



DAIKAFIL
CHEMICALS INDIA LIMITED



16th ANNUAL REPORT
2007-2008

DAIKAFFIL

Board of Directors	:	Amit J. Patel	- Chairman.
	:	Sishir R. Amin	- Managing Director.
	:	Jayant G. Patel	
	:	Yoshiaki Tagami	
	:	Sudhir M. Patel	
	:	Jagdish J. Vasa	
	:	Giuseppe Seccomandi	
	:	Aditya A. Patel	- Alternate Director to Yoshiaki Tagami
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.

Corporate Office 219, Unique Industrial Estate,
3-3A, Veer Savarkar Marg, Prabhadevi
Mumbai-400025

Registered Office and Plant Plot No.E-4, M.I.D.C.
Tarapur, Boisar,
Dist : Thane – 401 506.
MAHARASHTRA

ANNUAL GENERAL MEETING

Date : September 30, 2008

Time : 11.30 A.M.

Venue : E-4, M.I.D.C. Tarapur, Boisar,
District Thane, Maharashtra-401506

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

DAKAFFIL**DAKAFFIL CHEMICALS INDIA LIMITED**

Regd. Office: E-4, M.I.D.C. Tarapur, Boisar, District Thane Maharashtra - 401 506

NOTICE

NOTICE is hereby given that the Sixteenth Annual General Meeting of the Members of **DAKAFFIL CHEMICALS INDIA LIMITED** will be held on Tuesday, the 30th day of September, 2008 at 11.30 A.M. at E-4, M.I.D.C. Tarapur, Boisar, District Thane, Maharashtra-401506 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2008 and Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. Jayant G. Patel, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Jagdish Vasa, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

AS SPECIAL BUSINESS:

1. To appoint a Director in place of Dr. Giuseppe Seccomandi, who was appointed as Additional Director of the Company by the Board of Directors w.e.f. 31-05-2008 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.

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

SISHIR R. AMIN
(MANAGING DIRECTOR)

Registered Office:
E-4, M.I.D.C. Tarapur,
Boisar, District Thane
Maharashtra-401506

Date: June 30, 2008
Place : Mumbai

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 Register of Members and the Shares Transfer Books of the Company will be closed from Friday the 19th day of September, 2008 to Tuesday, the 30th day of September, 2008 (both days inclusive).
3. The dividend, as recommended by the Board, if declared at the Annual General Meeting will be paid on or after 1st October, 2008 to those Members whose names stand registered on the Company's Register of Members:
 - i. as Beneficial Owners as at the end of the business hours on 18th September, 2008 as per the list to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of shares held in Dematerialized form.
 - ii. As Members in the Register of Members of the Company after giving effect to valid share transfers lodged with the Company, on or before 18th September, 2008.

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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.
 - (g) Furnish their Bank Account Number, the name of the Bank and the Branch where they would like to deposit the Dividend Warrants for encashment. These particulars will be printed on the cheque portion of Dividend Warrants, besides the name of the Shareholders so as to avoid fraudulent encashment of warrants.
The above mentioned details should be furnished by the first / sole shareholder, directly to the Registrar & Share Transfer Agents, quoting the folio number.
5. Pursuant to Section 205A of the Companies Act, 1956, the amount of unclaimed dividend for the financial year ended 31st March, 1997 have been transferred to the Investor Education and Protection Fund of the Central Government (the "Fund").
6. The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the business under Item No. 6 set out above is annexed hereto.

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DAIKAFFIL**DAIKAFFIL CHEMICALS INDIA LIMITED**

Regd. Office: E-4, M.I.D.C. Tarapur, Boisar, District Thane, Maharashtra-401506

DIRECTORS' REPORT

Dear Members,

Your Directors present their Sixteenth Annual Report together with the Audited Statement of Accounts along with the Report of the Auditors for the year ended 31st March, 2008.

