



DAIKAFIL
CHEMICALS INDIA LIMITED

20th ANNUAL REPORT
2011-2012

DAIKAFFIL

Board of Directors	:	Mr. Amit J. Patel	-	Executive Chairman
	:	Mr. Sishir R. Amin	-	Managing Director
	:	Mr. Aditya A. Patel		
	:	Mr. Hiroshige Tanaka		
	:	Mr. Sudhir M. Patel		
	:	Mr. Jagdish J. Vasa		
	:	Dr. Giuseppe Seccomandi		
	:	Mr. Jayant G. Patel (Expired on 1-06-2012)		

Bankers Karnataka Bank Limited

Auditors Gaurang Merchant & Company
Chartered Accountants

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: September 28, 2012

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.

NOTICE

NOTICE is hereby given that the Twentieth Annual General Meeting of the Members of **DAKAFFIL CHEMICALS INDIA LIMITED** will be held on Friday, the 28th day of September, 2012 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, 2012 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.

AS SPECIAL BUSINESS:

6. To appoint a Director in place of Mr. Aditya A. Patel, who was appointed as Additional Director of the Company by the Board of Directors w.e.f. 14-08-2012 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.
7. To appoint a Director in place of Mr. Hiroshige Tanaka, who was appointed as Additional Director of the Company by the Board of Directors w.e.f. 15-05-2012 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
Mumbai : August 24, 2012

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 21st day of September, 2012 to Friday, the 28th day of September 2012 (both days inclusive).
3. The dividend, as recommended by the Board, if declared at the Annual General Meeting will be paid on or after 4th October, 2012 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 21st day of September, 2012 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 20th September, 2012.

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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 upto the financial year ended 31st March, 1997 (No dividend was declared thereafter till the financial year ending 31st March, 2007) have been transferred to the Investor Education and Protection Fund of the Central Government (the "Fund") during the financial year.

EXPLANATORY STATEMENT IN RESPECT OF ITEMS NOS. 6 TO 7 OF THE NOTICE PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item Nos. 6

Mr. Aditya A. Patel was appointed as Additional Director of the Company with effect from August 14, 2012 by the Board of Directors. Pursuant to Section 260 of the Companies Act, 1956, Mr. Aditya A. Patel holds office only up to the date of the forthcoming Annual General Meeting.

Notice in writing has been received from a Member of the Company along with the deposit of Rs. 500/- pursuant to Section 257 of the Companies Act, 1956 signifying his intention to propose Mr. Aditya A. Patel as candidate for the Office of Director liable to retire by rotation.

Mr. Aditya A. Patel, son of Chairman Mr. Amit J. Patel has substantial experience in Chemical Industry and his appointment as Director of the Company would immensely benefit the Company through his expert knowledge and business experience.

Mr. Amit J. Patel and Mr. Aditya A. Patel are interested in the Resolution at Item No. 6 of the accompanying Notice.

Item Nos. 7

Mr. Hiroshige Tanaka was appointed as Additional Director of the Company with effect from May 15, 2012 by the Board of Directors. Pursuant to Section 260 of the Companies Act, 1956, Mr. Hiroshige Tanaka holds office only up to the date of the forthcoming Annual General Meeting.

Notice in writing has been received from a Member of the Company along with the deposit of Rs. 500/- pursuant to Section 257 of the Companies Act, 1956 signifying his intention to propose Mr. Aditya A. Patel as candidate for the Office of Director liable to retire by rotation.

Mr. Hiroshige Tanaka, is a Japanese National having vast experience in Chemical Industry and his appointment as Director of the Company would immensely benefit the Company through his expert knowledge and business experience.

Mr. Hiroshige Tanaka is interested in the Resolution at Item No. 7 of the accompanying Notice since it relates to his appointment.

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

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present their Twentieth Annual Report together with the Audited statement of Accounts along with the Report of the Auditors for the year ended 31st March, 2012 .

