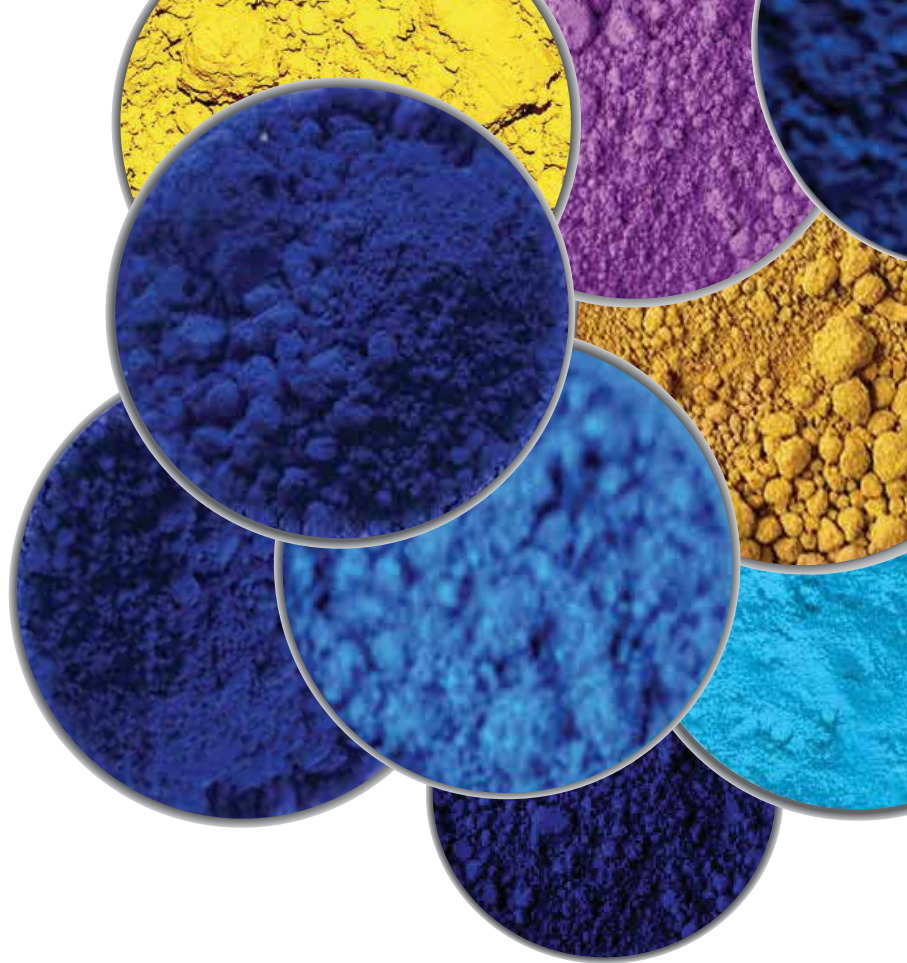


54<sup>nd</sup>



# **Annual Report 2012–2013**



**ULTRAMARINE &  
PIGMENTS LTD.**





## Board of Directors

Mr. R. Sampath - Chairman & Managing Director  
 Mr. S. Sridhar - Joint Managing Director  
 Ms. Indira Sundararajan - Wholetime Executive Director  
 Mr. S. Santhanam  
 Dr. G. G. Nair  
 Mr. Nimish Patel  
 Mr. M. C. Choksi  
 Mr. T. R. Madhavan  
 Mr. Vinod G. Nehemiah

## Company Secretary

Mr. S. Ramanan

## Bankers

Bank of India  
 HDFC Bank Limited  
 State Bank of India

## Auditors

Contractor, Nayak & Kishnadwala  
 Chartered Accountants  
 501-502, 5<sup>th</sup> Floor, Narain Chambers  
 M. G. Road, Vile Parle (East),  
 Mumbai - 400 057

## 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  
 Website : www.ultramarinepigments.net

## Registrar & Share Transfer Agents

Link Intime India Private Limited  
 C-13, Pannalal Silk Mills Compound  
 L. B. S. Marg, Bhandup (West)  
 Mumbai - 400 078  
 Ph : 022 2594 6970  
 Fax : 022 2594 6969  
 E-mail : rnt.helpdesk@linkintime.co.in  
 Website : www.linkintime.com

## Factory

### Ambattur

556, Vanagaram Road  
 Ambattur, Chennai - 600 053  
 Tel. : 91-044-6692 1195 / 1196 / 1197  
 Fax : 91-044-6692 1100

## General Information

- (a) Company's Shares Listed at Bombay Stock Exchange Ltd.
- (b) Company's Shares are mandated for trading in demat mode.
- (c) ISIN allotted to company's share is INE405A01021

## 52<sup>nd</sup> Annual General Meeting

### Date & Time

8th July, 2013 at 3.30 p.m.

