

## BOARD OF DIRECTORS

Mr. K. L. Rath	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	
Mr. P. R. Rath	Vice Chairman and Managing Director
Mr. N. J. Rath	Director and Company Secretary
Mr. R. B. Rath	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 / GLOBAL HEAD 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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## Annual Report 2009-10

### DIRECTORS' REPORT TO THE SHAREHOLDERS : 2009 - 2010

Your Directors are pleased to present the 59<sup>th</sup> Annual Report together with the Audited Statement of Accounts for the year ended 31<sup>st</sup> March, 2010.

#### 1. FINANCIAL HIGHLIGHTS :

Particulars	2009-2010 (Rupees in million)	2008-2009 (Rupees in million)
Gross Sales and Other Income	5770.50	4569.28
Gross Profit	791.97	410.41
Less : Depreciation	134.05	126.79
Profit before Tax and contingencies written back	657.92	283.62
Less : Provision for Taxation	198.83	95.23
Profit after Tax	459.09	188.39
Add : Surplus in Profit & Loss Account as per last Balance Sheet	206.00	122.40
Net Profit available for appropriation	665.09	310.79
<b>Appropriations</b>		
(1) Dividend proposed @ Rs.12.50/-per share on the face value of Rs.10/- ( 125 % ) ( previous year dividend paid @ 80% )	86.53	55.38
(2) Tax on Dividend	14.37	9.41
(3) General Reserve	200.00	40.00
	300.90	104.79
Balance to be carried forward	364.19	206.00

#### 2. THE YEAR IN RETROSPECT :

##### (A) SALES :

The Financial Year 2009-2010 turned out to be a very good year for the Company. For the first time in the history of the Company, Sales crossed Rs.5000 million. Profits also increased substantially as compared to the previous Financial Year. The good performance of the Company can be attributed mainly to buoyant domestic demand for Pigments, favourable input prices and better export realization.

Gross Revenue for the year ended 31<sup>st</sup> March, 2010 amounted to Rs. 5771 million as against Rs. 4569 million achieved during the previous year, registering a growth of 26%. Profit after tax recorded excellent growth as compared to the previous year. Profit after tax for the year ended 31<sup>st</sup> March, 2010 was Rs. 459 million as against Rs. 188 million earned during the previous year recording a growth of 144%.

During the current year, the Pigment Division has performed well. Pigment sales rose from Rs. 4056 million in the previous year to Rs. 4905 million in the year under review, registering a growth of 21%. Profits for the Pigment Division for the year under review amounted to Rs. 860 million as compared to Rs. 539 million of the previous year recording an impressive growth of 60%.

Agro Sales for the year ended 31<sup>st</sup> March, 2010 amounted to Rs. 775 million as against Rs. 473 million achieved during the previous year recording a growth of 64%. Profits for the Agro Division for the year under review amounted to Rs. 73 million as compared to Rs. 23 million of the previous year recording an excellent growth of 217%.

**(B) EXPORTS :**

Revenue from exports for the year ended 31<sup>st</sup> March, 2010 amounted to Rs. 1879 million as against Rs. 1666 million for the previous year registering an increase of 13%. More than 97% of the exports were accounted by Pigments Division.

The exports in Europe and USA continue to be 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.

**3. DIVIDEND :**

Considering the good performance of the Company, the Directors recommend, subject to approval of the members, dividend of Rs 12.50/- per share on a face value of Rs. 10/- ( 125% ) for the year ended 31<sup>st</sup> March, 2010. The total outgo for the year under review on account of dividend @ 125% and dividend distribution tax @ 16.61% will be Rs.101 million.

**4. DIRECTORS :**

Mr. S.Padmanabhan 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 31<sup>st</sup> March, 2010, 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 account 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 Company's strategy to become a global pigment company, Company incorporated two Wholly Owned Subsidiaries abroad viz. Sudarshan Europe B.V. in December, 2007 in Amsterdam, Netherlands and Sudarshan North America, Inc., in April, 2009 in Delaware, USA.

