



DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Fifty – Sixth Annual Report together with the audited accounts for the year ended March 31, 2016.

FINANCIAL RESULTS:

Operational Performance	2016 (₹ in millions)	2015 (₹ in millions)
Gross Revenue from operations	1249.41	1116.63
Less: Excise duty	86.10	93.93
Net Revenue from operations	1163.31	1022.70
PBDIT (before exceptional item)	236.98	159.66
PBDIT (after exceptional item)	236.98	234.19
EPS (₹)	20.91	19.84
Book Value of Shares (₹)	133.42	116.13

DIVIDEND:

The Board of Directors in its meeting held on March 16, 2016 declared and paid an Interim Dividend of ₹ 3/- per equity share of face value of ₹ 10/- each for the F.Y. 2015-16. The dividend payout aggregated to ₹ 22.35 million and the tax on distributable profits payable by the Company amounted to ₹ 4.55 million. The Board of Directors has not recommended any final dividend on the equity shares and considered the above Interim Dividend as final dividend for the financial year ended March 31, 2016.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

The year 2015 has proved challenging for India specifically on the weather front, with deficient monsoons and drought at one end, and unseasonal rain and devastating floods at the other.

Adapting to climate change and building sustainable and relevant agricultural systems would strongly relate to a healthier economy. Sustainability through improvements in efficiency and a focus on environmental issues and through addressing opportunities that climate change and evolving eco systems bring.

Despite being the world's fastest growing economy the country, is far from achieving the Sustainable Development Goals adopted in 2015. Whilst India has 17% of the world's population it is home to 31.5% of the world's extremely poor and nothing but transformative change that balances economic growth with conservation, beyond mere convenience, can turn the tide. The chemical industry has the power and opportunity to influence and advance the human condition towards a sustainable society and planet.

Current challenges in the economy, with lower than anticipated growth and serious reduction in private investment (as banks saddled with stressed assets are unable to lend) together with slack global demand, have dampened earlier growth estimates.

In addition earlier challenges of poor infrastructure and port facility, complex tax and duty structures have not been overcome.

However, the reduction in crude oil prices has allowed the government to reduce the fiscal deficit and bring inflation under control.

It remains to be seen whether the country is really in a state of sustainable recovery and whether we can continue to be the fastest growing economy in the world.

In addition the past year saw serious reduction in growth of several core infrastructure industries. Crude oil, coal, steel and cement all saw a slowdown in 2015-16. Industrial production declined by 1.8% in June 2016 against a growth of 2.8% in the previous year.

According to IIP data the chemical industry recorded negative growth of 2% in January 2016.

In the coming financial year the Indian economy is slated to grow at 7.6% inspite of poor global demand and the reduction in exports seen over the previous year. This growth would be consumption driven, and therefore sufficiently sustainable. This would result in a surge of consumption for Specialty Chemicals.

It is predicted that the Specialty Chemical market which is currently USD 30 Billion will grow to a level of USD 80 Billion by 2023.

With growth estimates of 14% CAGR the Specialty Chemical industry is expected to grow much faster than India's GDP. The vast potential for growth for the finished products from the chemical sector can be envisaged by comparing the per capita consumption of these products against world averages. Compared to developed markets the usage of Specialty Chemicals in India is fairly low.

Most Specialty Chemical companies in India have asserted their domestic presence by designing and developing products that are very specific to the performance needs of an industrial application for a particular customer/ customers.

Dai-ichi has established and positioned itself in this way in developed areas like the Oil field sector, the Rayon industry and the Paint industry by understanding the customer's needs in full, and designing niche products to meet these performance specifications.

Financial Highlights

The total Sales Revenue for the company was ₹ 1249 million. Once again, there was only marginal growth in certain industrial segments, due to the challenges faced by our customers during the year. However, on the export front the company has more than doubled sales as compared to last year.

The enhanced profit from operations has come from change in product mix and consequent reduction in RM consumption and enhanced export sales.

Sector wise Performance:

There continues to be poor growth in the traditional businesses of the company, as most customers were facing a slow down due to the state of the global economy, and the vagaries of consumer demand (affecting the sales of Specialty Chemical companies supplying to the chemical sector that face the consumer.)

In addition the impact of lowered crude oil prices resulted in lower raw material prices, alerting all customers to ask for discounts in pricing.

The Company's business with its J V partner NALCO CHAMPION has grown both domestically, but especially where exports are concerned. Our ability to continuously develop and formulate products that are crude specific and meet the performance needs of the customer have allowed us to enhance business in this area substantially. The lower prices of crude oil have marginally impacted expansions and delayed projects in the Oil sector, but the impact of this on the company has not been noticeable so far.

