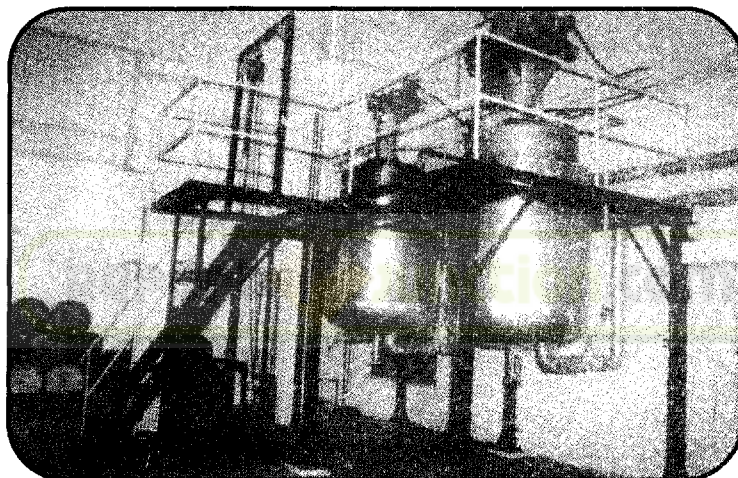




CLARO INDIA LIMITED

B -7, SIPCOT INDUSTRIAL COMPLEX, GUMMIDIPOONDI-601 201.



CREATING SOLUTIONS TOGETHER



20th Annual Report
2004-2005

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BOARD OF DIRECTORS

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

AUDITORS

MESSRS. SRIKANTH & SHANTHI ASSOCIATES,
 CHARTERED ACCOUNTANTS,
 CHENNAI - 600 018.

BANKERS

IDBI BANK LTD, Chennai.
 UTI BANK LTD, Chennai.
 BHARAT OVERSEAS BANK LTD, Chennai.

REGISTERED OFFICE

B-7, SIPCOT INDUSTRIAL COMPLEX,
 GUMMIDIPOONDI - 601 201,
 TAMILNADU.

REGISTRAR AND SHARE TRANSFER AGENT

GNSA INVESTORS SERVICES (P) LIMITED,
 NEW NO. 18/1, (OLD NO. 17/1), BALAJIAH AVENUE,
 LUZ, MYLAPORE, CHENNAI - 600 004.

ADMINISTRATIVE OFFICE

VI FLOOR,
 37 NELSON MANICKAM ROAD,
 AMINJIKARAI,
 CHENNAI - 600 029.

DIRECTORS' REPORT

Your Directors have pleasure in presenting their Report together with the audited accounts for the financial year ended 31st March 2005.

FINANCIAL RESULTS

Particulars	2004-05 (Rs. Lakhs)	2003-2004 (Rs. Lakhs)
Sales	309.76	37.30
Gross Profit / (Loss) before depreciation and preliminary expenses written off	(81.43)	(56.68)
ADD / (LESS) :		
Depreciation	32.74	30.12
Preliminary Expenses written off	-	3.60
Net Profit / (Loss)	(114.17)	(90.40)

DIVIDEND

In view of the loss suffered by Company during the year, your Directors are unable to recommend any dividend.

BUSINESS ACTIVITIES

With the manufacture and sale of various types of Powder & Liquid Resin and Paraformaldehyde, the Company has achieved a turnover of Rs.309.76 Lakhs during the year under review. The Company is constantly making R & D for the development of various types of value added Resins. Efforts are being made to achieve increased turnover during the current year. The Company also proposes to manufacture rubber resin and utilize the idle capacity of Paraformaldehyde for Export purposes. Barring unforeseen circumstances, your Directors hope to improve the working of the Company in the current year.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of The Companies Act, 1956 the Directors confirm that, to the best of their knowledge and belief:

1. in the preparation of The Profit & Loss Account for the year ended 31st March 2005 and the Balance Sheet as at that date ("financial statements"), applicable standards have been followed;
2. appropriate accounting policies have been selected and applied consistently, and such judgements and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of the affairs of the Company as at the end of the financial year and of the loss 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 financial statements have been prepared on a going concern basis.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

The Particulars required under Section 217(1)(e) of The Companies Act, 1956, read with The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed separately as Annexure A which forms part of this report.