Recruitments of the Marketing Team and establishing a Distribution network for sale of Pigments has been completed. Response from the market has been good and will start seeing results in the current year.

The other Indian Wholly Owned Subsidiary, Prescient Color Ltd., continues to augment and validate its product range especially for textile and specialty plastics segment. The operations of Prescient has also improved in the year under review. The current scenario looks to be stable and results for this year should be favourable.

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

Government of India, Ministry of Corporate Affairs, New Delhi vide Letter No. 47/211/2010-CL-III dt. 25<sup>th</sup> March, 2010 has granted exemption to the Company from attaching the Annual Accounts of Prescient Color Limited, Sudarshan

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Europe B.V. and Sudarshan North America, Inc., for the year ended 31<sup>st</sup> March, 2010 under Section 212 (8) of the Companies Act, 1956.

The Annual Accounts of the Subsidiary Companies and the related detailed information will be made available to the Company and Subsidiary Companies investors seeking such information at any point of time. The annual accounts of the Subsidiary Companies is kept for inspection by any investor at its Registered Office of the Company. The Company shall furnish a hard copy of the Accounts of Subsidiaries to any shareholder on demand. Further, the accounts of individual Subsidiary Companies are posted at the Company's website.

### 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 :

Sudarshan Business Excellence Model ( SBEM ) recognizes many approaches to achieving sustainable excellence in all aspects of performance. SBEM is based on the premise that excellent results with respect to Performance, Customers, People and Society are to be achieved through Leadership driving Policy and Strategy through key inputs from Innovation, People Partnerships, Resources, and Processes.

Keeping in mind the need to usher in empowerment and belongingness throughout the organization, the Company has decided to go for Employee engagement and Customer engagement Survey which would help to undertake improvement projects based on the result of the survey. Employee engagement and Customer Engagement are critical ingredients for individual and organizational success.

A key element of SBEM is an innovative culture, which would encourage sustainable growth of the Company by developing a system that drives knowledge creation, cutting edge science and research based technology, international competitiveness and increased productivity.

Under SBEM, Sudarshan is committed to developing policies and delivering programs, in partnership with stakeholders, to provide sustainable economic benefits in a highly competitive environment.

### 12. INDUSTRIAL RELATIONS :

Industrial relations continue to remain cordial at Roha and Mahad plants 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. 134.35 million from the public. The total amount of deposits at the end of 31<sup>st</sup> March, 2010 stood at Rs. 223.09 million.

Deposits amounting to Rs.0.09 million from 5 Depositors, which fell due for repayment but which remained unclaimed before 31<sup>st</sup> March, 2010, 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 reappointing them and to authorise the Board of Directors to fix their remuneration.

### 15. ENVIRONMENT, HEALTH, SAFETY (EHS) AND POLLUTION :

Sudarshan has always laid great emphasis on Environment, Health, Safety (EHS) and Pollution. EHS and Pollution control responsibility is fundamental to Company's values. As the Company is committed to become a world class company, measurable improvements in environment, health, safety and pollution aspects in relation to our products, services & operations are a key. Continuous efforts for over a decade have resulted in significant reduction in emissions, reduced number of injuries and accidents, conservation of natural resources and enhanced product stewardship.

Company undertakes constant & persistent efforts to upgrade environmental performance. Effluents from the plants are treated so effectively that it meets not only the legal parameters but also meets with Company's stringent internal standards. Air emissions are effectively controlled by providing dust collectors, wet scrubbers. The emissions are monitored with the help of third party. Waste management system provides comprehensive guideline to monitor, control & minimize generation of wastes.

Environment management system conforming to ISO 14001:2004, occupational health & safety assessment series conforming to OHSAS 18001:2007, have been successfully established & implemented at all sites. The Company has successfully fused EHS management system with QMS, under Integrated Management System (IMS), at all sites. Behaviour Based Safety System has also been implemented to focus on human factor to increase safe behaviour of employees at work place.

