

57th

Annual Report
2007-08

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SUDARSHAN CHEMICAL INDUSTRIES LIMITED

SUDARSHAN
SUDARSHAN CHEMICAL
INDUSTRIES LIMITED
FIFTY SEVENTH
ANNUAL REPORT 2007-2008

BOARD OF DIRECTORS

Mr. K. L. Rathi	Executive Chairman
Dr. N. A. Kalyani	Resigned w.e.f. 21/04/2008
Mr. B. S. Mehta	
Mr. P. P. Chhabria	
Mr. D. N. Damania	
Mr. S. N. Inamdar	
Mr. A. N. Firodia	Resigned w.e.f. 13/06/2008
Mr. S. Padmanabhan	
Mr. P. R. Rathi	Vice Chairman and Managing Director
Mr. N. J. Rathi	Director and Company Secretary
Mr. R. B. Rathi	Director w.e.f. 23/05/2008

BANKERS

Bank of Maharashtra
State Bank of India
Bank of Baroda
ICICI Bank Ltd.
HDFC Bank Ltd.

AUDITORS

B. K. Khare & Company
Chartered Accountants,
Mumbai.

REGISTERED OFFICE

162 Wellesley Road,
Pune 411 001, Maharashtra State (India)
Phone : (020) 26058888
Fax : (020) 26058222

FACTORIES

Pune : 162 Wellesley Road, Pune 411 001.
Roha : 46 MIDC Estate, Dhatav, Roha 402 116,
Dist. Raigad.
Mahad : Plot No. A-19/1+2, MIDC Estate,
Mahad 402 301, Dist. Raigad.

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SUDARSHAN CHEMICAL INDUSTRIES LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS : 2007-2008

Your Directors present their 57th Annual Report together with the Audited Statement of Accounts for the year ended 31st March 2008.

1. FINANCIAL HIGHLIGHTS :

Particulars	2007-2008 (Rupees in million)	2006-2007 (Rupees in million)
Gross Sales and Other Income	4023.00	3907.34
Gross Profit	225.76	173.56
Less : Depreciation	119.54	117.30
Profit before Tax and contingencies written back	106.22	56.26
Less : Provision for Taxation	37.49	15.38
Profit after Tax	68.73	40.88
Add : Surplus in Profit & Loss Account as per last Balance Sheet	107.96	107.33
Net Profit available for appropriation	176.69	148.21
Appropriations		
(1) Dividend proposed @ 30 % (previous year dividend paid @ 25%)	20.76	17.31
(2) Income Tax on Dividend	3.53	2.94
(3) General Reserve	30.00	20.00
	54.29	40.25
Balance carried forward	122.40	107.96

2. THE YEAR IN RETROSPECT :

(A) Sales :

Gross Revenue for the year ended 31st March 2008 amounted to Rs. 4023 million as against Rs. 3907 million achieved during the previous year. Profit after tax for the year ended 31st March 2008 was Rs. 69 million as against Rs. 41 million earned during the previous year.

The growth of the Pigment industry continues to be impacted by excess capacities worldwide and falling margins. Given the tough operating conditions prevailing in the domestic and international market, the Pigment Division has performed reasonably well. Pigment sales rose in 2007-2008 from Rs. 2946 million to Rs. 3496 million registering a growth of 19 % as compared to the previous year. Profits of the Pigment Division for the year under review amounted to Rs. 432 million as compared to Rs. 342 million of the previous year. High Performance Pigments and Effect Pigments continue to be drivers for future growth. New premium products are being introduced by the Company, to especially cater to overseas customers.

Agro Chemical Division in the previous year had reported lower sales and losses. During the year under review, the Board had taken a decision to reduce the capital employed in the Agro Chemical business and also taken steps to substantially reduce the losses. As a result, the capital employed in this business has been reduced from Rs. 16 million to Rs. 8 million.

Agro Chemical Sales for the year ended 31st March 2008 amounted to Rs. 439 million. The Company's agro chemical products are mostly generic in nature and there is increasing market pressure on generic products leading to falling margins and high competition. The increasing acreage in the usage of BT Cotton is also putting pressure on the Company's agro chemical products.

