

27TH ANNUAL REPORT 2002-2003

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DIAMINES

DIAMINES AND CHEMICALS LIMITED



Certificate of Approval

Awarded to

DIAMINES AND CHEMICALS LIMITED

PLOT No. 13, P.O.: PETROFILS,
VADODARA - 391 347, GUJARAT, INDIA.

*Bureau Veritas Quality International certify that the
Quality Management System of the above organisation
has been assessed and found to be in accordance
with the requirements of the quality
standards detailed below*

QUALITY STANDARDS

ISO 9001:2000

SCOPE OF SUPPLY

**MANUFACTURE AND SALE OF ETHYLENE AMINES AND ETHANOL AMINE BASED
INDUSTRIAL CHEMICALS, SUCH AS :**

- | | |
|---------------------------------------|--------------------------------|
| • PIPERAZINE ANHY. | • AMINO ETHYL PIPERAZINE. |
| • ACID CORROSION INHIBITOR. | • PIPERAZINE - 65%. |
| • DYE FIXING AGENT. | • ANTI STRIPPING AGENT. |
| • ETHYLENE DIAMINE. | • FIRE RETARDANT (DIA FR 301). |
| • RUST INHIBITOR. | • DIETHYLENE TRIAMINE. |
| • BITUMEN EMULSIFIER FOR RS/MS GRADE. | • POLYAMINES MIX. |
| • ETHYLENE DIAMINE ACID PHOSPHATE. | |

Original approval date: **16TH JANUARY 2003**

*Subject to the continued satisfactory operation of the organisation's
Quality Management System, this Certificate is valid for a period of three years from:*

16TH JANUARY 2003

Date: **31ST JANUARY 2003**

Managing Office:
BVQI (India) Pvt. Ltd.,
The Leela Galleria, 5th Floor,
Andheri - Kurla Road, Andheri (East),
Mumbai - 400 059, India.



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For Bureau Veritas Quality
International (Holding) S.A.,
2nd Floor, Tower Bridge Court
224-226 Tower Bridge Road
London SE1 2TX

Certificate No: **122366**

BVQI (Holding S.A.) using UKAS accreditation covered by the accreditation certificate number 008

DIAMINES AND CHEMICALS LIMITED**ANNUAL REPORT 2002-2003****BOARD OF DIRECTORS**

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

Chief Executive Officer

Mr. Deepak Thaker

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) - 2230 305 / 2230 406
2230 929 / 2230 708 / 2230 762

Fax : (91) (0265) - 2230 218 / 2275 064

email : dacl@satyam.net.in

Web site : www.dacl.co.in

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Website : www.dacl.co.in

DIAMINES

DIAMINES AND CHEMICALS LIMITED**ANNUAL REPORT 2002-2003****NOTICE**

NOTICE is hereby given that the Twenty-seventh 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 – 391347 on Tuesday, the 29th day of July, 2003 at 3.00 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2003 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. Kirat Patel, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Rajendra Chhabra, 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 a **Special Resolution**:

“RESOLVED THAT subject to the provisions of the Companies Act, 1956 (including any statutory modifications(s) or re-enactments thereof for the time being in force and as may be enacted herein after), Securities Contracts (Regulation) act, 1956, and the Rules framed thereunder, Listing Agreement, SEBI Guidelines and all other applicable laws, rules and regulations and guidelines and subject to such approvals, permissions and sanctions, as may be necessary, the Board of Directors of the Company be and is hereby authorized to seek voluntary delisting of its equity shares listed at The Ahmedabad Stock Exchange, Ahmedabad;

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorized to apply to such stock exchange / SEBI / and to comply with all the legal and procedural formalities laid down by the stock exchange, SEBI and further to authorize any of its committee or any of its directors or any of the officers of the company to do all such acts, deeds or things to give effect to the above said resolution”.

REGISTERED OFFICE:

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

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

Mumbai, Dated: 9th May, 2003.

Haresh Khilnani
Company Secretary

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DIAMINES AND CHEMICALS LIMITED**ANNUAL REPORT 2002-2003****NOTES:**

- (a) An Explanatory Statement relating to items 2, 3 & 5 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 16th July, 2003 to 29th July, 2003 (both days inclusive)
- (d) 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 be made available at the Meeting.
- (e) Members are requested to bring their copies of the Annual Report at the time of attending the meeting.
- (f) Members who attend the Meeting are requested to sign the attendance register before occupying the seat in the meeting hall.
- (g) Members, who hold shares in the Dematerialised form, are requested to bring their Depository Account Number for identification.

EXPLANATORY STATEMENT

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

Item No. 2:

Mr. Kirat Patel retires by rotation at the ensuing Annual General Meeting, and being eligible, has offered himself for reappointment.

Mr. Kirat Patel has been on our Board since March, 14, 2001. He is Executive Director of the Promoter Company, Alkyl Amines Chemicals Ltd. It will be in the interest of the Company to reappoint Mr. Kirat Patel with his 26 years of experience in the Industry. Mr. Kirat Patel is interested in this resolution since it relates to his appointment.

