

**DAIKAFFIL CHEMICALS INDIA LIMITED**

Regd. Office: Plot No. E-4, M.I.D.C. Tarapur, Boisar, District Thane Maharashtra-401506

**NOTICE**

NOTICE is hereby given that the Eighteenth Annual General Meeting of the Members of DAIKAFFIL CHEMICALS INDIA LIMITED will be held on Wednesday the 28th day of July, 2010 at 11.30 A.M. at E-4, M.I.C.C. Tarapur, Boisar, District Thane. Maharashtra-401506 to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, **2010** and Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors **and** Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. Yoshiaki Tagami, who retires by rotation, and **being** eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. **Jagdish** Vasa, who retires by rotation, and **being** eligible, offers himself for re-appointment.
5. To **appoint Auditors and** to fix their remuneration.

By Order of the Board  
for DAIKAFFIL **CHEMICALS INDIA LIMITED**

**SISHIR R. AMIN**  
(**MANAGING DIRECTOR**)

Registered Office:  
E-4. M I.D.C. Tarapur,  
Boisar, District Thane  
Maharashtra-401506

Date: May 07, 2010  
Place: Mumbai

**NOTES**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS **ENTITLED** TO APPOINT A PROXY TO ATTEND **AND VOTE** INSTEAD OF HIMSELF AND THE PROXY NEED NOT **BE A MEMBER OF THE COMPANY**. THE PROXY, IN ORDER TO BE EFFECTIVE, MUST BE **DEPOSITED** AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN **48 HOURS** BEFORE THE COMMENCEMENT **OF THE MEETING**.
2. The Register of Members and the Shares Transfer Books of the Company will be closed from 16th day of July, 2010 to Wednesday, the 28th day of July, 2010 (both days inclusive).
3. The dividend, as recommended by the Board, if declared at the Annual General Meeting will be paid on or after 2nd August, 2010 to those Members whose names stand registered on the Company's Register of Members:
  - i. As Beneficial Owners as at the end of the business hours on 16th day of July, 2010 as per the list to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of shares held in Dematerialized form.
  - ii As Members in the Register of Members of the Company after giving effect to valid share transfers lodged with the Company, on or before 17th July, 2010.
4. The members are requested to:
  - (a) Intimate to the Company's Registrars and Share Transfer Agents M/s Link Intime India Private Limited (for shares held in physical form) and to their Depository Participants (DP) (for shares held in dematerialized form) the changes, if any, in their registered address, Bank account number / details etc. at an early date;
  - (b) Quote ledger folio numbers / DP Identity and Client Identity Numbers in all their correspondences;
  - (c) Approach the Company for consolidation of folios, if shareholdings are under multiple folios;
  - (d) Get the shares transferred in joint names, if they are held in single name to avoid inconvenience;
  - (e) Bring their copies of the Annual Report and the Attendance Slip duly filled in for attending the Annual General Meeting;
  - (f) Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions to the Company at the registered office address so as to reach at least seven days before the date of the Meeting, to enable the information required to be made available at the Meeting to the best extent possible.
  - (g) Furnish their Bank Account Number, the name of the Bank and the Branch where they would like to deposit the Dividend Warrants for encashment. These particulars will be printed on the cheque portion of Dividend Warrants, besides the name of the Shareholders so as to avoid fraudulent encashment of warrants. The above mentioned details should be furnished by the first / sole shareholder, directly to the Registrar & Share Transfer Agents, quoting the folio number.
5. Pursuant to Section 205A of the Companies Act, 1956, the amount of unclaimed dividend for the financial year ended 31st March, 1997 have been transferred to the Investor Education and Protection Fund of the Central Government (the "Fund") during the financial year.

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**Maharashtra-401506**

**DIRECTORS REPORT**

Dear Members,

Your Directors are pleased to present their Eighteenth Annual Report together with the Audited statement of Accounts along with the Report of the Auditors for the year ended 31" March, 2010

<b><u>FINANCIAL RESULTS:</u></b>	<b>2009-2010</b>		<b>2008-2009</b>	
	<b>(Rupees)</b>		<b>(Rupees)</b>	
Sales etc. and other income	<b>18,66,16,513</b>		<b>16,27,66,840</b>	
Profit before Depreciation, Interest and Tax	<b>2,85,35,124</b>		<b>2,10,10,519</b>	
Less: Depreciation	<b>32,63,345</b>	29,61,474		
Interest	<b>3,81,010</b>	10,89,676		
	<b>36,44,355</b>		<b>40,51,150</b>	
Profit before Tax	<b>2,48,90,769</b>		<b>1,69,59,369</b>	
Less : Provision for Tax				
Current Tax	<b>89,00,000</b>	58,45,000		
Deferred Tax	<b>(2,92,102)</b>	1,89,453	<b>60,34,453</b>	
Fringe Benefit Tax			<b>62,200</b>	
Short Provision Tax			<b>39,678</b>	
Prior Period Expenses	<b>37,694</b>		<b>1,94,188</b>	
Profit after Tax	<b>1,62,45,177</b>		<b>1,06,28,850</b>	
Add: Balance Brought forward from the previous year	<b>81,28,170</b>		<b>44,13,110</b>	
Profit available for Appropriation	<b>2,43,73,347</b>		<b>1,50,41,960</b>	
Appropriation				
Transfer to General Reserve	<b>25,00,000</b>		<b>20,00,000</b>	
Proposed Dividend	<b>48,00,000</b>		<b>42,00,000</b>	
Corporate Dividend Tax Thereon	<b>8,15,760</b>		<b>7,13,790</b>	
Balance carried forward	<b>1,62,57,587</b>		<b>81,28,170</b>	
	<b>2,43,73,347</b>		<b>1,50,41,960</b>	

**DIVIDEND :**

Despite improved working results, with a view to conserve financial resources required for the expansion of speciality Chemicals project, your Directors recommend 8% Dividend on 60,00,000 Equity shares of Rs. 101-each ie. Rs. 0.80 per share aggregating to Rs. 48 Lacs excluding dividend Tax.

**PERFORMANCE :**

Gross sales for the year increased to Rs. 18.66 Crores reflecting a growth of about 15 % over the previous year. However Net profit shows an impressive performance at Rs. 2.48 Crores as compared to Rs. 1.67 Crores of previous year which is about 48% higher. Higher profit are mainly due to cost cutting and revenue enhancement measures taken by the company during the year.

**OUTLOOK :**

Since company's exports are mainly to European Union (EU), the present Economic uncertainty prevailing in majority European Countries, and a weakening Euro are the main worries for Indian Exports. No body would have foreseen that the euro would fall by 20% as compared to Indian Rupee, in the last 4 months and consequently, this is bound to affect the working of the Company till Euro recovers. Europe troubles will impact the Indian industry in two ways, One will be the cross currency impact and the second will be that many Corporates might cut back on budgets.

As an insurance against export due to currency problem envisaged, and with a view to expand Market share of Company's products domestically, reliable distributors have been appointed in the important centers particularly in the South where "Textile Hosiery" and Paper mills are flourishing.

**ERCA SPECIALITY CHEMICALS PLANT :**

Speciality Chemicals include Textile Auxiliaries which under ERCA Italy's Technological guidance have been set up fully with machinery, ancillary pipeline, Electrification etc along with Reverse osmosis plant

Machinery required for Research and Development and quality control in the laboratory have been already fitted.

ERCA Speciality Chemicals Pvt. Ltd. is a Joint Venture Company established by

- 1) HGE Chemicals Coof Luxembourg.
- 2) Novakem S.A. Luxembourg
- 3) Daikaffil Chemicals India Ltd. in order to Produce "Speciality Chemicals" at our plant and to be marketed by ERCA Speciality Chemicals (P) Ltd as per the M.O.U signed by the above parties on 26th Nov'2009 at Mumbai.

Our Company hold 25% of Equity Share Capital of ERCA Speciality Chemicals Pvt. Ltd.

In the long term Perspective company's investment in ERCA Speciality Chemicals Pvt. Ltd. would be beneficial under this arrangement.

HGE through their main associated company Erca Italy have given free technology and supplied some essential equipment for the production of "Speciality Chemicals, that also includes Construction Chemicals (CC) which is a board class of products, that play essential role in modern construction, be it houses, Bridges, tunnels roads. Industrial flooring etc. CC includes concrete mixtures & additive, Grouts & Caulks coating flooring sealants & adhesives, protective coating & fibers etc CC Industries is well established in India and estimate of its size in about Rs. 2000 crores.

**DIRECTORS :**

Mr. Yoshiaki Tagami & Mr. **Jagdish** Vasa retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

Their re-appointment would immensely benefit the Company looking at their business knowledge and expertise.

**CORPORATE GOVERNANCE :**

A separate section on Corporate Governance, a certificate from Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with Bombay Stock Exchange is attached herewith

**PARTICULARS OF EMPLOYEES :**

The Company does not have any employee of the category specified in Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975

**AUDIT COMMITTEE :**

As per the requirements of the Companies Act, 1956 and Listing Agreement, the Company has an Audit Committee consisting of two Independent Directors and One Executive Director namely Mr. Sudir Patel, Mr. Jagdish J. Vasa and Mr. Sishir Amin.

