

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
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 Shareholder,

After two successive years of GDP growth at 8.5% and 7.5%, the country is likely to record another year of over 8% GDP growth. This augurs well and reflects a new phase of cyclical upswing in the economy. Though there has been marginal growth in agriculture, the industry and services sector have continued to grow at a healthy pace. The high growth phase of the economy is reflected in the steady improvement in infrastructure, increase in plan expenditure and capacity addition in different sectors. With an emphasis on tax compliance, the tax to GDP ratio of the Centre has climbed to 10.5%. Riding high on the strong economic and financial indicators and with increase of FDI and FII investments, the stock market indices crossed an all time high of 10,000 recently. Despite the rise in international oil prices, the inflation has remained at a reasonable level of around 4% and the Indian rupee has remained fairly stable against all major currencies.

The Central Budget, 2006 had no radical features this year and is not likely to disturb the momentum of the Indian economy. This prudence is demonstrated by trying to rope in revenue and fiscal deficit from 2.6% and 4.1% in 2005-06 to 2.1% and 3.8% in 2006-07 respectively. Given the backdrop of the elections in certain important States, it has tried to address and emphasize the need to improve the country's infrastructure and as expected, has laid a major emphasis on the rural and agricultural sector. Other than tinkering with the peak rate of customs duty and increase in the MAT rate, the Budget has focused more on fiscal consolidation. The steps towards introduction of the Goods and Services Tax from April, 2010 onwards and proposed phasing out of Central Sales Tax will be an important step for introduction of national VAT. Though the direction of the economy is well in place, the policy initiatives, tax reforms and capital plan outlay announced in the Budget should be translated into ground level realities if the Government wishes to achieve a target growth rate of 10% from a vibrant India.

During the year under review, the Company gained further market share in the Publication and the News Inks Segment. It is expected that in the coming years there would be a substantial growth in the News Inks business and in anticipation, the Company has made and continues to make major capital investments in Noida for the

News Colours Project and in Ahmedabad for the News Black Project. The steep increase in crude oil prices led to significant increase in input costs which are the major inputs of the Company's Liquid Inks business. As such, the Liquid Inks business suffered considerable cost increase and without corresponding increase in sales price, margins have been under pressure. Further, the disruption of activities in the Western Region caused by flood/inundation in the month of July, 2005 aggravated the situation further.

Despite these difficulties, your Company has performed reasonably well. Net sales increased to Rs.2785.55 million from Rs.2445.07 million in the previous year. This was made possible due to better product mix, improvement in yield in various units and strict expenditure control. The post tax profit witnessed a significant increase from Rs.75.22 million in 2004 to Rs.101.34 million in the current year.

There was considerable damage to life and property as the country witnessed one of the worst natural calamity in the form of floods in Mumbai and Gujarat in the month of July, 2005. The entire stock of your Company at Bhiwandi godown in Maharashtra was damaged. Further, certain materials were also contaminated by the flood water and there was damage to the boundary wall at the Chandivali factory as well. The Company has made necessary insurance claims in this regard and certain portion of the insurance claim (after deduction of policy deductibles) have already been received by the Company.

The operations of the subsidiary, DIC Coatings India Ltd., (DCIL) was also 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, TP Inks business due to some technical problems. Grey Lacquer business which contributed towards a substantial value in the previous year has suffered due to continuing shift to Plastic containers. Introduction of Value Added Tax has improved the cost competitiveness of your Company's products. The fall out of these measures have helped the subsidiary to post an increase in turnover from Rs.274.38 Million in 2004 to Rs.335.37 Million during the current year. The profit before tax of Rs.35.04 Million marginally increased as against Rs.34.78 Million last year. Profit after Tax, increased to Rs.22.30 Million as against Rs.20.82 Million in the previous year.

During the year under review, DCIL made significant in roads in the Lamination Adhesives market and achieved a turnover of Rs.24.62 Million in the said business. It is expected that the Company will be able to achieve its full production capacity within the next 18-24 months.

Future growth in the Printing Inks business will call for greater investments and keeping a balance between shareholders' expectations and retention for growth, your Board has recommended maintaining dividend at Rs.3.50 per share.

In order to provide continuity, the Principal

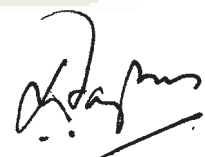
shareholders and your Board have requested Dr P K Dutt and Mr B S Kampani to continue as Managing Director and Wholetime Director for a further tenure, as morefully stated in the notice of the AGM.

The Printing Ink Industry in India is going through a phase of re-alignment and a number of international manufacturers are making an effort to enter the Indian Market. Some of them have already set up their outfits in India. In order to meet the challenge, it has become essential for your Company to ensure that its products are competitive in terms of quality and price compared to other international manufacturers. It is also equally important to ensure that the Company is in a position to offer a wide range of high technology products commensurate with the technological developments in Graphic Arts.

