

Deepak Nitrite Ltd.



Information Note - January 2010



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DNL: EXECUTIVE SUMMARY

Established Player

Deepak Nitrite Ltd. is a leading player in the chemicals and intermediates industry. It is the flagship company of the Deepak Group and was set up in 1970 for the manufacture of import-substitute chemicals - Sodium Nitrite and Sodium Nitrate; DNL has grown across the value chain through vertical integration and has established itself as a manufacturer of high-end fine and specialty chemicals.

The company started with a facility at Nandesari in Gujarat. Today, it has four manufacturing facilities located at Vadodara in Gujarat, Taloja and Roha in Maharashtra and Hyderabad in Andhra Pradesh. It is headquartered in Pune with a corporate office in Mumbai. The company also has a well equipped R&D facility in Pune.

With nearly 40 years of experience, DNL is a well established company in the industry.

Diversified Product Mix

DNL has expanded its business activities to include manufacture of numerous basic and intermediate chemicals. The Company currently operates in three segments, namely, Organic Intermediates, Fine and Specialty Chemicals and Inorganic Intermediates. The Inorganic Intermediates segment includes manufacture and sale of Sodium Nitrate / Sodium Nitrite. The Organic Intermediates segment comprises manufacturing and sale of Xylidines, Nitro Toulènes, Cumidines and Nitro Chloro Benzenes. The Fine and Specialty Chemicals segment consists of sale of low volume and knowledge intensive products such as DASDA, Oximes and Resorcinol, among others.

For the Financial Year 2008-09, the Inorganic Intermediates segment contributed 17.4% of annual revenue, the Organic Intermediates segment contributed 53.0% of annual revenue and the Fine & Specialty Chemicals segment contributed 29.6% of annual revenue.

The end user industries for these products consist of specialty chemicals, dyes, pigments, agrochemicals, pharmaceuticals, paper, explosives, textiles, rubber chemical intermediates, chemicals for refineries, cosmetics, fuel additives, etc. Thus, DNL caters to a wide variety of industries through a diversified product mix which partially mitigates the risks associated with cyclicity in individual products / industries.

Competitiveness

The Company has been able to differentiate itself through enhancement of technical expertise. It has a proven ability in handling complex and hazardous chemical processes like nitration and hydrogenation.

DNL also specializes in the processes of sulfonation & alkylation in addition to the processes mentioned above. Apart from the aspects of safety and complexity, the company is competitive when evaluated on parameters like cost, quality and adherence to environmental norms.

DNL has established multi purpose manufacturing facilities with significant backward and forward integration linkages, which provides it with the flexibility to change its product mix and cater to changing market requirements. This leads to significant cost efficiencies due to higher plant utilization. Further, the company has been able to source an assured supply of piped gas enabling it to achieve definitive cost advantages over peers.

Leadership position

The company has leveraged its technical expertise and process excellence to develop a niche product offering. DNL enjoys the leadership position in several products – it is the leader in the Domestic Market for Sodium Nitrite, Sodium Nitrate and Nitro Toluenes. It is among the top 3 globally for Xylidines, Cumidines, Colour Intermediates and Oximes. Significant presence / niche positioning for products like Nitro Chloro Benzene and other Specialty Products.

Global Clientele

DNL enjoys the position of a preferred business partner to some of the leading multinational companies in the industry. The list of marquee names as customers consisting of some of the largest chemical companies in the world, including Bayer Crop Science, Sygenta, BASF, Clariant, Lonza, Kemira, Monsanto, Isochem, IOC, Essar & Reliance Ltd.

Although initially set up to manufacture import substitute chemicals DNL has evolved to be globally competitive in several products. It now has a presence in over 20 countries around the world including the United States of America, the European Union, East European nations, Japan, Asean countries, South Korea and South America. For FY2008-09, over 50 % of company's turnover was through exports.

Innovative Servicing Model

The expanding global presence of the company is a result of its carefully cultivated relationships. DNL has maintained direct relationships with several of its global customers over a reasonably lengthy period of time. This results in greater customer loyalty and facilitates cross selling of products from acquisitions as well as those developed in house.

The company is now redefining its business relationships. It is facilitating greater integration into its business relationships to drive greater efficiencies across the entire value chain. DNL is entering into a mix of price/volume contracts with both, its suppliers as well as its customers. This would ensure greater certainty of volume uptake at assured margins. This is a win-win situation for the company, its suppliers and its customers.

Financially Stable

DNL enjoys a favourable financial profile, which is characterised by moderate gearing levels and coverage indicators. The company has improved its financial position in recent years due to an increase in its free cash flows from operations. This increased operating cash flow has been used to repay debt leading to a significant reduction in the debt-equity ratio from 0.81 at the end of FY2007-08 to 0.47 at the end of FY 2008-09. These initiatives combined with better management of working capital have also led to a savings in interest cost resulting in higher profitability, improved margins and an increase in the overall Net Worth.

Track record of profitable growth

The company reported revenues of Rs. 572.3 crore in FY2008-09. This results in a Revenue CAGR of 15.5% over 5 years when compared to the Revenues of Rs. 321.2 Crore in 2004-05.

Similarly, the company reported a net profit of Rs. 28.3 crore in FY2008-09 resulting in a CAGR of 29.5% over 5 years when compared to the net profit of Rs. 10.1 Crore in 2004-05.

Able and competent management team

Mr. C. K. Mehta, Chairman and founder of DNL, is a well-known industrialist with more than 45 years of experience in the Chemical industry. He is also the founder of Deepak Fertilizers and Petrochemicals Corporation Limited (DFPCL), another company in the Deepak Group of Companies.

Mr. D. C. Mehta, Vice chairman and Managing Director of DNL, and Mr. A. C. Mehta, Managing Director of DNL, are closely associated with the activities of the company for more than 20 years. The Board of Directors of DNL comprises eminent independent professionals. The company also has a strong senior management team that is well qualified and has several years of experience in the industry.

Growth through acquisitions and restructuring

DNL had identified a move up the value chain from manufacturing of low-end bulk chemical intermediates to manufacturing of high-end fine and specialty chemicals as a means of increasing margins and attaining sustainable and real growth. It incorporated a strategy that included vertical integration as a means to attain its objectives. Thus, the growth of the company has also been aided by strategic acquisitions of companies with complementary product lines.

For instance, in 1984, DNL acquired Sahyadri Dyestuffs & Chemicals Division, which produced a range of intermediates for colorants and imaging chemicals.

In 1999, it acquired Aryan Pesticides Ltd. (APL), which was present in the specialty chemicals business. APL was one of DNL's major customers for Nitro Chloro Benzene. The acquisition also brought about synergies for the xylidines business, as APL was a leading domestic manufacturer of xylidines.

In 2006, DNL acquired the diamino stilbene disulphonic acid (DASDA) business of Vasant Chemicals Limited. DASDA forms a key intermediate for Optical Brightening Agents in the paper, textile and detergent industries. This strategic acquisition enabled DNL to move up the value chain in its Nitro Toluene (NT) business, as Vasant Chemicals was one of DNL's major customers for NT. The product quality and competitive manufacturing capabilities of enabled DNL to attain almost 20% share of the global DASDA market.

Strong R&D focus

The company has identified R&D activities as a key differentiator and a significant value creator. The focus of the R&D Centre is to either create new products or to create new applications for existing products. The company also seeks to drive innovation through improvement in the processes for existing products. This may be through lowering overall cost of an existing process through reduced use of resources, shortening of manufacturing cycle or reduction of wastage or even utilization of wastage into a by-product.

DNL expends an amount equal to roughly 1% of its annual revenues as its R&D budget. The R&D facility at Pune has been approved by the Government of India. It has state-of-the-art equipment and advanced facilities for testing new technologies and products. The company has seen significant contribution to revenues as well as margin improvement following commercial production of products developed in-house.

Attractive opportunities for growth

Organic growth

The continued expansion of the economies in the Asia Pacific region and the gradual shifting of manufacturing from developed countries to China and India and other neighbouring developing countries is resulting in increasing demand in the region.

The end user industries served by DNL are exhibiting strong growth which in turn is resulting in additional demand for the company's products.

Innovation through R&D and track record of growth via the introduction of products developed in-house provides another avenue for potential expansion in business.

Planned capacity expansion provides visibility of increased production.

