

BOARD OF DIRECTORS

Mr. K. L. Rathi	Executive Chairman
Mr. B. S. Mehta	Non-Executive, Independent Director
Mr. P. P. Chhabria	Non-Executive, Independent Director
Mr. D. N. Damania	Non-Executive, Independent Director
Mr. S. N. Inamdar	Non-Executive, Independent Director
Mr. S. Padmanabhan	Non-Executive, Independent Director
Mr. S. K. Asher	Non-Executive, Independent Director
Mr. P. R. Rathi	Vice Chairman and Managing Director
Mr. N. J. Rathi	Non-Executive Director
Mr. R. B. Rathi	Executive Director

COMPANY SECRETARY

Mr. N. J. Rathi
(upto 15-08-2010)

Mr. P. S. Raghavan
(w.e.f. 16-08-2010)

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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DIRECTORS' REPORT TO THE SHAREHOLDERS : 2010 - 2011

Your Directors are pleased to present the 60th Annual Report together with the Audited Statement of Accounts for the year ended on 31st March, 2011.

1. FINANCIAL HIGHLIGHTS :

Particulars	2010-2011 (Rupees in million)	2009-2010 (Rupees in million)
Gross Sales and Other Income	7120.11	5770.50
Gross Profit	924.07	791.97
Less : Depreciation	132.14	134.05
Profit before Tax and contingencies written back	791.93	657.92
Less : Provision for Taxation	233.82	198.83
Profit after Tax	558.11	459.09
Add : Surplus in Profit & Loss Account as per last Balance Sheet	364.19	206.00
Net Profit available for appropriation	922.30	665.09
Appropriations		
(1) Dividend proposed @ Rs.12.50 per share on the face value of Rs 10/- (125 %) (previous year dividend paid @ 125%)	86.53	86.53
(2) Dividend Distribution Tax	14.04	14.37
(3) General Reserve	400.00	200.00
Total	500.57	300.90
Balance to be carried forward	421.73	364.19

2. THE YEAR IN RETROSPECT :

BACKGROUND :

The domestic Pigment market has been buoyant as a result of rising incomes and increase in per capita spending. This backed by efficient cost management has enabled the Company to post all round growth in sale of Pigments for the year under review . Pigment Products catering to different segments recorded good growth. The macro environment prevailing in the western and European markets were challenging post recessionary conditions which had set in early 2008 . The Company with its High Performance Pigments were in a position to compete with global majors resulting in higher Pigment exports .

Agro Chemicals also fared reasonable well considering the constraints. Lower pest formation, change in product mix, unseasonal and unfavourable monsoon were some of the factors that impeded growth.

Overall the growth has been good and Sudarshan is fully geared up for exploiting and consolidating the opportunities ahead.

(A) SALES :

Gross Revenue for the year ended 31st March, 2011 amounted to Rs. 7120 million as against Rs. 5771 million achieved during the previous year, registering a growth of 23%. Profit after tax recorded excellent growth as compared to the previous year. Profit after tax for the year ended 31st March, 2011 aggregated to Rs. 558 million as against Rs. 459 million earned during the previous year recording a growth of 22%.

During the current year, the Pigment Division has performed well. Pigment sales rose from Rs. 4905 million in the previous year to Rs. 6213 million in the year under review, registering an impressive growth of 27%. Profits for the Pigment Division for the year under review amounted to Rs. 950 million as compared to Rs. 860 million of the previous year recording a growth of 10% .

Agro Sales for the year ended 31st March, 2011 amounted to Rs. 834 million as against Rs. 775 million achieved during the previous year recording a growth of 8%. Profits for the Agro Division for the year under review amounted to Rs. 64 million as compared to Rs. 73 million of the previous year.

(B) EXPORTS :

Members are aware that the Company has set up subsidiaries in Netherlands and North America. The Company also has set up Sales and distribution channels in Latin America and other Asian Countries. This has enabled Sudarshan to further consolidate its position in the international Pigment market.

Revenue from exports for the year ended 31st March, 2011 amounted to Rs. 2667 million as against Rs. 1879 million for the previous year registering an excellent growth of 42% over the previous year. More than 97% of the exports were accounted by Pigments Division.

3. DIVIDEND :

Notwithstanding the good performance, the Directors feel the need to conserve resources for the on going capex programme and hence recommend maintaining, 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 31st March, 2011. The total outgo on account of dividend @ 125% and dividend distribution tax @ 16.22% will be Rs. 100.57 million for the year under review.

4. DIRECTORS :

Mr.B.S.Mehta and Mr.P.P.Chhabria, 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 31st March, 2011, 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 judgments 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 :

During the year under review, the Company's overseas subsidiaries have shown improved sales performance. The initial teething troubles witnessed is a thing of the past and with appropriate staffing and efficient Sales and distribution channels to back, the subsidiaries are poised to consolidate.

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 Color Limited has also improved in the year under review by posting a modest profit of Rs. 3.65 million. The current scenario looks stable and encouraging.