The Company's Polyacrylamide plant at Kurkumbh has once again seen a poor year as it faced customer resistance from the Mining and Coal sectors and aggressive competition in the Sugar sector. The company's efforts to export product are receiving limited success so far. The company now is looking for a strategic relationship with an International player to support its presence in this field.

The Company's expansion at Dahej has received environmental clearance earlier this year and the company is in the process of awarding contracts to its Technology supplier as well Engineering Consultants.

It is expected that by the second/ third quarter next year some of the crucial plants would be operational at Dahej.

At this time as the company contemplates doubling its capacity and setting up state of the art, new facilities at Dahej, it is strengthening its portfolio of products to include greener products and processes not only in its present area of focus viz Paints Coatings and Textile, but also in looking at new areas where its ability to synthesise well defined and meaningful products using newer processes and technologies will be recognised. Slowly the company's new speciality products which were being stalled by customers as being too expensive are now being accepted and introduced into the market. The company's array of products in the area of Emulsion Polymerisation and Paints are slowly gaining recognition as reputed paint companies are including these products in their main stream offerings. Requirement of water based Paints & Coatings and the requirements of APEO free products speeded up the development of several new anionic and non ionic surfactants. So also a number of reactive & polymerizable surfactants specifically for exterior coating could be successfully launched. As time goes this segment should see phenomenal growth for which new generation polymerizable surfactants are also being targeted. The company could develop several surfactant formulations for making micro emulsion in the areas of Amino silicone oil, PDMS silicone oil and Diesel-water micro emulsion for static diesel engines.

The R&D developed super emulsifiers for pigment emulsions for Textile Printing:

- 1) APEO free surfactants
- 2) In the areas of pigment purification and processing

The company has worked on APGs which are based on natural resources. More work is at hand to further the progress in this area.

Another area of achievement are products for Construction Industry. A major breakthrough was in the development of clinker saver and strength enhancer for cement manufacturing followed by Super Plasticizers for High Strength self compacting Cement Concrete.

Working Capital Management:

The significant ratios of the Company such as Ratio of Inventory to Sales is 10.70%, Receivable to Sales is 15.79%, and Net Working Capital to Sales is 28.28%.

The working capital was rotated 3 times in the year, showing effective working capital management. Funds surplus to the operational requirements have been invested in safe and relatively risk free instruments to earn a reasonable return.

JOINT VENTURE / ASSOCIATE/ SUBSIDIARY COMPANIES:

Joint Venture Company – Nalco Champion Dai-ichi India Private Limited (formerly known as Champion Dai-ichi Technologies India Ltd.)

To identify the association of the Joint Venture Partner Champion with the NALCO CHAMPION group, the Joint Venture Company is now called Nalco Champion Dai – ichi India Private Limited w.e.f. September 1, 2015. The Joint Venture is held in the ratio of 50:50



Key Performance Indicators for the year under review, of the Joint Venture Company are as under:

Particulars	(₹ in millions)
Turnover	1667.29
Profit Before Tax	349.07
Net Profit	227.35
Earning per share	₹ 101.04/-

Annual report of subsidiary company:

As on March 31, 2016, the Company has only one subsidiary, Dai-ichi Gosei Chemicals (India) Limited. The Company continues to be a dormant company.

The Annual accounts of the subsidiary company are placed on the website of the Company and will be provided to the members on request.

As per the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Companies Act, 2013 and applicable Accounting Standards, the Consolidated Financial Statements of the Company with its Joint Venture Company, Nalco Champion Dai – ichi India Pvt. Ltd and Subsidiary Company, Dai-ichi Gosei Chemicals (India) Limited., duly audited by the Statutory Auditors are attached to the financials.

Statement containing salient features of the financial statement of subsidiary/ associate company/ joint venture are attached to the financials.

DIRECTORS:

Mr. A. H. Jehangir retires from the Board of Directors by rotation, in pursuance of the provisions of the Companies Act, 2013 and Articles of Association of the Company. Being eligible for reappointment, he has offered himself for re – appointment. The Board of Directors recommends his re-appointment.

The Board of Directors have subject to the approval of shareholders re-appointed Mrs. S. F. Vakil as Chairperson & Managing Director of the Company for the period from April 1, 2016 to March 31, 2019.

The information required to be furnished under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 & Secretarial Standards are given in the Notice of the 56th Annual General Meeting.

