



DAI-ICHI

**52nd ANNUAL REPORT
2011-2012**

DAI-ICHI KARKARIA LIMITED

Contents:	Page
Notice	2
Directors' Report	8
Corporate Governance Report	17
Auditors' Report	23
Balance Sheet	26
Statement of Profit and Loss	27
Cash Flow Statement	28
Notes forming part of Financial Statements	30
Statement under Section 212	54
Auditors' Report on Consolidated Financial Statements	55
Consolidated Balance Sheet	56
Statement of Consolidated Profit & Loss	57
Consolidated Cash Flow Statement	58
Notes Annexed to and forming part of Consolidated Accounts	60
Details of Subsidiary Companies	82

BOARD OF DIRECTORS:

Mr. D. M. Neterwala *Chairman*
Mrs. S. F. Vakil *Vice-Chairperson & Managing Director*

Mr. J. H. C. Jehangir

Mr. A. H. Jehangir

Dr. K. R. Bharucha

Mr. K. D. Patel

Dr. A. M. Naik

Mr. J. S. Bilimoria

Mr. K. M. Elavia

Mrs. Kavita Thadeshwar *Company Secretary*

Bankers:

Bank of India
HDFC Bank Ltd.
Central Bank of India

Auditors:

Deloitte Haskins & Sells.
Chartered Accountants, Mumbai

Solicitors:

Bharucha & Partners

Registered Office:

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

Works:

1. 105th Milestone, Mumbai-Pune Marg, P.O. Kasarwadi, Pune 411034.
2. Kurkumbh Industrial Area, Plot No. D-13, Village Kurkumbh, Tal. Daund, Dist. Pune.

Registrars and Transfer Agents:

Sharex Dynamic (India) Private Ltd.
Unit 1, Luthra Industrial Premises,
Andheri-Kurla Road, Safed Pool,
Andheri (E), Mumbai - 400 072
Tel: 2851 5606/2851 5644



NOTICE

NOTICE is hereby given that the Fifty-Second Annual General Meeting of the Members of **DAI-ICHI KARKARIA LIMITED** will be held on Friday, the 10th day of August 2012 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, 2012 and the Balance Sheet as at that date together with the Directors' Report and Auditors' Report thereon.
2. To declare a dividend for the year ended 31st March 2012.
3. To appoint a Director in place of Mr. D. M. Neterwala, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. A. H. Jehangir, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Jimmy Bilimoria, who retires by rotation and, being eligible, offers himself for re-appointment.
6. To appoint Messrs Deloitte Haskins & Sells, Chartered Accountants, Registration No. 117366W as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting on such remuneration as agreed upon by the Board of Directors and the Auditors.

Special Business

7. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 314(1)(b) read with the Director's Relatives (Office or Place of Profit) Rules 2011 and other applicable provisions, if any, of the Companies Act, 1956, and subject to such permissions, consents and approvals from various authorities as may be required and subject to such conditions, if any, that may be imposed by any authority while granting their permissions, consents and approvals and which the Board of Directors is hereby authorised to accept, consent of the Company be and is hereby accorded to appoint Ms. Meher Vakil, a relative of Mr. D. M. Neterwala, Chairman and Mrs. Shernaz Vakil, Vice Chairperson & Managing Director, as Representative for Export Promotion of the Company's products in United States, for a period of 3 years with effect from 1st June, 2012, with liberty to either party to terminate the appointment on 1 month notice in writing to the other, on terms mentioned below:

- (a) 1,000 USD per month as professional fees for carrying out the Export Promotion Activities.
- (b) Any further costs not exceeding 5,000 USD per annum towards Export Promotion Activities on presentation of necessary documents.

RESOLVED FURTHER THAT the Directors be and are hereby authorized to do all such acts, deeds and things as may be necessary to give effect to the resolution.

By Order of the Board
For Dai-ichi Karkaria Ltd.