Inorganic growth

The company has a fairly successful track record of inorganic growth. The stated strategy to move up the value chain from low-end bulk intermediates to high-value fine chemicals is driving the acceptance of inorganic growth as a means of continued expansion. The company is prudent in its acquisition strategy and is open to inorganic growth provided there is real and tangible value to be obtained from potential takeover targets.

Financials at a Glance

P&L (Rs. Crore)			
	FY07	FY08	FY09
Total Income	452.18	472.13	582.89
Net Sales	417.15	468.06	572.35
EBITDA	34.36	36.86	75.29
PBT	37.90	6.74	42.86
PAT	35.68	7.02	28.28
EPS	40.58	7.84	31.55

Balance Sheet (Rs. Crore)			
	FY07	FY08	FY09
Shareholders' Funds	165.18	167.65	190.64
Loan Funds	170.46	135.02	89.55
Deferred Tax Liability	21.69	20.63	17.88
Total	357.33	323.30	298.07
Fixed Assets	181.49	168.16	172.41
Investments	2.09	2.09	1.33
Current Assets	250.73	218.58	181.72
Current Liabilities	79.69	66.22	57.39
Net Current Assets	171.04	152.36	124.33
Miscellaneous Expenditure	2.71	0.69	0.00
Total	357.33	323.30	298.07

Cash Flow (Rs. Crore)

	FY07	FY08	FY09
Cash Flow from Operating Activities	(13.41)	60.10	84.50
Cash Flow from Investing Activities	(47.21)	(4.53)	(22.75)
Cash Flow from Financial Activities	62.69	(55.07)	(64.41)
Net Increase in Cash & Cash Equivalents	2.07	0.50	(2.66)
Cash & Cash Equivalents			
Opening Balance	3.97	6.05	6.55
Closing Balance	6.04	6.55	3.89

Note: FY07 Total Income and PAT includes an amount of Rs. 29.86 crore on account of sale of land

DEEPAK NITRITE: AT A GLANCE

Name	Deepak Nitrite Limited									
Stock Code	BSE: 506401 NSE: DEEPAKNITR									
	Bloomberg: DN:IN Reuters: IN.DPK									
Sector	Indian Chemicals									
Stock Price (as on 31-Dec-09)	INR 135.2									
No. of Shares Outstanding	89,63,233									
Shareholding Pattern (as of 31-Sep-09)										
	<table border="1"> <tr> <td>Promoters</td> <td>56.4%</td> </tr> <tr> <td>Institutional Investors</td> <td>3.7%</td> </tr> <tr> <td>Bodies Corporate</td> <td>5.2%</td> </tr> <tr> <td>Individuals / NRIs</td> <td>34.7%</td> </tr> </table>		Promoters	56.4%	Institutional Investors	3.7%	Bodies Corporate	5.2%	Individuals / NRIs	34.7%
Promoters	56.4%									
Institutional Investors	3.7%									
Bodies Corporate	5.2%									
Individuals / NRIs	34.7%									
Market Cap (as on 31-Dec-09)	A	INR 121.2 Crore								
Debt (as on 31-Mar-09)	B	INR 89.5 Crore								
Cash (as on 31-Mar-09)	C	INR 3.9 crore								
Enterprise Value	A + B - C	INR 207 crore								
BVPS (as on 31-Mar-09)	INR 213 per share									
Key Ratios (FY 2008-09)										
Net Sales: 572.4 Crore	MCA (31.12.09) / Revenues (FY09) : 0.21									
EBITDA: 78.4 Crore										
EBITDA%: 13.69%	EV/EBITDA: 2.6									
PAT: 28.3 Crore										
PAT%: 4.85%	P/E: 4.3									
EPS: 31.55	P/B: 0.6									

INDUSTRY OVERVIEW

Global

The global chemical industry, estimated at US\$ 2.4 trillion (as of March 2008), is one of the fastest growing sectors of the manufacturing industry. Despite the volatility in prices of crude oil prices and the increasingly stringent environmental protection standards being adopted globally, the chemicals industry has still grown at a rate higher than the overall-manufacturing segment.

As per industry reports the pharmaceutical segment contributes approximately 26% of the total industry output and approx. 35-40% is dominated by the petrochemical segment.

Commodity chemicals is the largest segment in the chemicals market with an approx. size of \$ 750 billion while the specialty and fine chemicals segment accounts for \$ 500 billion.

Some of the major markets for chemicals are North America, Western Europe, Japan and emerging economies in Asia and Latin America. The US consumes approximately one-fifth of the global chemical consumption whereas Europe is the largest consumer with approx. half the consumption. The US is the largest consumer of commodity chemicals whereas Asia Pacific is the largest consumer of agrochemicals and fertilizers.

Domestic

In India, the Chemical Industry has a rich history and contributes significantly towards domestic industrial and economic growth. It is now shifting towards a technology-centric focus and provides products for end user industries ranging from textiles, paper, paints and varnishes, leather, agrochemicals to explosives. The Indian Chemical Industry forms the backbone of the industrial and agricultural development of India and provides building blocks for downstream industries.

It is an important constituent of the Indian economy. Its size is estimated at approximately US\$ 35 billion., which is equivalent to about 3% of India's GDP. The total investment in Indian Chemical Sector is approx. US\$ 60 billion and total employment generated is about 1 million. The Indian Chemical sector accounts for 13-14% of total exports and 8-9% of total imports of the country. In terms of volume, it is 12th largest in the world and 3rd largest in Asia. Currently, per capita consumption of products of chemical industry in India is about 1/10th of the world average. (Note: *Data points as of March, 2008*)

Segment	Market Value (billion US\$)
Basic Chemicals	20
Specialty Chemicals	9
High End / Knowledge Segment	6
Total	35

The Indian Chemicals Industry comprises both small and large-scale units. The fiscal concessions granted to small sector in mid-eighties led to establishment of large number of units in the Small Scale Industries (SSI) sector. Currently, the Indian Chemical industry is in the midst of a major restructuring and consolidation phase. With the shift in emphasis on product innovation, brand building and environmental friendliness, this industry is increasingly moving towards greater customer orientation. Even though India enjoys an abundant supply of basic raw materials, it will have to build upon technical services and marketing capabilities to face global competition and increase its share of exports.

As the Indian economy was a protected economy till the early nineties, very little large-scale R&D was undertaken by the Chemical industry to create intellectual property. The Industry would, therefore, have to make large investments in R&D to successfully counter competition from the international chemicals industry. India has a number of scientific institutions and the country's strength lies in its large pool of highly trained scientific manpower.

The Indian industry has emerged from a protected environment where it was largely a supplier to the domestic market. Hence manufacturing plants, built to meet this local demand were small compared to the global scales and did not necessarily employ state-of-the-art technology. In many cases the industry operated with assured margins, protected against the emergence of

competition from within India through licensing or across the borders through high import tariffs.

The industry has changed over time to match dynamic needs of the rapidly developing nation. The industry has evolved from being a producer of basic chemicals in a highly regulated environment to becoming a mature industry, free to choose its product portfolio in an open economy. With investments in R&D, the industry is registering significant growth in the knowledge sector comprising of specialty chemicals, fine chemicals and pharmaceuticals.

The chemical industry in India is poised for explosive growth in the coming years. India's population has grown nearly as large as that of China, with its consuming middle class accounting for about a third of

**Indian Chemical Industry
poised for significant growth
based on expanding GDP and
demographics.**

its population. Disposable income in India is rising, potentially driving growth of chemicals consumption at exponential rates. India's GDP growth has exceeded 9% for the last fiscal year, fueling double-digit growth of its chemicals industry.

India's government has set in place policies and special economic zones to promote investment in its petrochemical sector, and several key domestic companies have unveiled ambitious expansion plans for the next few years.

THE DNL EDGE

- Competence in key processes
- Quality assurance through technological competence
- Cost competitive operations
- Flexibility in operating facilities
- Leadership position in almost all the products/segments it operates.
- Strong focus on R&D
- Relationships and Partnerships with Key Customers
- Adherence to Environmental Norms

Competence in key processes

DNL has set product quality and specifications to match the standards set by the world's best producers. The increasing international business and growing customer base which includes some of the marquee names in the global chemical industry demonstrates the satisfactory and reliable performance with respect to quality of products manufactured by DNL.

