



Exactly your chemistry.

Annual Report 2005-2006
Clariant Chemicals (India) Limited

Corporate Information

BOARD OF DIRECTORS

Mr. R. A. Shah – Chairman (w.e.f. 25th March, 2006)
Mr. H. Meier – Vice-Chairman & Managing Director (w.e.f. 1st April, 2006)
Mr. B. S. Mehta
Diwan A. Nanda
Mr. K. J. Bharucha – (Vice-Chairman & Managing Director upto 31st March, 2006)
Mr. P. Lindner – (Chairman upto 24th March, 2006)
Dr. A. Walde
Mr. W. Mohr

Mr. Sunil K. Nayak – Chief Financial Officer & Company Secretary

AUDIT COMMITTEE

Mr. R. A. Shah – Chairman
Diwan A. Nanda
Mr. K. J. Bharucha

MANAGEMENT COMMITTEE

Mr. H. Meier – Chairman
Mr. Sunil K. Nayak
Mr. A. K. Prasad
Dr. G. G. Patkar
Dr. S. Siddhan
Mr. S. S. Patil

AUDITORS

A. F. Ferguson & Co., Chartered Accountants

INTERNAL AUDITORS

Mahajan & Aibara, Chartered Accountants

SOLICITORS

Crawford Bayley & Co.

BANKERS

The Hongkong & Shanghai Banking Corpn. Ltd.
Standard Chartered Bank
Citibank N.A.

REGISTERED OFFICE

Ravindra Annexe
194, Churchgate Reclamation
Mumbai-400 020

WORKS

Dhatav, Roha, Dist. Raigad-402 116
Balkum, Thane-400 608
Kolshet Road, Thane-400 607
Kudikadu, P. O., Cuddalore-607 005
Singhadivakkam Village, Kanchipuram-631 561

ANNUAL GENERAL MEETING

Date : 27th July, 2006
Time : 03.00 p.m.
Day : Thursday
Venue: Y. B. Chavan Auditorium
Gen. J. B. Marg
Next to Sachivalaya Gymkhana
Mumbai - 400 021

REGISTRAR & SHARE TRANSFER AGENTS

Sharepro Services (India) Pvt. Limited
Satam Estate, Chakala, Andheri (E)
Mumbai-400 099

Notice

NOTICE is hereby given that the FORTY-NINTH ANNUAL GENERAL MEETING of the Members of **Clariant Chemicals (India) Limited** will be held at Y. B. Chavan Auditorium, Gen. Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana, Mumbai – 400 021 on Thursday July 27, 2006 at 03.00 p.m. to transact the following business:

Ordinary Business:

1. To receive, consider, approve and adopt the Balance Sheet as at March 31, 2006 and the Profit and Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To declare a dividend for the year 2005-2006.
3. To appoint M/s A. F. Ferguson & Co., Chartered Accountants, as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

Special Business:

4. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary resolution:
"RESOLVED THAT Mr. B. S. Mehta, who was appointed as a Director of the Company by the Board of Directors with effect from 25.03.06 in the casual vacancy caused by the resignation of Mr. H. K. Bilpodiwala and who holds office up to the day of this Annual General Meeting under section 262 of the Companies Act, 1956, and being eligible, offers himself for re-appointment and in respect of whom the Company has received notice in writing under section 257 of the Companies Act, 1956, along with the prescribed deposit, from a shareholder signifying his intention to propose Mr. Mehta as a candidate for the office of Director, be and is hereby appointed as a Director of the Company whose term of office shall be liable to determination by retirement of Directors by rotation."
5. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary resolution:
"RESOLVED THAT Mr. W. Mohr, who was appointed as a Director of the Company by the Board of Directors with effect from 25.03.06 in the casual vacancy caused by the resignation of Mr. P. R. Rastogi and who holds office upto the day of this Annual General Meeting under section 262 of the Companies Act, 1956, and being eligible, offers himself for re-appointment and in respect of whom the Company has received notice in writing under section 257 of the Companies Act, 1956, along with the prescribed deposit, from a shareholder signifying his intention to propose Mr. Mohr as a candidate for the office of Director, be and is hereby

appointed as a Director of the Company whose term of office shall be liable to determination by retirement of directors by rotation."

6. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary resolution:
"RESOLVED THAT Dr. A. Walde, who was appointed as an Additional Director of the Company by the Board of Directors with effect from 01.08.05, pursuant to Article 113 of the Articles of Association of the Company and who holds office up to the day of this Annual General Meeting under section 260 of the Companies Act, 1956, and being eligible, offers himself for re-appointment and in respect of whom the Company has received notice in writing under section 257 of the Companies Act, 1956, along with the prescribed deposit, from a shareholder signifying his intention to propose Dr. Walde as a candidate for the office of Director, be and is hereby appointed as a Director of the Company whose term of office shall be liable to determination by retirement of Directors by rotation."
7. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary resolution:
"RESOLVED THAT Mr. K. J. Bharucha, who was appointed as an Additional Director of the Company by the Board of Directors with effect from 01.04.06, pursuant to Article 113 of the Articles of Association of the Company and who holds office up to the day of this Annual General Meeting under section 260 of the Companies Act, 1956, and being eligible, offers himself for re-appointment and in respect of whom the Company has received notice in writing under section 257 of the Companies Act, 1956, along with the prescribed deposit, from a shareholder signifying his intention to propose Mr. Bharucha as a candidate for the office of Director, be and is hereby appointed as a Director of the Company whose term of office shall be liable to determination by retirement of Directors by rotation."
8. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary resolution:
"RESOLVED THAT Mr. H. Meier, who was appointed as an Additional Director of the Company by the Board of Directors with effect from 29.08.05, pursuant to Article 113 of the Articles of Association of the Company and who holds office up to the day of this Annual General Meeting under section 260 of the Companies Act, 1956, and being eligible, offers himself for re-appointment and in respect of whom the Company has received notice in writing under section 257 of the Companies Act, 1956, along with the prescribed deposit, from a shareholder signifying his intention to propose Mr. Meier as a candidate for the

office of Director, be and is hereby appointed as a Director of the Company.”

9. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary resolution:

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 and in terms of Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, approval of members be and is hereby accorded to the re-appointment of Mr. K. J. Bharucha as Vice Chairman & Managing Director of the Company for a period of six months from 1st October 2005 upon the terms and conditions including remuneration, benefits and perquisites payable or extended to him as set out in the agreement between the Company and Mr. Bharucha, copy whereof initialed by the Chairman for the purpose of identification has been placed before this meeting, which agreement is hereby specifically approved.

RESOLVED FURTHER THAT in the event of absence or inadequacy of net profit in financial year, the remuneration payable to the Managing Director shall be governed by Section II of Part II of Schedule XIII of the Companies Act, 1956, or any statutory modification thereof.

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

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, any Director and the Company Secretary of the Company be and are hereby authorised to execute under the Common Seal of the Company the necessary agreement with Mr. Bharucha.”

10. 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 and in terms of Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, approval of members be and is hereby accorded to the appointment of Mr. H. Meier as Vice Chairman & Managing Director of the Company for a period of three years with effect from April 1, 2006 upon the terms and conditions including remuneration, benefits and perquisites payable or extended to him as set out in the agreement between the Company and Mr. Meier, copy whereof initialed by the Chairman for the purpose of identification has been placed before this meeting, which agreement is hereby specifically approved.

RESOLVED FURTHER THAT in the event of absence or inadequacy of net profit in financial year, the

remuneration payable to the Vice Chairman & Managing Director shall be governed by Section II of Part II of Schedule XIII of the Companies Act, 1956, or any statutory modification thereof.

RESOLVED FURTHER THAT in accordance with Articles 127 of the Articles of Association of the Company, Mr. Meier shall not be subject to retirement by rotation during his tenure as Vice Chairman & Managing Director.

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

RESOLVED FURTHER THAT in the event of any statutory amendment, modification or relaxation by the Central Government to Schedule XIII to the Companies Act, 1956, the board of Directors of the company (herein after referred to as ‘the Board’ which term shall be deemed to include any Committee which the Board may constitute to exercise its powers, including powers conferred by this resolution) be and is hereby authorised to vary and/or increase the remuneration including salary, commission, perquisites, allowances, etc., within such prescribed limit(s) or ceiling and the agreement between the Company and the Vice Chairman & Managing Director be suitably amended to give effect to such modification, relaxation or variation without any further reference to the members of the Company in General Meeting.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, any Director and the Company Secretary of the Company be and are hereby authorised to execute under the Common Seal of the Company the necessary agreement with Mr. Meier.”

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

Sunil K. Nayak
Chief Financial Officer
& Company Secretary

Mumbai, 30th May, 2006

Registered Office:
Ravindra Annexe
194, Churchgate Reclamation
Mumbai-400 020.

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 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. 4 to 10 set out above is hereto annexed.
3. Profiles of the Directors being appointed / reappointed as required under clause 49 of the listing agreement are provided in the report on Compliance of Corporate Governance.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, 13th July 2006 to Thursday, 27 July 2006, both days inclusive, for the purpose of payment of dividend, if declared at the Annual General Meeting.
5. 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 12th July 2006 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 12th July 2006. The Company will dispatch the dividend warrants from 28th July 2006 onwards.
6. The amount outstanding in unpaid dividend account in respect of financial year 1998-99 will be transferred to the 'Investor Education and Protection Fund' maintained with the Central Government after the end of 7 years on 29.07.2006. Members who have still not encashed their dividend are requested to encash the same at the earliest.
7. 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 its demat account. The Company or its share transfer agent will not 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. The Company would not entertain 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 the designated branches of the Bank printed on reverse of the Dividend Warrant for an initial period of three months only. Thereafter, the Dividend Warrant on revalidation is payable only at limited centres/branches of the said Bank. 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.

Explanatory Statement under Section 173 of the Companies Act, 1956

Resolution No. 4

At the meeting of the Board of Directors ("the Board") of the Company held on 24th March, 2006, the Board appointed Mr. Bansi S. Mehta as a director of the Company with effect from 25.03.06 to fill the casual vacancy caused by the resignation of H. K. Bilpodiwala. Pursuant to section 262 of the Companies Act, 1956, read with Article 114 of the Articles of Association of the Company, Mr. Mehta holds office only upto the date of the forthcoming Annual General Meeting as Mr. Bilpodiwala in whose place he was appointed would have held office upto the date of forthcoming Annual General Meeting, had he not resigned.

Notice in writing has been received from a member of the Company along with the prescribed deposit under section 257 of the Companies Act, 1956, signifying his intention to propose Mr. Mehta as a candidate for the office of Director.

The Directors recommend the Resolution for Member's approval.

No Director other than Mr. Mehta is concerned/ interested in this resolution.

Resolution No. 5

At the meeting of the Board of Directors ("the Board") of the Company held on 24th March, 2006, the Board appointed Mr. W. Mohr as a director of the Company with effect from 25.03.06 to fill the casual vacancy caused by the resignation of P. R. Rastogi. Pursuant to section 262 of the Companies Act, 1956, read with Article 114 of the Articles of Association of the Company, Mr. Mohr holds office only up to the date of the forthcoming Annual General Meeting as Mr. Rastogi in whose place he was appointed would have held office up to

the date of forthcoming Annual General Meeting, had he not resigned.

Notice in writing has been received from a member of the Company along with the prescribed deposit under section 257 of the Companies Act, 1956, signifying his intention to propose Mr. Mohr as a candidate for the office of Director.

The Directors recommend the Resolution for Member's approval.

No Director other than Mr. Mohr is concerned/interested in this resolution.

Resolution No. 6

At the meeting of the Board of Directors ("the Board") of the Company held on 27th July, 2005, the Board appointed Dr. A. Walde as an additional director of the Company with effect from 01.08.05. Pursuant to section 260 of the Companies Act, 1956, read with Article 113 of the Articles of Association of the Company, Dr. Walde holds office only up to the date of the forthcoming Annual General Meeting.

Notice in writing has been received from a member of the Company along with the prescribed deposit under section 257 of the Companies Act, 1956, signifying his intention to propose Dr. Walde as a candidate for the office of Director.

The Directors recommend the Resolution for Member's approval.

No Director other than Dr. Walde is concerned/ interested in this resolution.

Resolution No. 7

At the meeting of the Board of Directors ("the Board") of the Company held on 24th March, 2006, the Board appointed Mr. K. J. Bharucha as an additional director of the Company with effect from 01.04.06. Pursuant to section 260 of the Companies Act, 1956, read with Article 113 of the Articles of Association of the Company, Mr. Bharucha holds office only up to the date of the forthcoming Annual General Meeting.

Notice in writing has been received from a member of the Company along with the prescribed deposit under section 257 of the Companies Act, 1956, signifying his intention to propose Mr. Bharucha as a candidate for the office of Director.

The Directors recommend the Resolution for Member's approval.

No Director other than Mr. Bharucha is concerned/ interested in this resolution.

Resolution No. 8

At the meeting of the Board of Directors ("the Board") of the Company held on 29th August, 2005, the Board appointed Mr. H. Meier as an additional director of the Company with effect from 29.08.06. Pursuant to section 260 of the Companies Act, 1956, read with Article 113 of the Articles of Association of the Company, Mr. Meier holds office only up to the date of the forthcoming Annual General Meeting.

Notice in writing has been received from a member of the Company along with the prescribed deposit under section 257 of the Companies Act, 1956, signifying his intention to propose Mr. Meier as a candidate for the office of Director.

The Directors recommend the Resolution for Member's approval.

No Director other than Mr. Meier is concerned/interested in this resolution.

Resolution No. 9

Mr. K. J. Bharucha was appointed as Vice Chairman & Managing Director for a period of five years from October 1, 2000. The Board decided to reappoint Mr. Bharucha as the Vice Chairman & Managing Director for a further period of six months from 1st October 2005 on the following terms of remuneration, benefits and perquisites:

A. REMUNERATION

(i) Salary:

Rs. 3,22,700/- (Rupees three lakhs twenty two thousand seven hundred only) per month with authority to the Board of Directors to grant suitable increments from time to time, as it may determine, to the salary payable during the tenure of office subject to a maximum salary of Rs. 4,00,000/- (Rupees four lakhs) per month.

(ii) Commission:

Subject to the overall ceiling laid down under Section 198 and 309 of the Companies Act, 1956, such commission for each financial year shall be as under :

- (a) a fixed commission equivalent to the salary paid or payable for that year.
- (b) a variable commission, as determined by the Board of Directors, of not more than the salary paid or payable for that financial year.

Total commission as payable to Mr. K. J. Bharucha as above shall also be treated as salary for the purposes of contributions to Provident Fund/ Gratuity/Superannuation Schemes of the Company and shall accordingly be reckoned with.

B. PERQUISITES:

(i) Housing:

Suitable residential accommodation, free of cost with all facilities, amenities and services (including gas, electricity, water and furnishings). In case he does not opt for Company provided accommodation at any time, he shall be paid house rent allowance of a sum not exceeding 60% of his salary. The expenditure incurred by the Company on gas, electricity, water and furnishings provided to him shall be evaluated as per the Income-tax Rules, 1962.

(ii) Medical Reimbursement:

Reimbursement of medical expenses incurred by Mr. Bharucha for self and family, in accordance with the rules and regulations of the Company as may be in force from time to time.

(iii) Leave Travel Concession:

Mr. Bharucha shall be entitled to the payment of leave travel concession for himself, his wife, dependent children and dependent parents, once in a year, incurred in accordance with the rules of the Company.

(iv) Club Fees:

Mr. Bharucha shall be entitled to the reimbursement of fees of any two clubs in India, including admission or entrance fees and monthly or annual subscriptions.

(v) Personal Accident Insurance:

The Company shall pay the premium of a sum not exceeding Rs.7,000/- annually to a personal accident insurance policy for Mr. Bharucha.

C. BENEFITS AND FACILITIES:

(i) Leave:

Mr. Bharucha shall be entitled to leave as per the rules of the Company. Encashment of unutilised leave shall not be considered as a perquisite for purposes of ceiling on remuneration prescribed in the Companies Act, 1956.

(ii) Provident Fund, Superannuation and Group Insurance Schemes

Mr. Bharucha shall be eligible for the benefits under the Company's Provident Fund, Superannuation and Group Insurance Schemes in accordance with the Company's practices and rules in force from time to time.

(iii) Gratuity:

Mr. Bharucha shall also be eligible for the benefits under the Company's Retiring Gratuity Scheme in accordance with the Company's practices and rules in force from time to time.

(iv) Car and Telephone:

The Company shall provide a car and driver and telephone at his residence for use on Company's business. Use of car for private purposes and personal long distance telephone calls shall be billed by the Company to Mr. Bharucha.

D. ENTERTAINMENT EXPENSES:

The Company shall reimburse entertainment expenses actually and properly incurred by Mr. Bharucha 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.

E. TERMINATION:

This agreement entered into by the Company with Mr. Bharucha may be terminated by either party by giving the other party two months' notice of such termination.

F. VACATION OF OFFICE:

If at any time during the tenure of his appointment as the Vice-Chairman & Managing Director of the Company, Mr. Bharucha ceases to be in the employment of the Company for any cause whatsoever, he shall also cease to be a Director of the Company and simultaneously this agreement shall stand terminated.

A copy of the aforesaid agreement to be entered into between the Company and Mr. Bharucha as a Vice-Chairman & Managing Director is available for inspection by the members of the Company at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on any working day. The Directors recommend the Resolution for Member's approval.

No Director other than Mr. Bharucha is concerned/interested in this resolution.

Resolution No. 10

Mr. H. Meier was appointed by the Board as additional director, pursuant to section 260 of the Companies Act, 1956 at the Board meeting held on August 29, 2005.

Further, the Board at its meeting held on March 24, 2006 appointed Mr. Meier as the Vice-Chairman & Managing Director of the Company for a period of three years effective from April 1, 2006 without being liable to retire by rotation during his tenure as Vice-Chairman & Managing Director on the following terms of remuneration, benefits and perquisites:

A. REMUNERATION

(i) Salary:

Rs. 7,50,000/- (Rupees Seven lakhs fifty thousand only) per month, which may be increased by the Board of Directors from time to time, subject to a maximum salary of Rs. 9,45,000/- (Rupees Nine lakhs forty five thousand only) per month. Salary will be subject to the deduction of Indian Income tax at the applicable rates, under the Income-tax Act, 1961.

(ii) Commission:

Subject to the overall ceilings laid down under Sections 198 and 309 of the Companies Act, 1956, at a fixed sum of Rs. 21,00,000/- (Rupees twenty one lakhs) to Rs. 30,00,000/- (Rupees thirty lakhs) per annum, as may be decided by the Board from year to year.

B. PERQUISITES, BENEFITS AND FACILITIES**(i) Housing:**

Suitable residential accommodation, free of cost with all facilities, amenities and services (including gas, electricity, water and furnishings). In case he does not opt for Company provided accommodation at any time, he shall be paid house rent allowance of a sum not exceeding 60% of his salary. The expenditure incurred by the Company on gas, electricity, water and furnishings provided to him shall be evaluated as per the Income Tax Rules, 1962.

(ii) Medical Reimbursement:

Reimbursement of medical expenses incurred by Mr. Meier for self and family, in accordance with the rules and regulations of the Company as may be in force from time to time.

(iii) Leave and Leave Travel Concession:

Leave period of six weeks on full pay and allowances, for every twelve months of service subject to the condition that the leave accumulated but not availed of will not be allowed to be encashed. The Company will bear the full cost of leave passage for Mr. Meier and his family once in a year to any destination in India. In case it is proposed that the leave be spent abroad, the Company will bear the full cost of air passage by club class for Mr. Meier and his family once in a year not exceeding the cost of return passage to his home country.

(iv) Club Fees:

Mr. Meier shall be entitled to the reimbursement of fees of any two clubs in India, including admission or entrance fees and monthly or annual subscriptions.

(v) Personal Accident Insurance:

The Company shall pay an annual premium of a sum not exceeding Rs.10,000/- to a personal accident insurance policy for Mr. Meier.

(vi) Reimbursement of Expenses for Returning to Home Country:

Mr. Meier will be entitled to reimbursement of expenses incurred by him for self and family for returning to his home country after completion of his tenure of office including actual expenses incurred on travel and on packing, forwarding, loading/unloading as well as freight, insurance etc. in connection with the moving of his personal effects.

vii) Car, Driver & Telephone:

The Company will provide Mr. Meier with a car and driver and a telephone at his residence for use on Company's business. Use of car for private purposes and personal long distance calls on telephone shall be billed by the Company to Mr. Meier.

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

C. ENTERTAINMENT EXPENSES:

The Company shall reimburse entertainment expenses actually and properly incurred by Mr. Meier 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.

D. TERMINATION:

This agreement may be terminated by either party by giving to the other party six months' notice of such termination.

E. VACATION OF OFFICE:

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

A copy of the aforesaid agreement to be entered into between the Company and Mr. H. Meier as a Vice Chairman & Managing Director is available for inspection by the members of the Company at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on any working day.

The Directors recommend the Resolution for Member's approval.

No Director other than Mr. Meier is concerned/interested in this resolution.

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

Sunil K. Nayak
Chief Financial Officer
& Company Secretary

Mumbai, 30th May, 2006

Registered Office:
Ravindra Annexe
194, Churchgate Reclamation
Mumbai - 400 020

Directors' Report to the Members

The Directors have pleasure in submitting the Forty-ninth Annual Report together with the Audited Financial Statements for the year ended March 31, 2006.

FINANCIAL RESULTS

	Rs. in lakhs	
	2005-2006	2004-2005
Turnover (net)	85106	37299
Other Income	2813	2195
	<u>87919</u>	<u>39494</u>
Profit before Prior Period Items, interest, depreciation and tax	8935	4802
Interest	(4)	(77)
Depreciation	(2447)	(1147)
	<u>6484</u>	<u>3578</u>
Profit before Prior Period Items and Taxation	6484	3578
Provision for Taxation		
— Current Tax	(2238)	(759)
— Deferred Tax	(38)	(564)
— Fringe Benefit Tax	(228)	—
— Excess/(Short) Provision for taxation in respect of earlier years	59	(46)
	<u>4039</u>	<u>2209</u>
Profit before Prior Period Items and After Tax	4039	2209
Prior Period Items	—	(650)
	<u>4039</u>	<u>1559</u>
Net profit after Prior Period Items and Taxation	4039	1559
Balance brought forward from Previous year	2863	3101
Transfer in terms of Amalgamation	1308	—
Amount available for appropriation	<u>8210</u>	<u>4660</u>
Appropriation:		
General Reserve	1000	1000
Proposed dividend	2933	699
Tax on Proposed dividend	411	98
Profit & Loss Account balance carry forward	<u>3866</u>	<u>2863</u>
	<u>8210</u>	<u>4660</u>

Figures for the current year include the impact of amalgamation and therefore are not strictly comparable with the previous year.

ACQUISITION OF FURTHER SHARES BY EBITO

During the year EBITO Chemiebeteteiligungen AG, promoter of the company acquired 20% of the Equity Share Capital under an open offer, made as per the provisions of the SEBI's Substantial Acquisition of Shares & Takeover Regulation, 1997. As a consequence, the promoter holding in the company increased to 70.10% from 50.10%.

ACQUISITION OF CHEMTREAT

During the current financial year, the company acquired 100% of the equity of Chemtreat Composites India Private Limited at a cost of Rs. 900 lakhs. The company is engaged in the business of Polysilazane Resins and has a manufacturing facility at Khopoli, in Maharashtra. Chemtreat Composites India Private Limited is a subsidiary of the company w.e.f. February 13, 2006.

MERGER OF THE CLARIANT GROUP OF COMPANIES IN INDIA

The Clariant group to which the company belongs was operating through five legal entities in India. The group had undertaken an exercise to evaluate the rationale for consolidation of activities in order to simplify processes and add significant value to the business. Accordingly, the company had sought the approval of the members and the High Courts of Bombay and Madras, pursuant to which Clariant (India) Limited (CIL), Vanavil Dyes and Chemicals Limited (VDCL), BTP India Private Limited (BTP) and Kundalika Investments Limited (KIL) merged with your company from April 1, 2005, being the appointed date.

CHANGE OF NAME

As per the scheme of amalgamation approved by the members and the High Court of Bombay, the name of your company has been changed from Colour-Chem Limited to Clariant Chemicals (India) Limited, so as to more accurately reflect its affiliation with the Clariant group and brand. The company's products are also sold under the name 'Clariant' which has been registered as a Trade Mark world wide.

SHARE CAPITAL

As indicated above, the merger of the Clariant group companies in India with your company was approved by the High courts of Bombay and Madras and the process is now complete. The Board of the Company had fixed April 21, 2006 as the record date for issuing shares of your company to the shareholders of transferor companies. Accordingly, in the case of Clariant (India) Limited, shareholders have been allotted one fully paid equity share of Rs. 10/- each for every one equity share of Rs. 10/- each held by them; in the case of Vanavil Dyes and Chemicals Limited and BTP India Private Limited, the shareholders have been allotted one fully paid equity share of Rs. 10/- each for every five equity share of

Rs. 10/- each held by them. The 56.84% shares held by the company in Vanavil Dyes and Chemicals Limited and its 100% holding in Kundalika Investments Limited have been cancelled.

DIVIDEND

The Board of Directors is pleased to recommend for the approval of shareholders, a dividend of Rs. 11/- per equity share of the face value of Rs. 10/- each for the financial year ended March 31, 2006 (previous year Rs. 6/- per share). The dividend will be payable to all members including those members who have been issued shares as per the Scheme of Amalgamation.

This would involve a cash outflow of Rs. 3344 lakhs including tax on dividend of Rs. 411 lakhs against the previous year outflow of Rs. 797 lakhs including tax on dividend of Rs. 98 lakhs. The dividend, if approved, will be paid to the shareholders whose names appear on the Register of Members, determined with reference to the book closure from July 13, 2006 to July 27, 2006.

MANAGEMENT DISCUSSION AND ANALYSIS:

Financial and operational performance

The performance and the key ratios of the company for the year is provided in the following table:

	2005-2006 (Rs. in lakhs)
Net Sales	85106
Other Income	2813
Total	87919
Total Expenditure (excluding interest)	81431
Profit before interest and tax	6488

Operating margin (%)	10.5
PAT (%)	4.7
ROCE (%)	20.9
Inventory turnover (no. of times)	6.8
Current ratio	1.7: 1
Debt/Equity ratio	0.02

Domestic sales constitutes 75% of the overall turnover. Operating profit (PBIDT) as a percentage of sales is 10.5% and net profit after tax as a percentage of sales is 4.7%. Earnings per share as at year end on the increased share capital after amalgamation is Rs. 15.15.

Segment-wise Performance:

The specialty chemicals industry comprises a wide range of products including pigments, additives, fine chemicals, adhesives, textile dyes and chemicals, leather dyes and chemicals, paper chemicals, rubber chemicals, masterbatches, etc.

(a) Intermediates and Colours

The company deals in pigment dyestuffs and their dispersions, intermediates for dyes, pesticides, and pharmaceuticals. The company is a leader in organic pigments and serves the needs of paints, printing inks, plastics, rubber, detergents, cosmetics and other industries. The company is a pre-eminent player in the diketene based intermediates business in India and has the capacity to manufacture large volumes of this important building block in a wide range of derivative forms.

The total sales under this segment for the year is Rs. 35106 lakhs and contributes 41% of the total sales of the Company. The export sales have contributed 51% of the overall sales. Pigments dyestuffs and intermediates for dyes constitute 91% of the total sales under this segment.

(b) Dyes and Specialty Chemicals

Clothing, colour, fashion, durability and comfort, all these are everyday terms. Clariant specialty chemicals make a decisive contribution to enhance the performance, look and feel of the final products of its customers and also add protection and strength to such products.

Your company offers a varied range of specialty chemicals products to textiles, leather, paper, detergents and cleaning and personal care products.

The total sales under this segment for the year are Rs. 48315 lakhs contributing 57% in the total sales of the company. Domestic sales contributed 90% of the total sales of this segment during the current financial year.

(c) Masterbatches

Masterbatches segment of the company deals in colour and additive concentrates and special mixtures of these compounds for use by automotive, textile and technical fibers, electronic and electrical devices, home appliances, toys, medical devices, sporting goods and packaging.

The segment has recorded sales of Rs. 1685 lakhs and contributed 2% in the overall sales of the total company.

In the small sized domestic market of masterbatches, white and black masterbatches are consumed in large quantities as compared to newly developed fashion colors sold in global markets. The company is improving its strength in color matching to cater to the requirements of its customers and deliver custom made colors by offering premium grade masterbatches for quality conscious customers. The company's focus and strength in the development of fiber masterbatches has shown encouraging results and customer spread in this segment is increasing.

Industry Structure and Development

While the global chemical industry is valued at about US \$1.7 trillion, the Indian chemical industry is around US \$32 billion, which represents 2% of the global chemical industry. Today, in terms of volume, it is the twelfth largest in the world and third largest in Asia. At present, the chemical industry accounts for 14% of the total output of the Indian manufacturing sector. It contributes about 3% of India's GDP and 10% of total exports.

One of the oldest domestic industries in India, the chemical industry currently produces nearly 70,000 commercial products and has played a major role in the development of drugs and pharmaceuticals, dyes and dye intermediates, inorganic and organic chemicals, cosmetics and toiletries, etc. Over the last decade, it has evolved from being a producer of basic chemicals to becoming an innovative industry which has registered considerable growth in knowledge chemicals comprising specialty chemicals, pharma and fine chemicals.

The dyestuff industry is made up of around 900 small scale units and 50 large organized units, which produce around 80,000 tons of dyestuffs every year. Maharashtra and Gujarat account for 90% of dyestuffs production in the country. The main products in which the small scale sector specialises are reactive dyes, acid dyes and direct dyes, while large companies concentrate on disperse dyes and pigment dyes.

The major users of dyes in India are textile, leather and paper industries. Pigments are used mostly by the paint, printing ink, plastics, polymer and other industries. The world market size of dyes, pigments and intermediates is estimated at approximately US\$23 billion. The major markets for Indian dyestuffs are the United States, China, South Korea and Europe. The United States accounts for 20% of India's exports.

Opportunities and Threats

The Indian chemical industry is going through a restructuring phase in the changing competitive scenario. It has aggressively invested in Research and Development and evolved from being a basic chemicals producer to become an innovative industry. The growth in the specialty chemicals segment is driven by the development of new products and applications. Indian companies are deploying resources in developing efficient and cost-effective processes for discovering new molecules and improved formulations.

With high quality products and lower production costs, Indian companies provide good opportunities for outsourcing. Availability of a large pool of efficient technical manpower with excellent management skills shows that the Indian chemical industry can be the most favorable destination for contract research, contract manufacturing and technical support in the near future.

With the end of the multi-fiber agreement, a number of players in the domestic textile industry have embarked on vigorous expansion plans. Some overseas players are also setting up base in India. The profile of retailing is fast changing in the metropolitan areas and the Tier II and Tier III cities. Many global retail houses like Marks & Spencer, JC Penney and GAP are now looking at India as a sourcing centre.

The Indian leather industry is mainly an export oriented industry. The sector is focusing on increasing the number of joint ventures in India. The Ministry of Commerce has set up a Market Access initiative scheme with a primary goal to promote Foreign Direct Investments/Joint Ventures, thus giving an impetus to leather products exports from India.

The Indian paper industry is aiming for a growth rate of about 7%. Riding on the strong demand forecasts, leading paper producers are setting up large additional capacity.

In view of the significant opportunities which lie ahead, new investment in the latest technology needs to be made by the industry and implementation of projects need to be accelerated.

Outlook

India is fast-emerging as the sourcing hub for specialty chemicals for industries such as textile, rubber, paper and paints. As per a McKinsey report, India's specialty chemicals exports, which were around \$ 2 bn in 2002-2003, are expected to reach the \$ 12-15 bn mark by 2015.

While the global chemical Industry is focused on consolidation, cost reduction, research and development and environmental compliances, the key concerns of the Indian chemical industry remain the availability of infrastructure, specifically power supply, reforms in labour

laws, input costs, Free Trade Agreement and uneconomic plant capacities. The Indian chemical industry needs to invest in new capacities, debottleneck and expand existing capacities and globalize its activities.

