DIRECTORS’ REPORT TO THE MEMBERS

Dear Members,

Your Directors are pleased to present the Twenty Sixth Annual Report and the Audited Financial Statements for the year ended 31st March, 2017.

FINANCIAL RESULTS (Summary of key data) [Rs. In Lakhs]

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2016-2017</th>
<th>2015-2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Receipts</td>
<td>35762</td>
<td>35528</td>
</tr>
<tr>
<td>Other Income</td>
<td>484</td>
<td>453</td>
</tr>
<tr>
<td>Total Revenue Receipts including other income</td>
<td>36246</td>
<td>35981</td>
</tr>
<tr>
<td>Profit before Finance Cost, Depreciation &amp; Tax</td>
<td>3133</td>
<td>2815</td>
</tr>
<tr>
<td>Less: Finance Cost</td>
<td>30</td>
<td>43</td>
</tr>
<tr>
<td>Depreciation</td>
<td>293</td>
<td>262</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>2810</td>
<td>2510</td>
</tr>
<tr>
<td>Less: Current Tax</td>
<td>774</td>
<td>656</td>
</tr>
<tr>
<td>Deferred Tax</td>
<td>(3)</td>
<td>20</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>2039</td>
<td>1834</td>
</tr>
<tr>
<td>Balance brought forward from previous year</td>
<td>513</td>
<td>377</td>
</tr>
<tr>
<td>Profit available for appropriations</td>
<td>2552</td>
<td>2211</td>
</tr>
</tbody>
</table>

APPROPRIATION

| Interim Dividend on Equity Shares | 265 | 265 |
| Tax on Dividend                   | 54  | 54  |
| General Reserve                   | 2016| 1379|
| Balance Carried to Balance Sheet  | 217 | 513 |

RESULTS OF OPERATIONS AND THE STATE OF COMPANY’S AFFAIRS

The highlights of the Company’s performance as compared to previous year are as under:-

- Revenue from operations increased to Rs. 35,762 lakhs as against Rs. 35,528 lakhs
- PBDIT increased by 11.30% to Rs. 3133 lakhs as against Rs. 2815 lakhs
- Profit before Tax increased by 11.95% to Rs. 2810 lakhs as against Rs. 2510 lakhs
- Earnings per share increased by 11.16% to Rs. 19.22 as against Rs. 17.29
- Cash Profit increased by Rs. 331 lakhs to Rs. 3103 lakhs as against Rs. 2772 lakhs
- Net Profit after tax increased by 11.18% to Rs. 2039 lakhs as against Rs. 1834 lakhs

REVIEW OF OPERATIONS

During the year under review, your Company performed well in all areas of its operations, with top line consistency and consistent growth in earnings. Your Company has maintained its leadership, mainly due to continuous focus on Research, Development and Technology up-gradation of innovative products and is reasonably confident to further improve its performance in forthcoming years.

The company has achieved a turnover of Rs. 35,762 lakhs as against Rs. 35,528 lakhs in the previous year.

EXPORT

Your Company achieved a direct export turnover of Rs. 9837 lakhs. International buyers show preference to your company’s product mainly because of its quality, technical support, R & D service. The international market is expected to grow further, which will enable the company to achieve higher export turnover in the years to come.

DIVIDEND

The Company has declared and distributed an interim dividend of Rs. 2.50 per equity share of Rs. 10 each in March, 2017. Your directors recommend payment of final dividend for the financial year ended March 31, 2017 of Rs. 1.00 per equity share of Rs. 10/- each.

The total dividend of 35% , if approved at the forthcoming Annual General Meeting, will result in the out flow of Rs. 371.35 lakhs to the company in addition to Rs.75.60 lakhs by way of dividend distribution tax.

MARKETING

Through consistent efforts in maintaining and improving the international quality standards, your Company has created good demand for its products. This has helped in facing price competition in both domestic and international markets. With sustained efforts, we expect further improvements in our performance in the current year. Your Company will continue to seek new markets while consolidating its hold over the existing customers.

RESEARCH AND DEVELOPMENT

Your Company considers R&D as an essential tool to maintain it’s technical advantage over competitors and to develop innovative products. R & D is central to achieving excellence in product quality with improved processes and optimization of available resources.

It makes continuous efforts to adopt and implement new technologies and to improve the product-mix/process, so as to create higher value items at lower costs, to widen its range of new generation master batches and to facilitate the production of customized products. It strives to leverage modern advances in science and technology and blend the same with classical concepts of product development.
Your Company has, over the years, invested significantly in its Research & Development (R&D) facility, as a key source of sustainable competitive advantage. The in-house R & D division of your Company, located at its plant, is recognized by the Department of Science and Industrial Research (DSIR), Government of India. Details appended in Annexure I to this Report.

