

CLARO INDIA LIMITED



**18TH ANNUAL REPORT
2002-2003**

BOARD OF DIRECTORS

SRI A.K.KOTHARI – CHAIRMAN

SRI BHARAT MOHTA

SRI B.L.DAMANI

SRI S.K. MATHUR – ADDITIONAL DIRECTOR

AUDITORS

MESSRS. SRIKANTH & SHANTHI ASSOCIATES

CHARTERED ACCOUNTANTS

CHENNAI

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BANKERS

BHARAT OVERSEAS BANK LTD.

CHENNAI

REGISTERED OFFICE

B-7, SIPCOT INDUSTRIAL COMPLEX

GUMMIDIPOONDI – 601 201

TAMIL NADU

ADMINISTRATIVE OFFICE

VI FLOOR

37, NELSON MANICKAM ROAD

AMINJIKARAI

CHENNAI – 600 029

CLARO INDIA LIMITED

Registered office: B 7 SIPCOT INDUSTRIAL COMPLEX, GUMMIDIPOONDI-601 201

NOTICE TO MEMBERS

Notice is hereby given that the Eighteenth Annual General Meeting of the members of Claro India Limited will be held on Wednesday, the 31st December 2003 at the Registered office of the company at B-7, Sipcot Industrial Complex, Gummidipoondi-601 201 at 11.00 A.M. to transact the following business:-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance sheet of the company as at 31st March 2003, the profit and loss account for the year ended on that date and the report of the Board of Directors and Auditors thereon.
2. To appoint a Director in the place of Mr. Bharat Mohta, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint M/s. Srikanth & Shanthi Associates as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting on such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors.

SPECIAL BUSINESS:

4. To consider and if thought fit to pass with or without modification(s), the following resolution as an Ordinary Resolution

ORDINARY RESOLUTION

"RESOLVED THAT Mr. S. K. Mathur who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956, and holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, in writing, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company subject to retirement by rotation under the Articles of Association of the Company."

5. To consider and if thought fit to pass with or without modification(s), the following resolution as an Ordinary Resolution

ORDINARY RESOLUTION

"RESOLVED THAT pursuant to Section 269, 309, 310 Schedule XIII and all other applicable provisions, if any of the Companies Act, 1956, Mr. B.L. Damani be and is hereby appointed as Whole Time Director of the Company without any remuneration for a period of five years commencing from 31st October 2003."

6. To consider and if thought fit to pass with or without modification(s), the following resolution as an Special Resolution

SPECIAL RESOLUTION

"RESOLVED THAT subject to the provisions of the Companies Act, 1956, the Securities Contracts (Regulations) Act, 1956, the Securities and Exchange Board of India (SEBI), the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 or any amendment thereof, and subject to such approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed by any authority, while granting such approvals, which may be agreed to by the Board of Directors, consent of the Company be and is hereby accorded to the Board of Directors (which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the

Board of Directors by this resolution) to delist the equity shares of the Company from the following Stock Exchanges viz:

The Ludhiana Stock Exchange Association Limited and
Madras Stock Exchange Limited."

7. To consider and if thought fit to pass with or without modification(s), the following resolution as a Special Resolution

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any of the Companies Act, 1956 the Articles of Association of the Company be amended as follows:

Article	Subject/ Particulars	New Clause
3	Capital Clause	After the last line the following lines be included: "With a power to consolidate, sub divide and reduce the paid up capital of the company"
19	Share Certificate	After the last line the following lines be included: "Every member shall be entitled to share certificates in marketable lot(s)."
20(a)	Renewal of Share Certificate	The word "Cages" be corrected as "cases." The following lines be inserted after the last line: "Share certificates shall be issued in marketable lots and where share certificates are issued or either or more or less than marketable lots, sub-division or consolidation into marketable lots should be done free of charge."
28	Length of Calls	"The length of notice be changes to 15 days notice."
38	Lien on Shares	The following lines be included after the last line: "The Board of Directors may at any time declare any share wholly or in part to be exempt from the provisions of this clause."
42	Notice of forfeiture	"The length of notice be changes to 15 days notice."
64	Fee on transfer/ transmission	Article 64 be substituted as follows: "No fee shall be charged for transfer of shares or for effecting transmission or for registering any letters of probate, letter of administration and similar other documents."
91	Place of General Meeting	The Annual General Meeting shall be held at any place in Gummidipoondi. Any other General Meeting shall be held at any place in India.
92	Demand for Poll	To be replaced as under "At any general meeting a resolution put to vote at a meeting shall be decided on a show of hands, unless a poll is demanded by any member or members present in person or in proxy and holding shares in the Company- (i) Which confer a power to vote on the resolution not being less than one-tenth of the total voting power in respect of than resolution, or (ii) On which an aggregate sum of not less than fifth thousand rupees has been paid up"
108	Proxy Schedule	In line number three "Schedule XI" be replaced with "Schedule IX"
118	Appointment of director in casual vacancy	In line number one Section 184 to be deleted