The Audit Committee met on three occasions on 31.07.2009, 30.10.2009 and 29.01.2010

**DIRECTORS' RESPONSIBILITY STATEMENT:**

Your Directors wish to inform Members that the Audited Accounts containing Financial Statements for the Financial Year 2009-2010 are in full conformity with the requirement of the Companies Act, 1956. They believe that the Financial Statements reflect fairly, the form and substance of transactions carried out during the year and reasonably present the Company's financial condition and results of operations.

Your Directors further confirm that :

- (1) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (2) The directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;
- (3) The directors have taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (4) The directors have prepared the annual accounts on a going concern basis.

**SAFETY AND ECOLOGY:**

Your Company continues to accord the highest priority to Environment, Occupational Health and Safety with a view to progressively achieve international standards while ensuring compliance with statutory requirements.

**FIXED DEPOSITS :**

The Company has not accepted any Deposit from the Public during the year under review. As on 31st March, 2010, no unclaimed deposits are lying with the Company.

**INSURANCE :**

All the Fixed Assets have been adequately insured.

**FOREIGN COLLABORATORS:**

Daika Japan Limited and Kiwa Chemicals Industries (Japan) continue to give their active support in the development of the Company and the Directors put on record their full appreciation for the co-operation being extended by them.

**AUDITORS:**

The Members are requested to appoint Auditors for the current year and to fix their remuneration. M/s Gaurang Merchant & Co., the retiring Auditors, are eligible for re-appointment and have furnished a certificate to the effect that their re-appointment, if made, will be in accordance with the limits specified in Section 224 (1B) of the Companies Act, 1956

**AUDITORS REPORT:**

The Auditors have vide para 4(d) of their Report, made qualification about non compliances of Accounting Standard 28 in respect of Impairment of Assets.

The Board is of the opinion that no impairment in carrying amount of assets has occurred as on the date of the Balance Sheet.

**CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION :**

As required under Section 217(1) (e) of the Companies Act, 1956 read together with the Companies ( Disclosure of Particulars in the report of the Board of Director ) Rules, 1988 the relevant information is given below.

The Company's operations involve high energy consumption. Wherever possible, energy conservation measures have already been implemented. The Company is making all efforts to optimize the use of energy improved operational methods. '

Diesel Generating Set worked satisfactorily during the year wherever there was power failure on feeder lines of MSEB

Relevant data in respect of energy consumption is as below.

<b>(I) Power &amp; Fuel Consumption</b>	<b>2009-2010</b>	<b>2008-2009</b>
1. Electricity		
Purchased Units	5,85,545	4,67,146
Total Amount	Rs. 29,53,010	Rs. 21,50,579
Rate / Unit (Rs.)	Rs. 5.04	Rs. 4.60
2. Light Diesel Oil / Furnance Oil		
Quantity ( Litres )	4,200	6,400
Total Amount	Rs. 1,48,728	Rs. 2,45,696
Average Rate ( Rs. / Ltrs)	Rs. 35.41	Rs. 38.39
3. Coal		
Quantity (Kgs)	11,24,000	8,43,988
Total Amount	Rs. 54,44,058	Rs. 41,59,018
Average Rate (Rs./ Kgs)	Rs. 4.84	Rs. 4.92
<b>(II) Consumption per Unit of Production</b>		
1. Electricity	Rs. 2.10/ Kg	Rs. 2.23/kg

**FOREIGN EXCHANGE EARNINGS AND OUTGO:**

	(Rs. in Lacs)
Foreign Exchange Earnings:	1164.13
Foreign Exchange Outgo :	522.73

**LISTING AGREEMENT COMPLIANCE:**

Pursuant to the requirements of the Listing Agreement, the Company declares that its Equity Shares are listed on the Stock Exchange, Mumbai.

**PERSONNEL:**

Industrial relations at the Company's factory and other establishments remained cordial during the year. We appreciate the contribution made by the employees towards achieving improved productivity and flexibility in operation.

**ACKNOWLEDGEMENT:**

The Directors wish to place on record their appreciations for the continued support and co-operations by Government Authorities, Financial Institutions, Banks and our valued customers along with dedicated service of all the workers, staff and the officers, whose continuous support is a pillar of strength which have largely contributed to the efficient management of the Company. Suffice it to say, that your co-operation as our shareholders is hereby acknowledged with gratitude.

For and on behalf of the Board,

Mumbai, May 07, 2010

**(AMIT J. PATEL)**  
**EXECUTIVE CHAIRMAN**

**MANAGEMENT DISCUSSION AND ANALYSIS**

The Board of Directors of your Company has pleasure in presenting the Management Discussion and Analysis Report in compliance with the Code of Corporate Governance under Clause 49 of the Listing Agreement.

**# INDUSTRY OVERVIEW**

The Dyestuff and Chemicals industry is a global business. In recent years, the Chemicals Industry is in the midst of a new wave of change. This is mainly on account of Global Economic slowdown and strict regulations imposed by the EU on account of REACH and other Environmental issues [Green Chemistry] gaining importance round the world resulting in the focus shifting to China, India, Brazil wherein the Multinationals have started planning shifting of their major operations to these countries. These changes have begun 2 to 3 years ago and have resulted in an increase in local demand.

This dawn of convergence of technologies, products and markets are the key elements; for the Chemicals Industries which in turn is a good opportunity for our Company.

The Indian Chemicals industries, too, has witnessed a considerable change in the past couple of years. The boost in the Industrial production coupled with a surge in the local demand in the textiles, paper industries has resulted in good prospects for our Company and the future holds bright considering the shifting of operations to India. The ongoing economic buoyancy in India, despite global economic meltdown, has offered opportunities for rapid growth of the Chemicals Industry and in particular our optical brighteners for textiles, paper, detergents.

In a nutshell, the Industry is all set for a sustained growth over a long term, fuelled by favourable industry demographics, overall growth in the chemicals industry which points to healthy future for our Company.

	(Rs. Lakhs)	(Rs. Lakhs)
	<b>2009-2010</b>	2008-2009
Sales	<b>18,66.16</b>	1627.66
<b>PBT</b>	<b>248.91</b>	169.59
PAT	<b>162.45</b>	106.29
<b>EPS (Rs.)</b>	<b>2.71</b>	1.77

**# OPPORTUNITIES AND THREATS**

- The Company is well positioned to leverage on the following opportunities available in the Chemicals Industry Sector.
- Potential of deeper penetration of optical brighteners in the Textiles, Paper and Detergent Industries
- Rapid increase in demand of paper/textiles.
- Upgraded technology to produce textile auxiliaries, optical brighteners
- Easy Availability of Finance for Expansion/Diversification
- The Company is equally poised to manage the potential threats posed by the sector:
- Tremendous Increase in Cost of Crude petroleum resulting an upward prices in the downstream products.
- Imports from China resulting in price competition.
- Rapid Transition of Technology
- Continuous Pressure on Margins owing to the emergence of many market players and stiff competition.

**# CHALLENGES**

As the Indian Chemicals Industry tries to realise its full potential, ample challenges still loom large over the horizon, some of them being :

- Declining margins for many players
- Expansion of Distribution reach
- Political/Social upheavals
- Creating Awareness about the new technologies and products



However, these challenges are gradually being addressed and looking ahead, it is firmly believed that India will continue to grow as an important market for the global chemicals industry. The future of Indian Chemicals Industry is indeed bright.

#### # OUTLOOK

Your Company is determined to focus on appropriate product mix and create a brand image of its " DIKAPHORS" in the Textiles, Paper and Detergent Industries. The Company shall focus on introducing new brighteners in these industries to lower their inputs costs as well as perform better on their finished products. The Company has already chalked out numerous cost reduction measures which, in addition to the softening of the raw materials prices, will help the Company in improving the competitiveness of the products in the marketplace.

# Your Company also plans to :

- " Enhance Performance Management with emphasis on growth
- " Restructure its products portfolio for profitable growth
- " Align its marketing strategies against the industry insights
- " Emphasize on product Innovation

#### # SEGMENT PERFORMANCE

The Company has only one segment viz : Chemicals as per the Accounting Standards on Segment Reporting [AS-17] of ICAI

#### # FINANCIAL PERFORMANCE

##### Sales

During the Year under consideration, the Company achieved a gross sales of 1866.16 lakhs as against Rs. 1627.66 lakhs during the previous year ended on 31st March 2009 thereby recording a growth of 14.65 %

##### Expenditure

##### Cost of Raw Materials Consumed

Cost of Raw Materials consumed stood at Rs. 1028.56 lakhs as against Rs. 948.74 lakhs during the previous year ended 31st March 2009.

##### Salaries, Wages and Employees Benefits:

During the Year under review, salaries, wages and employees benefits stood at Rs. 125.12 lakhs as against Rs. 107.13 lakhs for the previous year representing an increase of 16.79 %

##### # Manufacturing and Other Expenses:

During the year under review, the manufacturing and other expenses were Rs. 407.30 lakhs as against Rs. 329.97 lakhs for the previous year ended on 31st March 2009 representing an increase of 23.43 % as compared to the previous year

#### # INTEREST EXPENSES

For the year ended 31st March 2010 interest amounted to Rs. 3.81 lakhs as against Rs. 10.89 lakhs incurred during the previous year

#### # DEPRECIATION:

Net Depreciation amounted to Rs. 32.63 lakhs as against Rs. 29.61 lakhs for the previous year ended on 31st March 2009 thereby recording an increase of 10.20 % as compared to the previous year

#### # PROFIT AFTER TAX:

As a result of the foregoing, the profit before tax was Rs. 248.52 lakhs as compared to Rs. 167.66 lakhs for the previous year thereby recording an increase of 48.23 % in the profit before tax.

