

Annual Report 2001-2002

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PODDAR PIGMENTS LTD.

BOARD OF DIRECTORS

Smt. Kusum Poddar

Shri M. K. Sonthalia

Shri N. Gopaldaswamy

Shri Rajat Dalmia

Shri R. K. Sureka, Whole-Time Director

Shri S. S. Poddar, Managing Director

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)

HEAD OFFICE

Satyam Towers

3, Alipore Road,

Kolkata - 700 027

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NOTICE

Notice is hereby given that the **Eleventh Annual General Meeting** of the Company will be held at the Registered Office of the Company at **RIICO Industrial Area, Sitapura, Jaipur-302 022 (Rajasthan) on Saturday, the 28th September, 2002 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, 2002 and the Balance Sheet as at that date and the Directors' and Auditors' Reports thereon.
2. To appoint a Director in place of Shri. Rajat Dalmia who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint the Auditors and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT subject to the provisions of Section 198, 269, 310 and Schedule XIII and all other applicable provisions, if any of the Companies Act, 1956 and subject to approvals from term lenders and other statutory approvals, if necessary, consent be and is hereby accorded to the revision in the remuneration of Shri S. S. Poddar, Managing Director of the Company w.e.f. 1st April, 2002 as under :-

- (I) The remuneration to the Managing Director shall be to the maximum of Rs. 1 46 500 per month on account of Basic Salary and perquisites as below :-

1. Basic Salary Rs. 84 500/- P.M.
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

- (i) Housing - I

The expenditure by the Company on hiring furnished accommodation for the Managing Director will be subject to the following ceilings :

- (a) Mumbai/Kolkata/Chennai/New Delhi- upto 60% of the Salary over and above 10% payable by the Managing Director.
- (b) Other cities - upto 50% of the salary over and above 10% payable by the Managing Director.

Housing - II

In case accommodation is owned by the Company, 10% of the salary of the Managing Director shall be deducted by the Company.

Housing - III

In case no accommodation is provided by the Company, the Managing Director shall be entitled to House Rent allowance subject to ceilings laid down in Housing-I above.

- (ii) Expenditure incurred on gas, electricity and water shall be paid/reimbursed by the Company.

- (iii) Medical Reimbursement

Expenses incurred for self and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.

- (iv) Leave Travel Concession

For self and family once in a year incurred in accordance with the rules specified by the Company.

- (v) Fee of Clubs

Subject to maximum of two clubs. This will not include admission and life membership fees.

- (vi) Personal Accident Insurance

Premium not to exceed Rs. 10 000/- per year.

- (vii) Life Insurance Premium

Life Insurance premium of Rs. 2 28 010/- per year on the insurance policy of the Managing Director.

- (viii) Other perquisites within the aforesaid ceiling of Rs. 62 000/- P.M. with the approval of Remuneration Committee.

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).

**CATEGORY - B**

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

- (i) Provident Fund and Superannuation Fund
Company's contribution to Provident Fund and Superannuation Fund to the extent these singly or put together are not taxable under the Income Tax Act, 1961.
- (ii) Gratuity
Not exceeding half a month's salary for each completed year of services.
- (iii) Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

CATEGORY - C

- (i) 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 Managing Director.
- (ii) Telephone - Provision of telephone at the residence of the Managing Director at Company's cost (not considered as a perquisite). Personal long distance calls shall be billed by the Company to the Managing Director.

RESOLVED FURTHER THAT in pursuance of the provision of Section 198 (4) of The Companies Act, 1956 the remuneration including perquisites as mentioned above may be paid as the minimum remuneration to Shri S. S. Poddar, Managing Director in the absence of or inadequacy of Profits in any Year.

- (II) Commission :- @1% of Net Profits.

The above remuneration payable shall be subject to the limits of 5% and 10% of the net profits of the Company, as the case may be, as laid down in Section 309 (3) of the Companies Act, 1956 and the overall limits of 11% of the net profits of the Company as laid down in Section 198 (1) of the said Act."

