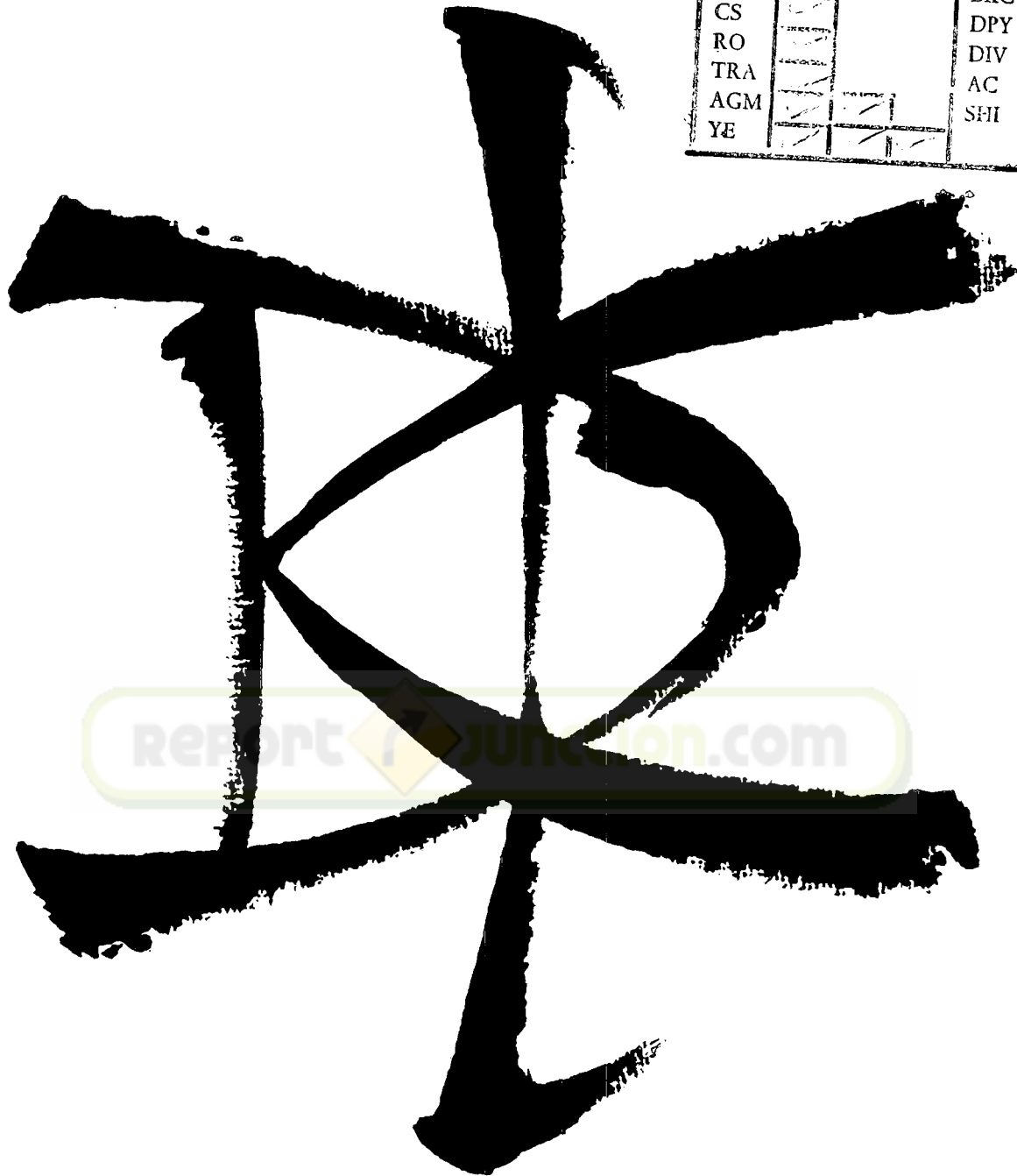


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TRA			AC	
AGM			SHI	
YE				



DAI-ICHI

ANNUAL REPORT

1996 — 1997



DAI-ICHI KARKARIA LIMITED

Board Of Directors :

Mr. D. M. Neterwala *Chairman*
 Mr. Takahiko I. Miura
 Dr. K. H. Ghada
 Dr. K. R. Bharucha
 Mr. M. P. Bharucha *(Alternate to Dr. K. R. Bharucha)*
 Dr. E. H. Daruwalla
 Dr. H. E. Eduljee
 Mr. J. H. C. Jehangir
 Mr. A. H. Jehangir
 Dr. A. V. Rama Rao
 Prof. Karl Sune Detlof Bergstrom
 Mrs. S. F. Vakil *Managing Director*

Bankers :

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

Auditors :

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

Solicitors :

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

Registered Office :

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

Works :

105th Milestone, Mumbai-Pune Road
 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 :

Computrade Services Pvt. Ltd.
 Wakefield House, 11 Sprott Road,
 Ballard Estate, Mumbai - 400 038.
 Tel.: 2626341/42

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Chairman's Statement

Dear Shareholder,

I am addressing this letter to you to give you a detailed picture regarding the present working of our Company, our future plans and the progress on the various diversification projects.