FINANCIAL RESULTS:

	2007-2008 (Rupees)	2006-2007 (Rupees)
Sales etc. and other income	<u>14,34,28,748</u>	<u>14,35,87,305</u>
Profit before Depreciation, Interest and Tax	<u>1,40,58,131</u>	<u>1,32,83,165</u>
Less: Depreciation	<u>38,41,986</u>	<u>40,35,888</u>
Interest	<u>10,29,048</u>	<u>6,09,396</u>
	<u>48,71,034</u>	<u>46,45,284</u>
Profit before Tax	<u>91,87,097</u>	<u>86,37,881</u>
Less : Provision for Tax		
Current Tax	<u>35,50,000</u>	<u>11,85,000</u>
Deferred Tax	<u>(4,40,000)</u>	<u>17,95,000</u>
	<u>31,10,000</u>	<u>29,80,000</u>
Fringe Benefit Tax	<u>90,000</u>	<u>83,000</u>
Profit after Tax	<u>59,87,097</u>	<u>55,74,881</u>
Add: Balance Brought forward from the previous year	<u>29,35,863</u>	<u>(26,39,018)</u>
Profit available for appropriations	<u>89,22,960</u>	<u>29,35,863</u>
Appropriation		
Transfer to General Reserve	<u>10,00,000</u>	<u>-</u>
Proposed Dividend	<u>30,00,000</u>	<u>-</u>
Corporate Dividend Tax Thereon	<u>5,09,850</u>	<u>-</u>
Balance carried forward	<u>44,13,110</u>	<u>29,35,863</u>
	<u>89,22,960</u>	<u>29,35,863</u>

DIVIDEND :

The Board of Directors are pleased to recommend a modest dividend of 5% for the year at a rate of Re.0.50 per share on 60,00,000 (including shares issued to M/s. H.G.E Chemical Company S.A. Luxembourg on 10th April,2008) Equity shares of the nominal value of Rs. 10 each aggregating to Rs.30.00 Lacs, excluding dividend tax of Rs. 5.10 Lacs despite most uncertain conditions, presently prevailing in Chemical Industry.

PERFORMANCE:

Your Company's operational performance is reasonably good in the light of global competition and sluggish economic growth. Despite gross sales at the same level as last year and margins remaining under pressure on the back of a sharp rise of all the key Raw materials, operating efficiencies, better utilization of Raw Material and energy conservation with reduced overheads attributed such performance

H.G.E CHEMICAL COMPANY S.A. LUXEMBOURG :

After acquiring 12.5% Equity participation in the share capital of the Company, a high power Techno-commercial delegation, led by Dr. Giuseppe Seccomandi, the Chairman of H.G.E Group visited the plant at Tarapur with a view to examine the feasibility for expansion of production facilities of OBA's and Speciality Textiles Auxiliaries, along with Performance chemicals for Leather Tanning, Cosmetics & Pharmaceuticals Industry.

H.G.E. with its associated group companies operating globally have plan to expand production base for special products with the company if they could make them more cost effective.

OUTLOOK:

Rising Costs of all inputs continues to be a challenge for the company. Further there is really no guarantee if there will be a softening of Raw-Material prices which could even see the production lines on hold for awhile.

Increase in competition from Multi nationals in the Export Market and rising materials Price at home are likely to negatively impact margins. The Prices of a number of essential chemicals are ruling at multi-year high levels. It's a paradox, when international market have helped boost the outlook for India's chemical Industry due to China the main competitor having removed all incentives of Vat from 2007, tightening environment norms for effluent treatment that has effectively eased the pressure off the domestic Industry, the input costs, and non availability of Raw Materials even at a high prices will hinder such opportunities.

In addition to the financial burden for the Industry so as to comply with REACH legislation as reported earlier, EU now plans Carbon Tax on items imported from Advance Developing Nations and consequently Indian goods being exported to EU may face higher barriers, and render exports non-Competitive.

DIRECTOR :

Dr.Giuseppe Seccomandi was appointed as Director on the Board, consequent to H.G.E. Chemical S.A. Luxembourg having now acquired equity participation in Company. The Company looks forward to valuable guidance in respect to expansion and marketing due to his wide global experience and contacts. He will hold his office till next Annual General Meeting but being eligible offer himself for reappointment.