#### # PROVISION FOR TAXATION

Provision for taxation includes provision for Current Tax, Deferred Tax. During the year under review the Company has provided Rs. 86.08 lakhs as Corporate Tax as against provision of Rs. 61.36 lakhs during the previous year ended 31st March 2009.

**#NET PROFIT**

Net Profit [after taxation] of the Company increased to Rs.162.44 lakhs from Rs.106.30 lakhs for the previous year representing an increase of 52.81 %

**#INTERNAL CONTROL SYSTEM'**

Your Company has an adequate system of Internal Control which ensures optimal utilisation and protection of resources, accurate reporting of financial transactions and compliance with applicable laws and regulations as also internal policies and procedures. The internal control system is supplemented by internal audits, regular reviews by management and policies to ensure reliability of financial and all other records to prepare financial statements and other data.

The top Management and the Audit Committee of the Board review the findings and recommendations of the internal audit reports every quarter.

**# HUMAN RESOURCE MANAGEMENT**

The Work environment of the Company gives to its employees, the freedom to explore and make the most of them. It is your Company's endeavour to create an environment where people can use their capabilities to the fullest in support of the business. Therefore, your Company encourages its employees to balance their work and personal responsibilities and undertake voluntary projects that enable them to learn and contribute innovative ideas in meeting goals of the Company.

A cordial industrial relation environment prevailed in the Company during the year.

**# CAUTIONARY STATEMENT**

Statements in this Management Discussion and Analysis Report describing the Company's objectives, projections, estimates and expectations may constitute " forward looking statements " within the meaning of applicable laws and regulations. Actual results may differ materially from those either expressed or implied. Important factors that could make a significant difference to the Company's operations include, among others, economic conditions affecting demand supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other status and incidental factors

**CORPORATE GOVERNANCE**

Company's Policies on the Corporate Governance and due Compliance Report on specific areas wherever applicable for the year ended 31<sup>st</sup> March, 2010 are hereunder divided into the following areas:-

**I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:**

Company's Philosophy of Corporate Governance is intended to bring about

- Transparency and Professionalism in activities of the organization.
- Implementation of policies and procedures prescribed by the Company to ensure high ethical standards in all its business activities and responsive management.

**II. BOARD OF DIRECTORS:****(a) Composition of the Board**

- The Board of Directors of the Company consists of eminent persons with considerable expertise and experience in business and industry.
- The composition of the Board of Directors with reference to Executive and Non Executive Directors meets the requirement of code of Corporate Governance.
- Out of Seven Directors, there is One Non-Promoter Executive Director namely Mr. Sishir R. Amin, One Promoter Executive Director and Chairman namely Mr. Amit J. Patel and one Promoter Non - Executive Director namely Mr. Jayant G. Patel.
- There are four independent Directors namely Mr. Yoshiaki Tagami, Mr. Jagdish J. Vasa, Dr. Giuseppe Seccomandi and Mr. Sudhir M. Patel.

**(b) Number of Board Meetings held and attended by Directors**

Board Meetings are held at least four times during the year coinciding with the presentation of each quarterly result. During the last financial year, six Board Meetings were held on 29<sup>th</sup> April, 2009, 30<sup>th</sup> June, 2009, 31<sup>st</sup> July, 2009, 30<sup>th</sup> October, 2009 and 29<sup>th</sup> January, 2010.

The Meetings were attended as follows.

- Mr. Jayant G. Patel, Mr. Sishir R. Amin, Mr. Amit Patel attended all the five Meetings.
- Mr. Sudhir Patel and Mr. Jagdish Vasa attended four Meetings
- Mr. Giuseppe Seccomandi and Mr. Yoshiaki Tagami were granted leave of absence for all five meetings.

Mr. Amit Patel & Mr. Sishir Amin attended the last Annual General Meeting held on 30<sup>th</sup> September, 2009.

(c) The details of other Directorships and Committee Membership:

Name of the Directors	Category of Directors	No. Of Other Directorships held	No. of other Board Committee(s) Of which He/she is	
			Member	Chairman
Jayant G. Patel	Promoter - Non Executive	1	0	0
Amit J. Patel	Chairman - Promoter -Executive	1	0	0
Sishir R. Amin	Non Promoter - Executive	1	0	0
Sudhir M. Patel	Independent - Non- Executive	9	4	1
Jagdish J. Vasa	Independent - Non- Executive	6	0	0
Yoshiaki Tagami	Independent - Non- Executive	0	0	0
Dr. Giuseppe Seccomandi	Independent - Non- Executive	0	0	0

(d) Details of Directors seeking Re-appointment:

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

Name of Director	Mr. Yoshiaki Tagami	Mr. Jagdish Vasa
Date of appointment	28-04-1994	29-03-2003
Expertise in specific Functional Areas	Executive with considerable experience in Chemical Industry in Japan	Considerable experience in Chemical Industry.
List of other Directors	Nil	Nil

**III AUDIT COMMITTEE:**

- (I) The Audit Committee of the Board of Directors of the Company, inter-alia, provides an assurance to the Board on the adequacy of internal control systems and financial disclosures. The scope of the Audit Committee is in accordance with as specified in Clause 49 of the Listing Agreement. The broad terms of reference include.
- To review compliance with internal control systems.
  - To review the quarterly, half yearly, annual financial results of the Company before submission to the Board.
  - To review Company's financial reporting process and disclosure of financial information.
  - Recommending the appointment of statutory and internal auditors.

- (ii) The Audit Committee at present comprises of two independent directors namely Mr. Sudhir Patel and Mr. Jagdish J. Vasa and one Executive Director namely Mr. Sishir Amin.

Mr. Jagdish Vasa is the Chairman of the Audit Committee.

- (iii) The four Audit Committee Meetings were held on June 30, 2009, July 31, 2009, October 30, 2009 and January 29, 2010.

Mr. Jagdish Vasa and Mr. Sudhir Patel attended three meetings and Mr. Sishir Amin attended all the four meetings.

#### IV. REMUNERATION COMMITTEE:

- (i) The Remuneration Committee considers the policy and the matter relating to the remuneration including commission payable to managerial persons including Managing Directors and Whole Time Directors.
- (ii) The Remuneration Committee was constituted on 30th June, 2004 and the Committee at present comprises of Three Independent Directors namely Mr. Jagdish J. Vasa, Mr. Sudhir Patel and Mr. Yoshiaki Tagami.

Mr. Jagdish Vasa is the Chairman of the Committee.

- (iii) No Meeting of Remuneration Committee was held during the year under review.

- (iv) The Company paid sitting fees of Rs. 50001- per meeting to Non-Executive Directors and no other remuneration has been paid to the Non Executive Directors during the year under review.

Managing / Whole Time, Directors are being paid remuneration as approved by the Shareholders and as recommended by the Remuneration Committee and approved by the Board of Directors from time to time, subject to the approval of other appropriate authority, as may be required.

Remuneration to Executive Directors:

The Company has paid the gross remuneration of Rs. 11,86,465/- Lakhs (including perquisites and other benefits) to Mr. Sishir Amin, Managing Director of the Company and Rs. 7,07,297/- Lakhs (including perquisites and other benefits) to Mr. Amit J Patel, Executive Chairman of the Company during the year.

Note: The contract of employment with Mr. Sishir Amin, Managing Director is for a period of five years and with Mr. Amit J Patel, Executive Chairman is for a period of three years. There is no notice period specified to determine the contract.

Further Mr. Jayant Patel, Non Executive Director, Mr. Amit Patel, Executive Chairman hold 300950 and 661500 Equity Shares in the Company respectively.

#### V. SHAREHOLDERS' COMMITTEE:

- (a) The Company has constituted a Share Transfer cum Shareholders / Investors Grievance Committee consisting of Executive and Non Executive directors Mr. Jayant G. Patel, Mr. Amit J. Patel and Mr. Sishir R. Amin. The Committee normally meets twice a month as required Mr. Amit Patel is the Chairman of the Shareholders' Committee.

The Committee approves, transfer / transmission / transposition ■ consolidations / splitting, issue of duplicate certificates, allotment of shares and debentures, shareholders grievances pertaining to non receipt of transferred share certificates, non receipt of balance sheet and non receipt of dividend / interest warrant etc.

- (b) The Board has designated Mr. Sishir Amin as the Compliance Officer.

(c) The Company has approximately 3325 shareholders. The total number of complaints received and replied to the satisfaction of shareholders during the year under review were (6) . There were no outstanding complaints as on March 31,2010.

