

Annual Report 2009-10



PODDAR PIGMENTS LTD.

BOARD OF DIRECTORS

Smt. Kusum Poddar

Shri M.K. Sonthalia

Shri N. Gopaldaswamy

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

State Bank of Bikaner & Jaipur

REGISTERED OFFICE & WORKS

RIICO Industrial Area,

Sitapura, Jaipur - 302 022

(Rajasthan)

CORPORATE OFFICE

No. 302, Nanak Chambers, 3rd Floor

(Opp. Fun Republic) New Link Road,

Andheri (W), Mumbai-4000 53

| CONTENTS | PAGES |
|-----------------------------------------------|--------------|
| Notice | 1-4 |
| Directors' Report | 5-7 |
| Management Discussion and Analysis | 8-9 |
| Report on Corporate Governance | 10-15 |
| Auditors' Certificate on Corporate Governance | 16 |
| Auditors' Report | 17-19 |
| Balance Sheet | 20 |
| Profit & Loss Account | 21 |
| Schedules to the Accounts | 22-36 |
| Cash Flow Statement | 37-38 |

**NOTICE**

NOTICE is hereby given that the **NINETEENTH 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 **Saturday, the 21st August, 2010 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, 2010 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 to hold office till the conclusion of the next Annual General Meeting and to authorize 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 read with 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 terms of appointment i.e. from 1st April, 2010 to 30th September, 2010 and for re-appointment of Shri S. S. Poddar, as Managing Director of the Company for a period of 3 years from 1st October, 2010 to 30th September, 2013 on the following terms and conditions:-

Remuneration, Benefits and Perquisites:

The remuneration to the Managing Director on account of Basic Salary, Special Allowance, Commission and perquisites is mentioned below:

Basic Salary Rs. 2,25,000/- Per Month

- a. Special Allowance subject to a maximum of Rs. 10,00,000/- per annum based on certain performance criteria to be laid down by the Remuneration Committee and the Board of Directors.

- b. Commission at such percentage of the Net Profits of the Company computed in the manner laid down in Section 309(5) of the Companies Act, 1956 based on certain performance criteria to be laid down by the Remuneration Committee and the Board of Directors. However, the total remuneration including the Commission and Special Allowance shall not exceed 5% of the Net Profits of the Company computed in term of the Companies Act, 1956.
- c. 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) Any other perquisites as per Company's Rules within the ceiling of Rs. 75,000/- 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 Managing Director 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 services.
- (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 Managing Director.
- (b) 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.

The remuneration as specified above shall be subject to the overall limits as specified under section 198, 269, 309, 310, 311 and other applicable provisions read with Schedule XIII of the Companies Act, 1956.

In the event of the company incurring a loss or having inadequate profits in any financial year, the remuneration,

benefits and perquisites payable to Shri S. S. Poddar shall be in accordance with the provisions of section II of Part II of Schedule XIII of the Companies Act, 1956 as amended from time to time.

By order of the Board

NAVIN JAIN

COMPANY SECRETARY

Registered Office:

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

DATE: 14th July, 2010

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 16.08.2010 to 21.08.2010 (both days inclusive).
4. Details of Shri. N. Gopalaswamy, required to be provided pursuant to Clause 49 of 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) / 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.
7. 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 Nineteenth 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 S. S. Poddar, Managing Director is expiring on 30.09.2010 and the Remuneration Committee of the Board at its meeting held on 8th June, 2010 recommended for payment of revised remuneration for remaining terms of appointment i.e. from 1st April, 2010 to 30th September, 2010 and for re-appointment of Shri S. S. Poddar as Managing Director for a further period of 3 years from 01.10.2010 to 30.09.2013 on the terms and conditions set out in the Resolution.

