

26TH ANNUAL REPORT 2001-02

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DIAMINES

DIAMINES AND CHEMICALS LIMITED

DIAMINES AND CHEMICALS L

RT-2001-2002

EXISTING RANGE :

PIPERAZINE ANHYDROUS

PIPERAZINE 65% (PIP - 65)

ETHYLENE TRIAMINE (EDA)

DIETHYLENE TRIAMINE
(DETA)AMINO ETHYL PIPERAZINE
(AEP)TETRAETHYLENE PENTAMINE
(TEPA)

POLYAMINES MIX (PA-MIX)

PRODUCTS :BITUMEN EMULSIFIER FOR
RS/MS GRADE (DIA MUL)DYE FIXING AGENT (DIA-FIX)
(FORMALDEHYDE FREE, ECO-
FRIENDLY)

ACID CORROSION INHIBITOR

ANTI STRIPPING AGENT (DIA
BOND)ETHYLENE DIAMINE ACID
PHOSPHATE (EDAP)

FIRE RETARDANT (DIA FR-301)

RUST INHIBITOR (DIA-RUST IN)

MONO ETHANOLAMINE

DIETHYLENE DIAMINE (33% in
DPG)

TRIETHYLENE DIAMINE (100%)

DIAMINES AND CHEMICALS LIMITED**ANNUAL REPORT 2001-2002****BOARD OF DIRECTORS**

Mr. Yogesh Kothari	<i>Chairman</i>
Mr. Amit Mehta	<i>Vice Chairman</i>
Mr. Kirat Patel	<i>Director</i>
Mr. G. G. Chendwankar	<i>Director</i>
Mr. Rajendra Chhabra	<i>Director</i>
Mr. Munir Ahmed	<i>Director</i>

Chief Executive Officer

Mr. Deepak Traker

Company Secretary

Mr. Haresh Khilnani

Auditors

C. C. Chokshi & Co.
Chartered Accountants
"Devpath", 7th Floor, Off. C. G. Road,
Ellisbridge, Ahmedabad - 380 009.

Bankers

State Bank of India
Bank of Baroda
ICICI Bank Ltd.

Registered Office & Works

Plot No. 13, PCC Area, P. O. Petrofils,
VADODARA - 391 347
Tel : (91) (0265) - 230 305 / 230 406
230 929 / 230 708 / 230 762
Fax : (91)(0265) - 230 218 / 275 064
email : dacl@satyam.net.in
Web site : www.dacl.co.in

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DIAMINES

Website : www.dacl.co.in

DIAMINES AND CHEMICALS LIMITED**ANNUAL REPORT 2001-2002****NOTICE**

NOTICE is hereby given that the Twentysixth Annual General Meeting of the Shareholders of Diamines and Chemicals Limited will be held at the Registered Office of the Company situated at Plot No. 13, PCC Area, P.O. Petrofils, Vadodara - 391 347 on, Monday, the 12th day of August, 2002 at 11:30 a.m. to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2002 and the Balance Sheet as at that date together with the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. G. G. Chendwankar, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Munir Ahmed, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s. C. C. Chokshi & Co., Chartered Accountants, the retiring Auditors who are eligible for re-appointment, as Auditors of the Company from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

5. To consider and, if thought fit, to pass, with or without modifications, the following Resolution as an **Special Resolution**:

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and other provisions of the other statutes as applicable, and subject to such approvals, consents, permissions and sanctions, as may be necessary from the appropriate authorities or bodies, the Articles of Association of the Company be and are hereby altered as follows:

- (I) After the existing Clause 9 of the Articles, the following new Article 9A shall be inserted viz:

9A. BUY BACK OF SHARES

Notwithstanding anything contained in these Articles, the Company may purchase its own shares or securities and the Board of Directors may, when and if thought fit, buy-back such of the company's own shares or securities as it may think necessary, subject to such limits, upon such terms and conditions and subject to such approvals, as may be permitted by law.

- (II) After the existing Clause 86 of the Articles, the following new Article 86A shall be inserted viz:

86A. VOTE BY POSTAL BALLOT

Subject to the provisions of Section 192A of the Act and these Articles, and as may be applicable by law, votes may be given on certain resolutions as may be notified by the Government from time to time, by postal ballot instead of transacting the business in General Meeting.

