



DAI-ICHI

**49th ANNUAL REPORT  
2008-2009**

# DAI-ICHI KARKARIA LIMITED

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## **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



## NOTICE

**NOTICE** is hereby given that the Forty-Ninth Annual General Meeting of the Members of **DAI-ICHI KARKARIA LIMITED** will be held on Wednesday, the 9th day of September 2009 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, 2009 and the Balance Sheet as at that date together with the Directors' Report and Auditors' Report thereon.
2. To declare a dividend for the year ended 31st March 2009.
3. To appoint a Director in place of Mr. D. M. Neterwala, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. A. H. Jehangir, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Messrs. Deloitte Haskins & Sells, Chartered Accountants, as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting on such remuneration as agreed upon by the Board of Directors and the Auditors.

### Special Business

6. To consider and, if thought fit, to pass with or without modification (s), the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT consent of the Company be and is hereby accorded under Section 293 (1) (e) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors of the Company for contributing, subscribing or otherwise assisting or granting money to charitable, benevolent, religious, scientific, national, public or other funds/ institutions not directly relating to the business of the Company or the welfare of its employees upto an amount of Rs. 15,00,000/- (Rupees Fifteen Lakhs) in any financial year notwithstanding that such amounts may exceed 5% of the Company's average net profit, as determined in accordance with the provisions of sections 349 and 350 of the Companies Act, 1956, during the immediately preceding three financial years.

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.

Place : Mumbai

Date : 29th June, 2009

**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.
- (3) The Register of Members and Share Transfer Books of the Company will remain closed from September 4, 2009 to September 9, 2009 (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 as on 9th September, 2009. 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 as on 3rd September, 2009.
- (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 to the company's 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) Pursuant to the provisions of sub-section (5) of Section 205A of the Companies Act, 1956, dividend for the financial year ended 31st March, 2002 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 for the financial year 2002 and subsequent years 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 - 400 001 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) 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. D. M. Neterwala:****Brief resume and nature of expertise:**

Mr. Neterwala is a Civil Engineer. He is an eminent businessman heading the Neterwala Group of Companies and a renowned Entrepreneur. Mr. D. M. Neterwala has more than five decades of experience in leading diverse industries in the country.

Mr. Neterwala holds 1,66,500 equity shares of the Company. Apart from Dai-ichi Karkaria Ltd., Mr. D. M. Neterwala holds directorship of the following companies:

Sr. No.	Name of the Company	Designation
1.	Uni Abex Alloys Products Limited	Chairman Emeritus
2.	Universal Ferro & Allied Chemicals Limited	Chairman
3.	Chemical & Ferro Alloys Pvt. Limited	Chairman
4.	Uni Deritend Limited	Chairman
5.	Anosh Finance & Investments Limited	Chairman
6.	Unitel Finance & Investments Pvt. Ltd.	Chairman
7.	Indian Oxides & Chemicals Ltd.	Chairman
8.	Baker Oil Treating (India) Limited [w.e.f. 22nd May, 2009 – Basic Oil Treating (India) Ltd.]	Chairman
9.	Uni Klinger Limited	Chairman
10.	Performance Polymers and Chemicals Pvt. Limited	Chairman
11.	Dai-Ichi Gosei Chemicals (India) Limited	Chairman
12.	Oil Field Instrumentation (India) Limited	Chairman
13.	Netel (India) Limited	Chairman
14.	Neterwala Consulting & Corporate Services Ltd.	Director
15.	Norinco Private Limited	Director
16.	Manoir Petro India Ltd.	Director

He is a member of the following Board Committees:

Sr. No.	Name of the Company	Committee	Designation
1.	Dai-ichi Karkaria Ltd.	Shareholders/ Investors Grievance/ Share Transfer Committee	Chairman
2.	Uni Abex Alloy Products Ltd.	Shareholders/ Investors Grievance/ Share Transfer Committee	Chairman
3.	Netel (India) Ltd.	Audit Committee	Member
4.	Oil Field Instrumentation (I) Ltd.	Audit Committee	Member
5.	Uni Deritend Ltd.	Audit Committee	Member

Mr. D. M. Neterwala and Mrs. S. F. Vakil are related being Father and Daughter.

No Director other than Mr. D. M. Neterwala and Mrs. Vakil (being related) are concerned/interested in this resolution.

**Mr. A. H. Jehangir:**

**Brief resume and nature of expertise:**

Mr. A. H. Jehangir is a Commerce Graduate and is one of the promoters of the Company. He is a Director of the Company since 1986. Mr. Jehangir has experience of more than 20 years in investment business.

