



DAIKAFIL
CHEMICALS INDIA LIMITED

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11th ANNUAL REPORT
2002-2003

DAIKAFFIL

Board of Directors :

- Amit J. Patel - Chairman.
- Sishir R. Amin - Managing Director.
- Jayant G. Patel
- Yoshiaki Tagami
- Kishore J. Tanna
- Sudhir M. Patel
- Jagdish J. Vasa

Bankers : Karnataka Bank Ltd.,

Auditors : Gaurang Merchant & Company

Registrars and Share Transfer Agents : Intime Spectrum Registry Limited
C-13, Panalal-Silk Mills Compound
L.B.S. Marg, Bhandup (West),
Mumbai - 400 078.

Registered Office : 52, Nariman Bhavan,
Nariman Point,
Mumbai - 400 021.

Plant : Plot No.E/4, M.I.D.C.,
Tarapur, Boisar,
Dist : Thane,
MAHARASHTRA

ANNUAL GENERAL MEETING

Date : September 30, 2003

Time : 10.00 A.M.

Venue : Registered Office of the Company
52, Nariman Bhavan, Nariman Point,
Mumbai - 400 021

Members are requested to direct all correspondence relating to share matters to the Company's Registrars and Share Transfer Agents.

NOTICE

NOTICE is hereby given that the Eleventh Annual General Meeting of **Daikaffil Chemicals India Limited** will be held on Tuesday, the 30th day of September, 2003 at 10.00 A.M. at 52, Nariman Bhavan, Nariman Point, Mumbai-400 021 to transact the following business:

AS ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2003 and Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Jayant G. Patel, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

AS SPECIAL BUSINESS:

4. To appoint a Director in place of Mr. Jagdish J. Vasa, who was appointed as Additional Director of the Company by the Board of Directors w.e.f. 29-03-2003 under Section 260 of the Companies Act, 1956 and who holds office up to the date of this Annual General Meeting but being eligible, offers himself for re-appointment and in respect of whom the Company has received a notice in writing from a member signifying his intention to propose him as a candidate for the office of Director liable to retire by rotation.
5. To appoint a Director in place of Mr. Sudhir M. Patel, who was appointed as Additional Director of the Company by the Board of Directors w.e.f. 29-03-2003 under Section 260 of the Companies Act, 1956 and who holds office up to the date of this Annual General Meeting but being eligible, offers himself for re-appointment and in respect of whom the Company has received a notice in writing from a member signifying his intention to propose him as a candidate for the office of Director liable to retire by rotation.
6. To consider, and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:

"RESOLVED THAT subject to the provisions of SEBI (Delisting of Securities Guidelines), 2003, the Listing Agreement and all other relevant laws, regulations and guidelines including any statutory modifications or re-enactment thereof for the time being in force and subject to such approvals, permissions and sanctions as may be prescribed while granting such approvals, permissions and sanctions, the consent of the Company be and is hereby accorded to the Board to get the Equity Shares of the Company delisted from the Ahmedabad Stock Exchange.

RESOLVED FURTHER THAT the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any committee thereof exercising the powers conferred by the Board) be and is hereby authorized to agree to such terms and conditions which they may consider appropriate and to do all acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable to delist the Equity Shares of the Company from the Ahmedabad Stock Exchange and to execute all such deeds, document, writings as may be necessary or expedient and for this purpose to delegate the authority to the Managing Director or any person whom the Managing Director may consider suitable to do various acts, deeds and things required to be done in this behalf."

By Order of the Board

Registered Office:

52, Nariman Bhavan,
Nariman Point,
Mumbai-400 021
Date : June 30, 2003

For **DAKAFFIL CHEMICALS INDIA LIMITED**

SISHIR R. AMIN
MANAGING DIRECTOR

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE 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 explanatory statement setting out the material facts concerning the special business mentioned under item Nos. 4 to 6 of the Notice as required under Section 173(2) of the Companies Act, 1956 is annexed hereto.
3. The Register of Members and the Shares Transfer Books of the Company will be closed from Monday, the 22nd day of September, 2003 to Tuesday, the 30th day of September, 2003 (both days inclusive).