DNL is uniquely positioned to produce intermediates for industries catering to diverse market sectors like pharmaceuticals, rubber chemicals, leather chemicals, agrochemicals, tyre industries, fuel additives, dyes and dyestuff, etc.

DNL portrays a high level of expertise in the processes / reactions mentioned below:

- Hydrogenation
- Nitration
- Chlorination
- Sulfonation
- Alkylation
- Condensation

- Phenylation
- Oxidation
- Nox Production & Absorption

DNL aims to be the first port of call for customers desiring these processes. Expertise in the processes is on par with international standards. Assured quality improves margin and drives its performance.

Quality Assurance through technological competence

DNL has set in place strict quality control measures and constantly endeavours to further enhance the quality of its products through well structured Research & Development setup. A large proportion of the company's products are exported to Europe and its profile of customers includes some of the leading chemical companies in the world indicating its ability to meet stringent quality benchmarks.

The Quality Assurance Department has over 50 trained chemists and sophisticated analytical equipments like capillary GCs, HPLCs, infra-red and UV spectrophotometers, auto titrators, moisture analysers, etc. The equipments are continuously upgraded to meet the current international standards. Quality specifications go beyond simple purity determination to provide data on related impurities as well. Additional highly sophisticated analytical equipment is available at the in-house R&D facilities to support the analytical development and generation of appropriate analytical methods for new products for the specific customer requirements.

The Company's quality management system complies with ISO 9001 standard and is currently certified by KPMG. The first certification was awarded to the Company's Nandesari site in 1996 and maintained and continuously upgraded thereafter. The increasing international business and growing customer base which includes some of the big names in the world chemical industry demonstrates the satisfactory and reliable performance with respect to quality of products manufactured by the Company.

Some of the key quality-led advantages are:

- Leveraging on technical capabilities to run processes at high efficiencies as well as meet stringent quality standard of customers.
- Assured supply of piped gas helps to increase the reliability of its processes.
- The established presence and track record in the industry is based on years of supplying quality products to customers including those that have been subjected to complex processes.

Cost competitive operations

DNL has a cost competitive setup of operations. Some key competitive advantages are:

- Scale of operations and location of facilities helps to provide DNL with a competitive edge.
- The company has been able to secure assured supply of piped gas which enables it to increase the cost effectiveness and reliability of its processes.
- The established presence and track record in the industry. The plants set up by the company run on high efficiency with low maintenance outgo.

Earlier, competitiveness vs. Chinese companies was low due to incentives provided by the Chinese Government to smaller chemical manufacturers such as access to low cost capital, liberal labor laws and less stringent pollution control norms. However, the incentives provided by the Chinese Government have been withdrawn. Additionally due to heightened environmental concerns global customers have enhanced their focus on adherence to environmental norms which has led to a level playing field. Given the withdrawal of these unsustainable incentives DNL has been able to improve its cost competitiveness in global markets.

Flexibility in manufacturing operations

The nature of the business results in some of the product margins coming under pressure due to cyclicity. The company has structured its manufacturing operations to be able to switch manufacturing schedules between products. Thus the company can accommodate products which are facing a better short-term demand scenario or can switch manufacturing schedules in favour of higher margin products. Further, the company also has the ability to run batches for production and store products until orders are received. This ensures that optimum batch sizes are maintained in production runs which helps to distribute overheads adequately resulting in greater cost competitiveness and also contributes to higher efficiencies.

Leadership position in several products

DNL is India's largest producer of sodium nitrite and sodium nitrate by the ammonia oxidation process. Sodium nitrite also forms the raw material for several other value-added products manufactured by the company such as hydroxylamine derivatives, oximes, alkylated hydroxylamine and a rubber-blowing agent. DNL has expertise to safely handle bulk and hazardous chemicals. DNL is the market leader (65% market share) for sodium nitrite in India. Cost leadership, supported with well-entrenched market network & customer understanding has seen steady rise in market share for DNL.

DNL, as a company, is strengthening its relationship with different customers in the export market and its product is also gaining recognition due to its superior quality. Of the exports, 70% is to Europe and the rest to Japan, Korea with an increasing share to China as well.

In the domestic market, DNL enters into monthly contracts for the supply of Sodium nitrate and Sodium nitrite.

In the Organic Intermediates segment, DNL is the market leader in India in Nitro Toluene (NT) business, and is among the top 3 globally in the Xylidine & Cumidine business and has significant presence in Nitro Chloro Benzene (NCB).

In the Fine & Specialty segment, DNL is among top 3 players globally in Color Intermediate and Oximes. DNL has a niche positioning in various product categories in this segment.

Research and Development

As mentioned earlier, the company invests a steady portion of its revenue into Research and Development each year. The focus of the R&D Centre is to either create new products or to improve upon processes for existing products or developing new applications for existing products. This may be through lowering overall cost of an existing process or reducing wastage or even utilization of wastage into a by-product.

Apart from fairly sophisticated R&D capabilities, the company also runs a pilot plant at Roha. Processes developed in the laboratory stage at a size of a few kg can be scaled up to more optimum sizes in the pilot plant. This pilot plant has several glass-lined and stainless steel reactor systems supported by auxiliary systems to carry out distillation, separation, drying, etc. The pilot plant is thus capable of providing data for design of the final manufacturing facilities as well as supplying the first few lots up to few tons for final customer trials. The company's focus on R&D, its scale of R&D investment in proportion to overall revenues and sophistication of R&D capabilities is a clear differentiator when compared to some of its peers.

Relationships and Partnerships with Key Customers

DNL is uniquely positioned to serve intermediates to industries catering to diverse market sectors like pharmaceuticals, rubber chemicals, leather chemicals, pesticides, fertilizers, tyre industries, dyes and dyestuff etc.

The Company has set product quality and specifications matching the world's best producers. All the manufacturing sites have modern facilities for analysing raw materials, samples from various process stages as well as every lot of finished product to ensure adherence with defined standards.

DNL's diversified manufacturing expertise and proven ability of innovation and new products / processes development further coupled with long term relationship with major MNCs based on satisfactory performance ensures strong customer loyalty. The company enjoys good relationships with its customers and their association with some customers is for periods of 5-10 years and more.

Deepak Nitrite has a diversified customer base consisting of some of the largest chemical companies in the world, including Syngenta Global, Bayer Crop Science, BASF, Kemira, Lanxess, Clariant, Isochem, Lonza and Sun Chemical.

The company is entering into a mix of price/volume contracts with suppliers and customers. This would ensure greater certainty of volume uptake at assured margins. This is beneficial for both the company and its customers.

The Diversified customer base exposes the company to different industries, economic cycles and currencies thereby providing a natural hedge.



Adherence to Environmental Norms

Environmental Concern is woven into the DNL culture. Its application extends from choice of new processes researched in labs to choice of acquisitions. DNL has developed catalytic processes in place of old, waste generating processes and has even converted waste into valuable products at some of its plants.

Recently acquired businesses conform to zero liquid effluent norms. New initiatives being developed improve fuel efficiency and hence reduce CO/CO₂ emissions. Ongoing developments in more effective solvents will also help customers in reducing their waste.

DNL is a signatory to the Responsible Care initiative which is the chemical industry's global voluntary initiative under which companies, through their national associations, work together to continuously improve their health, safety and environmental performance.

Ongoing manufacturing processes are studied in detail with a view to minimize generation of liquid / gaseous waste streams as a part of continuous improvement. A specially constituted Pollution Control Cell is actively engaged in developing technologies for environmental protection at our manufacturing plants.

The stringent adherence to Environmental norms has helped the company gain greater acceptance among its global customers. This is also expected to work in the company's favour as it endeavours to gain incremental market share from new business opportunities that may arise.

