



DAI-ICHI

**50th ANNUAL REPORT
2009-2010**

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 & Managing Director</i>
Mr. J. H. C. Jehangir	
Mr. A. H. Jehangir	
Mr. K. D. Patel	
Dr. A. M. Naik	
Dr. K. R. Bharucha	
Mr. J. S. 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 - 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.

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 Fiftieth Annual General Meeting of the Members of **DAI-ICHI KARKARIA LIMITED** will be held on Tuesday, the 31st day of August 2010 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 2010 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 2010.
3. To appoint a Director in place of Dr. K. R. Bharucha, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. K. D. Patel, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Messrs. Deloitte Haskins & Sells, Chartered Accountants (Registration No. 117366W), 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. Re-appointment of Mrs. S. F. Vakil as Vice Chairperson and Managing Director:

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

"RESOLVED that pursuant to the provisions of Sections 198, 269, 309, 310 and all other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act or any statutory modification or re-enactment(s) thereof and subject to such permissions, consents and approvals from various authorities as may be required and subject to such conditions, if any, that may be imposed by any authority while granting their permissions, consents and approvals and which the Board of Directors is hereby authorised to accept, the Company hereby accords its consent and approval to the re-appointment of Mrs. S. F. Vakil as the Vice Chairperson and Managing Director of the Company for a period of 3 (three) years with effect from 1st June 2010, on the terms and conditions set out below in the explanatory statement annexed hereto which shall be deemed to form part hereof."

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 : 10th May, 2010

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 24th August 2010 to 31st August 2010 (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 31st August 2010. 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 23rd August 2010.
- (5) RBI vide it's Circular No. DPSS. (CO). EPPD. No. 191.04.01.01/2009-2010 dated July 29, 2009 has instructed banks to move to the NECS platform with effect from October 1, 2009. Consequently you are requested to provide your new account number allocated to you after implementation of Core Banking System by your Bank, failing which ECS credit to your old account may either be rejected or returned.

Please provide to the Share Registrars and Transfer Agents new Bank Account particulars alongwith a copy of the cheque duly cancelled by quoting your reference folio number in case of shares held by you in physical form. In case the shares are held in Dematerialised form, you may kindly provide the same to your depository participant, so that your future dividend payments can correctly be credited to your new account.
- (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 2003 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 2003 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:

**Dr. K. R. Bharucha:****Brief resume and nature of expertise:**

Dr. K. R. Bharucha is a Director of the Company since 1994. He is 82 years of age. Dr. K. R. Bharucha is Ph.D. in organic chemistry from Imperial College of Science and Technology, England. Dr. K. R. Bharucha has published several articles in technical journals and has nearly 24 patents to his credit.

Dr. Bharucha is not holding any directorship of other Company. He does not hold any equity share of the Company.

Mr. K. D. Patel

Mr. Kavas Patel, age 63 years, is a Director of the Company since 2001. Mr. Patel is a Bachelor of Commerce from the University of Bombay and in 1972 became a Member of the Institute of Chartered Accountants in England and Wales.

His professional career started with Turquands Barton Mayhew a U.K. firm of Chartered Accountants in their Milan, Italy office.

He joined Polaroid Italia Spa. in 1974 followed by various international assignments for Polaroid over a 21 year career including Director of Finance for the Asia Pacific Region based in Tokyo and Country Director for India.

Mr. Patel is resident in Pune and is a Trustee of the Dastur Schools Trust, Pune. He is on the Board of Directors of the following companies:

Sr. No.	Name of the Company	Designation
1.	Phil Corporation Limited	Vice Chairman
2.	Tasty Bite Eatables Ltd.	Director
3.	INARCO Limited	Director
4.	Indian Oxides & Chemicals Limited	Director
5.	Uni Klinger Limited	Director
6.	ARI Consolidated Investments Limited	Director
7.	Zinnia Properties Pvt. Limited	Director
8.	Basic Oil Treating (India) Ltd.	Director

He is a member of the following Board Committees:

Sr. No.	Name of the Company	Committee	Designation
1.	Phil Corporation Limited	Audit Committee Shareholders Grievance Committee	Chairman Member
2.	Uni Klinger Limited	Audit Committee	Chairman

None of the other Directors are concerned/interested in the above resolutions. 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****Item No. 6:**

Subject to the approval of the shareholders and such other approvals as may be required, the Board of Directors at its meeting held on 10th May, 2010 have re-appointed Mrs. S. F. Vakil as Vice Chairperson and Managing Director of the Company for a tenure of three years w.e.f. 1st June, 2010 on the terms and conditions recommended by the Remuneration Committee of the Board at its meeting held on 10th May, 2010.

