

2005-2006

30th ANNUAL REPORT

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DIAMINES

DIAMINES AND CHEMICALS LIMITED

FINANCIAL HIGHLIGHTS OF THE LAST DECADE

(Rs.in Lacs)

| FINANCIAL YEAR ENDING | 31.03.1997 | 31.03.1998 | 31.03.1999 | 31.03.2000 | 31.03.2001 | 31.03.2002 | 31.03.2003 | 31.03.2004 | 31.03.2005 | 31.03.2006 |
|---|------------|------------|------------|--------------------|------------|------------|------------|------------|------------|------------|
| | | | | (As per Note 3) | | | | | | |
| GROSS SALES (BASIC + EXCISE) | 2023.30 | 964.03 | 299.05 | 361.58 | 2509.40 | 2177.11 | 1991.26 | 2345.53 | 1988.27 | 2373.60 |
| OPERATING PROFIT (LOSS)(PBDIT) | (137.21) | (217.04) | (225.98) | (669.16) | 476.39 | 909.8 | 561.74 | 854.27 | 847.68 | 890.06 |
| PROFIT (LOSS) BEFORE INCOME | (372.05) | (475.16) | (508.80) | (1050.66) | 69.48 | 532.42 | 278.29 | 657.73 | 726.75 | 781.77 |
| TAX (As per Note 2) | | | | | | | | | | |
| PROFIT (LOSS) AFTER INCOME | (372.05) | (475.16) | (508.80) | (1050.66) | 69.48 | 327.05 | 190.77 | 419.61 | 455.55 | 611.43 |
| TAX (As per Note 2) | | | | | | | | | | |
| GROSS FIXED ASSETS (As per Note 4) | 2247.80 | 2232.84 | 2219.21 | 2202.30 | 2825.00 | 2865.13 | 2856.64 | 2921.38 | 3244.11 | 3839.68 |
| NET FIXED ASSETS | 1238.26 | 1235.99 | 1230.13 | 910.74 | 1440.58 | 1374.94 | 1285.12 | 1238.81 | 1450.94 | 1955.51 |
| NET CURRENT ASSETS | 679.64 | 371.11 | 105.60 | (182.93) | (180.45) | (243.61) | (332.82) | (485.02) | (300.96) | (407.96) |
| EQUITY SHARE CAPITAL | 363.73 | 363.78 | 363.78 | 348.05 | 598.15 | 620.55 | 620.55 | 652.22 | 652.22 | 652.22 |
| RESERVES & SURPLUS (excluding revaluation reserve) | 276.49 | 239.55 | 239.55 | 239.65 | 239.65 | 718.84 | 718.84 | 776.63 | 822.18 | 883.32 |
| BOOK VALUE (Rs.) | 9.44 | 1.28 | (10.73) | (43.01) | (19.03) | (4.19) | (0.95) | 4.17 | 8.30 | 11.95 |
| EARNING PER SHARE (Rs.) | (9.80) | (12.51) | (13.40) | (30.19) | 2.02 | 5.36 | 3.05 | 6.54 | 6.97 | 9.36 |
| EQUITY DIVIDEND | | | | | | | | 20% | 25% | 50% |

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 | Executive Director |
| Mr. Dhruv Kaji | Director |
| Mr. Rajendra Chhabra | Director |

Vice President

Mr. Naresh Aggarwal

Company Secretary

Mr. Vishal Shah

Auditors

C. C. Chokshi & Co.
Chartered Accountants
31, Nutan Bharat Society, Alkapuri,
Baroda - 390 007.

Bankers

State Bank of India, Baroda
UTI Bank Ltd., Baroda

Registered Office & Works

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

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

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 Thirtieth 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 Friday, the 23rd day of June, 2006 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, 2006 and the Balance Sheet as at that date together with the Reports of the Board of Directors and Auditors thereon.
2. To confirm declaration of Interim Dividend on Equity Shares and declare Final Dividend on the Equity Shares and Preference Shares of the Company for the financial year ended 31st March, 2006.
3. To appoint a Director in place of Mr. Yogesh Kothari, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Kirat Patel, 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 an **Ordinary Resolution**:

"RESOLVED THAT Mr. Dhruv Kaji, who was appointed as an Additional Director by the Board under section 260 of the Companies Act, 1956 and Article 108 of the Articles of Association of the Company and who holds office only up to the date of this Annual General Meeting and in respect of whom the Company has received Notice under section 257 of the Companies Act, 1956 from a member signifying his intention to propose him as a candidate for the office of a Director of the Company, be and is hereby appointed a Director of the Company, liable to retire by rotation."

