

58th
Annual Report
2008-09

Annual Report 2008-09

SUDARSHAN

SUDARSHAN CHEMICAL INDUSTRIES LIMITED

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SUDARSHAN CHEMICAL
INDUSTRIES LIMITED
FIFTY EIGHTH
ANNUAL REPORT 2008-2009

BOARD OF DIRECTORS

Mr. K. L. Rathi	Executive Chairman
Mr. B. S. Mehta	
Mr. P. P. Chhabria	
Mr. D. N. Damania	
Mr. S. N. Inamdar	
Mr. S. Padmanabhan	
Mr. S. K. Asher	Director w.e.f. 24/01/2009
Mr. P. R. Rathi	Vice Chairman and Managing Director
Mr. N. J. Rathi	Director and Company Secretary
Mr. R. B. Rathi	Director

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

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 : 2008-2009

Your Directors present their 58th Annual Report together with the Audited Statement of Accounts for the year ended 31st March 2009.

1. FINANCIAL HIGHLIGHTS :

Particulars	2008-2009 (Rupees in million)	2007-2008 (Rupees in million)
Gross Sales and Other Income	4569.28	4023.00
Gross Profit	410.41	225.76
Less : Depreciation	126.79	119.54
Profit before Tax and contingencies written back	283.62	106.22
Less : Provision for Taxation	95.23	37.49
Profit after Tax	188.39	68.73
Add : Surplus in Profit & Loss Account as per last Balance Sheet	122.40	107.96
Net Profit available for appropriation	310.79	176.69
Appropriations		
(1) Dividend proposed @ Rs.8/- per share on face value of Rs.10/- (80%) (previous year dividend paid @ 30%)	55.38	20.76
(2) Income Tax on Dividend	9.41	3.53
(3) General Reserve	40.00	30.00
	104.79	54.29
Balance to be carried forward	206.00	122.40

2. THE YEAR IN RETROSPECT :**(A) SALES:**

Gross Revenue for the year ended 31st March 2009 amounted to Rs. 4569 million as against Rs.4023 million achieved during the previous year, registering a growth of 14%. Profit after tax recorded excellent growth as compared to the previous year. Profit after tax for the year ended 31st March 2009 was Rs.197 million as against Rs.69 million earned during the previous year recording a growth of 186%. The performance of the Company viewed in the background of prevailing domestic and international constraints is considered satisfactory.

During the current year, the Pigment Division has performed well. Pigment sales rose from Rs. 3496 million in the previous year to Rs. 4028 million in the year under review registering a growth of 14%. Profits for the Pigment Division for the year under review amounted to Rs. 539 million as compared to Rs. 432 million of the previous year recording an impressive growth of 23%.

Members are aware that the Company had taken a conscious decision to reduce the capital employed

in the Agro Chemical business as a step towards recasting the Product Portfolio. Presently, the Company is focusing on sales of premium branded formulations, besides tech and bulk formulations.

Agro Sales for the year ended 31st March 2009 amounted to Rs. 471 million as against Rs. 439 million achieved during the previous year recording a marginal growth of 7%. On account of prudent measures taken by the management the losses of the Agro Chemicals division have been arrested and the division has managed to break-even.

Both the Divisions have done well last year despite various challenges and the economic downturn. There was a great deal of volatility in prices due to spike in oil prices and uncertainty regarding availability of key intermediates from China. The money market for a short period was extremely tight. Despite all these challenges, the profits have grown substantially.

(B) EXPORTS :

Revenue from exports for the year ended 31st March 2009 amounted to Rs.1666 million as against Rs.1463 million for the previous year registering an increase of 14% over the

SUDARSHAN CHEMICAL INDUSTRIES LIMITED

previous year. More than 98 % of the exports were accounted by Pigment Division.

The exports in Europe and USA have been severely affected due to the economic downturn. Pigment Division has worked very hard to make up the export loss from these continents by increasing business in other areas.

