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45th Annual Report
2005 - 2006

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ULTRAMARINE & PIGMENTS LTD.

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ULTRAMARINE & PIGMENTS LIMITED

FINANCIAL HIGHLIGHTS

(Rs. in Lakhs)

Particulars	05-06	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	**584**	365	365	365	365	365	365	360	360	360	360	180	180	180	180	180	90	60	60	30	15	15
Reserves & Surplus	**5365**	4756	3882	3361	3271	3532	3451	3075	2702	2365	2014	1695	1540	1298	1162	1079	315	169	70	61	27	0.02
Networth	**5949**	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)	**2136**	2282	2322	2408	2639	2568	2660	2490	2600	2388	2045	828	685	690	729	722	170	144	151	37	33	6
Sales / Other Income	**7241**	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	**2073**	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	**19**	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	**278**	301	307	301	280	259	255	252	221	179	119	87	80	76	70	39	22	9	11	4	3	0.01
Current Tax	**331**	328	254	147	141	137	184	160	99	73	—	100	190	108	74	75	39	51	—	20	12	0.02
Deferred Tax	**(24)**	(105)	(24)	(67)	34	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Net Profit	**1560**	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)	**732**	624	412	206	183	120	243	180	158	139	108	90	90	72	72	72	19	12	5	5	2	—
Dividend (%)	**110**	150	100	50	50	30	60	45	40	35	30	50	50	40	40	40	21	20	8	15	16	—
Earnings per share (Rs.)	**5.34***	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

* EPS For 2005 - 06 Computed on Rs. 2 per share while for previous years EPS is on Rs. 10 per Share.

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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. : 25963838
Fax : 25946969
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 405A01021

45TH ANNUAL GENERAL MEETING

DATE :

Monday, July 10, 2006
at 4.00 p.m.

VENUE :

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

DIVIDEND :

110% (Rs. 2.20 per Share of Rs. 2 each)

DIVIDEND ELIGIBILITY :

For	:	Regd. Member
Physical Shares	:	As on July 10, 2006
Demat Shares	:	At the close of business hours on June 26, 2006 as per the list of beneficial ownership furnished by the Depositories

BOOK CLOSURE :

June 27, 2006 to July 10, 2006

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NOTICE

NOTICE is hereby given that the **FORTY FIFTH 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 10, 2006 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, 2006 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 Dr.G.G.Nair , who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr.S.Sridhar, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint Auditors for the current Year and fix their remuneration.

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

K. MURALI
Company Secretary

May 12,2006.

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

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, June 27, 2006 to Monday, July 10, 2006 (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, June 26, 2006 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: 25963838 , Fax No. 25946969- E-mail: isrl@intimespectrum.com {in case of shares in physical segment}.

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 (West), Mumbai - 400 078. (Tel. Nos. : 25963838, Fax No. 25946969, 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 are to 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 405A01021.

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) **Re-appointment of retiring Directors :**

Dr.G.G.Nair and Mr.S.Sridhar , Directors of the Company , retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. They are both reputed businessmen, with vast experience and knowledge.

Dr.G. G. Nair, 64 years, is also the Director in BDH Chemical & Pharmatueticals P. Ltd, BDH Biotech P. Ltd and Nandan Biomatrix Ltd. Dr.Nair has been a Director of the Company since 25th May 1990. Dr.Nair is also the Chairman of the Audit/Remuneration Committee of the Board of Directors. Dr.Nair has immense knowledge and experience on various matters and valued by all the Board members. He is considered to be an authority on matters concerning Intellectual Property matters, particularly patents. Dr.G.G.Nair's Shareholdings (in his sole name and/or as First named Shareholder in case of Joint Shareholdings) in the Company comprise of 14,000 Shares representing 0.05% of the Company's paid up Share capital.

