



Clariant (India) Limited

ANNUAL REPORT 2003-2004

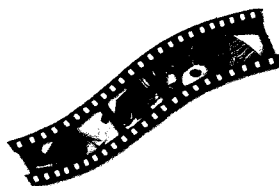
Report  Junction



Concept Note

Clariant

Clariant (India) Limited
MUMBAI, INDIA 400 001



Capturing the colours

Art has been one of the passions of yore in India. The name of Raja Ravi Varma conjures up with artistic portraits that have mesmerised generations of Indians to date. So also the Indian contemporary artists who have captured every single memorable movement of people's life translated in colour print that has exemplified Indian culture during the last two centuries. But one thing that has replaced the natural colours used in the past is the wide variety of colours today that Clariant is customising based on the preferences of the people. Clariant contributes colours, gloss and finish to the articles that capture the fascination of each person's every day life.

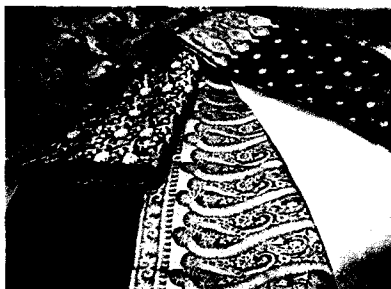
Clariant in brief...

Clariant, a Swiss-based multinational, has come a long way from the time it was formed as a speciality chemicals company carved out of Sandoz Chemicals Division in 1995 to become a global leader in the field of speciality chemicals. Clariant which is represented on five continents with over 100 group companies employs about 27,000 people worldwide.

Clariant is a global leader in the field of speciality chemicals. Its business is organised in five divisions: Textile, Leather & Paper Chemicals, Pigments & Additives, Masterbatches, Functional Chemicals and Life Science & Electronic Chemicals. Strong business relationships, commitment to outstanding services and wide range of application know-how make Clariant a preferred partner for its customers.

Clariant (India) Ltd., which was reformed in 1996, has emerged as the market leader in two of its business segments, Textile Chemicals and Leather Dyes, while its market share is surging year after year in other business segments of Textile Dyes, Leather Chemicals, Paper and Masterbatches. Through its unique and quality products, Clariant (India) Ltd. touches the lives of everyone in some way or the other. While dyes provides customized shades for textiles and leather, catering to the ever changing fashion and preferences of the people, its chemicals add value by enhancing the quality of feel and finish of fabric, leather and paper. It has created broad product base that caters to the needs of more than 2500 domestic customers across the country.

Customer Focus



We provide our customer with consistent support and new ideas to help them strengthen their competitiveness and performance in their own industries. We recognize that meeting our customers' needs is necessary for our own success.

We offer a range of products, services and technical applications based on our customer's needs.

We deliver top-quality products, services and applications to our customers in a cost-efficient manner.

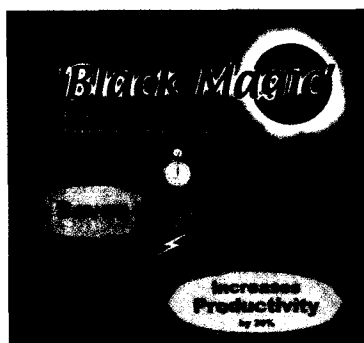
Clariant (India) Ltd. firmly believes that sustained growth can be possible only by partnering with customers and understanding their needs, providing customized & cost efficient products, adding value and constantly upgrading the quality of the products and processes catering to changes in fashion and preferences. It is this focus that has won the confidence and trust of its customer that the Company is market leader in textile chemicals and remains a preferred supplier for textile dyes. ***Though every pattern of cloth has its own charm, all the people may not like all of them. It is just like the same size doesn't fit all, the customers' tastes and needs differ from one to the other. This is the main philosophy behind Clariant (India) Ltd.'s approach to Customer Focus.***

Nylosar®



The concepts of Key Account Management (KAM) and Customer Development Project (CUDEPRO) initiated by the Company across the organisation keeps its marketing executives in day-to-day touch with the customers to assess their individual requirements and help them strengthen their competitive position and performance.

The Archroma Concept launched by our Business Unit Textile Dyes provides faster and better solutions to colour matching. Using computer-assisted processes, Archroma enables textile manufacturers to produce for global markets so that a T-shirt dyed in India does not differ from one produced in Italy.



The "Black Magic Concept" developed by the Business Unit Textile Chemicals is an innovative eco-friendly pre-treatment package for cotton knits and results in savings of power, water and process time by 30% along with higher productivity to the valued customer.

