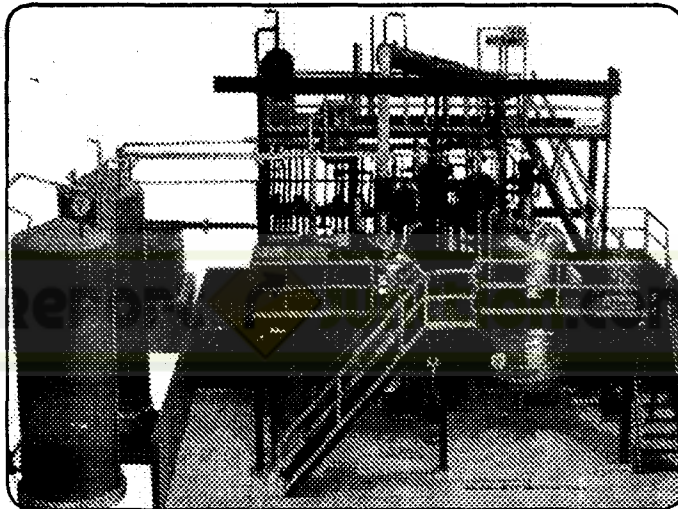




## **CLARO INDIA LIMITED**

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



**21<sup>st</sup> Annual Report**

**2005-2006**

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## BOARD OF DIRECTORS

SHRI. A.K. KOTHARI - DIRECTOR  
 SHRI. B.L. DAMANI - DIRECTOR  
 SHRI. S.K. MATHUR - DIRECTOR  
 SHRI. A.K. DAGA - DIRECTOR

## AUDITORS

MESSRS. SRIKANTH & SHANTHI ASSOCIATES,  
 CHARTERED ACCOUNTANTS,  
 NO. 9, MADHANA GOPAL STREET,  
 ABHIRAMAPURAM, 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) LTD.  
 NEW NO. 11, SRINIVASA ROAD,  
 PONDYBAZAR, T. NAGAR,  
 CHENNAI - 600 017.

## 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 SHAREHOLDERS

**NOTICE** is hereby given that the Twenty First Annual General Meeting of the shareholders of Claro India Limited will be held on Friday, the 22<sup>nd</sup> September 2006, at 11.00 A.M., at the Registered Office of the Company at B-7, Sipcot Industrial Complex, Gummidipoondi – 601 201, to transact the following business.

#### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31<sup>st</sup> March 2006, 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 elect a Director in the place of Shri.S.K. Mathur, who retires by rotation and being eligible offers himself for re-election
3. To appoint the Auditors and to fix their remuneration.

#### 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** Shri.A.K.Daga be and is hereby appointed as Director of the Company liable to retire by rotation.

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

#### 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 and is hereby altered in the following manner

- a. The existing Article 120. (3) of the Articles of Association be and is hereby deleted and in its place the following new article be substituted

Article 120. (3) The Directors may 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.

- b. The existing Article 139. (a) of the Articles of Association be and is hereby deleted and in its place the following new article be substituted:

Article 139. (a) The Company may have a Chief Executive whether call it as Executive Chairman, Managing Director or by any other designations.

**RESOLVED FURTHER THAT** the Board of Directors be and is hereby severally authorised to do all such acts, deeds and things as may be required to give effect to the above resolution.

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

#### ORDINARY RESOLUTION

**RESOLVED THAT** the company be referred to the Board of Industrial Financial Reconstruction within 60 days from the date of this meeting as the net worth of the company has totally eroded.

On behalf of the Board of Directors

Sd/-

B.L.DAMANI

Director

Place : Chennai

1

Date : 21.08.2006.

