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44th Annual Report
2004 - 2005

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PIGMENTS LTD.

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ULTRAMARINE & PIGMENTS LIMITED

FINANCIAL HIGHLIGHTS

(Rs. in Lakhs)

Particulars	04-05	03-04	02-03	01-02	00-01	99-00	98-99	97-98	96-97	95-96	94-95	93-94	92-93	91-92	90-91	85-86	80-81	75-76	1971	1966	60-61
Share Capital	**365**	365	365	365	365	365	360	360	360	360	180	180	180	180	180	90	60	60	30	15	15
Reserves & Surplus	**4756**	3882	3361	3271*	3532	3451	3075	2702	2365	2014	1695	1540	1298	1162	1079	315	169	70	61	27	0.02
Networth	**5121**	4247	3726	3636*	3897	3816	3435	3062	2725	2374	1875	1720	1478	1342	1259	405	229	130	91	42	15.02
Fixed Assets (Net)	**2282**	2322	2408	2639	2568	2660	2490	2600	2388	2045	828	685	690	729	722	170	144	151	37	33	6
Sales / Other Income	**7142**	6116	6116	9109	10002	10864	9312	7462	6587	6152	3926	2577	2429	1887	1697	604	495	149	99	58	0.19
Gross Profit before Interest & Depreciation	**2050**	1524	842	1106	899	1178	1193	1046	937	817	535	716	487	384	403	131	114	27	37.08	27.33	0.12
Interest / Finance Charges	**28**	71	142	235	289	189	230	224	197	91	79	101	88	86	48	5	7	12	0.08	0.33	0.07
Depreciation	**301**	307	301	280	259	255	252	221	179	119	87	80	76	70	39	22	9	11	4	3	0.01
Current Tax	**328**	254	147	141	137	184	160	99	73	—	100	190	108	74	75	39	51	—	20	12	0.02
Deferred Tax	**(105)**	(24)	(67)	34	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Net Profit	**1499**	932	297	419	201	523	553	486	490	606	245	333	208	155	245	65	47	4	13	12	0.02
Dividend (Incl. Dividend Tax)	**624**	412	206	183	120	243	180	158	139	108	90	90	72	72	72	19	12	5	5	2	—
Dividend (%)	**150**	100	50	50	30	60	45	40	35	30	50	50	40	40	40	21	20	8	15	16	-
Earnings per share (Rs.)	**41.06**	25.54	8.12	11.48	5.51	14.33	15.36	13.50	13.61	16.83	13.61	18.50	11.56	8.61	13.61	7.22	7.83	0.67	4.33	8.00	0.01

* Rs. 498 lacs reduced and appears as Deferred Tax Liability

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BOARD OF DIRECTORS :

Shri. R. Sampath (Chairman & Managing Director)
Smt. Indira Sundararajan (Wholetime Director)
Shri. S. Santhanam
Shri. Nimish Patel
Shri. M. C. Choksi
Dr. G. G. Nair
Smt. K. R. Javeri
Shri. S. Sridhar

COMPANY SECRETARY

Shri. K. Murali

BANKERS :

Bank of India
Indian Bank
Indian Overseas Bank
State Bank of India

AUDITORS :

CONTRACTOR, NAYAK & KISHNADWALA
Chartered Accountants
1B, 1st Floor, Pushpam, K. D. Road,
Vile Parle, Mumbai - 400 056.

REGISTRAR & SHARE TRANSFER AGENTS :

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (W),
Mumbai - 400 078.
Tel. : 55555454
Fax : 55555353
E-mail: isrl@intimespectrum.com

REGISTERED OFFICE :

Thirumalai House, Road No.29,
Near Sion Hill Fort, Sion (E), Mumbai - 400 022.
Tel. : 2401 7841, 7834, 7853, 7861
Fax : 2401 1699
E-mail: thirumalai@thiruchem.com

FACTORY :

556, Vanagaram Road, Ambattur, Chennai - 600 053.
Tel. : 2625 8251 / 2625 7929 / 2625 7964
Fax : 2625 7611
E-mail: ultramarine@eth.net

25-B, SIPCOT Industrial Complex, Ranipet - 632 403. Tamilnadu.
Tel. : 04172-244441/244442
Fax : 04172-244918
E-mail: upl.syndet@vsnl.net