Think of Clariant's Textile Chemicals & Dyes when your bath towels are both soft and absorbent, even after repeated washes and when fast colours on your bright fabrics do not run or bleed.

Innovation



We utilize our experience and knowledge of the market to identify trends and anticipate our customers' needs.

We secure and extend our market leadership through continuous investment in research and development of new products, services and applications.

We encourage our employees to step forward and take chances to propose new ideas and develop innovative products and services.



Clariant's innovative products play a key role in its customers' manufacturing and treatment processes and add value to their end products. The success and sustainability of Clariant's business operations is based on the ability of its people to identify customer needs and work together with the customer to develop innovative and efficient solutions. It is the strategy of Clariant (India) Ltd. that not less than 15% of the sales revenue for the year must be generated out of new products launched by the Company in the last two years.

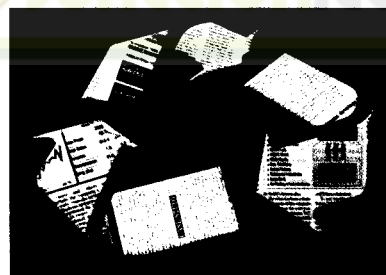
Necessity is the mother of all invention. New product

management process of the

Company stresses focus on the Research and Development team of the Company, which constantly interacts with the strong marketing team and takes feedback about market needs, customer expectations and competitive products. Arising out of customer requirements the team initiates conceptualizing the product design, developing the product, testing the product application and finally launching the products into the markets. The Company keeps in constant touch with its parent company to bring in new technology and adapt it to the local conditions and scale it up to the commercial

production to serve the domestic markets.

In the recent years, demand for recycled paper is going up along with the demand for higher brightness levels. Clariant rose to the occasion and offered Cartan range of de-



inking chemicals for removing ink from recycled paper, customised colours for a variety of paper, introduced new formulations in optical brightening agents and provided new approaches to dry strength resins for paper. The Company has provided and sometimes pioneered technology that has been introduced for the first time in India such as nitrogen-free retention aid systems for speciality papers and charge-free retention aid system. Recognising the needs of its customers, Clariant (India) Ltd. Introduced eco-friendly range of chemicals such as **Antimusol®** range of defoamers used in paper making process, **Cartan®** range of de-inking chemicals for removing ink from recycled paper, **Leucophor®** range of optical brightening agents and **Cartacol®** range of surface sizing chemicals.

Think of Clariant's Leucophors when you see a sparkling white paper, for it has been optically brightened before you have seen it.

Team Orientation



We build teams across business and organizational units with the aim to share knowledge, experience and technologies, to make use of synergies and to realize our full potential.

Teams work with a clear objective to solve a particular issue and create value for the company. They are not a substitute for personal responsibility.

We bring a strong sense of commitment to our work and set ourselves apart through active involvement.

Creativity and competence, combined with a sense of what is desired are pre-requisite for success and only when individuals succeed does the Company flourish. Clariant (India) Ltd. firmly believes that its strength is reflected by the confidence of its people who build the team and create the climate conducive to growth and excellence. The Company considers that the share of mind and share of knowledge & experience drives all actions to resolve issues that lead success. In this pursuit, it has constituted various teams known as cross-functional task forces across the business and functions with the clear objective of creating synergy by learning from core competency of each other and creating value for the Company. The employee's development and management reorientation initiative, popularly known as CLAP (C L A riant Participation to improve Profitability through Performance of People) has completed 100 months of its successful operation.



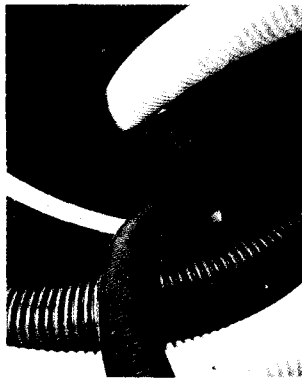
Fashion reflects the way one thinks, the way one acts and the way one perceives himself to be. In the highly fashion-oriented leather industry it is imperative for the Company to understand the exact requirement of its customers so as to carve its new product from these sheer requirements. The technical and marketing team of the Company keeps in touch with changing trends and fashions and shares knowledge and new developments with their team mates to capture its customer needs and aspire into new product that meets the demand of change in fashion. Clariant's leather dyes and aqueous pigment emulsions together add glow and soft, stylish finish and durability. All this is more of a team effort from different knowledge banks to work as integrated taskforce with customers and help them achieve excellence in their business performance. Selection of five shades for leather garments at



Modeurope Congress held in Germany is the testimony of its team efforts that reflects the strength of the Company in delivering the products that meets changing requirements.

