

2004-2005

29th ANNUAL REPORT

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DIAMINES

DIAMINES AND CHEMICALS LIMITED

FINANCIAL HIGHLIGHTS OF THE LAST DECADE

(Rs.in Lacs)

FINANCIAL YEAR ENDING	31.03.1996	31.03.1997	31.03.1998	31.03.1999	31.03.2000 (As per Note 3)	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.03.2005
GROSS SALES (BASIC + EXCISE)	2159.55	2023.30	964.03	299.05	361.58	2509.40	2177.11	1991.26	2345.53	2060.10
OPERATING PROFIT (LOSS) (PBDIT)	174.27	(137.21)	(217.04)	(225.98)	(669.16)	476.39	909.8	561.74	854.27	847.68
PROFIT (LOSS) BEFORE INCOME TAX (As per Note 2)	(90.96)	(372.05)	(475.16)	(508.80)	(1050.66)	69.48	532.42	278.29	657.73	726.75
PROFIT (LOSS) AFTER INCOME TAX (As per Note 2)	(90.96)	(372.05)	(475.16)	(508.80)	(1050.66)	69.48	327.05	190.77	419.61	455.55
GROSS FIXED ASSETS (As per Note 4)	1780.32	2247.80	2232.84	2219.21	2202.30	2825.00	2866.13	2856.64	2921.38	3244.11
NET FIXED ASSETS	767.06	1238.26	1235.99	1230.13	910.74	1440.58	1374.94	1285.12	1238.81	1450.94
NET CURRENT ASSETS	857.48	679.64	371.11	105.60	(182.93)	(180.45)	(243.61)	(332.82)	(485.02)	(300.96)
EQUITY SHARE CAPITAL	355.11	363.73	363.78	363.78	348.05	598.15	620.55	620.55	652.22	652.22
RESERVES & SURPLUS (excluding revaluation reserve)	323.20	276.49	239.55	239.55	239.65	239.65	718.84	718.84	776.63	822.18
BOOK VALUE (As per Note 5)	12.51	9.44	1.28	(10.73)	(43.01)	(19.03)	(4.19)	(0.95)	4.17	8.30
EARNING PER EQUITY SHARE (Rs.)	(4.79)	(9.80)	(12.51)	(13.40)	(30.19)	2.02	5.36	3.05	6.54	6.97
EQUITY SHARE DIVIDEND	-	-	-	-	-	-	-	-	20%	25%

Notes:

- Figures are rupees in lacs except book value and earning per share which are absolute rupee value per equity share and proposed dividend which is in percentage on equity share nominal value
- Income Tax includes both current and deferred tax.
- Amalgamated figures after amalgamation with Alkyl finance and Trading Ltd. (AFTL) with effect from 01.04.2000
- Includes revaluation effected on 1.3.97 to Lease hold land & buildings.
- Book value has been computed considering the networth i.e share capital plus reserves and surplus less accumulated losses and miscellaneous expenditure.

BOARD OF DIRECTORS

Mr. Yogesh Kothari	Chairman
Mr. Amit Mehta	Vice Chairman
Mr. Kirat Patel	Director
Mr. G. G. Chendwankar	Director
Mr. Munir Ahmed	Director (upto 15-05-2005)
Mr. Rajendra Chhabra	Director

Vice President

Mr. Naresh Aggarwal

Company Secretary

Mr. Haresh Khilnani

Auditors

C. C. Chokshi & Co.

Chartered Accountants

3rd Floor, 'Heritage', Near Gujarat Vidyapith,
Off. Ashram Road, Ahmedabad - 380 014.

Bankers

State Bank of India, Baroda

Registered Office & Works

Plot No. 13, PCC Area, P. O. Petrochemicals,
VADODARA - 391 346.

Tel : (91) (0265) - 2230 305 / 2230 406
2230 929 / 2230 762

Fax : (91) (0265) - 2230 218 / 2230 708

email : info@dacl.co.in

Web site : www.dacl.co.in

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DIAMINES

NOTICE

NOTICE is hereby given that the Twenty-ninth 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. Petrochemicals, Vadodara - 391 346 on Tuesday, the 9th day of August, 2005 at 10.30 a.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, 2005 and the Balance Sheet as at that date together with the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend for the financial year ended 31st March, 2005.
3. To appoint a Director in place of Mr. G. G. Chendwankar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Rajendra Chhabra, who retires by rotation and being eligible, offers himself for re-appointment.
5. 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:

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

"RESOLVED THAT pursuant to the provisions of Section 149(2A) & other applicable provisions of the Companies Act, 1956, consent of the shareholders of the Company be and is hereby given for the commencement of new business stated in 'Other Objects' clause at Sl. Nos. 59 in Paragraph III of the Memorandum of Association of the Company as under:

