



Exactly your chemistry.

Annual Report 2010
Clariant Chemicals (India) Limited



Touching your lives!

Clariant touches your life in manifold ways – right from the personal care products you use in the morning, to the daily newspapers and magazines, the mineral water bottles, the apparels, play toys, food packaging, stadium seats, protective wood coatings, among others. As a leader in the field of specialty chemicals, Clariant is fully committed to sustainable operation and development in all business activities. We develop and offer products and applications that allow for use of the product during its whole life cycle helping to avoid risk to employees, customers, the public and environment. Our ability to treat customers, employees, neighbours and the environment in a responsible fashion has also strengthened our partnerships with all our stakeholders upon whom our success as a company ultimately depends. It is your continued satisfaction that has helped us remain as a preferred choice in colors, surface effects and performance chemicals.

Index

2	Board of Directors
7	Financial Performance
9	Notice
12	Directors' Report
16	Management Discussion and Analysis
21	Report on Corporate Governance
29	Auditors' Report
32	Balance Sheet
33	Profit and Loss Account
34	Cash Flow Statement
36	Schedules to Balance Sheet
43	Schedules to Profit and Loss Account
45	Notes
58	Statement relating to the Subsidiary Company
59	Auditors' Report on Consolidated Financial Statements
60	Consolidated Financial Statements
80	10-years' Highlights

Board of Directors

R.A. SHAH



PETER PALM



BOARD OF DIRECTORS

R.A. Shah – Chairman

Peter Palm – Vice-Chairman & Managing Director

Bansi S. Mehta

Diwan A. Nanda

Henri Schloemer

Alfred Muench

Heiner Meier

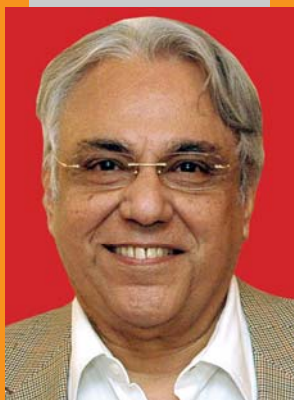
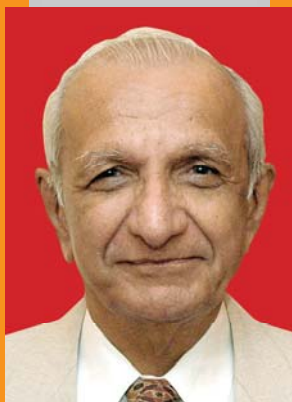
B.L. Gaggar – Director Finance & Company Secretary



HENRI SCHLOEMER



ALFRED MUENCH

DIWAN A. NANDA**BANSI MEHTA****B.L. GAGGAR****HEINER MEIER****AUDIT COMMITTEE**

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

INVESTORS' GRIEVANCE COMMITTEE

Diwan A. Nanda, Chairman
Peter Palm

AUDITORS

Deloitte Haskins & Sells
 Chartered Accountants

BANKERS

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

SOLICITORS & ADVOCATES

Crawford Bayley & Co.

REGISTRAR & SHARE TRANSFER AGENTS

Sharepro Services (India) Pvt. Ltd.
 Sakinaka, Andheri (E)
 Mumbai – 400 072

REGISTERED OFFICE

Kolshet Road
 P.O. Sandoz Baug
 Thane 400 607

WORKS

Dhatav, Roha, Dist. Raigad – 402 116
 Kolshet Road, Thane – 400 607
 Kudikadu, SIPCOT P. O., Cuddalore – 607 005
 Singadivakkam Village, Kanchipuram – 631 561

Our Businesses

1. TEXTILES

Clariant's Textile Business provides innovative solutions for pretreatment, dyeing, printing and finishing of textiles, which enhance the properties of apparel and other textiles in applications as diverse as high fashion, home textiles and special technical textiles. From crease resistance to moisture management as well as repellency, our functional effects provide added value to textile manufacturers. Our specialists provide color matching, trend monitoring as well as sector specific concepts, including our 4E environmental concept, that enable customers generate greater value from their products. Our continuous dye products bettered the customers' expectations in terms of operational reliability and high fastness level with minimum water and better energy savings. Sustainable production systems were the innovative feature in the advanced denim category this year. Our Clariprint package yielded improved colour yields and excellent brightness. The concept of incorporating Efficiency, Economy & Ecology in the pretreatment chemicals was another achievement.

Our key segments

Apparel • Home Textiles • Technical Textiles
• Carpets • Automotives

2. PIGMENTS

Clariant's range includes high-performance pigments that meet the exacting demands of the automotive, architectural and plastic industries as well as colorants used in ink jet and laser printers tailored to individual needs. Our organic pigments, pigment preparations and dyes used in coatings, printing, plastics and other specialty applications give us the advantage of being the numero uno supplier to the industry. Building value added partnership with the leading FMCGs to provide customized solutions for Food Packaging has been a hallmark of our success. Special emphasis is also given to provide full



technical support to the highly specialized area of Non-Impact Printing. Both these initiatives are in line with our global philosophy of responsible care. Synergistic lateral innovation has been possible in special pigment dispersions for the viscose fiber industry with ecological and sustainable solutions to meet consumer expectation as per current fashion trends in spun shades. Selective pigment dispersions offered to key customers for eco-friendly water based enamel paints and also for road marking paints at our airports have been an enabler.

Our key segments

Decorative/Industrial Paints • Viscose • Non-Impact Printing • Food Packaging

3. PAPER

Clariant is a leading provider of whiteness, color, coating and strength solutions for the paper industry. Our focused product range enhances both optical and functional properties of all kinds of paper and board. It is our constant endeavour to optimize



the production processes for our clients.

Our key segments

Writing & Printing Paper • Colored Tissue • Packaging Board

4. LEATHER

Clariant is a leading supplier of dyes and chemicals for retanning, dyeing and finishing wherein we offer complete chemical and technical solutions for the whole leather manufacturing process - starting from Wet End till Finishing.

Our newly launched, next generation easy white tanning system - Granofin® Easy F-90 is a milestone in the history of chrome-free leather. Tanicor® RS-36, another in-house product is a new compact syntan and an economical retanning product.

Our key segments

Shoe Uppers/Shoe • Furniture Leathers/ Furniture • Leather Garments/Garment



5



6



7



8

5. EMULSIONS

Clariant is a major supplier of emulsions/polymer dispersions for paints, coatings, adhesives, construction, sealants, ground protection and other specialties for different solutions. Also, we have a complete portfolio for the textile, leather and paper industries. Our products protect, decrease water absorption, compact and control dust generation on floors, roads, highway and other applications. Being water-based, they are particularly suitable for the manufacture of environment-friendly products.

A new concept of water based wood coating was introduced in 2010. This offers total protection to furniture, fencing and flooring. It has a low VOC and no odour product advantage. The emulsions and additives for specialty coatings & waterproofing compounds and elastomeric roof coating creates anti-efflorescence for wall coatings.

Our key segments

Wood Coating • Paint • Construction

6. ADDITIVES

Our Additives Business is a major supplier of products for functional effects in plastics, coatings and printing inks. High quality waxes are used in polishes, protective coatings, plastics and in a range of highly specialized applications like hot melts. We also produce polymer additives like antioxidants, processing/light stabilizers and antistatic agents e.g. to give plastics the flexibility and durability, or to improve the heat, light and weather resistance of coatings. Decades of experience and know-how have made our products the industry standard for technical performance and quality. Our unique achievements have been the ability to provide the right solution to grow in specialty polymer additives, coating additives, waxes for plastics, printing, Licocene® wax business for plastic MB applications and in flame retardants for engineering plastic applications

Our key segments

Plastic : Polymer producers, Masterbatch and Compounding, Polymer processors,

Coating : Intumescent coatings, Industrial coatings,
Printing : Publication and Packaging ink,
Speciality : Polishes, Formulators, Leather finishes, Powder metallurgy, Road construction.

7. INDUSTRIAL & CONSUMER SPECIALTIES

Clariant's high quality products with formulation expertise across diverse industries delivers solutions with compelling cost-performance ratios and environmental benefits to customers. The focus on ecologically sustainable development ranges from skin care formulations based on raw materials using renewable resources to recycling concepts for aviation de-icing products, promoted under our ECOTAIN label.

Our advantage is the local production of co-surfactants at Roha site. The unique rheology modifiers for sensory benefits in

personal care and the introduction of Genosorb® technology for the viscose industry in VOC recovery are some of the latest achievements.

Our key segments

Personal Care • Metal Working Fluids • Biocides • Paints, Coatings and Construction • Industrial and Home Care • Industrial Lubricants • Crop Protection

8. MASTERBATCHES


Clariant is a leader in color and additive concentrates and technical compounds for the plastics industry.

One of the key developments has been the Masterbatches for non-woven fabrics for disposable garments used in hospitals, personal hygiene, agriculture & packaging, etc and the development of commodity white masterbatches, which find application in packaging.

Our key segments

Textile • Packaging • Consumer Goods

Sustain, Improve, Create Value: Clariant's Headline for 2011



As of the start of 2011, Clariant began on its path to profitable growth with the focus on three key areas of Sustain, Improve and Create Value. 2011 will be a year of consolidation of the 2009/10 restructuring achievements, which will further lay the foundations for long term profitability and growth. The focus on Cash, Cost and Complexity throughout the past two years allowed Clariant to significantly reduce its cost base, becoming more efficient in its use of working capital and increased flexibility through a new corporate structure globally. These improvements, combined with a recovery in volumes and firm price management, have allowed Clariant to benefit from significant operational leverage in 2010. To achieve sustained and improved performance in 2011, Clariant will have to consolidate the achievements of 2009 and 2010 (for example, cost base and net working capital (NWC)), complete already announced restructuring measures (Global Asset Network Optimization) and progressively shift the company to profitable growth.

Our focus is on three core areas:

1. Sustain cash generation and profitability:

- by continuing to focus on margin, SG&A and NWC levels;
- by being vigilant on CAPEX and FTEs.

2. Improve performance and efficiency:

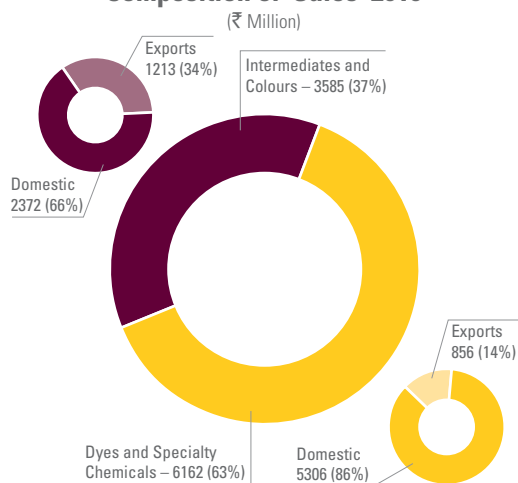
- by implementing the GANO restructuring measures swiftly;
- by leveraging and expanding Clariant Excellence;
- by improving processes and business models (NWC, Pricing etc).

3. Create Value by releasing new potential through:

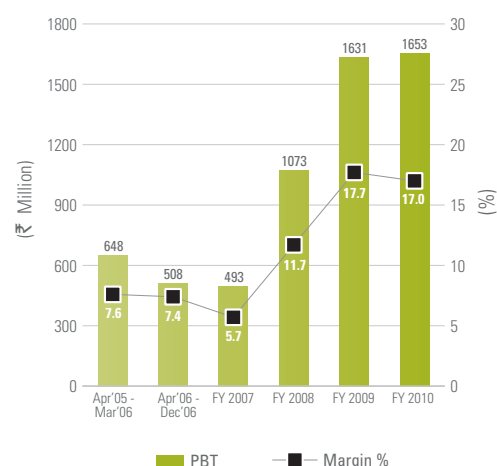
- roll-out of Clariant's company values throughout the organization;
- completion and implementation of the BU strategies;
- define and implement regional strategies
- strengthen Innovation;
- Portfolio Management through Mergers and Acquisitions.

Financial Performance

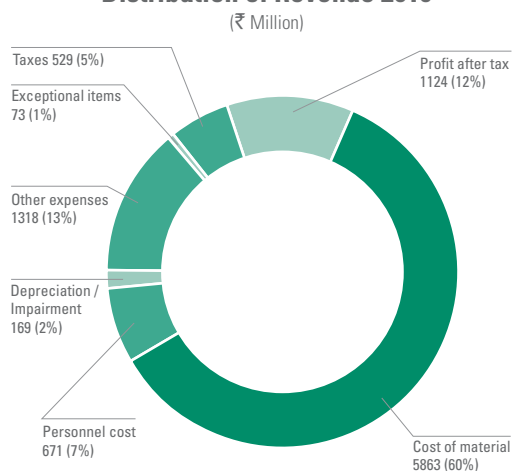
Composition of Sales 2010



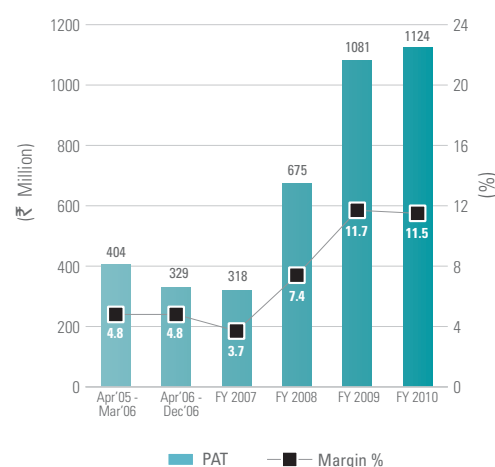
PBT and Margin



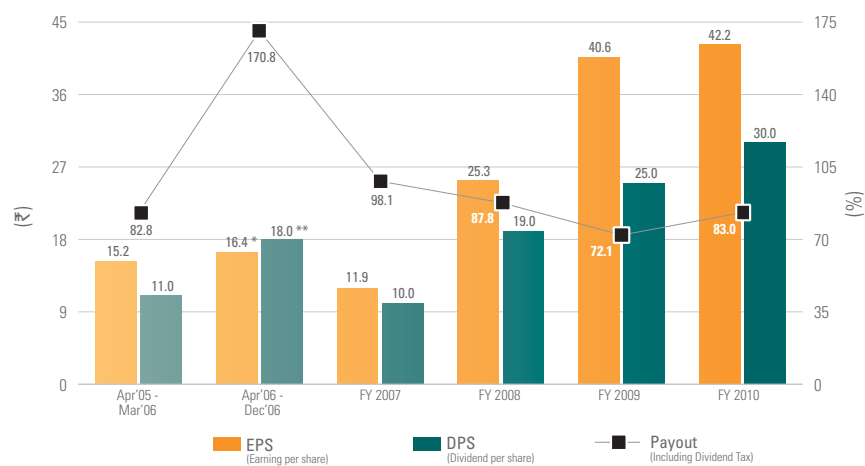
Distribution of Revenue 2010



PAT and Margin



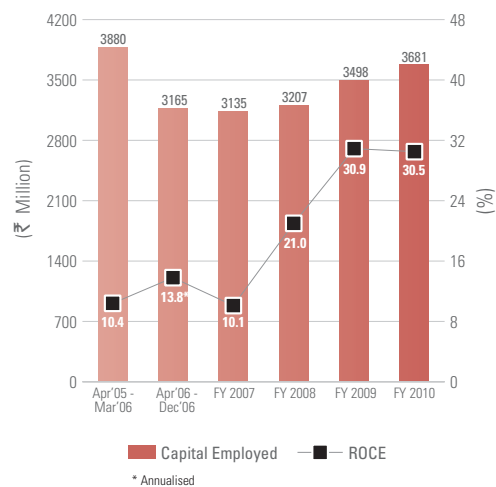
EPS, DPS and Payout



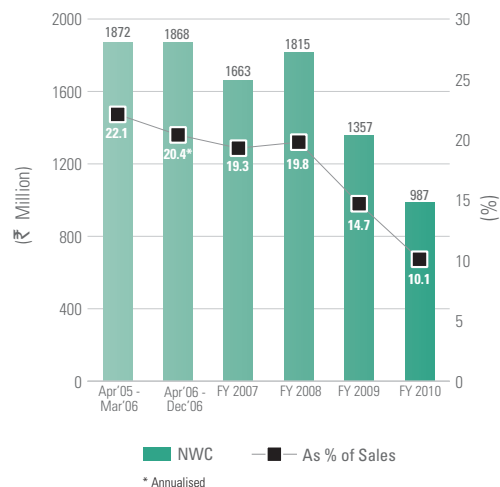
* Annualised

** Including Golden Jubilee Dividend of ₹ 10

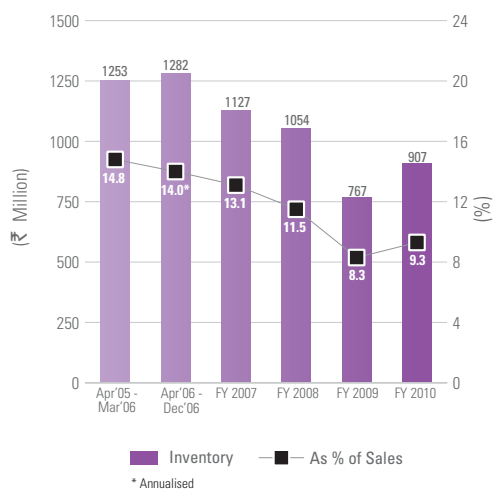
Capital employed and ROCE



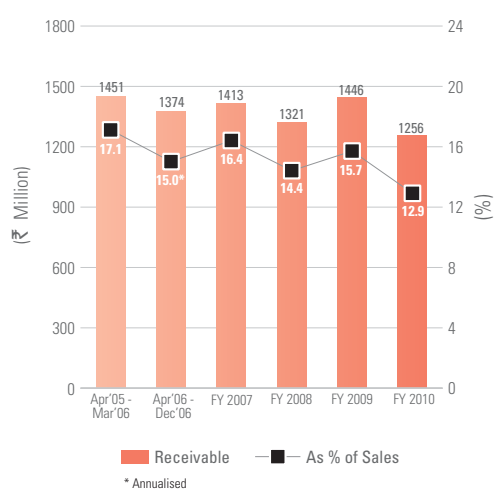
Net Working Capital to Sales



Inventory to Sales



Receivable to Sales



Notice

NOTICE is hereby given that the **Fifty-fourth** Annual General Meeting of the Members of **Clariant Chemicals (India) Limited** will be held at Hotel Satkar Residency, next to Cadbury, Pokhran Road No. 1, Thane (West) - 400 606, on Tuesday, April 26, 2011 at 4.00 p.m. to transact the following business:

Ordinary Business:

1. To consider and adopt the audited Balance Sheet as at December 31, 2010 and the Profit and Loss Account for the year ended on that date, the Reports of the Directors and the Auditors thereon.
2. To confirm the payment of interim dividend and to declare a final dividend for the year ended December 31, 2010.
3. To appoint a director in place of Mr. B.S. Mehta, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint auditors and to fix their remuneration.

Special Business:

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

"RESOLVED THAT Mr. Alfred Muench, who was appointed as a Director of the Company with effect from April 24, 2010 in the casual vacancy caused by the resignation of Dr. Andreas Walde and pursuant to provisions of section 262 of the Companies Act, 1956 holds office up to the day of this Annual General Meeting 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, from a shareholder signifying his intention to propose Mr. Muench as a candidate for the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation."

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

"RESOLVED THAT the increased salary, as approved by the Board of Directors and paid/payable to Mr. Peter Palm, the Vice-Chairman & Managing Director of the Company, from ₹ 8,61,000/- to ₹ 10,58,000/- per month with effect from September 1, 2010 one-time lump sum allowance of ₹ 8,58,500/- and payment of tax on non-monetary perquisites by the Company directly to the tax authority, be and it is hereby approved and ratified.

RESOLVED FURTHER THAT in supersession of approval granted by the members at the meeting held on April 23, 2010, fixing the maximum limits for payment of salary, the members hereby authorise the Board of Directors to consider and approve the revision in remuneration, benefits and perquisites payable to Vice-Chairman and Managing Director from time to time without any monetary limits in that respect, so far as it does not exceed the limits specified in Sections 198, 269, 309, 310 and 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, including any amendment, modification, variation or re-enactment thereof."

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

"RESOLVED THAT pursuant to Section 31 and other applicable provisions of the Companies Act, 1956 including any statutory modification thereto or any re-enactment thereof for the time being in force, the Articles of Association of the Company be and are hereby altered by amending the Article 116 under the heading "Sitting fees / Remuneration of Director" and the amended Article shall be read as under:

"116. The sitting fees payable to a Director for each meeting of the Board or Committee thereof attended by him / her shall be the maximum sum payable under the Companies Act, 1956 and Rule 10B of the Companies (Central Governments) General Rules & Forms.

The additional remuneration payable to the Directors, if any, shall be subject to the provisions of Section 198, 309, 310 and other applicable provisions of the Companies Act, 1956 and such remuneration shall be divided among the Directors in such proportion and manner as the Board may from time to time determine and in absence of such determination it shall be divided among the Directors equally".

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

"RESOLVED THAT subject to the provisions of Section 198, 309, 310 and other applicable provisions of the Companies Act, 1956 (the "Act") and Rule 10B of the Companies (Central Government's) General Rules & Forms (the "Rules") and Article 116 of the Articles of Association of the Company, the Company

hereby approves the payment of sitting fee of ₹ 15,000/- (Rupees Fifteen thousand) or such sum not exceeding the limits prescribed by Rule 10B of the Rules as amended from time to time, to the Directors for attending the meetings of the Board of Directors or the committees thereof.

By Order of the Board of Directors
For **Clariant Chemicals (India) Ltd**

B.L. Gaggar
Director Finance & Company Secretary

February 24, 2011.

Registered Office:

Kolshet Road
P.O.Sandoz Baug
Thane 400 607.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

Proxy form in order to be effective must be received at the registered office of the Company not less than 48 hours before the meeting.

2. The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the special business under Item Nos.5 to 8 set out above is hereto annexed.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, April 15, 2011 to Tuesday, April 26, 2011 both days inclusive, for the purpose of payment of final dividend, if declared at the Annual General Meeting.
4. The final dividend on shares as recommended by the Board of Directors, if declared at the meeting, will be paid:
 - (i) in respect of shares held in demat form on the basis of beneficial ownership as per details furnished by the Depositories as at the end of the business on April 14, 2011 and
 - (ii) in respect of shares held in physical form to those members whose names appear on the Register of Members of the Company after giving effect to all valid share transfers lodged with the Share Transfer Agent on or before April 14, 2011. The Company will dispatch the dividend warrants on or after April 27, 2011.

5. Profiles of the Directors being re-appointed, as required under clause 49 of the Listing Agreement, are provided in the report on Compliance of Corporate Governance.
6. In compliance with the provisions of section 205A and 205C of the Companies Act, 1956, the amount outstanding in unpaid dividend account in respect of financial year 2003-2004 will be transferred to the 'Investor Education and Protection Fund' maintained with the Central Government after July 29, 2011. 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 and nomination for shares held in demat form, should be notified only to the respective Depository Participants where the member has opened his demat account. The Company or its Share Transfer Agent will not be able to act on any direct request from these Members for change of such details. However, for any change in particulars in respect of shares held in physical form should be sent to the Registrars & Share Transfer Agents of the Company.
8. Members holding shares in demat form may please note that the bank account details given by them to their Depository Participants (DPs) and passed on to the Company by such DPs would be printed on the dividend warrants of the concerned members. However, if any member(s) wants to receive dividend in any other bank account, he/she should change/ correct the bank account details with their concerned DPs and also intimate about ECS payment requirement. The Company will not be able to act on any such request from shareholders directly for deletion/change in the bank account details.
9. Members may please note that the Dividend Warrants are payable at par at all the clearing branches of the Bank in India for an initial period of three months only. Thereafter, the Dividend Warrant is payable only on revalidation for a further period of three months. The members are therefore, advised to encash Dividend Warrants within the initial validity period.
10. Members who wish to attend the meeting are requested to bring attendance slip sent herewith, duly filled in, and their copy of the Annual Report. Copies of the Annual Report will not be distributed at the meeting.

