



Clariant

Exactly your chemistry.

Clariant (India) Limited

Annual Report 2004-2005

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Vision

We aim to be the leading service-driven company and preferred partner in the specialty chemicals industry.

Mission

Our commitment to service contributes to the success of our customers. We combine leading-edge technology and innovations with superior applications and customer service skills.

Values

Customer Focus

We concentrate our efforts on the individual requirements of our customers and help them strengthen their competitive position and performance.

Personal Engagement

We achieve results through individual commitment, continual skills development and entrepreneurial behavior.

Team Orientation

We rely on the strength of teamwork to achieve synergies and realize our full potential.

Innovation

We utilize our extensive know-how and experience throughout the company to continuously bring new services, applications and products to the market.

Shareholder Commitment

We strive for enduring value creation for the benefit of our shareholders.

Integrity

We are a trustworthy, loyal and respectful partner in all our internal & external relationships.

Sustainability

We contribute towards sustainable development by finding the best balance between environmental, social and economic needs.

Clariant – an overview

Clariant is a global leader in the field of speciality chemicals. Strong business relationships, commitment to outstanding service and wide ranging application know-how make Clariant a preferred partner for its customer. Clariant, which is represented on five continents with over 100 group companies, employs about 25,000 people. Headquartered in Muttensz near Basel, Switzerland, it generated sales of around Swiss Franc 8.5 billion in 2004. Clariant's businesses are organized in five divisions: Textile, Leather & Paper chemicals, Pigments & Additives, Masterbatches, Functional Chemicals and Life Science Chemicals. Clariant is committed to sustainable growth springing from its own innovative strength. Clariant's innovative products play key role in its customers' manufacturing and treatment processes or else add value to their end products.

Clariant (India) Ltd. since its inception in 1995 has swiftly emerged as a Company whose potential is reflected in its performance. It has created a broad range of product portfolio that spans dyes and speciality chemicals for textiles, leather, paper, and masterbatches for plastics and fibres. Sustained progress and continuous improvement in its functioning is the hallmark of the company, which is committed to its vision and purpose. The Company believes that sustained progress can be possible only by partnering with customers by understanding their needs, providing cost effective solutions, adding value and constantly upgrading products catering to the changes in fashion and preferences to help them strengthen their competitiveness and improve performance in their respective industry segment. Customer is the purpose of an enterprise. With customer focus as core values, the Company has been able to withstand all challenges and pressures and won the confidence and trust of its customers during 10 years of its journey. Clariant (India) Ltd. holds the position of market leader in Textile chemicals and Leather dyes for over a decade and is a preferred supplier in all other segments in which it operates and thus responsible for creating and carrying the brand image of **Clariant** within the country. The Company during its journey accomplished landmarks in its performance and created wealth for its stakeholders. While its financial performance has been winning acclaim from investor's fraternity, the Company has won significant recognitions in many softer areas that are associated with its people, their safety and health, quality of products and its concerns for environment, all indicative of quality of management and its leadership.

Board of Directors



V. N. Nadkarni
Chairman



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



R. A. Shah
Director



P. Lindner
Director



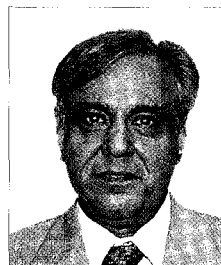
P. Piringier
Director



W. Mohr
Director



M. L. Gulrajani
Director



D. A. Nanda
Director



K. J. Bharucha
Director



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

Management Committee



V.G. Nayak

R.Y. Mani

A.K. Prasad

D. Ghosh

S.S. Patil

S. Singh

P.R. Rastogi

B.L. Gaggar

R.V. Tiwari

Financial Highlights - A Journey of 10 years

(Rs. in Crore)

Financial Year	04-05	03-04	02-03	01-02	00-01	99-00	98-99	97-98	96-97	95-96
Sales (Gross)	360	340	339	301	280	253	235	205	162	144
Operating Profit (PBIDT)	34.0	34.8	33.8	33.6	28.5	24.9	24.8	19.4	21.4	16.8
Profit before tax (PBT)	28.2	30.5	30.4	30.3	26.5	24.4	23.5	16.9	16.7	12.8
Profit after tax (PAT)	18.5	20.8	19.6	20.1	16.3	15.5	15.2	11.1	8.2	6.6
Share capital	11.9	11.9	11.9	11.9	11.9	11.9	8.0	8.0	8.0	8.0
Net worth	100.4	96.8	90.7	84.6	73.5	65.1	54.9	44.1	36.6	30.7
Capital employed	107.9	105.6	96.5	91.0	79.1	71.5	67.3	51.8	44.5	43.0
Fixed assets (net)	22.7	24.8	18.6	16.3	16.0	12.2	9.9	9.3	8.4	7.2
Investments	59.9	55.0	50.0	37.2	19.6	10.3	0.3	0.3	0.3	0.3
Net current Assets	22.7	23.6	25.6	35.9	43.5	49.1	57.1	42.2	35.8	35.5
Inventory (% Sales)	11.1	10.7	10.8	9.9	10.1	12.9	11.7	13.6	14.9	16.1
Receivable (% Sales)	11.8	12.5	12.4	15.4	16.4	17.1	17.8	16.7	20.3	21.2
Net Current Assets (% Sales)	6.3	6.9	7.6	12.0	15.5	19.4	24.3	20.6	22.1	24.6
ROCE (Return on Capital employed - %)	26.0	27.9	31.3	33.2	32.3	31.2	33.5	33.3	36.7	33.0
RONW (Return on Net Worth - %)	18.4	21.5	21.6	23.7	22.2	23.8	27.6	25.1	22.5	21.5
EPS (Earnings per share - Rs.)	15.5	17.5	16.4	16.8	13.7	13.0*	19.1	13.9	10.4	8.3
Dividend per share (Rs.)	11.0	11.0	10.0	7.5	6.0	4.0*	5.0	4.0	3.5	2.5
EVA (Economic Value Added)	20.2	19.2	19.4	19.5	16.5	15.7	16.6	11.2	10.6	7.0
Book Value (Rs.)	84.2	81.1	76.1	70.9	61.6	54.6*	69.0	55.5	46.0	38.7

