SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

ReportJunction.com

DAI-ICHI

ANNUAL REPORT
2001-2002

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

DAI-ICHI KARKARIA LIMITED

Contents:

	Page Nos.
Notice	2
Directors' Report	8
Corporate Governance Disclosure	16
Auditors' Report	21
Balance Sheet	24
Profit and Loss Account	25
Schedules 1 to 20	26
Accounts of Subsidiary Company	45
Auditor's Report on Consolidated Financial Statement	69
Consolidated Balance Sheet	70
Consolidated Profit & Loss Accounts	71
Schedules forming part of Consolidated Accounts	72
Notes forming part of Consolidated Accounts	80
Attendance Slip & Proxy Form	Cover 3

Board of Directors:

Mr. D. M. Neterwala *Chairman*
Dr. K. H. Gharda
Dr. H. E. Eduljee
Mr. J. H. C. Jehangir
Mr. A. H. Jehangir
Mr. K. D. Patel
Dr. S. P. Adarkar
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.
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 India (Pvt.) Ltd.
17/B, Dena Bank Building,
2nd Floor, Horniman Circle,
Fort, Mumbai 400 001.
Tel.: 2641376/2702485

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

NOTICE

NOTICE is hereby given that the Forty Second Annual General Meeting of the Members of **DAI-ICHI KARKARIA LIMITED** will be held on 19th September 2002 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:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2002 and the Balance Sheet as at that date together with the Directors' Report 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. J. H. C. Jehangir, who retires by rotation and, being eligible, offers himself for reappointment.

5. 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

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

   "RESOLVED THAT Dr. S. P. Adarkar who was appointed a Director of the Company to fill in the casual vacancy caused by the resignation of Dr. E. H. Daruwalla 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 under Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director be and is hereby elected and appointed a Director of the Company."

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

   "RESOLVED THAT Mr. K. D. Patel who was appointed a Director of the Company to fill in the casual vacancy caused by the resignation of Prof. Karl Sune Detlof Bergstrom 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 under Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director be and is hereby elected and appointed a Director of the Company."

8. 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 and 310 read with Schedule XIII thereto and all the other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves of the revision in the terms of remuneration of Mrs. S. F. Vakil, Managing Director with effect from 1st November 2001, upto 31st March 2002, as per the Resolution passed by the Board of Directors at their meeting held on the 31st October, 2001, the details of which are set out in the explanatory statement as annexed to the notice."

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

9. 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, 310 read with Schedule XIII thereto and all the other applicable provisions if any of the Companies Act, 1956, the Company hereby approves of the reappointment of Mrs. S. F. Vakil as the Managing Director of the Company for a period of 5 years with effect from 1st June, 2002, on the existing terms and conditions as set out in the Explanatory Statement annexed to the Notice with the liberty to the Directors to alter, vary and amend the said terms and conditions."

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

    "RESOLVED THAT subject to the provisions of the applicable laws, guidelines, rules and regulations including the Companies Act, 1956, the Securities Contracts (Regulation) Act 1956, and the Rules framed thereunder in this regard and subject to such other approvals, permissions and sanctions as may be required from the Stock Exchanges with which the Securities of the Company are listed and/or any other relevant Authority and subject to any conditions or modifications as may be imposed while granting such approvals, permissions and sanctions and mutually agreed to in the best interest of the Company, consent of the Company be and is hereby accorded to the Board of Directors of the Company to seek voluntarily delisting of its Equity Shares from The Stock Exchange, Ahmedabad."

    "RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do and perform all such acts, deeds, matters and things as it may in its absolute discretion deems necessary, desirable or appropriate and execute all such applications, deeds, agreements, documents and writings as it may consider necessary, usual requisite or proper for giving effect to this resolution."

By Order of the Board

S. F. Vakil
Managing Director

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

Date: 25th June, 2002.

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 relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item Nos. 6,7,8,9 and 10 under Special Business stated above is annexed hereto.

3. The Register of Members and Share Transfer Books of the Company will remain closed from 10th September 2002 to 19th September 2002 (both days inclusive).

4. Dividend on Equity Shares as recommended by the Directors for the financial year ended March 31, 2002 when declared at the meeting will be paid to those Members whose names appear on the Register of Members on or before 19th September, 2002. 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.