PERSONNEL

There were no employees in receipt of remuneration in excess of the limits as stipulated under Section 217(2A) of The Companies Act, 1956 read with The Companies (Particulars of Employees) Rules, 1975 during the year.

DIRECTORS

Mr. B.L.Damani, Director of the Company retires by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-election.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Report on Corporate Governance & Management Discussion & Analysis are made a part of this Annual Report.

A Certificate from the M/s.R.Sridharan & Associates, Company Secretaries, Chennai regarding compliance of the conditions of Corporate Governance as stipulated by Clause 49 of the Listing Agreement is attached to this report

HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION

The Company has substantially complied with applicable Environmental Laws and Labour Laws. It has expended substantial resources, both financial and managerial, in compliance of the relevant laws and has taken all reasonable measures to protect the environment, to ensure safety and health of the workers.

PUBLIC DEPOSITS

The Company has not accepted any deposits from the public.

AUDITORS

M/s. Srikanth & Shanthi Associates, Chartered Accountants, Chennai, the Company's Auditors, retire at the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for reappointment. A Certificate pursuant to Section 224 (1-B) of The Companies Act 1956 has been obtained from them, stating that their appointment, if made, would be within the limits laid down in the said section.

DELISTING OF SECURITIES

The delisting of securities of your Company has been approved by Ludhiana Stock Exchange Association Limited with effect from 25 August 2004. The Company has completed all the delisting formalities for getting the securities of the Company delisted from Madras Stock Exchange Limited, whose approval is awaited.

GENERAL APPRECIATION

The Directors wish to thank the Government of Tamil Nadu and its agencies such as SIPCOT, TNEB, Tamil Nadu Pollution Control Board etc for the cooperation and assistance received. The Board also wishes to thank the Bankers, Customers for their continued support to the Company's growth.

The Directors record their sincere appreciation to all employees for their dedication and for their efforts made to enable the company to perform and maintain steady progress during this difficult period.

The Directors also thank the shareholders for their continued support, encouragement and the confidence reposed in the management.

On behalf of the Board of Directors

Place : Chennai
Date : 20.08.2005.

Sd/-	Sd/-
A.K.KOTHARI	B.L.DAMANI
Director	Director

ANNEXURE A

Conservation of energy, technology absorption and foreign exchange earnings and outgo.

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.

Energy conservation measures are implemented and constantly monitored for reduction of energy consumption.

Form A as per Rule 2 of Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is as follows

A. POWER AND FUEL CONSUMPTION**1. ELECTRICITY CONSUMED :**

S. No.	Particulars	2004-2005	2003-2004
(a)	Purchased		
	Normal Units (KWH)	217,390	142,852
	Peak Hr units (KWH)	53,718	32588
	Amount paid for units consumed (in Rs.)	798,465	572,189
	Normal Rate per unit (Average)	3.50	3.83
	Peak hr Rate per Unit (Average)	0.70	0.70
	Demand Charges (Amount in Rs.)	648000	783000
	Electricity Tax (Amount in Rs.)	60620	49069
	Meter Rent (Amount in Rs.)	19200	14400

2. DIESEL :

S. No.	Particulars	2004-2005	2003-2004
(a)	Quantity (K Ltrs)	32645	600
	Total Amount (in Rs.)	891826	16380
	Average Rate (in Rs.)	27.30	27.00

3. FIRE WOOD :

S. No.	Particulars	2004-2005	2003-2004
(a)	Quantity (M tons)	266.500	142
	Total Amount (in Rs.)	161053	16380
	Average Rate (in Rs.)	27.30	27.00

B. CONSUMPTION PER TON / UNIT OF PRODUCTION

S. No.	Product	(KWH) Electricity		(K Ltrs) Diesel		(M tons) Fire Wood	
		2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
1.	Resin	450	450	85	85	5.46	5.46
2.	Paraformaldehyde	750	750	-	-	2.75	2.75

On behalf of the Board of Directors

Place : Chennai
Date : 20.08.2005.