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

1. **Nature of Industry:** Masterbatch and Engineering Plastic Compounds.
2. **Date or expected date of commencement of commercial production:** The Company has already commenced commercial production from 1st March, 1995.
3. **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 31.03.2010 | Rs. in lacs |
|----------------------------------------------------------|-------------|
| Sales including other Income | 17070.00 |
| Operating Profit (before interest, Depreciation and Tax) | 1992.00 |
| Profit Before Tax | 1716.00 |

5. **Export Performance and net foreign exchange earning and collaborations:**
The earning in Foreign Exchange by Exports (on FOB) for the year ended 31.03.2010 was Rs. 3990.44 lacs.
6. **Foreign investment of collaborators, if any:**
Not Applicable

II INFORMATION ABOUT THE MANAGING DIRECTOR:**1. Background, recognition and award details:**

Shri S.S. Poddar, a graduate Engineer, aged 61 years is the Managing Director of Company since 01.07.1994. He has wide industrial experience spanning over 38 years. The company has progressed substantially under his leadership.

2. Past Remuneration:

The last remuneration of Shri S.S. Poddar approved by the Members of the company at their Annual General Meeting held on 08.09.2007 is as under:

| | |
|--------------------|-----------------------|
| A. Basic Salary | : Rs. 1,50,000/- P.M. |
| B. Perquisites | : Rs. 1,50,000/- P.M. |
| Total Remuneration | : Rs. 3,00,000/- P.M. |

Commission @ 1 % of the Net Profits subject to adequacy of Profits as calculated under section 309 (5) of the Companies Act, 1956.

3. Job Profile and his suitability:

Shri S. S. Poddar, Managing Director of the Company is responsible for overall management of the Company. He is vested with substantial power of Management under the supervision, control and direction of the Board of Directors. He has been instrumental in deciding Company's policy planning, long term vision and is responsible to evolve strategies to combat competition and to attain targets of the Company besides Corporate Governance and ensuring co-ordination among Board.

4. Remuneration Proposed:

The Remuneration Committee and the Board of Directors of the Company at their respective meetings held on 08.06.2010 and 14.07.2010 approved the terms of remuneration for re-appointment for 3 years tenure of Shri S. S. Poddar commencing from 1st October, 2010 as under:

| | |
|----------------------|----------------------------------------------------------------------------------------------------|
| A. Basic Salary | : Rs. 2,25,000/- P.M. |
| B. Special Allowance | : Subject to Maximum of Rs. 10,00,000/- per annum |
| C. Commission | : at such percentage of Net Profit as calculated under section 309 (5) of the Companies Act, 1956. |
| D. Perquisites | : Rs. 75,000/- P.M. |



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

The executives' remuneration in the industry is on the rise. Appreciating this, the Central Government has also from time to time 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 S.S. Poddar 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 S.S. Poddar does not have any pecuniary relationship with the company. Smt. Kusum Poddar, Director of the Company is a relative of Shri S.S. Poddar.

III **OTHER INFORMATION**

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

The Masterbatch Industry is a high-tech industry requiring continuous R & D, both on existing product line as well as on new product development to retain and expand market share. Increasing competition in this industry alongwith an increase in the cost of raw-materials and other inputs is creating pressure on margins. During the coming years, the Company may have inadequate profits in terms of Section 309(5) 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 its overall profitability and financial health, the company has taken major steps which inter-alia includes conversion of high interest rate debts into lower interest rate, 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 combinations of product mix, increase in the product range to cater to the requirements of different segments and strengthening of its R & D division on continuous basis. The direct exports of the company has increased by 28.11% in the financial year 2009-10 over the previous year. In the current financial year, the company expects further increase in turnover and profits.

The proposed remuneration of Shri S. S. Poddar has been approved by the Remuneration Committee in terms of Schedule XIII to the Companies Act at its meeting held on 08.06.2010. The company has not made any default in the payment of any of its debts (including deposits) or interest payable thereon for a continuous period of 30 days in the preceding financial year before the date of appointment of such a managerial person. The specified information required to be given to the shareholders alongwith the Notice is given 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 Shri S. S. Poddar being the Managing Director and Smt. Kusum Poddar being a relative of Shri S. S. Poddar are concerned or interested in this resolution.

