

# Annual Report 2012

## **Clariant Chemicals (India) Limited**



what is precious to you?

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## ADDING A SMILE TO YOUR LIVES!

Clariant touches your lives in manifold ways – through our various sustainable and innovative ingredients – from hair care to skin care, from the colorful decorative paints to the protective wood coatings, from the flame retardants in electronics to the varied denim effects, from the diverse leather garments to the anti-fungal biocides in the paints and many more. Our ability to treat customers, employees, neighbors and the environment in a responsible fashion has also strengthened our partnerships with all our stakeholders upon whom our success as a company ultimately depends. Our commitment also extends to ensuring that we enhance our leadership position and generate more value to all our stakeholders. Our products touch you in your everyday life and the quality of our products keep you smiling all along!

We have a pipeline of interesting and innovative offerings – thanks to the global synergies – that enhance our lives and make the world a much better and sustainable place for us and our children!



## THE CORE BRAND AND BRAND VALUES

### WHERE WE WANT TO GO

#### - Our Vision

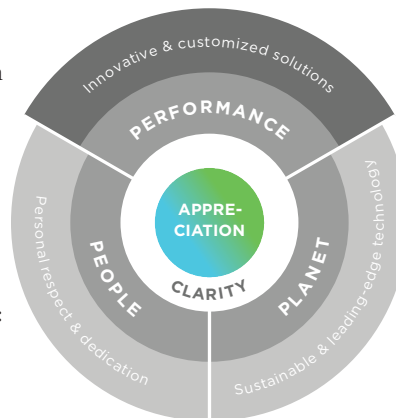
We aim to be the global leading company for specialty chemicals and to stand out by above-average value creation for all of our stakeholders.

### HOW WE AIM TO GET THERE

#### - Our Mission

We build leading positions in the businesses we are active in, and we adopt functional excellence as part of our culture. We create value through appreciating the needs of:

- **our customers** – by providing competitive and innovative solutions
- **our employees** – by adhering to our corporate values
- **our shareholders** – by achieving above-average returns
- **our environment** – by acting sustainably



### WHAT CLARIANT STANDS FOR

#### - A focus on Appreciation

In order to put this common goal (vision) into action and uphold the promises of the Clariant brand (mission), Clariant has defined new Brand values.

The core of the Clariant brand is »appreciation«. Clariant attaches great importance to values, and makes them the central focus of every field in which the company operates and can influence:

➔ Performance, People, Planet.

### BRAND VALUE PERFORMANCE

#### - Innovative and customized solutions

Clariant can be successful only if its customers are also successful. For this reason, the development and realization of innovative, customized and high-quality solutions are the focus of all Group activities. This requires industry expertise – speed to market, leading technologies, a competitive product line, flexibility, an emphasis on research and development, and an approach that is focused on solutions rather than just products at every level.

### BRAND VALUE PEOPLE

#### - Respect and appreciation for all stakeholders

Dialogue is a foundation for Clariant's business success in two respects. First, everyone in the company must listen carefully to customers, in order to ascertain their needs and develop customized solutions – because Clariant's success is tied to its customers' success. Second, Clariant's success depends on effective exchanges of ideas and information, on the performance of every individual, and all its employees working together.

### BRAND VALUE PLANET

#### - Sustainability through leading-edge technology

As a global specialty chemicals company, Clariant is part of the global economy, society and the environment. A caring attitude toward customers, employees, neighbors and the environment, and responsible use of resources are ethical obligations and an expression of appreciation. Environmental sustainability is also an important success factor for Clariant and its customers. Clariant therefore intends to meet the highest standards, and set new benchmarks through sustainable, leading-edge technologies.



### NEW CORPORATE DESIGN

Clariant's fresh self-confidence – as demonstrated in the new branding, the vision, the mission and our corporate values – is also reflected in the company's external image and the Group's new corporate design. Value creation through appreciation is the central promise. The new trademark is the Clariant logo with the »C« in the shape of a metallic body. This illustrates a clear and superior aesthetic, symbolizing a high-quality awareness and a focus on essentials, as well as passion and the importance of striving for the best solution at all times. Above all, the new Clariant brand stands for a different, more successful way to work and act.

*Clariant's core question what is precious to you? makes clear in just a few words what we stand for and what everyone can expect from Clariant: appreciation. We ask our customers directly how we can increase value for them with sustainable solutions. We ask and we listen, signaling our respect and readiness for dialogue. By the way: What is precious to you?*

# BOARD OF DIRECTORS



R. A. Shah



Peter Palm



Deepak Parikh



Bansi S. Mehta



Henri Schloemer



Diwan A. Nanda



Alfred Muench



Philipp Hammel



B. L. Gaggar

## **BOARD OF DIRECTORS**

R. A. Shah – Chairman  
Peter Palm – Vice Chairman  
Deepak Parikh – Managing Director  
Bansi S. Mehta  
Henri Schloemer  
Diwan A. Nanda  
Alfred Muench  
Philipp Hammel

B. L. Gaggar – Director Finance & Company Secretary

## **AUDIT COMMITTEE**

R.A. Shah, Chairman  
Diwan A. Nanda  
Henri Schloemer

## **INVESTORS' GRIEVANCE COMMITTEE**

Diwan A. Nanda, Chairman  
Peter Palm

## **AUDITORS**

Deloitte Haskins & Sells  
Chartered Accountants

## **BANKERS**

The Hongkong & Shanghai Banking Corp'n. Ltd.  
Standard Chartered Bank  
Citibank N.A.

## **SOLICITORS & ADVOCATES**

Crawford Bayley & Co.

## **REGISTRAR & SHARE TRANSFER AGENTS**

Sharepro Services (India) Pvt. Ltd.  
Sakinaka, Andheri (E)  
Mumbai – 400 072  
Phone: +91 22 6772 0300 / +91 22 6772 0400

## **REGISTERED OFFICE**

P.O. Sandoz Baug  
Kolshet Road  
Thane 400 607  
Phone: +91 22 2531 5412

## **WORKS**

113/114, M.I.D.C. Industrial Area  
PO Dhatav, Roha  
Dist. Raigad – 402 116

Kolshet Road, Thane – 400 607

Kudikadu, SIPCOT  
Cuddalore District – 607 005

Singadivakkam Village, Attuputtur Post  
Enathur, Kanchipuram – 631 561



# SUSTAINABLE INNOVATION FOR GROWTH



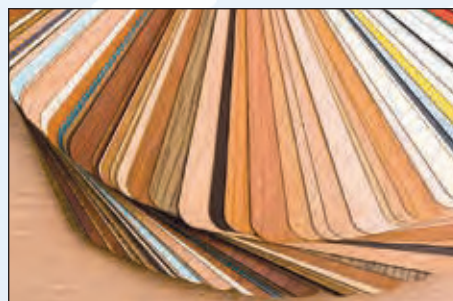
## DETERGENTS & INTERMEDIATES

### Our Key Segments

- Laundry detergents
- Stain removers
- All-purpose cleaners
- Pharmaceutical
- Agro chemicals
- Fragrance

### Our Innovation

We develop and market innovative & sustainable products in close co-operation with the detergent industry, ranging from the big consumer companies to specialized producers of laundry and cleaning products world-wide. We are also the world leaders in the production of glyoxal and glyoxylic acid derivatives, having over 40 years of experience with these complex molecules.



## EMULSIONS

### Our Key Segments

- Paint
- Construction
- Wood Adhesives
- Water based wood coatings

### Our Innovation

Our state-of-the-art, environmentally responsible and sustainable product options also include water-based and tailor-made products like Mowilith®, Mowiplus® and Mowicoll® emulsions.

## ADDITIVES

### Our Key Segments

- Plastics for Polymer Producers
- Masterbatch Manufacturers, Compounders
- Polymer Processors, Packaging – Industrial & FMCG
- Constructions
- Agriculture
- Medical
- Coatings for Automotives – OEM & Refinish
- Industrial Coatings, Specialty Coatings
- Powder Coatings
- Can & Coil Coatings
- Waxes for Publication (Newsprint & Magazine) & Packaging
- Specialty Waxes for Shoe Polish
- Industrial Polish
- Leather Finish
- Road Construction
- Hot Melt Adhesives
- Textile Coatings
- Carpet back Coatings & Emulsions

### Our Innovation

We create value by improving the efficiency, safety, protection, durability and appearance of products and are a leading provider of flame retardants, waxes and polymer additives with a wide range of applications in electronic, construction and automotive sectors.

## MINING SOLUTIONS

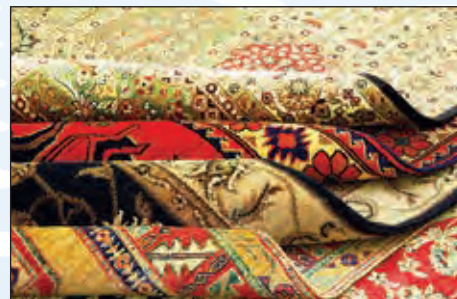
### Our Key Segments

- Performance chemicals for mineral processing and emulsifiers



### Our Innovation

We provide a large range of innovative flotation reagents in the processing of a wide array of ores. Clariant has many years of experience in modern emulsifier technology. Our reliable emulsifiers provide with long-term stability against thermal stress while our pelletization solutions enhance the quality of pellets for the metal industry. We have proven ourselves to be a reliable partner for mining industry by producing unique, high quality reagents and delivering them, on time, around the world.



## INDUSTRIAL & CONSUMER SPECIALTIES

### Our Key Segments

- Paints & Coatings
- Personal Care
- Crop Protection
- Industrial Lubricants

### Our Innovation

Our innovative products address many aspects of daily life: the shampoo that cleaned your hair, the detergent for washing clothes, the moisturizing skin cream, specialties used to manufacture automotive components, the anti-fungal biocides in your paints, etc. The groundbreaking technological processes, continuous market changes and increasing competition are constantly bringing forth new facets to your lives.



## LEATHER SERVICES

### Our Key Segments

- Shoe uppers
- Upholstery
- Leather Garments
- Automotive
- Leather Goods

### Our Innovation

We provide high quality and environment friendly leather processing chemicals and services combined with world-class knowledge of leather upgrading and chrome-free tanning solutions. From beamhouse to finishing, we enhance the complete value chain of production.



## MASTERBATCHES

### Our Key Segments

- Packaging
- Consumer Goods
- Textiles & Fibers
- Medical
- Automotive
- Measure Resin Producers

### Our Innovation

Local focus and global standards coupled with high energy efficient manufacturing processes create safe and environmentally compatible products. Our broad portfolio of high-quality, cost-effective masterbatch pigments, performance additives and innovative products provide cost efficient processing, advanced functionality and diverse aesthetic possibilities.







## PAPER

### Our Key Segments

- Graphic paper/Paper boards
- Writing & Printing paper
- Copy paper, Packaging and Tissue (virgin & waste paper furnish based)

### Our Innovation

Our knowledge and expertise in the management of whiteness, coloration, special coatings, deposit control and strength developments offer innovative products to improve optical and functional properties of all kind of papers and boards for any kind of applications.

## PIGMENTS

### Our Key Segments

- Coating for Decorative and Industrial Paint applications
- Food Packaging Inks
- Plastics & Special Applications for Viscose
- Cosmetics & Detergent
- Stationery
- Masterbatch (Packaging/Automotive/Fiber)

### Our Innovation

The Company has positioned itself as preferred supplier of pigments, pigment preparations and intermediates to major paint, coating and ink manufacturing companies in the country and is well equipped to meet the requirements. We proactively ensure that our innovative products meet international standards and strive for being at the forefront of environmental, health and safety performance.



## TEXTILE CHEMICALS

### Our Key Segments

- Denim
- Apparel & Interior
- Technical Textiles

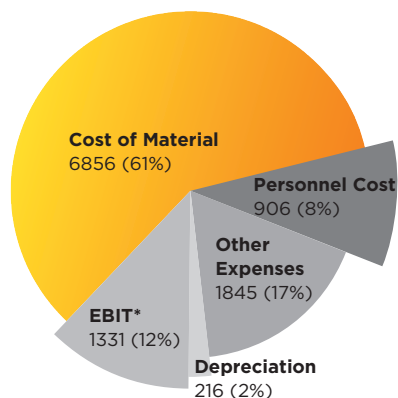
### Our Innovation

Our innovative technology plays a key role throughout the entire textile supply chain – from fiber to finish. Our Advanced Denim concept has also won international innovation awards. We offer solutions like colour trend analysis, color matching technology combined with processing efficiency, nanotech effects, environment friendly solutions and unique concepts that add to the ability of customers to fast move their products to markets and stay ahead of competition.



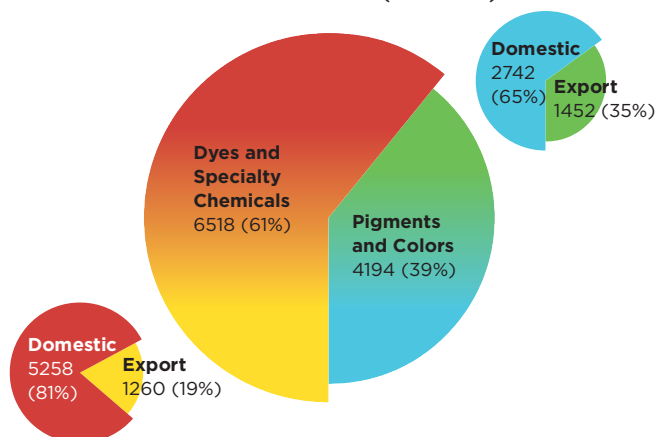
# FINANCIAL PERFORMANCE

**Distribution of EBIT\* 2012**  
(₹ million)

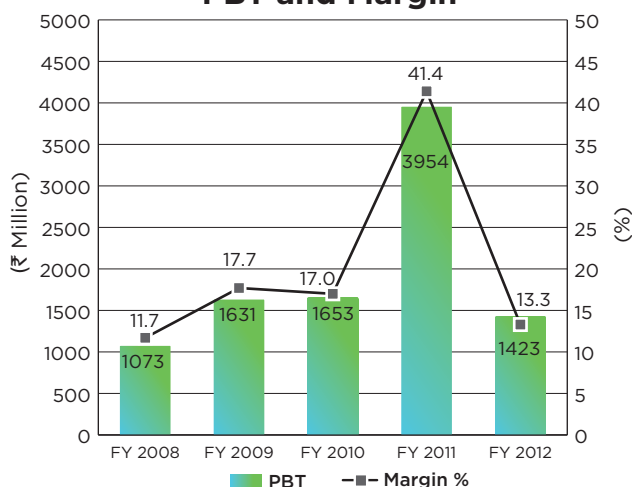


\*Before exceptional items

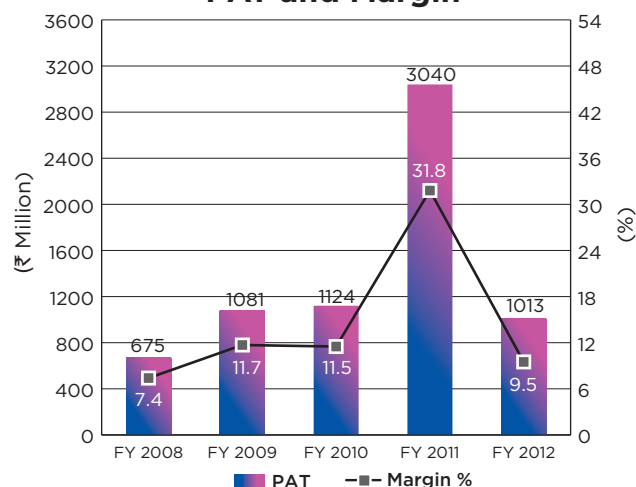
**Composition of Sales 2012**  
Sales Divisionwise (₹ million)



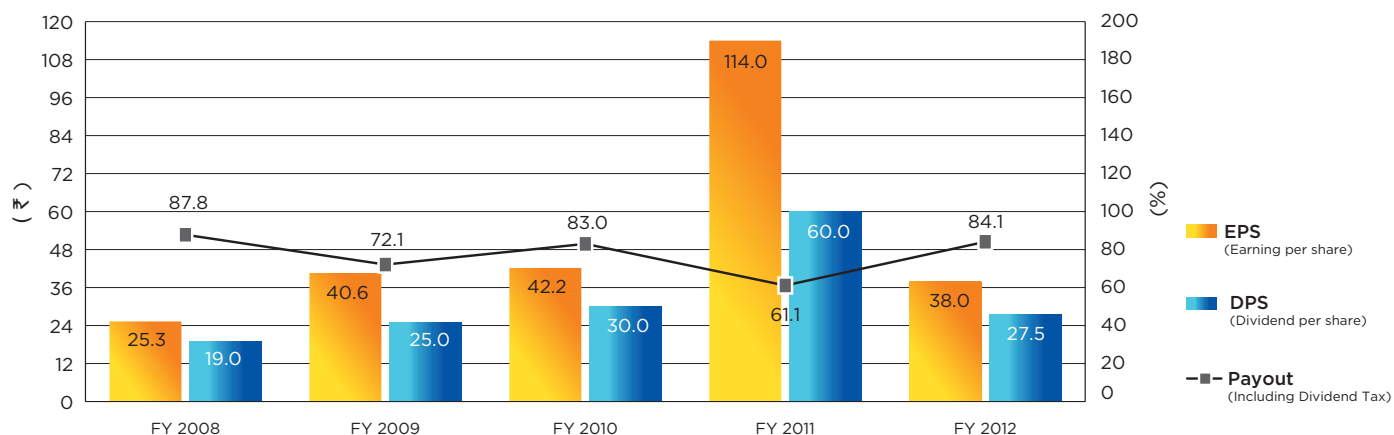
**PBT and Margin**



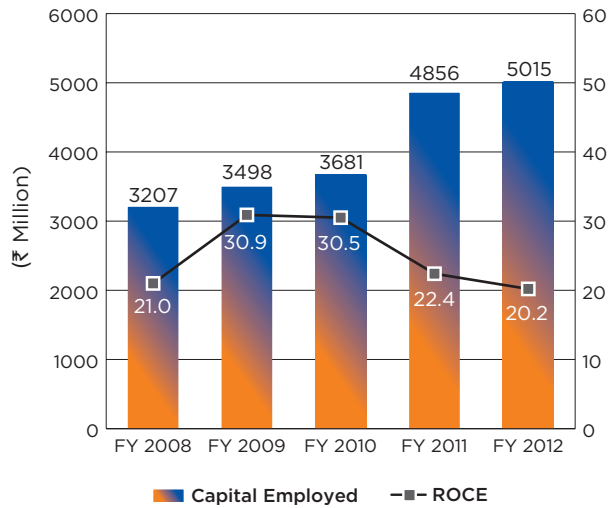
**PAT and Margin**



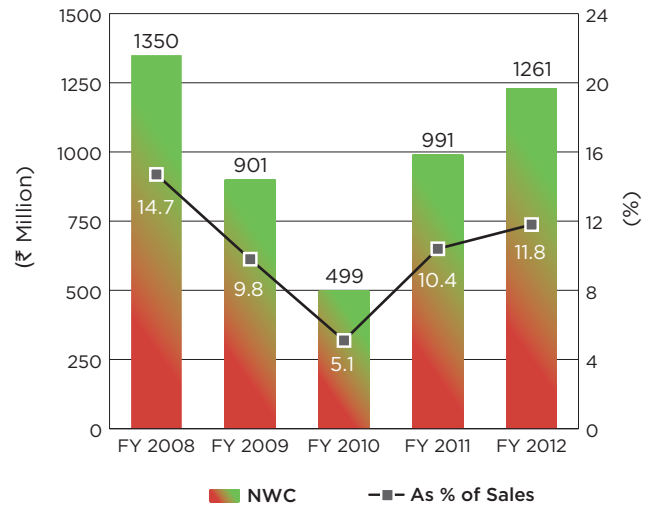
**EPS, DPS and Payout**



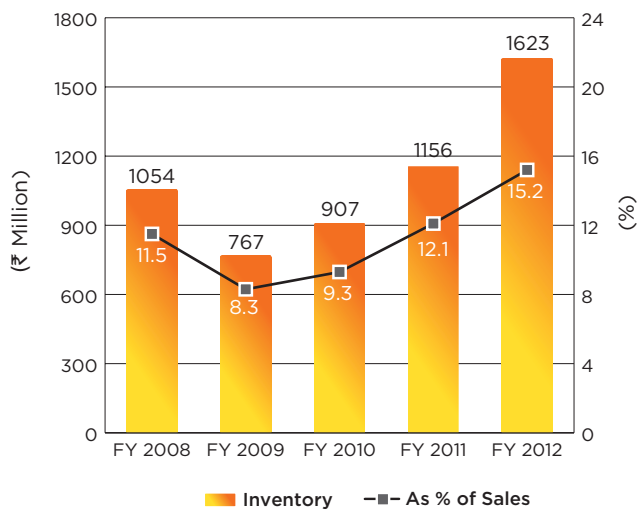
### Capital Employed and ROCE



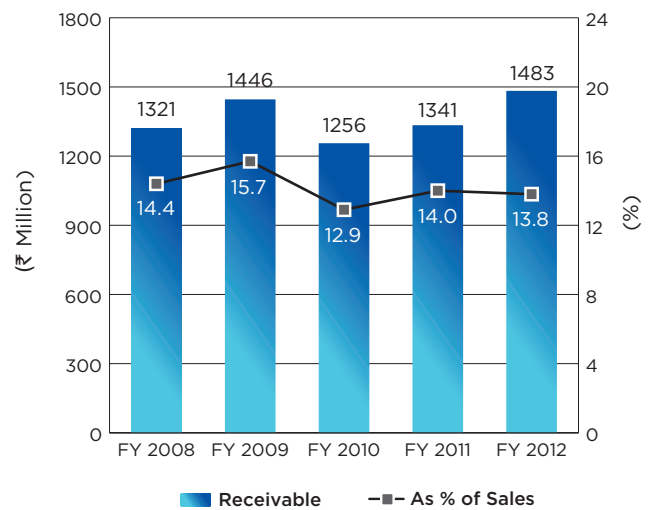
### Net Working Capital to Sales



### Inventory to Sales



### Receivable to Sales



## NOTICE

**NOTICE** is hereby given that the **Fifty-Sixth** Annual General Meeting of the Members of **Clariant Chemicals (India) Limited** will be held at Hotel Satkar Residency, next to Cadbury, Pokhran Road No. 1, Thane (West) – 400 606 on Friday, April 26, 2013 at 04.00 p.m. to transact the following business :

### Ordinary Business :

1. To consider and adopt the audited Balance Sheet as at December 31, 2012 and the Statement of Profit and Loss for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To confirm the declaration and payment of interim dividend and to declare final dividend for the year ended December 31, 2012.
3. To appoint a director in place of Diwan A. Nanda who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Dr. H. Schloemer who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s. Deloitte Haskins and Sells, Chartered Accountants (Firm Regd. No. 117365W) as the Statutory Auditors of the Company to hold the office from the conclusion of this meeting until the conclusion of the next Annual General Meeting, on such remuneration and reimbursement of out of pocket expenses, as the Board of Directors may decide.

