

ANNUAL REPORT  
2007-2008



## DAI-ICHI KARKARIA LIMITED

**Board of Directors:**

Mr. D. M. Neterwala	<i>Chairman</i>
Mrs. S. F. Vakil	<i>Vice-Chairperson &amp; Managing Director</i>
Mr. J. H. C. Jehangir	
Mr. A. H. Jehangir	
Mr. K. D. Patel	
Dr. Anil M. Naik	
Dr. K. R. Bharucha	
Mr. Jimmy Bilimoria	
Mrs. Kavita Thadeshwar	<i>Company Secretary</i>

**Bankers:**

Bank of India  
The Saraswat Co-operative Bank Ltd.

**Auditors:**

Deloitte Haskins & Sells.  
Chartered Accountants, Mumbai

**Solicitors:**

Bharucha & Partners

**Registered Office:**

Liberty Building,  
Sir Vithaldas Thackersey Marg,  
Mumbai - 400020.

**Works:**

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

**Registrars and Transfer Agents:**

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

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## NOTICE

**NOTICE** is hereby given that the Forty-Eighth Annual General Meeting of the Members of **DAI-ICHI KARKARIA LIMITED** will be held on Thursday, the 4th day of September 2008 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, 2008 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. J. H. C. Jehangir, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. Anil Naik, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

### Special Business:

6. To consider and if thought fit, to pass following resolutions with or without modifications as an Ordinary Resolution:

"RESOLVED THAT Mr. Jimmy S. Bilimoria who was appointed as an additional Director of the Company, under Section 260 of the Companies Act, 1956 read with Article 107 of the Articles of Association of the Company and who holds office till the conclusion of this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of the Director, be and is hereby appointed as Director of the Company.

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

**Kavita Thadeshwar**  
Company Secretary

### Registered Office:

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

Date : 27th June, 2008

Place : Mumbai

### NOTES:

- (1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND THE MEETING AND PROXY NEED NOT BE A MEMBER. THE INSTRUMENT APPOINTING THE PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- (2) An Explanatory statement pursuant to section 173(2) of the Companies Act, 1956 relating to Special Business to be transacted at the Annual General Meeting is annexed.

## DAI-ICHI KARKARIA LIMITED

- (3) The Register of Members and Share Transfer Books of the Company will remain closed from August 18, 2008 to September 4, 2008 (both days inclusive) in connection with the Annual General Meeting.
- (4) Subject to provisions of Section 206A of the Companies Act, 1956, dividend as recommended by the Directors if declared at the meeting, will be payable to those Members whose names appear on the Register of Members on or before 4th September, 2008. 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 16th August 2008.
- (5) As regards payment of dividend through Electronic Clearing Services (ECS), Members holding shares in physical forms are advised to submit particulars of their bank account viz., name and address of the branch of bank, 9 digit MICR code of the branch, type of account and account number before 16th August, 2008 to the company's share transfer agent M/s. Sharex Dynamic (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) Pursuant to the provisions of sub-section (5) of Section 205A of the Companies Act, 1956, dividend for the financial year ended 31st March, 2001 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 2001-2002 or thereafter are therefore requested to approach the Company in writing with their folio numbers to facilitate payment.
- (7) Members whose shareholding is in physical mode are requested to immediately notify any change in their addresses to M/s. Sharex Dynamic (India) Pvt. Ltd. at Unit-1, Luthra Ind. Premises, Andheri Kurla Road, Safed Pool, Andheri (East), Mumbai - 400 072 and members whose shareholding is in electronic mode are requested to direct change of their address notification and updations of saving bank accounts details to their respective Depository Participants.
- (8) The Shareholders desiring any information as regards Accounts are requested to write to the Company at an early date so as to enable the Management to keep the information ready.
- (9) Members/proxies are requested to bring duly filled Attendance slips and their copies of annual report along with them as copies of the Report will not be distributed at the meeting.
- (10) The Annual Accounts of the subsidiary companies and related information will be made available to investors seeking such information. All such documents referred to herein will be available for inspection at the registered office of the Company on all working days except Saturday between 11.00 a.m. and 1.00 p.m. upto the date of annual general meeting.
- (11) In terms of clause 49 of the listing agreement, the information relating to directors retiring by rotation and seeking re-appointment is as under:

**Mr. J. H. C. Jehangir:**

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

**Brief resume and nature of expertise:**

Mr. J. H. C. Jehangir, is one of the promoters of the Company. He is a Director of the Company since 1986 and is a member of the share transfer committee of the Company. He is an Arts Graduate by qualification and has experience of more than 30 years in investment business.



