

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the 63rd Annual Report together with the Audited Statement of Accounts for the Year ended March 31, 2020.

1. Financial performance of the Company

Particulars	₹ in Lakhs)	
	Year ended 31.03.2020	Year ended 31.03.2019
Sales	71,991.97	67,746.63
Profit before tax from continuing operations	3,429.04	2,199.13
Less : Tax expenses (Incl. deferred tax)	1,573.49	1,046.48
Profit after tax from continuing operations	1,855.55	1,152.65
Profit before tax for discontinued operations	3,634.04	815.00
Less : Tax expenses (Incl. deferred tax)	419.08	112.00
Profit after Tax for discontinued operations	3,214.96	703.00
Add : Balance brought forward from previous period	47,379.38	48,304.09
Amount available for appropriation	52,449.89	50,159.74
Appropriations		
Dividend (including interim and final)	1,154.09	2,308.18
Corporate tax on dividend	237.23	474.46
Other comprehensive income (OCI)	300.00	(2.28)
Transferred to retained earnings	(26.76)	-
Balance carried forward to the balance sheet	50,785.33	47,379.38

2. Review of operations

The Company's continued operations reported sales of goods for the year ended March 31, 2020 stood at ₹ 71,991.97 lakhs as against ₹ 67,746.63 lakhs for the previous year ended March 31, 2019. Of the total sales revenue for the year under review, 26% is contributed by exports. The Pigments business showed a growth of 6.8%; the Additives business de-grew by 14.7%; while the Masterbatch business grew by 7.8%, due to the strategic shift in focus on differentiated

product offerings viz. emphasis on specialized products, and not on commoditized products. This shift in strategic approach resulted in an operating profit growth of more than 200%.

Following the COVID-19, a Company wide lockdown was announced on March 16, 2020. However, limited production activities were undertaken in line with Government approvals, to meet demand for essentials needed for the fight against the pandemic.

Post lifting of the lockdowns, both partial and complete, the Company has been running production capacities sub-normally bearing in mind safety of its workforce and demand for its products. Production, dispatches, sales and account receivables have been affected but is improving.

An assessment conducted on the recoverability of the carrying value of assets such as property, plant and equipment, inventory, trade receivable, investment and other current assets as at Balance Sheet date concludes that there is no impact of COVID-19 thereon. Further, an assessment of the Company's capital, financial resources, liquidity positions, ability to service debt and other financing arrangements for the next one year, indicates financial stability.

An evaluation of impact of COVID-19 on internal financial controls over financial reporting concluded that there is no impact of COVID-19 thereon.

There is no materially adverse impact of COVID-19 on the financial statements/results of the Company for the financial year ended March 31, 2020.

3. Dividend

The Board of Directors are pleased to recommend a Final Dividend of ₹ 11/- per share (110 %). The Final Dividend entails cash outflow of ₹ 2539 Lakhs and a payout of 50% of Profit for the year ended March 31, 2020. The total dividend for the period under review amounts to ₹ 11/- per share (110 %) as compared to ₹ 10/- per share (100%) paid for the previous year.

Pursuant to the requirement of Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company have formulated and adopted Dividend Distribution Policy which is available on the website of the Company at www.clariant.com.

4. Sale of Additives Business

In accordance with the approval granted by the Board pursuant to the provisions of Section 179 of the Companies Act, 2013 and the powers conferred upon the Board by Articles of Association of the Company and as per the Valuation Report of M/s. Ernst & Young along with Fairness Report from M/s. BDO, the Company sold its Additives Business along with employees, assets, liabilities and including all licenses, permits, consents and approvals thereto on a going concern by way of a slump sale on a 'as is where is basis' to Clariant India Limited, a Related Party, for a total consideration of ₹ 13.77 Crore, effective from January 1, 2020. The profit on sale of the Additives business amounting to ₹ 8.45 Crore is shown under discontinued operations.

As per Ind AS 105 on Non-current Assets held for sale and discontinued operations, additives business operations have been disclosed as discontinued operation. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss before tax from discontinued operations in the statement of profit and loss.

5. Sale of Masterbatch Business

To align with the strategy of ultimate holding Company, Clariant AG, to divest the entire Masterbatch Business and considering the fact that it would not be sustainable to continue the Masterbatch business in India without technical, Intellectual Property (IP) support and key customer accounts of the Global parent Company, the Board of Directors, at their meeting held on December 19, 2019, decided to sell its Masterbatch Business as a going concern by way of a slump sale under Section 2(42C) of the Income Tax Act, 1961, to PolyOne Polymers India Private Limited or its affiliate in India for a consideration of not less than ₹ 426 Crore, subject to the necessary adjustment, if any, and on the terms and conditions as stated in the Business Transfer Agreement and other documents. The Masterbatch Business comprises of the divestment assets of the Masterbatch Business (including transferring real estate, transferring intellectual property, transferring contracts, permits and licenses, equipment, machinery, assets at the transferring real estate, goodwill etc.) and the divestment liabilities (including liabilities included in the net working capital, liabilities under or in connection with any transferring contract, all liabilities to the extent relating to, or arising out of, any divestment asset etc.).

