CLARIANT CHEMICALS (INDIA) LIMITED
TEL NO. 022 25315412
FAX : 022 2531 5473

P.O. Sandoz Baug
400 607 Thane
India
www.clariant.in

CLARIANT

May 8, 2013

**BSE Code: CLARICHEM**
**NSE Code: CLNINDIA**
**ISIN : INE 492A01029**

The National Stock Exchange of India Limited,
Listing Department, Exchange Plaza, 5th floor,
Plot No.C/1, G Block, Bandra-Kurla Complex,
Bandra (East),
**MUMBAI - 400 051.**

Fax -2659 8237/38

**Excerpts from Chairman's Speech**

Dear Sir,

We would like to inform that we are posting today the excerpts from the Chairman's speech at the Annual General Meeting of Clariant Chemicals (India) Limited, held on April 26, 2013, to all the shareholders.

Copy of the same is enclosed herewith for your reference and records.

Yours faithfully,
**For Clariant Chemicals (India) Limited**

**Satish P. Bhattu**
**Asst. Company Secretary**

CLARIANT

# Chairman's Statement

(excerpted from Chairman's Speech at the 56th AGM of Clariant Chemicals (India) Ltd., held on 26th April, 2013)

It gives me immense pleasure to welcome you to the 56th Annual General Meeting of Clariant Chemicals (India) Ltd.

I would like to introduce you to Dr. Deepak Parikh, who has taken over as Managing Director of the Company effective from 1st March, 2013 and will take over as Vice Chairman of the Board from 27th April, 2013 onwards when Mr. Peter Palm will cease to be Vice Chairman and Executive Director of the Company. Dr. Deepak Parikh is of Indian origin and is a chemical engineer from Bombay University, Department of Chemicals Technology. He holds a PhD in polymer science and engineering from the University of Tennessee in the U.S. Dr. Parikh has more than 25 years' experience in various capacities in the chemical industry and as a global Indian, brings with him the rich experience of having worked with Dow Chemicals and DuPont both in global and regional roles. I have the utmost confidence that Dr. Parikh will continue to steer the Company in the right direction for business growth.

At the same time, I would like to thank Mr. Palm, who has been with Clariant for more than three decades in various capacities. He will be missed, and we wish him the best in his retirement. His hard work and dedication have been an inspiration, and have positioned the Company for strong growth here in India. I would like to discuss the Company's performance in 2012.

## Operating Performance - 2012:

I am happy to inform you that your Company was able to sustain positive business performance inspite of negative business sentiments, challenging market conditions and a slow-down in demand. Both in domestic and international markets, it has registered record growth in sales during the year ended 2012.

Some of the performance highlights for 2012 are as follows:

- The Company registered sales of ₹ 1071.23 crores, growth of **12%** over previous year.
- Domestic sales grew by **9.6%**, whereas exports sales were up by **19.9%**.
- Exports contributed **25.3%** of total sales compared to 23.6% in the previous year.
- Increase in the cost of raw materials and escalation in other operating costs resulted in lower Profit Before Depreciation, Interest and Taxes (PBDIT) from 17.7% to **14.6%**.
- After considering exceptional income from sale of residential premises, net Profit After Tax (PAT) for the year was ₹ **101.30** crores as against ₹ 304.04 crores last year, which included profit from sale of land at Balkum.
- The Company remains zero-debt company.
- Efficient management of working capital resulted in a net working capital (NWC) to sales ratio of **11.8%**.
- A sum of ₹ **226.98** crores stands invested in debt schemes of mutual funds as at the year end.
- The Company had smooth operations at all its plants and capacity utilisation has improved over previous year.

These results, in a highly competitive and challenging economic environment, reflect the strength of the Company.

## Dividend:

During the year, your directors had declared an interim dividend of ₹ **10/-** per share and this was paid in August 2012. Considering the policy of the Company and sustained performance for the year, the Board of Directors recommended a final dividend of ₹ **17.50** per share.

Together with the interim dividend, the total dividend for the year amounts to a record ₹ **27.50** per share (**275%**) as compared to ₹ 60 per share (600%) paid for the previous year, which included a special dividend for sale of Balkum land. The dividend pay-out ratio for the year was **84%** of the Net Profit for the year.