Think of Clariant's leather when you get into your shoes and experience the soft feel of its leather and its gleaming finish.

Sustainability



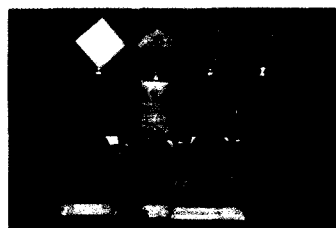
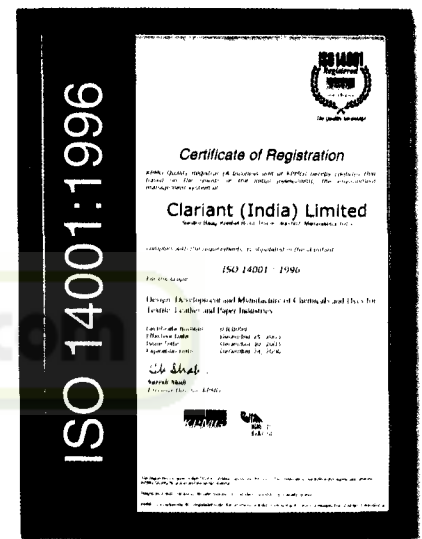
We strive for sustainable development based on social competence and worldwide respected standards.

Clariant strives for continuous improvement of its environmental, safety and health performance by developing new and better products, processes and services with efficient use of energy and resources, minimization of environmental impact and waste generation, and safe and responsible disposal of residual wastes.

A prime objective of the Clariant group is to provide shareholders with returns on capital they have invested. Achieving sustainable, long-term profitable growth lies at the core of Clariant's commitment to shareholders.

When human values form the core of a company, it strives even harder to fulfil its commitment towards society. Clariant (India) Ltd. is committed to a sustainable growth by finding the best balance between environmental, social and economic needs of our society. Its commitment to preservation of ecological balance is reflected in the Company's environment policy which pledges to integrate sound environmental policies, programmes and practices as an essential element of corporate management. As a tradition of being proactive to safety, health and environment concerns the Company conducts awareness programmes such as training, mock drills, competition and institutes awards for inculcating the habit of safe operations.

The Company has been awarded accreditation under **ISO-14001** from KPMG Quality Registrar, which recognizes the concern of the Company for safety of the environment and health of the people at work and society at large. It has become passion for the Company to be recognised and repeatedly win awards for excellent performance in the field of safety and hazard control from Dyestuff Manufacturers Association of India, Thane Municipal Corporation etc. The Company has been participating by contributing its mite in all that concerns to the society, be it promoting education, developing culture and sports or beautifying the city. Co-sponsoring of Thane Varsa Marathon on regular basis is one such example the Company has created.



Clariant (India) Ltd. has built the trust and knows the value of winning over the confidence of its shareholders. Creating wealth and optimising the benefits that a shareholder can receive is the Company's prime focus area. The

Company enjoys a position of pride in the top 100 Companies in terms of Return on Capital Employed (ROCE). Sustaining the efforts by improving the products and services that it provides, the Company finds itself even more determined to face challenges that the future will bring.

CORPORATE INFORMATION

BOARD OF DIRECTORS

V. N. Nadkarni *Chairman*

P. R. Rastogi *Vice Chairman & Managing Director*

N. Gontha

F. Note

P. Lindner

R. A. Shah

Dr. M. L. Gulrajani

Diwan A. Nanda

K. J. Bharucha

EXECUTIVE COMMITTEE

P. R. Rastogi *Vice Chairman & Managing Director*

B. L. Gaggar *Chief Financial Officer & Company Secretary*

R. Y. Mani *Vice President - Site Management*

D. K. Mittal *Vice President - Site Services*

S. S. Patil *Vice President - Masterbatches*

S. Sinh *Vice President - Sourcing and Exports*

R. V. Tiwari *Vice President - Supply Chain Management*

A. K. Prasad *Vice President - Textile Chemicals*

Dr. V. G. Nayak *Vice President - Quality Control & Human Resources*

SOLICITORS

Messrs. Crawford Bayley & Co.

AUDITORS

Messrs. A. F. Ferguson & Co.

BANKERS

Standard Chartered Bank

Citibank N. A.

