

Directors' Report

Your directors are pleased to present the 54th annual report and audited statement of accounts for the year ended December 31, 2010.

Financial Results

The financial performance of the Company for the year ended December 31, 2010 is summarized below:

	₹ in Lakhs	
	2010	2009
Sales (Gross)	103475.64	97322.24
Less : Excise duty	(6004.36)	(5188.11)
Net sales	97471.28	92134.13
Profit before exceptional items & taxation	17261.83	18761.13
Less : Exceptional items	(729.47)	(2450.46)
Profit before taxation	16532.36	16310.67
Less : Provision for taxation (incl. deferred tax)	(5293.64)	(5466.34)
Less : Provision for taxation – Prior years	2.78	(30.77)
Profit after tax	11241.50	10813.56
Add : Balance brought forward from previous year	3031.67	1097.40
Amount available for appropriation	14273.17	11910.96
Appropriations :		
General reserve	1124.15	1081.36
Interim dividend	2666.07	2666.07
Proposed final dividend	5332.15	3999.11
Corporate tax on dividend (interim, final proposed & incl. previous period)	1312.95	1132.75
Balance carried forward to balance sheet	3837.85	3031.67

Review of operations

The Directors are pleased to inform that your Company has crossed the record mark of ₹ 1000 crores sales (gross) from operations during the year.

In accordance with a business transfer agreement (BTA) signed in the previous year, the Company sold its diketene and intermediates business located at Balkum, Thane together with movable assets, and technical know-how for a total consideration of ₹ 13.25 crores to M/s. Laxmi Organic Industries Ltd. in January, 2010.

As a result of improved business operations, your Company registered a growth of **5.8** percent in sales, which on like to like basis, after considering the loss of sales from sale of diketene and intermediate business (₹ 8209.69 lakhs), amount to a record growth of **16.1** percent over previous year.

The increase in the cost of raw materials and other expenses resulted into lowering of PBDIT margin before exceptional items from 22.6 percent to 19.5 percent. Net profit after accounting for exceptional items and after tax is marginally higher over the previous year. The Company has further consolidated its market position in the highly competitive business segments in which it operates. These results were achieved by the Company in the macroeconomic environment which witnessed intensifying competition. Of the total sales revenue of the Company for the year, **21** percent is contributed by exports.

Dividend

During the year, your directors had declared an interim dividend of ₹ **10** per share (**100%**) and the same was paid in August 2010. Considering the sustained performance for the year and the policy for distribution of profits to the shareholders adopted by the company, the Board of Directors is pleased to recommend a **final dividend** of ₹ **20** per share (**200%**).

The total dividend for the year under review amounts to ₹ **30** per share (**300%**) as compared to ₹ 25 per share (250%) paid for the previous year. The dividend together with tax thereon for the year entails cash out flow of ₹ **9327 lakhs** (previous year ₹ 7782 lakhs) and pay out of **83%** of the net profit.

Sale of Land at Balkum, Thane

In accordance with the authority granted by the shareholders and as per the memorandum of understanding (MOU) signed between the Company and M/s. Ananta Landmarks Pvt. Ltd. for sale of balance land together with the infrastructure thereon located at Balkum, Thane, the Company has handed over the possession and on receipt of the entire sale consideration of ₹ 240 crores, the transaction has been concluded during February 2011. The profit resulting from the sale will be reflected in the financial results for the Quarter 1, 2011 to be announced by the Company as per listing regulations.

Shifting of Registered Office

The Registered office of your Company has been shifted from Ravindra Annexe, 194, Churchgate Reclamation, Mumbai 400 020 to

Kolshet Road, Sandoz Baug, Thane-400 607 effective from May 1, 2010.

Fixed Deposits

The Company did not accept any fixed deposits during the year under review. There were no overdue or unclaimed deposits outstanding as on December 31, 2010.

Subsidiary Company

Chemtreat Composites India Private Limited, the wholly owned subsidiary of your Company, recorded net sales of ₹ 656.59 lakhs as against ₹ 298.51 lakhs in the previous year, registering a good growth in value and volume terms.