ANNEXURE TO THE NOTICE

Explanatory Statement under Section 173 of the Companies Act, 1956

Item No 5

At the meeting of the Board of Directors ("the Board") of the Company held on April 23, 2010 the Board appointed Mr. Alfred Muench as a Director of the Company with effect from April 24, 2010 to fill the

casual vacancy caused by the resignation of Dr. Andreas Walde. Pursuant to section 262 of the Companies Act, 1956, read with Article 114 of the Articles of Association of the Company, Mr. Muench holds office only up to the date of the forthcoming Annual General Meeting as Dr. Andreas Walde, in whose place he was appointed, would have held office up to the date of the 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. Alfred Muench as a candidate for the office of Director.

Mr. Muench does not hold any shares in Clariant Chemicals (India) Limited.

The Directors recommend the resolution for members' approval. No Director other than Mr. Muench is concerned/interested in this resolution.

Item No. 6

Increase in Remuneration of the Vice-Chairman & Managing Director

Mr. Peter Palm was appointed as the Vice-Chairman & Managing Director of the Company, for a period of three years, with effect from January 1, 2010 on the remuneration, terms and conditions as approved by the members in the Annual General Meeting held on April 23, 2010, which was subsequently approved by the Central Government pursuant to section 269 and other applicable provisions of the Companies Act, 1956.

The Board of Directors at its meeting held on October 25, 2010 considered the proposal and approved the payment of increased salary of ₹ 10,58,000/- per month (including medical insurance premium of ₹ 56,500/-) and also a onetime lump sum allowance of ₹ 8,58,500/-. However, as per the terms of appointment, as approved by the members at the annual general meeting held on April 23, 2010, the Board is authorised to consider the increment in salary and remuneration payable to Mr. Palm, subject to a maximum salary of ₹ 9,45,000 per month. Since the revision of salary as approved by the Board of Directors is exceeding the limits set for approval by the Board, the proposal for increase in salary and onetime lumpsum allowance is subject to the approval by the shareholders. As such, approval of the members is sought for increase in salary and remuneration payable to Mr. Palm.

To enable the Board to revise the remuneration from time to time without any further reference to the annual general meeting, the shareholders are requested to authorise the Board to consider and

approve revision in salary and remuneration from time to time within the limits specified in the applicable provisions of the Companies Act, 1956.

The Directors recommend the approval of the special resolution. None of the Directors, other than Mr. Palm is concerned or interested in the resolution.

Item No. 7

To update the sitting fees payable to the Directors at par with the industry, the Articles need to be amended to suit the requirement. The Board therefore recommends that the special resolution at item no. 7 of the Notice be approved.

A copy of the existing Articles of Association of the Company with a copy of the proposed alteration in the resolution at item no. 7 of the notice will be open for inspection by the members at the registered office of the Company between 10 a.m. to 12 noon on any working day of the Company until the date of the Annual General Meeting or any adjournment thereof.

The Non-executive Directors of the Company are deemed to be interested in the resolution.

Item No. 8

The sitting fees for attending the Board and Committee meetings, is paid to the non-executive directors within the limits prescribed by the Companies Act, 1956, the applicable rules and the Articles of Association of the Company. Considering that the present fee is very low, it is proposed to increase the sitting fees within the prescribed limit of Rule 10B of the Companies (Central Government's) General Rules & Forms (the "Rules"). The members are requested to approve the proposal.

The Non-executive Directors of the Company are deemed to be interested in the resolution.

By Order of the Board of Directors
For **Clariant Chemicals (India) Limited**

B.L. Gaggar
Director Finance & Company Secretary

February 24, 2011
Registered Office:
Kolshet Road
P.O.Sandoz Baug
Thane 400 607.

Directors' Report

Your directors are pleased to present the 54th annual report and audited statement of accounts for the year ended December 31, 2010.

Financial Results

The financial performance of the Company for the year ended December 31, 2010 is summarized below:

	₹ in Lakhs	
	2010	2009
Sales (Gross)	103475.64	97322.24
Less : Excise duty	(6004.36)	(5188.11)
Net sales	97471.28	92134.13
Profit before exceptional items & taxation	17261.83	18761.13
Less : Exceptional items	(729.47)	(2450.46)
Profit before taxation	16532.36	16310.67
Less : Provision for taxation (incl. deferred tax)	(5293.64)	(5466.34)
Less : Provision for taxation – Prior years	2.78	(30.77)
Profit after tax	11241.50	10813.56
Add : Balance brought forward from previous year	3031.67	1097.40
Amount available for appropriation	14273.17	11910.96
Appropriations :		
General reserve	1124.15	1081.36
Interim dividend	2666.07	2666.07
Proposed final dividend	5332.15	3999.11
Corporate tax on dividend (interim, final proposed & incl. previous period)	1312.95	1132.75
Balance carried forward to balance sheet	3837.85	3031.67

Review of operations

The Directors are pleased to inform that your Company has crossed the record mark of ₹ 1000 crores sales (gross) from operations during the year.

In accordance with a business transfer agreement (BTA) signed in the previous year, the Company sold its diketene and intermediates business located at Balkum, Thane together with movable assets, and technical know-how for a total consideration of ₹ 13.25 crores to M/s. Laxmi Organic Industries Ltd. in January, 2010.

As a result of improved business operations, your Company registered a growth of **5.8** percent in sales, which on like to like basis, after considering the loss of sales from sale of diketene and intermediate business (₹ 8209.69 lakhs), amount to a record growth of **16.1** percent over previous year.

The increase in the cost of raw materials and other expenses resulted into lowering of PBDIT margin before exceptional items from 22.6 percent to 19.5 percent. Net profit after accounting for exceptional items and after tax is marginally higher over the previous year. The Company has further consolidated its market position in the highly competitive business segments in which it operates. These results were achieved by the Company in the macroeconomic environment which witnessed intensifying competition. Of the total sales revenue of the Company for the year, **21** percent is contributed by exports.

Dividend

During the year, your directors had declared an interim dividend of ₹ **10** per share (**100%**) and the same was paid in August 2010. Considering the sustained performance for the year and the policy for distribution of profits to the shareholders adopted by the company, the Board of Directors is pleased to recommend a **final dividend** of ₹ **20** per share (**200%**).

The total dividend for the year under review amounts to ₹ **30** per share (**300%**) as compared to ₹ 25 per share (250%) paid for the previous year. The dividend together with tax thereon for the year entails cash out flow of ₹ **9327 lakhs** (previous year ₹ 7782 lakhs) and pay out of **83%** of the net profit.

Sale of Land at Balkum, Thane

In accordance with the authority granted by the shareholders and as per the memorandum of understanding (MOU) signed between the Company and M/s. Ananta Landmarks Pvt. Ltd. for sale of balance land together with the infrastructure thereon located at Balkum, Thane, the Company has handed over the possession and on receipt of the entire sale consideration of ₹ 240 crores, the transaction has been concluded during February 2011. The profit resulting from the sale will be reflected in the financial results for the Quarter 1, 2011 to be announced by the Company as per listing regulations.

Shifting of Registered Office

The Registered office of your Company has been shifted from Ravindra Annexe, 194, Churchgate Reclamation, Mumbai 400 020 to

Kolshet Road, Sandoz Baug, Thane-400 607 effective from May 1, 2010.

Fixed Deposits

The Company did not accept any fixed deposits during the year under review. There were no overdue or unclaimed deposits outstanding as on December 31, 2010.

Subsidiary Company

Chemtreat Composites India Private Limited, the wholly owned subsidiary of your Company, recorded net sales of ₹ 656.59 lakhs as against ₹ 298.51 lakhs in the previous year, registering a good growth in value and volume terms.

In terms of section 212(8) of the Companies Act, 1956, the Central Government has granted its approval, exempting the Company from the requirement of attaching to its annual report, the balance sheet, profit and loss account and the report of directors and auditors thereon of its subsidiary. Accordingly, the same is not attached to the balance sheet of the Company. Shareholders who wish to have a copy of annual accounts of subsidiary company may write to the Company Secretary at the registered office of the Company.

Consolidated Financial Statements

In accordance with the Accounting Standards AS-21, notified by Companies (Accounting Standards) Rule, 2006, the consolidated financial statements covered in this annual report by the Company include financial information of its subsidiary Chemtreat Composites India Private Limited and forms part of this annual report.

Management Discussion and Analysis Report

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

Corporate Governance

Your Company has always strived to maintain appropriate standards of good corporate governance. The report on corporate governance as stipulated under Clause 49 of the listing agreements forms part of this report. The requisite certificate from the auditors of the Company confirming compliance with the conditions of corporate governance as stipulated under the said clause is attached to this report.

Particulars of Employees

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

Directors

Dr. Andreas Walde resigned as Director with effect from March 3, 2010 and Mr. Alfred Muench was appointed as Director with effect from April 24, 2010, to fill up the casual vacancy caused by resignation of Dr. Walde. Notice has been received from a shareholder under section 257 of the Companies Act, 1956 proposing Mr. Muench as a Director of the Company.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Banshi S. Mehta is due to retire at the forthcoming Annual General Meeting, and being eligible, has offered himself for re-appointment.

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

Directors' Responsibility Statement

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

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at December 31, 2010 and of the profit of the Company for that year;
- (c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) they have prepared the annual accounts on a going concern basis.

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

Information pursuant to section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is annexed hereto and forms part of the report.

Auditors

M/s. Deloitte Haskins & Sells, Chartered Accountants, retire at the conclusion of the ensuing annual general meeting and being eligible, offer themselves for re-appointment. Members are requested to appoint the auditors and fix the remuneration payable to them.

Cost Audit

The Board of Directors, in pursuance of an order under section 233B of the Companies Act, 1956 issued by the Central Government, has

appointed Cost Accountants for conducting audit of the cost accounts maintained by the Company in respect of Dyes for the financial year 2010.

Acknowledgement

The Board of Directors would like to acknowledge all its stakeholders and is grateful for the support received from shareholders, bankers, distributors, suppliers and business associates. Your Directors recognize and appreciate the sincere and hard work, loyalty, dedicated efforts and contribution of all the employees that ensured sustained all round performance in a challenging business environment.

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

For and on behalf of the Board of Directors,

Mumbai, February 24, 2011

R.A. Shah
Chairman

Annexure to Directors' Report

Information as per section 217(1)(e) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' report for the year ended December 31, 2010.

FORM-A

Particulars with respect to conservation of energy

A. Power and fuel consumption :

	2010	2009
1. Electricity:		
a) Purchased:		
Units (in '000 Kwh)	30966	49592
Total amount (₹ Lakhs)	1670	2605
Rate per Unit (₹)	5.39	5.25
b) Own Generation:		
i) Through diesel generator		
Units (in '000 Kwh)	2227	1650
Units per Litre of diesel oil	3.27	3.28
Cost per Unit (₹)	11.74	10.58
ii) Through Steam turbine/ generator	Nil	Nil
2. Coal		
Quantity (MT)	2856	6178
Total cost (₹ Lakhs)	162	365
Average rate (₹ per Kg.)	5.66	5.90
3. Furnace Oil (including L.S.H.S.)		
Quantity (MT)	3721	3712
Total Cost (₹ Lakhs)	959	755
Average rate (₹ per Kg.)	25.78	20.40
4. Other internal generation	Nil	Nil
5. Agro mass briquettes		
Quantity (MT)	7494	8200
Total cost (₹ Lakhs)	330	334
Average rate (₹ per Kg.)	4.40	4.08
6. Lignite/Fire wood		
Quantity (MT)	1815	2190
Total cost (₹ Lakhs)	35	35
Average rate (₹ per Kg.)	1.92	1.58

B. Consumption per unit of production :

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

FORM-B**Form of disclosure of particulars with respect to Technology Absorption, Research & Development (R&D)****Research & Development****1. Specific Areas in which R&D is carried out by the Company :**

R&D work is carried out in two major areas :

- i. Research for new molecules of pigments,
- ii. Process optimization for cost reduction.

The classical pigments, which are more than 50 years old, are produced by several pigment manufacturers across the world. Although these pigments are, generally speaking, cost effective, many times they have unsatisfactory application properties. To have pigments for niche applications e.g. automotive coatings, non-impact printing, colour filter, fiber, etc. pigments with very high fastness properties (light, heat, etc.) are required. With this aim, attempts were made to create hitherto unknown new molecules of pigments to yield yellow, orange and red shades.

Apart from the research work mentioned above, attempts were also made to optimize the existing pigment process of yellow, red and blue pigments. Focus was on to improve productivity, reduce raw material consumption and utilities such as water, steam, ice as well as to reduce the content and quantity of effluent. All the above process modification would lead to reduction in the manufacturing cost.

2. Benefits derived as a result of the above R & D :

The new molecules of pigments synthesized, prima facie, showed promising colouristics and application properties. For exhaustive testing which would reflect the performance in actual usage by the customer, testing was being done at the Labs of Clariant in Frankfurt, Germany.

The optimized process certainly resulted in substantial cost saving in terms of raw materials, utilities and overheads. The lower quantity of effluent certainly contributed to the efforts of 'Responsible Care'.

3. Future plan of action :

R&D will continue its efforts on projects which would lead to higher "value in use" products for the customers, cost reduction, improved product safety and ecology.

4. Expenditure on R & D

	2010 (₹ Lakhs)	2009 (₹ Lakhs)
(a) Capital	—	3.36
(b) Revenue	37.75	224.20
(c) Total	37.75	227.56
(d) Total R & D expenditure as percentage of total turnover	0.04%	0.25%

Technology absorption, adaptation and innovation:**1. Efforts, in brief, made towards technology absorption, adaptation and innovation :**

The R&D department absorbs the knowledge of chemical technology from various sources such as know-how from the parent company and its worldwide affiliates, our own experimental data bank, published literature etc. and thereafter adapts the same to the Company's infrastructure. While adapting technology, care has to be taken that it suits the locally available raw materials and production plants. Also it is to be ensured that the raw material specifications are not 'over demanding' and the raw material cost is affordable. The new/improved technology is used to effect improvements to the products and processes as well as for the containment of pollution.

2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.

Benefits derived from these efforts include process rationalization, product quality improvement, import substitution and overall cost reduction.

3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished

- (a) Technology imported : Nil
- (b) Year of import : N.A.
- (c) Has technology been fully absorbed? : N.A.

Foreign exchange earnings and outgo

	2010 (₹ Lakhs)	2009 (₹ Lakhs)
1. Total foreign exchange earned	21725.54	18064.41
2. Total foreign exchange used	27006.01	23689.50

For and on behalf of the Board of Directors

Mumbai, February 24, 2011

R.A. Shah
Chairman

Management Discussion & Analysis

Financial and Operational Performance

The Company was able to sustain its business performance and registered a positive growth in sales. Of the total sales revenue of the Company for the year, 21% is contributed by exports. In view of rising cost of raw materials and escalation in other operating costs, profit before depreciation, interest, exceptional items and tax (PBDIT) is lower as compared to the previous year. However, there is marginal improvement in profit after tax (PAT) from ₹ 10814 lakhs to **₹ 11241 lakhs** as compared to the previous year. The following ratios reflect the financial performance for the year in relation to the previous year.

	2010	2009
Sales growth (%)	5.8	0.5
Domestic sales growth (%)	2.3	2.8
Export sales growth (%)	21.0	(8.3)
PBDIT (% to sales)	19.5	22.6
PAT (% to sales)	11.5	11.7
ROCE (%)	30.5	30.9
Debt : Equity ratio	0.003	0.006
Earnings per share (₹)	42.16	40.56
Cash earnings per share (₹)	48.50	48.19
Book value per share (₹)	137.69	130.45

The Company remains a zero debt company with no long-term borrowings. CRISIL has upgraded its rating for long-term debt instruments and bank facilities to 'AA+/Stable' from 'AA/Stable', and has reaffirmed its 'P1+' rating for short-term debt and bank facilities. Short-term borrowings are restricted to the need based working capital requirements. The Company has created a benchmark in efficient management of working capital. The year-end ratio of inventory to sales of 9.3%, receivables to sales of 12.9% and net working capital (NWC) to sales of 10.1% is one of the best in the specialty chemical industry. Net cash flow from operating activities during the year was ₹ 16371 lakhs. Funds surplus to the operational needs have been prudently invested to earn reasonable returns with a high degree of safety. A sum of **₹ 18859 lakhs** (previous year ₹ 12125 lakhs) stands invested in debt schemes of mutual funds at the end of the year.

During the year under review, all the plants had smooth operations and the capacity utilisation was further improved as compared to

previous year. The Company sold its diketene and intermediate business in January 2010 and with closure of its Balkum, Thane plant, the manufacturing operations of Phthalo green was closed effective from November 2010.

The certification under ISO 9001, ISO 14001 and OHSAS-ISO 18001 from SQS (Swiss Association of Quality Management System) for the Management Systems and Environment Management and Safety in its operations reflects your Company's continuous commitment towards quality, safety and sustainable environment friendly approach.

Business Segments and Performance

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

1. Intermediates and Colours:

The intermediates and colours segment includes Pigment Dyestuffs and their dispersion, Intermediates for dyes, pesticides and pharmaceuticals and Masterbatches for plastics and nylon fibers.

Clariant's Pigments business is a leading global provider of organic pigments, pigment preparations and specialty dyes used in coatings, printing, plastics, consumer products and other special applications. Its product portfolio meets the demands for automotive, industrial and architectural paints and coatings; high fastness, color stability and non-warping solutions for plastic sector; colorants for the full range of printing technology - from newsprint, magazines, food packaging and security printing to inkjet, other non-impact printing systems and electronic display technologies and a wide range of colorants designed to meet international safety regulations for use, in toys and food packaging, etc.

The manufacturing facilities and state of art technical service laboratories provide cutting edge technology which helps in realizing the goals set by Clariant, for sustainable growth of the business. The Company is a pioneer in the promotion of lead and chrome-free pigments and in spreading the awareness on use of non-halogenated flame retardants. The Pigment and Additives businesses of the Company had a growth of 4.2% in domestic and good growth of 40.9% in export markets on like to like basis over the previous year.

Clariant is the leader in providing colour and additive concentrates and performance solutions for the plastic industry

and holds strong positions in the packaging, consumer goods, automotive and fiber segments of masterbatches. Clariant's worldwide presence and local support make it a preferred supplier for thermoplastic processors and brand owners, as well as for fiber manufacturers globally. Clariant provides a complete technical service offering for all products and applications and delivers consistent quality standards with quick response time. Its customers operate in a broad range of markets including packaging, household and consumer goods, medical, electrical, textile, personal care, food, beverages and automotive.

The Masterbatches business of the Company, during the year, had an excellent growth of 32.2% over the previous year and continued its thrust on expansion and up-gradation of laboratories to provide prompt and best services to its customers. The capability of the Company to develop and produce new products with accuracy and consistency has helped in achieving high growth rates over the period. Implementation of a green field manufacturing facility in MIDC, Ambarnath is in initial stages as of now.

The total sales under the intermediates and colour segment of ₹ **35851 lakhs** comprises of pigments and additives of ₹ **28820 lakhs** and masterbatches of ₹ **7031 lakhs**. The ratio of domestic sales to export sales was 66 : 34. The segment contributes 37% to the total sales and registered a growth of 15.4% on like to like basis over the previous year.

2. Dyes and Specialty Chemicals:

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

Clariant's Textile, Leather, Paper and Industrial & Consumer Specialties and Detergents & Intermediates businesses add value through functionality and aesthetics to the textile, leather, paper and personal care industries and provide solutions to meet customers' needs across the entire production chain in the user industry.

The chemical technology of the Company, '*from fiber to finish*', plays a key role throughout the entire textile supply chain and its broad range of product offering, this combined with outstanding chemical expertise and global reach, makes Clariant a leading supplier to brands and mills worldwide. Its customer segments include apparel & fashion, automotive / home textiles and technical textiles. The Company provides special chemicals for pre-treatment, dyeing, printing and finishing of textiles; optical brighteners and for functional treatment of technical textiles and dyes such as dispersion, reactive, acid and sulfur dyes. Clariant's process chemicals improve carding, spinning, weaving and printing and its dyes and functional chemicals deliver color and special effects such as moisture management, easy to iron and UV protection. The Company's color trends analysis and color matching technology help the customers in quick introduction of products to market and its innovative technology and services, including nanotech effects, more

environmentally friendly solutions, and concepts such as advanced denim, ensure that they stay one step ahead of their competition.

Clariant is a leading provider of chemicals, technical services and solutions over the entire value chain of leather production. The Company offers environment friendly chemicals and technical solutions with expertise in the complete leather manufacturing process, chrome-free tanning solutions, from beam house to finishing and for customers in the shoe, automotive, furniture or garment. Its technical expertise and colorants for wet-end and finishing help customers to achieve consistently brilliant colors and natural tones. The production plants and its fully equipped service centers are continuously adapted to the latest findings and developments to remain competitive in the world market. Clariant has introduced a large number of innovations in recent years not only to meet new legal and retailer brand requirements for environmental safety which become more and more important, but also to become the industry benchmark for the upcoming years. Market leadership in India in the leather business is fortified with a comprehensive range of dyes, wet end chemicals and finishing solutions that cater to the retanning, dyeing and finishing of all types of leather.

Clariant's paper specialty products improve the optical and functional properties of all kinds of paper and board via tailored solutions and aim to provide knowledge and expertise in the management of whiteness, coloration, special coatings and strength for all kinds of paper, offering the most cost effective product choices and solutions to its customers. The key market segments of the Company are printing and writing copy papers, coated paper and board, newsprint, packaging and specialized applications.

Industrial & Consumer Specialties (ICS) is one of the largest business units of Clariant globally. Business unit ICS is a leading provider of specialty chemicals and ethylene oxide derivatives for a broad spectrum of industries in consumer care and industrial application. The consumer care business offers a complete range of ingredients for skin care, hair care formulations and pharmaceutical applications. The industrial and home care business helps customers gain competitive advantage with its range of cleaning solutions for home and institutional care. The industrial application business combines technical excellence, application know-how and a strong portfolio to serve a broad range of industries. The Company is a partner of choice to deliver solutions in areas as paints & coatings, construction, crop protection, industrial lubricant, automotive fluids, heat transfer fluids, special solvents and have global strength in aviation.

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

The total sales under dyes and speciality segment of ₹ **61620 lakhs** for the year comprises of ₹ **53059 lakhs** (86%) from domestic and ₹ **8561 lakhs** (14%) from export sales. The Dyes

and Specialty Chemicals segment has contributed 63% of total sales revenue for the year registering a growth of 16.6% over previous year.

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

(₹ Lakhs)

Segments	2010	% to Total Sales	2009	% to Total Sales
Intermediates & colours	35851	37%	39267	43%
Dyes & specialty chemicals	61620	63%	52867	57%
Total	97471	100%	92134	100%

Internal Control Systems

The Company has implemented a comprehensive system of internal controls to support smooth and efficient business operations and effective statutory compliance by standardizing and documenting policies and procedures for all the major processes and associated controls, for credible reporting of financial and operating results and these are regularly reviewed by both internal and external agencies for its efficiency and effectiveness. Management information and reporting system for key operational activities form part of overall control mechanism.

The Company has hired the services of independent firms of professionals to function as internal auditors and provide reports on various activities covering observations and pertinent comments on adequacy of internal controls and their recommendations. Findings of internal audit reports and effectiveness of internal control measures is reviewed by top management and audit committee of the Board.

The Company has established a well laid out policy to maintain the highest standards of environment, safety and health while maintaining operational integrity. This policy is strictly adhered to as per Clariant guidelines at all manufacturing sites.

Human Resources

The Company continued its efforts to face a challenging business environment by building the capability of its Human Resources through various initiatives in development and training of employees at all levels. The Project "Clariant Excellence" continued with accelerated efforts through "Black Belt" and "Green Belt" projects across the company, to drive down costs, improve efficiency, and upgrade processes. A specialized program for certification of 16 senior Managers as "Coach" was conducted over a period of three months during the year. In addition, high potential Managers participated in an assessment process with a view to developing their competencies and management capabilities for enhanced roles in the future. A 360 degree feedback program combined with MBTI assessment for 42 high potential Managers was conducted by eminent Human Resources consultant, Dr. T.V. Rao. Further, a large number of internal as well as external training programs were conducted to enhance the skill and knowledge of all categories of employees. A special training

program, the first of its kind in the industry, spread over 18 months of intensive skill and knowledge building was commenced for 135 Production trainees at our Roha plant.

