

Annual Report 2002-2003

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PODDAR PIGMENTS LTD.

BOARD OF DIRECTORS

Smt. Kusum Poddar

Shri M. K. Sonthalia

Shri N. Gopalaswamy

Shri Rajat Dalmia

Shri R. K. Sureka, Whole-Time Director

Shri S. S. Poddar, Managing Director

Shri Vishnu Kumar Fogla, Additional 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 **Twelfth 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 6th September, 2003 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, 2003 and the Balance Sheet as at that date and the Directors' and Auditors' Report thereon.
2. To appoint a Director in place of Shri N. Gopalaswamy 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 pursuant 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 other statutory approvals, if any, consent be and is hereby accorded to the re-appointment of Sh. S. S. Poddar as Managing Director of the Company for a period from 1st July, 2004 to 30th September, 2004 on the same terms and conditions as was approved at the 11th Annual General Meeting of the Company held on 28th September, 2002."

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

"RESOLVED THAT pursuant 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 other statutory approvals, if any, consent be and is hereby accorded to the re-appointment of Sh. R.K. Sureka as Whole-Time Director of the Company for a period from 1st April, 2004 to 30th September, 2004 on the same terms and conditions as was approved at the 8th Annual General Meeting of the Company held on 27th September, 1999."

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

"RESOLVED THAT pursuant to clause 5 of the SEBI (Delisting of Securities) Guidelines, 2003 and the additional conditions prescribed by the Stock Exchanges under clause 6.1(d) of the guidelines and subject to the provisions of the Companies Act, 1956, Securities Contracts (Regulation) Act, 1956, Securities and Exchange Board of India Act, 1992 and the rules framed thereunder, listing agreements and all other applicable laws, rules, regulations and sanctions, as may be necessary and subject to such other conditions as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, if acceptable to the Board, the consent of the Company be and is hereby accorded to the Board to get the equity shares of the Company delisted from the Stock Exchanges at Ahmedabad & Delhi in view of negligible volume of trading at these Stock Exchanges and continuation of listing of equity shares of the Company at the Bombay Stock Exchange, having nation wide terminals and also as a cost cutting measures."

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

"RESOLVED that Sh. Vishnu Kumar Fogla, who was appointed as an Additional Director of the



Company at the meeting of Board of Directors held on 28th July, 2003 and whose appointment expires at the ensuing Annual General Meeting of the Company and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 from a shareholder of the Company proposing his candidature for the Directorship of the Company, be and is hereby

appointed as a Director of the Company and that his appointment shall be liable to retirement by rotation."

By Order of the Board

PLACE: JAIPUR

DATE : 29th JULY, 2003

**SANJAY MEHTA
DGM (FINANCE) &
DY. 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 01.09.2003 to 06.09.2003 (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 Twelfth Annual General Meeting from 10.30 A.M. to 12.30 P.M.**

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 S.S. Poddar, Managing Director is expiring on 30.06.2004 and the Remuneration Committee of the Board at its meeting held on 16th July, 2003 recommended the re-appointment of Shri S.S. Poddar, Managing Director for a further period from 1st July, 2004 to 30th September, 2004 on the same terms and conditions as was approved at the 11th Annual General Meeting of the Company held on 28th September, 2002.

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.

Item No. 5

The present tenure of appointment of Shri R.K. Sureka, Whole-Time Director is expiring on 31.03.2004 and the



Remuneration Committee of the Board at its meeting held on 16th July, 2003 recommended re-appointment of Shri R.K. Sureka, Whole-Time Director for a further period from 1st April, 2004 to 30th September, 2004 on the same terms and conditions as was approved at the 8th Annual General Meeting of the Company held on 27th September, 1999.

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 R.K. Sureka being the Whole-Time Director 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.

Item No. 6

At present, the shares of the Company are listed at Mumbai, Jaipur, Delhi and Ahmedabad Stock Exchanges and your Company is considering delisting of its Shares from Delhi and Ahmedabad Stock Exchanges as there is negligible trading in the shares of the Company at these Stock Exchanges. In pursuant to the SEBI (Delisting of Securities) Guidelines, 2003, the approval of the shareholders of the Company through Special Resolution is required for delisting of Shares from Delhi and Ahmedabad Stock Exchanges. Hence the resolution.

None of the Directors is concerned or interested in this resolution.

Item No. 7

Pursuant to Section 260 of the Companies Act, 1956 and Article 81 of the Articles of Association of the Company, Sh. Vishnu Kumar Fogla, was appointed as an Additional Director of the Company at the Meeting of Board of Directors held on 28th July, 2003 and his appointment as an Additional Director expires at the ensuing Annual General Meeting. Sh. Vishnu Kumar Fogla an Industrialist, aged about 54 years, holds a Bachelor's Degree in Mechanical Engineering. He is having industrial experience of about 34 years.

A notice alongwith deposit of Rs. 500/- (Rs. five hundred only) has been received under section 257 of the Companies Act, 1956 from Dr. M. S. Yajnik, a member of the Company, proposing candidature of Sh. Vishnu Kumar Fogla for the Directorship of the Company.

Therefore, the Directors recommend this Resolution for members' approval.

None of the Directors except Sh. Vishnu Kumar Fogla is concerned or interested in this Resolution.

The Resolution and Explanatory Statement be treated as an information to the Shareholders under Section 257 of the Companies Act, 1956.