Pursuant to the provisions of Section 180(1)(a) and other applicable provisions of the Companies Act, 2013 ('the Companies Act') read with the Companies (Management

and Administration) Rules, 2014, ('the Rules') (including any statutory modification or re-enactment thereof for the time being in force), the Articles of Association of the Company and the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('the LODR Regulations') (as amended from time to time), the Company obtained the approval of shareholders through Postal Ballot on February 10, 2020.

The sale of the Masterbatch business is subject to such other approvals, consents, permissions and sanctions from any regulatory or governmental authority or third party as may be required and which may be agreed to by the Board. The sale transaction is expected to be completed by 2nd Quarter of Financial Year 2020-21.

As per Ind AS 105 on Non-current Assets held for sale and discontinued operations, masterbatch business operations have been disclosed as discontinued operation. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss before tax from discontinued operations in the statement of profit and loss.

6. Corporate Governance, Management Discussions and Analysis Report & Business Responsibility Report

The Company is committed to compliance standards, ensuring checks and balances between the Board and Management, as well as a sustainable approach to create value for all stakeholders. As stipulated under SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, Report on Corporate Governance, Management Discussion and Analysis as well as Certificate confirming the compliance with the conditions of corporate governance are annexed herewith and forms part of this annual report.

SEBI vide its notification dated December 26, 2019, has amended Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. As per the said amendment, top one thousand listed entities based on market capitalization (calculated as on March 31 of every financial year), are required to prepare and include in its annual report, a business responsibility report describing the initiatives taken by them from an environmental, social and governance perspective, in the format as specified by the SEBI from time to time.

Accordingly, the Business Responsibility Report for the financial year ended March 31, 2020 has been prepared and the same forms the part of the Annual Report.

7. Significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future

During the year under review, there has been no such significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.

8. Material changes between the date of the Board report and end of financial year

There have been no material changes and commitments, if any, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the report.

9. Subsidiary Company

As on March 31, 2020, the Company does not have any subsidiary.

10. Details of Directors and Key Managerial Personnel

During the year under review, consequent to resignation from the leadership role of Clariant Group, Mr. Karl Holger Dierssen has resigned from the Directorship of the Company effective from closing working hours of May 31, 2019. The Board placed on record their sincere appreciation to Mr. Karl Holger Dierssen for the contribution made during his tenure.

Further, Mr. Sanjay Ghadge was appointed as Director Finance & Chief Financial Officer of the Company, effective from August 8, 2019, subject to approval of the members. The members accorded their consent for appointment of Mr. Sanjay Ghadge by passing a Special Resolution via Postal Ballot on October 7, 2019. Consequent to his transfer to leadership role within Clariant group globally, Mr. Sanjay Ghadge resigned as the Chief Financial Officer of the Company effective from January 1, 2020. He acts as Non-Executive Director of the Company with effect from January 1, 2020. Pursuant to the provisions of Section 161 of the Companies Act, 2013, Mr. Sanjay Ghadge holds office upto the date of this Annual General Meeting. The Board of Directors recommends the appointment of Mr. Sanjay Ghadge as a Director liable to retire by rotation to the shareholders at the ensuing Annual General Meeting. The Company has received notice in writing from one of the Members of the Company under the provisions of Section 160(1) of the Companies Act, 2013, as amended, proposing the candidature of Mr. Sanjay Ghadge for the office of Director of the Company.

Also, the first term of Mr. Adnan Ahmad as a Vice-Chairman and Managing Director of the Company expired on April 2, 2020. The Board of Directors, on the recommendation of Nomination and Remuneration Committee, at their respective meeting held on February 14, 2020, approved the re-appointment of Mr. Adnan Ahmad for a second term of three consecutive years from April 3, 2020 to April 2, 2023 subject to the approval of member by a special resolution. The Members have accorded their consent for re-appointment of Mr. Adnan Ahmad, as Vice-Chairman and Managing Director of the Company by passing Special Resolution via Postal Ballot on March 31, 2020.

In accordance with the provisions of the Companies Act, 2013 and the Articles of Association of the Company, Mr. Thomas Wenger retires by rotation at the ensuing Annual General Meeting, and being eligible, he offers himself for re-appointment.

The above appointment/re-appointment forms part of the Notice of the 63rd Annual General Meeting and the respective Resolutions are recommended for your approval.