Members will be pleased to note that your Company has been selected by Dyestuffs Manufacturers Association of India (DMAI) for an Award in recognition of excellent performance in exports of Pigments by a Large Scale Unit, for the Financial Year 2008-09.

This is indeed a creditable recognition for your Company.

3. DIVIDEND :

Considering the overall performance of the Company, the Directors recommend, subject to approval of the members, dividend of Rs. 8/- per share on a face value of Rs. 10/- (80%) for the year ended 31st March 2009. The total outgo on account of dividend @80% and dividend distribution tax @16.995% will be Rs.64.79 million for the year under review.

4. DIRECTORS :

During the year, Mr. Sanjay K. Asher was co-opted as a Director on the Board of the Company. Mr. S.K.Asher is a Partner of Crawford Bayley & Co., renowned law firm in Mumbai. The knowledge and experience of Mr.S.K.Asher is of great value to the Company. The Board recommends his appointment as a Director of the Company.

Mr.B.S.Mehta and Mr.D.N.Damania, 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 2009, 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 :

As part of our strategy to become a global pigment company, in December 2007 we started a wholly owned subsidiary "Sudarshan Europe B.V." in Amsterdam.

In the last one year we have recruited a very good international team of sales people and lot of effort has gone in promoting "Sudarshan" brand in the European market. Response has been good and we will start seeing results in the current year.

In continuance with our global strategy, another wholly owned subsidiary, "Sudarshan North America Inc." has been formed in April 2009.

We are in the process of recruiting a team of professionals from the industry and also the brand building of Sudarshan has been started in USA.

Both in USA and Europe we intend to start direct marketing of Pigments and Effect Pigments for the Cosmetic industry.

Since its incorporation in 2006, Prescient Color Ltd., the other wholly owned subsidiary of the Company has been working to establish its brand name in the Indian market as a superior supplier of masterbatches for the textiles industry. Prescient successfully started up and streamlined the operations of its new manufacturing facility and application laboratory at Pirangut, near Pune. As in the previous year, Prescient continues to augment and validate its product range especially for textile and specialty plastics segment.

In the last one year, Prescient Color Ltd. has faced a great deal of volatility in polyester prices. For some period there was also uncertainty regarding availability of raw materials. The current scenario of the raw materials looks stable and results for this year should be favourable.

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. 47/269/2009-CL-III dt. 20th April, 2009 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 2009 under Section 212 (8) of the Companies Act, 1956.

The Annual Accounts of the Subsidiary Companies for the year ended 31st March 2009 will be made available to any shareholder of the Company on request. The Annual Accounts of Subsidiary companies for the year ended 31st March 2009 will be 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 implementation of the "Sudarshan Business Excellence Model (SBEM)" has helped the Company attain 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. IMS

is an integral part of SBEM. IMS has helped in achieving all this with optimum resource utilization and without any duplication of efforts. 5S and Lean Sigma continue to be an integral part of our business strategy with the objective of cutting down all non value added activities from our business and making our process robust and efficient.

One of the mission statements of SBEM is to create vibrant and exciting work environment. One of the important activities undertaken in this regard is Employee care. FIT Sudarshan is one of the several initiatives launched under Employee care.

SBEM when fully implemented is expected to create value to all its stakeholders.

12. INDUSTRIAL RELATIONS :

Industrial relations continue to remain cordial at Roha and Mahad plants, Pune office and at R & D Laboratory situated at Sutarwadi, Ambadvet, Dist. Pune. The Board records its appreciation of the commitment and support of employees at all levels.

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. 10.89 million from the public. The total amount of deposits at the end of 31st March 2009 stood at Rs. 31.10 million.

Out of the deposits amounting to Rs. 0.09 million from 8 Depositors, which fell due for repayment but which remained unclaimed before 31st March 2009, is still remaining unclaimed as on date of this report.

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 re-appointing them and to authorise the Board of Directors to fix their remuneration.