On the domestic front, with the reduction in tariffs, Indian companies with strong systems and organised operations will benefit from the liberal environment. Companies with competitive advantages, such as competence in high value-added chemicals which conform with international standards, will be able to exploit the growth opportunities and establish a dominant presence in both international and domestic markets.

The Indian pharmaceuticals industry accounts for nearly 8.5% of the world's drug requirements in terms of volume, and the country ranks amongst the top 15 drug manufacturing countries in the world. Since, India is a signatory to the GATT accord, (and the TRIPs agreement therein) patent protection will be provided under the treaty obligations. It is therefore expected that the country will emerge as one of the largest and cheapest producers of pharmaceuticals in the world.

With the liberalization of policies in retailing, the higher consumption pattern among customers and huge infrastructure development in the pipeline, the outlook for the specialty chemical industry for the coming year continues to be encouraging.

Risks and Concerns

The risk framework involves identifying risks across each of the business processes of the company. Like any business organisation, the company activities are exposed to a variety of risks.

(a) Product and environmental risks

Risk arising from product liability is protected through insurance policies or limited through contractual agreements wherever possible.

Risk associated with protection of environment, safety of operations and health of people at work is monitored regularly with reference to statutory regulations prescribed by the government authorities and guidelines defined by Clariant. The company does not merely fulfill the legal requirements concerning emission, waste water and waste disposal, but actually works to even stricter self imposed standards.

(b) Financial risks

Financial risk management is carried out by the treasury department under policies approved by the Board of Directors. Written policies for overall foreign exchange risk and investing excess liquidity are in place.

(c) Market Risks

FOREX Risk: The company is exposed to forex risks arising from various currency exposures, primarily with respect to USD, GBP, Euro and Swiss Franc. The company covers the risk partly through hedging by means of forward transactions and has an appropriate policy in place.

Interest risk: Interest risk mainly arises from financial debt. The policy is to borrow in fixed rate instruments provided the risk of rising interest rate is seen to be material. Downside interest views allow for a lower fixed rate portion of interest bearing financial debt.

Liquidity risk: Sufficient and not excessive cash and marketable securities are kept and investment is made mainly in debt oriented mutual funds.

Credit risk: A credit risk policy is in place to ensure that sale of products is made to customers after an appropriate credit limit allocation process.

(d) Litigation Risks

The outcome of litigation in matters of tax law or in any other statutory obligation cannot always be predicted and therefore poses a risk. In this context, too, insurance policies, liquidity reserves and credit lines limit the risk for the Company.

(e) IT Risks

Computer risk is associated with failure of system network resulting in disruption of operations and consequential loss of business. The company's business critical software is operated on a server with regular maintenance and back-up of data. The global communication network is managed centrally and is equipped to deal with failures and breakdowns. Updated tools are regularly loaded to ensure a virus free environment.

Cautionary Statement

Statements in this Report particularly those which relate to "Management Discussion and Analysis" may constitute forward looking statements within the meaning of applicable laws and regulations. Actual results may differ materially from those expressed or implied in the statement since the company's operations are influenced by many external and internal factors beyond the control of the company.

Readers are cautioned that the risks outlined here are not exhaustive. Readers are requested to exercise their own judgment in assessing the risks associated with the company.

Internal Control Systems and their adequacy

Your company has a strong internal audit and control system. The company has established well defined written policies and processes across the organisation pertaining to all major activities including authority for approvals. In all cases where monetary decision is involved various limits and authority are in place. Structured Management Information System together with exhaustive budgetary control system covering all major operations form part of overall control mechanism to ensure that requisite information related to operation is being reported and is available for control and review.

M/s. Mahajan & Aibara, Chartered Accountants is the internal auditor for the company and compliance is ensured by direct reporting to the Audit Committee of the Board. The internal auditors independently evaluate the adequacy of the internal control system. Based on the audit observations and suggestions, follow up and remedial measures are being taken including the increased area of coverage, if necessary.

Human Resources

The company continued its efforts to further align its Human Resources policies, processes and initiatives to meet its business needs. It considers human resources as key to the future growth strategy of the company. The company is in the process of adopting '*Talent Management and Review*' in line with Clariant group policies, so as to build the next generation of managers. A Leadership Development Programme for high potential managers is in existence for over two years and provides a platform for case studies under the guidance of in-house and external experts. During the year, the integration of personnel of the erstwhile Clariant group companies was completed effectively. Employee relations continue to remain very cordial. Long service awards were granted and long term wage settlement was completed during the year. The company had 791 employees on its rolls as on March 31, 2006 which after the amalgamation of the Clariant group companies in India has increased to 1490.

FIXED DEPOSITS

The company has neither renewed nor accepted fixed deposits during the year. Deposits amounting to Rs. 1.53 lakhs relating to 20 matured deposits were unclaimed by the deposit holders as on March 31, 2006 and the same remained unclaimed and unpaid as on date, in spite of the company's efforts to locate the depositors. During the year, out of the unclaimed amounts, a sum of Rs. 0.99 lakh together with interest accrued was transferred to the Investor Education and Protection Fund set up by the Government of India.

ENVIRONMENT, SAFETY AND HEALTH

The company strives for continuous improvement of its environmental, safety and health performance by developing new and better products, processes and services with efficient use of energy and resources, minimization of waste generation and safe and responsible disposal of residual wastes.

The certification of ISO 14001 recognises the focus of the company for the safety of the environment and health of the people at work and society at large.

The ESH guidelines framed by Clariant form the integral part of the Company's overall systems. The ESH policy of Clariant is based on the "Business Charter for Sustainable Development" of the International Chamber of Commerce and the "Responsible Care" initiative of the chemical industry.

The ESH team at site conducts indoor and outdoor training and mock drills on emergency and fire fighting, safety, industrial health and hygiene at regular intervals for employees. The company has at its disposal well defined systems and controls to ensure that the risks are monitored efficiently. Intensified audits of ESH systems by the Clariant global management is also being carried out at regular intervals and they have observed that the safety guidelines are well implemented across the organisation.

DYSTAR INDIA LIMITED

The Toll Manufacturing Agreement with Dystar India Limited which commenced on September 1, 1997 has been terminated effective April 1, 2006.

PARTICULARS OF EMPLOYEES

In accordance with the provisions of section 217(2A) of the Companies Act, 1956 and the rules framed there under, the names and other particulars of employees are set out in the annexure to the Directors' Report. In terms of the provisions of section 219(1) (b) (iv) of the Companies Act, 1956, the Directors' Report is being sent to all shareholders of the company excluding the annexure. Any shareholder, interested in obtaining a copy of the said annexure may write to the Company Secretary at the registered office of the company.

CONSOLIDATED FINANCIAL STATEMENT

The Report and Accounts of the subsidiary company is annexed to this Report along with the statement pursuant to Section 212 of the Companies Act, 1956. However, in terms of the provisions of section 219(1) (b) (iv) of the Companies Act, 1956, the consolidated financial statement is being sent to all shareholders of the company. Members who wish to receive the full Report and Accounts including the Report and Accounts of the subsidiary may submit a written request.

CORPORATE GOVERNANCE

The disclosures as required under the Corporate Governance have been furnished as a part of this report. The company has taken the requisite steps to comply with the recommendations concerning Corporate Governance. A report on Corporate Governance together with a certificate of compliance from the Auditors, forms part of this report.

DIRECTORS

Mr. R. A. Shah has been appointed as Chairman of the company in place of Mr. P. Lindner effective March 25, 2006.

Dr. A. Walde and Mr. H. Meier, were appointed as additional directors by the Board at its meetings held on July 27, 2005 and August 29, 2005 respectively. Subsequently, Mr. Meier has been appointed the Vice Chairman and Managing Director effective from April 1, 2006 for a three year period.

Mr. K. R. V. Subrahmanian, Mr. H. K. Bilpodiwala and Mr. P. R. Rastogi resigned as Directors of the company with effect from the close of business hours on March 24, 2006. The directors place on record their sincere appreciation for the contribution made by them during their tenure.

Mr. B. S. Mehta, Diwan A. Nanda and Mr. W. Mohr were appointed as Directors of the company to fill up the casual vacancies caused by the resignation of Mr. K. R. V. Subrahmanian, Mr. H. K. Bilpodiwala and Mr. P. R. Rastogi.

Details of the directors seeking re-appointment as required under Clause 49 of the Listing Agreements entered into with the Stock Exchanges are provided in the Corporate Governance Report forming part of this Report.

DIRECTORS' RESPONSIBILITY

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

- a. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departure;
- b. appropriate accounting policies have been selected and applied consistently, and have 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 March 31, 2006 and of the profit of the company for the year ended March 31, 2006;

- c. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. the annual accounts for the year ended March 31, 2006 have been prepared on a 'going concern' basis.

AUDITORS

The auditors M/s. A.F. Ferguson & Co., Chartered Accountants retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. As required under the provisions of Section 224(1B) of the Companies Act, 1956. The Company has obtained confirmation from the auditors proposed to be appointed that their appointment, if made, would be in conformity with the limits specified in the said Section.

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

Statements giving the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, as required under the Companies (Disclosure of Particulars in the Board of Directors' Report) Rules, 1988 are annexed hereto and form part of the report.

ACKNOWLEDGEMENT

The Board of Directors wishes to express its gratitude and record its sincere appreciation for the dedicated efforts put in by all employees, their commitment and professionalism despite the challenging environment.

Your company continued to receive co-operation and unstinted support from the customers, distributors, suppliers and others business associates whom the company regards as partners in progress.

Your Directors take this opportunity to express their grateful appreciation for the excellent assistance and co-operation received from Government bodies, bankers and ongoing support received from Clariant group companies. The directors are thankful to the esteemed shareholders for their support and the confidence reposed in the company.

For and on behalf of Board of Directors

H. Meier
Vice-Chairman &
Managing Director

B. S. Mehta
Director

Mumbai, 30th May, 2006

Annexure to the Directors' Report for the year ended March 31, 2006

FORM-A

Particulars with respect to conservation of energy

A. POWER, FUEL AND WATER CONSUMPTION:

	2005-2006	2004-2005
1. Electricity:		
(a) Purchased:		
Units (in '000 Kwh)	47,986	34,085
Total amount (Rs. in lakhs)	1,801	1,187
Rate per Unit (Rs.)	3.75	3.48
(b) Own Generation:		
(i) Through Diesel Generator		
Unit (in '000 Kwh)	643	74
Units/litre of diesel oil	3.24	2.45
Per unit cost of diesel (Rs.)	9.22	11.52
(ii) Through Steam Turbine/Generator	NII	Nil
2. Coal	NII	Nil
3. Furnace Oil and LSHS		
Quantity (MT)	5,224	5,824
Total Amount (Rs. lakhs)	802	646
Average rate (Rs. / Kg.)	15.35	11.09
4. Others	NII	Nil

B. CONSUMPTION PER UNIT OF PRODUCTION:

The Company manufactures a wide variety of products. These products pass through various processes/operations before reaching the finishing stage. It is therefore, not feasible to work out consumption per unit of production.

Some significant Energy conservation measures implemented in the recent past are:

- Hiring of energy efficient air compressors with guaranteed rated outputs.
- Use of agro waste fuel for steam production whereby major consumption pertaining to furnace oil was saved.
- Variable Frequency Drives (VFD) installed on motors, to save electrical energy.
- Installation of energy efficient dryers for products.
- De-rating of furnace oil fired boiler in order to obtain the required quantities of steam at reduced rate.

Planned additional investments and proposals for Energy conservation are:

- Co-Gen plant to produce steam, power and chilled water is under active consideration. This will reduce the energy cost.
- Re-cycle of water in watering vacuum pumps at Roha.

Impact of above measures

The implementation of above measures has helped the company in containing energy consumption.

FORM B

Particulars with respect to Technology Absorption

Research & Development (R&D):

- Specific areas in which R&D carried out by Company :
The R&D department continued to direct its efforts towards the development of technology for fine chemicals for active ingredients in agro and pharma products, pigments, pigment preparations, surfactants and auxiliaries meant for the local and export markets. The Company is also carrying out contract basis research for the Clariant Group.
The Company's in-house Research and Development facility is recognised by the Department of Science & Technology, Government of India.
- Benefits derived from R&D:
The R & D set-up of the company has resulted in providing cost effective product, processes & solutions and higher value addition, energy savings and reduction of chemical waste to help the customers strengthen their competitiveness and improve performance in their respective industry segment.
- Future plan of action:
R&D activities will be further strengthened. New "state of the art" equipment for the analytics and application has been procured.
- Expenditure on R&D

	2005-2006	2004-2005
(a) Capital	37.16	73.32
(b) Revenue	563.87	392.91
(c) Total	601.03	466.23
(d) Total % of Net Sales	0.65%	1.13%

Technology absorption, adaptation and innovation:

- Efforts in brief, made towards technology absorption, adaptation and innovation:
Company is fully supported by its parent Company in making available latest technology and know-how which serves as a base for absorption and adaptation of technology to local conditions and adjustment of environment such as availability of raw materials, change in consumer requirements and ecological, hygiene and safety regulations etc.
- Benefits derived as a result of the above efforts :
Improvement in quality, stability and performance of the product, formulations and also development of new products & processes with greater cost-effectiveness, rationalisation & streamlining of operations and energy conservation are derived from company's efforts in technology absorption and adaptation.
- Technology imported during the last five years:

(a) Technology imported	: NIL
(b) Year of import	: NIL
(c) Has technology fully absorbed	: NIL

Foreign Exchange Earnings and Outgo

	Rs. lakhs
1. Total foreign exchange earned	: 24157.83
2. Total foreign exchange used	: 17179.25

For and on behalf of Board of Directors

H. Meier Vice-Chairman & Managing Director
B. S. Mehta Director

Mumbai, 30th May, 2006

Corporate Governance

PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Corporate Governance is about ethical conduct in business. It is beyond the realm of law. It stems from the culture and mindset of the management and cannot be regulated by legislation alone. It provides the structure to pursue objectives that are in the best interest of the Company.

Corporate Governance is therefore not merely about enacting legislation or strict set of rules and procedures but about establishing a climate of trust and confidence among various constituents of all stakeholders. Corporate Governance is about promoting corporate fairness, transparency and accountability. It is the set of processes, customs, policies and laws affecting the way a corporation is directed or administrated and is the key mechanism through which this trust is maintained across all stakeholders.

CORPORATE GOVERNANCE AT CLARIANT CHEMICALS (INDIA) LIMITED

Value-driven and transparent management is the foundation for a successful business. At Clariant this is reflected in a responsible and efficiently structured organisation, in its management, and in control processes.

Clariant has established an efficient and transparent division of tasks and responsibilities, effective control instruments and an open information policy as a proof of its commitment, fairness and responsibility as a business partner.

The Company promotes *Values* by (i) concentrating on *customer focus*; (ii) upholding high standards of performance that encourages *personal development*; (iii) relying on the strength of *teamwork* to achieve synergies and realise full potential; (iv) *innovation* and research based energy saving & environmentally compatible products and processes; (v) inducing an environment with a strong sense of honesty, fairness, self-discipline & *integrity* which are encouraged & rewarded; (vi) strive for enduring value creation for the benefit of *stakeholders* and; (vii) contribute towards *sustainable* development by finding the best balance between ecology, social and economic needs.

At Clariant it is a kind of self-disciplinary code designed to secure the ultimate goal of making the Company a value driven organisation.

1. Group Structure:

Clariant is a global leader in the field of specialty chemicals. Clariant Chemicals (India) Limited is an affiliate of Switzerland based Clariant group, which is represented on five continents with over 100 group companies, employs about 23,000 people. Headquartered in Muttenz near Basel, it generated sales of around CHF 8.2 billion, equivalent to approx. Rs. 29,520 crores (1 CHF = 36 Rs.) in 2005. Clariant Chemicals (India) Limited operates in three

segments intermediate & colours, dyes & specialty Chemicals and Masterbatches.

2. Board of Directors:

In accordance with the law, the Board of Directors is the supreme management body of the Company. The Board acts as the nerve centre of the organisation, in addition to reviewing and approving specific corporate actions as required by law (e.g., declaration of dividends and approval of accounts) is actively involves in reviewing and guiding corporate strategy & major plans of action, monitor implementation of plans & corporate performance, ensuring the integrity of the company's accounting & financial reporting systems and over viewing compliance with all legislation applicable to the business.

2.1. Composition:

As provided in Article 109 of the Articles of Association of the Company the number of members on the Board should not exceed twelve.

As on March 31, 2006, the Board consists of eight (8) members including three (3) independent directors. The Chairman of the Board is Non-executive director. The Board comprises of eminent professionals drawn from diverse fields. None of the directors is related to each other. During the financial year 2005-06 all the members of the Board are non-executive directors except Mr. K. J. Bharucha.

The Board members are expected to attend and participate in the Board meetings and Committee meetings in which they are members.

Name of Director	Category
Mr. R. A. Shah*	Non-Executive (Chairman from 25.03.2006)
Mr. H. Meier	Executive (Vice-Chairman & Managing Director from 01.04.2006)
Mr. B. S. Mehta*	Non-Executive (from 25.03.2006)
Diwan A. Nanda*	Non-Executive (from 25.03.2006)
Mr. P. Lindner	Non-Executive (Chairman upto 24.03.2006)
Dr. A. Walde	Non-Executive (from 01.08.2005)
Mr. W. Mohr	Non-Executive (from 25.03.2006)
Mr. K. J. Bharucha	Non-Executive (Vice-Chairman & Managing Director upto 31.03.2006)
Mr. K. R. V. Subrahmanian*	Non-Executive (upto 24.03.2006)
Mr. H. K. Bilpodiwala*	Non-Executive (upto 24.03.2006)
Mr. P. R. Rastogi	Non-Executive (upto 24.03.2006)

* Independent directors

Mr. B. S. Mehta, Diwan A. Nanda and Mr. W. Mohr were appointed in the casual vacancies caused by resignation of Mr. H. K. Bilpodiwala,

Mr. K. R. V. Subrahmanian and Mr. P. R. Rastgoi respectively during the year. Mr. P. Lindner, Dr. A. Walde, Mr. Mohr and Mr. H. Meier as members on the Board of Directors represent the interest of parent Company.

2.2. Election and terms of office:

As on 31st March 2006 all the directors except Mr. K. J. Bharucha are subject to retire by rotation. Mr. H. Meier has been appointed as Vice Chairman & Managing Director on contractual basis for a period of three years commencing from 1st April, 2006.

The following table gives the date of appointment/re-appointment of members of the Board of Directors:

Name of Directors	Date of last appointment/re-appointment
Mr. P. Lindner	24.07.2003
Mr. R.A. Shah	29.07.2004
Dr. A. Walde*	01.08.2005
Mr. H. Meier*	29.08.2005
Mr. B.S. Mehta*	24.03.2006
Diwan A. Nanda	24.03.2006
Mr. W. Mohr*	24.03.2006
Mr. K.J. Bharucha*	01.04.2006

* To be confirmed at ensuing AGM

2.3 Profile of Members of the Board of Directors being appointed/reappointed:

Mr. W. Mohr, citizen of Germany, has done Masters in Business Administration from Germany. Presently he is Head of Finance for Special Region. Mr. Mohr has held various positions with Hoechst AG from 1986 to 1997. Subsequently after Hoechst AG becoming part of Clariant he was in charge of Corporate Control & Accounting up to 1999 and was head of Divisional Controlling TLP till 2004.

Mr. H. Meier, is citizen of Switzerland and has been associated with Clariant group for more than 34 years. Mr. Meier has rich and varied experience in the various positions held in the Clariant group of companies such as Head of Auditing, Information Technology, and Human Resources. Before coming to India he was Head of Finance Region, Europe and Chief Financial Officer of Clariant Corp, USA. He is also a director on Chemtreat Composites India (P) Ltd.

Dr. A. Walde is a citizen of Switzerland and is associated with Clariant group and has held various positions within the group. Presently he is Clariant group counsel for more than 20 years.

Mr. B. S. Mehta is a senior partner of practicing Chartered Accountant firm M/s Bansi S. Mehta & Co.. He is director on the Board of Atul Ltd; Bharat Bijlee Ltd; Century Enka Ltd; Ceat Ltd; Gillette India Ltd; HDFC Ltd; ILFS Investment Managers Limited; JB Chemcials & Pharmaceutials Ltd; Pidilite

Industries Ltd; Procter and Gamble Hygiene and Health Care Limited; Sasken Communication Technologies Ltd; SBI Cap Markets Ltd; Sudarshan Chemical Industries Ltd and Vinyl Chemicals (India) Ltd.

Mr. Mehta is Chairman of Audit Committee in ILFS Investment Managers Limited; JB Chemcials & Pharmaceuticals Ltd; Pidilite Industries Ltd; Sasken Communication Technologies Ltd and Sudarshan Chemicals Limited. He is also a member of Audit committee in Gillette India Ltd; HDFC Ltd; Atul Ltd; Century Enka Ltd; Procter & Gamble Hygiene and Health Care Ltd.

Mr. K. J. Bharucha, is a member of Institute of Chartered Accountants of India as well as fellow member of the Institute of Chartered Accountants of England & Wales.

He started his professional career with Deloitte, Plender, Griffiths & Co. at London and later joined Colour-Chem Limited. Mr. Bharucha till recently was the Vice Chairman & Managing Director of the Company & Chairman of Vanavil Dyes and Chemicals Limited. He is also director on the Board of Bombay Oxygen Corporation Ltd. He has a vast and varied experience of 33 years and has held offices in various capacities in the Company. He is also representing Indo German Chamber of commerce as a committee member.

Diwan Arun Nanda, is gold medalist from the Indian Institute of Management, Ahmedabad. He has over 40 years of vast experience in marketing & advertising. He started his career in Marketing in Hindustan Lever Limited. Founded Rediffusion an advertising agency in 1973. Diwan Nanda has held various positions in academic and advertising. He is the recipient of AAAI Premnarayan award for outstanding contribution to advertising in India in 2002. He is also on the board of Rediff.com India Ltd. and Eveready Industries (India) Ltd.

2.4 Board Meetings:

In compliance of the provisions of clause 49 of the listing agreement, the Board meets at least once every quarter to review the performance and to deliberate and consider other items on the agenda. During the year under review, eight (8) meetings were held on April 7, 2005; May 26, 2005; July 27, 2005; August 29, 2005; September 16, 2005; October 20, 2006; January 24, 2006; and March 24, 2006.

The meetings of the Board of Directors are scheduled well in advance and are held at Mumbai where the registered office of the Company is situated. The Chief Financial Officer & Company Secretary in consultation with the Vice Chairman

and Managing Director prepares a detailed agenda for the meeting. The board papers comprising the agenda along with the draft of relevant resolutions, documents and explanatory notes, wherever required are sent at least a week in advance to all the Directors. The members of the Board are free to recommend inclusion of any matter in the agenda for discussion. This enable the Board to discharge its responsibilities effectively and take informed decisions. The draft minutes of the meeting confirmed by the Chairman is circulated to all the members generally within two weeks after the conclusion of the meeting. The information generally provided to the Board for its consideration and approvals include:

- Minutes of the meetings of Board, Audit and Investor's grievance committees including that of subsidiary companies;
- Commission payable to directors;
- Quarterly, half yearly and annual financial results of the Company and its business segments;
- Cost Auditor report/Secretarial audit report;
- Annual budget and performance targets;
- Opportunities for merger & acquisition;
- Appointment of statutory, cost auditor & internal auditor;
- Appointment of key management positions;
- Issues relating to workmen and executives such as settlements, increments, special loans/ advances;
- Issues relating to shareholders — such as ratification of transfers, demat status, pending grievances, issue of duplicate shares etc;
- Materially important show cause, demand, prosecution and penalty notices;
- Review of Foreign exchange exposure and exchange rate movement, if material;
- Contracts in which Director(s) are deemed to be interested;
- Defaults in payment of statutory dues, if any;
- Matters requiring statutory/board approvals;
- Status on compliance of any regulatory or statutory nature or listing requirement;
- Issue/revocation of Power of Attorney;
- General disclosure of interest.

The requirement that a director shall not be a member of more than 10 committees and chairman of more than 5 committees has been complied with while constituting the committee of Directors.

The following table gives the attendance of the Directors at the Board meetings of the

Company and also the other Directorship and Chairmanship/membership in Board committees.

Directors	Meetings attended	No. of Directorships In other Boards (as on 31-03-06)*	No. of Chairmanship/ Membership of Board Committees (as on 31.03.06)*
Mr. R. A. Shah*	6	13	5/9
Mr. H. Meier (from 29.08.05)	4	None	0/1
Mr. B. S. Mehta* (from 25.03.2006)	Nil	14	5/10
Diwan A. Nanda* (from 25.03.2006)	Nil	2	1/2
Mr. P. Lindner	4	None	None
Dr. A. Walde (from 01.08.2005)	2	None	None
Mr. W. Mohr (from 25.03.2006)	Nil	None	None
Mr. K.J. Bharucha	8	1	0/1
Mr. K. R. V. Subrahmanian (upto 24-03-06)	7	N.A.	N.A.
Mr. H. K. Bilpodiwala (upto 24-03-06)	6	N.A.	N.A.
Mr. P. R. Rastogi (upto 24-03-06)	7	N.A.	N.A.

* This excludes alternate directorships/directorships in private limited companies and foreign companies wherever applicable.

Mr. P. Lindner, Mr. K. J. Bharucha and Mr. P. R. Rastogi attended the last Annual General Meeting held on July 28, 2005.

2.5 Committee of Directors:

The Committee of Directors was formed in 1998. Effective from March 24, 2006 it has been reconstituted with Mr. K. J. Bharucha as a Chairman and Mr. H. Meier as a member in place of Mr. H. K. Bilpodiwala.

During the financial year 2005-06 five meetings on July 25, September 27, October 18, November 11 and March 29 were held and all the members were present in the aforesaid meetings. The committee mainly looks into raising short term borrowings/deposits up to Rs. 50 crores and deployment of surplus funds if any.

2.6 Management Committee:

The board of directors of the company provides leadership and strategic guidance, while the Executive committee administers the affairs of the company's business on a day to day basis. The Committee consists of Vice Chairman & Managing Director, Chief Financial Officer & Company Secretary and the respective heads of business. Effective from April 1, 2006 the committee has been renamed as the Management Committee (MC).

The management committee is chaired by Mr. H. Meier and includes following members:

Management Committee	
H. Meier	Vice Chairman & Managing Director
S. K. Nayak	CFO & Company Secretary
A. K. Prasad	Business – Textile, Leather & Paper
G. Patkar	Business – Pigments & Additives
S. Siddhan	Business – FUN & LSC
S. S. Patil	Business – Masterbatches

3. Audit committee:

3.1 Composition:

The audit committee was formed in 2001 and has been reconstituted over the years as per the legal requirements from time to time. During the year Mr. H. K. Bilpodiwala and Mr. K. R. V. Subrahmanian resigned from the committee and Diwan A. Nanda & Mr. K. J. Bharucha were appointed as a member of the committee effective from 25.03.2006. Committee comprises of Mr. R. A. Shah and Diwan Arun Nanda (who are non-executive and independent directors) and Mr. K. J. Bharucha (executive director till March 31, 2006). Mr. H. K. Bilpodiwala practising Chartered Accountant with extensive financial and accounting knowledge and independent member was the Chairman of the Committee upto March 24, 2006. Effect from March 25, 2006 Mr. R. A. Shah who is an independent member chairs the committee. All the members of the audit committee are financially literate and Mr. K. J. Bharucha being Chartered Accountant is having accounting/financial management expertise. The statutory auditors, internal auditors & cost auditors are also invited to attend the audit committee meetings from time to time.

Vice Chairman & Managing Director attends the audit committee meetings. Mr. Sunil K. Nayak, Chief financial officer & Company Secretary represents as head of finance function and also acts as secretary to the committee. All major variances affecting performance of the Company are discussed and explained.

During the year under review, four (4) meetings of the audit committee were held on May 24, 2005; July 21, 2005; October 18, 2005; and January 24, 2006. All the members of the committee were present in all the meetings except in one meeting held on July 21, 2005 wherein Mr. K. R. V. Subrahmanian was not present. Mr. H. K. Bilpodiwala, Chairman of the Committee being away was not able to attend last annual general meeting due to unprecedented weather conditions prevailing on that date.

3.2 Scope of Audit Committee:

The Audit Committee acts as a link between the statutory and internal auditors and the Board

of Directors. The Audit committee makes recommendations to the Board within the delegated authority. The terms of reference of the audit committee are in accordance with clause 49(II) of the listing agreement entered into with the relevant stock exchanges.

In fulfilling the above role, the Audit Committee has powers to investigate any activity within its terms of reference, to seek information from employees and to obtain outside legal and professional advice. The draft minutes of the audit committee meetings are circulated among members before the same is confirmed and placed before the Board.

4. Remuneration Committee:

The Company has not constituted a remuneration committee as all compensation/remuneration payable to the directors including sitting fee are approved by the shareholders in the general meeting.

The Company has no pecuniary relationships 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 the expert legal advice of M/s. Crawford Bayley & Co., Solicitors & Advocates in certain matters and a sum of Rs. 2.56 lakhs has been paid as professional fees to the said firm during the financial year 2005-06. Mr. R. A. Shah, who is the Chairman of the Company, is the senior partner of the said firm. The aforesaid professional fees is not considered material enough that may have potential conflict with the interest of the Company at large and to impinge on the independence of Mr. Shah.

The remuneration structure of Mr. K. J. Bharucha Vice Chairman & Managing Director, is based on the performance and defined criteria. The yearly 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, fixed and variable commission linked with performance, perquisites and benefits as per company rules, contribution to provident fund, superannuation fund & gratuity. The service contract with Vice-Chairman & Managing Director had expired on September 30, 2005 and the Board of Directors had extended the contract for further period of six months expiring on March 31, 2006, with a notice period of two months by either of the party.

In accordance with the resolution passed at annual general meeting held on July 28, 2005 the shareholders have approved the payment of commission to non-executive directors subject to the provisions of Section 198, 309 and other applicable provisions of the Companies Act, 1956.

The Company has accordingly provided for the commission to its non-executive independent directors in addition to sitting fees for the meetings of board and committee attended by them except in case of Mr. P. R. Rastogi, Mr. P. Lindner, Dr. A. Walde and Mr. W. Mohr who represent the Clariant group do not take any remuneration from the Company.

The details of remuneration paid to the directors for the year 2005-06 are as under:

(Rs. lakhs)

Name of Director	Salary	Commission for the year	Perquisites/benefits	Pension & other funds	Sitting fees	Total
Mr. R. A. Shah	None	2.00	None	None	0.50	2.50
Mr. H. Meier	None	None	None	None	None	None
Mr. B. S. Mehta	None	None	None	None	None	None
Diwan A. Nanda	None	None	None	None	None	None
Mr. K. J. Bharucha	38.72	36.31	17.80	21.70	None	114.53
Mr. K. R. V. Subrahmanian (up to 24.03.06)	None	2.0	None	None	0.60	2.60
Mr. H. K. Bilpodiwala (up to 24.03.06)	None	2.0	None	None	0.58	2.58

The Company does not have any Stock option scheme for the directors.

5. Investors' Grievance Committee:

The Investor's Grievance Committee comprises Diwan A. Nanda, non-executive independent director as Chairman and Mr. H. Meier Vice Chairman & Managing Director as a member. Effective from March 25, 2006 the committee was reconstituted with Diwan A. Nanda replacing Mr. K. R. V. Subrahmanian and Mr. H. Meier replacing Mr. K. J. Bharucha. The committee oversees share transfers and monitors redressal of shareholder/unclaimed dividend/un-claimed fixed deposits/investor complaints received by the Company and their resolution. The committee met two times (Oct. 18, 2005 & Feb. 22, 2006) during the year.

To expedite the process of physical transfer of shares the Board has delegated the authority to Mr. S. K. Nayak, Chief Financial Officer & Company Secretary who acts as a compliance officer of the Company. The physical transfers of shares approved are ratified at the subsequent Board meeting.

