

## 25TH ANNUAL REPORT 2011-2012



### Corporate information

#### **Board of Directors**

Mr. Vinod Kumar Kaushik	-	Whole-time Director
Mr. Nitin Sethi	-	Non Executive & Independent Director
Mr. Ajay Singh Sethi	-	Non Executive & Independent Director

#### **Company Secretary & Compliance Officer**

Ms. Priyanka Chauhan

#### **Auditors**

M/s S. K. Badjatya & Co.,  
Chartered Accountants.

#### **Bankers**

Bank of India  
Axis Bank Ltd.,  
Central Bank of India  
State Bank of India

#### **Registered Office**

207, Vardhaman Complex Premises Co. op. Society Ltd.,  
L.B.S. Marg, Vikhroli (West),  
Mumbai – 400083  
Tel. No. +91 22 6136 9800  
Email: dyestuff@bom3.vsnl.net.in  
Website: www.chromatic.in

#### **Registrar & Share Transfer Agent**

M/s Bigshare Services Private Limited  
E/2&3 Ansa Industrial Estate, Sakivihar Road,  
Sakinaka, Andheri (E), Mumbai – 400 072  
Tele No: +91 22 4043 0200  
Fax no: +91 22 2847 5207  
Contact person : Mr. Bhagwan  
Email: investor@bigshareonline.com  
Website: www.bigshareonline.com



**NOTICE**

**NOTICE** is hereby given that the 25th Annual General Meeting of the Members of Chromatic India Limited will be held on Wednesday, September 26, 2012 at 11.00 a.m. at 207, Vardhaman Complex Premises Co. op. Society Ltd., L.B.S. Marg, Vikhroli (West), Mumbai – 400083, to transact the following business: -

**Ordinary Business**

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2012, Profit and Loss Account for the year ended on that date together with the Reports of the Board of Directors and the Auditors thereon.
2. To confirm the payment of Interim Dividend on Equity Shares for the year 2011-2012.
3. To appoint a Director in place of Mr. Ajay Singh Sethi, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

By Order of the Board of Directors

**Priyanka Chauhan**  
Company Secretary

**Registered Office:**

207, Vardhaman Complex Premises  
Co. op. Society Ltd., L.B.S. Marg,  
Vikhroli (West), Mumbai – 400083

Date: August 13, 2012

Place : Mumbai

**Notes:-**

1. **A Member entitled to attend and vote at the Annual General Meeting (the meeting) is entitled to appoint a proxy to attend and vote on a poll, instead of himself and the proxy need not be a Member of the Company.**
2. The instrument appointing the proxy must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting. Proxies submitted on behalf of companies, societies, etc., must be supported by appropriate resolutions / authority, as applicable.
3. The Register of Members and Share Transfer Books will remain closed from 24th September, 2012 to 26th September, 2012 (both days inclusive) for the purposes of Annual General Meeting.
4. The relevant details as required by Clause 49 of the Listing Agreements entered into with the Stock Exchanges, of persons seeking appointment / re-appointment as Directors are also annexed.
5. Members / proxies should bring duly-filled Attendance Slips sent along with this Notice to attend the meeting.
6. Members whose shareholding is in the electronic mode are requested to communicate change of address notification and updation of bank account details to their respective depository participants.
7. Unclaim dividend for the financial years 2004-05, 2005-06, 2006-07, 2009-10 and 2011-12, are still lying in the respective unpaid dividend accounts of the Company. Members who have not encashed the dividend warrants for the said financial years, are requested to contact the Company's Registrar and Share transfer agent, Big Share Services Private Limited at the earliest.
8. The Ministry of Corporate Affairs, New Delhi ("MCA") has taken a "Green Initiative" in the Corporate Governance by permitting paperless compliances by Companies (vide its circular no. 17/2011 dated April 21, 2011) and clarified that the service of documents / communications including the Notice of calling the Annual General Meeting, audited financial statements, directors' report, auditors' report etc. via electronic mode by a company can be made through electronic mode instead of sending the physical copy of the document(s).