The Members of the Company had appointed Dr. Anil Naik, Mr. Kavas Patel and Mr. Keki Elavia as Independent Directors under the Companies Act, 2013 for a period of 5 years for a term upto March 31, 2019. All Independent Directors have given declarations that they continue to meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

DIRECTORS' RESPONSIBILITY STATEMENT:

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(5) of the Companies Act, 2013:

- In the preparation of the annual accounts, for the financial year ended March 31, 2016, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- The Directors had 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 March 31, 2016 and of the profit and loss of the company for that period;
- The Directors had taken proper and sufficient care for 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;
- The Directors had prepared the annual accounts on a going concern basis; and
- The Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and operating effectively;
- The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

DETAILS OF INTERNAL FINANCIAL CONTROLS:

The Board of Directors have laid down Internal Financial Controls within the meaning of the explanation to Section 134(5)(e) ("IFC") of the Companies Act, 2013. The Board believes the Company has sound IFC commensurate with the nature and size of its business. Business is however dynamic. The Board is seized of the fact that IFC are not static and are in fact a fluid set of tools which evolve over time as the business, technology and fraud environment changes in response to competition, industry practices, legislation, regulation and current economic conditions. There will therefore be gaps in the IFC as Business evolves. The Company has a process in place to continuously identify such gaps and implement newer and or improved controls wherever the effect of such gaps would have a material effect on the Company's operations.

BOARD EVALUATION:

Pursuant to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has carried out an annual performance evaluation of its own performance, individual directors and its committees. The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report.

NUMBER OF MEETINGS OF THE BOARD AND COMMITTEES OF THE BOARD:

Details regarding Board / Committees, its composition, number of meetings held, terms of reference, policies adopted are provided under the Corporate Governance Report forming part of the Annual Report.

CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES:

During the year under review, the Company has undertaken CSR activities through an Implementing Agency in the areas of promoting health care including preventive healthcare and promoting education, including special education.

Aid is provided to needy patients suffering from chronic diseases such as Renal failure, Cancer, Heart diseases, Lung diseases etc. Scholarships / Fees sponsorships are provided to the needy and deserving students.

Detailed report on CSR is annexed to the report as 'Annexure A'.

MATERIAL DEVELOPMENTS ON HUMAN RESOURCES INCLUDING NUMBER OF PEOPLE EMPLOYED:

The Company's Human Resource Policy over the years has resulted in a very low attrition ratio of less than 1% per annum. All manpower requirements are assessed and filled in a timely manner. The Company has a sound knowledge pool of experienced employees, which helps it to maintain consistency in performance across all disciplines. It has built a team of dedicated employees, who work with commitment and a sense of belonging towards the growth of the Company.

We continuously strengthen our HR practices to create a knowledge-driven work environment that provides equal opportunities to all our employees. We value innovation, creativity and diversity throughout our organization. We pursue multiple developmental initiatives and ongoing training programmes to reinforce a high performance work ethic. Performance-based recognition drives company's culture of achievement and excellence.

Following areas are given special attention to enhance performance of the employees.

- Identification of training & development needs and up gradation of job specific skills
- Compensation, recognition & rewards
- Career growth plan through annual assessment
- Supporting employment related legislative compliance
- Promoting excellence in human resource management
- The promotion of an atmosphere of mutual respect, fairness and concern
- Company has extended its facility for "OJT" under Learn & Earn scheme "to the rural, needy and economical weak youths for perusing special skills and higher education.
- All HR policies and Procedures are designed & documented.

As on March 31, 2016, the total numbers of employees on the payrolls of the company at all the locations are **219**.

MANAGERIAL REMUNERATION & PARTICULARS OF EMPLOYEES:

The information required pursuant to Section 197(12) read with Rule 5 of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, forms part of this report. In terms of Section 136 of the Act, the Report and Accounts are being sent to the Members and others entitled thereto, excluding the information on employees' particulars which is available for inspection by the Members at the Registered Office of the Company during business hours on working days of the Company up to the date of the ensuing Annual General Meeting. If any Member is interested in obtaining a copy thereof, such Member may write to the Company Secretary in this regard.

AUDITORS:**STATUTORY AUDITORS:**

M/s. Deloitte Haskins & Sells LLP, were appointed as the Statutory Auditors of the Company to hold office from the conclusion of 54th Annual General Meeting upto the conclusion of 57th Annual General Meeting of the Company, subject to ratification of members at every Annual General Meeting. Being eligible, it is recommended to ratify the appointment of M/s. Deloitte Haskins & Sells LLP in this Annual General Meeting to audit the accounts of the Company for the financial year 2016 – 2017.

INTERNAL AUDITORS:

M/s. B.K. Khare & Co., Chartered Accountants, are the Internal Auditors of the Company. The Management regularly reviews the findings of the Internal Auditors and effective steps to implement any suggestions/observations of the Internal Auditors are taken and monitored regularly. In addition, the Audit Committee of the Board regularly addresses significant issues raised by the Internal Auditors.