* on increased capital post bonus issue

Corporate Information

BOARD OF DIRECTORS

V. N. Nadkarni *Chairman*
P. R. Rastogi *Vice Chairman & Managing Director*
R. A. Shah
P. Lindner
P. Piringer
W. Mohr
Dr. M. L. Gulrajani
Diwan A. Nanda
K. J. Bharucha

MANAGEMENT COMMITTEE

P. R. Rastogi *Vice Chairman & Managing Director*
B. L. Gaggar *Chief Financial Officer & Company Secretary*
R. Y. Mani *Vice President - Site Management*
S. S. Patil *Vice President - Masterbatches*
S. Sinh *Vice President - Sourcing & Exports*
R. V. Tiwari *Vice President - Supply Chain Management*
A. K. Prasad *Vice President - Textiles*
V. G. Nayak *Vice President - Sourcing & Human Resources*
D. Ghosh *Vice President - Leather*

ANNUAL GENERAL MEETING

Date & Time : 27th July, 2005, 11.30 a.m.
 Day : Wednesday
 Venue : Y.B. Chavan Auditorium,
 Gen. J. B. Marg,
 Next to Sachivalya Gymkhana,
 Mumbai - 400 021

SOLICITORS

Crawford Bayley & Co.

AUDITORS

A. F. Ferguson & Co.

BANKERS

Standard Chartered Bank
Citibank N. A.

SHARE TRANSFER AGENTS

Intime Spectrum Registry Limited
 C-13 Pannalal Silk Mills Compound,
 L. B. S. Marg, Bhandup (West),
 Mumbai - 400 078

REGISTERED OFFICE

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

WORKS

Kolshet Road, Thane - 400 607

Notice

NOTICE is hereby given that the Fifty-eighth 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 27, 2005 at 11.30 a.m. to transact the following business:

Ordinary Business:

1. To consider and adopt the Balance Sheet as at March 31, 2005 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 payment of Interim Dividend.
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 Dr. M. L. Gulrajani, who retires by rotation and being eligible, offers himself for re-appointment.
6. To elect a director in place of Mr. R. A. Shah, 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. Walter Mohr, who was appointed as a Director of the Company by the Board of Directors with effect from 27.01.05 in the casual vacancy caused by the resignation of Mr. F. Note 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.”

8. 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 Section 163 of the Companies Act, 1956, consent of the Company be and is hereby granted to keep the documents referred therein at the office of Intime Spectrum Registry Limited, the share transfer agents of the Company, at C-13, Pannalal Silk Mills Compound, L.B.S.

Marg, Bhandup (West), Mumbai – 400 078 or any of its other place of business within the city of Mumbai.”

9. 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 Section 192A of the Companies Act, 1956, the Articles of Association of the Company be and is hereby altered by inserting a new Article 99A the heading and text of which is given hereunder after the existing Article 99.

PASSING OF RESOLUTION BY POSTAL BALLOT

Notwithstanding anything contained in the Articles of Association of the Company, the Company do adopt the mode of passing a resolution by the members of the Company by means of a postal ballot and / or other ways.”

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

B.L. GAGGAR

Chief Financial Officer
& Company Secretary

May 9, 2005

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 to 9 of the Notice is annexed hereto.
3. Profiles of the Directors being appointed / reappointed as required under clause 49 of the listing agreement 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 Monday, 18th July 2005 to Wednesday, 27 July 2005, 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 17th July 2005 and
 - (ii) in respect of shares held in physical form to those members whose names appear on the Register of

Notice (Contd.)

Members of the Company after giving effect to all valid share transfers lodged with the share transfer agent on or before 17th July 2005. The Company will dispatch the dividend warrants from 28th July 2005 onwards.