Kavita Thadeshwar
Company Secretary

Registered Office:

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

Place : Mumbai

Date : 11th May, 2012

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) An Explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956 relating to Special Business to be transacted at the Annual General Meeting is annexed.
- (3) The Register of Members and Share Transfer Books of the Company will remain closed from 3rd August, 2012 to 10th August, 2012 (both days inclusive) in connection with the Annual General Meeting.
- (4) Subject to provisions of Section 206A of the Companies Act, 1956, dividend as recommended by the Directors if declared at the meeting, will be payable to those Members whose names appear on the Register of Members as on 10th August, 2012. In respect of the shares in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depository Ltd. and Central Depository Services (I) Ltd. for this purpose as on 2nd August, 2012.
- (5) Payment of dividend will be made through National Electronic Clearing Service (NECS) at the RBI Centres by crediting the dividend amount to the bank account of the shareholders wherever relevant information is made available to the Company. Members holding shares in physical form and covered under the RBI Centres who have not furnished requisite information and who wish to avail of NECS facility to receive dividend from the Company may furnish the information to Sharex Dynamic (India) Pvt. Ltd., the Registrar and Transfer Agent. Members holding shares in electronic form may furnish the information to their Depository Participants in order to receive dividend through NECS mechanism.
- (6) Pursuant to the provisions of sub-section (5) of Section 205A of the Companies Act, 1956, dividend for the financial year ended 31st March 2006 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 for the financial year 2006 and subsequent years are therefore requested to approach the Company in writing with their folio numbers to facilitate payment.
- (7) 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 Unit – 1, Luthra Ind. Premises, Andheri Kurla Road, Safed Pool, Andheri (East), Mumbai - 400 072 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.

- (8) 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.
- (9) 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.
- (10) The Ministry of Corporate Affairs (MCA) has taken a "Green Initiative in Corporate Governance" (Circular No. 17/2011 dated 21.04.2011 and Circular No. 18/2011 dated 29.04.2011) allowing paperless compliances by Companies through electronic mode. Companies are now permitted to send various notices /documents such as General Meeting Notices (including AGM), Audited Financial Statements, Directors' Report, Auditors' Report, etc. to its shareholders through electronic mode to the registered e-mail addresses of shareholders. To support this green initiative of the Government in full measure, members holding shares in physical form are requested to register their email address alongwith details of name, address, folio no., shares held to the Registrar & Share Transfer Agent of the Company.

In respect of shares held in demat form, members are requested to register the above details with their respective Depository Participants.

- (11) In terms of clause 49 of the listing agreement, the information relating to directors retiring by rotation and seeking re-appointment is as under:

Mr. D. M. Neterwala:

Mr. D. M. Neterwala, Chairman of the Company, retires by rotation and being eligible offers himself for re-appointment.

Brief resume and nature of expertise:

Mr. Neterwala, age 93 years, is a Civil Engineer. He is an eminent businessman heading the Neterwala Group of Companies and a renowned Entrepreneur. Mr. D. M. Neterwala has more than five decades of experience in leading diverse industries in the country.

Mr. Neterwala holds 1,66,500 equity shares of the Company. Apart from Dai-ichi Karkaria Ltd., Mr. D.M.Neterwala holds directorship of the following companies:

Sr. No.	Name of the Company	Designation
1.	Uni Abex Alloys Products Limited	Chairman Emeritus
2.	Universal Ferro & Allied Chemicals Limited	Chairman
3.	Chemicals & Ferro Alloys Pvt. Limited	Chairman
4.	Uni Deritend Limited	Chairman
5.	Anosh Finance & Investment Pvt. Limited	Chairman
6.	Unitel Finance & Investments Pvt. Ltd.	Chairman
7.	Indian Oxides & Chemicals Ltd.	Chairman
8.	Uni Klinger Limited	Chairman
9.	Performance Polymers and Chemicals Pvt. Limited	Chairman
10.	Dai-ichi Gosei Chemicals (India) Limited	Chairman
11.	Oil Field Instrumentation (India) Pvt. Limited	Chairman
12.	Netel (India) Limited	Chairman
13.	Neterwala Consulting & Corporate Services Ltd.	Director
14.	Norinco Private Limited	Director

He is a member of the following Board Committees:

Sr. No.	Name of the Company	Committee	Designation
1.	Uni Abex Alloy Products Ltd.	Shareholders/ Investors Grievance/ Share Transfer Committee	Chairman
2.	Netel (India) Ltd.	Audit Committee	Member
3.	Oil Field Instrumentation (I) Pvt. Ltd.	Audit Committee	Member
4.	Uni Deritend Ltd.	Audit Committee	Member

Mr. D. M. Neterwala and Mrs. S. F. Vakil are related being Father and Daughter.

The Directors recommend the Resolution for members' approval.