In terms of section 212(8) of the Companies Act, 1956, the Central Government has granted its approval, exempting the Company from the requirement of attaching to its annual report, the balance sheet, profit and loss account and the report of directors and auditors thereon of its subsidiary. Accordingly, the same is not attached to the balance sheet of the Company. Shareholders who wish to have a copy of annual accounts of subsidiary company may write to the Company Secretary at the registered office of the Company.

Consolidated Financial Statements

In accordance with the Accounting Standards AS-21, notified by Companies (Accounting Standards) Rule, 2006, the consolidated financial statements covered in this annual report by the Company include financial information of its subsidiary Chemtreat Composites India Private Limited and forms part of this annual report.

Management Discussion and Analysis Report

In accordance with Clause 49 of the listing agreements, the Management Discussion & Analysis Report forms a part of this report.

Corporate Governance

Your Company has always strived to maintain appropriate standards of good corporate governance. The report on corporate governance as stipulated under Clause 49 of the listing agreements forms part of this report. The requisite certificate from the auditors of the Company confirming compliance with the conditions of corporate governance as stipulated under the said clause is attached to this report.

Particulars of Employees

The particulars of employees required to be furnished under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, forms part of this report. However, as per provisions of section 219(1) (b) (iv) of the Companies Act, 1956, the report and accounts are being sent to all shareholders, excluding the statement of particulars of employees. Any shareholder interested in obtaining a copy of this statement, may write to the Company Secretary at the registered office of the Company.

Directors

Dr. Andreas Walde resigned as Director with effect from March 3, 2010 and Mr. Alfred Muench was appointed as Director with effect from April 24, 2010, to fill up the casual vacancy caused by resignation of Dr. Walde. Notice has been received from a shareholder under section 257 of the Companies Act, 1956 proposing Mr. Muench as a Director of the Company.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Bansi S. Mehta is due to retire at the forthcoming Annual General Meeting, and being eligible, has offered himself for re-appointment.

Details of the directors seeking re-appointment are provided in the Corporate Governance Report forming part of this report, as required under Clause 49 of the listing agreements with the stock exchanges.

Directors' Responsibility Statement

In terms of section 217 (2AA) of the Companies Act, 1956 your directors confirm that -

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (b) they 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 as at December 31, 2010 and of the profit of the Company for that year;
- (c) they 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 for preventing and detecting fraud and other irregularities;
- (d) they have prepared the annual accounts on a going concern basis.

Conservation of Energy, Research and Development, Technology Absorption, Foreign Exchange Earnings and Outgo

Information pursuant to section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is annexed hereto and forms part of the report.

Auditors

M/s. Deloitte Haskins & Sells, Chartered Accountants, retire at the conclusion of the ensuing annual general meeting and being eligible, offer themselves for re-appointment. Members are requested to appoint the auditors and fix the remuneration payable to them.

Cost Audit

The Board of Directors, in pursuance of an order under section 233B of the Companies Act, 1956 issued by the Central Government, has

appointed Cost Accountants for conducting audit of the cost accounts maintained by the Company in respect of Dyes for the financial year 2010.

Acknowledgement

The Board of Directors would like to acknowledge all its stakeholders and is grateful for the support received from shareholders, bankers, distributors, suppliers and business associates. Your Directors recognize and appreciate the sincere and hard work, loyalty, dedicated efforts and contribution of all the employees that ensured sustained all round performance in a challenging business environment.

Your Directors also express their appreciation of the assistance and unstinted support received from Clariant group companies.

For and on behalf of the Board of Directors,

Mumbai, February 24, 2011

R.A. Shah
Chairman

Annexure to Directors' Report

Information as per section 217(1)(e) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' report for the year ended December 31, 2010.