The Company is also committed to meeting the environmental, health & safety expectations of our neighbours where it operates. As a part of community awareness, training programs on electrical safety, first aid were conducted in village Barsoli, near Roha factory. The Company has shared information about prevalent safety systems, emergency preparedness & response plan & pollution control measures with them.

### 16. RECOGNITION / AWARDS :

The Company has been audited & awarded the membership of ETAD (Ecological & Toxicological Association of Dyes & Organic Pigments Manufacturers).

The Dyestuffs Manufacturer's Association of India (DMAI) has also recognized the efforts of the Company for the Financial Year 2008-2009 in the following categories.

- a) Safety & Hazard control
- b) Anil Mehta award for best large scale member unit (CSR & EHS)
- c) Excellent performance in the field of Exports of Pigments

The Company's Roha unit has also been recognized by National Safety Council - Maharashtra Chapter, for achieving lowest accident frequency rate for 2008 & our Mahad unit received certificate of merit for meritorious performance in Industrial Safety during the year 2008.

Our Roha plant is awarded with "Four Star" rating after an extensive 3 day-long evaluation by British Safety Council, in first attempt.

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The Company's earlier certificate of "Two Star Export House", has now been upgraded to "Trading House" by Joint Director General Of Foreign Trade, Pune for achieving a cumulative export turnover of over Rs.5000 million over a given period.

Bayer Group of Companies in India has awarded the Company a trophy and a certificate of excellence for Outstanding Performance as a supplier of Pesticide Active Ingredient for the year 2009 based on its Procurement Supplier Evaluation ( PROSE ) software tool. The Company could achieve this inspite of tough competition.

### 17. OUTLOOK FOR THE FUTURE :

The demand in the domestic market seems robust and compensates for the downturn being faced in Europe and North America.

It is expected that the spade work which has been done by Sudarshan Europe B.V. as also Sudarshan North America, Inc., will help in consolidating Company's overseas operations.

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. All the past issues of the Agro Division have now been sorted out and the outlook is quite stable.

Taking all these factors into account and barring any unforeseen circumstances, the current year's prospects look to be good.

### 18. 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 and EXIM 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, 29<sup>th</sup> May, 2010

K.L.RATHI  
EXECUTIVE CHAIRMAN

## ANNEXURE TO DIRECTORS' REPORT : 2009 - 2010

### FORM A - DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

#### A. Power and Fuel Consumption :

Particulars	2009-2010	2008-2009
1. Electricity		
(a) Purchased		
Units ('000 KWH)	35540	28138
Total amount (Rs. in million)	186.75	138.80
Rate per unit (Rs)	5.25	4.93
(b) Own Generation		
Units ('000KWH)	208	150
Units per litre of diesel oil	3.35	3.33
Cost per unit (Rs.)	10.81	10.99
2. (a) Furnace Oil		
Quantity (Tonnes)	740	1704
Total amount (Rs. in million)	17.32	49.31
Average Rate (Rs./Ton)	23399	28937
(b) LDO/HSD		
Quantity (K. Litres)	24	106
Total amount (Rs. in million)	0.80	4.32
Average Rate (Rs. K.L.)	33543	40856
(c) Coal		
Quantity (Tonnes)	24225	19093
Total amount (Rs.in million)	113.45	96.77
Average Rate (Rs./Ton)	4683	5068

#### 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 are :

- New grades of Pigments – Development and Introduction.
- High Performance Pigments and effect pigments – Development of Pigments for Automotive paint application.
- Existing Pigments – Improvement in quality, productivity and cost reduction to meet the customer's changing requirements.

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- (d) New grades of Effects pigments for cosmetic application.
- (e) Cost Reduction by process improvement and cycle time reduction.
- (f) Newer pesticides.
- (g) Cost reduction in the present pesticides manufacturing.

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

- (a) Improvement in product quality and productivity.
- (b) Increase in capacities of existing products to meet the growing demand.
- (c) Cost competitive products to meet the Chinese competition.
- (d) New products generated additional business.
- (e) Reduction in waste generated and energy input.

