

Annual Report 2007-2008

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PODDAR PIGMENTS LTD.

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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

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



NOTICE

NOTICE is hereby given that **SEVENTEENTH 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 **Monday, the 11th August, 2008 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, 2008 and the Balance Sheet as at that date and the Directors' and Auditors' Report thereon.
2. To appoint a Director in place of Shri M. K. Sonthalia, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint the Auditors and to fix their remuneration.

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

By order of the Board

N.D. DUJARI
COMPANY SECRETARY

Date: 8th July, 2008

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 01.08.2008 to 11.08.2008 (both days inclusive).
3. Details of Shri M. K. Sonthalia, 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.
4. 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 Intime (R&T)/ Company.
5. 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 prior to the closure of the Register of Members as stated above.
6. 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 Seventeenth Annual General Meeting.

Registered Office:
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By order of the Board

N.D. DUJARI
COMPANY SECRETARY

Date: 8th July, 2008



DIRECTORS' REPORT TO THE MEMBERS

Dear Members,

Your Directors are pleased to present the Seventeenth Annual Report on the business and operations of the Company, together with the Audited Accounts for the year ended 31st March, 2008.

FINANCIAL RESULTS [Rs. in Lacs]

| PARTICULARS | 2007-2008 | 2006-2007 |
|--|-----------|-----------|
| Sales | 11 014) | 10 176) |
| Other Income | 183) | 97) |
| Sales including other income | 11 197) | 10 273) |
| Operating Profit before Interest, Depreciation & Tax | 837) | 627) |
| Interest | 74) | 100) |
| Depreciation | 235) | 226) |
| Net Profit before tax | 528) | 301) |
| Provision for Tax | | |
| - Current | 159) | 127) |
| - Deferred | (11) | (6) |
| - Fringe Benefit Tax | 11) | 9) |
| Net Profit after tax | 369) | 171) |
| Tax adjustments for Prior years | 11) | -) |
| Net profit after Tax adjustments for Prior years | 380) | 171) |
| Balance brought forward from previous year | 158) | 137) |
| Profit available for appropriations | 538) | 308) |
| APPROPRIATIONS | | |
| General Reserve | 350) | 150) |
| Balance Carried forward to Balance Sheet | 188) | 158) |

OPERATIONS

During the year, the Company has earned a gross revenue of Rs. 11014 lacs as against Rs. 10176 lacs in the previous year registering an increase of 8.24% over the previous year. The Company has been in a position to maintain its performance in Exports in spite of sharp Rupee appreciation (approx. 8.50%) during the year due to increased volume and achieved direct export turnover of Rs. 2537 lacs as against Rs. 2549 lacs in previous year. The Company has achieved significantly better results during the current financial year due to the implementation of various cost cutting measures and improvement in the product mix. This trend is expected to continue.

MARKETING

Demand for the Company's products remained satisfactory and has helped in facing price competition in both domestic and international markets and also increase in sales. With sustained continuous efforts, international quality standards and commencement of commercial production on one additional line, 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 being continuously strengthened to secure sustainable long-term competitiveness both in domestic and global market.

EXPANSION

During the year under review, the Company had commissioned an expansion project, which had effectively enhanced the production capacity by 1200 M.T. per annum. The project was implemented as per schedule.

RECOGNITION AS STAR EXPORT HOUSE

Sustained growth in exports along with maintenance of Quality Standards as per ISO 9001-2000 has enabled the Company to obtain status of Star Export House under Foreign Trade Policy.

DIVIDEND

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

DIRECTORS

Shri M. K. Sonthalia, 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

Your Company has been practicing the principles of good corporate governance over the years. The Board of Directors support 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 23rd January, 2006 and has reaffirmed the same on 25th January, 2008. 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 not accepted any deposits during the year under review. Additionally, there are no fixed deposits outstanding 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 as the Auditors of the Company at the Sixteenth Annual General Meeting of the Company held on 08th September, 2007 retire at the conclusion of the Seventeenth Annual General Meeting and, being eligible, have offered themselves for re-appointment.