(IT Enabled Services Division)
Lapiz Digital Services
94/95, RR2 Buildings, 1st Floor,
R. R. Chambers, VI Block,
Tiru-vi-ka Industrial Estate, Guindy,
Chennai - 600 032
Tel. : 044 - 22323504/05/95
Fax : 044 - 22323683
E-mail : info@lapizdigital.com

Lapiz Technical Services
Economist House,
Tiru-vi-ka Industrial Estate,
Guindy, Chennai - 600 032.
Tel./Fax : 044 - 5572 4735

Members are requested to bring their copy of Annual Report with them to the Annual General Meeting

GENERAL INFORMATION

(a) Company's Shares Listed at Mumbai Stock Exchange.

(b) Company's Shares are mandated for trading in demat mode.

(c) ISIN No. allotted to company's share is INE 405A01013

44TH ANNUAL GENERAL MEETING

DATE :

Monday, July 25, 2005
at 4.00 p.m.

VENUE :

Mysore Association Auditorium,
Bhaudaji Road, Matunga,
Mumbai - 400 019.

DIVIDEND :

150%

DIVIDEND ELIGIBILITY :

For	:	Regd. Member
Physical Shares	:	As on July 25, 2005
Demat Shares	:	At the close of business hours on July 11, 2005 as per the list of beneficial ownership furnished by the Depositories

BOOK CLOSURE :

July 12, 2005 to July 25, 2005

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NOTICE

NOTICE is hereby given that the **FORTY FOURTH ANNUAL GENERAL MEETING OF ULTRAMARINE & PIGMENTS LIMITED** will be held at THE MYSORE ASSOCIATION AUDITORIUM, Mysore Association, 393, Bhaudaji Road, Matunga-C.Rly, Mumbai- 400019 on Monday, July 25, 2005 at 4.00 p.m to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report and the Audited Profit and Loss Account for the year ended March 31, 2005 and the Balance Sheet as at that date and the Auditors' Report thereon.
2. To declare Dividend.
3. To appoint a Director in place of Ms.K.R.Javeri , who retires by rotation and, being eligible, offers herself for reappointment.
4. To appoint a Director in place of Mr.M.C.Choksi, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint Auditors for the current Year and fix their remuneration.

SPECIAL BUSINESS.

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

   RESOLVED that pursuant to Section 314 and other applicable provisions , if any, of the Companies Act, 1956, and subject to approvals as may be required, Mr.V.Bharathram, a relative (within the meaning of Section 6 of the Companies Act, 1956) of Director of the Company , be appointed as Vice-President Operations in the IT enabled Services division of the Company with effect from 1st June 2005 (or such other date as may be convenient to Mr.Bharathram and acceptable to the Company) and he be paid monthly remuneration of lumpsum amount of upto Rs.42,000 per month till 31st July 2005 and Mr.V.Bharathram be also entitled to Provident Fund and Superannuation Contributions and Gratuity as per rules of the Company.

   RESOLVED that, subject to Shareholders approval as also approval of the Central government under the provisions of Section 314 (1-B) or any other applicable provisions of the Companies Act, 1956, with effect from 1st August 2005, Mr.V.Bharathram , be appointed as Vice-President Operations in the IT enabled Services Division of the Company, and he be paid remuneration upto the following limits as under:

   a) Basic salary of Rs.47,000 per month (with normal annual increments of Rs.3,000 and provision to pay multiple annual increments {upto five} in any year),

   b) Annual Performance/incentive Bonus of upto Rs.5,00,000 per Annum,

   c) Company's contribution to PF, Superannuation Fund and Gratuity as per Company's rules and

   d) in addition to the above, Mr. Bharathram will be entitled to Perquisites like House Rent allowance/Unfurnished accommodation/furnished accommodation, Leave Travel assistance, Medical reimbursement, payment of club fees, personal accident insurance, mediclaim insurance for self and family, encashment of earned leave salary, reimbursement of expenses towards gas, electricity, water and furnishings, children's education expenses etc, such perquisites being restricted to aggregate of Rs.6,00,000 per annum.

Registered Office:
Thirumalai House,
Road No 29, Sion-East,
Mumbai 400 022.
May 2,2005.