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

**Directorship:**

Sr. No.	Name of the Company	Designation
1.	Cannadel Trading Company	Chairman
2.	Cowasjee Jehangir Trading Company	Chairman
3.	Wild Flower Company	Chairman
4.	Jehangir Clinical Development Centre Pvt. Ltd.	Chairman
5.	Cowhill Trading Company	Director
6.	Amerado Trading Company	Director
7.	Goodearth Trading Company	Director
8.	Chowgule Industries Pvt. Ltd.	Director
9.	Andhra Pradesh Tanneries Ltd.	Director
10.	Hindustan Spicer Hardy Ltd.	Director

The Directors recommend the Resolution for members' approval.

No Director other than Mr. J. H. C. Jehangir is concerned/interested in this resolution.

**Dr. Anil M. Naik:**

Dr. Anil M. Naik, Director retires by rotation and being eligible offers himself for re-appointment.

**Brief resume and nature of expertise:**

Dr. Anil M. Naik, is a Gold Medalist from IIM Calcutta and Ph.D. from Mumbai University in Strategic Management. He has more than 22 yrs. of experience at Senior Level in Indian Corporate Sector and for the last 22 yrs., he has been management consultant and educator. He was awarded S. S. Nadkarni fellowship at the University of Bombay in 2001 and was adjudged Best Management Teacher by Bombay Management Association in the year 2003.

As management consultancy area in the field of turn-around and organizational restructure, he has completed consultancy assignment of the companies such as Asian Paints (I) Ltd., Jindal Iron & Steel Co. Limited, CRISIL and Knight Frank India Limited.

Dr. Naik does not hold any equity shares of the Company. Apart from Dai-ichi Karkaria Ltd., Dr. Naik holds directorship of the following companies:

**Directorship:**

Sr. No.	Name of the Company	Designation
1.	Sudit Polymers Pvt. Ltd.	Director
2.	Neterson Technologies Pvt. Ltd.	Director
3.	Oil Field Instrumentation (India) Ltd.	Director

The Directors recommend the Resolution for members' approval.

No Director other than Dr. Anil M. Naik is concerned/interested in this resolution.

## DAI-ICHI KARKARIA LIMITED

**EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956****Item No. 6:**

At the meeting of Board of Directors of the Company held on October 24, 2007, the Board appointed Mr. Jimmy S. Bilimoria as an Additional Director with effect from October 24, 2007. Pursuant to section 260 of the Companies Act, 1956 and Articles of Association of the Company, Mr. Jimmy Bilimoria holds office up to the conclusion of this Annual General Meeting. Notice in writing has been received from a member of the Company alongwith the prescribed deposit under section 257 of the Companies Act, 1956, signifying his intention to propose Mr. Jimmy Bilimoria as a candidate for the office of Director.

**Brief resume and nature of expertise:**

Mr. Jimmy Bilimoria, was the Managing Director and Country Head for the Ciba Group in India. He has a Bachelor's degree in Commerce from the University of Bombay and is a Fellow member of the Institute of Chartered Accountants, England and Wales. He has been associated with the Ciba Group since 1997 and has held various positions viz Finance Director, Managing Director and Vice Chairman & Managing Director. Currently he is the Chairman of Ciba India Limited. Besides operational responsibility he was actively involved in various acquisition deals, restructuring of businesses and integration of new opportunities including joint ventures and strategic alliances. He has been on the management committees of the Bombay Chamber of Commerce & Industry and the Indo-Swiss Business Forum.

Mr. Bilimoria does not hold any shares of the Company. Apart from Dai-ichi Karkaria Ltd., Mr. Bilimoria holds directorship and membership of the following companies/committees:

**Directorship:**

Sr. No.	Name of the Company	Designation
1.	Ciba India Ltd.	Chairman
2.	ING Investment Management (India) Ltd.	Director
3.	eClerx Services Ltd.	Director
4.	Taddasco Promotions Ltd.	Director
5.	Kingston Properties Private Ltd.	Director

**Membership of Committees:**

Sr. No.	Name of the Company	Committee	Designation
1.	Ciba India Ltd.	Audit Committee Shareholders' Grievance Committee	Member Chairman
2.	ING Investment Management (India) Ltd.	Audit Committee	Chairman
3.	eClerx Services Ltd.	Audit Committee Shareholders' Grievance Committee Remuneration Committee	Member Member Member

The Directors recommend the Resolution for members' approval.