### Venue

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

### Dividend declared

112.50 % (₹ 2.25 per share)

### Dividend eligibility

For	: Registered Member
Physical Shares	: As on 8th July, 2013
Demat Shares	: At the close of business hours on 30th June, 2013 as per the list of beneficial ownership furnished by the Depository Participants

### Book closure

From 1st July, 2013 to 8th July, 2013 (both days inclusive)

## Contents

Notice	1
Directors' Report	4
Corporate Governance Report	11
Independent Auditors' Report	19
Balance Sheet	24
Statement of Profit and Loss	25
Cash Flow Statement	26
Notes to Accounts	27

### Ranipet

25-B, SIPCOT Industrial Complex  
 Ranipet - 632 403, Tamilnadu  
 Tel. : 04172-664401/402/403/404/405  
 Fax : 04172-664400  
 E-mail : syndet@ultramarinepigments.net





## NOTICE

NOTICE is hereby given that the **FIFTY SECOND ANNUAL GENERAL MEETING OF THE MEMBERS OF ULTRAMARINE & PIGMENTS LIMITED** will be held at THE MYSORE ASSOCIATION AUDITORIUM, Mysore Association, 393 Bhaudaji Road, Matunga-C. Rly. Mumbai – 400 019 on Monday the 8th day of July, 2013 at 3.30 p.m. to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Statement of Profit and Loss Account for the year ended March 31, 2013 and the Balance Sheet as at that date together with the Reports of the Board of Directors and the Auditors' thereon.
2. To declare Dividend.
3. To appoint a Director in place of Mr. S. Santhanam, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Nimish Patel, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors for the current year and fix their remuneration.

### SPECIAL BUSINESS:

6. **To consider, and if thought fit, to pass the following resolution, with or without modification, as an Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of section 257 and other applicable provisions, if any, of the Companies Act, 1956, Mr. T. R. Madhavan who was appointed as Additional Director of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation, in terms of the provisions of the Articles of association of the Company."

7. **To consider, and if thought fit, to pass the following resolution, with or without modification, as an Ordinary Resolution:**

"RESOLVED THAT Ms. Indira Sundararajan whose term of office as Director expires on July 31, 2013, be appointed as a director of the company with effect from August 1, 2013."

**RESOLVED FURTHER THAT** pursuant to the provisions of Section 198, 269, 310, 311, Schedule XIII and any other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), approval of the members of the Company be and is hereby accorded for the appointment of Ms. Indira Sundararajan as Whole-time Executive Director for a period of five years with effect from August 1, 2013 on the terms and conditions and on the remuneration set out below :

- (i) Salary per month ₹ 4,75,000/-
- (ii) Commission not exceeding 2.5 % of the net profits of the company calculated in accordance with the provisions of Sections 349 and 350 of the Companies Act, 1956.
- (iii) In addition to the above remuneration, Ms. Indira Sundararajan shall be entitled to perquisites like HRA/Unfurnished/furnished accommodation, gas, electricity, water and furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance, mediclaim insurance for self and family etc., in accordance with the rules of the company, such perquisites being restricted to Rs.48 lakhs per annum.
- (iv) Company's contribution to Provident Fund and Superannuation Fund, Gratuity payment and encashment of leave at the end of the tenure shall not be included in the computation of limits for remuneration or perquisites as aforesaid and Ms Indira Sundararajan shall be entitled to the same.

### Minimum remuneration :

Resolved further that notwithstanding anything herein above stated, in the event of absence or inadequacy of profits in any financial year, the Company do pay to Ms. Indira Sundararajan up to such amount as remuneration as may be permissible under Para 2 of Section II, Part II of Schedule XIII to the Companies Act, 1956 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) or such other limits as may be prescribed by the Government from time to time as minimum remuneration.