By the Order of the Board
for **ULTRAMARINE AND PIGMENTS LIMITED**

R.Sampath
Chairman & Managing Director

NOTES:

a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.

b) The proxy form duly completed and signed should be deposited at the Registered Office of the Company at least 48 hours before the commencement of the meeting.

c) The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, July 12, 2005 to Monday, July 25, 2005(both days inclusive) for determining the names of members eligible for dividend, if approved. In respect of shares held in Electronic form, the dividend will be paid to those shareholders whose names appear at the close of business hours on Monday, July 11, 2005 as beneficial owners as per list furnished by the depositories for the purpose.

d) The Company wishes to offer the Facility of Electronic credit of Dividend directly to the respective bank accounts of our Shareholders. This facility called ECS, is presently available at select RBI locations like, Ahmedabad, Bangalore, Chennai, Hyderabad, Jaipur, Kanpur, Kolkatta, Mumbai, Nagpur, New Delhi etc. Shareholders in locations where ECS facility is available are requested to send the ECS mandate form appearing on the last page of this Report, duly filled and signed, and return immediately to their Depository Participant [in case of shares in Demat segment] and to the Company's Registrar, viz. Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, LBS Road, Bhandup (W) Mumbai – 400 078 -Tel. No: 55555454 , Fax No. 55555353 E-mail: isrl@intimespectrum.com in case of shares in physical segment.}

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e) Members/ Proxies should bring the attendance slip sent herewith duly filled in for attending the Meeting.

f) Members are requested to notify their Depository Participant(DP) / Company's Registrars viz: Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, LBS Road, Bhandup (W), Mumbai-400 078. (Tel.Nos.55555454, Fax No.55555353, Email-isrl@intimespectrum.com) immediately about change of address , if any, and also write to them immediately about corrections , if any, in name, address, pin code & Bank details..

g) Members desiring any clarification on accounts are requested to write to the Company at an early date so as to enable the Company to keep the information ready.

h) Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, all dividends from the dividend for the financial year ended 31/3/1996, which remain unclaimed for a period of 7 years will be transferred by the Company to the Investor Education and Protection Fund established by the Central Government pursuant to Section 205C of the Companies Act, 1956. Accordingly, amounts have been transferred to the Investor Education and Protection fund from time to time. All persons are requested to note that no claims shall lie against the Company or the said fund in respect of any amounts which were unclaimed and unpaid for a period of 7 years from the dates that they first became due for payment and no payment shall be made in respect of any such claims.

Persons who have not encashed their dividend warrants are requested to approach the Company for obtaining the duplicate warrants before the balance in the respective account gets transferred to the Investor Education and Protection Fund.

i) The Equity shares of the Company are mandated for trading in the compulsory demat mode. The ISIN No. allotted for the Company's shares is INE 405A01013.

j) Member(s) wanting to nominate a person on whom the Shares will vest in the event of death of the holder(s) are requested to use the prescribed Form-2B and forward to the Company' Registrars.

k) Shareholders are requested to bring their copy of Annual Report to the meeting.

l) An explanatory statement in respect of Special Business to be transacted at the meeting is appended hereto.

m) Reappointment of retiring Directors:

Ms.K.R.Javeri and Mr.M.C.Choksi , Directors of the Company , retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. They are both reputed persons, with vast experience and knowledge.

Ms. K.R.Javeri is a practicing Advocate with immense knowledge and experience on various matters, particularly legal. Ms.Javeri was earlier the nominee of ICICI and had kindly consented to continue as Director after her nomination was withdrawn. Ms.Javeri's contribution has been immense and valued by all the Board members.

Mr.M.C.Choksi is a reputed businessman and has been Director of the Company for about 19 years. He is also the Director in other Public Companies such as Asian Paints Ltd , Resins and Plastics Ltd and Pragati Chemicals Ltd. Mr.Choksi's expertise and knowledge of corporate issues and understanding of the Paints, Pigments and Resins Industry is widely acknowledged.

The Board commends the appointment of Ms.K.R.Javeri and Mr. M.C.Choksi.

The details about the retiring Directors are given below :

Name & Qualification	Age (Yrs)	Appointed on	Directorships held in other Public companies	No. of Memberships of Board Subcommittees
Ms.K.R.Javeri- (Advocate)	70	26/4/00	—	2
Mr.M.C.Choksi (Chemical Engineer)	64	5/11/84	3	3

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EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT,1956.

