



**DAI-ICHI**  
**ANNUAL REPORT**  
**2002-2003**

## DAI-ICHI KARKARIA LIMITED

<b>Contents:</b>	<b>Page Nos.</b>
Notice	2
Directors' Report	5
Corporate Governance Disclosure	13
Auditors' Report	19
Balance Sheet	22
Profit and Loss Account	23
Schedules 1 to 20	24
Accounts of Subsidiary Company	46
Auditor's Report on Consolidated Financial Statement	84
Consolidated Balance Sheet	86
Consolidated Profit & Loss Accounts	87
Schedules forming part of Consolidated Accounts	88
Notes forming part of Consolidated Accounts	96
Electronic Clearing Services Mandate Form	107
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*  
 Mr. K. B. Baxi *Company Secretary*

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



## NOTICE

**NOTICE** is hereby given that the Forty Third Annual General Meeting of the Members of **DAI-ICHI KARKARIA LIMITED** will be held on Friday, 5th day of September, 2003 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, 2003 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 Mr. A. H. Jehangir, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Dr. K. H. Gharda, 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 a Special Resolution:

"RESOLVED THAT subject to such consent, permissions or sanctions as may be required from any Authority, statutory or otherwise particularly from Securities Exchange and Board of India (SEBI) pursuant to Section 61 of the Companies Act, 1956 and all other applicable provisions of the Companies Act, 1956 and Guidelines, Rules framed by SEBI in this regards, the Board of Directors of the Company be and is hereby authorized to seek voluntarily delisting of its Equity Shares listed at Stock Exchanges, Ahmedabad and Pune and for that matter to apply to Stock Exchanges at Ahmedabad and Pune for voluntary delisting of the equity shares of the Company from the said Stock Exchanges."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to settle all questions, difficulties or doubts as may arise, with regard to voluntary delisting of shares, as it may in its absolute discretion deem fit."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take all necessary steps in this regards in order to comply with all the legal and procedural formalities and further to authorize any of its committee or Director(s) or Company Secretary to do all such acts, deeds or things, as may be necessary, to give effect to this resolution."

### Registered Office:

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

Date: June 30, 2003.

By Order of the Board

**S. F. Vakil**  
Managing Director

## DAI-ICHI KARKARIA LIMITED

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY AND VOTE INSTEAD OF HIMSELF AND 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 No.7 under the Special Business stated above is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 26th August, 2003 to 5th September, 2003 (both days inclusive).
4. Dividend on Equity Shares as recommended by the Directors for the financial year ended March 31, 2003 when declared at the meeting will be paid to those Members whose names appear on the Register of Members on or before 5th September, 2003. 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 on 25th August, 2003.
5. Payment of Dividend through Electronic Clearing Service (ECS)  
Members holding shares in physical form are advised to submit particulars of their bank account viz., name and address of the branch of the bank, 9 digit MICR code of the branch, type of the account and account number latest by 26th August, 2003 to the Company's Registrar and Share Transfer Agent M/s. Sharex (India) Pvt. Limited.  
Members holding shares in the demat form are advised to inform particulars of their bank accounts to their respective depositories participants.
6. 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.
7. Pursuant to the provisions of sub-section (5) of Section 205A of the Companies Act, 1956, dividend for the financial year ended 31st March, 1996 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 1996-97 or thereafter are therefore requested to approach the Company in writing with their folio numbers to facilitate payment.
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. 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.
10. Members are requested to bring their copies of annual report along with 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: June 30, 2003.

By Order of the Board

**S. F. Vakil**  
Managing Director

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

The Members are aware that at present the Company's equity shares are listed at the Stock Exchanges at Mumbai, Ahmedabad and Pune since April 1995 subsequent to the public offer made by the Company during January 1995. SEBI has notified guidelines for de-listing of securities on 17th February, 2003 and as per the said guidelines, Company may seek voluntary de-listing of securities from some of the Stock Exchanges without offering exit opportunity to shareholders provided that securities of the Company have been listed for a minimum period of three years on any exchange and such securities will continue to remain listed on a Stock Exchange having national trading terminals i.e. The Stock Exchange Mumbai or National Stock Exchange and any other Stock Exchange to be specified by SEBI.