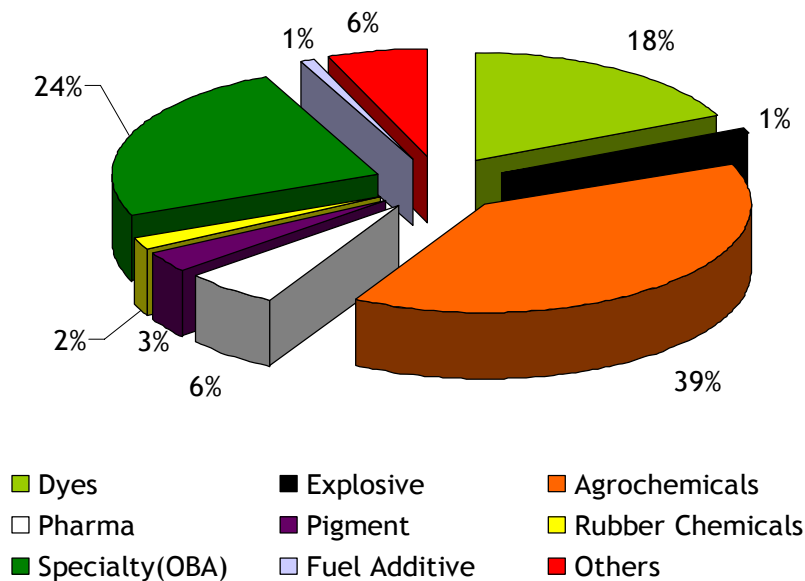
KEY GROWTH DRIVERS

- Expansion of End User Industries
- Research and Development
- Innovation through new products / processes
- Capacity Expansion
- Inorganic growth

Expansion of End User Industries

The end user industries served by DNL include Pharmaceuticals, Specialty Chemicals, Dyes, Pigments, Explosives, Fuel Additives, Agrochemicals and Rubber Chemicals. All of these industries are expected to exhibit sustained growth over several years.

End User Industry Segments



This is due to the sustained GDP growth, increasing per capita income, improving demographics and improved disposable income of the Indian Economy. While there has already been

significant growth in many of these end-user industries the scope for further growth remains intact.

Research and Development

The company invests a steady portion of its revenue into Research and Development each year. The Company's R&D center is located at Pune and is recognised by the Dept of Science and Technology, Government of India. There are over 50 R&D scientists working in this lab. The lab is organised in a modular fashion with each research group consisting of a Group Leader (Ph.D. with 5 to 10 years experience) assisted by 3 to 4 Post Graduate Chemists. Each such module is equipped with adequate lab bench space and labhood space to carry out entire range of chemical reactions, a separate lab area to carry out pressure reactions and hazardous chemical reactions. The lab is associated with world class analytical facility to carry out analytical development of new products and processes.

Substantial investments in R&D with 50 scientists working in the laboratory.

In house developed products have contributed 12% revenues in FY 08-09.

Thus the focus of the R&D Centre is to either create new products or to improve upon processes for existing products. This may be through lowering overall cost of an existing process or reducing wastage or even conversion of wastage into a saleable by-product.

The R&D lab has access to patent and other chemical literature through appropriate subscriptions and internet facilities. Processes developed in the above lab can be scaled up to a few kg after which they can be scaled up further in the pilot plant located at Roha. This pilot plant has several glass-lined and stainless steel reactor systems supported by auxiliary systems to carry out distillation, separation, drying, etc. The pilot plant is thus capable of providing data for design of the final manufacturing facilities as well as supplying the first few lots up to few tons for final customer trials.

In house developed products give better margins and the freshness index (percentage of revenue from new products) maintained by DNL is high.

Revenue Growth through Innovation

DNL has identified innovation as an important component of its growth strategy. Its execution of this strategy can be seen through the development of new products at its R&D Centre followed by supplies to global customers.

Further, the company is endeavouring to increase its portfolio of fine & specialty chemicals. The company understands that the manufacture of products with increasing complexity and sophistication will help it to move up the value chain and provide impetus to its margins. Further, this increases barriers to entry for the competition and also provides the company with more stability in its business as the increasing complexity of the products will result in usage of raw materials with a lower dependence on crude derivatives resulting in lower susceptibility to changes in price of crude. The execution of the company's strategy can be seen in its initiative to acquire the DASDA business of Vasant Chemicals in 2006.

Capacity Expansion

The company has a proposed capacity expansion through a Greenfield project at Dahej (Gujarat). The company will invest Rs. 225 crore, in phases, to set up additional capacities for chlorination, hydrogenation and nitration. Phased implementation will ensure limited y-o-y capex and better return ratios.

Preparing in advance for future growth.

DNL has already acquired 60 acres of land at Dahej and has selected the location based on evaluation of proximity to sources of the necessary inputs like hydrogen, chlorine, caustic soda and petro-products, as well as very good port based infrastructure facilities available there.

State-of-art facility to facilitate increase in new product launches.

Upon completion of all phases, the Dahej facility will have chlorination capacity of 20,000 TPA, nitration capacity of 30,000 TPA and hydrogenation capacity of 40,000 TPA to become the largest multi product hydrogenation facility in the country.

Inorganic Growth

DNL has a fairly successful track record with acquisitions. The strategy implemented in this area is to

- identify a business which has significant potential but is underperforming.
- acquire the business at a price which is comfortable given DNL's overall financial position and also leaves adequate room to realise returns.
- increase the efficiency of the business acquired to fully realise benefits.

DNL immensely benefited by acquiring companies whose product lines complemented its own. In 1984, it acquired Sahyadri Dyestuffs & Chemicals Division.

Deepak Nitrite strategically acquired Aryan Pesticides in the year 2000. Located at Roha, 120 kms from Mumbai, it is India's largest manufacturer of Paracumidine and the only

manufacturer of Xylidines, With expertise in Batch Nitration, Chlorination, Alkoxylation and Hydrogenation, this plant had a synergy with Deepak Nitrite's core strengths and is poised to become a major launching pad for custom manufacturing of specialized new products.

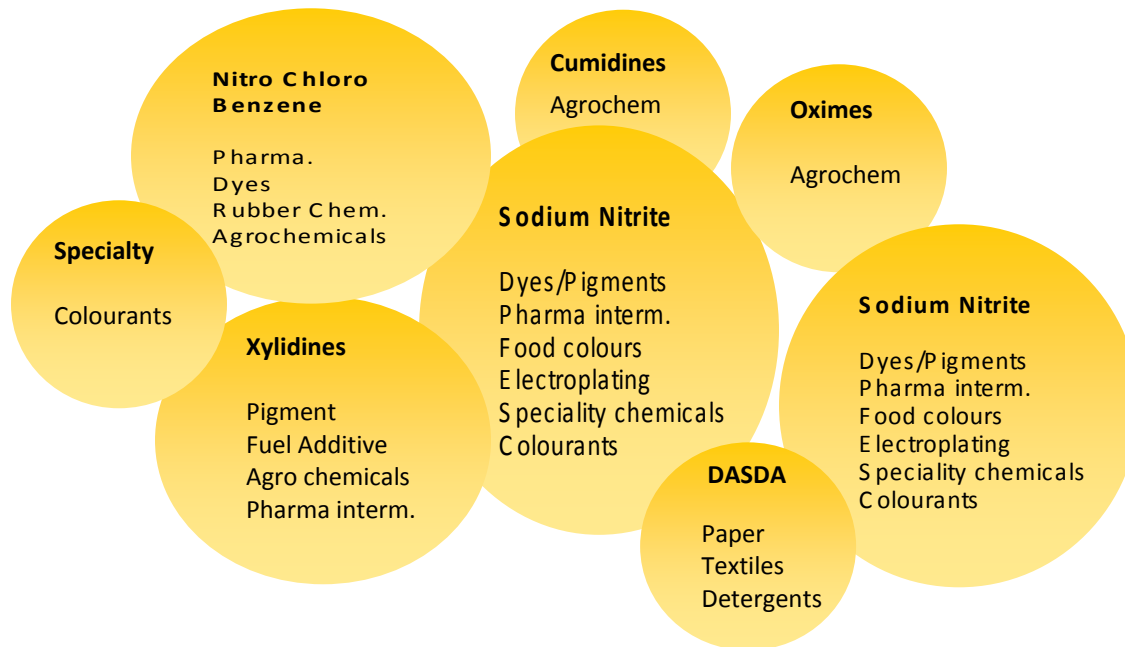
During FY07, DNL acquired the DASDA (diamino stilbene disulfonic acid) business of Vasant Chemicals Limited (as a forward integration step), a closely held company based in Hyderabad.

The company is open to further acquisitions provided they meet stated criteria on valuations and strategic fit.