Sd/-
A.K.KOTHARI
Director

Sd/-
B.L.DAMANI
Director

MANAGEMENT DISCUSSION & ANALYSIS REPORT

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.

Opportunities and Threats

Production always depends on the demand, Phenolic Resin seems to have a penetrating demand in the future. The production of Formaldehyde is not economical. Production of Para formaldehyde has of late started to pick up.

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.

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 Para formaldehyde appear to be negative.

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.

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.

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.

Cautionary Statement

Statements in this Management discussion and analysis, describing the company's objectives, projections, estimates and expectations may constitute forward looking statements within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.

On behalf of the Board of Directors

Place : Chennai
Date : 20.08.2005.

Sd/-
A.K.KOTHARI
Director

Sd/-
B.L.DAMANI
Director

REPORT ON CORPORATE GOVERNANCE

PHILOSOPHY

"Corporate Governance deals with laws, procedures, practices and implicit rules that determine a Company's ability to take informed managerial decisions vis-a-vis its claimants - shareholders, creditors, customers, the state and employees."

Corporate governance is a system by which business corporations are directed and controlled.

Features of Good Corporate Governance

Following are generally considered as features of good governance:

- ❖ Independent and effective Board of Directors.
- ❖ Good audit process and reporting.
- ❖ Adequate and timely disclosure of information.
- ❖ Transparency of information.
- ❖ Greater participant of shareholders in decision-making.
- ❖ Maximizing shareholder value.
- ❖ Meeting social obligations.

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

CLARO INDIA LIMITED bears the highest degree of commitment towards its Stakeholders, Creditors, Bankers, Government and the Society at large. Claro is a part of the Kothari group of Companies, a group promoted by Mr.G.D.Kothari, who had been in the corporate world since several decades. The Company follows a set of well-established Code of Corporate Governance. Every step of the Management is aimed at broadening the financial base of the Company and increasing the Shareholders' wealth. The entire process begins with the functioning of the Board of Directors, with leading professionals and experts serving as independent directors and represented in the various Board committees.

Key elements in corporate governance are transparency, disclosure, supervision, internal controls, risk management, internal and external communications, high standards of safety, health, accounting fidelity, product and service quality. The Board has empowered responsible persons to implement its policies and guidelines and had set up adequate review processes.

BOARD OF DIRECTORS

Composition:

The Board of Directors is a team of multifaceted personalities who emerge from various fields. The management team leads the company efficiently and effectively through its rich experience in the world of business. The Board meets at frequent intervals to decide on various strategic financial and business issues.

The Board comprises of four Directors, each with a rich experience in business, engineering, manufacturing, finance and business management. The Board has an appropriate mix of non-independent and independent directors to ensure proper governance and management. All strategic decisions including the financial and risk management decisions are made by the Board. The constitution of the Board as on 31st March 2005 and the details of the Directors are as under.

Meetings:

The Board of Directors met seven times during the year-ended 31.03.2005. The dates of the Board Meetings were 26th April 2004, 30th July 2004, 24th August 2004, 7th September 2004, 29th September 2004, 29th October 2004 and 28th January 2005.

The attendance of each Director at the Board Meeting, the last annual general meeting and number of other directorships held by them as on 31.03.2005 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	NED	1	11	-	8	Absent
Mr. B.L. Damani	NEID	7	1	-	2	Present
Mr. S.K. Mathur	NEID	7	2	2	1	Present
Mr. B.T. Vajawat #	NEID	7	Nil	Nil	-	Absent

NED - Non Executive Director

NEID - Non Executive Independent Director

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

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

Mr.B.T.Vajawat was co-opted as an Additional Director on 26th April 2004 and was appointed as a director at the 19th annual general meeting held on 29.09.2004.