120	Sitting fees	The Directors shall be paid sitting fees as may be fixed by the Board in accordance with the provisions of the Companies Act, 1956 and Rules made there under, for attending the Board Meetings and Committees thereof.
122	Quorum for Board Meeting	In line number three Article 114 be replaced with Article 113(a)
123	Vacation of Directorship	In line number one Section 183 be replaced as Section 283.
131	Directors retiring by rotation	In line number two Article 131 be replaced as Article 130.
173(c)	Unclaimed Dividend	The following lines shall be included at the end of Clause 173(c) "and the company shall comply with the provisions of Section 205(A) of the Companies Act, 1956 in respect of such dividends."

ON BEHALF OF THE BOARD

Place : Kolkata
Dated : 18th November 2003

Sd/-
A.K. KOTHARI
CHAIRMAN

Notes:

- A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM DULY COMPLETED SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING**
- Explanatory Statement relating to Special Business is annexed to this Notice as required under Section 173 (2) of the Companies Act, 1956.
- The Register of Members and the Share Transfer Books of the Company will remain closed from 25th December 2003 to 31st December 2003 (both days inclusive)
- Members are requested to notify immediately change of address, if any, to the Company's Registered office.

Additional information pursuant to Clause 49 of the Listing Agreement of the Stock Exchanges

Re-appointment of Mr. Bharat Mohta

Sri. Bharat Mohta, B.Com, aged about 29 years, is an Industrialist, having rich experience in the field of Business and Management. He is the Managing Director in M/s. Arvind Engineering Works Ltd., He is also a Director both in M/s. Indian Glass & Electricals Ltd., & M/s. Shree Manufacturing Company Limited.,

Appointment of Mr. S. K. Mathur as Director

Sri. S.K. Mathur aged about 78 years has 51 years of experience in Paper Trade, and served, as Senior Executive position in M/s. Premier Suppliers Pvt Ltd for about 48 years. He is presently holding as Consultant in the group of M/s. G.Das & Co Pvt Ltd., and also holding Directorship in M/s. G. Das Export Private Ltd.,

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**Item No 4:**

Pursuant to Section 260 of the Companies Act, 1956 Mr. S. K. Mathur was appointed as an additional director of the company with effect from 25th August 2003. Mr. S.K.Mathur will hold office upto the date of the ensuing Annual General Meeting. A special notice along with a deposit of Rs.500, pursuant to Section 257 of the Companies Act, 1956, has been received from a member proposing the candidature of Mr. S. K. Mathur for the office of a director.

The Directors recommend the resolution for the approval of the shareholders.

None of the Directors except Mr. S. K. Mathur is in any way concerned or interested in this resolution.

Item No 5:

Mr. B. G. Lahoty, Executive Director of the Company resigned from the Board with effect from 25th August 2003. The Board felt it was necessary to appoint a Managing/ Whole time Director to manage the affairs of the company. The Board at their meeting held on 31st October 2003 considering the experience and expertise of Mr. B. L. Damani, Director who is also the Managing Director of private Limited company appointed him as Whole Time Director of the company, without any remuneration.

Mr. B. L. Damani, Whole Time Director of the company will not receive any sitting fee for attending the Board meeting or the committees thereof.

The Directors recommend the resolution for the approval of the shareholders.

None of the Directors of the company except Mr. B.L. Damani, is in any way concerned or interested in this resolution.