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

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

**Kavita Thadeshwar**  
Company Secretary

**Registered Office:**

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

Date: 27th June, 2008





## DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Forty-eighth Annual Report together with the audited accounts for the year ended March 31, 2008.

### 1. FINANCIAL RESULTS:

	2007-2008	2006-2007
	Rs.	Rs.
Sales and Other Income	56,28,96,687	51,04,22,175
Gross Profit	3,95,08,897	2,87,70,855
Depreciation	85,19,261	89,72,652
Interest	58,15,706	79,30,554
Profit/(Loss) before exceptional & Prior period item & taxation	2,51,73,930	1,18,67,649
Exceptional and prior period item	Nil	43,92,300
<b>Profit/(Loss) before Tax</b>	2,51,73,930	1,62,59,949
Less: Provision for taxation	96,00,000	58,00,000
Less: prior years	Nil	44,39,050
Less: Deferred Tax	(9,17,782)	(1,10,53,493)
Less: Fringe Benefit Tax	6,00,000	6,00,000
<b>Profit/(Loss) after Taxation</b>	1,58,91,712	1,64,74,392
Balance brought forward	11,45,59,957	10,83,74,583
Amount available for appropriation	13,04,51,669	12,48,48,975
Appropriations:		
Proposed Dividend	91,27,680	83,67,040
Tax on proposed Dividend	15,51,250	14,21,978
Transfer to General Reserve	5,00,000	5,00,000
Balance carried forward	11,92,72,739	11,45,59,957

### 2. DIVIDEND:

The Directors have recommended a dividend of 12% i.e. Rs. 1.20/- per equity share of Rs. 10/- each for the year ended 31st March 2008. The dividend payout will aggregate to Rs. 91,27,680/- and the tax on distributable profits payable by the Company would amount to Rs. 15,51,250/-

### 3. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

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

#### Economic Trends:

The Indian Chemical Industry generated total revenues of U.S.\$ 40 billion, registering a growth of 10.8%.

However, concerns over the slow down in global growth, together with a stronger rupee and a global credit squeeze, have dampened growth in the manufacturing sector in the first quarter of this year. On the other hand, the Indian Government and industry leaders are hugely optimistic about the prospects for growth in the country's chemical sector, based on future demand and the country's demographic structure.

## DAI-ICHI KARKARIA LIMITED

The Indian Specialty Chemical Industry represents 24% of the total Chemical Industry and is expected to grow at almost 15%. Exports in this Sector are expected to surge as MNCs view India as an attractive outsourcing destination.

However, some of the Risks that could impact growth in manufacturing and the Specialty Chemical Sector are:-

- Some continuing uncertainties due to the global credit crisis.
- Increasing imbalances in exchange rates.
- Continued higher prices of Raw Material, especially those based on crude oil. The Chemical Industry, particularly Specialties, continues to bear the brunt of record high feedstock costs, which continue to rise.
- Unfavorable developments in the Textile Industry due to Rupee appreciation affecting the Company's customers' exports. Stricter pollution norms resulting in closure of some Process houses.

### Specialty Chemicals:

This segment being highly diversified, the Company continues its focus on the Paint, Textile, Oil field and Paper Sectors.

The Company's Core Competencies lie in the integration of Science and Technology with manufacture and marketing to provide cohesive solution needs for these various industries.

Dai-ichi Karkaria's Specialty Chemicals enhance the performance of its customers' final products, as the Company continues to optimize its portfolio of products, whilst reducing costs through improved efficiencies.

Despite the various challenges, the Company plans to expand its position in the local market, through applied research and innovation. By concentrating on growth oriented products and developing improved versions of some of its key products, the Company was able to establish several products in the market that promise volume growth in the coming year.

E.g. packages for Textile processing, viz. Softflow and CBR package have been approved with some key customers and will generate good volumes in the coming year.

The rise in earnings due to growth in Specialty nonionics and anionics, more than compensated for the decline in sales of Spin Finish and Rayon additives, due to price pressures. The weaker demand from the Textile Sector due to the sluggish market will be compensated this year with our new Textile packages.

