

18th
ANNUAL REPORT
2004 - 2005



Vivid Chemicals Ltd.



VIVID CHEMICALS LIMITED

BOARD OF DIRECTORS

SHRI SUDHIR M.MODY

CHAIRMAN

SHRI SUMISH S.MODY

WHOLETIME DIRECTOR

SHRI MITEN S.MODY

DIRECTOR

DR.UMESH S.KULKARNI

DIRECTOR

SHIR RAGHUNATH T.SHEDGE

DIRECTOR

BANKERS :

BANK OF BARODA,
BACKBAY RECLAMATION BRANCH,
MUMBAI - 400 020.

AUDITORS :

M/S. M.S. PARIKH & CO.
A-5, TAMRIND HOUSE,
36, MUDDANNA P.SHETTY MARG,
FORT, MUMBAI-400 023.

REGISTERED OFFICE :

D-21/1, M.I.D.C. TARAPUR 401 506
VIA BOISAR, DIST.THANE.

ADMINISTRATIVE OFFICE :

C/O.SUMICHEM CORPORATION
1-D, DHANNUR BUILDING,
SIR P.M.ROAD, FORT,
MUMBAI 400 001.

REGISTRARS & SHARE TRANSFER AGENTS :

REGD.OFFICE :

SHAREPRO SERVICES
SATAM ESTATE, 3RD FLOOR,
ABOVE BANK OF BARODA,
CARDINAL GRACIOUS ROAD, CHAKALA,
ANDHERI (E), MUMBAI-400 099.

INVESTOR RELATION CENTRE:

912, RAHEJA CENTRE,
FREE PRESS JOURNAL ROAD,
NARIMAN POINT, MUMBAI-400 021.

NOTICE

NOTICE is hereby given that the Eighteenth Annual General Meeting of the Vivid Chemicals Limited, will be held at Plot No. D-21/1, M.I.D.C., Tarapur, Via Boisar, Dist. Thane on Wednesday 28th September 2005 at 11.00 A.M. to transact the following business:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2005 and the Profit & Loss Account for the year ended on that date together with the reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Miten Mody, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Dr. Umesh Kulkarni, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint the Auditors and fix remuneration.

For and on behalf of the Board of Director

SUDHIR M. MODY
CHAIRMAN

REGISTERED OFFICE :

D-21/1 M.I.D.C.,
Tarapur, Via Boisar,
Dist. Thane

Dated : 30th June, 2005.

Place : Mumbai

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. The Register of Members and the share transfer books will remain closed from 23rd September, to 28th September, 2005 both days inclusive.
3. Members desiring to seek further information or clarifications on the Annual Accounts or Operations of the Company at the meeting are requested to send their queries so as to reach the Registered Office at least 10 days in advance of the date of meeting to enable the management to keep the information ready.
4. Members are requested to bring their copies of Annual Report and Account to the Meeting.
5. Members are requested to notify immediately any change in their address to the Companies Registrar and Share Transfer Agents M/s Sharepro Services at Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (East) Mumbai 400 099 or at 912 Raheja Centre, Free Press Journal Marg, Nariman Point Mumbai 400 021.

DIRECTORS' REPORT

To,

The Members

Your Directors have pleasure in presenting the Eighteenth Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2005.

FINANCIAL RESULTS :

	31 st March, 2005	(Rupee in lacs) 31 st March, 2004
Net Sales/Income from Operations excluding Excise & Sales Tax	549.90	696.31
Gross Profit/(Loss) before Depreciation & Interest	35.14	(31.07)
Less :Depreciation	26.59	31.03
Less: Interest	6.94	12.03
Net Profit/(Loss) before Tax	1.61	(62.10)
Provision for taxation	—	—
Less: Prior years adjustments	0.06	0.46
Extra Ordinary items	—	37.10
Profit/ (Loss) for the year	1.55	(99.67)
Balance of Profit / (Loss) brought forward	(168.33)	(68.66)
Balance Carried to Balance Sheet	(166.78)	(168.33)

OPERATIONS :

During the year under review the Company has recorded a Net Profit of Rs. 1.55 Lacs as compared to a loss of Rs. 99.67 Lacs for the previous year. In view of closure of the plant at Tarapur the processing of other related dye intermediates and dyes has been revived by the management at other places. The competition from the Chinese Markets has also put the margins under pressure. Your Directors have taken steps to diversify the product range, which is now stabilized. Your Directors are also pleased to report that the market is slowly picking up and the Company has sizeable orders both in the local market and also for exports. Barring unforeseen circumstances your Directors are optimistic about the coming year.

DIVIDEND :

In view of the adverse financial position of the Company your Directors do not recommend any dividend.

