



**26th Annual Report 2012-2013**

**Corporate information**

**Board of Directors**

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

**Company Secretary & Compliance Officer**

Ms. Nidhi Aneesh Nair

**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: chromatic@mtnl.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 26th Annual General Meeting of the Members of Chromatic India Limited will be held on Monday, September 30, 2013 at 3.00 p.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, 2013, 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 consider declaration of final dividend.
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.

### Special Business

5. To consider and, if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:  
“**RESOLVED THAT** Mr. Chirag Shah who was appointed as an Additional Director by the Board of Directors of the Company and who holds office up to the date of this Annual General Meeting pursuant under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received Notice in writing, under section 257 of the Companies Act, 1956, from a member signifying his intention to propose him a candidate for the office of a Director of the Company, be and is hereby appointed as Director of the Company, liable to retire by rotation.”

By Order of the Board of Directors

**Nidhi Nair**  
Company Secretary

Place: Mumbai

Date: August 14, 2013

### **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 Explanatory Statement pursuant to the provisions of Section 173 (2) of the Companies Act, 1956 setting out the material facts in respect to the Special Business in annexed herewith.
4. The Register of Members and Share Transfer Books will remain closed from 21st September, 2013 to 30th September, 2013 (both days inclusive) for the purposes of Annual General Meeting.
5. Dividend if any, approved at the 26th Annual General Meeting of the Company will be paid to those shareholders whose names appear:
  - a) As beneficial owner as at the end of the business hours on September 20, 2013 as per the list to be furnished by the Depositories in respect of shares held in Electronic form, and
  - b) As members in the Register of Members of the Company after giving effect to all valid share transfers in physical form lodged with the Registrar and Share Transfer Agent of the Company on or before September 20, 2013.
6. 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.



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7. In order to provide protection against fraudulent encashment of dividend warrants, Members are requested to provide their Bank Account Number, Name and address of the Bank / Branch to the Registrar and Share Transfer Agent of the Company i.e. M/s Big Share Services Private Limited in respect of shares held in physical mode and to their respective DPs for demat mode to enable them to incorporate the same in the dividend warrants.
8. Members / proxies should bring duly-filled Attendance Slips sent along with this Notice to attend the meeting.
9. Members whose shareholding is in the electronic mode are requested to communicate changes of address and change of bank account details to their respective depository participants (DP) with whom the Demat account is maintained.
10. All documents referred to in the accompanying notice are open for inspection at the registered office of the Company on all working days between 10.30 am to 12.30pm, except Saturday, prior to the Annual General Meeting.
11. Members desirous of obtaining any information / clarification (s) concerning the accounts and operations of the Company or intending to raise any query are requested to forward the same at least 10 days before the date of meeting to the Company Secretary at the Registered Office of the Company so that the same may be attended to appropriately.
12. Unclaimed dividend for the financial years 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.
13. 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).

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.

By Order of the Board of Directors

**Nidhi Nair**

*Company Secretary*

Place: Mumbai

Date: August 14, 2013



**EXPLANATORY STATEMENT**

**Pursuant to Section 173(2) of the Companies Act, 1956**

**ITEM NO. 5:**

The Board of Directors of the Company, pursuant to the provisions of Section 260 of the Companies Act, 1956, had appointed Mr. Chirag Shah as an Additional Director with effect from 29.05.2013 and who holds office up to the date of this Annual General Meeting. A notice in writing, under section 257 of the Companies Act, 1956 has been received by the Company from a member along with a deposit of Rs. 500 proposing the candidature of Mr. Chirag Shah's appointment as Director of the Company.

Your Directors recommend the resolution for approval of members.

None of the Directors except Mr. Chirag Shah himself is concerned or interested in the Resolution.

**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>Mr. Chirag Shah</b>
Father's Name	Mr. Dileep Singh Sethi	Mr. Bhupendra Shah
Designation	Non Executive, Independent Director	Non Executive, Independent Director
Date of Birth	December 21, 1967	October 22, 1972
Nationality	Indian	Indian
Date of Appointment on Board	May 29, 2010	May 29, 2013
Qualifications	M. Com, PGDBM	B.Com
Expertise	Wide experience in Finance & Administration.	Wide experience in Business & Administration.
Directorships held in other Public Companies (Excluding foreign companies and Section 25 Companies)	Healthy choice Agro (India) Limited	NIL
Memberships / Chairmanships of committees of other public companies (includes only Audit Committee and Shareholders / Investors Grievance Committee)	NIL	NIL
Number of Shares held in the Company	NIL	NIL
Relationships between the Directors inter – Se	NIL	NIL



## DIRECTORS REPORT

Dear Shareholders,

Your Company's Directors are pleased to present the 26th Annual Report and the audited accounts of the Company for the financial year ended 31st March, 2013.