15. SAFETY AND ENVIRONMENT :

Sudarshan has laid great emphasis on Safety, Health and Environment. It means reducing impact and risk on the Environment & Health, Protecting the safety of our employees & customers and supporting the communities where we do our business – While ensuring the sustained growth & profitability of the Company.

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Sudarshan has a long history of establishing voluntary Environment, Health and Safety (EHS) improvements objective. For over a decade, continuous improvement efforts have resulted in significant reduction in emissions, reduced number of injuries and illness, conservation of natural resources and enhanced product stewardship.

Sudarshan is committed to meeting the environmental, health & safety expectations of our neighbours where it operates.

EHS responsibility is fundamental to Sudarshan's values. As Company is committed to become a world class Company and a leader in Pigment Industry, the vision is to make measurable improvements in the environment, health & safety aspects/risks of Company's products, services & operations.

The Board is pleased to inform you that the Company has been selected by Dyestuffs Manufacturers Association of India (DMAI) for the first award in recognition of excellent performance in safety and hazards control by a large scale unit for the Financial Year 2008-09.

Environment Management System conforming to ISO 14001:2004, Occupational health & safety standard conforming to OHSAS 18001:2007 have been successfully established & implemented at all sites. Integration of EHS management system has been undertaken with QMS in all sites.

Behaviour Based Safety System has been initiated & implemented to focus human factor to increase the safe behaviour of employees at work place in Roha & Mahad. The base line to achieve safe behaviours is 80%, whereas Company has achieved 70% at the end of the year.

Mahad unit has been recognized by National Safety Council - Maharashtra Chapter for achieving zero accident Frequency & Severity Rate.

To create safety awareness amongst the School Children and Teachers, safety training programmes have been organized in local schools.

Members will be also pleased to note that your Company has also been selected by (DMAI) for Anil Mehta award

for Corporate Social Responsibility (CSR), Environment and Safety Performance for a large scale unit for the Financial Year 2008-09.

Mock drill has been conducted in our Mahad Unit under the guidance of Directorate of Industrial Safety and Health (Government of Maharashtra) along with Mahad Manufacturers Association (MMA). The Department has appreciated our efforts for successful completion of this drill.

The various awards/recognitions bestowed on the Company is testimony to the continued and committed efforts of the Company towards EHS as well as social responsibilities.

16. OUTLOOK FOR THE FUTURE :

The demand in the domestic market is again picking up. It is expected that all the efforts put in for marketing in Europe will now start paying rich dividends. The raw material prices are also stable and availability is not a problem. The R&D teams have also helped in increasing the product range and Sudarshan's Business Excellence Model continues to drive the cost reduction initiative effectively. Taking all these factors into account and barring any unforeseen circumstances, the current year's prospects look to be quite good.

17. APPRECIATION :

Your Directors place on record their gratitude to Bank of Maharashtra, State Bank of India, Bank of Baroda, ICICI Bank Limited, HDFC Bank Limited, EXIM Bank, IDBI Bank Limited, Mizuho Corporate Bank Limited, BNP Paribas and Barclays Bank for their co-operation and assistance. Your Directors are also grateful to the shareholders, customers, employees, suppliers and business associates of the Company for their continued co-operation and support.

For and on behalf of the Board of Directors
For SUDARSHAN CHEMICAL INDUSTRIES LIMITED