(B) Exports :

Revenue from exports for the year ended 31st March 2008 amounted to Rs. 1463 million as against Rs. 1347 million for the previous year registering an increase of 9 % over the previous year. About 95 % of the exports were accounted by Pigments and the rest by Agro Chemicals. This

SUDARSHAN CHEMICAL INDUSTRIES LIMITED

growth has been achieved despite the rupee appreciation. The growth in Pigment exports has mainly come through its traditional markets of Middle East, Far East and USA.

Members will be pleased to note that your Company has been selected for the Second State Level Export Award in recognition of excellent export performance for the Financial Year 2006-07 by Directorate of Industries, Mumbai, Government of Maharashtra. The Board is also pleased to inform that your Company has been selected for an award in recognition of excellent performance in export of Pigments by a Large Scale unit for the Financial Year 2007-2008 by the Dyestuffs Manufacturers Association of India.

3. DIVIDEND :

Considering the overall performance of the Company, the Directors recommend, subject to approval of the members, dividend of Rs.3/- per share (30%) for the year ended 31st March 2008. The total outgo on account of dividend @ 30% and dividend distribution tax @ 16.99 % will be Rs. 24.3 million for the year under review.

4. DIRECTORS :

Mr.K.L.Rathi, Vice Chairman has been appointed as Executive Chairman w.e.f. 19th May 2007. Mr.P.R.Rathi, Managing Director has been appointed as Vice Chairman and designated as Vice Chairman and Managing Director w.e.f. 19th May 2007.

Mr. R.B. Rathi who is heading the Pigment Division has been co-opted as a Director w.e.f. 23rd May 2008 in the casual vacancy caused by the demise of Mr. B.J.Rathi, Director. Members are requested to confirm his appointment as non rotational Director in the Wholtime Employment of the Company.

Dr.N.A.Kalyani, Director resigned from the Board of Directors of the Company w.e.f. 21st April 2008. Mr.A.N.Firodia, Director has also resigned from the Board of Directors of the Company w.e.f. 13th June 2008. The Board of Directors place on record their appreciation and gratitude for the guidance and support given by Dr.N.A.Kalyani and Mr.A.N.Firodia, to the Board during their tenure as Directors of the Company.

Mr.P.P.Chhabria and Mr.S.N.Inamdar, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

5. DIRECTORS' RESPONSIBILITY STATEMENT :

In accordance with the requirement under section 217 (2AA) of the Companies Act, 1956 with respect to the Directors' Responsibility Statement, it is hereby confirmed that :

- (i) in the preparation of accounts for the Financial Year ended on 31st March 2008, the applicable accounting standards have been followed along with proper explanation relating to material departures ;
- (ii) the Directors have selected such accounting policies and applied them consistently and 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 at the end of Financial Year and of the Profit and Loss of the Company for the year under review ;
- (iii) 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) the Directors have prepared the Annual Accounts for the year under review on a going concern basis.

6. SUBSIDIARY COMPANIES :

During the year under review, the Company has incorporated a Wholly Owned Subsidiary Private Limited Company i.e. Sudarshan Europe B.V. in Netherlands. This Company is mainly formed for selling and distributing Pigments in Europe. More details have been provided in the Management Discussion and Analysis statement of the Board.

The other Wholly Owned Subsidiary of the Company i.e. Prescient Color Limited manufacturer of colour and additive master batches for PP, Polyester and Nylon multifilament yarn, fibres and master batches for speciality application for packaging and moulding segment has started commercial operations on 1st October 2007.

The impact of the operations of the subsidiaries will be reflected in the accounts of the Company for the current year.

SUDARSHAN CHEMICAL INDUSTRIES LIMITED**7. EXEMPTION UNDER SECTION 212 (8) OF THE COMPANIES ACT, 1956 :**

Government of India, Ministry of Corporate Affairs, New Delhi vide Letter No. 47/134/2008-CL-III dt. 24th March 2008 has granted exemption to the Company from attaching the Annual Accounts of Prescient Color Limited and Sudarshan Europe B.V. for the year ended 31st March 2008 under Section 212(8) of the Companies Act, 1956.

