

DAI-KHI
ANNUAL REPORT
1998 — 1999

DAI-ICHI KARKARIA LIMITED

Board of Directors :

Mr. D. M. Neterwala *Chairman*
 Prof. Karl Sune Detlof Bergstrom
 Mr. Takahiko I. Miura
 Dr. K. H. Gharda
 Dr. E. H. Daruwalla
 Dr. H. E. Eduljee
 Mr. J. H. C. Jehangir
 Mr. A. H. Jehangir
 Dr. K. R. Bharucha
 Mr. M. P. Bharucha (*Alternate to Dr. K. R. Bharucha*)
 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 and 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 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 :

Hamco Share Registry Pvt. Ltd.
 17/B, Dena Bank Building,
 2nd Floor, Horniman Circle,
 Fort, Mumbai-400 001.
 Tel.: 2665781/2662214

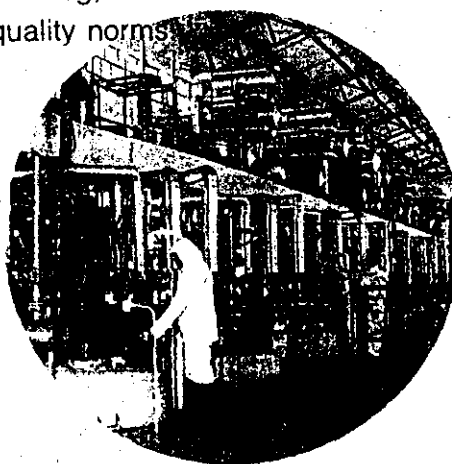
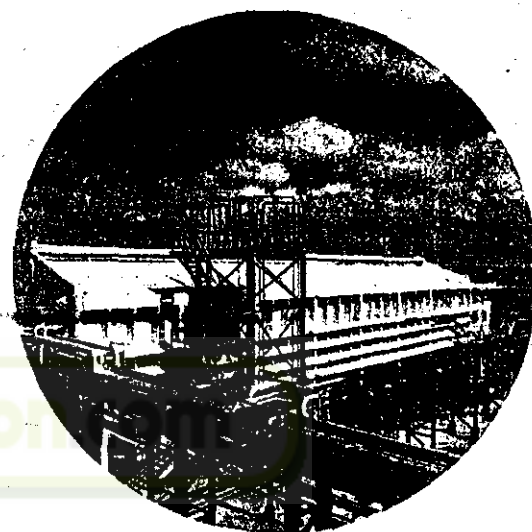
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DRUG LABORATORY A SOURCE AND RESOURCE FOR FINE CHEMICALS

At DIL's integrated Hyderabad facility, a large number of capabilities come together under a single roof, to form a major force in the pharmaceutical outsourcing market.

DIL offers:

- A sophisticated Research resource tuned to today's precise developmental norms; including a state-of-the-art set-up for organic synthesis that can deliver custom-designed molecules, and fill the need for outsourcing more complex and esoteric intermediates.
- A modern Pilot Plant geared for accurate scale-up optimisation.
- A cutting-edge multi-purpose facility equipped for complex multi-stage synthesis of organic fine chemicals.
- Formulations units dedicated to Small Volume Parenterals, Sterile Gels and Tableting, with full adherence to international quality norms.



BULK ACTIVES MANUFACTURE

DIL's multi-purpose bulk drug plant is built to accommodate a wide range of chemical reactions and multi-step synthesis sequences.

The facility consists of two production blocks, extending into a Pharma block equipped with a specific 'clean' area, where finished products are handled in a filtered atmosphere.

Among its features are:

- ▶ Reactors of various capacities from 250 to 3200 litres, equipped with condensers, after-coolers and receivers.
- ▶ Glass-lined reactors of capacities varying from 250 to 1600 litres, along with all-glass condensers, reflex units and receivers.
- ▶ All reactors are equipped with double-mechanical seals to enable reactions to be undertaken under high vacuum (1 TORR) to pressures as high as 6 kg/cm².
- ▶ Limpet coil reactors in SS316 with double-mechanical seals for reactions upto 300°C, under conditions of high vacuum and pressures upto 5 kg/cm².
- ▶ Various types of centrifuges and pressure filters for processing.
- ▶ Drying equipment consisting of Batch fluidised bed dryers, Tray dryers, and Double-cone rotating dryers suitable for high-vacuum drying.
- ▶ Multimills combined with sieving machines
- ▶ Equipped for numerous processes and operations, including **Cynation, Sulphonations, Reduction/Hydrogenation, Chiral Synthesis, Halogenation, Nitration, Resolutions, Friedel-Crafts alkylation and acylation, Diazotisation, Birch reduction and Grignard reactions.**