**VI GENERAL BODY MEETINGS:**

a. The details of the Annual General Meeting held in last three years are as under: -

AGM	DAY	DATE	TIME	VENUE
15th	Thursday	20.09.2007	10.30A.M.	M.C. Ghia Hall, Bhogilal Hargovidas Building, 18/20, Kaikhushru Marg, Mumbai-1
16th	Tuesday	30.09.2008	11.30A.M.	E-4, MIDC Tarapur, Boisar, Dist. Thane, Maharashtra-401506
17th	Wednesday	30.09.2009	11.30A.M.	E-4, MIDC Tarapur, Boisar, Dist. Thane, Maharashtra-401506

b. No Special Resolution was passed at the last three Annual General Meetings.

c. NO Special Resolution was passed last year through postal ballot.

d. No special resolution is proposed to be conducted through postal ballot.

**VII DISCLOSURES:**

(i) The Company has properly disclosed the significant material transactions with related parties viz. Promoters, Directors or the Management, their subsidiaries or relatives at the appropriate places in the Annual Accounts. However these transactions are not likely to have any conflict with the Company's interest.

(ii) No penalties or strictures have been imposed on the Company by the Stock Exchanges or The Securities and Exchange Board of India (SEBI) or any statutory authority on any matters related to capital markets during the last three years.

(iii) The Company has adopted a Code of Conduct for its Directors and employees This Code of Conduct has been communicated to each of them.

(iv) Adoption of non-mandatory requirements under Clause 49 of the Listing Agreement is being reviewed by the Board from time to time.

**VIII MEANS OF COMMUNICATION:**

(i)	Quarterly Results	Communicated to all the Stock Exchanges with whom the Company is listed.
(ii)	Newspapers wherein Results normally published	The Free Press Journal, & Navshakti, Mumbai
(iii)	Any web site, where displayed	No
(iv)	Whether it also displays official News releases and presentations made to Institutional investors / analysts	No
(v)	Whether MD & A is a part of annual report	Yes

**IX GENERAL SHAREHOLDER INFORMATION:**

(a) ANNUAL GENERAL MEETING TO BE HELD:

The 18th Annual General Meeting will be held on Wednesday, the 28th day of July, 2010 at 11.30 A.M. at E-4, M.I.D.C. Tarapur, Boisar, District Thane, Maharashtra-401506.

(b) FINANCIAL CALENDAR 2010-2011 (TENTATIVE):

Annual General Meeting                      31st July, 2011  
 First Quarterly Results:                      Before end of 15th August, 2010  
 Second Quarterly Results:                      Before end of 15th November, 2010.  
 Third Quarterly Results:                      Before end of 15th February, 2011.  
 Audited yearly Results for  
 The year ended 31st March, 2011 Before end of May, 2011

(c) DATES OF BOOK CLOSURE:

16th July, 2010 to 28th July, 2010 (Both days inclusive).

(d) DIVIDEND PAYMENT DATE:

On or after 2nd August, 2010 to those members whose names stand registered on the Company's Register of Members as on 28th July, 2010.

(e) Stock Exchange Listing:

The Company's shares are presently listed on the Bombay Stock Exchange.

(f) STOCK CODE:

	Physical	Demat
Trading code Bombay Stock Exchange	30825	530825

(g) STOCK MARKET DATA:

The Monthly high and low quotations and volume of shares traded at The Stock Exchange Mumbai is as follows,

Period	BSE		
	High (Rs.)	Low(Rs.)	Volume (Nos.)
April, 2009	7.64	5.76	49345
May, 2009	8.45	6.42	26907
June, 2009	9.36	7.30	88107
July, 2009	10.20	8.10	77641
August, 2009	10.65	8.97	73205
September, 2009	14.23	10.30	178729
October, 2009	13.00	11.24	86775
November, 2009	13.84	10.37	41741
December, 2009	14.00	11.00	36518
January, 2010	14.25	11.40	63237
February, 2010	13.95	11.61	118920
March, 2010	18.00	12.85	185624

**(h) REGISTRAR AND TRANSFER AGENTS:**

The Registrar and Transfer Agents of the Company are M/s Link Intime India Private Limited and they have their Office at

C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai-400078. Tel Nos. 25963838 Fax Nos. 25946969 Email: isrl@intimespectrum.com	203, Davar House, Dr. D.N. Road, Mumbai-400 001 Tel Nos. 22694127
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**(i) SHARE TRANSFER SYSTEM:**

Share transfer requests received in physical form are registered within 30 days from the date of receipt and Demat requests are normally confirmed within an average period of 10 days from the date of receipt.

**(j) DISTRIBUTION OF SHAREHOLDING AS ON 31-03-2010:**

No. of Equity Shares held	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholding
1-500	2617	78.7068	460457	7.6743
501-1000	328	9.8647	290066	4.8344
1001-2000	142	4.2707	224612	3.7435
2001-3000	56	1.6842	145739	2.4290
3001-4000	30	0.9023	108033	1.8006
4001-5000	37	1.1128	175075	2.9179
5001-10000	58	1.7444	431256	7.1876
10001 & above	57	1.7141	4164762	69.4127
<b>Grand Total</b>	<b>3325</b>	<b>100.00</b>	<b>6000000</b>	<b>100.00</b>



**DISTRIBUTION OF SHAREHOLDING (CATEGORY WISE)**

Sr. No	Particulars	No. of Shares	% of Shareholding
<b>A</b>	<b>Promoters and Promoter Group</b>		
1	Indian Promoters		
(a)	Individuals/HUF	1498949	24.98
(b)	Bodies Corporate	503300	8.39
2	Foreign Promoters		
(a)	Bodies Corporate	245000	4.08
<b>B</b>	<b>Public Shareholding</b>		
1	Institutions		
(a)	Mutual Funds / UTI	1500	0.03
(b)	Financial Institutions/ Banks	7900	0.13
2	Non Institutions		
(a)	Bodies Corporate	480780	8.01
(b)	Individuals	2397468	39.95
(c)	Clearing Member(s)	30941	0.52
(d)	Non Resident Indians	69432	1.15
(e)	Foreign Company	749700	12.50
(f)	Trust	14980	0.26

**(k) DEMATERIALISATION OF EQUITY SHARES:**

The Company's Equity Shares are included in the list of companies whose scrips have been mandated by SEBI for settlement only in dematerialised form by all institutions and all investors. The Company had signed agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to offer depository services to its shareholders. As on 31st March, 2010 about 63.50% of Equity Share Capital of the Company has been dematerialized.

**(l) PLANT LOCATIONS:**

The Company has a single plant located at Plot No. E/4, MIDC, Tarapur, Dist. Thane, Maharashtra

**(m) ADDRESS FOR CORRESPONDENCE:**

Company's Corporate Office	Registrar and Transfer Agents
Mr. Devidas N. Tendolkar - Compliance Officer D-13, EVEREST, 156 Tardeo Main Road, Tardeo, Mumbai Central, Mumbai-400 034 Tel Nos. 022-23530325 / 23530326 Fax: 022-23530329 E-mail: info@daikaffil.com	M/s Link Intime India Private Limited C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup(West), Mumbai-400 078 Tel No. 022 25963838 Fax No. 022 25962691

**DECLARATION**

As provided under Clause 49 of the Listing Agreement with Stock Exchange, the Board Members and the Senior Management Team have confirmed compliance with the Code of Conduct for the Financial Year ended 31st March, 2010

**FOR DAIKAFFIL CHEMICALS INDIA LIMITED**

Mumbai, May 07, 2010

**SISHIR AMIN**  
**(MANAGING DIRECTOR)**

**AUDITORS CERTIFICATE ON CORPORATE GOVERNANCE**

The Members,  
Daikaffil Chemicals India Limited.

We have examined the compliance of conditions of Corporate Governance by Daikaffil Chemicals India Limited, for the year ended March 31, 2010 as stipulated in clause 49 of the listing agreement of the said Company with The Stock Exchange, Mumbai.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementations thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

**For GAURANG MERCHANT & CO.**  
Chartered Accountants

**G.V. MERCHANT**  
Proprietor  
Membership No.17345

Mumbai:-07th May, 2010

**AUDITORS' REPORT**

To the Members of Daikaffil Chemicals India Ltd.

1. We have audited the attached Balance Sheet of **DAIKAFFIL CHEMICALS INDIA LIMITED** as at March 31, 2010 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order 2003, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our Comments in the Annexure referred to in paragraph 3 above, we report that:
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 except the Accounting Standard 28 "Impairment of **Assets**", as provision for loss on impairment in carrying amount of assets is not made as the same is not ascertained.
  - (e) On the basis of written representations received from the Directors as on March 31, 2010, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - (f) In our opinion and to the best of our information and according to the explanations given to us, subject to note no. 4 in schedule 19 relating to provision for impairment of assets, the accounts read with other notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
    - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2010 and;
    - (ii) In the case of the Profit and Loss Account, of the Profit for the year ended on that date.
    - (iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **GAURANG MERCHANT & CO.**  
Chartered Accountants

**G.V. MERCHANT**  
Proprietor  
Membership No. 17345

Mumbai: 7th May, 2010

**ANNEXURE TO THE AUDITORS' REPORT**

Referred to in paragraph 3 of our report of even date.

