46<sup>th</sup> Annual Report 2006 - 2007

Report



# ULTRAMARINE & PIGMENTS LIMITED FINANCIAL HIGHLIGHTS

																					(Rs	i. in L	.akhs)
Particulars	06-07	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	584	365	365	365	365	365	365	360	360	360	360	180	180	180	180	180	90	60	60	30	15	18
Reserves & Surplus	6205	5365	4756	3882	3361	3271	3532	3451	3075	2702	2365	2014	1695	1540	1298	1162	1079	315	169	70	61	27	0.02
Networth	6789	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)	2122	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	9193	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	2866	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	20	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	284	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	413	331	328	254	147	141	137	184	160	99	73	_	100	190	108	74	75	39	51	_	20	12	0.02
Deferred Tax	(37)	(24)	(105)	(24)	(67)	34	_			_	_	_			_	_	_			_	_	_	_
Net Profit	2010	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)	1170	732	624	412	206	183	120	243	180	158	139	108	90	90	72	72	72	19	12	5	5	2	_
Dividend (%)	175	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.)	6.88	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

<sup>\*</sup> EPS from 2005 - 06 Computed on Rs. 2 per share while for previous years EPS is on Rs. 10 per Share.

# **BOARD OF DIRECTORS:**

Shri. R. Sampath

(Chairman & Managing Director)

CONTROL OF CHARLES AND THE RESIDENCE OF CONTROL OF CONT

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, N. Asokan

# **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 / 2401 4754

E-mail: thirumalai@thiruchem.com

### **FACTORY:**

556, Vanagaram Road, Ambattur, Chennai - 600 053.

el. : 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

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# **GENERAL INFORMATION**

- (a) Company's Shares Listed at Mumbai Stock Exchange.
- (b) Company's Shares are mandated for trading in demat mode.
- (c) ISIN allotted to company's share is INE 405A01021

# 46<sup>™</sup> ANNUAL GENERAL MEETING

# DATE:

Monday, July 30, 2007 at 4.00 p.m.

#### **VENUE:**

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

# **DIVIDEND:**

Proposed Final Dividend:

(Rs. 0.50 per Share of Rs. 2/- each) i.e. 25%

Interim Dividend (already paid in March 2007) (Rs. 3.00 per Share of Rs. 2/- each) i.e. 150%

# FINAL DIVIDEND ELIGIBILITY:

For : Regd. Member

Physical Shares: As on July 30, 2007

Demat Shares : At the close of business hours

on July 16, 2007 as per the list of beneficial ownership furnished by the Depositories

#### **BOOK CLOSURE:**

July 17, 2007 to July 30, 2007

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# Ultramarine & Pigments Ltd.

Apart from his overall responsibility, he is also responsible for all Technical as also techno-commercial matters of the Company and under his stewardship, the Company has successfully commissioned several new / expansion projects. The Company has achieved higher profitability over the years.

The Company has made significant progress and undertaken several projects under the Managing Directorship of Mr.R.Sampath. The Chairman & Managing Director shall report to the Board of Directors and shall devote whole time and attention to the business of the Company. He shall perform such of the functions as may from time to time be entrusted to him by the Board of Directors. All his acts shall be subject to the supervision and control of the Board of Directors.

The Board is of the opinion that the appointment of Mr.R.Sampath as Chairman & Managing Director for a fresh period of 5 years effective August 1, 2007 and the payment of revised remuneration as stated in the resolution would be in the interests of the Company. The draft letter of appointment referred in the resolution is open for inspection by the members of the Company at the Registered Office of the Company between 10.00 a.m. and 1.00 p.m. on any working day until the day of Annual General Meeting or any adjournment thereof.

Mr.R.Sampath is the relative of Mrs. Indira Sundararajan. None of the Directors of the Company except Mr.R.Sampath and Mrs. Indira Sundararajan are in any way concerned or interested in the resolution.

This explanatory statement together with the accompanying notice is and should be treated as an abstract under Section 302 of the Companies Act, 1956.

The Board recommends the passing of the resolution in the best interests of the company.

#### ITEM NO 7:

Mrs. Indira Sundararajan was appointed as Whole-time Director of the Company for a period of 5 Years effective August 1, 2004 as per the terms and conditions approved by the Shareholders at the Annual General Meeting held on July 19, 2004.

Mrs.Indira Sundararajan is the Head of Lapiz Digital Services, the IT Enabled services division of the Company and also responsible for other Business initiatives of the Company.