Resolved further that the Board of Directors of the company be and are hereby authorized to vary, alter or modify the different components of the above stated remuneration as may be agreed to by the Board of Directors and Ms. Indira Sundararajan.

By the Order of the Board

For **ULTRAMARINE & PIGMENTS LIMITED**

[S. Ramanan]

**COMPANY SECRETARY**

24th May, 2013

Registered Office :

Thirumalai House, Road No. 29,

Sion-East, Mumbai – 400 022

**EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956.****ITEM NO 6:**

The Board of Directors of the Company had appointed Mr. T. R. Madhavan as an Additional Director of the Company with effect from 11th February, 2013. As per the provisions of Section 260 Companies Act, 1956, Mr. T. R. Madhavan will hold office only up to the date of the forthcoming Annual General Meeting of the Company and is eligible for appointment as Director.

The Company has received notices under Section 257 of the Companies Act, 1956, from certain members of the Company along with the requisite deposit proposing the appointment of Mr. T. R. Madhavan as Director of the Company liable to retire by rotation.

A brief resume of Mr. T. R. Madhavan is furnished below:

Mr. T. R. Madhavan is a B.E & CAIIB. He has 40 years of rich experience in the field of finance & banking and held senior position in public & private sector Banks.

Mr. T. R. Madhavan may be deemed to be concerned or interested in the resolution relating to his appointment.

The Board accordingly commends the Ordinary Resolution set out in item no. 6 of the accompanying Notice for approval of the Members.

**ITEM NO 7:**

The Board of Directors of the Company at the meeting held on 24th May, 2013 has subject to the approval of members, approved the re-appointment of Ms. Indira Sundararajan as a Director & a Whole-time Executive Director of the Company for a further period of five years with effect from August 1, 2013, including payment of remuneration.

The Company has received notices under Section 257 of the Companies Act, 1956, from certain members of the Company along with the requisite deposit proposing the appointment of Ms. Indira Sundararajan as Director of the Company.

Ms. Indira Sundararajan is the Head of Lapid Digital Services, the IT Enabled services divisions of the Company and also responsible for other Business initiatives of the Company.

Ms. Indira Sundararajan, 65 Years, B. Sc. (Chem, B. Tech Pharma) is a Technologist with extensive experience in Business and Trade and she has made valuable contributions to the IT enabled services division of the Company.

The Company has received notices under Section 257 of the Companies Act, 1956, from certain members of the Company along with the requisite deposit proposing the appointment of Ms. Indira Sundararajan as Director of the Company.

It is proposed to appoint Ms. Indira Sundararajan as Whole-time Executive Director and remunerate her as proposed in the resolution.

None of the Directors of the Company except Ms. Indira Sundararajan, Mr. R. Sampath, Mr. S. Sridhar and Mr. S. Santhanam 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.

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

**[S. Ramanan]**  
**COMPANY SECRETARY**

24th May, 2013

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 July 7, 2013 to July 8, 2013 (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 30th day of June, 2013 as beneficial owners as per list furnished by the Depository Participants for the purpose.
- d) Members / Proxies should bring the attendance slip duly filled in for attending the Meeting.
- e) Members are requested to notify their Depository Participant (DP) / Company's Registrars viz. LINK INTIME INDIA PRIVATE LIMITED, C-13, Pannalal Silk Mills Compound, LBS Road, Bhandup (West), Mumbai - 400 078 (Tel. Nos. 25963838, Fax No. 25946969, E.Mail: rnt.helpdesk@linkintime.co.in 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 financial year ended 2005-06 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.
- h) Persons who have not en-cashed 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 dematerialized mode, The ISIN No. allotted for the Company's shares in INE 405A01021.
- j) Member(s) desiring 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.
- k) Shareholders are requested to bring their copy of Annual Report to the meeting.
- l) Re-appointment of retiring Directors:

Mr. Santhanam 73 years, joined the Board as an Additional director of the Company on 25th February, 1993. Earlier to that, he was a working partner of Chemidyes Trading Company. Mr. S. Santhanam was the Vice-Chairman and Managing Director of the Company till 31st July, 2004. During his tenure of office he was looking after Sales and Marketing, Customer Relationship Management, Imports and Exports liaising with government departments and materials procurement etc. He enjoys very high reputation in the Industry. The Company has made significant progress due to the efforts taken by Mr. S. Santhanam. Mr. Santhanam's shareholding [in the sole name and as first named shareholder in case of joint shareholdings] in the Company comprise 17,41,711 equity shares representing 5.96% of the Company's paid-up Equity Share Capital.