- (III) After the existing Clause 116 (a) to (f) of the Articles, the following new sub - clause (g) shall be inserted viz:

(g) a public company in which he is a Director, has failed to file the Annual Accounts and Annual Returns for any continuous three financial years or has failed to repay its deposits or interest or redeem debentures on due dates or pay dividend, and such failure continues for 1 year or more or for a period of 5 years from the date of such default.

6. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an **Ordinary Resolution**:

RESOLVED THAT in supersession of the Ordinary Resolution passed at the Annual General Meeting of the Company held on 17th September, 1994 consent of the Company be and is hereby accorded

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under Section 293(1)(a) and other applicable provisions of the Companies Act, 1956, to the creation by the Board of Directors on behalf of the Company of such mortgages, charges, hypothecations and floating charges in such form and such manner as may be agreed to between the Board of Directors and the company's lenders on all or any of the immovable properties of the company both present and future of every nature and kind whatsoever and the undertaking of the Company in certain events, to secure term loans/working capital facilities/External Commercial Borrowings/Debentures etc. not exceeding Rs. 25 crores (Rupees Twenty Five Crores Only) from Company's Bankers/Financial Institutions/other lenders, with interest thereon, commitment charges, liquidated damages, charges, expenses and other monies, such mortgages and /or charges already created or to be created in future by the Company in such manners as may be thought expedient by the Board of Directors;

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to finalise the documents for creating the aforesaid mortgages and /or charges and to do all such acts, things and matters as may be necessary for giving effect to the above resolution".

REGISTERED OFFICE:

Plot No. 13, PCC Area,
P.O. Petrofils,
Vadodara - 391 347.

Place : Vadodara

Date : 18th June, 2002

By Order of the Board of Directors
For **DIAMINES AND CHEMICALS LTD**

Haresh Khilnani
Company Secretary

NOTES:

- (a) An Explanatory Statement relating to items 2,3,5 & 6 as required under Section 173(2) of the Companies Act, 1956, is annexed hereto.
- (b) **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. The Proxy must be deposited at the Registered Office of the Company given hereunder, not less than 48 hours before the time for holding the Meeting.**
- (c) The Register of Members and the Share Transfer Books of the Company will remain closed from 26th July, 2002 to 12th August, 2002 (both days inclusive).
- (d) (i) Members holding shares in the physical form are requested to promptly notify any changes in their address to the Company's Share Department at its Registered Office;
(ii) Members holding shares in the dematerialised form are requested to notify the aforesaid changes to their Depository Participants where they hold their Depository Account.
(iii) Members are requested to quote folio numbers in all their correspondence.
- (e) Members desiring any information about the accounts and operation of the Company are requested to address their questions to the Company Secretary, so as to reach at least Ten days before the date of the Meeting, to enable the information required to made available at the Meeting.
- (f) Members are requested to bring their copies of the Annual Report at the time of attending the meeting.
- (g) Members who attend the Meeting are requested to sign the attendance register before occupying the seat in the meeting hall.
- (h) Investor Services (Share Transfer, Nomination Facility, etc) are being provided at the Registered Office of the Company.
- (i) Members, who hold shares in the Dematerialised form, are requested to bring their Depository Account Number for identification.

DIAMINES AND CHEMICALS LIMITED

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EXPLANATORY STATEMENT

Pursuant to Section 173(2) of the Companies Act, 1956.

Item No.2:

Shri G.G. Chendwankar retires by rotation at the ensuing Annual General Meeting, and being eligible, has offered himself for reappointment.

Shri G.G. Chendwankar has been on our Board since March 14, 2001. He is Vice President of the Promoter Company, Alkyl Amines Chemicals Ltd. It will be in the interest of the Company to reappoint Shri Chendwankar with his 40 years of experience in the industry. Shri Chendwankar is interested in this resolution since it relates to his reappointment.

Item No.3:

Shri Munir Ahmed retires by rotation at the ensuing Annual General Meeting, and being eligible, has offered himself for reappointment.

Shri Munir Ahmed has been on our Board since March 14, 2001. He is President of Perlochem India Pvt. Ltd., one of the Promoter Companies. It will be in the interest of the Company to reappoint Shri Munir Ahmed with his 36 years of experience in the industry. Shri Munir Ahmed is interested in this resolution since it relates to his reappointment.