PRODUCTS

Segment	Key Products	Key Raw Materials	End User Industries	Manufacturing Location
Inorganic Intermediates	Sodium Nitrite, Sodium Nitrate	Caustic Soda, Nitric Acid, Ammonia	Dyes, Pigments, Food Colour, Pharma	Nandesari, Gujarat,
Organic Intermediates	Nitrochlorobenzenes, Nitrotoluenes, Toluidenes, Xylidines, Cumidines	Toluene, Chlorene, Benzene, Cumine, Metalzylene	Pharma, Dyes, Explosives, Rubber Chemicals, Pigments, Agrochemicals	Roha, Taloja, Nandesari, Hyderabad
Fine & Specialty Chemicals	DASDA & Agro Chemicals Intermediates	Toluene, Soda Ash, Caustic Soda, Sulphiric Acid	Paper, Textiles, Detergents, Agrochemicals	Hyderabad, Nandesari

APPLICATIONS



FACILITIES

Manufacturing Facility at Nandesari, Gujarat

In 1970, DNL set up a plant at Nandesari, near Vadodara in Gujarat, for manufacturing two import substitutes – sodium nitrite and sodium nitrate – using indigenous technology. At that time global suppliers like BASF, Du-pont and ICI, were supplying a bulk of the sodium nitrite and by manufacturing these two chemicals indigenously, DNL managed to make its presence felt in domestic market. From these humble beginnings, DNL has grown continuously across the value chain by forward, backward and lateral integration.

The Inorganic Intermediates division located in Gujarat is India's largest producer of Sodium Nitrite, manufactured by the ammonia oxidation process. Sodium Nitrite is marketed as a merchant product and also constitutes the basic building block for value-added products such as Hydroxylamine derivatives and DNPT (Blove), a rubber-blowing agent. This Division is now focusing on new high value products based on Nox chemistry and Redox process.

Manufacturing Facility at Taloja, Maharashtra

Deepak Nitrite's Taloja Chemical Division, at Taloja (near Mumbai) in Maharashtra, manufactures aromatic amines based on in-house developed technology by catalytic hydrogenation. Continuous supply of hydrogen comes from our group company DFPCL. A recent expansion gives the division the capability to produce several new products based on Reductive Alkylation.

Manufacturing Facility at Roha, Maharashtra

Deepak Nitrite's strategic acquisition is Aryan Pesticides. Located at Roha, 120 kms from Mumbai, it is India's largest manufacturer of Paracumidine and the only manufacturer of Xylidines,. With expertise in Batch Nitration, Chlorination, Alkoxylation and Hydrogenation, this

plant has a synergy with Deepak Nitrite's core strengths and is poised to become a major launching pad for Custom Manufacturing of specialized new products.

Hyderabad Specialty Division

Hyderabad Specialty Division manufactures DASDA that is used in the manufacture of Optical Brightening Agents (OBA). OBAs are consumed by the paper, textile and detergent industry. HSD's world class quality and competitive manufacturing capabilities have enabled us to take almost 20% of world's market share of DASDA business. Paper and textile segments are showing rapid growth particularly in India and China and DNL through its HSD division is well positioned meet this growing demand.

Pilot Plant, Roha

The Plant is meant to serve as a catalyst for our customers to transform their formulas into newer markets and healthier bottom lines. This facilitates our customers to experiment with their formulations and develop new chemicals at a lower cost and a faster time to market.

The Plant has helped in the scaling up of the experimental products from gram, offered at the lab scale, to up to 100 kg and above. The facilities at the Pilot Plant are designed to simulate processes - from pre-processing to tests to finished products.

The state-of-art Pilot Plant has process facilities like reactors, distillation columns, centrifuges, heat exchangers, tanks, filters, pumps, etc. Its process development laboratory boasts of a kilo scale laboratory with well developed platforms for carrying out reactions and other processes. The laboratory also has two fume hoods for hazardous reactions.

R&D Facility in Pune

R&D facility, the Deepak Research & Development Centre (DRDC) at Pune that has been approved by the Government of India., Dept. of Science & Technology. DRDC has a sophisticated analytical laboratory and facilities for testing new technologies and new products.

A team of over 30 persons, including PhDs and Chemical Engineers are supported by a technical services group of Chemists / Chemical Engineers at the manufacturing divisions. The Centre works closely with reputed universities and research institutes of India like the University Institute of Chemical Technology – Mumbai, National Chemical Laboratory - Pune and the Indian Institute of Chemical Technology – Hyderabad.

The Company's quality management system complies with ISO 9001 standard and is currently certified by KPMG. The first certification was awarded to the Company's Nandesari site in 1996 and maintained and continuously upgraded thereafter.

MILESTONES

1972 – Commenced Manufacturing of Sodium Nitrite and Nitrate at Vadodara, Gujarat

1974 - Prestigious “Sir P. C. Ray” award for innovation

1979 – Promoted Deepak Fertilisers & Petrochemicals Ltd.

1984 – Acquisition of Sahyadri Dyestuffs & Chemicals from Mafatlal Group

1992 – Acquired Multipurpose Nitro-Aromatics Plant

1993 – Merit Certificate from CHEMTECH foundation

1994 – Hydrogenation Facility near Mumbai

1998 – FICCI Award, Presented by the then Prime Minister Mr. I. K. Gujral

1999 – Acquisition of Aryan Pesticides Ltd.

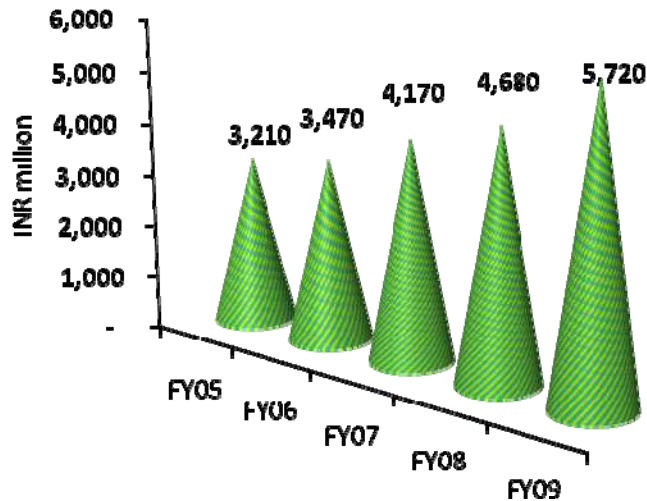
2005 – Relocation of Sahyadri facilities to Vadodara & Roha

2006 – Acquisition of colour intermediates business from Vasant Chemicals Ltd.

2008 – Syngenta Supplier Award for intensity & performance

FINANCIAL PERFORMANCE

The Company's performance during fiscal 2008 – 09 demonstrates the strong operating results from all its segments of Organic Intermediates, Inorganic Intermediates and Fine & Specialty Chemicals.



Revenues

Over the last 5 years, the Company has been able to deliver a 16% CAGR growth in Net Revenues. FY 2008-09 was a very challenging year due to the situation in developed markets which led to a global recession. However, operationally, this was Deepak Nitrites' most successful year ever reported, despite the unprecedented challenges. The performance for the first half of FY 2008-09 was better due to the following reasons:

- a) decrease in supply from China
- b) favourable conditions of world agricultural markets, which in turn raised demand for crop protection products
- c) company's ability to change the product mix to meet the change in market scenario.

The profits were healthy not only because of these external market situations but also due to high-quality functioning of the company.

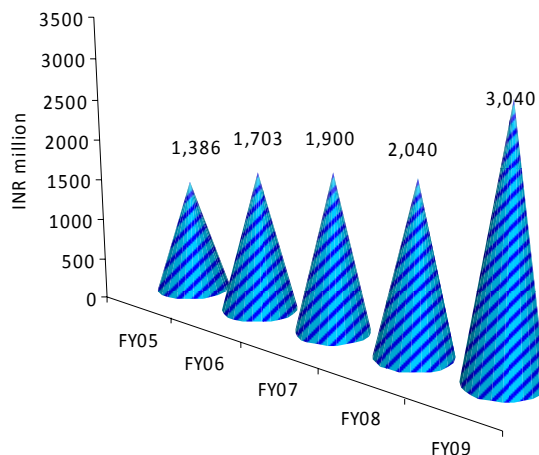
During FY 2008-09, the Company surpassed a significant milestone as its turnover crossed the Rs. 500-crore mark. Net Sales stood at Rs. 572 crore in FY2009 as compared to Rs. 468 crore in FY2008, translating into year-on-year growth of 22%.