### 3. Future plan of action :

- (a) Continuous development of new products and high performance pigments.
- (b) Continuous improvement in quality, productivity and cost reduction in existing pigments.
- (c) Reduction in waste generated and energy input.

### 4. Expenditure on R&D for 2009- 2010 :

- |               |   |                   |
|---------------|---|-------------------|
| (a) Capital   | : | Rs. 11.66 million |
| (b) Recurring | : | Rs. 65.49 million |
| (c) Total     | : | Rs. 77.15 million |

### 5. Foreign Exchange Earnings & Outgo :

- |                                   |   |                     |
|-----------------------------------|---|---------------------|
| (a) Total Foreign Exchange Earned | : | Rs. 1617.60 million |
| (b) Total Foreign Exchange Used   | : | Rs. 797.86 million  |
| (c) Net Foreign Exchange Earned   | : | Rs. 819.74 million  |

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

Pune, 29<sup>th</sup> May, 2010

K.L.RATHI  
EXECUTIVE CHAIRMAN



## 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 and R & D Laboratory at Sutarwadi, Ambadvet, Dist. Pune.

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 increasing emphasis on agriculture on account of rising demand for food and shrinking agricultural acreage. 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 1991. 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. All the manufacturing plants and offices in the country are well connected with the help of Enterprise Resource Planning system (ERP).

With the formation of two wholly owned subsidiaries abroad i.e. Sudarshan Europe B.V. and Sudarshan North America, Inc., the Company has entered the European Market and the American Market to further strengthen and consolidate the pigment business globally and with the objective of moving closer and effecting direct sales to customers. Manpower recruitment of the Marketing Team and appointment of Distributors for establishing network for sale of Pigments in the European market have been completed. The response from European market has been very good and Pigment sales are expected to pick up from this year. In North America the infrastructure has now been set up and initial promotion is now taking place. Some sales will start taking place this year before a full scale impact in the next year.

### Financial review – 2009-2010

The Total Revenue for the year ended 31<sup>st</sup> March, 2010 amounted to Rs. 5771 million as against Rs. 4569 million for the previous year recording a growth of 26 %. The Net Profit after tax for the year ended 31<sup>st</sup> March, 2010 amounted to Rs. 459 million against Rs. 188 million for the previous year registering an excellent growth of 144%.

Pigment Division has posted a growth in sales to the extent of 21% 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. 775 million during the year as against Rs. 473 million achieved during the previous year. This translates to a growth of over 64% 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.

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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 large 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 an alternate vendor 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 2009 - 2010 to Rs. 4905 million from Rs. 4056 million in 2008-09, thereby showing an increase of 21%. Sales from exports for the year under review amounted to Rs. 1879 million as against Rs. 1666 million achieved during the previous year showing a growth of 13%. Notable factors that can be attributed to the good performance of the Pigment Division for the year under review is the buoyant domestic demand for Pigments, favourable input prices and better export realization.

### 4. Outlook

The demand in the domestic market seems robust and compensates for the downturn being faced in Europe and North America.

It is expected that the spade work which has been done by Sudarshan Europe B.V. as also Sudarshan North America, Inc., will help in consolidating Company's overseas operations.

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 good.

### 5. Risks and Concerns

Recessionary conditions which have gripped the western markets may affect export of Pigments. Raw material prices are also showing signs of rising.

There is a great deal of volatility of the rupees vis-à-vis dollar and the Euro which may affect realization.

## Segment II – Agro Chemicals

### 1. Industry Development

The Crop Protection Industry witnessed some uncertainties in the 1<sup>st</sup> Quarter of 2009-10 owing to variations and delay in monsoon spread in some parts of the country. However, situation improved at the later stage with the onset of monsoon. The Industry witnessed a good Rabi season and agrochemical business saw itself back in stable position after a year of instability and uncertainty caused due to inadequate supply of basic chemicals from China owing to hosting of Olympics in 2008-09.