## DAI-ICHI KARKARIA LIMITED

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

Sr. No	Name of the Company	Designation
1.	Cowhill Trading Company	Chairman
2.	Amerado Trading Company	Chairman
3.	Goodearth Trading Company	Chairman
4.	Cannadel Trading Company	Director
5.	Cowasjee Jehangir Trading Company	Director
6.	Wild Flower Company	Director

He is a member of the following Board Committees:

Sr. No.	Name of the Company	Committee	Designation
1.	Dai-ichi Karkaria Ltd.	1. Audit Committee 2. Shareholders/ Investors Grievance/ Share Transfer Committee	Member Member

Mr. A. H. Jehangir and Mr. J. H. C. Jehangir are related being brothers.

No Director other than Mr. A. H. Jehangir and Mr. J. H. C. Jehangir (being related) are concerned/interested in this resolution.

The Directors recommend the Resolutions for members' approval.

### ANNEXURE TO THE NOTICE

#### EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956 REGARDING SPECIAL BUSINESS

Pursuant to Section 293 (1) (e) of the Companies Act, 1956, the Board of Directors of the Company are authorised to contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amount the aggregate of which will in any financial year, not exceed Rs. 50,000/- or 5% of its average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Act during the three financial years immediately preceding, whichever is greater. In view of the social obligations which your Company assumes, it is proposed to authorise the Board of Directors to contribute, subscribe or otherwise assist charitable, benevolent, religious, scientific, national, public or other funds/institutions not directly relating to the business of the Company or to welfare of its employees upto a limit of Rs. 15,00,000/- (Rupees Fifteen Lakhs) in any financial year.

The Board of Directors recommends the resolution for the approval of the members.

None of the Directors of the Company are interested/concerned in the resolution under item no. 6 of the Notice.

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: 29th June, 2009



## DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Forty-ninth Annual Report together with the audited accounts for the year ended March 31, 2009.

### 1. FINANCIAL RESULTS:

In spite of the challenging market scenario as a result of the slow down and global recession, the Company was able to achieve reasonable growth in the sales turnover, of 10.5% against the last year.

Operational Performance	2009 (Rs. in millions)	2008 (Rs. in millions)
Sales	572.60	518.17
PBDIT (including exceptional items)	97.81	39.5
EPS (Rs.)	11.36	2.09
Book Value of Shares (Rs.)	73.28	64.14

### 2. DIVIDEND:

The Directors have recommended a dividend of Rs. 1.20/- per equity share and a special dividend of Re. 0.70/- per equity share (in view of exceptional income received during the year), aggregating to Rs. 1.90/- per equity share, having face value of Rs. 10/- each, for the year ended 31st March 2009. The dividend payout will aggregate to Rs. 144.45 lacs and the tax on distributable profits payable by the Company would amount to Rs. 24.55 lacs.

### 3. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

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

The Company's products fall in one Reportable Business Segment, viz. Specialty Chemicals.

The Indian Chemical Industry contributes in great part to the industrial and economic growth of the country. In fact it is considered one of the fastest growing Industries in India, in spite of its highly fragmented nature. From U.S. \$. 30 Billion in 2005, the Indian Chemical Industry is worth U.S. \$. 43 Billion today.

The Indian Specialty Chemical Industry meets the diversified needs and demands of a growing society, and is estimated to be around U.S. \$. 12 Billion.

Presently due to the global melt down, the Chemical Industry worldwide is passing through a recessionary trend. However, it is believed that the slow down may not impact the Indian demand for too long. The Indian market is huge and still underdeveloped. In addition, due to our low cost labour and R&D and technical skills, there are opportunities in the global markets, that are looking at cheaper sources to fight the recessionary trend.

However, in spite of the fact that the Specialty Chemical Industry is knowledge-intensive and extremely dependent on innovative performance based solutions, it is facing serious cost pressures, and profit margins remain under pressure.

With crude prices having reached unprecedented highs in mid 2008 the Industry faced serious price volatility of feed stocks resulting in demand being impacted, and a build up of inventories.



Subsequently the sudden fall in crude oil prices resulted in a huge correction in petrochemical prices. The resulting situation from earlier inventory build ups and reduction of global demand has adversely impacted the operational results of the Company in the third Quarter. However, the Company's continued emphasis on service and customer focus, and its insistence on quality first, resulted in renewed business in the last quarter of the year.

**Sector-wise Performance Outlook:**

The Company's focus continues in the areas of Textiles, Paints, Oil Field and Paper Sectors. Though the Textile Sector has shown slower growth resulting from reduction in textile exports (on account of lowered demand from Europe and the U.S.) the Company has managed to grow by 45% in this area. This is mainly on account of introduction of newer value added products in the market and investment in focused manpower for this area.