FINANCIAL RESULTS:

	2011-2012	2010-2011
	(Rupees)	(Rupees)
Sales etc. and other income	214,118,898	196,355,678
Profit before Depreciation, Interest and Tax	10,262,488	17,250,510
Less: Depreciation	4,801,582	3,846,031
Interest	2,068,551	1,029,345
	6,870,133	4,875,376
Profit before Tax	3,392,355	12,375,134
Provision for Tax		
Current Tax	(651,000)	(4,000,000)
MAT Credit / (Set off)	258,000	-
Deferred Tax	(995,664)	(174,323)
	(1,388,664)	(4,174,323)
Short Provision Tax	785,463	915,665
Provision for Diminution in value of investment	(1,817,628)	-
Prior Period Expenses	118,288	(17,163)
Excess Depreciation Charged in previous years	-	541,964
Profit after Tax	1,089,814	9,641,277
Add: Balance Brought forward from the previous year	17,801,632	16,257,587
Profit available for Appropriation	18,891,446	25,898,864
Appropriation		
Transfer to General Reserve	200,000	2,500,000
Proposed Dividend	3,000,000	4,800,000
Corporate Dividend Tax Thereon	463,500	797,232
Balance carried forward	15,227,946	17,801,632
	18,891,446	25,898,864

DIVIDEND:

With a view to conserve the financial resources for expansion on hand, the Board of Directors are pleased to recommend a dividend of Re 0.50/- per share on 60,00,000 Equity shares of the nominal value of Rs. 10/- each aggregating to Rs. 30.00 Lacs excluding dividend tax.

PERFORMANCE:

Net Sales grew by 8.30% to Rs. 21.41 crores including a growth in exports and domestic markets. However, the margins were under tremendous pressure and reduced substantially; the PBT before exceptional items reduced from Rs.123.75 lakhs to Rs.33.92 lakhs. The drastic impact on profitability was mainly on account of exorbitant increase in input prices, fixed costs and also sales and administrative costs and interest. However your Company through various cost cutting measures and improved efficiency laid focus on maintaining the performance in black which was successfully achieved though not to the expectations.

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DIRECTORS:

Mr. Yoshiaki Tagami has resigned as Director w.e.f. 25th December, 2011. The Board places on record its sincere appreciation for valuable services rendered by him during his tenure as Director of the Company.

Further the founder promoter director Mr. Jayant G. Patel expired on 1st June, 2012. The Board places on record its sincere appreciation for valuable services rendered by him during his tenure as Director of the Company.

Mr. Amit J. Patel and Mr. Sudhir M. 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.

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 03-05-2011, 26-07-2010, 12-08-2011, 15-11-2011 and 13-02-2012.

QUALITY CERTIFICATIONS

Your Company is pleased to inform its members that it has been accorded the GOTS (Global Organic Textile Standard) Version 3.0 March 2011 certification for all its Optical Brighteners for Textiles by CONTROL UNION CERTIFICATIONS.

This would definitely assist the Company in having a better edge in the market of its optical brighteners both in the export and domestic markets in the long run and establish its "DIKAPHOR" brand name in the textile segment in the international and local markets.

DIRECTORS' RESPONSIBILITY STATEMENT:

Your Directors wish to inform Members that the Audited Accounts containing Financial Statements for the Financial Year 2011-2012 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, 2012, 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.

INVESTMENT :

The Company had made investment in Erca Speciality Chemicals Private Ltd., to the tune of Rs. 26.46 lakhs during the last four years which was in line with the management's long term perspective of business which was expected to yield good appreciation in the coming years.

The said investment till date is having negative cash flows, however the management is confident that considering the product profile and the future economic growth mainly in the textile segment this particular investment will generate positive cash flow in the next five years.

However under accounting convention and laws prevailing in India the management has made a provision for diminution in the value of this investment on the recommendation of the auditors. The same will be reversed once this investment starts generating positive returns.

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.

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Relevant data in respect of energy consumption is as below.