Mr.S.Sridhar, 55 years, is a reputed businessman and has been Director of the Company since 21st May 1998. He is also the Chairman and Managing Director of Thirumalai Chemicals Ltd as also the Director of Resins and Plastics Ltd apart from being Director of TCL Industries (Malaysia) Sdn Bhd. Mr.Sridhar's expertise and knowledge of corporate issues and understanding of the Petrochemicals , Paints, Pigments and Resins Industry is widely acknowledged. His Business acumen and knowledge on matters concerning Commercial and Financial matters is well recognized. Mr. S.Sridhar's Shareholdings (in his sole name and/or as First named Shareholder in case of Joint Shareholdings) in the Company aggregates to 27,03,056 Shares representing 9.26% of the Company's paid up Share capital.

The Board commends the appointment of Dr.G.G.Nair and Mr. S. Sridhar.

The details about the retiring Directors is given below :

Name & Qualification	Age (Yrs)	Appointed on	Directorships held in other Public companies	No. of Memberships of Board Subcommittees
Dr. G. G. Nair M.Sc , PHD.	64	25/5/90	1	2
Mr. S. Sridhar BSc, ACA	55	21/5/98	3	4

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DIRECTORS' REPORT, MANAGEMENT DISCUSSIONS & ANALYSIS

To

The Members,

Ultramarine & Pigments Ltd.

Your Directors have pleasure in presenting their **FORTY FIFTH ANNUAL REPORT AND AUDITED STATEMENT OF ACCOUNTS** of the Company for the year ended **March 31,2006.**

FINANCIAL RESULTS	(Rupees in Lakhs) Year ended 31/3/2006	Year ended 31/3/2005
Gross Profit before Interest and Finance Charges and Depreciation	**2073**	2050
Interest and Finance charges	**19**	28
Profit before Depreciation and Tax	**2054**	2022
Depreciation	**278**	301
Profit before Tax	**1776**	1721
Provision for Current Tax	**(331)**	(327)
Profit after Current Tax	**1445**	1394
Provision for Deferred Tax	**24**	105
Prior Year Adjustment	**91**	-
Profit after Tax	**1560**	1499
Balance in Profit & Loss Account	**1151**	524
Profit available for appropriation	**2711**	2023
Appropriations:		
Dividend	**642**	548
Tax on Dividend	**90**	77
General Reserve	**250**	247
Balance carried forward	**1729**	1151
	2711	2023

DIVIDEND:

Your Directors are pleased to recommend the payment of Dividend of **Rs.2.20/- per share of the nominal value of Rs.2/- each (110 %)** for the year ended March 31, 2006 subject to the approval of members **{previous year Rs.15/- Per Share of nominal value Rs.10/- per share (150%)}.** The proposed dividend together with the tax thereon will absorb a sum of **Rs.732 Lakhs (previous year-Rs.625 Lakhs).** The dividend after approval by the members at the forthcoming AGM will be paid to the eligible members by **July 15, 2006.**

MANAGEMENT'S DISCUSSIONS AND ANALYSIS:

OPERATIONS AND FINANCIAL PERFORMANCE:

The company's overall performance during the year was satisfactory despite pressure on revenue realization in certain segments of operations.

The **Pigment Division** has been consistent like earlier years in its operations in contributing to the bottom line of the company with improved performance in terms of both production and revenue realization.

The **Packaging Products Division** has stabilized its operations and continues to contribute sizable revenue to the bottom line of the company. As a part of modernization of plant and machinery, some of the looms have been replaced during the second half of the financial year. This division has turned around since last year and continues to be on the path to recovery and is expected to perform well in the coming years.

The revenue from **Surfactants Division** had declined steeply compared to last year. One of the reasons for this was the cyclone in the U.S which had damaged many refineries which were supplying principal raw material Alpha Olefin (AO) to us. A considerable portion of Alpha Olefin manufacturing facilities on the west coast of U.S was damaged and hence the supply disrupted. Apart from decreased availability, this has resulted in steep increase in the price of Alpha Olefin and hence consequent negative growth in this Surfactants Division.

