



DAIKAFIL
CHEMICALS INDIA LIMITED



17th ANNUAL REPORT
2008-2009

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

Bankers Karnataka Bank Ltd.,

Auditors Gaurang Merchant & Company

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

Corporate Office D-13, 5th Floor, Everest, Tardeo Main Road,
Tardeo, Mumbai-400 034.

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, 2009

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 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 Seventeenth Annual General Meeting of the Members of **DAKAFFIL CHEMICALS INDIA LIMITED** will be held on Wednesday, the 30th day of September, 2009 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, 2009 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. Amit J. Patel, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Sudhir M. Patel, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

1. 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 Shri Sishir R. Amin as Managing Director of the Company for a period of five years with effect from 1st April, 2009 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. The terms and conditions in accordance with Schedule XIII to the Companies Act, 1956 are as set out below

REMUNERATION:

- (i) Monthly Salary of Rs. 83000/- (Rupees eighty Three Thousand Only) per month in the grade of Rs. 83000-8000-115000 with power to the Board to grant one or more increments within aforesaid grade.
- (ii) Bonus as per rules & regulations of the Company and at the discretion of the Board of Directors.
- (iii) 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.

PERQUISITES:

Perquisites shall be restricted to an amount equal to the annual salary.

CATEGORY "A"

- (i) **Housing I:** The expenditure incurred by the Company on hiring furnished accommodation for the Managing Director will be subject to the following ceiling:

60 per cent of the salary, over and above 10 per cent payable by the Managing Director.

Housing II: In case the accommodation is owned by the Company, ten percent of salary of the Managing Director shall be deducted by the Company.

Housing III: In case no accommodation is provided by the Company, the Managing Director shall be entitled to house rent allowance subject to the ceiling laid down in Housing I.

EXPLANATION: The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules. This shall however be subject to a ceiling of 10 per cent of the salary of the Managing Director.

- (ii) **MEDICAL REIMBURSEMENT:** Expenses incurred for the Managing Director and his family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
- (iii) **LEAVE TRAVEL CONCESSION:** For the Managing Director and his family once in a year incurred in accordance with any rules specified by the Company.
- (iv) **CLUB FEES:** Fee of Clubs subject to a maximum of two Clubs. This will not include admission and life membership fee.

CATEGORY "B"

- (i) Contribution to provident fund, superannuation fund or annuity fund will not be included in the computation of ceiling on perquisites to the extent these either or single or put together are not taxable under the Income Tax Act. Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.
- (ii) Encashment of leave at the end of the tenure will not be included in the computation of the ceiling of perquisites.

CATEGORY "C"

Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Managing Director.

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.

7. 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 appointment of Shri Amit Patel as Executive Chairman of the Company for a period of three years with effect from 1st April, 2009 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 Amit Patel 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. The terms and conditions in accordance with Schedule XIII to the Companies Act, 1956 are as set out below.

REMUNERATION:

- (i) Monthly Salary of Rs. 50,000/- (Rupees Fifty Thousand Only) per month.
- (ii) Bonus as per rules & regulations of the Company and at the discretion of the Board of Directors
- (iii) In addition to above salary, in the years in which the Company has sufficient profit, Mr. Amit Patel 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.

PERQUISITES:

Perquisites shall be restricted to an amount equal to the annual salary.

CATEGORY "A"

- (i) **Housing I:** The expenditure incurred by the Company on hiring furnished accommodation for the Executive Chairman will be subject to the following ceiling: 60 per cent of the salary, over and above 10 per cent payable by the Managing Director.

Housing II: In case the accommodation is owned by the Company, ten percent of salary of the Executive Chairman Director shall be deducted by the Company.

Housing III: In case no accommodation is provided by the Company, the Executive Chairman shall be entitled to house rent allowance subject to the ceiling laid down in Housing I.

EXPLANATION: The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules. This shall however be subject to a ceiling of 10 per cent of the salary of the Executive Chairman.

- (ii) **MEDICAL REIMBURSEMENT:** Expenses incurred for the Executive Chairman and his family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
- (iii) **LEAVE TRAVEL CONCESSION:** For the Executive Chairman and his family once in a year incurred in accordance with any rules specified by the Company.
- (iv) **CLUB FEES:** Fee of Clubs subject to a maximum of two Clubs. This will not include admission and life membership fee.

CATEGORY "B"

- (i) Contribution to provident fund, superannuation fund or annuity fund will not be included in the computation of ceiling on perquisites to the extent these either or single or put together are not taxable under the Income Tax Act. Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.
- (ii) Encashment of leave at the end of the tenure will not be included in the computation of the ceiling of perquisites.