DAIKAFFIL**4. The members are requested to:**

- (a) Intimate to the Company's Registrars and Share Transfer Agents M/s Intime Spectrum Registry Limited (for shares held in physical form) and to their Depository Participants (DP) (for shares held in dematerialized form) the changes, if any, in their registered address, Bank account number / details etc. at an early date;
- (b) Quote ledger folio numbers / DP Identity and Client Identity Numbers in all their correspondences;
- (c) Approach the Company for consolidation of folios, if shareholdings are under multiple folios;
- (d) Get the shares transferred in joint names, if they are held in single name to avoid inconvenience;
- (e) Bring their copies of the Annual Report and the Attendance Slip duly filled in for attending the Annual General Meeting;
- (f) Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions to the Company at the registered office address so as to reach at least seven days before the date of the Meeting, to enable the information required to be made available at the Meeting, to the best extent possible.

5. Pursuant to Section 205A of the Companies Act, 1956, the amount of dividend for the financial year ended March 31, 1996 and thereafter remaining unpaid or unclaimed for a period of seven years shall hereafter be transferred to the Investor Education and Protection Fund of the Central Government (the "Fund")

It may please be noted that once the unclaimed dividend is transferred to the Investor Education and Protection Fund, as above, no claim shall lie against the Fund or the Company in respect of the individual amounts which were unclaimed and unpaid for a period of seven years from the date that they first became due for payment and no payment shall be made in respect of any such claims.

EXPLANATORY STATEMENT IN RESPECT OF ITEMS NOS. 4 TO 6 OF THE NOTICE PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**Item Nos. 4 and 5**

Mr. Jagdish J. Vasa and Mr. Sudhir M. Patel were appointed as Additional Directors of the Company with effect from March 29, 2003 by the Board of Directors. Pursuant to the said Section of the Companies Act, 1956, both Mr. Jagdish J. Vasa and Mr. Sudhir M. Patel holds office only upto the date of the forthcoming Annual General Meeting.

Notice in writing has been received from Members of the Company along with the deposit of Rs. 500/- each pursuant to Section 257 of the Companies Act, 1956 signifying their intention to propose Mr. Jagdish J. Vasa and Mr. Sudhir M. Patel as candidates for the Office of Director liable to retire by rotation.

Both Mr. Jagdish J. Vasa and Mr. Sudhir M. Patel have vast experience in the industry and their appointment, as Directors of the Company would immensely benefit the Company through their expert knowledge and business experience.

Both Mr. Jagdish J. Vasa and Mr. Sudhir M. Patel are interested in the Resolution at Item Nos. 4 and 5 of the accompanying Notice since it relates to their appointment.

Item No. 6

The Equity Shares of the Company are presently listed at The Stock Exchange, Mumbai (the Regional Stock Exchange) and the Ahmedabad Stock Exchange. Since last five years, the volume of trading of the Company's shares at the Ahmedabad Stock Exchange has reduced considerably, which does not justify payment of considerable listing fees and other expenses which the Company is incurring.

Further the SEBI has now relaxed the de-listing norms whereby if the Equity Shares of the Company are listed on any nation wide stock exchange i.e. The Stock Exchange, Mumbai and / or the National Stock Exchange of India, then through a special resolution the Equity Shares of the Company can be de-listed on any other stock exchanges.

Therefore the Board of Directors have decided to get the shares de-listed from the above mentioned Ahmedabad Stock Exchange in accordance with the applicable laws, rules, regulations and guidelines.

As required by the SEBI (De-listing of Securities Guidelines), 2003 and the provisions of the listing agreement and other applicable laws, the Company seeks your approval by way of special resolution for de-listing the Equity Shares of the Company from the Ahmedabad Stock Exchange.