6. The amount standing credit in unpaid dividend account in respect of 42nd dividend declared on July 09, 1998 will be transferred to the 'Investor Education and Protection Fund' maintained with the Central Government after the end of 7 years on 21st August 2005. Members who have still not encashed their 42nd 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 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 members 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 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 27th January, 2005, the Board appointed Mr. W. Mohr as a director of the Company with effect from 27.01.05 to fill the casual vacancy caused by the resignation of Mr. F. Note. Pursuant to section 262 of the Companies Act, 1956, read with Article 119 of the Articles of Association of the Company, Mr. Mohr holds office only upto the date of the forthcoming Annual General Meeting as Mr. Note 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. Mohr as a candidate for the office of Director. The Directors commend the Resolution for Member's approval.

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

RESOLUTION NO 8

The Board of Directors of the Company have appointed M/s Intime Spectrum Registry Limited as Share Transfer Agents of the Company in place of M/s IIT Corporate Services Limited effective from October 1st, 2004. M/s IIT Corporate Services Limited who was so far acting as the share transfer agent has intimated to the Company of closing down their operations and exiting from share transfer related business. Pursuant to the appointment of M/s Intime Spectrum Registry Limited, all Register and Index of Members and copies of all annual returns prepared under section 159 and 160 of the Companies Act, 1956 together

with copies of certificates and documents required to be annexed thereto under section 160 and 161 of the Companies Act, 1956, are required to be kept at the office of the Intime Spectrum Registry Limited at C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W), Mumbai – 400 078.

The approval of the members is being sought under Section 163 of the Companies Act, 1956, for keeping all the documents mentioned above with the new share transfer agent or any other place of business of the share transfer agents within the city of Mumbai.

The Directors commend the Resolution for Member's approval.

None of the Directors is concerned/ interested in this item of resolution.

RESOLUTION NO 9

The alteration in Articles is proposed with a view to enable the company to pass resolution through the postal ballot in accordance with the provisions of Section 192A inserted by the Companies (Amendment) Act, 2000 which would allow the shareholders of the Company a right to vote through the postal ballot system.

None of the Directors may be considered as concerned or interested in passing of the proposed resolution.

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

B.L.GAGGAR
Chief Financial Officer
& Company Secretary

May 9, 2005

REGISTERED OFFICE

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

Report of the Directors

To the Members

The Directors have pleasure in presenting the **Fifty-eighth** Annual Report and Audited Financial Statements for the year ended March 31, 2005.

Financial Results:

	(Rs. in Lakhs)	
	2004-2005	2003-2004
Net Sales		
Domestic	26315.58	22192.48
Exports	6894.04	9483.10
	33209.62	31675.58
Profit before interest, depreciation & tax	3400.25	3477.39
Depreciation & Amortisation	593.98	526.09
Interest (Net)	-18.36	-103.14
Provision for Current/Deferred Tax	972.75	969.68
Net profit after tax	1851.88	2084.76
Balance in Profit & Loss Account brought forward	816.55	811.60
Balance available for appropriation	2668.43	2896.36
Appropriation:		
Interim dividend	596.25	596.25
Final dividend	715.50	715.50
Tax on dividend	178.27	168.06
Transfer to General Reserve	350.00	600.00
Profit & Loss Account balance carried forward	828.41	816.55
	2668.43	2896.36

Dividends:

Considering the performance for the year, its future prospects and the policy for distribution of dividend consistently followed by the Company, the Board of Directors is pleased to recommend for the approval of shareholders a **final dividend** of **Rs. 6** per share (60%) which together with interim dividend of Rs.5 per share (50%) declared by the Board at its meeting held on 28th October, 2004 and paid subsequently works out to a total dividend of **Rs. 11** per share (**110%**) for the financial year 2004-05. The dividend and the tax payable thereon will absorb cash out flow of **Rs. 1490** lakhs and amounts to a payout of **81%** of

the net profit as compared to 71% for the previous financial year.

Management Discussion & Analysis:

Financial and Operational Performance:

The performance of the Company for the year is reflected by the following ratios:

	2004-2005	2003-2004
Sales Growth (%)	4.8	-0.7
PBIDT (% to sales)	10.2	11.0
PAT (% to sales)	5.6	6.6
ROCE (%)	26.0	27.9
Return on net worth (%)	18.4	21.5
Debt : Equity ratio	0.07	0.09
W/Capital (% to sales)	6.8	7.5
Earning per share (Rs.)	15.5	17.5
Cash earning p/share (Rs)	20.5	21.9
Book value per share (Rs)	84.2	81.1

The domestic sales recorded a growth of **18.6** percent over the previous year. However, due to competitive pressure and slackness in demand from global markets, exports sales were down by 27.3 percent over previous year. Growth in domestic sales was driven by record volume and value growth in Textiles. In view of competitive price pressure, sharp increase in input costs, lower income from investment of surplus funds and adverse impact due to exchange rate fluctuation, operating profit (PBDIT) as percent to sales is lower at 10.2 percent as compared to 11 percent and net profit after tax for the year is lower by 11.2 percent over previous year. The Company has been able to withstand intense competition and price pressures in the domestic markets and with record growth in sales it has further consolidated its market leadership in textile and leather industry segments.

The Company has further improved its benchmarking performance in management of working capital. The net working capital at the year-end as a percent to net sales has come down from 7.5 percent in the previous year to **6.8** percent in the current year and this works out to 25 days of net sales. With healthy liquid resources, which are prudently invested into debt oriented schemes of mutual