QUALITY INITIATIVES
Your Company has established various quality initiatives to meet or exceed the expectations of its customers. It has invested in various pilot plants and state-of-the-art testing equipments in order to carry out all relevant tests for masterbatches, which support the smooth running at the customers’ production processes.

Your company receives continuous feedback through close interaction with your Company's customers and independent laboratories, which it takes on board for the continued optimization of its products and processes.

STAR EXPORT HOUSE STATUS AND CRISIL RATING
Sustained exports has enabled your Company to maintain its Two Star Export House Status under the Foreign Trade Policy 2015-2020, being eligible for the same.

The Company's Credit Rating is A/ Stable/ A1, assigned by CRISIL for its working capital borrowings, which signifies a strong degree of safety with regard to timely payments.

DIRECTORS AND KEY MANAGERIAL PERSONNEL
Shri Gaurav Goenka has been appointed as a director of the company and Shri M. Mahadevan has been appointed as an independent director of the company in the 25th AGM held on 09.08.2016.

In accordance with the provisions of the Act and the Articles of Association of the Company, Shri Gaurav Goenka retires by rotation at the ensuing Annual General and being eligible, has offered himself for re-appointment.

The Company has received declarations from all the Independent Directors of the company confirming that they meet the criteria of independent directorship as prescribed under the Act and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Disclosure relating to remuneration and other details as required under section 197(12) of the Companies Act, 2013 read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed and marked as Annexure II to this Report.

MEETINGS
A calendar of Meetings is prepared and circulated in advance to the Directors. During the year, five Board Meetings and four Audit Committee Meetings were convened and held, the details of which are given in the Corporate Governance Report. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013. For further details, please refer report on Corporate Governance of this Annual Report.

CORPORATE GOVERNANCE
Your Company has been actively practicing the principles of good corporate governance over the years. It is committed to maintain the highest standards of corporate governance and adhering to the corporate governance requirements set out by SEBI. The Board of Directors supports the broad principles of corporate governance. In addition to the basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

The report on Corporate Governance (in accordance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Auditors’ certificate on compliance by the Company and the Management Discussion & Analysis, have been included in the Annual Report as a part of this Report.

CONTRACTS AND ARRANGEMENTS WITH RELATED PARTIES
All contracts/ arrangement/ transactions entered by the company during the financial year with related parties were in the ordinary course of business and at arm's length basis. There are no materially significant related party transactions made by the company with promoters, key managerial personnel or other designated persons which may have potential conflict with interest of the company at large.

Your Directors draw attention of the members to Note no. 32 to the financial statement, which sets out the details of related party transactions.

COMPLIANCE WITH THE CODE OF CONDUCT
The Directors and Senior Management Personnel have reaffirmed their compliance with the code of conduct.

DEPOSITS
The company has neither accepted any deposits during the year under review, nor does it have any deposits outstanding at the year-end.

EMPLOYEES
The information required under Section 197 (12) of the Companies Act, 2013 read with Rules 5 (2) & 5 (3) of the Company’s (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is given in the Annexure III hereto forming part of the Report.

SUCCESSION PLANNING
Your Company has put in place a policy on succession planning to assess, develop, and retain a talent pool of associates, in order to ensure a continuity of leadership for all critical positions.
MECHANISM FOR EVALUATION OF BOARD

Evaluation of all Board members is done on an annual basis. The evaluation is done by the Board, Nomination and Remuneration Committee and Independent Directors with specific focus on the performance and effective functioning of the Board and Individual Directors.

The criteria covers various aspects for evaluation of Independent Directors and including participation at the Board/Committee meetings, effective use of knowledge and expertise, management of relationship with stakeholders, integrity and maintaining of confidentiality, unbiased behavior and judgment, exercise of objective independent judgment in the best interest of the Company, ability to contribute to and monitor corporate governance practice and adherence to the code of conduct for independent directors.

For evaluation of the Board aspects such as the development of suitable strategies and business plans, implementation of robust policies and procedures, size, structure and expertise of the Board are considered.

For evaluation of the Managing Director and Director & CEO aspects such as achievement of financial/business targets prescribed by the Board, Development and management/execution of business plans, operational plans, risk management and financial affairs of the organization and development of policies and strategic plans which harmoniously balance the needs of shareholders, clients, employees and other stakeholders, in alignment with the vision and mission of Company are considered.

For evaluation of the Non-Executive Directors’ aspects such as participation in the Board/Committee meetings, effective deployment of knowledge and expertise, Independence of behaviour and judgment are considered.