### Special Business :

6. 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 sections 198, 269, 309, 310, 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to all the applicable statutory approvals, approval of the Company be and is hereby accorded to the re-appointment of Mr. Peter M. Palm :

Firstly, as the Vice-Chairman and Managing Director of the Company for the period commencing from January 1, 2013 and ending on February 28, 2013, on such terms and conditions including remuneration, benefits and perquisites payable, as set out in the explanatory statement annexed hereto which shall be deemed to form part hereof;

Secondly, on his term as Vice-Chairman and Managing Director of the Company coming to an end, as the Vice-Chairman and Executive Director for the period commencing from March 1, 2013 and ending on April 26, 2013 on such terms and conditions including remuneration, benefits and perquisites payable, as

set out in the explanatory statement annexed hereto which shall be deemed to form part hereof.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to alter and revise the terms as to the remuneration including benefits and perquisites payable to Mr. Palm within the maximum limit in that behalf laid down in Schedule XIII to the Companies Act, 1956, as in force from time to time and to do all such acts, deeds and things and execute all such documents, instruments and writing as may be required and to delegate all or any of its power herein conferred to a Director and Company Secretary to give effect to the aforesaid resolutions.”

7. 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 sections 198, 269, 309, 310, 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to all the applicable statutory approvals, approval of the Company be and is hereby accorded to the appointment of Dr. Deepak Parikh :

Firstly, as the Executive Director of the Company for the period commencing from February 1, 2013 and ending on February 28, 2013 on such terms and conditions including remuneration, benefits and perquisites as set out in the explanatory statement annexed hereto which shall be deemed to form part hereof;

Secondly, thereafter as the Managing Director for the period commencing from March 1, 2013 and ending on April 26, 2013 on such terms and conditions including remuneration, benefits and perquisites as set out in the explanatory statement annexed hereto which shall be deemed to form part hereof;

And Lastly, thereafter as the Vice-Chairman and Managing Director of the Company commencing from April 27, 2013, on such terms and conditions including remuneration, benefits and perquisites as set out in the explanatory statement annexed hereto which shall be deemed to form part hereof.

RESOLVED FURTHER THAT the tenure of the office of Dr. Parikh shall be for a period of four years commencing from February 1, 2013 and ending on January 31, 2017.

RESOLVED FURTHER THAT subject to the applicable legal provisions and statutory approvals, where in any financial year during the tenure of office of Dr. Deepak Parikh, the Company has no profits or if the profits are inadequate, the Company shall pay remuneration, benefits and perquisites to Dr. Parikh as specified in the explanatory statement hereto as minimum remuneration, subject to the approval of the Central Government, if and to the extent necessary.



RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to alter and vary the terms and the remuneration including benefits and perquisites within the maximum limit in that behalf laid down in Schedule XIII to the Companies Act, 1956 as in force from time to time.

RESOLVED FURTHER THAT Dr. Deepak Parikh shall not be subject to retirement by rotation in terms of Article 127 of the Articles of Association of the Company during his tenure as Vice-Chairman & Managing Director.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient to give effect to this resolution and to delegate all or any of its power herein conferred to a Director and Company Secretary to give effect to the aforesaid resolutions.”

8. To consider and, if thought fit to pass the following resolution, with or without modification, as a **Special Resolution** :

“RESOLVED THAT subject to the provisions of Sections 198, 309, 310 of the Companies Act, 1956 and the Articles of Association of the Company, the Company be and is hereby authorised to pay commission to the Non-Executive Independent Directors of the Company in respect of each of the five financial years, commencing from 2013, subject to the overall limit of 1% of the net profits of the Company for that financial year computed in accordance with the provisions of Section 198 (1) of the Companies Act, 1956 or any amendment, modification, variation or re-enactment thereof.

RESOLVED FURTHER THAT the Board of Directors may, at its discretion, approve the exact amount of commission to be paid for each financial year within the maximum limit and its allocation among the Non-Executive Independent Directors”.

## ANNEXURE TO THE NOTICE

### Explanatory Statement under Section 173 of the Companies Act, 1956.

#### Item No. 6

#### Extension of the term of appointment of Vice-Chairman & Managing Director

The term of appointment of Mr. Peter M. Palm as Vice-Chairman and Managing Director expired on December 31, 2012.

The Board of Directors at its meeting held on November 2, 2012 considered and approved the re-appointment of Mr. Peter M. Palm as Vice-Chairman and Managing Director for the period from January 1, 2013 to April 30, 2013. Later, the Board at its meeting held on February 28, 2013 considered and re-appointed Mr. Palm as Vice-Chairman and Executive Director for the period from March 1, 2013 to April 26, 2013 on the terms and conditions and remuneration including benefits and perquisites for the period payable to Mr. Palm subject to approval of members.

The terms and remuneration payable to Mr. Palm for the period from January 1, 2013 to April 26, 2013 in his capacity first as Vice-Chairman and Managing Director and later as Vice-Chairman and Executive Director are as under :

- A. Salary including allowance : ₹ 11,09,000/- (Rupees Eleven Lakhs Nine Thousand) per month.

- B. Contribution towards international health insurance : ₹ 86,700/- (Rupees Eighty-Six Thousand Seven Hundred) per month.

- C. Commission/Bonus : Subject to maximum of ₹ 56,73,600/- (Rupees Fifty Six Lakhs Seventy Three Thousand Six Hundred).

- D. Exgratia : One time lump sum payment of ₹ 19,86,000/- (Rupees Nineteen Lakhs Eighty Six Thousand)

- E. Perquisites & Benefits :

- (i) Fully furnished residential accommodation with provision of all facilities and amenities (including gas, electricity, water, utilities, furnishings etc.);
- (ii) Leave and leave travel concession equivalent to six weeks leave on full pay and allowances for every twelve months of services. Full cost of leave passage including for the family once in a year;
- (iii) Club fees for any two clubs in India including admission or entrance fees and monthly or annual subscriptions;
- (iv) Reimbursement of expenses for returning to home country including for the family after completion of tenure of service including actual expenses incurred on traveling, packing, forwarding, loading/unloading as well as freight, insurance etc. in connection with moving of personal effects;
- (v) Car, Driver and Telephone : Provision of a car with driver and telephone including a mobile phone connection;
- (vi) Entertainment expenses actually and properly incurred in the course of business.

In the event of inadequacy of the profits under section 349 and 350 of the Companies Act, 1956, the remuneration comprising salary, allowances, commission/bonus, perquisites and benefits, as detailed above shall be construed as minimum remuneration payable to Mr. Palm during the term of his appointment.

This may also be considered and treated as abstract and memorandum of interest of the Directors under section 302 of the Companies Act, 1956.

None of the Directors of the company other than Mr. Peter M. Palm is concerned or interested in the said resolution.

The Directors recommend passing the resolution.

#### Item No. 7

Dr. Deepak Parikh is appointed by the Board, firstly, as the Executive Director of the Company for the period commencing from February 1, 2013 and ending on February 28, 2013, thereafter as the Managing Director for the period commencing from March 1, 2013 and ending on April 26, 2013 and lastly, as the Vice-Chairman and Managing Director of the Company commencing from April 27, 2013, on such terms and conditions including remuneration, benefits and perquisites subject to approval of members.

The terms and conditions of the appointment and remuneration payable to Dr. Parikh are provided in the draft contract to be entered into between the Company and Dr. Deepak Parikh.

The broad terms and conditions of the appointment and the remuneration payable to Dr. Parikh first as Executive Director for the period from February 1, 2013 to February 28, 2013, later

as Managing Director from March 1, 2013 and finally as Vice - Chairman and Managing Director for the period from April 27, 2013 are as under :

**A. Salary, Remuneration, perquisites and benefits :**

- (i) **Basic Salary :**  
₹ 14,11,000/- (Rupees Fourteen Lakhs Eleven Thousand) per month.
- (ii) **Location Allowance :**  
₹ 2,08,300/- (Rupees Two Lakhs Eight Thousand Three Hundred) per month.
- (iii) **Home Leave Allowance :**  
₹ 4,75,800/- (Rupees Four Lakhs Seventy Five Thousand Eight Hundred) per month towards cost of air fare for self and direct family members from & to Mumbai to home country destination.
- (iv) **Contribution to Provident Fund :**  
Contribution to Provident Fund at the rate specified in the Provident Fund Act and Rules thereunder calculated on basic salary payable per month. The employee's contribution at the rate specified in the Provident Fund Act will be deducted from the monthly basic salary.
- (v) **Special Allowance :**  
₹ 2,45,250/- (Rupees Two Lakhs Forty Five Thousand Two Hundred Fifty) per month.
- (vi) **Relocation Allowance :**  
₹ 8,35,400/- (Rupees Eight Lakhs Thirty Five Thousand Four Hundred) as lump sum one time payment.
- (vii) **Commission/Bonus :**  
Subject to the overall ceilings laid down under Sections 198 and 309 of the Companies Act, 1956 and subject to approval of the Board of Directors, a maximum amount of ₹ 132 Lakhs per annum as per the Company policy.
- (viii) **Sitting Fees :**  
Dr. Parikh shall not be paid sitting fees for attending the meeting of the Board of Directors of the Company.
- (ix) **Perquisites and Benefits :**
  - a. **Housing :**  
Suitable residential accommodation, or service apartment in a hotel, free of cost with all facilities, amenities, services and furnishings (including gas, electricity, water, utilities, etc.), subject to maximum lease rent/expenditure amount of ₹ 7,18,000/- per month (that is a maximum of ₹ 86,16,000/- in any period of twelve months). In case the Company provided accommodation is not opted at any time, house rent allowance of a sum not exceeding ₹ 7,18,000/- (Rupees Seven Lakhs Eighteen Thousand) per month.
  - b. **Annual Leave :**  
Leave of 25 working days on full pay and allowances, for every twelve months of service subject to the condition that the accumulated leave shall not be encashed.

**c. Club Fees :**

Reimbursement of fees of any two clubs in India, including admission or entrance fees and monthly or annual subscriptions.

**d. Personal Accident Insurance :**

The Company shall pay an annual premium of a sum not exceeding ₹ 15,000/- (Rupees Fifteen Thousand only) for purchasing a personal accident insurance policy for Dr. Parikh.

**e. Reimbursement of expenses for returning to home country :**

Reimbursement of expenses incurred for returning to home country for Dr. Parikh and his family after completion of the tenure of office including actual expenses incurred on travel, packing, forwarding, loading/unloading as well as freight, insurance, etc. in connection with the moving of personal effects, subject to the Company's policy in this regard.

**f. Company maintained Car, Driver & Telephone :**

Provision of a car with driver for use on Company's business. Use of car for private and personal purposes shall be billed by the Company to Dr. Parikh. A landline telephone at residence and a mobile phone facility will be provided, the cost of which will be borne by the Company.

In case the Company is not able to provide a driver, the expenses for engaging a driver will be reimbursed as per the Company's rules.

**g. Income Tax on non-monetary perquisites :**

Income tax on non-monetary perquisites like accommodation, car, club fees etc. will be borne by the Company.

**h. Entertainment Expenses :**

Reimbursement of entertainment expenses actually and properly incurred in the course of the business of the Company subject to such annual limits as may be fixed by the Board of Directors of the Company.

**i. Tax Services :**

The Company will provide services of tax consultant to file Income tax returns of Dr. Parikh and the fees payable to the consultant shall be borne by the Company as per company policy.

The entire remuneration as provided herein above whether payable monthly, annually or as one time lump sum payment shall be paid subject to deduction of tax at source as per the applicable rates in force under Income Tax Act, 1961. The Income tax liability on taxable value of non-monetary perquisites shall be borne and paid by the Company.

**B. Other terms and conditions :**

**(i) Inadequacy of Profits :**

In the event of inadequacy of the profits under section 349 and 350 of the Companies Act, 1956, the remuneration comprising salary, allowances, commission/bonus, perquisites and benefits, as detailed above shall be construed as minimum remuneration to Dr. Parikh during the term of his appointment. In the event the remuneration payable exceeds the limits

prescribed under Schedule XIII read with relevant provisions of the Companies Act, 1956, the special resolution is proposed for the approval of shareholders and an application will be made by the Company for the payment of above mentioned remuneration to Dr. Parikh as minimum remuneration.

**(ii) Not to engage in other employment :**

Dr. Parikh will not engage in any employment or business enterprise that would in any way conflict with the services and interest of the Company and shall comply with all applicable laws of the country and refrain from political activities.

**(iii) Business Conduct :**

Dr. Parikh shall comply with Company's policies with regard to business ethics and shall maintain integrity in line with the Company's Code of Conduct and governance policies.

**(iv) Termination :**

The appointment may be terminated by either party by giving to the other party three months' written notice of such termination.

**(v) Vacation of Office :**

If at any time during the tenure of the appointment as the Vice-Chairman & Managing Director, Dr. Parikh ceases to be in the whole time employment of the Company for any reason whatsoever, Dr. Parikh shall also cease to be a Director of the Company and simultaneously the agreement shall stand terminated.

**(vi) Governing laws, jurisdiction and entire understanding**

The agreement between the Company and Dr. Parikh shall be governed by the laws of India including taxation laws as are applicable in India with exclusive jurisdiction of the Indian courts.

This may also be considered and treated as abstract and memorandum of interest of the Directors under section 302 of the Companies Act, 1956.

None of the Directors of the company other than Dr. Parikh is concerned or interested in the said resolution.

The Directors recommend passing the resolution.

**Item No. 8**

Pursuant to the special resolution passed by the members at the fifty-first Annual General Meeting held in the year 2008, the Directors of the Company were paid commission within the overall limit of 1% per annum of the net profits of the Company. The approval of the members was valid for five years up to the financial year 2012.

The members' approval is sought for payment of commission within the permissible limits as required by the provisions of section 198 and 309 of the Companies Act, 1956 for a period five years effective from 2013.

Non-Executive independent directors currently on the Board of the company, Mr. R. A Shah, Mr. B. S. Mehta and Diwan A. Nanda may be deemed to be concerned or interested in the said resolution to the extent of the amount of commission that may be received by them from time to time.

By Order of the Board of Directors  
For CLARIANT CHEMICALS (INDIA) LTD

B. L. Gaggar  
Director Finance & Company Secretary

February 28, 2013  
Registered Office :  
P.O.Sandoz Baug  
Kolshet Road  
Thane 400607.



## 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 form 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 pursuant to Section 173 of the Companies Act, 1956 in respect of the special business under Item No.6 to 8 set out above is hereto annexed.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, April 16, 2013 to Friday, April 26, 2013 both days inclusive, for the purpose of payment of final dividend, if declared at the Annual General Meeting.
4. 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 April 15, 2013 and
  - (ii) in respect of shares held in physical form to those members whose names appear on the Register of Members of the Company after giving effect to all valid share transfers lodged with the Share Transfer Agent on or before April 15, 2013. The Company will dispatch the dividend warrants on or after April 27, 2013.
5. Profiles of the Directors being re-appointed, as required under clause 49 of the Listing Agreement, are provided in the report on compliance of Corporate Governance.
6. The amount outstanding in unpaid dividend account in respect of financial year 2005-2006 will be transferred to the 'Investor Education and Protection Fund' maintained with the Central

Government after the end of 7 (seven) years after July 27, 2013. Members who have still not encashed their dividend are requested to encash the same at the earliest.

7. The Annual Reports will be posted to the members who are on the records of the Company as on the Benpos date of March 22, 2013 to be compliant with the provisions of Section 171 of the Companies Act, 1956. 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 his demat account. The Company or its Share Transfer Agents will not be able to act on any direct request from these Members for change of such details. However, for any change in particulars in respect of shares held in physical form should be sent to the Registrars & Share Transfer Agents 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 member(s) wants to receive dividend in any other bank account, he/she should change/correct the bank account details with their concerned DPs and also intimate about ECS payment requirement. The Company will not be able to act on any such request from shareholders directly for deletion/change in the bank account details.
9. Members may please note that the dividend warrants are payable at par at all the clearing branches of the Bank in India for an initial period of three months only. Thereafter, the dividend warrant is payable only on revalidation for a further period of three months. The members are therefore, advised to encash dividend warrants within the initial validity period.
10. 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.

## DIRECTORS' REPORT

Your Directors are pleased to present the 56th annual report and audited statement of accounts for the year ended December 31, 2012.

### Financial Results

The financial performance of the Company for the year ended December 31, 2012 is summarized below :

	₹ Lakhs	
	2012	2011
Sales (Gross- including excise duty)	1145,99.32	1015,85.85
<b>Net sales</b>	<b>1071,22.57</b>	956,08.12
<b>Profit before exceptional items &amp; tax</b>	<b>133,11.00</b>	154,07.71
Add : Exceptional items	9,20.47	241,33.20
<b>Profit before tax</b>	<b>142,31.47</b>	395,40.91
Less : Tax expenses (incl. deferred tax )	41,01.43	91,37.01
<b>Profit after tax</b>	<b>101,30.04</b>	304,03.90
Add : Balance brought forward from previous year	126,30.48	38,37.85
<b>Amount available for appropriation</b>	<b>227,60.52</b>	342,41.75
<b>Appropriations :</b>		
General reserve	10,13.00	30,40.39
Interim dividend	26,66.07	79,98.22
Proposed dividend (final)	46,65.63	79,98.22
Tax on dividend (interim, final proposed & incl. previous period)	11,89.38	25,74.44
Balance carried forward to balance sheet	132,26.44	126,30.48

### Review of operations

The business sentiments, confronted with the challenges of market conditions and slowdown in global demand, remained extremely challenging and the recessionary economic conditions led initial slowdown in sales growth. Thanks to the sustained efforts of the marketing team, improved marketing performance of the second half resulted into record sales and growth. The performance in terms of net working capital was affected by built-up of inventory and the profitability is significantly impacted by inflation led cost push in most of the operating areas. Directors are pleased to inform that in spite of challenging conditions, your Company has registered best ever performance in terms of sales growth over previous year.