The company was also able to increase volumes during FY 2008-09. This can be attributed towards the pricing situation for both, raw materials and finished products, which were significantly higher during FY2009. The supply disruption, which was a one-off scenario and was caused by the closure of Chinese chemicals factories in view of the Beijing Olympics, resulted in exceptionally strong orders to other global manufacturers at that time. This resulted in a markedly higher turnover as well as raw material cost in FY2009.

The 1st half of 08-09 showed good revenues whereas the 2nd half was bad due to global meltdown, with 4th quarter showing revival in profitability.

Export contribution

The export turnover increased by 49% from Rs. 204 crore to Rs. 304 crore in FY2009.



The Company is actively shifting its customer focus in the export market, predominantly in the US, German and Chinese markets. Keeping this view in mind, the Company's exports contribution enhanced to 53% of the total Net Sales in FY2009 as compared to 44% in FY2008.

Expense Heads - Raw materials

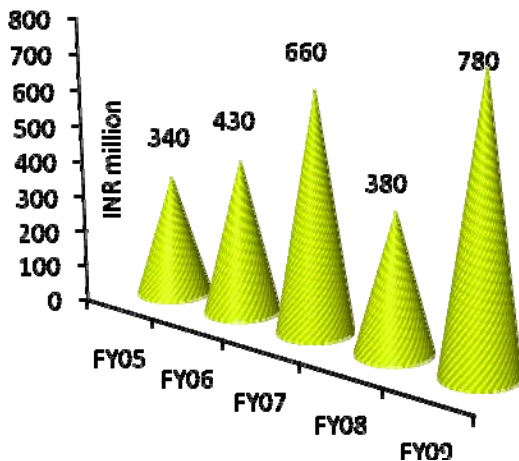
Overall manufacturing efficiency and integrated processes have contributed to higher value addition to the intermediary products and this is manifested in relative insensitivity of the raw material cost to profitability. During FY2009, prices of raw materials faced an unprecedented high due to disruptions in global supply caused by closure of Chinese manufacturing facilities, which resultantly increased demand from other global manufacturers. However, the Company expects prices to remain stable going ahead.

Expense Heads - EBITDA

The performance of Deepak Nitrite during H1FY2008 was severely affected due to non availability of key inputs which resulted to plant closures for about 75 days. Increase in input prices and low realizations as a result of unhealthy Chinese competition. There was improved performance in H2FY2009 as a result of much improved realizations due to stricter compliance policies of the Chinese Government for the local industry, change in global macro-economic

conditions as well as certain strategic initiatives taken by the Company.

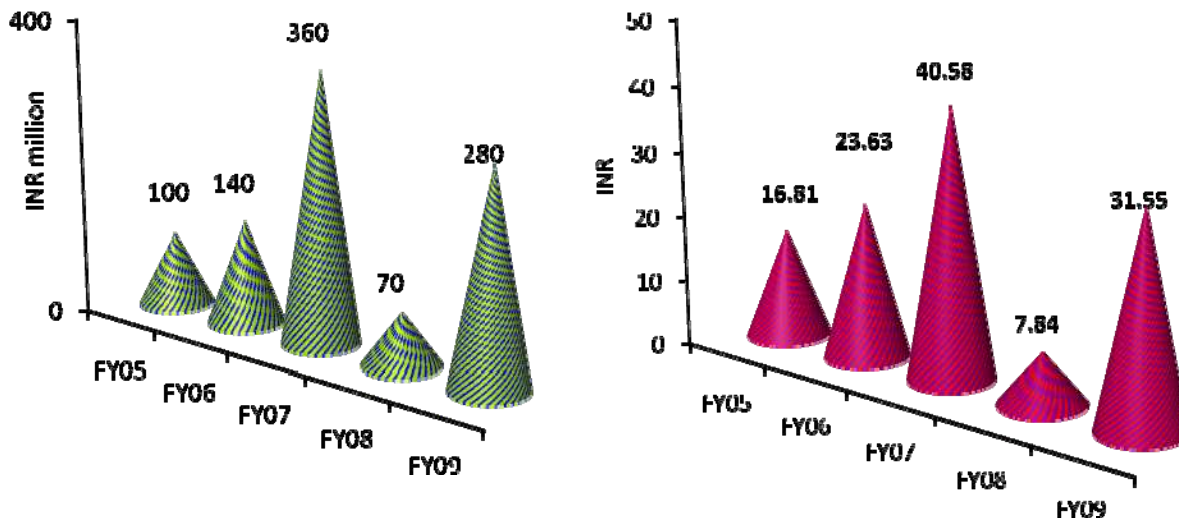
The EBITDA was impacted in the FY 2007-08 due to the disruption in availability of piped gas. This led to an increase in operating costs as the company had to source the gas in cylinders. Further, the company also faced fluctuation in prices of raw materials and finished goods. Lastly, the imports from China also had an impact on profitability in that year.



Expense Heads - Interest Costs

The company has made a concerted effort to manage its working capital cycle more prudently leading to reduction in quantum and duration of funds tied up in working capital. There has been a reduction in the rate of interest since the corresponding quarter last year due to the availability of borrowing in foreign currency.

PAT & EPS perspective



Profitability in FY 2006-07 was enhanced by the sale of land for an amount of Rs. 29.8 crore .

3 year Balance Sheet

Balance Sheet	AS AT 31.03.2009 Rs.	AS AT 31.03.2008 Rs.	AS AT 31.03.2007 Rs.
I SOURCES OF FUNDS			
1 SHAREHOLDERS' FUNDS			
(a) Share Capital	89,632,330	89,632,330	89,632,330
(b) Reserves & Surplus	1,816,731,654	1,586,825,633	1,562,212,230
	1,906,363,984	1,676,457,963	1,651,844,560
2 LOAN FUNDS			
(a) Secured Loans	574,991,506	967,543,266	1,203,981,382
(b) Unsecured Loans	320,478,433	382,677,729	500,566,635
	895,469,939	1,350,220,995	1,704,548,017
3 DEFERRED TAX LIABILITY	178,807,648	206,258,286	216,887,000
TOTAL	2,980,641,571	3,232,937,244	3,573,279,577
II APPLICATION OF FUNDS			
1 FIXED ASSETS			
(a) Gross Block	3,225,388,067	3,067,403,383	3,052,243,215
(b) Less: Depreciation & Impairment Provision	1,578,638,619	1,412,528,836	1,263,725,171
(c) Net Block	1,646,749,448	1,654,874,547	1,788,518,044
(d) Capital Work in Progress (net of impairment provision)	77,317,901	26,754,082	26,358,209
	1,724,067,349	1,681,628,629	1,814,876,253
2 INVESTMENTS	13,291,930	20,862,530	20,862,530
3 CURRENT ASSETS, LOANS & ADVANCES			
(a) Inventories	641,954,745	642,318,971	659,229,875
(b) Sundry Debtors	683,714,906	953,069,306	1,100,373,217
(c) Cash & Bank Balances	38,834,884	65,463,953	60,504,113
(d) Loans & Advances	365,469,173	418,092,924	590,671,721
(e) Other Current Assets	87,191,036	106,896,774	96,555,262
	1,817,164,744	2,185,841,928	2,507,334,188
LESS: CURRENT LIABILITIES AND PROVISIONS			
(a) Liabilities	478,138,997	591,007,426	722,734,062
(b) Provisions	95,781,770	71,279,461	74,182,276
	573,920,767	662,286,887	796,916,338
NET CURRENT ASSETS	1,243,243,977	1,523,555,041	1,710,417,850
4 MISCELLANEOUS EXPENDITURE	38,315	6,891,044	27,122,944
TOTAL	2,980,641,571	3,232,937,244	3,573,279,577