For evaluation of the Committees’ aspects such as discharge of its functions and duties as per its terms of reference, process and procedures followed for discharging its functions & effectiveness of suggestions and recommendations received are considered.

For evaluation of the Chairperson of the Board aspects such as managing relationships with the members of the Board and management, providing ease of raising of issues and concerns by the Board members and promoting constructive debate and effective decision making at the board are considered.

The evaluation process has been explained in the Corporate Governance Report section in this Annual Report. The Board has approved the evaluation results as collated by the Nomination and Remuneration Committee.

AUDITORS AND AUDITORS’ REPORT

Statutory Auditors
M/s K.N. Gutgutia & Company, Chartered Accountants, were appointed Statutory Auditors of the Company at the 25th Annual General Meeting held on 9th August, 2016 till the conclusion of the 26th Annual General Meeting. M/s K.N. Gutgutia & Co. would vacate office as the Auditors of the Company at the conclusion of the ensuing Annual General Meeting pursuant to the provisions of Section 139(2) (b) of the Companies Act, 2013 dealing with the compulsory rotation of Auditors. The Audit Committee of the Board has recommended to appoint M/s M. L. Garg & Company, Chartered Accountants (Firm Registration Number 001604N) as the Statutory Auditors of the Company to hold the office from the conclusion of the 26th Annual General Meeting of the Company until the conclusion of the 31st Annual General Meeting, subject to ratification of appointment at every Annual General Meeting of the company. Necessary resolution for the appointment of M/s M. L. Garg & Company, Chartered Accountants as the Statutory Auditors is included in the notice of the 26th Annual General Meeting.

The Notes on financial statement referred to in the Auditors’ Report are self-explanatory and do not call for any further comments under Section 134 of the Companies Act, 2013. The Auditors’ Report does not contain any qualification, reservation or adverse remark.

The Statutory Auditors have not reported any incident of fraud to the Audit Committee of the Company in the year under review.

Cost Auditors
Complying with the provisions of Section 148 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel ) Rules, 2014, the Board has appointed Shri B. L. Patni, Practising Company Secretary, to conduct Secretarial Audit for the financial year 2016-17. Your Company submits its Cost Audit Report with the Ministry of Corporate Affairs within the stipulated time period.

Secretarial Auditor
Pursuant to provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel ) Rules, 2014, the Board has appointed Shri B. L. Patni, Practising Company Secretary, to conduct Secretarial Audit for the financial year 2016-17.
Audit Report for the financial year ended March 31, 2017 is annexed and marked as Annexure-IV to this Report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

ENVIRONMENT, SAFETY, ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO
Your Company accords high priority to health, safety and environment, particularly in and around its facilities. Safety awareness is provided through regular Safety awareness programme, basic fire safety training, mock drills etc. As a part of safety management system, a comprehensive Safety manual has been developed for use by the operating and safety personnel. There haven’t been any accidents reported during the year under review.

In addition, energy conservation is a key priority for your Company and it continuously strives to achieve this through process improvements and through the enhancement of equipment capabilities.

Particulars relating to Energy Conservation (Refer Annexure-V), Technology Absorption (Refer Annexure-VI) and Foreign Exchange Earnings and Outgo (Refer Annexure-VII), as required under section 134 of the Companies Act, 2013, are enclosed as a part of this report.

CORPORATE SOCIAL RESPONSIBILITY (CSR)
Corporate Social Responsibility is a commitment from the Company to improve the quality of life of the workforce and their families and also the community and society at large. The Company believes in undertaking business in such a way that it leads to overall development of all stakeholders and society.

The Corporate Social Responsibility policy was adopted by the Board of Directors on the recommendation of Corporate Social Responsibility Committee. Report on Corporate Social Responsibility as Per Rule 9 of Companies (Corporate Social Responsibility Policy) Rules, 2014 is enclosed as Annexure - VIII to this Report.

The Company has spent Rs. 47.50 Lakhs, which is more than 2% of average net profit of the company for the last three years.

RISK MANAGEMENT
Pursuant to Section 134(3) (n) of the Companies Act, 2013 & under regulations 21 of the SEBI (Listing obligations and disclosure requirements) Regulations, 2015, the Company had formulated a Risk Management Policy for dealing with different kinds of risks which it faces in day to day operations of the Company. The Risk Management Policy of the Company outlines different kinds of risks and risk mitigating measures that are to be adopted by the Board. The company has adequate internal control systems and procedures to combat the risk. The Risk management procedure is reviewed by the Audit Committee and Board of Directors on a quarterly basis at the time of review of Quarterly Financial Results of the Company. This has also been covered in the Management Discussion and Analysis, forming part of this report.