No Director other than Mr. D. M. Neterwala and Mrs. S. F. Vakil (being related) are concerned/interested in this resolution.

Mr. A. H. Jehangir:

Mr. A.H.Jehangir, Director retires by rotation and being eligible offers himself for re-appointment.

Brief resume and nature of expertise:

Mr. A. H. Jehangir, age 56 years is a Commerce Graduate and is one of the promoters of the Company. He is a Director of the Company since 1986. Mr. Jehangir has experience of more than 25 years in investment business.

Mr. A. H. Jehangir holds 100 equity shares of the Company. Apart from Dai-ichi Karkaria Ltd. Mr. Jehangir holds directorship of the following companies:

Sr. No	Name of the Company	Designation
1.	Amerado Trading Company	Chairman
2.	Cowhill Trading Company	Chairman
3.	Goodearth Trading Company	Chairman
4.	Cannadel Trading Company	Director
5.	Cowasjee Jehangir Trading Company	Director
6.	Wild Flower Trading Company	Director

Mr. A. H. Jehangir and Mr. J. H. C. Jehangir are related being brothers.

The Directors recommend the Resolution for members' approval.

No Director other than Mr. A. H. Jehangir and Mr. J. H. C. Jehangir (being related) are concerned/interested in this resolution.

Mr. Jimmy Bilimoria:

Mr. Jimmy Bilimoria, Director retires by rotation and being eligible offers himself for re-appointment.

Brief resume and nature of expertise:

Mr. Jimmy Bilimoria, age 65 years, was the Managing Director and Country Head for the Ciba Group in India. He has a Bachelor's degree in Commerce from the University of Bombay and is a Fellow member of the Institute of Chartered Accountants, England and Wales. He was associated with the Ciba Group since



1997 and has held various positions viz. Finance Director, Managing Director and Vice Chairman & Managing Director. Besides operational responsibility he was actively involved in various acquisition deals, restructuring of businesses and integration of new opportunities including joint ventures and strategic alliances.

He has been on the management committees of the Bombay Chamber of Commerce & Industry and the Indo-Swiss Business Forum.

Mr. Bilimoria is on the Board of the following companies:

Sr. No.	Name of the Company	Designation
1.	Champion Dai-ichi Technologies India Ltd.	Director
2.	eClerx Services Ltd.	Director
3.	Godrej Industries Ltd.	Director
4.	Infiniti Retail Ltd.	Director
5.	ING Investment Management (India) Pvt. Ltd.	Director
6.	National Peroxide Ltd.	Director
7.	Oberoi Realty Ltd.	Director
8.	Tata Global Beverages Ltd.	Director
9.	Tata Realty and Infrastructure Ltd.	Director
10.	Voltas Ltd.	Director

He is a member of the following Board Committees:

Sr. No.	Name of the Company	Designation
1.	eClerx Services Ltd.	Chairman – Audit Committee
2.	Infiniti Retail Ltd.	Chairman – Audit Committee
3.	National Peroxide Ltd.	Chairman – Audit Committee
4.	Tata Global Beverages Ltd.	Chairman – Audit Committee
5.	Voltas Ltd.	Chairman – Audit Committee
6.	Oberoi Realty Ltd.	Member – Audit Committee
7.	Tata Realty and Infrastructure Ltd.	Member – Audit Committee

He does not hold any shares of the Company.

The Directors recommend the Resolution for members' approval.

No Director other than Mr. Jimmy Bilimoria is concerned/interested in this resolution.

ANNEXURE TO THE NOTICE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956 REGARDING SPECIAL BUSINESS**

Ms. Meher Vakil is proposed to be appointed as Representative for Export Promotion of the Company's products in United States. Ms. Meher Vakil is a Bachelor of Arts in Economics with Double Concentration in Business Institutions from the Northwestern University, US and has vast experience in the matter of Export Promotion and International Marketing.

As per the provisions of Section 314(1)(b) of the Companies Act, 1956 the appointment of a Relative of a Director shall not be made except with the approval of shareholders by a special resolution passed at the General Meeting of the Company.

The resolution is recommended to the shareholder's for passing as a Special Resolution.

Mrs. S. F. Vakil and Mr. D. M. Neterwala being relative of Ms. Meher Vakil are deemed to be concerned and interested in the above matter. None of the other Directors of the Company are, in any way, concerned or interested in the said resolution.

By Order of the Board
For Dai-ichi Karkaria Ltd.