3 year Profit & Loss Statement

Sr. No.	Particulars	31.03.2009	31.03.2008	31.03.2007	31.03.2006	31.03.2005
		FY2009	FY2008	FY2007	FY2006	FY2005
		Audited	Audited	Audited	Audited	Audited
1	(a) Net Sales/Income from Operations	57,235.22	46,806.07	42,034.89	34,728.83	32,126.68
	(b) Other Operating Income	745.62	243.96		528.89	435.25
2	Expenditure					
	a. (Increase)/Decrease in Stock in Trade & WIP	(1,320.15)	550.20	(1,236.26)	(839.27)	328.34
	b. Consumption of Raw Materials	31,043.91	30,230.64	27,772.36	22,498.00	19,992.49
	c. Purchase of Traded goods	6,054.42	204.24	749.18		
	d. Employee Cost	3,932.49	3,403.80	2,901.11	2,514.88	2,497.89
	e. Depreciation	1,699.48	1,642.93	1,479.70	1,144.18	999.68
	f. Other Expenditure	10,740.68	8,975.39	8,412.74	6,948.30	6,531.66
	g. Total	52,150.83	45,007.20	40,078.83	32,266.09	30,350.06
3	Profit from Operations before Other income, Interest and Exceptional Items (1-2)	5,830.01	2,042.83	1,956.06	2,991.63	2,211.87
	EBITDA	7,529.49	3,685.76	3,435.76	4,135.81	3,211.55
	EBITDA %	12.99%	7.83%	8.17%	11.73%	9.86%
4	Other Income	308.60	162.68	197.54	123.65	187.73
5	Profit before Interest and Exceptional Items (3+4)	6,138.61	2,205.51	2,153.60	3,115.28	2,399.60
	EBIT %	10.73%	4.71%	5.12%	8.80%	7.33%
6	Interest	1,508.34	1,531.70	1,349.01	1,070.65	912.18
7	Profit after Interest but before Exceptional Items (5-6)	4,630.27	673.81	804.59	2,044.63	1,487.42
8	Exceptional Items-Impairment of Assets	(344.60)	-	2,985.46	-	-
9	Profit (+)/Loss(-) from Ordinary Activities before tax (7+8)	4,285.67	673.81	3,790.05	2,044.63	1,487.42
10	Tax expenses	1,457.67	(28.62)	222.09	630.98	481.75
11	Net Profit (+)/Loss (-) from Ordinary Activities after tax (9 - 10)	2,828.00	702.43	3,567.96	1,413.65	1,005.67
12	Extraordinary Items (net of tax expenses Rs.)	-	-	-	-	-
13	Net Profit (+)/Loss (-) for the period (11-12)	2,828.00	702.43	3,567.96	1,413.65	1,005.67
	PAT %	4.85%	1.49%	8.45%	4.00%	3.07%
14	Paid up Equity Share Capital (Face Value of Rs. 10/- each)	896.32	896.32	896.32	598.21	598.21
15	Reserves excluding revaluation reserve	17,998.88	15,695.78	15,444.04	7,689.34	7,105.95
16	Basic & Diluted EPS not annualised Rs.	31.55	7.84	40.58	23.63	16.81

Cash Flow Statement

	2008-2009	2007-2008	2006-2007
	Rs.	Rs.	Rs.
A) CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit before Income tax and extraordinary items:	428,567,724	67,380,848	379,005,431
Add Depreciation	169,948,129	164,293,325	147,969,762
Interest	150,834,056	153,170,424	134,900,545
Wealth Tax	584,200	551,973	758,342
Deferred Expenses	6,852,728	20,231,900	19,940,408
Loss on Sale of Fixed Assets	5,953,765	5,609,939	8,287,904
Loss on Impairment of Assets	34,459,823	-	-
Provision for Doubtful Debts (Net)	3,360,577	377,321	-
	800,561,002	411,615,730	690,862,392
Less Interest Income	6,488,779	3,486,927	2,811,602
Dividend Income	90,141	30,075	5,540,268
Profit on Sale of Fixed Assets/Land	74,851	-	298,546,166
	6,653,771	3,517,002	306,898,036
Operating profit before changes in working capital	793,907,231	408,098,728	383,964,356
Adjustment for changes in current assets/liabilities			
Add Loans and Advances	13,891,620	165,846,702	-
Inventories	364,226	16,910,904	-
Trade receivable	269,354,400	146,926,594	-
Trade Payable	-	-	311,557,037
	283,610,246	329,684,200	311,557,037
Less Trade Payable	102,317,042	133,399,360	-
Inventories	-	-	129,428,221
Trade receivable	-	-	345,269,184
Loans and Advances	-	-	300,025,007
	181,293,204	196,284,840	(463,165,375)
Cash generated from operations	975,200,435	604,383,568	(79,201,019)
Less Direct Taxes paid	130,215,768	3,392,529	51,089,437
	844,984,667	600,991,039	(130,290,456)
CASH INFLOW BEFORE EXTRA ORDINARY ITEMS	844,984,667	600,991,039	(130,290,456)
Less Deferred Revenue Expenditure Paid	-	-	3,761,592
NET CASH INFLOW FROM OPERATING ACTIVITIES (A)	844,984,667	600,991,039	(134,052,048)

B) CASH FROM INVESTING ACTIVITIES			
Sale of Fixed Assets	2,577,193	3,229,950	300,999,667
Interest received	6,029,730	3,270,041	2,616,321
Dividend received	90,141	30,075	5,540,268
Sale of investments			3,000
	8,697,064	6,530,066	309,159,256
Less Purchase of Fixed Assets (including advance on capital accounts)	236,186,260	51,841,443	234,316,493
Purchase of DASDA Business			546,910,954
NET CASH GENERATED FROM INVESTING ACTIVITIES (B)	(227,489,196)	(45,311,377)	(472,068,191)
C) CASH FLOW FROM FINANCIAL ACTIVITIES			
In flow			
Proceeds from long term borrowings from Banks and Financial Institutions	-	90,897,500	163,192,000
Increase in Working Capital borrowings	-	-	278,747,505
Increase in Capital	-	-	19,410,493
Increase in share premium	-	-	417,363,940
Proceeds from other borrowings	50,950,000	-	85,533,233
	50,950,000	90,897,500	964,247,171
Less Outflow			
Repayment of long term borrowings & H.P. arrangements	162,585,228	159,818,784	162,267,655
Decrease in Working Capital borrowings	229,966,532	167,516,832	-
Decrease in other borrowings	113,149,296	117,888,906	-
Interest paid	147,126,317	154,461,933	134,519,914
Dividends paid including Corporate Dividend Tax	42,247,167	41,930,867	40,555,734
	695,074,540	641,617,322	337,343,303
NET CASH GENERATED FROM FINANCIAL ACTIVITIES (C)	(644,124,540)	(550,719,822)	626,903,868
NET INCREASE IN CASH & CASH EQUIVALENTS (A+B+C)	(26,629,069)	4,959,840	20,783,629
Cash & Cash Equivalents			
Opening Balance as at 01.04.08 (01.04.07) (01.04.06)	65,463,953	60,504,113	39,720,484
Cash & Cash Equivalent as at 31.03.09 (31.03.08) (31.03.07)	38,834,884	65,463,953	60,504,113

APPENDIX I: SHAREHOLDING

Shareholding pattern as on 30 September 2009			
Category	Sub Category	No. of Securities Held	% Holding
Promoter's Holding	Indian Promoters	5,055,778	56.41
	Foreign Promoters	-	
	Sub Total	5,055,778	56.41
Institutional Investors	Mutual Funds/UTI	1,800	0.02
	Financial Institutions & Banks	450	0.01
	Insurance Companies	330,423	3.69
	Sub Total	332,673	3.71
Non Institutions	Bodies Corporate	464,883	5.19
	Individuals	3,081,717	34.38
	Non Resident Indians	28,182	0.31
	Sub Total	3,574,782	39.88
	Grand Total	8,963,233	100.00

APPENDIX II: BOARD OF DIRECTORS

The DNL board has twelve eminent professionals who bring to the Company extensive experience in industry and in establishing and leading diverse businesses and long-term strategic relationships. The board has a fair representation, with nine independent directors and three promoter and/or executive directors, imperative for sustaining the organisation's long-term growth prospects.

C.K. Mehta - Chairman

Mr. C. K. Mehta (age 77 years) is the founder and Chairman of Deepak Nitrite Limited and is associated with the Company right from the date of inception of the Company. He is a well known industrialist and with over 54 of versatile knowledge and experience in the Chemical Trade and Industry. Mr. C. K. Mehta is also the co-founder of Deepak Fertilisers and Petrochemicals Corporation Limited and is the Chairman of both the Companies.