By Order of the Board
for PODDAR PIGMENTS LIMITED

(SANJAY MEHTA)
DGM (FINANCE) &
DY. SECRETARY

PLACE : JAIPUR
DATE : 25th JULY, 2002

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 21st September, 2002 to 28th September, 2002 (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 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 Eleventh Annual General Meeting from 10.30 A.M. to 12.30 P.M.

ANNEXURE TO THE NOTICE

Explanatory Statement (Pursuant to section 173(2) of the Companies Act, 1956).
Item No. 4

The Company had approved the appointment of Shri S. S. Poddar as Managing Director w.e.f. 01.07.1994 at the 4th Annual General Meeting and the remuneration was increased at the 7th Annual General Meeting. In recognition of Sh. S. S. Poddar's ability in the current and emerging business scenario, the Board of Directors at its meeting held on 23rd July, 2002 recommended further increase in the total remuneration of Shri S. S. Poddar, Managing Director from Rs. 85 400/- per month to Rs. 1 46 500/- per month w.e.f. 01.04.2002.

The aforesaid increase in the remuneration is within the limits specified in Schedule XIII of the Companies Act, 1956.

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

None of the Directors except Shri S. S. Poddar being the Managing Director and Smt. Kusum Poddar being relative of Sh. S. S. Poddar is concerned or interested in this resolution.

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

By Order of the Board
for PODDAR PIGMENTS LIMITED

(SANJAY MEHTA)
DGM (FINANCE) &
DY. SECRETARY

PLACE : JAIPUR
DATE : 25th JULY, 2002



DIRECTORS' REPORT TO THE MEMBERS

Dear Members,

Your Directors have pleasure in presenting the Eleventh Annual Report on the business and operations of the Company together with the Audited Accounts for the year ended 31st March, 2002.

FINANCIAL RESULTS (Rs. in Lacs)

PARTICULARS	2001-2002	2000-2001
Sales including other income	6348	5747
Operating Profit before Interest, Depreciation & Tax	546	612
Interest	86	125
Depreciation	221	219
Misc. Expenditure written off	6	6
Net Profit before tax	233	262
Provision for Tax - Current	18	22
- Deferred	65	-
Net Profit after tax	150	240
Balance brought forward from previous year	196	206
Profit available for appropriations	346	446
APPROPRIATIONS		
General Reserve	175	250
Balance Carried forward to Balance Sheet	171	196

OPERATIONS

During the year the Company has achieved a sales turnover of Rs. 6299 lacs as against Rs. 5713 lacs in the previous year registering an increase of 10.26% over the previous year, but the margins continue to be under pressure. Your Directors look forward for better performance during the current financial year.

MARKETING

The products of your company have been finding good demand in the domestic market and its market share has increased. Moreover, in view of the improved quality confirming to global standards, the products of your Company have been well accepted in the international

market as well. The world market has been adversely affected after the September 11th attacks and it has had an impact on the exports of your Company as well. Even under these adverse circumstances the Company has been able to export to the extent of Rs.165 lacs, against the export of Rs.244 lacs during the previous year. We expect bright export possibilities during the current year.

RESEARCH AND DEVELOPMENT

In-house Research and Development activities have been a prime focus area for the Company. During the year, the Company has developed various new products. The Research & Development division of the Company, located at its plant, has been further strengthened during the year by installation of latest equipments of Rs.232.93 lacs. It is now competent enough to provide all necessary technical guidance in the area of Research & Development relating to the products of the Company.

The Directors are proud to mention that your Company has become the first Company in the Indian Masterbatch Industry to have such R&D facilities.

EXPANSION

The Directors of the Company are considering proposals for expansion into other profitable products like "Engineering Plastic Compounds". With the related proficiency in this product, your Company hopes to be successful in the new line of business.

During the year, production capacity has been increased to 3780 MT p.a. Encouraged by the consistent growth pattern of your Company, the Directors have decided to further expand the existing production capacity from 3780 MT p.a. to 7000 MT p.a. The expansion programme is going on as per schedule and is expected to be completed within the scheduled time.

DIVIDEND

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

DIRECTORS

Sh. Rajat Dalmia 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 himself for re-appointment.