In the past year, the Company's turnover has reduced, as we have ceased our export trading activities, due to very poor margins on account of extremely low prices available in the international market. However, this has not had any major impact on our bottom line.

The Company has received an arbitration award of Rs. 2.29 crore against ONGC in February this year. However, the same has not been taken into our income during this year as the Court has not yet passed the decree in our favour. We will take it into our income when the funds are physically received.

The Company's core businesses are in the fields of textiles and oilfield chemicals. In the past year the country's textile industry has been under severe recession, resulting in a financial crisis with these firms. Consequently, payments for our goods are unduly delayed and therefore, the Company has had to restrict supplies despite orders.

During the last three years, with continuous in-house research, the Company has been able to develop special chemicals for the rayon and cotton industries which, hitherto, were being imported. The Company is also developing environment-friendly products which are progressively being used by the Indian textile industry for its exports.

In the Spin Finish area, where the Company has recently completed the first phase of its expansion, it has successfully developed finishes for nylon tyre cord yarn and, with the concerted efforts put in to introduce POY finishes in the market, the Company's image as a reputable supplier of spin finishes has been established in the country. The Company, together with its collaborator, has been successful in introducing these spin finishes to the largest textile units in the country. The Company hopes to sell at least 1000 tonnes of spin finishes in the next 12/15 months, amounting to Rs. 14 crore.

In the oilfield chemical business, the Company has received a large order worth Rs. 34 crores, which the Company will be completing before March, 1998. Supplies have already commenced and there should not be any hitch in completing the order before the next financial year.

The Company's Joint Venture, viz. Baker Oil Treating India Ltd., (BOTIL) is doing well and has doubled its turnover this year. It hopes to again double its turnover during the next 18 months. This has been possible due to several private oil operators entering the oil production business, and BOTIL signing alliance contracts with them.

DAI-ICHI KARKARIA LIMITED

Your Company produces and markets speciality chemicals. Most manufacturing industries and processes depend on speciality chemicals. These added-value, performance and effect chemicals are used to modify the chemical and physical properties of a wide range of industrial products, and include such materials as biocides, surfactants and other polymers.

The Company hopes to come out with new import substitute products for the paint, metal-cleaning and lubricant industries. It has already started test marketing the same and hopes to achieve considerable results in the near future.

The Company has totally re-organised its Technical Service Department to strengthen the customer support base and to meet with individual demands and needs of the customer. This closer focus on the customer has already resulted in the development of several new products which are now being introduced in the market.

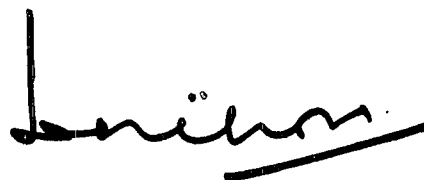
The Company's new plant at Kurkumbh has been manufacturing various grades of polyacrylamides, and it is with pride that I inform you that our Japanese collaborators have desired to import our product for the Japanese and international markets. The Company is in the process of negotiating prices and will very soon conclude some business.

In the domestic market, the product has been very well received and the Company hopes to replace imported products with our indigenous products to be supplied to various process industries. A small beginning has already been made with these products in the effluent treatment sector. The trials have been successful, and this has opened up a large market for the Company to target.

Bulk Drugs : The commissioning of the plant was delayed as, in order to improve the flexibility of the plant, the Company has set up a complex system of reactors and pipelines which has taken a longer time to install.

However, with the resultant plant, the Company will easily be able to switch its product mix as well as take on various products for custom synthesis. The plant is likely to be commissioned shortly and full-scale production will start thereafter.

I hope the coming year will see the fruition of all these plans, resulting in higher turnover and higher profitability.



