



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

**19th ANNUAL REPORT**  
**2010-2011**

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

**Bankers** The Karnataka Bank Limited

**Auditors** Gaurang Merchant & Company

<b>Registrars and Share Transfer Agents</b>	Link Intime India Private Limited C-13, Pannalal Silk Mills Compound L.B.S. Marg, Bhandup (West), Mumbai - 400 078
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**Corporate Office** D-13, 5<sup>th</sup> 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:** September 30, 2011

Time: 10.30 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.**

**NOTICE**

**NOTICE** is hereby given that the Nineteenth Annual General Meeting of the Members of **DAIKAFFIL CHEMICALS INDIA LIMITED** will be held on Friday the 30<sup>th</sup> day of September, 2011 at 10.30 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, 2011 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 Patel, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Giuseppe Seccomandi, 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 **DAIKAFFIL CHEMICALS INDIA LIMITED**

**SISHIR R. AMIN**  
**MANAGING DIRECTOR**

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

Date: July 26, 2011  
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 16<sup>th</sup> day of September, 2011 to Friday, the 30<sup>th</sup> day of September 2011 (both days inclusive).
3. The dividend, as recommended by the Board, if declared at the Annual General Meeting will be paid on or after 5<sup>th</sup> October, 2011 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 16<sup>th</sup> day of September, 2011 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 15<sup>th</sup> September, 2011.
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 31<sup>st</sup> March, 1997 have been transferred to the Investor Education and Protection Fund of the Central Government (the "Fund") during the financial year.

**DIRECTORS' REPORT**

Dear Members,

Your Directors are pleased to present the Nineteenth 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, 2011.

**FINANCIAL RESULTS:**

	<b>2010-2011</b>		<b>2009-2010</b>
	<b>(Rupees)</b>		<b>(Rupees)</b>
Sales etc. and other income	<b><u>19,63,55,678</u></b>		<b><u>18,66,16,514</u></b>
Profit before Depreciation, Interest and Tax	<b><u>1,72,95,101</u></b>		<b><u>2,85,35,124</u></b>
Less: Depreciation	<b>38,46,031</b>		32,63,345
Interest	<b><u>10,73,937</u></b>		<u>3,81,010</u>
	<b><u>49,19,968</u></b>		<u>36,44,355</u>
Profit before Tax	<b><u>1,23,75,133</u></b>		<b><u>2,48,90,769</u></b>
Less : Provision for Tax			
Current Tax	<b>40,00,000</b>		89,00,000
Deferred Tax	<b><u>1,74,323</u></b>	<b><u>41,74,323</u></b>	<u>(2,92,102)</u>
Excess/ Short Provision Tax		<b><u>(9,15,665)</u></b>	<u>—</u>
Prior Period Expenses		<b>17,163</b>	37,694
Excess Depreciation			
charged in previous years	<b><u>(5,41,964)</u></b>		<u>—</u>
Profit after Tax	<b><u>96,41,276</u></b>		<b><u>1,62,45,177</u></b>
Add: Balance Brought forward from the previous year	<b><u>1,62,57,587</u></b>		<b><u>81,28,170</u></b>
Profit available for Appropriation	<b><u>2,58,98,863</u></b>		<b><u>2,43,73,347</u></b>
Appropriation			
Transfer to General Reserve	<b>25,00,000</b>		25,00,000
Proposed Dividend	<b>48,00,000</b>		48,00,000
Corporate Dividend Tax Thereon	<b>7,97,232</b>		8,15,760
Balance carried forward	<b><u>1,78,01,631</u></b>		<b><u>1,62,57,587</u></b>
	<b><u>2,58,98,863</u></b>		<b><u>2,43,73,347</u></b>

**DIVIDEND:**

The Board has recommended to maintain the dividend of 8% for the year at a rate of Re. 0.80 per share on 60,00,000 Equity shares of the nominal value of Rs. 10/- each aggregating to Rs. 48.00 Lacs excluding dividend tax. The dividend for the current year will be free of tax in the hands of shareholders.

**PERFORMANCE:**

Gross revenue for the year increased to Rs. 19.63 Crores reflecting a growth of about 5% over the previous year. However Net profit has declined to Rs. 1.23 Crores mainly on account of absorbitant increase in inputs, utilities which put tremendous pressure on margins since the increase was not compensated with escalation in selling prices of all finished products due to keen competition from Chinese supplies.

**OUTLOOK:**

During the current year, due to the inflationary pressures, the Reserve Bank of India has been steadily increasing interest rates. This is expected to adversely impact overall economic growth and therefore could impact the demand for the Company's products, thereby impacting the sales growth. Due to the steep increase in commodity prices, input costs have gone up sharply. Though the Company does pass on these increase by way of price increase, this could impact margins as there is a lag between the cost increase and the price increase.

**CAPITAL EXPENDITURE :**

The overall expenditure during the year was Rs. 123.32 Lacs. Out of this approximately Rs. 111.31 lacs was spent on fixed assets for various manufacturing units, offices, laboratories and warehouses and on information technology .

**DIRECTORS:**

Mr. Jayant Patel and Mr. Giuseppe Seccomandi, retires 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 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 07-05-2010, 13-08-2010, 01-11-2010 and 11-02-2011.