SHARE TRANSFER AGENTS

IIT Corporate Services Limited

2nd Floor, Protoprima Chambers,
Suren Road, Andheri (East),
Mumbai – 400 093

REGISTERED OFFICE

Paville House,
Off Veer Savarkar Marg, Prabhadevi,
Mumbai - 400 025

WORKS

Kolshet Road, Thane - 400 607

ANNUAL GENERAL MEETING

Date & Time : 28th July, 2004, 11 a.m.
Day : Wednesday
Venue : Y.B. Chavan Auditorium,
Gen. J. B. Marg,
Next to Sachivalya Gymkhana,
Mumbai – 400 021

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Notice

NOTICE is hereby given that the Fifty-seventh Annual General Meeting of the Members of **Clariant (India) Limited** will be held at Y. B. Chavan Auditorium, Gen. Jagganath Bhosale Marg, Next to Sachivalaya Gymkhana, Mumbai – 400 021 on Wednesday July 28, 2004 at 11.00 a.m. to transact the following business:

Ordinary Business:

1. To consider and adopt the Balance Sheet as at March 31, 2004 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 confirm the Interim Dividend paid on 21st November, 2003.
3. To declare the Final Dividend on Equity Shares.
4. 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 upto the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.
5. To elect a director in place of Mr. K. J. Bharucha, who retires by rotation and being eligible, offers himself for re-appointment.
6. To elect a director in place of Mr. V. N. Nandkarni, who retires by rotation and being eligible, offers himself for re-appointment

Special Business:

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

“RESOLVED THAT Mr. Nico Gontha, who was appointed as a Director of the Company by the Board of Directors with effect from 22.10.03 in the casual vacancy caused by the resignation of Mr. F. R. Dennefeld 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. Gontha 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 Diwan Arun Nanda, who was appointed as Additional Director of the Company by the Board of Directors with effect from 26.05.04, pursuant to Article 119 of the Articles of Association of the Company 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 Diwan Nanda 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.”

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

B.L.GAGGAR
Chief Financial Officer
& Company Secretary

Mumbai, May 26, 2004

REGISTERED OFFICE

Paville House,
Off Veer Savarkar Marg,
Prabhadevi, Mumbai 400 025

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 as required by Section 173 of the Companies Act, 1956 in respect of Item No. 7 & 8 of the Notice is annexed hereto.
3. Profiles of the Directors being appointed / reappointed as required by the Corporate Governance Code are provided in para 2.3 of the report on Compliance of Corporate Governance.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, 7th July 2004 to Wednesday, 28 July 2004, both days inclusive, for the purpose of payment of final 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 6th July 2004 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 6th July

Notice (Contd.)

2004. The Company will dispatch the dividend warrants from 29th July 2004 onwards.
6. The amount standing credit in unpaid dividend account in respect of 41st dividend declared on July 31, 1997 will be transferred to the 'Investor Education and Protection Fund' maintained with the Central Government after the end of 7 years on 12th September 2004. Members who have still not encashed their 41st 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 for shares held in physical form should be sent to the share transfer agent of the Company.
 8. Members who wish to avail of the Electronic Clearing Service(ECS), are requested to give the ECS mandate in the prescribed form. The said form can be obtained from the Company's Share transfer agent or downloaded from the website of the Company at www.clariantindia.com.
 9. 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.
 10. Members desirous of getting any information about the accounts and operations of the Company are requested to address their queries/ questions in writing, at least seven days in advance of the Meeting, at the registered office of the Company. This will enable the Company to keep the information available at the meeting.

Annexure to the Notice

Explanatory Statement under Section 173 of the Companies Act, 1956

RESOLUTION NO 7

At the meeting of the Board of Directors ("the Board") of the Company held on 22nd October, 2003, the Board appointed Mr. Nico Gontha as a director of the Company with effect from 22.10.03 to fill the casual vacancy caused by the resignation of Mr. F. R. Dennefeld. Pursuant to section 262 of the Companies Act, 1956, read with Article 119 of the Articles of Association of the Company, Mr. Gontha holds office only upto the date of the forthcoming Annual General Meeting as Mr. Dennefeld 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. Gontha as a candidate for the office of Director.

The Directors commend the Resolution for Member's approval.

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

RESOLUTION NO 8

At the meeting of the Board of Directors ("the Board") of the Company held on 26th May 2004, the Board appointed Diwan Arun Nanda as an additional director of the Company with effect

from 26.05.2004. Pursuant to section 262 of the Companies Act, 1956, read with Article 119 of the Articles of Association of the Company, Diwan Nanda 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. Nanda as a candidate for the office of Director.