In accordance with the authority granted by the Board, Mr. Nayak deals with the following matters concerning shareholders at least once in a fortnight:

- Transfer/Transmission of physical shares
- Split/Sub-division and Consolidation of physical shares
- Rematerialisation of shares

M/s. Sharepro Services (India) Private Limited, the registrar and share transfer agents, deals with all shareholders related matters whether it relates to the physical or demat form.

The Company has retained the services of a practicing company secretary to independently verify and audit the share transfer records and register of members every quarter. No materially significant non-compliance from established procedures is reported by the auditors.

During the year, the Company received seven complaints through stock exchanges/SEBI all of which have been resolved. Apart from these complaints, communications received from shareholders are generally pertaining to transfer of physical shares/change of address/bank mandate/revalidation of dividend warrant/consolidation/split/remat/exchange of shares etc. All of these have been answered and redressed to the satisfaction of shareholders. There was no investor grievance which remained unattended and pending as on March 31, 2006.

6. Subsidiary Companies

On February 13, 2006 the Company has acquired 100 per cent holding in Chemtreat Composites India Private Limited. During the year Vanavil Dyes and Chemicals Limited & Kundalika Investments Limited subsidiaries of the Company have been merged pursuant to the order of Honorable High Court of Judicature at Madras on 22nd February 2006 and Honourable High Court of Judicature at Bombay on 24th February, 2006 which was modified vide order dated 17th March, 2006.

The copy of the minutes of the Board meeting/Audit Committee meetings of the Subsidiary companies are placed in the subsequent Board meetings.

7. General Body Meetings:

The last three annual general meetings of the Company were held on the following dates and times:

AGM	Venue	Date	Time
46th	Patkar Hall, 1 Nathibai Thackersey Road, Mumbai	24.07.03	4.00 p.m.
47th	Y. B. Chavan Auditorium, Gen Jagannath Bhosale Marg, Mumbai	29.07.04	4.00 p.m.
48th	Y. B. Chavan Auditorium, Gen Jagannath Bhosale Marg, Mumbai	28.07.05	4.00 p.m.

During the year 2004 insertion of clause 87A in the Articles of Association pertaining to 'Passing of Resolutions by Postal Ballot' and in 2005 pertaining to 'Payment of commission to non-executive independent directors' and 'Alternation

of Clause 13, 60, 110 of 158 of the Articles of Association' were passed as special resolutions by the members with requisite majority. There was no special resolution which needed the requirement of passing through postal ballot at any of the above general meetings. No special resolution requiring a postal ballot is being proposed at the ensuing annual general meeting.

On December 8, 2005 a meeting of the shareholders at Mumbai was convened for approving the Scheme of Amalgamation of Clariant (India) Limited, Vanavil Dyes & Chemicals Limited, BTP India Private Limited and Kundalika Investments Limited with the Company. As required by law a poll was conducted at the meeting and the resolution pertaining to the approval of the Scheme of Amalgamation was passed with the requisite majority.

8. Disclosures:

8.1 The Company has not entered into any transactions of material nature, with its promoters, the directors, or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large. The disclosure in respect of related party transactions is provided in the notes to the accounts. All contracts with the affiliates entered into during the year which 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.

8.2 The Company has complied with all the requirements of Stock Exchanges, Securities and Exchange Board of India (SEBI) and other statutory authorities on matter relating to capital markets during the last three years and consequently no penalties or strictures have been imposed on the Company by these authorities.

8.3 Code of Conduct

The Board of Directors has adopted the code of conduct for directors and senior management and the same has been placed on the company's website. All board members and senior management personnel have affirmed compliance with the code of conduct for the current year.

8.4 Prevention of Insider Trading:

The Company has framed its Insider Trading Regulations wherein rules for the preservation of price sensitive information, pre-clearance of trade, monitoring and implementation are framed. This code is applicable to all Directors and such employees of the Company who are expected to have access to unpublished price sensitive information relating to the Company. Transaction for dealing in the security of the

company during the prescribed time requires prior approval from the company.

Shares held by the directors as at March 31, 2006 are as under:

Name of Director	No. of shares held	Details of shares bought/sold during the year
Mr. R. A. Shah	NIL	NIL
Mr. H. Meier	NIL	NIL
Mr. B. S. Mehta	NIL	NIL
Diwan A. Nanda	NIL	NIL
Mr. P. Lindner	NIL	NIL
Dr. A. Walde	NIL	NIL
Mr. W. Mohr	NIL	NIL
Mr. K. J. Bharucha	50	NIL
Mr. P. R. Rastogi	NIL	NIL

8.5 The Vice-Chairman & Managing Director and the Chief Financial Officer & Company Secretary have certified to the Board in accordance with clause 49(v) of the Listing Agreement pertaining to CEO/CFO certification for the financial year ended March 31, 2006.

9. Means of communication:

- The Company has over 10800 shareholders which have increased to 31454 after amalgamation. The main channel of communication to the shareholders is through annual report which includes inter alia, the Directors' Report, the Report on Corporate Governance, audited financial results and performance analysis.
- The Annual General Meeting is the principal forum for face-to-face communication with shareholders, where the board is answerable to specific queries of the shareholders.
- Half yearly results for the period ended on September 30, 2005 were sent to all the shareholders through an investor newsletter 'The Review'.
- Quarterly results are approved by the Board of Directors and submitted to the Stock Exchanges in terms of the requirements of clause 41 of the Listing Agreement.
- Quarterly results are published in prominent English & vernacular language such as Economic Times/Business Standard/Free Press Journal/ Maharashtra Times/Nav Shakti/Sakal immediately next day after they are approved by the Board.
- The website of the Company www.clariantindia.com acts as the primary source of information regarding the operations of the Company. Quarterly financial results & media release are being displayed on the Company's website. No presentations were

made to media, analysts or institutional investors during the year.

- Management Discussion and Analysis Report including risk management policies being followed are included as a part of Director's report.

10. General shareholder information:

10.1 Annual General Meeting

Date & Time:

Thursday, July 27, 2006 at 3.00 p.m.

Venue:

Y. B. Chavan Auditorium, Gen. Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana, Mumbai-400 021.

10.2 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 voting 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 beneficiary owner;
- Proxy has no right to speak.

10.3 Financial Calendar:

The Company's financial year is based on twelve months starting from April to March.

Announcement of Audited/Unaudited Results:	2005-2006	2006-2007 (Proposed)
1st Quarter	26.07.2005	Last week of July 2006
2nd Quarter	20.10.2005	Last week of October 2006
3rd Quarter	24.01.2006	Last week of January 2007
4th Quarter	30.05.2006	Last week of May 2007
Annual General Meeting	27.07.2006	Last week of July 2007

10.4 Date of Book closure

	2005-06	2006-07 (Proposed)
Book Closure dates:	13.07.2006 27.07.2006	Second fortnight July, 2007
Payment of dividend:	28.07.2006	Immediately after AGM

10.5 Listing of Shares:

Shares of the Company are listed on The Stock Exchange, Mumbai (BSE) and National Stock Exchange of India Limited (NSE).

The Company has paid the listing fees for the financial year 2006-07 to both the stock exchanges.

10.6 Stock Code:

Name of the Stock Exchange	Stock Code No.	Closing Price as on 31.03.06	Date of Ex-Dividend
The Stock Exchange, Mumbai	506390	330.25	11.07.06
National Stock Exchange	COLORCHEM	326.10	11.07.06

10.7 Stock Market Data:

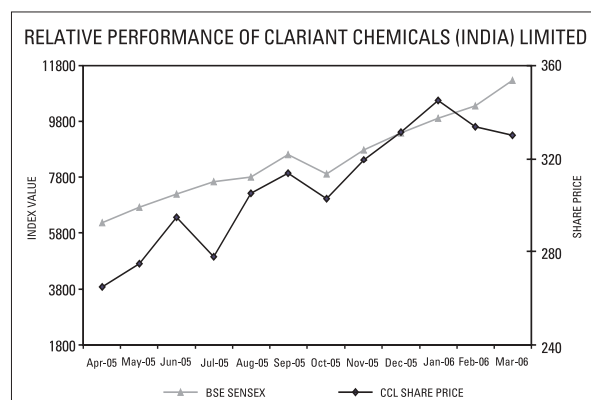
The Stock Exchange, Mumbai Rate (Rs. per share)

Month	High	Low	Closing	Volume
April '05	276.50	253.15	265.00	36604
May	294.50	258.50	274.75	50290
June	303.00	275.25	294.85	277811
July	310.00	277.50	277.65	271371
August	316.00	263.00	305.05	132506
September	345.00	300.00	313.50	131127
October	328.00	278.00	302.60	86747
November	343.00	279.00	319.55	51778
December	346.00	301.00	331.40	58611
January '06	392.00	330.20	345.00	63573
February	395.00	328.05	333.65	53055
March	353.00	305.20	330.25	109022

National Stock Exchange Rate (Rs. per share)

Month	High	Low	Closing	Volume
April '05	300.00	251.15	262.35	59226
May	283.00	261.55	275.00	71219
June	304.00	275.50	299.50	404929
July	305.00	274.00	275.00	245818
August	274.00	265.00	305.30	209151
September	345.00	301.00	310.05	218543
October	327.80	290.25	293.00	139651
November	324.45	284.00	320.90	62284
December	380.00	310.10	330.20	45351
January '06	395.00	330.00	346.55	52393
February	356.00	325.30	332.00	29556
March	346.95	315.00	326.10	30045

10.8 Performance of Company Shares to broad based index (BSE/NSE Sensex)



10.9 Address for Correspondance:

Registrar & Share Transfer Agents:

M/s. Sharepro Services (India) Pvt. Limited,
Satam Estate, 3rd Flr., Above Bank of Baroda,
Chakala, Andheri (E), Mumbai – 400 099.

Tel: 2821 5168/69, Fax: 2837 5646

Contact Person: Mr. B. Dinkar

All queries for shares held in **physical form only** should be forwarded to registrar & share transfer agents at the above mentioned address. For any assistance from the company members may contact Mr. S. P. Bhattu, Asst. Company Secretary, at Ravindra Annex, 194, Churchgate Reclamation, Mumbai-400 020. The Company periodically reviews the operations of registrar & share transfer agents and an independent audit/ verification is carried by qualified professional for efficiency and effectiveness of services at regular intervals.

10.10 Share Transfer System

Transfer of shares held in physical mode is processed by M/s Sharepro Services (India) Private Limited and approved by CFO & Company Secretary pursuant to the powers delegated to him by the Board of Directors of the Company.

During the year 2005-2006, 89 transfer of 6576 shares in physical mode were approved once in a fortnight.

10.11 Shareholding pattern as on March 31, 2006:

Category of shareholder	No. of Shares held	% of Total Holding
Ebito Chemiebetteilungen AG (Promoter holding)	8167080	70.10
Mutual Funds and UTI	790867	6.79
Banks, Financial Institutions, Insurance Companies Central/ State Government Institutions/ Non-government Institutions)	626070	5.38
FII's/NRI's/OCBs	112410	0.97
Private Corporate Bodies	276118	2.37
Indian Public	1677455	14.39
Total	11650000	100.00

Pursuant to the scheme of amalgamation (scheme) approved by the Board and members of the Company the Honourable High Court of Judicature at Madras on 22nd February, 2006 and Honourable High Court of Judicature at Bombay on 24th February, 2006 which was modified vide order dated 17th March, 2006 has approved the scheme of amalgamation of transferor companies — Clariant (India) Limited, Vanavil Dyes & Chemicals Limited, BTP India Private Limited and Kundalika Investment Limited with the Company.

The Company has declare April 21, 2006 as the record date for issuing the shares in the new name and to erstwhile shareholders of transferor companies in the exchange ratio as approved

by the said scheme. As a consequence the paid up share capital has now increased to Rs. 26,66,07,450 wherein the promoter holding is 63.40%.

10.12 Cross-shareholdings

There are no cross-shareholdings.

10.13 Details of members holding >1% of the paid up capital of the Company as on March 31, 2006:

Name	As at 31.03.06		As at 31.03.05	
	No. of shares	%	No. of shares	%
Ebito Chemiebetteilungen AG	8167080	70.10	5837080	50.10
Templeton M.F. a/c. Franklin India Flexicap Fund	289645	2.49	N.A.	N.A.
UTI (thru it various schmes)	501072	4.30	1221592	10.49
General Insurance Corporation of India	305668	2.62	N.A.	N.A.

10.14 Distribution of shareholdings as at March 31, 2006:

No. of equity shares held	Shareholders		Equity Shares held	
	Numbers	%	No. of shares	%
1-500	10211	94.40	969575	8.32
501-1000	366	3.38	261986	2.25
1001-2000	143	1.32	204857	1.76
2001-5000	62	0.57	184923	1.59
5001-10000	17	0.16	128024	1.10
10001 and above	18	0.17	9900635	84.98
Total	10817	100.00	11650000	100.00

10.15 Dematerialisation of shares and liquidity:

Names of Depositories for dematerialisation of equity shares:

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

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

In case **shares of the Company are held in electronic form (that is, in dematerialised 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 registrar & share transfer agents. This is because once the shares are dematerialised they become fungible i.e., they lose their distinct data relating to the folio number, the certificate

number, the distinctive share numbers, etc. and the corresponding credit for number of shares is given to the individual shareholder in his account with the concerned DP. As and when required by the Company, the share transfer agents obtains details regarding beneficial owner data including addresses from the National Securities Depository Limited or the Central Depository Services (India) Limited.

As on March 31, 2006, in all 11219604 shares constituting 96.31 per cent of the total issued capital is held in demat form.

10.16 ADRs/GDRs/Warrants

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

10.17 Plant Locations:

The Company's manufacturing facilities are located at

- (a) 113/114, MIDC, A.V.P.O. Dhatav, Roha, District Raigad - 402 116
- (b) Balkum Village, Thane - 400 608
- (c) Kolshet Road, Thane - 400 607.
- (d) Kudikadu, P.O., Cuddalore - 607 005
- (e) Singhadivakkam Village, Kanchipuram - 631 561

11. Additional Information:

11.1 Dividend for the year 2005-2006:

The dividend recommended by the Board for the current year will be paid after approval of shareholders at the forthcoming Annual General meeting to all those shareholders whose name appear

- (i) in respect of shares held in demat form, proposed dividend will be paid on the basis of beneficial ownership as per details furnished by the Depositories as at the end of the business on July 12, 2006 and
- (ii) 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 July 12, 2006. The Company will dispatch the dividend warrants from July 28, 2006 onwards.

11.2 Unpaid/Unclaimed Dividend:

In terms of the amended 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 the transfer into the Unpaid Dividend Account) to the

credit of the Investor Education and Protection Fund (the Fund) established by the Central Government. Accordingly, the Company has transferred unpaid/unclaimed dividend up to the financial year 1997-98 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 7 years period for payment of the dividend pertaining to financial year 1998-99 is going to expire on 29.07.06 and thereafter the amount standing to the credit in the said account will be transferred to the 'Investor Education and Protection Fund' maintained with 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	Date of Payment	Date of expiry of 7 years
98-99	30.07.1999	29.07.2006
99-00	28.04.2000	27.04.2007
00-01	27.07.2001	26.07.2008
01-02	26.07.2002	25.07.2009
02-03	25.07.2003	24.07.2010
03-04	30.07.2004	29.07.2011
04-05	29.07.2005	28.07.2012

11.3 Bank Mandate:

Electronic Clearing Services (ECS) is a new 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 superceded by the ECS details recorded with your DP.

11.4 Nomination Facility:

A member can nominate a person who shall have all rights of shares and/or amount payable in respect of shares registered in his name in the event of his death. This facility is available to the members of the Company. The said form can be obtained from the Company's Share transfer agent or downloaded from the website of the Company at www.clariantindia.com.

11.5 Consolidation of folios and avoidance of multiple folios:

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

11.6 Exchange of share certificates due to amalgamation:

Pursuant to the Scheme of arrangement between Clariant (India) Limited, Vanavil Dyes & Chemicals Limited BTP India Private Limited and Kundalika Investments Limited with the company sanctioned

by the Honourable High Court of Judicature of Madras on February 22, 2006 and Honourable High Court of Judicature at Bombay on February 24, 2006 which was modified vide order dated March 17, 2006 the company was renamed as Clariant Chemicals (India) Limited.

New share certificates of the company were issued without asking the shareholder to surrender the old certificates. Therefore old share certificates are no more valid.

12. Non-mandatory Requirements

The Company has adopted the non-mandatory requirements in respect of Shareholder rights by furnishing half-yearly report to each shareholder.

Auditors' Certificate on Corporate Governance

TO THE MEMBERS OF CLARIANT CHEMICALS (INDIA) LIMITED (formerly known as Colour-Chem Limited)

We have examined the compliance of conditions of Corporate Governance by Clariant Chemicals (India) Limited, for the year ended 31 March 2006, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. 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 based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We 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 A. F. FERGUSON & CO.
Chartered Accountants
A. C. Khanna
Partner

Membership No.: 17814

Mumbai, May 30, 2006

Auditors' Report to the Members

1. We have audited the attached Balance Sheet of Clariant Chemicals (India) Limited (formerly known as Colour-Chem Limited), as at March 31, 2006 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date 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 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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. On the basis of the written representations received from the directors, as on March 31, 2006 and taken on record by the Board of Directors, we report that none of the directors of the Company are disqualified as on March 31, 2006 from being appointed as a director, in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
4. As required by the Companies (Auditor's Report) Order, 2003 (the 'Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 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 to the extent applicable to the Company.
5. Further to our comments in the Annexure referred to in paragraph 4 above, we report that:
 - (a) 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;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books;
 - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (e) 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:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2006;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For A. F. FERGUSON & CO.
Chartered Accountants

A. C. Khanna
Partner

Membership No.: 17814

Mumbai: 30th May, 2006

Annexure to the Auditors' Report

(Referred to in paragraph 4 of our Report of even date)

- (i)
 - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) The Company has a programme of physical verification of fixed assets. As per the said programme, certain assets were physically verified during the year. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) In our opinion, fixed assets disposed off during the year were not substantial. Therefore, the

provisions of clause 4 (i) (c) of the Order are not applicable to the Company.

- (ii) (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) The procedures of physical verification of inventories followed by the management are 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 is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account.
- (iii) (a) According to the information and explanations given to us, the Company has granted an interest free unsecured loan, repayable on demand to a company (wholly owned subsidiary) covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 475 Lakhs and the year-end balance was Rs. 475 Lakhs.
- (b) In our opinion and according to the information and explanations given to us, having regard to the fact that the company is a wholly owned subsidiary, the rate of interest and other terms and conditions are not, prima facie, prejudicial to the interest of the Company.
- (c) According to the information and explanations given to us, the interest-free loan repayable on demand as referred to in (iii) (a) above has not yet been demanded. Accordingly, sub-clause (d) is not applicable.
- (d) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, sub-clause (f) and (g) are not applicable.
- (iv) 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 a special nature and suitable alternatives do not exist for obtaining comparable quotations, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and with regard to the sale of goods and services. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control systems.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that Section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts and arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 have been made at the prices which are reasonable having regard to the prevailing market prices at the relevant time except in case of some transactions where alternate source of supply did not exist and therefore, no comparison of prices was possible.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. As informed to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and 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 for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed records have been maintained and the prescribed accounts are in the process of being made up. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.
- (ix) (a) According to the records of the Company, Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other material statutory dues applicable to it have

been generally regularly deposited during the year with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of above were in arrears, as at March 31, 2006 for a period of more than six months from the date on which they became payable.

- (b) According to the records of the Company, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty and Cess as applicable which have not been deposited on account of any dispute, are as follows:

(Rs. lakhs

Name of Statute (Nature of Dues)	Period to which the amount Relates	Forum where dispute is pending			
		Commissionerate	Appellate authorities & Tribunal	High Court	Total amount
Sales Tax (Tax/Penalty/ Interest)	1992-93 2002-03 & 2003-04	18.08	—	—	18.08
	1999-2000 & 1994-95	—	24.02	—	24.02
	1996-97 to 1998-99	—	—	2.27	2.27
Total		18.08	24.02	2.27	44.37
The Central Excise Act (Tax/Penalty/ Interest)	1999-2000, 1993-94, 1994-95, 2000-01 to 2005-06	—	122.04	—	122.04
	2000-01 to 2005-06	299.78	—	—	299.78
Total		299.78	122.04	—	421.82
Service Tax	2004-05	0.32	0.52	—	0.84
Total		0.32	0.52	—	0.84
Income Tax (Tax/Interest)	1990-91, 1992-93, 2000-01 to 2002-03	221.61	—	—	221.61
	1999-2000, 1991-92, 1995-96, 1996-97 2001-02 to 2003-04	—	293.06	—	293.06
Total		221.61	293.06	—	514.67

- (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 in 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 repayment of dues to banks or debenture holders. As informed, there were no dues payable to financial institutions during the year.

(xii) Based on our examination of the records and 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 a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4 (xiii) of the Order are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.

(xv) 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.

(xvi) In our opinion and according to the information and explanations given to us, no term loans were acquired during the year by the Company.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) 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.

(xix) The Company has not issued any secured debentures. Therefore the provisions of clause 4(xix) of the Order are not applicable to the Company.

(xx) The Company has not raised any money by way of public issue during the year. Therefore, the provisions of clause 4(xx) of the Order are not applicable to the Company.

(xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For A. F. FERGUSON & CO.
Chartered Accountants

A. C. Khanna
Partner

Membership No.: 17814

Mumbai: 30th May, 2006

Balance Sheet

as at 31st March, 2006

	Schedule	31-03-2006 Rs. lakhs	31-03-2005 Rs. lakhs
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	1165.00	1165.00
Share capital suspense account	1A	1501.07	—
Reserves and surplus	2	30543.90	16057.44
		33209.97	17222.44
Loan funds			
Secured loans	3	3597.85	1894.27
Unsecured loans	4	1995.82	1500.00
		5593.67	3394.27
Deferred Tax Liability - Net (See note 5, Schedule 19)		525.64	—
		39329.28	20616.71
APPLICATION OF FUNDS			
Fixed Assets			
	5		
Gross block		37983.02	20647.00
Less : Accumulated depreciation		22485.44	12683.51
Net block		15497.58	7963.49
Capital work-in-progress and advances, etc.		518.82	408.78
		16016.40	8372.27
Investments	6	11326.19	4645.27
Deferred Tax Asset - Net (See note 5, Schedule 19)		—	163.71
Current assets, loans and advances			
Inventories	7	12528.37	5385.51
Sundry debtors	8	14514.50	6991.84
Cash and bank balances	9	1388.96	367.81
Loans and advances	10	7448.90	6170.54
		35880.73	18915.70
<i>Less:</i>			
Current liabilities and provisions			
Liabilities	11	17164.36	9440.04
Provisions	12	6729.68	2040.20
		23894.04	11480.24
Net current assets		11986.69	7435.46
		39329.28	20616.71
Significant accounting policies	18		
Notes to the accounts	19		

Per our report attached
For A.F. Ferguson & Co.
Chartered Accountants

A. C. Khanna
Partner

Mumbai, 30th May, 2006

Sunil K. Nayak
Chief Financial Officer &
Company Secretary

For and on behalf of the Board,

H. Meier Vice-Chairman & Managing Director

K. J. Bharucha }
B. S. Mehta } Directors

Mumbai, 30th May, 2006

Profit and Loss Account

for the year ended 31st March, 2006

	Schedule	2005-2006 Rs. lakhs	2004-2005 Rs. lakhs
INCOME			
Sales – Gross		91974.89	40352.44
Less: Excise Duty Recovered on Sales		7673.87	3791.56
Sales - Net		84301.02	36560.88
Add: Processing charges		804.69	738.33
Turnover		85105.71	37299.21
Other income	13	2812.72	2194.55
		87918.43	39493.76
EXPENDITURE			
Cost of Materials	14	55611.62	23792.47
Personnel	15	7032.73	3546.23
Interest (Net)	16	4.15	77.32
Depreciation/Amortisation	5	2446.99	1146.84
Other expenditure	17	16878.20	7352.75
		81973.69	35915.61
Less: Service charges recovered		538.91	—
		81434.78	35915.61
PROFIT BEFORE PRIOR PERIOD ITEMS AND TAXATION		6483.65	3578.15
Provision for taxation			
Current Tax		2238.25	759.50
Deferred Tax		37.66	563.84
Fringe benefit Tax		227.89	—
		3979.85	2254.81
Prior Period Items (See note 6(a), Schedule 19)		—	650.00
(Excess)/Short provision for taxation in respect of earlier years		(59.33)	46.14
PROFIT AFTER TAXATION		4039.18	1558.67
Balance brought forward from last year		2863.00	3101.36
Add : Transfer in terms of amalgamation (See note 1, Schedule 19)		1308.30	—
Available for appropriation		8210.48	4660.03
APPROPRIATED AS FOLLOWS			
General reserve		1000.00	1000.00
Proposed dividend		2932.68	699.00
Corporate tax on proposed dividend		411.31	98.03
Balance carried to the balance sheet		3866.49	2863.00
		8210.48	4660.03
Significant accounting policies	18		
Notes to the accounts	19		
Basic and Diluted earnings per share (in Rupees)	19	15.15	13.38
Face value per share (in Rupees)		10.00	10.00

Per our report attached to the Balance Sheet

For A.F. Ferguson & Co.
Chartered Accountants

A. C. Khanna
Partner

Mumbai, 30th May, 2006

Sunil K. Nayak
Chief Financial Officer &
Company Secretary

For and on behalf of the Board,

H. Meier Vice-Chairman & Managing Director

K. J. Bharucha }
B. S. Mehta } Directors

Mumbai, 30th May, 2006

Schedules forming part of the Balance Sheet

SCHEDULE 1 : SHARE CAPITAL

	31-03-2006 Rs. lakhs	31-03-2005 Rs. lakhs
Authorised		
3,00,00,000 (Previous year : 1,20,00,000) equity shares of Rs. 10/- each	3000.00	1200.00
Issued and subscribed		
1,16,50,000 equity shares of Rs. 10/- each fully paid	1165.00	1165.00

Notes:

- (a) 81,67,080 (Previous year : 58,37,080) shares are held by EBITO Chemiebeteteiligungen AG, the ultimate holding company being Clariant AG, Switzerland. (See note 15(a), Schedule 19)
- (b) 66,90,610 shares were allotted as fully paid up bonus shares by capitalisation of Rs. 669.06 lakhs from general reserve.

SCHEDULE 1A : SHARE CAPITAL SUSPENSE ACCOUNT

	31-03-2006 Rs. lakhs	31-03-2005 Rs. lakhs
Share capital suspense	1501.07	—

(See note 1, Schedule 19)

- (a) In terms of the scheme of amalgamation between Clariant (India) Limited, Vanavil Dyes and Chemicals Limited, Kundalika Investments Limited, BTP India Private Limited, the transferor companies and the Company, 1,50,10,745 equity shares of Rs 10/- each fully paid, to be issued to the shareholders of the transferor companies whose names appear on their register of members on the record date viz 21st April, 2006.
- (b) Of the above:
- (i) 60,75,000 shares to be issued to Clariant International Limited, the ultimate holding company being Clariant AG, Switzerland.
- (ii) 26,60,000 shares to be issued to BTP Limited, UK, the ultimate holding company being Clariant AG, Switzerland.

SCHEDULE 2 : RESERVES AND SURPLUS

	31-03-2006 Rs. lakhs	31-03-2005 Rs. lakhs
Capital reserve		
As per last Balance sheet	0.10	0.10
Add : Transfer in terms of amalgamation *	27.16	—
Add : Excess of share capital of transferor companies over the amount credited by the company to the share capital *	702.85	—
	730.11	0.10
Capital redemption reserve		
As per last Balance sheet	137.50	137.50
Share premium		
As per last Balance sheet	2023.50	2023.50
Add : Transfer in terms of amalgamation *	1522.15	—
	3545.65	2023.50
Investment allowance reserve		
As per last Balance sheet	—	—
Add : Transfer in terms of amalgamation *	20.00	—
	20.00	—
General reserve		
As per last Balance sheet	11033.34	10033.34
Add : Transfer from Profit & Loss account	1000.00	1000.00
Add : Transfer in terms of amalgamation (Net of adjustments) *	10210.81	—
	22244.15	11033.34
Profit and Loss Account		
	3866.49	2863.00
	30543.90	16057.44

* See note 1, Schedule 19

SCHEDULE 3 : SECURED LOANS

	31-03-2006 Rs. lakhs	31-03-2005 Rs. lakhs
From banks:		
Short term Loans :	3472.85	1894.27
Rs. 3432.00 lakhs secured by hypothecation of present and future stock-in-trade and spare parts, loose tools, book debts, outstanding monies, receivable, claims, bills, right to or in movable properties and movable assets, etc.		
Rs. 40.85 lakhs secured by way of first charge on inventories and book debts, both present and future, and by second charge on other movable and immovable properties, both present and future.		
Term loan:	125.00	—
(Repayable within one year Rs. 100 lakhs, Previous year: Nil) (Secured by first charge on plant and machinery)		
	3597.85	1894.27

SCHEDULE 4 : UNSECURED LOANS

	31-03-2006 Rs. lakhs	31-03-2005 Rs. lakhs
Privately placed Non-convertible debentures:		
9% Non-convertible debentures redeemable at par on 12th April, 2006	1000.00	—
5.63% Non-convertible debentures redeemable at par on 19th April, 2005 (Redeemed on due date)	—	1500.00
Other Loans :		
From banks :		
Short Term Loan (Repayable within a year Rs. 475 lakhs; Previous year : Rs. Nil)	475.00	—
From others:		
Interest-free sales tax deferral scheme granted by State Industries Promotion Corporation of Tamil Nadu Limited	520.82	—
	1995.82	1500.00

SCHEDULE 5 : FIXED ASSETS

	GROSS BLOCK				DEPRECIATION/AMORTISATION					NET BLOCK		Rs. lakhs
	As at 31-03-2005	Transfer in terms of amalgama- tion *	Additions	Sales and deductions	As at 31-03-2006	As at 31-03-2005	Transfer in terms of amalgama- tion *	Sales and deductions	For the year	As at 31-03-2006	As at 31-03-2006	As at 31-03-2005
Intangible Assets												
Software license fees	—	367.23	11.94	—	379.17	—	245.18	—	133.99	379.17	—	—
Tangible Assets												
Land freehold	13.04	68.85	0.06	1.46	80.49	—	—	—	—	80.49	80.49	13.04
Land leasehold	14.87	—	—	—	14.87	3.90	—	—	0.16	4.06	10.81	10.97
Buildings	3059.13	2522.92	517.83	112.46	5987.42	1392.00	820.55	54.50	139.11	2297.16	3690.26	1667.13
Plant, machinery, equipment etc.	16661.71	10638.62	2118.13	663.73	28754.73	10685.64	6479.74	575.43	1841.05	18431.00	10323.73	5976.07
Furniture, fixtures and office appliances	685.67	1007.26	195.24	168.53	1719.64	446.10	400.04	137.58	237.90	946.46	773.18	239.57
Vehicles	212.58	913.62	111.67	191.17	1046.70	155.87	265.61	88.67	94.78	427.59	619.11	56.71
Total	20647.00	15518.50	2954.87	1137.35	37983.02	12683.51	8211.12	856.18	2446.99	22485.44	15497.58	
Previous year	18880.17	—	2294.62	527.79	20647.00	11963.42	—	426.75	1146.84	12683.51	—	7963.49
Capital work-in-progress											483.11	382.71
Advances against capital orders											35.71	26.07
											518.82	408.78
											16016.40	8372.27

Notes:

- Buildings include:
Rs. 0.12 lakh (Previous year Rs. 0.12 lakh) being the cost of shares and bonds in co-operative housing societies.
Rs. 1200 being the cost of shares yet to be allotted.
- * Transfers after adjustments as on April 1, 2005 pursuant to the scheme of amalgamation — (See note 1, Schedule 19).