(I)	2011-2012	2010-2011
Power & Fuel Consumption		
1. Electricity		
Purchased Units	6,38,981	5,90,488
Total Amount	Rs. 40,96,733	Rs.31,84,265
Rate / Unit (Rs.)	Rs.6.41	Rs.5.39
2. Light Diesel Oil / Furnance Oil		
Quantity (Litres)	3,000	7,400
Total Amount	Rs.1,32,570	Rs.3,00,976
Average Rate (Rs. / Ltrs)	Rs.44.19	Rs.40.67
3. Coal		
Quantity (Kgs)	14,99,752	11,90,875
Total Amount	Rs.86,84,430	Rs.68,67,756
Average Rate (Rs./ Kgs)	Rs.5.79	Rs.5.77

(II) Consumption per Unit of Production

1. Electricity	Rs 2.56/kg	Rs.2.18/kg
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FOREIGN EXCHANGE EARNINGS AND OUTGO:

(Rs. in Lacs)

Foreign Exchange Earnings : 1528.23

Foreign Exchange Outgo : 661.02

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, August 24, 2012

AMIT J. PATEL
EXECUTIVE CHAIRMAN

CORPORATE GOVERNANCE

Company's Policies on the Corporate Governance and due Compliance Report on specific areas wherever applicable for the year ended 31st March, 2012 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. (Expired on 1-06-2012)
- There are four independent Directors namely Mr. Yoshiaki Tagami, Mr. Jagdish J. Vasa. Dr. Giuseppe Seccomandi and Mr. Sudhir M. Patel.
- Mr. Yoshiaki Tagami resigned as Director w.e.f. 25th December, 2011.

(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 3rd May, 2011, 26th July, 2011, 12th August, 2011, 15th November, 2011 and 15th February, 2012.

The Meetings were attended as follows.

- Mr. Jayant G. Patel, Mr. Sishir R. Amin and Mr. Jagdish Vasa attended all the five Meetings.
- Mr. Sudhir Patel and Mr. Amit J. Patel attended four Meetings.
- Mr. Giuseppe Seccomandi attended one Meeting.
- Mr. Yoshiaki Tagami was granted leave of absence for all five meetings during his tenure.

Mr. Amit Patel and Mr. Sishir Amin attended the last Annual General Meeting held on 30th September, 2011.

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(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 (Expired on 01-06-2012)	Promoter – Non Executive	1	0	0
Amit J. Patel	Chairman – Promoter –Executive	1	0	0
Sishir R. Amin	Non Promoter – Executive	1	0	0
Sudhir M. Patel	Independent – Non- Executive	9	4	1
Jagdish J. Vasa	Independent – Non- Executive	6	0	0
Yoshiaki Tagami	Independent – Non- Executive	0	0	0
Dr. Giuseppe Seccomandi	Independent – Non- Executive	0	0	0

(d) Details of Directors seeking Re-appointment :-

Details of the Directors seeking re-appointment at the ensuing Annual General Meeting are given hereunder: -

Name of Director	Mr. Amit Patel	Mr. Sudhir Patel
Date of appointment	19-06-1992	29-03-2003
Expertise in specific Functional Areas	Industrialist having business experience in Chemical Industry.	Industrialist having vast experience in Engineering Industry.
List of other Directors	Caffil Private Limited	1) ABC Bearing Limited 2) MIPCO Seamless Rings (Gujarat) Ltd 3) MIPCO Investments Private Limited 4) Manoway Investments Private Limited 5) Maple Investments Co. Private Ltd. 6) Emsons Leasing Co. Private Limited 7) Taveta Properties Private Limited 8) Essex Properties Private Limited 9) Namur Properties Private Limited 10) NSK-ABC Bearings Limited 11) Izumi Engineering India Private Limited

III AUDIT COMMITTEE:

- (i) The Audit Committee of the Board of Directors of the Company, inter-alia, provides an assurance to the Board on the adequacy of internal control systems and financial disclosures. The scope of the Audit Committee is in accordance with as specified in Clause 49 of the Listing Agreement. The broad terms of reference include.