A wage settlement was arrived at through amicable negotiations with the Union at Roha. As a part of the continuing efforts of the company to reduce personnel cost and further streamline its operations, a Voluntary Retirement Scheme was launched successfully at Roha as well as Balkum, wherein 50 employees opted for Voluntary Retirement. The company successfully settled all matters relating to employees as well as contractors as a consequence of the discontinuation of operations at Balkum. The Industrial Relations climate at all sites and locations were characterized by an atmosphere of trust, mutual respect and fairness in all aspects.

The total number of employees on the rolls of the company as at December 31, 2010 was 837 as against 945 as at December 31, 2009.

Industry Structure & Development

The chemical industry is one of the world's largest industries. In 2008 its sales exceeded 3 trillion USD. Chemical products and technologies are used in almost every area of the world economy. As the global economy grows, it increases the demand for the chemical products and the growth is further driven by product innovation and improved production process. The Indian chemical industry, with its size of USD 67 billion (Chemical News, July 2010), is ranked 12th largest in terms of volume and 3rd largest in Asia. This is one of the oldest industries in India, contributing significantly to the industrial and economic growth and growing annually at over 10%. With investments in R&D, the industry is registering significant growth in knowledge sector comprising of specialty chemicals, fine chemicals and pharmaceuticals. The industry is highly diversified and serves the basic needs of many different industry verticals like natural gas, water, oil, metals, minerals, air, etc. and all these verticals eventually bring into the market place an array of products.

The key characteristics of the Indian chemical industry are - focus on high domestic demand with increase in per capita consumption levels, high degree of fragmentation, small scale operations, limited emphasis on exports, low cost competitiveness due to high taxation and cost of capital and low focus on R&D. The chemical industry is divided into three key segments (1) basic chemicals (inorganic chemicals, petrochemicals, fertilizers and industrial chemicals), (2) specialty chemicals (paints and varnishes, textile chemicals, dyestuff and intermediaries, catalysts, plastic additives, adhesives & sealants, industrial gases etc.) and (3) knowledge chemicals (pharmaceuticals, biotechnology, agrochemicals). The specialty chemical segment is characterized with high product differentiation and value addition, typically smaller production units with more flexibility and low capital investment levels.

The chemical industry as a whole and the specialty chemicals segment in particular operated in a favorable market environment in 2010 and overall chemical production both in India and worldwide increased over the previous year. The first half of 2010 brought a rapid recovery for the chemicals sector, driven by replenishment of inventories by customers. However, the positive momentum eased from the third

quarter. The rate of growth and demand for chemicals in all segments of Indian chemical industry which remained high in first half returned to normal over the course of the second half of the year.

Outlook

The Indian chemical industry has come out of its protected market. The industry forms the backbone of industrial development of India. Over the years, the industry has evolved from basic chemical producer to knowledge intensive industry with healthy growth. Specialty chemical segment which caters to several key applications will be increasingly important for India and with expanding economic growth and per capita income; it is poised to grow at nearly double the rate of growth of the overall economy. This offers unique opportunities for research and technology inputs to support and realise the growth potential and to bring the Indian specialty chemical industry on the global map while meeting the needs of enhanced quality of life for developing India.

The estimated market size of the Indian paint industry segment is about USD 2.5 billion and is growing over 10% annually. Per capita consumption of India is about 1 kg compared to about 15-25 kg. in the developed countries. With rising income levels and growth in housing, the industry is expected to grow significantly. The Company has positioned itself as preferred supplier of pigments, additives and intermediates to major paint, coatings and ink manufacturing companies in the country.

The size of the Indian dyestuff industry is estimated at USD 4 billion and it holds about 7% share in global market. India has emerged as a global supplier of dyestuffs and dye intermediates. The dyestuff market is highly fragmented with a high concentration in Maharashtra and Gujarat. There are about 50 large and medium players and over 900 small scale manufacturers. The per capita consumption of dyestuff is very low in India as compared to the developed countries.

The plastics & polymer segment is growing steadily with a very high potential of domestic consumption. It remains one of the fastest growing markets in the recent past. Many overseas plastic processors have started investing in India for exports as well as for domestic consumption.

The Indian textile industry which accounts for about 4% of Gross Domestic Product (GDP) is estimated to expand significantly and this will provide opportunities to the textile chemical segment to grow and add value in the expanding market of fashion, formal and leisurewear garments. Clariant is a market leader in textile chemicals and has a significant presence in all segments of the industry including technical textiles.

India's share in the world's leather trade is just over 2% and with the advantage of a large labour force and wide raw material base, it provides opportunities for significant growth. The Company has done significantly well with strong growth in exports led by demand from the Clariant group. The Company has a wide product range for leather dyeing and finishing chemicals to cater to the market needs for a variety of products and is the market leader in wet end chemicals.

With expectation of significant growth in the paper demand, the Indian paper industry is investing heavily on capacity expansion. Clariant's paper business offers a wide range of high performance

products for improving whiteness, strength, strong and bright shades with excellent printability.

With increase in per capita income, the personal care sector in India is set for a lot of action by way of expansion in capacity, fast replacement of product portfolio and investment in research and development projects. Clariant with its strong global presence is looking forward for improving its position in this segment.

Opportunities and Challenges

The business environment for the chemical industry globally has been changing very fast and if the Indian chemical businesses have to hold against competition they have to change and adopt their strategies, methodology of working and organizational structure. Highly developed technology, in-depth research capabilities, backward and forward linkages and development of domestic capacity to reduce the dependence on imports are some of the crucial factors that need to be taken into consideration. Safety, health and environment protection issues have become the major talking point in the Indian chemical industry.

The huge potential of domestic demand and low per capita consumption in each of its industry segments compared to world average provide a strong potential for overall performance for Indian chemical industry. The Indian chemical industry is a potential powerhouse benefiting from comparative low labour costs, an excellent army of technical manpower and capabilities for research and development facilities, huge and fast developing domestic market and thus poised to increase its share in global markets. However, the escalation of crude oil prices, demanding international environment protection standards and sustaining low cost competitiveness has posed major challenges to the industry.

The opportunities for significant growth in the specialty chemical industry are driven from the growth momentum of the Indian economy and increase in per capita income. Infrastructure development and housing demand provide opportunity of growth in the construction chemical segment. However, this segment is highly competitive, adds low value from product technology and export opportunities are limited with compliance of REACH regulations. The Indian paint industry has seen remarkable changes during last decade and has become far more sophisticated in terms of the products it manufactures, the way it sells to customers and the range of technologies it uses. The industry is poised for quick adaptation of quality to match international standards and with growing domestic need of housing it has potential for good growth. The industry is highly fragmented and facing competition from Chinese imports. Dyes and intermediates industry is growing with good demands from domestic and export markets. However, the industry has to address the issues with respect to clean and green environment and meet competitive pressure from China and other markets. Textile chemical industry has the advantage of established textile manufacturing hub, low cost manpower and pool of technical experts. However, the textile industry is highly dependent on input costs and faces competition from low cost countries like Bangladesh, Vietnam etc. Rising consumer awareness, increasing disposable income of a growing middle class and growing replacement of imported products provides opportunity of growth for personal care industry.

A diversified product range, well established customer base and aggressive support services provide opportunities to the Company to significantly reap the benefits of this growing domestic market. With strong technology support from the parent company, state of art product development facilities, a world class product safety laboratory with excellent product testing facilities and continuous emphasis on cost management, the Company is well prepared to exploit the opportunities both in the domestic and global markets to improve its presence.

Risks and Concerns

Risk assessment is linked to Clariant's overall short and medium-term objectives. The risk score measures the likelihood of risk as well as its financial, reputational and operational impact. Each risk assessment reports the threat or opportunity, cause, impact, treatment, and control measures, level of confidence in the controls, acceptability of identified risks, potential improvements, risk improvement plans, and timescale. The risk assessment is done annually with quarterly updates. The process has been designed to deliver timely results.

The Company has aligned its policy on risk assessment in line with global approach and risk assessment reports are reviewed on regular intervals. The Company has adopted a focused approach towards risk management in the form of a corporate insurance program which has the goal of optimizing the financing of insurable risks by using a combination of risk retention and risk transfer techniques. The program covers risks relating to business interruption resulting from property damage and legal liability resulting from operations and personal injury.

As part of a global policy, the relevant parameters for all manufacturing sites are analyzed to minimize risk associated with

protection of environment, safety of operations and health of people at work and monitored regularly with reference to statutory regulations prescribed by the government authorities and guidelines defined by Clariant. The Company fulfills its legal requirements concerning emission, waste water and waste disposal. The Company has created a benchmark of completing the internal landmark of 74.47 lakhs man-hours of accident free working between November 2007 and January 2011.

The Company's business critical software is operated on a server with regular maintenance and back-up of data and is connected to centralized computer center with two physically separated server parks operated by the Clariant group. The system's parallel architecture overcomes failures and breakdowns. Reliable and permanently updated tools guard against virus attacks. 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

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

Report on Corporate Governance

Company's Philosophy

The Company considers that Corporate Governance aims to nurture the spirit of enterprise whilst ensuring transparency, accountability, probity, integrity, equity and responsibility. The Company is committed to foster a culture of prompt & innovative service provider with customer focus, reliable business partner to derive consistent all round growth in all facets of its operations and to maximize the value for all its stakeholders. The Company has a responsible and efficiently structured organization and value-driven and transparent management to make solid foundation for promoting sustainable long-term success. Being part of the Clariant group operating globally, the Company is committed to the international standards of corporate governance. These standards are delivered through the management structure and processes and demonstrate to all our stakeholders that we operate in an open transparent manner.

1. Group Structure:

Clariant Chemicals (India) Limited is an affiliate of Switzerland based Clariant Limited a global leader in the field of fine and specialty chemicals with a spread of more than 100 companies in five continents and headquartered in Muttenz near Basel. In the restructured business Clariant is conducting its business through ten Businesses: Textile chemicals, pigments, leather services, industrial and consumer specialties, paper specialties, masterbatches, additives, emulsions, detergents & intermediates, oil & mining services and based on the product and process similarities, the Company has conveniently grouped these businesses into two

reportable segments viz. Intermediates and colours and Dyes and specialty chemicals.

2. Board of Directors:

2.1 Composition and Changes:

One of the well-known institutions of Corporate Governance is the Board of Directors. The Board of the Company consists of non-executive independent Chairman, Vice-Chairman and Managing Director and five eminent members with proven track record of their professional and strategic competencies in different field of industry, legal, finance, and marketing of which two are independent. None of the Directors is related to each other. All the Directors except the Vice-Chairman and Managing Director are liable to retire by rotation as per Article 128 of the Article of association. All retiring Directors are eligible for re-election.

Mr. Peter Palm led the team of management as Vice-Chairman & Managing Director for the year. Dr. Andreas Walde resigned during the year and Mr. Alfred Muench was appointed in the casual vacancy caused by the resignation.

The composition and category of the Board of Directors as at December 31, 2010, the number of other Directorships / Committee memberships held by them and also the attendance of the Directors at the Board meetings of the Company are as under:

Name of the Director	Category	Particulars of Attendance			No. of other Directorships and Committee memberships/ Chairmanships in Indian Public Companies#		
		Number of Board Meetings		Last AGM held on April 23, 2010	Other Directorships* as on December 31, 2010	Committee Memberships	Committee Chairmanships
		Held	Attended				
Mr. R. A. Shah DIN 00009851	Non-Executive Independent	6	6	Attended	14	10	5
Mr. Peter Palm DIN 02857378	Executive	6	6	Attended	None	1	None
Mr. B.S. Mehta DIN 00035019	Non-Executive Independent	6	5	Attended	14	10	5
Diwan A. Nanda DIN 00034744	Non-Executive Independent	6	4	Attended	5	3	1
Mr. H. Meier DIN 00726512	Non-Executive	6	5	Attended	None	None	None
Dr. A. Walde DIN 01417867	Non-Executive	1	—	NA	None	None	None
Dr. H. Schloemer DIN 02848180	Non-Executive	6	2	Attended	None	None	None
Mr. Alfred Muench DIN 03092351	Non-Executive	4	—	NA	None	None	None

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

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

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

Mr. B. S. Mehta is a graduate in commerce and a Fellow of the Institute of Chartered Accountants of India. Mr. Mehta is an accountant in practice dealing with taxation, accountancy and valuation of mergers and acquisitions. He is a Director on the Boards of several prominent companies in India. He has been a Director of the Company since 2006.

Mr. B.S. Mehta is a Director of Atul Limited, Bharat Bijlee Limited, Ceat Limited, Century Enka Limited, Gillette India Limited, Housing Development Finance Corporation Limited, IL&FS Investment Managers Limited, J B Chemicals & Pharmaceuticals Limited, National Securities Depository Limited, Pidilite Industries Limited, Procter and Gamble Hygiene and Health Care Limited, Sasken Communication Technologies Limited, SBI Capital Markets Limited and Sudarshan Chemicals Industries Limited. He is also an alternate Director of Uhde India Private Limited.

Mr. Mehta is the chairman of Audit Committee of IL&FS Investment Managers Limited, J B Chemicals & Pharmaceuticals Limited, Pidilite Industries Limited, Sasken Communication Technologies Limited, and Sudarshan Chemicals Industries Limited. He is also a member of Audit Committee of Atul Limited, Century Enka Limited, Gillette India Limited, Housing Development Finance Corporation Ltd. and Procter and Gamble Hygiene and Health Care Limited."

Mr. Alfred Muench

Mr. Alfred Muench, Swiss national, studied in the legal faculty at Basel University and graduated in 1986. He qualified as an Attorney at Law in Basel in 1988. He joined Clariant on May 1, 2010 from Treuco AG, a firm specializing in business, tax and legal services where he had been a partner since 2005. From 1997 to 2004, Alfred Muench was Chief Administrative Officer and General Counsel of the Bally group, in 1996-97, Secretary to the Board of Directors of Clariant AG and from 1989 to 1996 General Counsel of Sandoz Division Construction and Environmental Technology.

2.2 Board Meetings and Agenda:

The Board of Directors of the Company formulates the strategy, reviews the performance, keeps check on utilisation of authorities and ensures that the corporate objectives are met on consistent and transparent basis. As provided in the Companies Act, 1956 and the Articles of Association of the Company, the Board of Directors is the ultimate decision making authority for the Company in all matters except those in the matters which require approval of shareholders. The day to day management of the affairs of the Company is conducted by the Vice-Chairman and Managing Director subject to supervision and control of the Board of Directors.

In compliance with 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, six meetings were

held in 2010 on February 19, April 23, April 27, May 24, July 26 and October 25. All the matters required to be placed before the board, as required under the Companies Act and the listing agreement, were included in the agenda.

3. Board Committees:

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

3.1 Audit Committee:

3.1.1 Composition:

Mr. R. A. Shah, Diwan A. Nanda and Dr. H. Schloemer are the members of the Audit Committee. Mr. R. A. Shah chairs the Committee. The statutory auditors, internal auditors and cost auditors are also invited to attend the Audit Committee meetings from time to time. Mr. Peter Palm the Vice-Chairman & Managing Director is the permanent invitee and Mr. B. L. Gaggar, Director-Finance & Company Secretary represents as CFO and also acts as Secretary to the Committee.

3.1.2 Scope and Meetings:

The terms of reference of the Audit Committee are in accordance with Clause 49(II) of the listing agreements with the stock exchanges read with Section 292A of the Companies Act, 1956. These broadly include approval of annual internal audit plan, review of financial reporting systems, internal control systems, review and discussions on quarterly, half yearly and annual financial results, interaction with statutory, internal and cost auditors, recommendation for appointment of internal, statutory and cost auditors and their remuneration and the significant related party transactions.

During the year four meetings of the Audit Committee were held on February 19, 2010, April 23, 2010, July 26, 2010 and October 25, 2010. In order to ensure that a proper quorum exists, the Directors decided to co-opt Mr. B. S. Mehta as a member for the purposes of the meeting held on October 25, 2010. Mr. Mehta, who was present for meeting scheduled later, agreed thereto.

Attendance at Audit Committee meetings

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

3.2 Remuneration Committee:

The Company has not constituted a remuneration committee as the compensation / remuneration payable to the Directors are approved by the shareholders in the Annual General Meeting.

The Company has no pecuniary relationship or transaction with its non-executive Directors other than payment of commission, which has been approved by the shareholders and payment of dividend on equity shares, if any, held by Directors in the Company. The Company has sought the expert legal advice of M/s Crawford Bayley & Co., Solicitors & Advocates in certain matters and a sum of ₹ 11.62 lakhs (Previous year ₹ 33.07 lakhs) has been paid as professional fees to the said firm during the year ended at December 31, 2010. Mr. R. A. Shah, who is the Chairman of the Company, is the senior partner of the said firm. The aforesaid professional fee is not considered material enough that may have potential conflict with the interest of the Company and to impinge on the independence of Mr. Shah.

The remuneration structure of Mr. Peter Palm, Vice-Chairman & Managing Director, is based on performance and defined criteria. The increments are decided by the Board of Directors within the limits approved by the members pursuant to provisions of the Companies Act, 1956. The remuneration comprises of salary, benefits and perquisites and performance linked bonus / commission as per Company rules. The service contract with Mr. Palm is for a period of three years ending on December 31, 2012 with a notice period of six months by either of the parties for termination.

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

The details of remuneration paid / payable to the Directors for the year ended December 31, 2010 are as under:

(₹ lakhs)

Name of Director	Sitting fees	Salary, benefits & perquisites etc.	Commission	Total
Mr. R. A. Shah	0.50	—	4.00	4.50
Mr. Peter Palm	—	142.26	26.75	169.01*
Mr. B. S. Mehta	0.45	—	3.00	3.45
Diwan A. Nanda	0.40	—	3.00	3.40

* Includes ₹ 21.70 lakhs subject to shareholders' approval

The Company has no scheme for grant of stock options to Directors.

3.3 Investors' Grievance Committee:

The Investor's Grievance Committee comprises of Diwan A. Nanda, non-executive independent Director as Chairman and Mr. Peter Palm, the Vice-Chairman & Managing Director as a member. Mr. B.L.Gaggar, Director Finance and Company Secretary is designated as the Compliance officer, who oversees the investors' grievances. The Committee reviews the share transfers and monitors redressal of shareholders' complaints and recommends measures for overall improvements in the quality of investor services. The Committee during the year met twice on July 26, 2010 and October 25, 2010.

In accordance with the authority granted by the Board, transfer / transmission, split / sub-division and consolidation of physical shares and rematerialisation of shares is dealt with by Mr. Gaggar on fortnightly basis.

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

Pursuant to Clause 41 of the listing agreement, investors' grievance redressal status and the number of pending complaints is reported every quarter to the stock exchanges and is also published in the newspaper alongwith financial results. There was one investor complaint pending as on December 31, 2010.

Attendance of Investors Grievance Committee Meetings:

Name of Director/Secretary	Category	Number of Meetings	
		Held	Attended
Diwan A. Nanda, Chairman	Independent Director	2	1*
Mr. Peter Palm	Managing Director	2	2
Mr. B.L. Gaggar	Secretary	2	2

* Mr. B.S. Mehta was co-opted to attend and chair the meeting held on October 25, 2010 in the absence of Diwan A. Nanda

4. Subsidiary Company

Chemtreat Composites India Private Limited, a wholly owned subsidiary of the Company, has its production base at Khopoli, in the Maharashtra state. The performance of the Company is reviewed and monitored by the Board of Directors through financial statements on quarterly basis.

Mr. Peter Palm, Dr. Henri Schloemer and Mr. B.L. Gaggar are the nominated Directors on the Board of Chemtreat Composites India Private Ltd.

5. General Body Meetings:

Annual General Meeting of the Company during preceding three years was held at Y. B. Chavan Auditorium, Gen Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana, Mumbai. The dates, time and the nature of special resolutions passed thereat are as follows:

AGM	Date and Time	Special Resolutions Passed
51 st	April 17, 2008. 4.00 p.m.	i) Enhancement of the borrowing limits ii) Payment of commission to the Directors other than Managing Director
52 nd	April 29, 2009 4.00 p.m.	i) Re-appointment of Mr. H. Meier as the Vice-Chairman & Managing Director ii) Amendment of Articles of Association of the Company.
53 rd	April 23, 2010 4.00 p.m.	i) Appointment of Mr. Peter Palm as the Vice-Chairman & Managing Director ii) Change of registered office of the Company.

There was no postal ballot conducted during 2010 and in any of the preceding three years.

6. Disclosures:

6.1 Materially significant related party transactions:

The Company has not entered into any transactions of material nature, with its promoters, the Directors, or the senior management personnel, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company. The disclosure in respect of related party transactions is provided in the notes to the accounts. All contracts with the Clariant affiliates entered into during the year are in the normal course of business and have no potential conflict with the interest of the Company at large and are carried out on an arm's length basis at fair market value.

6.2 Code of Conduct

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

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

"In accordance with Sub-clause I (D) of Clause 49 of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and the senior management personnel of the Company have affirmed compliance with the code of conduct applicable to them, for the year January to December, 2010".

6.3 Prohibition of Insider Trading:

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

7. Means of Communication:

- The Company has 31,586 shareholders as on December 31 2010. The main channel of communication to the shareholders is through annual report which includes inter alia, the Directors' report, the Auditors' report, Report on corporate governance, Audited financial statements, Consolidated financial statements and other important information. The Management discussion and analysis report forms part of the annual report.
- The website of the Company www.clariant.in acts as the primary source of information regarding the operations of the Company. Quarterly financial results and media releases are being displayed on the Company's website.
- The Annual General Meeting is the principal forum for face-to-face communication with shareholders, where the Board responds to the specific queries of the shareholders.
- Quarterly results, approved by the Board of Directors and submitted to the stock exchanges in terms of the requirements of Clause 41 of the Listing Agreements are published in Business Standard and Sakal newspapers.

8. General shareholder information:

8.1 Annual General Meeting

Date & Time: Tuesday, April 26, 2011 at 04.00 p.m.

Venue: Hotel Satkar Residency, Pokhran Road No. 1 Next to Cadbury, Thane (West) 400606

8.2 Voting rights:

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

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

8.3 Financial Calendar:

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

Dates for Audited / Unaudited Results:

	Financial Year January-December 2010	Financial Year January - December 2011(Proposed)
January - March	April 23, 2010	April 26, 2011
April - June	July 26, 2010	July 2011
July - September	October 25, 2010	October 2011
October - December	February 24, 2011	February 2012
Annual General Meeting	April 26, 2011	April 2012

8.4 Dates of Book Closure

	2011	2012 (Proposed)
Book Closure dates	April 15, 2011 to April 26, 2011 (Both days inclusive)	Second fortnight of April 2012
Payment of Dividend	On or after April 27, 2011	Immediately after AGM

8.5 Listing of Shares:

Shares of the Company are listed on Bombay Stock Exchange Ltd.(BSE) under stock ID 'CLARICHEM' and National Stock Exchange of India Limited (NSE) under code 'CLNINDIA'. The Company has paid the listing fees upto March 31, 2011 to both the Stock Exchanges.