Pune, June 26, 2009

K.L.RATHI
EXECUTIVE CHAIRMAN

SUDARSHAN CHEMICAL INDUSTRIES LIMITED

ANNEXURE TO DIRECTORS' REPORT : 2008-2009

FORM A — DISCLOSURE OF PARTICULARS WITH
RESPECT TO CONSERVATION OF
ENERGY

A. Power and Fuel Consumption :

Particulars	2008-2009	2007-2008
1. Electricity		
(a) Purchased		
Units ('000 KWH)	28138	31000
Total Amount (Rs. in million)	138.80	135.80
Rate per unit (Rs.)	4.93	4.38
(b) Own Generation		
Units ('000 KWH)	150	199
Units per litre of diesel oil	3.33	3.31
Cost per unit (Rs.)	10.99	11.38
2. (a) Furnace Oil		
Quantity (Tonnes)	3431	3130
Total Amount (Rs. in million)	49.31	54.03
Average Rate (Rs./Ton)	14371	17261
(b) LDO/HSD		
Quantity (K. Litres)	126	112
Total Amount (Rs.in million)	4.32	2.96
Average Rate (Rs./K.L.)	34362	26384
(c) Coal		
Quantity (Tonnes)	22479.70	30817.42
Total Amount (Rs. in million)	96.77	62.66
Average Rate (Rs./Ton)	4305	2033

B. Consumption per unit of Production :

The Company's products comprise a wide range of diverse pigments, pesticides and intermediates. The product mix varies each year and the production process involves several operations in different plants. It is therefore not feasible to apportion the cost and consumption per unit of production.

FORM B — DISCLOSURE OF PARTICULARS WITH
RESPECT TO TECHNOLOGY
ABSORPTION :

RESEARCH & DEVELOPMENT (R & D)

1. Specific areas in which R & D has been carried
out by the Company are :

- Existing Pigments – Improvement in the quality, productivity and modifications to meet the customer's changing requirements.
- New grades of Pigments – Development and market introduction.
- High Performance Pigments – Development and plant trials of the products which were actually commercialized during the year.
- Speciality Inorganic and Effect Pigments – Development and introduction of newer grades especially for export. Lab work for reducing processing time to increase the capacity in the existing plant.
- Pesticides – Newer formulations and pilot plant trials of newer technical Pesticides and Intermediates.
- Speciality Chemicals – Development of speciality chemicals.
- Cost Reduction by Process improvement and energy saving work.
- Pollution Reduction – Specific projects to reduce liquid, solid and gaseous waste.

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

- Improvement in productivity and product quality.
- Capacity increase in existing plants for exports.
- Improvement in safety, environment protection and energy saving.
- Cost reduction.
- New products generated additional business.

3. Future plan of action :

Continued stress and efforts in R & D to achieve improvement in productivity, efficiency, quality and reduction in energy and pollution.

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Continuous development of new products and high performance pigments for different Specialty applications.

R & D will be concentrated on meeting changing customer requirements in existing pigments range and introduction of newer products in Pigments, Agro Chemicals and Speciality Chemicals.

4. Expenditure on R & D for 2008- 2009 :

(a) Capital	: Rs. 22.98 million
(b) Recurring	: Rs. 43.84 million
(c) Total	: Rs. 66.82 million

5. Foreign Exchange Earnings & Outgo :

(a) Total Foreign Exchange Earned	: Rs.1751.40 million
(b) Total Foreign Exchange Used	: Rs. 788.12 million
(c) Net Foreign Exchange Earned	: Rs. 963.28 million

For and on behalf of the Board of Directors
For SUDARSHAN CHEMICAL INDUSTRIES LIMITED

Pune, June 26, 2009
K. L. RATHI
EXECUTIVE CHAIRMAN



SUDARSHAN CHEMICAL INDUSTRIES LIMITED**MANAGEMENT DISCUSSION AND ANALYSIS****Business of the Company – an overview**

The Company is a renowned player in the Pigment Industry and manufactures a wide range of Organic and Inorganic Pigments, Effect Pigments, Agro Chemicals and other products with facilities at Roha and Mahad, Dist.Raigad, Maharashtra.

The Company manufactures High Performance Pigments and Commodity Pigments apart from customized pigments for niche segments catering to domestic and international customers. The Company also manufactures Effect Pigments for cosmetics, coating applications etc.. High Performance Pigments and Effect Pigments have shown promise and will be one of the drivers for future growth.