The Annual Accounts of the Subsidiary Companies for the year ended 31st March 2008 will be made available to any shareholder of the Company on request. The Annual Accounts of Subsidiary companies for the year ended 31st March 2008 is also available for inspection at the Registered Office of the Company during working hours till the date of the Annual General Meeting.

8. CONSOLIDATED FINANCIAL STATEMENTS :

In accordance with the requirements of Accounting Standard AS-21, the Consolidated Financial Statements of the Company and its subsidiaries is annexed herewith and form part of the Annual Report.

9. CORPORATE GOVERNANCE :

The Board is pleased to inform that the Company has complied with the mandatory requirements of the substituted code of Corporate Governance as detailed in Clause 49 of the Listing Agreement.

A separate statement on Management Discussion and Analysis and Corporate Governance is enclosed as a part of the Annual Report along with the certificate of the Statutory Auditors, B.K. Khare & Co., Chartered Accountants, Mumbai confirming compliance of the code of Corporate Governance.

10. COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988 :

Information in accordance with Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in the annexure and forms part of this report.

11. SUDARSHAN BUSINESS EXCELLENCE MODEL:

The Company has launched "Sudarshan Business Excellence Model" in January this year with the objective of fulfilling commitment to the customers to provide them with quality products & services at optimum cost and also to provide them with new products to meet their growing requirements.

The drivers of Sudarshan's Business Excellence Model (SBEM) are Integrated Management System (IMS), 5S and Lean-Six Sigma.

IMS is an integration of ISO-9000, ISO-14000 & OHSAS-18000. The Company has moved away from departmental approach and has gone for a process based approach that will help in maintaining quality of products & services while taking due care of health & safety of our people and the environment. IMS has helped in achieving all this with optimum resource utilization and without any duplication of efforts. This has taken good shape in Pigment Division and is now being rolled over in other areas.

The Company is also focused on implementation of 5S which essentially is system oriented aiming at inculcating culture of improvements down to the level of workmen.

Lean Six Sigma continues to be an integral part of our business strategy and is the key pillar of SBEM. This is being used to cut down all non value added activities from our business and making our process robust and efficient.

SBEM is designed to fulfill customer's requirement, keeping shareholder value in focus.

12. INDUSTRIAL RELATIONS :

During the year, part of Pigment production of Pune was shifted to Roha in order to achieve cost benefits. Coinciding with the streamlining of operations, workers of Pune and Roha plant were offered Voluntary Retirement Scheme (VRS). Industrial Relations continue to be cordial.

Details of employees drawing remuneration of Rs. 0.2 million per month or Rs. 2.4 million per annum are given in the annexure and they form part of this report.

13. FIXED DEPOSITS :

During the year under review, the Company accepted deposits amounting to Rs. 1.80 million from the public. The total amount of deposits at the end of 31st March 2008 stood at Rs. 26.14 million.

Out of the deposits amounting to Rs. 0.38 million from 11 Depositors, which fell due for repayment but were unclaimed before 31st March 2008, an amount of Rs. 0.29 million was subsequently renewed / claimed by the Deposit holders. Balance amount of Rs. 0.09 million from 8 Deposit holders remain unclaimed.

14. AUDITORS :

B.K. Khare & Co., Statutory Auditors of the Company are due to retire at the ensuing Annual General Meeting. Members are requested to consider reappointing them and to authorise the Board of Directors to fix their remuneration.

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SUDARSHAN CHEMICAL INDUSTRIES LIMITED

Regd. Office : 162 Wellesley Road, Pune 411 001

PROXY FORM

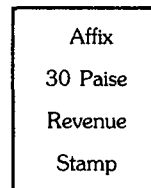
(Reg. Folio No. / DPID No. and Client ID No. and Name of the Member/Joint holders and Address IN BLOCK LETTERS to be furnished below)

I/We _____ of _____ being a member/members of SUDARSHAN CHEMICAL INDUSTRIES LIMITED hereby appoint _____ of _____ or failing him/her _____ of _____ or failing him/her _____ of _____

as my/our proxy to vote for me/us and on my/our behalf at the 57th Annual General Meeting of the Company to be held on Monday the 29th day of September, 2008 at 11.30 a.m. at Pudumjee Hall, Mahratta Chamber of Commerce, Industries And Agriculture, Tilak Road, Pune 411 002 and at any adjournment thereof.