Mr. Jayant Patel and Mr. Jagdish Vasa retire by rotation at the ensuring AGM and being eligible offer themselves for reappointment.

CORPORATE GOVERNANCE:

A separate section on Corporate Governance and a certificate from Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with Bombay Stock Exchange Limited, forms part of the Annual Report.

PARTICULARS OF EMPLOYEES:

The Company does not have any employee of the category specified in Section 217 (2A) 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 and Listing Agreement, the Company has an Audit Committee consisting of Two Independent Directors and One Executive Director namely Mr. Sudhir Patel, Mr. Jagdish J. Vasa and Mr. Sishir Amin.

The Audit Committee met on five occasions on 30-04-2007, 29-06-2007, 31-07-2007, 31-10-2007 and 29-01-2008.

OFFER AND ISSUE OF SHARES ON PREFERENTIAL BASIS:

The Company has offered and issued 7,49,700 Equity Shares of Rs. 10/- each at a premium of Rs. 4.60/- per Equity Share to H.G.E. Chemical Company S.A. constituting, 12.49% of the post issued capital, on 10th April, 2008, pursuant to approval of the Members of the Company granted at their Extra Ordinary General Meeting held on 29th January, 2008. The Company has received in principal approval from The Bombay Stock Exchange Limited towards listing of these shares. The paid up share capital of the Company has increased to Rs. 6,00,00,000/- consisting of 60,00,000 Equity Shares of Rs. 10/- each pursuant to aforesaid allotment.

SHIFTING OF REGISTERED OFFICE:

The Company has shifted its Registered Office from 52, Nariman Bhavan, Nariman Point, Mumbai-400021 to E-4, M.I.D.C. Tarapur, Boisar, Dist. Thane, Maharashtra-401506 for the purpose of centralization and rationalization. The Members of the Company granted their consent for the same through Special Resolution passed by postal ballot, the results of which were declared on 30th April, 2008.

DIRECTORS' RESPONSIBILITY STATEMENT:

Your Directors wish to inform Members that the Audited Accounts containing Financial Statements for the Financial Year 2007-2008 are in full conformity with the requirement of the Companies Act, 1956. They believe that the Financial Statements reflect fairly, the form and substance of transactions carried out during the year and reasonably present the Company's financial condition and results of operations.

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Your Directors further confirm that:

- (1) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (2) 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) 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) The directors have prepared the annual accounts on a going concern basis.

SAFETY AND ECOLOGY:

Your Company continues to accord the highest priority to Environment, Occupational Health and Safety with a view to progressively achieve international standards while ensuring compliance with statutory requirements.

FIXED DEPOSITS:

The Company has not accepted any Deposit from the Public during the year under review. As on 31st March, 2008, no unclaimed deposits are lying with the Company.

INSURANCE:

All the Fixed Assets have been adequately insured.

FOREIGN COLLABORATORS:

Daika Japan Limited and Kiwa Chemicals Industries (Japan) continue to give their active support in the development of the Company and the Directors put on record their full appreciation for the co-operation being extended by them.

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.

		2007-2008	2006-2007
(I)	Power & Fuel Consumption		
	1. Electricity		
	Purchased Units	4,79,722	5,06,583
	Total Amount	Rs. 26,52,846	Rs. 27,61,162
	Rate / Unit (Rs.)	Rs. 5.53	Rs. 5.45
	2. HSD Oil		
	Quantity (Litres)	3,600	5,800
	Total Amount	Rs. 1,22,826	Rs. 2,17,504
	Average Rate (Rs./Kgs)	Rs. 34.12	Rs. 37.50
	3. Coal		
	Quantity (Kgs)	10,74,770	8,98,030
	Total Amount	RS. 46,42,345	Rs. 37,95,030
	Average Rate (Rs./Kgs)	Rs. 4.32	Rs. 4.23
(II)	Consumption per Unit of Production		
	Electricity	Rs. 1.84 P/Kg.	Rs. 1.88 P/Kg.