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 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 read with schedule XIII of the Companies Act, 1956 as amended from time to time and subject to other approvals as may be necessary, the Company hereby accords its consent and approval for the appointment of Shri G.G.Chendwankar as Executive Director of the Company for a period of three years w.e.f. 06.11.2005 and the payment of remuneration to him as per the terms and conditions set out in the draft agreement to be executed between the Company and Shri G.G.Chendwankar.

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to take such steps as may be necessary to give effect to this resolution."

8. 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 309 and other applicable provisions, if any, of the Companies Act, 1956, a sum not exceeding 1% per annum (one percent only) of the net profits of the Company calculated in accordance with the provisions of sections 198, 349 and 350 of the Companies Act, 1956, shall be paid to and distributed amongst the Directors of the Company (Part - Time Directors, i.e. Other than the Executive Director or the Whole Time Directors,

if any } in such amounts or proportions and in such manner and in all respects as may be directed by the Board of Directors and such payments shall be made in respect of the profits of the Company for each year of the period of five financial years of the Company commencing on 1st of April, 2006"

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

"RESOLVED THAT in accordance with the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 and further subject to such other approvals as may be necessary, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to mortgage and/or charge all the immovable and movable properties of the Company, as mentioned hereunder, both present and future or the whole or substantially the whole of the undertaking or undertakings of the Company situated at :

{I} K - 436, Chakia 46, Village Chakle, Tal. & Dist. Nandurbar, Dhule, Maharashtra.

{a} on first charge basis in favour of :-

UTI Bank Ltd.(UTI) for its term loan assistance of Rs.437.50 lakhs (Rupees Four Hundred thirty seven lakhs and fifty thousand only) for the wind mill project, at Dhule, Maharashtra and

{b} On second charge basis in favour of -

State Bank of India (SBI) for its fund based working capital facility upto Rs. 225 lakhs (Rupees Two hundred twenty five lakhs only) and non - fund based working capital facility upto Rs. 250 lakhs (Rupees Two hundred fifty lakhs only)

together with interest, commission, costs, charges, expenses and any other money payable by the Company to the Banks as above towards the financial assistance granted/to be granted by them to the Company

AND

{II} Plot No.13, P.C.C. Area, P.O. Petrochemicals, Baroda - 391 346. Gujarat.

{a} on first charge basis in favour of :-

State Bank of India (SBI) for its fund based working capital facility upto Rs. 225 lakhs (Rupees Two hundred twenty five lakhs only) and non - fund based working capital facility upto Rs. 250 lakhs (Rupees Two hundred fifty lakhs only)

{b} On second charge basis in favour of -

UTI Bank Ltd.(UTI) for its term loan assistance of Rs.437.50 lakhs (Rupees Four Hundred thirty seven lakhs and fifty thousand only) for the the wind mill project, at Dhule, Maharashtra together with interest, commission, costs, charges, expenses and any other money payable by the Company to the Banks as above towards the financial assistance granted/to be granted by them to the Company.

"RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution the Board of Directors of the Company be and is hereby authorised to make and/or agree to any modifications in the terms and conditions and to settle or resolve any question or difficulty or matter of interpretation of whatsoever nature as they consider necessary, expedient, usual or proper or otherwise in the best interest of the Company".

Vadodara, Dated: May 17, 2006.

REGISTERED OFFICE:

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

By Order of the Board

VISHAL SHAH
Company Secretary

DIAMINES**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 & 9 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 09.06.2006 to 23.06.2006 (both days inclusive).
- (d) Dividend on Equity Shares as recommended by the Directors for the financial year ended March 31, 2006 when declared at the meeting will be paid on or after 30th June, 2006 :
- (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 09.06.2006, 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 09.06.2006.
- (e) Members are requested to encash their Dividend Warrants on receipt as Dividend remaining unclaimed for seven years are 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 17.06.2006 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.

DIAMINES

- (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

- (l) 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: May 17, 2006.**REGISTERED OFFICE:**

Plot No.13, PCC Area,

P.O.: Petrochemicals,

Vadodara - 391 346.

By Order of the Board

VISHAL SHAH

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. Yogesh Kothari retires by rotation at the ensuing Annual General Meeting, and being eligible, has offered himself for reappointment.

Mr. Yogesh Kothari is the Chairman of the Company since March 14, 2001. He is also Chairman of share holders / Investors' Grievance Committee.

