



Report  junction.com



Exactly your chemistry.

*Annual Report 2005-2006*  
**Clariant Chemicals (India) Limited**

## Corporate Information

### BOARD OF DIRECTORS

Mr. R. A. Shah – Chairman (w.e.f. 25th March, 2006)  
Mr. H. Meier – Vice-Chairman & Managing Director (w.e.f. 1st April, 2006)  
Mr. B. S. Mehta  
Diwan A. Nanda  
Mr. K. J. Bharucha – (Vice-Chairman & Managing Director upto 31st March, 2006)  
Mr. P. Lindner – (Chairman upto 24th March, 2006)  
Dr. A. Walde  
Mr. W. Mohr

Mr. Sunil K. Nayak – Chief Financial Officer & Company Secretary

### AUDIT COMMITTEE

Mr. R. A. Shah – Chairman  
Diwan A. Nanda  
Mr. K. J. Bharucha

### MANAGEMENT COMMITTEE

Mr. H. Meier – Chairman  
Mr. Sunil K. Nayak  
Mr. A. K. Prasad  
Dr. G. G. Patkar  
Dr. S. Siddhan  
Mr. S. S. Patil

### AUDITORS

A. F. Ferguson & Co., Chartered Accountants

### INTERNAL AUDITORS

Mahajan & Aibara, Chartered Accountants

### SOLICITORS

Crawford Bayley & Co.

### BANKERS

The Hongkong & Shanghai Banking Corpn. Ltd.  
Standard Chartered Bank  
Citibank N.A.

### REGISTERED OFFICE

Ravindra Annexe  
194, Churchgate Reclamation  
Mumbai-400 020

### WORKS

Dhatav, Roha, Dist. Raigad-402 116  
Balkum, Thane-400 608  
Kolshet Road, Thane-400 607  
Kudikadu, P. O., Cuddalore-607 005  
Singhadivakkam Village, Kanchipuram-631 561

### REGISTRAR & SHARE TRANSFER AGENTS

Sharepro Services (India) Pvt. Limited  
Satam Estate, Chakala, Andheri (E)  
Mumbai-400 099

### ANNUAL GENERAL MEETING

Date : 27th July, 2006  
Time : 03.00 p.m.  
Day : Thursday  
Venue: Y. B. Chavan Auditorium  
Gen. J. B. Marg  
Next to Sachivalaya Gymkhana  
Mumbai - 400 021

## Notice

NOTICE is hereby given that the FORTY-NINTH ANNUAL GENERAL MEETING of the Members of **Clariant Chemicals (India) Limited** will be held at Y. B. Chavan Auditorium, Gen. Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana, Mumbai – 400 021 on Thursday July 27, 2006 at 03.00 p.m. to transact the following business:

### Ordinary Business:

1. To receive, consider, approve and adopt the Balance Sheet as at March 31, 2006 and the Profit and Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To declare a dividend for the year 2005-2006.
3. To appoint M/s A. F. Ferguson & Co., Chartered Accountants, as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

### Special Business:

4. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary resolution:  
"RESOLVED THAT Mr. B. S. Mehta, who was appointed as a Director of the Company by the Board of Directors with effect from 25.03.06 in the casual vacancy caused by the resignation of Mr. H. K. Bilpodiwala and who holds office up to the day of this Annual General Meeting under section 262 of the Companies Act, 1956, and being eligible, offers himself for re-appointment and in respect of whom the Company has received notice in writing under section 257 of the Companies Act, 1956, along with the prescribed deposit, from a shareholder signifying his intention to propose Mr. Mehta as a candidate for the office of Director, be and is hereby appointed as a Director of the Company whose term of office shall be liable to determination by retirement of Directors by rotation."
5. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary resolution:  
"RESOLVED THAT Mr. W. Mohr, who was appointed as a Director of the Company by the Board of Directors with effect from 25.03.06 in the casual vacancy caused by the resignation of Mr. P. R. Rastogi and who holds office upto the day of this Annual General Meeting under section 262 of the Companies Act, 1956, and being eligible, offers himself for re-appointment and in respect of whom the Company has received notice in writing under section 257 of the Companies Act, 1956, along with the prescribed deposit, from a shareholder signifying his intention to propose Mr. Mohr as a candidate for the office of Director, be and is hereby

appointed as a Director of the Company whose term of office shall be liable to determination by retirement of directors by rotation."

6. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary resolution:  
"RESOLVED THAT Dr. A. Walde, who was appointed as an Additional Director of the Company by the Board of Directors with effect from 01.08.05, pursuant to Article 113 of the Articles of Association of the Company and who holds office up to the day of this Annual General Meeting under section 260 of the Companies Act, 1956, and being eligible, offers himself for re-appointment and in respect of whom the Company has received notice in writing under section 257 of the Companies Act, 1956, along with the prescribed deposit, from a shareholder signifying his intention to propose Dr. Walde as a candidate for the office of Director, be and is hereby appointed as a Director of the Company whose term of office shall be liable to determination by retirement of Directors by rotation."
7. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary resolution:  
"RESOLVED THAT Mr. K. J. Bharucha, who was appointed as an Additional Director of the Company by the Board of Directors with effect from 01.04.06, pursuant to Article 113 of the Articles of Association of the Company and who holds office up to the day of this Annual General Meeting under section 260 of the Companies Act, 1956, and being eligible, offers himself for re-appointment and in respect of whom the Company has received notice in writing under section 257 of the Companies Act, 1956, along with the prescribed deposit, from a shareholder signifying his intention to propose Mr. Bharucha as a candidate for the office of Director, be and is hereby appointed as a Director of the Company whose term of office shall be liable to determination by retirement of Directors by rotation."
8. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary resolution:  
"RESOLVED THAT Mr. H. Meier, who was appointed as an Additional Director of the Company by the Board of Directors with effect from 29.08.05, pursuant to Article 113 of the Articles of Association of the Company and who holds office up to the day of this Annual General Meeting under section 260 of the Companies Act, 1956, and being eligible, offers himself for re-appointment and in respect of whom the Company has received notice in writing under section 257 of the Companies Act, 1956, along with the prescribed deposit, from a shareholder signifying his intention to propose Mr. Meier as a candidate for the

office of Director, be and is hereby appointed as a Director of the Company."

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 and in terms of Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, approval of members be and is hereby accorded to the re-appointment of Mr. K. J. Bharucha as Vice Chairman & Managing Director of the Company for a period of six months from 1st October 2005 upon the terms and conditions including remuneration, benefits and perquisites payable or extended to him as set out in the agreement between the Company and Mr. Bharucha, copy whereof initialed by the Chairman for the purpose of identification has been placed before this meeting, which agreement is hereby specifically approved.

RESOLVED FURTHER THAT in the event of absence or inadequacy of net profit in financial year, the remuneration payable to the Managing Director shall be governed by Section II of Part II of Schedule XIII of the Companies Act, 1956, or any statutory modification thereof.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to alter and vary the aforesaid terms as to remuneration (including perquisites) within the ceiling limits in that behalf laid down in Schedule XIII to the Companies Act, 1956 as in force from time to time.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, any Director and the Company Secretary of the Company be and are hereby authorised to execute under the Common Seal of the Company the necessary agreement with Mr. Bharucha."

10. To consider and, if thought fit, to pass, with or without modification, the following resolution as a Special resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 and in terms of Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, approval of members be and is hereby accorded to the appointment of Mr. H. Meier as Vice Chairman & Managing Director of the Company for a period of three years with effect from April 1, 2006 upon the terms and conditions including remuneration, benefits and perquisites payable or extended to him as set out in the agreement between the Company and Mr. Meier, copy whereof initialed by the Chairman for the purpose of identification has been placed before this meeting, which agreement is hereby specifically approved.

RESOLVED FURTHER THAT in the event of absence or inadequacy of net profit in financial year, the

remuneration payable to the Vice Chairman & Managing Director shall be governed by Section II of Part II of Schedule XIII of the Companies Act, 1956, or any statutory modification thereof.