**NOTES:**

- A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him/her and such proxy need not be a member of the company. (Proxy form is annexed herewith). The Proxy form duly completed must be sent so as to reach the company, not less than 48 hrs before the commencement of the meeting.
- The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the Special Business set out under Items 4 to 6 of this Notice is annexed.
- The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, the 20<sup>th</sup> September 2006 to Friday, the 22<sup>nd</sup> September 2006 (both days inclusive).
- Members are requested to notify changes, if any, in their addresses to the address mentioned for correspondence or to the Registrar and Share Transfer Agents immediately quoting their folio number.
- Members / Proxies are requested to hand over the enclosed Attendance Slip, duly filled in for attending the meeting.

**ANNEXURE TO THE NOTICE**

- A. As per requirement of Clause 49 of the Listing Agreement with Stock Exchanges, particulars of the Directors seeking reappointment are given hereunder.

**Item No.2**

Shri. S.K. Mathur aged about 80 years has 51 years of experience in Paper Trade, and served, as a Senior Executive position in M/s. Premier Suppliers Pvt Ltd for about 48 years.

The details of his directorship in other Companies and membership of Committees as on 31.03.2006 are as follows

Company	Position	Committee Membership
G. Das (Exports) Private Limited	Director	Nil
Premier Suppliers Private Limited	Director	Nil

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

Shri.A.K.Daga was appointed as an additional Director on 29<sup>th</sup> December 2005 pursuant to Section 260 of the Companies Act, 1956 and Article 117 of the articles of association of the company. As required under the Articles of Association and pursuant to the provisions of the Companies Act, 1956, he will vacate office at the ensuing Annual General Meeting.

The company has received a notice in writing along with a deposit of Rs.500/- from a member of the company under Section 257 of the Companies Act, 1956 signifying his intention to propose the candidature of Shri.A.K.Daga for directorship.

Shri.A.K.Daga is aged about 47 yrs and holds a bachelors degree in B.A. Corporate Secretaryship. He has wide experience in trading activities of Paper Industry. He is in the business of manufacturing and dealing with electrical goods and accessories. He bags with a wide range of experience for about 15 yrs in the aforesaid fields and the activities related thereto.

He does not hold any other Directorship

This may also be treated as an individual notice under Sec 257(1A) of the Companies Act, 1956.

Your Directors recommend this resolution for approval of the members of the Company.

None of the Directors of the Company other than Shri.A.K.Daga is interested or concerned in the resolution.

**Item No: 5**

- a. The Company was continuously incurring losses during the past several years. The existing Article 120 (3) is worded in such a manner that it makes payment of sitting fees compulsory to all Directors for attending Meetings of Board or Committee thereof. Therefore, it is necessary to amend the articles of association suitably in such a manner that the Board of Directors is left with the discretion to decide on the payment of sitting fees to its Directors.
- b. The existing Article 139 (a) makes it mandatory for the Company to appoint one of its directors as its chief executive / managing director / chairman or any other designations who shall have the management of the affairs of the Company.

The Company's paid up capital is less than Five Crores and hence the appointment of a Managerial Personnel in accordance with the provisions of the Companies Act, 1956 is not mandatory. Therefore the existing Article 139(a) is to be suitably amended in such a manner so as to empower the Board to ascertain the necessity of appointing a managerial personnel at its discretion and to determine the terms and conditions of the appointment.

Amendment of articles is governed by the provisions of Section 31 of the Companies Act, 1956 and therefore the special resolution as set out in item 5 of the notice is intended to obtain the shareholders consent for the said alteration.

Your Directors recommend this resolution for approval of the members of the Company.

All the Directors of the Company are interested in the resolution as it relates to sitting fees.

**Item No: 6**

While examining the Audited Accounts of the Company for the financial year ended 31<sup>st</sup> March 2006, it has come to the notice of your Directors that the Company has become a sick industrial company within the meaning of Section 3(i)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985 and the provisions of section 15 of the said Act is applicable. Under the said provision, your Directors are requested to make a reference to the Board of Industrial and Financial Reconstruction (BIFR), you are therefore requested to approve the proposed resolution.

None of the Directors of the Company are interested in the said resolution.