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Henceforth, the email addresses indicated in your respective Depository Participants (DP) accounts which will be deemed to be your registered email address for serving notices / documents including those covered under Section 210 of the Companies Act, 1956. The notices of AGM and the copies of audited financial statements, directors' report, auditors' report etc. will also be displayed on the website of the Company and the other requirements of the aforesaid MCA circular will be duly complied with. Members holding shares in electronic mode are therefore requested to ensure to keep their email addresses updated with the Depository Participants. Members holding shares in physical mode are also requested to update their email addresses by writing to the Registrar and Transfer Agent of the Company.

### **Details of Directors seeking Appointment /Re-appointment at the Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement)**

<b>Name of the Director</b>	<b>Mr. Ajay Singh Sethi</b>
<b>Date of Birth</b>	December 21, 1967
<b>Nationality</b>	Indian
<b>Date of Appointment on Board</b>	May 29, 2010
<b>Qualifications</b>	M. Com, PGDBM
<b>Expertise</b>	Wide experience in Finance & Administration.
<b>Directorships held in other Public Companies (Excluding foreign companies and Section 25 Companies)</b>	1. Resurgere Mines & Minerals India Ltd. 2. Healthy choice Agro (India) Limited
<b>Memberships / Chairmanships of committees of other public companies (includes only Audit Committee and Shareholders / Investors Grievance Committee)</b>	Chairmanship – 1 Membership – 1
<b>Number of Shares held in the Company</b>	NIL
<b>Relationship between Directors inter-se</b>	NIL



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Economic Review**

The Indian Economy on account of inflationary pressures coupled with rising interest rates experienced a lower growth in comparison to the previous years. The sensex witnessed a dip of 10% - 11% in comparison to the levels which prevailed at the beginning of the financial year. On the other hand, the price of Crude Oil did not experience such corresponding dips. India, being a large importer of Oil, suffered heavily and this along with various other negative macroeconomic factors resulted in significant depreciation of the Rupee vis-a-vis US Dollar. Over the financial year the Rupee has depreciated by about 20% - 25%. The ballooning trade deficit and the current account deficit also put significant pressure on the exchange rate. Adverse news from EU also affected growth in that market. In light of the above, RBI has taken the first step in cutting down key interest rates which are expected to help the Indian economy.

### **Chemicals dyes Industry**

In view of the slow- down on the economic front the world over and its corresponding impact on chemical dyes Industry across the globe, the chemicals dyes business experienced very challenging conditions during the year. With high natural / synthetic prices and the slowing down in end-product demand, customers undertook production cuts at periodic intervals. This did impact the demand for chemicals dyes adversely. The resultant mismatch in supply and demand of certain key chemicals impacted their selling prices, resulting in pressure on margins. Cost increases on account of various inputs, aggravated the situation further. Despite this, your Company managed to retain its volumes at the previous year's levels.

### **Industry Structure and Developments**

Your Company is engaged in the manufacture and sale of chemicals dyes and has its manufacturing facilities at Dombivali, District Thane and Khed, District Ratnagiri. The setting up of additional production facilities will enable your Company to capture a higher market share out of additional production volumes.

### **Business Outlook: Opportunities and threats**

The Company is continually working towards achieving further improvements in the quality of its products as well as in technological and operational efficiencies of its manufacturing processes. It also strives to develop new products to improve its participation in the market and enlarge its product range. The company is also, through its strong research initiatives, engaged in developing new products which would meet the emerging needs of its customers and the environmental challenges of the future. The pricing scenario of chemicals dyes, accordingly, is likely to undergo a positive change with the reduction in the global supply position.

However, in the short term, due to the pressure of liquidating inventories and quick exit from chemical dyes business by some competitors, we are likely to experience unrealistic low prices from them. The Indian Government authorities have also justifiably imposed Anti-dumping duties and Safeguard Duty on certain key products, which to some extent, protects domestic pricing from dumped imports. Besides, your Company will continue to strive for improvement in the market share of chemicals dyes by optimizing the product mix and offering wide range of products to its customers.