SCHEDULE 6 : INVESTMENTS (AT COST)

	31-03-2006 Rs. lakhs	31-03-2005 Rs. lakhs
Long term		
Non-trade - unquoted		
Long term		
38250 (Previous year : 38250) 5.15% Rural Electrification Corporation Limited Bonds of Rs.10000 each (Purchased during the year Nil; Previous year 26000 bonds)	3825.00	3825.00
In fully paid units of Rs. 10/- each		
(Acquired pursuant to Scheme of Amalgamation) *		
1000000 TATA Fixed Horizon Series 1 -Plan A (371 days) - Growth	200.00	—
2000000 JM Fixed Maturity Plan - YS01 - Growth Option (133)	100.00	—
2000000 Reliance Fixed Maturity Fund - Annual Plan - Series 1 - Growth Option	200.00	—
Long Term - Non Trade Unquoted	4325.00	3825.00
Trade		
In Subsidiary Company - quoted		
2802934 (Previous year 2771206) fully paid equity shares of Rs. 10 each in Vanavil Dyes & Chemicals Ltd. (31728 shares acquired during the year for Rs 16.48 lakhs; Previous year : Nil) (Amalgamated w.e.f. April 1, 2005 - See note 15 (b), Schedule 19)	—	795.27
In Subsidiary Company - unquoted		
250000 (Previous year 250000) fully paid equity shares of Rs. 10 each in Kundalika Investments Ltd. (Amalgamated w.e.f. April 1, 2005)	—	25.00
500000 (Previous year : Nil) fully paid equity shares of Rs. 10 each in Chemtreat Composites India Pvt. Ltd. (purchased during the year). (See note 15 (c), Schedule 19)	265.00	—
Long Term - Trade	265.00	820.27
Total Long Term	4590.00	4645.27
Current		
Non Trade - Unquoted (Purchased during the year)		
In fully paid units of Rs. 10/- each		
5049182 Principal PNB - Fixed Maturity Plan - 91 Days - Series I	504.92	—
3484111 Canliquid Fund - Institutional - Daily Dividend Reinvest	349.84	—
5562056 Kotak FMP - Series XVI - Dividend	556.21	—
5505854 LIC MF Liquid Fund - Dividend Plan	602.79	—
13788661 LIC MF Floating Rate Fund - Short Term Plan - Dividend Plan	1389.48	—
7476901 UTI Money Market Fund Daily Dividend Option	1302.95	—
4053920 Prudential ICICI FMP - Yearly - Series XXV - Dividend	405.39	—
In fully paid units of Rs. 1000/- each		
162429 DSP Merrill Lynch Liquidity Fund - Institutional - Daily Dividend	1624.61	—
Current - Non Trade Unquoted	6736.19	—
Total Investments	11326.19	4645.27
Aggregate value of unquoted investments	11326.19	3850.00
Aggregate value of quoted investments	—	795.27
Market value of quoted investments	—	1334.34

* See note 1, Schedule 19

(a) The following are the investments which have been purchased and sold during the year :

	2005-2006		2004-2005	
	Nos.	Rs. lakhs	Nos.	Rs. lakhs
Non trade Current - unquoted				
In fully paid units of Rs. 10/- each				
JM Floater Fund - Short Term Plan - Div	2233	0.22		
JM High Liquidity Fund Institutional Plan - Daily Dividend (76)	998527	100.01		
JM Short Term - Institutional Plan - Div	975827	100.01		
DSP Merrill Lynch Floating Rate Fund Regular Plan - Daily Dividend	758307	76.01		
DSP Merrill Lynch Fixed Term Plan Series 1A - Dividend	5064102	506.41		

SCHEDULE 6 : INVESTMENTS (AT COST) Continued

(a) The following are the investments which have been purchased and sold during the year :

	2005-2006		2004-2005	
	Nos.	Rs. lakhs	Nos.	Rs. lakhs
Tata Mutual Fund - Tata Liquid Fund			3146575	350.10
TATA Floating Rate Short Term Inst. Plan - Daily Dividend	13700660	1371.51	11504590	1101.64
TATA Short Term - Bond Fund - Dividend	6244316	680.23		
Principal Income Fund Short Term Plan - Instl Plan - Dividend Reinvestment Weekly	8430171	921.70		
Principal Floating Rate Fund FMP - Instl Option - Dividend Reinvestment Weekly	1502949	150.39		
Principal Cash Management Fund - Liquid Option - Inst. Plan - Dividend Reinvestment - Daily	4499554	450.05		
Grindlays Cash Fund - Institutional Plan			4727480	500.24
Grindlays Floating Rate Fund - LT - Inst Plan B - Qtrly Div	18781	1.89		
Grindlays Cash Fund - Floating Rate Fund	5964019	600.60		
Standard Chartered Liquidity Manager - Daily Dividend	3159506	315.98		
Canliquid Fund - Institutional - Daily Dividend Reinvest	9013047	905.00		
Kotak Floater Short Term - Weekly Dividend	5187	0.52		
Kotak Floater Long Term - Weekly Dividend	5350	0.54		
Kotak Liquid (Institutional Premium) - Daily Dividend	19452262	2378.64		
Kotak Mutual Fund - Kotak Liquid Institutional	10638400	1300.87	12687514	1551.51
Kotak Flexi Debt Scheme - Dividend	9874413	996.78		
Kotak Gilt (Investment Regular) - Quarterly Dividend	1882636	200.00		
Kotak FMP Series XII - Dividend	2250000	225.00		
Kotak Bond (Short Term) - Monthly Dividend	3487113	351.09		
LICMF Liquid Fund - Dividend Plan	11339268	1238.73		
LIC MF FMP Series 2 Dividend Plan	3250000	325.00		
Deutsche Short Maturity Fund - Weekly Dividend Option	7965261	814.74		
Deutsche Fixed Term Fund - Series 7 - Dividend Option	4250000	425.00		
UTI - Floating Rate Fund - Short Term Plan (Dividend Option)	2244608	226.28		
UTI - Gilt Advantage Fund Long Term Plan - Dividend Plan	3836176	400.00		
UTI Liquid Short Term Plan - Growth Option	1320178	150.00		
UTI Liquid Short Term Plan - Income Option	1479399	151.39		
UTI - Fixed Maturity Plan - QFMP / 1105 / II - Dividend Plan	3000000	300.00		
UTI - Fixed Maturity Plan - (QFMP / 1205 / I) - Dividend Plan	5500000	550.00		
Reliance Floating Rate Fund - Daily Dividend Plan	4538	0.46	10000000	100.21
Reliance LF - Treasury Plan - Institutional Option - Daily Dividend Option	3286565	502.11	4913009	750.47
Reliance Fixed Maturity Fund - Monthly Plan VIII - Series II - Dividend Option	2000000	200.00		
Reliance Liquid Fund - Cash Plan - Daily Dividend Option	4043634	450.51		
HSBC Floating Rate Fund - Short Term- Institutional Option - Daily Dividend	5534	0.55		
HSBC Income Fund - Short Term - Institutional - Dividend	2340994	251.90		
Prudential ICICI Mutual Fund - Floating Rate Plan Dividend			10237159	1026.78
Prudential ICICI Short Term Plan - Dividen Reinvestment - Fortnightly	10348	1.11		
Prudential ICICI Liquid Plan Institutional Plus - Daily Dividend Option	8075112	957.02		
Prudential ICICI Long Term Floating Rate Plan B Dividend	3016131	302.68		
Prudential ICICI Institutional Short Term Plan - DR - Fortnightly	12588314	1378.10		
Prudential ICICI Floating Rate Plan C - Daily Dividend	5000368	500.14		
Prudential ICICI Floating Rate Plan D - Daily Dividend	9005716	900.57		
Prudential ICICI - Blended Plan B - Dividend	2037465	203.76		
Birla Cash Plus - Dividend Reinvestment Plan			11589098	1251.29
Birla Bond Plus - Instl - Fortnightly Dividend - Reinvestment	1967976	205.75		
Birla FMP - Series 2 Quarterly Dividend Payout	3996842	400.00		

SCHEDULE 6 : INVESTMENTS (AT COST) Continued

(a) The following are the investments which have been purchased and sold during the year :

	2005-2006		2004-2005	
	Nos.	Rs. lakhs	Nos.	Rs. lakhs
Birla Balance Fund - Dividend - Payout	435493	80.00		
Birla Mutual Fund- Institutional Plan	18065512	1951.60		
Templeton Floating Rate Income Fund Short Term Plan - Dividend	59097	6.06		
Templeton India Government Securities Fund - Long Term Plan - Dividend Reinvestment	919413	102.23		
ING Vysya Floating Rate Fund -Daily Dividend	1260203	126.10		
ING Vysya Income Fund Short Term Plan - Dividend Option	692375	75.01		
ING Vysya Liquid Fund Institutional - Daily Dividend Option	6007674	601.25		
ING Vysya Select Debt Fund Quarterly Dividend	6395278	650.07		
ING Vysya Fixed Maturity Fund Series - IV - Dividend Option	2750000	275.00		
ING Vysya Liquid Fund - Daily Dividend Option	695643	75.01		
HDFC Mutual Fund - Daily Dividend Reinvestment Plan	12936541	1375.98	13642895	1451.12
HDFC Cash Management Fund : Saving Plan	711351	75.00		
In fully paid units of Rs. 1000 /- each				
DSP Merrill Lynch Liquidity Fund - Institutional -Daily Dividend	101063	1010.83		
TATA Liquid Super High Investment Fund - Daily Dividend	156298	1741.94	1797395	200.31
UTI Liquid Cash Plan Institutional - Daily Income Option	411188	4176.55		
Templeton India Short Term Plan Weekly Dividend Reinvestment	38078	415.17		
Templeton India Treasury Management Account Regular Plan - Daily Dividend	13430	203.06		

(b) The following Investments have been acquired pursuant to the scheme of amalgamation and sold/written off during the year (At cost)

	Face value Rs.	2005-2006	
		Nos.	Rs. lakhs
Long term Non trade (unquoted)			
In fully paid units of Rs. 10/- each			
JM Equity & Derivatives Fund - Dividend Option (129)		2500000	250.00
Ordinary Shares - fully paid up (unquoted)			
Kashipur Holding Ltd. *	10	25	
Minerva Holding Ltd. *	10	10	
Shubh Shanti Services Ltd. *	10	50	
Current Non trade (unquoted)			
In fully paid units of Rs. 10/- each			
HDFC Cash Management Fund : Saving Plan		94017	10.00
JM Floater Fund - Short Term Plan - Div		1334404	134.18
DSP Merrill Lynch Floating Rate Fund Regular Plan - Daily Dividend		2305221	231.03
Grindlays Floating Rate Fund - LT - Inst Plan B - Qtrly Div		2029463	204.25
Grindlays Floating Rate Fund - LT - Inst Plan B - Growth		3071654	317.57
Kotak Floater Short Term - Weekly Dividend		506932	50.73
Kotak Floater Long Term - Weekly Dividend		2033294	203.47
Kotak Liquid (Institutional Premium) - Daily Dividend		4908460	600.21
LICMF Liquid Fund - Dividend Plan		4961386	537.51
LICMF Floating Rate Fund - Short Term Plan - Dividend Plan		1998764	200.60
Reliance Floating Rate Fund - Monthly Dividend Plan		2002931	200.70
Reliance Floating Rate Fund - Daily Dividend Plan		2274940	228.48
Reliance Fixed Term Scheme - Monthly Plan - 18 - Dividend Option		3000000	300.00
Reliance Fixed Term Scheme - Quaterly Plan - 8 - Dividend Option		2000000	200.00
HSBC Floating Rate Fund - Short Term- Institutional Option - Daily Dividend		518880	51.96

SCHEDULE 6 : INVESTMENTS (AT COST) Continued**(b) The following Investments have been acquired pursuant to the scheme of amalgamation and sold/written off during the year (At cost)**

	Face value Rs.	2005-2006	
		Nos.	Rs. lakhs
Prudential ICICI Short Term Plan - Dividend Reinvestment - Fortnightly		961189	101.63
Prudential ICICI Liquid Plan Institutional Plus - Daily Dividend Option		1602255	189.89
Prudential ICICI Long Term Floating Rate Plan B Dividend		1509271	151.09
Templeton Floating Rate Income Fund Short Term Plan - Dividend		6181705	632.73
In fully paid units of Rs. 1000 /- each			
TATA Liquid Super High Investment Fund - Daily Dividend		13472	150.14
Templeton India Short Term Plan Weekly Dividend Reinvestment		51121	555.90
Long Term Non trade			
Ordinary Shares - fully paid up (Quoted)			
The Associated Cement Co. Ltd. (ACC)	10	347	0.09
Alkyl Amines Chemicals Ltd.	10	488	0.06
Amal Products Ltd.	10	1100	0.21
Andhra Cement Co. Ltd.	10	25	0.03
Apcotex Lattices Ltd.	10	300	0.32
Ambalal Sarabhai Enterprises Ltd.	10	42	0.01
Asian Paints (India) Ltd.	10	921	0.02
Atul Products Ltd.	10	165	0.05
Avon Organics Ltd.	10	100	0.01
BASF India Ltd.	10	439	0.17
Bayer CropScience Ltd. (formerly Bayer (India) Ltd.)	10	100	0.01
Berger Paints India Ltd.	10	1500	0.15
Chambal Fertilizer & Chemicals Ltd.	10	200	0.02
Citurgia Bio-chemicals Ltd.	10	50	0.02
Clariant India Ltd.	10	144	0.02
EIH Ltd. (formerly The East India Hotels Ltd.)	10	147	0.02
Glaxo Smithkline Pharmaceuticals Ltd.	10	122	0.02
Gujarat Alkalies & Chemicals Ltd.	10	439	0.20
Gujarat Narmada Valley Fertilizer Co. Ltd.	10	150	0.04
Gujarat State Fertilizers Co. Ltd.	10	450	0.26
Gulf Oil Corporation Ltd. (formerly IDL Industries Ltd.)	10	10	—
Hindustan Lever Ltd.	1	6000	0.10
ICI India Ltd.	10	67	0.02
India Glycols Ltd.	10	100	0.01
Indian Petrochemicals Corporation Ltd.	10	86	0.08
Jubliant Organos Limited	1	160	0.01
Mafatlal Dyes & Chemicals Ltd.	10	150	0.04
Maharashtra Polybutenes Ltd. (formerly Herdillia Polymers Ltd.)	10	200	0.02
Mahindra Gesco Developers Limited (formerly GESCO Corporation Ltd.)	10	33	—
National Organic Chemical Industries Ltd.	10	340	0.02
Novartis India Ltd.	5	64	—
Prime Securities Ltd.	5	100	0.03
Sarabhai Electronics Ltd. (ORG Informatics Limited)	10	8	—
Schenectady Herdillia Ltd. (formerly Herdillia Chemicals Ltd.)	10	178	0.04
Southern Petrochemicals Industries Corporation Ltd.	10	150	0.02
Sudarshan Chemicals Ltd.	10	90	0.02
The Great Eastern Shipping Co. Ltd.	10	305	0.03
Thirumalai Chemicals Ltd.	10	142	0.06

SCHEDULE 6 : INVESTMENTS (AT COST) Continued

(b) The following Investments have been acquired pursuant to the scheme of amalgamation and sold/written off during the year (At cost)

	Face value	2005-2006	
	Rs.	Nos.	Rs. lakhs
Unimers India Ltd. (formerly Herdillia Unimers Ltd.)	10	100	0.01
Zuari Industries Ltd.	10	109	0.02
Amar Dye-Chem Ltd. *	50	5	0.01
Hico Products Ltd. *	10	25	0.01
IDI Ltd. (formerly Indian Dyestuff Industries Ltd.) *	10	132	0.04
Mahamaya Investments Ltd. *	10	26	—
Serene Dyestuff Industries Ltd. *	10	400	0.06
Stanrose Mafatlal Investments & Finance Ltd. *	10	34	0.01

* Written off during the year

SCHEDULE 7 : INVENTORIES

	31-03-2006 Rs. lakhs	31-03-2005 Rs. lakhs
At lower of cost and net realisable value (As certified by the Management)		
Stores and spare parts	324.91	156.31
Raw materials	3586.00	996.90
Packing materials	102.45	29.70
Finished goods	6762.46	3173.96
Work-in-progress	1752.55	1028.64
	12528.37	5385.51

SCHEDULE 8 : SUNDRY DEBTORS

	31-03-2006 Rs. lakhs	31-03-2005 Rs. lakhs
Secured		
(Considered good)		
Under six months	1072.84	419.95
Over six months	17.67	97.55
	1090.51	517.50
Unsecured		
Under six months * (Considered good)	13311.26	6391.87
Over six months (Including doubtful debts Rs. 152.46 lakhs; Previous year : Rs. 153.38 lakhs; balance considered good)	265.19	235.85
	13576.45	6627.72
	14666.96	7145.22
Less: Provision for doubtful debts	152.46	153.38
	14514.50	6991.84

*includes Rs. Nil (Previous year Rs.10.67 lakhs) receivable from private limited company in which directors of the company are directors, since recovered Rs. Nil (Previous year Rs. 10.36 lakhs).

SCHEDULE 9 : CASH AND BANK BALANCES

	31-03-2006 Rs. lakhs	31-03-2005 Rs. lakhs
Cash on hand	10.02	5.23
Cheques on hand	168.62	144.61
With scheduled banks:		
On current accounts	582.35	146.92
On Margin accounts	22.07	—
On fixed deposit accounts	605.90	65.97
	1210.32	212.89
With non-scheduled banks:		
The Municipal Co-operative Bank Limited		
On current account (maximum balance during the year Rs. 3.50 lakhs; previous year Rs. 5.88 lakhs)	—	3.43
On fixed deposit account (maximum balance during the year Rs. 1.65 lakhs; previous year Rs. 1.65 lakhs)	—	1.65
	—	5.08
	1388.96	367.81

SCHEDULE 10 : LOANS AND ADVANCES

	31-03-2006 Rs. lakhs	31-03-2005 Rs. lakhs
(Unsecured - considered good, unless otherwise stated)		
Advances and loans to a subsidiary (See note 18, Schedule 19)	475.00	69.97
Advances recoverable in cash or in kind or for value to be received	4799.83	5299.63
VAT set off admissible	102.03	42.00
Interest accrued on investment	—	166.54
Advance payment of Income tax	1472.42	357.68
Balances with Customs and Excise on current account	599.62	234.72
	7448.90	6170.54

SCHEDULE 11 : CURRENT LIABILITIES

	31-03-2006 Rs. lakhs	31-03-2005 Rs. lakhs
Acceptances	178.81	—
Sundry creditors	15589.62	8984.67
(Includes Rs Nil ; Previous year Rs. 171.73 lakhs due to a subsidiary company, Rs. 2069.80 Lakhs; Previous year Rs. 183.06 Lakhs due to small scale industrial units) (See note 12, Schedule 19)		
Deposits	1282.21	410.79
Interest accrued but not due on loans	2.76	16.43
Unpaid dividends*	102.83	18.97
Unclaimed fixed deposits*	1.49	1.86
Unpaid interest on matured fixed deposits*	6.64	7.32
	17164.36	9440.04

* There is no amount due and outstanding to be credited to Investor Education and Protection Fund

SCHEDULE 12 : PROVISIONS

	31-03-2006 Rs. lakhs	31-03-2005 Rs. lakhs
Retirement Benefits:		
Leave encashment	745.03	315.47
Gratuity	329.12	7.45
Ex-gratia Gratuity	87.15	71.60
Others:		
Provision for taxation	832.89	198.65
Provision for unearned premium (See note 6 (a) & (c), Schedule 19)	650.00	650.00
Provision for stamp duty in connection with Integration (See note 6 (b) & (c), Schedule 19)	741.50	—
Proposed dividend	2932.68	699.00
Corporate Tax on proposed dividend	411.31	98.03
	6729.68	2040.20

Schedules forming part of the Profit and Loss Account

SCHEDULE 13 : OTHER INCOME

	2005-2006 Rs. lakhs	2004-2005 Rs. lakhs
Dividend on long term non-trade investments (Gross)	3.27	—
Dividend on current non-trade investments (Gross)	294.55	8.26
Dividend from Subsidiary companies (Gross)	—	47.71
Export Incentives	404.60	236.82
Profit on Sale of land	—	27.38
Profit on sale of other fixed assets (Net) (See note 28 (a), Schedule 19)	56.98	441.42
Cash discounts	16.81	23.44
Rental income	346.56	33.31
Indenting commission	421.88	373.11
Remission of deferred sales tax/central sales tax	—	277.71
Provision for doubtful debts written back (Net)	139.27	12.21
Profit on sale/changes in the carrying amount of current investments (Net)	15.17	0.41
Profit on sale/changes in the carrying amount of long term investments (Net)	39.52	—
Miscellaneous	1074.11	712.77
	2812.72	2194.55

SCHEDULE 14 : COST OF MATERIALS

	2005-2006 Rs. lakhs	2004-2005 Rs. lakhs
Raw materials consumed	33135.97	17562.75
Packing materials consumed	1790.84	614.85
Purchases of finished goods (Net of goods destroyed in flood)	21545.91	5977.83
(Increase)/Decrease in stocks of finished goods and work-in-process :		
Opening stock		
Finished goods	3173.96	2719.12
Add : Transfer in terms of scheme of amalgamation *	3008.06	—
	6182.02	2719.12
Work-in-process	1028.64	1120.52
Add : Transfer in terms of scheme of amalgamation *	443.25	—
	1471.89	1120.52
	7653.91	3839.64
Less : Closing stock		
Finished goods	6762.46	3173.96
Work-in-process	1752.55	1028.64
	8515.01	4202.60
	(861.10)	(362.96)
	55611.62	23792.47

* See note 1 Schedule 19

SCHEDULE 15 : PERSONNEL

	2005-2006 Rs. lakhs	2004-2005 Rs. lakhs
Salaries, wages, bonus, etc.	5040.38	2254.05
Payment/Provision for Voluntary Retirement Scheme	—	372.76
Contribution/Provision for provident fund, superannuation scheme, gratuity fund, etc. (See note 28 (b), Schedule 19)	1189.60	522.76
Welfare expenses	829.71	433.62
	7059.69	3583.19
Less : Charged to capital accounts	26.96	36.96
	7032.73	3546.23

SCHEDULE 16 : INTEREST (NET)

	2005-2006 Rs. lakhs	2004-2005 Rs. lakhs
Interest Paid		
On loans for fixed period	135.34	131.72
Others (Interest on packing credit, cash credit, post shipment credit, security deposit etc.)	349.78	170.54
	485.12	302.26
Less : Interest received (Gross) :		
(Tax deducted at source Rs. 37.93 lakhs; Previous year : Rs. 3.24 lakhs)		
On Investments	196.99	166.54
Others (Interest on delayed payments, taxation matters, bank deposits etc.)	283.98	58.40
	480.97	224.94
	4.15	77.32

SCHEDULE 17 : OTHER EXPENDITURE

	2005-2006 Rs. lakhs	2004-2005 Rs. lakhs
Stores & Spare parts etc. consumed	1100.99	498.93
Repairs and maintenance:		
Plant and machinery	782.59	410.57
Buildings	454.94	118.29
Others	324.71	186.54
Power and fuel	3677.13	1997.85
Rent (including lease payments) (See note 8, Schedule 19)	424.10	329.84
Rates and taxes (including water charges)	559.31	422.27
Insurance	291.32	171.49
Clearing, Forwarding & transport	969.03	516.08
Travelling & Conveyance	853.39	264.38
Commission	280.51	137.49
Cash Discount	715.60	233.29
Other discounts on sales	1743.88	558.89
Brokerage on exports	80.93	82.38
Adjustment on Sale of Land (See note 28(c), Schedule 19)	117.74	—
Assets written-off	147.18	86.45
Bad debts and advances written off	141.03	36.10
Excise Duty (Net)	47.84	99.17
Exchange Loss (Net)	35.57	144.21
Flood Loss (Net)	130.84	—
Integration Expenses (See note 28 (d), Schedule 19)	925.85	—
Miscellaneous (See note 13, Schedule 19)	3073.72	1058.53
	16878.20	7352.75

Notes

Schedule 18

SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared at historical cost on the accrual basis of accounting and in accordance with the standards on accounting issued by The Institute of Chartered Accountants of India and referred to in Section 211(3C) of the Companies Act, 1956. The significant accounting policies are as follows:

1. SALES

The Company recognises sale of goods on despatch to customers. Sales are net of excise duty, sales tax and trade discounts, wherever applicable.

2. EXCISE DUTY

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

3. RESEARCH AND DEVELOPMENT

Revenue expenditure on research and development is written off in the profit and loss account in the year in which it is incurred. Capital expenditure on research and development is treated in the same way as expenditure on fixed assets.

4. RETIREMENT BENEFITS

(A) Retirement benefits to employees comprise of payment to gratuity, superannuation and provident funds and ex-gratia gratuity under the rules of the Company.

(B) Liabilities in respect of retirement gratuity benefit to employees are provided in terms of The Payment of Gratuity Act, 1972 or the Company's Gratuity Scheme approved by the Commissioner of Income-tax, whichever is beneficial. The adequacy of the fund is confirmed by an actuarial valuation obtained at the year end.

Contributions for superannuation made to LIC under the Company's Superannuation Scheme are charged to the Profit and Loss Account. Contributions to the Provident Funds are made at a pre-determined rate and charged to the Profit and Loss Account.

(C) Liabilities in respect of leave encashment benefit and ex-gratia gratuity payable on retirement to a category of employees, are provided based on an actuarial valuation obtained at the year end and charged to the Profit and Loss Account..

5. VOLUNTARY RETIREMENT SCHEME

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

6. FIXED ASSETS AND DEPRECIATION

(A) 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 fixed assets for the year upto the date the assets are put to use is included in cost.

(B) The cost of leasehold land is amortised over the period of the lease. Freehold land is not amortised/depreciated.

(C) Intangible assets are being amortised equally over a period of three years.

(D) (i) Depreciation in respect of plant, machinery and equipment etc., has been calculated on the straight line method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956, except for :

(a) certain items of plant, machinery and equipment on which a depreciation rate of 20% on straight line method is applied,

(b) electronic data processing (EDP) hardware such as servers on which a depreciation rate of 20% and for other EDP equipments including personal computers and printers on which depreciation rate of 25% on straight line method is applied.

(c) exchange differences capitalised which are depreciated over the remaining useful life of the assets.

(ii) In respect of the Company's Units at Thane (Balkum) and Roha:

(a) Depreciation in respect of buildings, furniture, fixtures and office appliances and vehicles existing as on 31st March, 1995 has been calculated on written down value method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956 except for certain items of furniture, fixtures and vehicles on which a depreciation rate of 20% on straight line method is applied.

(b) With effect from 1st April, 1995 the Company has, in respect of additions to buildings, furniture, fixtures, office appliances and vehicles, charged depreciation on the straight line method, at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956 except in case of certain items of furniture, fixtures and vehicles on which a depreciation rate of 20% on straight line method is applied.

7. IMPAIRMENT OF ASSETS

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An impairment loss will be 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.

8. INVENTORIES

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

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

9. SUNDRY DEBTORS/LOANS AND ADVANCES

Sundry debtors and loans and advances are stated after making adequate provision for doubtful debts/advances.

10. 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. Dividends are accounted for when the right to receive the dividend payment is established.

11. 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 Profit and Loss Account on a straight-line basis over the lease term.

12. FOREIGN CURRENCY TRANSLATIONS

- (A) Monetary items denominated in foreign currency 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. Foreign currency transactions are accounted at the rate prevailing on the date of transaction.
- (B) Non-monetary items other than fixed assets, which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of transaction.
- (C) Gain or loss arising out of translation/conversion is taken credit for or charged to the Profit and Loss Account except exchange differences arising due to repayment or restatement of liabilities incurred for the purpose of acquiring of fixed assets in respect of transactions in foreign currencies entered into prior to April 1, 2004 and in respect of any fixed asset that has been acquired from a country outside India, in which case the exchange differences are adjusted in the carrying amount of the respective fixed assets.

13. 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. Where there are unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. Deferred tax assets/liabilities are reviewed at each Balance Sheet date based on developments during the year and available case laws, to reassess realisation/liabilities.

14. 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.

Schedule 19**NOTES ON THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2006****1. Amalgamation of Clariant (India) Limited (CIL), Vanavil Dyes and Chemicals Limited (VDCL), BTP India Private Limited (BTP) and Kundalika Investments Limited (KIL) with the Company.**

- (A) In accordance with the Scheme of Amalgamation ('the Scheme') of erstwhile Clariant (India) Limited, Vanavil Dyes and Chemicals Limited, BTP India Private Limited and Kundalika Investments Limited (herein after referred to as the "Transferor Companies") with the Company as approved by the members at a Court convened Extra Ordinary General Meeting held on 8th December, 2005 and subsequently sanctioned by the Honourable High Court of Judicature at Madras on 22nd February, 2006 and Honourable High Court of Judicature at Bombay on 24th February, 2006 which was modified vide order dated 17th March, 2006, the entire business and the whole of the undertaking of the Transferor Companies being all its assets and properties and all its debts and liabilities as defined in the scheme have been transferred to and vested in the Company retrospectively with effect from 1st April, 2005. The Scheme has accordingly been given effect to in these accounts.

- (B) Nature of the business of Transferor Companies :

Clariant (India) Limited (CIL) :

Manufacturing and marketing of dyes and speciality chemicals for textiles, leather, paper and masterbatches for plastics and fibers.

Vanavil Dyes and Chemicals Limited (VDCL) :

Manufacturing and marketing of different classes of pigments, intermediates and chemicals.

BTP India Private Limited (BTP) :

Manufacturing and marketing of dyes and specialty chemicals and industrial chemicals.

Kundalika Investments Limited (KIL) :

Leasing of vehicles and other equipment.

- (C) The amalgamation has been accounted for under the 'pooling of interests' method as prescribed by the Accounting Standard 14 - "Accounting for Amalgamation" issued by The Institute of Chartered Accountants of India. Accordingly, the accounting treatment, after making necessary adjustments has been given as under :
- (i) The assets and liabilities of the Transferor Companies as at 1st April, 2005 have been taken over at their book values after making adjustments required to bring about the uniformity in the accounting policies between the Transferor Companies and the Transferee Company as specified in the scheme. Accordingly, Rs. 679.18 lakhs (net of deferred tax Rs. 344.64 lakhs) has been credited to the General Reserve taken over by the Company on account of such adjustments.
 - (ii) Capital reserve, Share premium, Investment allowance reserve and credit balance in the Profit and Loss Account of the Transferor Companies amounting to Rs. 27.16 lakhs, Rs. 1522.15 lakhs, Rs. 20.00 lakhs and Rs. 1308.30 lakhs respectively have been credited to the respective accounts of the Company.
 - (iii) The difference between the amounts recorded in Share Suspense account with respect to shares pending allotment and the amount of Share Capital of the Transferor Companies and difference between the book value and the face value of the cancelled shares referred to in note (D) below amounting to Rs. 702.85 lakhs has been credited to the Capital reserve of the Company.
 - (iv) The General Reserve amounting to Rs. 10210.81 lakhs of the transferor Companies taken over by the Company after making necessary adjustments pursuant to the scheme of amalgamation, have been summarised as under.

	CIL Rs. lakhs	VDCL Rs. lakhs	BTP Rs. lakhs	KIL Rs. lakhs	Total Rs. lakhs
General Reserve Balance as at 1st April, 2005	8017.29	1230.12	26.15	153.07	9426.63
Adjustment to the General Reserve to bring about the uniformity in the accounting policies	1122.96	(155.53)	—	56.39	1023.82
Deferred tax impact on account of the above adjustment	(377.99)	52.35	—	(19.00)	(344.64)
Transfer of Environmental Reserve to General Reserve	—	105.00	—	—	105.00
Total General Reserve taken over on amalgamation as at 1st April, 2005	8762.26	1231.94	26.15	190.46	10210.81

- (D) Pursuant to the Scheme, 28,02,934 shares of Rs.10/- each of Vanavil Dyes and Chemicals Limited and 2,50,000 shares of Rs.10/- each of Kundalika Investments Limited held by the Company stand cancelled.
- (E) Pursuant to the Scheme, and after considering the cancellation of the equity shares as per (D) above, 1,50,10,745 shares of Rs. 10/- each are to be allotted to the shareholders of the Transferor Companies as follows :
- Clariant (India) Limited : 1,19,25,000 shares in the ratio of 1 share for every 1 share
 Vanavil Dyes and Chemicals Limited : 4,25,745 shares in the ratio of 1 share for every 5 shares
 BTP India Private Limited : 26,60,000 shares in the ratio of 1 share for every 5 shares
 Pending allotment as at 31st March, 2006 an amount of Rs. 1501.07 lakhs have been shown under Share Suspense Account. (Schedule 1A).
- (F) In terms of the Scheme, the Equity Shares when issued and allotted by the Company shall be eligible for dividend, voting rights and in all other respects rank pari-passu with the existing equity shares of the Company. Accordingly, the appropriation for the proposed dividend includes dividend on 1,50,10,745 shares which would be allotted to the shareholders of the Transferor Companies.
- (G) In terms of the Scheme, the name of the Company is changed from Colour-Chem Limited to Clariant Chemicals (India) Limited.
- (H) In view of the aforesaid amalgamation with effect from 1st April, 2005, the figures for the current year are not directly comparable to those of previous year.