Deepak C. Mehta - Vice Chairman & Executive Director

Mr. D. C. Mehta (age 52 years) is a Science Graduate from the University of Mumbai and is closely associated with the Company since the last 30 years. He is the Vice Chairman and Managing Director of Deepak Nitrite Limited and is looking after the day to day affairs of the Company since 1983. D. C. Mehta is the immediate past Chairman of National Chemicals Committee of FICCI. He is a Member of 'National Committee on Chemicals, Petrochemicals and Fertilizers' of Confederation of Indian Industry (CII). He is also been the immediate past President and Vision Committee Chairman of Indian Chemicals Council (ICC) and has been associated with ICC for more than a decade. He was also the Chairman of various committees including the Trade & Business Development Committee of ICC for over four years. He adorned the position of member of 'Task Force on Chemicals Industry' constituted by the Government of India with an objective to put forward a strategy for increasing competitiveness for the Indian Chemical Industry. Apart from this, he is serving as a Director on the Board of about thirteen companies of which, he is serving as the Chairman of the Audit Committee of Deepak Novochem Technologies Limited.

Ajay C. Mehta - Managing Director

Mr. A. C. Mehta is a Science Graduate with Honours and Master of Science (Chemical Engineering) from the University of Texas, USA. He is actively associated with the Company since 1984 and is a Managing Director of the Company since December 1989.

Shrenik Kasturbhai Lalbhai - Independent and Non-Executive Director

Kasturbhai (age 83 years) is a well known Industrialist and a MBA from Harvard University. He is a financial expert and a person upholding the highest virtues. He provided exemplary leadership as the Chairman of the Company for over 27 years from the Company's inception till 1998. He is associated with the Lalbhai group of Companies for past many years.

M. R. B. Punja - Independent and Non-Executive Director

Mr. Punja is the former Chairman and Managing Director of the Industrial Development Bank of India (IDBI), a premier financial institution of the Country. He possesses rich experience in the field of Finance and Management. Presently Mr. Punja is the Chairman of the Audit Committee and has been associated with the Company's Board.

A. K. Dasgupta - Independent and Non-Executive Director

Mr. Dasgupta is a Science Graduate along with Bachelor of Chemical Engineering having rich experience in the field of Chemicals and is responsible for producing various resins and chemicals for the first time in India. He is associated with many professional Bodies at various levels and has presented many papers at various National and International seminars. He has been associated with the Company since 1978.

Hasmukh Shah - Independent and Non-Executive Director

Mr. Shah (age 74 years) is B.A. (Hons.) in Economics and M.A. in Sociology. He is a Founder Chairman of Gujarat Institute of Desert Ecology. Earlier he was Ex-Chairman and Managing Director of Indian Petrochemicals Corporation Limited. He has also held various important positions like Joint Secretary to the Prime Minister of India, Secretary of Post and Telegraph Board, Chairman of Gujarat Industrial Investment Corporation, Vice Chairman of GE Capital (India), Chairman of Gujarat Industrial Research & Development Agency and Gujarat Ecology Commission.

Nimesh Kampani - Independent and Non-Executive Director

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

Sudhin Choksey - Independent and Non-Executive Director

Mr. Choksey is a Chartered Accountant having vast experience in the field of Finance. He is a Managing Director of GRUH Finance Limited and also a Director and member of Audit Committee of Gujarat State Financial Services Limited.

Bergis Desai - Independent and Non-Executive Director

Mr. Desai is a Solicitor and a Managing Partner of M/s. J. Sagar & Associates, a renowned firm of Solicitors & Advocates. He has extensive experience as an arbitrator and counsel in the field of Corporate Laws and also in international commercial & domestic arbitration. He has also worked as a journalist with a leading Indian daily and continues to be a columnist in the Indian newspapers.

Richard H. Rupp - Independent and Non-Executive Director

Dr. Rupp is Ph. D. Chemistry (with distinction) from University of Karlsruhe, Germany and has done his program for Executive Development, IMD at Lausanne, Switzerland. Dr. Rupp has held various top level positions in leading multinational companies such as Hoechst AG, Germany, Lonza, Switzerland and Allessachemie, Germany. His focus has been in the field of pharmaceuticals and fine chemicals.

Sudhir Mankad - Independent and Non-Executive Director

Mankad has done MA in History from Delhi University and Diploma in Development Studies from Cambridge University. He was in the Indian Administrative Services (IAS) from 1971 to 2007. Presently, he is the Chairman of Gujarat Institute of Desert Ecology and a Member of High Power Expert Committee on Urban Development, Government of India.

APPENDIX III: CORPORATE SOCIAL RESPONSIBILITY

Since inception, DNL has recognized and performed its duty as a responsible citizen of Society. It has taken up various community initiatives towards the betterment of the society.



Trust
quality

The Deepak Medical Foundation (DMF) and Deepak Charitable (DCT) formed by Deepak Group work towards the bettering the of life of citizens in Nandesari (Gujarat) and Taloja (Maharashtra). These organisations provide healthcare and aim to provide new opportunities and additional sources of incomes to the local residents.

These activities of DMF & DCT have opened up new opportunities and additional sources of incomes for the people. The infant mortality rate has been brought down through innovative mother and child projects. Numerous "balwadis" (nurseries and day care centres) have also been set up to ensure a sound and basic foundation for the next generation.

The group is also working towards social upliftment of women in areas of economic independence and awareness of health issues.

APPENDIX IV: QUALITY & ENVIRONMENT

At DNL quality is the keyword in every activity and a constant endeavour to achieve standards of the highest levels has been an ongoing commitment from the time of its inception as well as recognition and acknowledgement of this devotion. This achievement has been set as a benchmark to go forward in excellence. The commitment towards this is apparent from the fact that DNL has a total manpower of 85 persons supporting the Quality and Technical functions at its various manufacturing facilities.

Respect for the environment is reflected in efforts at ensuring best practices followed at all levels. DNL does not only adhere to the statutory norms but have a holistic approach towards environmental protection.

DNL is a signatory to the worldwide Responsible Care initiative.

The major environmental issues addressed are:

- Ongoing manufacturing processes are studied in detail with a view to minimize generation of liquid/gaseous waste streams as a part of continuous improvement.
- A specially constituted Pollution control Cell at the R&D centre is actively engaged in developing technologies for environment protection at our manufacturing plants. The pollution Cell in fact also helps out smaller industrial units that do not have capabilities and infrastructure for such jobs. The efforts of DNL's team are not aimed at just pollution minimization but also to conserve energy, improve process yields and product quality.

At our manufacturing sites DNL ensures a clean environment by:

- Continuously operating Effluent Treatment Plants
- Burning of waste gases
- Controlling NOX emission
- Monitoring of ambient air quality
- Monitoring of effluents and emission quality
- Safely disposing solid waste

APPENDIX V: DNL – A HISTORICAL PERSPECTIVE



Deepak Nitrite began with a vision to support the country's drive towards self sufficiency and import substitution in 1970. What began as a fully indigenous sodium nitrite and sodium nitrate plant in Nandesari, Gujarat, has now grown into a global company with a presence in over 20 countries, including USA, European Union & East European nations, Japan, ASEAN countries, South Korea and

South America. This has led to a paradigm shift from low value bulk chemicals and intermediates to high value fine and specialty chemicals based on core expertise as well as lateral and vertical integration of our existing products, exploring downstream derivatives.

C.K. Mehta leveraged his skills in trading and manufacturing to set up Deepak Nitrite in 1970. He envisaged a greater role for the company and launched Deepak Fertilizers and Petrochemicals Corporation Limited (DFPCL) and started the commercial production of ammonia - in technical collaboration with Fisch International Engineers (USA) using natural gas as feedstock. This marked the fulfillment of a need for lateral integration into the world of basic building block chemicals, premium fertilizers and petrochemicals.

The company has made significant developments from inception to date:

1972 – Manufacturing of Sodium Nitrite and Sodium Nitrate at Vadodara, Gujarat.

1979 – Promoted Deepak Fertilizers and Petrochemicals Ltd.

1984 – Acquisition of Sayadri Dyestuffs & Chemicals from Mafatlal group.

1992 – Multipurpose Nitro-Aromatics plant.

1994 – Hydrogenation facility near Mumbai.

1999 – Acquisition of Aryan Pesticides Limited.

2005 – Relocation of Sayadri Facilities to Vadodara and Roha.

2006 – Acquisition of colour intermediate business from Vasant Chemicals Ltd.

The company continues to work towards manufacturing value-added chemicals, agro inputs and related services for its customers. The group has not looked back since and has grown beyond all expectations. It has also bagged prestigious awards like the Sir P.C. Ray award, for being the best Chemical Industrial unit in India.