Board Procedure

The dates of the Board meeting for the calendar year are decided in advance. The Board meets at least once in a quarter and the interval between two meetings is not more than four months. Apart from the statutory requirements, the role of the Board includes periodic review of operations and considering proposals for business re-organization, etc. The Board has complete access to any information within the company. The information periodically placed before the Board includes proceedings/ minutes of all committee meetings, significant developments etc.

AUDIT COMMITTEE:

Role:

The Company has duly constituted an Audit Committee in accordance with the Listing Agreement entered into with the Stock Exchanges. The Audit Committee is entrusted with the power of reviewing the financial statements before submitting the same to the Board. The Committee recommends the appointment of Statutory Auditors and fixation of their remuneration. The Committee also reviews all compliances with Accounting Standards and also the compliance with stock exchange and legal requirements concerning the financial statements, related party transactions etc.

a. Terms of Reference, Composition, Name of the Members and Chairman:

The Company has an independent Audit Committee comprising of three members, all being non - executive Directors, with two of them being independent. Mr.B.T.Vajawat, is the Chairman of the committee; Mr.S.K.Mathur and Mr. A.K. Kothari being the other independent members. All the members of the Committee have an excellent financial and accounting knowledge.

The Committee reviews every unaudited / audited financial results of the Company before submission to the Board.

The Committee also monitors compliance with the major accounting policies, compliance with accounting standards prescribed by the Institute of Chartered Accountants of India, Listing Agreement with regard to statement and discusses and advises on Financial Management Policies, it also monitors the proposed changes in the accounting policies.

The committee met 5 times during the year-ended 31.03.2005, viz. 26.04.2004, 30.07.2004, 24.08.2004, 29.10.2004, and 28.01.2005. The composition of the Audit Committee and the attendance of each member at these meetings are given below:

Name of the Member	No. of Meetings held	No of Meetings Attended
Mr. Bharat Mohta *	5	1
Mr. B.T. Vajawat **	5	4
Mr. A.K. Kothari	5	1
Mr. S.K. Mathur	5	4

* Mr.Bharat Mohta resigned from Directorship with effect from 26th April 2004.

** Mr.B.T.Vajawat was co-opted as an Additional Director on 26th April 2004 and was appointed as a director at the 19th annual general meeting held on 29.09.2004.

INVESTORS' SERVICE

The Company promptly attends to investors' queries or grievances. In order to provide timely service, the power to approve the transfer of shares had been delegated by the board to the share transfer and investors grievance committee. The Board has also authorized the directors and executives of the company to approve the transfer/transmissions. Share transfer requests are processed within 15 days from the date of receipt. GNSA Investors Services (P) Limited, Chennai is the Company's Registrar and Share Transfer Agent.

The Board committee viz. Share Transfer and Investors Grievances Committee was constituted to specifically focus on investor services. This committee has prescribed norms for attending to the investors' services and these norms have been complied with. Mr.B.T.Vajawat, a non-executive Director is the Chairman of the said committee. Mr. A. K. Kothari and Mr. B. L. Damani being other independent members. The members of the committee normally meet to approve the share transfer, transmission and transposition. All the aforesaid requests are usually approved within a period of 10 to 15 days from the date of receipt/ subject to their validity.

The committee met 12 times during the year-ended 31.03.2005 viz., 23.04.2004, 27.05.2004, 15.06.2004, 29.09.2004, 30.10.2004, 15.11.2004, 17.12.2004, 31.12.2004, 28.01.2005, 10.02.2005, 14.03.2005, and 31.03.2005. The composition of the Share Transfer and Investors Grievances Committee and the attendance of each member at these meetings are given below:

Name of the Member	No. of Meetings held	No of Meetings Attended
Mr. Bharat Mohta *	12	1
Mr. B.T. Vajawat **	12	11
Mr. A.K. Kothari	12	0
Mr. B.L. Damani	12	12

* Mr.Bharat Mohta resigned from Directorship with effect from 26th April 2004.

** Mr.B.T.Vajawat was co-opted as an Additional Director on 26th April 2004 and was appointed as a director at the 19th annual general meeting held on 29.09.2004.