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, 2008 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 : CHENNAI
DATE : 24th MAY, 2008

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 23rd January, 2006 and again reaffirmed on 25th January, 2008. 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 : 24th MAY, 2008



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 31.03.2008 | Previous Year ended on 31.03.2007 |
|------------------------------|----------------------------------|-----------------------------------|
|------------------------------|----------------------------------|-----------------------------------|

Electricity

| | | |
|---|-------------|-------------|
| (a) Purchased : | | |
| Units (Nos.) | 46 85 370 | 43 49 970 |
| Total Amount (Rs.) | 2 08 09 447 | 1 91 81 987 |
| Rate/Unit (Rs.) | 4.44 | 4.41 |
| (b) Own generation :- | | |
| Through Diesel | | |
| Units (Nos.) | 1 03 008 | 2 79 346 |
| Units per Ltr of Diesel | 3.36 | 3.40 |
| Cost/ Unit (Rs.) | 8.50 | 9.12 |
| (B) Consumption per unit of production :- | | |
| Production of Masterbatches & Plastic Compounds. (M.T.) | 6335.71 | 5 560.88 |
| Electricity per M.T. of Production (Units) | 755.78 | 832.48 |

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 masterbatches 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.
 - Offer 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 and customer friendly masterbatch solutions.

4. Expenditure on R&D

| | |
|--|----------------|
| (a) Capital | Rs. 5.34 lacs |
| (b) Recurring | Rs. 83.30 lacs |
| (c) Total | Rs. 88.64 lacs |
| (d) Total R&D expenditure as a percentage of total turnover. | 0.805 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 existing products matching international standards.
 - Adoption of latest state of art technological practices to meet stringent industry requirement & quality norms.
 - Indegenising products hitherto being imported in industry.
 - New mixing & improved masterbatch preparation technique to help improve environment, productivity & quality.
 - Continuous efforts to update, optimise, review and adopt latest technological and process improvement techniques.
- Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, Import substitution etc.
 - 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.
 - Technology Imported for manufacture N.A.
 - Year of Import N.A.
 - Has technology been fully absorbed. N.A.

IV. FOREIGN EXCHANGE EARNED AND USED.

| | 2007-2008 | 2006-2007 |
|---------------------------------|-----------|-----------|
| 1. Foreign Exchange Earned | 2 436.80 | 2 424.05 |
| 2. Foreign Exchange Used: | | |
| Travelling Expenses | 21.31 | 16.00 |
| Import of Capital Goods | 247.78 | 22.51 |
| Technical Consultancy | 10.20 | 10.62 |
| Import of Raw Material & Stores | 4 773.62 | 3 975.45 |
| Others | 22.53 | 2.04 |

For and on behalf of the Board of Directors

PLACE : CHENNAI

DATE : 24th MAY, 2008

R. K. Sureka

DIRECTOR & CEO

S. S. Poddar

MANAGING DIRECTOR



MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry Structure and Developments

Masterbatch

Masterbatches are high-concentration colouring pigments available in granular form. Being either organic or inorganic in nature, they contain plastic resins such as LLDPE, PP, PET, PC, PA-6, PS, etc. as carrier. Masterbatches are let down at a low percentage to improve pigment dispersion in plastics.

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 application. 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. It appears that the organized sector is taking over the market share from the small and medium sector due to increased quality consciousness.

Engineering Plastic Compounds

Despite stiff competition, your Company's products have been well accepted by users and the results are encouraging. However, your company could not achieve its target as estimated while venturing into this new activity due to the non-availability of adequate production capacity. It is expected that the year 2008-09 will be promising for your Company's new products.

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 and for speciality and general purpose applications such as automobiles, carpets, home-furnishings, apparels, non-woven fabrics, technical fibres, etc.

Due to the superior quality of its products, your Company has been recognised by the market. It is expected that the demand for Quality Masterbatches and EPC products shall continue to grow.

(ii) Key threats :

Any sudden slump in user industries may affect the demand for the products of your Company. Further stiff competition may 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 a major role in the profitability of the company.

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



3. Segment-wise or product-wise performance

Since direct export operation contribute more than 10% of the Company's total revenue, this geographical segment has been considered and disclosed in Notes to the Accounts as a primary segment.