DAIKAFFIL**EXCHANGE EARNINGS AND OUTGO:**

	(Rs. in Lacs)
Foreign Exchange Earnings:	1123.12
Foreign Exchange Outgo :	444.82

LISTING AGREEMENT COMPLIANCE:

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

PERSONNEL:

The Management has been negotiating with the Union on the Charter of demands. During the prolonged Period of negotiations normal Industrial relations were maintained.

ACKNOWLEDGEMENT:

The Directors wish to place on record their appreciations for the continued support and co-operations by Government Authorities, Financial Institutions, Banks and our valued customers alongwith dedicated service of all the workers, staff and the officers, whose continuous support is a pillar of strength which have largely contributed to the efficient management of the Company. Suffice it to say, that your co-operation as our shareholders is hereby acknowledged with gratitude.

For and on behalf of the Board,

(AMIT J. PATEL)
CHAIRMAN

Mumbai, June 30, 2008

MANAGEMENT DISCUSSION AND ANALYSIS**1) BUSINESS OF THE COMPANY****A Information about the Company:**

Daikaffil Chemicals India Ltd. was established on 19/06/1992, Daikaffil has been consistently meeting challenges of the dynamic business, rising costs, industry demands and competitive scenario, in order to meet profitability and manage the resources more effectively, meeting customer's expectations at the same time.

The main strength of the Organisation lies in its employees and the technological superiority of the products manufactured, which has enabled the Company to maintain a steady growth over the years and also create and establish its brand name "DIKAPHOR" in the Industry.

B How the Industry Fared

GDP growth during 2007-2008 at 8.7% was lower than the growth of 9.6% in the previous year. This was largely attributable to a deceleration in the growth of both agriculture and industry. The deceleration in the industrial production was primarily due to a showdown in the manufacturing sector-particularly in the last quarter of the year. Against this backdrop the Company was able to achieve positive growth in performance.

	(Rs. Lakhs)	(Rs. Lakhs)
	2007-2008	2006-2007
Sales	1434.29	1435.87
PBT	91.87	86.38
PAT	59.87	55.75
EPS (Rs.)	1.14	1.06

C) SWOT Analysis

Daikaffil is continuously on the vigil of introducing New Optical brighteners for the Textiles & Paper Industries as well as establishing "DIKAPHOR" in new markets/ customers. The Quality of Dikaphor is found to be of International standards. Delivering the products at the prices which are competitive, inspite of rise in Raw Material cost and still maintain profitability is an ongoing challenge requiring a continuous working on improving internal operational efficiencies. Daikaffil has been therefore continuously working in the areas of product improvements, innovation in products and services. Various Brighteners have been offered addressing the needs of the Industry both on quality and price.

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There is a growing competition visible with more and more players entering the industry and leading to pressure in the prices of Finished Goods.

D) Segment wise performance :-

The Company operates in one segment, namely Dyes / intermediates comprising Optical Brighteners / Naphthols in accordance one with the definition of " Segment " as per the Accounting Standards 17 issued by the Institute of Chartered Accountants of India . The Performance of the Company is discussed separately in this report.

E) Risks & Concerns

The entry of several new players and capacity augmentation by existing players is likely to increase competitive pressure and adversely affect margins. Cost of raw materials-notably Cyanuric Chloride, DASDA, PNT, Bon ACID, DEA have risen steeply without commensurate increases in products prices.

F) Research & Development [R&D] and Technology

Research & Development is the prime objective and lot of activity in development of new Brighteners for Textiles & Naphthols for Pigment is being carried out. The Company hopes to commercially introduce New Brighteners / Naphthols during the year.

G) Internal control audit system and Risk Management

A Well-defined organization structure, guidelines for conducting business transactions, authority levels, the practice of Management by objectives (MBO), transaction processing with inherent control mechanisms through IT systems, and an established internal Audit framework ensure compliance with prevalent statues listing agreement provisions, management authorization , policies and procedures, and risk exposures. Further, transactional controls are continually reviewed, and deviations are reported and corrected. Significant observations made by internal Audit on business operations and internal controls are regularly presented to and reviewed by the Audit Committee.