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

5. Members who hold shares in the physical form can nominate a person in respect of all the shares held by them singly or jointly. Members who hold shares in single name are advised, in their own interest to avail of the nomination facility by filing Form 2B. Blank Forms will be supplied by Company's Registrar & Transfer Agent on request. Members holding shares in the dematerialised form may contact their Depository Participant for recording nomination in respect of their shares.

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 year 1996-97 or thereafter are therefore requested to approach the Company in writing with their folio numbers to facilitate payment.

7. The 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, 752, Shivlila Building, Sadashiv Peth, Pune - 411 030, and The Ahmedabad Stock Exchange, Kamdhenu Complex, Opp. Sahajanand College, Panjara Pole, Ambawadi, Ahmedabad - 380 015, and the Company has paid the annual listing fees for the financial year 2002-2003 to all the three exchanges.

8. Members are requested to immediately notify any change in their addresses to M/s. Sharex (India) 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.

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

Date: 25th June, 2002.

By Order of the Board

S. F. Vakil
Managing Director

ReportJunction.com

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

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

Item No. 6:

Dr. S. P. Adarkar who was appointed a Director of the Company on 26th April, 2001, to fill in the casual vacancy caused by the resignation of Dr. E. H. Daruwalla, in terms of the Companies Act and the Articles of Association of the Company who vacates office at this Annual General Meeting as Dr. E. H. Daruwalla, 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 Dr. S. P. Adarkar, as a Director of the Company at this meeting. Dr. S. P. Adarkar offers himself for appointment as a Director at this meeting.

He posseses a wide and varied experience in the field of industry Corporate and Banking. He is Ph.D from University of Bombay.

He is the member of Managing Committee of Saraswat Co-op. Bank since 1968. He was twice elected as the Executive Vice-President of the Indo-American Chamber of Commerce. He was also appointed as the Chairman of Environmental Control Committee for two terms under the auspices of the Bombay Chamber of Commerce. He was the Indian delegate to the Indo-US Joint Business Council twice.

Dr. S. P. Adarkar is a well known personality in the business and social world.

The Other Directorships of Dr. S. P. Adarkar are as follows:

Name of the Company	Board Position Held	Board Committee Membership
Amar Remedies Ltd.	Director	—
Control Print (India) Ltd.	Director	Chairman & Member, Audit Committee
Gujarat Petrosynthese Ltd.	Director	Member and Chairman, Audit Committee
Maharashtra Hybrid Seeds Co. Ltd.	Director	—
Mahyco Vegetable Seeds Ltd.	Director	—
Monsanto India Ltd.	Director	a) Audit Committee b) Share Transfer Committee
Pearl Organics Ltd.	Director	—
The Saraswat Co-op. Bank Ltd.	Director	—
Uni Abex Alloy Products Ltd.	Director	Audit Committee
Uni Deritend Ltd.	Director	—
Xcelution Technologies Ltd.	Director	—

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. Adarkar.

Item No. 7

Mr. K. D. Patel, who was appointed a Director of the Company on 26th April, 2001, to fill in the casual vacancy caused by the resignation of Prof. Karl Sune Detlof Bergstrom, in terms of the Companies Act and the Articles of Association of the Company vacates office at this Annual General Meeting as Prof. Bergstrom, 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 Mr. K. D. Patel, as a Director of the Company at this meeting. Mr. K. D. Patel offers himself for appointment as a Director at this meeting.

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

He possesses a wide and varied experience in financial accounting, planning and management of Companies.

He is a Bachelor of Commerce and the Member of The Institute of Chartered Accountants in England and Wales. He has worked for the Turquands Harton Mayhew, a British firm of Chartered Accountants in Milan, Italy.

He established Polaroid India in 1995 and was appointed as the Country Director. He has worked for U.S. International Companies for the majority of his career.

The other Directorships of Mr. K. D. Patel are as follows:

Name of the Company	Board Position held	Board Committee Membership
ARI Consolidated Investments Ltd.	Director	—
Inarco Ltd.	Director	—
Indian Oxides & Chemicals Ltd.	Director	—
Phil Corp. Ltd.	Director	Audit Committee
Uniklinger Ltd.	Alternate Director	—

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 Mr. Patel.