Mr. Nimish Patel, BBA, MBA, (USA) is the Chairman & Managing Director of Dinesh Remedies Ltd. and also Managing Director of Shri Dinesh Mills Ltd. He has wide experience of more than 22 years in Textile and Chemical sectors. He is also a Director of Transpek Industry Ltd. Mr. Nimish Patel's contribution has been immense and valued by all the members of the Board. He holds 52589 shares of the company.

The Directors recommend the re-appointment of Mr. S. Santhanam and Mr. Nimish Patel as Directors.

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

**[S. Ramanan]**  
**COMPANY SECRETARY**

24th May, 2013.

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 **FIFTY SECOND ANNUAL REPORT AND AUDITED STATEMENT OF ACCOUNTS** of the Company for the year ended **March 31, 2013**.

	<b>(₹ in Lakhs)</b>	
<b>Financial Results</b>	<b>Year ending 2012-2013</b>	<b>Year ending 2011-2012</b>
<b>Gross Profit Before Finance Costs, Depreciation &amp; Amortisation</b>	<b>2469</b>	2548
Finance costs	(156)	(171)
<b>Profit before Depreciation, Amortisation and Tax</b>	<b>2313</b>	2376
Depreciation & Amortisation	(576)	(550)
<b>Profit before Tax</b>	<b>1737</b>	1826
Current Tax Expense	(588)	(371)
<b>Profit after Current Tax</b>	<b>1149</b>	1455
Deferred Tax Expenses (credit)	15	(257)
Excess provision for earlier years / MAT Credit	48	171
<b>Profit after Tax</b>	<b>1212</b>	1369
Balance in Profit & Loss Account	<b>3779</b>	3578
<b>Profit available for appropriation</b>	<b>4991</b>	4947
<b>Appropriations:</b>		
Dividend	(657)	(876)
Tax on Dividends	(111)	(142)
General Reserve	(130)	(150)
Closing Balance	<b>4093</b>	3779

### Dividend

Your Directors have recommended a Dividend of ₹ 2.25 per share of the nominal value of ₹ 2/- each for the year ended March 31, 2013 [previous year ₹ 3/- per share of nominal value ₹ 2/- per share]. The payment of dividend together with the tax thereon absorbed a sum of ₹ 768.66 Lakhs. The Dividend, if declared, by the members at the forthcoming Annual General Meeting will be paid to all the eligible members by 15th July, 2013



## Managements' Discussions and Analysis

### Operations and Financial Performance

The operational performance of various divisions of the company could be considered as mixed with Pigments & Windmill operations performing better than Surfactants & ITES divisions. In terms of profitability, this year's overall performance was marginally lower as compared to previous year.

### Pigment Division

Pigment Division continued to be our significant contributor of both revenues and profitability, and achieved a net revenue of ₹ 5194 lakhs with a volume of 4419 Metric Tons during the financial year ended March 31, 2013 as against ₹ 4737 lakhs (4230 MT) in the previous financial year. We have introduced two new value added products (finer grade) to cater to the plastic master batch segment in the domestic market and the same is well received by the customers.

There is an increase in export volume to Asian markets by 40%, which helped offset the economic slowdown prevailing in the European countries. There is an overall growth of 15% in export of finer grades and price realization improved by ₹ 10,000/ per MT. We are initiating new efforts to cater to the Chinese market both by participating in trade fairs and appointing new distributors.

### Surfactants Division

The Company achieved a net revenue (includes processing) of ₹ 6705 lakhs during the financial year ended March 31, 2013 as against ₹ 6941 lakhs in the previous year.

There was a decline in processing income due to one of the leading detergent manufacturers changing the product mix for cost effectiveness. There is a 5% erosion in margin due to escalation in raw material cost and also, lower utilization of capacity (67% vs 95% last year) resulting in a lower profitability. We are taking proper measure to improve the capacity utilization by producing more value added products like SLS/SLES.