4. Business Outlook

The Indian polymer industry continues to show spectacular growth of more than 15% per annum. The per capita consumption of plastics is around 5 Kgs today as compared to the world average of 20 Kgs. This is expected to double to 10 Kgs by 2012.

As the consumption of masterbatches is linked to polymer consumption, the masterbatch industry is expected to grow @ minimum 15% per annum in the next few years in the domestic market.

The exports of the Plastics industry is currently growing at around 21% per annum. PPL has made in-roads into some of the world's largest consumers of masterbatches and the growth from export sales is also expected to be around minimum 15% per annum in the next few years.

As a forward looking statement, it can be optimistically noted that your Company's coming years appear to be heading for quantum growth and better all-round performance.

The company's emphasis on continuous development of next generation products will enable it to stay ahead of the competition in times to come.

In view of the above growth, the Company has already expanded its capacity by 1200 MT per annum last year.

5. Risks and concerns

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 affect the performance of the Company. Further, low economic growth can affect sales and margins. Appreciation of Rupee against US currency may put pressure on export realization.

6. Internal Control Systems and their adequacy

Your Company has adequate internal control procedures commensurate with the Company's size and nature of business. The objective of these procedures is to ensure efficient use and protection of your Company's resources, accuracy in financial reporting and due compliance of statutes and Company procedures.

The Internal Audit reports, the progress in implementation of recommendations contained in such reports and the adequacy of internal control systems are reviewed by the Audit Committee of the Board in its periodical meetings.

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 strongly believes that employees make the difference and it has been the Company's continuous endeavor to create an environment where people own their jobs and feel empowered to take decisions. This approach has propelled the Company towards excellence. 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 leadership development. The total strength of the employees during the year was around 343.

9. Cautionary Statement

Estimates and expectations stated in this Management Discussion and Analysis may be "forward-looking statements" 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 : CHENNAI
DATE : 24th MAY, 2008

S. S. Poddar
MANAGING DIRECTOR



REPORT ON CORPORATE GOVERNANCE

(Pursuant to clause 49 of the Listing Agreement)

The Board of Directors of the Company has consistently endeavored to maintain high standard 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 believes in fair business and corporate practices while dealing with the Shareholders, employees, customers, creditors, lenders and others. We believe that Corporate Governance is a voluntary and self discipline code which means not only ensuring compliance with regulatory requirements but by also being responsive to our stakeholders needs. Focus of the Company has always been to ensure continuing value creation for each of its stakeholders and above all to achieve business excellence with the goal of long term sustainable development. 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, Non-Executive and Independent Directors, meets the requirement of Code of Corporate Governance.

In the Financial Year 2007-2008, five Board meetings were held on 10.05.2007, 30.06.2007, 26.07.2007, 25.10.07 and 25.01.2008.

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 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 08.09.2007 | No. of other Directorship as on 31.03.2008 | No. of other committees in which Chairman/Member as on 31.03.2008 | |
|--------|-------------------------------------|----------------------------|--|---|--|---|----------|
| | | | | | | Member | Chairman |
| (i) | Sh. S. S. Poddar, Managing Director | \$ | 5 | NO | 4 | - | - |
| (ii) | Sh. R. K. Sureka, Director & CEO | # | 3 | YES | 2 | - | - |
| (iii) | Smt. Kusum Poddar | * | 3 | NO | - | - | - |
| (iv) | Sh. N. Gopalaswamy | & | 2 | NO | 7 | - | - |
| (v) | Sh. M. K. Sonthalia | & | 2 | NO | 7 | - | - |
| (vi) | Sh. V. K. Fogla | & | 1 | YES | 11 | - | - |

@ Category of Directorship :-

| | | | |
|----|---|---|------------------------------------|
| \$ | Executive Promoter Director | # | Executive Director |
| * | Non Executive Promoter Director and wife of Sh. S. S. Poddar, Managing Director | & | Non Executive Independent Director |

2.2 Composition of Remuneration Committee:

The remuneration committee consists of Shri N. Gopalaswamy, Shri M.K. Sonthalia and Shri V.K. Fogla.

2.3 Remuneration to Executive Directors:

The remuneration of Executive Directors are being determined by the "Remuneration Committee" subject