By Order of the Board

PLACE : JAIPUR

DATE : 29th JULY, 2003

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



DIRECTORS' REPORT TO THE MEMBERS

Dear Members,

Your Directors have pleasure in presenting the Twelfth Annual Report on the business and operations of the Company together with the Audited Accounts for the year ended 31st March, 2003.

FINANCIAL RESULTS

[Rs. in Lacs]

PARTICULARS	2002-2003	2001-2002
Sales including other income	6886	6348
Operating Profit before Interest, Depreciation & Tax	711	546
Interest	111	86
Depreciation	285	221
Misc. Expenditure written off	6	6
Net Profit before tax	309	233
Provision for Tax – Current	55	18
– Deferred	51	65
Net Profit after tax	203	150
Balance brought forward from previous year	171	196
Profit available for appropriations	374	346
APPROPRIATIONS		
General Reserve	170	175
Balance Carried forward to Balance Sheet	204	171

OPERATIONS

During the year the Company has achieved a sales turnover of Rs. 6794 lacs as against Rs. 6299 lacs in the previous year registering an increase of 7.86 % over the previous year, but the margins continue to be under pressure. Your Directors expect better results during the current financial year.

MARKETING

Due to sustained demand of the products of your Company in the market both domestic and international, your company has achieved better sales. The exports of the Company has registered a jump of 127% over the last year increased from Rs. 165 lacs last year to Rs. 374 lacs this year. With our continuous sincere efforts, we expect better performance during the current year.

RESEARCH AND DEVELOPMENT

In view of new developments, 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. 170 lacs to provide all necessary technical guidance in the area of Research & Development relating to the products of the Company.

EXPANSION

The Company has successfully commenced production of its new line of products in Engineering Plastic Compounds. During the year the production capacity has been increased from 3780 MT p.a. to 7000 MT p.a. The expansion programme has been implemented as per the schedule. Looking to global scenario, the Company has further taken up an expansion programme which is going as per schedule and will be completed during the current year.

DIVIDEND

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

DIRECTORS

Sh. N. Gopalaswamy 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 report on Corporate Governance in accordance with Clause 49 of the Listing agreements with the Stock Exchange alongwith 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

The Company has accepted fixed deposits of Rs. 10 lacs during the year. No fixed deposit was due for payment at the end of the year.

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 as the Auditors of the Company at the Eleventh Annual General Meeting of the Company held on 28th September, 2002 retires at the conclusion of the Twelfth 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, 2003 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 : NEW DELHI R. K. Sureka S. S. Poddar
DATE : 22nd May, 2003 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 31.03.2003	Previous Year ended on 31.03.2002
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Electricity

(a) Purchased :		
Units (Nos.)	15 170	1 799
Total Amount (Rs.)	1 06 807	53 350
Rate / Unit (Rs.)	7.04	29.66

(b) Own generation :

Through Diesel		
Units (Nos.)	38 39 698	32 85 854
Units per Ltr of Diesel (No.)	3.53	3.43
Cost / Unit (Rs.)	4.12	4.39

(B) Consumption per unit of production :

Production of Masterbatches & Plastic Compounds. (M.T.)	3 854.38	3 351.47
Electricity per M.T. of production (Units)	1 000	981

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 & Plastic Compounds and Process Improvement.
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2. Benefits derived as a result of the above R&D.	i) Wider Range/Shades of the Masterbatches & Plastic Compounds. ii) Increase in productivity. iii) Improved customer satisfaction. iv) Enhanced quality.
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3. Future plan of action	To continue development of new range/shades of Masterbatches & Plastic Compounds for different applications.
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4. Expenditure on R&D	
(a) Capital	Rs. 170.00 lacs
(b) Recurring	Rs. 54.00 lacs
(c) Total	Rs. 224.00 lacs
(d) Total R&D expenditure as a percentage of total turnover.	3.30 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 increase the profitability, achieve superior quality in production, which will result into higher realisation on finished goods. ii) Introduction of new products. iii) Technology upgradation. iv) Leadership in the products of the Company.
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

	2002-2003	(Rs. in Lacs) 2001-2002
1. Foreign Exchange Earned	375.54	158.55
2. Foreign Exchange Used :		
Travelling Expenses	10.98	25.61
Import of Capital Goods	263.17	170.73
Import of Raw Material & Stores	1 906.69	1 711.94
Others	12.48	12.61

For and on behalf of the Board of Directors

PLACE : NEW DELHI
DATE : 22nd May, 2003

R. K. Sureka S. S. Poddar
WHOLE-TIME DIRECTOR MANAGING DIRECTOR



MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry Structure and Developments

Masterbatch

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 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 been increased by 127 % over the previous year. This also indicates the potential of the Company's products.

There is optimistic outlook in terms of growth in masterbatch industry due to its being environment friendly. It has been estimated that the masterbatch industry will grow at the rate of 20% for the next few years.

Engineering Plastic Compounds

During the year, the Company has successfully started the production of Engineering Plastics Compounds (EPC). It is a matter of great satisfaction that in spite of stiff competition in the market, the products produced by the company are well accepted by users and results are encouraging. It is expected that the year 2003-04 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 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

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 and towards this the Company is considering for further enhancement of its capacities.

**5. Risks and concerns the Management perceives**

The continuing high raw-materials cost and uncontrollable overheads from the state and substantial 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 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 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 Performance" 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 : NEW DELHI
DATE : 22nd May, 2003

S. S. Poddar
MANAGING DIRECTOR