On behalf of the Board of Directors

Place : Chennai  
Date : 21.08.2006.

Sd/-  
B.L.DAMANI  
Director

## DIRECTORS' REPORT

Your Directors have pleasure in presenting their Report together with the audited accounts for the financial year ended 31<sup>st</sup> March 2006.

### FINANCIAL RESULTS

Particulars	2005-06 (Rs. Lakhs)	2004-2005 (Rs. Lakhs)
Turnover	631.62	309.76
Gross Profit / (Loss) before depreciation and preliminary expenses written off	35.93	(81.43)
ADD / (LESS) : Depreciation	34.28	32.74
Net Profit / (Loss)	1.65	(114.17)
Accumulated Losses Brought forward	(705.38)	(591.21)
Accumulated Losses Carried forward	(703.73)	(705.38)

### DIVIDEND

Even though the Company had made profits during the year, due to the accumulated losses of the company, your Directors are unable to recommend any dividend for this year.

### BUSINESS OPERATIONS

The Company has achieved an improved turnover of Rs.631.62 lacs, during the year under review, through the manufacture and sales of the products, viz., Phenolic, liquid & powder resins. The laboratory is updated in line with the prevailing technology and continuous R & D efforts are being made to develop new products, improve process, reduce costs, etc. Application development laboratory has also been established to give consumer service on the use of the products. The company had started working on obtaining ISO 9001 – 2000 Certification, as this would improve their image with the customers to get entry and improve their image with the customers to get entry and improve the sales volumes. Export prospects of Paraformaldehyde was constantly reviewed and the company had achieved a humble success. Special grades of resins are being developed to meet specific customer demands. Barring unforeseen circumstances, our Directors hope to improve the performance of the Company in the coming 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 financial year ended March 31, 2006 and the Balance sheet as at that date ("financial statement"), applicable accounting standards have been followed;
2. Appropriate accounting policies have been selected and applied consistently and such judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the company as at the end of the financial year and of the Profit 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 for the Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities. To ensure this, the company has established internal control systems, consistent with its size and nature of operations. These systems are reviewed and updated on an ongoing basis.

Periodic internal audits are conducted to provide reasonable assurance of compliance with these systems. The Audit committee meets at regular intervals to review the internal audit function.

4. The financial statements have been prepared on a going concern basis.
5. The financial statements have been audited by M/s. Srikanth & Shanthi Associates, Chartered Accountants, the Statutory Auditors and their report is appended thereto.

### **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**

Shri.S.K.Mathur, Director of the Company retires by rotation at the ensuing coming Annual General Meeting and being eligible offers himself for re-election.

Shri.A.K.Daga who was coopted as an Additional Director at the Board meeting held on 29th December 2005 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 the Director along with the requisite deposit. His appointment as a Director of the Company is included as Item No. 4 of the Notice convening this Meeting.

During the year under review, Shri. Lok Nath Sharma who was appointed as an additional Director on 29.12.2005 resigned from the Board with effect from 07.06.2006. The Board wish to place on record its appreciation for the services rendered by him during his tenure on the Board.

### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

Management Discussion and Analysis Report is attached and forms part of the Annual Report.

### **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 M/s.R.Sridharan & Associates, Company Secretaries, 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 the applicable Environmental Laws and Labour Laws. It has expended substantial resources, both financial and managerial, in complying with the relevant laws and has taken all reasonable measures to protect the environment, to ensure safety and healthy 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 statutory auditors, retire at the conclusion of the ensuing Annual General Meeting and are eligible 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.

## **LISTING OF SECURITIES**

Company's shares are listed at Bombay Stock Exchange Limited and Madras Stock Exchange Limited.

Company has completed all the delisting formalities for getting the securities of the company delisted from the Madras Stock Exchange and the 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 co-operation and assistance received. The Board also wishes to thank the Bankers, financial institutions and Customers for their continued support to your 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 : 21.08.2006.