RESEARCH & DEVELOPMENT

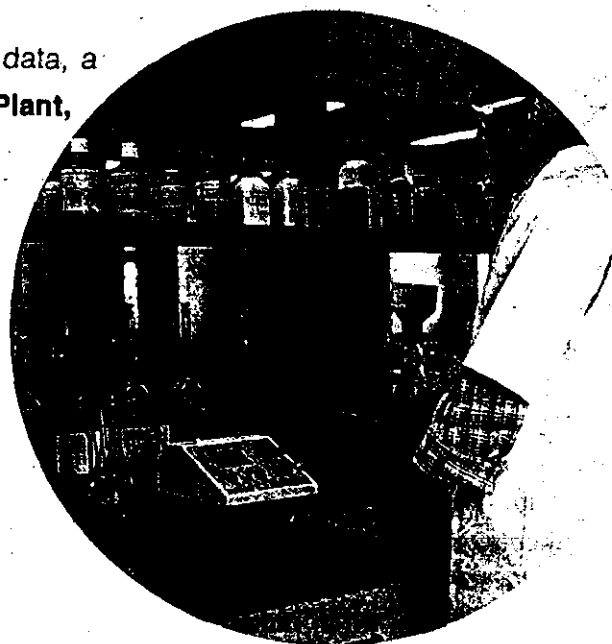
The Company has set up a state-of-the-art R&D centre spread over 45000 sq ft, strictly adhering to GLP norms, and with facilities to house 100 research scientists.

With experienced, trained and creative manpower, and a well-equipped analytical and instrumentation lab, the company has full capabilities in the development of synthetic sequences for fine chemicals and bulk drug intermediates. (Presently, the focus is on prostaglandins, steroids and other chiral compounds).

The Company will concentrate on taking difficult multi-step lab processes, and evolving them into technologies that provide efficient, cost-effective solutions that achieve high organic and chiral purity.

For up-scaling lab-generated process data, a vital resource is the multi-purpose **Pilot Plant**, engineered to reduce the risk of cross-contamination through its segregated processing, isolation and drying units.

Additionally, the Pilot Plant can excellently serve the needs of clients seeking small-volume, high-value synthesis.



DAI-ICHI KARKARIA LIMITED

NOTICE

NOTICE is hereby given that the Thirty-ninth Annual General Meeting of the Members of **DAI-ICHI KARKARIA LIMITED** will be held on Thursday 16th, September 1999 at 11.30 a.m. at M.C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20 Kaikhushru Jash Marg, Mumbai 400 023 to transact with or without modifications, as may be permissible, the following business:

To receive, consider and adopt the Directors' Report, the Audited Profit and Loss Account for the year ended 31st March, 1999 and the Balance Sheet as at that date and Auditors' Report thereon.

To declare a dividend.

To appoint a Director in place of Mr.D.M.Neterwala, who retires by rotation and being eligible offers himself for reappointment.

To appoint a Director in place of Dr. E.H. Daruwalla, who retires by rotation and being eligible offers himself for reappointment.

To appoint a Director in place of Dr. H.E. Eduljee, who retires by rotation and being eligible offers himself for reappointment.

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:

To appoint a Director in place of Dr. Karl Sune Detlof Bergstrom who was appointed as a Director under Article 108 of the Articles of Association of the Company, read with Section 262 of the Companies Act, 1956, in the casual vacancy arising from the demise of Mr. S. Ghosh and who holds office of a Director upto the date of this Annual General Meeting and to consider and if thought fit to pass the following resolution as an Ordinary Resolution, of which the prescribed notice has been received by the Company in terms of Section 257 of the Companies Act, 1956.

"RESOLVED THAT Dr. Karl Sune Detlof Bergstrom who was appointed a Director of the Company to fill in the casual vacancy caused by the sudden demise of Mr. S. Ghosh and who vacates office at this Meeting under Section 262 of the Companies Act, 1956, but who is eligible for reappointment and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director be and is hereby elected and appointed a Director of the Company."