Item No. 3:

Mr. Rajendra Chhabra retires by rotation at the ensuing Annual General Meeting, and being eligible, has offered himself for reappointment.

Mr. Rajendra Chhabra has been on our Board since March, 14, 2001. He is Practising Chartered Accountant. It will be in the interest of the Company to reappoint Mr. Rajendra Chhabra with his 17 years of professional experience to his credit. Mr. Rajendra Chhabra is interested in this resolution since it relates to his appointment.

Item No. 5:

Presently, the Company's Shares are listed on "The Stock Exchange, Mumbai" (BSE) and "The Ahmedabad Stock Exchange (ASE). The bulk of the trading in the Company's shares takes place on the BSE, and the depth and liquidity of trading in the Company's shares on the ASE is almost NIL.

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It is also observed that the listing fee paid to the ASE is disproportionately higher, and as stated herein, the trading volumes and liquidity are almost NIL as compared to the BSE. As a part of its cost reduction measures, the Company has proposed this resolution, which will enable it to delist its equity shares from the ASE at an appropriate time in the future.

In line with the SEBI guidelines & regulations, members' approval is being sought by a special resolution for enabling voluntary delisting of its shares from the said stock exchange.

The proposed delisting of the company's shares from ASE, as and when the same takes place, will not adversely affect the investors. The Company's shares will continue to be listed on BSE, which is having nation wide trading terminals. The delisting will take effect after all approvals, permissions, and sanctions are received. The exact date on which delisting will take effect will be suitable notified at that time.

Yours directors recommend the special resolution for approval of the members. None of the directors of the Company is, in any way, concerned or interested in the resolution.

REGISTERED OFFICE:

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

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

Haresh Khilnani
Company Secretary

Mumbai, Dated: 9th May, 2003.

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DIAMINES AND CHEMICALS LIMITED**ANNUAL REPORT 2002-2003****DIRECTORS' REPORT**

To the Members,

Your Directors present their 27th Annual Report together with the Audited Accounts for the financial year ended 31st March, 2003.

1. FINANCIAL RESULTS:	(Rs. in Lacs)	
	Current Year 31/03/03	Previous Year 31/03/02
Operating Profit/(Loss) (before Interest & Depreciation)	561.76	909.80
Interest	188.72	271.61
Profit/(Loss) before Depreciation	373.04	638.19
Depreciation & Amortization	94.75	105.77
Profit/(Loss) after Interest & Depreciation	278.29	532.42
Less: Deferred Tax Expenditure	87.52	205.37
Profit/(Loss) after Tax	190.77	327.05
Less: Transfer from Debenture Redemption Reserve	--	32.50
Add: Loss brought forward from previous year	(1,577.91)	(2,665.80)
Less: Profit upon amalgamation	--	728.34
Loss carried to Balance Sheet	(1,387.13)	(1,577.91)

2. OPERATIONS:

Your Company's net turnover for the year amounted to Rs. 1,722.50 lacs as compared to Rs. 1,889.59 lacs of last year. The result for the year shows net Profit of Rs. 190.77 lacs as compared to the net Profit of Rs. 327.05 lacs in the previous year. The profit of last year was higher due to exceptional writebacks effected upon one time settlement with financial institutions and creditors. After adjusting previous year's losses, the carried forward loss stands at Rs.1,387.13 lacs. Further details of operations are given in the management discussion and analysis report, which forms part of this report.

3. DIVIDEND:

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

4. 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.

5. CORPORATE GOVERNANCE:

The Securities and Exchange Board of India has introduced a code of Corporate Governance for implementation by all listed companies vide an amendment to the Listing Agreement. As per this requirement, the compliance of this code and also the Management Discussion and Analysis Report as on 31st March, 2003 forms part of this report and are sent herewith.

6. 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.

7. BOARD OF DIRECTORS:

Mr. Kirat Patel and Mr. Rajendra Chhabra 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.

8. DIRECTORS' RESPONSIBILITY STATEMENT:

To the best of their knowledge and belief and according to the information and explanations obtained

DIAMINES AND CHEMICALS LIMITED**ANNUAL REPORT 2002-2003**

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, 2003, the applicable accounting standards have been followed along with 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 31st March, 2003 and of the Profit of the Company for that period;
- (c) That proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act 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, 2003 have been prepared on a going concern basis.

9. AUDITORS:

M/s. C. C. Chokshi & Co., Chartered Accountants, Auditors of the Company who retire at the forthcoming Annual General Meeting are eligible for re-appointment and have expressed their willingness to accept office, if re-appointed. They have given a certificate to the effect that the re-appointment, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956. Your Directors recommend their re-appointment.

10. 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.

11. INFORMATION TECHNOLOGY:

The Company has set up an integrated on-line information system in all major operating areas. In order to accelerate the acceptance of electronic mail and facilitate sharing of various data, all offices, plant control rooms, warehouses and stores in each of the offices have been provided with connectivity facility for information sharing.