The brief profiles of Directors, seeking appointment/re-appointment, covering details of their qualification and experience, as required pursuant to the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and Secretarial Standards on General Meetings issued by The Institute of Company Secretaries of India is annexed to the notice of this Annual General Meeting.

All Independent Directors of the Company have given declarations that they meet the criteria of independence as prescribed under Section 149(6) of the Companies Act, 2013 and SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, amended. They have also confirmed that they have registered their name in the data bank of Independent Directors.

The Board of Directors, on recommendation of Nomination & Recommendation Committee and Audit Committee, at their meeting held on June 17, 2020, have appointed Mr. Ashish Agarwal, Taxation Head - India, as the Interim Chief Financial Officer of the Company with effect from June 17, 2020. There were no other changes in the Key Managerial Personnel of the Company during the year.

11. Audit Committee

The details on the composition, meeting, attendance etc. of the Audit Committee are provided in the Corporate Governance Section of the Annual Report. The Board has accepted all the recommendations of the Audit Committee during the Financial Year under review.

12. Number of meeting of the Board

During the year under review, the Board of Directors met 5 times on May 16, 2019, August 8, 2019, November 6, 2019, December 19, 2019 and February 14, 2020.

13. Conservation of energy, technology absorption, foreign exchange earnings and outgo

As required under section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014, the relevant information and data for the year ended March 31, 2020 are annexed to this report as 'Annexure A'.

14. Corporate Social Responsibility

In terms of the provisions of Section 135 of the Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014, the Board of Directors of your Company has constituted a Corporate Social Responsibility ('CSR') Committee which constitutes of following members:

Name	Category
Dr. (Mrs.) Indu Shahani	Chairperson Independent Director
Mr. Kewal Handa	Independent Director
Mr. Adnan Ahmad	Vice-Chairman & Managing Director

Your Company also has in place a CSR policy and the same is available on the website of the Company at www.clariant.com. A detailed report as per Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 is annexed as 'Annexure B' forming part of this report.

15. Nomination and Remuneration Policy

The Board has, on the recommendation of Nomination and Remuneration Committee, framed a policy on Nomination and Remuneration of its Directors and Key Managerial Personnel, which is available on the website of the Company at www.clariant.com.

16. Board Evaluation and Familiarization programme

Pursuant to the provisions of the Companies Act, 2013 and the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, the Board has carried out the annual evaluation of its own performance and Board Committees by seeking the inputs of Directors on various aspects of the Board/Committee Governance. The Board have

reviewed the performance of the individual Directors and the Chairperson. The manner in which the evaluation has been carried out is stated in the Corporate Governance Report.

The details of programme for familiarization of the Independent Directors of your Company is available on the Company's website at www.clariant.com.

17. Particulars of Employee

As per provisions of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, disclosure pertaining to the particulars of employees who are in receipt of remuneration as prescribed under the Section is annexed as 'Annexure C'.

The statement of particulars of employees pursuant to Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this Annual Report. However, pursuant to proviso to Section 136 (1) of the Companies Act, 2013, the report and accounts are being sent to members excluding this statement of particulars of employees. Any member interested in obtaining a copy of this statement, may write to Company Secretary at investor.relations_india@clariant.com.

18. Directors' Responsibility Statement

Pursuant to the requirement under Section 134(3)(c) of the Companies Act, 2013 with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- In the preparation of the annual accounts for the year ended March 31, 2020, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- The Directors 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 March 31, 2020 and of the profit and loss of the Company for that period;
- The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The Directors have prepared the annual accounts on a going concern basis;

- (v) The Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- (vi) The Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

19. Statutory Auditor & Audit Report

M/s. Price Waterhouse Chartered Accountants LLP, Statutory Auditors, have intimated the Company, vide their letter dated June 17, 2020, that they would resign as the Statutory Auditors of the Company post issuance of their Limited Review Report (LRR) for the Quarter ending June 30, 2020. They informed that Price Waterhouse Network of Firms in India announced of the decision to not provide non audit related services to their audit clients in India which are governed by National Financial Reporting Authority (NFRA). There are certain ongoing non-audit services that are provided by a Price Waterhouse Network licensee entity in India (not being audit firms) to the Company. Due to this voluntary action by the Price Waterhouse Network of Firms in India as above, the Company chose to avail the non audit related services.

The Audit Committee, at their meeting held on June 17, 2020, took on record the intimation letter from M/s. Price Waterhouse Chartered Accountant LLP and also placed on record their sincere appreciation to M/s. Price Waterhouse Chartered Accountant LLP for their commendable service to the Company during their tenure.