- (I) a. Records showing full particulars including quantitative details and situation of fixed assets have not been maintained adequately by the Company.
- b. As explained to us, the fixed assets have been physically verified by the management once during the year and in our opinion the frequency of verification is reasonable. No material discrepancies were noticed on such physical verification.
- c. In our opinion, the Company has not disposed off substantial part of fixed assets during the year and the going concern status of the Company is not affected.
- (ii) a. As explained to us, the inventories have been physically verified by the management during the year at reasonable intervals.
- b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c. The Company has maintained proper records of the inventories. The discrepancies noticed on verification between the physical stocks and the book records were not material in relation to the size of the Company and the same have been properly dealt with in the books of account.
- (iii) a. According to the information and explanations given to us, the Company has not granted / taken any loans, secured or unsecured to / from Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- b. As the Company has not granted / taken any loans, secured or unsecured to/from Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956, provisions of clauses (iii)(b), (iii)(c) and (iii)(d) of Para 4 of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanation that certain services rendered are of a special nature and suitable alternate sources do not exist for obtaining comparative quotations for the same, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods. During the course of our audit no major weakness has been noticed in the internal controls.
- (v) a. According to the information and explanations given to us, we are of the opinion that transactions that needed to be entered into the register maintained under section 301 of the Companies Act, 1956, have been so entered.
- b. In our opinion and according to the information and explanations given to us, the transactions for items purchased/sold, services rendered/obtained in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Five Lakhs Rupees in respect of any party during the year are of a special nature and suitable alternate sources do not exist for obtaining comparative quotations.
- (vi) The Company has not accepted any deposits during the year from the public within the meaning of provisions of Section 58A and 58AA of the Companies Act 1956 and rules made thereunder. Hence clause of the Order is not applicable.
- (vii) According to the information and explanations given to us, in our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) We are informed that the Central Government has not prescribed maintenance of cost records under Section 209 (1)(d) of the Companies Act, 1956.
- (ix) a. According to the information and explanations given to us and the records of the Company examined by

- us, in our opinion, the Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Customs Duty, Excise Duty, cess and any other statutory dues with the appropriate authorities.
- b. According to the information and explanations given to us and the records of the Company examined by us, there are no disputed amounts in case of dues of sales tax/income tax/custom duty/wealth tax/excise duty/cess and hence the clause (ix)(b) of Para 4 of the Order is not applicable.
- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanation given to us, the Company has not defaulted in the repayment of dues to banks. There are no dues to financial institutions and debenture holders.
- (xii) According to the information and explanations given to us, the Company has not granted loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion the Company is not a Chit fund Company or nidhi/mutual benefit fund/society. Therefore the provisions of Clause (xiii) of Para 4 of the Order is not applicable to the Company.
- (xiv) In our opinion the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause (xiv) of Para 4 of the Order is not applicable to the Company.
- (xv) In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- (xvi) In our opinion, and according to the information and explanations given to us, the company has not taken any term loans during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, in our opinion, no funds raised on short term basis have been used for long term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956, during the year.
- (xix) The Company has not issued any debentures during the year
- (xx) The Company has not raised monies by public issues during the year
- (xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

Mumbai: 7th, May, 2010

For GAURANG **MERCHANT & CO**  
Chartered Accountants

G.V. MERCHANT  
Proprietor  
Membership No.17345

**DAIKAFFIL CHEMICALS INDIA LTD.**

**BALANCE SHEET AS AT 31st MARCH, 2010**

	Schedule	Rupees	Rupees	Rupees	As at 31/12/2009 Rupees
<b>SOURCES OF FUNDS :-</b>					
(1) Share Holders' Funds :					
(a) Capita	1	6,00,00,000		6,00,00,000	
(b) Reserves and Surplus	2	<u>2,76,89,607</u>		<u>1,70,60,190</u>	
			8,76,89,607		7,70,60,190
(2) Loan Funds					
Secured Loans	3		32,98,855		3,47,310
(3) Deferred Tax Liability (Net)			<u>21,22,760</u>		<u>24,14,862</u>
	TOTAL		<u>9,31,11,222</u>		<u>7,98,22,362</u>
<b>APPLICATION OF FUNDS :-</b>					
(1) Fixed Assets	4				
(a) Gross Block.		9,46,38,418		8,94,07,685	
(b) Less : Depreciation		<u>6,14,81,678</u>		<u>5,83,77,930</u>	
Net Block.		3,31,56,740		3,10,29,755	
(c) Capital Work-in-progress		<u>99,19,754</u>		<u>1,36,987</u>	
			4,30,76,494		3,11,66,742
(2) Investments	5		22,51,000		22,51,000
(3) Current Assets, Loans and Advances					
(a) Inventories	6	3,01,79,308		2,01,31,588	
(b) Sundry Debtors	7	4,60,08,872		2,51,05,366	
(c) Cash and Bank Balances	8	62,96,115		1,84,78,815	
(d) Loans and Advances	9	<u>2,70,77,091</u>		<u>1,51,54,338</u>	
		<u>10,95,61,386</u>		<u>7,88,70,107</u>	
Less: Current Liabilities and Provisions	10				
(a) Current Liabilities		3,64,46,698		1,67,36,497	
(b) Provisions		<u>2,53,30,960</u>		<u>1,57,28,990</u>	
		<u>6,17,77,658</u>		<u>3,24,65,487</u>	
Net Current Assets			4,77,83,728		4,64,04,620
	TOTAL		<u>9,31,11,222</u>		<u>7,98,22,362</u>
Notes forming part of Accounts	19				

As per our report attached of even date  
For **GAURANG MERCHANT & CO**  
Chartered Accountants

For and on behalf of the Board

**(G.V.MERCHANT)**  
Proprietor

**AMIT J.PATEL**

Executive Chairman

Membership No. 17345  
Mumbai: May 07, 2010

**SISHIR R.AMIN**  
Mumbai: May 07, 2010

Managing Director

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010**

	Schedule	Rupees	Rupees	Rupees	Year Ended 31/3/2009 Rupees
<b>INCOME :-</b>					
Sales, etc.	11	<b>18,56,38,046</b>		15,65,73,116	
Other Income	12	<u>9,78,468</u>		<u>61,93,724</u>	
			<b>18,66,16,514</b>		<b>16,27,66,840</b>
Increase /(Decrease) in stocks of finished goods and process stock.	13		<u>(19,84,368)</u>		<u>(31,72,153)</u>
			<b>18,46,32,146</b>		<b>15,95,94,687</b>
<b>EXPENDITURE :-</b>					
Material Costs	14		<b>10,28,55,513</b>		9,48,74,110
Manufacturing Expenses	15		<b>1,47,69,481</b>		1,08,57,791
Payments to & Provisions for Employees	16		<b>1,25,11,523</b>		1,07,12,766
Selling, Distribution, Administration & Other Expenses	17		<b>2,59,60,505</b>		2,21,39,501
Interest	18		<b>3,81,010</b>		10,89,676
Depreciation			<b>32,63,345</b>		29,61,474
			<u>15,97,41,377</u>		<u>14,26,35,318</u>
Profit before taxation			<b>2,48,90,769</b>		1,69,59,369
Less: Income tax Expense					
Current Tax			<b>(89,00,000)</b>		(58,45,000)
Deferred Tax			<u>2,92,102</u>		<u>(1,89,453)</u>
			<b>(86,07,898)</b>		(60,34,453)
Prior-Period Exps.			<b>(37,694)</b>		(1,94,188)
Short Provision of Tax			<b>0</b>		(39,678)
Fringe benefit Tax			<b>0</b>		(62,200)
Profit after taxation			<b>1,62,45,177</b>		1,06,28,850
Surplus / (Deficit) brought forward from previous year			<b>81,28,170</b>		44,13,110
Surplus available for appropriation			<u>2,43,73,347</u>		<u>1,50,41,960</u>
Appropriations :					
Transfer to General Reserve			<b>25,00,000</b>		20,00,000
Proposed Dividend			<b>48,00,000</b>		42,00,000
Corporate Dividend Tax Thereon			<b>8,15,760</b>		7,13,790
Balance carried forward			<u>1,62,57,587</u>		<u>81,28,170</u>
			<b>2,43,73,347</b>		1,50,41,960
Basic and diluted earning per share (Rs.) ( Refer schedule 19 - Note B(16) )			<b>2.71</b>		1.77

Notes forming part of Accounts 19

**As per our report attached of even date  
For GAURANG MERCHANT & CO**  
Chartered Accountants

**For and on behalf of the Board**

**(G.V.MERCHANT)**  
Proprietor

**AMIT J.PATEL**

Executive Chairman

**Membership No. 17345  
Mumbai: May 07, 2010**

**SISHIR R.AMIN**

Managing Director

Mumbai: May 07, 2010

**Schedules forming part of the Balance Sheet as at 31st March, 2010**

	<b>Rupees</b>	<b>As at 31/3/2009 Rupees</b>
<b>Schedule : 1</b>		
<b>SHARE CAPITAL</b>		
Authorised :		
65,00,000 (P.Y. 65,00,000 ) Equity Shares of Rs 10/- each	<u>6,50,00,000</u>	<u>6,50,00,000</u>
Issued,subscribed and Paid up :		
60,00,000 Equity Shares of Rs 10/- each	6,00,00,000	6,00,00,000
(Of the above, 242,900 shares are allotted as fully paid up for consideration other than cash)	<u>6,00,00,000</u>	<u>6,00,00,000</u>
 <b>schedule : 2</b>		
<b>RESERVES AND SURPLUS</b>		
Revaluation Reserve	24,83,400	24,83,400
Share Premium	<b>34,48,620</b>	34,48,620
General Reserve		
Opening Balance	<b>30,00,000</b>	10,00,000
Add : Transfer from profit & Loss A/c.	<u>25,00,000</u>	<u>20,00,000</u>
	55,00,000	30,00,000
Balance in Profit & Loss Account	<u>1,62,57,587</u>	<u>81,28,170</u>
	<u>2,76,89,607</u>	<u>1,70,60,190</u>
 <b>Schedule : 3</b>		
<b>SECURED LOANS</b>		
From Bank :		
i) Working Capital		
- Cash Credit		
- Export Packing Credit	30,35,457	
- Bill Discounting		
(The Working Capital Loans are secured against hypothecation of Stock in Trade, Book Debts, Export Receivable, Plant and Machinery, Other Fixed Assets and Mortgage by Deposit of Title Deeds of Leasehold Land)		
ii) Karnataka Bank Ltd.,	<u>2,63,398</u>	<u>3,47,310</u>
(Secured against Hypothecation of Motor Cars)	<u>32,98,855</u>	<u>3,47,310</u>



