



**DAIKAFIL**  
**CHEMICALS INDIA LIMITED**

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**12th ANNUAL REPORT**  
**2003-2004**

**DAIKAFFIL**

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**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 - 401 506  
Dist : Thane  
MAHARASHTRA

**ANNUAL GENERAL MEETING**

**Date** : September 28, 2004

**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 Twelfth Annual General Meeting of Daikaffil Chemicals India Limited will be held on Tuesday, the 28<sup>th</sup> day of September, 2004 at 52, Nariman Bhavan, Nariman Point, Mumbai-400 021 to transact the following business:

**ORDINARY BUSINESS :**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2004 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. Amit J. Patel, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Yoshiaki Tagami, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

**SPECIAL BUSINESS:**

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

**"RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309, 310, 311 and Schedule XIII and other applicable provisions, if any and Schedule XIII of the Companies Act, 1956 and any amendment and / or re-enactment thereof and subject to further such approvals as may be required, Consent of the Company be and is hereby granted to the re-appointment of Shri Sishir R. Amin as Managing Director of the Company for a period of five years with effect from 1<sup>st</sup> November, 2004 on the salary, remuneration and perquisites as set out in the letter issued to him and laid before the meeting with liberty and powers to the Board of Directors to increase, alter and vary the salary, commission and perquisites in such manner as the Board in its absolute discretion deem fit and acceptable to Shri Sishir Amin within the limits specified in Schedule XIII of the Companies Act, 1956 or any amendments, modifications or re-enactments made from time to time by the Central Government in this behalf."

**Registered Office:**

52, Nariman Bhavan,  
Nariman Point,  
Mumbai-400 021.  
Date : July 30, 2004.

By Order of the Board  
For **DAIKAFFIL 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 No. 5 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 Saturday, the 18<sup>th</sup> day of September, 2004 to Tuesday, the 28<sup>th</sup> day of September, 2004 ( both days inclusive ).
4. The members are requested to:
  - a. Intimate to the Company's Registrars and Share Transfer Agents M/s Intime Spectrum Registry Private 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 unclaimed dividend for the financial year ended 31<sup>st</sup> March, 1996 have been transferred to the Investor Education and Protection Fund of the Central Government (the "Fund") during the financial year.

**DAKAFFIL****EXPLANATORY STATEMENT IN RESPECT OF ITEM NO. 5 OF THE NOTICE PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

The Shareholders will recall approving re-appointment of Shri Sishir R. Amin as Managing Director of the Company for a period of 5 years w.e.f. 1<sup>st</sup> November, 1999 at the Annual General Meeting of the Company held on 30<sup>th</sup> September, 1999.

Considering the growth and progress of the Company during his tenure as Director, the Board of Directors of the Company at their meeting held on 30<sup>th</sup> July, 2004 has recommended the re-appointment and remuneration subject to the approval of the Shareholders in the ensuing Annual General Meeting as under.

- a) Period : Five Years with effect from 1<sup>st</sup> November, 2004 to 31<sup>st</sup> October, 2009.
- b) Basic Salary of Rs.36,000/- ( Rupees Thirty Six Thousand Only ) per month in the grade of Rs.36,000 - 3,000 - 48,000.
- c) Perquisites: Perquisites such as fully furnished house, house rent allowance, maintenance charges on owned house, expenditure incurred on gas, electricity, water and furnishings, medical benefits for himself and his family, leave travel concession, club fees, personal accident insurance or other allowances equivalent to his annual salary or other allowances as may be decided by The Remuneration Committee from time to time.
- d) Notwithstanding anything to the contrary contained herein, where in any financial year during the currency of the tenure of the appointee, the Company has no profits or its profits are inadequate, the Company will pay to the Managing Director a remuneration by way of salary and perquisites not exceeding the ceiling laid down in Section II of Part II of Schedule XIII of the Companies Act, 1956 and as may be decided by the Board of Directors of the Company.

Further

- a) The salary and perquisites mentioned under (b)(c) and (d) will be exclusive of
  1. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent of these either singly or put together are not taxable under the Income Tax Act, 1961.
  2. Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.
  3. Encashment of leave at the end of the tenure.
  4. Ex-gratia / Bonus as may be decided by the Board.
- b) In addition to above salary, in the years in which the Company has sufficient profit, Shri. Sishir Amin be paid commission on the annual net profits of the Company as may be decided by the Board at the end of each financial year, computed in the manner laid down in Section 309(5) of the Companies Act, 1956, subject to ceiling laid down in Section 198 and 309 of the Companies Act, 1956 on the total remuneration.
- c) In addition to the above salary, Shri. Sishir Amin, Managing Director of the Company shall be entitled to the following benefits.
  - i) Car provided for use on Company's business and telephone at residence will not be considered as perquisites.
  - ii) Personal long distance calls and use of car for private purpose shall not be billed by the Company to the Managing Director.
  - iii) The Company shall reimburse to the Managing Director entertainment, traveling and all other expenses incurred by him for the business of the Company.
  - iv) Earned Leave: on full pay and allowance as per the rules of the Company but not exceeding one month's leave for every eleven months of service.