Item No 6:

The Company is listed at the Madras Stock Exchange Limited, The Stock Exchange, Mumbai and the Ludhiana Stock Exchange Association Limited. In view of the thin volume of trading at the Madras Stock Exchange Limited and the Ludhiana Stock Exchange Association Limited and as a cost cutting measure the company proposes to delist its Securities from the said Exchanges. However the company will continue to list on The Stock Exchange, Mumbai.

Accordingly, Members' approval is sought by a Special Resolution in accordance with the Securities & Exchange Board of India (Delisting of Securities) Guidelines, 2003, to enable voluntary delisting of the Company's equity shares from the Madras Stock Exchange Limited and the Ludhiana Stock Exchange Association Limited.

In view of the continued listing of the Company's equity shares at the Stock Exchange, Mumbai, the Company is not required to provided any exit option to those shareholders of the regions where the aforesaid Stock Exchanges, from which the Company proposes to delist its equity shares, are situated.

None of the Directors of the company is in any way concerned or interested in this resolution.

Item No 7:

It is proposed to amend the Articles as mentioned in the resolution to be in accordance with the Companies Act, 1956 and amendments thereto.

The Directors recommend the resolution for the approval of the shareholders.

None of the Directors of the company except with regard to sitting fees is in any way concerned or interested in this resolution.

INSPECTION OF DOCUMENTS

The Documents referred to in this Notice / Explanatory Statement are open for inspection by any Member at the Registered Office of the Company between 11.00 A.M. and 1.00 P.M. on any working day except saturday upto the date of Annual General Meeting.

ON BEHALF OF THE BOARD

Place : Kolkata
Dated : 18th November 2003.

Sd/-
A.K. KOTHARI
CHAIRMAN

DIRECTORS REPORT

10.03.2003

Your Directors have pleasure in presenting the 18th Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2003.

FINANCIAL RESULTS

The Company has made a total sales of Rs.67.16 lacs during the year ended 31.03.2003 as against Rs.130.92 lacs for the year 2001-02. The Company has suffered Net Loss of Rs.152.00 lacs after writing off depreciation of Rs.29.99 lacs as against the Net Loss of Rs.131.14 lacs after writing off depreciation of Rs.28.61 lacs during the previous year as per details given below :-

(Rupees in Lacs)

	2002-2003	2001-2002
Sales	67.16	130.92
Gross Profit/(Loss) before depreciation and preliminary expenses written off	(113.77)	(94.29)
ADD/(LESS):		
Depreciation	29.99	28.61
Preliminary Expenses written off	8.24	8.24
Net Profit/(Loss)	(152.00)	(131.14)

DIVIDEND

Owing to inadequacy of profits, the Directors do not recommend any dividend.

OPERATIONS

The Capacity utilisation of Formaldehyde Plant could not be increased during the year under review because of demand recession in user industries. This has also resulted in severe under - cutting of prices by the Competitors.

Paraformaldehyde Prices remained unremunerative throughout the year because of cheaper imports and this has restricted the scope for improvement in capacity utilisation in respect thereof.

The Capacity utilisation of Phenolic Resin Plant could not be increased during the year under review because of delay in approval of Product by the user Industries.

FUTURE PLANS

Seeing the difficult demand scenario in respect of existing products the management is looking for opportunity to introduce other related products which have good demand in the market. Every effort is also being made to revive the working by reducing cost wherever possible as well as by increasing the existing operational efficiency of the plant.

FIXED DEPOSITS

The Company has not accepted/renewed any Fixed Deposits during the year. As on the date of the report, the Company has no Fixed Deposits.

DIRECTORATE

Sri. Bharat Moha retires by rotation and being eligible offers himself for re-appointment. Sri B.G.Lahoty, the Whole Time Director designated as Executive Director has resigned from the Board and his resignation has been accepted by the Board of Director's at their meeting held on 25.08.03. The Board wishes to place on record the commendable services rendered by him during his tenure.

DIRECTOR'S RESPONSIBILITY

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2001 the Director's confirm that :

- 1 in the preparation of the annual accounts, the applicable standards have been followed ;
- 2 appropriate accounting policies have been selected and applied consistently, and judgements and estimates have been made 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, 2003 and of the loss of the company for that period;
- 3 proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- 4 the annual accounts have been prepared on a going concern basis.

