

Annual Report 2004-2005

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PODDAR PIGMENTS LTD.

BOARD OF DIRECTORS

Smt. Kusum Poddar

Shri M.K. Sonthalia

Shri N. Gopalaswamy

Shri R.K. Sureka, Director & CEO

Shri S.S. Poddar, Managing Director

Shri V. K. Fogla

AUDITORS

M/s. K.N. Gutgutia & Company

Chartered Accountants

New Delhi

BANKERS

State Bank of India

Punjab National Bank

REGISTERED OFFICE & WORKS

RIICO Industrial Area,

Sitapura, Jaipur - 302 022

(Rajasthan)

CORPORATE OFFICE

301, 'Abhishek'

Off New Link Road,

Andheri (West), Mumbai - 400 053

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NOTICE

NOTICE is hereby given that the **Fourteenth Annual General Meeting** of the Company will be held at the Registered Office of the Company at **RIICO Industrial Area, Sitapura, Jaipur - 302022 (Rajasthan) on Saturday, the 17th September, 2005 AT 2.00 P.M.** to transact the following business :-

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2005 and the Balance Sheet as at that date and the Directors' and Auditors' Report thereon.
2. To appoint a Director in place of Smt. Kusum Poddar who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint the Auditors and to fix their remuneration

By order of the Board

PLACE: JAIPUR
DATE : 20th MAY, 2005

SANJAY MEHTA
SR. DGM (FINANCE) &
COMPANY SECRETARY.

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 SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

Proxies in order to be effective must reach to the Registered Office of the Company not less than 48 hours before the time fixed for the Meeting.

2. The Register of Members and Share Transfer Books of the Company shall remain closed from **12th September, 2005 to 17th September, 2005 (both days inclusive)**
3. Members are requested :-
 - a. to bring their copy of the Annual Report at the Meeting.
 - b. to notify any change in their address to the Company.
4. In case of physical shares, the instrument of Share Transfer complete in all respect should be sent so as to reach to the Registered Office of the Company or at the office of R & T Agent prior to the closure of the Register of Members as stated above.
5. The copies of relevant documents can be inspected at the Registered Office of the company on any working day till the date of Fourteenth Annual General Meeting from 10.30 A.M. to 12.30 P.M.

By order of the Board

PLACE: JAIPUR
DATE : 20th MAY, 2005

SANJAY MEHTA
SR. DGM (FINANCE) &
COMPANY SECRETARY.



DIRECTORS' REPORT TO THE MEMBERS

Dear Members,

Your Directors are pleased to present the Fourteenth Annual Report on the business and operations of the Company, together with the Audited Accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS

[Rs. in Lacs]

| PARTICULARS | 2004-2005 | 2003-2004 |
|---|-----------|-----------|
| Sales | 7353 | 7312 |
| Other Income | 105 | 54 |
| Sales including other income | 7458 | 7366 |
| Operating Profit before Interest, Depreciation & Tax | 533 | 654 |
| Interest | 64 | 113 |
| Depreciation | 306 | 313 |
| Misc. Expenditure written off | 5 | 6 |
| Net Profit before tax | 158 | 222 |
| Provision for Tax – Current | 83 | 99 |
| – Deferred | (42) | 6 |
| Net Profit after tax | 117 | 117 |
| Balance brought forward from previous year | 164 | 204 |
| Profit available for appropriations | 281 | 321 |
| APPROPRIATIONS | | |
| General Reserve | 180 | 157 |
| Balance Carried forward to Balance Sheet | 101 | 164 |

OPERATIONS

During the year, the Company has achieved a sales turnover of Rs. 7353 lacs as against Rs. 7312 lacs in the previous year. The margins continue to be under pressure due to severe competition in the market, coupled with abnormal increase in polymer prices for part of the year. Your Directors expect better results during the current financial year due to implementation

of various cost cutting measures and improvement in the product mix.

MARKETING

The sustained demand for the products of the Company has helped towards facing price competition in both domestic and international markets. In quantitative terms, sales have increased to 4470 MT as against 4014 MT in the previous year. The exports of the Company have registered an increase of 35% over the last year. With continuous efforts and international quality standards, we expect further improvement in performance during the current year.

