



DAIKAFFIL
CHEMICALS INDIA LIMITED

18th ANNUAL REPORT
2009-2010

DAIKAFFIL

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 Limited

Auditors Gaurang Merchant & Company

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

Corporate Office D-13, 5th Floor, Everest, Tardeo Main Road,
Tardeo, Mumbai-400034

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

ANNUAL GENERAL MEETING

Date : July, 28th , 2010

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

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

NOTICE

NOTICE is hereby given that the Eighteenth Annual General Meeting of the Members of **DAKAFFIL CHEMICALS INDIA LIMITED** will be held on Wednesday, the 28th day of July, 2010 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, 2010 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. Yoshiaki Tagami, 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.

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: May 07, 2010

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 16th day of July , 2010 to Wednesday, the 28th day of July, 2010 (both days inclusive).
3. The dividend, as recommended by the Board, if declared at the Annual General Meeting will be paid on or after 2nd August ,2010 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 16th day of July,2010 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 17th July, 2010.
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 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") during the financial year.

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DAIKAFFIL CHEMICALS INDIA LIMITED
Regd. Office: Plot No. E-4, M.I.D.C. Tarapur, Boisar, District Thane
Maharashtra-401506

DIRECTORS REPORT

Dear Members,
Your Directors are pleased to present their Eighteenth Annual Report together with the Audited statement of Accounts along with the Report of the Auditors for the year ended 31st March, 2010

<u>FINANCIAL RESULTS:</u>	2009-2010 (Rupees)	2008-2009 (Rupees)
Sales etc. and other income	18,66,16,513	16,27,66,840
Profit before Depreciation, Interest and Tax	2,85,35,124	2,10,10,519
Less: Depreciation	32,63,345	29,61,474
Interest	3,81,010	10,89,676
	36,44,355	40,51,150
Profit before Tax	2,48,90,769	1,69,59,369
Less : Provision for Tax		
Current Tax	89,00,000	58,45,000
Deferred Tax	(2,92,102)	1,89,453
Fringe Benefit Tax		62,200
Short Provision Tax		39,678
Prior Period Expenses	37,694	1,94,188
Profit after Tax	1,62,45,177	1,06,28,850
Add: Balance Brought forward from the previous year	81,28,170	44,13,110
Profit available for Appropriation	2,43,73,347	1,50,41,960
Appropriation		
Transfer to General Reserve	25,00,000	20,00,000
Proposed Dividend	48,00,000	42,00,000
Corporate Dividend Tax Thereon	8,15,760	7,13,790
Balance carried forward	1,62,57,587	81,28,170
	2,43,73,347	1,50,41,960

DIVIDEND :

Despite improved working results, with a view to conserve financial resources required for the expansion of speciality Chemicals project, your Directors recommend 8% Dividend on 60,00,000 Equity shares of Rs. 10/-each ie. Rs. 0.80 per share aggregating to Rs. 48 Lacs excluding dividend Tax.

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PERFORMANCE :

Gross sales for the year increased to Rs. 18.66 Crores reflecting a growth of about 15 % over the previous year. However Net profit shows an impressive performance at Rs. 2.48 Crores as compared to Rs. 1.67 Crores of previous year which is about 48% higher. Higher profit are mainly due to cost cutting and revenue enhancement measures taken by the company during the year.

OUTLOOK :

Since company's exports are mainly to European Union (EU), the present Economic uncertainty prevailing in majority European Countries, and a weakening Euro are the main worries for Indian Exports. No body would have foreseen that the euro would fall by 20% as compared to Indian Rupee, in the last 4 months and consequently, this is bound to affect the working of the Company till Euro recovers. Europe troubles will impact the Indian industry in two ways, One will be the cross currency impact and the second will be that many Corporates might cut back on budgets.

As an insurance against export due to currency problem envisaged, and with a view to expand Market share of Company's products domestically, reliable distributors have been appointed in the important centers particularly in the South where "Textile Hosiery" and Paper mills are flourishing.

ERCA SPECIALITY CHEMICALS PLANT :

Speciality Chemicals include Textile Auxiliaries which under ERCA Italy's Technological guidance have been set up fully with machinery, ancillary pipeline, Electrification etc along with Reverse osmosis plant.

Machinery required for Research and Development and quality control in the laboratory have been already fitted.

ERCA Speciality Chemicals Pvt. Ltd. is a Joint Venture Company established by

- 1) H G E Chemicals Co of Luxembourg.
- 2) Novakem S.A. Luxembourg
- 3) Daikaffil Chemicals India Ltd. in order to Produce "Speciality Chemicals" at our plant and to be marketed by ERCA Speciality Chemicals (P) Ltd as per the M.O.U signed by the above parties on 26th Nov'2009 at Mumbai.

Our Company hold 25% of Equity Share Capital of ERCA Speciality Chemicals Pvt. Ltd.

In the long term Perspective company's investment in ERCA Speciality Chemicals Pvt. Ltd. would be beneficial under this arrangement.