The Spin Finish business, which is the Company's core strength, saw a surge and was greatly enabled by the falling rupee that restricted imports, especially from Japan where the Yen remained strong. The Company has now established its products with all the major Polyester Plants in the country.

The Company has focused on its distributorship with a multinational Coatings Company and is hopeful to achieve volume business in the area of Technical Textiles.

In the area of Paints, the Company has added new customers from the organized sector, and the initial set back faced in the first half of the year has been partially made up in the last Quarter. The Company consolidated its market share in the Domestic Pigment Dispersion Industry & has started exporting products developed for this industry.

Besides coatings, the Company ventured into the growing construction industry by launching admixture for ready-mix concrete. The initial product trials are promising & some consolidation is expected in the coming year.

Flow improvers for automotive lubricants will be a focus area for exports in the coming year.

In the Oil Field Chemicals, the Company continues to support its subsidiary with innovative performance based solutions based on the changing nature of the customers' requirements.

Exports continued to grow in spite of the global recession due to the Company's focus on niche Specialty business, in addition to the softening of the Rupee. Exports have doubled in 2008-09.

**Financials:**

The Company has no long term borrowings and is now a zero debt company having paid back Rs. 393.82 lacs in working capital debt to the Banks.

Funds which are surplus to the operational needs of the Company have been invested after advice and consideration in safe debt instruments with reasonable returns.

**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 NUMBER OF PEOPLE EMPLOYED:**

The Company believes that motivated employees are the most important resource for the Company 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 2009, the total number of employees on the payrolls of the Company at all the locations was 268.

### **CAUTIONARY NOTE:**

Certain statements in the Management and Discussion Analysis 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. BUY BACK OF EQUITY SHARES:**

The Board of Directors of the Company at its meeting held on 28th April 2009 had approved buy back upto 5,90,000 of its fully paid-up equity shares of the face value of Rs. 10/- each at a price not exceeding Rs. 36/- per Equity Share payable in cash, for an aggregate amount not exceeding Rs. 212.40 lacs being 4.42% of the aggregate of the Company's total paid-up equity capital and free reserves of Rs. 4,802 lacs as on March 31, 2008 . The minimum number of Equity Shares which would be bought back under the Buyback is 2,25,000.

The Buyback commenced from 25th May 2009. Upto 29th June 2009, the Company had bought back 12,603 equity shares from open market through Stock Exchange at an average price of Rs. 34.06/- per share.

## **5. SUBSIDIARY COMPANIES:**

- (i) Basic Oil Treating (India) Ltd. (formerly known as Baker Oil Treating (India) Ltd.) – Wholly owned subsidiary

On 18th February 2009, the Joint Venture of the Company with Baker Production Services (UK) Ltd., (BPS) in relation to its Subsidiary Company, Baker Oil Treating (India) Ltd. (BOTI) was terminated by mutual consent.

As per consent terms dtd. 18th February 2009 between the Company and BPS. and Ors., BOTI has become a wholly owned subsidiary of the Company and the name of BOTI was changed to Basic Oil Treating (India) Ltd. w.e.f. 22nd May 2009.

The Company has received a sum of US\$ 1.25 million as per the said consent terms. Further sum of US\$ 0.25 million is receivable on account of change in the name of the Company by deleting reference to the word 'Baker'.

- (ii) As required under Section 212 of the Companies Act 1956, the audited statements of accounts alongwith the report of the Board of Directors of the Company's subsidiaries, Basic Oil Treating (India) Ltd. and Dai-ichi Gosei Chemicals (India) Limited and respective Auditor's Report thereon for the year ended March 31, 2009 are annexed.

**6. FIXED DEPOSITS:**

The Company has discontinued its fixed deposit scheme during the financial year 2007 -2008. Fixed Deposits amounting to Rs. 41.32 lacs are repaid during the year 2008-09. Out of the fixed deposits totaling to Rs. 23 Lacs as at 31st March 2009, deposits amounting to Rs. 7.38 lacs which matured, have not been claimed by the depositors on the said date.

**7. DIRECTORS:**

Mr. D. M. Neterwala and Mr. A. H. Jehangir 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 49th Annual General meeting.

The Board of Directors recommends their re-appointment.

**8. 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 the annexure to this Report.

**9. 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, 2009, and of the profit of the Company for the period April 1, 2008 to March 2009;
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.

**10. 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.

**11. LISTING:**

The Equity Shares of your company are presently listed on The Bombay Stock Exchange Ltd. and the Company has paid the annual listing fees for the financial year 2009-2010.