



DAI-ICHI

**51st ANNUAL REPORT
2010-2011**

DAI-ICHI KARKARIA LIMITED

Board of Directors:

Mr. D. M. Neterwala *Chairman*
Mrs. S. F. Vakil *Vice-Chairperson & Managing Director*

Mr. J. H. C. Jehangir

Mr. A. H. Jehangir

Dr. K. R. Bharucha

Mr. K. D. Patel

Dr. A. M. Naik

Mr. J. S. Bilimoria

Mr. K. M. Elavia

Mrs. Kavita Thadeshwar *Company Secretary*

Bankers:

Bank of India
HDFC Bank Ltd.
Central Bank of India

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

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NOTICE

NOTICE is hereby given that the Fifty-first Annual General Meeting of the Members of **DAI-ICHI KARKARIA LIMITED** will be held on Thursday, the 21st day of July 2011 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, 2011 and the Balance Sheet as at that date together with the Directors' Report and Auditors' Report thereon.
2. To declare a dividend on equity shares for the year ended 31st March, 2011.
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 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. To consider and if thought fit, to pass following resolutions with or without modifications as an Ordinary Resolution:

"RESOLVED THAT Mr. Keki Elavia 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.

Place : Mumbai

Date : 4th May, 2011

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 14th July, 2011 to 21st July, 2011 (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 21st July, 2011. 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 13th July, 2011.
- (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 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, 2004 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 2004 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 - 400 072 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 Ministry of Corporate Affairs (MCA) has taken a "Green Initiative in Corporate Governance" (Circular No. 17/2011 dated 21.04.2011 and Circular No. 18/2011 dated 29.04.2011) allowing paperless compliances by Companies through electronic mode. Companies are now permitted to send various



notices/documents such as General Meeting Notices (including AGM), Audited Financial Statements, Directors' Report, Auditors' Report, etc. to its shareholders through electronic mode to the registered e-mail addresses of shareholders. To support this green initiative of the Government in full measure, members holding shares in physical form are requested to register their email address alongwith details of name, address, folio no., shares held to the Registrar & Share Transfer Agent of the Company.

In respect of shares held in demat form, members are also requested to provide DP ID/Client ID with the above details and register the same with their respective Depository Participants.

- (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, age 57 years, 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 Trading 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 Hardy Spicer Ltd.	Director
11.	Lavgan Dockyard Pvt. Ltd.	Director

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, age 68 years, is a Gold Medalist from IIM, Calcutta and Ph.D. from Mumbai University in Strategic Management. He has more than 25 years of experience at Senior Level in Indian Corporate Sector and for the last 25 years, 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.	Grey Cell Entertainment Ltd.	Director
2.	Neterson Technologies Pvt. Ltd.	Director
3.	Oil Field Instrumentation (India) Pvt. Ltd.	Director



ANNEXURE TO THE NOTICE

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

Item No. 6:

The Board of Directors of the Company vide Circular Resolution dated 22nd February, 2011, appointed Mr. Keki Elavia as an Additional Director of the Company.

Pursuant to Section 260 of the Companies Act, 1956 and Articles of Association of the Company, Mr. Keki Elavia 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. Keki Elavia as a candidate for the office of Director.

Brief resume and nature of expertise:

Mr. Keki Elavia, age 65 years, is a Bachelor of Commerce and a fellow member of the Institute of Chartered Accountants of India.

Mr. Elavia possesses more than 4 decades of post qualification experience. He has been a partner of M/s. Kalyaniwalla & Mistry, Chartered Accountants from the year 1974 to 2009.

Mr. Elavia does not hold any shares of the Company. He is on the Board of Directors of the following other companies:

Directorship:

Sr. No.	Name of the Company	Designation
1.	Great Offshore Ltd.	Chairman
2.	Uni VTL Engineering Pvt. Ltd.	Chairman
3.	Allcargo Global Logistics Ltd.	Director
4.	Goa Carbon Ltd.	Director
5.	Insilco Ltd.	Director
6.	NRB Bearings Ltd.	Director
7.	Parazelsus India Pvt. Ltd.	Director
8.	Peerless Trust Management Company Ltd.	Director
9.	Uni Abex Alloy Products Ltd.	Director
10.	Uni Deritend Ltd.	Director
11.	Uni Klinger Ltd.	Director

He is a member of the following Board Committees:

Sr. No.	Name of the Company	Committee	Designation
1.	Uni Abex Alloy Products Ltd.	Audit Committee	Chairman
2.	Allcargo Global Logistics Ltd.	Audit Committee	Chairman
3.	Peerless Trust Management Company Ltd.	Audit Committee	Chairman
4.	Goa Carbon Ltd.	Audit Committee	Member
5.	Great Offshore Ltd.	Audit Committee	Member
6.	Insilco Ltd.	Audit Committee	Member
7.	NRB Bearings Ltd.	Audit Committee	Member

The Directors recommend the resolution for members' approval.

No Director other than Mr. Keki Elavia 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.

Place : Mumbai

Date : 4th May, 2011



DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Fifty - first Annual Report together with the audited accounts for the year ended March 31, 2011.