VIGIL MECHANISM/ WHISTLE BLOWER POLICY
In pursuant to the provisions of section 177(9) & (10) of the Companies Act, 2013 and in terms of the Listing Agreements, a Vigil Mechanism, which is a whistle blower policy for directors and employees to report genuine concerns has been established. The said policy has been uploaded on the website of the Company.

PREVENTION OF INSIDER TRADING
The Company has adopted a Code of Conduct for Prevention of Insider Trading with a view to regulate trading in securities by the Directors and designated employees of the Company. The Code requires pre-clearance for dealing in the Company's shares and prohibits the purchase or sale of Company shares by the Directors and the designated employees while in possession of unpublished price sensitive information in relation to the Company and during the period when the Trading Window is closed. All the Directors and the designated employees have confirmed compliance with the Code.

INSURANCE
All properties and insurable interests of the Company including building, plant and machinery and stocks have been fully insured.

INTERNAL FINANCIAL CONTROLS
Your company has well established systems & rules for ensuring the orderly and efficient conduct of business, including adherence to company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of accounting records and timely preparations of reliable financial statements. Required system, to carry out risk assessment for identifying the risks along with its possible magnitude that need to be mitigated to determine the risk in each process and then to develop and design internal control to mitigate each risk, is in existence.

Your company has a well tested ERP system with requisite internal control to ensure financial safety as well as timely preparation of reliable financial statements.

PARTICULARS OF LOAN, GUARANTEE AND INVESTMENT
During the year, the company had given inter-corporate deposit for a short period and the same has been squared off within the same year. The details of the investments made by company are given in Note no. 11 & 14 to the financial statements.
EXTRACT OF THE ANNUAL RETURN

As required pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of annual return in MGT 9 is annexed as a part of this Annual Report as Annexure-IX.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 134 of the Companies Act, 2013, based upon the certification from SMPs, the Directors confirm:

a) that in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

b) that the directors have selected such accounting policies and applied them consistently and have 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 31st March, 2017 and of the profit of the Company for the period ended on that date;

c) that the directors have taken proper and sufficient care to ensure the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) that the directors have prepared the Annual Accounts on a 'going concern' basis;

e) that the directors have laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and are operating effectively and

f) that the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

TRANSFER OF AMOUNTS TO INVESTOR EDUCATION AND PROTECTION FUND

1. Your Company did not have any funds lying unpaid or unclaimed for a period of seven years. Therefore there were no funds that were required to be transferred to the Investor Education and Protection Fund (IEPF). Pursuant to the provisions of the Investor Education and Protection Fund (Accounting, Audit, Transfer and Refund) Amendment Rules, 2017 the Company has already filed the necessary form and uploaded the details of unpaid and unclaimed amounts lying with the Company, as on the date of last AGM (i.e. 9th August, 2016), on the website of the Company (www.poddarpigmentsld.com) and also on the website of the Ministry of Corporate Affairs.

2. Compulsory transfer of Equity Shares to Investor Education and Protection Fund (IEPF) Suspense Account:

Pursuant to the provisions of Section 124 and 125 of the Companies Act, 2013 and the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Amendment Rules, 2017, ("Rules") all shares on which dividend has not been paid or claimed for seven consecutive years or more shall be transferred to an IEPF suspense account after complying with the procedure laid down under the "Rules", as and when become due for such transfer.

INDIAN ACCOUNTING STANDARDS (Ind AS)

The company will adopt Indian Accounting Standards (Ind AS) with effect from 1st April, 2017 pursuant to Ministry of Corporate Affairs’ notification of the Companies (Indian Accounting Standards) Rules, 2015.

GENERAL

Your Directors state that no disclosure or reporting is required during the year under review as there were no transaction on the following items:

1. Issue of equity shares with differential rights as to dividend, voting or otherwise.
2. Employees' Stock options Scheme (ESOS).
3. Holding or Subsidiary or Associate company.
4. Significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company’s operations in future.
5. Issue of any sweat equity shares.

Your Directors further state that during the year under review, there were no case filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

No material changes and commitments have occurred, after the close of the year till the date of this report, which affect the financial position of the Company.

ACKNOWLEDGEMENT

The Management is grateful to the various government and semi-government authorities, bankers, investors, marketing dealers, suppliers, vendors and customers for their valued support and co-operation.

The Directors also wish to place on record their appreciation for the dedication and excellent contribution of the employees in realizing and achieving the objectives of the Company. The enthusiasm of the executives, staff and workers has enabled the company to remain consistently on growth path.

For and on behalf of the Board of Directors

S. S. Poddar