 | 339.59 |
| e) in respect of disputed liability relating to non-utilisation of industrial plot within specified time frame | 99.36 | 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 | 1,220.24 | 1,038.04 |

34. CAPITAL COMMITMENTS (Net of Advances)

| | March 31, 2012 ₹ in Lacs | March 31, 2011 ₹ in Lacs |
|---------------------|-----------------------------|-----------------------------|
| Capital Commitments | 2,662.37 | 291.23 |

The information in respect of commitment has been given only in respect of capital commitments in order to avoid providing excessive details that may not assist users of Financial Statements.

Notes to Financial Statements for the year ended March 31, 2012

35. HEDGING INSTRUMENTS

- a) The Company takes forward contracts/options to hedge exposures arising out of net foreign currency payables and receivables.

The Net Open Position is covered by simple forward and range forward as given below:

| | 2012-13 Quarter 1 | 2012-13 Quarter 2 | 2012-13 Quarter 3 | 2012-13 Quarter 4 | 2013-14 Quarter 1 | 2013-14 Quarter 2 | Total |
|---------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------|
| USD | | | | | | | |
| Amount USD (Million) | 2.25 | 0.25 | - | - | - | - | 2.50 |
| Forward Rate (₹) | 47.28 | 47.74 | - | - | - | - | 47.32 |
| Closing Rate (₹) | 50.56 | 50.56 | - | - | - | - | 50.56 |
| Gain / (Loss) (₹ in Lacs) | (73.99) | (7.06) | - | - | - | - | (81.05) |
| EURO | | | | | | | |
| Amount Euro (Million) | 2.00 | 0.50 | 1.00 | 1.50 | 1.50 | - | 6.50 |
| Forward Rate (₹) | 66.84 | 72.72 | 73.34 | 71.08 | 72.00 | - | - |
| Closing Rate (₹) | 67.49 | 67.49 | 67.49 | 67.49 | 67.49 | - | - |
| Gain / (Loss) (₹ in Lacs) | (1.30) | 2.62 | 5.85 | 5.39 | 6.77 | - | 19.33 |
| OPTION CONTRACTS | | | | | | | |
| Amount USD (Million) | - | 1.50 | 2.00 | 3.00 | 2.50 | - | 9.00 |
| Lower Strike Rate (₹) | - | 52.32 | 52.10 | 51.87 | 51.96 | - | - |
| Closing Rate (₹) | 50.56 | 50.56 | 50.56 | 50.56 | 50.56 | 50.56 | - |

- b) The unhedged exposure of foreign currency transactions is as follows:

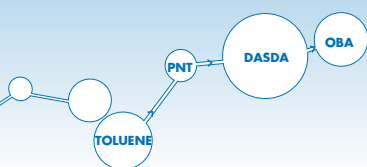
| | Currency | March 31, 2012 | March 31, 2011 |
|--|----------|----------------|----------------|
| Payables | | | |
| Term and Working Capital Loans (Net of Balances in EEFC account) | USD | 61.29 | 63.83 |
| | EURO | (0.05) | (0.12) |
| Trade Payables | USD | 93.85 | 20.03 |
| | EURO | - | 6.11 |
| Receivables | | | |
| Export Trade Receivables | USD | 137.85 | 124.98 |
| | EURO | 0.19 | 5.69 |
| Term Loans | | | |
| External Commercial Borrowings | USD | 400.00 | Nil |

36. CIF VALUE OF IMPORTS

| | 2011-2012 ₹ in Lacs | 2010-2011 ₹ in Lacs |
|-------------------------------|------------------------|------------------------|
| 1. Raw Materials | 13,937.15 | 6,942.92 |
| 2. Components and Spare Parts | 16.44 | 2.76 |
| 3. Capital Goods | 67.80 | 15.59 |
| | 14,021.39 | 6,961.27 |

37. EXPENDITURE IN FOREIGN CURRENCY (Subject to deduction of tax where applicable)

| | 2011-2012 ₹ in Lacs | 2010-2011 ₹ in Lacs |
|--|------------------------|------------------------|
| i) Travelling | 53.51 | 36.12 |
| ii) Interest on Loans | 631.46 | 224.91 |
| iii) Professional fees for market survey | 165.76 | 64.88 |
| iv) Commitment Charges/Bank Charges | 580.25 | 19.52 |
| v) Commission on Export Sales | 40.40 | 60.04 |
| vi) Others | 53.80 | 101.47 |
| | 1,525.18 | 506.94 |