RESOLVED FURTHER THAT in accordance with Articles 127 of the Articles of Association of the Company, Mr. Meier shall not be subject to retirement by rotation during his tenure as Vice Chairman & Managing Director.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to alter and vary the aforesaid terms as to remuneration (including perquisites) within the ceiling limits in that behalf laid down in Schedule XIII to the Companies Act, 1956 as in force from time to time.

RESOLVED FURTHER THAT in the event of any statutory amendment, modification or relaxation by the Central Government to Schedule XIII to the Companies Act, 1956, the board of Directors of the company (herein after referred to as 'the Board' which term shall be deemed to include any Committee which the Board may constitute to exercise its powers, including powers conferred by this resolution) be and is hereby authorised to vary and/or increase the remuneration including salary, commission, perquisites, allowances, etc., within such prescribed limit(s) or ceiling and the agreement between the Company and the Vice Chairman & Managing Director be suitably amended to give effect to such modification, relaxation or variation without any further reference to the members of the Company in General Meeting.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, any Director and the Company Secretary of the Company be and are hereby authorised to execute under the Common Seal of the Company the necessary agreement with Mr. Meier."

By Order of the Board  
For **CLARIANT CHEMICALS (INDIA) LTD**

Sunil K. Nayak  
Chief Financial Officer  
& Company Secretary

Mumbai, 30th May, 2006

Registered Office:  
Ravindra Annexe  
194, Churchgate Reclamation  
Mumbai-400 020.

#### NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.



Proxy in order to be effective must be received at the registered office of the Company not less than 48 hours before the meeting.

2. The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the special business under item No. 4 to 10 set out above is hereto annexed.
3. Profiles of the Directors being appointed / reappointed as required under clause 49 of the listing agreement are provided in the report on Compliance of Corporate Governance.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, 13th July 2006 to Thursday, 27 July 2006, both days inclusive, for the purpose of payment of dividend, if declared at the Annual General Meeting.
5. The final dividend on shares as recommended by the Board of Directors, if declared at the meeting, will be paid:
  - (i) in respect of shares held in demat form on the basis of beneficial ownership as per details furnished by the Depositories as at the end of the business on 12th July 2006 and
  - (ii) in respect of shares held in physical form to those members whose names appear on the Register of Members of the Company after giving effect to all valid share transfers lodged with the share transfer agent on or before 12th July 2006. The Company will dispatch the dividend warrants from 28th July 2006 onwards.
6. The amount outstanding in unpaid dividend account in respect of financial year 1998-99 will be transferred to the 'Investor Education and Protection Fund' maintained with the Central Government after the end of 7 years on 29.07.2006. Members who have still not encashed their dividend are requested to encash the same at the earliest.
7. In case of any change of particulars including address, bank mandate & nomination for shares held in demat form, should be notified only to the respective Depository Participants where the member has opened its demat account. The Company or its share transfer agent will not act on any direct request from these Members for change of such details. However for any change in particulars in respect of shares held in physical form should be sent to the Registrars & share transfer agents of the Company.
8. Members holding shares in demat form may please note that the bank account details given by them to their Depository Participants (DPs) and passed on to the Company by such DPs would be printed on the dividend warrants of the concerned members.

However, if any member(s) wants to receive dividend in any other bank account, he/she should change/correct the bank account details with their concerned DPs. The Company would not entertain any such request from shareholders directly for deletion/change in the bank account details.

9. Members may please note that the Dividend Warrants are payable at par at the designated branches of the Bank printed on reverse of the Dividend Warrant for an initial period of three months only. Thereafter, the Dividend Warrant on revalidation is payable only at limited centres/branches of the said Bank. The members are therefore, advised to encash Dividend Warrants within the initial validity period.
10. Members who wish to attend the meeting are requested to bring attendance slip sent herewith, duly filled in, and the copy of the annual report. Copies of the annual report will not be distributed at the meeting.

