

## **Annual Report 2008-2009**

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**PODDAR PIGMENTS LTD.**

## **BOARD OF DIRECTORS**

Smt. Kusum Poddar

Shri M.K. Sonthalia

Shri N. Gopalaswamy

Shri R.K. Sureka, CEO

Shri S.S. Poddar, Managing Director

Shri V. K. Fogla

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## **AUDITORS**

M/s. K.N. Gutgutia & Company

Chartered Accountants

New Delhi

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## **BANKERS**

State Bank of India

Punjab National Bank

State Bank of Bikaner & Jaipur

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## **REGISTERED OFFICE & WORKS**

RIICO Industrial Area,

Sitapura, Jaipur - 302 022

(Rajasthan)

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## **CORPORATE OFFICE**

301, 'Abhishek'

Off New Link Road,

Andheri (West), Mumbai - 400 053



## NOTICE

NOTICE is hereby given that the **EIGHTEENTH ANNUAL GENERAL MEETING** of the Company will be held at the Registered Office of the Company at **E-10,11 & F-14 to 16, RIICO INDUSTRIAL AREA, SITAPURA, JAIPUR-302022 (RAJASTHAN)** on **Tuesday, the 4<sup>th</sup> August, 2009 AT 11.00 A.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, 2009 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 to hold office till the conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration. M/S K.N. Gutgutia & Co., the retiring Auditors are eligible for re-appointment.

### SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as Special resolution :-

**"RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309, 310, 311 and Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (The Act) and subject to statutory approvals, if any, consent be and is hereby accorded for payment of revised remuneration for remaining term of appointment i.e. from 01.04.2009 to 30.09.2009 and for re-appointment of Shri R. K. Sureka as Director & CEO of the Company for a period of 3 years from 1<sup>st</sup> October, 2009 to 30<sup>th</sup> September, 2012 on the following terms and conditions :-

The remuneration to the Director & CEO on account of Basic Salary and perquisites is mentioned at category 'A', 'B' & 'C' below:-

1. Basic Salary Rs 150000/- Per Month
2. Perquisites - In addition to the salary, the following perquisites will be allowed :-

The perquisites are classified into three categories 'A', 'B' and 'C' as below.

### CATEGORY - A

- (a) Rent Free Accommodation or House Rent Allowance upto a maximum of 60% of Basic Salary.
- (b) Expenditure incurred on gas, electricity and water shall be paid/reimbursed by the company
- (c) Medical Expenses incurred for self and family.
- (d) Leave Travel Concession for self & family once in a year to any destination in India or Abroad.
- (e) Fee of Clubs
- (f) Premium for Personal Accident Insurance.
- (g) Premium for Personal Life Insurance
- (h) Performance Bonus linked to the Net Profits of the Company subject to a maximum of 100% of Basic Salary.
- (i) Any other perquisites as per Company's Rules within the ceiling perquisites of Rs 150000/- Per Month

Note: All the perquisites will be interchangeable i.e. any excess in a particular perquisite may be permissible by a corresponding reduction in one or more of the other perquisite(s) ; Or the ceiling of perquisites may be reduced by corresponding increase in Basic Salary.

### CATEGORY -B

The following perquisites shall also be paid to the Director & CEO and these will not be included in the computation of the ceiling on perquisites mentioned above:

- (a) Company's contribution to Provident Fund & Superannuation Fund to the extent these singly or put together are not taxable under the Income Tax Act, 1961.



- (b) Gratuity not exceeding half a month's salary for each completed year of service.
- (c) Encashment of leave in accordance with the Company's Rules.

#### CATEGORY-C

- (a) Car - Provision of car with driver for use on Company's business (not considered as a perquisite). The use of car for private purpose shall be billed by the Company to the Director & CEO.
- (b) Telephone - Provision of telephone at the residence of the Director & CEO at Company's cost (not considered as a perquisite). Personal long distance calls shall be billed by the Company to the Director & CEO.