RESEARCH AND DEVELOPMENT

The R & D division of the Company, located at its plant, is being continuously strengthened as per International Standards/new developments.

EXPANSION

Considering the global scenario and the increased demand for the Company's products, further expansion in the capacity is under consideration.

DIVIDEND

In order to augment resources, your Directors do not recommend any dividend for the year.

DIRECTORS

Smt. Kusum Poddar retires by rotation at the ensuing Annual General Meeting pursuant to the provisions of the Companies Act, 1956 and Articles of Association of the Company, and being eligible, has offered herself for re-appointment.

CORPORATE GOVERNANCE

The report on Corporate Governance (in accordance with Clause 49 of the Listing agreement with the Stock Exchanges) along with the Auditors' certificate on its compliance by the Company and the Management Discussion & Analysis, which forms part of this report has been included in the Annual Report.



DEPOSITS

There is no balance of fixed deposit at the year end.

EMPLOYEES

No employee of the Company is covered under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975,

AUDITORS

M/s K. N. Gutgutia & Co., Chartered Accountants who were appointed the Auditors of the Company at the Thirteenth Annual General Meeting of the Company held on 13th September, 2004 retire at the conclusion of the Fourteenth Annual General Meeting and being eligible, have offered themselves for re-appointment.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO.

Particulars relating to energy conservation, technology absorption and foreign exchange earnings and outgo as required under section 217(1)(e) of the Companies Act, 1956 are enclosed as a part of the report.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2000, the Directors confirm :-

- (i) that in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

- (ii) that the directors have selected such accounting policies and applied them consistently and have made judgements 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, 2005 and of the profit of the Company for the period ended on that date;
- (iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the directors have prepared the Annual Accounts on a going concern basis.

ACKNOWLEDGEMENT

The Management is grateful to the various Government and Semi-Government Authorities, Financial Institutions, Bankers, Investors, Marketing Dealers, Vendors and Customers for their valued support and co-operation.

The Directors also wish to place on record their appreciation for the dedication and excellent contribution of the employees in realising the objectives of the Company.

For and on behalf of the Board of Directors

PLACE : JAIPUR
DATE : 20th MAY, 2005

R. K. Sureka
DIRECTOR & CEO

S. S. Poddar
MANAGING DIRECTOR



ANNEXURE TO THE DIRECTORS' REPORT

I. ENERGY CONSERVATION

The Company continues to accord high priority to energy conservation on an ongoing basis. To economise the energy cost, the Company has shifted from own generation to State Electricity Board in the month of March, 2005 and also implemented the recommendations of the experts who have conducted the Energy Audit of the Company. It is expected that during the current year, the Company will be able to achieve substantial saving on account of power.

Particulars with respect to conservation of energy:-

| (A) Power & Fuel consumption | Current Year ended on 31.03.2005 | Previous Year ended on 31.03.2004 |
|------------------------------|-------------------------------------|--------------------------------------|
|------------------------------|-------------------------------------|--------------------------------------|

Electricity

| | | |
|-------------------------------|-----------|-----------|
| (a) Purchased :- | | |
| Units (Nos.) | 3 19 569 | 2 401 |
| Total Amount (Rs.) | 14 37 473 | 28 342 |
| Rate/Unit (Rs.) | 4.49 | 11.80 |
| (b) Own generation :- | | |
| Through Diesel & SKO | | |
| Units (Nos.) | 41 51 854 | 42 82 818 |
| Units per Ltr of Diesel & SKO | 3.52 | 3.41 |
| Cost/ Unit (Rs.) | 6.29 | 4.53 |

(B) Consumption per unit of production :-

| | | |
|---|----------|----------|
| Production of Masterbatches & Plastic Compounds. (M.T.) | 4 384.93 | 3 921.06 |
| Electricity per M.T. of Production (Units) | 1 019.73 | 1 092.87 |