Shareholders / Investors in these regions will not suffer due to de-listing since the Equity Shares of the Company will continue to be traded on the Stock Exchange, Mumbai which is having nation wide presence.

None of the Directors of the Company is interested or concerned in the resolution.

Registered Office:
52, Nariman Bhavan,
Nariman Point,
Mumbai-400 021
Date : June 30, 2003

By Order of the Board
For **DAIKAFFIL CHEMICALS INDIA LIMITED**

SISHIR R. AMIN
MANAGING DIRECTOR

DIRECTORS' REPORT

Dear Members,

Your Directors present their Eleventh Annual Report together with the Audited Statement of Accounts along with the Report of the Auditors for the year ended March 31, 2003.

FINANCIAL RESULTS:

	2002-2003	2001-2002
	(Rupees)	(Rupees)
Sales etc. and other income	8,78,66,871	6,77,63,034
Profit Before Depreciation, Interest and Tax	1,02,43,918	56,56,956
Less: Depreciation	56,82,294	55,53,435
Interest	13,33,771	17,59,181
	70,16,065	73,12,616
Profit / (Loss) before Tax	32,27,853	(16,55,660)
Less : Provision for Tax		
Current Tax	--	--
Deferred Tax	11,02,562	--
	11,02,562	--
Profit/(loss) after Tax	21,25,291	(16,55,660)
Add: Balance Brought forward from the previous year	(1,39,31,844)	(1,22,76,184)
Transfer from General Reserve	40,75,825	--
Balance Carried Forward	(77,30,728)	(1,39,31,844)

DIVIDEND:

In view of accumulated past losses, the Directors do not recommend any dividend for the year.

PERFORMANCE:

Despite global outlook becoming more adverse with the unexpected slowdown of major economies directly affecting our exports, there seems to be significant improvements in the overall performance. This has been attributed to comprehensive cost control measures and operating efficiencies.

During the year under review, net sales from operations in the year was Rs.840.64 Lakhs against Rs.663.93 Lakhs in the previous year, an increase of 26.62%. The export sales registered an increase of 22.56% to reach Rs.645.30 Lakhs in the year mainly to the European Union and Far East. The profit after providing full depreciation of Rs. 56.82 Lakhs and before providing for provision for tax (deferred) of Rs. 11.03 Lakhs is, however arrived at Rs. 32.28 Lakhs as against the loss of Rs. 16.56 Lakhs during the last year.

During the year the Company has for the first time accounted for deferred tax in accordance with Accounting Standard 22, "Accounting for Taxes on Income". Consequently the Company has recognised a deferred tax asset of Rs. 40.76 Lakhs as on April 1, 2002. The Company has charged to the Profit & Loss Account, deferred tax of Rs. 11.03 Lakhs relating to the year.

OUTLOOK :

Based on the present trend, the outlook for the next few quarters seems to be positive as your Directors hopefully expect to stage a good turnaround, except the only apprehension that there may be further steep slide in the valuation of US Dollar, since Company's major exports are in Dollar terms.

It is a matter of great satisfaction that due to the high standard of quality maintained, the products of the Company have been well accepted in the export markets and the overseas customers are satisfied.

The Company is actively engaged in adding few more intermediaries, since the process involved are reasonably similar to fall within our existing product lines.

It is encouraging news that the India's Exports of Dye Intermediaries & Coaltar Chemicals have recorded 25% growth during the year under review, touching the figure of Rs. 2,780 Crores.

DAIKAFFIL**DIRECTORS:**

Mr. Jayant G. Patel, retire by rotation and being eligible offers himself for reappointment.

In accordance with the provisions of Section 260 of the Companies Act, 1956 and Articles of Association of the Company, Mr. Jagdish J. Vasa and Mr. Sudhir M. Patel have been appointed as Additional Directors of the Company and they hold office only up to the date of the ensuing Annual General Meeting. Notices have been received from Members signifying their intention to propose Mr. Jagdish J. Vasa and Mr. Sudhir M. Patel as Directors of the Company liable to retire by rotation.