In order to insulate the company against vagaries of such market conditions, the company is developing new strategies which are expected to yield positive results in the current financial year.

The **IT Enabled Services Division** has two arms rendering services like Business Process Outsourcing (BPO) services and engineering services to elite overseas and domestic customers. There has been a marginal drop in its revenue from Rs.1592.50 lacs in 2004-05 to Rs. 1492.49 lacs in 2005-06. The profit had also declined from Rs.972.30 lacs in 2004-05 to Rs. 716.90 lacs. Since this division had forayed into rendering technical services since last year, it is yet to consolidate its customer base. However the management is confident that this segment will grow rapidly in the coming years as there has been phenomenal business opportunities in this segment of business.

The net revenue from operations for the year was **Rs. 6350.40 Lakhs** as against **Rs.6454.93** in the previous year and the operating profit (PBDIT) for the year was **Rs. 2073 Lakhs** as compared to **Rs.2050 Lakhs** in the previous year.

Other income for the year was **Rs. 302.87 Lakhs** as compared to **Rs.177.87Lakhs** for the previous year. During the year the company had received a sizable amount as interest refund from income tax department after the completion of earlier year assessments, which has been accounted to the other income.

The company continues its effort with effective management of its financial resources to reduce interest and finance expenses and for the year it stands reduced **to Rs. 19 Lakhs** as against Rs.28 lacs previous year.

Earnings Per Share (EPS) were marginally higher at **Rs.5.34 per share** and **Cash Earnings Per Share (CEPS)** were **Rs. 6.29** on the paid up value of Rs. 2/- per share.

EXPORTS:

The Company's exports during the year calculated on FOB basis amounted to **Rs. 576/- Lakhs (Previous year Rs. 617 Lakhs).** Your Company also earned Foreign Exchange by way of Income from IT Enabled services division of **Rs. 1470 Lakhs (Previous year Rs.1589.27 Lakhs)**

SPLITTING OF SHARES AND ISSUE OF BONUS SHARES :

The Company during the year sub-divided the Nominal Value of both equity and unclassified share capital by splitting the nominal value of the share of Rs.10/- each into five equity shares of Rs.2/- fully paid up. Also a sum of Rs.2,19,00,000/- was capitalized out of the amount standing to the credit of general reserve for the issue of bonus shares in the ratio of three fully paid equity shares of Rs.2/- each for every five fully paid equity shares of Rs.2/- each held by the members. Consequent to this, the relevant Capital Clause of the Memorandum of Association and the Articles of Association were altered.

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 various 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.

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RESEARCH AND DEVELOPMENT :

With a view to add value added premium products to its pigment business, the company had successfully developed and is test marketing its ceramic pigments which has wide usage and applications in ceramic industry.

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 :

With the production facilities being upgraded and with the continuous efforts for product quality development, the company is optimistic about its leadership in the domestic market and a sizable share of export of market. The Company's product AOS has excellent potential for usage as raw material in hair care industries.

The Company operates in multiple segments with varied product range. The abnormal increase in raw material and fuel cost and consequent increase in freight will have pressure on the margins of its entire product range.

RISKS AND CONCERNS:

1. Rising prices of raw materials, fuels, freight and other inputs, resulting in lower margins.
2. Competition in the domestic market for the company's products from the unorganised sector.
3. Lower realization on the export front due to strengthening of the rupee against US Dollar.

OUTLOOK:

The business outlook looks positive and growth potential for the company's products continues to be good . The Company is aiming for higher levels of performance in all its segments of operations by focusing on the core area of FMCG business and will strive for excellence in its sphere of activities.

The IT Enabled Services Division is expected to consolidate its customer base and is expected to do well in the coming years.

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 :

Dr.G.G.Nair and Mr.S.Sridhar, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

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, 2006 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, 2006 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.