As required under clause (iv) of provision to paragraph 1(B) of Section II of Part II of the Schedule XIII to the Companies Act, 1956, the relevant details to be sent alongwith the notice convening the general meeting are as under:

(I) General Information:

1. Nature of Industry: Specialty Chemical Industry.
2. Date of commencement of commercial production: In the year 1963.
3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: Not Applicable
4. Financial performance based on given indicators:

Particulars for Financial year ended 31st March, 2010	Rs. in lacs
Gross Sales and other income	5,552.43
Operating Profit (before exceptional items, Interest, Depreciation and Tax)	669.22
Profit before Tax	556.83

5. Export Performance and net foreign collaborations:
The exports for the year ended 31st March, 2010 was Rs. 292.48 lacs. The Company does not have any foreign collaborations.
6. Foreign Investment or Collaborators, if any : In the oil field sector, the Company has tied up with a major U.S. based Company and will shortly form a Joint Venture, through its subsidiary.

(II) Information about the appointee:

1. **Background Details:** Mrs. S. F. Vakil is the Vice Chairperson and Managing Director of the Company and Member of Share Transfer Committee of the Company.

Mrs. S. F. Vakil holds an M.B.A. degree from U.S.A. and has over 30 years of experience in business.

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. Mrs. S. F. Vakil is shouldering the responsibilities of the Management and in house research and development. She also supervises marketing, finance and general administration.



2. Past remuneration: At Annual General Meeting held on 5th September, 2007, Mrs. S. F. Vakil was appointed as Managing Director, for a period of 3 years on the following terms and conditions:

(a) Salary: Rs. 1,60,000/- per month.

(b) Perquisites & Allowances: In addition to the above, perquisites and allowances which will be restricted to 65% of the Annual salary except those specifically excluded as per Schedule XIII of the Companies Act, 1956.

(c) 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 Section 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 Committees thereof.

3. Job profile and her suitability: Mrs. S. F. Vakil as Vice Chairperson and Managing Director of the Company is vested with substantial powers of management under the superintendence, control and direction of the Board of Directors. She is also involved in policy planning, vision and strategy and long term development activities of the Company, besides Corporate Governance and Board co-ordination.

4. Remuneration proposed: The Board of Directors of the Company at its meeting held on 10th May, 2010 approved the terms of remuneration for the tenure of three years w.e.f. 1st June, 2010 as under:

(a) Salary:

Rs. 2,00,000/- per month with annual increments of 15% effective from 1st June each year.

(b) Perquisites & Allowances:

In addition to the salary, Mrs. Vakil shall also be entitled to perquisites and allowances like Free of cost furnished accommodation or house rent allowance in lieu thereof, together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, servants' salary, children's 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 75% of the Annual salary.

Provision for use of the Company's car together with reimbursement of chauffeur's salary for official duties and telephone at residence, cellular phones (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.

(c) Performance Linked Incentive: In addition an amount of Rs. 6 lacs p.a. will be payable subject to achievement of performance targets fixed by the Board.

Minimum Remuneration:

If in any financial year, the Company has no profits or its profits are inadequate, then in such an event, the remuneration by way of fixed pay, variable pay (performance linked incentives), perquisites, allowances and other benefits as specified above will be paid as minimum salary.

The Terms and conditions of her appointment may be varied, altered, increase, enhanced or widened from time to time by the Board of Directors, as they may, in its discretion, deem fit within the maximum amount payable in accordance with provisions of the Companies Act, 1956 or any amendments thereto.

Mrs. Vakil shall not be paid any sitting fees for attending the meeting of the Board of Directors of the Company or any Committee/s thereof.

- 5. Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person:** The executive remuneration in the industry is on the rise. Appreciating this, the Central Government has also from time to time raised the ceiling specified in Schedule XIII dealing with managerial remuneration. The approval is granted by the Board of Directors, for the proposed remuneration after perusing the remuneration of managerial persons in the Speciality Chemical Industry and other companies comparable with the size of the Company, industry benchmarks in general, profile and responsibilities of Mrs. S. F. Vakil.
- 6. Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any:** Besides the remuneration proposed, Mrs. S. F. Vakil does not have any pecuniary relationship with the Company. Mrs. S. F. Vakil is the relative of Mr. D. M. Neterwala, Chairman of the Company.

