



Annual Report 2004

Contents

DIC India Limited

Corporate Information	01
From the Chairman	02
Ten-Year Record	05
Report on Corporate Governance	06
Shareholder Information	14
Report of the Directors & Management Discussion and Analysis Report	19
Auditors' Report	27
Balance Sheet	32
Profit & Loss Account	33
Schedules to the Accounts	34
Cash Flow Statement	59
Statement Regarding Subsidiary Companies	61

Consolidated Accounts

Auditors' Report	62
Balance Sheet	64
Profit & Loss Account	65
Schedules to the Consolidated Accounts	66
Cash Flow Statement	82
Information Regarding Subsidiary Companies	84

Corporate Information

Board of Directors

Jagdish Narain Sapru – *Chairman*
Bodi Singh Kampani* – *Wholetime Director*
Hisato Tanemura
Masayuki Saito

Dr Prabir Kumar Dutt* – *Managing Director*
Dipak Banerjee
Rasendu Bhushan Putatunda
Paul Koek

* Executive Director

Timir Baran Chatterjee – *Vice President & Company Secretary*

Board Committees

Audit Committee

D Banerjee – *Chairman*
R B Putatunda
P Koek

Shareholders'/Investors' Grievance Committee

J N Sapru – *Chairman*
Dr P K Dutt
B S Kampani

Administrative Committee

J N Sapru
Dr P K Dutt
B S Kampani
D Banerjee
R B Putatunda

Remuneration Committee

J N Sapru – *Chairman*
D Banerjee
M Saito

Management Committee

Dr P K Dutt
B K Basu
S Bhaumik
T B Chatterjee
A Mukhopadhyaya

B S Kampani
J L Basu
A D Chatterjee
R G Ganguly
N R Sharma

A Puri

Auditors

Lovelock & Lewes

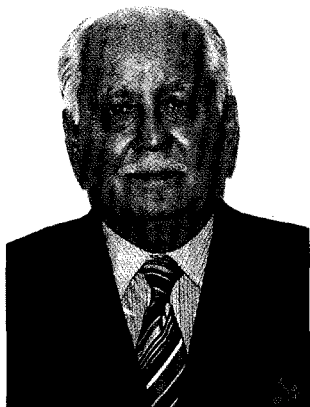
Bankers

Bank of Baroda
Standard Chartered Bank
State Bank of India
The Hongkong & Shanghai Banking Corporation Limited

Registered Office

Transport Depot Road
Kolkata 700 088

From the Chairman



Dear Shareholders,

The year 2004 began on a promising note with buoyant industrial growth and prospects of a normal monsoon. The general elections in March/April, 2004 resulted in a change of Government at the Center, and inspite of initial apprehensions, the UPA Government has carried forward the reform process despite the opposing pressure from different coalition partners. The general buoyancy in the economy, aided by surging foreign exchange reserves, increasing FDI and FII inflows and with the Stock Exchange Index at an all time high, has instilled confidence in the Government and has enabled the economy to cope with rising oil prices and the resultant inflationary pressures from a peak rate of 8% in August, 2004 has now declined to just below 5%. This confidence was further demonstrated when the country did not seek external help in coping with the Tsunami Disaster.

It is a matter of considerable satisfaction that inspite of pulls and pressures of a coalition polity, major economic reforms have not been sacrificed in the recently pronounced Central Budget. The Government's commitment to economic reforms was clearly demonstrated by the Banking Sector reforms announced a few days earlier, going ahead with the implementation of Value Added Tax (VAT) and with the continued reduction and rationalisation of indirect and direct tax regime. On the corporate tax side, an intelligent re-definition of three point equilibrium between tax rates, surcharges and depreciation has been proposed. However, a less welcome and indeed, less comprehensible, is the proposed introduction of a Fringe Benefit Tax that seeks to hunt down and bring to tax what has been rather unkindly and expansively termed "disguised" employee perquisites. This could adversely impact corporate profitability.

On the operational side, the Company has witnessed encouraging growth in the Publication Inks segment. However, the Liquid Ink business suffered considerably due to high input cost arising out of increase in crude price. The firming of crude oil price has led to rise in prices of petro based products which are the major inputs of the Company's liquid ink business. In the absence of commensurate hike in the sales price caused by competitive pressure,

the margins were under pressure. Moreover, increase in power tariff and cost of transportation have aggravated the situation further.

During the year under review, your Company witnessed a moderate increase in net sales which stood at Rs.2445.07 million against Rs. 2161.66 million in the previous year. The pre-tax profit of Rs.113.83 million was higher than Rs.94.57 million earned in the previous year inspite of higher raw material cost during the second half of the year due to price hike of petro-based inputs. This was made possible due to better product mix, improvement in yield in various units and strict expenditure control. The higher tax provision in the current financial year led to a post tax profit of Rs.75.22 million against Rs.75.60 million in the previous year.

During the year under review, the name of the Company was changed from "Coates of India Limited" to "DIC India Limited" pursuant to a fresh Certificate of Incorporation dated 6th August, 2004 from the Registrar of Companies, West Bengal. The name of the wholly owned subsidiary has also been changed from "Coates Coatings India Limited" to "DIC Coatings India Limited" with effect from 29th July, 2004.