Item Nos. 8 and 9

The members of the Company at the Annual General Meeting held on 22nd September, 1997 approved the re-appointment of Mrs. S. F. Vakil as Managing Director of the Company. The members have further authorised the Board of Directors to alter and vary the terms of her appointment within the ceiling limits in that behalf laid down in Schedule XIII of the Companies Act, 1956.

Mrs. S. F. Vakil has played a vital role in the success of the Company. In fact under her able and dynamic leadership the Company initiated and successfully accomplished the all round measures of cost cutting and restructuring of the business of the Company. She has successfully geared the bulk drugs project of the Company at Hyderabad. Mrs. S. F. Vakil is shouldering the responsibilities of the Management and in house research and development. She also has to supervise marketing, finance and general administration. The sales and profitablity of the Company have been consistent under her able leadership.

Mrs. S. F. Vakil holds an M.B.A. degree from U.S.A.. She has over 23 years of experience with the Company and during this tenure she has successfully achieved the Corporate goals.

Keeping in mind her contribution in these years and in view of the increased activities the Board of Directors approved the revision in remuneration of Mrs. S. F. Vakil with effect from 1st November 2001 as set out below.

Consequently her term as the Managing Director expired on 31st May, 2002.

The Board also reappointed her as the Managing Director on the existing terms and conditions for a further period of 5 years from 1st June, 2002.

1. Remuneration : Rs. 75,000/- per month in the salary scale of Rs. 75,000 - 10,000 - 1,25,000.
2. Perquisites & Allowances : In addition to the salary, Mrs. Vakil shall also be entitled to perquisites and allowances like furnished accommodation or house rent allowance in lieu

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

thereof, together with reimbursement of expenses or allowances for utilities such as gas, electricity, water and furnishings, servants' salary, childrens' education benefit; medical reimbursement, accident insurance, leave travel assistance, club fees and such benefits and other perquisites and allowances in accordance with the Rules of the Company or as may be agreed to by the Board of Directors and the Managing Director. Such perquisites and allowances will be subject to a maximum of 65% of the Annual salary and shall be evaluated as per Income-tax Rules, wherever applicable.

Provision for use of the Company's car together with reimbursement of chauffer's salary for official duties and telephone at residence (including payment of local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

Company's contribution to Provident Fund and Superannuation fund or Annuity to the extent these either singly or together are not taxable under the Income-tax Act, Gratuity payable as per the rules of the Company and to the extent not taxable under the Income-tax Act and encashment of leave at the end of her tenure shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

3. Commission : In addition to the above, in the event of adequate profits the Managing Director will also be entitled to remuneration by way of commission calculated @ 1% of the net profits of the Company, subject to the overall ceiling stipulated in Sections 198 and 309 of the Companies Act, 1956.

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/s thereof.

Mrs. S. F. Vakil (Managing Director) and Mr. D. M. Neterwala (Director) being the relative of Mrs. S. F. Vakil are concerned and interested in the above resolution.

Item No. 10

The Equity Shares of your Company are presently listed in three Stock Exchanges viz. The Stock Exchange Mumbai, Pune Stock Exchange Ltd. and The Stock Exchange Ahmedabad.

It is proposed to delist the securities of the Company from The Stock Exchange Ahmedabad as the trading of the Company's Securities at The Stock Exchange Ahmedabad is rare and the trading volume negligible. It will reduce the burden of the cost of listing fees and at the same time the shareholders will not suffer due to delisting since with the introduction of screen based trading on the BSE, trading in shares can be easily done throughout the Country. Moreover, the Company's shares are now traded in Demat mode as per the notifications issued by Securities and Exchange Board of India (SEBI).

Members' approval is being accordingly sought by this Resolution to enable voluntarily delisting of the Company's Shares from the Stock Exchange Ahmedabad as required by SEBI guidelines.

The Board therefore recommends passing the Resolution as set out in item No. 10 of the accompanying Notice.

None of the Directors is interested in the Resolution except to the extent of their shareholdings.

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

Date: 25th June, 2002.

By Order of the Board

S. F. Vakil
Managing Director

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

DIRECTORS' REPORT

Dear Members

Your Directors have pleasure in presenting the Forty-Second Annual Report together with the audited accounts for the year ended 31st March, 2002.