To consider and, if thought fit, to pass the following Resolution with or without modification/s as a Special Resolution:

"RESOLVED THAT, the approval of the Company be and is hereby accorded pursuant to the provisions of Section 163 and other applicable provisions, if any, of the Companies Act, 1956, to the Company's Registers and Index of members as well as its Annual Return under Section 159 of the said Act and copies of certificates and documents required to be annexed thereto under Section 161 of the Companies Act, 1956 or any one or more of them being kept at the office/s of Hamco Share Registry Pvt. Ltd. at 17/B, Dena Bank Building, 2nd Floor, Horniman Circle, Fort, Mumbai 400 001 and/or Luthra Industrial Premises, Unit No. 1, Andheri-Kurla Road, Safed Pool, Andheri (E), Mumbai - 400 072, with effect from the date of this Annual General Meeting."

"RESOLVED FURTHER THAT the aforesaid Registers, Index, Returns and Documents required to be maintained and kept open for inspection under the provisions of the Act, be kept open for such inspection at the aforesaid place/s, for persons entitled



to inspect, to the extent and in the manner and on payment of fees, if any, specified in the Act, between 10.30 a.m. and 12.30 p.m. on any working day of the said Hamco Share Registry Pvt. Ltd. except when the Registers and Books are closed in accordance with the provisions of the Act and the Articles of Association of the Company."

By Order of the Board

H. H. Bhesania

Asst. Company Secretary

Date: 14th July, 1999

Registered Office:

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

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 Nos. 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 1st September 1999 to 16th September 1999 (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 16th September 1999.
5. As per the provisions of the amended Companies Act, 1956, facility for making nominations is now available for shareholders in respect of the shares held by them. Nomination forms can be obtained from the Share Department of the Company.
6. Pursuant to the provisions of sub-section (5) of Section 205A of the Companies Act, 1956 any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer to the unpaid dividend account shall be transferred by the Company to the Investor Education and Protection Fund to be established by the Central Government.
Shareholders who have not claimed or encashed their dividend warrants in respect of financial years 1995-96, 1996-97 and 1997-98 are therefore requested to approach the Company in writing with their folio numbers to facilitate payment.
7. Company's Equity Shares are listed on The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, 25th Floor, Dalal Street, Mumbai - 400 023, The Pune Stock Exchange, PMT Commercial Building Deccan Gymkhana, Pune - 411 004, and The Ahmedabad Stock Exchange, Near Polytechnic, Panjara Pole, Ahmedabad - 300 015, and the Company has paid the annual listing fees for the financial year 1999-2000 to all the three exchanges.
8. Members are requested to immediately notify any change in their addresses to the Registrar and Transfer Agents, M/s. Hamco Share Registry Pvt. Ltd. at 17/B, Dena Bank Building, 2nd Floor, Horniman Circle, Fort, Mumbai 400-001 and/or Luthra Industrial Premises, Unit No. 1, Andheri-Kurla Road, Safed Pool, Andheri (E), Mumbai - 400 072.
9. 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.
10. 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.

DAI-ICHI KARKARIA LIMITED

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

Item No. 7

Prof. Karl Sune Detlof Bergstrom who was appointed a Director of the Company on 7th June 1997, to fill in the casual vacancy caused by the demise of Mr. S. Ghosh, in terms of the Companies Act and the Articles of Association of the Company vacates office at this Annual General Meeting as Mr. S. Ghosh, in whose place he was appointed, would have retired by rotation at this meeting. A notice has been received by the Company from a member under Section 257 of the Companies Act, 1956 proposing the appointment of Prof. Karl Sune Detlof Bergstrom as a Director of the Company at this meeting. Prof. Karl Sune Detlof Bergstrom offers himself for appointment as a Director at this meeting.

Prof. Karl Sune Detlof Bergstrom is an eminent Scientist and Nobel Laureate.

Your Directors, therefore, feel that it will be in the interest of the Company to appoint him as a Director of the Company and accordingly recommend his appointment.

None of the Directors is concerned or interested in the Resolution except Dr. Bergstrom.

The Directors recommend the Resolution for acceptance by the Members.

Item No. 8

The members are informed that the Company has appointed M/s. Hamco Share Registry Pvt. Ltd., as Registrars & Transfer Agents, in place of Computrade Services Pvt. Ltd., with effect from 15th July 1999. The members at the Annual General Meeting held on 19th September 1998, had approved keeping of Registers and Index of members as well as Annual Return of the Company under Section 159 of the Companies Act 1956, and copies of certificates and documents required to be annexed thereto under Section 161 of the said Act, with Computrade Services Pvt. Limited at Wakefield House, 11, Sprott Road, Ballard Estate, Mumbai 400 038. Consequent to the appointment of Hamco Share Registry Pvt. Ltd. as Registrars & Transfer Agents in place of Computrade Services Pvt. Ltd., approval of the members is sought for keeping the above Registers, index, returns, documents at the office of the new Registrars.

