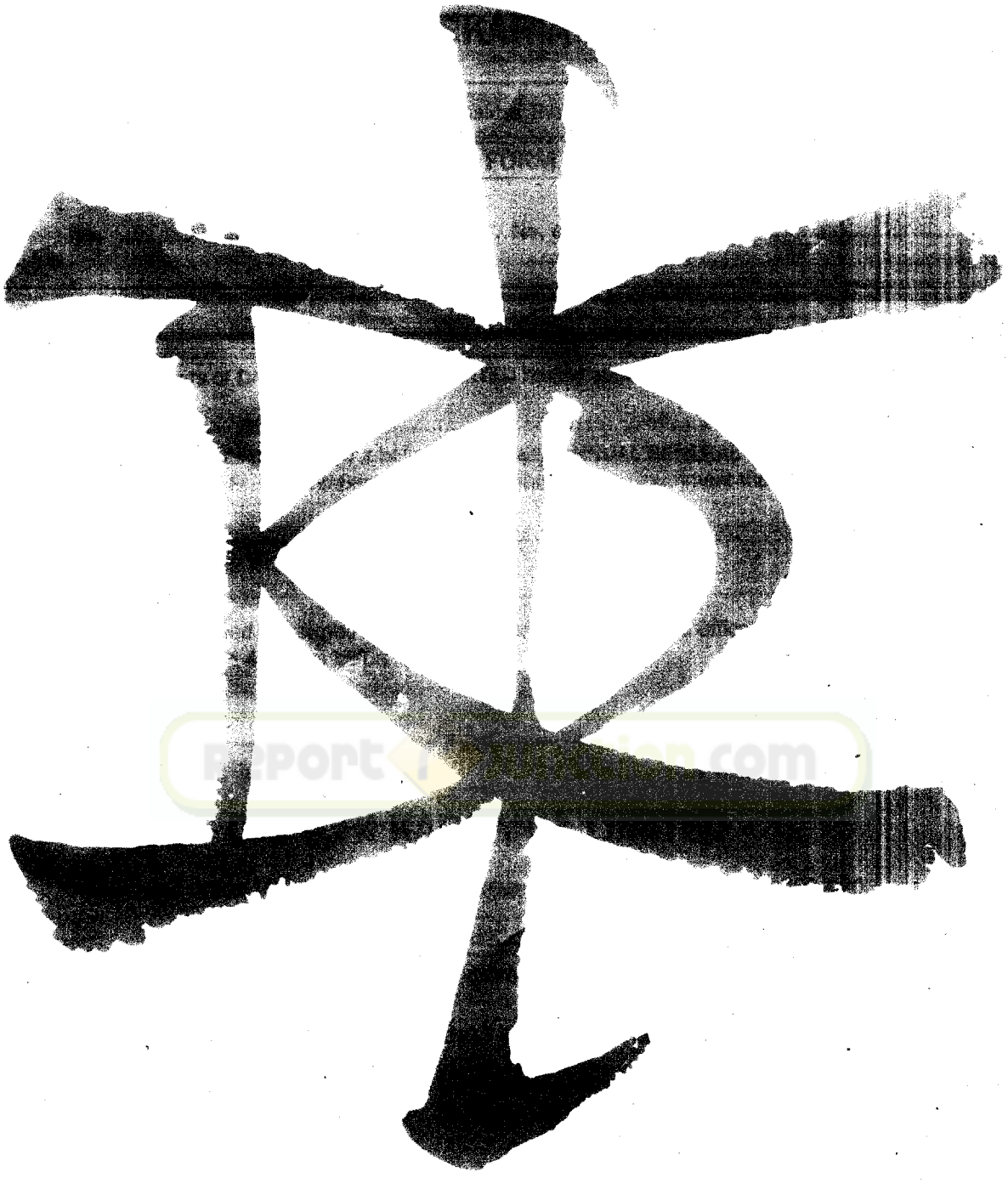
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DAI-ICHI

ANNUAL REPORT
2004-2005

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DAI-ICHI KARKARIA LIMITED

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Board of Directors:

Mr. D. M. Neterwala *Chairman*
Dr. K. H. Gharda
Dr. S. P. Adarkar (Expired on 7-3-2005)
Mr. J. H. C. Jehangir
Mr. A. H. Jehangir
Mr. K. D. Patel
Dr. Anil M. Naik
Dr. K. R. Bharucha
Mrs. S. F. Vakil *Vice-Chairperson & Managing Director*
Mr. K. B. Baxi *Company Secretary*

Bankers:

Bank of India
The Shamrao Vithal Co-operative Bank Ltd.
The Saraswat Co-operative Bank Ltd.
The Zoroastrian Co-operative Bank Ltd.