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 No. 4 (f) of the Auditor's Report regarding non-appointment of Company Secretary from 1st April to 13th May 2005, it may be noted that the company had already appointed a Company Secretary, who had joined services on 14th May 2005.

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 Director/Wholetime Director/Director is appearing in notes to the accounts as also in the corporate governance report. The details of employees of the Company in receipt of remuneration in excess of limits under Section 217 (2A) of the Companies Act, 1956 is given in Annexure.

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: 12th May, 2006

R. SAMPATH
CHAIRMAN & MANAGING DIRECTOR

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ANNEXURE "1" TO DIRECTOR'S REPORT

Particulars of Employees pursuant to Section 217 [2A] of the Companies Act, 1956 read with the Companies [Particulars of Employees] Rules 1975 as amended by the Companies Amendment Act, 1988 and forming part of the Directors Report for the year ended 31st March, 2006.

Sr. No.	Name of Employee	Age [Years]	Qualification and Experience	Designation	Remuneration [Rs.]	Date of Commencement	Last Employment held
1.	Mr. R. Sampath	61	B.Sc. B.S. [Chem. Engg.] U.S.A. 36 Years	Chairman & Mg. Director	36,85,384	01/03/1970	Engineer, Hercules Inc. USA

NOTES :

1] Remuneration includes Company's contribution to Provident Fund, Superannuation Fund, Medical Benefits, Leave Travel Allowance etc.

2] Nature of employment is contractual.

3] Mr. R. Sampath is a relative of Mrs. Indira Sundararajan, Wholetime Director of the Company.

ANNEXURE "2" 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 wherever 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 31.03.2006	YEAR ENDING 31.03.2005
1	**ELECTRICITY**			
a)	From EB-TN			
	Purchased Unit	KWHR	**5213744**	4645215
	Total amount paid	Rupees	**24791790**	21962158
	Rate / Unit	Rupees	**4.76**	4.73
b)	Own Generation			
	Through DG	KWHR	**172458**	286202
	Unit / Litre of Diesel Oil	KWHR	**4.72**	2.77
	Cost per Unit	Rupees	**12.72**	9.09
2	**COAL AND COKE**			
	Coal & Coke & Pet Coke	Rupees	**18815393**	16672220
	Coal & Coke & Pet Coke	Tons	**2172**	2153
	Rate / Ton	Rupees	**8663**	7745
3	**FURNACE OIL / DIESEL / SKO ETC.**			
	Furnace Oil / Diesel / SKO Etc.	KL	**440.49**	1066.97
	Total Amount	Rupees	**7342852**	12807307
	Rate / KL	Rupees	**16670**	12003
4	**RESEARCH & DEVELOPMENT**			
	EXPENDITURE ON R & D			
	I) Capital	Rupees	—	49920
	ii) Recurring	Rupees	**72880**	242443
	iii) Total	Rupees	**72880**	292363
	iv) Total R & D Expenditure as a percentage of total turnover		**0.02%**	0.08%

II TECHNOLOGY ABSORPTION,ADAPTATION, INNOVATION

Your Company is taking initiatives for upgrading the quality of all products and services by absorbing new technologies in product/process developments through modernisation and by also by cost-effective methods/processes.

III FOREIGN EXCHANGE EARNINGS & OUTGO

Your Company is constantly exploring new markets to enhance the exports of its Products despite the stiff competition faced in the International Market. Vigorous efforts are being made to enhance our revenue from 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 12th May, 2006

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.

(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 four times on 2/5/2005,25/7/2005,19/10/2005 and 30/1/2006. 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 2/5/2005 was present. The audited results for the year ended 31/03/2005 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 2005 – 2006. Mr.K.Murali, Company Secretary is 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 21 Complaints regarding non-receipt were received from the Shareholders during 2005-2006, 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 2005- 2006 -

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

19/4/2005, 2/5/2005, 25/7/2005, 19/10/2005, 30/1/2006

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*	5	Yes	1	—
Smt.Indira Sundararajan**	2	Yes	—	—
Shri S. Santhanam	5	Yes	2	2
Shri Nimish Patel	2	Yes	3	—
Shri M.C. Choksi	5	Yes	4	3
Dr. G.G.Nair	5	Yes	1	2
Shri S. Sridhar	5	Yes	3	4
Smt. K.R. Javeri	5	Yes	—	2

(*) Chairman and Managing Director .