Consequent to the proposed resignation of M/s. Price Waterhouse Chartered Accountant LLP, the Board of Directors of the Company, on the recommendation of the Audit Committee, at their meeting held on June 17, 2020 have approved the appointment of M/s. MSKA & Associates, Chartered Accountants (ICAI Firm Registration No. 105047W), as Statutory Auditors of the Company in the casual vacancy to be caused by the resignation of M/s. Price Waterhouse Chartered Accountant LLP, for a term of five years, subject to approval of Shareholders by an Ordinary Resolution.

The proposed resolution is mentioned in the Notice of the Annual General Meeting.

M/s. Price Waterhouse Chartered Accountants LLP, Statutory Auditors, in their Audit report for the Financial year ended March 31, 2020, have commented that the backup of the books of accounts and other books and papers maintained in electronic mode has not been

maintained on servers physically located in India. The Company would like to clarify that the Company's SAP is centralized in global Data Centers outside India where the backup storage is maintained. The Company is reviewing the maintenance of backup of SAP data in India as required under Rule 3 of the Companies (Account) Rules, 2014.

20. Cost Audit

The Board of Directors, in pursuance of order under Section 148 of the Companies Act, 2013, appointed M/s. RA & Co., Cost Accountants, as Cost Auditors of the Company to carry out the audit of the cost accounts of the Company for the Financial year 2020-21, subject to approval of Central Government, if any. The cost audit report for the 12 months ended March 31, 2019 has been filed on due date.

21. Secretarial Audit Report

Pursuant to provisions of Section 204 of the Companies Act, 2013, and Rule 9 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board has appointed M/s J. R. Ahuja & Co., Company Secretary, as Secretarial Auditor to carry out the secretarial audit for the Financial year 2019-20.

The Secretarial Audit Report is annexed herewith as 'Annexure D'. The Secretarial Auditors Report does not contain any qualification, reservation or adverse remark and is self – explanatory and thus does not require any further comments.

22. Internal Financial Controls and their Adequacy

The details in respect of Internal Financial Controls and their adequacy are included in the Management Discussion & Analysis Report, which forms part of this Report.

23. Extract of Annual Return

Pursuant to the provisions of Section 92(3) of the Companies Act, 2013 an extract of the Annual Return in Form MGT-9 is annexed herewith as 'Annexure E' to this report.

24. Risk management policy

The Company has a robust Risk Management to identify, evaluate business risks and opportunities. This framework seeks to create transparency, minimize adverse impact on the business objectives and enhance the Company's competitive advantage. Many risks identified by the business and functions are systematically addressed through mitigating actions on a continuing basis. The Company has framed a Risk Management Policy to manage the risks involved in all activities of the Company, to maximize opportunities and minimize adversities.

25. Related Party Transactions

In line with the requirements of Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has framed a Policy on Material Related Party Transactions which is available on Company's website at www.clariant.com.

All the Related Party Transactions entered during the year under review were in ordinary course of business and on arm's length basis. All the Related Party Transactions are placed before Audit Committee for review and approval. Prior omnibus approvals are granted by Audit Committee for Related Party Transactions which are of repetitive nature, entered in the ordinary course of business and are on arm's length basis.

The disclosure of Related Party Transactions as required under Section 134(3)(h) of the Companies Act, 2013 read with Rule 8(2) of the Companies (Accounts) Rules 2014 in the Form AOC-2 is annexed as 'Annexure F' to this report.

26. Particulars of loans, guarantees or investments

The details of loans, guarantees and investments covered under the provisions of Section 186 of the Companies Act, 2013, is given in the notes forming part of Financial Statements.

27. Public Deposits

During the year under review, the Company has not accepted any deposits from the public falling under Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014 and as such no amount of principal or interest was outstanding as on the balance sheet date.

28. Vigil Mechanism

The Company believes in upholding professional integrity and ethical behavior in the conduct of its business. To uphold and promote these standards, the Company has adopted Group's Integrity Line Policy which is akin to Whistle Blower Policy or Vigil Mechanism Policy for its Directors and Employees to report genuine concerns about unethical behavior, actual or suspected fraud or violation of the Code of Conduct without fear of reprisal.

29. Prevention of Sexual Harassment of Women at Workplace

The Company has in place an Anti-Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

During the year under review, there was one instance of an allegation of Sexual Harassment which stands addressed.

30. Constitution of Internal Complaints Committee

The Company has constituted an Internal Complaint Committee (ICC) and complied with all the requirements of provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

31. Details in respect of frauds reported by auditors under sub-section (12) of Section 143 of the Companies Act, 2013 'other than those which are reportable to the Central Government'

No matters of actual or alleged fraud has been reported by the auditors under sub-section (12) of Section 143 of the Companies Act, 2013.

32. Acknowledgement

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

For and on behalf of the Board of Directors

Kewal Handa
Chairman
DIN (00056826)

Adnan Ahmad
Vice-Chairman & Managing Director
DIN (00046742)

Mumbai, June 17, 2020