The operations of the subsidiary, DIC Coatings India Ltd., was affected due to increase in raw material cost arising out of increase in prices of petro based inputs. However, the Company witnessed growth in all the segments, save and except, Aerosol Container which was under pricing pressure due to imported deodorant

products. Moreover, Tube Coatings business also witnessed growth in spite of lower price being offered by the competitors thus reflecting the strong brand image of the Company. The fall out of these measures have helped the subsidiary to post an increase in turnover from Rs.237.27 million in 2003 to Rs.274.38 million during the current year. The profit before tax of Rs.34.78 million marginally increased as against Rs.33.88 million last year. Profit after Tax, however, registered a marginal decline at Rs.20.82 million as against Rs.21.70 million in the previous year.

During the year under review, the Company has set up a state of the art new Lamination Adhesives Project within the existing DCIL's factory site at Bangalore with the technical support of DIC, Japan and the Company completed trial runs and commenced commercial production in the month of December, 2004. The estimated capital cost of the project stood at Rs.29.68 million.

Keeping in mind the future growth and the needs of the Company to deploy resources in a balanced manner, your Directors have recommended a dividend of Rs.3.50 per share.

I join the Board in expressing our sincere thanks to Messrs N Tsuji and K Kudo who resigned from the Board during the year under review. I also welcome Messrs M Saito and P Koek for joining the Board as representatives of the Parent Company. I am sure their appointments at the forthcoming AGM, will have your endorsement.

The Company has been constantly striving to attain higher internal efficiency to combat the pressure imposed by the external sources and has been virtually successful in the same which is reflected in the satisfactory performance in spite of the loss of the highly remunerative Adhesives business. The Company would lay further focus on improving the operating margins through better productivity and greater focus on logistics. It is also anticipated that the expected demand growth in the domestic market will lead to better business prospects for the Company. With the continued support from the Parent Group,

the Company's efforts to upgrade the technology and equipment will enable the Company to put itself in a stronger position to face challenges of the future. The Company's focus on Research and Development has enabled it to develop certain environment-friendly products to cater to some niche markets. Given your continued support, I look forward to the future with confidence.

Kolkata
4th March, 2005



J. N. Sapru



Ten-Year Record

TEN YEARS FINANCIAL STATISTICS

(Rs. in Million)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
	Dec 31	Dec 31	Dec 31	Dec 31	Dec 31	Dec 31	Dec 31	Dec 31	Dec 31	Dec 31
Sales (Net)	2445	2162	2000	1854	1844	1642	1448	1530	1333	1260
Profit before Tax	114	95	118	122	129	141	118	114	111	130
Tax	39	19	33	26	39	40	33	32	36	56
Profit after Tax	75	76	85	96	90	101	85	82	75	74
Dividend	28 *	27 *	27 *	30 *	32 *	31 *	30 *	30 *	27	27
Retained Profit	47	49	58	66	58	70	37	52	48	47
Earnings per Share (Rs.)	10.92	10.98	12.29	13.97	13.08	14.67	12.28 #	11.92	10.84	10.78
Dividend per Share (%)	35 @	35	35	40	42	40	40	40	40	40
Net Worth per Equity Share (Rs.)	136.40	129.47	122.43	113.68 ***	138.97 **	130.51 **	120.32 **	114.92 **	80.00	73.16
PBT to Sales (%)	4.66	4.39	5.90	6.60	7.00	8.59	8.16	7.46	8.33	10.33
PAT on Shareholders Funds (%)	8.00	8.52	10.03	12.27	9.41	11.24	10.20	10.37	13.55	14.74
Debt Equity Ratio	0.40:1	0.48:1	0.48:1	0.46:1	0.45:1	0.40:1	0.49:1	0.47:1	0.61:1	0.62:1
Sources of Funds										
Share Capital	69	69	69	69	69	69	69	69	69	69
Reserves & Surplus	870	823	774	714	888	830	760	722	482	435
Borrowings	379	425	408	359	433	365	405	374	334	310
	1318	1317	1251	1142	1390	1264	1234	1165	885	814
Application of Funds										
Net Fixed Assets	403	380	347	308	318	311	285	255	259	237
Investments	108	108	108	108	299	300	303	20	30	31
Net Current Assets	807	826	790	719	771	650	642	884	590	538
Misc. Expenses	—	3	6	7	2	3	4	6	6	8
	1318	1317	1251	1142	1390	1264	1234	1165	885	814

Notes:

* Includes Tax on Dividend

** After considering Capital Reserve

*** After considering adjustment of Capital Reserve against value of investments in DCIL

@ Proposed

Before provision for diminution in value of investments

Report on Corporate Governance

The Directors present the Company's Report on Corporate Governance :

I. MANDATORY REQUIREMENTS

1. Company's Philosophy on Corporate Governance

Corporate Governance refers to a combination of regulations, procedures and voluntary practices that enable companies to maximise stakeholders' value by attracting financial and human capital and efficient performance.