She is 59 Years, B.Sc (Chem, B.Tech Pharma) and is a Technologist with extensive experience. She earlier worked as a Software Consultant and Trainer, as a Business process and Management Consultant and also worked as Head of New Business Development in a group Company. Mrs.Indira Sundararajan possesses wide experience in Business and Trade and she has made valuable contributions to the IT enabled services division of the Company.

The Company has made significant progress in the IT related businesses of the Company. The Company is also pursuing new initiatives. It is therefore proposed to appoint Mrs.Indira Sundararajan as Whole-time Director by designating her as Executive Director and remunerate her as proposed in the resolution. Mrs.Indira Sundararajan shall report to the Chairman & Managing Director and the Board of Directors and shall devote whole time and attention to the business of the Company.

She shall perform such of the functions as may from time to time be entrusted to her by the Board of Directors / Chairman & Managing Director. All her acts shall be subject to the supervision and control of the Board of Directors.

The Board is of the opinion that the appointment of Mrs.Indira Sundararajan as Wholetime Director, for a period of 5 years effective August 1, 2007 and the payment of remuneration to her as stated in the resolution would be in the interest of the Company. The draft letter of appointment referred in the resolution is open for inspection by the members of the Company at the Registered Office of the Company between 10.00 a.m. and 1.00 p.m. on any working day until the day of Annual General Meeting or any adjournment thereof.

Mrs.Indira Sundararajan is a relative of Mr.R.Sampath, the Chairman & Managing Director of the Company and therefore he is also concerned or interested in the resolution. None of the other Directors of the Company except Mrs. Indira Sundararajan and Mr.R.Sampath are in any way concerned or interested in the resolution.

This explanatory statement together with the accompanying notice is and should be treated as an abstract under Section 302 of the Companies Act. 1956.

The Board recommends the passing of the resolution in the best interests of the company.

#### 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, 17th day of July 2007 to Monday,30th day of July 2007 (both days inclusive) for determining the names of members eligible for Final dividend, if approved. In respect of shares held in Electronic form, the Final dividend will be paid to those shareholders whose names appear at the close of business hours on 16th day of July 2007 as beneficial owners as per list furnished by the depositories for the purpose.
- d) Members / Proxies should bring the attendance slip sent herewith duly filled in for attending the Meeting.
- e) 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, E.Mail: 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.
- f) 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.
- g) Pursuant to the provisions of Section 205A (5) of the Companies Act, 1956, all dividends from the dividend for the financial year ended 31.03.1996, 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 205 C 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

# Ultramarine & Pigments Ltd.

transferred to the investor Education and Protection Fund.

- The Equity shares of the Company are mandated for trading in the compulsory demat mode, The ISIN allotted for the Company's shares is INE405A01021.
- 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's Registrars.
- Shareholders are requested to being their copy of Annual Report to the meeting.
- k) An explanatory statement in respect of Special Business to be transacted at the meeting is appended hereto.
- I) Reappointment of retiring Directors:

Mr. Nimish U. Patel and Ms.K.R.Javeri, Directors of the Company retire at the ensuing AGM and being eligible have offered themselves for reappointment. They are both reputed persons with vast experience and knowledge.

Mr.Nimish U.Patel, 41 years, is an MBA from New York and is the Director of Shri Dinesh Mills Ltd. and Dinesh Remedies Ltd. He holds 34864 shares in the Company representing 0.12 % of the Company's paid up Share Capital.

Ms.K.R Javeri, 72 years, is a Practicing Advocate with immense knowledge on various matters, particularly legal. Ms.Javeri was earlier the nominee Director of ICICI on the Company's Board 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.

The Directors commends the resolution set out at item nos. 3 and 4 of the accompanying notice for your approval.

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
Mr.Nimish U.Patel M.B.A.	41	28-10- 2003	2	•
Mrs. K.R. Javeri ADVOCATE	72	26.04.2000	-	2

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

N. Asokan Company Secretary

June 15,2007

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

# **DIRECTORS' REPORT, MANAGEMENT DISCUSSIONS & ANALYSIS**

To
The Members,
Ultramarine & Pigments Ltd.

Your Directors have pleasure in presenting their FORTY SIXTH ANNUAL REPORT AND AUDITED STATEMENT OF ACCOUNTS of the Company for the year ended March 31,2007.