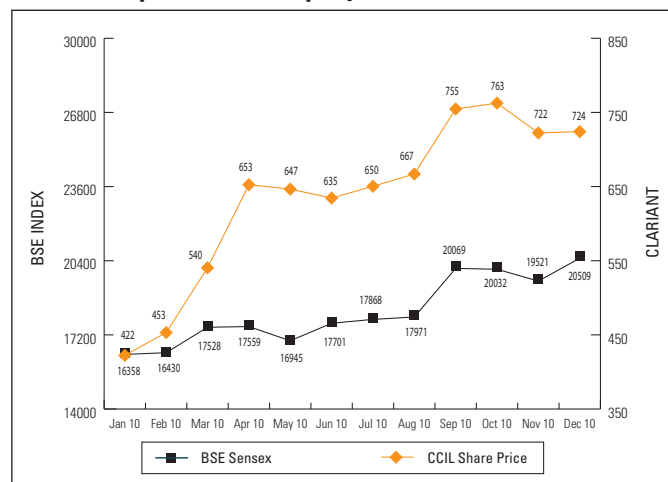
8.6 Company Registration No with ROC/ Ministry of Corporate Affairs

CIN : L24110MH1956PLC010806

8.7 Stock Market Data – Price ₹ per share

Month	Bombay Stock Exchange (BSE)			National Stock Exchange (NSE)		
	High ₹	Low ₹	Volume (Nos.)	High ₹	Low ₹	Volume (Nos.)
2010						
January	486.30	404.95	313250	487.50	401.00	299774
February	485.00	416.50	317402	485.55	416.80	322505
March	552.50	369.50	541007	609.00	447.00	1053067
April	695.00	538.00	643199	697.00	532.35	577543
May	680.00	605.00	310151	680.00	605.00	237009
June	676.95	625.00	174494	676.00	622.05	130570
July	696.00	627.70	283193	694.95	630.70	261562
August	781.00	655.05	609860	782.00	644.00	561086
September	774.00	661.00	360205	774.80	665.30	405556
October	839.00	751.50	280356	840.00	753.10	484063
November	790.00	659.50	149777	779.95	640.65	232306
December	785.00	640.00	139521	740.00	628.00	170869

8.8 Comparison of Company's shares with BSE-Sensex:



8.9 Address for correspondence:

Registrar & Share Transfer Agents:

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

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

Tel: 022-6772 0400 / 6772 0300,

Fax : 022-2859 1568, 2850 8927

Email: sharepro@shareproservices.com

Contact Person: Mrs. Indira Karkera/ Ms. Priya Shetty

E-mail ID under Clause 47(f) of the Listing Agreement:

clariant@shareproservices.com

B) Investor Relations:

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

Tel.: 022- 2282 5163 / 6613 4700 Fax 022 - 22825484

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

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

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

8.10 Shareholding pattern as on December 31, 2010.

Sr. No	Category	No of Shares held	Percentage of Shareholding
A. Promoter's Holding:			
Foreign Promoters			
i	Ebito Chemieeteiligungen AG	8167080	30.63
ii	Clariant International AG	6075000	22.79
iii	Clariant Participations AG	2660000	9.98
	Sub-Total	16902080	63.40
B Institutional Investors			
i	Mutual Funds / UTI	1331737	4.99
ii	Financial Institutions / Banks	22115	0.08
iii	Insurance Companies	289584	1.09
iv	Foreign Institutional Investors	247873	0.93
	Sub-Total	1891309	7.09
C Non-Institutional Investors			
i	Bodies Corporate	1245658	4.67
ii	Individuals		
	a) individual shareholders holding nominal share capital up to ₹ 1 lakh	5780743	21.68
	b) individual shareholders holding nominal share capital in excess of ₹ 1 lakh	682994	2.56
iii	Others		
	a) Non-Resident (Non-Rep)	67118	0.25
	b) Non-Resident (Rep)	71401	0.27
	c) Trust	17592	0.07
	d) OCB	1850	0.01
	Sub-Total	7867356	29.51
	TOTAL	26660745	100.00

25680654 shares of the Company are held in dematerialised form constituting 96.32% of the paid-up capital, as at December 31, 2010. The total number of shareholders as on Benpos date of December 31, 2010 is 31586.

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

Name	As at December 31, 2009		As at December 31, 2010	
	No. of shares	%	No. of shares	%
1. Ebito Chemieeteiligungen AG	8167080	30.63	8167080	30.63
2. Clariant International AG	6075000	22.79	6075000	22.79
3. Clariant Participations AG	2660000	9.98	2660000	9.98
4. UTI Dividend Yield Fund	572000	2.15	572000	2.15
5. UTI (through its other schemes)	369318	1.39	341332	1.28
6. Finquest Securities Pvt. Ltd. (Held under 3 folios)	535766	2.01	360000	1.35

8.12 Distribution of shareholdings as at December 31, 2010

No. of equity shares held	Shareholders		Equity Shares held	
	Numbers	%	No. of shares	%
1-500	29013	91.85	2831948	10.62
501-1000	1508	4.78	1116127	4.19
1001-2000	605	1.92	886976	3.33
2001-3000	171	0.54	432390	1.62
3001-4000	82	0.26	286170	1.07
4001-5000	58	0.18	266827	1.00
5001-10000	83	0.26	608082	2.28
10001 & above	66	0.21	2023225	75.89
Total	31586	100.00	26660745	100.00

8.13 Dematerialisation of shares and liquidity

Names of Depositories for dematerialisation of equity shares:

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

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

8.14 ADRs/ GDRs/ Warrants

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

8.15 Plant Locations:

- The Company's current manufacturing facilities are located at
 - Kolshet Road, Thane – 400 607 (Maharashtra)
 - 113 / 114, MIDC, A.V.P.O. Dhatav, Roha, Dist. Raigad – 402 116 (Maharashtra)
 - Kudikadu, P.O., Cuddalore –607 005 (Tamil Nadu)
 - Singhadivakkam Village, Kanchipuram - 631 561 (Tamil Nadu)
- The Company's wholly owned subsidiary company's (Chemtreat Composites India Private Limited) plant is located at
Village Savaroli Survey No. 109, 110, 112 Kharpada Road, Tal Khalapur, Khopoli, Dist. Raigad-410203 (Maharashtra)

9. Additional Information:

9.1 Dividend for the year ended December 31, 2010:

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

In respect of shares held in demat form, as beneficial owner, as per details furnished by the depositories as at the end of the business on April 14, 2011 and

In respect of shares held in physical form as members in the register of members of the Company after giving effect to all valid share transfers lodged with the share transfer agent on or before April 14, 2011. The Company will dispatch the dividend warrants on or after April 27, 2011.

9.2 Unpaid / Unclaimed Dividend:

In terms of the provisions of Section 205C of the Companies Act, 1956 the Company is obliged to transfer dividends which remain unpaid or unclaimed for a period of seven years from the date of declaration to the credit of the Investor Education and Protection Fund established by the Central Government. Accordingly, the Company has transferred unpaid/unclaimed dividend up to the financial year 2002-2003 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 2003-2004 will expire on July 29, 2011 and thereafter the amount standing to the credit in the said account will be transferred to the 'Investor Education and Protection Fund' of the Central Government. Members are therefore requested to encash the dividend at the earliest.

Dates of transfer of unclaimed dividend to the Fund

Financial Year/period	Date of Payment	Date of completion of seven years
2003-2004	30.07.2004	29.07.2011
2004-2005	29.07.2005	28.07.2012
2005-2006	27.07.2006	26.07.2013
April-Dec. 2006	19.04.2007	18.04.2014
2007	17.04.2008	16.04.2015
2008	29.04.2009	28.04.2016
2009 (Interim)	24.07.2009	23.07.2016
2009 (Final)	24.04.2010	23.04.2017
2010 (Interim)	06.08.2010	05.08.2017

9.3 Bank Mandate:

Electronic Clearing Services (ECS) is a method of payment of dividend whereby the amount due to investors can directly be credited into their bank accounts, without having to issue paper instruments. It is fast and there is no scope for loss of dividend warrants in transit and possible fraudulent encashment.

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

9.4 Nomination Facility:

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

9.5 Consolidation of folios and avoidance of multiple folios:

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

9.6 Compliance

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

10. CEO/CFO Certification

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

On behalf of the Board of Directors

R.A. Shah
Chairman

Mumbai, February 24, 2011

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of Clariant Chemicals (India) Limited

We have examined the compliance of conditions of Corporate Governance by Clariant Chemicals (India) Limited, for the year ended on December 31, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to 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 the representations made by the Directors and Management, and subject to the observation with regard to attendance at the audit committee meeting held on October 25, 2010 under point 3.1 caption "Audit Committee" in the report on Corporate Governance, we certify that the Company has complied in all material respects with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

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

A. C. Khanna
Partner

Membership No. : 17814

Mumbai, 24th February, 2011

Auditors' Report

To the Members of Clariant Chemicals (India) Limited

1. We have audited the attached Balance Sheet of Clariant Chemicals (India) Limited ("the Company") as at 31st December, 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
 - (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 it appears from our examination of those books;
 - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (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 31st December, 2010;
 - (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 of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on 31st December, 2010 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st December, 2010 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

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

A.C. Khanna
Partner
(Membership No. 17814)

Mumbai, 24th February, 2011

Annexure to the Auditors' Report

(Referred to in paragraph 3 of the Auditors' Report of even date to the members of Clariant Chemicals (India) Limited on the financial statements for the year ended 31st December, 2010.)

- (i) Having regard to the nature of the Company's business/activities/ result, clauses (x) and (xiii) of paragraph 4 of CARO are not applicable.
- (ii) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
 - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of its inventory:
 - (a) The inventories have been physically verified during the year by the management except for stocks lying at third party locations for which confirmations have been obtained and for goods-in-transit. In our opinion, the frequency of verification is reasonable.
 - (b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- (v) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (vi) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
 - (a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
 - (b) Where each of such transaction is in excess of ₹ 5 lakhs in respect of any party, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at the relevant time except in respect of certain purchases for which comparable quotations are not available and in respect of which we are unable to comment.
- (vii) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 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. According to the information and explanations given to us, no order has been passed by the Company Law Board or the National Company Law Tribunal or the Reserve Bank of India or any Court or any other Tribunal.
- (viii) In our opinion, the internal audit functions carried out during the year by firms of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (ix) 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 in respect of certain products manufactured by the Company viz. Dyes and are of the opinion that *prima facie* the prescribed accounts and records

have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any other product of the Company.

- (x) According to the information and explanations given to us in respect of statutory dues:
- (a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
- (b) There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st December, 2010 for a period of more than six months from the date they became payable.
- (c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on 31st December, 2010 on account of dispute are given below:

Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount involved (₹ in lakhs)
Central Sales Tax Act, 1956 and Sales Tax Act of various states	Sales Tax (Central and State) and Value Added Tax	High Court	1996-1999	2.27
		Appellate Authorities & Tribunal	1999-2000	17.88
		Commissionerate	1992-1993 and 2001-2007	2300.61
Central Excise Act, 1944	Excise Duty	Appellate Authorities & Tribunal	1999-2000 and 2000-2004	33.75
		Commissionerate	1994-1997, 2000-2001, 2003-2005 and 2006-2007	547.15
Service Tax under Finance Act, 1994	Service Tax	Appellate Authorities & Tribunal	2004-2005	5.12
		Commissionerate	2005-2006 and 2009-2010	29.23
Income Tax Act, 1961	Income Tax	Appellate Authorities & Tribunal	A.Y. 1995-1996, 2000-2001 and 2003-2004	248.15
		Commissionerate	A.Y. 1987-1988, 1992-1993, 1994-1995, 1998-2002 and 2003-2008	1032.53
Total				4216.69

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

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

A. C. Khanna
Partner
(Membership No. 17814)

Mumbai, 24th February, 2011

Balance Sheet

as at 31st December, 2010

	Schedule	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	2666.07	2666.07
Reserves and surplus	2	34043.51	32113.18
		36709.58	34779.25
Loan funds			
Unsecured loans	3	105.28	204.78
		105.28	204.78
		36814.86	34984.03
APPLICATION OF FUNDS			
Fixed assets	4		
Gross block		33560.28	34975.65
Less : Accumulated depreciation and impairment		20002.46	21085.35
Net block		13557.82	13890.30
Capital work-in-progress and advances, etc.		1987.87	590.72
		15545.69	14481.02
Fixed assets held for disposal (See note 27, Schedule 17)		378.70	792.34
Investments	5	19183.91	12449.95
Deferred tax asset - Net (See note 6, Schedule 17)		108.08	275.72
Current assets, loans and advances			
Inventories	6	9072.62	7665.03
Sundry debtors	7	12560.93	14459.63
Cash and bank balances	8	2091.48	1696.62
Loans and advances	9	7895.74	6320.49
		31620.77	30141.77
Less : Current liabilities and provisions			
Liabilities	10	21749.74	16572.90
Provisions	11	8272.55	6583.87
		30022.29	23156.77
Net current assets		1598.48	6985.00
		36814.86	34984.03
Notes on balance sheet and profit and loss account	17		

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

A.C. Khanna
Partner

Mumbai, 24th February, 2011

For and on behalf of the Board,

R. A. Shah Chairman

P. Palm Vice-Chairman & Managing Director

B. S. Mehta }
H. Meier } Directors

B. L. Gaggar Director Finance & Company Secretary

Mumbai, 24th February, 2011

Profit and Loss Account

for the year ended 31st December, 2010

	Schedule	2010 ₹ Lakhs	2009 ₹ Lakhs
INCOME			
Sales - Gross		103475.64	97322.24
Less : Excise duty		6004.36	5188.11
Sales - Net		97471.28	92134.13
Other income	12	3123.45	2630.82
		100594.73	94764.95
EXPENDITURE			
Cost of materials	13	58627.30	54523.49
Personnel cost	14	6712.77	6158.71
Interest (Net)	15	23.20	16.67
Depreciation/Amortisation	4	1689.16	1896.35
Impairment of fixed assets	4	—	136.98
Other expenditure	16	16650.24	14178.36
		83702.67	76910.56
Less : Service charges recovered		369.77	906.74
		83332.90	76003.82
PROFIT BEFORE EXCEPTIONAL ITEMS AND TAXATION		17261.83	18761.13
Exceptional items (See note 23, Schedule 17)		729.47	2450.46
PROFIT AFTER EXCEPTIONAL ITEMS AND BEFORE TAXATION		16532.36	16310.67
Provision for taxation			
Current tax		5126.00	5958.00
Deferred tax		167.64	(530.66)
Fringe benefit tax		—	39.00
(Excess)/Short provision for taxation in respect of earlier years		(2.78)	30.77
PROFIT AFTER TAXATION		11241.50	10813.56
Balance brought forward from previous year		3031.67	1097.40
AVAILABLE FOR APPROPRIATION		14273.17	11910.96
APPROPRIATED AS FOLLOWS			
General reserve		1124.15	1081.36
Interim dividend		2666.07	2666.07
Proposed dividend (Final)		5332.15	3999.11
Corporate tax on dividend (Interim & Final)		1328.40	1132.75
Corporate tax on dividend of previous period		(15.45)	—
Balance carried to the balance sheet		3837.85	3031.67
		14273.17	11910.96
Notes on balance sheet and profit and loss account	17		
Basic and Diluted earnings per share (in ₹) (See note 15, Schedule 17)		42.16	40.56
Face value per share (in ₹)		10.00	10.00

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

A.C. Khanna
Partner

For and on behalf of the Board,

R. A. Shah Chairman

P. Palm Vice-Chairman & Managing Director

B. S. Mehta }
H. Meier } Directors

B. L. Gaggar Director Finance & Company Secretary

Mumbai, 24th February, 2011

Mumbai, 24th February, 2011

Cash Flow Statement

for the year ended 31st December, 2010

	2010 ₹ Lakhs	2009 ₹ Lakhs
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit after exceptional items and before taxation	16532.36	16310.67
<i>Adjustments for :</i>		
Depreciation/Amortisation	1689.16	1896.35
Impairment of fixed assets	—	136.98
Unrealised foreign exchange (gain)/loss (Net)	(6.48)	(32.89)
Interest income	(92.96)	(83.20)
Dividend income	(677.96)	(407.90)
Loss/(profit) on sale of assets (Net)	(512.38)	(80.31)
Loss/(profit) on sale of investments (Net)	(13.51)	(0.21)
Provision for doubtful debts/advances (Net)	(94.79)	29.39
Provision for leave encashment	36.51	(126.69)
Provision for ex-gratia gratuity	(4.48)	(15.21)
Provision for gratuity	345.31	(186.30)
Interest expenses	116.16	99.87
Assets written-off	206.89	100.69
Operating profit before working capital changes	17523.83	17641.24
<i>Adjustments for :</i>		
Trade and other receivables	1801.24	(1050.90)
Inventories	(1407.59)	2878.95
Trade, other payables and provisions	5163.03	3693.84
Cash generated from operations	23080.51	23163.13
Direct taxes paid-(Net of refunds)	(6709.91)	(6055.45)
Net Cash from operating activities	16370.60	17107.68
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of fixed assets	(3512.58)	(1005.00)
Sale of fixed assets	1477.88	138.31
Purchase of investments	(181779.90)	(95164.44)
Sale of investments	175059.45	88499.17
Loans given to subsidiary	(55.00)	(31.00)
Loans repaid by subsidiary	15.00	1.00
Interest received	92.96	83.20
Dividend received	677.96	407.90
Net Cash used in investing activities	(8024.23)	(7070.86)

	2010 ₹ Lakhs	2009 ₹ Lakhs
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Repayment of borrowings	(99.50)	(104.29)
Interest paid	(111.38)	(93.33)
Dividend/dividend tax paid	(7740.63)	(8984.89)
Net Cash used in financing activities	(7951.51)	(9182.51)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	394.86	854.31
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE YEAR	1696.62	842.31
CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR (See note 3) (Refer Schedule 8)	2091.48	1696.62

Notes:

1. The Cash flow has been prepared under the "Indirect Method" as set out in Accounting Standard-3 on Cash flow statement notified by the Companies (Accounting Standards) Rules, 2006.
2. Direct taxes paid are treated as arising from operating activities and are not bifurcated between investing and financing activities.
3. Cash and cash equivalents at the end of the year include current account balances with banks of ₹ 253.20 lakhs (Previous Year : ₹ 221.71 lakhs) which are restricted in use on account of unclaimed dividend/fixed deposit/interest on fixed deposit.
4. Figures for the previous year have been regrouped wherever necessary to conform to the current year's classification.

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

A.C. Khanna
Partner

Mumbai, 24th February, 2011

For and on behalf of the Board,

R. A. Shah Chairman

P. Palm Vice-Chairman & Managing Director

B. S. Mehta }
H. Meier } Directors

B. L. Gaggar Director Finance & Company Secretary

Mumbai, 24th February, 2011

Schedules

forming part of the Balance Sheet

SCHEDULE 1 : SHARE CAPITAL	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
Authorised		
30000000 equity shares of ₹ 10/- each	3000.00	3000.00
Issued and subscribed		
26660745 equity shares of ₹ 10/- each fully paid	2666.07	2666.07

Notes:

Of the above :

- (a) 15010745 equity shares issued as fully paid up pursuant to a contract for a consideration other than cash.
- (b) 8167080 equity shares are held by EBITO Chemiebeteteiligungen AG.
6075000 equity shares are held by Clariant International AG.
2660000 equity shares are held by Clariant Participations AG.
The ultimate holding company being Clariant AG, Switzerland.
- (c) 6690610 equity shares were allotted as fully paid up bonus shares by capitalisation of ₹ 669.06 lakhs from general reserve.

SCHEDULE 2 : RESERVES AND SURPLUS	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
Capital reserve		
As per last Balance sheet	730.11	730.11
Capital redemption reserve		
As per last Balance sheet	137.50	137.50
Securities premium account		
As per last Balance sheet	3545.65	3545.65
Investment allowance reserve		
As per last Balance sheet	—	20.00
Less: Transfer to general reserve	—	20.00
	—	—
General reserve		
As per last Balance sheet	24668.25	23566.89
Add : Transfer from Investment allowance reserve	—	20.00
Transfer from Profit and loss account	1124.15	1081.36
	25792.40	24668.25
Profit and loss account	3837.85	3031.67
	34043.51	32113.18

SCHEDULE 3 : UNSECURED LOANS	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
From others:		
Interest-free sales tax deferral scheme granted by State Industries Promotion Corporation of Tamil Nadu Limited (Repayable within one year ₹ 85.09; Previous Year: ₹ 99.50 lakhs)	105.28	204.78
	105.28	204.78

SCHEDULE 4 : FIXED ASSETS

₹ Lakhs

	GROSS BLOCK				DEPRECIATION / AMORTISATION / IMPAIRMENT					NET BLOCK	
	As at 31-12-09	Additions/ Adjustments	Deductions/ Adjustments	As at 31-12-10	As at 31-12-09	Deductions/ Adjustments	For the year	Impairment (See note 2)	As at 31-12-10	As at 31-12-10	As at 31-12-09
Tangible Assets											
Land freehold	145.02	—	7.60	137.42	—	—	—	—	—	137.42	145.02
Land leasehold	14.88	466.42	—	481.30	4.66	—	4.25	—	8.91	472.39	10.22
Buildings	7065.22	158.90	949.21	6274.91	2620.05	569.55	173.49	—	2223.99	4050.92	4445.17
Plant, machinery, equipment etc.	24964.22	1250.22	1980.18	24234.26	16355.35	1662.05	1359.67	—	16052.97	8181.29	8608.87
Furniture, fixtures and office appliances	2199.83	117.39	407.44	1909.78	1623.55	354.53	113.46	—	1382.48	527.30	576.28
Vehicles	586.48	122.50	186.37	522.61	481.74	185.92	38.29	—	334.11	188.50	104.74
Total	34975.65	2115.43	3530.80	33560.28	21085.35	2772.05	1689.16	—	20002.46	13557.82	
Previous year	38797.09	1468.11	5289.55	34975.65	23390.54	4338.52	1896.35	136.98	21085.35		13890.30
Capital work-in-progress										1849.95	550.23
Advances against capital orders										137.92	40.49
										1987.87	590.72
										15545.69	14481.02

Notes:

- Buildings include ₹ 950/- (Previous year : ₹ 950/-) being the cost of shares in co-operative housing societies.
- In accordance with the provisions of the Accounting Standard 28 on Impairment of Assets notified by the Companies (Accounting Standards) Rules 2006, during the previous year, the Company had identified certain fixed assets that were impaired mainly on account of economic performance and viability of such assets which did not have any value in use. Accordingly during the previous year an impairment loss of ₹ 136.98 lakhs in respect of Dyes and Specialty Chemicals segment (₹ 12.47 lakhs) and Intermediates and Colours segment (₹ 124.51 lakhs) had been recognised in the profit and loss account.