The Company registered sales of ₹ 1071.23 crores as compared to ₹ 956.08 crores registering a record growth of 12.0 percent sales. Out of the total sales revenue of the Company for the year, 25.3 percent is contributed by exports. The increased cost of raw materials and

inflationary rise in other expenses resulted into lowering of PBDIT margin before exceptional items from 17.7 percent to 14.6 percent. Net profit after accounting for exceptional items and tax is lower over the previous year. The Company remains focused to improve its core business and look for higher market share in the business segments in which it operates.

In view of prolonged litigation, the Company could not implement its project for manufacturing of Masterbatches at Ambarnath, the site acquired by the Company in 2008 from MIDC.

### Dividend

During the year, your Directors had declared an interim dividend of ₹ 10/- per share (100%) and the same was paid in August 2012. Based on the performance for the year and the policy for distribution of profits to the shareholders adopted by the Company, the Board of Directors is pleased to recommend a **final dividend** of ₹ 17.5/- per share (175%).

The total dividend for the year under review amounts to ₹ 27.5/- per share (275%) as compared to ₹ 60/- per share (600%) paid for the previous year, including special dividend attributable to exceptional income. The dividend together with tax thereon for the year entails cash out flow of ₹ 85,31.08 Lakhs (previous year ₹ 185,91.46 Lakhs) and pay out of 84% of the net profit for the year.

### Sale of Businesses

Clariant AG Switzerland, the ultimate Holding Company has announced that USA based SK Capital has agreed to purchase the business units textile chemicals, paper specialties and business line emulsions from Clariant and that this will include the transfer of the whole R&D, applications, sales and marketing organisation along with production plants and sites worldwide.

Clariant Chemicals (India) Ltd. has production facilities for manufacture of textile chemicals and produces paper specialties and emulsion products at its Roha plant. The textile chemicals, paper specialties and emulsion businesses, included in dyes and specialty chemicals segment, together contribute about 35% of the net sales of the Company. The decision to sell the businesses including a manufacturing plant for textile products situated at Roha and other assets dedicated to the businesses under divestment, at a value to be arrived at by the professional valuers, will be considered by the Board and approval of shareholders will be sought at appropriate time in accordance with the requirements of the Companies Act, 1956. The Directors would like to assure its shareholders that given the present market conditions prevailing for the businesses under sale, the decision will be in the best interest of the Company and its shareholders.

### Fixed Deposits

The Company did not accept any fixed deposits during the year under review. There were no overdue or unclaimed deposits outstanding as on December 31, 2012.

### Management Discussion and Analysis Report

In accordance with Clause 49 of the listing agreements, the Management Discussion & Analysis Report forms a part of this report.

### Corporate Governance

The Company has always strived to maintain applicable standards of good corporate governance and the commitment to good corporate governance is embodied in its vision, mission and corporate values. The Company aims to be the leader in specialty chemicals, adopting functional excellence as part of its culture and its corporate values to foster a shared and common set of behaviors amongst all the employees, to help Clariant to realise its goal of sustainable value creation. The report on corporate governance as stipulated under Clause 49 of the listing agreements forms part of this report. The requisite certificate from the auditors of the Company confirming compliance with the conditions of corporate governance as stipulated under the said clause is attached to this report.

### Particulars of Employees

The particulars of employees required to be furnished under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, forms part of this report. However, as per provisions of section 219 (1) (b) (iv) of the Companies Act, 1956, the report and accounts are being sent to all the shareholders, excluding the statement of particulars of employees. Any shareholder interested in obtaining a copy of this statement, may write to the Company Secretary at the registered office of the Company.

### Directors

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Diwan A. Nanda and Dr. H. Schloemer will retire by rotation at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-appointment. The Directors recommend their re-appointment.

Details of the Directors seeking re-appointment are provided in the Corporate Governance Report forming part of this report, as required under Clause 49 of the listing agreements with the stock exchanges.

### Directors' Responsibility Statement

In terms of section 217 (2AA) of the Companies Act, 1956 your Directors confirm that -

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed;

- (b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at December 31, 2012 and of the profit of the Company for that year;

- (c) they have taken proper and sufficient care 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;

- (d) they have prepared the annual accounts on a going concern basis.

### Conservation of Energy, Research and Development, Technology Absorption, Foreign Exchange Earnings and Outgo

Information pursuant to 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 hereto and forms part of the report.

### Auditors

M/s. Deloitte Haskins & Sells, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

### Cost Audit

The Board of Directors, in pursuance of an order under section 233B(2) of the Companies Act, 1956, appointed M/s. R. Nanabhoy & Co., Cost Accountants, as cost auditors of the Company to carry out the audit of the cost accounts relating to dyes and pigments of the Company for the financial year 2013.

### Acknowledgement

The Board of Directors wish to place on record its sincere appreciation for the support received from its stakeholders including shareholders, bankers, distributors, suppliers and business associates. The Directors recognize and appreciate the sincere and hard work, loyalty, dedicated efforts and contribution of all the employees that ensured sustained performance in a challenging business environment.

The Directors also express their appreciation of the assistance and unstinted support received from Clariant group companies.

For and on behalf of the Board of Directors

Mumbai, February 28, 2013

R. A. Shah  
Chairman



## ANNEXURE TO DIRECTORS' REPORT

Information as per section 217(1)(e) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' report for the year ended December 31, 2012.

### A. Conservation of Energy :

The rising energy cost has laid great emphasis on conservation of energy. The Company has taken various measures, including regular monitoring of consumption, reduction of losses and improved maintenance to increase the efficiency and reduce the power cost.

The particulars with respect to power and fuel consumption are provided below :

	2012	2011
<b>1. Electricity :</b>		
a) <b>Purchased :</b>		
Units (in '000 Kwh)	26681	26423
Total amount (₹ Lakhs)	2033	1660
Rate per unit (₹)	7.62	6.28
b) <b>Own Generation :</b>		
i) Through diesel generator		
Units (in '000 Kwh)	1221	1528
Units per litre of diesel oil	4	3
Cost per unit (₹)	13.68	13.74
ii) Through steam turbine/ generator	Nil	Nil
<b>2. Coal</b>		
Quantity (MT)	146	666
Total cost (₹ Lakhs)	13	52
Average rate (₹ per Kg.)	8.65	7.79
<b>3. Furnace Oil (including L.S.H.S.)</b>		
Quantity (MT)	3081	3115
Total cost (₹ Lakhs)	1258	1062
Average rate (₹ per Kg.)	40.83	34.08
<b>4. Other internal generation</b>	Nil	Nil
<b>5. Agro mass briquettes</b>		
Quantity (MT)	13080	9369
Total cost (₹ Lakhs)	709	458
Average rate (₹ per Kg.)	5.42	4.89

### Consumption per unit of production :

The Company manufactures a wide variety of products. The products before reaching the finished final stage pass through various operations in the different plants. It is, therefore, not feasible to furnish the information in respect of consumption per unit of production.

### B. Technology Absorption, Research & Development (R&D)

#### Research & Development :

The Company during the year 2012 has not carried out any activity which can be construed as Research & Development and as of now there is no specific plan for engaging into such activities. As such, there is nothing to report under this section.

#### Technology absorption, adaptation and innovation :

The know-how and technology for the product is made available to the Company from Clariant. The adaptation of know-how and development to cater to the locally available raw materials and suit the requirement of customers for domestic or export markets is done by the Company at technical laboratories set up at various locations with world class facilities.

The Company has not paid any fees for know-how and technology received from Clariant.

### C. Foreign exchange earnings and outgo :

The particulars of foreign exchange earned and used during the year are given in Note 31 to 34 in the notes forming part of the financial statements.

For and on behalf of the Board of Directors

Mumbai, February 28, 2013

R. A. Shah  
Chairman

# MANAGEMENT DISCUSSION & ANALYSIS

## Financial and Operational Performance

In spite of extremely challenging business environment, slowdown in global economic growth and the recessionary economic conditions, the Company for the year 2012 registered a record growth of **12.0%** in sales over previous year.

Of the total sales revenue of the Company for the year, **25.3%** is contributed by exports. In view of rising cost of raw materials and inflation led upsurge in other operating costs, profit before depreciation, interest, exceptional items and tax (PBDIT) is lower as compared to the previous year. After considering the exceptional income including those arising from sale of premises in the current year and sale of land & infrastructure at Balkum, Thane in the previous year, the profit after tax (PAT) is lower from ₹ 304.04 Lakhs to ₹ 101.30 Lakhs. The following ratios reflect the financial performance for the year in relation to the previous year.

	2012	2011
Sales growth (%)	<b>12.0</b>	-1.9
Domestic sales growth (%)	<b>9.6</b>	-4.9
Export sales growth (%)	<b>19.9</b>	9.3
PBDIT ( % to sales )	<b>14.6</b>	17.7
PAT ( % to sales )	<b>9.5</b>	31.8
ROCE (%)	<b>20.2</b>	62.6
Earnings per share (₹)	<b>38.00</b>	114.04
Cash earnings per share (₹)	<b>46.1</b>	120.8
Book value per share (₹)	<b>188.1</b>	182.1

The Company remains a zero debt company with no long-term borrowings. The rating for the Company is reaffirmed 'CARE AAA' for long term bank facilities and 'CARE A1+' for short term bank facilities and this endorses the confidence on the financial standing of the Company. Short-term bank borrowings are restricted to the need based working capital requirements. The business environment has impacted the net working capital of the Company as compared to previous year. In spite of challenging environment, the year-end ratio of inventory to sales of 15.2%, receivables to sales of 13.8% and net working capital to sales of 11.8% is one of the best in the specialty chemical industry. Net cash flow from operating activities during the year was ₹ 76,57.68 Lakhs. Funds surplus to the operational needs have been prudently invested to earn reasonable returns with a high degree of safety. A sum of ₹ 226.98 crores (previous year ₹ 265.51 crores) stands invested in debt schemes of mutual funds at the end of the year.

During the year under review, all the plants had smooth operations and the capacity utilisation was better than the previous year.

## Business Segments and Performance

In accordance with the Accounting Standard-17 notified by Companies (Accounting Standards) Rules, 2006 and based on characteristics of products, production processes and the class of customers, and in view of sale of its intermediates business in the past, the Company has reclassified its range of products into two reportable business segments as under :

### 1. Pigments and Colors :

The business segment earlier named as Intermediates and colors is renamed as Pigments and Colors to correctly reflect the product group, as the Company is no more engaged in intermediates business after divestment of its Diketene and Intermediate business in 2010. The segment now comprises of pigments, additives and masterbatches.

Clariant is a leading global provider of organic pigments, pigment preparations and dyes and based on extensive experience and expertise in color, the pigment business helps to provide vibrant and safe colors to the world. The product portfolio meets the demands for key market segments of coatings, plastics and special applications and printing that include automotive, industrial, decorative and architectural paints and coatings, plastic applications including films, fibers, detergent coloration, cosmetics, aluminum finishing, traditional and non impact printing and electronic displays.

Clariant's additives create value by improving the efficiency, safety, protection, durability and appearance of products such as plastics, coatings and printing inks. Clariant is a leading provider of flame retardants, waxes and polymer additives and serves customers across a wide range of applications and sectors including electronic, construction and automotive.

Clariant is a global leader in masterbatches for color, additive concentrate and innovative performance solutions for plastics. Its customers span a broad range of markets that include packaging for home, personal care, food, drink and industrial; consumer goods appliances, electrical, sports, toys and construction; medical devices and pharmaceutical packaging; carpets, non-woven textiles and sports apparel; interior and exterior parts, engine and components for automotive sector.

The manufacturing facilities and fully equipped technical service laboratories provide application support to the customers in adjusting to the changing needs of end users. The Company is a pioneer in the promotion of lead and chrome-

free pigments and in spreading the awareness on use of non-halogenated flame retardants. The capability of the Company to develop and produce new masterbatches with accuracy and consistency has helped in achieving high growth rates over the period.

The total sales under this segment comprises of pigments, additives and masterbatches. The ratio of domestic sales to export sales was 65:35. The segment contributes 39% to the total sales and registered a growth of 10.7% over the previous year. The Company could not implement its project to set up the green field manufacturing facility for masterbatches in MIDC, Ambernath due to ongoing litigations.

## 2. Dyes and Specialty Chemicals :

The dyes and specialty segment includes dyestuffs, synthetic resins, binder materials, functional effects and coatings, auxiliaries and chemicals, comprising of specialty chemicals, emulsions and dyes for the textile, leather and paper industry and performance chemicals for personal care and industrial applications.

Clariant is a leading producer of dyes and chemicals for the textile industry and meets the frequently changing specifications of brands and mills in apparel & fashion, automotive, home and technical textiles. Clariant provides dyes and specialty chemicals for pre-treatment, dyeing, printing and finishing of textiles, optical brighteners and chemicals for functional treatment of technical textiles and thus plays a key role throughout the entire textile supply chain. The Company offers solutions including colour trends analysis, color matching technology combined with processing efficiency, nanotech effects, environment friendly solutions and unique concepts that add to the ability of customers to fast move their products to markets and stay ahead of competition.

Clariant is a leading provider of chemicals, technical services and solutions over the entire value chain of leather production. From beamhouse to finishing, Clariant provides high quality and environment friendly leather processing chemicals and services and world class knowledge of leather upgrading and chrome free tanning solutions. Our customers in the shoe, automotive, furniture and garment segments benefit from customized technical solutions and expertise in performance leather and environmentally compatible solutions.

Clariant aims to provide knowledge and expertise in the management of whiteness, coloration, special coatings and strength for all kinds of paper and paper board, offering the most cost effective product choices and solutions. Key markets for Clariant products include printing and writing copy papers, coated papers and board, tissue papers, recycled papers, newsprint, packaging and specialized applications.

Clariant's emulsions business is a major supplier of solutions in water based emulsions/polymer based dispersions. Being water based, the products are more suitable with less impact on environment avoiding the use of solvents. Key market areas for emulsions are decorative interior and exterior paints, primers, varnishes, anti-corrosion and industrial applications, concrete applications, roofing, tiling sealants and primers in

construction, wood, paper, lamination, packaging and pressure sensitive adhesives and wide range of functional effects and coating applications for textiles, leather and paper.

Industrial & Consumer Specialties business is a leading provider of specialty chemicals and ethylene oxide derivatives for industrial and consumer care applications. With a strong focus on ecologically sustainable solutions, our key market segments include additives for concrete and mortar, dispersing agents, defoamers, biocides and emulsifiers for emulsion polymerization, ingredients for skin & hair care cosmetics, wet wipes and pharmaceutical applications, ingredients for household and industrial cleaning solutions, ingredients for hydraulic, metal working and other performance fluids, special solvents and fluids for heat transfer, gas scrubbing, formulations for fungicides, herbicides and seed treatments.

With a wide range of products, the strong brand image of Clariant, knowledge and expertise of providing technical services and solutions in product development and application process to meet the needs of end users, the Company is well positioned in the business segment.

The total sales under the dyes and specialty chemicals segment comprises of mainly textile chemicals, leather services, paper specialties, emulsions, industrial and consumer specialties. The ratio of domestic sales to export sales was 81:19. The segment contributes 61% to the total sales and registered a growth of 12.9% over the previous year.

The segment-wise financial performance of the Company is summarised below :

(₹ Lakhs)				
Segments	2012	% to Total Sales	2011	% to Total Sales
Pigments & Colors	419,41	39%	378,93	40%
Dyes & Specialty Chemicals	651,82	61%	577,15	60%
Total	1071,23	100%	956,08	100%

### Internal Control Systems

The Company has set-up a comprehensive system of internal controls and risk management for realizing operational efficiency, optimal utilisation of resources, credible financial reporting and compliance with local laws. These controls are regularly reviewed by both internal and external agencies for its efficiency and effectiveness. Corporate policies, management information and reporting system for key operational areas form part of overall control mechanism.

The Company has retained the services of independent firms of professionals to function as internal auditors who provide their reports on given assignments covering observations on adequacy of internal controls and their recommendations. Findings of internal audit reports and effectiveness of internal control measures are reviewed by the top management and Audit Committee of the Board. In addition to this, during the year, internal audit team of Clariant Group performed audit of other operational areas of the Company and carried out elaborate checks and verifications.



## Human Resources

The Company operates in a highly competitive environment and therefore attracting the best talent for its operations is of vital importance for human resources management. The Company focuses on attracting, motivating and retaining the best talent and has developed robust systems for training, performance management and talent development. Clariant launched a Global Performance Management System for the senior managers emphasizing on target setting, performance dialogue, talent management and potential assessment. The system also included a 360 degree feedback to provide the assessment of senior managers' behavior in implementing the Company's values. The Company played a major role in aligning the performance management culture with the Company's overall goals. There was further acceleration of efforts to develop leadership skills by including a larger number of middle level managers in leadership training. Assessment of management capabilities of key managers was conducted and development actions to build the competencies were identified and implemented. The Company during the year with the support of Indo German Training Center (IGTC) initiated intensive management education spread over 9 months to groom high performing middle level managers.

Industrial relations remained cordial at all the plants. The Company signed a wage agreement with the workers at Cuddalore factory. The total number of employees on the rolls of the Company as on 31<sup>st</sup> December, 2012 was 1077, as against 854 on 31<sup>st</sup> December, 2011.

## Industry Structure & Development

Chemicals are a part of every aspect of human life, right from the food we eat to the clothes we wear and to the cars we drive. Products from the chemical industry have altered the quality of life world over and have contributed significantly to everyone's day-to-day requirements through breakthrough innovations. The chemical industry is thus critical for the economic development of any country, providing products and enabling technical solutions in virtually all sectors of the economy.

The industry is increasingly shifting to Asia in consonance with the shift of its key consumer industries. This has led to share of Asia in the global chemical industry increasing from 31% to 45% between 1999 and 2009. With Asia's increasing contribution to the global chemical industry, India emerges as one of the focus destinations for chemical companies worldwide. The global chemicals market is estimated at about US\$ 3.4 trillion, out of which the specialty chemicals account for 22%, i.e. US\$ 740 billion in 2010. With the current size of approximately \$108 billion, the Indian chemical industry accounts for approx. 3% of the global chemical industry. (CMIE, Indian chemical industry – 12th five year plan),

The Indian chemical industry forms the backbone of industrial development of India. Over the years, the industry has evolved from basic chemical producer to knowledge intensive industry with healthy growth. However, the chemical industry's contribution to the GDP has stagnated during recent past due to India's inability to build competitiveness required to meet global challenges and to develop a larger domestic market through low cost production. Compared to the developed countries, the current penetration of specialty chemicals within India's end markets is low. However, the huge potential of domestic demand and low per capita

consumption in each of its industry segments compared to world average provide a strong potential for overall performance for Indian chemical industry. With an increased focus on improving products, usage intensity of specialty chemicals within these end markets will rise in India over the next decade.

Specialty chemicals are group of relatively high value, low volume chemicals known for their end use applications and or performance enhancing properties. In contrast to base or commodity chemicals, specialty chemicals are recognized for 'what they do' and not 'what they are'. Specialty chemicals provide the required 'solution' to meet the customer application needs. It is a highly knowledge driven industry with raw materials cost (measured as percentage of net sales) much lower than commodity chemicals. The critical success factors for the industry include understanding of customer needs and product/application development to meet the same at a favorable price-performance ratio. The major segments of specialty chemicals are paints & coatings, agrochemicals, dyes & colorants, textile/water/paper/leather chemicals, flavors & fragrances, resins & binders, solvents, home/personal care chemicals, imaging chemicals etc.

Indian specialty chemicals industry (excluding agrochemicals) is valued at US \$ 21 billion in 2011 (approx.) as per Planning Commission Working Group on chemicals for 12th plan document. The specialty and knowledge chemicals industry combined has been growing at rates higher than the overall chemical industry and is expected to grow at 15-17% p.a. to reach \$ 80-100 billion by 2020.