The prominent sectors that drove growth were anionics with a growth of 25% and Specialty nonionics with a growth of 46%. In fact the Company exceeded its budget in the Non-Textile Sector by approx. Rs. 2 crores. There was also a sharp growth trend in Exports to Portugal, Middle East, Bangladesh, Indonesia and Italy, in spite of the Rupee appreciation.

This past year, as planned, the Company has been able to pass on higher RM costs more fully than in the past, due to a vibrant market and our newer product portfolio.

Textile Chemicals are affected due to the appreciation of the Rupee which impacted the exports of our customers' finished products. However, the packages developed by our Company for continuous operations will finally result in increased business in the coming year.

The Company's tie up with a multi-national coatings company will strengthen our position in Technical Textiles.

As more and more customers now prefer products with green origins, specifically APEO free, the Company has concentrated on developing such products as substitutes to the ones currently being sold in the market.





### **Financials:**

The Company achieved organic growth of 11% and posted Gross Sales of 518 million before special items of more than 340 million. This double digit Sales growth was due mainly to major increases in the Sales of nonionics and anionics and 50% increase in exports over last year.

Overall EBIT grew by 28%.

The levels of orders continue to remain strong and the capacity utilization of our plants is high.

The Company's focus on working capital management has resulted in reduced borrowing to Rs. 359 lacs from Rs. 505 lacs in the previous year.

The Company has also stopped accepting any fixed deposits for the future and has paid back a total of Rs. 69.82 lacs to deposit holders on maturation of deposits.

Intense competition however continues to put margins under pressure and the increasing crude oil prices have had a dampening effect on future growth trends.

### **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:**

The Company has an adequate system of internal controls in all business spheres of its activities which are 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 and independent internal audit being carried out by M/s. B. K. Khare & Co., Chartered Accountants. 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. In addition, the Audit Committee of the Board regularly addresses significant issues raised by the internal and the statutory auditors.

### **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 customers. Development and harmonization of the knowledge and skills of the employees 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 attend various seminars/workshops to enhance their skills and knowledge.

As on 31st March 2008, the total number of employees on the payrolls of the company at all the locations was 267.

### **CAUTIONARY NOTE:**

Certain statements in the MDA section may be forward looking and are stated as required by applicable laws and regulations. Many factors may affect the actual results, which could be different from what the Directors envisage in terms of future performance and outlook.

### **4. FIXED DEPOSITS:**

The Company has discontinued its fixed deposit scheme in financial year 2007-2008. Out of the fixed deposits totalling to approximately Rs. 64 lacs as at 31st March 2008, deposits amounting to Rs. 4.58 lacs which matured, have not been claimed by the depositors on the said date.

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**5. INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT 1956:**

- (a) There are no employees other than the Managing Director covered under the purview of Section 217(2A) of the Companies Act, 1956 and the rules framed there under.
- (b) 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 this annexure to this Report.

**6. DIRECTORS:**

Mr. Jimmy Bilimoria has been appointed as the Additional Director of the Company w.e.f. October 24, 2007.

Mr. J. H. C. Jehangir and Dr. Anil Naik retire from the Board of Directors by rotation, in pursuance of the provisions of the Companies Act, 1956 and Articles of Association of the Company. Being eligible for reappointment, they have offered themselves for re-appointment.

The information required to be furnished under clause 49 of the Listing Agreement is given in the Notice of the 48th Annual General meeting.

The Board of Directors recommends their appointment/re-appointment.

**7. DIRECTOR'S RESPONSIBILITY STATEMENT:**

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 judgments 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, 2008, and of the profit of the Company for the period April 1, 2007 to March 2008;
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 Agreement of the Bombay Stock Exchange Limited 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. SUBSIDIARY COMPANY:**

In terms of approval granted by the Central Government under provisions of Section 212(8) of the Companies Act, 1956 copies of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and Report of the Auditors of the subsidiary companies viz., Baker Oil Treating (India) Limited and Dai-Ichi Gosei Chemicals (India) Limited have not been attached to the Balance Sheet of the Company. The Company will make available these documents/details upon request by any member of the Company in obtaining the same. However, pursuant to Accounting Standard 21 of the Institute of Chartered Accountants of India and Listing Agreement as prescribed by SEBI, Consolidated Financial Statements presented by the Company includes the financial information of its above subsidiaries.