### Wind Mill Generation

The power generated from wind turbines is about 74 lakh units valued at ₹ 253 lakhs (which partially adjusted against consumption). This division made a profit of (before interest) ₹ 19 lakhs as against a loss of ₹ 14 lakhs in the previous year. However, there is considerable delay in realizing the dues from state electricity board, affecting the cash flow.

### Review of IT Division

During the year under report, the Division has earned a revenue of ₹ 1847 lakhs as against ₹ 1700 lakhs in the previous year resulting in an increase of 8 %. The pressure on margin was prevalent throughout the year and profit declined by 36% due to increase in costs both on account of man power & administrative overhead.

**Earnings Per Share (EPS) is at ₹ 4.15 (Previous Year ₹ 4.69) and Cash Earnings Per Share (CEPS) is ₹ 6.12 on the paid up value of ₹ 2/- per share.**

### Exports

The exports of the company's products during the year amounted to ₹ 2583/- Lakhs (Previous year ₹ 2568 Lakhs).

### Internal Control Systems

The Company has established and maintained adequate internal controls over the financial reporting. Internal controls have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with accounting principles generally accepted (GAAP) in India. The Company has an internal control system commensurate with the size and nature of the business.

The Audit Committee of the Company provides reassurance to the Board on the existence of an effective internal control environment.

The Company's internal control system is supported by well laid out systems, self-monitoring mechanisms, and is audited by an external firm as part of the internal audit function. Appropriate actions are taken by management to correct deficiencies as they are identified. We have upgraded our existing systems to bring about cost effectiveness and continuous monitoring of the deployment of resources & its optimization.

### 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.

## **Opportunities and Threats**

### **Setting up of a green field Project:**

As reported in the last Annual Report we are in the process of setting up a plant at Dahej in Gujarat for manufacture of specialty surfactants etc., with a capital outlay of ₹ 42 crores. This will be funded through internal accruals and term loan.

## **Risks and Concerns**

1. The domestic market for Pigments catering to laundry & white washing application is shrinking and will affect volume.
2. Industrial segment part relating to Pigments, both in domestic as well as export front got affected due to sluggish market conditions prevailing in the global economy.
3. Both better margin & growth prospects for “ITES” segments are low due to slowdown in outsourcing from USA & other markets.
4. The power situation in Tamil Nadu is yet to improve and the powercost is ever increasing due to sharp increase in diesel & fuel costs. This has severely hampered the profitability of surfactants division.

## **Prospects & Outlook**

The Company has launched new products in the FMCG category catering to the southern markets. In the retail segment relating to Pigments thrust is given for marketing of small packs in rural areas. New promotional activities are carried out to penetrate newer markets.

As outlined in our review above more focused approach is formulated to meet specific requirements of individual customer in overseas market & we will capitalize on the goodwill created with our existing customers due to tailor made & cost effective products in the Pigments category.

## **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. S. Santhanam and Mr. Nimish Patel, Directors of the Company, retire by rotation at the ensuing Annual

General Meeting and being eligible offer themselves for re-appointment.

Mr. T. R. Madhavan was appointed as Additional Director on the Board of the Company with effect from 29th March, 2013 in accordance with Section 260 of the Companies Act, 1956 and Articles of Association of the Company. Notices have been received from members pursuant to Section 257 of the Companies Act, 1956, together with necessary deposits proposing the appointment of Mr. T. R. Madhavan as Non-Executive Independent Director on the Board of the Company and he will be liable to retire by rotation.

Mr. T. R. Madhavan, is the former Executive Chairman of Centrum Capital Limited, prior to this he was the Managing Director of Dhanlaxmi Bank Limited. He was with Bank of India for more than 30 years and was General Manager (credit) at the time of retirement.

His rich experience in banking and finance will be of immense help to the Company.

Ms. K. R. Javeri ceased to be a Director during the year and the Board records its appreciation of the valuable contributions made during her tenure of service.

The Board appointed Mr. Vinod Nehemiah as a Director in the casual vacancy arising out of cessation of Ms. K. R. Javeri as Director. Mr. Vinod G. Nehemiah holds Masters in Chemical Engineering from Massachusetts Institute of Technology, Boston, USA, and worked as Research Scientist in a multinational Company and he is a first generation entrepreneur.

## **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, 2013 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 judgment 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, 2013 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.