By order of the Board

NAVIN JAIN
COMPANY SECRETARY

Registered Office:

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

DATE: 14th July, 2010



DIRECTORS' REPORT TO THE MEMBERS

Dear Members,

Your Directors are pleased to present the Nineteenth Annual Report on the business and operations of the Company, together with the Audited Accounts for the year ended 31st March, 2010.

| FINANCIAL RESULTS | | [Rs. in Lacs] |
|-------------------------------------|------------------|------------------|
| Particulars | 2009-2010 | 2008-2009 |
| Sales | 16 241 | 13 078 |
| Other Income | 829 | 83 |
| Sales including other income | 17 070 | 13 161 |
| Operating Profit before Interest, | | |
| Depreciation & Tax | 1 992 | 935 |
| Interest | 61 | 122 |
| Depreciation | 215 | 216 |
| Net Profit before tax | 1 716 | 597 |
| Provision for Tax | | |
| - Current | 351 | 216 |
| - Deferred | (39) | (14) |
| - Fringe Benefit Tax | - | 11 |
| Net Profit after tax | 1 404 | 384 |
| Tax adjustments for Prior years | 15 | 13 |
| Net Profit after Tax adjustments | 1 419 | 397 |
| for Prior years | | |
| Balance brought forward | | |
| from previous year | 145 | 188 |
| Profit available for appropriations | 1 564 | 585 |
| APPROPRIATIONS | | |
| General Reserve | 144 | 440 |
| Balance Carried forward | | |
| to Balance Sheet | 1 420 | 145 |

OPERATIONS

Your Company has scaled new heights in overall performance and has set new benchmarks in terms of sales, profits and network. During the year, the Company has achieved a turnover of Rs. 16241 Lacs as against Rs. 13078 lacs in the previous year, registering an increase of 24.19 % over the previous year (despite production loss due to fire at the adjoining IOC Depot and capacity constraints). The company plans to increase its production capacity by about 20% through expansion at the company's existing plant. This additional capacity will be available by third quarter of current Financial Year i.e. 2010-2011.

The Company has also improved its performance in Exports and achieved direct export turnover of Rs. 4056 lacs as against Rs. 3166 lacs in previous year, registering an increase of 28.11%. These results have been mainly achieved due to all-round value addition, re-organization of the product mix, the marketing strategy and continuous R & D efforts.

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. This has also helped in facing price competition in both domestic and international markets and increasing sales. With sustained efforts, we expect further improvements in our performance this 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, constantly endeavors to innovate and change the product mix/ process for creating higher value items at lower costs. This has enabled the company to bring down the cost of products and pass on this benefit to the customers, thereby benefiting society in general. The Company's full-fledged R&D Department makes constant efforts to widen its range of new generation masterbatches.

STAR EXPORT HOUSE STATUS AND CRISIL RATING

Sustained growth in exports, along with 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 2009-2014.

The company has been awarded the highest recognition for Exports during last two consecutive years (2007-08 & 2008-09) by Plastics Export Promotion Council, as "Second Best Exporter of Masterbatches" in the Country.

During the year, the Company's Credit Rating has enhanced to A/Stable/P1 assigned by CRISIL for its working capital borrowings which signifies strong degree of safety regarding timely payment.

BUY-BACK OF SHARES

During the year, the company has bought-back 15,90,000 Equity Shares in an aggregate amount of Rs. 567.87 Lakhs at an average price of Rs. 35.71 per shares by utilizing free reserves of the company as approved by the Shareholders. The Paid-up Capital of the company after extinguishment of shares bought back under the scheme stands at Rs. 10.61 Crores.

DIVIDEND

With a view to conserve resources, your Directors do not recommend any dividend for the year.

DIRECTORS

Shri 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

Your Company has been actively 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 23rd January, 2006 and has reaffirmed the same on 18th January, 2010. 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 annexed to this effect 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

Your Company is continually looking for new ways to preserve the environment and manage resources responsibly. Your company adopts clean technologies and processes that combine both economic progress and environment sustainability. The company has taken a number of developmental initiatives that enhance sustainability as well as environment care. These include capacity addition in old plants within the existing land, reduction in water requirement by upgrading processes, and so on.