## Operational Results

The summary of the financial performance of the Company for the financial year ended 31st March, 2013 compared to the previous year ended 31st March 2012 is summarized below:

	(In Rupees)	
Particulars	2012-2013	2011-2012
Net Sales and Other Income	932,907,649	1,230,389,738
Profit/ (Loss) Before Tax	2,743,773	12,532,903
Add / (Less): Deferred Tax Adjustments	(31,815)	2,838
Less: Current Income Tax	700,000	(4,007,278)
Less: Fringe Benefit Tax	-	-
Less: Wealth Tax	-	-
Profit/(Loss) after Tax	2,075,588	8,522,787
Add/(Less): Prior Year short provision for Tax	55,172	6180
Balance Brought Forward	8,239,054	3,838,665
Amount Available for Appropriation	10,314,642	12,367,632
<b>Appropriations</b>		
Dividend/Interim dividend on Equity Shares	1,420,922	3,552,305
Tax on Dividend	230,510	576,273
Surplus / Deficit Carried Forward	8,718,382	8,239,054

## Review of Performance and Management discussion and Analysis

Your directors are pleased to report total income of Rs. 93.29 crores for the financial year ended 31st March, 2013 as against Rs. 123.04 crores for the financial year ended 31st March, 2012, a decrease of 24.18%. The profit before tax is Rs. 27.43 Lacs for the year ended 2012-13 compare to Rs. 1.25 crores for the year ended 2011-12. The Net profit after tax is Rs. 20.75 lacs for the financial year ending 2012-2013.

The Management's Discussion and Analysis on Company's performance – industry trends and other material changes with respect to the Company and its subsidiaries pursuant to Clause 49 of the Listing Agreement is presented in a separate section forming part of the 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

The Directors are pleased to recommend a Dividend of Rs. 0.02/- per equity share of Rs. 10/- each, to be appropriated from the profits of the financial year ended March 31, 2013 subject to the approval of the Shareholders at the ensuing Annual General Meeting. The Dividend will be paid in compliance with applicable regulations. The Dividend amount, if declared as above, would be Rs. 1,420,922.

The dividend payout for the year under review has been formulated in accordance with the Company's policy to pay sustainable dividend linked to long term performance, keeping in view the Company's need for capital for its growth plans and the intent to finance such plans through internal accruals to the maximum.

## Transfer to Reserve

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

## Subsidiary Company

As on 31st March 2013, your Company has three wholly owned subsidiaries, namely,

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

The Company had formed above two 100% wholly – owned subsidiary, "Chromatic Ferro Alloys Limited" and "Chromatic Sponge Iron Limited" on 13th September, 2011 and 12th September, 2011 respectively.

In terms of Section 212 of the Companies Act, 1956, the Directors' Report, Balance Sheet, Profit and Loss Account of its Subsidiary companies need to be 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, on request, 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), National Stock Exchange of India Limited and the Luxembourg Stock Exchange, Luxembourg. The equity shares of the Company was listed and admitted for dealing on National Stock Exchange with effect from 29th May, 2012. The annual listing fees for the year 2013-14 have been paid to all these Stock Exchanges except to the Luxembourg Stock Exchange.

**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 2013, 99.63% 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**

The Company is committed to maintain the highest standards of Corporate Governance and adhere to the Corporate Governance requirements set out by SEBI. The Company has also implemented several best Corporate Governance practices as prevalent globally.

The Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the Report.

The requisite Certificate from M/s R. N. Gupta, Practicing Company Secretary on compliance with the conditions of Corporate Governance as stipulated under the aforesaid Clause 49 is attached to this Report.

**Director**

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. Chirag Shah, who was appointed as Additional Director of the Company under section 260 of the Companies Act, 1956 on 29th May, 2013. In terms of the provisions of Section 260 of the Companies Act, 1956, Mr. Chirag Shah holds office up to the conclusion of the forthcoming Annual General Meeting (AGM) of the Company and is eligible for appointment. The Company has received notice from a member of the Company pursuant to section 257 of the Companies Act, 1956, proposing his candidature for the office of Director. Mr. Chirag Shah is liable to retire by rotation. The Board recommends his appointment as Director.

Mr. Nitin Sethi, Non Executive and Independent Director of the Company, resigned as the director with effect from 5th July, 2013. The Board places on record their gratitude and appreciation for the contribution of the said directors during their tenure as Director of the Company.

**Company Secretary & Compliance Officer**

The present Company Secretary and Compliance Officer of the company Ms. Priyanka Chauhan has resigned due to her personal reasons with effect from 31st March, 2013. Mr. Nidhi Nair has been appointed, by the Board of Directors of the Company, as Company Secretary and Compliance Officer of the Company with effect from 19th July, 2013.

**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, 2013 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, 2013, 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.



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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 has 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 observation 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

Your Company has not accepted any fixed deposits, during the year, under Section 58A of the Companies Act, 1956 and, as such, no amount on account of principal or interest on fixed deposits was outstanding during the period under review.