(**) Wholetime Director .

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(e) Remuneration of Directors :

Remuneration paid or payable to Managing Director/ WholetimeDirector/ Director during the year ended 31.03.2006.

(Amount in Rupees)

Name of Director	Designation	Commission on profits	Salary	PF	Others	Total
1. Mr.R.Sampath	(CMD)	18,68,434	9,60,000	1,15,200	7,41,750	36,85,384
2. Ms.Indira Sundararajan	(WD)	9,34,217	6,00,000	72,000	4,87,750	20,93,967
3. Mr. S.Santhanam	(Director)	18, 68,434	—	—	—	18, 68,434

Notes: Managerial remuneration is within the ceiling as per the resolution approved by the shareholders. The caption "others" on the above table includes LTA, Medical and Superannuation.

Sitting fee is payable to the Non-Executive Directors for attending the Board / Committee meetings. The sitting fees paid to the Non-Executive Directors is as under :

Name	Amount (Rs)
Mr. Nimish Patel	40,000/-
Mr. M.C. Choksi	1,00,000/-
Dr. G.G. Nair	1,80,000/-
Ms. K.R. Javeri	1,80,000/-
Mr. S. Sridhar	1,80,000/-
Mr.S.Santhanam	1,00,000/-

Payments are made to the Non-Executive Directors depending on the number of meetings attended by them. These payments are reviewed by the Board of Directors from time to time.

(f) Shareholdings of Directors :

The following table gives the Shareholdings of Directors in the Company where either their names appear as Sole Shareholder or as the First Joint Shareholder as on 31/3/2006.

Name	Shareholding	(No. of Shares % of holders
Mr.R.Sampath	16,47,352	(5.64%)
Ms.Indira Sundararajan.	6,17,240	(2.11%)
Mr. Nimish Patel	34,864	(0.12%)
Mr. M.C. Choksi	3,600	(0.01%)
Dr. G.G. Nair	14,000	(0.05%)
Ms. K.R. Javeri	—	—
Mr. S. Sridhar	27,03,056	(9.26%)
S.Santhanam	22,13,600	(7.58%)

(g) Brief details of General Body Meetings:

The Forty Fifth Annual General Meeting of the company for the financial year 2005 – 2006 would be held on Monday, 10th July 2006 at 4.00 P.M. at Mysore Association Auditorium, 393, Bhaudaji Road, Matunga, Mumbai – 400 019.

The last three Annual General Meetings were held as under :

Financial Year	Date	Time	Location
2004-2005	25.7.2005	4.00P.M	Mysore Association Auditorium Bhaudaji Road, Matunga, Mumbai – 400 019.
2003 – 2004	19.07.2004	4.00 P.M.	Mysore Association Auditorium, Bhaudaji Road, Matunga, Mumbai – 400 019.
2002 – 2003	25.08.2003	4.00 P.M.	Mysore Association Auditorium, Bhaudaji Road, Matunga, Mumbai – 400 019.

(h) Code of Conduct :

The Company has laid down the Code of Conduct for all Board members and Senior management of the Company. The Code is also posted on the Company's website. The Board of Directors have noted the declaration by the Chairman and Managing Director, who is also the CEO, about affirming of compliance by all Board members and Senior Management on an annual basis with the Code.