Auditors:

P. C. Hansotia & Co.
Chartered Accountants, Mumbai.

Solicitors:

Mulla & Mulla and Craigie Blunt & Caroe
Mumbai.
Amarchand & Mangaldas &
Suresh A. Shroff & Co., Mumbai.
Tyabji Dayabhai, Mumbai

Registered Office:

Liberty Building,
Sir Vithaldas Thackersey Marg,
Mumbai 400 020.

Works:

105th Milestone, Mumbai-Pune Marg,
P.O. Kasarwadi, Pune 411 034.

Kurkumbh Industrial Area, Plot No. D-13,
Village Kurkumbh, Tal. Daund, Dist. Pune.

Plot No. 28-A, Opp. Laxmi Starch Ltd.,
Industrial Development Area,
Nacharam, Hyderabad 501 507.

Registrars and Transfer Agents:

Sharex Dynamic (India) Private Ltd.
17/B, Dena Bank Building,
2nd Floor, Horniman Circle,
Fort, Mumbai 400 001.
Tel.: 22641376/22702485

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NOTICE

NOTICE is hereby given that the Forty-fifth Annual General Meeting of the Members of **DAI-ICHI KARKARIA LIMITED** will be held on Friday, the 2nd day of September 2005 at 11.30 a.m. at M. C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20 Kaikhushru Dubash Marg, Mumbai 400 023 to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2005 and the Balance Sheet as at that date together with the Directors' Report and Auditors' Report thereon.
2. To appoint a Director in place of Mr. J. H. C Jehangir, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Dr. K. R. Bharucha, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

Special Business

5. To consider and if thought fit, to pass following resolutions with or without modifications as an Ordinary Resolution:

   "RESOLVED THAT Dr. Anil M. Naik who was appointed as an additional Director of the Company under Section 260 of the Companies Act, 1956, who vacates office at this meeting, but is eligible for reappointment in respect of which the Company has received a notice in writing from a member u/s 257 of Companies Act, 1956, proposing his candidature for the office of a Director, be and is hereby elected and appointed as Director of the Company."

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By Order of the Board

S. F. Vakil
Vice-Chairperson & Managing Director

Registered Office
Liberty Building,
Sir Vithaldas Thackersey Marg,
Mumbai 400 020.

Date: June 24, 2005

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend the meeting and proxy need not be a member. The instrument appointing the proxy should be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.
2. The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item No. 5 under Special Business stated above is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain close from 17th August, 2005 to 2nd September, 2005 (both days inclusive) in connection with the Annual General Meeting.
4. Pursuant to the provisions of sub-section (5) of Section 205A of the Companies Act, 1956, dividend for the financial year ended 31st March, 1998 and thereafter which remains unclaimed for a period of seven years will be transferred to Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956. The Shareholders who have not claimed or encashed their dividend warrants in respect of financial year 1998-99 or thereafter are therefore requested to approach the Company in writing with their folio numbers to facilitate payment.
5. Members whose shareholding is in physical mode are requested to immediately notify any change in their addresses to M/s. Sharex Dynamic (India) Pvt. Ltd. at 17/B, Dena Bank Building, 2nd floor, Horniman Circle, Fort, Mumbai 400 001 and members whose shareholding is in electronic mode are requested to direct change of their address notification and updations of saving bank accounts details to their respective Depository Participants.

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6. The Shareholders desiring any information as regards Accounts are requested to write to the Company at an early date so as to enable the Management to keep the information ready.
7. Members/proxies are requested to bring duly filled attendance slips and their copies of annual report along with them as copies of the Report will not be distributed at the meeting.
8. Additional information on Directors recommended for appointment or seeking reappointment on rotation basis at the Annual General Meeting is provided under Corporate Governance Disclosure report forming part of this Annual Report.
9. The Annual Accounts of the subsidiary companies and related information will be made available to investors seeking such information. All such documents referred to herein will be available for inspection at the registered office of the company on all working days except Saturday between 11.00 a.m. and 1.00 p.m. upto the date of annual general meeting.