ITEM. No.6

Under the provisions of Section 314 of the Companies Act,1956, approval of the Shareholders by way of special resolution is required for appointment of relative of Director to an office or place of profit carrying monthly remuneration in excess of Rs. 10,000 and prior approval of the shareholders by way of special resolution as also Central Government approval is required for appointment of relative of Director to an office or place of profit carrying monthly remuneration in excess of Rs.50,000.

It is proposed to appoint Mr.V.Bharathram, 39 years, Bsc-Computer Science, MBA as Vice President-Operations with the IT enabled services division of the Company and Pay him the remuneration as proposed in the resolution. Mr.Bharathram is the son-in-law of Mr.R.Sampath, the Chairman and Managing Director of the Company

Mr.Bharathram has over 15 years of managerial experience in various capacities presently working with Bajaj Auto Finance Limited since January 1995. He has worked as Branch Manager and headed different branches of the Company as also handled different responsibilities such as Manager-Business and Network Development, as Manager-Business Development-Personal Computer Finance as also Manager-Consumer Durables & Personal Computer Finance. He is target driven and has achieved significant growth for his business. He has varied experience in diverse areas such as developing new markets, business and dealer development, credit monitoring, credit appraisal, achieving profitability of business, developing PC segment as a Strategic business unit , managing large consumer finance portfolio etc.

Mr.Bharathram had earlier worked with Vysya Bank Housing Finance as Branch Manager as also with Lan Eseda Software Systems Ltd. In these assignments, he gained valuable experience and expertise in sourcing customers for rental discounting, professional credit, handling sales team, coordination with Builders and developers, marketing tailor made training programmes for Corporate clients, identification of new areas in customized software, organizing presentations and road shows etc.

The appointment of Mr.Bharathram and payment of remuneration were approved by the Selection Committee of the Board of Directors at their meeting held on 2nd May, 2005. The Selection Committee comprised of majority of Independent Directors as also an expert. Before referring the proposed appointment to the Selection Committee, the Company's HR department had perused the resume of Mr.Bharathram as also interviewed him thoroughly to ascertain his suitability. After the HR head recommended the proposed appointment, Mr.Santhanaraman, an Expert on Corporate issues and HR/IT adviser to several clients interviewed him and gave the go-ahead to appoint Mr.Bharathram and pay him the proposed remuneration.

The Selection Committee as also HR head and the Expert noted that Mr.Bharathram was young, highly qualified, energetic, dynamic, reliable and result oriented with wide experience in diverse areas including software, business development, marketing, achieving growth targets etc and has vast knowledge. Therefore, Mr.Bharathram was most suited for the position . Hence, the Selection Committee strongly recommended the appointment of Mr.Bharathram as VicePresident Operations in the IT enabled Services Division of the Company and pay him the remuneration proposed as required under Director's Relatives (Office or Place of Profit) Rules, 2003.

The details of remuneration to be drawn by Mr.V.Bharathram is given in the resolution. The Board of Directors recommend the special resolution at item No.6 for your approval.

None of the Directors of the Company except Mr.R.Sampath is concerned or interested in the resolution.

Registered Office:
Thirumalai House,
Road No 29, Sion-East,
Mumbai 400 022.
May 2,2005.

By the Order of the Board
for **ULTRAMARINE AND PIGMENTS LIMITED**

R. Sampath
Chairman & Managing Director

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DIRECTORS' REPORT, MANAGEMENT DISCUSSIONS & ANALYSIS.

To
The Members,
Ultramarine & Pigments Ltd.

Your Directors have pleasure in presenting their **FORTY FOURTH ANNUAL REPORT AND AUDITED STATEMENT OF ACCOUNTS** of the Company for the year ended March 31,2005.

FINANCIAL RESULTS	Year ended 31/3/2005	Year ended 31/3/2004
	(Rupees in Lakhs)	
Gross Profit before Interest and Finance Charges and Depreciation	**2050**	1524
Interest and Finance charges	**28**	71
Profit before Depreciation and Tax	**2022**	1453
Depreciation	**301**	307
Profit before Tax	**1721**	1146
Provision for Current Tax	**(327)**	(254)
Profit after Current Tax	**1394**	892
Provision for Deferred Tax	**105**	24
Prior Year Adjustment	**-**	16
Profit after Tax	**1499**	932
Balance in Profit & Loss Account	**524**	204
Profit available for appropriation	**2023**	1136
Appropriations:		
Dividend	**548**	365
Tax on Dividend	**77**	47
General Reserve	**247**	200
Balance carried forward	**1151**	524
	2023	1136

DIVIDEND:

Your Directors are pleased to recommend the payment of Dividend of Rs.15 /- per share (150 %) for the year ended March 31, 2005 subject to the approval of members {previous year Rs.10/- Per Share (100%)}. The proposed dividend together with the tax thereon will absorb a sum of Rs.625 Lakhs. The dividend after approval by the members at the forthcoming AGM will be paid to the eligible members by July 30, 2005.