Item No. 5:

The Members are informed that consequent to the recent amendments made by the Companies (Amendment) Act, 2000 the Company is required to bring the Articles of Association of the Company in line with the Act. Your Board of Directors is of the view that the existing Articles of Association of the Company needs to be altered in order to bring the Articles of Association in line with the various new provisions of the Companies (Amendment) Act, 2000 & SEBI guidelines viz. Provisions relating to Disqualification of Directors, Voting through Postal Ballot, Formation of Audit Committee, etc.

Considering the various new matters to be incorporated therein or modified/deleted & to streamline the Articles of Association, the Board of Directors recommends the passing of the Resolution in Item No. 5 as Special Resolution.

The new draft of the Articles of Association as also the existing Articles of Association of the Company are available for inspection by the Members at the Registered Office of the Company on any working day except Public Holidays & Sundays between 3:00 p.m. to 5:00 p.m. upto the date of the Annual General Meeting of the Company.

The Directors of the Company shall be deemed to be interested in the resolution only to the extent any of the articles of the Articles of Association of the Company affect them in any manner.

Item No. 6:

The Shareholders had on September 13, 1991 passed a resolution under Section 293(1)(d) of the Companies Act, 1956, authorising the Directors to borrow upto Rs.25 crores, for the business of the Company. To secure the borrowings, the Company may have to create mortgage on some / all of its immovable properties in favour of the Company's Bankers / Financial Institutions / other lenders. This requires approval of the Shareholders under Section 293(1)(a) of the Companies Act, 1956. The Board of Directors recommends the passing of the resolution. None of the Directors is interested in this resolution.

REGISTERED OFFICE:

Plot No. 13, PCC Area,
P.O. Petrolils,
Vadodara - 391 347.

Place : Vadodara

Date : 18th June, 2002

By Order of the Board of Directors

For DIAMINES AND CHEMICALS LTP

Haresh Khilnani

Company Secretary

DIAMINES

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DIRECTORS' REPORT

To the Members,

Your Directors present their 26th Annual Report together with the Audited Accounts for the financial year ended 31st March, 2002.

1. FINANCIAL RESULTS :

	(Rs. in Lacs) Current year		(Rs. in Lacs) Previous year	
	31/03/2002		DACL 31/03/01	Combined 31/03/01
Total Turnover		2187.67	446.19	2538.84
Operating Profit/(Loss) (before Interest & Depreciation)		909.80	(385.90)	476.38
Interest		271.61	184.09	304.30
Profit/(Loss) before Depreciation		638.19	(569.99)	172.08
Depreciation & Amortization		105.77	66.55	102.59
Profit/(Loss) after Interest & Depreciation		532.42	(636.54)	69.49
Less : Deferred Tax		205.36	--	--
Profit/(Loss) after Tax		327.05	(636.54)	69.49
Add: Transfer from Debenture Redemption Reserve		32.50	--	--
Add: (Loss) brought forward from Previous year	(2665.80)			
Less : Profit of Alkyl Finance & Trading Limited	728.34	(1937.45)	(2029.26)	(2006.94)
Loss carried to Balance Sheet		(1577.91)	(2665.80)	(1937.45)

2. AMALGAMATION:

The Hon'ble High Court of Gujarat has vide its Order dated 27th July, 2001 sanctioned the Scheme of Amalgamation of Alkyl Finance & Trading Ltd. (AFTL) with the Company with effect from the appointed date i.e. April 1, 2000. The effective date of the amalgamation is 28th September, 2001. The current year's financial results represent the combined operations of both Alkyl Finance & Trading Limited and this Company.

3. OPERATIONS:

During the year, your company has achieved a total Income of Rs.2187.67 lacs as compared to Rs.2538.84 lacs (combined income of DACL and AFTL) of the previous year. The results for the year show a net Profit after tax of Rs. 327.05 lacs as compared to the profit of Rs. 69.48 lacs (of DACL and AFTL) in the previous year. After adjusting previous years' losses, the carried forward loss stands at Rs.1577.91 lacs. Further details of operations are given in the management discussion and analysis report annexed (ANNEXURE-1).

4. DIVIDEND:

In view of the Previous years' losses, your Directors regret their inability to recommend any Dividend for the period under review.

5. FIXED DEPOSITS:

The Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and Rules made thereunder during the year.