DIRECTORATE :

Mr. Miten Mody and Dr. Umesh Kulkarni retire by rotation and being eligible offers themselves for re-appointment

FIXED DEPOSIT :

The Company has not accepted any Deposit which attract the provisions of Section 58A of the Companies Act, 1956.

AUDITORS :

M/s M. S. Parikh & Co., Chartered Accountants, Mumbai retire at the ensuing Annual General Meeting and being eligible offers themselves for re-appointment.

PARTICULARS OF EMPLOYEES :

None of the employees of the Company draws remuneration more than the limits prescribed under Section 217 (2A) of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2000 the Directors confirm that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures.
- The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit & Loss of the Company for that period.
- The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and detecting fraud and other irregularities to the best of their knowledge and ability.
- The Directors have prepared the annual accounts on a "going concern basis".

CORPORATE GOVERNANCE :

Pursuant to Clause 49 to the listing Agreement the mandatory requirements relating to Corporate Governance are applicable to the Company from the current financial year. Accordingly your Company has taken adequate steps to ensure that all mandatory provisions of Corporate Governance in terms of the aforesaid clause 49 are complied with. The report on Corporate Governance alongwith a Certificate of compliance from the Auditors and the Management Discussion and Analysis Report forms part of this Report.

INDUSTRIAL RELATIONS :

The relations with the employees have remained cordial.

ACKNOWLEDGEMENTS :

Your Board of directors would like to place on record its sincere appreciation for the whole hearted support and contributions made by Auditors, Banks, Financial Institutions, Suppliers and other Business Associates towards the conduct of the operations of the Company.

For and on behalf of the Board of Director

SUDHIR M. MODY

CHAIRMAN

REGISTERED OFFICE :

D-21/1 M.I.D.C.,
Tarapur, Via Boisar,
Dist. Thane
Dated : 30th June, 2005.
Place : Mumbai

INFORMATION AS PER SECTION 217 (1)(E) OF THE COMPANIES ACT, 1956, READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULE, 1988 AND FORMING PART OF THE DIRECTORS REPORT FOR THE YEAR ENED 31ST MARCH, 2005

A) CONSERVATION OF ENERGY :

- a. With the closure of the Company's manufacturing operation there does not involve substantial energy consumption. However, the Company has taken steps to improve energy utilization wherever possible.
- b. **ADDITIONAL INVESTMENTS AND PROPOSALS FOR REDUCTION OF COUSUMPTION OF ENERGY.**
No additional investments made during the year.
- c. **IMPACT OF THE ABOVE MEASURES : NIL**
- d. **TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION.**
"Form - A" not applicable.

B). TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- a. Currently there is nothing to report on the subject as Company has closed its manufacturing activities.
- b. **Imported Technology :**
No technology was imported by the company during the year under review .

C). FOREIGN EXCHANGE EARNINGS AND OUTGO :-

- (a) activities relating to export, initiative taken to increase exports, development of new export markets for products and service and export plant:
During the current year the Company has exported its products to Far East Countries. Efforts are being made to develop new markets and the Company expects substantial increase in export during the current year.
- (b) **Total Foreign Exchange Earned.**
Used Rs. 2,12,40,920
Earned Rs. 3,09,54,274

For and on behalf of the Board of Director

SUDHIR M. MODY

CHAIRMAN

MANAGEMENT DISCUSSION AND ANALYSIS**A) Industry Structure and Development :**

The Company is engaged in the business of producing intermediate dyes and trading in dyes based on a basic raw material Tobias Acid, which is imported from China. With the import of the basic raw material, the Company carries out processing activities on job work basis and produces the various dyes and dye intermediates.

B) Opportunities and Threats

The Company is finding a good market for its range of products in the developing Asian Countries. This growth in market share has been achieved despite difficult local and global economic circumstances. One of the main threats faced by the Company are the availability of cheaper products form China.

C) Segment-wise Performance

The Company has only one business segment viz dye intermediates and dyes and hence product-wise performance is not provided.

Vivid Chemicals Limited**D) Outlook**

The outlook for the Company's business depends on the Cotton textile industry since majority of the Company's products are used in cotton fabrics. Recent times have seen a reversal of trends from synthetic to cotton fabrics and with the increase in demand for cotton the Company has a tremendous potential for growth.

E) Risk and Concerns

Globalised competitive scenario in Dyes and raw materials and dumping of low price products from the Chinese markets are the major areas of risk and concern for your Company. Any unfavourable trends in the import tariffs on key raw materials may have adverse impact on the cost and selling prices thereby putting pressure on the margins.

F) Internal Control Systems and their Adequacy

The Company has satisfactory internal control system, the adequacy of which has been mentioned in the Auditors' Report.

G) Human Resources

There has been no material development on the Human Resource / Industrial relations front during the year.