India has emerged as a global supplier of dyes, dyes intermediates, pigments and pigments preparations. The industry has grown at about 10% p.a. between FY06 and FY10 with exports growth at 14.5% p.a. The overall production capacity of dyestuffs is about 200,000 tonnes per annum. With the ever increasing standards of quality and reliability, Indian dyestuffs industry meets more than 95% of the domestic requirement, out of which textile industry consumes the most and the remaining is shared by paper, leather & other consumer industries. The market size of pigments is about 115,000 tonnes. The main consumer industries are printing inks, paints, plastics, rubber, etc., accounting for 70% of the end use. Whereas many of the plants all over the world are very large size, there are many SME units in India, which are capable of producing quality colorants. Gujarat and Maharashtra account for nearly 95% of the colorant production in the country. There has been remarkable growth in the exports of colorants during the last 2 decades. From a mere \$0.03 billion in 1990, exports reached \$2.3 billion in 2009-2010 and expected to grow to \$4.9 billion by 2017. During the last decade, the industry achieved a growth of 14.5% p.a.

## Outlook, Opportunities and Challenges

The deceleration in growth, high inflation and twin deficits (current account deficit and trade deficit) are major challenges for the Indian economy. The real GDP grew by 5.4% year on year in the first half of the current fiscal year, much lower than the average growth rate of about 8% achieved in last decade. Manufacturing sector has been hit by weak domestic demand, consumption as well as investment, and sluggish exports owing to the fragile global economic scenario. The advanced estimates for GDP peg manufacturing growth at 1.9 per cent in 2012-13, the slowest in the past 14 years. The ability of Indian economy to return to its

pre-crisis growth era in the absence of fully conducive global environment has been severely tested over last couple of years. Sub 5% GDP growth rate could be a cause of concern for an economy widely tipped to become the next global growth engine after China.

The domestic chemical sector in general and the specialty chemical sector in particular are witnessing the double impact of sluggish domestic demand and increased competition from global and domestic players. The Indian chemical industry was witnessing deceleration in the past few years. The production index for chemicals and products recorded a growth rate of 3.46% during April-December, 2012 compared to 0.17% fall recorded during the same period a year ago.

Despite the current economic conditions and challenges, since GDP is expected to rise from the current level, the growth potential for Indian economy over the next few years is likely to be better. India's urban population is expected to grow substantially and increase in income levels; increasing awareness on quality, fashion and trend, adoption of new product specifications and environmental standards is expected to result in increased need for better products and services resulting into consumption-led double-digit growth in key end markets over the next decade. Chemicals constitute more than 13% of India's total exports and India has strong presence in the export market in the dyes, pharma and agro chemical segments.

Currently specialty chemicals account for lesser share in Indian chemicals industry as compared to global scenario. The per capita consumption of such chemicals is also very low as compared to global levels. For example the per capita consumption of colorants in India is only 50 gm. vis-a-vis the world average of 250 gm. The industry shows comparative promise when compared to the advanced countries and has the potential to emerge as a major manufacturing hub for the global market. The specialty chemical segment which caters to several key applications will be increasingly important for India and with expanding economic growth and per capita income; it is poised to grow more than the economic growth. As the economy develops, India will need to regulate products more stringently, and strengthen consumption standards, which in turn will promote increased usage of specialty chemicals. Consumption standards are policies implemented by the government to promote the safe use of products. These standards are necessary for both improving society's standard of living and enhancing consumer safety. Most developed countries (e.g. the US, Germany) have implemented stringent consumption standards across various end-use markets. India still uses enamel paints with high VOC content. Mandating the usage of water-based paints will help ensure health and safety of consumers, and encourage the consumption of higher cost, water based paints. This will result in consumption-led double-digit growth in key end markets over the next decade and an increased need for better products and services. Based on the assessment of future demand of specialty chemicals, this segment is expected to reach value of \$38 billion by the end of 12<sup>th</sup> Five Year Plan (2012-2017). Driven by potential growth in end-use industries, availability of large pool of technical man-power, scientists and researchers, the segment is poised for substantial growth and offers immense potential for investment as well as employment generation. The REACH and other European legislation offer unique opportunities to the industry players to register themselves, innovate and move up the

value chain and compete effectively with global players both in the domestic and export markets and bring the Indian specialty chemical industry on the global map while meeting the needs of enhanced quality of life for growing affluent population of India.

Dyes and Pigment is the major sub-segment of the Indian colorants industry. Global demand for dyes and pigments is expected to increase from \$14.40 billion in 2010 to \$16.2 billion by 2014. This is likely to have a direct impact on the Indian dyes and pigments industry as majority of the dyes and pigments produced in the domestic market are exported. Majority of global dyes and pigment manufacturers are shifting their operations to India and China, as REACH regulation is increasing their cost of production in majority of the European countries. Decreasing profitability of the manufacturers is a major concern of the colorants industry in India.

India is one of the major participants in the global paints and coatings industry. The market size for this sector is about \$3.40 billion. The Indian paints industry is consolidated where the organised sector accounts for about 80 percent of the market share. The industry is classified into decorative paints and industrial paints, which accounted for 70 percent and 30 percent of the total paints industry revenues, respectively in 2010. The average annual growth rate of the paints industry was 13.5 percent between 2005 and 2010 and is expected to improve in coming years.

Per capita consumption of paints in India is about 1.3 kg compared to 38 kg in Singapore and 26 kg in the United States. The demand for paints is strongly backed by growth of the automotive industry which is expected to have an average annual growth rate of 15 percent between 2010 and 2014. The residential, commercial real estate market is expected to grow rapidly, as 100 percent FDI is allowed in this industry. Further, there is increasing demand for water-based paints and companies are introducing lead-free and low-volatile organic compound products, which are environment friendly. Heavy metal pigments are getting replaced with organic pigments in premium paints. Industry outlook for paint, plastics, inks and special applications remains good. The challenges in this segment are from rising costs of utilities whereas customers are increasingly becoming sensitive to price rise. Clariant has positioned itself as preferred supplier of pigments, pigment preparations, additives and intermediates to major paint, coatings and ink manufacturing companies in the country and is well equipped to meet the requirements.

The per capita use of plastics in India may still be quite low compared to the developed countries; the Indian plastic industry is one of the largest in the world and promises a steady double digit growth for next few years. The overall plastic consumption in India per person has gone up to 8 kg as compared to 40 kg in developed countries. Demand from automobile sector and white goods industry is huge despite the economic slow down and the use of plastic components in auto industry, agriculture and many other industries is expected to increase significantly. In view of strong potential for growth of the industry, the specialty polymer chemicals segment is expected to grow from current market share of \$ 2.3 billion to \$ 5.3 billion by 2017. With focus on global standards, Clariant addresses Indian plastics sector's push to create innovative, safer, and environmental compatible products. It's specialty chemicals and masterbatches provides

broad portfolio of high-quality, cost-effective pigments, and performance additives and its innovative products provide cost-efficient processing, advanced functionality and aesthetic possibilities to meet the challenges of a wide range of segments including food and cosmetics packaging, electronic and electrical (E&E), infrastructure, agriculture, medical and pharmaceutical.

The dyes segment is highly fragmented in India due to excise concession provided for the market participants. This segment has an inherent element of value addition to a wide variety of products like textiles, leather, paper etc. The Indian textile industry which accounts for about 4% of Gross Domestic Product (GDP), accounted for 14 percent in Index of Industrial Production in 2010 and acts as one of the main drivers of the economy. The industry consumes about 80 percent of the total dyes consumed in India. The growth of the dyes sector thus depends considerably on the performance of this industry. Clariant is a major player in the field of dyes and chemicals and plays a key role in providing innovative and sustainable solutions throughout the entire supply chain and all segments from fiber to finishing of textiles and retanning to finishing of leather. Clariant provides knowledge and expertise in the management of whiteness, coloration, special coatings and strength and offer products to improve optical and functional properties of all kinds of paper and board.

The industrial, home and personal care market in India is expected to grow at a rapid pace surpassing the growth of other segments in this sector although competitive pressure has intensified. With growing affluence, Indian consumers are able to spend more on hygiene and personal care products. Increasing consumption is driving demand for wide range of cosmetic chemicals, health care products as well as hygiene products using specialty chemicals, polymers and oleo chemicals. This goes along with an increased customer demand for chemical ingredients that provide enhanced functionality and multiple benefits at lower prices. To meet the demands, the Company has established new state of the art consumer care and crop protection laboratories and enhanced its biocide laboratory to tailor its products specifically for the local market requirements.

The major challenge that the Indian chemical industry continue to face is the perception that it affects the environment negatively. Though there are other industries, which are equally or more polluting, colorant industry is considered to be the most polluting due to visibility of color. The industry is viewed with misapprehensions on the pollution and sustainability fronts and thus safety, health and environment protection issues have become the major talking point in the Indian chemical industry. The existing effluent discharge norms need to be re-evaluated. In spite of Indian chemical sector taking a significant lead over other sectors, in R&D spending and utilisation, it lags behind other emerging economies. While chemical industry addresses growing need for materials required by different sectors, the industry employs highly complex manufacturing processes that involve handling of often toxic and hazardous chemicals. The process being energy intensive, the importance of safety, security and environmental protection can not be underestimated. There is a lack of ideal, dedicated and adequate availability of land at suitable locations. Inadequate availability of water is a limiting factor as water is an important component in the manufacturing of

colorants. Availability of power is inadequate and cost is very high. Various government duties and levies add to the cost substantially. Unavailability of good quality roads with excellent connectivity to ports is a severe constraint. Port facilities and long turnaround time affect efficiency and competitiveness of the specialty chemical industry. Spending on research & development (R&D) is the lowest by India's specialty chemical industry. For a nation aspiring to be a major manufacturing center for specialty chemicals, there is an urgent need to increase R&D activities. Availability of feedstock is very poor and the industry is import dependent for many dye-intermediates. The export performance of specialty chemicals so far has been good. However, regulations like REACH may impact export performance.

The Indian chemical industry can deliver on an accelerated growth phase, provided a clearly defined vision along with a strategic roadmap is developed to enable it. If this is not done, we may see the growing market increasingly being served through manufacturing done outside India. The various segments of the chemical industry (such as organic chemicals, specialty chemicals, chlor-alkali, pesticides, colorants and alcohol based chemicals) have their own unique set of challenges. The industry can grow only if these individual segments overcome their challenges and move swiftly along the growth path.

### **Risks and Concerns**

The Company's risk management policy is in line with the Clariant's global guidelines on risk management. Under Global Risk Management Policy, based on risk management standards, a tool is used to prepare risk assessment every year with quarterly updates by assessing the threats and opportunities that will impact the objectives set for Clariant overall. The tool is designed to provide the categorization of risk into threat or opportunity and its cause, impact, treatment, control measures, level of confidence in the controls, acceptability, potential improvement and improvement plans, critical success factors and target dates to control the risk. The risk register covers regulation and compliance, sites, locations and competition.

The Company has adopted a focused approach towards risk management in the form of a corporate insurance program which has the goal of optimizing the financing of insurable risks by using a combination of risk retention and risk transfer. The program covers all potential risks relating to business operations of the Company at its various locations.

As part of a global policy, the relevant parameters for all manufacturing sites are analyzed to minimize risk associated with protection of environment, safety of operations and health of people at work and monitored regularly with reference to statutory regulations and guidelines defined by Clariant. The Company fulfills its legal requirements concerning emission, waste water and waste disposal. Improving work place safety continued to be top priority at all manufacturing sites.

The Company's business critical software is operated on a server with regular maintenance and back-up of data and is connected to centralized computer center with physically separated server parks operated by the Clariant group. The system's parallel architecture overcomes failures and breakdowns. The global communication network is managed centrally and is equipped to deal with failures and breakdowns.

### **Environment, Corporate Sustainability and Social Responsibility**

Safety of operations and protection of people and environment is one of the important objectives of Clariant. Compliance with laws, international standards, internal regulations and code of conduct is a basic requirement. Clariant commits itself to ethical and sustainable operations and development in all business activities according to responsible care and its own code of conduct. Clariant strives for a business culture of continuous improvement as well as for sustainable competitiveness to realise the best performance in ethical standards. The Company constantly strives to meet and exceed expectations in terms of the quality and safety of its products and places significant importance on reducing environment impact and carbon footprint.

Clariant's certified management system adheres to all internal and external standards to which Clariant subscribes and forms the Company's documented structural framework as the basis for objectives and programs. The system complies with ISO 9001, ISO 14001 and OHSAS 18001 standards and this reflects the Company's continued commitment towards Quality, Environment, Occupational Health and Safety approaches.

The Company has reinforced its commitment to Corporate Social Responsibility as an integral part of the Company's philosophy

with an improved process and enhanced participation in CSR activities, especially in the area of education and health.

#### **Cautionary Statement**

Certain statements under "Management Discussion & Analysis" describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements within the meaning of applicable securities laws and regulations. Although the expectations are based on reasonable assumptions, the actual results could materially differ from those expressed or implied, since the Company's operations are influenced by many external and internal factors beyond the control of the Company. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.

For and on behalf of the Board of Directors

Mumbai, February 28, 2013

R. A. Shah  
Chairman



# REPORT ON CORPORATE GOVERNANCE

## Principles of Corporate Governance

Clariant is committed to international compliance standards, in order to ensure checks and balances between the Board and Management as well as a sustainable approach to value creation.

The Company believes that Corporate Governance is closely linked to its core values and is associated with ethical practices, concern for people at work, delight of customers and striving to meet the stakeholder's expectations and societal aspirations. In defining the management structure, organisation and processes of the Company, the corporate governance principles aim to provide stakeholder value and transparency to promote sustainable long-term success. The procedures, policies and practices followed by the Company reflect sound governance principles. Comprehensive disclosures, structured accountability in exercise of powers, at par with international standards and commitment in compliance with regulations and statutes in letter as well as in spirit have enabled our company to enhance the shareholder value.

### 1. Group Structure :

Clariant Chemicals (India) Ltd. is an affiliate of Clariant AG, the ultimate holding company, organised under Swiss law and operating as a global leader in the field of specialty chemicals with a spread of more than 140 companies in five continents and headquartered in Muttens near Basel, Switzerland. The Group conducts its business through twelve business units: Additives, Catalysis & Energy, Detergents and Intermediates, Emulsions, Functional Materials, Industrial & Consumer

Specialties, Leather Services, Masterbatches, Oil & Mining Services, Paper Specialties, Pigments and Textile Chemicals. The business operations of Clariant India are conveniently grouped into two reportable segments viz. Pigments and Colors and Dyes and Specialty chemicals.

## 2. Board of Directors

### 2.1. Composition and Changes :

The Board of Directors of Clariant Chemicals (India) Ltd. comprises of eight members (seven as of Dec. 31, 2012) including Mr. R.A. Shah, a non-executive and independent director as Chairman. The independent directors on the Board are competent and highly respected professionals from their respective fields and have vast experience in general corporate management, finance, banking and other allied fields which enable them to contribute effectively to the Company in their capacity as members of the Board. The day to day management of the Company is managed by Vice - Chairman and Managing Director under supervision and control of the Board.

All the Directors except the Vice-Chairman and Managing Director are liable to retire by rotation as per Article 128 of the Article of Association and eligible for re-election.

None of the non-executive directors has any material pecuniary relationships or transactions with the company, its promoters, directors, subsidiaries and associates which in their judgment would affect their independence. None of the directors are inter se related to each other.

**The composition and category of the Board of Directors as at December 31, 2012, the number of other Directorships/Committee memberships held by them and also the attendance of the Directors at the Board meetings of the Company are as under :**

Name of the Director	Category	Particulars of Attendance			No. of other Directorships and Committee memberships/ Chairmanships in Indian Public Companies#		
		Number of Board Meetings		Last AGM held on April 26, 2012	Other Directorships* as on December 31, 2012	Committee Memberships	Committee Chairmanships
		Held	Attended				
Mr. R. A. Shah DIN 00009851	Non-Executive Independent	5	5	Attended	14	9	5
Mr. Peter Palm DIN 02857378	Executive	5	5	Attended	None	1	None
Mr. B.S. Mehta DIN 00035019	Non-Executive Independent	5	4	Unattended	14	10	5
Diwan A. Nanda DIN 00034744	Non-Executive Independent	5	3	Attended	3	1	1
Dr. H. Schloemer DIN 02848180	Non-Executive	5	4	Attended	None	None	None
Mr. Alfred Muench DIN 03092351	Non-Executive	5	2	Attended	None	None	None
Mr. Philipp Hammel DIN 05131391	Non-Executive	5	1	Attended	None	None	None

\*This excludes alternate Directorships/Directorships in private limited companies, foreign companies and companies governed by Section 25 of the Companies Act, 1956 wherever applicable.

# It excludes Committees other than Audit Committee, Shareholders/Investor Grievance Committee and companies other than public limited company but includes Committee membership/ chairmanship in Clariant Chemicals (India) Ltd.

## Profile of the members of the Board of Directors being appointed/re-appointed :

### Diwan A. Nanda

Diwan Arun Nanda, a gold medalist from the Indian Institute of Management, Ahmedabad has over 40 years of experience in marketing & advertising and has held various positions in academics and advertising. He started his career in Marketing in Hindustan Lever Limited and later founded Rediffusion an Advertising and Communication agency. He currently serves on the Boards of Rediff.com India Ltd, Yes Bank Ltd. and Oriental Hotels Ltd. He is a recipient of the AAAI Premnarayan award for his outstanding contribution to advertising in India and has been inducted into the Kolkata Advertising Club's Hall of Fame.

### Dr. Henri Schloemer

Dr. Henri Schloemer, a German national, received his doctorate degree in Business Administration from the German University of Bochum. He joined Clariant in 1998 and later became the CFO for Clariant's German operations. In 2007 he was appointed Managing Director of Clariant Germany and later in 2009 became Head of the Corporate Affairs department at Clariant's headquarters in Muttenz, Switzerland. In 2012, he was appointed Senior Vice-President-Regional Development.

## 2.2 Board Meetings and Agenda :

The Board provides and evaluates the strategic direction of the company, management policies and their effectiveness and ensures that the long-term interests of the shareholders are being served. Mr. Peter Palm, Vice-Chairman & Managing Director, leads the team of management and is assisted by the senior managerial personnel in overseeing the functional matters of the Company.

In accordance with the law and the Articles of Association of the Company, the Board of Directors is the ultimate decision making authority for the Company in all matters except those decisions reserved by law or the Articles of Association for shareholders. The Board has complete and unrestricted access to any information required by them to perform its supervisory duties and make decisions that are reserved for the Board of Directors. During the year under review, Five meetings were held on February 17, April 26, July 27, November 2, and December 13, 2012.

## 3. Board Committees :

The Board of Directors has constituted two committees viz., Audit Committee and Investors' Grievance Committee. The roles and responsibilities assigned to these Committees are covered under the terms of reference approved by the Board and are subject to review by the Board from time to time and the minutes of the meetings of these Committees are reviewed and taken note by the Board. The details as to the composition, terms of reference, number of meetings and related attendance etc. of these Committees are provided below :

### 3.1 Audit Committee :

#### 3.1.1 Composition :

The audit committee of the Board comprises of

Mr. R. A. Shah as Chairman and Diwan A. Nanda and Dr. H. Schloemer as members. All the members of the audit committee possess financial/accounting expertise. The statutory auditors, internal auditors and cost auditors are invited to attend the Audit Committee meetings from time to time. Mr. Peter Palm, the Vice-Chairman & Managing Director and Mr. B. S. Mehta are the permanent invitees and Mr. B. L. Gaggar, Director-Finance & Company Secretary represents as CFO and also acts as Secretary to the Committee.

### 3.1.2 Scope and Meetings :

The audit committee assists the Board in its responsibility for overseeing the quality and integrity of the accounting, auditing and reporting practices of the Company and its compliance with the legal and regulatory requirements. The powers and terms of reference of the audit committee are in accordance with Section 292A of the Companies Act, 1956 read with the listing agreements with the stock exchanges and broadly include overseeing the accounting and financial reporting process, the audits of Company's financial statements, the appointment, independence, performance and remuneration of internal auditors, review, discussion and interaction with statutory, internal and cost auditors, and the significant related party transactions.

During the year 2012 four meetings of the audit committee were held on February 17, April 26, July 27 and November 2, 2012. In order to ensure that a proper quorum exists, the Directors decided to co-opt Mr. B. S. Mehta as a member for the purposes of the meetings held on July 27 and November 2, 2012 and Mr. Mehta, who was present, agreed and attended the meeting as co-opt member.