Schedule : 4 FIXED ASSETS										
Schedules forming part of the Balance Sheet as at 31st March, 2010										
Name of the Assets	Gross Block			Depreciation				Net Block		
	As at 31/03/2009	Additions	Deductions	As at 31/03/2010	Provided Upto 31/03/2009	Provided this year	Adjustment/ Deduction during the year	As at 31/03/2010	As at 31/03/2010	As at 31/03/2009
LAND (LEASEHOLD)	39,00,000	-		39,00,000					39,00,000	39,00,000
FACTORY BUILDING	1,70,62,153	8,71,516		1,79,33,669	66,43,640	5,87,998	-	72,31,638	1,07,02,031	1,04,18,513
FLAT	3,07,556	-		3,07,556	69,743	5,013	-	74,756	2,32,800	2,37,813
PLANT & MACHINERY	5,86,20,414	28,77,884	-	6,14,98,298	4,87,33,203	19,97,383	-	5,07,30,586	1,07,57,712	98,87,211
ELECTRICAL INSTALLATIONS	52,48,355	1,90,007		54,38,362	16,99,621	2,52,501	-	19,52,122	34,86,240	35,48,734
LABORATORY EQUIPMENT	3,41,896	10,23,499		13,65,395	96,546	31,416	-	1,27,962	12,37,434	2,45,350
OFFICE EQUIPMENTS	5,60,371	-		5,60,371	2,07,674	26,618	-	2,34,291	3,26,079	3,52,697
FURNITURE & FIXTURES	6,46,694	5,000		6,51,694	1,30,219	41,094	-	1,71,313	4,80,381	5,16,475
COMPUTER & FAX MACHINE	6,27,187	1,47,078		7,74,265	2,95,864	1,10,495	-	4,06,360	3,67,905	3,31,323
VEHICLES	20,93,059	5,95,009	4,79,260	22,08,808	5,01,421	2,10,827	(1,59,597)	5,52,651	16,66,157	15,91,638
<b>Total</b>	<b>8,94,07,685</b>	<b>57,09,993</b>	<b>4,79,260</b>	<b>9,46,38,418</b>	<b>5,83,77,930</b>	<b>32,63,345</b>	<b>(1,59,597)</b>	<b>6,14,81,678</b>	<b>3,31,56,740</b>	<b>3,10,29,755</b>
Previous year	8,69,85,366	24,22,319	-	8,94,07,685	5,54,16,456	29,61,474	-	5,83,77,930		
Capital Work-in-Progress									99,19,754	1,36,987
									4,30,76,494	3,11,66,742

Note: The Company had revalued its Land at market value as at 31/03/94 which resulted in a net increase of Rs.24,83,400/- to its value.

	Rupees	As at 31/3/2009 Rupees
<b>Schedule : 5</b>		
<b>INVESTMENTS</b>		
Long Term Investment		
225100 (225100) Equity Shares of the Face Value of Rs.10/- each of Erca Speciality Chemicals Private Limited	22,51,000	22,51,000
	<u>22,51,000</u>	<u>22,51,000</u>
<b>Schedule : 6</b>		
<b>INVENTORIES</b>		
(As taken, valued & certified by the management)		
A) Raw Materials Merchenting goods	2,03,57,822	86,20,275
B) Finished Goods	12,26,105	20,31,000
C) Work-In-Process	78,89,019	90,68,492
D) Stores	3,31,569	1,27,440
E) Packing Materials	3,74,793	2,84,381
	<u>3,01,79,308</u>	<u>2,01,31,588</u>
<b>Schedule : 7</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured and Considered Good)		
(i) Debts outstanding for a period exceeding six months		-
(ii) Other debts	4,60,08,872	2,51,05,366
	<u>4,60,08,872</u>	<u>2,51,05,366</u>
<b>Schedule : 8</b>		
<b>CASH AND BANK BALANCES</b>		
1. Cash and cheques on hand	69,780	1,44,234
2. Balance with Scheduled Banks		
In Current Accounts	44,63,563	23,30,603
In Fixed Deposit Account	13,35,054	1,58,32,403
In Dividend Account (Per Contra)	4,27,718	1,71,575
	<u>62,96,115</u>	<u>1,84,78,815</u>

**Schedules forming part of the Balance Sheet as at 31st March, 2010**

	Rupees	As at 311312009 Rupees
<b>Schedule : 9</b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured and Considered Good)		
1. Advances/Claims recoverable in cash or in kind or for value to be received	<b>25,62,402</b>	31,21,609
2. Balances with Central Excise etc.	<b>62,46,020</b>	30,57,141
3. Security & other deposits	<b>17,09,295</b>	17,07,795
4. Advance Payment of Taxes	<b>1,65,59,374</b>	72,67,793
	<b>2,70,77,091</b>	1,51,54,338
<b>Schedule : 10</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
1. Current Liabilities		
(i) Sundry Creditors		
- Small and medium enterprise		
- Micro, Small and Medium Enterprises - (Refer Note 12 on Schedule 18)		-
- Others	<b>3,32,01,022</b>	1,38,58,161
(ii) Unpaid Expenses	<b>25,03,450</b>	27,06,761
(iii) Deposits from Debtors	<b>3,14,508</b>	-
(iv) Unclaimed Dividend Account (Per Contra)	<b>4,27,718</b>	1,71,575
	<b>3,64,46,698</b>	1,67,36,497
2. Provisions		
Provision for Taxation	<b>1,97,15,200</b>	1,08,15,200
Provision for Dividend	<b>48,00,000</b>	42,00,000
Provision for Corporate Dividend Tax	<b>8,15,760</b>	7,13,790
	<b>2,53,30,960</b>	1,57,28,990

**Schedules forming part of the Profit & Loss Account for the year ended 31st March, 2010**

	Rupees	Rupees	Rupees	Year Ended 31/3/2009 Rupees
<b>Schedule : 11</b>				
<b>SALES, ETC.</b>				
Sales (Net of Returns)	19,41,34,874		16,65,98,309	
Less: Excise Duty	89,28,638		1,01,86,874	
	<b>18,52,06,236</b>		15,64,11,435	
Processing Charges		4,31,810		1,61,681
		<b>18,56,38,046</b>		15,65,73,116
<b>Schedule : 12</b>				
<b>OTHER INCOME</b>				
Export Incentives		7,86,188		7,01,720
Interest received		7,02,676		8,93,678
Gain on Foreign Exchange Rate Fluctuations		(15,56,468)		38,08,222
Miscellaneous Income		10,46,072		7,90,104
		<b>9,78,468</b>		61,93,724
<b>Schedule : 13</b>				
<b>INCREASE / (DECREASE) IN STOCKS OF FINISHED GOODS AND PROCESS STOCK</b>				
<b>Closing Stock :-</b>				
FINISHED GOODS	12,26,105		20,31,000	
WORK IN PROCESS	78,89,019		90,68,492	
		<b>91,15,124</b>		1,10,99,492
<b>Less: Opening Stock:-</b>				
FINISHED GOODS	20,31,000		61,40,130	
WORK IN PROCESS	90,68,492		81,31,515	
		<b>1,10,99,492</b>		1,42,71,645
		<b>(19,84,368)</b>		(31,72,153)
		<b></b>		<b></b>