Disclosures :

(i) Internal Audit Functions and Statutory Compliance :

Internal Audit functions of the company have been carried out by a firm of Chartered Accountants. The Reports of the Internal Auditors on the operations and financial transactions and the action taken thereon by the management in the form of report are duly submitted to the Audit cum Remuneration Committee of the Board of Directors. The Statutory Auditors are provided with the reports of the internal auditors for consideration and report as also the action taken report made by the Company. The Internal auditor also makes presentation to the Audit Committee whenever required.

For every quarter, the Company Secretary/Department Head makes report of Statutory compliances which are placed before the Audit Committee and the Board Meeting.

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(ii) Directors with materially significant related party transactions, pecuniary or business relationship with the company :

There were no material significant transactions with the Directors or the management or their subsidiaries or relatives that have any potential conflict with the interest of the Company.

(iii) Details of Non-compliance :

There were no case of non-compliance by the company nor any cases of penalties, strictures imposed on the company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years.

(iv) Risk Management :

The Company has well laid down procedures to inform Board members about the risk assessment and minimisation procedures.

(v) CEO /CFO Certification:

Mr.R.Sampath, the Chairman and Managing Director acts as the CEO. The Company is making efforts to appoint a suitable person as the CFO. The Company is hopeful that a suitable person will soon be appointed as CFO. Appropriate certification as required under Para V of Clause 49 of the Listing requirements has been made to the Board of Directors by the CEO which has been taken note of by the Board.

(vi) Means of communication :

The company has promptly reported all material information including quarterly results and press releases to the Stock Exchange. The quarterly results were communicated to the shareholders by way of advertisement in a National Daily and in a vernacular language newspaper.

(vii) Disclosures by Management to the Board :

All details relating to financial and commercial transactions where Directors may have a potential interest are provided to the Board, and the interested Directors neither participate in the discussion, nor do they vote on such matters.

(viii) Management Discussion and analysis :

This annual report has a detailed chapter on management discussion and analysis.

(ix) General Shareholders Information :

1.	Date, time and venue of 45th AGM	:	Monday, 10th July 2006. Mysore Association Auditorium, Bhaudaji Road, Matunga, Mumbai – 400 019.
2.	Date of Book Closure	:	Tuesday, 27/06/2006 to Monday, 10/07/2006.
3.	Listing on Stock Exchange	:	Mumbai (BSE)
4.	Listing Fees	:	Paid as per the listing agreement
5.	ISIN No.	:	INE 405 A0 1021
6.	BSE Stock Code	:	506685
7.	Registered Office	:	Thirumalai House, Road No.29, Sion-(East), Mumbai-400 022. Phone: +91-22-24017834/41/61/69 Fax : +91-22-24011699 E.Mail : thirumalai@thiruchem.com
8.	Registrars and Share Transfer Agent	:	Intime Spectrum Registry Limited C-13, Pannalal Silk Mills Compound LBS Road, Bhandup (W), Mumbai – 400 078. Phone: +91-22 25963838 Fax : +91-22 25946969 E.Mail : isrl@intimespectrum.com
9.	Compliance Officer	:	Mr.K.Murali Ultramarine & Pigments Ltd., Thirumalai House, Road No.29, Sion (East), Mumbai – 400 022. Phone: +91-22-24017841/24017853 Fax : +91-22-2401 1699 E.Mail : thirumalai@thiruchem.com, cs-upl@dishnetdsl.net vasantha@thiruchem.com
10.	Share Transfer System	:	The Company's shares are traded in the Stock Exchange compulsorily in Demat mode. Shares sent for physical transfer or dematerialisation requests are registered promptly within 15 days from the date of receipt of completed and validly executed documents.
11.	Financial Calendar	:	Annual Results: Early May 2006 Mailing of Annual Reports: End May/ Early June 2006 June quarter results :Mid/End July 2006 September quarter results: End Oct 2006 December quarter results: End Jan 2007
12.	Dividend Payment dates	:	By July 15,2006
13.	Dematerialisation of Shares	:	As on 31.03.2006, 90.83 % of Company's shares representing 2,65,23,522 Shares were held in the Dematerialised form.

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