### Attendance at Audit Committee meetings :

Name of Director	Category	Status	Number of Meetings	
			Held	Attended
Mr. R. A. Shah	Independent	Chairman	4	4
Diwan A. Nanda	Independent	Member	4	2
Dr. H. Schloemer	Non- Independent	Member	4	3

### 3.2 Remuneration Committee :

The Board has not constituted a remuneration committee as the compensation/remuneration payable to the Directors are approved by the shareholders in the Annual General Meeting and for employees is guided by the principles of paying competitively to match industry levels, individual performance and their contribution to the business.

The Company has no pecuniary relationship or transaction with its non-executive Directors other than payment of commission, which has been approved by the shareholders and payment of dividend on equity shares, if any, held

by Directors in the Company. The Company has sought professional services of M/s. Crawford Bayley & Co., Solicitors & Advocates in certain matters and a sum of ₹ 0.89 Lakh (Previous year ₹ 90.94 Lakhs) has been paid as fees to the said firm during the year ended on December 31, 2012. Mr. R. A. Shah, who is the Chairman of the Company, is the senior partner of the said firm.

The remuneration structure of Mr. Peter Palm, Vice-Chairman & Managing Director, is based on performance and defined criteria. The increments are decided by the Board of Directors within the limits approved by the members pursuant to provisions of the Companies Act, 1956. The remuneration comprises of salary, benefits and perquisites and performance linked bonus/commission as per Company rules. The service contract with Mr. Peter Palm was for a period of three years ending on December 31, 2012 and was extended (subject to approval by the shareholders) by the Board of Directors for period upto April 30, 2013. The Board of Directors has appointed Dr. Deepak Parikh as Executive Director with effect from February 1, 2013 and to take over the responsibility as Managing Director effective from March 1, 2013 in place of Mr. Peter M. Palm, who resigned as Managing Director effective from this date and continues as Vice Chairman till the conclusion of Annual General Meeting of the Company.

The Non-Executive Independent Directors are paid sitting fees for attending each meeting of the Board and/Committee thereof. Each of these Directors are also paid commission on an annual basis in accordance with the approval granted by the members at the Annual General Meeting held on April 17, 2008 pursuant to the provisions of Section 198 and 309 of the Companies Act, 1956.

The details of remuneration paid/payable to the Directors for the year ended December 31, 2012 are as under :

(₹ Lakhs)

Name of Director	Sitting fees	Salary, benefits & perquisites etc.	Commission	Total
Mr. R. A. Shah	1.35	–	5.00	6.35
Mr. P. Palm	–	179.00	52.51	231.51
Mr. B. S. Mehta	1.05	–	4.00	5.05
Diwan A. Nanda	0.90	–	4.00	4.90

The Company has not framed any scheme nor does it have any plan to grant stock option to its employees. However, few of the employees under senior management level including Vice-Chairman and Managing Director have right to participate in Clariant Stock Option Plan introduced by the holding company, Clariant International Ltd. None of the Directors hold any shares in the Company as on December 31, 2012.

#### Attendance of Investors Grievance Committee Meetings :

Name of Director/ Secretary	Category	Number of Meetings	
		Held	Attended
Diwan A. Nanda, Chairman	Independent Director	1	1
Mr. Peter Palm	Managing Director	1	1
Mr. B. L. Gaggar	Secretary	1	1

#### 3.3. Shareholders'/Investors' Grievance Committee :

The Board has constituted the shareholders'/Investors' Grievance committee comprising of Diwan A Nanda as Chairman and Mr. Peter Palm as member. The committee inter alia reviews all matters connected with transfer of shares of the Company, redressal of shareholders'/investors' complaints, oversees the performance of the share transfer agents and recommends measures for overall improvement in the quality of investor service.

During the year under review, the committee met on February 17, 2012.

The Board has delegated the power of approving transfer of shares held in physical form to a share transfer committee comprising of Mr. B. L. Gaggar, Director Finance & Company Secretary and Mr. Satish P. Bhattu, Asst. Company Secretary as members to consider and approve transfer and transmission of shares, requests for dematerialization, rematerialisation, etc. The Committee meets once in a fortnight to consider the requests.

M/s. Sharepro Services (India) Private Limited, the share transfer agents, deals with all shareholders related matters whether it relates to the shares held in physical or demat form. The Company has retained the services of a practicing Company Secretary to perform audit of reconciliation of share capital every quarter. No materially significant non-compliance from established procedures is reported.

Pursuant to Clause 41 of the listing agreement, investors' grievance redressal status and the number of pending complaints is reported every quarter to the stock exchanges and is also published in the newspaper along with financial results. There was no investor complaint pending as on December 31, 2012.

#### 3.4 Compliance Officer

Mr. B. L. Gaggar, Director Finance & Company Secretary is the compliance officer for complying with the requirements of Securities Laws and Listing Regulations with the Stock Exchanges.

#### 4. Subsidiary Company

The Company did not have any subsidiary company during the year 2012.

## 5. General Body Meetings :

The details of Annual General Meetings of the Company held during preceding three years are as follows :

AGM	Date and Time	Venue	Special Resolutions Passed
53 <sup>rd</sup>	April 23, 2010 4.00 p.m.	Y. B. Chavan Auditorium, Gen Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana, Mumbai-400 021	i) Appointment of Mr. Peter Palm as the Vice-Chairman & Managing Director ii) Change of registered office of the Company.
54 <sup>th</sup>	April 26, 2011 4.00 p.m.	Hotel Satkar Residency, next to Cadbury, Pokhran Road No. 1, Thane (West) - 400 606	i) Increase in remuneration of Vice-Chairman & Managing Director ii) Amendment of Articles of Association iii) Increase in Sitting Fees of the Directors
55 <sup>th</sup>	April 26, 2012 4.00 p.m.	J.K. Auditorium TMA House, Plot No. 6, Main Road, Wagle Estate, Thane (West) 400 604	None

All resolutions including special resolutions at AGMs are generally passed by way of show of hands. There was no postal ballot conducted during 2012.

## 6. Disclosures :

### 6.1 Materially significant related party transactions :

None of the transactions with related parties were in conflict with the interest of the Company. The disclosure in respect of related party transactions is provided in the notes forming part of the financials. Company's major related party transactions, during the year, are with the affiliates of Clariant operating worldwide. All these transactions are in the normal course of business and have no potential conflict with the interest of the Company at large and are carried out on an arm's length basis at fair market value.

### 6.2 Code of Conduct

The Board of Directors has adopted the Code of Conduct for Directors and senior management personnel and the compliance of the same is affirmed by them annually. In addition, a standard international code of business conduct formulated by Clariant group is applicable to all employees of the Company.

The Vice-Chairman & Managing Director has confirmed the compliance of code of conduct and as required under Sub-clause I (D) of Clause 49 of the listing agreements and provided a declaration as under :

"In accordance with Sub-clause I (D) of Clause 49 of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and the Senior Management

Personnel of the Company have affirmed compliance with the code of conduct applicable to them, for the year January to December, 2012".

### 6.3 Prohibition of Insider Trading :

As per SEBI (Prohibition of Insider Trading) Regulations 1992, the Company has framed a code of conduct for prevention of Insider Trading. The code is applicable to all Directors and such employees of the Company who are incidental to have access to unpublished price sensitive information relating to the Company. Transaction for dealing in the prescribed volume of the security of the Company during the prescribed time requires prior approval from the Company.

## 7. Means of Communication :

The Company has 33,722 shareholders as on December 31, 2012. The main channel of communication to the shareholders is through annual report which includes inter alia, the Directors' report, the Auditors' report, Report on corporate governance, Audited financial statements and other important information. The Management discussion and analysis report forms part of the annual report. The website of the Company [www.clariant.in](http://www.clariant.in) acts as the primary source of information regarding the operations of the Company. Quarterly financial results and media releases are being displayed on the Company's website.

The Annual General Meeting is the principal forum for face-to-face communication with shareholders, where the Board responds to the specific queries of the shareholders.

Quarterly results, approved by the Board of Directors and submitted to the stock exchanges in terms of the requirements of Clause 41 of the Listing Agreements are published in prominent newspapers.

## 8. General shareholder information :

### 8.1 Annual General Meeting

**Date & Time :** Friday, April 26, 2013 at 04.00 p.m.

**Venue :** Hotel Satkar Residency, next to Cadbury, Pokhran Road No. 1, Thane (West) - 400 606.

### 8.2 Voting rights :

In terms of Articles 93 to 105 of the Articles of Association of the Company, every member present in person or proxy, attorney or representative at the general meeting of the members shall have the following rights :

- On a show of hands : one vote for a member present in person;
- On a poll : one vote for each equity share registered in the name of the member or held by the beneficial owner;
- Proxy has no right to speak.



### 8.3 Financial Calendar :

The Company's financial year is a period of twelve months from January to December.

#### Dates for Audited/Unaudited Results

	Financial Year January - December 2012	Financial Year January - December 2013 (Proposed)
January – March	April 26, 2012	April 26, 2013
April - June	July 27, 2012	July 30, 2013
July - September	November 2, 2012	October 29, 2013
October- December	February 28, 2013	February 2014
Annual General Meeting	April 26, 2013	April 2014

### 8.4 Dates of Book Closure

Book Closure dates	April 16, 2013 to April 26, 2013 (Both days inclusive)
Payment of Dividend	On or after April 27, 2013

### 8.5 Listing of Shares :

Shares of the Company are listed on Bombay Stock Exchange Ltd. (BSE) under stock ID 'CLARICHEM' and National Stock Exchange of India Limited (NSE) under the code 'CLNINDIA'. The Company has paid the listing fees up to March 31, 2013 to both the Stock Exchanges.

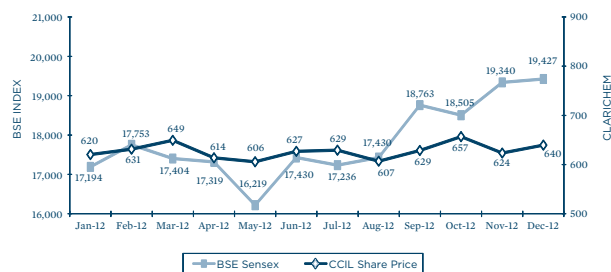
### 8.6 Company Registration No. with ROC/Ministry of Corporate Affairs

CIN : L24110MH1956PLC010806

### 8.7 Stock Market Data – Price ₹ per share

Month	Bombay Stock Exchange (BSE)			National Stock Exchange (NSE)		
	High ₹	Low ₹	Volume (Nos.)	High ₹	Low ₹	Volume (Nos.)
2012						
January	631.00	556.15	46434	633.00	554.40	85427
February	655.00	607.00	251592	653.00	606.20	448175
March	668.95	610.00	153460	668.20	613.30	262781
April	683.70	605.00	224359	689.00	604.00	329700
May	625.00	575.10	62706	628.20	575.10	109249
June	631.00	585.25	50109	628.00	585.00	57269
July	661.90	616.20	61114	661.00	610.00	134417
August	644.85	598.00	57501	645.00	598.05	137036
September	639.00	599.05	38438	635.00	600.00	61574
October	674.00	629.00	102279	698.90	627.00	122909
November	668.00	611.20	46666	668.00	612.00	96522
December	673.00	619.00	142850	673.00	618.00	188778

### 8.8 Performance in comparison to broad based indices :



### 8.9 Address for correspondence :

#### Share Transfer Agents :

M/s Sharepro Services (India) Pvt. Limited,

A) 13-AB, Samhita Warehousing Complex, Gala No. 52-56, 2<sup>nd</sup> Floor, Sakinaka Tel. Exchange Lane, off Andheri- Kurla Road Sakinaka, Mumbai – 400 072.

Tel : 022-6772 0400/6772 0300,

Fax : 022 -2859 1568, 2850 8927

Email : sharepro@shareproservices.com

**Contact Person : Mrs. Indira Karkera/  
Miss Geeta Khanna**

E-mail ID under Clause 47(f) of the Listing Agreement : [Clariant@shareproservices.com](mailto:Clariant@shareproservices.com)

B) Investor Relations :

912, Raheja Centre, Free Press Journal Road, Nariman Point, Mumbai 400 021.

Tel. : 022- 2282 5163/6613 4700

Fax : 022 - 22825484

The shareholders having physical shares are requested to ensure that any correspondence for change of address, change of bank mandates etc. should be signed by the first named shareholder and supported by the documents such as Telephone or Electricity Bill in the name of shareholder or a family member along with a copy of PAN card.

In case shares of the Company are held in electronic form (that is, in dematerialized form), all communications concerning rematerialisation of shares, transfer and transmission, dividends, change of address, furnishing of alterations in bank account details, nominations, ECS credit of dividend amount to shareholders' bank account or other inquiries should be addressed only to the Depository Participant (DP) with whom demat account is maintained, quoting client ID number and not to the Company or the R&T Agent. This is because once the shares are dematerialized the data is maintained by the DPs and the Company can not alter the details and has to act on the basis of the details downloaded from NSDL or CDSL as the case may be.

For any assistance from the Company, members may contact Mr. Satish P. Bhattu, Assistant Company Secretary, at the registered office of the Company. Tel No. 022-2531 5412.

**8.10 Shareholding pattern as on December 31, 2012.**

Sr. No	Category	No of Shares held	Percentage of Shareholding
<b>A.</b>	<b>Promoter's Holding :</b>		
	<b>Foreign Promoters</b>		
i	Ebito Chemiebeteteiligungen AG	8167080	30.63
ii	Clariant International Ltd.	6075000	22.79
iii	Clariant Participations Ltd.	2660000	9.98
	<b>Sub-Total</b>	<b>16902080</b>	<b>63.40</b>
<b>B</b>	<b>Institutional Investors</b>		
i	Mutual Funds/UTI	1715002	6.43
ii	Financial Institutions/Banks	18261	0.07
iii	Insurance Companies	370817	1.40
iv	Foreign Institutional Investors	272985	1.02
	<b>Sub-Total</b>	<b>2377065</b>	<b>8.92</b>
<b>C</b>	<b>Non Institutional Investors</b>		
i	Bodies Corporate	831164	3.12
ii	Individuals		
	a) individual shareholders holding nominal share capital up to Rs.1 lakh	5791419	21.72
	b) individual shareholders holding nominal share capital in excess of Rs.1 lakh	585198	2.19
iii	Others		
	a) Non-Resident Individuals	154777	0.58
	b) Trusts	17192	0.06
	c) Overseas Corporate Bodies	1850	0.01
	<b>Sub-Total</b>	<b>7381600</b>	<b>27.68</b>
	<b>TOTAL</b>	<b>26660745</b>	<b>100.00</b>

25805882 shares of the Company are held in dematerialised form constituting 96.79 % of the paid-up capital, as at December 31, 2012. The total number of shareholders as on Benpos date of December 31, 2012 is 33722.

**8.11 Details of Members holding > 1 % of the paid up capital of the Company**

Name		As at December 31, 2012		As at December 31, 2011	
		No. of shares	%	No. of shares	%
1.	Ebito Chemiebeteteiligungen AG	8167080	30.63	8167080	30.63
2.	Clariant International Ltd.	6075000	22.79	6075000	22.79
3.	Clariant Participations Ltd.	2660000	9.98	2660000	9.98
4.	UTI Dividend Yield Fund	644072	2.41	647074	2.43
5.	UTI (through its other schemes)	492147	1.85	465073	1.74
6.	HDFC Trustee Company Ltd – A/C- HDFC Mid – Cap Opportunities Fund	359894	1.35	308600	1.16

**8.12 Distribution of shareholdings as at December 31, 2012**

No. of equity shares held	Shareholders		Equity Shares held	
	Numbers	%	No. of shares	%
1-500	31114	92.266	2904146	10.893
501-1000	1511	4.480	1119080	4.197
1001-2000	626	1.856	900748	3.379
2001-3000	185	0.549	467140	1.752
3001-4000	91	0.270	315489	1.183
4001-5000	59	0.175	271136	1.017
5001-10000	69	0.205	499749	1.875
10001 & above	67	0.199	20183257	75.704
<b>Total</b>	<b>33722</b>	<b>100.00</b>	<b>26660745</b>	<b>100.00</b>

**8.13 Dematerialisation of shares and liquidity**

**Names of Depositories for dematerialisation of equity shares :**

Name of the Depository	ISIN No.
National Securities Depositories Limited (NSDL)	INE492A01029
Central Depository Services (India) Limited (CDSL)	INE492A01029

Trading in equity shares of the Company is permitted only in dematerialised form.

**8.14 ADRs/GDRs/Warrants**

The Company has not issued any GDRs/ADRs/Warrants or any other convertible instruments.

**8.15 Plant Locations :**

The Company's current manufacturing facilities are located at

- Kolshet Road, Thane – 400607 (Maharashtra)
- 113/114, MIDC, A.V.P.O. Dhatav, Roha, Dist. Raigad – 402 116 (Maharashtra)
- Kudikadu, P.O. Cuddalore –607 005 (Tamil Nadu)
- Singhadivakkam Village, Kanchipuram-631 561 (Tamil Nadu)

**9. Additional Information :****9.1 Dividend for the year ended December 31, 2012 :**

The final dividend recommended by the Board for the year will be paid after approval of shareholders at the forthcoming Annual General Meeting to all those shareholders whose names appear-

In respect of shares held in demat form, as beneficial owner, as per details furnished by the depositories as at the end of the business on April 15, 2013 and

In respect of shares held in physical form as members in the register of members of the Company after giving effect to all valid share transfers lodged with the share transfer agent on or before April 15, 2013. The Company will dispatch the dividend warrants on or after April 27, 2013.

## 9.2 Unpaid/Unclaimed Dividend :

In terms of the provisions of Section 205C of the Companies Act, 1956 the Company is obliged to transfer dividends which remain unpaid or unclaimed for period of seven years from the date of declaration to the credit of the Investor Education and Protection Fund established by the Central Government. Accordingly, the Company has transferred unpaid/unclaimed dividend upto the financial year 2004-2005 to the fund and no claim shall lie against the Company or the fund in respect of dividends remaining unclaimed or unpaid and transferred to the Fund.

Members are hereby informed that the seven years period for payment of the dividend pertaining to financial year 2005-2006 will expire on July 26, 2013 and thereafter the amount standing to the credit in the said account will be transferred to the 'Investor Education and Protection Fund' of the Central Government. Members are therefore requested to encash the dividend at the earliest.

## Dates of transfer of unclaimed dividend to the Fund

Financial Year/period	Date of Payment	Date of completion of seven years
2005-2006	27.07.2006	26.07.2013
April-Dec. 2006	19.04.2007	18.04.2014
2007	17.04.2008	16.04.2015
2008	29.04.2009	28.04.2016
2009 (Interim)	24.07.2009	23.07.2016
2009 (Final)	24.04.2010	23.04.2017
2010 (Interim)	06.08.2010	05.08.2017
2010 (Final)	27.04.2011	26.04.2018
2011 (Interim)	09.08.2011	08.08.2018
2011 (Final)	27.04.2012	26.04.2019
2012 (Interim)	08.08.2012	07.08.2019

## 9.3 Bank Mandate :

Electronic Clearing Services (ECS) is a method of payment of dividend whereby the amount due to investors can

directly be credited into their bank accounts, without having to issue paper instruments. It is fast and there is no scope for loss of dividend warrants in transit and possible fraudulent encashment.

In case of shares held in physical form the bank details may be sent to the registrar & share transfer agents. In case of shares held in demat form, the bank details provided by the Depository Participant (DP) with whom the demat account is maintained will be applicable. All previous instructions given by you to the Company in respect of ECS and bank details will stand superseded by the ECS details recorded with your DP.

## 9.4 Nomination Facility :

A member can nominate a person who shall have rights to shares and/or amount payable in respect of shares registered in his name in the event of his death. The nomination form can be obtained from the Company's Share Transfer Agent or downloaded from the website of the Company at [www.clariant.in](http://www.clariant.in)

## 9.5 Consolidation of folios and avoidance of multiple folios :

Members having multiple folios are requested to consolidate their folios into single folio and for this purpose send request along with the original certificates to the Share Transfer Agent specifying the folio number under which they desire to hold the shares.

## 9.6 Compliance

The Company has complied with all requirements of regulatory authorities. No penalties/strictures were imposed on the Company by stock exchanges or SEBI or any statutory authority on any matter related to capital market during the last three years.