#### **Explanatory Statement under Section 173 of the Companies Act, 1956**

##### **Resolution No. 4**

At the meeting of the Board of Directors ("the Board") of the Company held on 24th March, 2006, the Board appointed Mr. Bansi S. Mehta as a director of the Company with effect from 25.03.06 to fill the casual vacancy caused by the resignation of H. K. Bilpodiwala. Pursuant to section 262 of the Companies Act, 1956, read with Article 114 of the Articles of Association of the Company, Mr. Mehta holds office only upto the date of the forthcoming Annual General Meeting as Mr. Bilpodiwala in whose place he was appointed would have held office upto the date of forthcoming Annual General Meeting, had he not resigned.

Notice in writing has been received from a member of the Company along with the prescribed deposit under section 257 of the Companies Act, 1956, signifying his intention to propose Mr. Mehta as a candidate for the office of Director.

The Directors recommend the Resolution for Member's approval.

No Director other than Mr. Mehta is concerned/ interested in this resolution.

##### **Resolution No. 5**

At the meeting of the Board of Directors ("the Board") of the Company held on 24th March, 2006, the Board appointed Mr. W. Mohr as a director of the Company with effect from 25.03.06 to fill the casual vacancy caused by the resignation of P. R. Rastogi. Pursuant to section 262 of the Companies Act, 1956, read with Article 114 of the Articles of Association of the Company, Mr. Mohr holds office only up to the date of the forthcoming Annual General Meeting as Mr. Rastogi in whose place he was appointed would have held office up to

the date of forthcoming Annual General Meeting, had he not resigned.

Notice in writing has been received from a member of the Company along with the prescribed deposit under section 257 of the Companies Act, 1956, signifying his intention to propose Mr. Mohr as a candidate for the office of Director.

The Directors recommend the Resolution for Member's approval.

No Director other than Mr. Mohr is concerned/interested in this resolution.

#### Resolution No. 6

At the meeting of the Board of Directors ("the Board") of the Company held on 27th July, 2005, the Board appointed Dr. A. Walde as an additional director of the Company with effect from 01.08.05. Pursuant to section 260 of the Companies Act, 1956, read with Article 113 of the Articles of Association of the Company, Dr. Walde holds office only up to the date of the forthcoming Annual General Meeting.

Notice in writing has been received from a member of the Company along with the prescribed deposit under section 257 of the Companies Act, 1956, signifying his intention to propose Dr. Walde as a candidate for the office of Director.

The Directors recommend the Resolution for Member's approval.

No Director other than Dr. Walde is concerned/ interested in this resolution.

#### Resolution No. 7

At the meeting of the Board of Directors ("the Board") of the Company held on 24th March, 2006, the Board appointed Mr. K. J. Bharucha as an additional director of the Company with effect from 01.04.06. Pursuant to section 260 of the Companies Act, 1956, read with Article 113 of the Articles of Association of the Company, Mr. Bharucha holds office only up to the date of the forthcoming Annual General Meeting.

Notice in writing has been received from a member of the Company along with the prescribed deposit under section 257 of the Companies Act, 1956, signifying his intention to propose Mr. Bharucha as a candidate for the office of Director.

The Directors recommend the Resolution for Member's approval.

No Director other than Mr. Bharucha is concerned/ interested in this resolution.

#### Resolution No. 8

At the meeting of the Board of Directors ("the Board") of the Company held on 29th August, 2005, the Board appointed Mr. H. Meier as an additional director of the Company with effect from 29.08.06. Pursuant to section 260 of the Companies Act, 1956, read with Article 113 of the Articles of Association of the Company, Mr. Meier holds office only up to the date of the forthcoming Annual General Meeting.

Notice in writing has been received from a member of the Company along with the prescribed deposit under section 257 of the Companies Act, 1956, signifying his intention to propose Mr. Meier as a candidate for the office of Director.

The Directors recommend the Resolution for Member's approval.

No Director other than Mr. Meier is concerned/interested in this resolution.