2. Segment Information for the year ended 31st March, 2006 (As required by Accounting Standard (AS) -17 "Segment Reporting")

- (a) The Company is organised into three primary business segments mainly:
- (i) Intermediates & Colours:
Consist of pigment dyestuffs and their dispersion, Intermediates for dyes, pesticides and pharmaceuticals.
 - (ii) Dyes & Specialty Chemicals:
Includes dyestuffs, synthetic resins, binder materials, auxiliaries and chemicals.
 - (iii) Masterbatches :
Covers commodity and specialty Masterbatches for Plastics and nylon fibres.

- (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) Segment Revenue in each of the above Business Segments primarily includes Sales and Processing charges.
- (e) (i) Segment Revenue and Results:
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, debtors and inventories. Segment liabilities primarily include creditors and other liabilities.
- (iii) Assets and liabilities that cannot be allocated between the segments are shown as a part of unallocable corporate assets and liabilities respectively.
- (f) All inter-segment transfers are at cost price.

	2005-2006 Rs. lakhs				2004-2005 Rs. lakhs			
	Inter- mediates & Colours	Dyes and Specialty Chemicals	Master- batches	Total	Inter- mediates & Colours	Dyes and Specialty Chemicals	Master- batches	Total
Revenue								
External Sales/Revenue	35,105.99	48,315.18	1,684.54	85,105.71	25,926.56	11,391.11	—	37,317.67
Less: Inter Segment Revenue	—	—	—	—	(18.46)	—	—	(18.46)
Total Revenue (Net)	35,105.99	48,315.18	1,684.54	85,105.71	25,908.10	11,391.11	—	37,299.21
Results								
Segment Results	1,531.88	6,360.43	125.52	8,017.83	1,912.45	1,639.04	—	3,551.49
Unallocated Corporate Expenses (net)				(1,827.85)				(601.49)
Operating profits				6,189.98				2,950.00
Interest Income/Dividend income				778.79				280.91
Interest Expenses				(485.12)				(302.26)
Profit Before Taxation				6,483.65				2,928.65
Current Tax/Deferred Tax (after considering prior period items)				(2,216.58)				(1,369.98)
Fringe Benefit Tax				(227.89)				—
Profit After Tax				4,039.18				1,558.67
Other Information								
Segment Assets	23,405.49	21,848.58	1,123.85	46,377.92	18,077.22	6,729.97	—	24,807.19
Unallocated Corporate Assets				15,372.98				6,768.42
Total Assets				61,750.90				31,575.61
Segment Liabilities	7,518.50	8,885.87	280.33	16,684.70	6,479.06	2,484.90	—	8,963.96
Unallocated Corporate Liabilities				3,032.46				1,520.65
Total Liabilities				19,717.16				10,484.61
Capital Expenditure	1,970.08	935.53	72.71	2,978.32	2,077.65	153.31	—	2,230.96
Unallocated Corporate Capital Expenditure				35.32				12.32
Total capital expenditure				3,013.64				2,243.28
Depreciation/Amortisation	1,321.45	884.24	59.05	2,264.74	894.54	233.09	—	1,127.63
Unallocated Corporate Depreciation				182.25				19.21
Total Depreciation/Amortisation				2,446.99				1,146.84
Non cash expenses other than Depreciation/Amortisation	87.87	136.69	9.91	234.47	128.13	35.31	—	163.44
Unallocated Corporate Non cash expenses other than Depreciation/Amortisation				831.49				683.56
Total Non cash expenses other than Depreciation/Amortisation				1,065.96				847.00

Information about Secondary Segments:-

Revenue by Geographical Market	2005-2006 Rs. lakhs			2004-2005 Rs. lakhs		
	India	Outside India	Total	India	Outside India	Total
External Sales	62,201.88	22,903.83	85,105.71	27,756.24	9,542.97	37,299.21
Segment Assets	43,224.75	3,153.17	46,377.92	23,919.92	887.27	24,807.19
Additions to Fixed Assets	2,978.32	—	2,978.32	2,230.96	—	2,230.96

Footnotes:-

- (a) Segment Assets do not include Advance Income Tax **Rs. 1472.42 lakhs** (Previous Year Rs. 357.68 lakhs).
(b) Deferred Tax Asset (net) **Rs. NIL** (Previous Year Rs. 163.71 lakhs).
- Segment Liabilities exclude the following:
(a) Proposed dividend **Rs. 2932.68 lakhs** (Previous Year Rs. 699.00 lakhs).
(b) Tax on dividend **Rs. 411.31 lakhs** (Previous Year Rs. 98.03 lakhs).
(c) Provision for Taxation **Rs. 832.89 lakhs** (Previous Year Rs. 198.65 lakhs)

3. Related Party Disclosure as required by Accounting Standard-18 "Related Party Disclosures" are given below:

Relationship :

(a) Holding Company :

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

(b) Subsidiary of the Company :

The Company has subsidiary Chemtreat Composites India Pvt. Ltd. – 100% shareholding (w.e.f. 13th February 2006)

(c) Other related parties in the Clariant group where common control exists:

Fellow Subsidiaries Companies:

Clariant (Oesterreich) GmbH, Austria	Clariant Masterbatch Huningue S.A.S.
Clariant Benelux S.A., Belgium	Clariant Masterbatches (France) S.A.S.
Clariant Service (Schweiz) AG (Formerly part of Clariant (Schweiz) AG, Switzerland)	Clariant Holdings UK Ltd., Great Britain
Clariant Produkte (Schweiz) AG (Formerly part of Clariant (Schweiz) AG, Switzerland)	Clariant UK Ltd., Great Britain
Clariant Export AG (Formerly part of Clariant (Schweiz) AG, Switzerland)	UK dormant Clariant - Companies, Great Britain
Clariant Consulting AG, Switzerland	Clariant Horsforth Ltd., Great Britain
Clariant Verwaltungs GmbH, Germany	BTP Ltd., Great Britain
Clariant GmbH, Germany	Clariant Life Science Molecules (UK) Ltd., Great Britain
Clariant (Deutschland) GmbH, Germany	BTP Insurance Company Ltd., Great Britain
Clariant Produkte (Deutschland) GmbH	UK dormant BTP - Companies, Great Britain
Clariant Vertrieb (Deutschland) GmbH & Co. KG	Clariant Masterbatches UK Ltd.
Clariant Life Science Molecules (Deutschland) GmbH	Masterplast Ltd., Ireland
Clariant Specialty Fine Chemicals (Deutschland) GmbH	Clariant (Italia) SpA., Italy
Schroeder & Stadelmann GmbH, Germany	Clariant Life Science Molecules (Italia) SpA., Italy
Clariant Masterbatch GmbH & Co. OHG, Germany	Clariant Holding (Italia) SpA, Italy
Clariant Masterbatches (Deutschland) GmbH	Dick Peters B.V., Netherlands
Clariant Service GmbH, Germany	Clariant (Norge) AS, Norway
Industriepark Gersthofen Service GmbH & Co. KG, Germany	Clariant Quimicos (Portugal) Lda., Portugal
Industriepark Griesheim GmbH & Co. KG, Germany	Clariant (Sverige) AB, Sweden
Clariant (Danmark) A/S, Denmark	Clariant Masterbatches Norden AB, Sweden
Clariant Ibérica S.A., Spain	Clariant Holding (Sverige) AB
Clariant Masterbatch Ibérica S.A., Spain	Clariant (Canada) Inc., Canada
Clariant (Finland) Oy, Finland	Clariant Life Science Molecules (Florida) Inc., USA
Clariant Huningue, France	Clariant Life Science Molecules (America) Inc., USA
K.J. Quinn, France	Clariant Life Science Molecules (Missouri) Inc., USA
Clariant (France), France	US dormant BTP - Companies
Clariant LSM (France) Holding EURL, France	Clariant (Argentina) S.A., Argentina
Clariant Life Science Molecules (France) SAS, France	Clariant S.A., Brazil
Clariant Specialty Fine Chemicals (France) S.A.S	Clariant Colorquímica (Chile) Ltda., Chile
	Clariant (Colombia) S.A., Colombia
	Clariant (Guatemala) S.A., Guatemala
	Clariant (Mexico) S.A. de C.V., Mexico

Clariant Productos Quimicos S.A. de C.V., Mexico
 Clariant (Peru) S.A., Peru
 Clariant (Uruguay) S.A., Uruguay
 Clariant (Venezuela) S.A., Venezuela
 Clariant (Australia) Pty. Ltd., Australia
 Clariant (Tianjin) Ltd., China
 Clariant Chemicals (China) Ltd., China
 Clariant Masterbatches (Guangzhou) Ltd.
 Clariant Pigments (Tianjin) Ltd., China
 Clariant Masterbatches (Beijing) Ltd., China
 Clariant Masterbatches (Shanghai) Ltd., China
 Clariant Trading (China) Ltd.
 Clariant (China) Ltd., Hong Kong
 P.T. Clariant Indonesia, Indonesia
 Clariant (Japan) K.K., Japan
 Dia Fine K.K., Japan
 Clariant (Korea) Ltd., South Korea
 Clariant Masterbatches (Korea) Ltd.
 (Formerly known as Clariant Sangho Ltd., South Korea)
 Clariant Pigments (Korea) Ltd.
 (Formerly known as Clariant Songwon Color Co. Ltd., South Korea)
 Clariant (Malaysia) Sdn. Bhd., Malaysia

Clariant Masterbatches (Malaysia) Sdn. Bhd., Malaysia
 Clariant (New Zealand), Ltd., New Zealand
 Clariant (Singapore) Pte. Ltd., Singapore
 Clariant Chemicals (Thailand) Ltd., Thailand
 Clariant Masterbatches (Thailand) Ltd., Thailand
 Clariant Chemicals (Taiwan) Co. Ltd., Taiwan
 Clariant (Gulf) FZE, United Arab Emirates
 Egyptian German Company for Dyes & Resins S.A.E., Egypt
 Clariant (Egypt) S.A.E., Egypt
 Clariant (Maroc) S.A., Morocco
 Clariant (Pakistan) Ltd., Karachi, Pakistan
 Clariant Türkiye A.S., Turkey
 Clariant Southern Africa (Pty) Ltd., South Africa
 Clariant Finanz AG, Switzerland
 Clariant Reinsurance Ltd., Bermuda
 Clariant Insurance (Liechtenstein) AG, Liechtenstein
 Clariant Finance (BVI) Ltd., British Virgin Islands
 Clariant Beteiligungen AG
 Clariant Chemieeteiligungen AG
 Clariant Finance (Luxembourg) S.A., Luxembourg
 BTP World S.A., Luxembourg
 Clariant Participations B.V., Netherlands
 Clariant Corporation, USA

Associate Companies :

Clariant Consulting (Middle East) Ltd., Switzerland
 BCI Betriebs-AG, Switzerland
 Clariant Oil Services Ltd., Switzerland
 Clariant CR s.r.o., Czech Republic
 Abieta Chemie GmbH, Gersthofen, Germany
 InfraServ GmbH & Co. Gendorf KG, Germany
 InfraServ GmbH & Co. Höchst KG, Germany
 InfraServ GmbH & Co., Knapsack KG, Germany
 InfraServ GmbH & Co., Ruhrchemie KG, Germany
 InfraServ GmbH & Co., Wiesbaden KG, Germany
 Gersthofen Verwaltungs GmbH, Germany
 Industriepark Griesheim Verwaltungs GmbH, Germany
 Clariant Beteiligungs-GmbH, Germany
 Clariant Vertrieb (Deutschland) Verwaltungs GmbH, Germany
 Clariant Erste Chemie GmbH, Germany
 Clariant Zweite Chemie GmbH, Germany
 Aguas Industriales de Tarragona S.A., Spain (AITASA)
 S.T.E.I.H. Sàrl, France
 Clariant (Hellas) S.A., Greece
 Clariant Polska Sp. z.o.o, Poland
 Colex Sp. z.o.o., Poland
 KorChemColor, Russia

Clariant Europa EWIV
 Clariant Hungaria Kft, Hungary
 Omnexus N.V., Netherlands
 Clariant (RUS) LLC, Russian Federation
 Clariant Distribucija SL, d.o.o., Slovenia
 Fuchs do Brasil S.A., Brazil
 Clariant (Ecuador) S.A., Ecuador
 Clariant Trading (Panama) S.A., Panama
 Clariant (El Salvador) S.A. de CV, El Salvador
 Clariant (Uruguay) S.A., Uruguay
 Clariant (Bangladesh) Ltd, Bangladesh
 Tianjin Hua Shi Chemicals, China
 Hangzhou Baihe Clariant Pigments Co., Ltd.
 Chemcolour Industries (NZ) Ltd., New Zealand
 Clariant (Philippines) Corp., Philippines
 Clariant (Vietnam) Ltd., Vietnam
 Clariant Tunisie S.A., Tunisia
 Compagnie Tunisienne de Chimie Industrielle, Tunisia
 Kemoks Kimya Sanayi, Turkey
 International School of the Basel Region AG, Switzerland
 Starfire Systems Inc., U.S.A.

(d) Key Management Personnel :

K. J. Bharucha : Vice Chairman & Managing Director (upto 31st March, 2006)
 P. R. Rastogi : Director (upto 23rd March, 2006) (Vice Chairman & Managing Director of erstwhile Clariant (India) Ltd. upto 19th March, 2006.)

(e) Relative of Key Management Personnel :

Mrs. K.P.Rastogi : Wife of Mr. P. R. Rastogi

During the year the following transactions were entered into with related parties:

(i) **Holding Company, Subsidiary Companies, Fellow Companies and Associates :**

	2005-2006 Rs. lakhs	2004-2005 Rs. lakhs
Holding Company:		
Transactions during the year :		
Sales of Goods		
Clariant International AG	501.07	
EBITO Chemieeteiligungen AG	—	
Services rendered and others		
Clariant International AG	108.44	
EBITO Chemieeteiligungen AG	56.73	1.07
Purchase of Goods		
Clariant International AG	3,889.26	
EBITO Chemieeteiligungen AG	—	
Services received and others		
Clariant International AG	374.36	110.00
EBITO Chemieeteiligungen AG	—	
Dividend Paid		
Clariant International AG	364.50	
EBITO Chemieeteiligungen AG	490.02	350.22
Balances outstanding as at the year end :		
Amount Payable	1,272.99	45.33
Amount Receivable	175.47	19.82

Subsidiary Companies :

Transactions during the year :		
Sale of Goods		
Others	—	16.27
Services rendered and others		
Vanavil Dyes & Chemicals Ltd. – Amalgamated with the Company during the year	—	122.33
Purchase of Goods		
Vanavil Dyes & Chemicals Ltd. – Amalgamated with the Company during the year	—	1,263.70
Sales of Fixed Assets		
Vanavil Dyes & Chemicals Ltd. – Amalgamated with the Company during the year	—	2.25
Advances/Loan given during the year		
Kundalika Investments Ltd. – Amalgamated with the Company during the year	—	170.00
Chemtreat Composites India Pvt. Ltd.	475.00	—
Advances adjusted during the year		
Kundalika Investments Ltd. – Amalgamated with the Company during the year	—	100.00
Services received and others		
Vanavil Dyes & Chemicals Ltd. – Amalgamated with the Company during the year	—	54.07
Kundalika Investments Ltd. – Amalgamated with the Company during the year	—	175.48
Dividend received		
Vanavil Dyes & Chemicals Ltd. – Amalgamated with the Company during the year	—	27.71
Kundalika Investments Ltd. – Amalgamated with the Company during the year	—	20.00
Balances outstanding as at the year end :		
Amount Payable	—	202.23
Amount Receivable	475.00	100.47

	2005-2006 Rs. lakhs	2004-2005 Rs. lakhs
Fellow Subsidiaries :		
Transactions during the year :		
Sale of Goods		
Clariant Produkte (Deutschland) GmbH	2,908.30	—
Clariant Corporation	1,956.21	507.29
Clariant GmbH	—	3,977.25
Others	14,463.36	3,357.88
Services rendered and others		
Clariant Produkte (Deutschland) GmbH	206.52	—
Clariant Export AG	41.89	—
Clariant GmbH	—	236.25
Clariant Huningue	—	20.58
Others	150.26	82.81
Purchase of Goods		
Clariant GmbH	1,631.65	1,543.11
Clariant UK Ltd.	457.28	393.54
Clariant AG Switzerland	—	423.86
Others	1,954.50	556.74
Sales of Fixed Assets		
BTP India Pvt. Ltd. – Amalgamated with the Company during the year	—	3.02
Services received and others		
Clariant UK Ltd.	34.62	—
Clariant GmbH	9.49	14.27
Clariant (China) Ltd.	—	44.47
Others	43.99	36.10
Dividend Paid		
BTP Ltd., UK	570.00	—
Balances outstanding as at the year end :		
Amount Payable	474.85	803.56
Amount Receivable	2,567.91	1,514.44
Associate Companies :		
Transactions during the year :		
Sale of Goods		
Chemcolour Industries (NZ) Ltd.	11.10	—
Others	—	40.88
Purchase of Goods		
Abieta Chemie GmbH	13.91	11.45
Others	—	9.07
Services received and others		
Clariant Consulting (Middle East) Ltd.	11.03	—
Clariant (Philippines) Corp.,	1.77	2.61
Balances outstanding as at the year end :		
Amount Payable	17.74	4.34
Amount Receivable	2.51	3.46
(ii) Key Management Personnel :		
Remuneration paid	114.53	131.71
Remuneration paid to ex-Vice Chairman & Managing Director of erstwhile Clariant (India) Ltd. (excluding Rs. 62.20 lakhs paid as Consultant of the Company) See Note 16, Schedule 19)	125.09	—
Sale of Assets	9.39	—
Commission Payable (Net)	33.09	—
(iii) Relatives of the Key Management Personnel :		
Rent Payment	11.88	—

	2005-2006	2004-2005
4. Earnings per share:		
(a) Net profit after taxation for the year (Rs. lakhs)	4039.18	1558.67
(b) Number of equity shares outstanding	11650000	11650000
(c) Number of shares in Share Capital Suspense Account	15010745	—
(d) Total (b) + (c)	26660745	11650000
(e) Basic & Diluted earnings per share (In Rupees)	15.15	13.38
(f) Face value per share (In Rupees)	10.00	10.00

5. Deferred Taxes:

The major components of deferred tax assets and deferred tax liabilities are set out below:

	2006 Rs. lakhs	2005 Rs. lakhs
Deferred Tax Assets		
(i) Provision for Doubtful debts	51.31	51.63
(ii) Provision for retirement benefits	356.93	121.28
(iii) Expenses allowable for tax purposes when paid	92.63	25.17
(iv) Integration Expenses	247.28	—
(v) Payment/Provision for Voluntary Retirement Scheme	802.09	1121.48
(vi) Others	3.48	—
	1553.72	1319.56
Deferred Tax Liabilities		
(i) Depreciation/Amortisation	2079.36	1155.85
	2079.36	1155.85
Deferred Tax Assets/(Liabilities) — Net	(525.64)	163.71

The net Deferred Tax Liabilities in the books of erstwhile Clariant (India) Limited, Vanavil Dyes and Chemicals Limited, BTP India Private Limited and Kundalika Investments Limited amounting to Rs. 651.69 lakhs (net of adjustments of Rs.344.64 lakhs to the general reserve to bring the uniformity in the accounting policies) as at 1st April, 2005 has been added to the Deferred Tax assets of the Company on amalgamation.

6. (a) The Company had made provision for unearned premium in the previous year amounting to Rs. 650 lakhs (prior period item) as an adjustment arising out of the addendum dated 17th January, 2005 entered into with the purchaser in respect of the Sale of Land at Thane in December, 2003.
- (b) The Company has made provision for stamp duty on all immovable properties of Transferor Companies situated in the State of Maharashtra for registering the same in the name of the Company, pursuant to the scheme of amalgamation.
- (c) The movements in the above provision are summarised as under :

	As on 1st April, 2005	Additional provision made during the year	Amount used/ Reversed during the year	As on 31st March, 2006	Rs. lakhs As on 31st March, 2005
(i) Provision for Unearned premium in respect of Sale of Land	650.00	—	—	650.00	650.00
(ii) Provision for Stamp Duty pursuant to the Scheme of Amalgamation	—	741.50	—	741.50	—
Future cash outflows are expected within a year.					

7. In the previous year, the Company had received an order of the Sub-Divisional, Thane demanding Rs. 121 lakhs for the lease of land to Thane Municipal Corporation, Fire Brigade and Maharashtra State Electricity Board without obtaining prior permission in writing against which the Company had filed a writ petition before the Bombay High Court. The Hon'ble High Court has granted interim stay in terms of the petition during the current year.

8. In respect of all assets taken on lease on or after 1st April, 2001:

- (a) In respect of Operating leases, where lease agreements have been formally entered into, minimum lease payments recognised in the Profit and Loss Account for the year are as follows.

	2005-2006 Rs. lakhs	2004-2005 Rs. lakhs
Residential flats, office premises, vehicles, equipment and machinery, computers etc.	406.53	329.84
(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) Contingent rent payments in respect of vehicles are dependent upon the excess of actual usage, if any, over stipulated usage.		

9. Expenditure on Research and Development during the year

(a) Capital expenditure	37.16	73.32
(b) Revenue expenditure charged to Profit and Loss Account	563.87	392.91
	601.03	466.23

10. Estimated amount of contracts remaining to be executed on capital account and not provided for	175.15	135.27
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11. Contingent liabilities not provided for :

(a) in respect of income tax matters decided against the Company, in respect of which the Company is in further appeal	986.66	283.03
decided in favour of the Company against which the department is in appeal.	14.78	—
(b) in respect of sales tax matters	77.82	58.28
(c) in respect of excise matters	639.53	217.36
(d) in respect of bills of exchange discounted with banks [since realised Rs. 895.39 lakhs (Rs. 245.62 lakhs)]	1589.06	963.65
(e) Other matters in dispute	6.76	6.76
(f) Disputed Labour matters - Amount not ascertained.	—	—

In respect of items (a) to (c), (e) & (f) future cash outflows in respect of contingent liabilities is determinable only on receipt of judgements pending at various forums/authorities.

12. The names of the small scale industrial undertakings to whom the Company owes, an amount outstanding for more than 30 days are:

Advent Dyestuffs & Chem Private Limited	Glowwhite Chemicals Private Limited
Alginates Allied Chem Private Limited	Grand Organics Private Limited,
Alguj Chemical Industries	Gujarat Clay Mills Private Limited
Alpanil Industries	Gujarat Polysol Chemicals Private Limited
Alps Chemicals Private Limited	Hema Chemicals Industries
Ambica Industries	Hemali Dye Chem
Amogh Chemicals Private Limited	Hercules Pigment Industry
Amtex Dye-Chem Industries	Hind Dyes & Chemicals
Amzole India Private Limited	Indian Dyes & Chemicals
Anupam Colours & Chemicals Industries	Jackson Chemical Industries
Apurva Chemicals	Jainik Industries
Arihant Intermediates (M) Private Limited	Jay Chem
Aru Organics Private Limited	Jay Chemicals
Auxichem	Jupiter Engineers
Bajaj Chemical Products	K. K. Corporation
Britace! Silicones Limited	Kailash Chemicals
Chem Coat Chemical Industries	Kanshu Chemical Industries
Chemco Dyestuffs Private Limited	Karsandas Mavji
Chromatic India Limited	Kepra Industries
Colour Synth Industries Private Limited	Kiri Dyes & Chemicals Private Limited
D. K. Chemicals	Krimvi Industries
Dalal Enterprises	L.N. Chemical Industries
Dhanashree Plastics	L.V. Associates
Dimple Chemicals & Services	Liberty Valves Private Limited
Dispo Dye Chem Private Limited	Link Bulk Drug Products P. Limited
East Coast Organics (Private) Limited	Lotus Enterprise
Elkay Chemicals Private Limited	Lumis Biotech Private Limited
Esteem Inds Private Limited	Mahavir Chemicals
Everst Intermediates	Mahesh Engineering Corporation
Fairdeal Corporation	Makewel Plastisizers Private Limited
Flame Pharmaceuticals Private Limited	Mandar Chemicals
Ganga Chemicals	Manish Minerals & Chemicals

Mass Dye Chem Private Limited
Maulik Dyechem
Meghna Packaging
Memba Chem Industries Private Limited
Menu Engg Works
Merchem Limited
Minol Acid & Chemicals Private Limited
Modhera Chemicals Private Limited
Multi Packaging Private Limited
Naman Plastic Processor Limited
Neo Orgo Chem
Niranjan Plastics
Nirvip Dyes & Chemicals Private Limited
Nmp Equipments Corporation
Nrox Specialities
Orchem Industries Private Limited
Orchem Intermediates Private Limited
Panchsheel Intermediates
Parag Dyestuff
Perfect Colourants & Plastics
Pioneer Papers
Polygon Chemicals
Premier Solvents Private Limited
Prima Chemicals
Pure Chem Products Limited
Purosil Chemicals Limited
Quimica India
R.R.J. Dyes & Int. Limited
Radha Chemicals
Rangoli Plastics Private Limited
Ranka Organics Private Limited

S.P. Engineering & Trading Co.
Sadhana Chemical Industries
Saptavarna Colourants Private Limited
Sealwel India
Shakti Intermediates Private Limited
Shanti Industries
Shivam Chemicals
Shree Chemicals
Shree Pushkar Petro Products Limited
Shyam Chemicals Private Limited
Sita Chemicals Private Limited
S.M. International
Sohan Dye Chem Private Limited
Solar Dyes Industries
Solar Dyestuff Private Limited
Sree Ramcides Chemicals Private Limited
Sterling Auxiliaries Private Limited
Sudarshan Chemical Ind Limited
Supreet Chemicals Private Limited
Synthetic Dyes & Chemicals
Techno Color Corporation
Techno Trend
Triune Chemicals
Utpan Chempro
Vandana Tex Dyes
Versatile Chemicals Private Limited
Victory Dye Chem Industries
Vignesh Chemicals
Vikram Plasticizers
Yashashvi Rasyan Private Limited
Yogeshwar Chemicals Limited

The above information and that given in Schedule-11 'Current Liabilities' regarding small scale industrial undertakings is restricted to the parties from whom the Company purchases raw materials, packing materials and finished goods. This has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

13. Other Expenses include:

	2005-2006 Rs. lakhs (Excluding Service Tax)	2004-2005 Rs. lakhs (Excluding Service Tax)
(a) Auditors' remuneration and expenses :		
(i) Audit fees	35.54	12.50
(ii) Company law matters	3.50	0.10
(iii) Taxation services	5.80	—
(iv) Other services - miscellaneous reports	25.62	12.20
(v) Out-of-pocket expenses	2.02	0.94
	72.48	25.74

Out of the above, Rs. 72.19 lakhs (Rs. 25.74 lakhs) is included under 'Miscellaneous Expenses' and Rs. 0.29 lakh is included under 'Integration expenses'.

14. Disclosure in respect of Derivative Instruments :

The Company uses Forward Exchange Contracts to hedge its exposure in foreign currency. The information on derivatives instruments is as follows:

(a) Forward Exchange Contracts outstanding as at 31st March, 2006

Currency	Amount in foreign currency	Amount Rs. lakhs
EUR / INR	237210	127.00
CHF / INR	200000	68.77
		195.77

(b) Foreign currency exposures not covered by a derivative instrument as at 31st March, 2006.

(i) Amount receivable on account of export of goods & services

Currency	Amount in foreign currency	Amount Rs. lakhs
USD	5338925	2367.67
EUR	193315	102.13
CHF	133554	46.09
GBP	65611	51.48
JPY	785000	3.00
		2570.37

(ii) Amount payable on account of import of goods and services.

Currency	Amount in foreign currency	Amount Rs. lakhs
USD	2800781	1252.26
EUR	1136690	622.89
CHF	865611	299.92
GBP	64406	50.35
		2225.42

15. (a) EBITO Chemiebeteteiligungen AG (EBITO), the holding Company, made an open offer in the current year to acquire 20% of the equity shares of the Company pursuant to the order of the Supreme Court dated 25th August, 2004 in compliance with SEBI (Substantial Acquisition of Shares & Takeover) Regulations, 1997 as amended up to date. In view of the above, EBITO's shareholding has increased from 58,37,080 shares to 81,67,080 shares.
- (b) Pursuant to the open offer made by the Company during the current year to acquire 20% of the equity share capital in its subsidiary- erstwhile Vanavil Dyes and Chemicals Limited, the Company's shareholding has increased from 27,71,206 shares to 28,02,934 shares resulting in increase in percentage of shareholding from 56.19% to 56.84% with effect from 5th August, 2005. Pursuant to the Scheme of Amalgamation, erstwhile Vanavil Dyes and Chemicals Limited has been amalgamated with the Company retrospectively w.e.f. 1st April, 2005 as stated in note 1.
- (c) In terms of the share purchase agreement for Chemtreat Composites India Private Limited (fully owned subsidiary) dated 13th February, 2006 read with supplemental agreement of even date, the seller will be paid the balance consideration of an amount of Rs. 225 lakhs as reduced by an amount incurred/to be incurred for fulfilling the post-closing obligations by the seller. As these obligations are to be fulfilled by 30th June, 2006, the ultimate amount of balance consideration to be paid (to be adjusted in the investment cost) to the seller is not ascertainable.
16. Amount paid/payable by the Company to the Directors (including Managing Director) as remuneration for services rendered in any capacity:

	2005-2006 Rs. lakhs	2004-2005 Rs. lakhs
Directors' fees	1.68	1.17
Salaries	38.72	50.55
Commission	42.31	41.70
Other perquisites and benefits in cash or in kind	39.50	45.46
	# 122.21	138.88
# Includes subject to Shareholders' approval.	56.01	—

Note: (i) Provision for leave encashment and gratuity benefit which is based on actuarial valuation done on an overall Company basis is excluded from above.

(ii) In the absence of records, the quantum of excess remuneration paid, if any, as compared to the 1969 Managerial Remuneration Guidelines in respect of a sum of Rs. 3.33 lakhs paid to an ex-managing director of erstwhile Clariant (India) Limited for the years 1981 and 1982, has not been ascertained.

(iii) Excludes remuneration of Rs. 125.09 lakhs paid to ex-managing director and Rs. 6.50 lakhs payable to non-wholetime directors of erstwhile Clariant (India) Limited.

(iv) Excludes sitting fees of Rs. 1.64 lakhs & Rs. 1.62 lakhs paid to the non-wholetime directors of erstwhile Clariant (India) Limited and erstwhile Vanavil Dyes and Chemicals Limited respectively.

(v) Excludes Rs. 62.20 lakhs paid to ex-managing director of erstwhile Clariant (India) Limited as consultant of the Company for a period from 20th March, 2006 to 31st March, 2006.