CATEGORY "C"

Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Executive Chairman.

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 Executive Chairman 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.

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

SISHIR R. AMIN
(MANAGING DIRECTOR)

Registered Office:

Plot No : E-4, M.I.D.C. Tarapur,
Boisar, District Thane
Maharashtra-401506

Date: June 30, 2009

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 Saturday, the 19th day of September, 2009 to Wednesday, the 30th day of September, 2009 (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, 2009 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, 2009 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 19th September, 2009.
4. The members are requested to:
 - (a) Intimate to the Company's Registrars and Share Transfer Agents M/s Link Intime India 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 in convenience;
 - (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") during the financial year.
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.

EXPLANATORY STATEMENT IN RESPECT OF ITEMS NOS. 6 TO 7 OF THE NOTICE PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**ITEM NO. 6**

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. 1st November, 2004 at the Annual General Meeting of the Company held on 30th September, 2004.

Before the expiry of his term of office and considering the growth and progress of the Company during his tenure as Managing Director, the Remuneration Committee and the Board of Directors of the Company, at their meeting held on 29th April, 2009, considered and recommended his re-appointment and payment of remuneration as mentioned in the resolution for a period of 5 years w.e.f. 1st April, 2009 subject to the approval of the Shareholders in the ensuing Annual General Meeting.

This may be treated as an abstract of the terms and Memorandum of Interest under Section 302(7) of the Companies Act, 1956 with respect to the appointment of Shri Sishir Amin as Managing Director of the Company.

The Managing Director as long he functions 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. 6 of the accompanying Notice.

None of the Directors except Shri Sishir R. Amin are in any way concerned and interested in the aforesaid resolution.

ITEM NO. 7

The Remuneration Committee of the Board of Directors and the Board of Directors at their Meeting held on 29th April, 2009 decided to appoint Mr. Amit Patel as Executive Chairman of the Company w.e.f. 1st April, 2009 for a period of three years considering his total commitments and devotion to the Company for managing corporate affairs and particularly looking after technical side of production and the proposed expansion in hand. The Company has achieved much of the growth and progress under his tenure as Chairman. The Remuneration Committee and the Board has recommended his appointment on payment of remuneration as mentioned in the resolution for a period of 3 years w.e.f. 1st April, 2009 subject to the approval of the Shareholders in the ensuing Annual General Meeting.

This may be treated as an abstract of the terms and Memorandum of Interest under Section 302(7) of the Companies Act, 1956 with respect to the appointment of Shri Sishir Amin as Managing Director of the Company.

The Executive Chairman as long he functions 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. 7 of the accompanying Notice.

None of the Directors except Shri Jayant G. Patel and Shri Amit J. Patel are in any way concerned and interested in the aforesaid resolution.

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

SISHIR R. AMIN
(MANAGING DIRECTOR)

Registered Office:

Plot No: E-4, M.I.D.C. Tarapur,
Boisar, District Thane
Maharashtra-401506

Date: June 30, 2009

DAIKAFFIL CHEMICALS INDIA LIMITED
REGD. OFFICE : - PLOT NO: E/4 M.I.D.C. TARAPUR, BOISAR
DIST : THANE 401 506 MAHARASHTRA

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present their Seventeenth Annual Report together with the Audited statement of Accounts along with the Report of the Auditors for the year ended 31st March, 2009

FINANCIAL RESULTS:

	2008-2009 (Rupees)	2007-2008 (Rupees)
Sales etc. and other income	<u>16,27,66,840</u>	<u>14,34,28,748</u>
Profit before Depreciation, Interest and Tax	2,10,10,519	1,40,58,131
Less: Depreciation	29,61,474	38,41,986
Interest	<u>10,89,676</u>	<u>10,29,048</u>
	<u>40,51,150</u>	<u>48,71,034</u>
Profit before Tax	1,69,59,369	91,87,097
Less : Provision for Tax		
Current Tax	58,45,000	35,50,000
Deferred Tax	<u>1,89,453</u>	<u>(4,40,000)</u>
	<u>60,34,453</u>	<u>31,10,000</u>
Fringe Benefit Tax	62,200	90,000
Short Provision of Tax	39,678	-
Prior Period Expenses	<u>1,94,188</u>	<u>-</u>
Profit after Tax	<u>1,06,28,850</u>	<u>59,87,097</u>
Add: Balance Brought forward from the previous year	<u>44,13,110</u>	<u>29,35,863</u>
Profit available for Appropriation	<u>1,50,41,960</u>	<u>89,22,960</u>
Appropriation		
Transfer to General Reserve	20,00,000	10,00,000
Proposed Dividend	42,00,000	30,00,000
Corporate Dividend Tax Thereon	7,13,790	5,09,850
Balance carried forward	<u>81,28,170</u>	<u>44,13,110</u>
	<u>1,50,41,960</u>	<u>89,22,960</u>