Sl. No. 59:

To manufacture, develop, plant, produce, prepare, process, treat, manipulate, assemble, repair, alter, improve, buy, sell, exchange, hire, let on hire, import, export dispose of or otherwise deal in all kinds of electrical goods, instruments, appliances, apparatuses, accessories, tools, machinery, all parts, components and raw materials and all kinds of articles, goods and things required for or capable of being used for or in connection with the generation, transformation, transmission, audiovisual display or carriage, propagation, radiation, distribution, conduction, conversion, insulation, supply, measurement, accumulation and employment of electricity, heat, light, gas, atomic, solar or any other power for any purpose whatsoever."

7. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 163 of the Companies Act, 1956, the Company hereby approves that the register of members, debentureholders, the index of members / debentureholders & copies of all annual returns prepared under section 159 of the Act together with the copies of certificates and documents required to be annexed thereto under Section 161 of the Act, be kept at the Company's Registrar and Transfer Agent's office at MCS Ltd., 1st Floor, Neelam Apartment, 88, Sampatrap Colony, Vadodara - 390 007 instead of being kept at the registered office of the Company."

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

"RESOLVED THAT the approval of the shareholders of the Company be and is hereby granted to the Board of Directors to fix the sitting fees to be paid to the non-executive Directors of the Company, for attending the meetings of the Board & Committees thereof, subject to the maximum amount as may be permissible under the provisions of Section 310 of the Companies Act, 1956, read with Rule 10 B, of the Companies (Central Government's) General Rules and Forms, 1956, including any statutory modification or re-enactment thereof or any amendments thereto."

Vadodara, Dated: June 08, 2005.

REGISTERED OFFICE:

Plot No.13, PCC Area,
P.O.: Petrochemicals,
Vadodara - 391 346.

By Order of the Board

HARESH KHILNANI
Company Secretary

NOTES:

- (a) The relevant Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 relating to Special Business & also as required under Code of Corporate Governance in respect of items 3, 4, 6, 7 & 8 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 July 28, 2005 to August 09, 2005 (both days inclusive).
- (d) Dividend on Equity Shares as recommended by the Directors for the financial year ended March 31, 2005 when declared at the meeting will be paid:
 - (i) to those Members whose names appear on the Register of Members of the Company after giving effect to all valid share transfers in physical form lodged with the Company's Registrar & Share Transfer Agent on or before July 27, 2005, or
 - (ii) in respect of shares held in electronic form, to those "Deemed Members" whose names appear in the Statement of Beneficial Ownership furnished by the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) as at the end of business hours on July 27, 2005.
- (e) Members are requested to encash their Dividend Warrants on receipt as Dividend remaining unclaimed for seven years are now required to be transferred to the Investor Education and Protection Fund established by the Central Government under Section 205C of the Companies Act, 1956. Once unclaimed dividends are transferred to this fund, Members will not be entitled to claim these dividends.
- (f) As mandated by the Securities and Exchange Board of India (SEBI), the Company will be providing ECS facility to the shareholders whereby they will be able to receive their dividend by direct electronic credit to their bank account. In the absence of availing the option by the shareholder, the Company shall send warrants for dividends. Shareholders are requested to fill the form provided along with the Annual Report and send it to the Company's Registrar & Share Transfer Agent, as to reach them latest by July 22, 2005 and to their respective Depository Participants, in case the Shares are held in dematerialised form.
- (g) Non-Resident Indian Shareholders are requested to inform the Company immediately:
 - (i) the change in the Residential Status on return to India for permanent settlement;
 - (ii) the particulars of NRE Bank Account maintained in India with complete name and address of the Bank, if not furnished earlier.
- (h) Members seeking any information or clarification on the Accounts and operation of the Company are requested to send in written queries to the Company, at least ten days before the date of the meeting. Replies will be provided in respect of such written queries received only at the meeting.
- (i) Members / Proxies should bring the Attendance Slip sent herewith, duly filled in, for attending the meeting.
- (j) Members, who hold shares in the dematerialised form, are requested to bring their depository account number for identification.
- (k) Members are requested to immediately address their communications regarding transfer of shares, change of address, dividend mandates, etc. quoting their folio number(s) to the Company's Registrar & Transfer Agent:

M/s. MCS Limited,
1st Floor, Neelam Apartments,
88, Sampatrao Colony, Vadodara 390 007
Telephone (0265) 2339397 / 2314757
Fax: (0265) 2341639
email: mcsbaroda@iqara.net