This may be treated as an abstract of the draft letter dated 30<sup>th</sup> July, 2004 addressed by the Company to Shri. Sishir Amin pursuant to Section 302 of the Companies Act, 1956.

The Managing Director as long he function as such, shall not be paid any fees for attending the meeting of the Board of Directors or any committee thereof.

The Board commends passing of the Resolutions as set out in Item No. 5 of the accompanying Notice.

Shri. Sishir R. Amin is concerned and interested in resolution under Item No. 5.

Save as aforesaid, none of the other Directors of the Company is, in any way, concerned or interested in this item.

**Registered Office:**  
52, Nariman Bhavan,  
Nariman Point,  
Mumbai-400 021.  
Date : July 30, 2004.

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

**SISHIR R. AMIN**  
MANAGING DIRECTOR

**DIRECTORS' REPORT**

Dear Members,

Your Directors present their Twelfth Annual Report together with the Audited Statement of Accounts along with the Report of the Auditors for the year ended 31<sup>st</sup> March, 2004.

**FINANCIAL RESULTS:**

	<b>2003-2004</b>	<b>2002-2003</b>
	<b>(Rupees)</b>	<b>(Rupees)</b>
Sales etc. and other income	<b>8,21,98,691</b>	<b>8,78,66,871</b>
Profit Before Depreciation, Interest and Tax	<b>90,73,327</b>	<b>1,02,43,918</b>
Less: Depreciation	<b>55,87,060</b>	<b>56,82,294</b>
Interest	<b>14,08,428</b>	<b>13,33,771</b>
Profit before Tax	<b>69,95,488</b>	<b>70,16,065</b>
Less : Provision for Tax	<b>20,77,839</b>	<b>32,27,853</b>
Current Tax	<b>1,00,000</b>	<b>—</b>
Deferred Tax	<b>11,79,826</b>	<b>11,02,562</b>
Profit after Tax	<b>12,79,826</b>	<b>11,02,562</b>
Add: Balance Brought forward from the previous year	<b>7,98,013</b>	<b>21,25,291</b>
Excess Depreciation of earlier year written back	<b>(77,30,728)</b>	<b>(1,39,31,844)</b>
Transfer from General Reserve	<b>1,58,551</b>	<b>—</b>
Balance Carried Forward	<b>(67,74,164)</b>	<b>40,75,825</b>
		<b>(77,30,728)</b>

**DIVIDEND:**

Your Directors regret their inability to recommend any dividend until carry forward losses are hopefully wiped out.

**PERFORMANCE:**

The Company was able to consolidate its position in the midst of difficult economic and competitive environment. This achievement was due to accelerating dispatches with corresponding revenues and implementation of aggressive cost reduction programmes.

During the year under review net sales were slightly lower by 4% as compared to the last year. It was to some extent a reflection of adverse exchange rate between USD and INR, since company's seventy five percent of production is being exported to European Union. However with the expansion of EU-market, Indian exports are likely to get some benefit, though uncertain prognosis on the economic slump in the USA, fears of slow down in Europe and continuing stagnation in Japan will surely have adverse impact on export led growth opportunity for Indian Companies.

The profit before Tax after providing full depreciation of Rs. 55.87 lacs, is arrived at Rs.20.78 lacs as against Rs.32.28 lacs during the last year.

**OUTLOOK :**

Your Company gives topmost priority to providing products of superior quality to enhance customer confidence and satisfaction which will ensure business growth. Towards these efforts, the Company has already taken steps to adopt new revised quality standard so as to obtain **ISO 9001 : 2000 Certification** in very near future. The Company has appointed M/s. BSI India Private Ltd., (BRITISH STANDARD INSTITUTION ) as the Auditors for certification of ISO 9001 : 2000 Quality Standards.

Besides, new OBA exclusively for textile industries is approved by foreign buyers and has been taken for regular production.

**DIRECTORS:**

Mr. Amit J. Patel and Mr. Yoshiaki Tagami, retire by rotation and being eligible offer themselves for reappointment.

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

**CORPORATE GOVERNANCE:**

Accountability and integrity with total transparency continue to be the company's main objective towards achieving sustained growth.

**DAIKAFFIL**

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.

**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 constituted an Audit Committee consisting of all Independent Directors namely Mr. Kishore Tanna, Mr. Jagdish J. Vasa and Mr. Sudhir M. Patel

The Audit Committee met on three occasions on 23-06-2003, 24-10-2003 and 23-01-2004 during the year under review.

**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 31<sup>st</sup> March, 2004, no unclaimed deposits are lying with the Company.

**INSURANCE :**

All the Fixed Assets have been adequately insured.