The bulk of the trading in the Company's equity shares in any case takes place at the Stock Exchange, Mumbai and liquidity of trading on Stock Exchange at Ahmedabad and Pune are lower. With extensive networking of the Stock Exchange Mumbai and extension of its terminals to the other cities, shareholders would have access to online trading in the Company's equity shares across the country. The Board has considered at its meeting held on 30th June, 2003 a proposal to seek voluntary de-listing of the equity shares of the Company from Stock Exchange at Ahmedabad and Pune and seek shareholders' approval at the ensuing Annual General Meeting. The members at the last Annual General Meeting held on 19th September, 2002 had given their consent for voluntary de-listing of equity shares from Stock Exchange, Ahmedabad, the Company did not apply for delisting. In view of the new scheme notified by SEBI, it will be advantageous to seek voluntary delisting from Stock Exchanges at Ahmedabad and Pune.

The Board therefore recommends the passing of the Resolution as set out in Item No.7 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: June 30, 2003.

By Order of the Board

**S. F. Vakil**  
Managing Director

## DAI-ICHI KARKARIA LIMITED

**DIRECTORS' REPORT**

Dear Members

Your Directors have pleasure in presenting the Forty-Third Annual Report together with the audited accounts for the year ended March 31, 2003.

**1. FINANCIAL RESULTS:**

	<b>2002-2003 Rs.</b>	<b>2001-2002 Rs.</b>
Sales and Other Income	<b>52,17,36,913</b>	61,96,56,917
Gross Profit/(Loss)	<b>2,91,37,572</b>	6,25,43,691
Depreciation	<b>2,27,45,718</b>	2,30,90,798
Interest	<b>2,39,80,879</b>	2,57,68,855
Profit/(Loss) before Extraordinary & prior period item & taxation	<b>(1,75,89,025)</b>	1,36,84,038
Add: Extraordinary and prior period item	<b>(27,77,064)</b>	—
Profit/(Loss) before Tax	<b>(2,03,66,089)</b>	1,36,84,038
Less: Provision for taxation	<b>(1,80,000)</b>	13,00,000
Less: Deferred Tax	<b>40,31,425</b>	21,24,334
Add: Taxation of previous years	<b>3,24,212</b>	(19,65,831)
Write-back of forfeiture of shares	<b>49,98,000</b>	—
Profit/(Loss) after Taxation	<b>(1,11,92,452)</b>	1,22,25,535
Balance brought forward	<b>6,91,97,425</b>	6,58,78,290
Amount available for appropriation	<b>5,80,04,973</b>	7,81,03,825
Appropriations:		
Proposed Dividend	<b>38,03,200</b>	76,06,400
Tax on Proposed Dividend	<b>4,87,285</b>	—
General Reserve	—	13,00,000
Balance carried forward	<b>5,37,14,488</b>	6,91,97,425

**2. DIVIDEND:**

The Directors have recommended payment of dividend for the year ended 31st March, 2003 at 5% (Re. 0.50 paise per share) amounting to Rs. 38.03 Lacs to be paid out of the surplus balance in the Profit and Loss Account as against 10 % ( Re. 1/- per share) amounting to Rs. 76.06 Lacs of the previous year.

**3. PERFORMANCE:**

The Company has faced tumultuous business conditions this past year. We saw turnover drop and negative margins for the first time, in the past five years. The loss made by the Company, including the cost of VRS has been Rs. 2 crores.





## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### INDUSTRY STRUCTURE AND DEVELOPMENTS: OPPORTUNITIES & THREATS:

#### RISKS & CONCERNS:

In many regards, 2002 was a difficult year.

Economic contraction in many markets impacted demand and fostered aggressive competition. This has seen some serious erosion in our bottom lines.

As predicted, the challenges of last year continued through the current year. The Company presently manufactures over 150 Speciality Organic Chemicals for chemical and pharmaceutical applications. Margins for some of the regular products grew increasingly thin as products continued to get commoditised.

The Speciality Chemical Industry caters to the specialised needs of each customer, helping them solve problems, specific to their own technical requirements and working towards improved operational performance on the whole.