By Order of the Board

S. F. Vakil
Vice-Chairperson & Managing Director

Registered Office
Liberty Building,
Sir Vithaldas Thackersey Marg,
Mumbai 400 020.

Date: June 24, 2005

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

Item No. 5:

Dr. Anil M. Naik who was appointed as additional Director of the Company on 24th June, 2005 in terms of Section 260 of the Companies Act, 1956 and Articles of Association of the Company, vacates office at this Annual General Meeting. A notice has been received by the Company from a member u/s 257 of the Companies Act, 1956 proposing the appointment of Dr. Anil M. Naik as a Director of the Company.

Dr. Anil M. Naik is a Gold Medalist from IIM, Calcutta and Ph.D. from Mumbai University in Strategic Management. He has 19 yrs. experience at Senior Level in Indian Corporate Sector and for the last 20 yrs., he has been management consultant and educator. He was awarded S.S. Nadkarni fellowship at the University of Bombay in 2001 and was adjudged best Management teacher by Bombay Management Association in the year 2003.

As management consultancy area in the field of turn-around and organizational restructure, he has completed consultancy assignment of the companies such as Asian Paints (I) Ltd., Jindal Iron & Steel Co. Ltd., CRISIL and Knight Frank India Ltd.

The other Directorship of Dr. Naik is as follows:

1. Sudit Polymers Pvt. Ltd.
2. Oil Field Instrumentation India Ltd.
3. Neterson Technologies Pvt. Ltd.

Your Directors, therefore, feel that it will be in the Interest of the Company to appoint Dr. Naik a Director of the Company and accordingly recommend his appointment.

None of the Directors is concerned or interested in the Resolution except Dr. Anil M. Naik.

By Order of the Board

S. F. Vakil
Vice-Chairperson & Managing Director

Registered Office
Liberty Building,
Sir Vithaldas Thackersey Marg,
Mumbai 400 020.

Date: June 24, 2005

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DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Forty-fifth Annual Report together with the audited accounts for the year ended March 31, 2005.

1. **FINANCIAL RESULTS:**

	2004-2005 Rs.	2003-2004 Rs.
Sales and Other Income	**54,47,50,698**	55,11,97,178
Gross Profit	**3,08,78,957**	5,92,33,340
Depreciation	**2,14,99,747**	2,19,01,511
Interest	**1,85,05,578**	2,07,29,093
Profit/(Loss) before Extraordinary & Prior period item & taxation	**(91,26,368)**	1,66,02,736
Less : Extra Ordinary and prior period item	**10,41,195**	71,00,163
Profit/(Loss) before Tax	**(1,01,67,563)**	95,02,573
Less : Provision for taxation	**1,80,000**	37,00,000
Less : Deferred Tax	**40,68,017**	(11,37,555)
Add : Previous years write back	**—**	(4,73,591)
Profit/(Loss) after Taxation	**(1,44,15,580)**	74,13,719
Balance brought forward	**5,68,37,723**	5,37,14,489
Amount available for appropriation	**4,24,22,143**	6,11,28,208
Appropriations:		
Proposed Dividend	**Nil**	38,03,200
Tax on proposed Dividend	**Nil**	4,87,285
Balance carried forward	**4,24,22,143**	5,68,37,723

2. **DIVIDEND:**

The Directors have not recommended any dividend for the year ended 31st March, 2005 in view of losses incurred by the Company.

3. **PERFORMANCE:**

During the year the Indian economy grew steadily inspite of the surging oil prices and inflationary trends. The Indian Chemical Industry is going through a period of readjustment and consolidation, as it contends with global competition and reduction in tariff barriers.

Though the service sector drives economic growth today, Industry is certainly on the recovery path driven mainly by manufacturing and a surge in exports. The Speciality Chemical Industry is showing some vibrancy as the manufacturing sector recovers. The growth of the Surfactant Industry is linked very closely to the performance of the manufacturing sector in the country, as well as to a good monsoon. India is expected to have had a 6.9% real GDP growth in the year 2004-05, which is below the 8% in the previous year. This was largely due to the poor performance in the agricultural sector. However, the country continued to be the fastest growing economy in the world. Unfortunately, the slow pace of reforms and infrastructural development has resulted in performance that is below its potential. Throughout last year, the country struggled with inflation, which was kept under some measure of control, with interest rates that remained reasonably benign.