II. RESEARCH AND DEVELOPMENT (R&D)

| | |
|--|--|
| 1. Specific areas in which R&D was carried out by the Company. | Research & Development of new Range of Masterbatches & Plastic Compounds and process improvement in existing and new target applications. Imparting new properties in existing range of Masterbatches & Plastic Compounds. |
| 2. Benefits derived as a result of the above R&D. | (i) Wider Range of the Masterbatches & Plastic Compounds. (ii) Increase in Productivity. (iii) Improved customer satisfaction. (iv) Enhanced quality. |
| 3. Future plan of action | To continue development of new range of Masterbatches & Plastic Compounds for different applications. |
| 4. Expenditure on R&D | |
| (a) Capital | Rs. 23.29 lacs |
| (b) Recurring | Rs. 58.08 lacs |
| (c) Total | Rs. 81.37 lacs |
| (d) Total R&D expenditure as a percentage of total turnover | 1.10 per cent |

III. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

| | |
|--|---|
| 1. Efforts, in brief, made towards technology absorption, adaptation and innovation. | (i) Continuous efforts are made to secure and utilise the latest available technology, to keep pace with the latest manufacturing trends, keeping in mind the quality, cost reduction and capacity utilisation (ii) Interaction with academic institutions for research. (iii) In-house trials on new technology of mixing. |
| 2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, Import substitution, etc. | (i) The Company has been able to achieve superior quality production, which will result in higher realisation of finished goods. (ii) Introduction of new products. (iii) Technology upgradation. (iv) Leadership in the products of the Company. NIL |
| 3. Technology imported during last five years. | (i) Technology Imported for manufacture (ii) Year of Import (iii) Has technology been fully absorbed. |

IV. FOREIGN EXCHANGE EARNED AND USED.

| | [Rs. In Lacs] | |
|---------------------------------|---------------|-----------|
| | 2004-2005 | 2003-2004 |
| 1. Foreign Exchange Earned | 658.17 | 504.30 |
| 2. Foreign Exchange Used: | | |
| Travelling Expenses | 10.48 | 29.42 |
| Import of Capital Goods | 5.22 | 43.48 |
| Import of Raw Material & Stores | 2076.05 | 2 074.72 |
| Others | 4.92 | 6.91 |

For and on behalf of the Board of Directors

PLACE : JAIPUR
DATE : 20th MAY, 2005

R. K. Sureka
DIRECTOR & CEO

S. S. Poddar
MANAGING DIRECTOR



MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry Structure and Developments

Masterbatch

It has been felt that, in general, a layman does not understand the meaning of masterbatch. For the sake of clarity, it is worthwhile to introduce the basic characteristic of masterbatch before explaining the nature of industry. The Masterbatch is a mixture of pigment, polymer and additives used to impart colour and/or functional properties in plastics and fibres. It is environment friendly in comparison to other process like conventional dyeing etc. Due to increased awareness on environmental issues, lustre, fastness properties and the value added concept, customers are preferring the masterbatch route in place of the conventional dyeing route. Furthermore, due to advancement in technology and intensive research and development, the acceptability of materbatches is on the increasing trend.

The masterbatch industry can be classified into three broad segments-organised sector, medium sector and small sector. A substantial part of the market is catered to by the small sector, comprising of a large number of small manufacturing units spread throughout the country. These units mostly cater to their respective localised markets and in particular product ranges. The medium sector is much smaller in size though it caters a larger market. The organised sector comprises of very few players including your Company and caters to the organised and quality conscious market. Due to high technology and quality requirement of the product, imports also play a major role. It is felt that the organized sector is taking over the market share from the small and medium sector due to increased quality consciousness.

Over a period of time, the Company has built a good name as a technology-oriented company with a good image for its products. Our customers acknowledge the high quality of the Company's products. The exports of the Company during the year has increased by 35% over the previous year. The policy of the company to provide 'niche' products to the industry and to maintain its novelty and exclusivity, is paying the rich dividend even in the times of high competitiveness.

There is optimistic outlook in terms of growth in Masterbatch industry due to its unique features. This industry as a whole holds good growth prospects in the future. It has been estimated that the Masterbatch industry will grow at the rate of 20% for the next few years.