**Schedules forming part of the Profit & Loss Account for the year ended 31st March, 2010**

	Rupees	Rupees	Rupees	Year Ended 31/3/2009 Rupees
<b>Schedule : 14</b>				
<b>MATERIAL COSTS</b>				
<b>(1) Raw Materials consumed :</b>				
Opening Stock	86,20,275		1,01,03,292	
Add : Purchases and incidentals(Net)	11,11,25,542		9,37,97,395	
	11,97,45,817		10,39,00,687	
Less: Sales			4,60,353	
	11,97,45,817		10,34,40,334	
Less closing Stock	1,92,40,295	10,05,05,522	86,20,275	9,48,20,059
<b>(2) Merchanting Goods (Cost of goods sold) :</b>				
Opening Stock				
Add : Purchases (Net)	34,67,518		54,051	
	34,67,518		54,051	
Less : Closing Stock	11,17,527	23,49,991	54,051	54,051
		10,28,55,513		9,48,74,110
<b>Schedule : 15</b>				
<b>MANUFACTURING EXPENSES</b>				
Electrical Maintenance.		1,05,011		69,312
Laboratory Expenses		1,09,846		92,940
Power & Fuel		85,45,796		65,55,293
Repairs to Building		2,63,197		1,57,723
Repairs to Plant & Machinery		24,74,875		15,05,676
Stores and Spare parts consumed		3,33,022		3,22,911
Water Consumption		8,24,213		7,03,261
Water Treatment		20,92,642		14,28,479
Handling Loss (Materials)		20.879		22,196
		1,47,69,481		1,08,57,791
<b>Schedule : 16</b>				
<b>PAYMENTS TO &amp; PROVISIONS FOR EMPLOYEES</b>				
(a) Salaries,Wages, Bonus and Allowances		1,14,41,333		96,45,323
(b) Contribution to Provident & Other Funds		5,97,987		6,64,009
(c) Staff Welfare Expenses		4,72,203		4,03,434
		1,25,11,523		1,07,12,766

**Schedule : 17**

**SELLING, DISTRIBUTION, ADMINISTRATION & OTHER EXPENSES**

Auditors' Remuneration	1,64,000	2,34,500
Bank Commission & Charges	5,30,764	4,98,081
Clearing & Forwarding Charges	4,60,955	3,88,241
Freight & Transport Charges	38,30,547	26,63,614
Export Credit Guarantee Commission	20,911	55,364
Commission on Export Sales	73,75,846	64,73,058
Export Freight	27,62,744	45,04,060
Electricity charges	1,12,784	1,08,760
Insurance	3,43,644	3,57,301
Loss on sale of Fixed Assets	1,19,663	-
Legal & Professional Fees.	4,76,317	6,39,505
Other Miscellaneous Expenses.	17,80,835	12,93,715
Office Rent	6,24,000	6,26,667
Vehicle Expenses	2,70,640	2,21,879
Membership & Filing Fees	1,63,446	2,03,863
Packing Materials	54,34,840	24,32,156
Printing & Stationery	2,45,083	2,08,142
General Repairs & Maintenance	1,32,882	1,19,770
Communication Expenses	3,04,524	3,23,428
Terminal Handling Charges	5,77,727	5,75,909
Travelling & Conveyance	1,62,011	1,23,059
Value Added Tax	66,342	88,429
	<u>2,59,60,505</u>	<u>2,21,39,501</u>

**Schedule : 18**

**INTEREST**

Bank	3,33,489	10,82,776
Others	47,521	6,900
	<u>3,81,010</u>	<u>10,89,676</u>

**SCHEDULE: 19****NOTES FORMING PART OF ACCOUNTS****A) SIGNIFICANT ACCOUNTING POLICIES:****1) BASIS OF ACCOUNTING :**

The financial statements are prepared under historical cost convention on an accrual basis and are generally in accordance with the requirements of the Companies Act, 1956, as adopted consistently by the Company.

**2) FIXED ASSETS :**

Fixed Assets are stated at the original cost including other expenses related to acquisition and installation, net of tax / duty credits availed less accumulated depreciation.

**3) DEPRECIATION :**

(a) Depreciation on fixed assets is provided on straight line method at the rates and in the manner laid down in Schedule XIV of the Companies Act, 1956.

(b) Depreciation on assets acquired / purchased during the year has been provided on pro rata basis according to the period each asset was put to use during the year.

**4) FOREIGN CURRENCY TRANSACTIONS.**

The transactions in foreign currency are accounted at the exchange rate prevailing on the date of transaction. Monetary items denominated in foreign currencies are translated at the exchange rate prevailing on the last date of the accounting year. Gain or loss arising out of translation / conversion is taken credit for or charged to Profit and Loss Account.

**5) INVESTMENTS :**

Long term investments are stated at cost.

**6) INVENTORIES :**

Items of Inventory are valued on the basis given below:

(a) Raw Materials, Work-in-Process and Finished Goods at lower of cost or net realisable value.

(b) Stores and Packing materials at cost.

**7) SALES:**

Sales are recognised net of returns and exclude Excise Duty and Sales Tax. Processing charges are recognised net of sales tax.

**8) EMPLOYEE RETIREMENT BENEFITS :**

The gratuity and Leave-encashment liability is funded with Life Insurance Corporation of India and contribution towards the fund is charged to Profit and Loss Account.

Company's monthly contribution to Provident Fund is also charged to Profit and Loss Account.

**9) TAXES ON INCOME :**

The Income tax expense comprises Current tax, Deferred tax and Fringe Benefit Tax. Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognised on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets are recognised and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

**10) CONTINGENT LIABILITIES:**

The Company recognizes a provision when there is a present obligation as a result of past events that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligation. A disclosure for a contingent liability is made when there is a possible obligation or present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

**B) OTHER NOTES:**

- 1) The figures for the previous year have been regrouped and rearranged wherever necessary.
- 2) Payment to Auditors (Excl. Service Tax)
- |                                   |              |                      |
|-----------------------------------|--------------|----------------------|
| Audit Fees                        | Rs. 95,000/- | ( P.Y. Rs. ,950001-) |
| Tax Audit Fees                    | Rs. 35,000/- | ( P.Y. Rs. 350001-)  |
| Taxation                          | Rs. 15,000/- | ( P.Y. Rs. 50,500/-) |
| Certification Fees/Other Services | Rs. 19,000/- | ( P.Y. Rs. 45 5001-) |
- 3) (a) The Company has been advised that the computation of net profits for the purpose of Directors' remuneration under Section 349 of the Companies Act, 1956 need not be enumerated since no commission has been paid to the Directors. Fixed monthly remuneration has been paid to a Director as per Schedule XIII of the Companies Act, 1956.
- (b) Director's Remuneration : Rs. 17,66,800/- (P.Y. Rs. 7,641,6101-)
- Perquisites : Rs. 1,55,540/- (P.Y. Rs. 65,522/-)
- LTA : Rs. 31,222/- (P.Y. Rs. Nil)
- 4) The Company has not made provision for impairment, if any, in the carrying amount of assets as the same is not ascertained.
- 5) Estimated amount of contract remaining to be executed on capital Account and not provided for Rs.100 Lakhs (P.Y. Rs. 100 Lakhs)
- 6) The stock in trade at the year end is as per inventories taken, valued and certified by the management.
- 7) Depreciation provided in the accounts is calculated on the straight line method basis as per the provisions of section 205(2)(e) of the Companies Act 1956 at the rates specified in schedule XIV of the said Act.
- 8) The excise duty payable if any on finished goods held in the factory is neither included in expenditure nor valued in such stock but is accounted for on clearance of goods from factory. This accounting treatment has no impact on profits.
- 9) Sundry Debtors and Loans and Advances are subject to confirmation.
- 10) Contingent Liabilities not provided for: Rs. Nil (P.Y. Rs. Nil)
- 11) The Company has not received any information from vendors regarding their status under Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures relating to amounts unpaid as at the year end together with interest paid payable under this Act have not been given.
- 12) Related Party Disclosures :

**A. Associated Companies/Firms :**

- M/s. Caffil Private Limited
- M/s. Amichem
- M/s. Tristar Corporation
- M/s Erca Specilaity Chemicals Private Limited

**B. Key Management: Personnel**

- Mr. Sishir Amin
- Mr. Amit Patel
- Mr. Jayant Patel

	2009-2010 (Rs.)	2008-2009 (Rs.)
<b>Transactions during the year</b>		
1. Sales	NIL	NIL
2. Purchases-Materials	11,72,000	63,650
3. Charges received for Processing Goods	4,31,818	1,61,681
4. Remuneration to Directors:		
- Sitting Fees	69,000	1,05,000
- Managing Director	11,76,265	8,30,132
- Chairman	7,77,297	NIL
5. Outstanding Balances:		
- Debtors	NIL	2,48,852
- Refundable Security Deposit given	5,00,000	5,00,000

Except item no. 4 above, the rest of the items relate to parties stated in (A) above

- 13) Segment Information has not been given as the Company does not have any Segment.