CORPORATE GOVERNANCE

The Securities and Exchange Board of India has introduced a code of Corporate Governance for implementation in a phased manner by Companies listed with the Stock Exchanges. The said Corporate Governance code has become applicable to your Company in March'02 and the same has been implemented well in advance. A separate report on the provisions of the Corporate Governance alongwith the Auditors' certificate on its compliance by the Company and the Management Discussion & Analysis are included in the Annual Report.

DEMATERIALISATION OF SHARES OF THE COMPANY

Trading in the shares of the Company is permitted only in dematerialised form w.e.f. 02.04.2001. The shares of your Company are available for Dematerialisation with both the Depositories i.e. National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL). The shareholders who have not yet opted for Dematerialisation of their shares are advised to approach to their Depository Participant (DP) for Dematerialisation of shares.

DEPOSITS

The Company has not accepted any fixed deposit during the year and there is no deposit outstanding as at the end of the year.

EMPLOYEES

No employee of the Company is covered under the provisions of Section 217(2A)(a)(ii) 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 as the Auditors of the Company at the Tenth Annual General Meeting of the Company held on 29th September, 2001 retires at the conclusion of the Eleventh Annual General Meeting and being eligible have offered themselves for re-appointment.

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

Particulars relating to conservation of energy, 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;
- ii. that 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, 2002 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 assistance and co-operation.

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

For and on behalf of the Board of Directors

PLACE : JAIPUR

R. K. Sureka

S. S. Poddar

DATE : 23rd May, 2002 WHOLE-TIME DIRECTOR MANAGING DIRECTOR



ANNEXURE TO THE DIRECTORS' REPORT

I. CONSERVATION OF ENERGY

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 31.03.2002	Previous Year ended on 31.03.2001
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Electricity

(a) Purchased :		
Units (Nos.)	1 799	1 261
Total Amount (Rs.)	53 350	29 183
Rate / Unit (Rs.)	29.66	23.14
(b) Own generation :		
Through Diesel		
Units (Nos.)	32 85 854	30 18 094
Units per Ltr of Diesel	3.43	3.37
Cost / Unit (Rs.)	4.39	4.17
(B) Consumption per unit of production		
Production of		
Masterbatches (M.T.)	3 351.47	3 098.21
Electricity per M.T. of production (Units)	981	975

II. RESEARCH AND DEVELOPMENT (R&D)

1. Specific areas in which R&D carried out by the Company.	Development of new Range/Shades of Masterbatches.
2. Benefits derived as a result of the above R&D.	Developed new Range/Shades of Masterbatches.
3. Future plan of action	To continue development of new range/shades of Masterbatches for different applications.
4. Expenditure on R&D	
(a) Capital	Rs.232.93 lacs
(b) Recurring	Rs. 35.75 lacs
(c) Total	Rs.268.68 lacs
(d) Total R&D expenditure as a percentage of total turnover.	4.27 percent

III. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts, in brief made towards technology absorption, adaptation and innovation.	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
2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.	The Company has been able to increase the profitability, achieve superior quality in production, which will result into higher realisation on finished goods
3. Technology imported during last five years.	NIL
(i) Technology Imported for manufacture	N.A.
(ii) Year of Import	N.A.
(iii) Has technology been fully absorbed.	N.A.

IV. FOREIGN EXCHANGE EARNED AND USED

	(Rs. in Lacs)	
	2001-2002	2000-2001
1. Foreign Exchange Earned	158.55	236.30
2. Foreign Exchange Used		
Travelling Expenses	25.61	22.57
Import of Capital Goods	170.73	-
Import of Raw Material & Stores	1 711.94	1 604.49
Others	12.61	4.60

For and on behalf of the Board of Directors

PLACE : JAIPUR R. K. Sureka S. S. Poddar
DATE : 23rd May, 2002 WHOLE-TIME DIRECTOR MANAGING DIRECTOR



MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry Structure and Developments

The masterbatch industry in general can be classified into three distinctive segments-organised sector, medium sector and small sector. A substantial part of the market is catered by the small sector comprising of a large number of small manufacturing units spread throughout the country and mostly catering to their respective localised markets. The medium sector is much smaller in numbers though it caters a large market. The organised sector comprise very few players inclusive of your Company and caters to the organised and quality conscious market. Due to hi-tech industry for quality products, imports also play major role.