Signed this _____ day of _____ 2008.

Signed by the said _____



NOTE : The Proxy Form must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.

SUDARSHAN

SUDARSHAN CHEMICAL INDUSTRIES LIMITED

Regd. Office : 162 Wellesley Road, Pune 411 001

Dear Member,

As you may be aware, in the past some dividend warrants mailed by Companies to their members' residential addresses have been fraudulently encashed by unscrupulous persons.

In order to give you better service and also to safeguard your interest, you are requested to inform us your Bank Account details, **if not already informed**, to be printed on all future dividend warrants to be mailed to you at your address registered with the Company. You are requested to fill in the coupon below (signature should match with your signature on record) and mail the same to the Company at the earliest.

The dividend warrant, printed with your name, bank, branch name and account number, will be mailed to your residential address, as usual, or directly to your bank, if instructed by you.

Thank you.

Yours truly,

N. J. RATHI
Director and Company Secretary

Notes :

Incorporation of Bank Account details in Dividend Warrants shall be without any liability whatsoever on the part of the Company.

You are also requested to intimate any error or change in your name and/or address as given on the envelope of this communication.

----- (Tear here) -----

The Director and Company Secretary
Sudarshan Chemical Industries Limited
162 Wellesley Road, Pune 411 001

Name: _____
Address : _____

Dear Sir,

Ref : Folio No.

I/We refer to your recent communication. As desired, I/We give my/our Bank Account details to be printed on my/our Dividend Warrant(s):

Name of first named member _____
(Capital letters)

Current/Saving Account No. _____

Name of Bank _____

Branch at _____

Address of Bank _____

Date _____

Signature _____

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Regd. Office : 162 Wellesley Road, Pune 411 001

ECS Mandate Form for payment of Dividend

(In case of physical holding - send to our Registrar and Transfer Agent
In case of demat holding - send to your Depository Participant)

I/We request you to arrange for payment of my/our dividend through ECS facility or credit the same to my/our account as per details given below :

1. First / Sole Shareholder's Name										
2. If shares not Dematerialised - Registered Folio No.										
3. If shares Dematerialised - DPID No. and Client ID No.										
4. * Particulars of Bank Account										
a. Bank Name										
b. Branch Name										
c. Address of the Branch										
d. 9 - digit MICR code number of the Bank and Branch as appearing on the MICR Cheque issued by the Bank.										
e. Account type	Savings () Current ()									
f. Account Number as appearing on the Cheque Book										

Please attach a cancelled photocopy of cheque issued by the Bank for verification of the above details.

I/We hereby declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reasons of incomplete or incorrect information or for any other reason, I/We would not hold the Company responsible. In case of ECS facility not being available for any reason, the account details provided above may be incorporated in the payment instrument and sent to my/our Bankers at the address provided above and to be considered as a mandate by me/us. This instruction will hold good for payment of dividend for subsequent years also unless revoked by me/us in writing.

Yours faithfully,

Name and signature of First/Sole Shareholder

Place :

Date :

Note : * In case if you have already submitted the above information kindly ignore this communication.

SUDARSHAN

SUDARSHAN CHEMICAL INDUSTRIES LIMITED
Regd. Office: 162 Wellesley Road, Pune 411 001

STATEMENT OF PARTICULARS OF EMPLOYEES PURSUANT TO THE PROVISIONS OF SECTION 217(2A) OF COMPANIES ACT, 1956 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 2008.