## 10. CEO/CFO Certification

The Vice-Chairman & Managing Director and the Director Finance & Company Secretary have provided annual certificate on financial reporting and internal controls to the Board pursuant to Clause 49. They have also provided quarterly certificates on financial results while placing the financial results before the Board pursuant to Clause 41.

On behalf of the Board of Directors

R. A. Shah  
Mumbai, February 28, 2013

R. A. Shah  
Chairman

## AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

### To The Members of Clariant Chemicals (India) Limited

We have examined the compliance of conditions of Corporate Governance by Clariant Chemicals (India) Limited, for the year ended on December 31, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and Management, and on the basis of the decision of the Board of Directors to co-opt a director as a member of the Audit Committee to ensure that a proper quorum exists for meetings held on July 27, 2012 and November 2, 2012 referred to in para 3.1.2 "Scope and Meetings" under para 3.1 "Audit Committee" of the report on Corporate Governance, we certify that the Company has complied in all material respects with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For Deloitte Haskins & Sells  
Chartered Accountants  
(Registration No. 117365W)

Uday Neogi  
Partner  
(Membership No. 30235)

Mumbai, 28th February 2013



# AUDITORS' REPORT

## TO THE MEMBERS OF CLARIANT CHEMICALS (INDIA) LIMITED

1. We have audited the attached Balance Sheet of CLARIANT CHEMICALS (INDIA) LIMITED ("the Company") as at 31st December 2012, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows :
  - (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (iii) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
- (v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
  - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 December 2012;
  - (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date and
  - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on 31st December 2012 taken on record by the Board of Directors, we note that none of the Directors is disqualified as on 31st December 2012 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For DELOITTE HASKINS & SELLS  
Chartered Accountants  
(Registration No. 117365W)

Uday Neogi  
Partner  
(Membership No. 30235)

MUMBAI, 28th February 2013

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of the Auditors' Report of even date to the members of Clariant Chemicals (India) Limited on the financial statements for the year ended 31 December 2012.)

- (i) Having regard to the nature of the Company's business/ activities/result, clauses (vi) and (xiii) of paragraph 4 of CARO are not applicable.
- (ii) In respect of its fixed assets :
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
  - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
  - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of its inventory :
  - (a) The inventories have been physically verified during the year by the management except for stocks lying at third party locations for which confirmations have been obtained and for goods-in-transit. In our opinion, the frequency of verification is reasonable.
  - (b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- (v) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (vi) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us :
  - (a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
  - (b) Where each of such transaction is in excess of ₹ 5 Lakhs in respect of any party, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.
- (vii) In our opinion, the internal audit functions carried out during the year by firms of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate or complete.
- (ix) According to the information and explanations given to us in respect of statutory dues :
  - (a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
  - (b) There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Custom Duty, Excise Duty,

Cess and other material statutory dues in arrears as at 31st December 2012 for a period of more than six months from the date they became payable.

- (c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on 31st December 2012 on account of dispute are given below :

Statute	Nature of Dues	Forum where Dispute is pending	Relating to various years comprise in the period	Amount involved (₹ in Lakhs)
Sales Tax (Central and State) and Value Added Tax	Sales Tax (Tax/Penalty/Interest)	High Court	1995-96 to 1998-99	2.27
		Appellate Tribunal	1999-00	17.88
		Commissionerate	1992-93 to 2008-09	4601.35
Central Excise Act, 1944	Excise Duty	Appellate Tribunal	1999-00 to 2004-05	33.75
		Commissionerate	1994-95 to 2008-09	668.13
Service Tax under Finance Act, 1994	Service Tax	Appellate Tribunal	2004-05	5.12
		Commissionerate	2002-03 to 2010-11	172.43
		Deputy Commissionerate	2010-11	3.67
Income Tax Act, 1961	Income Tax	High Court	A.Y. 1998-99 and 2003-04	110.05
		Appellate Tribunal	A.Y. 1987-88 to 2009-10	852.75
		Commissionerate	A.Y. 2001-02 to 2005-06	74.95
<b>Total</b>				<b>6542.35</b>

- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks and financial institutions.

- (xii) In our opinion and according to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments.
- (xiv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.
- (xv) In our opinion and according to the information and explanations given to us, no term loans were obtained during the year by the Company.
- (xvi) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long-term investment.
- (xvii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xviii) According to the information and explanations given to us, the Company has not issued any secured debentures during the year.
- (xix) The Company has not raised any money by way of public issue during the year.
- (xx) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For DELOITTE HASKINS & SELLS  
Chartered Accountants  
(Registration No. 117365W)

MUMBAI, 28th February 2013

Uday Neogi  
(Membership No. 30235)

# BALANCE SHEET

as at 31st December, 2012

	Notes	31-12-2012 ₹ Lakhs	31-12-2011 ₹ Lakhs
<b>A EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' funds</b>			
(a) Share capital	2	2666.07	2666.07
(b) Reserves and surplus	3	47485.49	45876.53
		50151.56	48542.60
<b>2 Non-current liabilities</b>			
(a) Deferred tax liabilities (Net)	4	537.86	456.43
(b) Other long-term liabilities	5	294.50	183.96
(c) Long-term provisions	6	2572.27	2099.52
		3404.63	2739.91
<b>3 Current liabilities</b>			
(a) Trade payables	7	18455.41	15056.97
(b) Other current liabilities	8	3824.07	4080.14
(c) Short-term provisions	9	6304.71	9402.69
		28584.19	28539.80
<b>TOTAL</b>		82140.38	79822.31
<b>B ASSETS</b>			
<b>1 Non-current assets</b>			
(a) Fixed assets			
(i) Tangible assets	10	17430.96	17048.72
(ii) Capital work-in-progress	10	914.98	1306.70
(b) Non-current investments	11	767.09	100.00
(c) Long-term loans and advances	12	3286.17	4180.86
		22399.20	22636.28
<b>2 Current assets</b>			
(a) Current investments	13	22698.14	26551.26
(b) Inventories	14	16232.51	11559.43
(c) Trade receivables	15	14834.22	13412.22
(d) Cash and cash equivalents	16	1427.39	2844.55
(e) Short-term loans and advances	17	4211.51	2330.81
(f) Other current assets	18	337.41	487.76
		59741.18	57186.03
<b>TOTAL</b>		82140.38	79822.31

See accompanying notes forming part of the financial statements

In terms of our report attached

For Deloitte Haskins & Sells  
Chartered Accountants

Uday Neogi  
Partner

Mumbai, 28th February, 2013

For and on behalf of the Board,

R. A. Shah  
P. Palm  
D. Parikh  
Diwan A. Nanda  
B. L. Gaggar

Mumbai, 28th February, 2013

Chairman  
Vice-Chairman & Managing Director  
Executive Director  
Director  
Director Finance & Company Secretary



## STATEMENT OF PROFIT AND LOSS

for the year ended 31st December, 2012

	Notes	2012 ₹ Lakhs	2011 ₹ Lakhs
<b>1 Revenue from operations :</b>			
Sales - Gross		114599.32	101585.85
Less : Excise duty		7476.75	5977.73
Sales (Net)	19	107122.57	95608.12
Other operating revenues	20	2505.64	2284.25
		109628.21	97892.37
<b>2 Other income</b>	21	1914.20	2209.02
<b>3 Total revenue</b>		111542.41	100101.39
<b>4 Expenses :</b>			
Cost of materials consumed	22	54723.88	47253.57
Purchase of stock-in-trade	23	16748.02	13168.38
Changes in inventories	24	(2910.25)	(1272.16)
Employee benefits expense	25	9061.47	7330.43
Finance costs	26	141.52	123.35
Depreciation and amortisation expense	10	2160.35	1812.43
Other expenses	27	18306.42	16277.68
<b>Total expenses</b>		98231.41	84693.68
<b>5 Profit before exceptional items and tax</b>		13311.00	15407.71
<b>6 Exceptional items</b>	28	(920.47)	(24133.20)
<b>7 Profit before tax</b>		14231.47	39540.91
<b>8 Tax expenses :</b>			
Current tax		4020.00	8572.50
Deferred tax		81.43	564.51
		4101.43	9137.01
<b>9 Profit for the year</b>		10130.04	30403.90
<b>Basic and diluted earnings per share (In ₹)</b>	39	38.00	114.04
<b>Face value per share (In ₹)</b>		10.00	10.00

See accompanying notes forming part of the financial statements

In terms of our report attached

For Deloitte Haskins & Sells  
Chartered Accountants

Uday Neogi  
Partner

Mumbai, 28th February, 2013

For and on behalf of the Board,

R. A. Shah  
P. Palm  
D. Parikh  
Diwan A. Nanda  
B. L. Gaggar  
Mumbai, 28th February, 2013

Chairman  
Vice-Chairman & Managing Director  
Executive Director  
Director  
Director Finance & Company Secretary

## CASH FLOW STATEMENT

for the year ended 31st December, 2012

	2012 ₹ Lakhs	2011 ₹ Lakhs
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Profit before tax	14231.47	39540.91
Adjustments for :		
Depreciation and amortisation expense	2160.35	1812.43
Unrealised foreign exchange (gain)/loss (Net)	40.20	(22.87)
Interest income	(131.17)	(383.80)
Dividend income	(1360.28)	(1499.04)
Profit on sale of assets (Net)	(953.20)	(24071.11)
Profit on sale of investment in a subsidiary (Long term)	–	(183.30)
Profit on sale of other investments (Net)	(357.24)	(58.45)
Provision for doubtful debts/advances (Net)	(92.69)	(32.34)
Finance costs	141.52	123.35
Assets written-off	165.03	36.67
<b>Operating profit before working capital changes</b>	<b>13843.99</b>	<b>15262.45</b>
Adjustments for :		
Trade and other receivables	(1917.59)	(594.86)
Inventories	(4673.08)	(2486.81)
Trade, other payables and provisions	4400.11	(2553.93)
<b>Cash generated from operations</b>	<b>11653.43</b>	<b>9626.85</b>
Direct taxes paid-(Net of refunds)	(3995.75)	(8246.84)
<b>Net cash from operating activities</b>	<b>7657.68</b>	<b>1380.01</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Purchase of fixed assets	(2653.00)	(4843.39)
Sale of fixed assets	1022.05	24451.99
Purchase of investments	(143510.51)	(188325.25)
Sale of investment in subsidiary (Long term)	–	508.30
Sale of investments	147053.78	180591.35
Loans to subsidiary	–	(32.00)
Loans repaid by subsidiary	–	732.00
Interest received	128.15	383.80
Dividend received	1360.28	1499.04
<b>Net Cash from investing activities</b>	<b>3400.75</b>	<b>14965.84</b>

	2012 ₹ Lakhs	2011 ₹ Lakhs
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>		
Repayment of long term borrowings	(20.19)	(85.09)
Finance costs	(148.45)	(119.45)
Dividend/dividend tax paid	(12306.95)	(15388.24)
<b>Net Cash used in financing activities</b>	<b>(12475.59)</b>	<b>(15592.78)</b>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	(1417.16)	753.07
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE YEAR	2844.55	2091.48
CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR (See Note 16 and Note (c) below)	1427.39	2844.55

Notes :

- (a) The Cash flow has been prepared under the "Indirect Method" as set out in Accounting Standard-3 on Cash flow statement notified by the Companies (Accounting Standards) Rules, 2006.
- (b) Direct taxes paid are treated as arising from operating activities and are not bifurcated between investing and financing activities.
- (c) Cash and cash equivalents at the end of the year include current account balances with banks of ₹ 445.17 Lakhs (Previous Year : ₹ 357.82 Lakhs) which are restricted in use on account of unclaimed dividend.
- (d) Figures for the previous year have been regrouped wherever necessary to conform to the current year's classification.

In terms of our report attached

For Deloitte Haskins & Sells  
Chartered Accountants

Uday Neogi  
Partner

Mumbai, 28th February, 2013

For and on behalf of the Board,

R. A. Shah

P. Palm

D. Parikh

Diwan A. Nanda

B. L. Gaggar

Mumbai, 28th February, 2013

Chairman

Vice-Chairman & Managing Director

Executive Director

Director

Director Finance & Company Secretary

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

## for the year ended 31st December, 2012

### 1 SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation of financial statements

The financial statements have been prepared on historical cost convention. The company follows the accrual basis of accounting. The financial statements are prepared in accordance with the accounting standards specified in the Companies (Accounting Standards) Rules, 2006 notified by the Central Government in terms of Section 211(3C) of the Companies Act, 1956.

Assets and liabilities are classified as current if it is expected to realise or settle within 12 months after Balance Sheet date.

#### (b) Revenue recognition

The Company recognises sale of goods on transfer of significant risks and rewards of ownership of the goods to the buyer. Sales are net of excise duty, sales tax and trade discounts, wherever applicable.

Dividend income on investments is accounted for when the right to receive the payment is established.

#### (c) Excise duty

Excise duty payable on products is accounted for at the time of despatch of goods from the factories and is accrued for stocks held at the year end.

Excise Duty related to the difference between the closing stock and opening stock of finished goods has been recognised separately in Note 27 "Other expenses" to the Statement of Profit and Loss.

#### (d) Employee benefits

(i) Short term employee benefit obligations are estimated and provided for.

(ii) Post employment benefits and other long term employee benefits :

Defined contribution plans :

Company's contribution to provident fund, superannuation fund, employee state insurance and other funds are determined under the relevant schemes and/or statute and charged to the Statement of Profit and Loss.

Defined benefit plans and compensated absences :

Company's liability towards gratuity, ex-gratia gratuity and compensated absences are actuarially determined at each balance sheet date using the projected unit credit method. Actuarial gains and losses are recognised in the Statement of Profit and Loss.

#### (e) Voluntary retirement scheme

Expenditure incurred on voluntary retirement scheme is charged to the Statement of Profit and Loss in the year in which it is incurred.

#### (f) Fixed assets and Depreciation/Amortisation

(i) All fixed assets are stated at cost less depreciation, wherever applicable. Cost comprises the purchase price and any other attributable cost of bringing the asset to its working condition for its intended use. Borrowing cost relating to funds borrowed for acquisition of qualifying assets up to the date the assets are put to use is included in cost.

(ii) The cost of leasehold land is amortised over the period of the lease.

(iii) Depreciation on tangible assets is calculated on the straight line method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956 except for :

- certain items of office equipment, air conditioners, plant and equipment on which a depreciation rate of 20% on straight line method is applied,
- electronic data processing (EDP) hardware such as servers on which a depreciation rate of 20% and for other EDP equipment including personal computers and printers on which depreciation rate of 25% on straight line method is applied,
- Motor cars on which depreciation rate of 25% on straight line method is applied.

(iv) Fixed assets held for disposal are stated at lower of net book value and net realisable value.

#### (g) Impairment of assets

The carrying amounts of assets are reviewed at each Balance Sheet date to assess whether there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to the present value using the weighted average cost of capital. Previously recognised impairment loss is further provided or reversed depending on changes in circumstances.



**(h) Inventories**

Inventories are valued at the lower of cost and estimated net realisable value after providing for obsolescence. The cost of inventories is arrived at on the following basis :

Raw materials, packing materials, trading items and stores and spares	-	Weighted average cost.
Finished goods and work-in-progress	-	Absorption costing at works cost.

**(i) Trade receivables/Loans and advances**

Trade receivables and loans and advances are stated after making adequate provision for doubtful debts/advances.

**(j) Investments**

Long term investments are stated at cost less provision for diminution in value, other than temporary. Current investments are stated at the lower of cost and fair value.

**(k) Leases**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

**(l) Foreign currency translations**

(i) Foreign currency transactions are accounted at the rate prevailing on the date of transaction. Monetary items denominated in foreign currency outstanding as at year end are translated at the exchange rate prevailing on the last day of the accounting year. In respect of items covered by forward contracts, the premium or discount arising at the inception of such a forward exchange contract is amortised as expense or income over the life of the contract. Any profit or loss arising on cancellation of such a forward exchange contract is recognised as income or expense for the period.

(ii) Non monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of transaction.

(iii) Gain or loss arising out of translation/conversion is taken credit for or charged to the Statement of Profit and Loss.

**(m) Income Tax**

Income tax expense comprises current tax and deferred tax charge or credit. The current tax is determined as the amount of tax payable in respect of the estimated taxable income for the year. The deferred tax charge or credit is recognised using prevailing enacted or substantively enacted tax rates at the Balance Sheet date. Where there is unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only if there is virtual certainty of realization. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. The carrying amount of deferred tax assets/liabilities are reviewed at each Balance Sheet date.

**(n) Contingencies/Provisions**

Provision is recognised when the Company has a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate of the expenditure required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying the economic benefit is remote.

**(o) Use of estimates**

The presentation of the financial statements requires certain estimates and assumptions. These estimates and assumptions affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates if any is recognised in the period in which the results are known/materialised.

	31-12-12 ₹ Lakhs	31-12-11 ₹ Lakhs
<b>2 SHARE CAPITAL</b>		
<b>Authorised</b>		
30000000 equity shares of ₹ 10/- each	3000.00	3000.00
<b>Issued, subscribed and paid up</b>		
26660745 equity shares of ₹ 10/- each fully paid up	2666.07	2666.07

**2a Reconciliation of number of equity shares outstanding as at the beginning and at the end of the year**

	31-12-12		31-12-11	
	Number	₹ Lakhs	Number	₹ Lakhs
<b>Equity shares :</b>				
Outstanding as at the beginning of the year	26660745	2666.07	26660745	2666.07
Add : Issued during the year	-	-	-	-
Outstanding as at the end of the year	26660745	2666.07	26660745	2666.07

**2b Shareholders holding more than 5% equity shares**

	31-12-12		31-12-11	
Name of Shareholder	Number	Percentage	Number	Percentage
EBITO Chemiebeteteiligungen AG. *	8167080	30.63%	8167080	30.63%
Clariant International AG. *	6075000	22.79%	6075000	22.79%
Clariant Participations AG. *	2660000	9.98%	2660000	9.98%

\* Subsidiaries of the ultimate holding company Clariant AG, Switzerland.

**2c** The company has not allotted any equity shares for consideration other than cash, bonus shares, nor have any shares been bought back during the period of five years immediately preceding the Balance sheet date.

**2d Rights, preferences and restrictions attached to the shares**

The Company has only one class of equity share having a par value of ₹ 10/- per share. Each shareholder has the following voting rights (i) On a show of hands: one vote for a member present in person and (ii) On a poll: one vote for each equity share registered in the name of the member or held by the beneficial owner. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing annual general meeting, except in case of interim dividend. In the event of winding up, the liquidator may, with the sanction of a special resolution of the company and any other sanction required by the Act, divide amongst the members, in specie or kind, the whole or any part of the assets of the company, whether they shall consist of property of the same kind or not.