#### Resolution No. 9

Mr. K. J. Bharucha was appointed as Vice Chairman & Managing Director for a period of five years from October 1, 2000. The Board decided to reappoint Mr. Bharucha as the Vice Chairman & Managing Director for a further period of six months from 1st October 2005 on the following terms of remuneration, benefits and perquisites:

##### A. REMUNERATION

###### (i) Salary:

Rs. 3,22,700/- (Rupees three lakhs twenty two thousand seven hundred only) per month with authority to the Board of Directors to grant suitable increments from time to time, as it may determine, to the salary payable during the tenure of office subject to a maximum salary of Rs. 4,00,000/- (Rupees four lakhs) per month.

###### (ii) Commission:

Subject to the overall ceiling laid down under Section 198 and 309 of the Companies Act, 1956, such commission for each financial year shall be as under :

- a fixed commission equivalent to the salary paid or payable for that year.
- a variable commission, as determined by the Board of Directors, of not more than the salary paid or payable for that financial year.

Total commission as payable to Mr. K. J. Bharucha as above shall also be treated as salary for the purposes of contributions to Provident Fund/ Gratuity/Superannuation Schemes of the Company and shall accordingly be reckoned with.

##### B. PERQUISITES:

###### (i) Housing:

Suitable residential accommodation, free of cost with all facilities, amenities and services (including gas, electricity, water and furnishings). In case he does not opt for Company provided accommodation at any time, he shall be paid house rent allowance of a sum not exceeding 60% of his salary. The expenditure incurred by the Company on gas, electricity, water and furnishings provided to him shall be evaluated as per the Income-tax Rules, 1962.

**(ii) Medical Reimbursement:**

Reimbursement of medical expenses incurred by Mr. Bharucha for self and family, in accordance with the rules and regulations of the Company as may be in force from time to time.

**(iii) Leave Travel Concession:**

Mr. Bharucha shall be entitled to the payment of leave travel concession for himself, his wife, dependent children and dependent parents, once in a year, incurred in accordance with the rules of the Company.

**(iv) Club Fees:**

Mr. Bharucha shall be entitled to the reimbursement of fees of any two clubs in India, including admission or entrance fees and monthly or annual subscriptions.

**(v) Personal Accident Insurance:**

The Company shall pay the premium of a sum not exceeding Rs.7,000/- annually to a personal accident insurance policy for Mr. Bharucha.

**C. BENEFITS AND FACILITIES:**

**(i) Leave:**

Mr. Bharucha shall be entitled to leave as per the rules of the Company. Encashment of unutilised leave shall not be considered as a perquisite for purposes of ceiling on remuneration prescribed in the Companies Act, 1956.

**(ii) Provident Fund, Superannuation and Group Insurance Schemes**

Mr. Bharucha shall be eligible for the benefits under the Company's Provident Fund, Superannuation and Group Insurance Schemes in accordance with the Company's practices and rules in force from time to time.

**(iii) Gratuity:**

Mr. Bharucha shall also be eligible for the benefits under the Company's Retiring Gratuity Scheme in accordance with the Company's practices and rules in force from time to time.

**(iv) Car and Telephone:**

The Company shall provide a car and driver and telephone at his residence for use on Company's business. Use of car for private purposes and personal long distance telephone calls shall be billed by the Company to Mr. Bharucha.

**D. ENTERTAINMENT EXPENSES:**

The Company shall reimburse entertainment expenses actually and properly incurred by Mr. Bharucha in the course of the business of the Company subject to such annual limits as may be fixed by the Board of Directors of the Company.

**E. TERMINATION:**

This agreement entered into by the Company with Mr. Bharucha may be terminated by either party by giving the other party two months' notice of such termination.

**F. VACATION OF OFFICE:**

If at any time during the tenure of his appointment as the Vice-Chairman & Managing Director of the Company, Mr. Bharucha ceases to be in the employment of the Company for any cause whatsoever, he shall also cease to be a Director of the Company and simultaneously this agreement shall stand terminated.

A copy of the aforesaid agreement to be entered into between the Company and Mr. Bharucha as a Vice-Chairman & Managing Director is available for inspection by the members of the Company at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on any working day. The Directors recommend the Resolution for Member's approval.