AUDITORS

M/s. Srikanth & Shanthy Associates., Chartered Accountants, Chennai, auditors of the Company retire at the conclusion of the annual general Meeting and are eligible to be reappointed. A Certificate pursuant to Section 224 (1-B) of the Companies Act 1956 has been obtained from them.

In respect of Auditor's observation regarding preparation of accounts on going concern basis, your Directors wish to point out that steps have been taken to revamp the operation by introduction of new varieties of Phenolic Resin product, expansion of marketing facilities of all products and taking techno-commercial consultancy from outside agencies for establishment of all of the products in the market etc.

In respect Auditor's other observation relevant notes on accounts are self-explanatory and therefore do not call for any further comments.

INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956

Information in accordance with clause (e) of sub-section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors Report for the financial year ended 31st March 2003 is given below :

The Company is taking continuous steps in evolving energy conservation by analyzing consumption data of various process equipments Continuous efforts are being made to improve the energy utilization.

We are upgrading the technology employed by making continuous interactions with the technicians of the Company.

In terms of sub-section (2A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, the Company has no employee drawing more than Rs.24,00,000/- per annum or Rs.2,00,000/- per month during the year under review.

CORPORATE GOVERNANCE / MANAGEMENT DISCUSSION AND ANALYSIS

A report on the Corporate Governance code along with a certificate from M/s. R. Sridharan & Associates, practicing company secretaries regarding its compliance as stipulated under clause 49 of the listing agreement with Stock Exchange as well as Management's Discussion and Analysis Report are enclosed.

ACKNOWLEDGEMENT

The Board wishes to place on record their gratitude for the co-operation and assistance received from the Government of Tamil Nadu and its agencies such as SIPCOT, TNEB, Tamil Nadu Pollution Control Board etc., Banks, Shareholders, and Customers and thank them for their continued support.

The relationship between the management and the employees of the Company was very cordial and your Directors wish to place on record their appreciation of the sincere services rendered by the employees.

On behalf of the Board of Directors
For CLARO INDIA LIMITED

Place : KOLKATA
Date : 18.11.2003

Sd/-
A.K. KOTHARI
Chairman

REPORT ON CORPORATE GOVERNANCE

1. Philosophy on code of Governance

The Securities and Exchange Board of India has introduced a code of Corporate Governance for implementation by Companies having paid capital of Rs.3 Crores or more and listed with stock exchanges from the year 2002-2003. Claro India Limited is committed to the highest standards of Corporate Governance in all its activities and processes. The Company lays emphasis on transparency, accountability, and integrity, being the key elements of Corporate Governance.

2. Board of Directors

➤ Composition:

The Board has an optimum combination of executive and non-executive directors. The Board meets at regular intervals and is responsible for all financial and risk management decisions.

The constitution of the board as on 31st March 2003 is as under:

Name of the Director	Category	No of Board Meetings attended	No of directorship in other companies*	No of committee membership*		Attendance at the last AGM
				As chairman	As member	
Mr.A.K.Kothari Chairman	Non Executive	5	10	-	7	Not present
Mr.B.G.Lahoty	Executive Director	4	-	-	-	Not present
Mr.B.L.Damani	Non Executive Director	-	-	-	2	Present
Mr.Bharat Mohta	Non Executive Independent Director	3	3	2	-	Present

* Only public companies incorporated in India are consider for this purpose.

** Only Membership in Audit Committee, Remuneration Committee and Share Transfer and Investor Relations Committee in public companies incorporated in India are consider for this purpose

➤ Board Meetings:

The Board met five times during the financial year ended 31st March 2003. The dates of the board meetings are 30th May 2002, 30th July 2002, 6th September 2002, 30th October 2002 and 30th January 2003. During the period under review no remuneration was paid to Non-Executive Directors, except sitting fee.

3. Audit Committee

➤ Role:

The role of the Committee includes reviewing the quarterly, half yearly and annual financial statements before submission to the Board and also ensuring the compliance of adequate internal control system. The Committee recommends to the Board the appointment of auditors of the company and also is responsible for fixing their remuneration.

➤ Composition:

The Committee consists of the three non executive directors. Mr.Bharat Mohta, independent non-executive director is the chairman of the Committee, Mr.A.K.Kothari, and Mr.B.L.Damani are the Members of the Committee.