Sd/-  
S.K.MATHUR  
Director

Sd/-  
B.L.DAMANI  
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	2005-2006	2004-2005
(a)	Purchased		
	Normal Units (KWH)	383,678	217,390
	Peak Hr units (KWH)	91,950	53,718
	Amount paid for units consumed (in Rs.)	1,360,348	798,465
	Normal Rate per unit (Average)	3.50	3.50
	Peak hr Rate per Unit (Average)	0.70	0.70
	Demand Charges (Amount in Rs.)	649,980	648,000
	Electricity Tax (Amount in Rs.)	94,107	60,620
	Meter Rent (Amount in Rs.)	24,000	19,200

**2. DIESEL :**

S. No.	Particulars	2005-2006	2004-2005
(a)	Quantity (K.Ltrs)	19,155	32,645
	Total Amount (in Rs.)	570,395	891,826
	Average Rate (in Rs.)	34.61	27.30

**3. FIRE WOOD :**

S. No.	Particulars	2005-2006	2004-2005
(a)	Quantity (M.Tons)	534.155	266.500
	Total Amount (in Rs.)	718,722	161,053
	Average Rate (in Rs.)	1,345	605

**B. CONSUMPTION PER TON / UNIT OF PRODUCTION**

S. No.	Product	(KWH) Electricity		(K. Ltrs) Diesel		(M. tons) Fire Wood	
		2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
1.	Resin	460	450	80	85	-	5.46
2.	Paraformaldehyde	800	750	-	-	3.00	2.75

On behalf of the Board of Directors

Place : Chennai  
Date : 21.08.2006.

Sd/-  
S.K.MATHUR  
Director

Sd/-  
B.L.DAMANI  
Director

## **MANAGEMENT DISCUSSION & ANALYSIS REPORT**

### **1. INDUSTRY STRUCTURE AND DEVELOPMENTS**

Regular production and sales of PF Resins liquid and powder have been established. However, due to various reasons including disadvantages of VAT benefits and higher Freight costs, our sales volumes have been affected in the all India market. The prices of inputs this year has steadily gone up and corresponding increase in the prices of finished products were not readily possible from the customers. However, there has been steady progress in the development of bringing in new customers for the Resins.

Competition from Import with much lesser customs duty has affected sales volume of Paraformaldehyde. However, regular customers continued to take the product.

### **2. OPPORTUNITIES AND THREATS**

Presently, there is a good boom for Automobile Sector and Foundries in turn are also showing good progress. The demand for our products suitable for Foundries, Brake Linings, Abrasives etc, would very much improve in the future. Due to locational disadvantages and tax benefit constraints, prices of products had suffered in the competition.

### **3. PRODUCT WISE PERFORMANCE**

After establishing the products, namely Phenolic, liquid and powder resins, concentration was given to choosing proper customer profiles and this would affect comparative performance. However this strategy would benefit in the future.

### **4. OUTLOOK**

Outlook for phenolic resin is bright. It may also require increasing the production capacity to meet the demand as expected, in view of the bright future for automobile sector.

### **5. RISK & CONCERNS**

The high fluctuations in the input prices, different tax rates of sales tax, locational disadvantageous for raw materials and finished products, long approval times for validation of products and highly credit oriented market are risk factors to be considered.

### **6. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY**

The company follows a systematic and adequate system of internal control in all areas of its operation. The company also has appointed the Internal auditors, a firm of chartered accountants, with periodic audit systems with regular reports, corrective measures etc. The company is under the process of obtaining ISO 9001 – 2000 Certificate for all its manufacturing and selling activities, confirming its systematic way of working.

### **7. MATERIAL DEVELOPMENT IN HUMAN RESOURCES AND INDUSTRIAL RELATIONS**

Employee relations remained very satisfactory through out the year. Various steps are being taken for training the employees to improve their levels in all respect.

### **8. 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 : 21.08.2006.

Sd/-	Sd/-
S.K. MATHUR	B.L.DAMANI
Director	Director