It is the earnest endeavour of the Company to attain higher levels of internal efficiency to counter the pressures put by external forces. 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. Further, the recent reduction of peak level of customs duty of raw materials to 12.5% will marginally reduce the import cost and improve profitability of the manufactured products to some extent. 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
3rd March, 2006


J. N. Sapru

Ten-Year Record

TEN YEARS FINANCIAL STATISTICS

(Rs. in Million)

	2005 Dec 31	2004 Dec 31	2003 Dec 31	2002 Dec 31	2001 Dec 31	2000 Dec 31	1999 Dec 31	1998 Dec 31	1997 Dec 31	1996 Dec 31
Sales (Net)	2786	2445	2162	2000	1854	1844	1642	1448	1530	1333
Profit before Tax	147	114	95	118	122	129	141	118	114	111
Tax	46	39	19	33	26	39	40	33	32	36
Profit after Tax	101	75	76	85	96	90	101	85	82	75
Dividend	28 *	28 *	27 *	27 *	30 *	32 *	31 *	30 *	30 *	27
Retained Profit	73	47	49	58	66	58	70	37	52	48
Earnings per Share (Rs.)	14.72	10.92	10.98	12.29	13.97	13.08	14.67	12.28 #	11.92	10.84
Dividend per Share (%)	35 @	35	35	35	40	42	40	40	40	40
Net Worth per Equity Share (Rs.)	147.12	136.40	129.47	122.43	113.68 ***	138.97 **	130.51 **	120.32 **	114.92 **	80.00
PBT to Sales (%)	5.28	4.66	4.39	5.90	6.60	7.00	8.59	8.16	7.46	8.33
PAT on Shareholders Funds (%)	9.97	8.00	8.52	10.03	12.27	9.41	11.24	10.20	10.37	13.55
Debt Equity Ratio	0.44:1	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
Sources of Funds										
Share Capital	69	69	69	69	69	69	69	69	69	69
Reserves & Surplus	944	870	823	774	714	888	830	760	722	482
Borrowings	444	379	425	408	359	433	365	405	374	334
	1457	1318	1317	1251	1142	1390	1264	1234	1165	885
Application of Funds										
Net Fixed Assets	451	403	380	347	308	318	311	285	255	259
Investments	108	108	108	108	108	299	300	303	20	30
Net Current Assets	898	807	826	790	719	771	650	642	884	590
Misc. Expenses	—	—	3	6	7	2	3	4	6	6
	1457	1318	1317	1251	1142	1390	1264	1234	1165	885

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 endeavor 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, 2005

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	1
Dr P K Dutt	Executive	1	Nil	Nil	1
B S Kampani	Executive	Nil	Nil	Nil	Nil
D Banerjee	Non-Executive & Independent	6	Nil	3	1
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 and Shareholders'/Investors' Grievance Committee have been considered.*

C) *Board Meetings held during the year*

During the financial year ended 31st December, 2005, five Board Meetings were held on 2nd February, 4th March, 29th April, 29th July and 25th October. The Board periodically reviews compliance reports of all laws applicable to the Company. There were no non-compliance of any laws during the period under review.

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
R B Putatunda	5	Yes
H Tanemura	1	Yes
M Saito	2	Yes
P Koek	4	Yes

E) Particulars of Directors retiring by rotation and seeking re-appointment have been given in the Notice convening the 58th 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;
- Review with the Management, the external and internal Audit Reports, the adequacy of internal control systems;
- 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 internal and statutory auditors and fixation of Audit Terms.

Since the Company does not have a Whistle Blower Policy, the same was not subject to review by the Audit Committee.

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 names of the members of the Audit Committee, including its Chairman, are provided elsewhere in this Annual Report under the heading "Corporate Information". All members of the Audit Committee are financially literate and two members have accounting and financial management expertise.

The Chairman of the Audit Committee, viz. Mr D Banerjee is an Independent Director. Mr Timir Baran 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, 2005, four meetings were held on 3rd March, 29th April, 29th July and 25th October and the attendance were as under :

Name of Director	Meetings Attended
D Banerjee	4
R B Putatunda	4
P Koek	4

The Chairman of the Audit Committee will be present at the Annual General Meeting to answer the shareholder queries, if any.

4 Remuneration Committee

The Remuneration Committee of the Company comprises of three Directors, two of them are Independent Non-Executive Directors and one Director representing the Parent Company. The names 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 31.12.2005, two meetings were held on 3rd March and 25th October.

Name of Director	Meetings Attended
J N Sapru	2
D Banerjee	2
M Saito	2

The Chairman of the Remuneration Committee will be present at the Annual General Meeting to answer the shareholder queries, if any.

Remuneration paid/payable to the Directors for the financial year ended 31st December, 2005 :
(In Rs.)