17. Computation of net profit for commission payable to the Directors in accordance with Section 198 of the Companies Act, 1956:

	2005-2006		2004-2005	
	Rs. lakhs	Rs. lakhs	Rs. lakhs	Rs. lakhs
Profit after tax as per Profit and Loss Account after prior period items		4039.18		1558.67
<i>Add :</i> Provision for Taxation-Net	2444.47		1369.48	
Managerial Remuneration	122.21		138.88	
Wealth Tax	6.75		0.50	
Payment/Provision made under Voluntary Retirement Scheme	—		372.76	
Provision for Unearned premium	—		650.00	
Integration expenses	925.85		—	
Flood Loss	130.84		—	
Adjustment on Sale of Land at Thane	117.74		—	
Loss on Sale of Investments	—		0.56	
		3747.86		2532.18
		7787.04		4090.85
<i>Less :</i> Profit on sale of Investments	54.69		0.97	
Provision for doubtful debts written back (net)	139.27		12.21	
Provision for diminution in the value of investments written back	0.53		—	
Capital receipts-Surrender of Tenancy right	30.00		—	
Capital Profit on Sale of Fixed Assets	107.35		462.02	
		331.84		475.20
Net profit as per Section 198		7455.20		3615.65
Commission:				
To Vice-Chairman & Managing Director				
1. Fixed Commission		29.04	18.30	
2. Variable Commission		7.27	10.43	28.73
To Whole-time Directors @ 1% of net profit i.e. N.A. (Rs. 36.16 lakhs) restricted to 50% of the salary		—		6.97
To Directors who are not in whole-time employment of the Company @ 1% of net profit i.e. Rs. 74.55 lakhs (Rs. 36.16 lakhs) restricted to sum as determined by the Board of Directors		6.00		6.00
		42.31		41.70

18. (a) Advances and loans to a subsidiary includes due from :

- (i) Erstwhile Kundalika Investments Limited **Rs. NIL** (Rs. 69.97 lakhs). Maximum amount due during the year **Rs. 120 lakhs** (Rs. 256.48 lakhs).
- (ii) Chemtreat Composites India Private Ltd. **Rs. 475.00 lakhs** (Rs. NIL). Maximum amount due during the year **Rs. 475.00 lakhs** (Rs. NIL). This loan is interest free and there is no repayment schedule for the same.

19. Class of goods

	Unit	2005-2006		2004-2005	
		Installed capacity	Production*	Installed capacity	Production*
(a) Pigment dyestuffs and their dispersions	M. Tonnes	9870**	7708 ***	7720 **	5929 ***
(b) Synthetic organic dyestuffs	M. Tonnes	1337	1671	—	—
(c) Synthetic resins, binder materials auxiliaries and Chemicals	M. Tonnes	39410	38035	19150	14387
(d) Intermediates (including catalysts) for dyes, pesticides, pharmaceuticals, etc.	M. Tonnes	19530	8366	19400	8539
(e) Master batches	M. Tonnes	1060	536	—	—

* Excluding captive consumption

** At different concentrations

*** Includes third party production of 2061 tonnes (2060 tonnes)

Notes:

1. The classification between the class of goods and the installed capacities have been certified by the Vice-Chairman & Managing Director on which the auditors have placed reliance, this being a technical matter.
2. Licensed capacity per annum not indicated due to the abolition of Industrial Licences as per Notification No. 477(E) dated 25th July,1991 issued under The Industries (Development and Regulations) Act 1951.

20. Class of goods	Unit	Opening Stock		Stock transferred on amalgamation- (Note-1)		Closing Stock		Sales (inclusive of excise duty)	
		Qty.	Rs. lakhs	Qty.	Rs. lakhs	Qty.	Rs. lakhs	Qty.	Rs. lakhs
(a) Pigment dyestuffs and their dispersions	M. Tonnes	568	1794.68	141	319.42	663	2276.11	5693	18639.23
		(401)	(1298.20)	—	—	(568)	(1794.68)	(3702)	(12748.85)
(b) Synthetic organic dyestuffs	M. Tonnes	—	—	155	391.89	188	482.62	1638	5046.44
		—	—	—	—	—	—	—	—
(c) Synthetic resins, binder materials auxiliaries and Chemicals	M. Tonnes	995	600.79	1366	851.84	2205	1322.18	38191	27970.34
		(1159)	(587.22)	—	—	(995)	(600.79)	(14551)	(10341.37)
(d) Intermediates (including catalysts) for dyes, pesticides, pharmaceuticals, etc.	M. Tonnes	65	175.33	1	3.02	184	539.93	8248	11987.75
		(84)	(254.18)	—	—	(65)	(175.33)	(8558)	(10665.18)
(e) Master batches	M. Tonnes	—	—	46	84.07	26	39.55	556	1530.90
		—	—	—	—	—	—	—	—
(f) Trading items (including dyes, chemicals, pigments, masterbatches, etc.)	M. Tonnes	319	603.16	907	1357.82	1242	2102.07	18822	26800.23
		(336)	(579.52)	—	—	(319)	(603.16)	(4540)	(6597.04)
			3173.96		3008.06		6762.46		91974.89
			(2719.12)		—		(3173.96)		(40352.44)

Note-1: Stock as on 1st April, 2005 transferred consequent to amalgamation of erstwhile Clariant (India) Limited, Vanavil Dyes and Chemicals Limited, and BTP India Private Limited with the Company.

21. Class of Goods	Unit	Purchase of finished goods			
		2005-2006 Value		2004-2005 Value	
		Quantity ***	Rs. lakhs ***	Quantity	Rs. lakhs
Trading Items:					
Dye, Chemicals, pigments, masterbatches, etc.	M. Tonnes	18838	21545.91	4523	5977.83

*** Net of goods destructed in flood.

22. Raw Materials consumed:		2005-2006		2004-2005	
		Quantity M. Tonnes	Value Rs. lakhs	Quantity M. Tonnes	Value Rs. lakhs
(a)	Acetic Acid Glacial	9359	3234.91	10103	3100.80
(b)	Others (None of the items individually exceed 10% of the total value of raw materials consumed)		29901.06		14461.95
			33135.97		17562.75

Note: Raw materials consumed have been arrived at after write down of certain items and excesses and shortages on physical verification.

23. Consumption of raw materials, components and spare parts:		2005-2006		2004-2005	
		Percentage of total Consumption	Rs. lakhs	Percentage of total Consumption	Rs. lakhs
(i)	Raw materials:				
	Imported	30.38	10065.40	21.37	3752.47
	Indigenous	69.62	23070.57	78.63	13810.28
		100.00	33135.97	100.00	17562.75

(ii) Components and spare parts referred to in Paragraph 4D (c) of Schedule VI of the Companies Act, 1956 are assumed to be those incorporated in the goods produced and not those used for maintenance of plant and machinery.

24. Value of Imports (C.I.F.):

	2005-2006 Rs. lakhs	2004-2005 Rs. lakhs
(i) Raw materials and trading items	14472.15	4945.34
(ii) Components and spare parts	19.66	0.87
(iii) Capital goods	138.57	86.96

25. Expenditure in foreign currency (subject to deduction of tax where applicable):

	2005-2006 Rs. lakhs	2004-2005 Rs. lakhs
(i) Brokerage on exports	70.19	82.38
(ii) Interest	162.14	54.99
(iii) Others (includes exchange loss)	972.24	548.17

26. Remittance in foreign currency on account of dividend:

	2005-2006	2004-2005
Number of non-resident shareholders where direct remittances have been made by the Company	3	1
Number of shares on which dividend is remitted (includes 60,75,000 shares of erstwhile Clariant (India) Limited held by one shareholder; 3,80,00,000 shares of erstwhile BTP India Private Limited held by one shareholder)	52242080	5837080
Year to which dividend relates	2004-2005	2003-2004
Amount remitted (Rs. Lakhs)	1424.52	350.22

27. Earnings in foreign exchange:

	2005-2006 Rs. lakhs	2004-2005 Rs. lakhs
(i) Exports (F.O.B.)	22766.29	9542.97
(ii) Know-how	147.82	43.25
(iii) Others (insurance, freight, commission, claims, exchange gain etc.)	1350.83	868.41

28. The Profit & Loss Account includes the following items:

- Profit on sale of other fixed assets-(net) under 'Other Income' (Schedule - 13) includes Rs. 108.34 lakhs (Rs. 432.51 lakhs) being Profit on Sale of Flat situated at Mumbai.
- Contribution to Provident fund, Superannuation scheme, Gratuity fund, etc. under 'Personnel cost' (Schedule-15) includes contribution of Rs. 330 lakhs on account of the higher actuarial liability of gratuity as on 31st July, 2005 determined by the Company's actuary appointed during the year as against the actuarial liability of gratuity determined by the Company's previous actuary as on 31st March, 2005.
- Adjustment on sale of land amounting to Rs. 117.74 lakhs under 'Other Expenditure' (Schedule-17) is on account of difference in area arising out of the development agreement dated 28th December, 2005 with the purchaser in respect of sale of surplus land at Thane in December 2003.
- Other Expenditure (Schedule-17) includes Integration expenses as follows, incurred by the Company on amalgamation of erstwhile Clariant (India) Limited, Vanavil Dyes and Chemicals Limited, BTP India Private Limited, and Kundalika Investments Limited with the Company, pursuant to the scheme of amalgamation.

	2005-2006 Rs. lakhs	2004-2005 Rs. lakhs
Legal & Professional Fees	63.35	—
Rates and taxes	754.10	—
Others	108.40	—
	925.85	—

29. Figures for the Previous year have been regrouped wherever necessary to conform to this year's classification.

30. The figures in brackets are those in respect of the previous accounting year.

31. Statement Pursuant to Part IV of Schedule VI to the Companies Act, 1956
Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No. State Code

Balance Sheet Date
Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Rights Issue	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Bonus Issue	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Private Placement	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities*	<input type="text" value="6"/> <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="2"/>	Total Assets	<input type="text" value="6"/> <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="2"/>
Sources of Funds		Reserves and Surplus	<input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="3"/> <input type="text" value="9"/> <input type="text" value="0"/>
Paid-up Capital	<input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="0"/>	Unsecured Loans	<input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="9"/> <input type="text" value="5"/> <input type="text" value="8"/> <input type="text" value="2"/>
Secured Loans	<input type="text" value="3"/> <input type="text" value="5"/> <input type="text" value="9"/> <input type="text" value="7"/> <input type="text" value="8"/> <input type="text" value="5"/>	Investments	<input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="1"/> <input type="text" value="9"/>
Application of Funds		Miscellaneous Expenditure	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Net Fixed Assets	<input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="4"/> <input type="text" value="0"/>		
Net Current Assets**	<input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="5"/>		
Accumulated Losses	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>		

*including Shareholder's funds.

**includes deferred tax liabilities (net) Rs. 52564

IV. Performance of Company (Amount in Rs. Thousands)

Turnover (Gross Revenue)	<input type="text" value="8"/> <input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="4"/> <input type="text" value="3"/>	Total Expenditure	<input type="text" value="8"/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="7"/> <input type="text" value="8"/>
@ includes Miscellaneous income Rs. 281272		Profit After Tax	<input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="9"/> <input type="text" value="1"/> <input type="text" value="8"/>
+ - Profit Before Tax	<input checked="" type="checkbox"/> <input type="text" value="6"/> <input type="text" value="4"/> <input type="text" value="8"/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="5"/>	+ -	<input checked="" type="checkbox"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="9"/> <input type="text" value="1"/> <input type="text" value="8"/>
Earnings per Share in Rs.**	<input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="."/> <input type="text" value="1"/> <input type="text" value="5"/>	Dividend Rate %	<input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="0"/>

** Earning per share have been computed by dividing profit after tax by the total number of issued & to be issued (Share Suspense A/c) equity shares as at the year end.

V. Generic Names of Three Principal Products of Company.

Item Code No.	<input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="."/> <input type="text" value="5"/> <input type="text" value="1"/>
Product Description	<input type="text" value="H"/> <input type="text" value="O"/> <input type="text" value="S"/> <input type="text" value="T"/> <input type="text" value="A"/> <input type="text" value="P"/> <input type="text" value="E"/> <input type="text" value="R"/> <input type="text" value="M"/> <input type="text" value="."/> <input type="text" value="G"/> <input type="text" value="R"/> <input type="text" value="E"/> <input type="text" value="E"/> <input type="text" value="N"/> <input type="text" value="."/> <input type="text" value="G"/> <input type="text" value="N"/> <input type="text" value="X"/>
Item Code No.	<input type="text" value="2"/> <input type="text" value="9"/> <input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="."/> <input type="text" value="1"/> <input type="text" value="9"/>
Product Description	<input type="text" value="A"/> <input type="text" value="C"/> <input type="text" value="E"/> <input type="text" value="T"/> <input type="text" value="O"/> <input type="text" value="A"/> <input type="text" value="C"/> <input type="text" value="E"/> <input type="text" value="T"/> <input type="text" value="."/> <input type="text" value="M"/> <input type="text" value="O"/> <input type="text" value="N"/> <input type="text" value="O"/> <input type="text" value="M"/> <input type="text" value="E"/> <input type="text" value="T"/> <input type="text" value="H"/> <input type="text" value="Y"/> <input type="text" value="L"/> <input type="text" value="A"/> <input type="text" value="M"/> <input type="text" value="I"/> <input type="text" value="D"/> <input type="text" value="E"/> <input type="text" value="."/> <input type="text" value="7"/> <input type="text" value="0"/> <input type="text" value="."/> <input type="text" value="0"/> <input type="text" value="0"/>
Item Code No.	<input type="text" value="2"/> <input type="text" value="9"/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="."/> <input type="text" value="0"/> <input type="text" value="0"/>
Product Description	<input type="text" value="A"/> <input type="text" value="C"/> <input type="text" value="E"/> <input type="text" value="T"/> <input type="text" value="O"/> <input type="text" value="A"/> <input type="text" value="C"/> <input type="text" value="E"/> <input type="text" value="T"/> <input type="text" value="I"/> <input type="text" value="C"/> <input type="text" value="."/> <input type="text" value="M"/> <input type="text" value="E"/> <input type="text" value="T"/> <input type="text" value="H"/> <input type="text" value="Y"/> <input type="text" value="L"/> <input type="text" value="."/> <input type="text" value="E"/> <input type="text" value="S"/> <input type="text" value="T"/> <input type="text" value="E"/> <input type="text" value="R"/>

For and on behalf of the Board,

H. Meier Vice-Chairman & Managing Director

K. J. Bharucha

B. S. Mehta

} Directors

Sunil K. Nayak
Chief Financial Officer &
Company Secretary

Mumbai, 30th May, 2006

Cash Flow Statement for the year ended 31st March, 2006

	2005-2006 Rs. lakhs	2004-2005 Rs. lakhs
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Profit before prior period items and taxation	6,483.65	3,578.65
Less: Prior period items	—	650.00
Net Profit before tax and Extra ordinary items	6,483.65	2,928.65
Adjustments for:		
Depreciation	2,446.99	1,146.84
Unrealised foreign exchange loss	25.78	15.57
Interest income	(480.97)	(224.94)
Dividend income	(297.82)	(55.97)
Loss/(profit) on sale of assets (net)	(56.98)	(468.80)
Adjustment on Sale of Land	117.74	—
Loss/(profit) on sale of Investments (net)	(54.69)	(0.41)
Remission of deferred Sales tax & Central Sales tax	—	(277.71)
Provision for Diminution in value of investment written back	(0.53)	—
Provision for Doubtful debts – Net	(139.27)	(12.21)
Provision for Leave encashment	127.15	79.05
Provision for Ex-Gratia Gratuity	15.55	0.17
Provision for Unearned premium	—	650.00
Provision for Stamp Duty in connection with Integration	741.50	—
Provision for Gratuity	40.27	7.45
Interest expenses	485.12	302.26
Investment written-off	0.14	—
Assets written-off	147.18	86.45
Operating profit before working capital changes	9,600.81	4,176.40
Adjustments for :		
Trade and other receivables	548.65	855.76
Inventories	(1,744.10)	(474.02)
Trade Payables	531.11	(945.65)
Cash generated from operations	8,936.47	3,612.49
Direct taxes paid – (Net of refunds)	(2,697.79)	(674.07)
Net cash from operating activities	6,238.68	2,938.42
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of fixed assets	(3,342.83)	(2,243.28)
Sale of fixed assets	190.97	483.39
Purchase of investments	(42,141.12)	(10,883.26)
Investment in subsidiaries (includes Rs.16.48 lakhs for aquisition of additional shares of erstwhile Vanavil Dyes and Chemicals Limited pursuant to open offer made by the Company)	(281.48)	—
Sale of investments	40,963.94	8,283.67
Loan to subsidiary	(475.00)	—
Interest received	659.18	73.40
Dividend received	297.82	55.97
Net Cash used in investing activities	(4,128.52)	(4,230.11)

	2005-2006 Rs. lakhs	2004-2005 Rs. lakhs
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Cash credit & Packing credit (net)	571.02	1,327.39
Reduction of Share Capital of erstwhile BTP India Private Limited	(2,470.00)	—
Proceeds from borrowings	12,381.23	7,310.90
Repayment of borrowings	(12,622.16)	(6,080.69)
Interest paid	(501.96)	(287.59)
Dividend/dividend tax paid	(2,316.67)	(790.58)
Net Cash used in financing activities	(4,958.54)	1,479.43
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	(2,848.38)	187.74
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE YEAR	367.81	180.07
CASH AND CASH EQUIVALENTS — TAKEN OVER ON AMALGAMATION	3,869.53	—
CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR	1,388.96	367.81

Notes:

- The Cash flow has been prepared under the 'Indirect Method' as set out in Accounting Standard-3 on Cash Flow statements issued by the Institute of Chartered Accountants of India.
- Direct taxes paid are treated as arising from operating activities and are not bifurcated between investing and financing activities.
- The amalgamation of erstwhile Clariant (India) Limited, Vanavil Dyes & Chemicals Limited, BTP India Private Limited & Kundalika Investments Limited with the Company is a non cash transaction. (Refer Note 1, Schedule 19).
- Cash and Cash equivalents include Rs.3869.53 lakhs of erstwhile Clariant (India) Limited, Vanavil Dyes & Chemicals Limited, BTP India Private Limited & Kundalika Investments Limited taken over on amalgamation.
- Cash and Bank balances includes **Rs. 5.50 lakhs** (Previous Year - Rs. 33.72 lakhs) which is not available for use by the Company.
- Previous years figures are not comparable due to Note No. 3 above.

Per our report attached to the Balance Sheet

For A.F. Ferguson & Co.
Chartered Accountants

A. C. Khanna
Partner

Mumbai, 30th May, 2006

Sunil K. Nayak
Chief Financial Officer &
Company Secretary

For and on behalf of the Board,

H. Meier Vice-Chairman & Managing Director

K. J. Bharucha

B. S. Mehta

}

Directors

Statement Pursuant to Section 212 of the Companies Act, 1956

Name of the Subsidiary Company	Chemtreat Composites India Private Ltd.
1. Financial year of the Subsidiary Company	31st March, 2006
2. Total issued and paid-up share capital of the Subsidiary Company :	
(a) Issued	5,00,000 equity shares of Rs. 10 each
(b) Subscribed and Paid-up	5,00,000 equity shares of Rs. 10 each
3. Extent of Interest of Clariant Chemicals (India) Ltd. (Formerly known as Colour-Chem Ltd.) at the end of the financial year :	5,00,000 equity shares of Rs. 10 each
4. Net aggregate amount of profits :	
(a) Post-tax profit/(loss) for the year	Rs. (5.21) lakhs
(b) Profit/(Loss) carried to its Balance Sheet	Rs. (5.10) lakhs

No adjustment has been made in the accounts of the Company in respect of the profit/(loss) earning by the Subsidiary Company.

For and on behalf of the Board,

H. Meier *Vice-Chairman & Managing Director*

K. J. Bharucha }
B. S. Mehta } *Directors*

Sunil K. Nayak
*Chief Financial Officer &
Company Secretary*

Mumbai, 30th May, 2006

Auditors' Report to the Members

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF CLARIANT CHEMICALS (INDIA) LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF CLARIANT CHEMICALS (INDIA) LIMITED

1. We have audited the attached Consolidated Balance Sheet of Clariant Chemicals (India) Limited (formerly known as Colour-Chem Limited) and its subsidiary (the Clariant Chemicals (India) Group), as at March 31, 2006 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of Clariant Chemicals (India) Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding the component. 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 misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiary, whose financial statements reflect total assets of Rs. 587.26 Lakhs as at March 31, 2006, total revenues of Rs. Nil and net cash outflows from operating activities amounting to Rs. 31.37 Lakhs, for the period then ended. These financial statements and other financial information have been audited by other auditors whose report has been furnished to us, and our opinion, is based solely on the report of the other auditor.
4. We report that the consolidated financial statements have been prepared by the Clariant Chemicals (India) Limited's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India.
5. Based on our audit and on the consideration of the report of other auditors on separate financial statements and on the other financial information of the component, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Clariant Chemicals (India) Group as at March 31, 2006;
 - (ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Clariant Chemicals (India) Group for the year ended on that date; and
 - (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Clariant Chemicals (India) Group for the year ended on that date.

For A. F. FERGUSON & CO.
Chartered Accountants

A. C. Khanna
Partner

Membership No.: 17814

Mumbai, 30th May, 2006

Consolidated Balance Sheet as at 31st March, 2006

	Schedule	31-03-2006 Rs. lakhs	31-03-2005 Rs. lakhs
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	1165.00	1165.00
Share capital suspense account	1A	1501.07	—
Reserves and surplus	2	30539.79	17143.36
		33205.86	18308.36
Minority Interests		—	1263.30
Loan funds			
Secured loans	3	3597.85	2385.28
Unsecured loans	4	1995.82	1550.00
		5593.67	3935.28
Deferred Tax Liability - Net (See note 5, Schedule 19)		525.85	140.15
		39325.38	23647.09
APPLICATION OF FUNDS			
Fixed Assets			
	5		
Gross block		38153.45	25843.75
Less: Accumulated depreciation		22486.37	15632.39
Net block		15667.08	10211.36
Capital work-in-progress and advances, etc.		1046.58	431.52
		16713.66	10642.88
Investments	6	11061.19	3836.86
Current assets, loans and advances			
Inventories	7	12528.37	6224.27
Sundry debtors	8	14514.50	8004.35
Cash and bank balances	9	1441.87	497.89
Loans and advances	10	6977.42	6619.17
		35462.16	21345.68
Less:			
Current liabilities and provisions			
Liabilities	11	17181.80	9922.30
Provisions	12	6729.83	2343.42
		23911.63	12265.72
Net current assets		11550.53	9079.96
Miscellaneous Expenditure		—	87.39
		39325.38	23647.09
Significant accounting policies	18		
Notes to the accounts	19		

Per our report attached
For A.F. Ferguson & Co.
Chartered Accountants

A. C. Khanna
Partner

Mumbai, 30th May, 2006

Sunil K. Nayak
Chief Financial Officer &
Company Secretary

For and on behalf of the Board,

H. Meier Vice-Chairman & Managing Director

K. J. Bharucha }
B. S. Mehta } Directors

Mumbai, 30th May, 2006

Consolidated Profit and Loss Account for the year ended 31st March, 2006

	Schedule	2005-2006 Rs. lakhs	2004-2005 Rs. lakhs
INCOME			
Sales – Gross		91974.89	44455.42
Less: Excise Duty Recovered on Sales		7673.87	3878.19
Sales – Net		84301.02	40577.23
Add: Processing charges		804.69	738.33
Turnover		85105.71	41315.56
Other income	13	2812.72	2307.96
		87918.43	43623.52
EXPENDITURE			
Cost of Materials	14	55611.62	25451.08
Personnel	15	7032.73	4119.25
Interest (Net)	16	4.15	92.04
Depreciation/Amortisation	5	2447.42	1565.82
Other expenditure	17	16882.67	8570.49
		81978.59	39798.68
Less: Service charges recovered		538.91	—
		81439.68	39798.68
PROFIT BEFORE PRIOR PERIOD ITEMS AND TAXATION		6478.75	3824.84
Provision for taxation			
Current Tax		2238.25	919.00
Deferred Tax		36.77	494.15
Fringe benefit Tax		227.99	—
		3975.74	2411.69
Prior Period Items (See note 6 (a), Schedule 19)		—	650.00
(Excess)/Short provision for taxation in respect of earlier years		(59.33)	46.18
PROFIT AFTER TAXATION		4035.07	1715.51
Minority Interests in profit		—	(69.70)
PROFIT AFTER TAXATION & MINORITY INTERESTS		4035.07	1645.81
Transfer from Investment allowance reserve		—	13.28
Balance brought forward from last year		2981.16	3200.91
Add: Transfer in terms of amalgamation (See note 1, Schedule 19)		1308.30	—
Less: Deductions/Adjustments on amalgamation of subsidiaries		(118.16)	—
Available for appropriation		8206.37	4860.00
APPROPRIATED AS FOLLOWS			
General reserve		1000.00	1065.00
Proposed dividend		2932.68	699.00
Corporate tax on proposed dividend		411.31	114.84
Balance carried to the balance sheet		3862.38	2981.16
		8206.37	4860.00
Significant accounting policies	18		
Notes to the accounts	19		
Basic and Diluted earnings per share (in Rupees)	19	15.13	14.13
Face value per share (in Rupees)		10.00	10.00

Per our report attached to the Balance Sheet

For A.F. Ferguson & Co.
Chartered Accountants

A. C. Khanna
Partner

Mumbai, 30th May, 2006

Sunil K. Nayak
Chief Financial Officer &
Company Secretary

For and on behalf of the Board,

H. Meier Vice-Chairman & Managing Director

K. J. Bharucha }
B. S. Mehta } Directors

Mumbai, 30th May, 2006

Schedules forming part of the Consolidated Balance Sheet

SCHEDULE 1 : SHARE CAPITAL

	31-03-2006 Rs. lakhs	31-03-2005 Rs. lakhs
Authorised		
3,00,00,000 (Previous year : 1,20,00,000) equity shares of Rs. 10/- each	3000.00	1200.00
Issued and subscribed		
1,16,50,000 equity shares of Rs. 10/- each fully paid	1165.00	1165.00

Notes :

- (a) 81,67,080 (Previous year : 58,37,080) shares are held by EBITO Chemieeteiligungen AG, the ultimate holding company being Clariant AG, Switzerland. [See note 13(a), Schedule 19]
- (b) 66,90,610 shares were allotted as fully paid up bonus shares by capitalisation of Rs. 669.06 lakhs from general reserve.

SCHEDULE 1A : SHARE CAPITAL SUSPENSE ACCOUNT

	31-03-2006 Rs. lakhs	31-03-2005 Rs. lakhs
Share capital suspense	1501.07	—

(See note 1, Schedule 19)

- (a) In terms of the scheme of amalgamation between Clariant (India) Limited, Vanavil Dyes and Chemicals Limited, Kundalika Investments Limited, BTP India Private Limited, the transferor companies and the Company, 1,50,10,745 equity shares of Rs. 10/- each fully paid, to be issued to the shareholders of the transferor companies whose names appear on their register of members on the record date viz 21st April, 2006.
- (b) Of the above :
- (i) 60,75,000 shares to be issued to Clariant International Limited, the ultimate holding company being Clariant AG, Switzerland.
- (ii) 26,60,000 shares to be issued to BTP Limited, UK, the ultimate holding company being Clariant AG, Switzerland.

SCHEDULE 2 : RESERVES AND SURPLUS

	31-03-2006 Rs. lakhs	31-03-2005 Rs. lakhs
Capital reserve		
As per last Balance sheet	3.86	3.86
Add: Transfer in terms of amalgamation *	27.16	—
Add: Excess of share capital of transferor companies over the amount credited by the company to the share capital *	702.85	—
Less: Deductions/Adjustments on amalgamation of subsidiaries	3.76	—
	730.11	3.86
Capital reserve (on investment in subsidiary)	—	31.49
Capital redemption reserve		
As per last Balance sheet	137.50	137.50
Share premium		
As per last Balance sheet	2023.50	2023.50
Add: Transfer in terms of amalgamation *	1522.15	—
	3545.65	2023.50
Investment allowance reserve		
As per last Balance sheet	7.19	20.47
Add: Transfer in terms of amalgamation *	20.00	—
Less: Transfer to General Reserve	—	13.28
Less: Deductions/Adjustments on amalgamation of subsidiaries	7.19	—
	20.00	7.19

SCHEDULE 2 : RESERVES AND SURPLUS (Contd.)

	31-03-2006 Rs. lakhs	31-03-2005 Rs. lakhs
General reserve		
As per last Balance sheet	11905.16	10840.16
Add: Transfer from Profit & Loss account	1000.00	1065.00
Add: Transfer in terms of amalgamation (Net of adjustments) *	10210.81	—
Less: Deductions/Adjustments on amalgamation of subsidiaries	871.82	—
	22244.15	11905.16
Reserve for Environmental upgradation		
As per last Balance sheet	53.50	53.50
Less: Deductions/Adjustments on amalgamation of subsidiaries	53.50	—
	—	53.50
Profit and Loss Account	3862.38	2981.16
	30539.79	17143.36

* See note 1, Schedule 19

SCHEDULE 3 : SECURED LOANS

	31-03-2006 Rs. lakhs	31-03-2005 Rs. lakhs
From banks :		
Short term Loans :	3472.85	2160.28
Rs. 3432.00 lakhs secured by hypothecation of present and future stock-in-trade and spare parts, loose tools, book debts, outstanding monies, receivable, claims, bills, right to or in movable properties and movable assets, etc.		
Rs. 40.85 lakhs secured by way of first charge on inventories and book debts, both present and future, and by second charge on other movable and immovable properties, both present and future.		
Term loan:	125.00	225.00
(Repayable within one year Rs. 100 lakhs, Previous year : Rs. 100 lakhs) (Secured by first charge on plant and machinery)		
	3597.85	2385.28

SCHEDULE 4 : UNSECURED LOANS

	31-03-2006 Rs. lakhs	31-03-2005 Rs. lakhs
Privately placed Non-convertible debentures :		
9% Non-convertible debentures redeemable at par on 12th April, 2006	1000.00	—
5.63% Non-convertible debentures redeemable at par on 19th April, 2005 (Redeemed on due date)	—	1500.00
Other Loans :		
From banks :		
Short Term Loan (Repayable within a year Rs. 475 lakhs; Previous year : Rs. Nil)	475.00	50.00
From others :		
Interest-free sales tax deferral scheme granted by State Industries Promotion Corporation of Tamilnadu Limited	520.82	—
	1995.82	1550.00

Schedule 5

FIXED ASSETS

Rs. lakhs

	GROSS BLOCK				DEPRECIATION/AMORTISATION						NET BLOCK	
	As at 31-03-2005	Additions on acquisition of Chemtreat	Transfer in terms of amalgamation*	Sales and deductions	As at 31-03-2006	As at 31-03-2005	Additions on acquisition of Chemtreat	Transfer in terms of amalgamation*	Sales and deductions	For the year	As at 31-03-2006	As at 31-03-2005
Intangible Assets												
Goodwill on consolidation		166.44			166.44						166.44	—
Software license fees	—	11.94	367.23	—	379.17	—	245.18	—	133.99	379.17	—	—
Tangible Assets												
Land freehold	16.59	2.19	65.30	1.46	82.68	—	—	—	—	—	82.68	16.59
Land leasehold	14.87	—	—	—	14.87	3.90	—	—	0.16	4.06	10.81	10.97
Buildings	4013.69	—	1568.36	517.83	5987.42	1,689.72	522.83	54.50	139.11	2297.16	3690.26	2323.97
Plant, machinery, equipment etc.	20343.19	11.22	6957.14	2118.13	28756.53	13,126.30	4039.08	580.38	1841.48	18431.93	10324.60	7216.89
Furniture, fixtures and office appliances	800.46	—	892.47	168.53	1719.64	494.65	351.49	137.58	237.90	946.46	773.18	305.81
Vehicles	654.95	—	471.25	191.17	1046.70	317.82	103.66	88.67	94.78	427.59	619.11	337.13
Total	25843.75	13.41	10321.75	3121.31	38153.45	15632.39	5262.24	861.13	2447.42	22486.37	15667.08	
Previous year	23906.71	—	—	2611.32	25843.75	14567.23	—	503.54	# 1568.70	15632.39		10211.36
Capital work-in-progress											983.53	396.17
Advances against capital orders											63.05	35.35
											1046.58	431.52
											16713.66	10642.88

Notes:

- Buildings include Rs. 0.12 lakh (Previous year: Rs. 0.12 lakh) being the cost of shares and bonds in co-operative housing societies. Rs. 1200 being the cost of shares yet to be allotted.
- * Transfers after adjustments as on April 1, 2005 pursuant to the scheme of amalgamation - (See note 1 Schedule 19).
Includes Rs. 2.88 lakhs for lease adjustment.