However, as competition grows and weak markets face challenging times, there is an increasing trend towards commoditisation of various products, that were earlier considered performance chemicals. The fall out of this is that selling prices have been in decline and margins remain under great pressure.

In order to counter this trend, the Company continues to follow a customer-focussed approach that aims to translate our technologies into newer value added solutions that outperform competitive materials, at a lower total cost to customers. By effectively managing costs and accelerating commercialization of new products and technologies, the Company aims to strengthen its long term competitive position and profitability.

Additionally, the Company is in the process of implementing a serious restructuring program to achieve annualized cost reductions of over Rs. 10 million, in the first phase. The priorities for the coming year will continue to be an ongoing effort to cut costs to improve margins, whilst driving revenue growth.

#### Segment-wise Operational Performance and Outlook:

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

##### I. Speciality Chemicals:

Speciality Chemicals are used in a wide variety of manufacturing processes to add value to an increasing number of end products. The business relies on a strong partnership with one's customers and an accurate understanding of their application needs.

These performance enhancing products find usage in practically all segments of industrial as well as consumer markets. Dai-ichi has been a pioneer manufacturer in this field but has lost market share as products continue to get commoditised. In this context, the increasingly strengthening position of companies with international affiliations like Novartis, BASF, Bayer, Ciba, Dupont, etc., the Company's strategy has been to develop synergistic relationships with some of these companies for some of their special needs.

Further, in this segment, the Company has pioneered and been receiving large orders (from Rs. 10 crores - Rs. 35 crores) for a specially developed oilfield chemical for the Public Sector. This year due to completely unremunerative prices prevailing the Company was unable to achieve any business. This has had a major impact on the Company's turnover and bottom line.

Therefore, though the Company, (in line with its policy to develop, newer value added solutions to meet the competition), has developed 50 new products for various industry segments this year itself, it has not been able to make up for the loss of this major business immediately.

The Company has however commercialised some products in the COS Pharma segment, which should result in bulk orders in the coming year.

Additionally, global competition in the highly technical field of spin finishes has had some impact on the

Company's spin finish business. However, with the development of a new generation finish for high speed yarn production we are quickly gaining back lost market share. In this regard, the Company has set up a new laboratory facility for Textile Specialities and Spin Finishes to develop and modify products that are as per the specific requirements of each customer.

Areas of growth in the coming year continue to be in the Paint and Adhesive sector, where the Company has gained substantial market share for its additives. New developments for Surfactants in the emulsion polymerisation for PVC should lead to bulk business this year. Additionally, surfactants for COS Pharma will add value to the bottom line.

In Textile area including Rayon, our key customers are in the process of developing value added fibre for exports and we are working towards suitable packages in close cooperation with them.

Markets in general are showing signs of recovery, and the Company believes its latest initiative to enhance its product offerings and move up the technology curve will bring the Company back to profitability.

#### **Polyacrylamides:**

During 2002 our water treating business made progress with achievements in market development applications technologies and operational improvements. These enabled us to increase sales volumes for newer applications which were a result of our successful execution of strategies to expand our product range through technical developments. We saw growth in the mineral separation and processes, and solvent extractions. Competition from MNCs mainly impacted the lower margin commodity business.

## **II. Bulk Drugs and Pharmaceuticals:**

The Company's decision to move up the value chain from Speciality Performance Chemicals to the manufacture of Active Pharmaceutical Ingredients, is beginning to show results. The Company has tied up with some global customers and distributors for its intermediates and APIs. In this connection, the Company's recent decision to upgrade to an USFDA Plant, will greatly strengthen its position and credibility whilst facilitating its foray into the regulated markets.

The Company has made significant investments in R&D and in forging international tie-ups, and these businesses will start contributing well over the next 2-3 years. In fact, the Company's recent submission of a Certificate of Suitability Dossier (COS) for registering a product with EDQM France, will result in a marked increase in turnover over the next year.

The Company's growing skills in process development and the manufacture of multi-step intermediates and APIs, will allow it to position itself adequately for the Custom Synthesis market in the years to come. The market based initiatives being taken by the Company now, will stand it in good stead post 2005.