MANAGEMENT'S DISCUSSIONS AND ANALYSIS:

OPERATIONS AND FINANCIAL PERFORMANCE:

During the year under review, the company earned record profits which surpassed the profits earned in the previous year by about 50 %. This year's performance has been the best in terms of profits in the Company's entire history. The record profit was made possible due to the decisions taken from time to time, in terms of routing investments to promising and profitable opportunities in existing as well as emerging businesses, adaptation to changing market conditions, as also timely diversifications made in your Company's core business after careful evaluation of its strengths. Almost all the divisions of the company have turned in an excellent performance during the year.

The Pigment Division has improved its contribution to the bottomline of the company despite VRS expenses of Rs. 128 Lakhs expended during the year.

The Surfactants Division has achieved more than 100% capacity utilization and has shown substantial improvement in contributing to the bottomline of the Company than the previous year .

The IT Enabled Services Division has achieved a revenue growth of about 58 % over the previous year while the operating profit of the division has also improved significantly.

The Packaging Products Division has posted a growth of 23% in turnover over the previous year but profits declined very steeply from Rs.123 lakhs to Rs. 1 lakh. Even after adjustment of extraordinary items, the profitability was lower essentailly due to the very high volatility in prices of inputs during last year . It can be expected that this division will post better results in the coming years with the input market showing signs of settling down .

The net turnover for the year excluding excise duty recovered on sales increased by about 7 % to Rs. 3892 Lakhs and the operating profit (PBDIT) for the year was Rs. 2050 Lakhs compared to Rs.1524 Lakhs in the previous year registering an increase of about 34 % over the previous year.

Other income for the year was Rs. 178 Lakhs compared to Rs.255 Lakhs for the previous year. In the previous year, the Company had earned a profit of about Rs.96 lakhs on disposal of some idle assets, and but for that income , it can be assumed that there has been no significant change in other income as compared to the previous year.

Interest expenses for the year stands reduced by about 61 % to Rs. 28 Lakhs primarily because the Company has become a Zero Debt Company, barring availment of low cost , short term temporary financing during the year .

Cash profits increased to Rs. 1694 Lakhs compared to Rs.1255 Lakhs for the previous year, registering a growth of almost 35 %.

Earnings Per Share (EPS) were Rs. 41.06 and Cash Earnings Per Share (CEPS) were Rs. 49.30.

EXPORTS:

The Company's exports during the year calculated on FOB basis amounted to Rs. 617 Lakhs (Previous year Rs.686 Lakhs). Your Company also earned Foreign Exchange by way of Income from IT Enabled services division of Rs. 1589 Lakhs (Previous year Rs.1006 Lakhs)

VOLUNTARY RETIREMENT SCHEME (VRS):

The Company had taken forward the restructuring initiative started in the earlier year and as a result many of the employees have opted for the VRS Scheme in the Plants at Ambattur and at Ranipet. The Company wishes to place on record its appreciation of the contributions made by these employees over the years and wishes them well in their future endeavours.

LAPIZ TECHNICAL SERVICES:

During the year, a new division of the Company with the aforesaid name was set up to foray into new areas catering to needs of large manufacturing customers. The Company will direct its efforts at growing this business, which could prove to be rewarding in the long run.

INTERNAL CONTROL SYSTEMS:

Your company has strong internal control systems to ensure that its assets and interests are protected. There are clear demarcation of roles and responsibilities at various levels of operations. The company's internal control system is further strengthened by continuous periodical internal audit system and Audit Committee Review at the Board level. The internal audit is conducted at regular intervals at varidus locations of the company and covers all key areas. All audit observations and follow up actions are discussed with the Management as also the Statutory Auditors and the Audit committee reviews them regularly.

RESEARCH AND DEVELOPMENT:

In line with the objective of adding to the Company's product basket, the Company is working on few products and ideas which are in different stage of development. The Company continuously strives for fresh and profitable business opportunities.