	31-12-12 ₹ Lakhs	31-12-11 ₹ Lakhs
<b>3 RESERVES AND SURPLUS</b>		
<b>Capital reserve</b>		
As per last Balance sheet	730.11	730.11
<b>Capital redemption reserve</b>		
As per last Balance sheet	137.50	137.50
<b>Securities premium account</b>		
As per last Balance sheet	3545.65	3545.65
<b>General reserve</b>		
As per last Balance sheet	28832.79	25792.40
Add : Transfer from surplus in the statement of profit and loss	1013.00	3040.39
	29845.79	28832.79
<b>Surplus in the statement of profit and loss</b>		
As per last Balance sheet	12630.48	3837.85
Add : Profit for the year	10130.04	30403.90
Less : Interim dividend	(2666.07)	(7998.22)
Less : Proposed dividend (Final)	(4665.63)	(7998.22)
Less : Tax on dividend (Interim and Final)	(1189.38)	(2595.02)
Add : Tax on dividend of previous period	-	20.58
Less : Transfer to general reserve	(1013.00)	(3040.39)
	13226.44	12630.48
	47485.49	45876.53
<b>4 DEFERRED TAX LIABILITIES (NET)</b>		
<b>Deferred tax liabilities</b>		
Depreciation and amortisation	1481.73	1462.85
<b>Deferred tax assets</b>		
Provision for doubtful debts/advances	29.35	59.43
Provision for employee benefits	508.48	312.62
Expenses allowable for tax purposes when paid	83.19	51.10
Payment for voluntary retirement scheme	322.85	583.27
	943.87	1006.42
	537.86	456.43
<b>5 OTHER LONG TERM LIABILITIES</b>		
Liability for expenses	294.50	183.96
	294.50	183.96
<b>6 LONG TERM PROVISIONS</b>		
<b>Provision for employee benefits</b>		
Compensated absences	852.67	673.47
Gratuity	441.48	147.46
Ex-gratia gratuity	35.04	35.51
<b>Tax provisions less payments</b>	1243.08	1243.08
	2572.27	2099.52

				31-12-12 ₹ Lakhs				31-12-11 ₹ Lakhs				
7	TRADE PAYABLES											
	Trade payables (See Note 40)				18455.41				15056.97			
					18455.41				15056.97			
8	OTHER CURRENT LIABILITIES											
	Current maturity of long term debt (Interest free sales tax deferral loan)				-				20.19			
	Security and other deposits				978.49				1125.51			
	Advances from customers				54.71				223.09			
	Unpaid dividend *				445.17				357.82			
	Other payables											
	Statutory remittances (Excise duty , VAT , withholding tax ,etc.)				866.11				833.46			
	Liability for capital expenditure				396.55				401.81			
	Liability for expenses				1083.04				1118.26			
					3824.07				4080.14			
* There is no amount due and outstanding to be credited to Investor Education and Protection Fund.												
9	SHORT TERM PROVISIONS											
	Provision for employee benefits											
	Compensated absences				227.24				98.89			
	Ex-gratia gratuity				10.53				8.07			
	Provision - others											
	Tax Provisions less payments				644.43				-			
	Proposed dividend (Final)				4665.63				7998.22			
	Tax on proposed dividend (Final)				756.88				1297.51			
					6304.71				9402.69			
10	FIXED ASSETS								₹ Lakhs			
Description		Gross block			Depreciation/Amortisation				Net block			
	As at 31-12-11	Additions	Deductions	As at 31-12-12	As at 31-12-11	Deductions	For the year	As at 31-12-12	As at 31-12-12	As at 31-12-11		
Tangible assets												
Land freehold	137.42	-	-	137.42	-	-	-	-	137.42	137.42		
Land leasehold	502.90	-	-	502.90	14.05	-	5.29	19.34	483.56	488.85		
Buildings	7027.30	461.30	143.09	7345.51	2384.38	54.47	181.76	2511.67	4833.84	4642.92		
Plant and equipment	27532.46	1914.59	623.39	28823.66	16782.24	494.95	1688.45	17975.74	10847.92	10750.22		
Furniture and fixture	710.06	13.42	53.56	669.92	388.32	40.56	33.69	381.45	288.47	321.74		
Office equipment	1198.91	173.33	320.77	1051.47	970.13	316.95	89.81	742.99	308.48	228.78		
Vehicles	842.43	213.83	70.08	986.18	363.64	70.08	161.35	454.91	531.27	478.79		
Total	37951.48	2776.47	1210.89	39517.06	20902.76	977.01	2160.35	22086.10	17430.96			
Previous year	33560.28	5342.18	950.98	37951.48	20002.46	912.13	1812.43	20902.76		17048.72		
Capital work-in-progress									914.98	1306.70		
									18345.94	18355.42		
Note : Buildings include ₹ 450/- ( Previous year : ₹ 950/- ) being the cost of shares in co-operative housing societies.												



	31-12-12 ₹ Lakhs	31-12-11 ₹ Lakhs
<b>11 NON-CURRENT INVESTMENTS</b>		
(Long term fully paid up, at cost)		
<b>Trade (Quoted) :</b>		
<b>Investment in equity instruments of ₹ 10 each :</b>		
Equity shares in Asahi Songwon Colors Limited	667.09	-
(Market value : ₹ 558.35 Lakhs ; Previous year : Nil)		
	667.09	-
<b>Other investments (Unquoted) :</b>		
<b>Investments in Bonds of ₹ 10000 each :</b>		
6% Rural Electrification Corporation Limited Bonds	100.00	100.00
	100.00	100.00
	767.09	100.00
<b>12 LONG TERM LOANS AND ADVANCES</b>		
(Unsecured, considered good)		
Capital advances	450.63	182.38
Security deposits	405.21	571.46
VAT and service tax recoverable	527.45	329.51
Prepaid expenses	22.79	3.04
Tax payments less provisions	1631.22	2743.30
Other loans and advances ( staff loans, etc.)	248.87	351.17
	3286.17	4180.86
<b>13 CURRENT INVESTMENTS</b>		
<b>Current portion of long term investments (At cost) :</b>		
<b>Investment in various mutual funds : (Unquoted)</b>		
DSP BlackRock Mutual Fund	500.00	900.00
IDFC Mutual Fund	300.00	300.00
Reliance Mutual Fund	500.00	900.16
UTI Mutual Fund	900.00	-
JM Financial Mutual Fund	-	900.00
	2200.00	3000.16
<b>Other current investments</b>		
(At lower of cost and fair value)		
<b>Investment in various mutual funds : (Unquoted)</b>		
AXIS Mutual Fund	308.74	505.68
Baroda Pioneer Mutual Fund	992.87	950.00
Birla Sun Life Mutual Fund	1653.96	803.93
Canara Robeco Mutual Fund	919.25	960.25
Deutsche Mutual Fund	1716.63	1035.20
DSP BlackRock Mutual Fund	923.35	2525.56
Franklin Templeton Mutual Fund	982.13	1715.72
ICICI Prudential Mutual Fund	1654.58	960.13
IDFC Mutual Fund	253.39	1267.92
JM Financial Mutual Fund	1713.37	1333.22

	31-12-12 ₹ Lakhs	31-12-11 ₹ Lakhs
<b>13 CURRENT INVESTMENTS (Contd.)</b>		
<b>Other current investments (Contd.)</b>		
JP Morgan Mutual Fund	910.17	786.28
L & T Mutual Fund	693.72	1490.82
Religare Mutual Fund	2615.28	1306.02
Sundaram Mutual Fund	1537.80	1454.27
Tata Mutual Fund	804.34	1659.62
Taurus Mutual Fund	1454.75	2379.24
IDBI Mutual Fund	381.02	–
Reliance Mutual Fund	982.79	–
HDFC Mutual Fund	–	950.00
SBI Mutual Fund	–	500.10
UTI Mutual Fund	–	967.14
	20498.14	23551.10
	22698.14	26551.26
<b>14 INVENTORIES</b>		
(Valued at lower of cost and net realisable value)		
<b>Raw materials</b> (includes goods in transit ₹ 509.96 Lakhs [Previous year ₹ 276.08 Lakhs])	5811.16	4141.82
<b>Packing materials</b>	171.27	124.46
<b>Work-in-progress</b>		
Pigments and Colors	1733.56	1262.79
Dyes and Specialty Chemicals	476.39	271.73
	2209.95	1534.52
<b>Finished goods</b>		
Pigments and Colors	3235.57	2366.25
Dyes and Specialty Chemicals	1819.66	1703.98
	5055.23	4070.23
<b>Stock-in-trade</b> (includes goods in transit ₹ 558.17 Lakhs [Previous year ₹ 354.26 Lakhs])		
Pigments and Colors	668.66	88.17
Dyes and Specialty Chemicals	2050.61	1381.28
	2719.27	1469.45
<b>Stores and spares</b>	265.63	218.95
	16232.51	11559.43
<b>15 TRADE RECEIVABLES</b>		
<b>Outstanding for a period exceeding six months from the date they are due for payment.</b>		
Secured, considered good	1.74	0.44
Unsecured, considered good	19.38	12.59
Unsecured, considered doubtful	88.67	147.07
	109.79	160.10
Less : Provision for doubtful debts	88.67	147.07
	21.12	13.03
<b>Other trade receivables</b>		
Secured, considered good	898.60	1030.91
Unsecured, considered good	13914.50	12368.28
	14813.10	13399.19
	14834.22	13412.22

	31-12-12 ₹ Lakhs	31-12-11 ₹ Lakhs
<b>16 CASH AND CASH EQUIVALENTS</b>		
Cash on hand	1.14	3.77
Cheques on hand	109.82	93.50
<b>Balances with Banks</b>		
In current accounts	576.03	1749.73
In fixed deposit accounts	295.23	639.73
In earmarked accounts-unpaid dividend accounts	445.17	357.82
	1427.39	2844.55
<b>17 SHORT TERM LOAN AND ADVANCES</b>		
(Unsecured, considered good unless otherwise stated)		
<b>Others</b>		
Security deposits	326.82	145.22
Prepaid expenses	150.74	69.21
VAT set off admissible	194.30	182.60
Excise duty and other taxes recoverable	748.12	369.00
Balance with excise authorities	1166.81	952.80
Tax payments less provisions	1347.44	259.61
Other loans and advances (Vendor advances , staff loans, etc.)		
Considered good	277.28	352.37
Considered doubtful	1.79	36.08
	279.07	388.45
Less : Provision for doubtful advances	1.79	36.08
	277.28	352.37
	4211.51	2330.81
<b>18 OTHER CURRENT ASSETS</b>		
(Unsecured, considered good)		
Export incentives	189.60	405.24
Accrued revenue	139.14	82.52
Others	8.67	–
	337.41	487.76
	2012 ₹ Lakhs	2011 ₹ Lakhs
<b>19 SALES (NET)</b>		
<b>Manufactured goods :</b>		
Pigments and Colors	40286.92	37349.19
Dyes and Specialty Chemicals	47895.40	41840.50
	88182.32	79189.69
<b>Traded goods :</b>		
Pigments and Colors	1654.09	548.70
Dyes and Specialty Chemicals	17286.16	15869.73
	18940.25	16418.43
	107122.57	95608.12

	2012 ₹ Lakhs	2011 ₹ Lakhs
<b>20 OTHER OPERATING REVENUES</b>		
Export incentives	320.54	508.49
Indenting commission	1156.75	784.59
Provision for doubtful debts/advances written back (Net)	92.69	32.34
Scrap sales	237.18	313.65
Services rendered	698.48	645.18
	2505.64	2284.25
<b>21 OTHER INCOME</b>		
Interest Income	131.17	383.80
(Includes interest on bank deposits, delayed payments, Investments, etc.)		
Dividend income from investments		
Current investments	1344.12	1499.04
Long term investments	16.16	-
Profit on sale of investments (Net)		
Current investments	49.87	58.45
Long term investments	307.37	-
Cash discounts	32.42	27.26
Rental income	6.91	7.69
Profit on sale of fixed assets (Net)	21.73	23.92
Exchange gain (Net)	-	205.89
Miscellaneous	4.45	2.97
	1914.20	2209.02
<b>22 COST OF MATERIALS CONSUMED</b>		
Raw materials consumed	51444.32	44637.23
Packing materials consumed	3279.56	2616.34
	54723.88	47253.57
<b>22 a CATEGORY OF RAW MATERIALS CONSUMED</b>		
Pigments	10429.06	8724.55
Ethoxylates and polyglycoles	3128.83	2450.24
Polymers	3086.42	2660.90
Phenol and its derivatives	2742.69	2066.96
Monomers	2455.64	2367.67
Biocides	2395.66	1735.78
Others	27206.02	24631.13
	51444.32	44637.23
Indigenous	33114.43	28133.32
%	64.37	63.03
Imported	18329.89	16503.91
%	35.63	36.97
Total	51444.32	44637.23
%	100.00	100.00
<b>23 PURCHASE OF STOCK-IN-TRADE</b>		
Pigments and Colors	2196.76	883.72
Dyes and Specialty Chemicals	14551.26	12284.66
	16748.02	13168.38

	2012 ₹ Lakhs	2011 ₹ Lakhs
<b>24 CHANGES IN INVENTORIES</b>		
<b>Opening stock</b>		
Finished goods	4070.23	3403.34
Stock-in-trade	1469.45	1443.76
Work - in - progress	1534.52	954.94
	7074.20	5802.04
<b>Less : Closing stock</b>		
Finished goods	5055.23	4070.23
Stock-in-trade	2719.27	1469.45
Work - in - progress	2209.95	1534.52
	9984.45	7074.20
	(2910.25)	(1272.16)
<b>25 EMPLOYEE BENEFITS EXPENSE</b>		
Salaries, wages, bonus etc.	6765.79	5925.05
Contribution/Provision for provident fund, superannuation scheme, gratuity fund, etc.	1199.62	430.30
Welfare expenses	1096.06	975.08
	9061.47	7330.43
<b>26 FINANCE COSTS</b>		
Interest - others	141.52	123.35
	141.52	123.35
<b>27 OTHER EXPENSES</b>		
Stores and spare parts etc. consumed	534.12	481.50
Repairs and maintenance :		
Plant and machinery	882.57	995.84
Buildings	277.58	223.58
Others	155.75	176.67
Power and fuel	5077.95	3746.54
Rent (including lease payments) (See Note 38)	559.68	637.38
Rates and taxes (including water charges)	401.00	272.76
Insurance	187.65	109.26
Clearing, forwarding and transport	2808.16	2306.14
Travelling and conveyance	1629.85	1448.55
Commission	160.35	254.28
Other discounts on sales *	539.31	402.51
Legal and consultancy	192.46	770.30
Information technology services	1368.39	1324.59
Payment to statutory auditors (Net of service tax) :		
As auditors	25.00	25.00
For other services #	24.30	22.60
For reimbursement of expenses	1.19	0.24
Fixed assets written-off	165.03	36.67
Excise duty (See Note 1(c))	(49.95)	75.53
Exchange loss (Net)	259.22	-
Miscellaneous	3106.81	2967.74
	18306.42	16277.68

\* Net of reversal of excess provision made in respect of prior years ₹ 149.27 Lakhs (Previous year : ₹ 231.91 Lakhs).

# Previous year includes ₹ 0.50 Lakh paid to an affiliated firm in view of the networking arrangement which is registered with the Institute of Chartered Accountants of India.



		2012 ₹ Lakhs	2011 ₹ Lakhs	
28	EXCEPTIONAL ITEMS			
	Termination benefit costs	11.00	97.29	
	Sale of premises	(931.47)	-	
	Profit on sale of investment in a subsidiary (long term)	-	(183.30)	
	Profit on sale of land and infrastructure thereon at Balkum site	-	(24047.19)	
		(920.47)	(24133.20)	
		31-12-2012 ₹ Lakhs	31-12-2011 ₹ Lakhs	
29	CONTINGENT LIABILITIES AND COMMITMENTS (to the extent not provided for)			
	(a) Contingent liabilities :			
	(i) in respect of income tax matters			
	- decided against the Company, in respect of which the Company is in further appeal	763.05	1169.79	
	- decided in favor of the Company against which the department is in appeal	593.75	389.19	
	(ii) in respect of sales tax/VAT matters	4765.10	4958.64	
	(iii) in respect of excise/service tax matters	1062.54	892.11	
	(iv) in respect of bills of exchange discounted with banks (since realised ₹ 2198.57 Lakhs [₹ 840.51 Lakhs])	2200.22	1348.13	
	(v) Other matters in dispute	2.25	2.25	
	(vi) Disputed labour matters - Amount not ascertained.			
	In respect of items (i) to (iii), (v) & (vi) future cash outflows in respect of contingent liabilities is determinable only on receipt of judgements pending at various forums/authorities.			
	(b) Commitments :			
	(i) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances)	2575.43	2480.02	
	(ii) Others - amount of future minimum lease payments under non-cancellable operating leases	297.95	535.55	
30	DISCLOSURE IN RESPECT OF DERIVATIVE INSTRUMENTS :			
	The Company uses Forward exchange contracts to hedge its exposure in foreign currency. There is no derivative instrument outstanding as at the year end. The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below :			
	31-12-2012		31-12-2011	
	Amount in foreign currency	Amount ₹ Lakhs	Amount in foreign currency	Amount ₹ Lakhs
(i)	Amount receivable on account of export of goods and services			
	Currency			
	USD	46937332572.00	4803894	2564.64
	EUR	3844727.80	386982	267.31
	CHF	90695.43	36605	20.80
		2605.23		2852.75
(ii)	Amount payable on account of import of goods and services			
	Currency			
	USD	48988822684.40	3369540	1799.14
	EUR	23488521698.14	1640890	1133.41
	CHF	303291181.58	352340	200.13
		4564.12		3132.6

		2012 ₹ Lakhs	2011 ₹ Lakhs
31	VALUE OF IMPORTS (C.I.F.) :		
	(a) Raw materials	17883.89	14416.91
	(b) Components and spare parts	65.19	91.84
	(c) Capital goods	237.70	833.72
32	EXPENDITURE IN FOREIGN CURRENCY (subject to deduction of tax where applicable) :		
	(a) Commission	52.85	199.22
	(b) Interest	49.39	30.59
	(c) Information technology services	1340.49	1324.59
	(d) Royalty	119.83	130.51
	(e) Others (exchange loss etc.)	546.09	222.15
33	EARNINGS IN FOREIGN EXCHANGE :		
	(a) Exports (F.O.B.)	25742.26	21609.90
	(b) Others (insurance, freight, commission, exchange gain etc.)	3244.79	2558.47
34	REMITTANCE IN FOREIGN CURRENCY ON ACCOUNT OF DIVIDEND :		
	Number of non-resident shareholders where direct remittances have been made by the Company	3	3
	Number of shares on which dividend is remitted	16902080	16902080
	Year to which dividend relates		
	2012 (Interim)	1690.21	-
	2011 (Final)	5070.62	
	2011 (Interim)	-	5070.62
	2010 (Final)	-	3380.42
		2012 ₹ Lakhs	2011 ₹ Lakhs
		Funded	Unfunded
		Funded	Unfunded
35	EMPLOYEE BENEFITS :		
	(1) Defined benefits plans - As per actuarial valuation as on 31st December, 2012		
	(a) Gratuity		
	(i) Expenses recognised in the Statement of Profit and Loss for the year		
	1. Current service cost	108.09	0.23
	2. Interest cost	200.50	3.34
	3. Expected return on plan assets	(177.30)	-
	4. Net actuarial (gain)/loss recognised during the year	483.67	1.42
	5. Expense/(Income) recognised in Statement of Profit and Loss	614.96	4.99
	[Gratuity expense/(income) have been recognised in Contribution/ Provision for provident fund, superannuation scheme, gratuity fund etc. in Note 25 "Employee benefits expense" ]		
	(ii) Actual return on plan assets for the year		
	1. Expected return on plan assets	177.30	-
	2. Actuarial gain/(loss) on plan assets	13.03	-
	3. Actual return on plan assets	190.33	-
	(iii) Net Asset/(Liability) recognised in the Balance Sheet as at the year end		
	1. Present value of the defined benefit obligation	2942.99	45.57
	2. Fair value of plan assets	2501.51	-
	3. Net Asset/(Liability) recognised in the balance sheet	(441.48)	(45.57)

		2012 ₹ Lakhs		2011 ₹ Lakhs	
		Funded	Unfunded	Funded	Unfunded
<b>35</b>	<b>EMPLOYEE BENEFITS (contd.)</b>				
(iv)	Change in defined benefit obligation during the year				
1.	Present value of obligation at the beginning of the year	2405.14	43.58	2505.53	64.73
2.	Current service cost	108.09	0.23	112.41	0.55
3.	Interest cost	200.50	3.34	215.98	5.39
4.	Benefits Paid	(267.44)	(3.00)	(227.47)	(2.62)
5.	Actuarial (gain)/loss on obligation	496.70	1.42	(201.31)	(24.47)
6.	Present value of obligation as at the end of the year	2942.99	45.57	2405.14	43.58
(v)	Changes in fair value of plan asset during the year				
1.	Fair value of plan assets as at the beginning of the year	2257.68	–	1959.49	–
2.	Expected return on plan assets	177.30	–	163.41	–
3.	Contributions made	320.94	–	309.30	–
4.	Benefits paid	(267.44)	–	(227.47)	–
5.	Actuarial gain/(loss) on plan assets	13.03	–	52.95	–
6.	Fair value of plan assets as at the end of the year	2501.51	–	2257.68	–
(vi)	Major categories of plan assets as a percentage of total plan assets				
1.	Central government securities	23.21%	–	25.95%	–
2.	State government securities	11.66%	–	10.37%	–
3.	Private sector bonds	23.72%	–	25.98%	–
4.	Cash at bank	1.63%	–	1.12%	–
5.	Investment in insurance companies	37.45%	–	33.12%	–
6.	Others	2.33%	–	3.46%	–
(vii)	Actuarial assumptions				
1.	Discount rate	8.25%	8.25%	8.40%	8.40%
2.	Expected Rate of return on plan assets	8.00%	–	8.00%	–
3.	Salary escalation	6.0%-8.0%	6.0%-8.0%	4.0%-6.0%	4.0%-6.0%
(viii)	The company expects to contribute ₹ 200.00 Lakhs to the funded gratuity plans in the year 2013				
(ix)	Net assets/(liability) recognised in the balance sheet as at respective year ends and experience adjustments :				
	<b>Particulars</b>			<b>(₹ in Lakhs)</b>	
	<b>Funded</b>	<b>2012</b>	2011	2010	2009
1.	Present value of defined benefit obligation	2,942.99	2405.14	2505.53	2342.20
2.	Fair value of plan assets	2,501.51	2257.68	1959.49	2141.47
3.	Funded status [surplus/(deficit)]	(441.48)	(147.46)	(546.04)	(200.73)
4.	Experience adjustment arising on :				
a.	Plan liabilities	119.00	(165.16)	348.52	(49.77)
b.	Plan assets	13.03	52.95	(0.91)	(38.87)
	<b>Unfunded</b>				
1.	Present value of defined benefit obligation	45.57	43.58	64.73	69.21
2.	Fair value of plan assets	–	–	–	–
3.	Funded status [surplus/(deficit)]	(45.57)	(43.58)	(64.73)	(69.21)
4.	Experience adjustment arising on :				
a.	Plan liabilities	0.41	(23.31)	4.29	4.54
b.	Plan assets	–	–	–	–
(x)	Gratuity is administered through duly constituted and approved independent trusts and also through Group gratuity scheme with Life Insurance Corporation of India				
(xi)	Future salary increases considered in actuarial valuation take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market				
(xii)	Basis used to determine expected rate of return on plan assets : The expected rate of return on plan assets is based on market expectation at the beginning of the year for returns over the entire life of the related obligation.				
(xiii)	Accounting standard 15 "Employee Benefits" requires the disclosure of experience adjustments for past four years, however, the information is given only for the current and previous three year.				