Name of Director	Sitting Fees	Salary	Performance Bonus	Commission	Perquisites	Total
J N Sapru	49,000	N.A.	N.A.	6,00,000	N.A.	6,49,000
Dr P K Dutt	N.A.	17,45,368	5,92,500	11,85,000	10,87,543	46,10,411
B S Kampani	N.A.	9,22,794	3,30,000	3,30,000	7,01,400	22,84,194
D Banerjee	70,000	N.A.	N.A.	1,50,000	N.A.	2,20,000
M Saito	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
R B Putatunda	57,000	N.A.	N.A.	1,50,000	N.A.	2,07,000
H Tanemura	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
P Koek	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

Remuneration paid/payable are within the ceiling prescribed under the provisions of the Companies Act, 1956. In addition, an amount of Rs.1,49,512 was paid to Mr J.N Sapru, Chairman as air fare and Rs.2,52,000 in the form of traveller's cheques for official purpose.

- Except the Managing Director and the Whole Time Director, all the members of the Board are liable to retire by rotation. The appointment of the Executive Directors are governed by the resolutions passed by the Board, as per recommendations of the Remuneration Committee, which cover the terms and conditions of such appointment read with the service rules of the Company, subject to final approval by the members.
- No Severance Fee is payable.
- Performance Bonus is determined on the basis of the status of the Inventory and Debtors, Profitability and overall financial position of the Company.
- In respect of the financial year commencing from 1st January, 2005, approval for payment of sitting fees for attending the meetings of the Board and the Committees thereof to the Resident Non-Executive Directors have been approved by the members in the Annual General Meeting held on 29th April, 2005. At present, sitting fee of Rs.8,000 is paid to each Resident Non-Executive Director for attending each meeting of the Board or Committees thereof. No commission and sitting fees are, however, payable to the Non-Resident Non-Executive Directors and the Executive Directors.
- The Non-Executive Directors do not hold any shares or convertible instruments of the Company.
- The Company has three Resident Non-Executive Directors who are paid commission in addition to sitting fees pursuant to approval by the Members in the Annual General Meeting held on 25th June, 2003. The criteria of payment of commission to the Resident Non-Executive Directors are as under :-
 - Chairman - 0.5% of the profits subject to annual ceiling of Rs.6,00,000.
 - Others - 0.5% of the profits subject to annual ceiling of Rs.1,50,000 per Director

5. Shareholders'/Investors' Grievance Committee

A) Composition

The Shareholders'/Investors' Grievance Committee comprises of three Directors. The Chairman is a Non-Executive Director. The names of the members of the Shareholders'/Investors'

Grievance Committee, including its Chairman, are provided elsewhere in this Annual Report under the heading "Corporate Information".

Mr Timir Baran Chatterjee, Vice President & Company Secretary, has been designated as the "Compliance Officer".

B) Attendance

During the year ended 31.12.2005, one meeting was held on 3rd March, 2005 and all the members were present at the said meeting.

C) Status of Transfers

During the year ended 31st December, 2005, 6787 shares, in physical form, were processed for transfer. There were no pending share transfers as on 31st December, 2005.

D) Complaints

During the year ended 31st December, 2005, the Company received 2 Nos. complaints from shareholders mainly relating to non-receipt of Dividend Warrants/Annual Reports. The Company has duly redressed all the grievances to the satisfaction of the members.

6. Subsidiary Companies

The Company has two wholly owned subsidiaries, viz. M/s DIC Coatings India Limited and M/s Rohit (Printing Inks and Paints) Industries Private Limited. Both of these subsidiaries are not listed with any stock exchange. None of the subsidiaries fall within the meaning of "material non-listed Indian subsidiary" as defined in Explanation I of clause 49 (III) of the Listing Agreement. However, the following compliances are duly made by the Company :-

- The Audit Committee reviews the financial statements made by the aforesaid subsidiary Companies. There were no investments made by the aforesaid subsidiary Companies during the period under review.
- The minutes of the Board Meetings of the subsidiary Companies are placed at the Board Meeting of the Company.
- A statement of all significant transactions and arrangements made by the aforesaid subsidiary Companies are informed to the Board at periodical intervals.

7. General Body Meetings

A) Particulars of last three Annual General Meetings

AGM	Year Ended	Venue	Date	Time
57th	31.12.2004	Williamson Magor Hall Bengal Chamber of Commerce & Industry Royal Exchange 6, Netaji Subhas Road, Kolkata - 700 001	29.04.2005	3.00 p.m.
56th	31.12.2003	As above	29.06.2004	3.00 p.m.
55th	31.12.2002	As above	25.06.2003	3.00 p.m.

No Special Resolutions were put through Postal Ballot at the last Annual General Meeting. No Special Resolution requiring a Postal Ballot is being proposed at the ensuing Annual General Meeting.