PERSONNEL:

Employee relations during the year were cordial.

The directors appreciate the contributions and initiatives taken by the employees at all levels for the Company's improved performance year after year .

OPPORTUNITIES AND THREATS:

The Company operates in varied segments. As can be expected in any business, the Company is also prone to vagaries of the market. Over the years, the Company has experienced great volatility in each of its

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line of business.

The Company's business philosophy is centred on being in a business with an early mover advantage, making investments commensurate with the needs of the Business as also based on Company's financial strengths. In such business, while rewards could be high, so is the risk. Continued growth in business, particularly in IT services, increasing exports for Company's traditional product i.e.pigments, higher utilization of Plant capacities , better realization and stability in prices of inputs in respect of packaging division, could bode well for the future of the Company.

Decreased demand for Company's products, cheaper import substitutes, decreased margins, competitive pressures, change in external environment, and labour turnover could have an adverse impact on the Company's fortunes in future.

RISKS AND CONCERNS:

1. Rising prices of Raw materials, Fuels and other inputs resulting in lower margins.
2. Tsunami causing havoc in the coastal regions in Southern India could result in lower consumption of some of company's products.
3. Decreasing sales trend in the retail segment of one of the products of the company.
4. Competition in the domestic market for the company's products from the unorganised sector.
5. Lower realization on the export front due to strengthening of the rupee against US Dollar.

OUTLOOK:

Outlook for the Company continues to be bright . By focusing on speciality pigments as also sulphonates, and with the growth in business of the Packaging division, the company hopes to consolidate the gains made so far.

The IT Enabled Services Division presently comprises of Lapiz Digital Services, which was started a few years back and Lapiz Technical Services, started during the year. While Lapiz Digital Services is expected to continue to fare well, Lapiz Technical Services, with its foray into newer avenues, is expected to be quite promising.

CAUTIONARY STATEMENT:

The statements made in the report describes the company's objectives, projections, estimates, expectations and predictions which may be **"forward looking statements"** within the meaning of the applicable securities laws and regulations. The annual results can differ materially from those expressed or implied, depending on the economic conditions, Government Policies and other incidental factors and developments.

DIRECTORS:

Mr.R.Sampath , Chairman and Managing Director was reppointed to the post with effect from 1st August 2004 for further period of 5 years.

Ms.Indira Sundararajan was appointed as Wholetime Director of the Company, designated as Executive Director from 1st August 2004. Ms.Indira Sundararajan, who heads the IT enabled services division of the Company as also other business initiatives of the Company, was earlier Vice-Presdent-Business Development of the Company. The Company has made significant progress in the IT related activities of the Company.

Mr. S.Santhanam, who was the Vice-Chairman & Managing Director and Mr.R.Krishnaswamy, who was the Managing Director, retired from their posts on expiry of their term on 31st July 2004. The Board placed on record its appreciation of the valuable services rendered by them during their tenure.

Mr.S.Santhanam was appointed as an ordinary Director with effect from 1st August 2004.

Ms.K.R.Javeri and Mr.M.C.Choksi, Directors retire at the ensuing AGM and are eligible for re-appointment.

DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to the provisions of Sec. 217 (2AA) of the Companies Act, 1956, the Directors confirm that .

i] in the preparation of the annual accounts for the year ended March 31, 2005 the applicable accounting standards have been followed along with proper explanation relating to material departures.

ii] appropriate accounting policies have been selected and applied and such judgements and estimates have been made that are reasonable and prudent so as to give true and fair view of the state of affairs of the company as at March 31, 2005 and of the profit of the company for the year ended that date.

iii] proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities, and

iv] the annual accounts have been prepared on a " going concern " basis.

FINANCE:

All taxes and statutory dues are being paid on time. The company has become debt free. The Company has been regular in making timely repayment of the loans and interest to Banks.

The surpluses in business are deployed in a prudent manner, considering the risk as well as reward.

The Company's Commercial Paper (CP) Programme during the year was rated "P1+" and the rating has since been withdrawn by the rating agency at Company's request .

STATEMENT PURSUANT TO LISTING AGREEMENT:

The Company's shares are listed with Mumbai Stock Exchange. Your Company has paid the respective annual listing fees up-to-date and there are no arrears.