	(Rupe	es in Lakhs)
FINANCIAL RESULTS	Year ended 2006-2007	
Gross Profit before Interest and Finance Charges and Depreciation	2866	2073
Interest and Finance charges	20	19
Profit before Depreciation and Tax	2846	2054
Depreciation	284	278
Profit before Tax	2562	1776
Provision for Current Tax	(413)	(331)
Profit after Current Tax	2149	1445
Provision for Deferred Tax	37	24
Prior Year Adjustment	(176)	91 `
Profit after Tax	2010	1560
Balance in Profit & Loss Account	1729	1151
Profit available for appropriation Appropriations:	3739	2711
Interim Dividend paid	876	_
Proposed Final Dividend	146	642
Tax on Dividends	148	90
General Reserve	250	250
Balance carried forward	2319	1729
	3739	2711

#### **DIVIDEND:**

The Board of Directors have recommended Final Dividend of Rs.0.50 per Share of Rs.2 each (25%). Together with the Interim Dividend of Rs.3/-per share of Rs.2/-each (150%) declared and paid in March 2007, the aggregate Dividend for the year ended 31/3/2007 is Rs.3.50 per share of Rs.2 each i.e 175 % (Previous year Dividend Rs.2.20 Per Share of Rs.2 per share (110%)]. The payment of Dividends together with the tax thereon absorbed a sum of Rs.1170 Lakhs.

# MANAGEMENT'S DISCUSSIONS AND ANALYSIS:

# **OPERATIONS AND FINANCIAL PERFORMANCE:**

During the year, the total income of the company for the year under review went up by 27.54% as compared to the previous financial year 2005-2006. It is pertinent to note that the Net Sales has gone up by 24.71.% as compared to the immediate previous year notwithstanding the soaring prices of basic raw materials and inputs coupled with increasing operating costs. The Profit Before Tax has recorded a growth rate of 27.73%.

Hence the performance of the company by and large is relatively better than previous year owing to the above positive financial indicators.

The **Pigment Division** has been performing satisfactorily in its activities and has been consistent in its performance.

Consequent to modernization, the profitability of the **Packaging Products Division** has substantially enhanced during the year under review despite steep increase in the prices of basic inputs together with increase in other operating costs. Besides, the turnover of the division has largely improved. The division has crossed yet another milestone, and would become a contributor in the years to come.

The revenue of **Surfactants Division** had increased considerably when compared to previous financial year. As stated in the earlier report, the basic raw material Viz. Alpha Olefin, [AO] the supply of which was disrupted a year ago, improved resulting in increased production and sales volume when compared to previous financial year. This has resulted in enhancement of capacity utilization and operating margin.

Further, the company has been exploring the possibilities of sourcing of AO from other geographical locations wherein new manufacturing facilities are being set up by a few companies. The company has been formulating new marketing strategies and reviewing the existing marketing policies to enhance the contribution of the division to the company.

**LAPIZ** digital services, one of the basic arms of the ITES Division, recorded a good growth both in terms of revenue and profitability following vigorous efforts taken in both marketing and consistent training of existing staff.

Comparing the overall financials of the company during the year under report with the previous financial year, the revenue [net] from operations for the year was **Rs 7920.20 Lakhs** as against **Rs.6350.41** in the previous year and the operating profit (PBDIT) for the year was **Rs. 2866 Lakhs** as compared to **Rs.2073 Lakhs** in the previous year.

Other income for the year was Rs.565.62 Lakhs [including profit on sale of assets [net] of Rs 320.42 Lakhs] as compared to Rs.293.53Lakhs for the previous year.

Earnings Per Share (EPS) were higher at Rs 6.88 per share and Cash Earnings Per Share (CEPS) were Rs. 7.86 on the paid value of Rs.2/- per share.

#### **EXPORTS:**

The Company's exports during the year calculated on FOB basis amounted to **Rs. 698 Lakhs** (Previous year. Rs.576 Lakhs). Your Company also earned Foreign Exchange by way of Income from IT Enabled services division of **Rs. 2188 Lakhs** (Previous year. Rs.1470 Lakhs).

As experienced over the recent months, there has been consistent appreciation of Indian Rupee as against US Dollar which has resulted in the lower realization of exports.

Considering the necessity of exploiting the export potential on the pigments market, the company has been determined to introduce a number of value added products on the export front. It is to be noted that there has been positive signs of improvement on this segment from the beginning of the current fiscal year 2007-2008.

#### INTERNAL CONTROL SYSTEMS:

Your company has evolved a system of strong and adequate internal controls to ensure that its assets and interests are protected. Transactions are authorized, recorded and correctly reported. 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 adequacy of the internal control systems is being periodically reviewed by the Audit Committee. 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 and the Statutory Auditors as well and the Audit committee regularly reviews them.