- (i) Members holding shares in dematerialised form, may please note that while opening a depository account with participants they may have given their bank account details, which will be printed on their dividend warrants. However, if Members want to change/correct the bank account details, they should communicate the same immediately to the concerned Depository Participant. Members are also requested to furnish the MICR code of their bank to their Depository Participant. **The Company will not entertain any direct request from Members for deletion/change in the bank account details furnished by Depository Participants to the Company.**
- (m) Members who hold shares in the physical form can nominate a person in respect of all the shares held by them singly or jointly. Members who hold shares in single name are advised, in their own interest to avail of the nomination facility by filling Form 2B. Blank forms will be supplied by Company's Registrar & Transfer Agent on request. Members holding shares in dematerialised form may contact their Depository Participant for recording nomination in respect of their shares.
- (n) Members are requested to bring their copy of the Annual Report to the Annual General Meeting.

Vadodara, Dated: June 08, 2005.

REGISTERED OFFICE:

Plot No.13, PCC Area,
P.O.: Petrochemicals,
Vadodara - 391 346.

By Order of the Board

HARESH KHILNANI
Company Secretary

ANNEXURE TO THE NOTICE

Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 & also under Corporate Governance

ITEM NO.3:

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

Mr. G. G. Chendwankar has been on our Board since March 14, 2001. He is Vice President of the Promoter Company, Alkyl Amines Chemicals Ltd. He is also member of Audit Committee, Shareholders' / Investors Grievance Committee & Supervisory Committee of the Company. He is not on the Board of any other Company.

It will be in the interest of the Company to reappoint Mr. Chendwankar with his 42 years of experience in the Industry.

Mr. G. G. Chendwankar is interested in this resolution since it relates to his reappointment.

ITEM NO.4:

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 a Practising Chartered Accountant. He is also member of Audit Committee & Shareholders' / Investors' Grievance Committee of the Company. He is also on the Board of the following companies:

1. Value Healthcare Ltd.
2. Insight Healthscan Pvt. Ltd.

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It will be in the interest of the Company to reappoint Mr. Rajendra Chhabra with his 19 years of experience in the Industry. Mr. Rajendra Chhabra is interested in this resolution since it relates to his reappointment.

ITEM NO. 6:

Your Company presently carries on the business of Speciality Chemicals.

The Board of Directors of the Company wish to diversify the Company's activities by undertaking the business of power generation. The Company is authorized to undertake the proposed business under Sl. Nos. 59 in paragraph III of its Memorandum of Association.

According to Section 149(2A) of the Companies Act, 1956, no company can commence any new business, which is not germane to the existing business unless the company has approved the commencement of such new business by a special resolution passed in that behalf at a general meeting.

The resolution is intended for this purpose. The Company's memorandum of association is open for inspection at the Company's registered office during usual business working hours on any working day. The Board recommends the acceptance of the resolution as it is in the interest of the Company.

No director of the Company has any interest or concern in the resolution.

ITEM NO. 7:

M/s. MCS Ltd. have been appointed as the Registrars & Transfer agents of the Company. With a view to enabling the Registrars and Transfer agent to carry out their duties efficiently and expeditiously, it would be desirable to keep the registers of members, debentureholders, the Index of members / debentureholders, the copies of all annual returns prepared by the Company under Section 159 of the Companies Act, 1956 together with copies of the certificates and documents required by Section 161 of the Act to be annexed thereto at their office at 1st Floor, Neelam Apartment, 88, Sampatrao Colony, Vadodara - 390 007 instead at the registered office of the Company.

Having regard to Section 163 of the Act, the approval of the members by a special resolution is required to be obtained if the aforesaid books and / or document or any one or more of them are to be kept at any place other than the registered office of the Company.

An advance copy of the proposed special resolution set out in the accompanying notice has been filed with the office of the Registrar of Companies, Gujarat as required by Section 163 of the Act. The Board recommend passing of the special resolution.

No director of the Company has any interest or concern in the resolution.

ITEM NO. 8:

As per the amendments to Clause 49 of the Listing Agreement, all fees / compensation paid to non-executive directors, including independent directors, shall require prior approval of the shareholders in general meeting. Hence, the approval of the shareholders is sought, by way of the proposed resolution for payment of sitting fees to the non-executive directors for attending the meetings of the Board and its Committees, upto the maximum amount as may be permissible under the provisions of Section 310 of the Companies Act, 1956, read with Rule 10 B of the Companies (Central Government's) General Rules and Forms, 1956, including any statutory modification or re-enactment thereof or any amendments thereto.

All the Directors of the Company are concerned or interested in the resolution to the extent of the sitting fees that may be received by them.

Vadodara, Dated: June 08, 2005.

REGISTERED OFFICE:

Plot No.13, PCC Area,
P.O.: Petrochemicals,
Vadodara - 391 346.