No Director other than Mr. Bharucha is concerned/interested in this resolution.

**Resolution No. 10**

Mr. H. Meier was appointed by the Board as additional director, pursuant to section 260 of the Companies Act, 1956 at the Board meeting held on August 29, 2005.

Further, the Board at its meeting held on March 24, 2006 appointed Mr. Meier as the Vice-Chairman & Managing Director of the Company for a period of three years effective from April 1, 2006 without being liable to retire by rotation during his tenure as Vice-Chairman & Managing Director on the following terms of remuneration, benefits and perquisites:

**A. REMUNERATION**

**(i) Salary:**

Rs. 7,50,000/- (Rupees Seven lakhs fifty thousand only) per month, which may be increased by the Board of Directors from time to time, subject to a maximum salary of Rs. 9,45,000/- (Rupees Nine lakhs forty five thousand only) per month. Salary will be subject to the deduction of Indian Income tax at the applicable rates, under the Income-tax Act, 1961.

**(ii) Commission:**

Subject to the overall ceilings laid down under Sections 198 and 309 of the Companies Act, 1956, at a fixed sum of Rs. 21,00,000/- (Rupees twenty one lakhs) to Rs. 30,00,000/- (Rupees thirty lakhs) per annum, as may be decided by the Board from year to year.

**B. PERQUISITES, BENEFITS AND FACILITIES****(i) Housing:**

Suitable residential accommodation, free of cost with all facilities, amenities and services (including gas, electricity, water and furnishings). In case he does not opt for Company provided accommodation at any time, he shall be paid house rent allowance of a sum not exceeding 60% of his salary. The expenditure incurred by the Company on gas, electricity, water and furnishings provided to him shall be evaluated as per the Income Tax Rules, 1962.

**(ii) Medical Reimbursement:**

Reimbursement of medical expenses incurred by Mr. Meier for self and family, in accordance with the rules and regulations of the Company as may be in force from time to time.

**(iii) Leave and Leave Travel Concession:**

Leave period of six weeks on full pay and allowances, for every twelve months of service subject to the condition that the leave accumulated but not availed of will not be allowed to be encashed. The Company will bear the full cost of leave passage for Mr. Meier and his family once in a year to any destination in India. In case it is proposed that the leave be spent abroad, the Company will bear the full cost of air passage by club class for Mr. Meier and his family once in a year not exceeding the cost of return passage to his home country.

**(iv) Club Fees:**

Mr. Meier shall be entitled to the reimbursement of fees of any two clubs in India, including admission or entrance fees and monthly or annual subscriptions.

**(v) Personal Accident Insurance:**

The Company shall pay an annual premium of a sum not exceeding Rs.10,000/- to a personal accident insurance policy for Mr. Meier.

**(vi) Reimbursement of Expenses for Returning to Home Country:**

Mr. Meier will be entitled to reimbursement of expenses incurred by him for self and family for returning to his home country after completion of his tenure of office including actual expenses incurred on travel and on packing, forwarding, loading/unloading as well as freight, insurance etc. in connection with the moving of his personal effects.

**vii) Car, Driver & Telephone:**

The Company will provide Mr. Meier with a car and driver and a telephone at his residence for use on Company's business. Use of car for private purposes and personal long distance calls on telephone shall be billed by the Company to Mr. Meier.

In case the Company is not able to provide a driver to Mr. Meier, the expenses for engaging a driver will be reimbursed to him as per the Company's rules.

**C. ENTERTAINMENT EXPENSES:**

The Company shall reimburse entertainment expenses actually and properly incurred by Mr. Meier in the course of the business of the Company subject to such annual limits as may be fixed by the Board of Directors of the Company.

**D. TERMINATION:**

This agreement may be terminated by either party by giving to the other party six months' notice of such termination.

**E. VACATION OF OFFICE:**

If at any time during the tenure of his appointment as the Vice-Chairman & Managing Director of the Company, Mr. Meier ceases to be in the employment of the Company for any reason whatsoever, he shall also cease to be a Director of the Company and simultaneously this agreement shall stand terminated.