On the other hand, the continuing aggressive export promotion policies of some countries, aided by the undervalued Chinese currency and the continued dumping of unrealistically priced chemicals dyes from China and some other countries into India, continues to remain a matter of concern as these may adversely impact our capacity utilization and margins.

### **Performance of the Year**

The adverse business sentiments coupled with slowdown in the domestic chemical sector resulted in fluctuating demand for chemicals from key customer accounts. The continued dumping by our competitors further aggravated this situation. Despite this, we succeeded in maintaining our volumes more or less of the same levels as in the previous year. The turnover witnessed increase in value terms with an improvement in selling prices of some of our products. These were necessitated on account of steep increase in our input costs, which to some extent, we managed, to pass on to the customers. Our Export business too has not been able to witness any growth due to the uncertain and fragile nature of the economic situation in the developed markets, more particularly in the European markets.

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### Risks and concerns

Periodic assessment across the Company is undertaken to identify and thereafter prioritize significant risks. Owners are identified for all such risks and are assigned the responsibility to develop and deploy mitigation strategies. These are subjected to a review by the Board.

### Financial performance – Operational performance

Summary of financial performance of the Company is presented below: (In rupees)

Net Sales and Other Income	Rs. - 1,23,03,89,738
Profit before tax	Rs. - 1,25,32,903
Profit after tax	Rs. - 85,22,787

During the year under review, the Company achieved a profit before tax of Rs. 1.25 crores as compared to Rs. 1.17 crores in 2010-11. The Sales Volumes increased by 10.26%. Thanks to an overall consistent operational performance coupled with well managed liquidity position. The current trend for rupee is in a weak mode and the overall economic sentiment does not appear very positive.

### Internal control systems

The Company has in place adequate internal control systems commensurate with its size and procedures covering all the financial and operating functions. These have been designed to provide adequate assurance to the management regarding compliance with the accounting standards by maintenance of appropriate accounting records, monitoring the economy and efficiency of operations, protecting the assets of the Company from losses and ensuring the reliability of financial and operational information through proper compliance with the statutory enactments and its rules and regulations. Some of the significant features of the internal control systems and procedures are as follows:

Appointment of an independent consultant for conducting internal audit for reporting to the management and the Audit Committee of the Board, the adequacy and compliance with the internal controls and the efficiency and effectiveness of operations.

The Audit Committee of the Board of Directors, regularly reviews the findings of the internal auditors, adequacy of internal controls, compliance with the accounting standards, as well as recommends to the Board the adoption of the quarterly and annual results of the Company and appointment of auditors. The Audit Committee also reviews the related party transactions, entered into by the Company during each quarter.

### Material developments in human resources

In view of the acute shortage of skilled human resources prevailing in the country, our focus during the year was on enhancing capabilities of our existing workforce. In order to ensure employee motivation and confidence level which would enable the Company to face the current challenges and seize future opportunities, various initiatives were taken. Necessary steps are taken to strengthen the areas in which the employees of the Company need improvement. The Company complies with all regulations pertaining to Safety. The Company continues to have an excellent track record in the area of Safety. The main objective is to achieve zero accident/ incident and safe working environment. Regular programmes are therefore held on safety awareness, fire fighting and first aid, apart from other development programmes. Industrial relations remained cordial during the year.

### Cautionary statement

Certain statements in the Management Discussion & Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be 'forward looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ from those expressed or implied. Important factors that could make a difference to the Company's operations include raw material availability and prices, cyclical demand and pricing in the Company's principal markets, fluctuating in forex rates, changes in Government regulations, tax regimes, economic developments within India and the countries in which business is conducted, and other incidental factors.



## DIRECTORS REPORT

To  
The Members,

We are pleased to present the 25th Annual Report and the audited accounts of the Company for the financial year ended 31st March, 2012.