One of the key impacts of '04-05 was that the inflation due to the rising crude oil prices resulted in prices of many raw materials and packaging materials witnessing an unanticipated increase. As global crude oil prices remained high throughout the year, there was an increase in global demand for petrochemical

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products, resulting in polymer prices increasing substantially. This together with the unrelenting recession in manufacturing over the past 3 years, and the exodus of some industrial customers to China, have had some impact on the performance of the Company.

Under these circumstances, a 9.12% growth in sales turnover of the Company could be considered satisfactory.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENT: OPPORTUNITIES AND THREATS, RISKS AND CONCERNS

Speciality Chemicals:

The Company has continued its strategy to realign its direction with a view to maintain and improve its technological leadership in the industry. Product portfolios have been restructured towards improved competitiveness and profitability. The Company is now looking at appropriate investments in upgradation of the present plant and realigning reactor capacities to take advantage of economies of scale.

On the cost control front, the Company has been able to reduce its employee costs due to the residual effects of the Voluntary Retirement Scheme and other costs including reductions in interest costs. In spite of this, the Company has made a loss of approximate one crore in the year. With the surging prices of crude oil and its derivatives and its serious impact on the price of raw material inputs, the Company was unable to increase prices to its customers to the same extent. This has seriously eroded the bottom-line of the Company. Sectorwise, the Company has made the following progress:

In the Anionics sector, the Company has exported surfactants to some Gulf and Asian customers. Since innovation remains the key to success and growth, the Company's main focus remained in developing newer product initiatives, based on application needs of various customers.

In the Pesticide Emulsifier area, the Company has received bulk orders from leading bio-pesticide manufacturers for one of its speciality surfactants. We hope this will become a key growth area, not only for local sales but also for exports to Europe in the coming year.

In the area of Spin Finishes, the Company has introduced several new customers for its newly generated finishes for POY. In addition, the Company has now introduced new finishes for high speed texturizing and this has been successfully commercialized with some of our key new customers.

In the Rayon Industry, the Company has continued to receive bulk orders for its speciality lubricants for filament yarn. In addition, based on the newer needs of the customer, the Company has developed improved finishes for viscose fiber mainly used for export markets.

In the textile area, the Company continued its supply of finishing chemicals to China. In addition, taking advantage of the new situation, (where its customers in the organized sector have received large export orders), the Company was able to develop pre-treatment speciality products for a major export initiative. The Company is also focusing on working with some multi-national companies to develop and supply competitive products for their speciality chemical needs for this sector.

In the adhesive segments, the Company is exploring exports to Saudi Arabia. As leading manufacturers overseas, are looking towards India for their outsourcing needs, the Company is seeing a healthy trend towards purchases from India.

There has been a steady growth for mineral (metal) treatment chemicals for exports.

The Company's focus has been to develop export business, through various initiatives. One of these initiatives is a tie-up with a Consultant for the development of the European and Far Eastern markets.

In addition, as manufacturers shift to bio-degradable and high energy dispersants, the Company will be ready to offer suitable products. The Company's progress in introducing polymerisable surfactants and biodegradable emulsifiers to key customers has been a major step forward.

Exports will continue to be the channel for growth this year. The Company has received a 400 kgs trial order for Pour Point Depressants from one of its leading customers in Sudan. The Company hopes that this will lead to increased business in the coming year.

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Polyacrylamides:

2004-05 has seen an increase in turnover, in terms of value and volume in sectors like waste water treatment, mineral processing, gel refrigeration, coal washeries, etc. The Company was able to retain its business and market share with most of its regular clients, against very severe price competition from multi-nationals. In many sectors, the Company was able to improve its market share. Unfortunately, in areas like sewage and CETP, though growth was originally projected and anticipated, several of these projects did not take off. Therefore flocculant consumption was very low. For the paper industry, the Company introduced new grades with improved performance and was able to stabilize the performance at various customers. The result of this will be felt in higher growth in 2005-06. Unfortunately, in the sugar and oil sectors, the Company has had a serious set-back due to very low prices being quoted by multi-nationals and through low priced imports.

For the future, the Company expects to see severe price competition from the multi-nationals inspite of the increasing raw material and crude costs. These increasing costs, together with the customers ever increasing demand for cost economics, better logistic services and technical support will see a constraint on the Company's bottom line for these products.