Their appointment would immensely benefit the Company looking at their business knowledge and expertise.

CORPORATE GOVERNANCE:

Certificate of the Auditors of the Company regarding compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchange, is enclosed.

The Board of Directors supports the broad principles of corporate governance. In addition to the basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

PARTICULARS OF EMPLOYEES:

The Company does not have any employee of the category specified in Section 217 (2-A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

AUDIT COMMITTEE :

As per the requirements of the Companies Act, 1956, the Company has re-constituted the Audit Committee consisting of all Independent Directors namely Mr. Kishore J. Tanna, Mr. Jagdish J. Vasa and Mr. Sudhir M. Patel.

The Audit Committee met on four occasions on 23-08-2002, 28-10-2002, 27-01-2003 and 30-03-2003.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibilities Statement, your Directors hereby confirm:

- (1) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (2) that the directors have selected such accounting policies and applied them consistently and 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 at the end of the financial year and of the profit or loss of the company for that period;
- (3) that the directors have taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (4) that the directors have prepared the annual accounts on a going concern basis.

SAFETY AND ECOLOGY:

Safety and Environment protection strategies continue to be accorded the same priority as high product quality. Constant review of safety standards at the factory enabled the Company to operate with enhanced degree of safety.

FIXED DEPOSITS:

The Company has not accepted any Deposit from the Public during the year under review. As on March 31, 2003 no unclaimed deposits are lying with the Company.

INSURANCE :

All the insurable assets have been adequately insured.

AUDITORS :

The Members are requested to appoint Auditors for the current year and to fix their remuneration. M/s Gaurang Merchant & Co., the retiring Auditors, are eligible for re-appointment and have furnished a certificate to the effect that their re-appointment, if made, will be in accordance with the limits specified in Section 224(1B) of the Companies Act, 1956.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION:

As required under Section 217(1)(e) of the Companies Act, 1956 read together with the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 the relevant information is given below :-

The Company's operations involve high energy consumption. Wherever possible, energy conservation measures have already been implemented. The Company is making all efforts to optimize the use of energy improved operational methods. The Company has installed a coal fired IBR Boiler which will result into a considerable saving in the cost power and fuel consumption.

Diesel Generating Set worked satisfactorily during the power failures on feeder lines of MSEB.

Relevant data in respect of energy consumption is as below:-

(I) Power & Fuel Consumption		2002-2003	2001-2002
1. Electricity			
Purchased Units		5,76,909	6,35,833
Total Amount	Rs.	23,83,420	Rs. 26,59,735
Average Rate / Unit	Rs.	4.13	Rs. 4.18
2. Light Diesel Oil / Furnance Oil			
Quantity (Litres)		2,32,520	3,40,668
Total Amount	Rs.	29,33,368	Rs. 33,55,260
Average Rate / Ltrs.	Rs.	12.62	Rs. 9.85
3. Coal			
Quantity (Kgs.)		2,42,705	—
Total Amount	Rs.	6,21,380	—
Average Rate / Kgs.	Rs.	2.56	—
(II) Consumption per Unit of Production			
1. Electricity	Rs.	5.54 P/Kg.	Rs. 7.28 P/Kg.
2. L.D.O. / Furnance Oil	Rs.	6.82 P/Kg.	Rs. 9.19 P/Kg.
3. Coal	Rs.	1.45 P/Kg.	—

FOREIGN EXCHANGE INFLOW AND OUTFLOW :

	(Rs. in Lacs)
Foreign Exchange Inflow :	647.58
Foreign Exchange Outflow :	185.54

LISTING AGREEMENT COMPLIANCE:

Pursuant to the requirements of the Listing Agreement, the Company declares that its Equity Shares are listed on the Stock Exchanges at Mumbai and Ahmedabad.