REPORT ON CORPORATE GOVERNANCE:

A report on Corporate Governance is annexed herewith. Auditor's Report on the same is also annexed.

AUDITORS:

M/s. Contractor, Nayak and Kishnadwala, Chartered Accountants, the Statutory Auditors of the Company hold office until the conclusion of the ensuing AGM. The notice convening the AGM is self-explanatory. They are eligible for reappointment.

AUDITORS QUALIFICATION:

With regard to the qualification made vide Para 4(g) of The Auditors Report regarding non- appointment of Company Secretary from 6th March 2005 to 31st March 2005 , it may be noted that the Company has already taken steps to appoint a new Company Secretary consequent to the resignation of previous Company Secretary who resigned with effect from 6th March 2005. A new Company Secretary has been shortlisted , who is expected to join the Company soon.

COST AUDIT:

As per the requirement of the Central Government and pursuant to Section 233 B of the Companies Act 1956, the company carries out an audit of cost accounts relating to its Soaps and Detergent Division every year. Mr.Kalyanaraman is appointed as Cost auditor.

PARTICULARS OF EMPLOYEES:

The particulars regarding Directors' remuneration is given in Notes forming part of the accounts. Also, details of the remuneration of the Managing Directors/Wholetime Directors is appearing in notes to the accounts as also in the corporate governance report. There has been no Employees drawing remuneration in excess of the limits prescribed under section 217 (2A) of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO:

The particulars required to be included in terms of section 217(1)(e) of the Companies Act, 1956 with regard to Conservation of Energy, Technology absorption, Foreign Exchange earnings and outgo are given in Annexure.

ACKNOWLEDGEMENT:

The Board acknowledges the support given by the employees for their collective contribution, Bankers and the shareholders for their continued support.

By Order of the Board
for ULTRAMARINE & PIGMENTS LTD.,

MUMBAI
Date: 2/05/2005

R.SAMPATH
CHAIRMAN & MANAGING DIRECTOR

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ANNEXURE TO DIRECTOR'S REPORT

Information as per Section 217 (1) (e) read with the Companies (Disclosures of particulars in the report of the Board of Directors) **Rules**,1988 and forming part of the Director's Report.

I CONSERVATION OF ENERGY

(a) Energy saving systems are incorporated whereever necessary.Energy savings are attempted continuously.

(b) Existing energy saving systems are properly utilised and further devices are added whenever necessary.

FUEL CONSUMPTION (POWER & FUEL)

		UNITS	YEAR ENDING 31.03.2005	YEAR ENDING 31.03.2004
1	**ELECTRICITY**			
a)	From EB-TN			
	Purchased Unit	KWHR	**4645215**	5114372
	Total amount paid	Rupees	**21962158**	23987590
	Rate/Unit	Rupees	**4.73**	4.70
b)	Own Generation			
	Through DG	KWHR	**286202**	221141
	Unit/ Litre of Diesel Oil	KWHR	**2.77**	2.67
	Cost per Unit	Rupees	**9.09**	**8.35**
2	**COAL AND COKE**			
	Coal & Coke & PetCoke	Rupees	**16672220**	9649522
	Coal & Coke & PetCoke	Tons	**2153**	1521
	Rate/Ton	Rupees	**7745**	6347
3	**FURNACE OIL / DIESEL / SKO ETC**			
	Furnace Oil/ Diesel / SKO Etc.,	KL	**1066.966**	729.87
	Total Amount	Rupees	**12807307**	9458595
	Rate / ton	Rupees	**12003**	12960
4	**RESEARCH & DEVELOPMENT**			
	EXPENDITURE ON R & D			
I)	Capital		**49920**	650800
ii)	Recurring		**242443**	171054
iii)	Total		**292363**	821854
iv)	Total R & D Expenditure as a percentage of total turnover		**0.08%**	0.22%

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II TECHNOLOGY ABSORPTION,ADAPTATION,INNOVATION

Continuous efforts are going on for further developing,improving and upgrading all types of products and services.

Constant measures are exercised to derive benefits in respect of cost reduction,product development and product improvement etc.,

III FOREIGN EXCHANGE EARNINGS & OUTGO

Even though the stiff competition is prevailing in the international market, your Company is always pursuing new markets to boost up the **Export** of its Products and increase its revenue from its IT Enabled Services Division.

Earnings in Foreign Exchange from Exports and services are given in Notes forming part of Accounts.