**"RESOLVED FURTHER THAT** in pursuance of the provisions of Section 198 (4) of The Companies Act, 1956 the remuneration including perquisites as mentioned above may be paid as the minimum remuneration to the Director & CEO in the absence of or inadequacy of Profits in any Year."

By order of the Board

**N.D. DUJARI**  
**COMPANY SECRETARY**

#### Registered Office:

E-10,11 & F-14 to 16,  
RIICO Industrial Area, Sitapura,  
Jaipur-302022

**DATE: 6<sup>th</sup> JULY, 2009**

#### NOTES :

1. Explanatory Statement as required under Section 173(2) of the Companies Act, 1956 is annexed hereto.
2. 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.

3. The Register of Members and Share Transfer Books of the Company shall remain closed from 27.07.2009 to 04.08.2009 (both days inclusive).
4. Details of Smt. Kusum Poddar, required to be provided pursuant to Clause 49 of the Listing Agreement, are furnished in the Corporate Governance Report published elsewhere in the Annual Report.
5. Members are requested :-
  - a. to bring their copy of the Annual Report at the Meeting.
  - b. to notify any change in their address to M/s Link Intime (R & T Agent) / Company.

6. In case of transfer 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.

The copies of relevant documents can be inspected at the Registered Office of the company on any working day between 10.30 A.M. to 12.30 P.M., till the date of Eighteenth Annual General Meeting.



## ANNEXURE TO NOTICE

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956:

### Item No. 4

The present tenure of appointment of Shri R. K. Sureka, Director & CEO is expiring on 30.09.2009 and the Remuneration Committee of the Board at its Meeting held on 28.05.2009 recommended for payment of revised remuneration for remaining term of appointment i.e. from 01.04.2009 to 30.09.2009 and for re-appointment of Shri R. K. Sureka as Director & CEO for a further period of Three Years from 01.10.2009 to 30.09.2012.

Permission of members is required under Schedule XIII of the Companies Act, 1956. The Directors, therefore, recommend this resolution for members' approval.

As required under Para (B) of Section – II of Part – II of the amended Schedule XIII to the Companies Act, 1956 the relevant details to be sent alongwith the notice calling the General Meeting are as under:

#### I GENERAL INFORMATION :

- Nature of Industry:** Masterbatch and Engineering Plastic Compounds.
- Date or expected date of commencement of commercial production:** The Company has already commenced commercial production from 1<sup>st</sup> March, 1995.
- In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:**

Not Applicable

#### 4. Financial performance based on given indicators :

Particulars for the financial year ended 31.03.2009	Rs. in lacs
Sales including other Income	13161.00
Operating Profit (before interest, Depreciation and Tax)	935.00
Profit Before Tax	597.00

- Export Performance and net foreign exchange earnings and collaborations :** The earning in Foreign Exchange by Exports & others for the year ended 31.03.2009 was Rs. 3099.22 lacs.
- Foreign investment of collaborators, if any:**  
Not Applicable

#### II INFORMATION ABOUT THE DIRECTOR & CEO

##### 1. Background, recognition and award details:

Shri R. K. Sureka, aged 52 years is the Director & CEO of Company since 01.06.1999. He is a Fellow member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India. He has vast managerial experience of more than 30 years and has worked in very senior position in his professional career controlling the area of finance, commercial and administrative functions.

##### 2. Past Remuneration :

The last remuneration of Shri R. K. Sureka approved by the Members of the Company at their Annual General Meeting held on 13.09.2004 is as under :

A. Basic Salary	: Rs. 66500/- P.M.
B. Perquisites	: Rs. 83500/- P.M.
Total Remuneration	: Rs. 150000/- P.M.

##### 3. Job Profile and his suitability:

The Director & CEO devotes his whole time and attention to the business of the Company and carries out such duties as may be entrusted to him by the Managing Director and/or the Board from time to time. The Director & CEO exercises such powers as may be assigned to him subject to superintendence, control and direction of the Managing Director and/or the Board. He looks after the entire activities of the Company.