PERSONNEL:

Consequent to the Order dated 11/10/2002 bearing Reference No. (ULP) 2/2002 passed by The Honourable First Labour Court, Thane, the Labour strike at the factory lasting for fifty days was declared as totally illegal in law. The Workers thereafter resumed the work with cordial relationship with the Management. The Company has signed a three-year wage agreement with the Union valid upto November 2004.

ACKNOWLEDGEMENT:

Yours Directors express their grateful appreciation for the assistance and co-operation extended by the Banks during the year and wish to place on record their deep sense of appreciation for the devoted services of the employees and staff of the Company.

For and on behalf of the Board,

AMIT J. PATEL
CHAIRMAN

Mumbai, June 30, 2003

DAIKAFFIL**MANAGEMENT DISCUSSION AND ANALYSIS****1) BUSINESS OF THE COMPANY****A Industry structure & development**

The Company has only Chemical Business Segment. The performance of the chemical industry largely depends on the performance of the Papers, Textiles and Detergent sectors. The industry has several players and the level of competition is fairly high. To attain a competitive edge, the industry is undergoing consolidation through mergers and acquisitions. The last few years have also witnessed shakeout in the industry resulting in departure of small regional players. Strengths in R&D and product recognition in domestic and export markets are emerging as key factors. The domestic industry is continuously striving to increase exports with a view to reduce its dependence on domestic consumption. The Company has also been increasing its exports and keeps looking for new markets and opportunities in the international markets.

B Opportunities and threats

Consumption of Fine Speciality Chemicals in India is fairly low by international standards and points to the growth potential. The export markets offer increasingly higher business opportunities. However, the same is coupled with threat from competitors especially from China on pricing. The Company has been maintaining its presence in the international markets by offering high quality products consistently on schedule and enjoys the image of a quality and reliable supplier.

C Risks and concerns:

Price competition in the domestic market for some of the products may affect profitability. The process of globalisation also increases threat of competition from cheap imports, especially from China, both in the domestic and export markets.

2) Internal control systems and their adequacy:

The Company has proper and adequate systems of internal controls in order to ensure that all assets are safeguarded against loss from unauthorised use or disposition and that all transactions are authorised, recorded and reported correctly. Regular internal audits and checks are carried out to ensure that the responsibilities are executed effectively and that adequate systems are in place. Management continuously reviews the internal control systems and procedures to ensure orderly and efficient conduct of business. The review includes adherence to the management policies, safeguarding the assets of the Company and ensuring preparation of timely and accurate financial information. The emphasis on internal control prevails across functions and processes, covering the entire gamut of activities. A strong internal audit function and effective Audit Committee of the Board have strengthened the internal control within the organisation.

3) Financial performance & analysis:

The Company's net sales from operations in the year 2002-03 was Rs.840.64 Lakhs against Rs.663.93 Lakhs in the previous year, an increase of 26.62%. The export sales registered an increase of 22.56% to reach Rs.645.30 Lakhs in the year. The profit before taxation was Rs.32.28 Lakhs.

The improvement in turnover and net profit during the year under review reflects, the continuous efforts of the Management and the employees towards cost reduction, improvement in process technology and efficiency, improvement in productivity and development of new products.

4) Human resource development / Industrial relations:

The Company continuously monitors its human resource requirement to ensure that it has adequate human skills commensurate with its requirements. The Company continuously strives to upgrade the skills and competence of its human resources. Measures for safety, training, welfare and development of employees receive top priority.

5) Cautionary statement:

Statements in this report on Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements within the meaning of applicable security laws or regulations. These statements are based on certain assumptions and expectation of future events. Actual results could however, differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and domestic demand-supply conditions, finished goods prices, raw materials cost and availability, changes in Government regulations and tax structure, economic developments within India and the countries with which the Company has business contacts and other factors such as litigation and industrial relations.

The Company assumes no responsibility in respect of forward looking statements herein which may undergo changes in future on the basis of subsequent developments, information or events.