The scope of internal audit covers a wide variety of operational matters and as a minimum, ensures compliance with specific standards with regard to the availability and suitability of policies and procedures and the extent of adherence. It further evaluates adequacy of segregation of duties, reliability of Management Information Systems including its controls in the area of authorization procedures including steps for safe guarding assets. It is to be understood that the overall internal control system is never static but dynamic, reflecting the current requirements at all times. The Board, however, believes that appropriate procedures and controls are operating and monitoring practices are in place.

# PERSONNEL:

Industrial Relations were quite harmonious through-out the year under review.

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

# Ultramarine & Pigments Ltd.

#### **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 market. The Company's product AOS has excellent potential for usage as raw material in hair care industries.

The introduction of "Value Added Tax" ["VAT"] in the State of Tamilnadu is yet another advantage for the business segment in general and our company in particular. Since the cascading effect of taxation is avoided due to the setting off of tax paid on inputs and also for capital goods used in the manufacture of finished products against "VAT" Liability.

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

#### **RISKS AND CONCERNS:**

- Rising prices of Raw materials, Power, Fuels, Freight and other inputs resulting in lower margins.
- 2 Competition in the domestic market for the company's products from the un-organized sector.
- 3 Consistent lower realization on the export front due to strengthening of the rupee against US Dollar.

#### PROSPECTS & OUTLOOK:

The company wishes to leverage its strong knowledge of Pigments business, established goodwill and the relationship with the customers to expand the market base irrespective of segment or regions. The expansion plans over the years to come would help the company in achieving better economies of scale, leveraging the latest technologies, improving end product quality, reducing costs together with complying with the recommended environmental norms.

The company has started exploiting the potential of under serviced and un-serviced geographical segments for increasing the market share since your company has been continuing to be the leader in the pigment business.

The general business scenario for our industry looks positive and growth potential for the company's products continues to be better. 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 all spheres its activities. More particularly on the marketing front, innovative promotions and communication continue in your company's brand building measures for substantial spur in the demand for our products. Coherent efforts are being made to explore the possibilities of alternative systems of technology to further maximize quality and minimize wastages at all levels by optimizing the yield. Analyzing the profitability of certain products, the company has decided to suitably change the product mix yielding maximum profitability. With this ultimate objective, the company has been evolving new marketing strategies to reach the goal of maximization of profits and productivity.

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:

Shri. Nimish Patel and Smt. K.R Javeri, 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, 2007 the applicable accounting standards have been followed along with proper explanation relating to material departures.

- iii] appropriate accounting policies have been selected and applied and such judgement 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, 2007 and of the profit of the company for the year ended that date.
- lii) 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, reward and safety.

#### 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 eliqible for reappointment.

#### **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/Whole-time 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.

# **AUDITORS' QUALIFICATION:**

With regard to the qualifications made vide para No.4 (g) of the Auditors Report regarding non-appointment of Company Secretary from 01-11-2006 to 02-01-2007, it may be noted that the company had already appointed a Company Secretary who had joined the services on 03-01-2007.

# 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 the Order of the Board for ULTRAMARINE & PIGMENTS LIMITED

R. SAMPATH

CHAIRMAN & MANAGING DIRECTOR

Dated: June 15,2007

Mumbai

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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, 2007.

Sr. No.	Name of Employee	Age [Years]	Qualification and Experience	Designation	Remuneration [Rs.]	Date of Commencement	Last Employment held
1.	Mr. R. Sampath	62	B.Sc. B.S. [Chem. Engg.] U.S.A. 36 Years	Chairman & Mg. Director	42,21,810	01.03.1970	Engineer, Hercules Inc. USA
2.	Mrs. Indira Sundararajan	59	B.Sc.(Chem.), B.Tech.(Pharma)	Wholetime Director	24,00,280	01.07.2003	Thirumalai Chemicals Ltd.

#### NOTES:

- 1) Remuneration includes Company's contribution to Provident Fund, Superannuation Fund, Medical Benefits, Leave Travel Allowance etc.
- 2) Nature of employment is contractual.
- Mr.R.Sampath, Chairman & Managing Director 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 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)  1 ELECTRICITY	UNITS	YEAR ENDING	YEAR ENDING
		31.03.2007	31.03.2006
a) From EB – TN			
Purchase Unit	KW/HR	4581946	5213744
Total amount paid	Rupees	22317255	24791790
	Rupees	4.87	4.76
b) On Generation	·		
Through DG	KW/HR	213775	172458
Unit / Litre of Diesel Oil	KW/HR	5.64	4.72
Cost per Unit F	Rupees	18.73	12.72
2. COAL AND COKE			
Coal & Coke & Pet Coke	Rupees	13009958	18815393
Coal & Coke & Pet Coke	Tons	1511	2172
Rate / Ton	Rupees	8608	8663
3. FURNACE OIL / DIESEL / SKO ETC.			
Furnace Oil / Diesel / Sko Etc.	KL	663.62	440.49
Total Amount F	Rupees	14416803	7342852
Rate / KL	Rupees	21724	16670
4. RESEARCH & DEVELOPMENT EXPENDITURE ON R & D			
i) Capital F	Rupees		_
ii) Recurring F	Rupees	Nil	72880
	Rupees	Nil	72880
iv) Total R & D Expenditure as a			
Percentage of total turnover		Nil	0.02%