As a responsible corporate citizen, it is the earnest endeavour of the Company to improve its focus on Corporate Governance by increasing accountability and transparency to its shareholders, bankers and customers.

2. Board of Directors

A) Composition

The Board of Directors of the Company consists of 8 members, comprising :

- Two Executive Directors in the whole-time employment of the Company.
- Three Non-Executive Independent Directors, drawn from amongst persons with experience in business, finance, technology and management.
- Three Non-Executive Directors nominated by and representing the Parent Company.

The Chairman of the Board is an Independent Non-Executive Director.

B) Other Directorships/Committee memberships held :

As on 31st December, 2004

Name of Director	Category	Directorships held in other Companies*		Committee Memberships held in other Companies**	
		As Director	As Chairman	As Member	As Chairman
J N Sapru	Non-Executive & Independent	2	3	3	3
Dr P K Dutt	Executive	1	Nil	Nil	2
B S Kampani	Executive	Nil	Nil	Nil	Nil
D Banerjee	Non-Executive & Independent	5	Nil	2	Nil
R B Putatunda	Non-Executive & Independent	1	Nil	1	Nil
H Tanemura	Non-Executive	Nil	Nil	Nil	Nil
M Saito	Non-Executive	Nil	Nil	Nil	Nil
P Koek	Non-Executive	Nil	Nil	Nil	Nil

* *Excludes Directorships held in Private Limited Companies, Foreign Companies, Companies u/s 25 of the Companies Act, 1956 and Memberships of Managing Committees of various Chambers/Institutions/Boards.*

** *Memberships/Chairmanships of Audit Committee, Remuneration Committee and Shareholders' Grievance Committee have been considered.*

C) *Board Meetings held during the year*

During the financial year ended 31st December, 2004, five Board Meetings were held on 4th March, 28th April, 29th June, 29th July and 29th October.

D) *Attendance of Directors at Board Meetings and last Annual General Meeting :*

Name of Director	Meetings Attended	Attendance at last AGM
J N Sapru	5	Yes
Dr P K Dutt	5	Yes
B S Kampani	5	Yes
D Banerjee	5	Yes
K Kudo *	Nil	No
R B Putatunda	4	Yes
H Tanemura	Nil	No
N Tsuji *	1	No
M Saito **	2	Yes
P Koek **	3	Yes

* *Ceased to be a Director at the Board Meeting held after the conclusion of AGM on 29th June, 2004.*

** *Appointed as a Director at the Board Meeting held after the conclusion of AGM on 29th June, 2004.*

E) Particulars of Directors retiring by rotation and seeking re-appointment have been given in the Notice convening the 57th Annual General Meeting and Explanatory Statement, attached thereto.

3. **Audit Committee**

A) *Terms of Reference*

The Audit Committee acts as a link between the management, the statutory and internal auditors and the Board of Directors. The Committee provides the Board with additional assurance as to the adequacy of the Company's internal control systems and financial disclosures. The broad terms of reference of the Audit Committee are to review with the Management and/or Internal Auditors and/or Statutory Auditors in the following areas :

- Overview of the Company's financial reporting process and financial information disclosures;
- Review with the Management, the annual and quarterly financial statements before submission to the Board;

- iii) Review with the Management, the external and internal Audit Reports and the adequacy of internal control systems;
- iv) Review the adequacy and effectiveness of accounting and financial controls of the Company, compliance with the Company's policies and applicable laws and regulations;
- v) Recommending the appointment and removal of external auditors and fixation of Audit Terms.

B) Composition, name of members and Chairperson

The Audit Committee of the Company comprises three members, two of whom are Independent Non-Executive Directors and one Director representing the Parent Company. The name of the members of the Audit Committee, including its Chairman, are provided elsewhere in this Annual Report under the heading "Corporate Information".

T B Chatterjee, Vice President & Company Secretary, has been designated as the "Secretary" to the Audit Committee.

C) Meetings and Attendance during the year

During the financial year ended 31st December, 2004, four meetings were held on 4th March, 27th April, 29th July and 29th October and the attendance were as under :

Name of Director	Meetings Attended
D Banerjee	4
R B Putatunda	3
N Tsuji *	1
P Koek **	2

* Ceased to be a member of the Audit Committee w.e.f. 29th June, 2004

** Was inducted in the Audit Committee w.e.f. 29th June, 2004

4 Remuneration Committee

The Remuneration Committee of the Company comprises three Directors, two of whom are Independent Non-Executive Directors and one Director representing the Parent Company. The name of the members of the Remuneration Committee, including its Chairman, are provided elsewhere in this Annual Report under the heading "Corporate Information". During the year ended 31.12.2004, one meeting was held on 28th April, 2004.

Name of Director	Meeting Attended
J N Sapru	1
D Banerjee	1
N Tsuji *	1
M Saito **	Nil

* Ceased to be a member of the Remuneration Committee w.e.f. 29th June, 2004

** Was inducted in the Remuneration Committee w.e.f 29th June, 2004