Sr. No.	Name & Age (Years)	Designation	Total Remuneration Rs.	Qualification and Experience (Years)	Date of Commencement of Service	Last employment held before joining the Company
1	Shri. K.L.Rathi (69)	Executive Chairman	45,17,835	B.Sc., B.Sc. (Tech) M.A. (Chem) (Columbia) (42)	01/01/1964	-
2	Shri. P.R.Rathi (55)	Vice Chairman and Managing Director	48,65,088	M.S. (M.I.T.) M.B.A. (Columbia) (28)	01/04/1976	-
3	Shri. N.J.Rathi (73)	Director and Company Secretary	32,53,451	M.Com., M.B.A. (U.S.A) (45)	01/06/1972	Rathi Brothers
4	Shri. R.B.Rathi (39)	Vice President – Pigment Division	32,89,880	B.E.Mech Engg. MIT, Pune B.S.Chem. Engg. Ohio, University USA, M.B.A – Pittsburgh University - USA (16)	01/10/1992	-
5	Dr. K. D. Inamdar (56)	Vice President – Effect Pigments	29,40,448	MSc, Ph.D (35)	19/10/1973	-
6	Shri. K.R. Ambekar (56)	Vice President – Engg.	24,42,048	B.E.Chem. (35)	06/10/1976	M.F. Bafna Polyset Corp., Mumbai
7	Shri. U.B. Philar * (52)	Vice President – Agro Division	10,58,744	BSc (Agri), PGDM- IIM, Ahmedabad (29)	25/04/1997	EID Parry India Ltd., Chennai

NOTES :

- The gross remuneration as above, includes Salary, Company's contribution to Provident Fund and Superannuation Scheme, Leave Travel Allowance, Medical, House Rent Allowance etc. and value of perquisites in respect of car facility, which is calculated in accordance with the provisions of the Income tax Act, 1961, and the rules made thereunder.
 - The conditions of employment are contractual.
 - Other terms and conditions are as per the rules of the Company.
- * Employed for part of the year.

SUDARSHAN

SUDARSHAN CHEMICAL INDUSTRIES LIMITED

Registered Office : 162 Wellesley Road, Pune 411 001

NOTICE

NOTICE IS HEREBY GIVEN THAT the 57th Annual General Meeting of the Company will be held on Monday the 29th September, 2008 at 11.30 A.M. at Pudumjee Hall, Maharashtra Chamber of Commerce, Industries And Agriculture, Tilak Road, Pune 411 002 to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2008 and the Balance Sheet as at that date together with Auditors' Report thereon and the Report of the Board of Directors.
2. To declare dividend on the Equity Shares of the Company for the year ended 31st March, 2008.
3. To appoint a director in place of Mr.P.P.Chhabria who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a director in place of Mr.S.N.Inamdar who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

6. **To consider and if thought fit, to pass with or without modifications the following resolution as an Ordinary Resolution.**

RESOLVED THAT pursuant to the provisions of Section 262 of the Companies Act, 1956, Mr. Rajesh B.Rathi who was co-opted as a Director w.e.f. 23rd May, 2008 in the casual vacancy caused by the demise of Mr.B.J.Rathi, Director be and is hereby appointed as a Director of the Company not liable to retire by rotation.

7. **To consider and if thought fit, to pass with or without modifications the following resolution as an Ordinary Resolution.**

RESOLVED THAT pursuant to the provisions of Section 198, 269, 309,310 and 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals, if and as may be required, consent be and is hereby accorded to the appointment and remuneration payable to Mr.Rajesh B.Rathi, Director in the wholetime employment of the Company w.e.f. 23rd May, 2008 on the terms and conditions as mentioned in the Letter of Appointment copy of which is submitted to the meeting and signed by Mr.P.P.Chhabria, Director and Chairman of Remuneration Committee for the purpose of identification.

RESOLVED FURTHER THAT the remuneration and perquisites within the limits as set out in the Letter of Appointment be paid and allowed to Mr. Rajesh B.Rathi, Director for any financial year, notwithstanding any loss or absence of profits, during any financial year.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to alter or vary the terms of remuneration of the appointee as it may, at its discretion deem fit from time to time, so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) or any amendments made thereto from time to time.