6. SAFETY & ENVIRONMENT:

Your Company believes in maintaining highest standards of safety. The Company is committed to designing plants with safety features in mind, using safe working procedures and practices, meeting the applicable statutory requirements in all respects, monitoring the plant and ambient environment to maintain a clean and safe environment in and around the plants and conducting periodical medical

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check-up of employees. Safety training is imparted regularly for personnel working in the plant. This well planned training cultivates safety awareness in employees, which ultimately results in prevention of accidents. Necessary Personal Protection Equipments are available at site

Environment audits are being carried out by an external agency approved by Gujarat Pollution Control Board as per directive of Hon'ble High Court of Gujarat.

7. CORPORATE GOVERNANCE:

In terms of Schedule of Implementation of Clause 49 of the Listing Agreement, on Corporate Governance, your company has to comply with the same within the financial year 2002-2003 but not later than March 31, 2003. The company has been complying with the requirements of the said Clause to the extent and in the manner stated in ANNEXURE - 2.

8. PARTICULARS OF EMPLOYEES:

There is no employee attracting the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

9. BOARD OF DIRECTORS:

Mr. G. G. Chendwankar and Mr. Munir Ahmed are Directors liable to retire by rotation at the ensuing Annual General Meeting and being eligible, have expressed their willingness to be re-appointed as Directors.

10. DIRECTORS' RESPONSIBILITY STATEMENT:

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statement in terms of Section 217(2AA) of The Companies Act, 1956:

- (a) That in the preparation of the annual accounts for the year ended March 31, 2002, the applicable accounting standards have been followed alongwith proper explanation relating to material departures, if any;
- (b) That such accounting policies as mentioned in Schedule 19 to the annual accounts have been selected and applied consistently and judgements and estimates that are reasonable and prudent made so as to give a true and fair view of the state of affairs of the company at the end of the financial year ended on March 31, 2002 and of the profit of the company for that year;
- (c) That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the company and to prevent and detect fraud and other irregularities;
- (d) That the Annual accounts for the year ended 31st March, 2002 have been prepared on a going concern basis.

11. AUDITORS:

Members are requested to appoint Auditors for the current year and to authorize the Board of Directors to fix their remuneration. M/s. C. C. Chokshi & Co. the retiring Auditors have furnished a Certificate of their eligibility for re-appointment under Section 224(1B) of the Companies Act, 1956 and have indicated their willingness to continue, if re-appointed.

12. AUDITORS' REPORT:

In the opinion of the Directors, the Notes to the Accounts are self-explanatory and adequately explain the matters, which are dealt with by the Auditors.

13. PARTICULARS UNDER COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988:

Information in accordance with the provisions, of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy and technology absorption and foreign exchange earnings and outgo is given in the ANNEXURE-3 (Form-A) and ANNEXURE-4 (Form-B), forming part of this report.

DIAMINES AND CHEMICALS LIMITED**ANNUAL REPORT 2001-2002****14. ACKNOWLEDGEMENT:**

Your Directors would like to place on record their appreciation for the dedication and whole hearted support and commitment of all the employees across the Company, as well as the various Banks, Financial Institutions, its valued customers and various Government, Semi-Government and Local Authorities; Suppliers and other business Associates towards the conduct of the efficient operations of your Company. Last but not the least, the Board of Directors wish to thank the Investor Shareholders for their unstinted support and co-operation.

For and on behalf of the Board of Directors,

Place : Vadodara
Date : 18th June, 2002

Yogesh Kothari
Chairman

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT
ANNEXURE 1**

INDUSTRY STRUCTURE AND DEVELOPMENT

Your Company is a leading producers of Ethyleneamines in India having a plant at PCC Area, P.O. Petrofils, Vadodara 391 347. At present, we enjoy a major share of market in India and are in process of making inroads into international market. Our Products find application in important industry segments like pharmaceuticals, agro-chemicals, dyes & pigments etc. The day-to-day management of the company is looked after by the Chief Executive Officer assisted by a team of competent technical & commercial professionals. Further details on the Company can be obtained by visiting the website "www.dacl.co.in".

PERFORMANCE

Total income (combined operations of DACL and AFTL) for the year 2001-2002 amounted to Rs. 2187.67 lacs compared to Rs. 2538.84 lacs of the previous year. Sales in quantity terms amounted to 1192 MT compared to 1360.74 MT for the year 2000 - 2001.

Production of Ethyleneamines amounted to 1142 MT for the year 2001-2002 compared to 1399.69 M.T. for the year 2000-2001.