		2012 ₹ Lakhs	2011 ₹ Lakhs
<b>35</b>	<b>EMPLOYEE BENEFITS (contd.)</b>		
	<b>(b) Other long term benefits</b>		
	The defined benefit obligations which are provided for but not funded are as under :		
	Compensated Absence/Leave Salary	<b>1079.91</b>	772.36
<b>(2)</b>	During the year the Company has recognised the following amounts in Note 25 "Employee benefits expense" : Salaries, wages, bonus includes compensated absences	<b>380.18</b>	452.98
	Contribution/Provision for provident fund, superannuation scheme, gratuity fund etc. includes :		
	Provident fund & family pension	<b>283.81</b>	280.16
	Superannuation fund	<b>293.68</b>	257.18
	Gratuity fund	<b>619.95</b>	(107.81)
	Other funds	<b>2.18</b>	0.77

**36 RELATED PARTY DISCLOSURES AS REQUIRED BY AS-18 "RELATED PARTY DISCLOSURES" ARE GIVEN BELOW :-**

**(a) Holding company :**

EBITO Chemiebeteteiligungen AG, Clariant International AG and Clariant Participations AG, together hold 63.40% equity shares in the Company, the ultimate holding company being Clariant AG, Switzerland.

**(b) Subsidiary of the Company :**

The Company had a subsidiary Chemtreat Composites India Pvt. Ltd. - 100% shareholding (upto 02.10.2011)

**(c) Other related parties in the Clariant group with whom the Company has transactions :**

**Fellow subsidiary companies :**

Clariant (Australia) Pty. Ltd.	Clariant (Türkiye) Boya ve Kimyevi Maddeler Sanayi ve Ticaret A.S.
Clariant (Canada) Inc.	Clariant Masterbatches (Deutschland) GmbH
Clariant (China) Ltd.	Clariant Masterbatches (Italia) S.p.A.
Clariant (Colombia) SA	Clariant Masterbatches (Malaysia) Sdn Bhd
Clariant (Egypt) SAE	Clariant Masterbatches (Saudi Arabia) Ltd.
Clariant (Gulf) FZE	Clariant Masterbatches (Shanghai) Ltd.
Clariant (Japan) K.K.	Clariant Masterbatches (Thailand) Ltd.
Clariant (Korea) Ltd.	Clariant Masterbatches Benelux SA
Clariant (Malaysia) Sdn Bhd	Clariant Masterbatches Ireland Limited
Clariant (Maroc) S.A.	Clariant Masterbatches Norden AB
Clariant (Mexico) S.A. de C.V.	Clariant Pigments (Korea) Ltd.
Clariant (Pakistan) Ltd.	Clariant Pigments (Tianjin) Ltd.
Clariant (Perú) S.A.	Clariant Prodotti (Italia) S.p.A.
Clariant (Singapore) Pte. Ltd.	Clariant Produkte (Deutschland) GmbH
Clariant (Thailand) Ltd.	Clariant Produkte (Schweiz) AG
Clariant (Tianjin) Ltd.	Clariant S.A.
Clariant (Uruguay) SA	Clariant Southern Africa (Pty.) Ltd.
Clariant Chemicals (China) Ltd.	Clariant Specialty Chemicals (Zhenjiang) Co., Ltd.
Clariant Chemicals (Huizhou) Co., Ltd.	Clariant Trading (China) Ltd.
Clariant Chemicals (Taiwan) Co., Ltd.	Italtinto S.r.l.
Clariant Corporation	PT Clariant Indonesia
Clariant Ibérica Producción S.A.	The Egyptian German Company for Dyes & Resins SAE (EGCODAR SAE)
Clariant Masterbatch Ibérica S.A.	

**(d) Key management personnel :**

P. Palm :	Vice-Chairman and Managing Director
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	2012 ₹ Lakhs	2011 ₹ Lakhs
<b>Transactions entered into with related parties during the year and balances as at the year end :</b>		
<b>(i) Holding company :</b>		
Transactions during the year :		
Clariant International AG		
Sales of goods	–	0.14
Purchase of goods	8615.61	7356.36
Services rendered	1113.41	851.81
Services received	702.83	635.41
Royalty	119.83	130.51
Dividend paid	2430.00	3037.50
Expenses recovered	22.46	94.95
EBITO Chemiebeteteiligungen AG		
Dividend paid	3266.83	4083.54
Clariant Participations AG		
Dividend paid	1064.00	1330.00
Balances outstanding as at the year end :		
Amount payable	2038.22	1289.88
Amount receivable	234.88	286.19
<b>(ii) Subsidiary company :</b>		
Transactions during the year :		
Chemtreat Composites India Pvt. Ltd.		
Services rendered	–	61.38
Loan given during the year	–	32.00
Loan repaid during the year	–	732.00
<b>(iii) Fellow subsidiaries :</b>		
Transactions during the year :		
Sales of goods		
Clariant (Singapore) Pte. Ltd.	26299.24	8937.81
Clariant Produkte (Deutschland) GmbH	19.64	3890.03
Clariant (China) Ltd.	–	2101.33
Clariant Corporation	–	603.63
Others	337.29	3833.39
Purchase of goods		
Clariant (China) Ltd.	1981.12	1040.95
PT Clariant Indonesia	392.69	166.48
Clariant (Tianjin) Ltd.	75.55	368.48
Others	1115.58	769.57
Purchase of capital goods		
Clariant Masterbatches (Italia) S.p.A.	5.56	–
Clariant Pigments (Korea) Ltd.	–	377.73
Others	–	63.59
Services rendered and others		
Clariant Produkte (Schweiz) AG	33.74	20.97
Clariant (China) Ltd.	20.58	19.51
Clariant Masterbatches (Thailand) Ltd.	11.44	11.67
PT Clariant Indonesia	11.13	–
Others	22.67	15.59



	2012 ₹ Lakhs	2011 ₹ Lakhs
<b>During the year following transactions were entered into with related parties : (contd.)</b>		
<b>(iii) Fellow subsidiaries : (contd.)</b>		
Transactions during the year : (contd.)		
Expenses recovered		
Clariant (Singapore) Pte. Ltd.	0.20	1.03
Clariant (China) Ltd.	32.75	-
Clariant S.A.	-	0.38
Clariant Ibérica Producción S.A.	-	0.34
Clariant Chemicals (Taiwan) Co., Ltd.	-	0.20
Services received and others		
PT Clariant Indonesia	0.31	11.36
Clariant (Pakistan) Ltd.	6.22	-
Clariant Produkte (Deutschland) GmbH	1.69	-
Clariant (Gulf) FZE	-	17.68
Others	0.77	22.26
Balances outstanding as at the year end :		
Amount payable	773.64	477.20
Amount receivable	2345.43	2447.61
<b>(iv) Key management personnel :</b>		
Remuneration	* 231.51	199.64
Payable balance	72.37	51.11
* Includes ₹ 19.86 Lakhs which is subject to approval of members at the ensuing Annual General Meeting		

### 37 SEGMENT INFORMATION :

(As required by Accounting Standard (AS) - 17 Segment Reporting) :

(a) The Company is organised into two primary business segments mainly :

(i) **Pigments and Colors :**

Includes pigment, pigment preparations, additives and masterbatches.

(ii) **Dyes and Specialty Chemicals :**

Includes dyestuff, synthetic resins, binder materials, functional effects and coating, auxiliaries and chemicals. (See Note 41)

(b) The secondary segments of the Company are geographical segments mainly :

(i) India

(ii) Outside India

(c) Segments have been identified and reported taking into account the nature of products and services, the differing risk and returns, the organisation structure and the internal financial reporting system.

(d) (i) **Segment revenue and results :**

Segment revenue and expenses are directly attributable to segment. It does not include interest income, interest expense and income tax. The expenses which are not directly attributable to the business segment are shown as unallocated corporate cost.

(ii) **Segment assets and liabilities :**

Segment assets include all operating assets used by the business segment and consist principally of fixed assets, trade receivable and inventories. Segment liabilities primarily include trade payables and other current and non-current liabilities.

Assets and liabilities that cannot be allocated among the segments are shown as a part of unallocable corporate assets and liabilities respectively.

**Information about primary business segments :**

	2012 ₹ Lakhs			2011 ₹ Lakhs		
	Pigments and Colors	Dyes and Specialty Chemicals	Total	Pigments and Colors	Dyes and Specialty Chemicals	Total
<b>Revenue (Net)</b>						
External sales	41941.01	65181.56	107122.57	37892.76	57715.36	95608.12
<b>Results</b>						
Segment results	5087.16	7869.07	12956.23	6296.09	8613.00	14909.09
Unallocated corporate expenses (Net)			365.12			238.17
<b>Operating profits</b>			13321.35			15147.26
Interest Income			131.17			383.80
Finance costs			(141.52)			(123.35)
<b>Profit before exceptional items and taxation</b>			13311.00			15407.71
Exceptional items (See Note 28)			920.47			24133.20
<b>Profit before taxation after exceptional items</b>			14231.47			39540.91
Current tax/deferred tax			(4101.43)			(9137.01)
<b>Profit after tax</b>			10130.04			30403.90
<b>Other information</b>						
Segment assets	28052.99	24452.39	52505.38	24846.54	21688.69	46535.23
Unallocated corporate assets			29635.00			33287.08
<b>Total assets</b>			82140.38			79822.31
Segment liabilities	9535.76	13580.47	23116.23	7768.61	11305.84	19074.45
Unallocated corporate liabilities			3450.08			2909.53
<b>Total liabilities</b>			26566.31			21983.98
Capital expenditure	1684.92	956.97	2641.89	3146.04	1672.34	4818.38
Unallocated corporate capital expenditure			11.11			25.01
<b>Total capital expenditure</b>			2653.00			4843.39
Depreciation/Amortisation	1193.10	951.69	2144.79	983.45	811.23	1794.68
Unallocated corporate depreciation			15.56			17.75
<b>Total depreciation/amortisation</b>			2160.35			1812.43
Non cash expenses other than depreciation/amortisation	281.34	475.86	757.20	175.49	215.17	390.66
Unallocated corporate non cash expenses other than depreciation/amortisation			43.08			20.12
<b>Total Non cash expenses other than depreciation/amortisation</b>			800.28			410.78

**Information about secondary segments :**

	2012 ₹ Lakhs			2011 ₹ Lakhs		
	India	Outside India	Total	India	Outside India	Total
External sales	80000.58	27121.99	107122.57	72993.28	22614.84	95608.12
Segment assets	49900.15	2605.23	52505.38	43682.48	2852.75	46535.23
Additions to fixed assets	2641.89	–	2641.89	4818.38	–	4818.38

**Note :**

Total liabilities exclude the following :

- (a) Proposed dividend ₹ 4665.63 Lakhs ( ₹ 7998.22 Lakhs)  
(b) Tax on proposed dividend ₹ 756.88 Lakhs ( ₹ 1297.51 Lakhs)

	2012 ₹ Lakhs	2011 ₹ Lakhs
<b>38 ASSETS TAKEN ON LEASE ON OR AFTER 1ST APRIL, 2001 :</b>		
(a) In respect of Operating leases, where lease agreements have been formally entered into, the payments recognised in the Statement of Profit and Loss for the year are as follows : Premises, vehicles and computers [includes minimum lease payments ₹ 305.94 Lakhs (Previous year ₹ 405.62 Lakhs)]	485.42	572.80
(b) There are no restrictions such as those concerning dividends, additional debt and further leasing, imposed by the lease agreements entered into by the Company.		
(c) Some of the agreements provide for increase in rent.		
(d) Some of the agreements provide for early termination by either party with a notice period which varies from 1 month to 6 months.		
(e) Under some of the agreements, refundable interest free deposits have been given.		
(f) Contingent rent payments in respect of vehicles are dependent upon the excess of actual usage, if any, over stipulated usage.		
(g) The total of future minimum lease payments under non-cancellable operating leases are as follows :		
For a period not later than one year	171.24	273.93
For a period later than one year and not later than five years	126.71	261.62
<b>Total</b>	<b>297.95</b>	<b>535.55</b>
<b>39 EARNINGS PER SHARE :</b>		
(a) Net profit after taxation	10130.04	30403.90
(b) Number of equity shares outstanding	26660745	26660745
(c) Basic and diluted earnings per share (In ₹)	38.00	114.04
(d) Face value per share (In ₹)	10.00	10.00
<b>40</b> Disclosures as required under the Micro, Small and Medium Enterprises Development Act, 2006 (the Act). This information has been determined to the extent such parties have been identified on the basis of intimations received from suppliers. This has been relied upon by the auditors. No interest has been accrued for delayed payments, if any.		
	31-12-2012 ₹ Lakhs	31-12-2011 ₹ Lakhs
(a) (i) the principal amount remaining unpaid as at the year end	126.86	418.68
(ii) the interest due on above amount, remaining unpaid as at the year end	-	-
(b) Interest paid during the year beyond the appointed day	-	-
(c) Amount of interest due and payable for the period of delay in making payment without adding the interest specified under the Act.	-	-
(d) Amount of interest accrued and remaining unpaid at the end of the year.	-	-
(e) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest due as above are actually paid to small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Act.	-	-
<b>41</b> Clariant AG Switzerland, the ultimate Holding Company (Clariant) has announced that USA based SK Capital has agreed to purchase the business units textile chemicals, paper specialties and business line emulsions from Clariant and that this will include the transfer of the whole R&D, applications, sales and marketing organisation along with production plants and sites worldwide.  Clariant Chemicals (India) Ltd. has production facilities for manufacture of textile chemicals and produces paper specialties and emulsion products at its Roha plant. These businesses are included in the Dyes and Specialty segment. The decision to sell the businesses including a manufacturing plant for textile products situated at Roha and other assets dedicated to the businesses under divestment will be considered by the Board and approval of shareholders will be sought at appropriate time in accordance with the requirements of the Companies Act, 1956.		
<b>42</b> The Revised Schedule VI has become effective from April 01, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Figures for the previous year have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.		

For and on behalf of the Board,

R. A. Shah  
P. Palm  
D. Parikh  
Diwan A. Nanda  
B. L. Gaggar  
Mumbai, 28th February, 2013

Chairman  
Vice- Chairman & Managing Director  
Executive Director  
Director  
Director Finance & Company Secretary

# FINANCIAL PERFORMANCE

## 10 Years' Highlights

(₹ Million)

		Financial year ended 31st December							Financial year ended 31st March		
		2012	2011	2010	2009	2008	2007	****2006	***2006	2005	2004
<b>I</b>	<b>OPERATING RESULTS</b>										
	Gross Sales	11459.9	10158.6	10347.6	9732.2	10014.5	9517.1	7538.9	9246.5	4035.2	4083.4
	Net Sales	10712.3	9560.8	9747.1	9213.4	9163.9	8614.4	6870.4	8479.1	3656.1	3746.8
	Gross Earning Before Depreciation/ Impairment and Taxation	+1547.1	+1722.0	+1895.1	+2079.4	+1375.7	+1021.3	+655.7	893.1	472.5	380.0
	Profit Before Taxation	#1423.1	#3954.1	#1653.2	#1631.1	#1072.9	#493.3	#507.8	648.4	*357.8	249.5
	Profit After Taxation	1013.0	3040.4	1124.2	1081.4	674.8	317.9	328.7	403.9	155.9	335.7
	Equity Dividend	733.2	1599.6	799.8	666.5	506.6	266.6	479.9	293.3	69.9	69.9
<b>II</b>	<b>FINANCIAL POSITION</b>										
	Gross Fixed Assets	4088.3	3944.1	3554.8	3556.6	3985.1	3819.6	3831.7	3850.2	2105.6	1934.0
	Net Fixed Assets	1879.7	1853.8	1592.4	1527.3	1646.0	1719.1	1651.8	1601.6	837.2	737.7
	Investments	2346.5	2665.1	1918.4	1245.0	578.4	294.3	465.0	1132.6	464.5	204.5
	Net Current Assets	842.8	383.0	159.8	698.5	1008.3	1164.8	1128.2	1198.7	743.5	741.5
	Equity	266.6	266.6	266.6	266.6	266.6	266.6	266.6	**266.6	116.5	116.5
	Reserves	4748.5	4587.7	3404.4	3211.3	2909.8	2827.6	2835.8	3054.4	1605.7	1529.6
	Shareholders' Fund	5015.2	4854.3	3671.0	3477.9	3176.4	3094.2	3102.4	3321.0	1722.2	1646.1
	Loans and Deferred Payment Credits	–	2.0	10.5	20.5	30.9	40.7	62.1	559.4	339.4	110.4
	Capital Employed	5015.2	4856.3	3681.5	3498.4	3207.3	3134.9	3164.5	3880.4	2061.6	1756.5
<b>III</b>	<b>PER EQUITY SHARES</b>										
	Earnings ₹	#38.00	#114.04	#42.16	#40.56	#25.31	#11.92	#12.33 Not Annualised	15.15	13.30	28.82
	Dividend	27.5	60.0	30.0	25.0	19.0	10.0	18.0	11.0	6.0	6.0

# After exceptional items

+ Before exceptional items

\* Before prior period items

\*\* Including share capital suspense account

\*\*\* In view of the amalgamation w.e.f April 1, 2005, the figures for the year 2006 are not directly comparable to those of earlier years.

\*\*\*\* Figures are for nine months ended December 31, 2006





**CLARIANT CHEMICALS (INDIA) LIMITED**

P.O. Sandoz Baug  
Kolshet Road  
Thane 400 607

[WWW.CLARIANT.IN](http://WWW.CLARIANT.IN)

**Format of covering letter of the annual audit report to be filed with the stock exchanges**

1.	Name of the Company:	Clariant Chemicals (India)Limited
2.	Annual financial statements for the year ended	December 31, 2012
3.	Type of Audit observation	Unqualified
4.	Frequency of observation	Not Applicable since unqualified
5.	<p>To be signed by-</p> <p>Dr. Deepak Parikh Managing Director</p> <p>Mr. B.L. Gaggar Director Finance &amp; Company Secretary</p> <p>Mr. R.A. Shah Audit Committee Chairman</p> <p>Auditor of the company</p> <p>Refer our Audit report dated <u>28 February, 2013</u> on the standalone financial statements of the Company For DELOITTE HASKINS &amp; SELLS Chartered Accountants (Firm Registration No. 117365W)</p> <p>U. M. Neogi Partner (Membership No. 30235) Mumbai : 24 April, 2013</p>	