Chairman

Mumbai, 14th July, 1997



NOTICE

NOTICE is hereby given that the Thirty-seventh Annual General Meeting of the Members of **DAI-ICHI KARKARIA LIMITED** will be held on Monday, 22nd September 1997 at 11.00 a.m at the M.C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20 Kaikhushru Dubash Marg, Mumbai 400 023 to transact with or without modifications, as may be permissible, the following business:

1. To receive, consider and adopt the Directors' Report, the Audited Profit and Loss Account for the year ended 31st March, 1997 and the Balance Sheet as at that date and Auditors' Report thereon.
2. To declare a dividend.
3. To appoint a Director in place of Dr. H.E. Eduljee, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. T. Miura, who retires by rotation and being eligible offers himself for reappointment.
5. To appoint a Director in place of Dr. K.R. Bharucha, who retires by rotation and being eligible offers himself for reappointment.
6. 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

7. **To consider and, if thought fit, to pass the following Resolution with or without modification/s as an Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII, Section 311 and other applicable provisions, if any, of the Companies Act, 1956, and the applicable provisions, if any, of the Articles of Association of the Company, consent of the Company be and is hereby accorded to the reappointment and the terms of remuneration of Mrs. S.F. Vakil as the Managing Director of the Company for a period of five years with effect from 1.6.1997 with liberty to either party to terminate the appointment on three months' notice in writing to the other, on such remuneration and upon the terms and conditions as are set out in the Explanatory Statement attached to this Notice."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to vary the terms of the appointment and modify the remuneration and perquisites within the limits of Schedule XIII of the Companies Act, 1956."

"RESOLVED FURTHER THAT the aforesaid remuneration shall be paid as minimum remuneration to the Managing Director in the event of absence or inadequacy of profits in any financial year during her tenure as Managing Director but subject to the limitations prescribed by Schedule XIII of the Companies Act, 1956."

8. **To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:**

"RESOLVED THAT in modification of the Ordinary Resolution passed at the Extra Ordinary General Meeting of the Company held on 24th October 1994, consent of the Company, pursuant to the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, be and is hereby accorded to the Board of Directors of the Company borrowing from time to time such sum or sums of money as it may consider fit for the purpose of the business of the Company notwithstanding that the monies to be so borrowed together with monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided, however, that the total amount so

DAI-ICHI KARKARIA LIMITED

borrowed by the Board of Directors and outstanding at any one time shall not exceed the sum of Rs. 75 crores (Rupees seventy five crores only)"

By Order of the Board

H.H. Bhesania

Asst. Company Secretary

Registered Office:

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

Date: 25th June, 1997

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
A PROXY IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of business under item No.7 and 8 set out above is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, 4th September 1997 to Monday, 22nd September 1997 (both days inclusive).
4. Dividend if sanctioned will be paid within the stipulated period to those members whose names appear in the Company's Register of Members on 22nd September 1997.
5. Members are requested to immediately notify any change in their addresses to the Registrar and Transfer Agents, M/s. Computrade Services Pvt. Ltd., Wakefield House, 11 Sprott Road, Ballard Estate, Mumbai 400 038.
6. 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 ARE REQUESTED TO BRING THEIR COPIES OF THE ANNUAL REPORT ALONGWITH THEM AS COPIES OF THE REPORT WILL NOT BE DISTRIBUTED AT THE MEETING.

**Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956:****Item No. 7**

Mrs. S.F. Vakil was reappointed as Managing Director by the Board of Directors of the Company at their meeting held on 20th March 1997, with effect from 1.6.1997 for a period of 5 years. The particulars of her appointment, terms and conditions including remuneration are reproduced below and are subject to the approval by the members in General Meeting, pursuant to Sections 198, 269, 309 and Schedule XIII and other applicable provisions of the Companies Act, 1956.

- (a) Salary : Rs. 32,000/- per month.
- (b) Commission: 1% of the net profit of the Company in the relevant financial year.
- (c) Perquisites will be allowed in addition to salary and commission. Perquisites shall be restricted to an amount equal to the annual salary. Unless the context otherwise requires, perquisites are classified into 3 categories "A", "B" and "C" as follows:

CATEGORY "A"

- (i) HOUSING I - The expenditure by the Company on hiring furnished accommodation for Mrs. Vakil will be subject to the following ceiling:

60% (Sixty percent) of the salary, over and above ten percent payable by Mrs. Vakil.

OR

HOUSING II - In case the accommodation is owned by the Company, 10% (Ten percent) of the salary of Mrs. Vakil shall be deducted by the Company.

HOUSING III - In case no accommodation is provided by the Company, Mrs. Vakil shall be entitled to house rent allowance subject to the ceiling laid down in Housing - 1.

The expenditure incurred by the Company on gas, electricity, water and furnishings shall be paid in accordance with the Company's Rules.

- (ii) Medical Reimbursement - Expenses incurred for Mrs. Vakil and her family subject to a ceiling of one month's salary per year or three month's salary over a period of three years.
- (iii) Leave Travel Concession - For Mrs. Vakil and her family, once in a year incurred in accordance with the Rules of the Company.
- (iv) Club Fees - Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
- (v) Personal accident Insurance - Premium not to exceed Rs. 4000/-per annum.

Explanation :

For the purpose of Category "A", "Family" means the spouse and the dependent children.