##### 4. Remuneration Proposed :

The Remuneration Committee and the Board of Directors of the Company at their respective meetings held on 28.05.2009 and 23.06.2009 approved the terms of remuneration for remaining period of present appointment i.e. 01.04.2009 to 30.09.2009 and for re-appointment for 3 years tenure of Shri R. K. Sureka commencing from 1<sup>st</sup> October, 2009 as under :

A. Basic Salary	: Rs. 150000/- P.M.
B. Perquisites	: Rs. 150000/- P.M.
Total Remuneration	: Rs. 300000/- P.M.

##### 5. Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person :

The executive' remuneration in the industry had risen substantially over past few years. Appreciating this, the Central Government had raised the ceiling specified in Schedule XIII dealing with the remuneration of managerial person. The "Remuneration Committee"



constituted by the Board in terms of the said Schedule perused remuneration of managerial persons in the industry and other companies comparable with the size of the Company, industry benchmarks in general, profile and responsibilities of Shri R. K. Sureka before approving the remuneration as proposed herein before.

6. **Pecuniary relationship directly or indirectly with the company or relationship with the managerial personnel, if any :**

Besides the remuneration proposed, Shri R. K. Sureka does not have any pecuniary relationship with the Company.

III **OTHER INFORMATION :**

1. **Reasons of loss or inadequate profits :**

Masterbatch Industry is a high-tech industry and requires continuous R&D both on the existing product line and new product development to retain and expand market share. Competition in the industry is increasing which coupled with increase in cost of imported raw-materials and other inputs is creating pressure on margins. During the coming year, the Company may have inadequate profits in terms of Section 349 & 350 of the Companies Act, 1956.

2. **Steps taken or proposed to be taken for improvement and expected increase in productivity and profits in measurable terms :**

With a view to improve overall profitability and financial health, the company has taken major steps which inter-alia includes reduction in interest cost, major marketing re-structuring for exports, reduction in production cost through implementation of energy saving measures, sourcing of cheaper raw materials, increase in productivity through better combination of product mix, increase in product range to cater requirement of different segments & strengthening of its R & D division on continuous basis. The direct exports of the

Company has increased by 24.79% in the year 2008-09 over the previous year. In current financial year, the company expects further increase in turnover & profits.

The proposed remuneration of Shri R. K. Sureka has been approved by the Remuneration Committee in terms of Schedule XIII to the Companies Act at its meeting held on 28.05.2009. The Company has not made any default in payment of any of its debts specified or interest payable thereon for a continuous period of 30 days in the preceding financial year before the date of appointment of such managerial person. The Company has no deposit/ outstanding deposit. The specified information required to be given to the shareholders alongwith the Notice is given herewith in the preceding paragraphs. The Resolution is therefore recommended by the Board of Directors to the shareholders to be passed as a Special Resolution.

The Resolution and Explanatory Statement be treated as an abstract under Section 302 of the Companies Act, 1956.

None of the Directors except Sh. R. K. Sureka being the Director & CEO is concerned or interested in this resolution.

By order of the Board

**N.D. DUJARI**

COMPANY SECRETARY

**Registered Office :**

E-10,11 & F-14 to 16,  
RIICO Industrial Area, Sitapura,  
Jaipur-302022

**DATE : 6<sup>th</sup> JULY, 2009**



## DIRECTORS' REPORT TO THE MEMBERS

Dear Members,

Your Directors are pleased to present the Eighteenth Annual Report on the business and operations of the Company, together with the Audited Accounts for the year ended 31st March, 2009.