H) Financials performance & Analysis :

Gross Sales for the Year aggregated to Rs. 1434.29 lakhs which is almost similar to the previous year turnover of Rs. 1435.87 lakhs.

Profit before Depreciation, Interest and Taxes for the year is higher at Rs.140.58 lakhs as compared to Rs. 132.83 lakhs of previous year reflecting a growth of 5.83 %

Depreciation for the year is lower at 38.41 lakhs as compared to Rs 40.36 lakhs of previous year.

Profit before tax is at Rs. 91.87 lakhs as compared to Rs. 86.38 lakhs which is a growth of 6.35 %

I) Human Resource Development/ Industrial Relations:

Human Capital is one of the key elements of sustainable competitive advantage and shareholder value creation. Your Company's human resource philosophy aims at nurturing an organizational culture that respects people, empowers and enables them to deliver quality performance.

J) Cautionary Statement:

Statements relating to projections & objectives are made on certain assumptions, forecasts and visible trends in the industry, subject to change, due to several uncertain factors prevailing in the economy.

CORPORATE GOVERNANCE

Company's Policies on the Corporate Governance and due Compliance Report on specific areas wherever applicable for the year ended 31st March, 2008 are hereunder divided into the following areas:-

I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

Company's Philosophy of Corporate Governance is intended to bring about

- Transparency and Professionalism in activities of the organization.
- Implementation of policies and procedures prescribed by the Company to ensure high ethical standards in all its business activities and responsive management.

II. BOARD OF DIRECTORS:**(a) Composition of the Board**

- The Board of Directors of the Company consists of eminent persons with considerable expertise and experience in business and industry.
- The composition of the Board of Directors with reference to Executive and Non Executive Directors meets the requirement of code of Corporate Governance.
- Out of Six Directors, there is One Non-Promoter Executive Director namely Mr. Sishir R. Amin and Two Promoter Non - Executive Directors namely Mr. Jayant G. Patel and Mr. Amit J. Patel.
- There are three independent Directors namely Mr. Yoshiaki Tagami, Mr. Jagdish J. Vasa and Mr. Sudhir M. Patel.
- Mr. Aditya Patel was appointed as an Alternate Director to Mr. Yoshiaki Tagami on 31st January, 2005.

(b) Number of Board Meetings held and attended by Directors

Board Meetings are held at least four times during the year coinciding with the presentation of each quarterly result. During the last financial year, seven Board Meetings were held on 30th April, 2007, 29th June, 2007, 31st July, 2007, 31st October, 2007, 1st December, 2007, 29th January, 2008 and 14th March, 2008. The Meetings were attended as follows.

- Mr. Jayant G. Patel, Mr. Amit J. Patel, Mr. Sishir R. Amin attended all the seven Meetings.
- Mr. Aditya Patel (Alternate to Mr. Yoshiaki Tagami) attended all the seven Meetings.
- Mr. Sudhir Patel attended five Meetings.
- Mr. Jagdish Vasa attended five Meetings.

All the Directors attended the last Annual General Meeting held on 20th September, 2007 except for Mr. Yoshiaki Tagami.

(c) The details of other Directorships and Committee Membership:

Name of the Directors	Category of Directors	No. Of Other Directorships held	No. of other Board Committee(s) Of which He/she is	
			Member	Chairman
Jayant G. Patel	Promoter – Non Executive	1	0	0
Amit J. Patel	Chairman – Promoter – Non Executive	1	0	0
Sishir R. Amin	Non Promoter – Executive	1	0	0
Sudhir M. Patel	Independent – Non-Executive	12	3	1
Jagdish J. Vasa	Independent – Non-Executive	6	1	0
Yoshiaki Tagami	Independent – Non-Executive	0	0	0
Aditya Patel	Promoter – Non Executive (Alternate to Mr. Yoshiaki Tagami)	1	0	0