### Consolidated Financial Results

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

### Foreign Exchange Earnings and Outgo

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

(Rs. In Lakh)

Particular	2012-13	2011-12
Expenditure in Foreign Currency	202.03	117.36
Earning in Foreign Currency	2035.13	1473.33

### 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.

### 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
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

Your Directors take this opportunity to thank all investors, customers, vendors, banks/financial institutions, regulatory and government authorities and Stock Exchanges for their consistent support and encouragement to the Company. The Directors also place on record their sincere appreciation to all employees of the Company for their hard work, dedication and commitment. The enthusiasm and unstinting efforts of the employees have enabled the Company to remain at the forefront of the Industry.

By order of the Board of Directors  
For Chromatic India Limited

Sd/-  
Director

Sd/-  
Whole time Director

Place : Mumbai  
Dated : 14th August, 2013



**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	:	2035.3
Foreign exchange used	:	202.03

**Form - A****Form for disclosure of particulars with respect to conservation of energy.**

<b>A. Power and fuel consumption :</b>	<b>2012-13</b>	<b>2011-12</b>
<b>1. Electricity :</b>		
Unit	546166	578910
Total Amt. (Rs.)	3945840	3587940
Rate per Unit (Rs.)	7.22	6.19
<b>2. Furnace Oil :</b>		
Quantity (Ltrs)	30955	210675
Total Amt. (Rs.)	1303885	8280151
Average Rate (Rs.)	42.12	39.30
<b>3. Briquettes / Firewoods :</b>		
Quantity (Kgs)	740233	722980
Total Amt. (Rs.)	3659396	3206710
Average Rate (Rs.)	4.94	4.44
<b>B. Consumption per unit of production :</b>		
Production Unit (In Kg.)	955533	752948
Electricity Unit	0.572	0.769
Furnace Oil (Ltrs)	0.032	0.280
Briquettes/Firewoods(Kgs.)	0.775	0.960

**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)**

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





## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **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 Development**

Chemical industry is capital as well as knowledge intensive industry. This industry plays a significant role in the Global economic and social development. It is also human resource intensive industry and hence generates employment. The diversification within the chemical industry is huge and covers more than thousands of commercial products. Chemicals are used in a wide variety of products and processes. They are major contributors to national and world economies, their sound management throughout their lifecycle is essential in order to avoid significant and increasingly complex risks to human health and ecosystems and substantial costs to national economies. There is immense potential for increasing consumption within the country as also for India to become a reliable supplier of such quality chemicals to the world.

Chemicals play a major role in improving the quality of life by enabling the manufacture of the goods and materials that need whilst mitigating adverse environmental impact. By developing new usages of chemicals, processes and sustainable routes to produce novel environmental friendly materials, it can achieve low carbon processes that can make high value products of the Company for humans and solve energy and sustainability challenges.

Our Company is a leading manufacturer and supplier of Chemical Dyes, Dye Intermediates and Basic Chemicals. It currently focuses on manufacturing Basic Chemicals to feed Dye Intermediates and dyes manufacturing through a successful strategy of backward integration. The product range caters mainly to textiles industries. The Company 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**

Over the last fifteen years, the Indian chemicals industry has graduated from manufacturing principle chemicals in a highly regulated market to being a mature industry in a liberalized economy. Until 1991, India had a closed economy, with the domestic chemical industry enjoying protection in the form of differential import duties on raw materials and finished chemical products. Chemical manufacturing was largely controlled by licensing regulations. This industry is among the fastest growing ones in India. The bulk of chemicals produced in India comprise either upstream products or intermediates, which go into a variety of manufacturing applications.

Indian chemical companies with well-built systems and structured operations are likely to be benefited. It has been contributing to India's growing economy in a phenomenal way. Today, India has achieved considerable progress in production of basic organic and inorganic chemicals, dyestuffs and intermediates. Those companies who are manufacturing highly valued chemicals and who are compliant of industrial quality standards can make their mark not just in India but even in the overseas markets as well.

The sales efforts are also well supported by a team of technical experts who play a pivotal role in providing pre / post sales technical services, training to customer's employee, on-site back-up, recipe and process customization, product development etc.

Our Company's R&D activities broadly comprise various processes for developing new products, standardizing analytical methods and identifying substitutes for key raw materials. Through the R&D centre, the Company continuously interacts with consumers to obtain feedback on its existing as well as new products to complement its new product development activities.

### **Threats, Risks and Concerns:**

The Company is a manufacturer and suppliers of Dyes, Intermediates and Basic chemicals. However, the following major issues may hamper business operation as well as growth of the Company:

- (a) Volatility in prices of raw material especially crude oil and transportation cost can adversely affect the business operations and can thin out profitability of the Company.
- (b) The Company is doing business with various countries, therefore, our business operations and growth is dependent upon the political, climatic, economic, regulatory and social environment of such countries.
- (c) The Company is a leading exporter therefore; the volatility in foreign exchange rates may affect

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.

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.

**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.

**Financial performance – Operational performance**

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

Net Sales and Other Income	Rs. 932,907,649
Profit before tax	Rs. 2,743,773
Profit after tax	Rs. 2,075,588

During the year under review, the Company achieved a profit before tax of Rs. 2.74 lakhs as compared to Rs. 1.25 crores in 2011-12. 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.