Engineering Plastic Compounds

Inspite of stiff competition in the market, the products produced by the company are well accepted by users and results are encouraging. However, the company could not achieve the target as estimated while venturing in this new activity due to low margins and stiff competition. It is expected that the year 2005-06 will be promising for Company's new products.

The Company will leverage on good usage for its products as well as on its R&D strength to meet the requirements of the customers.

2. Opportunities and Threats

(i) The key opportunity includes :

The Company has superior quality of products recognised by the market, therefore a preferred supplier of quality products to the users and it is expected that the demand of Quality Masterbatches and EPC products shall continue to grow.



(ii) Key threats includes :

Low economic growth may affect demand for the products of the Company and increase pressure on margins. The relaxation in import tariff is likely to result in increased import and competition from Global players. Fluctuation in foreign currency also plays major role in the profitability of the Company.

With continuous improvement in the technology and measures taken for cost effectiveness, the Company is expected to face the emerging challenges in a confident and optimistic manner.

3. Segment-wise or product-wise performance

Since the operations of Plastics Compounds contributes less than 10% of the Company's total revenue/profit, the operations of Masterbatches will be the over all performance of the Company.

4. Business Outlook

As a forward looking statement it can be noted with greater optimism that Company's coming years appear to be heading for quantum growth and better all round performance. Towards achieving this, the Company will consider for further enhancement of its capacities.

5. Risks and concerns the Management perceives

The continuing high raw-materials cost, uncontrollable overheads and further aberration in the customs duty in the coming years under general WTO obligations, can create pressure on the margins and thereby may affect the performance of the Company. Further, low economic growth can affect sales and margins.

6. Internal Control Systems and their adequacy

The Board of Directors has formed an Audit Committee whose Chairman is an Independent Director. The Committee meets periodically with management, internal auditors and representative of the Company's Auditor to review the Company's internal controls, audit plans, financial results, recommendations of auditors and management responses to those recommendations. The Internal controls are supported by Internal Audit and Management reviews.

7. Discussion on Financial Performance

Please refer to the paragraphs under the heading "Financial Results" and "Operations" in the main Directors' Report.

8. Human Resources

The Company's Industrial relations continued to be harmonious during the year under review. The focus is on maintaining a high level of motivation and on leadership development. The total strength of the employees during the year was around 280.

9. Cautionary Statement

Estimates and expectations stated in this Management Discussion and Analysis may be "forward-looking statement" within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied. The important factors that could make difference include economic conditions, domestic and international markets and changes in the Government regulations and laws.

For and on behalf of Management Team

**PLACE : JAIPUR
DATE : 20th MAY, 2005**

**S. S. Poddar
MANAGING DIRECTOR**



REPORT ON CORPORATE GOVERNANCE

(Pursuant to clause 49 of the Listing Agreement)

The Board of Directors of the Company supports the broad principles of Corporate Governance. Your Company has been practising the principles of good Corporate Governance over the years. Given below is the report on Corporate Governance:-

1. Company's Philosophy on Code of Governance

The Company has always believed in fair business and corporate practices while dealing with the shareholders, employees, customers, creditors, lenders and others. The Company is prompt in discharging its statutory obligations and duties. The Board has adequate representation of professionals, qualified, Non-Executive and Independent Directors.

2. Board of Directors

2.1 Composition of the Board

The composition of Board with reference to number of Executive and Non-Executive Directors, meets the requirement of Code of Corporate Governance.

In the Financial Year 2004-2005, four Board Meetings were held on 28.05.2004, 30.07.2004, 14.10.2004 and 22.01.2005.