He is also Chairman and Managing Director of M/s. Alkyl Amines Chemicals Ltd. which is one of the Promoters of the Company.

Mr. Yogesh Kothari is a leading Industrialist and has rich experience in Chemical business for the last 31 years. He is also on the Board of DSP Merrill Lynch Ltd. and Alkyl Speciality Chemicals Limited. He is also an Executive Committee member of the Indian Chemical Manufacturers Association (ICMA) and also member in the Management Committee of Indian Merchants Chamber. He holds 121613 equity shares in the Company.

It will be in the interest of the Company that Mr. Yogesh Kothari continues as Director of the Company. Mr. Yogesh Kothari is interested in this resolution since it relates to his reappointment.

Resolution placed at item No 3 of the accompanying notice is recommended for your approval.

DIAMINES

ITEM NO.4:

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 the Board of the Company since, March 14, 2001.

He is Executive Director of the Promoter Company Alkyl Amines Chemicals Ltd. He is also a director of Alkyl Speciality Chemicals Ltd. and IIT Bombay Alumni Association. He holds 5200 equity shares in the Company.

It will be in the interest of the Company to reappoint Mr. Kirat Patel with his 28 years of experience in the industry.

Mr. Kirat Patel is interested in this resolution since it relates to his reappointment.

Resolution placed at item No 4 of the accompanying notice is recommended for your approval.

ITEM NO. 6:

Mr. Dhruv Kaji, is a Chartered Accountant and was co – opted as an additional Director of the Company by the Board of Directors on 29.11.2005. He holds office until the date of this Annual General Meeting, as per the provisions section 260 of the Companies Act, 1956. The Company has received a notice under section 257 (1) of the Companies Act, 1956, in writing from a member proposing the candidature of Mr.Dhruv Kaji for the office of Director liable to retire by rotation vide Article 110 of the Articles of Association of the Company along with the deposit of Rs.500.00 as prescribed under the section.

The Board considers it beneficial and in the interest of the Company to continue to have the guidance and advice of Mr.Dhruv Kaji, and accordingly recommend his appointment as Director of the Company.

This may also be treated as notice under sub - section (1A) of section 257 of the Companies Act, 1956.

Mr.Dhruv Kaji is concerned and is interested in his appointment and none of the other Directors is interested or concerned in the said appointment. He holds 200 equity shares in the Company.

Resolution placed at item No 6 of the accompanying notice is recommended for your approval.

ITEM NO. 7:

Mr. G. G. Chendwankar has been on the Board of the Company. since March 14, 2001. Before his appointment as Executive Director of the Company, he was Vice President of the Promoter Company, Alkyl Amines Chemicals Ltd. Since his appointment as such, he has resigned from the services of the Promoter Company.

Previous to his appointment as Executive Director he was also member of Audit Committee, Shareholders' / Investors Grievance Committee & Supervisory Committee of the Company. But after his appointment as such he is now a member of only Shareholders' / Investors Grievance Committee & Review Committee. He is not on the Board of any other Company.

As resolved at the Board Meeting held on 20.10.2005 and Remuneration Committee meeting held on 9.12.2005. Mr.G.G.Chendwankar shall hold his office for three years i.e. till 05.11.2008, subject to the terms and conditions and remuneration as mentioned in the abstract reproduced at the end of this item. The other details regarding the performance of the Company and the appointee are as under :

Statement as required under the Provisions of the Companies Act, 1956:

1) General Information:

- | | |
|--|---|
| 1) Nature of Industry | Manufacturing range of Ethyleneamines at its factory situated at Plot. No. 13, P.C.C Area, P.O. Petrochemicals, Baroda – 391 346. |
| 2) Date of Commencement of commercial production | 28. 01. 1982 |

- | | |
|--|---|
| 3) Financial Performance For the financial year ended 31.03.2006 | i. Turnover : Rs. 2066.02 lakhs ii. Operating Profit (PBITD) : Rs. 890.06 lakhs iii. Net Profit After Tax : Rs. 611.43 lakhs iv. Debt Equity Ratio : 0.74 :1 v. Current Ratio : 0.75 :1 vi. Net Worth : Rs. 793.79 lakhs |
| 4) Export Performance | For the year ended 31.03.06, the Company has made exports of Rs.20.86 lacs. |
| 5) Foreign Investment or Collaboration | i. The Company is the first ever indigenous plant in its type. ii. There is no Foreign investment or collaboration. |