14) The major components of deferred tax assets/liabilities are as under:

	<b>2009-10</b> Rs.	2008-09 Rs.
Deferred Tax Assets:		
Others	<u>3,40,886</u>	<u>58,718</u>
	<u>3,40,886</u>	<u>58,718</u>
Deferred Tax Liability:		
Depreciation differences	<u>24,63,646</u>	<u>24,73,580</u>
	<u>24,63,646</u>	<u>24,73,580</u>
Net Deferred Tax <b>(Liability)/</b> Asset	<u><b>(21,22,760)</b></u>	<u>24,14,862</u>

15) Basic and diluted earning per share has been calculated by dividing net profit after taxation for the year by 60,00,000 (60,00,000) equity shares of nominal value of Rs.10/- each outstanding as on March 31, 2010

**INFORMATON UNDER PARAGRAPH 3 AND 4 OF THE PART II OF SCHEDULE VI TO THE COMPANIES ACT 1956**

	<u>QTY</u> <u>MT</u>	<u>2009-2010</u> <u>VALUE</u> <u>Rs.</u>	<u>QTY</u> <u>MT</u>	<u>2008-09</u> <u>VALUE</u> <u>Rs.</u>
<b>I. TURNOVER</b>				
Class of Goods				
Dyes & Intermediates				
- Manufactured Goods	<b>1406</b>	<b>18,24,76,665</b>	965	15,63,22,353
- Merchanting Goods	<b>12</b>	<b>27,29,637</b>	0	89,082
- Processing Charges	<b>32</b>	<b>4,31,810</b>	<del>10</del>	1,61,681
<b>2. (A) RAW MATERIALS CONSUMED</b>				
Bon Acid	<b>77</b>	<b>1,24,80,347</b>	69	1,33,32,534
P.N.B.A	<b>14</b>	<b>22,08,140</b>	10	18,54,317
Miscellaneous	<b>3041</b>	<b>8,58,16,969</b>	2025	7,96,33,208
		<u><b>10,05,05,522</b></u>		<u>9,48,20,059</u>
<b>(B) PURCHASE OF GOODS</b>				
For Trading MT	<b>20</b>	<b>34,67,518</b>	<del>10</del>	54,051
<b>3 OPENING &amp; CLOSING STOCK OF FINISHED GOODS</b>				
OPENING STOCK				
Organic Intermediates	<b>2</b>	<b>7,73,561</b>	7	19,43,611
Optical Whitening Agents	<b>18</b>	<b>12,57,439</b>	33	41,96,519
CLOSING STOCK				
Organic Intermediates	<b>1</b>	<b>1,87,193</b>	2	7,73,561
Optical Whitening Agents	<b>18</b>	<b>10,38,912</b>	18	12,57,439



4	<b>PRODUCTION</b>				
	Class of Goods	INSTALLED CAPACITY		PRODUCTION (MT)*	
		AS AT	AS AT	2009-10	2008-09
		<b>31/12/2010</b>	<b>31/3/2009</b>		
	1 Organic Intermediaries	900 MT	900 MT	131	118
	2 Optical Whitening Agents				
	- Powder	300 MT	300 MT	148	80
	- Liquid	1500 MT	1500 MT	<b>1,127</b>	767
	* Excludes Quantity manufactured for captive consumption				
				<b>2009-10</b>	<b>2008-9</b>
				Value (Rs.)	Value (Rs.)
5	<b>VALUE OF RAW MATERIALS CONSUMED</b>				
	1 IMPORTER	<b>49.48%</b>	<b>4,97,32,992</b>	54.25%	5,14,40,617
	2 INDIGENOUS	<b>50.52%</b>	<b>5,07,72,464</b>	45.75%	4,33,79,442
		<b>100.00%</b>	<b>10,05,05,456</b>	<b>100.00%</b>	<b>9,48,20,059</b>
6	<b>CIF VALUE OF IMPORTS</b>				
	Raw Materials		<b>5,88,29,623</b>		5,13,42,889
7	<b>EXPENDITURE IN FOREIGN CURRENCY ON ACCOUNT OF</b>				
	- Travelling				
	- Commission		<b>70,95,755</b>		67,12,422
8	<b>EARNING IN FOREIGN CURRENCY</b>				
	FOB Value of Exports		<b>11,61,84,235</b>		12,37,00,096
9	<b>REMITTANCE IN FOREIGN CURRENCY ON ACCOUNT OF DIVIDEND</b>				
	(a) Number of Non-Resident Shareholders		2		2
	(b) Number of Equity shares held by them		9,94,700		9,94,700
	(c) (i) Amount of dividend Paid (Gross)		6,96,290		4,97,350
	Tax deducted at source				
	(ii) Year to which dividend relates		<b>2008-09</b>		2007-08

**SIGNATURE TO SCHEDULES 1 TO 19**

As per our report attached of even date  
For GAURANG MERCHANT & CO  
Chartered Accountants

For and on behalf of the Board

**(G.V.MERCHANT)**  
Proprietor

**AMIT J.PATEL**

Executive Chairman

Membership No. 17345  
Mumbai: May 07, 2010

**SISHIR R.AMIN**  
Mumbai: May 07, 2010

Managing Director

## AUDITORS' CERTIFICATE

To  
The Board of Directors  
**DAKAFFIL CHEMICALS INDIA LTD.**  
E-4, M.I.D.C.TARAPUR,  
BOISAR,  
MAHARASTRA-401506

We have examined the attached Cash Flow Statement of **DAKAFFIL CHEMICALS INDIA LIMITED** for the year ended March 31,2010. The statement has been prepared by the Company in accordance with Clause 32 of the Listing Agreement with Bombay Stock Exchange and is in agreement with the Profit & Loss Account and Balance Sheet of the Company covered by our report of even date to the Members of the Company.

For GAURANG **MERCHANT & CO.**  
Chartered Accountants

Mumbai: 7th May, 2010

**G.V. MERCHANT**  
Proprietor  
Membership No.17345

ANNEXURE " A TO DIRECTORS' REPORT

**CASH FLOW STATEMENT AS PER CLAUSE 32 OF THE LISTING AGREEMENT (Rs. in lacs)**

	2009-2010	Previous Year
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before Tax and extraordinary items	248.91	169.59
ADJUSTMENTS FOR :		
Depreciation	32.63	29.61
Interest Paid	3.81	10.90
Loss/(Profit) on Sale of Fixed asset	1.20	40.51
	<u>37.64</u>	<u>-</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES.	286.55	210.10
ADJUSTMENTS FOR		
Trade and other Receivables	(235.34)	210.56
Inventories	(100.48)	46.59
Trade payable	197.10	(100.69)
Repayment of Short Term Borrowings(Cash Credit)	30.35	(176.31)
	<u>(108.37)</u>	<u>(19.85)</u>
Cash Generated from Operations	178.18	190.25
Interest paid	(3.81)	(10.90)
Direct Taxes paid	(92.92)	(37.37)
	<u>(96.73)</u>	<u>(48.27)</u>
Cash flow before extraordinary items	81.45	141.98
Extraordinary Items	(0.38)	(1.94)
NET CASH FROM OPERATING ACTIVITIES (A)	<u>81.07</u>	<u>140.04</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets (Including Capital WIP)	(154.93)	(21.99)
Purchase of investments	0.00	(22.51)
Sale of Fixed Assets	2.00	(44.50)
	<u>(152.93)</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES (B)	<u>(152.93)</u>	<u>(44.50)</u>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long Term Loan	(0.84)	(6.49)
Increase in Paid-up Capital	0.00	109.46
Dividends paid	(49.14)	(35.10)
	<u>(49.98)</u>	<u>67.87</u>
NET CASH FROM FINANCING ACTIVITIES (C)	<u>(49.98)</u>	<u>67.87</u>
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS (A+B+C)	<u>(121.84)</u>	<u>163.41</u>
CASH & CASH EQUIVALENTS:		
Opening Balance at Beginning of the year	183.06	19.65
Closing Balance at the End of the year	61.22	183.06
NET INCREASE1(DECREASE) IN CASH & CASH EQUIVALENTS	<u>(121.84)</u>	<u>163.41</u>

**As per our report attached of even date**  
**For GAURANG MERCHANT & CO**  
Chartered Accountants

**For and on behalf of the Board**

(G.V.MERCHANT)  
Proprietor  
Membership No. 17345

**AMIT J.PATEL**  
Executive Chairman

STATEMENT PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956  
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS :-	1 1 - 6 7 3 0 9	State Code	
Registration No.			1 1
Balance Sheet	3 1 - 0 3 - 2 0 1 0		
	Date Month Year (Rs. In Lacs)		
II CAPITAL RAISED DURING THE YEAR :-			
Public Issue	N I L	Bonus Issue	N I L
Rights Issue	N I L	Private Placement	N I L
III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS :-			
Total Liabilities	9 3 1 . 1 1	Total Assets	9 3 1 . 1 1
SOURCES OF FUNDS :-			
Paid-up Capital	6 0 0 . 0 0	Reserves & Surplus	2 7 6 . 9 0
Secured Loans	3 2 . 9 9	Deferred Tax Liabilities	2 1 . 2 2
APPLICATION OF FUNDS:			
Unsecured Loans			N I L
Net Fixed Assests	4 3 0 . 7 6	Investments	2 2 . 5 1
Net Current Assests	1 7 7 . 8 4	Misc. Expenditure	N I L
		Deferred Tax Assesst	0 . 0 0
IV. PERFORMANCE OF COMPANY :-			
Turnover & Other Income	1 8 6 6 . 1 7	Total Expenditure	1 6 1 7 . 2 6
Profit Before Tax	2 4 8 . 9 1	Profit After Tax	1 6 2 . 4 5
Earnings Per Share	2 . 7 1	Dividend Rate (%)	8 %
V. GENERIC NAME OF PRICIPAL PRODUCT/SERVICES OF THE COMPANY (AS PER MONETARY TERMS)			
<b>Item</b> Code No. (ITC Code)		<b>Product Description</b>	
3 2 0 4 2 0 - 0 1		O P T I C A L W H I T E N I N G A G E N T S	
3 2 0 4 1 9		A Z O I C C O U P L I N G C O M P O N E N T	
		C A R B O X Y L I C A C I D S & C A R B O N	
		A M I D E S	

For and on behalf of the Board  
**AMIT J.PATEL** Executive Chairman  
**SISHIR AMIN** (Managing Director)  
Mumbai, May 07, 2010