### Operational Results

The summary of the financial performance of the Company for the financial year ended 31st March, 2012 compared to the previous year ended 31st March 2011 is summarized below:

(In Rupees)

Particulars	2011-2012	2010-2011
Net Sales and Other Income	1,230,389,738	1,104,112,194
Profit/ (Loss) Before Tax	12,532,903	11,747,107
Add / (Less): Deferred Tax Adjustments	2,838	(292,403)
Less: Current Income Tax	(4,007,278)	(2,300,000)
Less: Fringe Benefit Tax	-	-
Less: Wealth Tax	-	-
Profit/(Loss) after Tax	8,522,787	9,154,704
Add/(Less): Prior Year short provision for Tax	6180	(40,865)
Balance Brought Forward	3,838,665	(5,275,174)
Amount Available for Appropriation	12,367,632	3,838,665
<b>Appropriations</b>		
Interim Dividend on Equity Shares	3,552,305	-
Tax on Dividend	576,273	-
Surplus / Deficit Carried Forward	8,239,054	3,838,665

### Review of Performance and Management discussion and Analysis

Your directors are pleased to report total income of Rs. 123.04 crores for the year ended 2011-12 as against Rs. 110.41 crores for the year ended 2010-11, an increase of 10.26%. The profit before tax is Rs. 1.25 crores for the year ended 2011-12 compare to Rs. 1.17 crores for the year ended 2010-11. The Net profit after tax is Rs. 85.22 lacs for the financial year ending 2011-2012. The Management Discussion and Analysis is the part of this Annual Report.

### Internal Control System

The Company's present Internal Control Systems are commensurate with its size. However, looking at the growth in the size of the Company and its operations it is strengthening these systems further. The Company places great emphasis on the maintenance of effective internal controls, both from the point of view of compliance with statutory requirements as well as supporting the smooth and efficient running of the business.

The Management is taking further initiatives in terms of adding more capacities, which would have significant benefit in the coming years.

### Dividend

During the year under review, your Company has declared and paid an interim dividend of Rs. 0.05 per equity share in the month of February, 2012 aggregating to Rs. 3552305/- on 71046100 equity shares of nominal value of Rs. 10/- each. The dividend distribution will result in a cash outgo of Rs. 4128578/- (including tax on dividend of Rs. 576273/-).

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### Transfer to Reserve

No amount is proposed to transfer to the General Reserve Account.

### Subsidiary Company

As on 31st March 2012, your Company has three wholly owned subsidiaries, namely,

1. Chromatic International FZE
2. Chromatic Ferro Alloys Limited
3. Chromatic Sponge Iron Limited

The Company has formed two 100% wholly – owned subsidiary, “Chromatic Ferro Alloys Limited” and “Chromatic Sponge Iron Limited” on 13th September, 2011 and 12th September, 2011 respectively. The Company has not subscribed the Shares of the Subsidiaries till 31st March, 2012.

In terms of Section 212 of the Companies Act, 1956, the Directors' Report, Balance Sheet, Profit and Loss Account of its Subsidiary companies are attached to this Annual Report along with necessary statement under the said section. In accordance with the general circular No. 2/2011 dated 8th February, 2011, an exemption has been provided to companies from complying with Section 212, provided such companies publish the audited consolidated financial statement in the Annual Report. Accordingly, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. The Company will make available the Annual Accounts of the subsidiary companies and the related detailed information to any member of the Company who may be interested in obtaining the same. These documents will also be kept open for inspection during the business hours at the Registered Office of the Company. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies.

The statement pursuant to Section 212 of the Companies Act, 1956 containing the prescribed details of subsidiaries is attached to this report.

### Listing of Equity Shares

The equity shares of your company are listed on Bombay Stock Exchange Limited (BSE) and the Luxembourg Stock Exchange, Luxembourg. The annual listing fees for the year 2012-13 have been paid to all these Stock Exchanges.