On the other hand, the Company has developed several new speciality chemicals for the alumina industry and we hope this will contribute significantly in volume and turnover in the coming year. The Company has also developed new colour coagulant product for the sugar industry and hopes to target additional business in the coming year.

Pharma:

The Company showed improved performance in all spheres of business in the year 2004-05. This was achieved by strengthening its chemistry, which is the basic growth engine for high level performance. This improved chemistry was successfully translated to commercial scale.

The Company stood by its commitment to enter the regulated market. To this end, the Company has set-up a new production facility in total conformity with USFDA requirements. APIs for export to regulated market will be manufactured here. The old manufacturing block is also being revamped to conform to the revised schedule M of the Government of India. This block will be used to manufacture intermediates (for APIs) meant for export as well as the local market. The Company has four compounds in the pipeline for export to advanced market and production will start as soon as the COSs are approved and US DMFs are triggered.

The Company is also in the process of developing technologies for some new molecules having different therapeutic indications like anti-histaminic and newer generation entries in the CNS area.

Late last year, the Company was approached by the GVK Group to consider the possibility of joining hands, to expand the scope of the division to include process chemistry and custom synthesis.

In this regard, the Company has signed an MOU to participate in a JV with the GVK Group. The Company believes that this partnership will be extremely beneficial to it not only in terms of receiving fair value for its assets, but also in getting shareholding in a dynamic forward thinking venture. The Company would focus on its core competency viz. Surfactant Chemistry.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has an adequate system of internal control in all the spheres of its activities and is commensurate with the size and the nature of its business. It ensures adequate protection of the Company's resources provision of accurate and speedy financial statements and reports and compliance with the Company policies and procedures and other statutory and legal obligations. The internal control is supplemented by effective internal audit being carried out by reputed external firms of Chartered Accountants who are independent of the Statutory auditors. The Management regularly reviews the findings of the internal auditors and effective steps to implement any suggestions/observations of the internal auditors are taken and mentioned regularly.

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FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Though, there was a growth in the sales by 9.12% compared to previous year, the company has incurred the operational loss of Rs. 102 Lacs for 12 months period ended 31st March 2005 as compared to profit of Rs. 95 Lacs of the previous year, which was mainly due to sale of capital assets.

MATERIAL DEVELOPMENTS ON HUMAN RESOURCES/INDUSTRIAL RELATIONS FRONT, INCLUDING NO. OF PEOPLE EMPLOYED

The company believes that motivated employees are the most important resource if the company has to attain business growth and retain the customers. Development and harmonization of the knowledge and skills of the employees of the Company have gone a long way in fulfilling the organizational goal of delivering the best value to the Customers and honouring the mission of optimizing the performance of our customers' processes — time and time again.

Cordial relations were maintained throughout the year. The company has initiated many steps in the career and personality development of the employees belonging to different departments. The employees attended various seminars/workshops to enhance their skills and knowledge.

As on March 2005, the total number of employees on the rolls of the company at Corporate Office and all locations was 388.

4. **FIXED DEPOSITS:**

Out of the fixed deposits totaling to Rs. 335 Lacs as at 31st March 2005, deposits amounting to Rs. 1,36,000/- which matured, have not been claimed by the depositors on the said date.

5. **INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956:**

(a) The company has no employees of category specified as per Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 during the financial year.

(b) The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are given in this annexure to this Report.

6. **DIRECTORS:**

During the year, Dr. Eduljee has resigned from the Board w.e.f. 21st January 2005. Dr. Adarkar has sadly passed away, therefore and ceases to be Director of the Company with effect from 7th March 2005. Mrs. S. F. Vakil has been appointed as Vice-Chairperson of the Board with effect from 11.3.2005 and Dr. Anil M. Naik was co-opted as additional Director with effect from 24.6.2005.

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. J. H. C. Jehangir and Dr. K. R. Bharucha retire from the Board of Directors by rotation and are eligible for reappointment. Brief resumes of the above Directors, nature of their expertise, numbers of companies in which they are Directors or members of the committees of the Board as stipulated in the clause 49 of the Listing Agreement of the Stock Exchanges are given in section on Corporate Governance attached to this Report.