The only acceptable standard of safety performance for your Company is "zero accidents". Hence, to ensure safety of men and materials, a safety audit was conducted through an outside and independent agency and their suggestions are being implemented.

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 detailed review by Audit Committee once in a quarter in which 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, 2010 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

R. K. Sureka

S. S. Poddar

DATE : 14th July, 2010

DIRECTOR & CEO

MANAGING DIRECTOR

CERTIFICATE OF COMPLIANCE WITH THE CODE OF CONDUCT

I, R. K. Sureka, Director & CEO 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 18th January, 2010. The Board Members and Senior Management have affirmed compliance with the said Code of Conduct.

For PODDAR PIGMENTS LIMITED

R. K. SUREKA
DIRECTOR & CEO

Date : 14th July, 2010



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 31.03.2010 | Previous Year ended on 31.03.2009 |
|---------------------------------------------------------|-------------------------------------|--------------------------------------|
| Electricity | | |
| (a) Purchased:- | | |
| Units (Nos.) | 53 66 880 | 51 76 080 |
| Total Amount (Rs.) | 2 40 64 599 | 2 30 08 297 |
| Rate/Unit (Rs.) | 4.48 | 4.44 |
| (b) Own generation:- | | |
| Through Diesel | | |
| Units (Nos.) | 4 70 079 | 82 650 |
| Units per Ltr of Diesel | 3.49 | 3.12 |
| Cost/ Unit (Rs.) | 8.99 | 9.29 |
| (B) Consumption per unit of production | | |
| Production of Masterbatches & Plastic Compounds. (M.T.) | 9211.65 | 7567.81 |
| Electricity per M.T. of production (Units) | 633.65 | 694.88 |

II. RESEARCH AND DEVELOPMENT (R&D)

1. 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 the industry.
- To develop Tailor-made masterbatches for different end users as per the requirements of the fiber & plastic industries.
- To develop Masterbatches to improve performance and reduce cost.
- For product improvement, process optimization, environment and pollution control.

2. Benefits derived as a result of the above R&D.

- Development of a new range of application masterbatches not being manufactured in country, thus saving foreign exchange.
- Offering process flexibility and cost effective solutions.
- Better productivity, optimized cost, improved quality and innovative products.
- Reduction in environmental pollution by offering alternative route for dyed yarns & textiles.

3. Future plan of action

- To continue efforts for the development of a new range of end use specific functional, customer and environment friendly masterbatch solutions conforming to the quality and standard norms of the industry.
- To offer one stop service to customers right from masterbatch development to 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. 57.01 Lacs |
| (b) Recurring | Rs. 99.66 Lacs |
| (c) Total | Rs. 156.67 Lacs |
| (d) Total R&D expenditure as a percentage of total turnover | 0.965% |

III. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- 1 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 master batch preparation techniques to help improve environment, productivity & quality.
- Continuous efforts to update, optimize, review and adopt the latest technologies and process improvement techniques.

2. 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 realization of finished goods.
- Introduction of new functional products.
- Leadership position in the market.
- Technology upgradation.

3. Technology imported during last five years.

- Technology Imported for manufacture
- Year of Import
- Has technology been fully absorbed.

NIL

N.A

N.A.

N.A.

IV. FOREIGN EXCHANGE EARNED AND OUTGO

| | 2009-2010 | 2008-2009 |
|----------------------------------------------------------|-----------|-----------|
| 1. Foreign Exchange Earned from Export of Goods (on FOB) | 3990.44 | 3099.22 |
| 2. Foreign Exchange Outgo | | |
| - Import of Raw Material & Stores | 6918.00 | 5756.08 |
| - Import of Capital Goods | 120.06 | 25.72 |
| - Traveling Expenses | 68.18 | 20.10 |
| - Technical Consultancy | 12.12 | 15.85 |
| - Commission | 12.70 | 19.95 |
| - Interest | 24.08 | 46.75 |
| - Others | 1.59 | - |