III. Other Information:

- 1. Reasons of inadequate profits:** Intense competition from the unorganized sector in the domestic industry along with cheap imports from China and other low cost countries affected the margins of the Company. Progressively reduced import tariffs resulted in intense competitive activity. In addition, the business faced challenges on the cost front due to higher crude oil and raw material prices. Extreme volatile Crude prices influenced the prices of basic raw materials.
- 2. Steps taken or proposed to be taken for improvement:**
The Company has taken the following steps for the improvement in performance:
 - (a) Better Capacity Utilisation.
 - (b) Reducing variable cost, whilst maintaining quality standards.
 - (c) Development of new process intensive technologies that subvert the need for large scale production.
 - (d) Focusing and Targeting on business areas where the Company can use its technical and technological expertise to advance higher value added business.
 - (e) Constant up-gradation of product and focus on upstream intermediates.
- 3. Expected increase in productivity and profits in measurable terms:**
Better capacity utilization and effective cost cutting has resulted in improvement in earnings this year. In addition, the Company expects to be able to pass on higher raw material costs more fully than in the past, due to a vibrant market, and the newer product portfolio. EBIT increased due to reduction



in costs and efficient raw material management. The Company successfully achieved significant cost savings through improved fiscal management and inventory control, process improvements, fuel cost reductions and operational efficiencies.

The Company's policy to constantly innovate its products, and create long term value for itself and its customers, has resulted in a reasonable increase in turnover from newly developed products. New products specifically in the Textile, Paint & Oil Field Chemical segments, will contribute significantly to the volume of business and has good potential for the future.

An abstract under section 302 of the Companies Act, 1956, in respect of this item has already been circulated separately to all the shareholders within the prescribed time.

The Resolution is recommended to the shareholders for passing as a Special Resolution.

Mrs. S. F. Vakil (Vice Chairperson and Managing Director) and Mr. D. M. Neterwala (Director) being the relative of Mrs. S. F. Vakil are concerned and interested in the above matter. None of the other directors are concerned or interested in the aforesaid 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: 10th May, 2010

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Fiftieth Annual Report together with the audited accounts for the year ended March 31, 2010.

1. FINANCIAL RESULTS:

Operational Performance

	2010 (Rs. in millions)	2009 (Rs. in millions)
Gross Sales	542.17	572.60
Less: Excise duty	37.34	58.49
Net Sales	504.83	514.11
PBDIT	66.92	*97.81
EPS (Rs.)	5.30	11.36
Book Value of Shares (Rs.)	77.11	73.28

* included exceptional items.

2. DIVIDEND:

The Directors have recommended a dividend of Rs. 2/- per equity share, having face value of Rs. 10/- each, for the year ended 31st March 2010. The dividend payout will aggregate to Rs. 149.02 lacs and the tax on distributable profits payable by the Company would amount to Rs. 24.75 lacs.

3. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

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

India continues to be the second largest growing economy in the world.

The Indian Chemical Sector is a significant contributor to the Economy at \$50 billion. Today the Industry is the third largest in Asia.

The Indian Specialty Chemical market accounts for 33% of this value and is growing at twice the global industry rate. A strong domestic demand and increased outsourcing, has lead to the development of value added products that perform in various applications under different Industry Verticals.

The year 2009 began on an optimistic note for the country, peppered with some uncertainty, and caution carried over from the downturn of the quarter before. Though Quarter I of the fiscal year started on a cautious note, Quarter II showed fairly robust growth of 9% in the economy.

The recent rise in inflation rates driven, primarily by fuel prices, could spread to the manufacturing sector and will continue to be high in 2010-11 as per the analysts. This would to some extent have its impact on growth projections for the coming year for the Economy.

Exports, which are inevitably determined by the global trade environment, showed improvement in the year, but will also be strongly linked to the Exchange rate behaviour. The rupee is likely to appreciate further during 2010-11, and will have some impact on export competitiveness.

The Indian Chemical Industry faces tough challenges as it tries to grow globally. International treaties and non-tariff barriers could impede its progress in global markets.

In addition, the number of taxes and levies internally across States makes the Indian chemical companies less competitive against imports.

SECTOR-WISE PERFORMANCE:

Specialty Chemicals: This is one Reportable Business segment consisting of Performance chemicals used in the Paint, Textile, Metal Cleaning, Oil Field Chemicals & related Industries, using Surfactants & Polymers.