Your Company has got listed on National Stock Exchange of India Limited vide NSE letter dated 25th May, 2012. The Equity Shares of the Company has been listed and admitted to dealings on the Exchange with effect from May 29, 2012. The Symbol of our securities on National Stock Exchange is CHROMATIC.

### Human Resource Development

Company encourages a culture that develops and empowers people, promotes team building and nurtures new ideas. The Company's recruitment practice ensures that suitable candidates with merit are recruited and provided with the right opportunities to grow within the organization.

### Depository System

Your Company's equity shares are available for dematerialization through National Securities Depository Limited and Central Depository Services (India) Limited. As of March, 31st March 2012, 99.61% of the Equity shares were held in demat form. In view of the numerous advantages offered by the Depository system, members holding shares in physical mode are advised to avail of the facility of dematerialization form either of the Depositories. Relevant ISIN No. is INE662C01015.

### Buy-Back of Shares

During the financial year under review, Company has not announced any Buy-back of its Shares.

### Corporate Governance Report

In terms of Clause 49 of the Listing Agreement with the Stock Exchanges, a compliance report on Corporate Governance has been annexed as part of the Annual Report along with a certificate from the practicing Company Secretary confirming the compliance of conditions of corporate governance under clause 49 of the Listing Agreement is also attached to this Report.

**Directors**

Mr. Ajay Singh Sethi, Director of the Company is liable to retire by rotation at the ensuing Annual General Meeting and is eligible for re-appointment. The Board recommends his re-appointment at the ensuing Annual General Meeting.

Mr. Balkishan Kalia, who was the Director of the Company, has ceased to be director, due to his death, with effect from 14th March, 2012. The Board expressed their deep condolences at the untimely and sad demise of Mr. Balkishan Kalia and may his soul rest in peace. The Board placed on record a deep appreciation for the valuable services rendered by Mr. Balkishan Kalia during his tenure as a director of the Company.

**Directors Responsibility Statement**

Pursuant to Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, your Directors hereby confirmed that-

- (I) In the preparation of Annual Accounts for the year ended March 31, 2012 the applicable Accounting Standard have been followed along with proper explanation relating to material departure and there are no material departures from the same;
- (II) 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 as at 31st March, 2012, and profit of the company for the year ended on that date;
- (III) The Directors have taken proper and sufficient care for the maintenance of adequate Accounting records in accordance with the provision of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- (IV) The Directors have prepared the Annual Accounts of the Company on a going concern basis.

**Auditors and Auditors' Report**

M/s. S. K. Badjatya & Co., Chartered Accountants, Statutory Auditors of the Company, holds office until the conclusion of the ensuing Annual General Meeting and being eligible for re-appointment.

The Company has received confirmation from M/s S. K. Badjatya & Co., to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for such re-appointment within the meaning of Section 226 of the Companies Act, 1956. The Auditors have also submitted peer review certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India, New Delhi as required under the listing agreement. The Board recommends their re-appointment.

Members are requested to consider their re-appointment as Statutory Auditors of the Company from the conclusion of this AGM until the conclusion of next AGM of the Company, at a remuneration to be decided by the Board of Directors of the Company in consultation with the Auditors.

All observations made by the Auditors in their reports are self explanatory by way of Notes on Accounts and does not require any further clarification.

**Cost Audit**

The Board of Directors in pursuance to the Orders issued by the Central Government under Section 233B of the Companies Act, 1956, have appointed M/s. Kishore A. Bhatia, Cost Accountants, Mumbai, for conducting the audit of the cost accounting records maintained by the Company.

**Fixed Deposits**

The Company had neither invited nor accepted any public deposits, during the year, under Section 58A of the Companies Act, 1956 and, as such, no amount on account of principal or interest on public deposits was outstanding during the period under review.



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### Consolidated Financial Results

Your Directors provides Audited Consolidated Financial Statements in the Annual Report.

### Foreign Exchange Earnings and Outgo

During the year under review, Company has made following transactions in Foreign Currency.