A copy of the aforesaid agreement to be entered into between the Company and Mr. H. Meier as a Vice Chairman & Managing Director is available for inspection by the members of the Company at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on any working day.

The Directors recommend the Resolution for Member's approval.

No Director other than Mr. Meier is concerned/interested in this resolution.

By Order of the Board  
For **CLARIANT CHEMICALS (INDIA) LTD**

Sunil K. Nayak  
Chief Financial Officer  
& Company Secretary

Mumbai, 30th May, 2006

Registered Office:  
Ravindra Annexe  
194, Churchgate Reclamation  
Mumbai - 400 020



## Directors' Report to the Members

The Directors have pleasure in submitting the Forty-ninth Annual Report together with the Audited Financial Statements for the year ended March 31, 2006.

### FINANCIAL RESULTS

	Rs. in lakhs	
	2005-2006	2004-2005
Turnover (net)	85106	37299
Other Income	2813	2195
	<u>87919</u>	<u>39494</u>
<b>Profit before Prior Period Items, interest, depreciation and tax</b>	<b>8935</b>	4802
Interest	(4)	(77)
Depreciation	<u>(2447)</u>	<u>(1147)</u>
<b>Profit before Prior Period Items and Taxation</b>	<b>6484</b>	3578
Provision for Taxation		
— Current Tax	(2238)	(759)
— Deferred Tax	(38)	(564)
— Fringe Benefit Tax	(228)	—
— Excess/(Short) Provision for taxation in respect of earlier years	<u>59</u>	<u>(46)</u>
<b>Profit before Prior Period Items and After Tax</b>	<b>4039</b>	2209
Prior Period Items	<u>—</u>	<u>(650)</u>
<b>Net profit after Prior Period Items and Taxation</b>	<b>4039</b>	1559
Balance brought forward from Previous year	2863	3101
Transfer in terms of Amalgamation	1308	—
Amount available for appropriation	<u>8210</u>	<u>4660</u>
<b>Appropriation:</b>		
General Reserve	1000	1000
Proposed dividend	2933	699
Tax on Proposed dividend	411	98
Profit & Loss Account balance carry forward	<u>3866</u>	<u>2863</u>
	<u>8210</u>	<u>4660</u>

Figures for the current year include the impact of amalgamation and therefore are not strictly comparable with the previous year.

### ACQUISITION OF FURTHER SHARES BY EBITO

During the year EBITO Chemiebeteteiligungen AG, promoter of the company acquired 20% of the Equity Share Capital under an open offer, made as per the provisions of the SEBI's Substantial Acquisition of Shares & Takeover Regulation, 1997. As a consequence, the promoter holding in the company increased to 70.10% from 50.10%.

### ACQUISITION OF CHEMTREAT

During the current financial year, the company acquired 100% of the equity of Chemtreat Composites India Private Limited at a cost of Rs. 900 lakhs. The company is engaged in the business of Polysilazane Resins and has a manufacturing facility at Khopoli, in Maharashtra. Chemtreat Composites India Private Limited is a subsidiary of the company w.e.f. February 13, 2006.

### MERGER OF THE CLARIANT GROUP OF COMPANIES IN INDIA

The Clariant group to which the company belongs was operating through five legal entities in India. The group had undertaken an exercise to evaluate the rationale for consolidation of activities in order to simplify processes and add significant value to the business. Accordingly, the company had sought the approval of the members and the High Courts of Bombay and Madras, pursuant to which Clariant (India) Limited (CIL), Vanavil Dyes and Chemicals Limited (VDCL), BTP India Private Limited (BTP) and Kundalika Investments Limited (KIL) merged with your company from April 1, 2005, being the appointed date.

### CHANGE OF NAME

As per the scheme of amalgamation approved by the members and the High Court of Bombay, the name of your company has been changed from Colour-Chem Limited to Clariant Chemicals (India) Limited, so as to more accurately reflect its affiliation with the Clariant group and brand. The company's products are also sold under the name 'Clariant' which has been registered as a Trade Mark world wide.