None of the Directors of the Company is in any way, concerned or interested in the Resolution.

By Order of the Board

H. H. Bhesania

Asst. Company Secretary

Date: 14th July, 1999

Registered Office:

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



DIRECTORS' REPORT

Your Directors have pleasure in presenting the Thirty-ninth Annual Report together with the audited accounts for the year ended 31st March, 1999.

1. FINANCIAL RESULTS :

	1998-99 Rs.	1997-98 Rs.
Sales and Other Income	48,53,77,710	60,44,18,044
Gross Profit	6,02,25,368	9,48,87,174
Depreciation	2,14,94,783	1,49,51,576
Interest	2,47,30,621	2,99,21,860
Profit before Extra-ordinary item & taxation	1,39,99,964	5,00,13,738
Add: Extra Ordinary item	1,10,37,000	—
Less: Reserve for diminution in value of investments	21,22,360	—
Less: Provision for taxation	39,00,000	57,00,000
Add: Taxation of previous years	55,09,132	—
Profit after Taxation	2,45,23,736	4,43,13,738
Balance brought forward	4,94,07,480	2,80,52,022
Amount available for appropriation	7,39,31,216	7,23,65,760
Appropriations:		
Proposed Dividend	1,62,34,800	1,62,34,800
Income Tax on Proposed Dividend	17,85,828	16,23,480
General Reserve	25,00,000	51,00,000
Balance carried forward	5,34,10,588	4,94,07,480

2. DIVIDEND:

The Directors recommend payment of dividend for the year ended 31st March, 1999 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 reduction in sales for the year ended 31st March 1999 is due to delay in receipt of large Public Sector orders which were subsequently received and are being presently executed. In spite of the general recessionary trend for textile and other industries, the Company has been able to maintain its sales in most other areas. There has been a reduction in profitability, due to the commercialisation of the Bulk Drug Plant and the additional expenses related to the new research and developments carried out in this area.

Product Development and Improvement :

During the year 1998-99, the turnover of new development products was 405 MT at a value of Rs. 401 lacs which is an increase of 32.53% over previous year.

The Company continues its efforts to develop new performance based products, in various core areas. Amongst the recent encouraging responses received are for High flash point PPDs, Polymeric compounds for Scale inhibitors for Petroleum oil field

DAI-ICHI KARKARIA LIMITED

industry; specialised softeners for textile; coal frothers for mining; viscose additives for rayon. Products in the pipeline are Deoilers and dispersants for coated paper, dispersants for pigments and improved spin finishes for nylon etc.

EXPANSION AND DIVERSIFICATION :

a. Flocculants Project at Kurkumbh

The domestic sales in 1998-99 was higher by 52% against last year. The Company has been able to establish sales with several new prestigious customers and have replaced imports in many cases. The Company has joined hands with Project Consultants for effluent treatment plants for increasing the potential business for the year 1999-2000. For the year 1999-2000 the Company expects 100% increase in turnover over the year 1998-99. The Company has prioritized its sales to the aluminium and paper industries. In addition it will continue its focus on achieving business in the oil industry.

b. Spin Finishes

For the year 1998-99 Spin Finishes continue to be a high thrust area. The Company's POY DTY finish has been well accepted in the market and we are likely to get orders from leading synthetic fibre manufacturers.

c. Bulk Drugs/Fine Chemicals Project

The Company has been able to develop processes for several bulk intermediates and actives at its new R&D centre. The Division of the Company — Dai-ichi Laboratories, is progressing slowly and already has created a name for producing quality products at competitive prices in the Indian Industry. Patented molecule processes were developed and were scaled up to commercial level by March '99. The Company achieved a breakthrough in development of D-Calcium Pantothenate and samples are being sent to various customers. The Company plans to start development of three new products in the Pilot facility which is being upgraded presently to meet strict cGMP conditions. The division is planning to prepare for USFDA inspection in order to achieve international recognition. The Company is negotiating with foreign customers for product specific tie-ups in future.

The Company has exported some Bulk actives to Korea in the quarter ended June '99.

Y2K COMPLIANCE :

The Company has taken effective steps to be Y2K compliant. To ensure this objective, the Company has engaged the expert services of an outside agency.

FIXED DEPOSITS :

As on 31st March 1999, there were no unpaid deposits outstanding.

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

- Information as per Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, which forms part of this Report, is not annexed herewith. However, any shareholder interested in obtaining such particulars may write to the Asst. Company Secretary at the Registered Office of the Company.
- 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 the annexure to this Report.