By Order Of the Board
for **ULTRAMARINE AND PIGMENTS LTD**

MUMBAI
DATE 2nd MAY 2005

R.SAMPATH
CHAIRMAN & MANAGING DIRECTOR

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CORPORATE GOVERNANCE

(Forms Part of the Director's Report)

The Company believes that good Corporate Governance embraces business practices which result in enhancement of the value to the shareholders and simultaneously enable the company to fulfil its obligations to the other stakeholders such as customers, vendors, employees and to the society in general.

The company continues to remain committed to fairness, transparency, accountability and responsibility.

In this report the company confirms its compliance with the corporate governance code as required by Clause 49 of the listing agreement with the Stock Exchanges.

BOARD OF DIRECTORS

(a) Composition:

1. The Board of Directors of your Company comprise of an Executive Chairman & Managing Director , a Wholetime Director with Six Non-Executive Directors.
2. All Non-Executive Directors except Mr.S.Sridhar and Mr.S.Santhanam are independent Directors.

b) Board Committees:

i. Audit cum Remuneration Committee:
Dr. G.G. Nair (Chairman)
Ms. K.R. Javeri (Member)
Mr. S. Sridhar (Member)

During the year, the Committee met times four times on 20/5/2004,19/7/2004,20/10/2004 and 24/01/2005. All the members of the Committee as well as the concerned partner of the Statutory Auditor remained present at all the meetings while the Partner of the Company's Internal Audit Firm, who was invited to attend the Audit Committee meeting held on 20/05/2004 was present. The audited results for the year ended 31/03/2004 and the quarterly / half yearly results were reviewed by the Committee before being placed before the Board.

The committee also examined the Internal Auditors Report on the workings of different departments and the action taken on observations/ suggestions of the auditors. The Committee members do peruse the detailed Statutory Compliance Report which is normally made on a quarterly basis. The Committee members also review the Statement of outstanding Debts, particularly overdue, as also group Company transactions. Appointment and payment of remuneration to the Directors and key management personnel are also referred to/reviewed by the Committee.

ii. Share Transfer / Investors Grievance Committee
The Share Transfer / Investors Grievance Committee constitutes of the following members:
Dr. G.G. Nair (Chairman)
Ms. K.R. Javeri (Member)
Mr. S. Sridhar (Member)

No meeting of the Share Transfer Committee was held during the year 2004 – 2005. Mr.K.Sekhar, Company Secretary was the Compliance Officer and in the absence of the Company Secretary, Ms.Vasanthalakshmi is the Compliance Officer. All complaints whenever received from any investor were timely attended for redressal. Total of 15 Complaints regarding non-receipt were received from the Shareholders during 2004-2005, which were all attended to and resolved and there were no complaints pending at the end of the year.

The process of share transfer is delegated and is done once a fortnight (depending on transfers received) which is confirmed and ratified in the next meeting.

c) Board Meetings:

Number of Board Meetings held during the year 2004- 2005 - Four

Meetings of the Board of Directors were held on the following dates:

20.05.2004, 19.07.2004, 20.10.2004, 24.1.2005

All information, wherever relevant and materially significant , are submitted as part of the agenda papers well in advance of the Board Meetings and the Company Secretary or the Director, in consultation with the Chairman & Managing Director, drafts the agenda of the meetings.

d) Directors attendance record and directorships held:

Name of Directors	ATTENDANCE AT Board Meetings	Last AGM	No. of Directorships of other Pub Companies	No. of Memberships of Board Sub-committees
Shri.R.Sampath*	4	Yes	1	
Smt.Indira Sundararajan**	1	NA		
Shri S. Santhanam***	4	Yes	2	2
Shri R. Krishnaswamy****	2	Yes		
Shri Nimish Patel	3	Yes	3	
Shri M.C. Choksi	3	Yes	3	3
Dr. G.G.Nair	4	Yes	1	3
Shri S. Sridhar	4	Yes	3	4
Smt. K.R. Javeri	4	Yes	—	2

(*) Reappointed as Chairman and Managing Director .
(**) Appointed as Wholetime Director w.e.f.1st August 2004.
(***) Ceased to be Managing Director on expiry of his term on 31st July 2004 and appointed as Director from 1st August 2004.
(****) Retired as Managing Director on expiry of his term on 31st July 2004 .

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