CATEGORY "B"

- (i) Contribution to Provident Fund will not be included in the Computation of the ceiling on perquisites to the extent these, either singly or put together, are not taxable under the Income Tax Act. Gratuity payable shall not exceed half a month's salary for each completed year of service.
- (ii) Leave on full pay and allowance as per rules of the Company. Leave accumulated but not availed of will be allowed to be encashed at the end of the tenure or otherwise. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

DAI-ICHI KARKARIA LIMITED

CATEGORY "C"

- (i) The Company shall provide a car with chauffeur and telephone at her residence. Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to Mrs. Vakil.
- (ii) Reimbursement of actual travelling and entertainment expenses reasonably incurred by her in connection with the business of the Company.

The Managing Director shall not be paid any sitting fees for attending the Meeting of the Board of Directors of the Company or any Committee or Committees thereof.

Where in any financial year, during the currency of tenure of Managing Director, the Company has no profits or its profits are inadequate, it shall nevertheless pay her remuneration by way of salary and perquisites as above subject to the limits specified in Part II of Section II of Schedule XIII of the Companies Act, 1956.

Subject as aforesaid, the Managing Director shall be governed by such of the existing service rules of the Company as may be in force from time to time.

During the continuance of her employment, Mrs. S.F. Vakil shall devote her entire time to the business and affairs of the Company subject to the supervision, control and direction of the Board and shall do all in her power to extend and increase the business of the Company.

The Board of Directors recommend the resolution at item No. 7 of the Notice for the approval of Members.

A copy of the resolution passed by the Board at its meeting held on 20th March, 1997 in this regard may be inspected by the members at the Registered Office of the Company during the working hours between 10 a.m. to 12 noon and 3 p.m. to 4 p.m. on all working days upto the date of the Annual General Meeting.

Mr. D.M. Neterwala and Mrs. S.F. Vakil are interested in this appointment as mentioned above and the remuneration payable to her. No other director is concerned or interested.

Item No. 8

The present limit of borrowings by the Board of Directors is Rs. 35 crores (Rupees thirty five crores) which may not be sufficient considering the enhanced requirements of funds for modernisation/expansion/diversification and investments to be made by your Company. Also the Company will require more finance for the increased long term resources for working capital requirements. As such, it is considered to increase the borrowing power of the Board from existing Rs. 35 crores (Rupees Thirty five crores) to Rs. 75 crores (Rupees Seventy five crores).

The Resolution is recommended for your approval.

None of the Directors is concerned or interested in the Resolution.

By order of the Board

H.H. Bhesania
Asst. Company Secretary

Registered Office:

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

Date: 25th June, 1997



DIRECTORS' REPORT

Your Directors have pleasure in presenting the Thirty-seventh Annual Report together with the audited accounts for the year ended 31st March, 1997.

1. FINANCIAL RESULTS

	1996-97 Rs.	1995-96 Rs.
Sales and Other Income	50,54,46,181	95,06,95,404
Gross Profit	4,10,99,915	6,67,91,340
Depreciation	70,37,155	36,41,327
Interest	1,27,14,009	87,87,375
Net Operating Profit	2,13,48,751	5,43,62,638
Provision for taxation	35,00,000	27,00,000
Profit after Taxation	1,78,48,751	5,16,62,638
Other adjustments	—	6,07,916
Balance brought forward	3,00,61,550	7,25,796
Amount available for appropriation	4,79,10,301	5,29,96,350
Appropriations:		
Proposed Dividend	1,62,34,800	1,62,34,800
Income tax on Proposed Dividend	16,23,480	—
General Reserve	20,00,000	67,00,000
Balance carried forward	2,80,52,021	3,00,61,550

2. DIVIDEND

The Directors recommend payment of dividend for the year ended 31st March, 1997 at Rs. 2 per share amounting to Rs. 162.35 lacs (previous year - Rs. 2 per share amounting to Rs. 162.35 lacs).

3. PERFORMANCE

The Company has consciously reduced its export trading business this year due to the drop in international prices resulting in poor margins on exports. While this has resulted in reduced turnover, it has not had any major impact on your Company's overall operation margins.

In addition, the Company normally receives a large order for Pour Point Depressants from ONGC every year, which it did not receive during the year under review due to minor price differences in the tender. However, in the present year, the Company is pleased to inform that it has received an order worth Rs. 34 crores from ONGC for supplies to be completed before March end, 1998.

In addition, with the textile sector showing a slowdown with constricted funds availability, the Company has had to make supplies very judiciously in order to ensure timely recoveries.

Product Development and Improvement

The Company has commenced a concerted drive to develop new and performance based, value added products, in view of the need for such products in the opened economy. It has been successful already in the area of textile products, especially for rayon, and in the area of paints and metal cleaning.

These efforts towards new developments are extremely essential as the new open market economy emerges in order to focus on the customers, and their requirements for superior products.