Notes to Financial Statements for the year ended March 31, 2012

38. CONSUMPTION OF RAW MATERIALS, STORES, COMPONENTS AND SPARES

| | % of Total Consumption 2011-12 | Amount ₹ in Lacs 2011-12 | % of Total Consumption 2010-11 | Amount ₹ in Lacs 2010-11 |
|------------------------------------|--------------------------------------|--------------------------------|--------------------------------------|--------------------------------|
| I. RAW MATERIALS: | | | | |
| i) Imported | 28.06 | 13,913.15 | 16.60 | 6,277.29 |
| ii) Indigenous | 71.94 | 35,671.28 | 83.40 | 31,547.23 |
| | 100.00 | 49,584.43 | 100.00 | 37,824.52 |
| II. STORES AND SPARE PARTS: | | | | |
| i) Imported | 1.41 | 16.44 | 0.33 | 2.76 |
| ii) Indigenous | 98.59 | 1,150.50 | 99.67 | 834.03 |
| | 100.00 | 1,166.94 | 100.00 | 836.79 |

39. EARNING IN FOREIGN EXCHANGE

| | 2011-12 ₹ in Lacs | 2010-11 ₹ in Lacs |
|-------------------------|----------------------|----------------------|
| F.O.B. Value of Exports | 34,638.52 | 27,631.21 |

40. 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:

| Particulars | March 31, 2012 ₹ in Lacs | March 31, 2011 ₹ in Lacs |
|---|-----------------------------|-----------------------------|
| (i) Principal amount remaining unpaid as on March 31. | 23.27 | 92.21 |
| (ii) Interest due thereon remaining unpaid as on March 31. | - | - |
| (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. | 0.19 | 6.56 |
| (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 | 0.01 | 1.99 |
| (v) Interest accrued and remaining unpaid as at March 31 (Net of tax deducted at source). | 0.42 | 2.34 |
| (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. | 0.41 | 0.35 |

41a. RESEARCH AND DEVELOPMENT EXPENSES

| | 2011-12 ₹ in Lacs | 2010-11 ₹ in Lacs |
|---|----------------------|----------------------|
| (i) Capital Expenditure | 58.54 | 59.76 |
| (ii) Revenue Expenditure : | | |
| Materials | 65.14 | 46.12 |
| Utilities | 11.34 | 7.96 |
| Maintenance | 22.31 | 17.47 |
| Personnel | 308.22 | 282.57 |
| Others | 135.71 | 126.28 |
| | 542.72 | 480.40 |
| Lease Rent | 17.97 | 16.69 |
| Discarding of Assets | - | 0.99 |
| Depreciation | 55.68 | 54.98 |
| | 73.65 | 72.66 |
| Total Revenue Expenditure | 616.37 | 553.06 |
| (iii) Total Capital & Revenue Expenditure | 674.91 | 612.82 |
| (iv) Sale Proceeds – Prototypes | - | 1.10 |

Notes to Financial Statements for the year ended March 31, 2012

41b. 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.

| | 2011-12 ₹ in Lacs | 2010-11 ₹ in Lacs | 2009-10 ₹ in Lacs | 2008-09 ₹ in Lacs | 2007-08 ₹ in Lacs |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| (i) Capital Expenditure | 58.54 | 59.76 | 28.63 | 63.00 | 45.45 |
| (ii) Revenue Expenditure | 616.37 | 553.06 | 619.64 | 673.78 | 481.12 |
| (iii) Total Capital & Revenue Expenditure | 674.91 | 612.82 | 48.27 | 736.78 | 526.57 |
| (iv) Sale Proceeds - Prototypes | - | 1.10 | 2.20 | 29.16 | - |

42. The Financial Statements for the year ended March 31, 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Financial Statements for the year ended March 31, 2012 has been prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI does not impact recognition and measurement principles followed for preparation of Financial Statements.

43. Previous year's figures are shown in bracket.

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 4, 2012

D.C. MEHTA
Vice Chairman & Managing Director

A.C. MEHTA
Managing Director

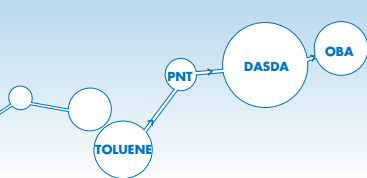
SANJAY UPADHYAY
Sr. Vice President (Finance)
& Company Secretary

For and on behalf of the Board

C.K. MEHTA Chairman

M.R.B. PUNJA
A.K. DASGUPTA
SUDHIN CHOKSEY
SUDHIR MANKAD } Directors

Mumbai: May 4, 2012



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.