SCHEDULE 6 : INVESTMENTS (AT COST)

	31-03-2006 Rs. lakhs	31-03-2005 Rs. lakhs
Long term		
Non-trade quoted	—	2.39
Non-trade unquoted	4325.00	3825.00
	4325.00	3827.39
Less: Provision for diminution in value	—	0.53
	4325.00	3826.86
Current		
Non-Trade unquoted	6736.19	10.00
	11061.19	3836.86
Aggregate value of unquoted investments	11061.19	3835.00
Aggregate value of quoted investments	—	1.86
Market value of quoted investments	—	23.77

SCHEDULE 7 : INVENTORIES

	31-03-2006 Rs. lakhs	31-03-2005 Rs. lakhs
At lower of cost and net realisable value (As certified by the Management)		
Stores and spare parts	324.91	250.18
Raw materials	3586.00	1224.36
Packing materials	102.45	29.70
Finished goods	6762.46	3538.34
Work-in-progress	1752.55	1181.69
	12528.37	6224.27

SCHEDULE 8 : SUNDRY DEBTORS

	31-03-2006 Rs. lakhs	31-03-2005 Rs. lakhs
Secured (Considered good)		
Under six months	1072.84	517.50
Over six months	17.67	185.42
	1090.51	702.92
Unsecured		
Under six months * (Considered good)	13311.26	7300.56
Over six months (Including doubtful debts Rs. 152.46 lakhs; Previous year: Rs. 156.91 lakhs; balance considered good)	265.19	157.78
	13576.45	7458.34
	14666.96	8161.26
Less: Provision for doubtful debts	152.46	156.91
	14514.50	8004.35

*includes Rs. Nil (Previous year Rs.10.67 lakhs) receivable from private limited company in which directors of the Company are directors, since recovered Rs. Nil (Previous year Rs. 10.36 lakhs)

SCHEDULE 9 : CASH AND BANK BALANCES

	31-03-2006 Rs. lakhs	31-03-2005 Rs. lakhs
Cash on hand	10.02	6.66
Cheques on hand	168.62	144.61
With scheduled banks :		
On current accounts	583.26	211.32
On Margin accounts	22.07	15.25
On fixed deposit accounts	657.90	114.97
	1263.23	341.54
With non-scheduled banks :		
The Municipal Co-operative Bank Limited		
On current account (maximum balance during the year Rs. 3.50 lakhs; previous year Rs. 5.88 lakhs)	—	3.43
On fixed deposit account (maximum balance during the year Rs. 1.65 lakhs; previous year Rs. 1.65 lakhs)	—	1.65
	—	5.08
	1441.87	497.89

SCHEDULE 10 : LOANS AND ADVANCES

	31-03-2006 Rs. lakhs	31-03-2005 Rs. lakhs
(Unsecured — considered good, unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	4801.35	5689.17
VAT set off admissible	102.03	—
Interest accrued on investment	—	166.54
Advance payment of Income tax	1472.42	512.86
Balances with Customs and Excise on current account	601.62	250.60
	6977.42	6619.17

SCHEDULE 11 : CURRENT LIABILITIES

	31-03-2006 Rs. lakhs	31-03-2005 Rs. lakhs
Acceptances	178.81	149.99
Sundry creditors	15607.06	9303.32
(Includes Rs. 2073.96 lakhs; Previous year Rs. 248.63 lakhs due to small scale industrial units)		
Deposits	1282.21	414.48
Interest accrued but not due on loans	2.76	17.41
Unpaid dividends*	102.83	27.92
Unclaimed fixed deposits*	1.49	1.86
Unpaid interest on matured fixed deposits*	6.64	7.32
	17181.80	9922.30

* There is no amount due and outstanding to be credited to Investor Education and Protection Fund

SCHEDULE 12 : PROVISIONS

	31-03-2006 Rs. lakhs	31-03-2005 Rs. lakhs
Retirement Benefits :		
Leave encashment	745.03	336.81
Gratuity	329.12	23.60
Ex-gratia gratuity	87.15	71.60
Others:		
Provision for taxation	833.04	447.57
Provision for unearned premium (See note 6 (a) & (c), Schedule 19)	650.00	650.00
Provision for stamp duty in connection with Integration (See note 6 (b) & (c), Schedule 19)	741.50	—
Proposed dividend	2932.68	699.00
Corporate Tax on proposed dividend	411.31	114.84
	6729.83	2343.42

Schedules forming part of the Consolidated Profit and Loss Account

SCHEDULE 13 : OTHER INCOME

	2005-2006 Rs. lakhs	2004-2005 Rs. lakhs
Dividend on long term non-trade investments (Gross)	3.27	0.69
Dividend on current non-trade investments (Gross)	294.55	8.78
Export Incentives	404.60	429.55
Profit on Sale of land	—	27.38
Profit on sale of other fixed assets (Net) (See note 15(a), Schedule 19)	56.98	415.61
Cash discount	16.81	23.93
Rental income	346.56	35.72
Indenting commission	421.88	321.18
Remission of deferred sales tax/central sales tax	—	277.71
Provision for doubtful debts written back (Net)	139.27	33.02
Profit on sale/changes in the carrying amount of current investments (Net)	15.17	—
Profit on sale/changes in the carrying amount of long term investments (Net)	39.52	—
Miscellaneous	1074.11	734.39
	2812.72	2307.96

SCHEDULE 14 : COST OF MATERIALS

	2005-2006 Rs. lakhs	2004-2005 Rs. lakhs
Raw materials consumed	33135.97	19976.23
Packing materials consumed	1790.84	715.84
Purchases of finished goods (Net of goods destroyed in flood)	21552.87	5209.16
(Increase)/Decrease in stocks of finished goods and work-in-process :		
Opening stock		
Finished goods	3538.34	3037.50
Add: Transfer in terms of scheme of amalgamation *	2636.72	—
	6175.06	3037.50
Work-in-process	1181.69	1232.38
Add: Transfer in terms of scheme of amalgamation *	290.20	—
	1471.89	1232.38
	7646.95	4269.88
Less: Closing stock		
Finished goods	6762.46	3538.34
Work-in-process	1752.55	1181.69
	8515.01	4720.03
	(868.06)	(450.15)
	55611.62	25451.08

* See note 1, Schedule 19

SCHEDULE 15 : PERSONNEL

	2005-2006 Rs. lakhs	2004-2005 Rs. lakhs
Salaries, wages, bonus, etc.	5040.38	2617.72
Payment/Provision for Voluntary Retirement Scheme	—	450.52
Contribution/Provision for provident fund, superannuation scheme, gratuity fund, etc. [See note 15(b), Schedule 19]	1189.60	605.41
Welfare expenses	829.71	482.56
	7059.69	4156.21
Less: Charged to capital accounts	26.96	36.96
	7032.73	4119.25

SCHEDULE 16: INTEREST (NET)

	2005-2006 Rs. lakhs	2004-2005 Rs. lakhs
Interest Paid		
On loans for fixed period	135.34	145.63
Others (Interest on packing credit, cash credit, post shipment credit, security deposit etc.)	349.78	201.54
	485.12	347.17
Less: Interest received (Gross):		
On Investments	196.99	166.54
Others	283.98	88.59
(Interest on delayed payments, taxation matters, bank deposits etc.)		
	480.97	255.13
	4.15	92.04

SCHEDULE 17 : OTHER EXPENDITURE

	2005-2006 Rs. lakhs	2004-2005 Rs. lakhs
Stores & Spare parts etc. consumed	1100.99	705.25
Repairs and maintenance:		
Plant and machinery	782.59	466.62
Buildings	454.94	122.90
Others	324.71	200.43
Power and fuel	3677.13	2528.07
Rent (including lease payments) (See note 8, Schedule 19)	424.10	169.63
Rates and taxes (including water charges)	559.31	614.76
Insurance	291.32	222.32
Clearing, Forwarding & transport	969.03	536.51
Travelling & Conveyance	853.39	282.28
Commission	280.51	186.95
Cash Discount	715.60	236.90
Other discounts on sales	1743.88	533.63
Brokerage on exports	80.93	82.38
Adjustment on Sale of Land (See note 15(c), Schedule 19)	117.74	—
Loss on sale/changes in the carrying amount of current investments (Net)	—	3.05
Assets written-off	151.65	86.45
Bad debts and advances written off	141.03	57.66
Excise Duty (Net)	47.84	113.48
Exchange Loss (Net)	35.57	128.07
Flood Loss (Net)	130.84	—
Integration Expenses (See note 15(d), Schedule 19)	925.85	—
Miscellaneous (See note 12, Schedule 19)	3073.72	1293.15
	16882.67	8570.49

Notes to the Consolidated financial statements

Schedule 18

SIGNIFICANT ACCOUNTING POLICIES :

1. BASIS OF PREPARATION

- (A) The Consolidated Financial Statements are prepared in accordance with Accounting Standard (AS) 21 on Consolidated Financial Statements issued by The Institute of Chartered Accountants of India. The Consolidated Financial Statements comprise the financial statements of Clariant Chemicals (India) Limited and its subsidiary viz. Chemtreat Composites India Private Limited (voting power-100%). The said Company became subsidiary on and from February 13, 2006. This subsidiary company is incorporated in India.
- (B) Goodwill arising out of acquisition of subsidiary companies is amortised over a period of five years from the date of acquisition/investment.
- (C) Two subsidiaries namely Vanavil Dyes and Chemicals Limited and Kundalika Investments Limited have been amalgamated with Clariant Chemicals (India) Limited (formerly known as Colour-Chem Limited) with effect from April 1, 2005.

The financial statements are prepared at historical cost on the accrual basis of accounting and in accordance with the standards on accounting issued by the Institute of Chartered Accountants of India and referred to in Section 211(3C) of the Companies Act, 1956. The significant accounting policies are as follows :

2. SALES

The Company recognises sale of goods on despatch to customers. Sales are net of excise duty, sales tax and trade discounts, wherever applicable.

3. EXCISE DUTY

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

4. RESEARCH AND DEVELOPMENT

Revenue expenditure on research and development is written off in the Profit and Loss Account in the year in which it is incurred. Capital expenditure on research and development is treated in the same way as expenditure on fixed assets.

5. RETIREMENT BENEFITS

- (a) Retirement benefits to employees comprise of payment to gratuity, superannuation and provident funds and ex-gratia gratuity under the rules of the company.
- (b) Liabilities in respect of retirement gratuity benefit to employees are provided in terms of The Payment of Gratuity Act, 1972 or the Company's Gratuity Scheme approved by the Commissioner of Income-tax, whichever is beneficial. The adequacy of the fund is confirmed by an actuarial valuation obtained at the year end.

Contributions for superannuation made to LIC under the Company's Superannuation Scheme are charged to the Profit and Loss Account. Contributions to the Provident Funds are made at a pre-determined rate and charged to the Profit and Loss Account.

- (c) Liabilities in respect of leave encashment benefit and ex-gratia gratuity payable on retirement to a category of employees, are provided based on an actuarial valuation obtained at the year end and charged to the Profit and Loss Account.

6. VOLUNTARY RETIREMENT SCHEME

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

7. FIXED ASSETS AND DEPRECIATION

- (A) 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 fixed assets for the year upto the date the assets are put to use is included in cost.
- (B) The cost of leasehold land is amortised over the period of the lease. Freehold land is not amortised/depreciated.
- (C) Intangible assets are being amortised equally over a period of three years.
- (D) (i) Depreciation in respect of plant, machinery and equipment etc., has been 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 plant, machinery 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 equipments including personal computers and printers on which depreciation rate of 25% on straight line method is applied,
 - Exchange differences capitalised which are depreciated over the remaining useful life of the assets.
- (ii) In respect of the Company's plants at Thane (Balkum) and Roha
- Depreciation in respect of buildings, furniture, fixtures and office appliances and vehicles existing as on 31st March, 1995 has been calculated on written down value method at the rates and in the manner specified in Schedule XIV of the Companies

Act, 1956 except for certain items of furniture, fixtures and vehicles on which a depreciation rate of 20% on straight line method is applied.

- (b) With effect from 1st April, 1995 the Company has, in respect of additions to buildings, furniture, fixtures, office appliances and vehicles, charged depreciation on the straight line method, at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956 except in case of certain items of furniture, fixtures and vehicles on which a depreciation rate of 20% on straight line method is applied.

8. IMPAIRMENT OF ASSETS

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An impairment loss will be 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.

9. INVENTORIES

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

Raw materials, packing materials, trading items and stores and spares — Weighted average cost.

Finished goods and work-in-progress — Absorption costing at works cost.

10. SUNDRY DEBTORS/LOANS AND ADVANCES

Sundry debtors and loans and advances are stated after making adequate provision for doubtful debts/advances.

11. 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. Dividends are accounted for when the right to receive the dividend payment is established.

12. 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 Profit and Loss Account on a straight-line basis over the lease term.

13. FOREIGN CURRENCY TRANSLATIONS

- (a) Monetary items denominated in foreign currency 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. Foreign currency transactions are accounted at the rate prevailing on the date of transaction.
- (b) Non monetary items other than fixed assets, which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of transaction.
- (c) Gain or loss arising out of translation/conversion is taken credit for or charged to the Profit and Loss Account except exchange differences arising due to repayment or restatement of liabilities incurred for the purpose of acquiring of fixed assets in respect of transactions in foreign currencies entered into prior to April 1, 2004 and in respect of any fixed asset that has been acquired from a country outside India, in which case the exchange differences are adjusted in the carrying amount of the respective fixed assets.

14. 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. Where there are unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. Deferred tax assets/liabilities are reviewed at each Balance Sheet date based on developments during the year and available case laws, to reassess realisation/liabilities.

15. 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.

Schedule 19

NOTES ON THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

1. **Amalgamation of Clariant (India) Limited (CIL), Vanavil Dyes and Chemicals Limited (VDCL), BTP India Private Limited (BTP) and Kundalika Investments Limited (KIL) with the Company.**

(A) In accordance with the Scheme of Amalgamation ('the Scheme') of erstwhile Clariant (India) Limited, Vanavil Dyes and Chemicals Limited, BTP India Private Limited and Kundalika Investments Limited (herein after referred to as the "Transferor Companies") with the Company as approved by the members at a Court convened Extra Ordinary General Meeting held on 8th December, 2005 and subsequently sanctioned by the Honourable High Court of Judicature at Madras on 22nd February, 2006 and Honourable High Court of Judicature at Bombay on 24th February, 2006 which was modified vide order dated 17th March, 2006, the entire business and the whole of the undertaking of the Transferor Companies being all its assets and properties and all its debts and liabilities as defined in the scheme have been transferred to and vested in the Company retrospectively with effect from 1st April, 2005. The Scheme has accordingly been given effect to in these accounts.

(B) **Nature of the business of Transferor companies:****Clariant (India) Limited (CIL):**

Manufacturing and marketing of dyes and specialty chemicals for textiles, leather, paper and masterbatches for plastics and fibers.

Vanavil Dyes and Chemicals Limited (VDCL):

Manufacturing and marketing of different classes of pigments, intermediates and chemicals.

BTP India Private Limited (BTP):

Manufacturing and marketing of dyes and specialty chemicals and industrial chemicals.

Kundalika Investments Limited (KIL):

Leasing of vehicles and other equipment.

(C) The amalgamation has been accounted for under the 'pooling of interests' method as prescribed by the Accounting Standard 14 — "Accounting for Amalgamation" issued by the Institute of Chartered Accountants of India. Accordingly, the accounting treatment, after making necessary adjustments has been given as under:

- (i) The assets and liabilities of the Transferor Companies as at 1st April, 2005 have been taken over at their book values after making adjustments required to bring about the uniformity in the accounting policies between the Transferor Companies and the Transferee Company as specified in the scheme. Accordingly, Rs. 679.18 lakhs (net of deferred tax Rs. 344.64 lakhs) has been credited to the General Reserve taken over by the Company on account of such adjustments.
- (ii) Capital reserve, Share premium, Investment allowance reserve and credit balance in the Profit and Loss Account of the Transferor Companies amounting to Rs. 27.16 lakhs, Rs. 1522.15 lakhs, Rs. 20.00 lakhs and Rs. 1308.30 lakhs respectively have been credited to the respective accounts of the Company.
- (iii) The difference between the amounts recorded in Share Suspense account with respect to shares pending allotment and the amount of Share Capital of the Transferor Companies and difference between the book value and the face value of the cancelled shares referred to in note (D) below amounting to Rs. 702.85 lakhs has been credited to the Capital reserve of the Company.
- (iv) The General Reserve amounting to Rs. 10210.81 lakhs of the transferor Companies taken over by the Company after making necessary adjustments pursuant to the scheme of amalgamation, have been summarised as under.

	CIL Rs. lakhs	VDCL Rs. lakhs	BTP Rs. lakhs	KIL Rs. lakhs	Total Rs. lakhs
General Reserve Balance as at 1st April, 2005	8017.29	1230.12	26.15	153.07	9426.63
Adjustment to the General Reserve to bring about the uniformity in the accounting policies	1122.96	(155.53)	—	56.39	1023.82
Deferred tax impact on account of the above adjustment	(377.99)	52.35	—	(19.00)	(344.64)
Transfer of Environmental Reserve to General Reserve	—	105.00	—	—	105.00
Total General Reserve taken over on amalgamation as at 1st April, 2005	8762.26	1231.94	26.15	190.46	10210.81

(D) Pursuant to the Scheme, 28,02,934 shares of Rs. 10/- each of Vanavil Dyes and Chemicals Limited and 2,50,000 shares of Rs. 10/- each of Kundalika Investments Limited held by the Company stand cancelled.

(E) Pursuant to the Scheme, and after considering the cancellation of the equity shares as per (D) above, 1,50,10,745 shares of Rs. 10/- each are to be allotted to the shareholders of the Transferor Companies as follows:

Clariant (India) Limited : 1,19,25,000 shares in the ratio of 1 share for every 1 share
 Vanavil Dyes and Chemicals Limited : 4,25,745 shares in the ratio of 1 share for every 5 shares
 BTP India Private Limited : 26,60,000 shares in the ratio of 1 share for every 5 shares

Pending allotment as at 31st March, 2006 an amount of Rs. 1501.07 lakhs have been shown under Share Suspense Account. (Schedule 1A).

(F) In terms of the Scheme, the Equity Shares when issued and allotted by the Company shall be eligible for dividend, voting rights and in all other respects rank pari-passu with the existing equity shares of the Company. Accordingly, the appropriation for the proposed dividend includes dividend on 1,50,10,745 shares which would be allotted to the shareholders of the Transferor Companies.

(G) In terms of the Scheme, the name of the Company is changed from Colour-Chem Limited to Clariant Chemicals (India) Limited.

(H) In view of the aforesaid amalgamation with effect from 1st April, 2005, the figures for the current year are not directly comparable to those of previous year.

2. Segment Information for the year ended 31st March, 2006 (As required by Accounting Standard (AS) — 17 "Segment Reporting")

- (a) The Company is organised into three primary business segments mainly :
- Intermediates & Colours :
Consist of pigment dyestuffs and their dispersion, Intermediates for dyes, pesticides, and pharmaceuticals.
 - Dyes & Specialty Chemicals :
Includes dyestuffs synthetic resins, binder materials, auxiliaries and chemicals.
 - Masterbatches :
Covers commodity and specialty Masterbatches for Plastics and nylon fibres.
- (b) The secondary segments of the company are geographical segments mainly :
- India.
 - 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) Segment Revenue in each of the above Business Segments primarily includes Sales and Processing charges.
- (e) (i) Segment Revenue and Results :
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, debtors and inventories. Segment liabilities primarily include creditors and other liabilities.
- (iii) Assets and liabilities that cannot be allocated between the segments are shown as part of unallocable corporate assets and liabilities respectively.
- (f) All inter-segment transfers are at cost price.

Information about Primary Business Segments:

	2005-2006 Rs. lakhs				2004-2005 Rs. lakhs			
	Inter- mediates & Colours	Dyes and Specialty Chemicals	Master- batches	Total	Inter- mediates & Colours	Dyes and Specialty Chemicals	Master- batches	Total
Revenue								
External Sales/Revenue	35105.99	48315.18	1684.54	85105.71	29942.91	11391.11	—	41334.02
Less: Inter Segment Revenue	—	—	—	—	18.46	—	—	(18.46)
Total Revenue (Net)	35105.99	48315.18	1684.54	85105.71	29924.45	11391.11	—	41315.56
Results								
Segment Results	1531.88	6355.53	125.52	8012.93	2152.49	1667.88	—	3820.37
Unallocated corporate expenses (net)				(1827.85)				(562.96)
Operating profits				6185.08				3257.41
Interest Income/Dividend income				778.79				264.60
Interest Expenses				(485.12)				(347.17)
Profit Before Taxation				6478.75				3174.84
Current Tax/Deferred Tax (after considering prior period items)				(2215.69)				(1459.33)
Fringe benefit Tax				(227.99)				—
Profit After Tax				4035.07				1715.51
Other Information								
Segment Assets	23405.49	21809.36	1123.85	46338.70	22577.82	6803.14	—	29380.96
Unallocated corporate Assets				15425.89				5931.60
Total Assets				61764.59				35312.56
Segment Liabilities	7518.50	8903.31	280.33	16702.14	6989.77	2484.90	—	9474.67
Unallocated corporate Liabilities				3032.46				1529.64
Total Liabilities				19734.60				11004.31
Capital Expenditure	1970.08	1034.44	72.71	3077.23	2322.61	194.52	—	2517.13
Unallocated corporate capital expenditure				35.32				43.22
Total capital expenditure				3112.55				2560.35
Depreciation/Amortisation	1321.45	884.67	59.05	2265.17	1280.62	251.89	—	1532.51
Unallocated corporate depreciation				182.25				33.31
Total depreciation/amortisation				2447.42				1565.82
Non cash expenses other than Depreciation/Amortisation	87.87	141.16	9.91	238.94	165.48	36.39	—	201.87
Unallocated Corporate Non cash expenses other than Depreciation/Amortisation				831.49				684.38
Total Non cash expenses other than Depreciation/Amortisation				1070.43				886.25

Information about Secondary Segments :

Revenue by Geographical Market	2005-2006 Rs. lakhs			2004-2005 Rs. lakhs		
	India	Outside India	Total	India	Outside India	Total
External Sales	62201.88	22903.83	85105.71	31772.59	9542.97	41315.56
Segment Assets	43185.53	3153.17	46338.70	28493.69	887.27	29380.96
Additions to Fixed Assets	3077.23	—	3077.23	2517.13	—	2517.13

Footnotes :

1. Segment Assets do not include Advance Income Tax Rs. 1472.42 lakhs (Previous Year Rs. 512.86 lakhs).

2. Segment Liabilities exclude the following :

- Proposed dividend Rs. 2932.68 Lakhs (Previous Year Rs. 699.00 Lakhs).
- Tax on dividend Rs. 411.31 Lakhs (Previous Year Rs. 114.84 Lakhs).
- Provision for Taxation Rs. 833.04 Lakhs (Previous Year Rs. 447.57 Lakhs).

3. Related Party Disclosure as required by Accounting Standard - 18 "Related Party Disclosures" are given below :

Relationship :

(a) Holding Company :

EBITO Chemieeteiligungen AG, Clariant International AG and BTP Limited U.K together hold 63.40% equity shares in the Company, the ultimate holding company being Clariant AG, Switzerland.

(b) Other related parties in the Clariant group where common control exists :

Fellow Subsidiaries Companies :

Clariant (Oesterreich) GmbH, Austria	Masterplast Ltd., Ireland
Clariant Benelux S.A., Belgium	Clariant (Italia) SpA., Italy
Clariant Service (Schweiz) AG (Formerly part of Clariant (Schweiz) AG, Switzerland)	Clariant Life Science Molecules (Italia) SpA., Italy
Clariant Produkte (Schweiz) AG (Formerly part of Clariant (Schweiz) AG, Switzerland)	Clariant Holding (Italia) SpA, Italy
Clariant Export AG	Dick Peters B.V., Netherlands
(Formerly part of Clariant (Schweiz) AG, Switzerland)	Clariant (Norge) AS, Norway
Clariant Consulting AG, Switzerland	Clariant Quimicos (Portugal) Lda., Portugal
Clariant Verwaltungs GmbH, Germany	Clariant (Sverige) AB, Sweden
Clariant GmbH, Germany	Clariant Masterbatches Norden AB, Sweden
Clariant (Deutschland) GmbH, Germany	Clariant Holding (Sverige) AB
Clariant Produkte (Deutschland) GmbH	Clariant (Canada) Inc., Canada
Clariant Vertrieb (Deutschland) GmbH & Co. KG	Clariant Life Science Molecules (Florida) Inc., USA
Clariant Life Science Molecules (Deutschland) GmbH	Clariant Life Science Molecules (America) Inc., USA
Clariant Specialty Fine Chemicals (Deutschland) GmbH	Clariant Life Science Molecules (Missouri) Inc., USA
Schroeder & Stadelmann GmbH, Germany	US dormant BTP - Companies
Clariant Masterbatch GmbH & Co. OHG, Germany	Clariant (Argentina) S.A., Argentina
Clariant Masterbatches (Deutschland) GmbH	Clariant S.A., Brazil
Clariant Service GmbH, Germany	Clariant Colorquímica (Chile) Ltda., Chile
Industriepark Gersthofen Service GmbH & Co. KG, Germany	Clariant (Colombia) S.A., Colombia
Industriepark Griesheim GmbH & Co. KG, Germany	Clariant (Guatemala) S.A., Guatemala
Clariant (Danmark) A/S, Denmark	Clariant (Mexico) S.A. de C.V., Mexico
Clariant Ibérica S.A., Spain	Clariant Productos Quimicos S.A. de C.V., Mexico
Clariant Masterbatch Ibérica S.A., Spain	Clariant (Peru) S.A., Peru
Clariant (Finland) Oy, Finland	Clariant (Uruguay) S.A., Uruguay
Clariant Huningue, France	Clariant (Venezuela) S.A., Venezuela
K.J. Quinn, France	Clariant (Australia) Pty. Ltd., Australia
Clariant (France), France	Clariant (Tianjin) Ltd., China
Clariant LSM (France) Holding EURL, France	Clariant Chemicals (China) Ltd., China
Clariant Life Science Molecules (France) SAS, France	Clariant Masterbatches (Guangzhou) Ltd.
Clariant Specialty Fine Chemicals (France) S.A.S	Clariant Pigments (Tianjin) Ltd., China
Clariant Masterbatch Huningue S.A.S.	Clariant Masterbatches (Beijing) Ltd., China
Clariant Masterbatches (France) S.A.S.	Clariant Masterbatches (Shanghai) Ltd., China
Clariant Holdings UK Ltd., Great Britain	Clariant Trading (China) Ltd.
Clariant UK Ltd., Great Britain	Clariant (China) Ltd., Hong Kong
UK dormant Clariant - Companies, Great Britain	P.T. Clariant Indonesia, Indonesia
Clariant Horsforth Ltd., Great Britain	Clariant (Japan) K.K., Japan
BTP Ltd., Great Britain	Dia Fine K.K., Japan
Clariant Life Science Molecules (UK) Ltd., Great Britain	Clariant (Korea) Ltd., South Korea
BTP Insurance Company Ltd., Great Britain	Clariant Masterbatches (Korea) Ltd.
UK dormant BTP - Companies, Great Britain	(Formerly known as Clariant Sangho Ltd., South Korea)
Clariant Masterbatches UK Ltd.	Clariant Pigments (Korea) Ltd.
	(Formerly known as Clariant Songwon Color Co. Ltd., South Korea)
	Clariant (Malaysia) Sdn. Bhd., Malaysia

Clariant Masterbatches (Malaysia) Sdn. Bhd., Malaysia
Clariant (New Zealand) Ltd., New Zealand
Clariant (Singapore) Pte. Ltd., Singapore
Clariant Chemicals (Thailand) Ltd., Thailand
Clariant Masterbatches (Thailand) Ltd., Thailand
Clariant Chemicals (Taiwan) Co. Ltd., Taiwan
Clariant (Gulf) FZE, United Arab Emirates
Egyptian German Company for Dyes & Resins S.A.E., Egypt
Clariant (Egypt) S.A.E., Egypt
Clariant (Maroc) S.A., Morocco
Clariant (Pakistan) Ltd., Karachi, Pakistan
Clariant Türkiye A.S., Turkey

Clariant Southern Africa (Pty) Ltd., South Africa
Clariant Finanz AG, Switzerland
Clariant Reinsurance Ltd., Bermuda
Clariant Insurance (Liechtenstein) AG, Liechtenstein
Clariant Finance (BVI) Ltd., British Virgin Islands
Clariant Beteiligungen AG
Clariant Chemieeteiligungen AG
Clariant Finance (Luxembourg) S.A., Luxembourg
BTP World S.A., Luxembourg
Clariant Participations B.V., Netherlands
Clariant Corporation, USA

Associate Companies :

Clariant Consulting (Middle East) Ltd., Switzerland
BCI Betriebs-AG, Switzerland
Clariant Oil Services Ltd., Switzerland
Clariant CR s.r.o., Czech Republic
Abieta Chemie GmbH, Gersthofen, Germany
InfraServ GmbH & Co. Gendorf KG, Germany
InfraServ GmbH & Co. Höchst KG, Germany
InfraServ GmbH & Co., Knapsack KG, Germany
InfraServ GmbH & Co., Ruhrchemie KG, Germany
InfraServ GmbH & Co., Wiesbaden KG, Germany
Gersthofen Verwaltungs GmbH, Germany
Industriepark Griesheim Verwaltungs GmbH, Germany
Clariant Beteiligungs-GmbH, Germany
Clariant Vertrieb (Deutschland) Verwaltungs GmbH, Germany
Clariant Erste Chemie GmbH, Germany
Clariant Zweite Chemie GmbH, Germany
Aguas Industriales de Tarragona S.A., Spain (AITASA)
S.T.E.I.H. Sàrl, France
Clariant (Hellas) S.A., Greece
Clariant Polska Sp. z.o.o., Poland
Colex Sp. z.o.o., Poland
KorChemColor, Russia

Clariant Europa EWIV
Clariant Hungaria Kft, Hungary
Omnexus N.V., Netherlands
Clariant (RUS) LLC, Russian Federation
Clariant Distribucija SL, d.o.o., Slovenia
Fuchs do Brasil S.A., Brazil
Clariant (Ecuador) S.A., Ecuador
Clariant Trading (Panama) S.A., Panama
Clariant (El Salvador) S.A. de CV, El Salvador
Clariant (Uruguay) S.A., Uruguay
Clariant (Bangladesh) Ltd., Bangladesh
Tianjin Hua Shi Chemicals, China
Hangzhou Baihe Clariant Pigments Co., Ltd.
Chemcolour Industries (NZ) Ltd., New Zealand
Clariant (Philippines) Corp., Philippines
Clariant (Vietnam) Ltd., Vietnam
Clariant Tunisie S.A., Tunisia
Compagnie Tunisienne de Chimie Industrielle, Tunisia
Kemoks Kimya Sanayi, Turkey
International School of the Basel Region AG, Switzerland
Starfire Systems Inc., U.S.A.

(c) Key Management Personnel :

Clariant Chemicals (India) Limited :

K. J. Bharucha Vice Chairman & Managing Director (upto 31st March, 2006)
P. R. Rastogi Director (upto 23rd March, 2006) (Vice Chairman & Managing Director of erstwhile Clariant (India) Ltd. upto 19th March, 2006.)