DIVIDEND:

With a view to conserve the financial resources for expansion on hand, the Board of Directors are pleased to recommend a dividend of 7 % for the year at a rate of Rs. 0.70 per Share on 60,00,000 Equity shares of the nominal value of Rs. 10/- each aggregating to Rs. 42.00 Lacs, excluding dividend tax on expectation that the economy may start growing again towards the end of the year.

PERFORMANCE:

The Company had good inflow of orders particularly in the second half of the year, however due to the global slowdown which also impacted the Indian economy and liquidity crunch emanating from sub-prime crisis in USA, repeat contracts from our existing clientele and new orders from our prospective customers, particularly industrial customers, were either deferred or postponed indefinitely. Company's order booking increased by 10% to Rs. 5 Crores in the first quarter of 2009-2010.

Revenues during the year at Rs. 16.28 Crores, a growth of 14 % over the previous year of Rs.14.34 Crores. Reduced order inflows, increased credit risk and request from certain customers to defer the supplies affected the overall rate of revenue growth. Due to the introduction of certain new optical brighteners there was significant growth in export orders and revenues. Profit before tax was Rs.169.59 lakhs, 84.59% higher than Rs.91.87 lakhs in the previous year. Planned addition of new machinery as well as revamping manufacturing capacities together with matching addition in human resources and expanded sales organisation aimed at higher expected sales operations resulted in better performance. In the last quarter of the year, management initiated several cost optimisation measures which substantially helped in improving the profitability. Earning per equity share [face value Rs.10/-] was higher at Rs.1.77 compared to Rs.1.14.

In view of attractive long term returns, the Company has been currently executing significant manufacturing capacities expansion / diversification projects aimed at expanded range of offering and introducing several new products. Investment in fixed assets during the next financial year is planned to be to the tune of Rs.2 Crores.

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

As reported earlier, H.G.E. through their main associated Company ERCA ITALY have now proposed to produce some "Speciality Chemicals" under their Technology and supplied some essential equipment which have been under installation. Trial production is likely to start by the third quarter of the fiscal year and would be marketed domestically by ERCA Specialty Chemicals Private Limited. Your Company holds 25% of the subscribed Equity capital of ERCA SPECIALITY CHEMICALS PRIVATE LIMITED. Company is also expanding OBA production, in order to meet domestic demand.

OUTLOOK:

A new Government with a strong mandate to turn the economy around is in place. Indicators point to an up turn in economy during the current year. It is admitted that Export Sectors have been hit by the currency fluctuation, but with more export credit available now, and political stability, it is likely to bring greater confidence in Indian Economy. Your Company has been engaged mainly in export business but with local demand also picking up now plans to enter domestically driven Indian market.

With the current state of global and Indian economy, the expected drop in Country's GDP growth rate to around 6.5% for the current fiscal and continued liquidity crunch, short term outlook for the Company remains uncertain. On the positive side, the Company has got good order booking, increasing local volumes, adequate manufacturing capacities which shall lead to increase in turnover and in turn to better profitability. The Management is optimistic to maintain better profitability and growth of the Company in medium and long term.

DIRECTORS:

Mr. Amit Patel and Mr. Sudhir Patel, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

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

Mr. Aditya Patel, Alternate Director to Mr. Yoshiaki Tagami has resigned w.e.f. 29th June, 2009 due to pre-occupation. The Board has placed on record the valuable services rendered and able guidance given by Mr. Aditya Patel during the tenure of his office.

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 four occasions on 30-06-2008, 31-07-2008, 24-10-2008 and 29-01-2009.

DIRECTORS' RESPONSIBILITY STATEMENT:

Your Directors wish to inform Members that the Audited Accounts containing Financial Statements for the Financial Year 2008-2009 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.

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, 2009, 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.

AUDITORS REPORT:

The Auditors have vide para 4(d) of their Report, made qualification about non compliance of Accounting Standard 28 in respect of Impairment of Assets.

The Board is of the opinion that no impairment in carrying amount of assets has occurred as on the date of the Balance Sheet.

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.

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