2. Information about the appointee:

A. Background details :

- Mr. G. G. Chendwankar has been on the Board of the Company, since March 14, 2001. During continuance of his office as Director of the Company but before his appointment as Executive Director, he was Vice President of the Promoter Company, Alkyl Amines Chemicals Ltd. Since his appointment as such he has resigned from the services of the Promoter Company. Allumni
- Mr. G. G. Chendwankar who is post graduate in personnel management and has more than 43 years of rich experience in different industries such as textiles, engineering, chemical, petrochemical etc. out of which more than 28 years, he had been on managerial and senior management positions. During this tenure, he was also made responsible for various functions related with H.R. Personnel and Admn. Industrial Relations, manufacturing, also supervising the marketing, purchase, imports and exports etc.
- "ACHIEVEMENTS" : Framed personnel policies for number of Organizations, handled labour disputes, signed long-term settlements, handled strikes and go slow situations successfully, streamlined production with the help of technical team, reduced cost by adopting various measures including VRS schemes in two companies, took lot of efforts to turn around our company, which was a BIFR company, into a profit making company.

B. ABSTRACT OF THE TERMS OF APPOINTMENT AND REMUNERATION OF MR. G. G. CHENDWANKAR AS AN EXECUTIVE DIRECTOR OF THE COMPANY:

- A) Basic Salary: Rs. 85,000 per month
- B) Commission: 0.5% of Net Profits calculated under Companies Act, 1956.
- C) Perquisites/Amenities:
 - i. HRA : Rs. 25,000 per month
 - ii. Medical reimbursement: Rs. 25,000 per annum
 - iii. Leave Travel Concession: Rs. 40,000 per annum
 - iv. Contributions to PPF, Personal Accident Insurance policy, leave with full pay and encashment of leave at the end of tenure.
 - v. Conveyance and communication facilities
 - vi. Other Perquisites

Subject to overall ceiling on remuneration mentioned in Schedule XIII of the Companies Act, 1956, he may be given any other allowances, benefits and perquisites as the Board of Directors may decide from time to time.

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C. Minimum Remuneration:

In the event of loss or inadequacy of profits in any financial year during the currency or tenure of his service, the payment of remuneration shall be governed by the limits prescribed under Schedule XIII to the Companies Act, 1956 or any amendment thereof.

D. Job Profile and his suitability:

- As an Executive Director, he is responsible for the day to day management of the Company and assisted by Senior Executives. He is working under the superintendence and control of the Board of Directors. He is responsible for all the day to day activities of the Company.

E. Pecuniary Relationship:

- He is not related to any of the Promoters / Directors of the Company.

3. Other Information :

- Reasons of loss or inadequate profits :

Before acquisition of the Company by the present promoters, the Company was a Sick Company, having incurred huge losses. The losses or the inadequate profits presently shown in the Balance Sheet of the Company are the previous years losses i.e. losses before acquisition of the Company by the present promoters.

- Steps taken or proposed to be taken for improvement.

Since the acquisition the Company, it has been putting all its efforts, to improve its financial position and thereby it has also declared dividend for the last two years i.e. 2003 - 2004 {20%} and 2004 - 2005 {25%} and Interim Dividend {15%} during the current year 2005 - 2006 and Final Dividend of 35% {aggregating 50% for the year 2005 - 2006}.

- Expected increase in productivity and profits in measurable terms :

Considering the current market scenario it is expected that the company will be able to report better result for the year 2006-07. It will be in the interest of the Company to reappoint Mr. Chendwankar with his 43 years of experience in the Industry.

Mr. G. G. Chendwankar is interested in this resolution since it relates to his appointment. He holds 18750 equity shares.

A copy of the agreement between the Company and the Executive Director is available for inspection at the Registered office of the Company during business hours.

Resolution placed at item No 7 of the accompanying notice is recommended for your approval.

ITEM NO. 8:

Since acquisition of the Company by the present promoters in 2000, the Company has made steady progress under the superintendence, control and direction of the Directors of the Company.

The Company which was earlier a BIFR Company, has made its networth positive in 2003 - 2004 and is on the Dividend list for the last 3 years. The responsibilities of the Directors have considerably increased with the steady progress of the Company.

Hence, taking into account the responsibilities of the Directors, it is proposed that in terms of section 309 (4) of the Companies Act, 1956, the Directors of the Company { Part - Time Directors, i.e. Other than the Executive Director or the Whole Time Directors, if any } be paid, for each year of five financial years of the Company commencing 1st of April, 2006, remuneration not exceeding 1% per annum