SCHEDULE 5 : INVESTMENTS (AT COST)

31-12-10
₹ Lakhs

31-12-09
₹ Lakhs

Non Trade - Unquoted**Long Term****In Subsidiary Company**

500000 (Previous year: 500000) fully paid equity shares of ₹ 10/- each
in Chemtreat Composites India Private Limited

325.00

325.00

Total Long Term

325.00

325.00

Current**In fully paid units of ₹ 10/- each**

6903971 (Previous Year : 9695701) JM Money Manager Fund-Super Plan -Dividend-Daily

691.21

970.08

8999392 (Previous Year : Nil) Reliance Monthly Interval Fund - Series II - Institutional Dividend Plan

900.09

—

9498599 (Previous Year : Nil) Reliance Monthly Interval Fund - Series I - Institutional Dividend Plan

950.10

—

5014035 (Previous Year : Nil) TATA Fixed Income Portfolio Fund Scheme A2 Institutional Monthly Dividend

501.45

—

9501200 (Previous Year : Nil) TATA Fixed Income Portfolio Fund Scheme A3 Institutional Monthly Dividend

950.12

—

7388640 (Previous Year : Nil) DWS Treasury Fund Cash -Institutional Plan -Daily Dividend - reinvest

742.54

—

3000000 (Previous Year : Nil) ICICI Prudential Interval Fund I - Monthly Interval Plan A Institution

300.00

—

9753024 (Previous Year : Nil) JM High Liquidity Fund - Super Institutional Plan - Daily Dividend

976.91

—

9782457 (Previous Year : Nil) Fidelity Ultra Short term Debt Fund Super Institutional - Daily Dividend

978.73

—

9543201 (Previous Year : Nil) IDFC Ultra Short Term Fund - Daily Dividend

955.52

—

9509940 (Previous Year : Nil) LIC MF Interval Fund - Series 1 - Monthly Dividend Plan

950.99

—

SCHEDULE 5 : INVESTMENTS (AT COST) (Contd.)	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
In fully paid units of ₹ 10/- each (Contd.)		
2035977 (Previous Year : Nil) Religare Ultra Short term Fund - Institutional Daily Dividend	203.95	—
7687665 (Previous Year : Nil) Canara Robeco Treasury Advantage Super Instt Daily Div Reinv Fund	953.82	—
9544914 (Previous Year : Nil) Sundaram Ultra ST Fund Inst.Div.rein.Daily	958.02	—
9356287 (Previous Year : Nil) L&T Freedom Income STP Inst - Daily Dividend Reinvestment Plan	950.15	—
398454 (Previous Year : Nil) Canara Robeco Floating Rate Short term Dividend Fund	56.51	—
9435078 (Previous Year : 4742864) HDFC Floating Rate Income Fund - Short Term Plan-Whole Sale Option - Dividend Reinvest-Daily	951.14	478.12
9501131 (Previous Year : Nil) UTI Fixed income Interval Fund - Monthly Interval Plan Series - I - Institutional Dividend Plan - Payout	950.11	—
9528528 (Previous Year : Nil) UTI Fixed income Interval Fund - Monthly Interval Plan - II - Institutional Dividend Plan - Payout	952.85	—
9621653 (Previous Year : Nil) Templeton India Ultra Short Bond fund Super Institutional Plan - Daily Dividend Reinvestment	963.28	—
9510531 (Previous Year : Nil) IDFC Money Manager fund - TP - Super Inst Plan C - Daily Div	951.20	—
Nil (Previous Year : 9776175) DWS Ultra Short Term Fund -Dividend-Daily	—	979.37
Nil (Previous Year : 9019717) DWS Cash Opportunity Fund -Dividend-Daily	—	904.16
Nil (Previous Year : 4038543) IDFC Money Manager Fund -Dividend-Daily	—	403.91
Nil (Previous Year : 9471776) LIC MF Income Plus Fund -Dividend-Daily	—	947.18
Nil (Previous Year : 9197118) LIC MF Saving Plus Fund -Dividend-Daily	—	919.71
Nil (Previous Year : 9847865) LIC MF Floater Fund -Dividend-Daily	—	984.80
Nil (Previous Year : 9825217) Birla Sun Life Saving Fund - Daily Dividend	—	983.19
Nil (Previous Year : 8883589) HDFC Treasury Advantage Fund-Whole Sale Fund - Dividend-Daily	—	891.16
In fully paid units of ₹ 100/- each		
Nil (Previous Year : 863340) ICICI Prudential Flexible Income Premium Plan Fund - Daily Dividend	—	912.85
Nil (Previous Year : 957923) ICICI Prudential Floating Rate Plan D - Daily Dividend	—	958.12
In fully paid units of ₹ 1000/- each		
96745 (Previous Year : Nil) Taurus Ultra Short Term Bond fund - Super Insti Daily Dividend Plan	968.94	—
50040 (Previous Year : Nil) Axis Liquid fund - Institutional Daily Dividend Reinvestment	500.41	—
60046 (Previous Year : Nil) Templeton India Treasury management Account Super Institutional Plan - Daily Dividend Reinvestment	600.87	—
Nil (Previous Year : 91249) Reliance Money Manager Fund - Institutional Plan - Daily Dividend	—	913.53
Nil (Previous Year : 65341) DSP BlackRock Floating Rate Fund - Institutional Plan - Daily Dividend	—	653.77
Nil (Previous Year : 22483) UTI Floating Rate Fund STP - Daily Dividend	—	225.00
Total Current	18858.91	12124.95
Total Investments - Unquoted	19183.91	12449.95

Following are the Investments which have been purchased and sold during the year :

	2010	
	Nos.	₹ Lakhs
Non trade Current - unquoted		
In fully paid units of ₹ 10/- each		
Reliance Medium Term Fund DDR	17275665	2953.41
Reliance Liquid Fund Treasury Plan I P DDR	27672708	4230.40
Reliance Liquid Fund Treasury Plan Retail Option DDR	6474124	986.82
Reliance Medium Term Fund -Retail Plan -Growth Plan-Grth Option	4980065	950.10
Reliance Monthly Interval Fund - Series II - Institutional Dividend Reinvest	5585701	579.92
Kotak Liquid Fund : Institutional Premium Plan DDR	49972679	6110.71
Kotak Floater Long Term - Daily Dividend	32545691	3280.54
Kotak Flexi Debt Fund - Daily Dividend	22526495	2263.35
Kotak Floater Short Term - Daily Dividend	14722158	1489.32
Birla Sun Life Saving Fund Inst DDR	49552230	4958.59
Birla Sun Life Cash Plus Inst Pre DDR	75710242	7585.79
Birla Sun Life Cash Plus Inst DDR	3704001	400.12
Birla Sun Life Short Term Fund - Inst DDR	27705642	2772.09
Birla Sun Life Short Term Fund - Inst Growth	8704602	952.23
Birla Sun Life Floating Rate Fund - LT - Inst Weekly Divi	26043579	2610.95
Birla Sun Life Floating Rate Fund - LT - Inst Growth	8756890	947.22
Birla Sun Life Cash Manager - IP - DDR	10984671	1098.80
JM Money Manager Fund - Super Plus Plan - DDR	21522354	2153.38
JM Money Manager Fund - Super Plus Plan - GROWTH	7541725	979.10
JM High Liquidity Fund - Super Institutional Plan	14827433	1485.19
TATA Floater Fund - GROWTH	7200007	988.62
TATA Floater Fund - Daily Dividend	25724848	2581.64
DWS Ultra Short Term Fund - Institutional Plan	11369860	1139.02
DWS Cash Opportunity Fund - Institutional Plan	9331090	935.38
DWS Cash Opportunity Fund - Institutional Growth	7741431	912.95
DWS Insta Cash Plus Fund - Institutional Plan	30148283	3030.38
ICICI Prudential Blended Plan B - Institutional Dividend	9139101	956.68
HDFC Cash Mangement Fund -Treasury Advantage Plan- Wholesale DDR	11115730	1115.07
HDFC F R I F STF- Wholesale DDR	5021328	506.20
HDFC Liquid Fund Premium Plan DDR	35087734	4301.69
HDFC FMP 35 D August 2010 (1) - Divi - Series XIV	9501340	954.46
HDFC FMP 35 D August 2010 (2) - Divi - Series XIV	9501084	955.42
HDFC Cash Mangement Fund -Treasury Advantage Plan- Wholesale Growth	4456127	899.36
HDFC FMP 35 D October 2010 (1) - Divi - Series XVII	9500000	955.36
HDFC FMP 35 D November 2010 (1) - Divi - Series XVII	9501394	955.95
Canara Robeco Treasury Advantage Fund - I. P. - Daily Dividend	7582119	940.72
Canara Robeco Liquid Super Inst - Daily Dividend	40946361	4113.56
Canara Robeco Treasury Advantage Super Inst - Daily Dividend	25027511	3105.19

Following are the Investments which have been purchased and sold during the year : (Contd.)

	2010	
In fully paid units of ₹ 10/- each (Contd.)	Nos.	₹ Lakhs
Canara Robeco Treasury Advantage Super Inst - Growth	6838418	950.27
Fidelity Cash Fund - I. P. - Daily Dividend	14248011	1425.16
Fidelity Ultra Short Term Debt Fund - Super I. P. - Daily Dividend	3748126	375.00
Fidelity Ultra Short Term Debt Fund - I. P. - GROWTH OPTION	8262988	950.09
Fidelity Ultra Short Term Debt Fund - I. P. - Daily Dividend	12017800	1202.08
IDFC Money Treasury Fund - I. P.C - Daily Dividend	31262658	3126.73
IDFC Cash Fund - Super I. P. C - Daily Dividend	41693951	4170.44
IDFC Money Manager Fund - Investment Plan - Inst Plan B - Growth	6453142	924.72
IDFC Money Manager Fund - Investment Plan - Inst Plan B - DDR	18596769	1862.47
IDFC Fixed Maturity Plan - Monthly Series 25 - Dividend	9000000	904.98
IDFC Fixed Maturity Plan - Monthly Series 27 - Dividend	9501356	955.45
LIC MF Floater Rate S T Fund GROWTH	6578103	994.52
LIC MF Income plus Fund - GROWTH	7737889	956.46
LIC MF Saving plus Fund GROWTH	6346745	928.82
LIC Liquid Fund - Daily Plan	29602725	3250.41
LIC MF Saving plus Fund DDR	27565155	2756.52
LIC MF Income plus Fund - DDR	20783168	2078.32
LIC MF Floater Rate S T Fund DDR	10188227	1018.82
Baroda Pioneer Treasury Advantage Fund IP GROWTH	9176373	951.70
Baroda Pioneer Liquid Fund - IP DDR	18027165	1803.85
Baroda Pioneer Treasury Advantage Fund IP DDR	19266395	1928.39
JP Morgan India Liquid Fund - Super Institutional DDR	56072459	5611.68
JP Morgan India Treasury Fund - Super Institutional DDR	9406794	941.52
Religare Ultra Short Term Fund - Institutional Daily Dividend	7487197	750.00
Religare Liquid Fund - Institutional Daily Dividend	9499287	950.14
Religare Overnight Fund - Dividend	3253389	325.34
IDBI Liquid Fund - Daily Dividend	9501375	950.14
IDBI Ultra Short Term Fund - Daily Dividend	9539175	953.92
Sundaram Money Fund - Inst - Daily Dividend	10402494	1050.16
Sundaram Ultra ST Fund - Inst Daily Dividend	4985098	500.35
In fully paid units of ₹ 100 /- each		
ICICI Liquid Plan : Super Institutional Plan : Dividend Re-invest.	4628695	4629.73
ICICI Prudential MF Flexible Income Plan - Premium : DDR	1833244	1938.38
ICICI Floating Rate Fund : Dividend Re-invest.	515	0.51
ICICI Prudential MF Flexible Income Plan - Premium : Growth	110970	190.02
In fully paid units of ₹ 1000 /- each		
Reliance Money Manager Fund Inst Option DDR	373	3.73
TATA Liquidity Management Ship Fund	187369	2088.26

Following are the Investments which have been purchased and sold during the year : (Contd.)

	2010	
In fully paid units of ₹ 1000/- each (Contd.)	Nos.	₹ Lakhs
TATA Liquidity Management Fund	144640	1450.18
TATA Treasury Manager Fund Ship - DDR	99648	1006.76
TATA Treasury Manager Fund Ship - GROWTH	40865	427.77
DSP BlackRock Floating Rate Fund IP - GROWTH	74085	982.17
DSP BlackRock Floating Rate Fund - I.P. - DDR	196612	1967.19
DSP BlackRock Cash Manager Fund - I.P. -DDR	97597	976.07
DSP BlackRock Liquidity Fund - I.P. -DDR	188972	1890.32
DSP BlackRock Money Manager Fund - I.P. -DDR	114351	1144.42
UTI Floating Rate Fund STP GROWTH	14514	150.16
UTI Treasury Advantage Fund - I. P. - Daily Dividend	192751	1927.93
UTI Liquid Cash Plan - I. P. - Daily Dividend	665042	6779.74
UTI Floating Rate Fund STP DDR	409078	4093.94
Taurus Liquid Fund - Super Institutional Daily Dividend Reinvest	190019	1900.21
Taurus Ultra Short Term Bond Fund - Super Inst DDR	190740	1921.48
Taurus Ultra Short Term Bond Fund - Super Inst Growth	88330	952.06
Templeton India TMA Super IP - Daily Dividend	281393	2815.83

SCHEDULE 6 : INVENTORIES

	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
At lower of cost and net realisable value (As certified by the Management)		
Stores and spare parts	168.09	187.66
Raw materials	3010.35	2114.96
Packing materials	92.14	104.13
Finished goods	4847.10	4422.91
Work-in-progress	954.94	835.37
	9072.62	7665.03

SCHEDULE 7 : SUNDRY DEBTORS

	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
Secured (Considered good)		
Over six months	—	5.68
Other debts	1807.09	1570.88
	1807.09	1576.56
Unsecured (Considered good, unless otherwise stated)		
Over six months (Including doubtful debts ₹ 172.88 lakhs ; Previous year : ₹ 246.31 lakhs)	232.47	328.62
Other debts	10694.25	12800.76
	10926.72	13129.38
Less : Provision for doubtful debts	172.88	246.31
	12560.93	14459.63

SCHEDULE 8 : CASH AND BANK BALANCES	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
Cash on hand	1.47	4.18
Cheques on hand	64.87	49.27
With scheduled banks:		
On current accounts	1733.79	1010.83
On fixed deposit accounts	291.35	632.34
	2025.14	1643.17
	2091.48	1696.62

SCHEDULE 9 : LOANS AND ADVANCES	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
(Unsecured - Considered good, unless otherwise stated)		
Advances and loans to the subsidiary (See note 25, Schedule 17)	716.42	688.35
Advances recoverable in cash or in kind or for value to be received	3546.36	3517.98
Less: Provision for doubtful advances	42.61	63.97
	3503.75	3454.01
VAT set off admissible	122.21	99.67
Advance payment of Income tax (Net of Provision for taxation)	3127.99	1768.95
Balances with customs and excise on current account	425.37	309.51
	7895.74	6320.49

SCHEDULE 10 : CURRENT LIABILITIES	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
Sundry creditors		
Due to micro enterprises and small enterprises (See Note 7, Schedule 17)	316.06	361.14
Due to others	16327.09	12755.10
	16643.15	13116.24
Deposits	1575.11	1863.03
Unpaid dividends*	253.16	221.61
Unclaimed fixed deposits*	—	0.06
Unpaid interest on matured fixed deposits*	0.04	0.04
Other liabilities	3278.28	1371.92
	21749.74	16572.90

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

SCHEDULE 11 : PROVISIONS	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
Employee benefits:		
Leave encashment	401.53	365.02
Gratuity	546.04	200.73
Ex-gratia gratuity	64.73	69.21
Others:		
Provision for taxation (Net of advance payment of Income tax)	1042.50	1270.15
Proposed dividend (Final)	5332.15	3999.11
Corporate tax on proposed dividend (Final)	885.60	679.65
	8272.55	6583.87

Schedules

forming part of the Profit and Loss Account

SCHEDULE 12 : OTHER INCOME	2010 ₹ Lakhs	2009 ₹ Lakhs
Dividend on current non-trade investments	677.96	407.90
Export incentives	573.83	420.13
Profit on sale of fixed assets (Net)	46.10	80.31
Cash discounts	34.58	39.40
Rental income	204.39	398.25
Indenting commission	773.67	589.29
Provision for doubtful debts written back (Net)	94.79	—
Profit on sale of current investments (Net)	13.51	0.21
Miscellaneous	704.62	695.33
	3123.45	2630.82

SCHEDULE 13 : COST OF MATERIALS	2010 ₹ Lakhs	2009 ₹ Lakhs
Raw materials consumed	43151.77	38450.19
Packing materials consumed	2721.24	2275.54
Purchases of finished goods	13298.05	12133.72
(Increase)/Decrease in stocks of finished goods and work-in-progress :		
Opening stock		
Finished goods	4422.91	5718.63
Work-in-progress	835.37	1203.69
	5258.28	6922.32
Less : Closing stock		
Finished goods	4847.10	4422.91
Work-in-progress	954.94	835.37
	5802.04	5258.28
	(543.76)	1664.04
	58627.30	54523.49

SCHEDULE 14 : PERSONNEL COST	2010 ₹ Lakhs	2009 ₹ Lakhs
Salaries, wages, bonus, etc.	4867.33	4677.67
Contribution/Provision for provident fund, superannuation scheme, gratuity fund, etc.	1011.33	551.95
Welfare expenses	834.11	929.09
	6712.77	6158.71

SCHEDULE 15 : INTEREST (NET)	2010	2009
	₹ Lakhs	₹ Lakhs
Interest Paid		
Others	116.16	99.87
Less : Interest received (Gross) :		
Others (Tax deducted at source ₹ 9.53 Lakhs; Previous year : ₹ 12.69 Lakhs)	92.96	83.20
	23.20	16.67

SCHEDULE 16 : OTHER EXPENDITURE	2010	2009
	₹ Lakhs	₹ Lakhs
Stores and spare parts etc. consumed	533.38	507.17
Repairs and maintenance :		
Plant and machinery	959.36	707.88
Buildings	254.82	218.64
Others	221.35	153.33
Power and fuel	3604.87	4574.37
Rent (including lease payments) (See note 16, Schedule 17)	567.73	555.90
Rates and taxes (including water charges)	467.36	516.03
Insurance	102.11	69.27
Clearing, forwarding and transport	2057.47	1309.07
Travelling and conveyance	1245.33	873.15
Commission (See note 26, Schedule 17)	125.12	175.82
Cash discount	2.55	11.76
Other discounts on sales (See note 26, Schedule 17)	816.60	684.65
Assets written-off	22.61	100.69
Provision for doubtful debts/advances (Net)	—	29.39
Excise duty	116.15	(324.39)
Exchange loss (Net)	51.73	162.28
Legal and consultancy	1399.40	163.88
Miscellaneous (See note 18, Schedule 17)	4102.30	3689.47
	16650.24	14178.36

Notes

SCHEDULE 17: Notes on the Balance Sheet and Profit and Loss Account for the year ended 31st December, 2010

1. 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 notified by the Companies (Accounting Standards) Rules, 2006 and referred to in Section 211(3C) of the Companies Act, 1956. The significant accounting policies are as follows:

I. Revenue Recognition

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

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

II. 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.

Excise Duty related to the difference between the closing stock and opening stock of finished goods has been recognised separately in the profit and loss account under schedule of 'Other Expenses'.

III. 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.

IV. Employee Benefits

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

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

Defined contribution plans :

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

Defined benefit plans and compensated absences :

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

V. Voluntary Retirement Scheme

Expenditure incurred on voluntary retirement scheme is charged to revenue in the year in which it is incurred.

VI. Fixed Assets and Depreciation/Amortisation

(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 qualifying 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.

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

(d) Depreciation 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 :

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

(ii) 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,

(iii) Motor Cars on which depreciation rate of 25% on straight line method is applied.

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

VII. 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 is recognised wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to the present value using the weighted average cost of capital. Previously recognised impairment loss is further provided or reversed depending on changes in circumstances.

VIII. 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 basis :

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

IX. Sundry Debtors/Loans and Advances

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

X. 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.

XI. 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.

XII. 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 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.

XIII. 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 is 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.

XIV. 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 except in respect of employee benefits 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.

2. Segment Information for the year ended 31st December, 2010 (As required by Accounting Standard (AS) - 17 Segment Reporting) :

- (a) The Company is organised into two primary business segments mainly:
 - (i) **Intermediates and Colours :**
Includes pigment dyestuffs and their dispersion, Intermediates for dyes, pesticides and pharmaceuticals and masterbatches for plastics and nylon fibers.
 - (ii) **Dyes and Specialty Chemicals :**
Includes dyestuff synthetic resins, binder materials, auxiliaries and chemicals.
- (b) The secondary segments of the Company are geographical segments mainly:
 - (i) India
 - (ii) Outside India
- (c) Segments have been identified and reported taking into account the nature of products and services, the differing risk and returns, the organisation structure, and the internal financial reporting system.
- (d) (i) **Segment Revenue and Results :**
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 among the segments are shown as a part of unallocable corporate assets and liabilities respectively.

Information about primary business segments:

	2010 ₹ Lakhs			2009 ₹ Lakhs		
	Inter- mediates & Colours	Dyes and Specialty Chemicals	Total	Inter- mediates & Colours	Dyes and Specialty Chemicals	Total
Revenue (net)						
External sales/Revenue	35851.48	61619.80	97471.28	39266.95	52867.18	92134.13
Results						
Segment results	6849.82	12010.63	18860.45	8477.04	10694.37	19171.41
Unallocated corporate expenses (net)			(2253.38)			(801.51)
Operating Profits			16607.07			18369.90
Interest income/Dividend income			770.92			491.10
Interest expenses			(116.16)			(99.87)
Profit Before Exceptional Items and Taxation			17261.83			18761.13
Exceptional items (See note 23, Schedule 17)			(729.47)			(2450.46)
Profit Before Taxation After Exceptional Items			16532.36			16310.67
Current tax/Deferred tax			(5293.64)			(5427.34)
Fringe benefit tax			—			(39.00)
Excess/(Short) provision for taxation[for earlier years]			2.78			(30.77)
Profit After Tax			11241.50			10813.56
Other Information						
Segment assets	19160.66	20515.10	39675.76	19429.34	19802.95	39232.29
Unallocated corporate assets			27161.39			18908.51
Total Assets			66837.15			58140.80
Segment liabilities	7427.12	11909.36	19336.48	6597.21	8997.45	15594.66
Unallocated corporate liabilities			4573.34			3088.13
Total Liabilities			23909.82			18682.79
Capital expenditure	2519.20	941.64	3460.84	668.46	322.11	990.57
Unallocated corporate capital expenditure			51.74			14.43
Total Capital Expenditure			3512.58			1005.00
Depreciation/Amortisation	841.79	796.26	1638.05	1008.70	818.63	1827.33
Impairment of fixed assets			—	124.51	12.47	136.98
Unallocated corporate depreciation			51.11			69.02
Total Depreciation/Amortisation/Impairment			1689.16			2033.33
Non cash expenses other than Depreciation/Amortisation/Impairment	168.72	239.94	408.66	61.72	63.93	125.65
Unallocated corporate non cash expenses other than Depreciation/Amortisation/Impairment			218.40			64.28
Total Non Cash Expenses other than Depreciation/Amortisation/Impairment			627.06			189.93

Information about secondary segments:

	2010 ₹ Lakhs			2009 ₹ Lakhs		
	India	Outside India	Total	India	Outside India	Total
External Sales	76783.58	20687.70	97471.28	75032.64	17101.49	92134.13
Segment Assets	37518.59	2157.17	39675.76	35612.25	3620.04	39232.29
Additions to Fixed Assets	3460.84	—	3460.84	990.57	—	990.57

Notes:

- 1 Total liabilities exclude the following :
 (a) Proposed dividend ₹ 5332.15 lakhs (₹ 3999.11 lakhs)
 (b) Corporate tax on proposed dividend ₹ 885.60 lakhs (₹ 679.65 lakhs)

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

Relationship :

a) Holding Company :

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

b) Subsidiary of the Company :

The Company has subsidiary Chemtreat Composites India Pvt. Ltd.-100% shareholding.

c) Other related parties in the Clariant group where common control exists and with whom the company has transactions:
Fellow Subsidiary Companies :

Clariant (Argentina) SA	Clariant Masterbatches (Deutschland) GmbH
Clariant (Australia) Pty. Ltd.	Clariant Masterbatches (Italia) S.p.A.
Clariant (Canada) Inc.	Clariant Masterbatches (Saudi Arabia) Ltd.
Clariant (China) Ltd.	Clariant Masterbatches (Shanghai) Ltd.
Clariant (Colombia) SA	Clariant Masterbatches (Thailand) Ltd.
Clariant (Egypt) SAE	Clariant Masterbatches Benelux SA
Clariant (Guatemala) SA	Clariant Masterbatches Huningue
Clariant (Gulf) FZE	Clariant Masterbatches Ireland Limited
Clariant (Japan) K.K.	Clariant Masterbatches Norden AB
Clariant (Korea) Ltd.	Clariant Masterbatches UK Ltd.
Clariant (Malaysia) Sdn Bhd	Clariant Oil Services UK Ltd
Clariant (Maroc) S.A.	Clariant Pigments (Korea) Ltd.
Clariant (Mexico) S.A. de C.V.	Clariant Pigments (Tianjin) Ltd.
Clariant (Pakistan) Ltd.	Clariant Prodotti (Italia) S.p.A.
Clariant (Singapore) Pte. Ltd.	Clariant Production (France)
Clariant (Thailand) Ltd.	Clariant Production UK Ltd.
Clariant (Tianjin) Ltd.	Clariant Produkte (Deutschland) GmbH
Clariant (Uruguay) SA	Clariant Produkte (Schweiz) AG
Clariant Chemicals (China) Ltd.	Clariant S.A.
Clariant Chemicals (Taiwan) Co., Ltd.	Clariant Southern Africa (Pty.) Ltd.
Clariant Colorquímica (Chile) Ltda.	Clariant Specialty Chemicals (Zhenjiang) Co., Ltd.
Clariant Corporation	Clariant Trading (China) Ltd.
Clariant Export AG	K.J. Quinn
Clariant Ibérica Producción S.A.	PT Clariant Indonesia
Clariant Masterbatch Ibérica S.A.	Clariant (Türkiye) Boya ve Kimyevi Maddeler Sanayi ve Ticaret A.S.

d) Key Management Personnel :

P. Palm	:	Vice-Chairman & Managing Director (From 01.01.2010)
H. Meier	:	Vice-Chairman & Managing Director (Upto 31.12.2009)

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

(i) Holding Company, Subsidiary Company and Fellow Subsidiaries :

	2010 ₹ Lakhs	2009 ₹ Lakhs
Holding Company :		
Transactions during the year :		
Clariant International AG		
Sales of goods	143.74	1501.15
Purchase of goods	9046.35	9234.75
Services rendered	473.52	377.62
Services received	811.22	699.34
Dividend paid	1518.75	1761.75
Expenses recovered	6.84	1.51
EBITO Chemiebeteteiligungen AG		
Dividend Paid	2041.77	2368.46
Clariant Participations AG		
Dividend Paid	665.00	771.40
Balances outstanding as at the year end :		
Amount payable	1640.13	1142.51
Amount receivable	175.60	449.12
Subsidiary Company :		
Transactions during the year :		
Chemtreat Composites India Pvt. Ltd.		
Sale of capital goods	0.22	—
Services rendered	132.59	115.94
Loan given during the year	55.00	31.00
Loan repaid during the year	15.00	1.00
Amount receivable	716.42	688.35
Fellow Subsidiaries :		
Transactions during the year :		
Sales of goods		
Clariant Produkte (Deutschland) GmbH	4294.64	1419.66
Clariant Corporation	1893.99	1157.42
Clariant (China) Ltd.	4186.57	2895.33
PT Clariant Indonesia	1027.67	1170.42
Others	5613.75	4369.00
Purchase of goods		
Clariant (Tianjin) Ltd.	640.97	51.95
Clariant (China) Ltd.	1276.94	771.38
Clariant Corporation	53.08	44.82
PT Clariant Indonesia	280.46	113.51
Others	509.73	360.78

During the year following transactions were entered into with related parties : (contd.)