#### II. TECHNOLOGY ABSORPTION, ADAPTATION, INNOVATION

Your Company is taking initiatives for quality of all products and services by absorbing new technologies in product / process developments through modernization 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 & PIGMENTS LTD.

Mumbai Dated: June 15,2007 R.SAMPATH
CHAIRMAN & MANAGING DIRECTOR

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# CORPORATE GOVERNANCE

(as required under Clause 49 of the Listing Agreement with Stock Exchanges)

#### COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

The Company believes that the pursuit for good Corporate Governance is an ongoing process which facilitates the company to achieve its avowed objectives of transparency, accountability and responsibility in all our dealings with our shareholders, customers, employees and the community at large. This objective extends not merely to meet with statutory requirements but also to go beyond them by putting into place procedures and systems which are in accordance with the best practices for corporate governance.

The Company recognizes that strong Corporate Governance is a key driver of sustainable corporate growth and long term value creation.

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 4 times on 12.5.2006,10.7.2006, 18.10.2006 and 24.1.2007. 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 12/5/2006 was present. The audited results for the year ended 31/03/2007 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. The Committee members also act as members of the Selection 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 2006 – 2007. Mr.N.Asokan, Company Secretary is the Compliance Officer. All complaints whenever received from any investor were timely attended for redressal. Total of 27 Complaints regarding non-receipt were received from the Shareholders during 2006-2007, 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 2006- 2007 -

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

12/05/2006, 10/07/2006, 18/10/2006, 24/01/2007, 16/03/2007

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:

	ATTENDA	NCE AT	No. of	No. of Member-	
Name of Directors ,	Board Meetings	Last AGM	Directorships of other Pub Companies	ships of Board Sub-committees	
Shri.R.Sampath*	4	Yes	1	-	
Mrs.Indira Sundararajan**	3	Yes			
Shri S. Santhanam	4 .	Yes	2	2	
Shri Nimish Patel	4	Yes	2	_	
Shri M.C. Choksi	4	No	. 4	3	
Dr. G.G.Nair	5	Yes	1	2	
Shri S. Sridhar	5	Yes	3	4	
Ms. K.R. Javeri	5	Yes	<del>_</del>	2	

- (\*) Chairman and Managing Director.
- (\*\*) Wholetime Director.

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### (e) Remuneration of Directors:

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Remuneration paid or payable to Managing Director/ Wholetime Director/ Director during the year ended 31.03.2007.

Name of Director		Designation	Commission on profits	Salary	PF	Others	(Amount in Rupees) Total
1. Mr.R.Sam	Sundararajan	( CMD )	23,28,660	10,20,000	1,22,400	7,50,750	42,21,810
2. Mrs.Indira		( WD )	11,64,330	6,60,000	79,200	4,96,750	24,00,280
3. Mr. S.San		( Director )	23,28,660	Nil	Nil	Nil	23,28,660

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	80,000/-
Mr. M.C. Choksi	80,000/-
Dr. G.G. Nair	1.80.000/-
Ms. K.R. Javeri	1,80,000/-
Mr. S. Sridhar	1,80,000/-
Mr.S.Santhanam	80,000/-

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 31/3/2007.

Name	Shareholding	No. of Shares % of holders
Mr.R.Sampath Ms.Indira Sundararajan Mr. Nimish Patel Mr. M.C. Choksi Dr. G.G. Nair Ms. K.R. Javeri	20,41,952 6,37,240 34,864 3,600 15,000	(6.99%) (2.18%) (0.12%) (0.01%) (0.05%)
Mr. S. Sridhar Mr. S.Santhanam	. 27,11,711 22,76,260	(9.29%) (7.80%)

#### (g) Brief details of General Body Meetings:

The Forty Sixth Annual General Meeting of the company for the financial year 2006 – 2007 would be held on Monday, 30th July,2007 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		
2005-2006	10.07.2006	4.00P.M	Mysore Association Auditorium Bhaudaji Road, Matunga, Mumbai – 400 019.		
2004-2005	25.07.2005	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.		

# (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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