Agro Chemical business of the Company consists primarily of Products which are generic in nature. The Company has changed its Product Profile in the background of change in demand pattern of Agro Chemicals. The Company is also exploring Contract manufacturing to reduce risk profile of Agro Chemical business.

The Company was the first chemical company in India to be awarded the ISO 9001 Certificate in the year 1993. Its Pune Office, Roha and Mahad plants have also been awarded the ISO 14001 Certificate. Our Roha and Mahad plants have been certified for OHSAS 18000. The Mahad plant has been certified OHSAS 18001 by BVQI for implementing systems aimed at reducing occupational risks in work areas besides focusing on health and safety. The Company has well established R & D laboratories recognized by Department of Scientific & Industrial Research (DSIR). Also our Labs are ISO 17025:2001 certified by National Accreditation Board for Testing and Calibration Laboratories (NABL), Government of India. Company has a wide distribution network in India as well as abroad. Both the manufacturing plants and offices in the country are well connected with the help of Enterprise Resource Planning system (ERP).

To strengthen and further consolidate the pigment business globally and with the objective of moving closer to customers, your Company through its Wholly Owned Subsidiary “Sudarshan Europe B.V.” has incorporated another Wholly Owned Subsidiary by name “ Sudarshan North America, Inc. “ in the State of Delaware, USA.

Financial review – 2008-2009

The Total Revenue for the year ended 31st March, 2009 amounted to Rs. 4569 million as against Rs.4023 million for the previous year recording a growth of 14%. The Net Profit after tax for the year ended 31st March, 2009 amounted to Rs 197 million against Rs. 69 million for the previous year registering a creditable growth of 186%.

Pigment Division has posted a growth in sales to the extent of 14% as compared to the previous year. Profitability of the division was also substantially higher as compared to the previous year.

Agro Chemical Division posted Sales of Rs. 471 million during the year as against Rs. 439 million achieved during the previous year recording a marginal increase. This translates to a growth of over 7 % as compared to the previous year.

The Company has an internal audit system and procedures commensurate with the size and nature of its business.

Segment I – Pigments

1. Industry Structure and Developments

In the earlier days Pigment Industry was mainly based in USA and Europe. Over the last several years there has been a gradual shift in production to China and India. This shift has been necessitated mainly due to high cost of setting up a plant in USA and Europe.

There has also been a consolidation of some sorts in the industry with BASF buying Ciba. Some of the smaller players in Europe have also been bought out. Most of the key intermediates required for pigments are also made in China.

There is still an excess capacity for pigments world-wide. This leads to intense price competition in the commodity segments market.

Many of the High Performance Pigments also become commoditized after they lose patent protection.

2. Opportunities and Threats

As the trend is towards shifting manufacturing base to China and India, it offers an opportunity to the pigment manufacturers in India and China.

The Chinese manufacturers have put up big scale plants for commodity pigments and hence to compete with them in this range becomes very difficult.

On the other hand, the Indian manufacturers have a technology edge and tend to focus more on Medium Performance and High Performance Pigments.

Due to BASF acquiring Ciba, the big customers are also looking for alternate vendors who can supply good quality High Performance Pigments. This provides an opportunity to the Indian manufacturers.

3. Performance

The Pigment Division increased its sales in the year 2008 - 09 to Rs.4028 million from Rs. 3496 million in 2007-08, thereby showing an increase of 14%. Sales from exports for the year under review amounted to Rs. 1666 million as against Rs. 1463 million achieved during the previous year showing a growth of 14%. Reduced fixed costs and increase in sale of high margin products in domestic market contributed to increased profitability in the year under review.

4. Outlook

The demand in the domestic market seems to have picked up and compensates for the downturn being faced in Europe and North America. The raw material prices are also stable and availability is not a problem. It is expected that the spadework which has been done by Sudarshan Europe B.V. over the last year and a half will now pay off.

The R&D teams have also helped in increasing the product range and Sudarshan's Business Excellence Model continues to drive the cost reduction initiative effectively.