(i) Holding Company, Subsidiary Company and Fellow Subsidiaries : (contd.)

	2010 ₹ Lakhs	2009 ₹ Lakhs
Fellow Subsidiaries : (contd.)		
Transactions during the year : (contd.)		
Purchase of capital goods		
Clariant Masterbatches (Italia) S.p.A.	11.18	10.00
Clariant Masterbatches (Deutschland) GmbH	—	5.27
Clariant Production UK Ltd.	—	2.97
Sale of capital goods		
Clariant Produkte (Deutschland) GmbH	—	50.47
Services rendered and others		
Clariant (China) Ltd.	15.47	6.14
Clariant Masterbatches (Thailand) Ltd.	9.38	6.24
Clariant Produkte (Schweiz) AG	13.63	—
Clariant Export AG	237.38	308.38
Clariant Produkte (Deutschland) GmbH	—	0.54
Others	22.23	28.14
Expenses recovered		
Clariant (Singapore) Pte Ltd	0.06	0.05
Clariant (Thailand) Ltd.	0.15	—
Clariant Produkte (Deutschland) GmbH	0.15	—
Clariant Corporation	0.14	—
Clariant Chemicals (China) Ltd	0.35	—
Pt Clariant Indonesia	—	0.22
Others	0.11	—
Services received and others		
PT Clariant Indonesia	16.00	18.49
Clariant (Singapore) Pte. Ltd.	30.24	20.67
Clariant Southern Africa (Pty.) Ltd.	2.04	27.35
Clariant (Gulf) FZE	12.75	11.37
Others	13.01	16.55
Expenses reimbursed		
Clariant (China) Ltd.	0.58	—
PT Clariant Indonesia	—	0.76
Clariant (Malaysia) Sdn Bhd	—	1.63
Balances outstanding as at the year end :		
Amount payable	444.18	424.20
Amount receivable	2565.26	2453.27
(ii) Key Management Personnel :		
Remuneration	169.01	217.09
Payable balance	26.75	67.58

4. Contingent liabilities not provided for :

	31-12-2010 ₹ Lakhs	31-12-2009 ₹ Lakhs
I (a) in respect of income tax matters decided against the Company, in respect of which the Company is in further appeal decided in favour of the Company against which the department is in appeal	1893.82 14.78	1458.40 14.78
(b) in respect of sales tax matters	2440.58	578.58
(c) in respect of excise matters	615.26	448.03
(d) in respect of bills of exchange discounted with banks [since realised ₹ 874.44 lakhs (₹ 778.63 lakhs)]	1138.96	1119.58
(e) Other matters in dispute	2.25	2.25
(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.		
II On 15th February 2005, the Company had received an order of the Tahsildar, Thane demanding ₹ 120.70 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 on 23rd February 2005 before the Bombay High Court. The Hon'ble High Court has granted interim stay in terms of the petition on 14th July 2005.		

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

	31-12-2010 ₹ Lakhs	31-12-2009 ₹ Lakhs
	821.56	134.25

6. Deferred Taxes :

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

	31-12-2010 ₹ Lakhs	31-12-2009 ₹ Lakhs
Deferred Tax Assets		
(a) Provision for doubtful debts	71.59	105.50
(b) Provision for retirement benefits	336.29	215.89
(c) Expenses allowable for tax purposes when paid	52.31	53.54
(d) Integration expenses	—	15.74
(e) Payment/Provision for voluntary retirement scheme	979.04	1184.64
	1439.23	1575.31
Deferred Tax Liabilities		
Depreciation/Amortisation/Impairment	(1331.15)	(1299.59)
Deferred Tax Assets/(Liabilities) - Net	108.08	275.72

7. Disclosure required under the Micro, Small and Medium Enterprises Development Act, 2006 (the Act) are given as follows :

	31-12-2010 ₹ Lakhs	31-12-2009 ₹ Lakhs
(a) Principal amount due	316.06	361.14
Interest due on the above	—	—
(b) Interest paid during the year beyond the appointed day	—	—
(c) Amount of interest due and payable for the period of delay in making payment without adding the interest specified under the Act	—	—
(d) Amount of interest accrued and remaining unpaid at the end of the year	—	—
(e) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Act	—	—
The above information and that given in Schedule-10 'Current Liabilities' regarding micro enterprises and small enterprises has been determined on the basis of information available with the Company. This has been relied upon by the auditors. No Interest has been accrued for delayed payments, if any.		

8. Disclosure in respect of Derivative Instruments :

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

	31-12-2010		31-12-2009	
	Amount in foreign currency	Amount ₹ Lakhs	Amount in foreign currency	Amount ₹ Lakhs
(a) Forward exchange contracts outstanding as at				
Currency				
USD/INR (Sale)	—	—	750000	350.53
EUR/INR (Purchase)	450000	274.90	200000	135.60
(b) Foreign currency exposures not covered by a derivative instrument				
(i) Amount receivable on account of export of goods and services				
Currency				
USD	4334693	1942.94	7195779	3354.49
EUR	120820	72.40	207550	139.49
CHF	296429	141.83	278569	126.06
		2157.17		3620.04
(ii) Amount payable on account of import of goods and services.				
Currency				
USD	2708281	1213.63	1813887	843.96
EUR	2233849	1337.93	1598195	1074.12
CHF	742430	355.19	352103	159.33
		2906.75		2077.41

9. (a) Amount paid/payable by the Company to Directors (including Managing Director) as remuneration for services rendered in any capacity :

	2010 ₹ Lakhs	2009 ₹ Lakhs
Directors' sitting fees	1.35	1.45
Salaries	130.57	137.76
Commission	36.75	36.75
Compensation for loss of office	—	40.83
Provident fund	—	11.35
Other perquisites and benefits in cash or in kind	11.69	0.40
	#180.36	228.54

Includes ₹ 21.70 lakhs subject to shareholders' approval

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

	2010 ₹ Lakhs	2009 ₹ Lakhs
Profit after tax as per profit and loss account	11241.50	10813.56
Add : Provision for taxation-Net	5290.86	5497.11
Managerial remuneration	180.36	228.54
Wealth tax	2.22	2.50
Termination benefit costs	1056.47	2810.46
Impairment of fixed assets	—	136.98
Provision for doubtful debts / advances (net)	—	29.39
	6529.91	8704.98
	17771.41	19518.54
Less : Profit on sale of investments	13.51	0.21
Income from sale of flexible laminating adhesives business	—	360.00
Income from sale of diketene and intermediate business	532.65	—
Provision for doubtful debts written back (net)	94.79	—
Capital Profit on sale of fixed assets	0.75	48.88
	641.70	409.09
Net profit as per Section 198	17129.71	19109.45
Commission:		
To Vice-Chairman & Managing Director Restricted to an amount as determined by the Board of Directors.	26.75	26.75*
To Directors who are not in whole-time employment of the Company @ 1% of net profit i.e. ₹ 171.30 lakhs (₹ 191.09 lakhs) Restricted to an amount as determined by the Board of Directors.	10.00	10.00
	36.75	36.75

* Actual paid ₹ 24.66 lakhs

10. Capacities and production :

Class of goods	2010		2009	
	Annual Installed Capacity M.Tonnes #	Production M.Tonnes * #	Annual Installed Capacity M.Tonnes #	Production M.Tonnes * #
(a) Intermediates and colours	12749	10128	28027	15690
(b) Dyes and specialty chemicals	71160	55984	66660	50201

* Excluding captive consumption

At different concentrations

Notes:

- 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.
- Licensed capacity per annum not indicated due to the abolition of Industrial Licenses as per Notification No. 477(E) dated 25th July, 1991 issued under The Industries (Development and Regulations) Act 1951.

11. Purchase of finished goods :

Class of Goods	2010		2009	
	Quantity M.Tonnes*	Value ₹ Lakhs	Quantity M.Tonnes*	Value ₹ Lakhs
Trading Items :				
Dyes, Chemicals, Pigments, Masterbatches, etc.	7753	13298.05	7241	12133.72

* Includes 503 M. Tonnes (532 M. Tonnes) used for captive consumption.

12. Raw materials consumed :

	2010		2009	
	Quantity M.Tonnes	Value ₹ Lakhs	Quantity M.Tonnes	Value ₹ Lakhs
(a) Acetic acid glacial	754	178.17	9777	2741.79
(b) Phthalo Crude Blue ADN	625	1335.32	621	1054.31
(c) Others		41638.28		34654.09
(None of the items individually exceed 10 % of the total value of raw materials consumed)				
		43151.77		38450.19

Note: Raw materials consumed have been arrived at after write down of certain items and excess/shortage on physical verification

13. Consumption of raw materials :

	2010		2009	
	% of total Consumption	Value ₹ Lakhs	% of total Consumption	Value ₹ Lakhs
(a) Raw materials :				
Imported	36.71	15839.64	33.70	12956.32
Indigenous	63.29	27312.13	66.30	25493.87
	100.00	43151.77	100.00	38450.19

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

14. Sales, Opening and Closing Stock :

Class of goods	Opening Stock		Closing Stock		Sales (Inclusive of excise duty)	
	Quantity M.Tonnes	Value ₹ Lakhs	Quantity M.Tonnes	Value ₹ Lakhs	Quantity M.Tonnes	Value ₹ Lakhs
(a) Intermediates and Colours	564 (777)	1651.62 (2774.40)	608 (564)	2032.65 (1651.62)	10084 (15903)	37626.59 (39838.43)
(b) Dyes and Specialty Chemicals	1860 (1617)	1265.37 (1458.51)	1718 (1860)	1370.69 (1265.37)	56126 (49958)	48783.23 (42855.95)
(c) Trading items (including Dyes, Chemicals, Pigments, Masterbatches, etc.)	889 (828)	1505.92 (1485.72)	706 (889)	1443.76 (1505.92)	7433 (6648)	17065.82 (14627.86)
		4422.91 (5718.63)		4847.10 (4422.91)		103475.64 (97322.24)

	2010 ₹ Lakhs	2009 ₹ Lakhs
15. Earnings per share :		
(a) Net profit after taxation	11241.50	10813.56
(b) Number of equity shares outstanding	26660745	26660745
(c) Basic and Diluted earnings per share (In ₹)	42.16	40.56
(d) Face value per share (In ₹)	10.00	10.00
16. Assets taken on lease on or after 1st April, 2001 :		
(a) In respect of operating leases, where lease agreements have been formally entered into, lease payments recognised in the profit and loss account for the year are as follows. Office premises, vehicles and computers	392.71	382.43
(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.		
(d) The total of future minimum lease payments under non-cancellable operating leases are as follows:		
For a period not later than one year	311.66	285.05
For a period later than one year and not later than five years	420.25	254.37
	731.91	539.42
17. Expenditure on Research and Development :		
(a) Capital expenditure	—	3.36
(b) Revenue expenditure charged to profit and loss account	37.75	224.20
	37.75	227.56
18. Miscellaneous Expenses in Schedule 16 : Other expenditure include :		
Auditors' remuneration and expenses : (Excluding Service tax)		
(a) Audit fees	23.75	22.00
(b) Company law matters	0.15	0.15
(c) Taxation services	—	0.23
(d) Other services	21.25	28.20
(e) Out-of-pocket expenses	0.50	0.45
	45.65	51.03
19. Value of imports (C.I.F.) :		
(a) Raw materials and trading items	20795.42	16908.62
(b) Components and spare parts	47.86	10.87
(c) Capital goods	119.93	104.49
20. Expenditure in foreign currency (subject to deduction of tax where applicable) :		
(a) Commission	168.32	177.65
(b) Interest	20.67	6.58
(c) Others (includes exchange loss)	1628.29	1579.68
21. Remittance in foreign currency on account of dividend :		
Number of non-resident shareholders where direct remittances have been made by the Company	3	3
Number of shares on which dividend is remitted	16902080	16902080
Year to which dividend relates		
2010 (Interim)	1690.21	—
2009 (Final)	2535.31	—
2009 (Interim)	—	1690.21
2008 (Final)	—	3211.40
22. Earnings in foreign exchange :		
(a) Exports (F.O.B.)	19731.48	16612.73
(b) Know-how	—	132.71
(c) Sale of Capital Goods	—	50.47
(d) Others (insurance, freight, commission, claims, exchange gain etc.)	1994.06	1268.50
23. Exceptional items in Profit & Loss Account include :		
Termination benefit costs	1056.47	2810.46
Income from sale of flexible laminating adhesives business	—	(360.00)
Income from sale of diketene and intermediate business	(532.65)	—
Write off/loss on sale of Fixed assets due to restructuring	205.65	—
	729.47	2450.46

24. Employee Benefits :

	2010 ₹ Lakhs		2009 ₹ Lakhs	
	Funded	Unfunded	Funded	Unfunded
(a) Defined benefit Plans - As per Actuarial valuation as on 31st December, 2010 :				
Gratuity				
(i) Expenses recognised in the statement of Profit and Loss Account for the year				
1. Current service cost	116.72	0.85	181.10	4.17
2. Interest cost	187.38	5.54	178.36	6.86
3. Expected return on plan assets	(171.32)	—	(204.25)	—
4. Net actuarial(gain)/loss recognised during the year	293.60	2.70	(133.86)	4.54
5. Effect of curtailments or settlements	78.41	—	—	—
6. Expense/(Income) recognised in profit & loss account	504.79	9.09	21.35	15.57
[Gratuity expense/(income) have been recognised in Contribution/ Provision for provident fund,superannuation scheme, gratuity fund etc in "Personnel Cost" under Schedule 14]				
(ii) Actual return on plan assets for the year				
1. Expected return on plan assets	171.32	—	204.25	—
2. Actuarial gain/(loss) on plan assets	(0.91)	—	(38.87)	—
3. Actual return on plan assets	170.41	—	165.38	—
(iii) Net Asset/(Liability) recognised in the Balance Sheet as at the year end				
1. Present value of the defined benefit obligation	2505.53	64.73	2342.20	69.21
2. Fair value of plan assets	1959.49	—	2141.47	—
3. Net Asset/(Liability) recognised in the balance sheet	(546.04)	(64.73)	(200.73)	(69.21)
(iv) Change in defined benefit obligation during the year				
1. Present value of obligation at the beginning of the year	2342.20	69.21	2940.12	84.42
2. Current service cost	116.72	0.85	181.10	4.17
3. Interest cost	187.38	5.54	178.36	6.86
4. Benefits Paid	(511.87)	(13.57)	(784.65)	(30.78)
5. Effect of curtailments or settlements	78.41	—	—	—
6. Actuarial (gain)/loss on obligation	292.69	2.70	(172.73)	4.54
7. Present value of obligation as at the end of the year	2505.53	64.73	2342.20	69.21
(v) Changes in fair value of plan asset during the year				
1. Fair value of plan assets as at the beginning of the year	2141.47	—	2553.09	—
2. Expected return on plan assets	171.32	—	204.25	—
3. Contributions made	159.48	—	207.65	—
4. Benefits paid	(511.87)	—	(784.65)	—
5. Actuarial gain/(loss) on plan assets	(0.91)	—	(38.87)	—
6. Fair value of plan assets as at the end of the year	1959.49	—	2141.47	—
(vi) Major categories of Plan Assets as a percentage of total plan assets				
1. Central government securities	32.20%	—	29.64%	—
2. State government securities	13.15%	—	12.32%	—
3. Private sector bonds	29.05%	—	20.90%	—
4. Special deposit scheme	—	—	25.54%	—
5. Cash at bank	1.71%	—	1.15%	—
6. Investment in insurance companies	27.58%	—	22.06%	—
7. Others	(3.69%)	—	(11.61%)	—
(vii) Actuarial assumptions				
1. Discount rate	8.25%	8.25%	8.0%	8.0%
2. Expected Rate of return on plan assets	8.0%	—	8.0%	—
3. Salary escalation	4.0%-6.0%	4.0%-6.0%	4.0%-6.0%	4.0%-6.0%
(viii) Experience adjustments				
1. Experience adjustments on plan assets	(0.91)	—	(38.87)	—
2. Experience adjustments on plan liabilities	348.52	4.29	(49.77)	4.54

24. Employee Benefits : (Contd.)

	2010 ₹ Lakhs	2009 ₹ Lakhs
(a) Defined benefit Plans - As per Actuarial valuation as on 31st December, 2010 : (Contd.)		
Other long term benefits		
The defined benefit obligations which are provided for but not funded are as under:		
Compensated Absence/Leave Salary	401.53	365.02
(b) Gratuity is administered through duly constituted and approved independent trusts and also through Group gratuity scheme with Life Insurance Corporation of India		
(c) Future salary increases considered in actuarial valuation take in to account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market		
(d) Basis used to determine expected rate of return on plan assets: The expected rate of return on plan assets is based on market expectation, at the beginning of the year, for returns over the entire life of the related obligation.		
(e) Accounting standard 15 "Employee Benefits" requires the disclosure of experience adjustments for past four years, however, the information is given only for the current and previous year.		
(f) During the year the Company has recognised the following amounts in the Profit & Loss account in Schedule 14 :		
Salaries, wages, bonus includes compensated absences	138.00	49.17
Contribution/Provision for provident fund, superannuation scheme, gratuity fund etc includes:		
Provident Fund & Family Pension	253.46	275.30
Superannuation Fund	242.65	239.24
Gratuity Fund	513.88	36.92
Other funds	1.34	0.49

25. Advances and loans to the subsidiary of ₹ 716.42 lakhs (₹ 688.35 lakhs) is due from Chemtreat Composites India Private Ltd. Maximum amount due during the year ₹ 782.03 lakhs (₹ 750.22 lakhs). This amount is interest free and repayable on demand.

26. Commission and Other discounts on sales included in 'Schedule 16: Other Expenditure' are net of reversal of excess provision made in earlier years of ₹ 77.07 lakhs and ₹ 247.66 lakhs respectively.

27. The Company had entered into an agreement with Laxmi Organic Industries Ltd. on May 15, 2009 for the sale of its business of Diketene and downstream intermediate products together with removable plant and equipment and accordingly disclosed the net book value of the removable plant and machinery in Balance Sheet as at 31st December 2009 as Fixed asset held for disposal. The transaction has been concluded in January 2010.

During the year the Company has entered into a Memorandum of Understanding (MOU) dated 25th August 2010 with M/s Ananta Landmarks Private Limited for sale of Land together with infrastructure thereon and accordingly the net book value of Land and Building has been disclosed in the Balance Sheet as at 31st December 2010 as Fixed asset held for disposal. The transaction has been concluded during February 2011 for a total consideration of ₹ 24000.00 lakhs.

28. Figures for the previous year have been regrouped wherever necessary to conform to the current year's classification.

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

For and on behalf of the Board,

R. A. Shah	Chairman
P. Palm	Vice-Chairman & Managing Director
B. S. Mehta	} Directors
H. Meier	
B. L. Gaggar	Director Finance & Company Secretary

Mumbai, 24th February, 2011

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.

1	1	-	1	0	8	0	6
---	---	---	---	---	---	---	---

 State Code

1	1
---	---

Balance Sheet Date

3	1	-	1	2	-	2	0	1	0
---	---	---	---	---	---	---	---	---	---

Date Month Year

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

Public Issue

N	I	L
---	---	---

 Right Issue

N	I	L
---	---	---

Bonus Issue

N	I	L
---	---	---

 Private Placement

N	I	L
---	---	---

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

Total Liabilities*

6	6	8	3	7	1	5
---	---	---	---	---	---	---

 Total Assets

6	6	8	3	7	1	5
---	---	---	---	---	---	---

Sources of Funds

Paid-up Capital

2	6	6	6	0	7
---	---	---	---	---	---

 Reserves and Surplus

3	4	0	4	3	5	1
---	---	---	---	---	---	---

Secured Loans

N	I	L
---	---	---

 Unsecured Loans

1	0	5	2	8
---	---	---	---	---

Application of Funds

Net Fixed Assets

1	5	9	2	4	3	9
---	---	---	---	---	---	---

 Investments

1	9	1	8	3	9	1
---	---	---	---	---	---	---

Net Current Assets**

1	7	0	6	5	6
---	---	---	---	---	---

 Miscellaneous Expenditure

N	I	L
---	---	---

Accumulated Losses

N	I	L
---	---	---

*Including Shareholder's funds

** Includes Deferred tax Assets (net) ₹ 10808

IV. Performance of Company (Amount in ₹ Thousands)

Turnover (Gross Revenue) @

1	0	0	5	9	4	7	3
---	---	---	---	---	---	---	---

 Total Expenditure

8	4	0	6	2	3	7
---	---	---	---	---	---	---

@ Includes Other Income ₹ 312345

+ - Profit Before Tax

✓	
---	--

1	6	5	3	2	3	6
---	---	---	---	---	---	---

+ - Profit After Tax

✓	
---	--

1	1	2	4	1	5	0
---	---	---	---	---	---	---

Earnings Per Share in ₹**

4	2	.	1	6
---	---	---	---	---

Dividend Rate %

3	0	0
---	---	---

** Earnings per share has been computed by dividing profit after tax by the total number of issued equity shares as at the year end.

V. Generic Names of Three Principal Products of Company

Item Code No.

2	9	1	4	7	0	.	9	0
---	---	---	---	---	---	---	---	---

Product Description

C	H	L	O	R	A	N	I	L	D	R	Y
---	---	---	---	---	---	---	---	---	---	---	---

Item Code No.

3	2	0	2	1	0	.	0	0
---	---	---	---	---	---	---	---	---

Product Description

C	O	R	A	L	O	N	.	O	T	-	I	N	P
---	---	---	---	---	---	---	---	---	---	---	---	---	---

Item Code No.