In the past year the Company's R&D has focussed on specific advanced intermediates for new generation anti-ulcerative drugs, and will continue to work on newer molecules in the antidepressants, CNS stimulants, and anti-anxiolytic therapeutic areas.

#### **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.





#### FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:

The profit for 12 month period before tax decreased by Rs. 341 Lacs resulting in net loss of Rs. 204 Lacs for the current year against profit of Rs. 137 Lacs of the previous year.

There was a degrowth in the sales by almost 15% due to loss of a major Public Sector Tender this year.

#### 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 seminars/workshops to enhance their skills and knowledge.

As on March 2003, the total number of employees on the rolls of the Company at Corporate Office and all locations was 431.

#### 4. FIXED DEPOSITS:

Out of the fixed deposits totalling to Rs. 311.84 Lacs as at 31st March 2003, deposits amounting to Rs. 62,000/- 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. 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 Company Secretary at the Registered Office of the Company.
- b. The particulars as prescribed under sub-section (1) (e) of Section 217 of the Companies Act, 1956, read with Companies Directors) Rules, 1988, are given in this annexure to this Report.

#### 6. DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. A.H. Jehangir, Dr. K.H. Gharda and Dr. K.R. Bharucha retire from the Board of Directors by rotation and are eligible for re-appointment. Brief resumes of the above Directors, nature of their expertise, number 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, 2003, and of the Loss of the Company for the period April 1, 2002 to March 2003;
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.

**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. FORFEITURE OF SHARES:**

During the year, after complying with requisite approvals, Board had forfeited 5,11,000 equity shares of the Company.

**10. SUBSIDIARY COMPANY:****Dai-ichi Gosei Chemicals (India) Limited becoming a Subsidiary Company**

During the year, Dai-ichi Gosei Chemicals (India) Limited has become a Subsidiary Company of our Company with effect from December 2, 2002.

Pursuant to the Provisions of Section 212 of the Companies Act, 1956, the Annual Report and Accounts of the Company's subsidiary viz. Baker Oil Treating (I) Ltd. (BOTI) for the year ended 31st March 2003 and Dai-ichi Gosei Chemicals (India) Limited for the year ended 31st March 2003 are annexed together with the statement showing the extent of the Company's interest therein.

**11. LISTING:**

The Equity Shares of your Company are presently listed on Three Stock Exchanges Viz., The Stock Exchange, Mumbai, The Pune Stock Exchange, Pune and The Ahmedabad Stock Exchange, Ahmedabad. The Company has paid the annual listing fees for the financial year 2003-2004 to all the three exchanges.

**De-listing**

Members have given their approval at the last Annual General Meeting held on 19th September 2002 for delisting voluntarily Company's equity shares from Stock Exchange, Ahmedabad. However, the Company did not take any steps in this regards.

In view of the new guidelines notified by the SEBI during February 2003, it is now proposed voluntarily to de-list the equity shares of the Company from Stock Exchanges at Ahmedabad and Pune in view of negligible trading at the said Stock Exchanges for which approval of shareholders is sought at the ensuing Annual General Meeting.

**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:**

Your Company's efforts in improving the Safety and Environmental protection measures have resulted into the Company's successful qualification for 2000 version of the ISO9001 certification. The Accident Frequency Rate (AFR) has further reduced to 1.525 so also the Accident Severity Rate (ASR) to 13.73.

In addition to the periodic in-house safety audits, the plants continue to carry out regular examinations and special tests to monitor the well-being and health of the employees. Good sanitation and hygienic conditions in the plants and canteen as well as good housekeeping everywhere in the factory premises is ensured by a special committee.

The Company continues to put special emphasis on the Environmental, Health and Safety from conception and design of new products, to development, optimization of processes, to commercial manufacturing and delivery of goods to the customers. The several initiatives taken by the Company in training the employees and business partners in all aspects of EH & S has resulted in substantial reduction in the Accident Frequency Rate (AFR) and minimising the Accident Severity Rate (ASR). A special committee ensures good sanitation and hygienic conditions in the plants and canteen.