**FOREIGN COLLABORATORS :**

Buy back agreement with Daika (Japan) Ltd., the foreign collaborators has come to an end during the year, though the Company has been getting full support from Daika (Japan) Ltd. in terms of marketing and technology. Your Directors record their appreciation of the services rendered by the collaborators who will continue their financial investment in the Company. The Company has also entered into Technology / buyback arrangement with Kiwa Chemicals Ind.(Japan) for manufacturing Naphthols.

**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 optimise 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 on account of power and fuel consumption.

Diesel Generating Set worked satisfactorily during the year whenever there was power failure on feeder lines of MSEB.

Relevant data in respect of energy consumption is as below.

		2003-2004	2002-2003
<b>(I) Power &amp; Fuel Consumption</b>			
1. Electricity			
Purchased Units		5,62,614	5,76,909
Total Amount	Rs.	22,04,054	Rs. 23,83,420
Rate / Unit (Rs.)	Rs.	3.91	Rs. 4.13
2. Light Diesel Oil / Furnance Oil			
Quantity ( Litres )		4,310	2,32,520
Total Amount	Rs.	96,465	Rs. 29,33,368
Average Rate ( Rs. / Ltrs)	Rs.	22.38	Rs. 12.62
3. Coal			
Quantity (Kgs)		7,58,784	2,42,705
Total Amount		20,46,490	Rs. 6,21,380
Average Rate (Rs./ Kgs)	Rs.	2.70	Rs. 2.56
<b>(II) Consumption per Unit of Production</b>			
Electricity		Rs. 4.17 P/Kg.	Rs. 5.54 P/Kg.

<b>FOREIGN EXCHANGE EARNINGS AND OUTFLOW :</b>	<b>(Rs. In Lacs)</b>
Foreign Exchange Inflow :	633.03
Foreign Exchange Outflow :	175.35

#### LISTING AGREEMENT COMPLIANCE:

Pursuant to the requirements of the Listing Agreement, the Company declares that its Equity Shares are listed on the Stock Exchanges, Mumbai. Further the Equity Shares of the Company have been delisted from the Ahmedabad Stock Exchange during the year under review, pursuant to voluntary delisting guidelines prescribed by SEBI in this regard.

#### AUDITORS' REPORT :

With reference to Auditors' Remarks in Paragraph 4 (d) of the Auditors' Report, your Directors would like to clarify that

- The Company is in the process of creating a separate fund with Life Insurance Corporation of India Ltd., for taking appropriate gratuity plan. The full liability in respect of gratuity shall be ascertained by the actuary after which the relevant provision for gratuity will be made.
- The liability in respect of leave encashment is accounted on cash basis.
- The Management is taking steps to ascertain valuations as regards impairment, if any, in carrying amount of assets and is of the view that such provision may not be required.

The remark in para (i) (a) & (vii) in the Annexure to the Auditors' Report is self explanatory and do not call for any specific response u/s 217(3) of the Companies Act, 1956.

#### PERSONNEL :

Last wage agreement with the worker's union comes to an end during the year end and with cordial relationship presently prevailing the management's focus would be to harness human resources to unleash their maximum potential so as to achieve Company's vision and business goals.

#### ACKNOWLEDGEMENT:

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

For and on behalf of the Board,

**AMIT J. PATEL**  
CHAIRMAN

Mumbai, June 30, 2004



**DAIKAFFIL****MANAGEMENT DISCUSSION AND ANALYSIS****1) Business of the Company****A. Business Segment**

The Company has only Organic Intermediates & Fluorescent Brighteners manufacturing wherein several players are in the field and the level of Competition is fairly high. The Industry is currently undergoing consolidation through mergers and acquisitions, resulting in departure of small players. Constant R & D, with product recognition in global markets are the key factors to stay ahead in the fierce competition.

**B. SWOT Analysis**

The Company commands its position on the strength of quality, which is maintained at all costs.

The Threat from competitors and cheap imports, especially from China, are the main concerns.

As a reliable manufacturer since years, the opportunities to increase market share are plenty both in the Export as well as the Domestic Market.

Pollution with solid waste disposal remains a major Urban Concern, which demands heavy capital expenditure and hence perhaps may weaken the cash flow.

**C. Quality Policy.**

The Company is in the process of establishing its Quality Standards and in view of this is planning to go in for ISO 9001:2000 certification. The whole exercise is in progress and is confident of being certified as a Quality manufacturer by getting a ISO 9001-2000 certificate during the current year in progress.

**D. Research - Development.**

In order to meet the increasing International demand in Optical Brighteners there seems an urgent need in increasing the series of different brighteners both for Textiles / Paper markets. In order to achieve this goal the Company has started extensive trials of these brighteners and is hopeful to introduce such product in the near future.

**E. Joint Ventures.**

The Company is constantly endearing itself with its regular international clients to seek and establish some long term sourcing arrangement for all its products.

**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 2003-04 was Rs.805.23 Lakhs against Rs.840.643 Lakhs in the previous year. The export sales registered decrease of 1.95% to Rs.632.70 Lakhs in the year. The profit before taxation was Rs.22.78 Lakhs.

**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.