3	2	0	4	1	7	.	5	1
---	---	---	---	---	---	---	---	---

Product Description

P	V	.	F	A	S	T	.	B	L	U	E	.	B	G	-	I	N
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

For and on behalf of the Board,

R. A. Shah Chairman

P. Palm Vice-Chairman & Managing Director

B. S. Mehta }
H. Meier } Directors

B. L. Gaggar Director Finance & Company Secretary

Mumbai, 24th February, 2011

Statement Pursuant to Section 212 of the Companies Act, 1956

Name of the Subsidiary Company	Chemtreat Composites India Private Limited
1. Financial year of the Subsidiary Company	January 2010 – December 2010
2. Total issued and paid-up share capital of the Subsidiary Company	
(a) Issued	500,000 equity shares of ₹10/- each
(b) Subscribed and Paid-up	500,000 equity shares of ₹10/- each
3. Extent of Interest of Clariant Chemicals (India) Limited at the end of the financial year	100%
4. Net aggregate amount of profits/(Loss) of the Subsidiary Company not dealt with in the accounts of the Clariant Chemical (India) Limited	
(a) for the current financial year	₹ 16.54 Lakhs
(b) for the previous financial years	₹ (41.47) Lakhs

For and on behalf of the Board,

R. A. Shah Chairman

P. Palm Vice-Chairman & Managing Director

B. S. Mehta }
H. Meier } Directors

B. L. Gaggar Director Finance & Company Secretary

Mumbai, 24th February, 2011

Information with regard to subsidiary Companies as on/for the year ended 31st December, 2010

(In terms of the approval u/s 212(8) of the Companies Act, 1956, granted by the Ministry of Corporate Affairs vide letter No. 47/719/2010-CL-III dated 6th January 2011)

Name of the Subsidiary Company	Chemtreat Composites India Private Limited
	₹ Lakhs
(a) Capital	50.00
(b) Reserves / (Debit Balance in Profit and loss account)	24.63
(c) Total assets	885.71
(d) Total liabilities	811.08
(e) Investments	—
(f) Turnover	656.59
(g) Profit before taxation	34.09
(h) Provision for taxation	17.55
(i) Profit after taxation	16.54
(j) Proposed dividend	—

Auditors' Report

To the Board of Directors of Clariant Chemicals (India) Limited

1. We have audited the attached Consolidated Balance Sheet of Clariant Chemicals (India) Limited ("the Company") and its subsidiary (the Company and its subsidiary constitute "the Group") as at 31st December, 2010 the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006.
4. Based on our audit and on consideration of the separate audit reports on individual financial statements of the Company and its aforesaid subsidiary and to the best of our information and according to the explanations given to us, in our opinion, the 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 Group as at 31st December, 2010;
 - (ii) in the case of the Consolidated Profit and Loss Account, of the profit of the 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 Group for the year ended on that date.

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

A. C. Khanna
Partner
(Membership No.: 17814)

Mumbai, 24th February, 2011

Consolidated Balance Sheet

as at 31st December, 2010

	Schedule	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	2666.07	2666.07
Reserves and surplus	2	34008.05	32061.13
		36674.12	34727.20
Loan funds			
Unsecured loans	3	105.28	204.78
		105.28	204.78
		36779.40	34931.98
APPLICATION OF FUNDS			
Fixed assets	4		
Gross block		34623.62	36017.85
Less : Accumulated depreciation and impairment		20290.48	21301.71
Net block		14333.14	14716.14
Capital work-in-progress and advances, etc.		2045.56	606.22
		16378.70	15322.36
Fixed assets held for disposal (See note 15, Schedule 17)		378.70	792.34
Investments	5	18858.91	12124.95
Deferred tax asset - Net (See note 6, Schedule 17)		108.08	275.72
Current assets, loans and advances			
Inventories	6	9184.12	7764.24
Sundry debtors	7	12679.55	14489.15
Cash and bank balances	8	2106.60	1713.01
Loans and advances	9	7201.69	5648.70
		31171.96	29615.10
Less : Current liabilities and provisions			
Liabilities	10	21826.85	16614.62
Provisions	11	8290.10	6583.87
		30116.95	23198.49
Net current assets		1055.01	6416.61
		36779.40	34931.98
Notes on consolidated balance sheet and profit and loss account	17		

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

A.C. Khanna
Partner

For and on behalf of the Board,

R. A. Shah Chairman

P. Palm Vice-Chairman & Managing Director

B. S. Mehta }
H. Meier } Directors

B. L. Gaggar Director Finance & Company Secretary

Mumbai, 24th February, 2011

Mumbai, 24th February, 2011

Consolidated Profit and Loss Account

for the year ended 31st December, 2010

	Schedule	2010 ₹ Lakhs	2009 ₹ Lakhs
INCOME			
Sales - Gross		104162.60	97624.37
Less: Excise duty		6034.73	5191.73
Sales - Net		98127.87	92432.64
Other income	12	3141.56	2663.17
		101269.43	95095.81
EXPENDITURE			
Cost of materials	13	58840.52	54558.89
Personnel cost	14	6712.77	6158.71
Interest (Net)	15	23.20	17.12
Depreciation/Amortisation	4	1760.82	1965.18
Impairment of fixed assets	4	—	136.98
Other expenditure	16	16873.33	14340.70
		84210.64	77177.58
Less: Service charges recovered		237.18	790.80
		83973.46	76386.78
PROFIT BEFORE EXCEPTIONAL ITEMS AND TAXATION		17295.97	18709.03
Exceptional items (See note 12, Schedule 17)		729.47	2450.46
PROFIT AFTER EXCEPTIONAL ITEMS AND BEFORE TAXATION		16566.50	16258.57
Provision for taxation			
Current tax		5143.55	5958.00
Deferred tax		167.64	(530.66)
Fringe benefit tax		—	39.00
(Excess)/Short provision for taxation in respect of earlier years		(2.78)	30.77
PROFIT AFTER TAXATION		11258.09	10761.46
Balance brought forward from previous year		2979.62	1097.45
AVAILABLE FOR APPROPRIATION		14237.71	11858.91
APPROPRIATED AS FOLLOWS			
General reserve		1124.15	1081.36
Interim dividend		2666.07	2666.07
Proposed dividend (Final)		5332.15	3999.11
Corporate tax on dividend (Interim & Final)		1328.40	1132.75
Corporate tax on dividend of previous period		(15.45)	—
Balance carried to the balance sheet		3802.39	2979.62
		14237.71	11858.91
Notes on consolidated balance sheet and profit and loss account		17	
Basic and Diluted earnings per share (in ₹) (See note 8, Schedule 17)		42.23	40.36
Face value per share (in ₹)		10.00	10.00

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

A.C. Khanna
Partner

For and on behalf of the Board,

R. A. Shah Chairman

P. Palm Vice-Chairman & Managing Director

B. S. Mehta }
H. Meier } Directors

B. L. Gaggar Director Finance & Company Secretary

Mumbai, 24th February, 2011

Mumbai, 24th February, 2011

Consolidated Cash Flow Statement

for the year ended 31st December, 2010

	2010 ₹ Lakhs	2009 ₹ Lakhs
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit after exceptional items and before taxation	16566.50	16258.57
<i>Adjustments for :</i>		
Depreciation/Amortisation	1760.82	1965.18
Impairment of fixed assets	—	136.98
Unrealised foreign exchange (gain)/loss (Net)	(5.89)	(32.54)
Interest income	(92.96)	(83.20)
Dividend income	(677.96)	(407.90)
Loss/(profit) on sale of assets (Net)	(512.16)	(80.31)
Loss/(profit) on sale of investments (Net)	(13.51)	(0.21)
Provision for doubtful debts/advances (Net)	(94.79)	29.39
Provision for leave encashment	36.51	(126.69)
Provision for ex-gratia gratuity	(4.48)	(15.21)
Provision for gratuity	345.31	(186.30)
Interest expenses	116.16	100.32
Assets written-off	206.89	100.69
Operating profit before working capital changes	17630.44	17658.77
<i>Adjustments for :</i>		
Trade and other receivables	1693.81	(1131.92)
Inventories	(1419.88)	2867.31
Trade, other payables and provisions	5198.42	3695.79
Cash generated from operations	23102.79	23089.95
Direct taxes paid-(Net of refunds)	(6709.91)	(6055.45)
Net Cash from operating activities	16392.88	17034.50
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of fixed assets	(3575.91)	(1024.62)
Sale of fixed assets	1477.66	138.31
Purchase of investments	(181779.90)	(95164.44)
Sale of investments	175059.45	88499.17
Interest received	92.96	83.20
Dividend received	677.96	407.90
Net Cash used in investing activities	(8047.78)	(7060.48)

	2010 ₹ Lakhs	2009 ₹ Lakhs
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Repayment of borrowings	(99.50)	(104.29)
Interest paid	(111.38)	(93.78)
Dividend/dividend tax paid	(7740.63)	(8984.89)
Net Cash used in financing activities	(7951.51)	(9182.96)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	393.59	791.06
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE YEAR	1713.01	921.95
CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR (See note 3) (Refer Schedule 8)	2106.60	1713.01

Notes:

1. The Cash flow has been prepared under the "Indirect Method" as set out in Accounting Standard-3 on Cash flow statement notified by the Companies (Accounting Standards) Rules, 2006.
2. Direct taxes paid are treated as arising from operating activities and are not bifurcated between investing and financing activities.
3. Cash and cash equivalents at the end of the year include current account balances with banks of ₹ 253.20 lakhs (Previous Year : ₹ 221.71 lakhs) which are restricted in use on account of unclaimed dividend/fixed deposit/interest on fixed deposit.
4. Figures for the previous year have been regrouped wherever necessary to conform to the current year's classification.

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

A.C. Khanna
Partner

Mumbai, 24th February, 2011

For and on behalf of the Board,

R. A. Shah Chairman

P. Palm Vice-Chairman & Managing Director

B. S. Mehta }
H. Meier } Directors

B. L. Gaggar Director Finance & Company Secretary

Mumbai, 24th February, 2011

Schedules

forming part of the Consolidated Balance Sheet

SCHEDULE 1 : SHARE CAPITAL	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
Authorised		
30000000 equity shares of ₹ 10/- each	3000.00	3000.00
Issued and subscribed		
26660745 equity shares of ₹ 10/- each fully paid	2666.07	2666.07

Notes:

Of the above :

- 15010745 equity shares issued as fully paid up pursuant to a contract for a consideration other than cash.
- 8167080 equity shares are held by EBITO Chemiebeteteiligungen AG.
6075000 equity shares are held by Clariant International AG.
2660000 equity shares are held by Clariant Participations AG.
The ultimate holding company being Clariant AG, Switzerland.
- 6690610 equity shares were allotted as fully paid up bonus shares by capitalisation of ₹ 669.06 lakhs from general reserve.

SCHEDULE 2 : RESERVES AND SURPLUS	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
Capital reserve		
As per last Balance sheet	730.11	730.11
Capital redemption reserve		
As per last Balance sheet	137.50	137.50
Securities premium account		
As per last Balance sheet	3545.65	3545.65
Investment allowance reserve		
As per last Balance sheet	—	20.00
Less: Transfer to general reserve	—	20.00
	—	—
General reserve		
As per last Balance sheet	24668.25	23566.89
Add : Transfer from Investment allowance reserve	—	20.00
Transfer from Profit and loss account	1124.15	1081.36
	25792.40	24668.25
Profit and loss account	3802.39	2979.62
	34008.05	32061.13

SCHEDULE 3 : UNSECURED LOANS	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
From others:		
Interest-free sales tax deferral scheme granted by State Industries Promotion Corporation of Tamil Nadu Limited (Repayable within one year ₹ 85.09; Previous Year: ₹ 99.50 lakhs)	105.28	204.78
	105.28	204.78

SCHEDULE 4 : FIXED ASSETS

₹ Lakhs

	GROSS BLOCK			DEPRECIATION / AMORTISATION / IMPAIRMENT					NET BLOCK		
	As at 31-12-09	Additions/ Adjustments	Deductions/ Adjustments	As at 31-12-10	As at 31-12-09	Deductions/ Adjustments	For the year	Impairment (See note 2)	As at 31-12-10	As at 31-12-10	As at 31-12-09
Intangible Assets											
Goodwill on Consolidation	225.44	—	—	225.44	—	—	—	—	—	225.44	225.44
Tangible Assets											
Land freehold	153.86	—	7.60	146.26	—	—	—	—	—	146.26	153.86
Land leasehold	14.88	466.42	—	481.30	4.66	—	4.25	—	8.91	472.39	10.22
Buildings	7186.83	173.49	949.21	6411.11	2626.13	569.55	175.59	—	2232.17	4178.94	4560.70
Plant, machinery, equipment etc.	25632.27	1256.73	1980.18	24908.82	16562.78	1662.05	1428.05	—	16328.78	8580.04	9069.49
Furniture, fixtures and office appliances	2218.09	117.43	407.44	1928.08	1626.40	354.53	114.64	—	1386.51	541.57	591.69
Vehicles	586.48	122.50	186.37	522.61	481.74	185.92	38.29	—	334.11	188.50	104.74
Total	36017.85	2136.57	3530.80	34623.62	21301.71	2772.05	1760.82	—	20290.48	14333.14	
Previous year	39816.46	1490.94	5289.55	36017.85	23538.07	4338.52	1965.18	136.98	21301.71		14716.14
Capital work-in-progress										1882.48	550.63
Advances against capital orders										163.08	55.59
										2045.56	606.22
										16378.70	15322.36

Notes:

- Buildings include ₹ 950/- (Previous year : ₹ 950/-) being the cost of shares in co-operative housing societies.
- In accordance with the provisions of the Accounting Standard 28 on Impairment of Assets notified by the Companies (Accounting Standards) Rules 2006, during the previous year, the Company had identified certain fixed assets that were impaired mainly on account of economic performance and viability of such assets which did not have any value in use. Accordingly during the previous year an impairment loss of ₹ 136.98 lakhs in respect of Dyes and Specialty Chemicals segment (₹ 12.47 lakhs) and Intermediates and Colours segment (₹ 124.51 lakhs) had been recognised in the profit and loss account.

SCHEDULE 5 : INVESTMENTS (AT COST)31-12-10
₹ Lakhs31-12-09
₹ Lakhs**Non Trade - Unquoted****Current****In fully paid units of ₹ 10/- each**

6903971 (Previous Year : 9695701) JM Money Manager Fund-Super Plan -Dividend-Daily	691.21	970.08
8999392 (Previous Year : Nil) Reliance Monthly Interval Fund - Series II - Institutional Dividend Plan	900.09	—
9498599 (Previous Year : Nil) Reliance Monthly Interval Fund - Series I - Institutional Dividend Plan	950.10	—
5014035 (Previous Year : Nil) TATA Fixed Income Portfolio Fund Scheme A2 Institutional Monthly Dividend	501.45	—
9501200 (Previous Year : Nil) TATA Fixed Income Portfolio Fund Scheme A3 Institutional Monthly Dividend	950.12	—
7388640 (Previous Year : Nil) DWS Treasury Fund Cash -Institutional Plan -Daily Dividend - reinvest	742.54	—
3000000 (Previous Year : Nil) ICICI Prudential Interval Fund I - Monthly Interval Plan A Institution	300.00	—
9753024 (Previous Year : Nil) JM High Liquidity Fund - Super Institutional Plan - Daily Dividend	976.91	—
9782457 (Previous Year : Nil) Fidelity Ultra Short term Debt Fund Super Institutional - Daily Dividend	978.73	—
9543201 (Previous Year : Nil) IDFC Ultra Short Term Fund - Daily Dividend	955.52	—
9509940 (Previous Year : Nil) LIC MF Interval Fund - Series 1 - Monthly Dividend Plan	950.99	—
2035977 (Previous Year : Nil) Religare Ultra Short term Fund - Institutional Daily Dividend	203.95	—
7687665 (Previous Year : Nil) Canara Robeco Treasury Advantage Super Instt Daily Div Reinv Fund	953.82	—
9544914 (Previous Year : Nil) Sundaram Ultra ST Fund Inst.Div.rein.Daily	958.02	—
9356287 (Previous Year : Nil) L&T Freedom Income STP Inst - Daily Dividend Reinvestment Plan	950.15	—
398454 (Previous Year : Nil) Canara Robeco Floating Rate Short term Dividend Fund	56.51	—
9435078 (Previous Year : 4742864) HDFC Floating Rate Income Fund - Short Term Plan-Whole Sale Option -Dividend Reinvest-Daily	951.14	478.12
9501131 (Previous Year : Nil) UTI Fixed income Interval Fund - Monthly Interval Plan Series - I - Institutional Dividend Plan - Payout	950.11	—
9528528 (Previous Year : Nil) UTI Fixed income Interval Fund - Monthly Interval Plan - II - Institutional Dividend Plan - Payout	952.85	—
9621653 (Previous Year : Nil) Templeton India Ultra Short Bond fund Super Institutional Plan - Daily Dividend Reinvestment	963.28	—

SCHEDULE 5 : INVESTMENTS (AT COST) (contd.)	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
In fully paid units of ₹ 10/- each (contd.)		
9510531 (Previous Year : Nil) IDFC Money Manager fund - TP - Super Inst Plan C - Daily Div	951.20	—
Nil (Previous Year : 9776175) DWS Ultra Short Term Fund -Dividend-Daily	—	979.37
Nil (Previous Year : 9019717) DWS Cash Opportunity Fund -Dividend-Daily	—	904.16
Nil (Previous Year : 4038543) IDFC Money Manager Fund -Dividend-Daily	—	403.91
Nil (Previous Year : 9471776) LIC MF Income Plus Fund -Dividend-Daily	—	947.18
Nil (Previous Year : 9197118) LIC MF Saving Plus Fund -Dividend-Daily	—	919.71
Nil (Previous Year : 9847865) LIC MF Floater Fund -Dividend-Daily	—	984.80
Nil (Previous Year : 9825217) Birla Sun Life Saving Fund - Daily Dividend	—	983.19
Nil (Previous Year : 8883589) HDFC Treasury Advantage Fund-Whole Sale Fund - Dividend-Daily	—	891.16
In fully paid units of ₹ 100/- each		
Nil (Previous Year : 863340) ICICI Prudential Flexible Income Premium Plan Fund - Daily Dividend	—	912.85
Nil (Previous Year : 957923) ICICI Prudential Floating Rate Plan D - Daily Dividend	—	958.12
In fully paid units of ₹ 1000/- each		
96745 (Previous Year : Nil) Taurus Ultra Short Term Bond fund - Super Insti Daily Dividend Plan	968.94	—
50040 (Previous Year : Nil) Axis Liquid fund - Institutional Daily Dividend Reinvestment	500.41	—
60046 (Previous Year : Nil) Templeton India Treasury management Account Super Institutional Plan - Daily Dividend Reinvestment	600.87	—
Nil (Previous Year : 91249) Reliance Money Manager Fund - Institutional Plan - Daily Dividend	—	913.53
Nil (Previous Year : 65341) DSP BlackRock Floating Rate Fund - Institutional Plan - Daily Dividend	—	653.77
Nil (Previous Year : 22483) UTI Floating Rate Fund STP - Daily Dividend	—	225.00
Total Current	18858.91	12124.95
Total Investments - Unquoted	18858.91	12124.95

SCHEDULE 6 : INVENTORIES	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
At lower of cost and net realisable value (As certified by the Management)		
Stores and spare parts	173.84	193.82
Raw materials	3049.63	2161.07
Packing materials	92.77	104.65
Finished goods	4912.94	4466.55
Work-in-progress	954.94	838.15
	9184.12	7764.24

SCHEDULE 7 : SUNDRY DEBTORS	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
Secured (Considered good)		
Over six months	—	5.68
Other debts	1807.09	1570.88
	1807.09	1576.56
Unsecured (Considered good, unless otherwise stated)		
Over six months (Including doubtful debts ₹ 172.88 lakhs ; Previous year : ₹ 246.31 lakhs)	232.47	330.84
Other debts	10812.87	12828.06
	11045.34	13158.90
Less: Provision for doubtful debts	172.88	246.31
	12679.55	14489.15

SCHEDULE 8 : CASH AND BANK BALANCES	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
Cash on hand	1.55	4.19
Cheques on hand	64.87	49.27
With scheduled banks:		
On current accounts	1748.83	1027.21
On fixed deposit accounts	291.35	632.34
	2040.18	1659.55
	2106.60	1713.01

SCHEDULE 9 : LOANS AND ADVANCES	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
(Unsecured - Considered good, unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	3551.12	3521.69
Less : Provision for doubtful advances	42.61	63.97
	3508.51	3457.72
VAT set off admissible	132.65	104.89
Advance payment of Income tax (Net of Provision for taxation)	3128.43	1769.39
Balances with customs and excise on current account	432.10	316.70
	7201.69	5648.70

SCHEDULE 10 : CURRENT LIABILITIES	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
Sundry creditors		
Due to micro enterprises and small enterprises	316.11	361.48
Due to others	16403.49	12795.88
	16719.60	13157.36
Deposits	1575.11	1863.03
Unpaid dividends*	253.16	221.61
Unclaimed fixed deposits*	—	0.06
Unpaid interest on matured fixed deposits*	0.04	0.04
Other liabilities	3278.94	1372.52
	21826.85	16614.62

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

SCHEDULE 11 : PROVISIONS	31-12-10 ₹ Lakhs	31-12-09 ₹ Lakhs
Employee benefits:		
Leave encashment	401.53	365.02
Gratuity	546.04	200.73
Ex-gratia gratuity	64.73	69.21
Others:		
Provision for taxation (Net of advance payment of Income tax)	1060.05	1270.15
Proposed dividend (Final)	5332.15	3999.11
Corporate tax on proposed dividend (Final)	885.60	679.65
	8290.10	6583.87

Schedules

forming part of the Consolidated Profit and Loss Account

SCHEDULE 12 : OTHER INCOME	2010 ₹ Lakhs	2009 ₹ Lakhs
Dividend on current non-trade investments	677.96	407.90
Export incentives	573.83	420.13
Profit on sale of fixed assets (Net)	45.88	80.31
Cash discounts	34.58	39.40
Rental income	204.39	398.25
Indenting commission	773.67	589.29
Provision for doubtful debts written back (Net)	94.79	—
Profit on sale of current investments (Net)	13.51	0.21
Miscellaneous	722.95	727.68
	3141.56	2663.17

SCHEDULE 13 : COST OF MATERIALS	2010 ₹ Lakhs	2009 ₹ Lakhs
Raw materials consumed	43370.96	38507.15
Packing materials consumed	2734.69	2279.01
Purchases of finished goods	13298.05	12133.72
(Increase)/Decrease in stocks of finished goods and work-in-progress :		
Opening stock		
Finished goods	4466.55	5740.02
Work-in-progress	838.15	1203.69
	5304.70	6943.71
Less: Closing stock		
Finished goods	4912.94	4466.55
Work-in-progress	954.94	838.15
	5867.88	5304.70
	(563.18)	1639.01
	58840.52	54558.89

SCHEDULE 14 : PERSONNEL COST	2010 ₹ Lakhs	2009 ₹ Lakhs
Salaries, wages, bonus, etc.	4867.33	4677.67
Contribution/Provision for provident fund, superannuation scheme, gratuity fund, etc.	1011.33	551.95
Welfare expenses	834.11	929.09
	6712.77	6158.71

SCHEDULE 15 : INTEREST (NET)	2010	2009
	₹ Lakhs	₹ Lakhs
Interest Paid		
Others	116.16	100.32
Less : Interest received (Gross) :		
Others (Tax deducted at source ₹ 9.53 Lakhs; Previous year : ₹ 12.69 Lakhs)	92.96	83.20
	23.20	17.12

SCHEDULE 16 : OTHER EXPENDITURE	2010	2009
	₹ Lakhs	₹ Lakhs
Stores and spare parts etc. consumed	553.23	513.59
Repairs and maintenance :		
Plant and machinery	966.42	712.77
Buildings	254.82	218.64
Others	225.91	164.76
Power and fuel	3653.20	4595.77
Rent (including lease payments) (See note 9, Schedule 17)	567.73	555.90
Rates and taxes (including water charges)	469.91	519.85
Insurance	103.04	69.40
Clearing, forwarding and transport	2104.33	1337.22
Travelling and conveyance	1247.52	881.57
Commission (See note 14, Schedule 17)	127.61	179.83
Cash discount	2.55	11.76
Other discounts on sales (See note 14, Schedule 17)	816.60	684.65
Assets written-off	22.61	100.69
Provision for doubtful debts/advances (Net)	—	29.39
Excise duty	118.97	(322.78)
Exchange loss (Net)	61.48	168.57
Legal and consultancy	1410.41	174.62
Miscellaneous (See note 11, Schedule 17)	4166.99	3744.50
	16873.33	14340.70

Notes to the Consolidated Financial Statements

SCHEDULE 17 : Notes on the Consolidated Balance Sheet and Profit and Loss Account for the year ended 31st December, 2010

1. Significant Accounting Policies

BASIS OF PREPARATION

The Consolidated Financial Statements are prepared in accordance with Accounting Standard (AS) 21 on Consolidated Financial Statements notified by Companies (Accounting Standards) Rules, 2006. 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.