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 31ST MARCH, 2010

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

| Sr. No. | Name | Designation | Remuneration | Qualification | Age (Years) | Experience (Years) | Date of Joining | Previous Employment |
|---------|-------------------|-------------------|--------------|------------------------|-------------|--------------------|-----------------|-------------------------------------------------------------|
| 1. | Shri S. S. Poddar | Managing Director | 42,34,678 | B.E. (Civil) | 61 | 36 | 1.7.1994 | Whole Time Director in Rajasthan Petro Synthetics Ltd |
| 2. | Shri R. K. Sureka | Director & CEO | 28,41,000 | B.Com. (Hons.), CA, CS | 53 | 31 | 8.10.1994 | Asst. Vice President (Finance) in Hindustan Dev. Corp. Ltd. |

For and on behalf of the Board of Directors

PLACE : CHENNAI

R. K. Sureka

S. S. Poddar

DATE : 14th July, 2010

DIRECTOR & CEO

MANAGING DIRECTOR



MANAGEMENT DISCUSSION AND ANALYSIS

Financial and Operational Performance

The first and second quarters of the year under review were very uncertain due to the volatility and recessionary trends in the Indian and the global economy. The markets showed improved trends during the third and fourth quarter.

Despite global recessionary trends, your company has scaled new heights in overall performance. Your company was able to sustain its business performance and has registered an overall positive growth in the domestic and export sales. Your company has achieved a turnover of Rs.16241 Lacs in 2009-10 as against Rs.13078 Lacs in the previous year, a 24.19% increase.

The plant operated smoothly and on schedule the whole year, barring a period of 20 days due to the massive fire at the adjoining IOC depot. The total production was 9211.65 MT as against 7567.81 MT in the previous year, an increase of 21.72%.

Achievement of 9001:2008 in its operation reflects your company's continuous commitments towards quality and customer satisfaction.

Segment-wise/ Product-wise Performance

Since direct export operations contribute more than 10% of the company's total revenue, this geographical segment has been considered a primary segment.

Domestic sales contributed Rs.12016 Lacs this year, as against Rs. 9754 Lacs in the previous year, showing an increase by 23.19%.

Export sales contributed Rs. 4056 Lacs as against Rs. 3166 Lacs in the previous year, showing an increase by 28.11%.

Industry Structure and Developments

Your company is pioneer and market leader in the Indian Masterbatch industry, manufacturing various types of Masterbatches required for the plastics and synthetic dope dyed fiber industry.

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, comprised largely of small manufacturing units spread throughout the country. These units mostly cater to their respective local 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 organised 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.

The per capita consumption of plastics in India is also increasing rapidly. It is currently at 7.4 Kgs, but is still below global consumption of 28.9 Kgs, China and Asia also have a per capita consumption of 24.2 Kgs and 21.6 kgs respectively. The per capita consumption in India is expected to double by 2011-12.

The per capita consumption of fiber in India is also quite low at 5 kgs whereas the global demand for 2010 is at 10.4 Kgs. China, North America and Western Europe have a per capita consumption 16 Kgs, 31 Kgs and 22 kgs respectively.

As the consumption of masterbatches is linked to the consumption of polymers and synthetic dope dyed fibers, the domestic market is expected to grow at 15% per annum for the next few years.

Business Outlook

Despite the global recession, the Indian polymer industry has shown a growth of more than 15% per annum. The approximate polymer consumption in India has been around 6.2 MMTPA and is expected to reach around 12.60 MMTPA by 2011-12. With the further addition of polymer capacities in India by approx. 2.5 MMTPA of PE and 1 MMTPA of PP by 2013 from the current level of 2.0 MMTPA each, the overall consumption of polymers in India is bound to increase. India is poised to be the third largest consumer of plastics by 2013.

Your company has made in-roads into some of the world's largest masterbatch markets. The growth from export sales is expected to be around 15% per annum for the next few years.

Due to the increase in polymer consumption, the domestic demand of masterbatches is also expected to grow by around 15% per annum in next few years.