H G E through their main associated company Erca Italy have given free technology and supplied some essential equipment for the production of "Speciality Chemicals, that also includes Construction Chemicals (CC) which is a board class of products, that play essential role in modern construction, be it houses, Bridges, tunnels roads. Industrial flooring etc. CC includes concrete mixtures & additive, Grouts & Caulks coating flooring sealants & adhesives, protective coating & fibers etc CC Industries is well established in India and estimate of its size in about Rs. 2000 crores.

DIRECTORS :

Mr. Yoshiaki Tagami & Mr. Jagdish Vasa 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.

CORPORATE GOVERNANCE :

A separate section on Corporate Governance, 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 is attached herewith

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. Sudir Patel, Mr. Jagdish J. Vasa and Mr. Sishir Amin.

The Audit Committee met on three occasions on 31.07.2009, 30.10.2009 and 29.01.2010

DIRECTORS' RESPONSIBILITY STATEMENT:

Your Directors wish to inform Members that the Audited Accounts containing Financial Statements for the Financial Year 2009-2010 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, 2010, 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.

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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 compliances 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 Director) 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.

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

Relevant data in respect of energy consumption is as below.

(I) Power & Fuel Consumption		2009-2010	2008-2009
1. Electricity			
Purchased Units		5,85,545	4,67,146
Total Amount	Rs.	29,53,010	Rs. 21,50,579
Rate / Unit (Rs.)	Rs.	5.04	Rs. 4.60
2. Light Diesel Oil / Furnace Oil			
Quantity (Litres)		4,200	6,400
Total Amount	Rs.	1,48,728	Rs. 2,45,696
Average Rate (Rs. / Ltrs)	Rs.	35.41	Rs. 38.39
3. Coal			
Quantity (Kgs)		11,24,000	8,43,988
Total Amount	Rs.	54,44,058	Rs. 41,59,018
Average Rate (Rs./ Kgs)	Rs.	4.84	Rs. 4.92
(II) Consumption per Unit of Production			
1. Electricity	Rs.	2.10/ Kg	Rs. 2.23/kg

FOREIGN EXCHANGE EARNINGS AND OUTGO:

	(Rs. in Lacs)
Foreign Exchange Earnings:	1164.13
Foreign Exchange Outgo :	522.73

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:

Industrial relations at the Company's factory and other establishments remained cordial during the year. We appreciate the contribution made by the employees towards achieving improved productivity and flexibility in operation.

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 along with 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,

Mumbai, May 07, 2010

(AMIT J. PATEL)
EXECUTIVE CHAIRMAN

MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors of your Company has pleasure in presenting the Management Discussion and Analysis Report in compliance with the Code of Corporate Governance under Clause 49 of the Listing Agreement.

INDUSTRY OVERVIEW

The Dyestuff and Chemicals industry is a global business. In recent years, the Chemicals Industry is in the midst of a new wave of change. This is mainly on account of Global Economic slowdown and strict regulations imposed by the EU on account of REACH and other Environmental issues [Green Chemistry] gaining importance round the world resulting in the focus shifting to China, India, Brazil wherein the Multinationals have started planning shifting of their major operations to these countries. These changes have begun 2 to 3 years ago and have resulted in an increase in local demand.

This dawn of convergence of technologies, products and markets are the key elements for the Chemicals Industries which in turn is a good opportunity for our Company.

The Indian Chemicals industries, too, has witnessed a considerable change in the past couple of years. The boost in the Industrial production coupled with a surge in the local demand in the textiles, paper industries has resulted in good prospects for our Company and the future holds bright considering the shifting of operations to India. The ongoing economic buoyancy in India, despite global economic meltdown, has offered opportunities for rapid growth of the Chemicals Industry and in particular our optical brighteners for textiles, paper, detergents.

In a nutshell, the Industry is all set for a sustained growth over a long term, fuelled by favourable industry demographics, overall growth in the chemicals industry which points to healthy future for our Company.

	(Rs. Lakhs)	(Rs. Lakhs)
	2009-2010	2008-2009
Sales	18,66.16	1627.66
PBT	248.91	169.59
PAT	162.45	106.29
EPS (Rs.)	2.71	1.77

OPPORTUNITIES AND THREATS

- The Company is well positioned to leverage on the following opportunities available in the Chemicals Industry Sector.
- Potential of deeper penetration of optical brighteners in the Textiles, Paper and Detergent Industries
- Rapid increase in demand of paper/textiles.
- Upgraded technology to produce textile auxiliaries, optical brighteners
- Easy Availability of Finance for Expansion/Diversification
- The Company is equally poised to manage the potential threats posed by the sector:
- Tremendous Increase in Cost of Crude Petroleum resulting an upward prices in the downstream products.
- Imports from China resulting in price competition.
- Rapid Transition of Technology
- Continuous Pressure on Margins owing to the emergence of many market players and stiff competition.

CHALLENGES

As the Indian Chemicals Industry tries to realise its full potential, ample challenges still loom large over the horizon, some of them being :

- Declining margins for many players
- Expansion of Distribution reach
- Political/Social upheavals
- Creating Awareness about the new technologies and products