### SHARE CAPITAL

As indicated above, the merger of the Clariant group companies in India with your company was approved by the High courts of Bombay and Madras and the process is now complete. The Board of the Company had fixed April 21, 2006 as the record date for issuing shares of your company to the shareholders of transferor companies. Accordingly, in the case of Clariant (India) Limited, shareholders have been allotted one fully paid equity share of Rs. 10/- each for every one equity share of Rs. 10/- each held by them; in the case of Vanavil Dyes and Chemicals Limited and BTP India Private Limited, the shareholders have been allotted one fully paid equity share of Rs. 10/- each for every five equity share of

Rs. 10/- each held by them. The 56.84% shares held by the company in Vanavil Dyes and Chemicals Limited and its 100% holding in Kundalika Investments Limited have been cancelled.

## DIVIDEND

The Board of Directors is pleased to recommend for the approval of shareholders, a dividend of Rs. 11/- per equity share of the face value of Rs. 10/- each for the financial year ended March 31, 2006 (previous year Rs. 6/- per share). The dividend will be payable to all members including those members who have been issued shares as per the Scheme of Amalgamation.

This would involve a cash outflow of Rs. 3344 lakhs including tax on dividend of Rs. 411 lakhs against the previous year outflow of Rs. 797 lakhs including tax on dividend of Rs. 98 lakhs. The dividend, if approved, will be paid to the shareholders whose names appear on the Register of Members, determined with reference to the book closure from July 13, 2006 to July 27, 2006.

## MANAGEMENT DISCUSSION AND ANALYSIS:

### Financial and operational performance

The performance and the key ratios of the company for the year is provided in the following table:

	2005-2006 (Rs. in lakhs)
Net Sales	85106
Other Income	2813
Total	87919
Total Expenditure (excluding interest)	81431
Profit before interest and tax	6488

Operating margin (%)	10.5
PAT (%)	4.7
ROCE (%)	20.9
Inventory turnover (no. of times)	6.8
Current ratio	1.7: 1
Debt/Equity ratio	0.02

Domestic sales constitutes 75% of the overall turnover. Operating profit (PBITD) as a percentage of sales is 10.5% and net profit after tax as a percentage of sales is 4.7%. Earnings per share as at year end on the increased share capital after amalgamation is Rs. 15.15.

## Segment-wise Performance:

The specialty chemicals industry comprises a wide range of products including pigments, additives, fine chemicals, adhesives, textile dyes and chemicals, leather dyes and chemicals, paper chemicals, rubber chemicals, masterbatches, etc.

### (a) Intermediates and Colours

The company deals in pigment dyestuffs and their dispersions, intermediates for dyes, pesticides, and pharmaceuticals. The company is a leader in organic pigments and serves the needs of paints, printing inks, plastics, rubber, detergents, cosmetics and other industries. The company is a pre-eminent player in the diketene based intermediates business in India and has the capacity to manufacture large volumes of this important building block in a wide range of derivative forms.

The total sales under this segment for the year is Rs. 35106 lakhs and contributes 41% of the total sales of the Company. The export sales have contributed 51% of the overall sales. Pigments dyestuffs and intermediates for dyes constitute 91% of the total sales under this segment.

### (b) Dyes and Specialty Chemicals

Clothing, colour, fashion, durability and comfort, all these are everyday terms. Clariant specialty chemicals make a decisive contribution to enhance the performance, look and feel of the final products of its customers and also add protection and strength to such products.

Your company offers a varied range of specialty chemicals products to textiles, leather, paper, detergents and cleaning and personal care products.

The total sales under this segment for the year are Rs. 48315 lakhs contributing 57% in the total sales of the company. Domestic sales contributed 90% of the total sales of this segment during the current financial year.

### (c) Masterbatches

Masterbatches segment of the company deals in colour and additive concentrates and special mixtures of these compounds for use by automotive, textile and technical fibers, electronic and electrical devices, home appliances, toys, medical devices, sporting goods and packaging.