### FINANCIAL RESULTS [Rs. in Lacs]

PARTICULARS	2008-2009	2007-2008
Sales	13 078	11 014
Other Income	83	183
Sales including other income	13 161	11 197
Operating Profit before Interest, Depreciation & Tax	935	837
Interest	122	74
Depreciation	216	235
Net Profit before tax	597	528
Provision for Tax		
– Current	216	159
– Deferred	(14)	(11)
– Fringe Benefit Tax	11	11
Net Profit after tax	384	369
Tax adjustments for Prior years	13	11
Net profit after Tax adjustments for Prior years	397	380
Balance brought forward from previous year	188	158
Profit available for appropriations	585	538
<b>APPROPRIATIONS</b>		
General Reserve	440	350
Balance Carried forward to Balance Sheet	145	188

### OPERATIONS

During the year, the Company has earned a gross revenue of Rs.13078 lacs as against Rs. 11014 lacs in the previous year registering an increase of 18.74% over the previous year. The Company has been in a position to improve upon its performance in Exports due to increase in volume and sharp appreciation of US Dollar during the year and achieved direct export turnover of Rs.3166 lacs as against Rs. 2537 lacs in previous year registering an increase of 24.79%. In view of the difficult market conditions, both locally and globally, the Company's achievement, in improving its turnover and growth in profits, can be considered commendable. These results have been mainly achieved due to constant focus on cost-cutting and

improvement in the product-mix. This trend is expected to continue.

### MARKETING

Sustained efforts to maintain and improve the international quality standards of your Company's products has resulted in satisfactory demand despite sluggish economic conditions and has helped in facing price competition in both domestic and international markets and also increase in sales. With sustained efforts, we expect further improvement in performance during the current year. The Company will continue to seek new markets while consolidating its hold over the existing customers.

### RESEARCH AND DEVELOPMENT

The R & D division of the Company, located at its plant, is continuously strengthened to secure sustainable long-term competitiveness both in domestic and global markets.

### STAR EXPORT HOUSE STATUS AND CRISIL RATING.

Sustained growth in exports alongwith compliance of Quality Management System as per BS EN ISO 9001 : 2008, has enabled the Company to maintain its Star Export House Status under the Foreign Trade Policy 2004-2009.

The Company has been assigned Credit Rating- A-/ Stable/P2+ by CRISIL for its working capital borrowings which signifies strong degree of safety for timely payment.

### DIVIDEND

With a view to conserve 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

Your Company has been practicing the principles of good corporate governance over the years. The Board of Directors supports the broad principles of corporate governance. In addition to the basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

The report on Corporate Governance (in accordance with Clause 49 of the Listing Agreements 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.

### COMPLIANCE WITH THE CODE OF CONDUCT

The Company had put in place a Code of Conduct for its





Board Members and Senior Management Personnel from 23<sup>rd</sup> January, 2006 and has reaffirmed the same on 22<sup>nd</sup> January, 2009. The same is available on the website of the Company. Declarations of compliance with the Code of Conduct have been received from all concerned. A certificate to this effect from Shri S.S. Poddar, Managing Director forms a part of this report.

#### DEPOSITS

The company has neither accepted any deposits during the year under review nor are there any fixed deposits outstanding at the year end.

#### EMPLOYEES

The information required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is given in the statement annexed hereto forming part of the report.

#### AUDITORS

M/s K. N. Gutgutia & Co, Chartered Accountants, the present Statutory Auditors of the Company, hold office till the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if re-appointed.

#### ENVIRONMENT, SAFETY, ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO.

Safety and Environment Performance is integral to the business of your Company and received continued focus throughout the year. The only acceptable standard of safety performance for your Company is "zero accidents".

Your Company's safety journey on behavioral aspects as well as continual improvements in engineering controls and safety management systems made good progress.

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.

#### RISK AND INTERNAL ADEQUACY

Your Company has a low debt-equity ratio and is well placed to take care of its borrowings. Your Company is progressively moving towards a "net foreign-exchange earner" and the transactions are suitably covered.

The Company's internal controls systems are adequate considering the size of the Company and are routinely tested and certified by our statutory as well as internal auditors. Moreover, the Company continuously upgrades these systems.