Over the years, the company has emerged as a pioneer leader in the production of Speciality Masterbatches in the country. With the intensive R&D thrust, the Company has developed various Masterbatches which has resulted in import substitution. Not only this, the Masterbatches produced by the Company are environment friendly and are being replaced over the conventional dyeing process used by the synthetics fibre industry.

In spite of recession in polymer industry globally, there is optimistic outlook in terms of growth in Masterbatches industry due to its being environment friendly. It has been estimated that the masterbatches industry will grow at the rate of 20% in the next few years.

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 shall continue to grow.

(ii) Key threats includes

Low economic growth will 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.

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

There is only one product of the Company i.e. Masterbatches, the overall performance of the Company is the Segment wise 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 this the Company is implementing its expansion programme.

5. Risks and Concerns the Management perceives

The continuing high raw-materials costs and uncontrollable overheads from the state and substantial aberration in the customs duty in the coming years can create pressure on the margins and thereby the performance of the Company. Further, low economic growth and fall in capital expenditure can affect sales and margins.

The Global recession and cost competitiveness can affect exports.

6. Internal Control Systems and their adequacy

The Board of Directors has 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 programme of internal controls, audit plans, financial results, recommendations of auditors and management responses to these 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 250.

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 : 23rd May, 2002

S. S. Poddar
MANAGING DIRECTOR

REPORT ON CORPORATE GOVERNANCE

(Pursuant to clause 49 of the Listing Agreement)

Securities and Exchange Board of India has introduced a Code of Corporate Governance ("the Code") for implementation by all listed companies by amending the provisions of the Listing Agreement. The Company is required to implement the Code by 31st March, 2002. Given below is the Report of the Board on the Corporate Governance to be included in the Annual Report of the Company :-

1. Company's Philosophy on Code of Governance

The Company on its own has been following good Corporate Governance practice for a long time. Accordingly, 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 professional, 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 2001-2002, five Board Meetings were held on 13.04.2001, 26.07.2001, 05.09.2001, 18.10.2001 and 29.01.2002.



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 meetings attended out of 5 held	Attendance at last AGM held on 29.9.2001	No. of other Directorship as on 31.3.2002	No. of other committees in which Chairman/Member as on 31.3.2002	
						Member	Chairman
(i)	Sh. S. S. Poddar, Managing Director	\$	5	—	2	1	—
(ii)	Sh. R.K. Sureka, Whole-time Director	#	3	YES	2	—	1
(iii)	Smt. Kusum Poddar	&	4	—	—	1	1
(iv)	Sh. N. Gopaldaswamy	&	—	—	2	1	—
(v)	Sh. M.K. Sonthalia	&	—	—	6	2	—
(vi)	Sh. Rajat Dalmia	&	—	—	16	1	—

@ Category of Directorship :-

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

2.2 Remuneration to Executive Directors

The Board of Directors at its meeting held on 23.05.2002 has constituted "Remuneration Committee" consisting of Sh. N. Gopaldaswamy, Sh. M. K. Sonthalia and Sh. Rajat Dalmia, the Directors of the Company to consider and approve the remuneration of the executive directors. Henceforth, the remuneration of Executive Directors shall be determined by the committee subject to the approval of the Company in General Meeting and such other authority as may be necessary. The details of remuneration to Executive Directors are as follows :-

Particulars	Sh. S.S. Poddar, Managing Director	Sh.R.K.Sureka, Whole-Time Director
Basic Salary	6 36 000	5 46 000
House Rent Allowance	—	2 18 400
Contribution to Provident Fund	76 320	65 520
Other perquisites	3 88 305	77 058
Commission on the Net Profit of the Company	3 14 970	—
Total (Rs.)	14 15 595	9 06 978

Note : In both the cases, the service contract is for a period of five years from the date of appointment/ re-appointment. No severance fee and Notice period is provided in the service contracts. No Stock Option issued by the Company.

2.3 Remuneration to Non-Executive Directors

No remuneration except sitting fee of Rs 500/- per meeting was paid to Non-Executive Directors for the Board Meetings attended by them and during the year 2001-2002, Rs. 2000/- was paid as sitting fee to Smt. Kusum Poddar.