1. **FINANCIAL RESULTS:**

	2001-2002 Rs.	2000-2001 Rs.
Sales and Other Income	**61,96,56,917**	55,11,34,195
Gross Profit	**6,25,43,691**	4,89,96,164
Depreciation	**2,30,90,798**	2,31,94,140
Interest	**2,57,68,855**	2,24,09,296
Profit before Extraordinary & prior period item & taxation	**1,36,84,038**	33,92,728
Add: Extraordinary and prior period item	—	21,20,260
Profit before Tax	**1,36,84,038**	55,12,988
Less: Provision for taxation	**13,00,000**	6,00,000
Less: Deferred Tax	**21,24,334**	—
Add: Taxation of previous years	**(19,65,831)**	(47,01,376)
Profit after Taxation	**1,22,25,535**	96,14,364
Balance brought forward	**6,58,78,290**	6,61,79,301
Amount available for appropriation	**7,81,03,825**	7,57,93,665
Appropriations:		
Proposed Dividend	**76,06,400**	81,17,400
Income Tax on Proposed Dividend	—	8,27,975
General Reserve	**13,00,000**	9,70,000
Balance carried forward	**6,91,97,425**	6,58,78,290

2. **DIVIDEND:**

The Directors recommend payment of dividend for the year ended March 31, 2002 at Re. 1/- per share amounting to Rs. 76.06 Lacs (previous year – Re. 1/- share amounting to Rs. 81.17 Lacs).

3. **PERFORMANCE:**

The Company's performance has improved as compared to the previous year despite the very challenging market conditions it faced on account of the global and domestic downturn. The overall profitability has increased as the Company's pharma division has turned the corner, and is on a growth path.

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENTS:OPPORTUNITIES & THREATS:

RISKS & CONCERNS:

The past year has been one of the most challenging years your Company has experienced in decades. This year will continue to pose significant challenges.

The Speciality Chemical Industry experienced high feedstock and energy costs, and over-capacity in most business segments. The age-old problem of over capacity coupled with non-world scale plants and chronically high logistics and labour costs have made it very difficult to increase margins. Demand was weak with margins at the lowest levels we have seen in years.

The Company has begun a series of across the board cost reductions. One such measure is through a limited Voluntary Retirement Scheme plan for the more aged work force.

We are working on new levels of productivity to extract greater value from our assets, to foster market-oriented innovation, keeping inventories at a minimum and selling some of our fully valued assets that are not critical to our business any longer. Keeping a lid on capital spending and focusing strictly on maintenance, we will not be increasing capacity presently.

Meeting difficult market conditions does not just involve cost cutting. We are doubling our efforts to satisfy our customers through improved products and technology advances. We are taking some actions necessary to ensure that we can withstand a prolonged downturn in the economy.

For 2002-03, rather than waiting for the economy to recover, we will continue the drive to realise internal efficiencies that improve performance and profitability.

Segment-wise Operational Performance and Outlook:

The Company's business can be divided into two major segments:

I. **Speciality Chemicals:**

These are essentially low volume high value products, and differ from bulk commodity products in that they accomplish certain performance objectives.

Though they most often cater to smaller niche markets, there are some speciality or performance chemicals that are consumed in larger quantities, e.g. in the oil sector. This Company has been a pioneer manufacturer of products like Pour Point Depressants (PPD) and Demulsifiers for this sector. This year too the Company successfully completed an order for 1350 MTs of PPD for the Oil & Natural Gas Commission.

The other Speciality chemicals area the Company deals in are in Textile Auxiliaries and Spin Finishes. Here, the Company has been selling speciality niche products in order to hold the price line in a rapidly declining and price sensitive market. Through stringent quality control and superior technical support, the Company has been able to safeguard its market share for some of these higher value niche products. The Company's strategy to continuously upgrade its technology, by using its skills in chemistry to develop newer products as per customers specific and changing needs has facilitated it to be a respected player in this field.

The ability to understand the customers needs and application requirements, is key to the success of a Speciality Chemical Company.

Dai-ichi has set up a specialised Technical Cell, working exclusively towards application research and development for various industries. We will be setting up modern laboratory facility for Spin Finish/ Textiles Specialities where these products will be evaluated and tailor made as per customer's specific needs. Our focus will be timely technical services for our customer in the chosen segment.

The result is that the Company increased its turnover from new developments by Rs. 340 lakhs in 2001-02.

www.reportjunction.com