OPPORTUNITIES, THREATS, RISKS AND CONCERNS

We are the leading manufacturers of Piperazine Anhydrous and Piperazine 65% in India. The Company continues to consolidate its pre-eminent position in various ethyleneamines markets in India. Our inhouse experience of handling various ethylene amines is going to play a major role in the coming years in the business of manufacture and marketing of these products. Availability of international quality at short notice makes our company a logical supplier for Indian customers.

Your Company also recognizes the risks associated with business and would take adequate measures to address the associated risks and concerns. Some of these factors include the competitors being multinational companies, duty free imports by customers against export obligations, our pricing strategy being mainly dependent on imports and Government tariffs and dependence on imported raw material.

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

We are pleased to report that, the operating profit before tax amounted to Rs. 532.42 lacs (combined operations of DACL and AFTL) compared to Rs. 69.48 lacs (combined operations of DACL and AFTL) of last year.

The increase in profit is partly due to extraordinary items such as write back of interest on account of one-time settlement and partly due to improved operating efficiency.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has installed a good system of internal controls in all spheres of its activity. The internal control is supplemented by effective internal audit being carried out by an external firm of chartered accountants. The Audit Committee of Directors regularly reviews the findings of the Internal Auditors and effective steps to implement the suggestions/observations of the Auditors are taken and monitored regularly. In the opinion of the Board, an effective internal control system adequate to the size of the Company exists.

DIAMINES AND CHEMICALS LIMITED**ANNUAL REPORT 2001-2002****HUMAN RESOURCE/INDUSTRIAL RELATIONS**

The Employees Relations continued to be cordial in the Company and the Management thanks all the employees for their continued support. Your Company has entered into a settlement with the employees union following the Labour Court Award and the issues are settled across the table amicably.

The Company has initiated many steps in the career and personality development of the employees belonging to different departments. For continual improvement of the working of the company and to encourage employees participation, the Company had introduced a Suggestion Scheme, which has received a good response. Some of the suggestions approved by the management have been implemented.

BUSINESS OUTLOOK

The outlook for the year 2002-2003, may have to be viewed considering the effects of various external and internal factors on the working of the Company. The main products of our company, namely, Piperazine Anhydrous and Piperazine 65% go into the manufacture of antibiotics which fall under the range of Quinolones. The Quinolones range of antibacterials are expected to have an increase in demand by 10% to 15% per annum during the next few years. We are also looking at the possibility of adding new products to our product range.

For and on behalf of the Board of Directors,

Place : Vadodara
Date : 18th June, 2002

Yogesh Kothari
Chairman

ANNEXURE - 2
CORPORATE GOVERNANCE

In terms of Schedule of implementation of Clause No. 49 of the Listing Agreement on Corporate Governance, your Company has to comply with the same within the financial year 2002-2003 but not later than March 31, 2003. The Company has been complying with the requirements of the said Clause to the extent and in the manner stated hereunder.

BOARD OF DIRECTORS:

The Board of Directors of the Company comprises of six members. The Board Members consists of persons with professional expertise and experience in various fields of Chemicals, Marketing, Management, Finance, Accountancy, etc. All the Directors are Non-Executive Directors and, if required, the Board would be restructured in terms of clause 49 of the Listing Agreement by March 2003. The Board of Directors of the company as on 31st March, 2002 is as under:

Sr. No.	Name	Designation/Category	No. of other Directorships (excluding Pvt. Cos.)
1.	Mr. Yogesh Kothari	Chairman	
		Non Executive Director	5
2.	Mr. Amit Mehta	Vice Chairman	
		Non Executive Director	1
3.	Mr. Kirat Patel	Non Executive Director	3
4.	Mr. Rajendra Chhabra	Non Executive Director	1
5.	Mr. G. G. Chendwankar	Non Executive Director	-
6.	Mr. Munir Ahmed	Non Executive Director	-

RESPONSIBILITIES OF BOARD OF DIRECTORS:

The Board has a variety of matters related to the operations of the Company for its consideration and decision, which includes reviewing corporate performance, ensuring adequate availability of financial resources and reporting to Shareholders. During the year under review, the Board met 5 times.

The Directors ensure that their other responsibilities do not materially affect their responsibility as Directors of the Company.

Other than transactions entered into in the normal course of business for which necessary approvals are taken and disclosures made, the Company has not entered into any materially significant transactions with its Directors or their relatives, etc. which adversely affect the interest of the Company.

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