By Order of the Board

HARESH KHILNANI
Company Secretary

DIAMINES**DIRECTORS' REPORT**

To the Members,

Your Directors present their 29th Annual Report together with the audited accounts for the financial year ended 31st March, 2005.

1. FINANCIAL RESULTS:

	<i>(Rs. in Lacs)</i>	
	Current Year 31/03/05	Previous Year 31/03/04
Operating Profit before interest and depreciation	847.68	854.27
interest and other financial charges	10.32	85.50
Profit before depreciation	837.36	768.77
Depreciation & Amortization	110.61	111.04
Profit after interest & depreciation	726.75	657.73
Less: Provision for taxation	271.20	238.12
Profit after Tax available for distribution	455.55	419.61
Proposed Dividend (including Dividend Tax)	187.36	145.98
Amount transferred to General Reserve	45.56	41.96
Balance of P & L A/c for the year	222.63	231.67
Debit balance of P&L A/c carried forward from last year	(1155.46)	(1387.13)
Loss carried to Balance Sheet	(932.83)	(1155.46)

2. OPERATIONS:

Your Company's net sales for the year amounted to Rs. 1790.47 lacs as compared to Rs. 2026.19 lacs of last year. The result for the year shows net profit after tax of Rs. 455.55 lacs as compared to the net profit of Rs. 419.61 lacs in the previous year. During the year under review, your Company has also set up a WindMill at Surajbari, Gandhidham for captive consumption, which shall help in bringing down the cost of electricity. Further details of operations are given in the management discussion and analysis report, which forms part of this report.

3. DIVIDEND:

Your Directors are pleased to recommend for your approval Dividend @ 25% on Equity Shares for the financial year 2004-05 after paying dividend @ 9% to Preference Shareholders. The total amount of dividend including Income tax thereon would amount to Rs. 187.36 Lacs.

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, 2005 form part of this report and is attached 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. Munir Ahmed had resigned from the Board of Directors of the Company w.e.f. 15.05.2005. Your Directors place on record their appreciation for the valuable guidance by Mr. Munir Ahmed. Mr. G. G. Chendwankar 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 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, 2005, 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, 2005 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, 2005 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. CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

The particulars as prescribed under subsection 1(e) of Section 217 of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are set out in the Annexure - 1 (Form-A & B) in this report.

12. 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 major offices, warehouses and stores, in each of the offices have been provided with connectivity facility for information sharing.

13. INDUSTRIAL RELATIONS:

Relations between the management and the employees at all levels remained healthy and cordial throughout the year. The management has decided to focus on training of employees at all levels.

14. COMPANYS' QUALITY SYSTEM (ISO-9001:2000)

Your Company is certified for ISO 9001:2000 for "Manufacture and Sale of Amine based Industrial Chemicals". There have been two surveillance audits since the Company's certification by internationally reputed M/s. BVQI. The ISO 9001 certification has enabled the Company to project a better image and inspire greater confidence amongst its customers & other business associates.

15. SAFETY & ENVIRONMENT:

Your Company believes in maintaining highest standards of safety. The Company is committed to operating 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 safety audits as well as medical check-up of employees. Safety training is imparted

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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 upgraded liquid effluent treatment facilities are properly maintained and liquid and air pollution standards are always maintained below the permissible level as set by the Gujarat Pollution Control Board.

16. LISTING DETAILS:

At present, your Company's securities are listed on:

The Stock Exchange, Mumbai

Rotunda Building, Phiroze Jeejeebhoy Towers,

Dalal Street, Fort, Mumbai 400 001.

Code No. 500120

The Company has paid the annual listing fees to the above Stock Exchange for the financial year 2005-2006.

17. 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 89% of the shares are held in the dematerialised form.

18. 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., 1st Floor, Neelam Apartment, 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.

19. ACKNOWLEDGEMENT:

Your Directors thank the Company's valued customers and various Government, Semi-Government and Local Authorities, suppliers and other business associates, vendors, as well as the various banks for their continued support to the Company's growth and look forward to their continued support in the future also.

Yours Directors place on record their appreciation of the contribution made by the employees at all levels across the Company towards the efficient working and operations of the Company. Last but not the least, the Board of Directors wish to thank the Investor Shareholders for their unstinted support, co-operation and faith in the Company.

For and on behalf of the Board

YOGESH KOTHARI

Chairman

Vadodara, Dated: June 08, 2005.

ANNEXURE - 1

FORM A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

Particulars	Current Year 2004 - 05	Previous Year 2003 - 04
A. POWER AND FUEL CONSUMPTION:		
Electricity		
a) Purchased Unit	1315908	1463179
Total Amount (Rs. in lacs)	62.66	68.65
Rate/Unit (Rs.)	4.76	4.69