12. INDUSTRIAL RELATIONS:

The Employee Relations continued to be cordial in the Company and the Management thanks all the employees for their continued support. The last settlement with the union expired on 31.12.02 and a fresh COD has been received. This will be taken up for discussion in due course. At present, there are no other pending issues related to employees in the Company.

13. ISO - 9001 CERTIFICATION:

Strict adherence to procedures ensures lesser chances of errors, better supervision and finally greater reliability. With this objective, your Company had been preparing itself for certification to ISO 9001:2000 Quality Management System. The Board of Directors are proud to announce that the Company has been certified for ISO 9001:2002 in January, 2003 by M/s. BVQI.

14. 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 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. The entire liquid effluent treatment facilities are being upgraded.

15. LISTING DETAILS:

At present, your Company's securities are listed on 2 Stock Exchanges, the details of which are:

1. The Stock Exchange, Mumbai
Rotunda Building, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 001.
Code No. 120
2. The Ahmedabad Stock Exchange

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Kamdhenu Complex, Near Panjrapole, Ahmedabad

Code No. 14210

The Company has paid the Annual Listing fees to both the above Stock Exchanges for the financial year 2002 – 2003. In view of SEBI guidelines, 2003 for voluntary delisting of securities, if the securities of the Company are listed on any stock exchange like BSE, NSE, then securities listed at other stock exchanges can be terminated. In view of the same, your Directors as a cost reduction measure have proposed the resolution in item No. 5 for delisting your Company's securities from ASE.

16. DETAILS REGARDING DEPOSITORY:

Your Company has an Agreement with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) for dematerialisation of its Equity Shares in accordance with the provisions of the Depository Act, 1996. As on date, approximately 75% of the shares are held in the dematerialised form.

17. AGENCY FOR SHARE TRANSFER / DEMAT PURPOSE:

Pursuant to SEBI Directive in respect of appointment of Common Agency for both DEMAT & Physical Share Transfer work, your Company has appointed and continued with M/s. MCS Ltd. Neelam Aptt., 88, Sampatrao Colony, Alkapuri, Vadodara 390 007, as a R&T Agent for both DEMAT & Physical Share Transfer work w.e.f. 1st April, 2003. Accordingly, all the shareholders are requested to take note of the same and send all future correspondences / queries to the M/s. MCS Ltd., at the abovementioned address.

18. 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

YOGESH KOTHARI
Chairman

Mumbai, Dated: 9th May, 2003.

ANNEXURE FORM A

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

Particulars	Current Year 2002 – 03	Previous Year 2001 – 02
A. POWER AND FUEL CONSUMPTION		
Electricity		
a) Purchase		
Unit	1475019	1720251
Total Amount (Rs. in lacs)	69.25	82.39
Rate/Unit Rs.	4.69	4.79
b) Own Generation		
Through Diesel generator		
Unit	22420	7660
Unit per Ltr. Of Diesel Oil	2.49	2.10
Cost/Unit Rs.	9.86	6.86
Coal		
Quantity in tonnes	2744.85	2787.24
Total Cost (Rs. in lacs)	71.70	68.90
Average Rate Rs./Ton	2612	2530

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Quantity (K. Ltrs)	603.57	683.322
Total cost (Rs. in lacs)	71.36	68.64
Avg. rate Rs./K.ltr.	11823	10045

B. CONSUMPTION PERTON OF PRODUCTION

Production of Amines (MT)	988.904	1142.20
Electricity (Unit)	1493	1512
Coal (Tonnes)	2.78	2.44
FO/LDO (K. Ltrs.)	0.61	0.47

FORM - B**1. TECHNOLOGY ABSORPTION:****Specific areas of significance in which R&D work was carried out by the Company:**

- Development of Speciality and performance chemicals from ethylene amines and allied products.
- Pollution abatement/Treatability studies as well as recovery of products from non-saleable stocks.
- Upgradation of manufacturing process of ethylene amines and CPA mix.
- Rendering technical support to Marketing Deptt.
- Proactive technical support for ISO 9001-2000.
- Upgradation of R&D facilities.

2) Benefits derived as results of R&D:

- * Introducing new speciality and performance chemicals from ethylene amines.
- * Developing new value added products as speciality chemicals from the homologues of ethylene amines.

3) Future plan of Action

- * Development of New Products from ethylene amines.
- * To generate data for the manufacture of new value added products.
- * To innovate the process for better quality of products and reduction of cost.

4) Expenditure on R&D :-

a. Capital	: Rs.1,26,014/-
b. Revenue	: Rs.6,41,915/-
c. Total	: Rs.7,67,929/-
d. Total R&D expenditure as a percentage of total turnover.	: 0.45%

5) Technology absorption, adoption and innovation.

- * Efforts towards technology absorption and innovation - same as 2 & 3 above.
- * Benefits derived as result of the above efforts - same as 3
- * Absorption and adoption of imported technology - Not Applicable as only in-house R&D technology is adopted.