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

Government of India, Ministry of Corporate Affairs, New Delhi vide General Circular No. 2/2011 dated 8.2.2011, has exempted and directed all Companies under Section 212 of the Companies Act, 1956 with regard to not attaching the Balance Sheet and Profit and Loss account of the Subsidiary company/s with the Annual Report of the Holding Company, subject to fulfillment of certain terms and conditions. The Company complies with all the terms and conditions.

The Annual Accounts of the aforesaid Subsidiary Companies for the year ended 31st March, 2011 will be made available to any shareholder of the Company on request and will also be available for inspection at the Registered Office of the Company during working hours till the date of the Annual General Meeting. The Annual Accounts of the aforesaid subsidiary companies and the related detailed information will also be made available to the investors seeking such information at any point of time.

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 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. COST AUDIT :

The Board of Directors in pursuance of an order under section 233 B of the Companies Act, 1956 issued by the Central Government, has appointed Parkhi Limaye & Co., Cost Accountants, Pune as cost auditors to audit the cost accounts maintained by the Company in respect of Insecticides.

11. 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.

12. SUDARSHAN BUSINESS EXCELLENCE MODEL :

Sudarshan Business Excellence Model (SBEM) recognizes many approaches to achieving sustainable excellence in all aspects of performance. Policies and programs, are designed in partnership with stakeholders, to provide sustainable economic growth in a dynamic business environment.

The Company strives for an innovative culture, which would encourage sustainable growth by developing a system that drives knowledge creation, cutting edge science and research based technology, international competitiveness and increased productivity.

13. UPGRADATION OF ROHA MANUFACTURING FACILITY :

As part of its globalization strategy, the Company has embarked on upgrading its manufacturing facility at Roha with an initial investment of Rs. 100 Crores. The facilities include setting up of :

- A state of the art ultra modern warehouse, spread over 1,20,000 sq ft. This will have ground plus 8 stacking levels with a total of 5,121 pallet positions having a storage capacity of 1,600 MT. The warehouse will be operated by "Very Narrow Aisle, (VNA)" trucks and online stock updation with help of SAP Warehouse Management System.
- High Performance Pigment plant to cater to automotive coatings and high end plastic industry. These plants will have a high level of automation and instrumentation for better process control.
- New plant for Effect Pigments to cater to the automotive coatings and cosmetic industry and for recycling 1000 cubic meters of water per day.
- A Cogeneration plant with a high efficiency boiler incorporating Reverse Osmosis (RO) and Electro Static Precipitator (ESP) is installed in an area of 12,200 sq.ft. to reduce effluent load and Suspended Particulate Matter (SPM) levels, impacting the environment in a positive way.
- An Ultra-modern employee facility.

It is expected that the investment in facilities as indicated apart from benefitting the customers and other stake holders will also benefit the local communities in Roha and Mahad.

14. 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. 0.5 million per month or Rs. 6.0 million per annum are given in the annexure and they form part of this report.

15. FIXED DEPOSITS :

During the year under review, the Company accepted deposits amounting to Rs. 24.77 million from the public. The total amount of deposits at the end of 31st March, 2011 stood at Rs. 198.02 million.

Out of the total deposits a sum amounting to Rs. 0.56 million from 4 Depositors, which fell due for repayment but which remained unclaimed before 31st March, 2011 is still remaining unclaimed as on date of this report.

16. 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.

17. ENVIRONMENT, HEALTH, SAFETY (EHS) AND POLLUTION :

The Company is committed to achieving greater levels in environmental excellence, employee safety & improvement in the human conditions. The Company focuses on the Global EHS standards as the foundation to achieve Environmental, Health & Safety (EHS) excellence. The motto is to strive for continuous improvement in EHS and Pollution. The Company recognizes and believes that sustainable development keeping in mind preservation of the environment is one of the most important and critical issues facing the Industrial community & initiatives are

being undertaken to implement EHS and Pollution control as an integral part of our corporate values. The Company is committed to conserving resources & acting as responsible stewards of the Environment.

The company's Environment, Health & Safety (EHS) policy provide the guiding principles that ensure high standards are achieved at all sites & and offer means of promoting continuous improvement based on careful risk assessment & comprehensive EHS management systems. The EHS policy is formally reviewed at regular intervals by the EHS Committee. The EHS committee meets every month to review & monitor EHS performance which includes key policy as well as operational issues. To ensure effective monitoring of EHS performance, Environment, Health & Safety index is complied monthly. Environmental & resource efficiency information within the Company is monitored & analyzed annually & actions are incorporated accordingly. Effluents from the Plants are continuously monitored to ensure compliance to standards.

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. Behaviour Based Safety System has also been implemented to focus on human factor to increase safe behavior of employees at work place.

EHS compliance audits are an integral part of EHS management system. During the year 4 in-depth EHS audits were conducted across our operations in Roha & Mahad. No major non conformances were observed. A feature of the year has been the high level of capital investment in our existing businesses. This has led to many Environmental & Safety improvements that have given us opportunities to design & operate process that are inherently safer & resource efficient.