Details of composition of the Board, category, attendance of Directors at Board Meetings and last Annual General Meeting, number of other directorship and committee membership are as given below :-

| Sl.No. | Name of the Director | Category of Directorship @ | No. of Board meeting attended out of 4 held | Attendance at last AGM held on 13.09.2004 | No. of other Directorship as on 31.03.2005 | No. of other committees in which Chairman/Member as on 31.03.2005. | |
|--------|-------------------------------------|----------------------------|---|---|--|--|----------|
| | | | | | | Member | Chairman |
| (i) | Sh. S. S. Poddar, Managing Director | \$ | 4 | NO | 4 | 1 | - |
| (ii) | Sh. R. K. Sureka, Director & CEO | # | 2 | NO | 3 | - | - |
| (iii) | Smt. Kusum Poddar | * | 3 | NO | - | - | - |
| (iv) | Sh. M. K. Sonthalia | & | 1 | NO | 7 | 1 | - |
| (v) | Sh. N. Gopalaswamy | & | 1 | YES | 2 | 1 | - |
| (vi) | Sh. V. K. Fogla | & | 2 | NO | 10 | - | - |

@ Category of Directors:-

| | | | |
|----|---------------------------------|---|------------------------------------|
| \$ | Executive Promoter Director | # | Executive Director |
| * | Non Executive Promoter Director | & | Non Executive Independent Director |

2.2 Remuneration to Executive Directors

The remuneration of Executive Directors are being determined by the "Remuneration Committee" subject to the approval of the Company in General Meeting and such other authority as may be necessary. The details of remuneration paid to Executive Directors during the Financial Year 2004-05 are as follows:

| Particulars | Sh. S.S. Poddar, Managing Director | Sh.R.K.Sureka, Director & CEO |
|--------------------------------|------------------------------------|-------------------------------|
| Salary and HRA | 12 57 000 | 9 57 600 |
| Contribution to Provident Fund | 1 50 840 | 95 760 |
| Other perquisites | 4 77 323 | 15 000 |
| Total (Rs.) | 18 85 163 | 10 68 360 |



2.3 Remuneration to Non-Executive Directors

No remuneration except sitting fee of Rs. 1000/- per meeting attended by the Non-Executive Director and total fee of Rs. 7000/- was paid to the Non-Executive Directors for the Board Meetings attended by them during the year 2004-2005.

2.4 Information placed before the Board of Directors

The Company has been placing before the Board information required under Annexure 1 to Clause 49 of the Listing Agreement.

3. Audit Committee

During the Financial Year 2004-2005, two meetings of the Audit Committee were held on 24.05.2004 and 07.10.2004. The details of the attendance of the members at Audit Committee and constituents of the Committee are as follows :-

| Name of Members | Designation | No. of Meetings Attended |
|---------------------|---|--------------------------|
| Sh. N. Gopalaswamy | Chairman–Non Executive & Independent Director | 2 |
| Sh. M. K. Sonthalia | Member–Non Executive & Independent Director | 2 |
| Sh. R. K. Sureka | Member–Executive Director | – |
| Smt. Kusum Poddar | Member–Non Executive Promoter Director | – |

The Audit committee was reconstituted on 28.05.2004 and comprises of three Non -Executive Independent Directors namely S/Sh. N. Gopalaswamy, V. K. Fogla and M. K. Sonthalia. Sh. V. K. Fogla is the Chairman of the committee.

The Head of Finance Function and Internal Audit Department are permanent invitees to the Meeting. The Statutory Auditors are also invited to attend the meetings.

The terms of reference of the Committee have been brought in line with the requirements of the code. The brief terms of reference of the Audit Committee include :

- Review of the Company's financial reporting process and financial statements.
- Review of accounting and financial policies and practices.
- Review of internal control and internal audit systems.
- Discussion with Internal Auditors on any significant findings and follow-up thereon.
- Reviewing the Company's financial and risk management policies.
- Reviewing the Half Yearly and Annual Financial Statements before submission to the Board.
- Recommending the appointment and removal of Statutory Auditors, audit fee and payment for any other services.

4. Share Transfer cum Investors' Grievance Committee

The 'Share Transfer-cum-Investors' Grievance Committee was reconstituted on 28.05.2004 and presently comprises of one Executive Director namely, Sh. S. S. Poddar and three Non -Executive Directors namely S/Sh. V. K. Fogla, N. Gopalaswamy and Smt. Kusum Poddar. Smt. Kusum Poddar is the Chairperson of the committee.

The Committee, in addition to consider share transfer matters, also oversees redressal of shareholders' and investors' complaints/grievances and recommend measures to improve the level of investor services, besides discharging such other related functions which may be referred to it by the Board from time to time.