Kavita Thadeshwar
Company Secretary

Registered Office:

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

Place : Mumbai

Date : 11th May, 2012



DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Fifty - Second Annual Report together with the audited accounts for the year ended March 31, 2012.

1. FINANCIAL RESULTS:

Operational Performance	2012 (₹ in millions)	2011 (₹ in millions)
Gross Revenue from operations	763.28	590.86
Less: Excise duty	59.84	48.56
Net Revenue from operations	703.44	542.30
PBDIT	51.87	58.45
EPS (₹)	4.50	5.51
Book Value of Shares (₹)	82.46	80.29

PERFORMANCE REVIEW:

Sales increased by 30% to approx. ₹ 76 crores compared with the year ended 2010-11. There is a substantial increase in exports contributing to 15% of total revenue.

Sharply increased RM costs could not be passed on in Sales prices with several customers, resulting in higher Material to Sales ratios. These high costs have put a strain on bottomline of the Company, reducing PBDIT to 7%.

2. DIVIDEND:

The Directors have recommended a dividend of ₹ 2/- per equity share, having face value of ₹ 10/- each, for the year ended 31st March 2012. The dividend payout will aggregate to ₹ 149.02 lacs and the tax on distributable profits payable by the Company would amount to ₹ 24.17 lacs.

3. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

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

The year started well as demand recovered from the 2008 recession, and the Company settled into a fine 10 – 15% growth pattern over most of its industrial segments.

However with the extreme volatility of the currency from July onwards, and unpredictable feedstock prices, there was a marked slowdown; into the 3rd & 4th quarter.

In the background of the European financial crisis and the lagging US economy, a general worry about future economic development has plagued the mind set of most companies. Future uncertainties together with higher interest rates affected the economic environment of the 2nd half 2011. There was a general slowdown compared with the first half of the year. Our customers planned cautiously, reducing inventories, delaying orders with the expectation of falling prices.

Worldwide the Chemical Industry is back on the growth path. Global demand for chemicals for 2011 grew by 23% reaching an all time high of € 3.10 billion.

The growth in Asia, South America and East Europe were the strongest.

India's chemical industry is on the way back to moderate growths. The country however remains a net importer, as the basic demand for feedstocks outstrips domestic supply.

In India where competition is very often determined by price, there can be dramatic shifts in Revenues, based on a company's competitive edge and its product differentiation.

SECTOR-WISE PERFORMANCE:

The Company has one Reportable Business segment viz. Specialty Chemicals.

In the past year the Company has concentrated on reducing the number of special customized products and focused on higher value business.

This has resulted in substantial increase in business for its Oil Field chemicals to the Middle East and further exports to the Far East and Russia through its joint venture partner Champion Technologies. In January earnings improved thanks to the successful business with oil field chemicals to the Middle East and through CTI.

Sales in Anionics and Nonionics rose due to good demand after January '12 and price increases followed.

In addition the Company has focused on increasing its reach for its specialty Textile and Spin Finish offerings to the Polyester Industry. However, this area remains highly competitive, with extremely stretched margins.

In the other industrial applications, the Company has seen moderate organic growth, and is presently limited by its own capacity constraints. The decision to expand capacities has been taken, and the logistics and time lines are being worked out.

Our turnover risk is pooled across several bands of the economy. This increases the complexity of the production processes and the constant need to review the product portfolio against capacities. It also requires a change in focus as products get commoditized.

In our attempt to step up our competitiveness and enhance our global reach, the Company has prioritized production and followed clearly defined scheduling, allowing for improved operational efficiencies.

The Company's multipurpose, batch production facilities and focus on increasing yields, and improving energy efficiency has resulted in Productivity increase of over 10-15% this year.

The Companies focus on cost reduction initiatives, through improving production efficiencies and reducing energy costs has allowed it to become more competitive, where products have become commoditized through time.

The Company has replaced and supplemented its present oil fired boiler, with a Bio fuel based system, and has already reduced costs substantially.

In the cluttered market of me-too products and inadequate intellectual property protection, it is important to differentiate ourselves by creating brand value. The Company has built up this credibility through not only its ability to pioneer new chemistries, but also by its insistence on batch to batch consistencies, and zero tolerance for deficiencies in quality.

The Company will remain committed to reducing costs further whilst improving efficiencies at all levels. The Company's focus on product innovations and value added niche applications will continue to be its prime objective.