



CLARO INDIA LIMITED

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19th ANNUAL REPORT 2003 - 2004

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BOARD OF DIRECTORS

SRI. A.K. KOTHARI - CHAIRMAN
 SRI. B.L. DAMANI - EXECUTIVE DIRECTOR
 SRI. S.K. MATHUR - DIRECTOR
 SRI. B.T. VAJAWAT - ADDITIONAL DIRECTOR

AUDITORS

MESSRS. SRIKANTH & SHANTHI ASSOCIATES
 CHARTERED ACCOUNTANTS
 CHENNAI

BANKERS

BHARAT OVERSEAS BANK LTD
 CHENNAI
 DENA BANK, MUMBAI

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 19th Annual General Meeting of the members of Claro India Limited will be held on Wednesday, the 29th September 2004 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 2004, the Profit and Loss Account for the year ended on that date and the report of the Board of Directors and the Auditors thereon.
2. To appoint a Director in the place of Mr.A.K.Kothari, 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

RESOLVED THAT Mr.B.T.Vajawat who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956, and holds office up to 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.

**ON BEHALF OF THE BOARD
For CLARO INDIA LIMITED**

Sd/-
A.K.KOTHARI
CHAIRMAN

Place: Chennai
Dated: 24-8-2004.

NOTES:

1. **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.**
2. Explanatory Statement relating to Special Business is annexed to this Notice as required under Section 173 (2) of the Companies Act, 1956.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 23rd September 2004 to 28th September 2004 (both days inclusive).
4. 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. A.K.Kothari

Mr.A.K.Kothari aged about 51 years is a Commerce graduate. He has a long-standing experience in the field of Textiles, Engineering Industry, Pharmaceutical and Tea Plantations.

Appointment of Mr.B.T.Vajawat as Director

Mr. B.T.Vajawat, aged about 60 years is a Commerce graduate from the University of Madras. He has passed his CA in the year 1969 and has been a practicing Chartered Accountant since then. Mr. B.T. Vajawat does not hold directorship in other companies.

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.B.T.Vajawat was appointed as an additional director of the company with effect from 26th April 2004. Mr.B.T.Vajawat will hold office up to the date of the ensuing Annual General Meeting. A 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.B.T.Vajawat for the office of a director.

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

None of the Directors except Mr.B.T.Vajawat is in any way concerned or interested in this resolution.

**ON BEHALF OF THE BOARD
For CLARO INDIA LIMITED**

**Sd/-
A.K.KOTHARI
CHAIRMAN**

Place: Chennai

Dated: 24-8-2004.

DIRECTORS' REPORT

Your Directors have great pleasure in presenting the 19th Annual Report of the Company along with the Audited Accounts for the year ended 31st March, 2004.

FINANCIAL RESULTS:

The Details of the financial results of the period in comparison to that of the previous period is furnished below.

	(Rupees in Lacs)	
	2003-2004	2002-2003
Sales	37.30	67.16
Gross Profit/(Loss) before depreciation and preliminary expenses written off	(56.68)	(113.77)
ADD/(LESS) :		
Depreciation	30.12	29.99
Preliminary Expenses written off	3.60	8.24
Net Profit/(Loss)	(90.40)	(152.00)

DIVIDEND:

Due to inadequacy of profits your Directors' regret their inability to recommend any Dividend for the financial year 31st March 2004.

FIXED DEPOSITS:

The Company has not accepted / renewed any fixed deposits from the public during the year under review.

DIRECTORATE:

Shri.A.K.Kothari, Chairman retires by rotation and being eligible offers himself for reappointment.

Shri.Bharat Mohta, Director, has resigned from the Board with effect from 26th April 2004. The Board wishes to place on record its appreciation for the valuable services rendered by him during his tenure as Director. Shri. Mr.B.T.Vajawat was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956, and holds office up to the date of the ensuing Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act, 1956, in writing, proposing his candidature for the office of Director.

AUDITORS:

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

SCHEME OF ARRANGEMENT:

As you are aware your Company had convened a Meeting of the share holders and creditors of the Company on 31st December 2003 as per the Orders of the High Court of Judicature at Madras and had sought your approval for canceling 8 out of every 10 shares held as on 17th June 2004 and for converting unsecured loans amounting to Rs.3,50,00,000 into equity.

Pursuant to the Scheme of Arrangement the Board at its Meeting held on 26th April 2004 has issued fresh share certificates to all Members holding shares as on the record date. The Board also issued 35,00,000 equity shares of Rs.10 each to Kothari Plantations & Industries Limited for the aforesaid conversion. Consequent to the said issue your Company has become a subsidiary of Kothari Plantation & Industries Limited.

As per Clause (d) of Section 217(1) the Directors are of the opinion that the financial position of the Company as on date may differ, to the extent of the reduction of capital and conversion of unsecured loans as per the aforesaid scheme, which was sanctioned by the Hon'ble High Court after the date of the Balance Sheet.

DELISTING OF SECURITIES:

Your Company had sought the approval of the shareholders at the 18th Annual General Meeting held on 31st December 2003 for delisting the securities of the Company from the Madras Stock Exchange Limited and The Ludhiana Stock Exchange Association Limited. Necessary applications have been made in this regard and the approvals from the said stock exchanges are awaited.

INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956:

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 AND MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT:

A report on the Corporate Governance code along with a certificate from M/s. Srikanth & Shanthi Associates, Statutory Auditors of the Company 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.

DIRECTOR'S RESPONSIBILITY STATEMENT:

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 judgments 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, 2004 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 ;
4. the annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENT:

The Board wishes to thank the Government of Tamil Nadu and its agencies such as SIPCOT, TNEB, Tamil Nadu Pollution Control Board etc for the co-operation and assistance received. The Board also wishes to thank the Bankers, Shareholders, and Customers 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 for the sincere services rendered by the employees.

**ON BEHALF OF THE BOARD
For CLARO INDIA LIMITED**

**Sd/-
A.K.KOTHARI
CHAIRMAN**

Place: Chennai
Dated: 24-8-2004.

MANAGEMENT'S DISCUSSION & ANALYSIS REPORT

1. INDUSTRY STRUCTURE AND DEVELOPMENTS

The production capacity that remained idle since long is gradually being utilized. Industrial consumers have started to accept the products progressively.

The Input cost is increasing due to abnormal rise in the price of the basic raw material, Phenol. However there has been no increase in the price of finished Resin. The increase in cost price is expected to be absorbed in the subsequent months. Once quality is established among the Industrial consumers, the demand prospect for Phenolic Resin would increase.

The production of Formaldehyde does not appear to be economical since the dumping of Paraformaldehyde is still continuing from the overseas Market.

2. OPPORTUNITIES AND THREATS

As stated above, the dumping of Paraformaldehyde is still continuing. Production always depends on the demand. However, Phenolic Resin seems to have a penetrating demand in the future. The production of Formaldehyde is not economical because the market prices are below the cost of production.

3. PRODUCT WISE PERFORMANCE

Due to idle capacity product-wise performance is negligible. However production and sales particulars are annexed to the Accounts as notes and forms part of the balance Sheet.

4. OUTLOOK

Outlook of Phenolic Resin is very encouraging. The Company should increase its production capacity to match the demand. It also hopes to produce products that are best suited for the Industrial consumers. However, the Outlook for Formaldehyde and Paraformaldehyde appear to be negative.

5. RISK & CONCERNS

The high input cost, cheap import cost, excess capacity available and delayed approval of products are critical risk factors, which continue to impact the industry negatively.

6. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company follows an adequate system of internal Control in all areas of its operation. It has entrusted the Internal Audit function to a firm of Chartered Accountants. The Internal Auditors conduct periodic audit to find out the sufficiency of the Internal Control System and furnish their report to the Management. The Management pays due regard to all the suggestions of the Internal Auditors.

7. MATERIAL DEVELOPMENT IN HUMAN RESOURCES AND INDUSTRIAL RELATIONS

Employee relations remained by and large satisfactory throughout the year. The company is also undertaking steps to improve work culture and human relations.

8. CAUTIONARY STATEMENT

Management Discussion and Analysis Report only sets out the Management perception of the Industry's/Company's operational environments which may change due to unforeseen influential factors in future.

REPORT ON CORPORATE GOVERNANCE

1. PHILOSOPHY ON CODE OF GOVERNANCE

Claro India Limited is committed to the highest standards of Corporate Governance in all its activities and processes. The key elements of Corporate Governance namely, transparency, accountability, and integrity are continuously emphasized upon.

2. BOARD OF DIRECTORS

COMPOSITION:

The Board is an optimum combination of Executive and Non-Executive Directors. The Board meets at regular intervals. Mr.A.K.Kothari is the Chairman of the Board and Mr.B.L.Damani is the Whole Time Director of the Company. All strategic decisions including the financial and risk management decisions are made by the Board. The constitution of the Board as on 31st March 2004 and the details of the Directors are as under.

Name of the Director	Category	No of Board Meetings attended	No of Directorship in other Companies*	No of Committee Membership** (Including Claro India Limited)		Attendance at the last AGM
				As Chairman	As Member	
Mr. A. K. Kothari	NEC	5	13	-	5	Absent
Mr. B. L. Damani	ED	-	-	-	1	Present
Mr. Bharat Mohta	NEID	5	3	2	-	Present
Mr.S.K.Mathur	NEID	-	-	-	1	Present

NEC - Non Executive Chairman

ED - Executive Director

NEID - Non Executive Independent Director

* Only public Companies incorporated in India are considered for this purpose.

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

The Changes in the composition of the Board during the period 1st April 2003 to 31st March 2004 and the changes that subsequently occurred up to the date of this report are stated below.

1. Mr.B.G.Lahoty, Whole Time Director of the Company, resigned from the Board with effect from 25th August 2003 and Mr.B.L.Damani became the Whole Time Director of the Company with effect from 31st October 2003 and the same was approved by the Shareholders at their Meeting held on 31st December 2003.
2. Mr.S.K.Mathur was co-opted as an Additional Director with effect from 25th August 2003 and his appointment was regularized by the shareholders at their 18th Annual General Meeting held on 31st December 2003.
3. Mr.Bharat Mohta resigned from Directorship with effect from 26th April 2004 and Mr.B.T.Vajawat was co-opted as an Additional Director on the same date.