(Rs. In Lakh)

Particular	2011-12	2010-11
Expenditure in Foreign Currency	117.36	147.27
Earning in Foreign Currency	1473.33	1800.88

### Conversation of Energy, Technology Absorption & Foreign Earnings and Outgo:

Information in accordance with the provision of section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in respect of the Board of Directors) Rules 1988, regarding conversation of energy and technology absorption are as per Annexure-A and forms part of this report

### Environment and Social Concern

Your Company continues its efforts for the betterment of the environment and conservation of scarce natural resources.

### Particulars of Employees

There are no employees drawing remuneration beyond prescribed amount requiring disclosure under section 217(2A) of the Companies Act, 1956.

### Pledge of Shares

During the year under review, the promoters of the Company M/s Cheetah Multitrade Private Limited have pledged 715000 equity shares with financial institution.

### Transfer to investor education and protection fund

The following table given information relating to outstanding dividend accounts and the dates by which they need to be transferred:

Financial Year	Date of Declaration of Dividend	Date on which dividend will become part of IEPF
2004-05 (Final)	September 30, 2005	November 06, 2012
2005-06 (Final)	November 10, 2006	December 17, 2013
2006-07 (Final)	September 29, 2007	November 5, 2014
2009-10 (Interim)	January 29, 2010	March 07, 2017
2011-12 (Interim)	February 08, 2012	March 16, 2019

### Acknowledgement

Yours Directors place on record their appreciation of co-operation and support extended by the Bankers, Government agencies and other institution and look forward to their continued support. Your Directors wish to place on record their deep sense of appreciation for the committed services of Executives, Staff and Workers of the Company.

By order of the Board of Directors  
**For Chromatic India Limited**

Sd/-  
Director

Sd/-  
Whole time Director

Place :Mumbai

Dated :13th August, 2012

**Annexure 'A' to Director's Report****Particulars required under Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988****A. Conservation of Energy :**

- (a) Energy conservation measures taken :

No fresh measures to conserve the energy taken up during the year. As a result no additional Investment incurred on this account and measures taken in the earlier years is continuing.

- (b) Total energy conservation & energy consumption per unit of production (as per form - A annexed hereto)

**B. Technology Absorption :**

Efforts made on technology absorption are as per Form - B annexed hereto.

**C. Foreign exchange earnings and outgo : Rs. (Lakhs)**

Foreign exchange earned	:	1473.33
Foreign exchange used	:	117.36

**Form - A**

Form for disclosure of particulars with respect to conservation of energy.

<b>A. Power and fuel consumption :</b>	<b>2011-12</b>	<b>2010-11</b>
<b>1. Electricity :</b>		
Unit	578910	693910
Total Amt. (Rs.)	3587940	3520360
Rate per Unit (Rs.)	6.19	5.07
<b>2. Furnace Oil :</b>		
Quantity (Ltrs)	210675	275406
Total Amt. (Rs.)	8280151	8090216
Average Rate (Rs.)	39.30	29.37
<b>3. Briquettes / Firewoods :</b>		
Quantity (Kgs)	722980	921352
Total Amt. (Rs.)	3206710	3836319
Average Rate (Rs.)	4.44	4.16
<b>B. Consumption per unit of production :</b>		
Production Unit (In Kg.)	752948	1132143
Electricity Unit	0.769	0.613
Furnace Oil (Ltrs)	0.280	0.243
Briquettes/Firewoods(Kgs.)	0.960	0.813

**Reason for variation in the consumption of Power & Fuel from previous year :**

The consumption of electricity per unit of production has increase due to decrease in volume of production

During the year under review, the rates of all the raw materials has increased due to price inflation therefore the average rate has increased as compared to previous year.

**Form - B****(See Rule - 2)**

(Form for disclosure of particulars with respect to absorption.)

**Research and Development (R&D)**

- Research and development in the area of new value added products is continuing.
- As a result of last year R & D efforts the new products are already running in the market.