1. FINANCIAL RESULTS:

Operational Performance

	2011 (₹ in millions)	2010 (₹ in millions)
Gross Sales (manufacturing)	587.83	516.87
Less: Excise duty	48.57	37.34
Net Sales (manufacturing)	539.26	479.53
Trading Sales	Nil	25.30
Total net sales	539.26	504.83
PBDIT	58.66	66.92
EPS (₹)	5.51	5.30
Book Value of Shares (₹)	80.29	77.11

PERFORMANCE REVIEW:

The Kasarwadi plant has shown a revenue growth of around 17% against the previous year, for manufactured products.

However, the Kurkumbh plant has registered a revenue loss of 7%.

Therefore, the result for the Company as a whole is a revenue increase of a little over 12%. The PBDIT has reduced by almost 12% as the Company was unable to recover the increase in material costs over the past 6 months.

Exports have increased this year, and margins on exports are strained (in order to be globally competitive). The overall impact has resulted in reduction in the bottom line.

2. DIVIDEND:

The Directors have recommended a dividend of ₹ 2/- per equity share, having face value of ₹ 10/- each, for the year ended 31st March, 2011. The dividend payout will aggregate to ₹ 149.02 lacs and the tax on distributable profits payable by the Company would amount to ₹ 24.18 lacs.

3. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

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

The Indian Chemical Industry has grown to around US \$ 90 Billion today, inspite of serious competition from globalization and other domestic challenges.

It is predicted to reach \$ 250 Billion by the year 2020 riding on the wave of strong and sustainable growth. As the Economy grows and consumer spend increases, the Indian Chemical Industry promises to grow 3-4% over the GDP growth rates of the country.

The Global Specialty Chemical Industry stands at \$ 500 Billion. A significant portion (upto one third) is expected to move to India & China. Today the Indian Specialty Chemical Industry stands at \$ 20 Billion.

Against this euphoric scenario, stand specific challenges for the Indian Specialty Chemical Industry, specially in the area that this Company operates.

Critical raw materials like ethylene, propylene and its derivatives, viz. Ethylene Oxide are in short supply and have restricted the Company's future investments in EO derivatives. This in turn is limiting its growth. The issue is therefore being addressed very seriously in the current year.

The Government's commitment to create dedicated Specialty Chemical Zones in the upcoming PCPIRs is a welcome move.

However, it is essential that the Government address the feedstock issues related to EO, Acrylic Acid etc. mandating the conversions of Olefins to Ethylene, Propylene, and its derivatives, in order to ease supplies.

Dai-ichi continues to manufacture and market differentiated Performance Chemicals, relying on its pioneering innovations in the country, to foster growth.

The Company's enduring partnerships with its customers, provide a continuous opportunity to innovate and develop more cost effective and newer products and chemistries.

Improving quality, efficiency, productivity and competitiveness for the customer, continues to be the key focus of the Company's R&D work.

The Company's R&D is continuously extending its Product range, reviewing new chemistries and creating markets for the products it has pioneered.

One such Category of products are Polymerisable Surfactants. These functional products are based on newer chemistries, used in Emulsion Polymerisation reactions, improving the gloss and life span of Paints. These products are gradually taking acceptance amongst progressive customers.

Within developing markets, the need to understand and identify attractive segments and to translate customer needs into product performance requirements, are skills that an innovator company derives in time. Dai-ichi's abilities in this area prompted the development of Superplasticizers for the Construction Industry. The growing need for high performance, high strength concrete for high rises and bridges lead to the development of the Dai-ichi group of Polycarboxylates.

The Company is in the process of developing region specific formulations. This will result in serious growth in this area over the next few months.

SECTOR-WISE PERFORMANCE:

Specialty & Performance Chemicals is the only Reportable Business Segment of the Company.

The Company manufactures over 300 differentiated products including Specialty Surfactants used in a wide variety of industrial applications.

These intermediates are used in the Paint, Agrochemical, Textile, Oil & Gas and Lubricant Industries.

The revenue growth of the Kasarwadi plant, this year has been around 18%. Some amount of this growth has come from the inflationary trends in the market place.

In the **Paint Industry Sector**, the Company grew by 17% mainly on the back of Sectoral growth. This has been a continuous trend for this Industry.

The **Textile Sector** showed only marginal increases. For a good part of the year this sector was influenced by closure of several units both in Ahmedabad and South India on account of Pollution issues. This has resulted in lower offtakes since December 2010.

In the **Rayon Sector** the Company managed to hold on to key customers, inspite of serious competition, and was able to register growth of 20%, as its customers grew their business.

In the **Spin Finishes sector**, the Company registered nominal growth, but was able to add on key accounts, inspite of losing business due to closure of an important customer.

In the **Agro business**, the Company increased Sales by 30% for its customer specific Pesticide emulsifiers. The Company no longer manufactures commoditised products for this market.

In the **Oil Field Sector**, the Company is pleased to announce the formation of its Joint Venture with Champion Technologies. Dai-ichi being a pioneer in the Oil Field Chemical Industry in India, and Champion Technologies Inc., a global Specialty Company, have together formed a Joint Venture Company, viz. **Champion Dai-ichi Technologies India Ltd.** to service and supply the Indian Oil Field & Refinery Chemical Market.

Together the Companies aim to deliver technical solutions that enhance productivity, improve Well economies, and provide comprehensive Chemical Management to its customers.

The Companies' joint manufacturing capabilities, both globally and locally, will provide (the customer) with a stable base of innovative, quick and flexible solutions to their chemical needs.