(d) Relative of Key Management Personnel :

Mrs. K. P. Rastogi : Wife of Mr. P. R. Rastogi

During the year the following transactions were entered into with related parties :

(i) Holding Company, Fellow Subsidiaries and Associates :

	2005-2006 Rs. lakhs	2004-2005 Rs. lakhs
Holding Company :		
Transactions during the year :		
Sale of Goods		
Clariant International AG	501.07	—
EBITO Chemieeteiligungen AG	—	—
Services rendered and others		
Clariant International AG	108.44	—
EBITO Chemieeteiligungen AG	56.73	1.07
Purchase of Goods		
Clariant International AG	3889.26	—
EBITO Chemieeteiligungen AG	—	—
Services received and others		
Clariant International AG	374.36	111.63

(i) **Holding Company, Fellow Subsidiaries and Associates (Contd.) :**

	2005-2006 Rs. lakhs	2004-2005 Rs. lakhs
EBITO Chemieeteiligungen AG	—	—
Dividend Paid		
Clariant International AG	364.50	—
EBITO Chemieeteiligungen AG	490.02	350.22
Balances outstanding as at the year end :		
Amount Payable	1272.99	45.33
Amount Receivable	175.47	19.82
Fellow Subsidiaries:		
Transactions during the year :		
Sale of Goods		
Clariant Produkte (Deutschland) GmbH	2908.30	—
Clariant Corporation	1956.21	421.94
Clariant GmbH	—	6176.10
Others	14463.36	4361.90
Services rendered and others		
Clariant Produkte (Deutschland) GmbH	206.52	—
Clariant Export AG	41.89	—
Clariant GmbH	—	238.38
Clariant Huningue	—	20.58
Clariant Corporation	—	8.46
Clariant (Singapore) PTE Limited	—	0.31
Others	150.26	82.81
Purchase of Goods		
Clariant GmbH	1631.65	1543.11
Clariant UK Ltd.	457.28	382.01
Clariant AG Switzerland	—	423.86
Others	1954.50	568.71
Sales of Fixed Assets		
BTP India Pvt. Ltd.-Amalgamated with the Company during the year	—	3.02
Services received and others		
Clariant UK Ltd.	34.62	—
Clariant GmbH	9.49	14.27
Clariant (China) Ltd.	—	44.47
Others	43.99	36.63
Dividend Paid		
BTP Ltd., UK	570.00	—
Balances outstanding as at the year end :		
Amount Payable	474.85	803.56
Amount Receivable	2567.91	2285.56
Associates Subsidiaries :		
Transactions during the year :		
Sale of Goods		
Chemcolour Industries (NZ) Ltd.	11.10	—
Others	—	40.88
Purchase of Goods		
Abieta Chemie GmbH	13.91	11.45
Others	—	9.07
Services received and others		
Clariant Consulting (Middle East) Ltd.	11.03	—
Clariant (Philippines) Corp.,	1.77	2.61
Balances outstanding as at the year end :		
Amount Payable	17.74	4.34
Amount Receivable	2.51	3.46

(ii) **Key Management Personnel :**

	2005-2006 Rs. lakhs	2004-2005 Rs. lakhs
Remuneration paid	114.53	131.71
Remuneration paid to ex Vice Chairman & Managing Director of erstwhile Clariant (India) Ltd. (excluding Rs. 62.20 lakhs paid as Consultant of the Company) (See note 14(v), Schedule 19)	125.09	—
Sale of Assets	9.39	—
Commission Payable (Net)	33.09	—

(iii) **Relatives of the Key Management Personnel:**

Rent Payment	11.88	—
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4. Earnings per share:

(a) Net profit after taxation for the year (Rs. lakhs)	4035.07	1645.81
(b) Number of equity shares outstanding	11650000	11650000
(c) Number of shares in Share Capital Suspense Account	15010745	—
(d) Total (b) + (c)	26660745	11650000
(e) Basic & Diluted earnings per share (In Rupees)	15.13	14.13
(f) Face value per share (In Rupees)	10.00	10.00

5. Deferred Taxes:

The major components of deferred tax assets and deferred tax liabilities are set out below:

	2006 Rs. lakhs	2005 Rs. lakhs
Deferred Tax Assets		
(i) Provision for Doubtful debts	51.31	52.82
(ii) Provision for retirement benefits	356.93	121.28
(iii) Expenses allowable for tax purposes when paid	92.63	25.17
(iv) Integration Expenses	247.28	—
(v) Payment/Provision for Voluntary Retirement Scheme	802.09	1131.95
(vi) Others	3.48	10.39
	1553.72	1341.61
Deferred Tax Liabilities		
(i) Depreciation/Amortisation	2079.57	1481.76
	2079.57	1481.76
Deferred Tax Assets/(Liabilities) - Net	(525.85)	(140.15)

The net Deferred Tax Liabilities in the books of erstwhile Clariant (India) Limited and BTP India Private Limited including adjustment to subsidiaries amounting to Rs. 347.83 lakhs (net of adjustments of Rs. 344.64 lakhs to the general reserve to bring the uniformity in the accounting policies) as at 1st April, 2005 has been added to the Deferred Tax assets of the Company on amalgamation.

6. (a) Clariant Chemicals (India) Limited had made provision for unearned premium in the previous year amounting to Rs. 650 lakhs (prior period item) as an adjustment arising out of the addendum dated 17th January, 2005 entered into with the purchaser in respect of the Sale of Land at Thane in December, 2003.
- (b) Clariant Chemicals (India) Limited has made provision for stamp duty on all immovable properties of Transferor Companies situated in the State of Maharashtra for registering the same in the name of Clariant Chemicals (India) Limited, pursuant to the scheme of amalgamation.
- (c) The movements in the above provision are summarised as under :

	As on 1st April, 2005	Additional provision made during the year	Amount used/ Reversed during the year	As on 31st March, 2006	Rs. lakhs As on 31st March, 2005
(i) Provision for Unearned premium in respect of Sale of Land	650.00	—	—	650.00	650.00
(ii) Provision for Stamp Duty pursuant to the Scheme of Amalgamation	—	741.50	—	741.50	—
Future cash outflows are expected within a year.					

7. In the previous year, Clariant Chemicals (India) Limited had received an order of the Sub-Divisional, Thane demanding Rs. 121 lakhs for the lease of land to Thane Municipal Corporation, Fire Brigade and Maharashtra State Electricity Board without obtaining prior permission in writing against which Clariant Chemicals (India) Limited had filed a writ petition before the Bombay High Court. The Hon'ble High Court has granted interim stay in terms of the petition during the current year.

8. In respect of all assets taken on lease on or after 1st April, 2001 :

(a) In respect of Operating leases, where lease agreements have been formally entered into, minimum lease payments recognised in the Profit and Loss Account for the year are as follows.

	2005-2006 Rs. lakhs	2004-2005 Rs. lakhs
Residential flats, office premises, vehicles, equipment and machinery, computers etc.	406.53	169.63

(b) There are no restrictions such as those concerning dividends, additional debt and further leasing, imposed by the lease agreements entered into by Clariant Chemicals (India) Limited.

(c) Contingent rent payments in respect of vehicles are dependent upon the excess of actual usage, if any, over stipulated usage.

9. Expenditure on Research and Development during the year

(a) Capital expenditure	37.16	—
(b) Revenue expenditure charged to Profit and Loss Account	563.87	403.10
	601.03	403.10

10. Estimated amount of contracts remaining to be executed on capital account and not provided for

	175.15	158.53
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11. Contingent liabilities not provided for :

(a) in respect of income tax matters decided against the Company, in respect of which the Company is in further appeal	986.66	457.04
decided in favour of the Company against which the department is in appeal.	14.78	—
(b) in respect of sales tax matters	77.82	65.42
(c) in respect of excise matters	639.53	218.99
(d) in respect of bills of exchange discounted with banks [since realised Rs. 895.39 lakhs (Rs. 245.62 lakhs)]	1589.06	963.65
(e) Other matters in dispute	6.76	6.76
(f) Disputed Labour matters - Amount not ascertained.	—	—

In respect of items (a) to (c), (e) & (f) future cash outflows in respect of contingent liabilities is determinable only on receipt of judgements pending at various forums/authorities.

12. Other Expenses Include :

	2005-2006 Rs. lakhs (Excluding Service Tax)	2004-2005 Rs. lakhs (Excluding Service Tax)
(a) Auditors' remuneration and expenses :		
(i) Audit fees	35.54	17.07
(ii) Company law matters	3.50	0.10
(iii) Taxation services	5.80	—
(iv) Other services - miscellaneous reports	25.62	14.33
(v) Out-of-pocket expenses	2.02	1.46
	72.48	32.96

Out of the above, Rs. 72.19 lakhs is included under 'Miscellaneous Expenses' and Rs. 0.29 lakh is included under 'Integration expenses'.

13. (a) EBITO Chemiebetteilungen AG (EBITO), the holding Company, made an open offer in the current year to acquire 20% of the equity shares of the Company pursuant to the order of the Supreme Court dated 25th August, 2004 in compliance with SEBI (Substantial Acquisition of Shares & Takeover) Regulations, 1997 as amended up to date. In view of the above, EBITO's shareholding has increased from 58,37,080 shares to 81,67,080 shares.

(b) Pursuant to the open offer made by the Company during the current year to acquire 20% of the equity share capital in its subsidiary — erstwhile Vanavil Dyes and Chemicals Limited, the Company's shareholding has increased from 27,71,206 shares to 28,02,934 shares resulting in increase in percentage of shareholding from 56.19% to 56.84% with effect from 5th August, 2005. Pursuant to the Scheme of Amalgamation, erstwhile Vanavil Dyes and Chemicals Limited has been amalgamated with the Company retrospectively w.e.f. 1st April, 2005 as stated in note 1.

- (c) In terms of the share purchase agreement for Chemtreat Composites India Private Limited (fully owned subsidiary) dated 13th February, 2006 read with supplemental agreement of even date, the seller will be paid the balance consideration of an amount of Rs. 225 lakhs as reduced by an amount incurred / to be incurred for fulfilling the post-closing obligations by the seller. As these obligations are to be fulfilled by 30th June, 2006, the ultimate amount of balance consideration to be paid (to be adjusted in the investment cost) to the seller is not ascertainable.

14. Amount paid/payable by Clariant Chemicals (India) Limited to Directors (including Managing Director) as remuneration for services rendered in any capacity :

	2005-2006 Rs. lakhs	2004-2005 Rs. lakhs
Directors' fees	1.68	2.23
Salaries	38.72	50.55
Commission	42.31	41.70
Other perquisites and benefits in cash or in kind	39.50	45.46
	# 122.21	139.94
# Includes subject to Shareholders' approval.	56.01	—

- Note: (i) Provision for leave encashment and gratuity benefit which is based on actuarial valuation done on an overall Company basis is excluded from above.
- (ii) In the absence of records, the quantum of excess remuneration paid, if any, as compared to the 1969 Managerial Remuneration Guidelines in respect of a sum of Rs. 3.33 lakhs paid to an ex-managing director of erstwhile Clariant (India) Limited for the years 1981 and 1982, has not been ascertained.
- (iii) Excludes remuneration of Rs.125.09 lakhs paid to ex-managing director and Rs. 6.50 lakhs payable to non wholetime directors of erstwhile Clariant (India) Limited.
- (iv) Excludes sitting fees of Rs. 1.64 lakhs & Rs. 1.62 lakhs paid to the non wholetime directors of erstwhile Clariant (India) Limited and erstwhile Vanavil Dyes and Chemicals Limited respectively.
- (v) Excludes Rs. 62.20 lakhs paid to ex-managing director of erstwhile Clariant (India) Limited as consultant of the Company for a period from 20th March, 2006 to 31st March, 2006.

15. Profit & Loss Account includes the following :

- (a) Profit on sale of other fixed assets-(net) under 'Other Income' (Schedule - 13) includes Rs.108.34 lakhs (Rs. 432.51 lakhs) being Profit on Sale of Flat situated at Mumbai.
- (b) Contribution to Provident fund, Superannuation scheme, Gratuity fund, etc. under 'Personnel cost' (Schedule-15) includes contribution of Rs. 330 lakhs on account of the higher actuarial liability of gratuity as on 31st July, 2005 determined by the Company's actuary appointed during the year as against the actuarial liability of gratuity determined by the Company's previous actuary as on 31st March, 2005.
- (c) Adjustment on sale of land amounting to Rs. 117.74 lakhs under 'Other Expenditure' (Schedule-17) is on account of difference in area arising out of the development agreement dated 28th December, 2005 with the purchaser in respect of sale of surplus land at Thane in December 2003.
- (d) Other Expenditure (Schedule-17) includes Integration expenses as follows, incurred by the Company on amalgamation of erstwhile Clariant (India) Limited, Vanavil Dyes and Chemicals Limited, BTP India Private Limited, and Kundalika Investments Limited with the Company, pursuant to the scheme of amalgamation.

	2005-2006 Rs. lakhs	2004-2005 Rs. lakhs
Legal & Professional Fees	63.35	—
Rates and taxes	754.10	—
Others	108.40	—
	925.85	—

16. Figures for the Previous year have been regrouped wherever necessary to conform to this year's classification.

17. The figures in brackets are those in respect of the previous accounting year.

Consolidated Cash Flow Statement for the year ended 31st March, 2006

	2005-2006 Rs. lakhs	2004-2005 Rs. lakhs
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Profit before prior period items and taxation	6478.75	3755.14
Less : Prior period items	—	650.00
Net Profit before tax and Extra ordinary items	6478.75	3105.14
<i>Adjustments for :</i>		
Minority interest	—	69.70
Depreciation	2447.42	1565.82
Lease adjustment	—	5.13
Unrealised foreign exchange loss	25.78	10.99
Interest income	(480.97)	(255.13)
Dividend income	(297.82)	(9.47)
Loss/(profit) on sale of assets (net)	(56.98)	(442.99)
Adjustment on Sale of Land	117.74	—
Loss/(profit) on sale of Investments (net)	(54.69)	3.05
Remission of deferred Sales tax & Central Sales tax	—	(277.71)
Provision for Diminution in value of Investment written back	(0.53)	(13.01)
Provision for Doubtful debts	(139.27)	(33.02)
Provision for Leave encashment	127.15	77.31
Provision for Ex-Gratia Gratuity	15.55	0.17
Provision for Unearned premium	—	650.00
Provision for Stamp Duty in connection with Integration	741.50	—
Provision for Gratuity	40.27	23.60
Interest expenses	485.12	347.17
Income on redemption of debentures	—	(0.36)
Miscellaneous expenditure written off	—	77.76
Investment written-off	0.14	—
Assets written-off	151.65	86.45
Operating profit before working capital changes	9600.81	4990.60
<i>Adjustments for :</i>		
Miscellaneous expenditure	—	(233.29)
Trade and other receivables	547.65	887.45
Inventories	(1744.10)	(637.85)
Trade Payables	500.80	(914.08)
Cash generated from operations	8905.16	4092.83
Direct taxes paid- (net of refunds)	(2697.85)	(776.71)
Net cash from operating activities	6207.31	3316.12
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of fixed assets	(3530.58)	(2560.35)
Sale of fixed assets	190.97	505.97
Purchase of investments	(42141.12)	(10893.28)
Investment in subsidiaries (includes Rs.16.48 lakhs for acquisition of additional shares of erstwhile Vanavil Dyes and Chemicals Limited pursuant to open offer made by the Company).	(281.48)	—
Sale of investments	40963.94	8305.22
Interest received	659.18	105.20
Dividend received	297.82	9.47
Income on redemption of debentures	—	0.36
Net Cash used in investing activities	(3,841.27)	(4527.41)

	2005-2006 Rs. lakhs	2004-2005 Rs. lakhs
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Cash credit & Packing credit (net)	571.02	1131.52
Reduction of Share Capital of erstwhile BTP India Private Limited	(2470.00)	—
Proceeds from borrowings	12176.75	7560.90
Repayment of borrowings	(12622.16)	(6109.10)
Interest paid	(501.96)	(333.30)
Dividend/dividend tax paid	(2316.67)	(821.58)
Net Cash used in financing activities	(5163.02)	1428.44
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	(2796.98)	217.15
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE YEAR	497.89	280.74
CASH AND CASH EQUIVALENTS-TAKEN OVER ON AMALGAMATION	3739.45	—
ADDITIONS ON TAKE OVER OF CHEMTREAT COMPOSITES INDIA PRIVATE LIMITED	1.51	—
CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR	1441.87	497.89

1. The Cash flow has been prepared under the "Indirect Method" as set out in Accounting Standard-3 on Cash Flow statements issued by the Institute of Chartered Accountants of India.
2. Direct taxes paid are treated as arising from operating activities and are not bifurcated between investing and financing activities.
3. The amalgamation of erstwhile Clariant (India) Limited, BTP India Private Limited. Vanavil Dyes and Chemicals Limited & Kundalika investments Limited with the Company is a non cash transaction. (Refer note 1, Schedule-19).
4. Cash and Cash equivalents include Rs. 3739.45 lakhs of erstwhile Clariant (India) Limited, BTP India Private Limited taken over on amalgamation.
5. Cash and Bank balances includes Rs. 5.50 Lakhs (Previous Year – Rs. 33.72 Lakhs) which is not available for use by the Company.
6. Previous years figures are not comparable due to Note no-3 above.

Per our report attached to the Balance Sheet

For A.F. Ferguson & Co.
Chartered Accountants

A. C. Khanna
Partner

Mumbai, 30th May, 2006

Sunil K. Nayak
Chief Financial Officer &
Company Secretary

For and on behalf of the Board,

H. Meier Vice-Chairman & Managing Director

K. J. Bharucha }
B. S. Mehta } Directors

Mumbai, 30th May, 2006

Financial conditions and results of operations

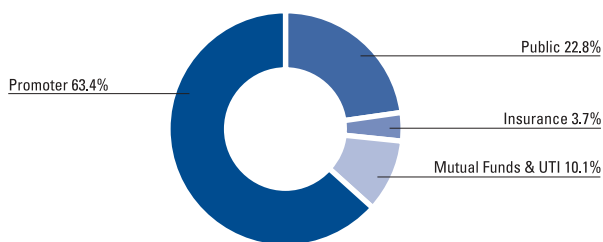
The Scheme of Amalgamation (scheme) of erstwhile Clariant (India) Limited, Vanavil Dyes & Chemicals Limited, BTP India Private Limited and Kundalika Investments Limited (hereinafter referred to as the Transferor Companies) with the Company was approved by Honourable High Court of Judicature at Madras on 22nd February, 2006 and Honourable High Court of Judicature at Bombay on 17th March, 2006. The scheme has become effective from the appointed date i.e. April 1st, 2005. We present herewith additional information on the financial conditions and results of operations for the current financial year 2005-2006 though the previous year figures are not strictly comparable with current year figures.

1. Share Capital

Share capital is the contribution made by the shareholders and includes the value of shares issued by way of bonus shares.

The company has only one class of shares — equity share of par value Rs. 10 each. In terms of the scheme the Authorised Share Capital of the Company was increased from Rs. 1200 lakhs to Rs. 3000 lakhs. The Board of Directors had fixed April 21, 2006 as the record date for the purpose of issuing shares to shareholders of the transferor companies. As per the scheme 1,50,10,745 Equity Shares of the company have been allotted to the shareholders of the transferor companies on May 2, 2006. These additional shares along with the existing shares are listed on the Bombay Stock Exchange and National Stock Exchange. The issued Equity Shares are eligible for dividend, voting rights and in all other respect rank pari-passu with the existing Equity Shares of the Company. The issued, subscribed and paid-up share capital of the company has therefore increased from Rs. 1165 lakhs to Rs. 2666 lakhs. Promoters holding is now 63.40%.

Shareholding Pattern – as on April 21, 2006



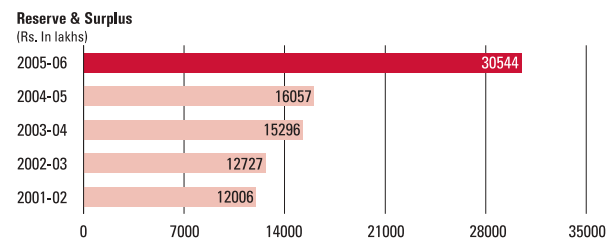
The number of shareholders as on record date April 21, 2006 stands at 31,454.

2. Reserves & Surplus

The reserves & surplus is an amount set aside out of profits and/or surpluses of any nature, which are not meant to meet any specific liability or commitment, whether known or unknown on the date of balance

sheet. This is not a charge against profit but an appropriation of profits normally available for distribution to the shareholders. It consists of balance in general reserve and profit & loss account built out of retained earnings over the years.

As per the scheme with effect from appointed date i.e. April 1, 2005 the total amount of Reserves and Surplus and credit balance in the Profit & Loss account standing in the books of account of the transferor companies (including adjustments required to bring about the uniformity in the accounting policies between transferor companies and transferee company as specified in the scheme) has been transferred to your company. As a result the balance in reserve & surplus after considering the balance of current year profit & loss account has increased from Rs. 16057 lakhs to Rs. 30544 lakhs.



3. Loan Funds

Loan funds are important source of funds and are part of total capital employed by a company.

3.1 Secured Loans

Secured loans in case of the Company consist of the short-term borrowing from banks meant for working capital requirement and term loan secured by first charge on plant & machinery transferred from the transferor company viz. Vanavil Dyes & Chemicals Limited. The working capital borrowings are secured by way of lien/hypothecation of inventories, book debts and other claims, bills and moveable assets etc. The balance outstanding as on 31st March, 2006 amounting to Rs. 3598 lakhs consists of term loan of Rs. 125 lakhs repayable within one year and remaining in form of working capital facility availed from the banks.

3.2 Unsecured loans

The unsecured loans of Rs. 1996 lakhs as on March 31, 2006 include Rs. 521 lakhs interest free sales tax deferral scheme granted by Government of Tamil Nadu to erstwhile transferor company viz. BTP India Pvt. Limited and non-convertible debentures of Rs. 1000 lakhs which has been since paid on April 12, 2006. The unclaimed deposit/interest accrued thereon not claimed by the deposit holder are included under current liabilities.

The ratio of shareholders funds to the borrowed funds as at 31st March, 2006 is 86:14.

4. Fixed Assets

Fixed assets are assets of a permanent nature, which are used in business as long as they are useful means of production or services. The amount at which they are stated in the balance sheet does not purport to be realisable value or their replacement value, but is normally on historical record of their costs less amounts provided in respect of depreciation, amortisation or depletion. The Company has not revalued any of its fixed assets and therefore the gross block consists of historical cost of the assets acquired.

As per the scheme the gross book value of all assets and properties of the transferor companies amounting to Rs. 15519 lakhs has been transferred to the company from appointed date. The amount spent on projects which remained to be completed and shown as capital work in progress amount to Rs. 483 lacs.

The fixed assets turnover ratio as on 31st March, 2006 was 5.3.

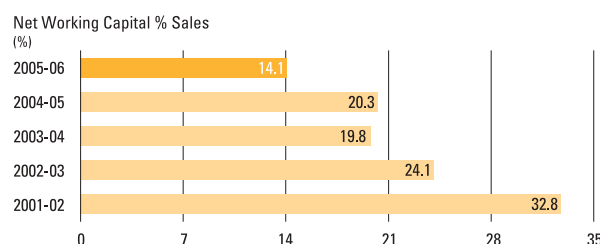
5. Investments

The fund surplus to the immediate business needs is invested by the Company in units of mainly debt-oriented plans of mutual funds with a view to earn a reasonable return. Easy liquidity and safety of funds are the prime consideration in selection of funds and plans. Investments in income plan of debt/mix funds with maturity profile of more than one year have been classified under long-term whereas investment with maturity profile of less than one year in liquid plan of debt funds are classified as short-term. Long-term investments are stated at cost less provision for diminutions, if any. Short-term investments are stated at the lower of cost and fair value.

As a result of amalgamation the total investment of the Company has increased to Rs. 11326 lakhs as on March 31, 2006 from Rs. 4645 lakhs standing as on March 31, 2005.

6. Working Capital

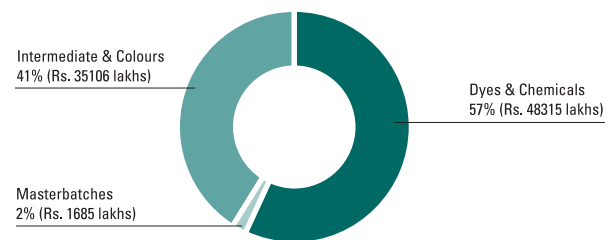
Efficient utilisation of liquid resources in the form of inventory, receivables, cash & bank balances and payables; commonly known as working capital is the key indicator of the company's ability to meet its short-term obligations & reflect short-term financial strength of the company.



7. Sales

The merged entity now operates in three segments namely Intermediate & Colours, Dyes & Speciality Chemicals and Masterbatches.

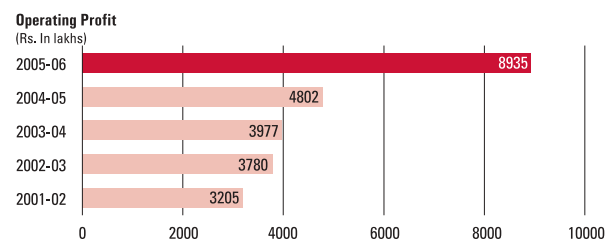
Composition of Sales for the Financial Year 2005-2006



The processing charges included under the sales comprises goods processed under the toll manufacturing agreement entered with Dystar India Pvt. Limited which has been discontinued with effect from April 1, 2006.

8. Operating Profits

The operating profits are income before depreciation/ amortisation, interest and taxes. PBDIT is a standard value used to analyse the ability of a company to generate cash from operations. Charge for depreciation, interest and taxes are considered to be non-operative charges/expenses and therefore excluded from calculation of operating profit. The operating profit (PBDIT) for the year is Rs. 8935 lakhs.



9. Depreciation/Amortisation

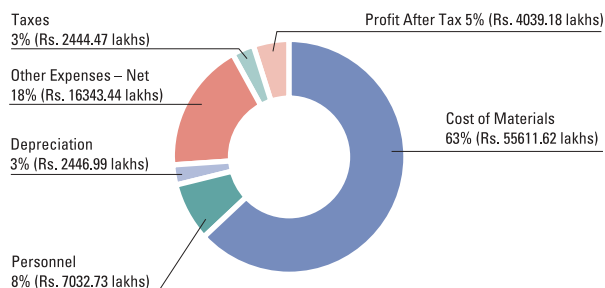
The Company provides for depreciation on fixed assets calculated on straight line method, at the rates prescribed under the Companies Act, 1956. In case of transferor companies adjustment arising out of the change of depreciation method to bring about uniformity in the accounting policies has been given effect in the general reserve.

10. Interest (net)

Interest income comprises of interest recovered from debtors on delayed payments, interest on bank deposits, income tax refunds and loans to employees etc. Interest payment comprises of interest on short-term bank borrowings/loans and security deposits taken from distributors.

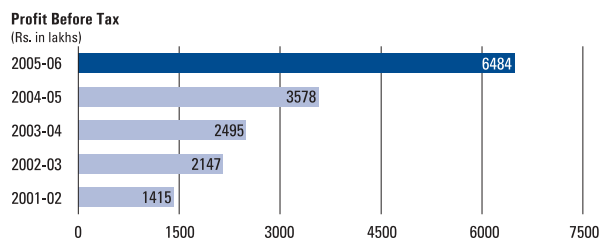
Total interest paid net of interest earned during the year is Rs. 4 lakhs.

Distribution of Revenue for the year ended 31st March, 2006



11. Profits before Taxation:

Profit before provision for income tax commonly known as PBT reflects the profits earned by the Company during the year from operations and services before provision for Income tax. PBT for the year is Rs. 6484 lakhs and as percent to sales is 7.6.



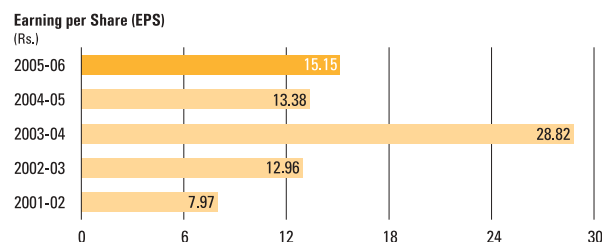
12. Profits after Tax:

Profit after tax (PAT) is net earning after considering the provision for tax liability for the year. It is the profit which is available to the shareholder for appropriation

and distribution. PAT for the year is Rs. 4039 lakhs and as percent to sales is 4.7.

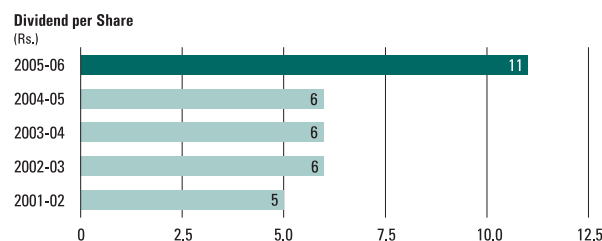
13. Earning per Share (EPS):

The earning per share (EPS) for the current fiscal year, which is derived by dividing profit after tax to the number of shares issued is Rs. 15.15.



14. Dividend:

The Board of Directors, at its meeting held on May 30, 2006 recommended a dividend of Rs. 11 per share (110%) as compared to Rs. 6 per share (60%) paid in the previous year. On the paid-up share capital (including share capital suspense account) of Rs. 2666 lakhs, the total dividend entails cash out flow of Rs. 2933 lakhs. Together with tax on dividend it amounts to a pay out of 83% of the net profit.



Financial Performance — 10 Years' Highlights

(Rupees in lakhs)

FINANCIAL YEAR ENDED 31st MARCH	***2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
I. OPERATING RESULTS										
GROSS TURNOVER (including Excise duty)	92779.58	41090.77	41826.63	39363.98	34215.62	34413.29	32765.37	33258.58	37286.26	33545.28
GROSS SALES	91974.89	40352.44	40833.91	38217.00	33100.62	33018.79	31438.49	31766.95	34883.13	33545.28
NET SALES	84301.02	36560.88	37467.75	34927.85	29901.01	29918.02	28178.52	28140.42	31227.12	29494.67
GROSS EARNINGS BEFORE DEPRECIATION AND TAXATION	8930.64	4724.99	3800.31	3437.44	2730.34	2368.18	4017.48	+4097.88	+3208.42	4210.50
PROFIT BEFORE TAXATION	6483.65	*3578.15	2495.16	2147.05	1415.73	1147.82	2815.02	#260.28	#5151.78	3311.06
PROFIT AFTER TAXATION	4039.18	1558.67	3357.03	1496.64	905.53	897.82	2115.02	230.28	3826.78	2411.06
EQUITY DIVIDENDS	2932.68	699.00	699.00	699.00	582.50	466.00	757.25	757.25	1864.00	699.00

II. FINANCIAL POSITION										
GROSS FIXED ASSETS	38501.84	21055.78	19340.29	19738.26	19302.82	19126.81	18436.92	18188.03	17525.48	15557.89
NET FIXED ASSETS	16016.40	8372.27	7376.87	8047.40	8628.99	9349.69	9616.60	9935.32	10340.84	9159.21
INVESTMENTS	11326.19	4645.27	2045.27	849.97	849.97	874.33	1877.63	877.63	877.63	645.39
NET CURRENT ASSETS	11986.69	7435.46	7415.48	8433.14	9821.10	10172.22	7887.98	8677.35	10186.34	10248.69
EQUITY	**2666.07	1165.00	1165.00	1165.00	1165.00	1165.00	1165.00	1165.00	1165.00	1165.00
RESERVES	30543.90	16057.44	15295.80	12727.33	12006.39	13038.76	12684.48	11423.61	12014.33	10120.82
SHAREHOLDERS' FUNDS	33209.97	17222.44	16460.80	13892.33	13171.39	14203.76	13849.48	12588.61	13179.33	11285.82
LOANS AND DEFERRED PAYMENT CREDITS	5593.67	3394.27	1104.37	2363.86	4739.76	6192.48	5532.73	6901.69	8225.48	8786.86
CAPITAL EMPLOYED	39329.28	20616.71	17565.17	17330.51	17911.15	20396.24	19382.21	19490.30	21404.81	20072.68

III. PER EQUITY SHARE @											
EARNING	Rs.	15.15	13.38	28.82	12.96	7.97	7.45	180	21#	339#	215
DIVIDEND	Rs.	11	6	6	6	5	4	65	65	160	60

After exceptional items

+ Before exceptional items

@ Face value sub-divided to Rs. 10/- in October 2000

* Before prior period items

** Including Share Capital suspense account

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



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