The Directors commend the Resolution for Member's approval.

No Director other than Diwan Nanda is concerned/ interested in this resolution.

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

B.L.GAGGAR
Chief Financial Officer
& Company Secretary

Mumbai, May 26, 2004

REGISTERED OFFICE

Paville House,
Off Veer Savarkar Marg,
Prabhadevi, Mumbai 400 025

CLARIANT (INDIA) LIMITED

ANNUAL REPORT 2003-2004

Report of the Directors

To the Members

The Directors have pleasure in presenting the **Fifty-seventh** Annual Report and Audited Financial Statements for the year ended March 31, 2004.

Financial Results:

	(Rs. in Lakhs)	
	2003-2004	2002-2003
Net Sales		
Domestic	22192.48	20463.83
Exports	9483.10	11424.52
	31675.58	31888.35
Profit before interest, depreciation & tax	3477.39	3376.59
Depreciation & Amortisation	526.09	352.51
Interest (Net)	-103.14	- 18.66
Provision for Current/Deferred Tax	969.68	1084.35
Net profit after tax	2084.76	1958.39
Balance in Profit & Loss Account brought forward	811.60	798.50
Balance available for appropriation	2896.36	2756.89
Appropriation:		
Interim dividend	596.25	—
Final dividend	715.50	1192.50
Tax on dividend	168.06	152.79
Transfer to General Reserve	600.00	600.00
Profit & Loss A/c. balance c/ forward	816.55	811.60
	2896.36	2756.89

Dividend:

The Board of directors, at its meeting held on 22nd October, 2003 had declared an interim dividend of **Rs. 5** per share (50%) and the same was paid in November, 2003.

Considering the consistent 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 **Rs. 6** per share (60%).

The total dividend for the year ended on 31st March, 2004 amounts to **Rs. 11** per share (110%) as compared to Rs. 10 per share (100%) paid for the previous year. On the paid-up share capital of Rs. 1192.50 lakhs, the total dividend entails cash out flow of **Rs.1311.75** lakhs. Together with tax on dividend it amounts to a pay out of **71%** of the net profit as compared to 68.7% for the previous year.

Management Discussion & Analysis:

Financial and Operational Performance:

The following ratios reflect your company's financial performance in comparison with the previous year:

	2003-2004	2002-2003
Sales Growth (%)	- 0.7	13.2
PBIDT (% to sales)	11.0	10.6
PAT (% to sales)	6.6	6.1
ROCE (%)	27.9	31.3
Return on net worth (%)	21.5	21.6
Debt : Equity ratio	0.09	0.06
W/Capital (% to sales)	7.5	8.0
Earning per share (Rs.)	17.5	16.4
Cash earning p/share (Rs)	21.9	19.4
Book value per share (Rs)	81.1	76.1

The domestic sales (net of excise duty) grew by **8.4** percent over the previous year. However, due to adverse marketing conditions prevailing in global markets, exports sales were down by 17 percent over previous year. Inspite of overall sales marginally lower by 0.7 percent as compared to previous year, net profit after tax for the year is higher by **6.5** percent over the previous year. The operating profits continued to have adverse impact of spiralling price rise in some of basic raw materials and depreciation of Indian Rupee against European currencies resulting into higher costs of imported raw materials and finished products. However, due to better management of resources and continuous thrust on cost efficiency, the Profit before interest, depreciation and tax (PBIDT) at 11 percent to sales is better than previous year's 10.6 percent.

In the background of weak speciality chemicals market worldwide and in areas of activity exposed to strong competition and price pressure, the results reflect the positive strength of the Company in the market segments it operates. The Company has further consolidated its market leadership in highly competitive textile chemicals and leather dyes and improved its market share in textile dyes and paper chemicals.

Management of working capital continues to remain in focus. The Company has been able to withstand the pressure from the markets. The year-end receivables comprise **12.5** percent (**46 days**) and the inventories consist of **10.7** percent (**39 days**) of gross total sales for the year. The Company remains a debt free company with strong liquid resources to seize any opportunity for growth in its core competence market segments. The funds surplus to its business needs have been prudently invested into debt oriented schemes of mutual funds to earn reasonable returns with high degree of safety. The net cash flow from operating activities during the year was **Rs. 2461.81** lakhs as compared to Rs. 1878.76 lakhs for the previous financial year.

The capacity utilization and productivity of all production plants of the Company located at its site at Kolshet viz. dyes, chemicals, leather chemicals and masterbatches were higher during the year as compared to previous year. There was no increase in capacity of any of the plant.