18. CORPORATE SOCIAL RESPONSIBILITY :

As a responsible corporate citizen, the Company is committed to meeting the Environmental, Health & Safety expectations of our neighbours, where we operate. As a part of community awareness, we have adopted village Barsoli located near our factory at Roha. The Company has undertaken tree plantation, waste management (vermiculture) self employment development, emergency preparedness & response plan & environment control measures. To support community development, activities such as village meetings, social functions, paper bags making, cloth stitching, construction of bus shelters and safety equipment exhibitions have been held.

19. RESEARCH AND DEVELOPMENT :

The Company has a modern R & D facility with over 100 technicians working at three different locations. All the laboratories are ISO 17025: 2001 certified by National Accreditation Board for Testing and Calibration Laboratories, NABL, Government of India. The Company recognizes that R & D Facilities have to be adequately equipped to keep pace with technological advances relevant to be a dominant player in the global pigment industry. The Company has spent approx. Rs. 66 million during the year under report on research and development.

20. RECOGNITION :

The Board is pleased to announce that the Company has received SAP ACE Award 2010, given by SAP India for customer excellence in the category – "Best Run Award in Medium Enterprises – Manufacturing."

The Dyestuffs Manufacturer's Association of India (DMAI) has recognized the efforts of the Company for the Financial Year 2009-2010 in the following categories.

- a) Excellent performance in the field of Safety & Hazards Control.
- b) Excellent performance in the field of Pollution Control.

The DMAI has selected the Company for an award in recognition of excellent performance in respect of export of Pigments of a large scale unit in 2010-2011.

The Company's Roha unit has also been recognized by National Safety Council - Maharashtra Chapter, for achieving lowest accident frequency rate for 2009, & our Mahad unit received certificate of merit for meritorious performance in Industrial Safety during the year 2009.

The Board is also pleased to announce that the Company has received a trophy from Export Credit Guarantee Corporation, Pune for being a major and loyal exporter during the year 2010, amongst various exporters from Maharashtra.

21. VISION 2014 :

The Company has outlined a vision to be amongst the top four pigment players in the world by the year 2014. The key initiatives include becoming a world class color solution provider; Focusing on exceptional and sustainable results, Value creation for stakeholders and providing an exciting, vibrant and performance driven environment. The catchword is "growing together" in a manner which is spiritually fulfilling, socially just and environmentally sustainable.

The Company has drawn a road map to spruce up manufacturing and R & D facilities, developing cutting edge technologies, staffing and implementation of global practices and systems.

22. OUTLOOK FOR THE FUTURE :

The domestic demand for Pigments continues to be robust and holds promise for the Company's Pigment Products. The export market even though still reeling under sluggish demand prevailing in the US and European markets holds promise as the Company's overseas subsidiaries are strategically placed to take advantage of the local conditions.

Agro Chemicals business also is expected to perform reasonably well. However excessive and unseasonal rains can play truant.

Barring any unforeseen circumstances, the current year's prospects look to be good.

23. 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, suppliers, business associates and employees 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, 27th May, 2011

K.L.RATHI
EXECUTIVE CHAIRMAN

ANNEXURE TO DIRECTORS' REPORT : 2010 - 2011

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

A. Power and Fuel Consumption :

Particulars	2010-2011	2009-2010
1. Electricity		
(a) Purchased		
Units('000 KWH)	44437	35540
Total amount (Rs. in million)	256.66	186.75
Rate per unit (Rs)	5.78	5.25
(b) Own Generation		
Units('000KWH)	124	208
Units per litre of diesel oil	3.34	3.35
Cost per unit (Rs.)	12.06	10.81
2. (a) Furnace Oil		
Quantity (Tonnes)	1477	740
Total amount (Rs. in million)	39.67	17.32
Average Rate(Rs./Ton)	26851	23399
(b) LDO		
Quantity(K. Litres)	38	24
Total amount (Rs. in million)	1.55	0.80
Average Rate(Rs. K.L.)	40386	33543
(c) Coal		
Quantity (Tonnes)	28410	24225
Total amount (Rs.in million)	153.28	113.45
Average Rate (Rs./Ton)	5395	4683
(d) HSD		
Quantity (K.Litres)	62	65
Total amount (Rs.in million)	2.49	2.32
Average Rate (Rs./Ton)	40293	35747
(e) LPG		
Quantity (Tonnes)	33	31.75
Total amount (Rs.in million)	1.48	1.11
Average Rate (Rs./Ton)	44937	34846

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 :

- (a) New grades of Pigments – Development and Introduction.
- (b) High Performance Pigments and effect pigments- Development of Pigments for Automotive paint application.
- (c) Existing Pigments – Improvement in quality, productivity and cost reduction to meet the customer's changing requirements.
- (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 2010- 2011 :

(a) Capital	:	Rs.	71.13	million
(b) Recurring	:	Rs.	66.23	million
(c) Total	:	Rs.	137.36	million

5. Foreign Exchange Earnings & Outgo :

(a) Total Foreign Exchange Earned	:	Rs.	2102.84	million
(b) Total Foreign Exchange Used	:	Rs.	1243.70	million
(c) Net Foreign Exchange Earned	:	Rs.	859.14	million

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

Pune, 27th May, 2011

K.L.RATHI
EXECUTIVE CHAIRMAN