FORM-A

Particulars with respect to conservation of energy

A. Power and fuel consumption :

	2010	2009
1. Electricity:		
a) Purchased:		
Units (in '000 Kwh)	30966	49592
Total amount (₹ Lakhs)	1670	2605
Rate per Unit (₹)	5.39	5.25
b) Own Generation:		
i) Through diesel generator		
Units (in '000 Kwh)	2227	1650
Units per Litre of diesel oil	3.27	3.28
Cost per Unit (₹)	11.74	10.58
ii) Through Steam turbine/ generator	Nil	Nil
2. Coal		
Quantity (MT)	2856	6178
Total cost (₹ Lakhs)	162	365
Average rate (₹ per Kg.)	5.66	5.90
3. Furnace Oil (including L.S.H.S.)		
Quantity (MT)	3721	3712
Total Cost (₹ Lakhs)	959	755
Average rate (₹ per Kg.)	25.78	20.40
4. Other internal generation	Nil	Nil
5. Agro mass briquettes		
Quantity (MT)	7494	8200
Total cost (₹ Lakhs)	330	334
Average rate (₹ per Kg.)	4.40	4.08
6. Lignite/Fire wood		
Quantity (MT)	1815	2190
Total cost (₹ Lakhs)	35	35
Average rate (₹ per Kg.)	1.92	1.58

B. Consumption per unit of production :

The Company manufactures a wide variety of products. The products before reaching the finished final stage pass through various operations in the different plants. It is, therefore, not feasible to furnish the information in respect of consumption per unit of production.

FORM-B**Form of disclosure of particulars with respect to Technology Absorption, Research & Development (R&D)****Research & Development****1. Specific Areas in which R&D is carried out by the Company :**

R&D work is carried out in two major areas :

- i. Research for new molecules of pigments,
- ii. Process optimization for cost reduction.

The classical pigments, which are more than 50 years old, are produced by several pigment manufacturers across the world. Although these pigments are, generally speaking, cost effective, many times they have unsatisfactory application properties. To have pigments for niche applications e.g. automotive coatings, non-impact printing, colour filter, fiber, etc. pigments with very high fastness properties (light, heat, etc.) are required. With this aim, attempts were made to create hitherto unknown new molecules of pigments to yield yellow, orange and red shades.

Apart from the research work mentioned above, attempts were also made to optimize the existing pigment process of yellow, red and blue pigments. Focus was on to improve productivity, reduce raw material consumption and utilities such as water, steam, ice as well as to reduce the content and quantity of effluent. All the above process modification would lead to reduction in the manufacturing cost.

2. Benefits derived as a result of the above R & D :

The new molecules of pigments synthesized, prima facie, showed promising colouristics and application properties. For exhaustive testing which would reflect the performance in actual usage by the customer, testing was being done at the Labs of Clariant in Frankfurt, Germany.

The optimized process certainly resulted in substantial cost saving in terms of raw materials, utilities and overheads. The lower quantity of effluent certainly contributed to the efforts of 'Responsible Care'.

3. Future plan of action :

R&D will continue its efforts on projects which would lead to higher "value in use" products for the customers, cost reduction, improved product safety and ecology.

4. Expenditure on R & D

	2010 (₹ Lakhs)	2009 (₹ Lakhs)
(a) Capital	—	3.36
(b) Revenue	37.75	224.20
(c) Total	37.75	227.56
(d) Total R & D expenditure as percentage of total turnover	0.04%	0.25%

Technology absorption, adaptation and innovation:**1. Efforts, in brief, made towards technology absorption, adaptation and innovation :**

The R&D department absorbs the knowledge of chemical technology from various sources such as know-how from the parent company and it's worldwide affiliates, our own experimental data bank, published literature etc. and thereafter adapts the same to the Company's infrastructure. While adapting technology, care has to be taken that it suits the locally available raw materials and production plants. Also it is to be ensured that the raw material specifications are not 'over demanding' and the raw material cost is affordable. The new/improved technology is used to effect improvements to the products and processes as well as for the containment of pollution.

2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.

Benefits derived from these efforts include process rationalization, product quality improvement, import substitution and overall cost reduction.

3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished

- (a) Technology imported : Nil
- (b) Year of import : N.A.
- (c) Has technology been fully absorbed? : N.A.

Foreign exchange earnings and outgo

	2010 (₹ Lakhs)	2009 (₹ Lakhs)
1. Total foreign exchange earned	21725.54	18064.41
2. Total foreign exchange used	27006.01	23689.50

For and on behalf of the Board of Directors

Mumbai, February 24, 2011

R.A. Shah
Chairman