**DIRECTORS' RESPONSIBILITY STATEMENT:**

Your Directors wish to inform Members that the Audited Accounts containing Financial Statements for the Financial Year 2010-2011 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 the year ended on that date;
- (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 31<sup>st</sup> March, 2011, no unclaimed deposits are lying with the Company.

**INSURANCE:**

All the Fixed Assets have been adequately insured.

**FOREIGN COLLABORATORS:**

Daika Japan Limited, Kiwa Chemicals Industries (Japan) and H.G.E. Chemical Co. S.A. Luxembourg 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 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 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.

(I)	2010-2011	2009-2010
<b>Power &amp; Fuel Consumption</b>		
1. Electricity		
Purchased Units	5,90,488	5,85,545
Total Amount	Rs. 31,84,265	Rs.29,53,010
Rate / Unit (Rs.)	Rs. 5.39	Rs.5.04
2. Light Diesel Oil / Furnance Oil		
Quantity ( Litres )	7,400	4,200
Total Amount	Rs. 3,00,976	Rs.1,48,728
Average Rate ( Rs. / Ltrs)	Rs. 40.67	Rs.35.41
3. Coal		
Quantity (Kgs)	11,90,875	11,24,000
Total Amount	Rs. 68,67,756	Rs.54,44,058
Average Rate (Rs./ Kgs)	Rs. 5.77	Rs.4.84
<b>(II) Consumption per Unit of Production</b>		
1. Electricity	Rs.2.18/kg	Rs.2.10/kg

**FOREIGN EXCHANGE EARNINGS AND OUTGO:**

	(Rs. in Lacs)
Foreign Exchange Earnings	: 1159.15
Foreign Exchange Outgo	: 574.26

**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.

**ACKNOWLEDGMENT:**

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, July 26, 2011

**AMIT J. PATEL**  
**EXECUTIVE CHAIRMAN**



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**MANAGEMENT DISCUSSION AND ANALYSIS****FINANCIALS**

Gross revenue for the Year aggregated to Rs. 1963.56 lakhs as against the previous year turnover of Rs. 1866.17 lakhs.

Profit before Depreciation, Interest and Taxes for the year is lower at Rs.172.95 lakhs as compared to Rs. 285.35 lakhs of previous year.

Depreciation for the year is higher at 38.46 lakhs as compared to Rs 32.63 lakhs of previous year.

Profit before tax is at Rs. 123.75 lakhs as compared to Rs. 248.91 lakhs.

**OUTLOOK ON OPPORTUNITIES, THREAT, RISKS AND CONCERNS**

Stable economic growth in India will provide an opportunity to the Company to grow its business and introduce differentiated products for meeting customer expectations. The improving global economy will facilitate growth of export oriented products.

Increasing interest rates could slow down economic demand thereby impacting Company's sales in the current year. In addition input costs increase are likely to put pressure on margins in the short term.

Though the Company has strengthened its management structure however due to the political uncertainties in some countries where the company has a major market the performance in these could be impacted by local events.

**INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has adequate internal control procedures commensurate with its size and nature of business.

The Company has appointed internal Auditors who audit the adequacy and effectiveness of internal controls laid down by the management and suggest improvements.

The Audit Committee of the Board of Directors periodically reviews the audit plans, internal audit reports, and adequacy of internal controls and risks management.

**HUMAN RESOURCES**

The Company continues to place significant importance on its Human Resources and enjoy cordial relations at all levels.

Long term wage settlement with Union at factory is under discussion and will help bring further improvements particularly in man power productivity. Employee relations continued to be cordial, and Endeavour is to completely eliminate the divide that sometime separates the management and the union and use the strength of everyone to BOOST the performance of the company.

## **CORPORATE GOVERNANCE**

Company's Policies on the Corporate Governance and due Compliance Report on specific areas wherever applicable for the year ended 31<sup>st</sup> March, 2011 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 Seven Directors, there is One Non-Promoter Executive Director namely Mr. Sishir R. Amin, One Promoter Executive Director and Chairman namely Mr. Amit J. Patel and one Promoter Non - Executive Director namely Mr. Jayant G. Patel.
- There are four independent Directors namely Mr. Yoshiaki Tagami, Mr. Jagdish J. Vasa. Dr. Giuseppe Seccomandi and Mr. Sudhir M. Patel.

#### **(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, five Board Meetings were held on 26<sup>th</sup> April, 2010, 7<sup>th</sup> May, 2010, 13<sup>th</sup> August, 2010, 1<sup>st</sup> November, 2010 and 11<sup>th</sup> February, 2011.

The Meetings were attended as follows.

- Mr. Jayant G. Patel, Mr. Sishir R. Amin, Mr. Amit Patel and Sudhir Patel attended all the five Meetings.
- Mr. Jagdish Vasa attended four Meetings.
- Mr. Giuseppe Seccomandi and Mr. Yoshiaki Tagami were granted leave of absence for all five meetings.
- Mr. Amit Patel and Mr. Sishir Amin attended the last Annual General Meeting held on 28<sup>th</sup> July, 2010.