## Sale of Business:

- At meeting held on 26th March 2013, the Board of Directors approved the proposal to sell the Textile Chemicals, Paper Specialties and Emulsions business.
- The decision to sell the businesses under review was arrived at by Clariant International, the major shareholder, considering its long-term strategy and overall objective to serve markets with future perspective and strong growth rates.
- Clariant wants to serve those markets with businesses that have competitive market positions, resulting in strong pricing power. This will result in higher profitability and stronger growth – a pre-requisite for the long-term competitiveness of our company.

- Clariant has followed a stringent bidding process at the global level to realise the true potential of its businesses under divestments.
- Clariant International is also considering divesting its business in Leather Services, Detergents and Intermediates, and is looking for a potential buyer for these businesses.
- The Leather Services business that is under consideration for divestment by Clariant Group contributed about 18% of the net sales for India in 2012. However, no decision has been taken by the Board of Directors of Clariant in India to divest the Leather Services business as yet. As and when the decision is taken, the same will be communicated to shareholders.
- After divesting its cyclical and non-strategic business, the Company will continue to remain focused on its specialty chemicals business comprised of Pigments, Additives, Industrial and Personal Care, Masterbatches, Oil and Mining Services, etc.
- The businesses under divestment by Clariant in India have generated about 35% of the net sales for India in 2012, and contributed almost the same percent in business unit EBIT.
- The Company will hand over the businesses to the acquiring company on a going concern basis by way of slump sale, in running condition and with all utilities and services put in place.
- All assets currently used by the textile, paper and emulsion business as well as their laboratory equipment, computers, mobile phones, etc. will be transferred to the acquirer.
- The net value of the assets for businesses under divestment as of Dec. 2012 is about ₹ 17.5 crores as against total assets under business operation of ₹ 146.3 crores.
- The sale of the businesses will include the plant at Roha dedicated and currently operated by Textile Chemicals and other assets connected to operation of the plant. A small portion of land measuring about 6% of the total land area is identified to be carved out and leasehold rights in respect thereof are proposed to be transferred in favour of the acquiring company for the operation of the textile chemicals plant within the Company's site at Roha. The land is leased out by MIDC.
- The Company will provide requisite infrastructure and services for power and water connections, warehousing of goods and support for transfer of licences, permits and approvals. All services will be provided on arm's length basis.
- The services of about 200 managers and workers currently dedicated for the operations of the Textile Chemicals, Paper Specialties and Emulsions businesses including marketing and laboratories and from various support services and administrative functions will be transferred to the acquiring company.
- The intellectual property rights with respect to the brand, trade names, technical know-how, etc. related to the products of businesses under divestment are owned by Clariant International, the major shareholder.
- The operations of the textile plant located at Roha under divestment has limited flexibility, as the plant is situated within the site of the Company with right of access, and as such, the acquiring company will depend upon the Company for provision of various support services such as safety and security, effluent treatment and disposal of waste water, warehousing, canteen, weighbridge, site services, etc. This will be covered through service agreements.
- Keeping in mind all these impediments, it would not have been possible for the Company to sell these businesses through a direct bidding process or otherwise.
- After considering the various scenarios under which the Company and the acquiring Company will co-operate and continue their respective operations within the Roha site, and based on the valuation report submitted by an independent professional firm of chartered accountants of repute, the consideration of ₹ 209.15 crores for the divestment of businesses was considered and accepted by the Board.
- The postal ballot papers for shareholder approval under the provisions of section 293(1) (a) of the Companies Act of 1956 has been mailed to all the shareholders. Shareholders are requested to send their votes either by postal ballot or through electronic vote, the facility for which is provided by the Company.

The true strength of the Company lies in its team of dedicated and committed employees who have made immense contributions in realising its potential. My colleagues on the Board join me in appreciating the tireless efforts put in by employees at all levels. Their passion and zeal have aided in propelling the Company forward in difficult times.

I also express my sincere thanks to each one of you from Clariant's family of Shareholders, for your confidence and belief in our ability to deliver value. We shall continue to strive to meet your expectations in the years ahead.

Thank you, ladies and gentlemen.