#### 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, 2009 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, 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 : 23<sup>rd</sup> JUNE, 2009

R. K. Sureka  
DIRECTOR & CEO

S. S. Poddar  
MANAGING DIRECTOR

### CERTIFICATE OF COMPLIANCE WITH THE CODE OF CONDUCT

I, S.S. Poddar, Managing Director of the Company, hereby declare that the Company has adopted a Code of Conduct for its Board Members and Senior Management, at a meeting of the Board of Directors held on 23<sup>rd</sup> January, 2006 and again reaffirmed on 22<sup>nd</sup> January, 2009. The Board Members and Senior Management have affirmed compliance with the said Code of Conduct.

For PODDAR PIGMENTS LIMITED

S. S. Poddar  
MANAGING DIRECTOR

DATE : 23<sup>rd</sup> JUNE, 2009





## ANNEXURE TO THE DIRECTORS' REPORT

### I. ENERGY CONSERVATION

The Company continues to accord high priority to conservation of energy on an ongoing basis.

Particulars with respect to conservation of energy :-

(A) Power & Fuel consumption	Current Year ended on 31.03.2009	Previous Year ended on 31.03.2008
<b>Electricity</b>		
(a) Purchased : Units (Nos.)	51 76 080	46 85 370
Total Amount (Rs.)	2 30 08 297	2 08 09 447
Rate/Unit (Rs.)	4.44	4.44
(b) Own generation :- Through Diesel Units (Nos.)	82 650	1 03 008
Units per Ltr of Diesel	3.12	3.36
Cost/ Unit (Rs.)	9.29	8.50
(B) Consumption per unit of production :- Production of Masterbatches & Plastic Compounds. (M.T.)	7567.81	6335.71
Electricity per M.T. of Production ( Units )	694.88	755.78

### II. RESEARCH AND DEVELOPMENT ( R & D )

- Specific areas in which R&D was carried out by the Company.
 

Research & Development is one of the core areas for future product development strategy. R & D has been carried out:-

  - In the field of functional masterbatches to meet end use specific requirements of industry.
  - To develop Tailor-made products for different end users as per requirements of fibre & plastic industry.
  - To develop Masterbatches to improve performance and reduce cost.
  - For product improvement, process optimisation, environment and pollution control.
- Benefits derived as a result of the above R&D.
  - Development of new range of application masterbatches, not being manufactured in country, thus saving foreign exchange.
  - Offering process flexibility and cost effective solutions.
  - Better productivity, optimised cost, improved quality and innovative products.
  - Reduction in environmental pollution by offering alternative route for dyed yarns & textiles.
- Future plan of action
  - To continue efforts for development of new range of end use specific functional, customer and environment friendly masterbatch solutions conforming to quality and standard norms of industry.
  - To offer one stop service to customers right from masterbatch development till final product to market in color, additive and functional areas.
  - Continuous updation of technology R&D and monitoring facilities reckoning with latest development in the field of masterbatches, compounding and other such related areas.

### 4. Expenditure on R&D

(a) Capital	Rs. 21.53 lacs
(b) Recurring	Rs. 101.68 lacs
(c) Total	Rs. 123.21 lacs
(d) Total R&D expenditure as a percentage of total turnover.	0.942 per cent

### III. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- Efforts, in brief, made towards technology absorption, adaptation and innovation.
 

Continuous efforts are being made in house to benchmark & develop new products by:

  - Improving and bench marking existing products to match international standards.
  - Adoption of state-of-the-art technological practices to meet stringent industry requirements & quality norms.
  - Indigenizing products hitherto being imported in the industry.
  - New mixing & improved masterbatch preparation techniques to help improve environment, productivity & quality.
  - Continuous efforts to update, optimize, review and adopt the latest technologies and process improvement techniques.
- Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.
  - The Company has achieved superior quality & cost effective production resulting in improved realisation of finished goods.
  - Introduction of new functional products.
  - Leadership position in the market.
  - Technology upgradation.
- Technology imported during last five years.
 