The financial statements are prepared at historical cost on the accrual basis of accounting and in accordance with the standards on accounting notified by the Companies (Accounting Standards) Rules, 2006 and referred to in Section 211(3C) of the Companies Act, 1956.

The significant accounting policies are as follows:

I. Revenue Recognition

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

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

II. 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.

Excise Duty related to the difference between the closing stock and opening stock of finished goods has been recognised separately in the profit and loss account under schedule of 'Other Expenses'.

III. 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.

IV. Employee Benefits

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

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

Defined contribution plans :

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

Defined benefit plans and compensated absences :

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

V. Voluntary Retirement Scheme

Expenditure incurred on voluntary retirement scheme is charged to revenue in the year in which it is incurred.

VI. Fixed Assets and Depreciation/Amortisation

(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 qualifying 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.

(c) Intangible assets except Goodwill on consolidation are being amortised equally over a period of three years.

(d) Depreciation 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 :

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

(ii) 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,

(iii) Motor Cars on which depreciation rate of 25% on straight line method is applied.

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

VII. 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 is recognised wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to the present value using the weighted average cost of capital. Previously recognised impairment loss is further provided or reversed depending on changes in circumstances.

VIII. 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 basis :

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

IX. Sundry Debtors/Loans and Advances

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

X. 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.

XI. 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.

XII. 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 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.

XIII. 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 is 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.

XIV. 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 except in respect of employee benefits 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.

2. Segment Information for the year ended 31st December, 2010 (As required by Accounting Standard (AS) - 17 Segment Reporting) :

- (a) The Company is organised into two primary business segments mainly:
 - (i) **Intermediates and Colours :**
Includes pigment dyestuffs and their dispersion, Intermediates for dyes, pesticides and pharmaceuticals and masterbatches for plastics and nylon fibers.
 - (ii) **Dyes and Specialty Chemicals :**
Includes dyestuff synthetic resins, binder materials, auxiliaries and chemicals.

- (b) The secondary segments of the Company are geographical segments mainly:
(i) India
(ii) Outside India
- (c) Segments have been identified and reported taking into account the nature of products and services, the differing risk and returns, the organisation structure, and the internal financial reporting system.
- (d) (i) **Segment Revenue and Results :**
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 among the segments are shown as a part of unallocable corporate assets and liabilities respectively.

Information about primary business segments:

	2010 ₹ Lakhs			2009 ₹ Lakhs		
	Inter- mediates & Colours	Dyes and Specialty Chemicals	Total	Inter- mediates & Colours	Dyes and Specialty Chemicals	Total
Revenue (net)						
External sales/ Revenue	35851.48	62276.39	98127.87	39266.95	53165.69	92432.64
Results						
Segment results	6849.82	12044.99	18894.81	8477.04	10642.72	19119.76
Unallocated corporate expenses (net)			(2253.60)			(801.51)
Operating Profits			16641.21			18318.25
Interest Income/Dividend income			770.92			491.10
Interest expenses			(116.16)			(100.32)
Profit Before Exceptional Items and Taxation			17295.97			18709.03
Exceptional items (See note 12, Schedule 17)			(729.47)			(2450.46)
Profit Before Taxation After Exceptional Items			16566.50			16258.57
Current tax/Deferred tax			(5311.19)			(5427.34)
Fringe benefit tax			—			(39.00)
Excess/(Short) provision for taxation in respect of earlier year			2.78			(30.77)
Profit After Tax			11258.09			10761.46
Other Information						
Segment assets	19160.66	21389.84	40550.50	19429.34	20580.09	40009.43
Unallocated corporate assets			26345.85			18121.04
Total Assets			66896.35			58130.47
Segment liabilities	7427.12	11986.47	19413.59	6597.21	9039.17	15636.38
Unallocated corporate liabilities			4590.89			3088.13
Total Liabilities			24004.48			18724.51
Capital expenditure	2519.20	1004.97	3524.17	668.46	341.73	1010.19
Unallocated corporate capital expenditure			51.74			14.43
Total Capital Expenditure			3575.91			1024.62
Depreciation/Amortisation	841.79	867.92	1709.71	1008.70	887.46	1896.16
Impairment of fixed assets			—	124.51	12.47	136.98
Unallocated corporate depreciation			51.11			69.02
Total Depreciation/Amortisation/Impairment			1760.82			2102.16

Information about primary business segments : (Contd.)

	2010 ₹ Lakhs			2009 ₹ Lakhs		
	Inter- mediates & Colours	Dyes and Specialty Chemicals	Total	Inter- mediates & Colours	Dyes and Specialty Chemicals	Total
Non cash expenses other than Depreciation/Amortisation/Impairment	168.72	239.94	408.66	61.72	63.93	125.65
Unallocated corporate non cash expenses other than Depreciation/Amortisation/Impairment			218.40			64.28
Total Non cash expenses other than Depreciation/Amortisation/Impairment			627.06			189.93

Information about secondary segments:

	2010 ₹ Lakhs			2009 ₹ Lakhs		
	India	Outside India	Total	India	Outside India	Total
External Sales	77007.77	21120.10	98127.87	75075.99	17356.65	92432.64
Segment Assets	38349.31	2201.19	40550.50	36364.76	3644.67	40009.43
Additions to Fixed Assets	3524.17	—	3524.17	1010.19	—	1010.19

Notes:

- 1 Total liabilities exclude the following :
- (a) Proposed dividend ₹ 5332.15 lakhs (₹ 3999.11 lakhs)
- (b) Corporate tax on proposed dividend ₹ 885.60 lakhs (₹ 679.65 lakhs)

3. Related Party Disclosure as required by AS-18 "Related Party Disclosures" are given below:**Relationship :****a) Holding Company :**

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

b) Other related parties in the Clariant group where common control exists and with whom the company has transactions:**Fellow Subsidiary Companies :**

Clariant (Argentina) SA	Clariant Masterbatch Ibérica S.A.
Clariant (Australia) Pty. Ltd.	Clariant Masterbatches (Deutschland) GmbH
Clariant (Canada) Inc.	Clariant Masterbatches (Italia) S.p.A.
Clariant (China) Ltd.	Clariant Masterbatches (Saudi Arabia) Ltd.
Clariant (Colombia) SA	Clariant Masterbatches (Shanghai) Ltd.
Clariant (Egypt) SAE	Clariant Masterbatches (Thailand) Ltd.
Clariant (Guatemala) SA	Clariant Masterbatches Benelux SA
Clariant (Gulf) FZE	Clariant Masterbatches Huningue
Clariant (Japan) K.K.	Clariant Masterbatches Ireland Limited
Clariant (Korea) Ltd.	Clariant Masterbatches Norden AB
Clariant (Malaysia) Sdn Bhd	Clariant Masterbatches UK Ltd.
Clariant (Maroc) S.A.	Clariant Oil Services UK Ltd
Clariant (Mexico) S.A. de C.V.	Clariant Pigments (Korea) Ltd.
Clariant (Pakistan) Ltd.	Clariant Pigments (Tianjin) Ltd.

b) Other related parties in the Clariant group where common control exists and with whom the company has transactions: (contd.)

Fellow Subsidiary Companies : (contd.)

Clariant (Singapore) Pte. Ltd.	Clariant Prodotti (Italia) S.p.A.
Clariant (Thailand) Ltd.	Clariant Production (France)
Clariant (Tianjin) Ltd.	Clariant Production UK Ltd.
Clariant (Uruguay) SA	Clariant Produkte (Deutschland) GmbH
Clariant Advanced Materials GmbH	Clariant Produkte (Schweiz) AG
Clariant Chemicals (China) Ltd.	Clariant S.A.
Clariant Chemicals (Taiwan) Co., Ltd.	Clariant Southern Africa (Pty.) Ltd.
Clariant Colorquímica (Chile) Ltda.	Clariant Specialty Chemicals (Zhenjiang) Co., Ltd.
Clariant Corporation	Clariant Trading (China) Ltd.
Clariant Export AG	K.J. Quinn
Clariant Ibérica Producción S.A.	PT Clariant Indonesia
Clariant Life Science Molecules (Florida) Inc.	Clariant (Türkiye) Boya ve Kimyevi Maddeler Sanayi ve Ticaret A.S.

c) Key Management Personnel :

P. Palm	:	Vice-Chairman & Managing Director (From 01.01.2010)
H. Meier	:	Vice-Chairman & Managing Director (Upto 31.12.2009)

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

	2010 ₹ Lakhs	2009 ₹ Lakhs
(i) Holding Company and Fellow Subsidiaries :		
Holding Company :		
Transactions during the year :		
Clariant International AG		
Sales of goods	143.74	1501.15
Purchase of goods	9046.35	9234.75
Services rendered	473.52	377.62
Services received	811.22	699.34
Dividend paid	1518.75	1761.75
Expenses recovered	6.84	1.51
EBITO Chemieeteiligungen AG		
Dividend Paid	2041.77	2368.46
Clariant Participations AG		
Dividend Paid	665.00	771.40
Balances outstanding as at the year end :		
Amount payable	1640.13	1142.51
Amount receivable	175.60	449.12
Fellow Subsidiaries :		
Transactions during the year :		
Sales of goods		
Clariant Produkte (Deutschland) GmbH	4294.64	1419.66
Clariant Corporation	2100.95	1239.30
Clariant (China) Ltd.	4186.57	2895.33
PT Clariant Indonesia	1027.67	1170.42
Others	5755.48	4474.85

During the year following transactions were entered into with related parties : (Contd.)

	2010 ₹ Lakhs	2009 ₹ Lakhs
Fellow Subsidiaries : (contd.)		
Purchase of goods		
Clariant (Tianjin) Ltd.	640.97	51.95
Clariant (China) Ltd.	1276.94	771.38
Clariant Corporation	53.08	44.82
PT Clariant Indonesia	280.46	113.51
Others	509.73	372.78
Purchase of capital goods		
Clariant Masterbatches (Italia) S.p.A.	11.18	10.00
Clariant Masterbatches (Deutschland) GmbH	—	5.27
Clariant Production UK Ltd.	—	2.97
Sale of capital goods		
Clariant Produkte (Deutschland) GmbH	—	50.47
Services rendered and others		
Clariant (China) Ltd.	15.47	6.14
Clariant Masterbatches (Thailand) Ltd.	9.38	6.24
Clariant Produkte (Schweiz) AG	13.63	—
Clariant Export AG	237.38	308.38
Clariant Produkte (Deutschland) GmbH	—	0.54
Others	22.23	28.14
Expenses recovered		
Clariant (Singapore) Pte Ltd	0.06	0.05
Clariant (Thailand) Ltd.	0.15	—
Clariant Produkte (Deutschland) GmbH	0.15	—
Clariant Corporation	0.14	—
Clariant Chemicals (China) Ltd	0.35	—
Pt Clariant Indonesia	—	0.22
Others	0.11	—
Services received and others		
PT Clariant Indonesia	16.00	18.49
Clariant (Singapore) Pte. Ltd.	30.24	20.67
Clariant Southern Africa (Pty.) Ltd.	2.04	27.35
Clariant (Gulf) FZE	12.75	11.37
Others	13.01	16.55
Expenses reimbursed		
Clariant (China) Ltd.	0.58	—
PT Clariant Indonesia	—	0.76
Clariant (Malaysia) Sdn Bhd	—	1.63
Balances outstanding as at the year end :		
Amount payable	444.18	424.20
Amount receivable	2609.21	2476.97
(ii) Key Management Personnel :		
Remuneration	169.01	217.09
Payable balance	26.75	67.58

4. Contingent liabilities not provided for :

	31-12-2010 ₹ Lakhs	31-12-2009 ₹ Lakhs
I (a) in respect of income tax matters decided against the Company, in respect of which the Company is in further appeal decided in favour of the Company against which the department is in appeal	1893.82 14.78	1458.40 14.78
(b) in respect of sales tax matters	2440.58	578.58
(c) in respect of excise matters	615.26	448.03
(d) in respect of bills of exchange discounted with banks [since realised ₹ 874.44 lakhs (₹ 778.63 lakhs)]	1138.96	1119.58
(e) Other matters in dispute	2.25	2.25
(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.		
II On 15th February 2005, the Company had received an order of the Tahsildar, Thane demanding ₹ 120.70 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 on 23rd February 2005 before the Bombay High Court. The Hon'ble High Court has granted interim stay in terms of the petition on 14th July 2005.		

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

	31-12-2010 ₹ Lakhs	31-12-2009 ₹ Lakhs
	856.40	179.15

6. Deferred Taxes:

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

	31-12-2010 ₹ Lakhs	31-12-2009 ₹ Lakhs
Deferred Tax Assets		
(a) Provision for doubtful debts	71.59	105.50
(b) Provision for retirement benefits	336.29	215.89
(c) Expenses allowable for tax purposes when paid	52.31	53.54
(d) Integration expenses	—	15.74
(e) Payment/Provision for voluntary retirement scheme	979.04	1184.64
	1439.23	1575.31
Deferred Tax Liabilities		
Depreciation/Amortisation/Impairment	(1331.15)	(1299.59)
Deferred Tax Assets/(Liabilities) - Net	108.08	275.72

7. Amount paid/payable by the Company to Directors (including Managing Director) as remuneration for services rendered in any capacity :

	2010 ₹ Lakhs	2009 ₹ Lakhs
Directors' sitting fees	1.35	1.45
Salaries	130.57	137.76
Commission	36.75	36.75
Compensation for loss of office	—	40.83
Provident fund	—	11.35
Other perquisites and benefits in cash or in kind	11.69	0.40
	#180.36	228.54

Includes ₹ 21.70 lakhs subject to shareholders' approval

8. Earnings per share :

	2010 ₹ Lakhs	2009 ₹ Lakhs
(a) Net profit after taxation	11258.09	10761.46
(b) Number of equity shares outstanding	26660745	26660745
(c) Basic and Diluted earnings per share (In ₹)	42.23	40.36
(d) Face value per share (In ₹)	10.00	10.00

9. Assets taken on lease on or after 1st April, 2001 :

	2010 ₹ Lakhs	2009 ₹ Lakhs
(a) In respect of operating leases, where lease agreements have been formally entered into, lease payments recognised in the profit and loss account for the year are as follows. Office premises, vehicles and computers	392.71	382.43
(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.		
(d) The total of future minimum lease payments under non-cancellable operating leases are as follows:		
For a period not later than one year	311.66	285.05
For a period later than one year and not later than five years	420.25	254.37
	731.91	539.42

10. Expenditure on Research and Development :

	2010 ₹ Lakhs	2009 ₹ Lakhs
(a) Capital expenditure	—	3.36
(b) Revenue expenditure charged to profit and loss account	37.75	224.20
	37.75	227.56

11. Miscellaneous Expenses in Schedule 16 : Other expenditure include :

	2010 ₹ Lakhs	2009 ₹ Lakhs
Auditors' remuneration and expenses : (Excluding Service tax)		
(a) Audit fees	26.75	25.00
(b) Company law matters	0.15	0.15
(c) Taxation services	—	0.23
(d) Other services	21.25	31.20
(e) Out-of-pocket expenses	0.50	0.45
	48.65	57.03

12. Exceptional items in Profit & Loss Account include:

	2010 ₹ Lakhs	2009 ₹ Lakhs
Termination benefit costs	1056.47	2810.46
Income from sale of flexible laminating adhesives business	—	(360.00)
Income from sale of diketene and intermediate business	(532.65)	—
Write off/loss on sale of Fixed assets due to restructuring	205.65	—
	729.47	2450.46

13. Employee Benefits :

	2010 ₹ Lakhs		2009 ₹ Lakhs	
	Funded	Unfunded	Funded	Unfunded
(a) Defined benefit Plans - As per Actuarial valuation as on 31st December, 2010:				
Gratuity				
(i) Expenses recognised in the statement of Profit and Loss Account for the year				
1. Current service cost	116.72	0.85	181.10	4.17
2. Interest cost	187.38	5.54	178.36	6.86
3. Expected return on plan assets	(171.32)	—	(204.25)	—
4. Net actuarial(gain)/loss recognised during the year	293.60	2.70	(133.86)	4.54
5. Effect of curtailments or settlements	78.41	—	—	—
6. Expense /(Income) recognised in profit & loss account	504.79	9.09	21.35	15.57
[Gratuity expense / (income) have been recognised in Contribution / Provision for provident fund, superannuation scheme, gratuity fund etc in "Personnel Cost" under Schedule 14]				
(ii) Actual return on plan assets for the year				
1. Expected return on plan assets	171.32	—	204.25	—
2. Actuarial gain/(loss) on plan assets	(0.91)	—	(38.87)	—
3. Actual return on plan assets	170.41	—	165.38	—
(iii) Net Asset/(Liability) recognised in the Balance Sheet as at the year end				
1. Present value of the defined benefit obligation	2505.53	64.73	2342.20	69.21
2. Fair value of plan assets	1959.49	—	2141.47	—
3. Net Asset/(Liability) recognised in the balance sheet	(546.04)	(64.73)	(200.73)	(69.21)
(iv) Change in defined benefit obligation during the year				
1. Present value of obligation at the beginning of the year	2342.20	69.21	2940.12	84.42
2. Current service cost	116.72	0.85	181.10	4.17
3. Interest cost	187.38	5.54	178.36	6.86
4. Benefits Paid	(511.87)	(13.57)	(784.65)	(30.78)
5. Effect of curtailments or settlements	78.41	—	—	—
6. Actuarial (gain)/loss on obligation	292.69	2.70	(172.73)	4.54
7. Present value of obligation as at the end of the year	2505.53	64.73	2342.20	69.21
(v) Changes in fair value of plan asset during the year				
1. Fair value of plan assets as at the beginning of the year	2141.47	—	2553.09	—
2. Expected return on plan assets	171.32	—	204.25	—
3. Contributions made	159.48	—	207.65	—
4. Benefits paid	(511.87)	—	(784.65)	—
5. Actuarial gain/(loss) on plan assets	(0.91)	—	(38.87)	—
6. Fair value of plan assets as at the end of the year	1959.49	—	2141.47	—
(vi) Major categories of Plan Assets as a percentage of total plan assets				
1. Central government securities	32.20%	—	29.64%	—
2. State government securities	13.15%	—	12.32%	—
3. Private sector bonds	29.05%	—	20.90%	—
4. Special deposit scheme	—	—	25.54%	—
5. Cash at bank	1.71%	—	1.15%	—
6. Investment in insurance companies	27.58%	—	22.06%	—
7. Others	(3.69%)	—	(11.61%)	—
(vii) Actuarial assumptions				
1. Discount rate	8.25%	8.25%	8.0%	8.0%
2. Expected Rate of return on plan assets	8.0%	—	8.0%	—
3. Salary escalation	4.0%-6.0%	4.0%-6.0%	4.0%-6.0%	4.0%-6.0%
(viii) Experience adjustments				
1. Experience adjustments on plan assets	(0.91)	—	(38.87)	—
2. Experience adjustments on plan liabilities	348.52	4.29	(49.77)	4.54

13. Employee Benefits : (Contd.)

	2010 ₹ Lakhs	2009 ₹ Lakhs
(a) Defined benefit Plans - As per Actuarial valuation as on 31st December, 2010 : (Contd.)		
Other long term benefits		
The defined benefit obligations which are provided for but not funded are as under:		
Compensated Absence/Leave Salary	401.53	365.02
(b) Gratuity is administered through duly constituted and approved independent trusts and also through Group gratuity scheme with Life Insurance Corporation of India		
(c) Future salary increases considered in actuarial valuation take in to account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market		
(d) Basis used to determine expected rate of return on plan assets: The expected rate of return on plan assets is based on market expectation, at the beginning of the year, for returns over the entire life of the related obligation.		
(e) Accounting standard 15 "Employee Benefits" requires the disclosure of experience adjustments for past four years, however, the information is given only for the current and previous year.		
(f) During the year the Company has recognised the following amounts in the Profit & Loss account in Schedule 14 :		
Salaries, wages, bonus includes compensated absences	138.00	49.17
Contribution/Provision for provident fund, superannuation scheme, gratuity fund etc includes :		
Provident Fund & Family Pension	253.46	275.30
Superannuation Fund	242.65	239.24
Gratuity Fund	513.88	36.92
Other funds	1.34	0.49

14. Commission and Other discounts on sales included in "Schedule 16: Other Expenditure" are net of reversal of excess provision made in earlier years of ₹ 77.07 lakhs and ₹ 247.66 lakhs respectively.

15. The Company had entered into an agreement with Laxmi Organic Industries Ltd. on May 15, 2009 for the sale of its business of Diketene and downstream intermediate products together with removable plant and equipment and accordingly disclosed the net book value of the removable plant and machinery in Balance Sheet as at 31st December 2009 as Fixed asset held for disposal. The transaction has been concluded in January 2010.

During the year the Company has entered into a Memorandum of Understanding (MOU) dated 25th August 2010 with M/s Ananta Landmarks Private Limited for sale of Land together with infrastructure thereon and accordingly the net book value of Land and Building has been disclosed in the Balance Sheet as at 31st December 2010 as Fixed asset held for disposal. The transaction has been concluded during February 2011 for a total consideration of ₹ 24000.00 lakhs.

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

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

For and on behalf of the Board,

R. A. Shah Chairman

P. Palm Vice-Chairman & Managing Director

B. S. Mehta }
H. Meier } Directors

B. L. Gaggar Director Finance & Company Secretary

Mumbai, 24th February, 2011

Financial Performance

10 Years' Highlights

(₹ Million)

		Financial Year Ended 31st December					Financial Year Ended 31st March				
		2010	2009	2008	2007	****2006	****2006	2005	2004	2003	2002
I	OPERATING RESULT										
	Gross Sales	1034.8	9732.2	10014.5	9517.1	7538.9	9246.5	4035.2	4083.4	3821.7	3310.1
	Net Sales	9747.1	9213.4	9163.9	8614.4	6870.4	8479.1	3656.1	3746.8	3492.8	2990.1
	Gross Earnings Before Depreciation/Impairment and Taxation	1895.1	+2079.4	+1375.7	+1021.3	+655.7	893.1	472.5	380.0	343.7	273.0
	Profit Before Taxation	1653.2	#1631.1	#1072.9	#493.3	#507.8	648.4	*357.8	249.5	214.7	141.6
	Profit After Taxation	1124.2	1081.4	674.8	317.9	328.7	403.9	155.9	335.7	149.7	90.6
	Equity Dividend	799.8	666.5	506.6	266.6	479.9	293.3	69.9	69.9	69.9	58.3
II	FINANCIAL POSITION										
	Gross Fixed Assets	3554.8	3556.6	3985.1	3819.6	3831.7	3850.2	2105.6	1934.0	1973.8	1930.3
	Net Fixed Assets	1592.4	1527.3	1646.0	1719.1	1651.8	1601.6	837.2	737.7	804.8	862.9
	Investments	1918.4	1245.0	578.4	294.3	465.0	1132.6	464.5	204.5	85.0	85.0
	Net Current Assets	159.8	698.5	1008.3	1164.8	1128.2	1198.7	743.5	741.5	843.3	982.1
	Equity	266.6	266.6	266.6	266.6	266.6	**266.6	116.5	116.5	116.5	116.5
	Reserves	3404.4	3211.3	2909.8	2827.6	2835.8	3054.4	1605.7	1529.6	1272.7	1200.6
	Shareholders' Fund	3671.0	3477.9	3176.4	3094.2	3102.4	3321.0	1722.2	1646.1	1389.2	1317.1
	Loans and Deferred Payment Credits	10.5	20.5	30.9	40.7	62.1	559.4	339.4	110.4	236.4	474.0
	Capital Employed	3681.5	3498.4	3207.3	3134.9	3164.5	3880.4	2061.6	1756.5	1625.6	1791.1
III	PER EQUITY SHARE										
	Earnings ₹	#42.16	#40.56	#25.31	#11.92	#12.33 (Not Annualised)	15.15	13.30	28.82	12.96	7.97
	Dividend	30	25	19	10	18	11	6	6	6	5

After exceptional items

+ Before exceptional items

* Before prior period items

** Including share capital suspense account

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

**** Figures are for nine month ended December 31, 2006

www.clariant.in

Clariant Chemicals (India) Limited
Kolshet Road
P.O. Sandoz Baug
Thane 400 607