7. **DIRECTOR'S RESPONSIBILITY:**

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2000 the Directors confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed;
2. appropriate accounting policies have been selected and applied consistently, and have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2005, and of the loss of the Company for the period April 1, 2004 to March 2005;
3. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. the annual accounts have been prepared on a going concern basis.

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8. **CORPORATE GOVERNANCE:**

The Company has taken adequate steps to ensure that all mandatory provisions of Corporate Governance as prescribed under the amended Listing Agreements of the Stock Exchanges with which the Company is listed are complied with. A separate report on Corporate Governance is attached as a part of the Annual Report along with the Auditors' statement on its compliance.

9. **SUBSIDIARY COMPANY:**

In terms of approval granted by the Central Government under Provisions of Section 212(8) of the Companies Act, 1956 copies of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and Report of the Auditors of the subsidiary companies Viz., Baker Oil Treating (India) Limited and Dai-Ichi Gosei Chemicals (India) Limited have not been attached to the Balance Sheet of the company. The company will make available these documents/details upon request by any member of the company in obtaining the same. However, pursuant to Accounting Standards 21 of the Institute of Chartered Accountants of India and Listing Agreement as prescribed by SEBI, Consolidated Financial Statements presented by the company includes the financial information of its above subsidiaries.

10. **LISTING**

The Equity Shares of your company are presently listed on The Stock Exchange, Mumbai and the Company has paid the annual listing fees for the financial year 2005-2006.

11. **RELATED PARTY DISCLOSURES:**

The Company has made disclosures in compliance with the Accounting Standard on Related Party Disclosures as required by clause 32 of the Listing Agreement of Mumbai Stock Exchange.

12. **CONSOLIDATED ACCOUNTS:**

The Company has also published the consolidated financial statements in respect of the Company and its subsidiary as required by clause 32 of the Listing Agreement of Mumbai Stock Exchange.

13. **HEALTH, SAFETY & ENVIRONMENT:**

Safety, Health & Environment protection continue to remain one of the priority areas of the company.

Company's efforts in improving Safety, Health & Environment protection measures have resulted into "No Reportable Accidents" during this year and we could achieve Accident Frequency Rate (F.R.) 0.00 and Accident Severity Rate (S.R.) 0.00.

Periodic training Programmes on Safety are conducted for all the personnel and their response to the emergency calls is checked by conducting Mock Drills of "On Site Emergency Control Plan". Employees are always alert, prompt and capable of tackling emergency situations in the Plants.

The Company continues to put special emphasis on environment, health and Safety from conception and design of new products, optimization of process, to commercial manufacturing and delivery of goods to the customers.

Safety requirements are built in into the high design of the facility such as full fledged hydrant system and battery of lightening arrestors encompassing the entire area. The different types of fire extinguishers are provided at various locations. All these systems are regularly monitored and maintained to ensure good operational condition.

Environmental impact assessment and HAZOP studies of our process are performed right from development to scale up at various levels and upto commercial production. Our commitment is to select operationally safer and environmentally cleaner process right from R & D stage itself and constant up-gradation of existing production technologies.

Periodic safety audits and meetings are conducted. The recommendations of the meetings are implemented and reviewed in the following meeting to ensure the compliance. Even minor incidents are investigated, analyzed and steps are taken to avoid recurrence of such incidents.

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In addition to the in-house safety audits, the plants continue to carry out regular examination and special tests to monitor the well being and health of the employees. A good sanitation and hygienic conditions in the plants as well as in canteen are maintained.

14. **INDUSTRIAL RELATIONS:**

The industrial relations during the year were cordial and peaceful and the Company received full co-operation and support from all its employees.

15. **FORM A & B REPORT:**

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and outgo:

The particulars as prescribed under sub section (1)(e) of section 217 of the Companies Act, 1956 read with Companies (Disclosure of particulars in respect of Board of Directors) Rules, 1988 are given in Annexure 'A' to this report.

16. **AUDITORS:**

The present auditors, Messrs. P. C. Hansotia & Co., Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

17. **ACKNOWLEDGEMENT:**

Your Directors wish to place on record their appreciation of the contribution made by the employees of the Company. The Directors would also like to thank customers, suppliers, regulatory and government authorities, Stock Exchange and bankers for their continued and unstinted support.

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For and on behalf of the Board of Directors

D. M. NETERWALA
Chairman

Place : Mumbai
Date : June 24, 2005

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