(i) Technology Imported for manufacture	NIL
(ii) Year of Import	N.A.
(iii) Has technology been fully absorbed.	N.A.

### IV. FOREIGN EXCHANGE EARNED AND OUTGO.

	2008-2009	2007-2008
1. Foreign Exchange Earned	3099.22	2 436.80
2. Foreign Exchange outgo:		
Import of Raw Material & Stores	5756.08	4773.62
Import of Capital Goods	25.72	247.78
Travelling Expenses	20.10	21.31
Technical Consultancy	15.85	10.20
Commission	19.95	22.53
Interest	46.75	11.09

### V. INFORMATION AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2009.

Employed through-out the Financial Year and in receipt of remuneration aggregating not less than Rs. 24 lacs per annum.

Name	Designation	Remuneration	Qualification	Age (Years)	Experience (Years)	Date of joining	Previous Employment
Shri S. S. Poddar	Managing Director	25,04,022	B.E. (Civil)	60	37	1.7.94	Whole Time Director in Rajasthan Petro Synt hetics Ltd.

For and on behalf of the Board of Directors

PLACE : JAIPUR  
DATE : 23rd JUNE, 2009

R. K. Sureka  
DIRECTOR & CEO

S. S. Poddar  
MANAGING DIRECTOR



## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Industry Structure and Developments

#### **Masterbatch**

Masterbatches are highly concentrated organic and/or inorganic pigments/dyes and additives prepared in polymer carrier resins such as LLDPE, PP, PET, PBT, PC, PA-6, PS etc. suitable for the plastics and textile industry. They are available in granular form and are used at low percentages in the finished product to achieve the desired color and functional properties.

#### **Masterbatches are required in plastics for:**

1. Coloration
2. Identification
3. Improved shelf-appeal
4. Better Acceptance
5. Improved Gloss, Texture & Shade
6. Enhancement of functional properties like flame retardancy, Anti-microbial, Light Fastness etc.

On an average, 70% of plastics are either coloured or need functional property enhancements.

Masterbatches are used extensively in a multitude of textile and plastic applications. The advantages of using masterbatches, when compared to alternative methods such as the use of pure pigments, are several. They include safe handling, environmental safety, dust-free working conditions.

The masterbatch industry can be broadly classified into three sectors: organised, medium and small. 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. The medium sector is relatively small in size, though it caters to a larger market. The organised sector comprises of select players, including your Company and caters to the organised and quality conscious market. Due to the high technology and quality requirements of masterbatches, imports also play a major role. The present trend shows that the organized sector is taking over the market share from the small and medium sector by meeting the stringent quality requirements, timely deliveries, prompt technical services and strong R&D backup of the customers.

#### **Engineering Plastic Compounds**

In spite of stiff competition your Company's products have been well accepted by the customers. However, your Company could not achieve its targets as estimated. It is expected that the year 2009-10 will be promising.

Your Company will leverage on quality and consistency of its products, as well as on its R&D strength to meet the requirements of the customers.

### 2. Opportunities and Threats

#### *(i) Key opportunity:*

Your Company is a pioneer in manufacturing masterbatches for the synthetic fibre industry based on Polyesters, Nylons and Polypropylenes, for speciality and general purpose applications such as automobiles, carpets, home-furnishings, apparels, non-woven fabrics, technical fibres, etc. It is expected that the demand for the company's product will grow manifold with the increased requirements of polyester fibre industry wherein your Company is a major player.

#### *(ii) Key threats:*

Recession in the user industry may affect the demand for the products. Product changes, high fluctuations in the prices of raw materials, competition from domestic and global players and relaxation in import tariff may increase pressure on margins.

Fluctuations in foreign currencies also play a major role in the profitability of the Company.

Your Company, with continuous improvements and upgradation in the technology, developing new products and taking various cost effective measures is confident to meet these challenges.