II. Sum Insured :

| No. of Equity Shares held | Sum Insured |
|---------------------------|-------------|
| Up to 150 | ₹ 20,000/- |
| 151 to 500 | ₹ 40,000/- |
| 501 and above | ₹ 60,000/- |

III. Benefits :

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

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

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

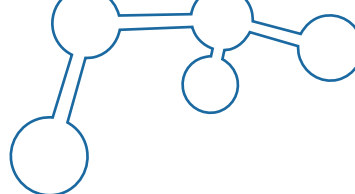
Note :

1. Temporary disablement, medical / hospitalization 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.

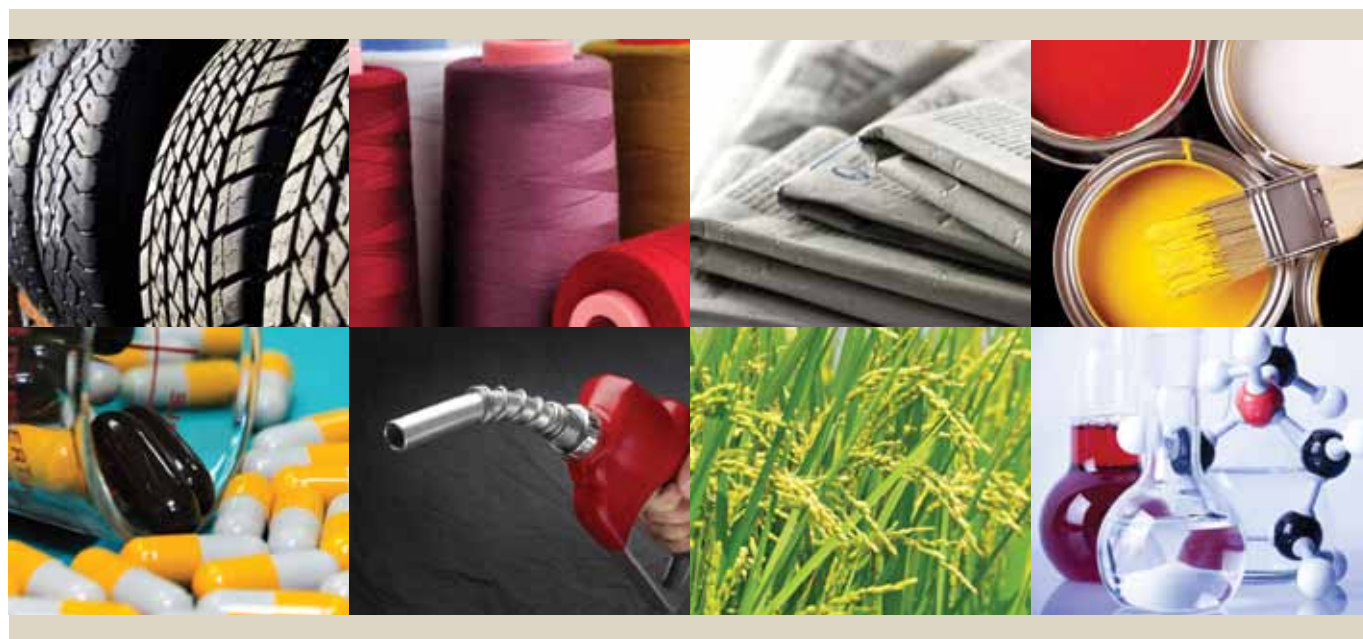


From Chemicals to Solution Provider

WIDE SPECTRUM OF OFFERINGS



| | | |
|-----------------------------|--------------------------------------|---------------------------------------|
| Organic Intermediates | Nitro Toluenes | Fuel Additives for other applications |
| | Xylidine | Cumidines |
| | Nitro Chloro Benzene | Aromatic Amines |
| Inorganic Intermediates | Sodium Nitrite | Sodium Nitrate |
| | Other Salts | |
| Fine & Speciality Chemicals | DASDA | Oximes |
| | Fuel Additives for fuel applications | Speciality Chemicals |
| | Optical Brightening Agent (OBA) | |



PRODUCTS OFFERED TO VARIOUS INDUSTRIES

Nitro Chloro Benzene: Pharma ■ Dyes ■ Rubber Chemicals ■ Agro-chemicals ■ Pigments

Oximes: Agro-chemicals

Sodium Nitrite: Dyes / Pigments ■ Pharma ■ Food Colours ■ Electroplating ■ Speciality Chemicals ■ Colourants

Cumidines: Agro-chemicals

Nitro Toluenes: Colourants ■ Speciality Chemicals ■ Rubber Chemicals ■ Pharma ■ Explosives ■ Dyes ■ DASDA ■ Agro-chemicals

DASDA/OBA: Paper ■ Textiles ■ Detergents

Speciality: Colourants

Fuel Additives: Petrol Blending ■ Diesel Blending ■ Aviation Turbine Fuel

Xylidines: Pigments ■ Fuel Additives ■ Agro-chemicals ■ Pharma ■ Intermediaries





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