

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

1. Company's Philosophy on Code of Governance

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

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

2. Board of Directors

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

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

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

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

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

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

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

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

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

3. Committees of Board of Directors

i) Audit Committee:

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

The Audit Committee comprises of the following members:

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

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

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

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

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

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

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

(ii) Share Transfer Committee:

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

During the reporting period, the Committee met 21 times.

(iii) Investors Grievance Committee:

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

The Investors Grievance Committee comprises of the following Directors:

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

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

The Company and Sharepro Services (India) Pvt. Ltd. (Registrar & Transfer Agent) attend to all the grievances of the Investors promptly on its receipt, either directly or through SEBI, Stock Exchanges, Ministry of Corporate Affairs, etc.

Continuous efforts are being made to ensure that grievances are more expeditiously redressed to the satisfaction of the investors.

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

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

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

(iv) Remuneration Committee:

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

The Remuneration Committee comprises of the following Directors:

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

The Company Secretary acts as a Secretary to the Committee.

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

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

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

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

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

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

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

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

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

(v) Selection Committee:

The Selection Committee comprises of the following Directors :

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

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

4. General Body Meetings

Details of last three Annual General Meeting held:

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

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

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

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

5. Disclosure

- (i) There have been no materially significant related party transactions of the Company which have potential conflict with the interests of the Company at large. However, normal trade transactions were entered into by the Company with the related parties. Disclosure on related party transactions as per Accounting Standard 18 issued by the Institute of Chartered Accountants of India, are given in Note No. 10 (d) in the Notes forming part of the Accounts for the year ended on March 31, 2011 (Schedule 22).
- (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 laid down procedures for risk assessment and minimisation procedures. This is being periodically reviewed by the Board to ensure that the management manages the risk through properly defined framework.
- (iv) The Company has complied with the mandatory requirements of Clause 49 of the Listing Agreement in respect of Corporate Governance. The Company has not implemented the non-mandatory requirements enlisted by way of annexure to Clause 49 of the Listing Agreement except for the constitution of a Remuneration Committee.

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

6. Means of Communication

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

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

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

7. Code of Conduct

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

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

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

8. Management Discussion and Analysis

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

9. General Shareholder Information

Annual General Meeting:

Day & Date : Friday, August 5, 2011

Time : 10:30 A.M.

Venue : Hotel Surya Palace, Opp. Parsi Agiari, Sayajigunj, Vadodara 390 005.

Date of Book Closure : Thursday, July 28, 2011 to Friday, August 5, 2011 (both days inclusive).

Dividend Payment Date : On or after August 10, 2011 but within the statutory time limit of 30 days, subject to shareholders' approval.

Financial Calendar:

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

Listing on Stock Exchanges:

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

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

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

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

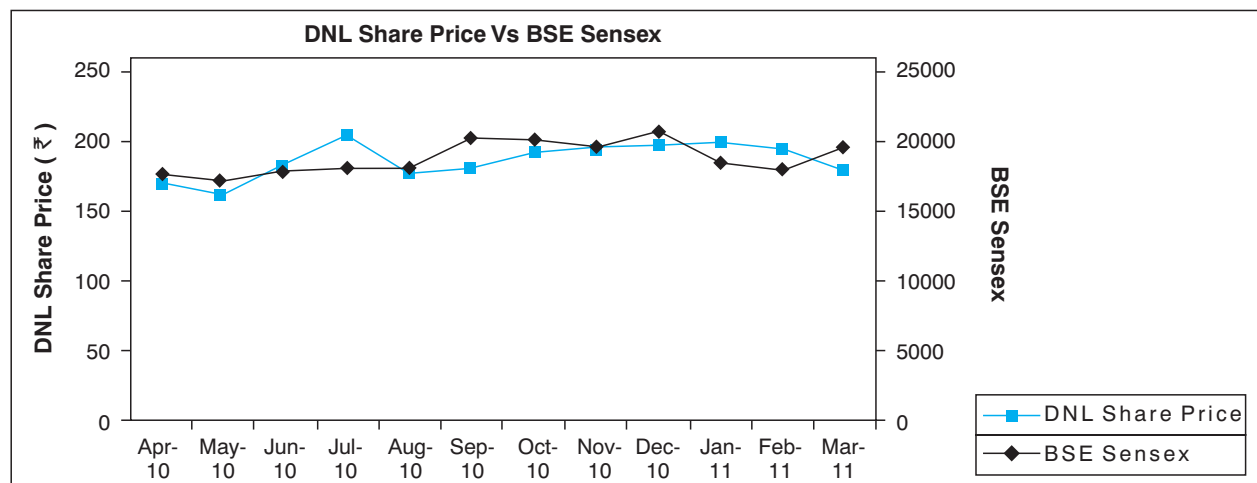
ISIN Number for Equity Shares (NSDL & CDSL): INE288B01011

Market Price Data of Equity Shares:

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

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

Source : www.bseindia.com



Distribution of Shareholding as on March 31, 2011:

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

Shareholding Pattern as on March 31, 2011:

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

The Company has not issued any GDRs/ADRs.

Dematerialisation of Equity Shares:

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

Share Transfer System:

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

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

Registrar and Share Transfer Agent:

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

Registered Office :

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

Telephone Numbers : (022) 6772 0300, 6772 0400

Fax Number : (022) 2859 1568, 2850 8927

E-mail : sharepro@shareproservices.com

Investor Relation Centre :

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

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

Fax Number : (022) 2282 5484

E-mail : sharepro@shareproservices.com

Address for Correspondence and Investor Assistance:

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

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

Fax No. : (0265) 233 0994

E-mail : investor@deepaknitrite.com

Website : www.deepaknitrite.com

Contact Person : Shri Shailesh Vaidya

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

Unclaimed / Unpaid Dividend:

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

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

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

* Indicative dates, actual date may vary.

Plant Locations:

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

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

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

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

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

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

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

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

Santosh Parab
Partner

Membership No.: 47942
Firm Registration No. 105102W

Place : Mumbai
Date : May 6, 2011