Report on Corporate Governance

(pursuant to clause 49 of Listing Agreement)

1. Company's Philosophy on code of Governance :

The Company is committed to benchmarking itself with the best in all areas including Corporate Governance. The Company's philosophy of Corporate Governance is aimed at strengthening the confidence among shareholders, customers employees and ensuring a long term relationship of trust by maintaining transparency and disclosures. The Company is aiming at efficient conduct of the business in meeting its obligations to the shareholders.

2. Board of Directors :

Composition and size of the Board

The present strength of the board is 5. The composition of the Board and category of Directorship, as on 31st March, 2005 are as follows: -

Category	Name of Director	Designation
Promoter	Mr. Sudhir M.Mody	Non -Executive Chairman
Promoter	Mr. Sumish S.Mody	Wholetime Director
Promoter	Mr. Miten S.Mody	Director
Independent	Mr. Raghunath Shedge	Director
Independent	Dr. Umesh Kulkarni	Director

The Board has accordingly optimum combination of executive and non-executive Directors and independent and non-independent Directors. The Independent Directors of the Company do not have any other material or pecuniary relationship or transaction with the Company, its promoters, its management or its subsidiaries, which in judgment of the Board may affect independence of judgment of the Directors. Non-Executive Directors are not paid any remuneration.

No. of Board Meetings held during the year along with the dates of meeting

In financial year 2004 – 2005, the Board met Six times. The Board meetings were held on

- (1) 30th June, 2004 (2) 29th July, 2004, (3) 31st July, 2004,
(4) 29th November, 2004, (5) 29th January, 2005 (6) 28th March, 2005

Attendance of Directors at Board Meeting and last Annual Meeting.

All Directors have attended all Board Meetings except Dr. Umesh Kulkarni who had requested leave of absence from attending two Board Meeting held on 31st July, 2004 and 28th March, 2005.

All the Directors have remained present at the last Annual General Meeting held on 30th September, 2004.

Details of number of Companies and Committees in which each Director is a member and/or chairman:

Name of Director	Directorship in other Companies	No. of Committees in which Chairman/Member
Mr. Sudhir Mody	Nil	Nil
Mr. Miten Mody	4	1
Mr. Sumish Mody	2	Nil
Mr. Raghunath Shedge	3	1/1
Mr. Umesh Kulkarni	Nil	1/1

Details of Directors being re-appointed / appointed :

As per clause 127 of the Articles of Association of the Company Mr. Miten S.Mody and Dr.Umesh Kulkarni retire by rotation and being eligible has offered themselves for re-appointment.

The Brief Profile of Director being appointed/re-appointed (pursuant to Clause 49 of the Listing Agreement) :

1. Name of the Director	Dr. Umesh Kulkarni	Mr. Miten Mody
2. Date of Birth	12.03.1964	14.12.1974
3. Date of Appointment	28.11.1997	26.03.1997
4. Experience in specific areas	More than 10 years experience in the field of pollution and effluent treatment.	More than 5 years experience in the field of dyes and chemicals.
5. Qualifications	Ph.D. degree in Chemical Engineering in Environmental Science	Degree in Chemical Engineering from Rutgers University U.S.A
6. Directorships in other Companies	Nil	Vivid Intermediates Ltd. Mitjay Intermediates Pvt. Ltd. Vivil Investments Pvt. Ltd. Vivid Finance & Holdings Pvt. Ltd.
7. Membership of committees	Member of Audit committee and Shareholder Grievance Committee	Member of Audit committee.

3. Audit Committee:

Terms of reference, Composition:

The terms of reference of this committee covers the matters specified for Audit committee under Clause 49 of the Listing Agreement .

The Audit Committee comprises of all the non-executive directors. Mr. Raghunath Shedge, an independent director is the Chairman of the committee. Dr. Umesh Kulkarni and Mr. Miten Mody are the other members of the Committee.

Meetings of the committee and the attendance:

Audit Committee meetings were held on

(1)30th June, 2004 (2) 29th July, 2004 (3) 29th November, 2004 (4) 29th January,2005.

All the members have attended the aforesaid meetings. The Chairman and the statutory auditors were the invitees to the above meetings.

4. Remuneration of Directors

The Board has not set up a remuneration committee. The Wholtime Director has been paid remuneration of Rs. 90,000 during the year.

5. Shareholders Grievance Committee

The Shareholders Grievance Committee comprises of two independent Directors Mr. Raghunath Shedge and Mr. Umesh Kulkarni. Mr. Umesh Kulkarni is the Chairman of the Shareholders' Committee. Mr. Sudhir Mody is the compliance officer. There are a few complaints that have remained un-redressed. However the Directors are trying to resolve the same at the earliest.