Chapter 3

PROFILE OF CLARIANT (INDIA) LIMITED
Chapter 3

PROFILE OF CLARINAT (INDIA) LIMITED

In the previous chapter (Chapter 2), we have studied the various research works on marketing and promotional strategies that are considered as the foundation of this research study. The study of different research works has provided a basis to understanding the different aspects of marketing and promotional strategies, which are necessary for a company to perform better in respect of sales, profitability and also for better customer satisfaction and retention. Chapter-3 intends to provide a holistic set of topics in order to provide an overall understanding of the origin and history of the company under the study; growth and status of chemical industries in India as well as Clariant (India) Limited (CIL) and its different business operational methods, which act altogether as a common frame of reference in this research work. Since the thesis is focussed on Designing Promotional Strategies for Effective Marketing in a Competitive Marketing: A Case Study of Clariant (India) Limited, the presents chapter provides a complete knowledge about a big multinational company and its business operations in India which will be helpful for the marketing managers, researchers to understand better about the operations so that it can be applied to other big industries for growth and prospect. After a detailed perusal of the Annual Reports, magazines & periodicals of the company, we intend to present the following topics in Chapter 3:

3.1. Origin and History of Clariant (India) Limited.
3.2. Global Scenario of Chemical Industry.
3.3. Scenario of Indian Chemical Industry.
3.5. Total Quality Management (TQM) at CIL.
3.6. Environment, Safety & Health affairs (ESHA) Practiced at CIL.
3.7. Social Responsibility of CIL.
3.8. Core Competencies of Clariant (India) Limited.
3.9. Product Profile of CIL.
3.10. Financial Profile of CIL.

3.1 Origin and History of Clariant (India) Limited

Clariant (India) Limited, part of Swiss multinational company Clariant AG, is engaged in speciality chemicals business. In India, its journey began in 1947 with the founding of Sandoz Products Limited. In the year 1961, the Company's name was changed to Sandoz (India) Limited. In July 1995, CIL came into existence on account of de-merger of Sandoz (India) Limited from its pharmaceuticals and agrochemicals business and floated as an autonomous company engaged in speciality chemicals business.¹

CIL is an affiliate of Clariant AG, a Switzerland based company, which has presence in five continents with more than one hundred group companies. The parent company's headquarter is situated in Muttenz, near Basel, Switzerland and it generated sales of around Swiss Franc 8.5 billion CHF (Swiss Franc) (1 CHF = 37.02 INR, 8.5 billion *37.02 = 31467 Cr INR approx.) in 2004². Clariant International is a global leader in the field of speciality chemicals. Its business is organised into five divisions: (i) textile, leather & paper Chemicals (TLPC), (ii) pigments & additives, (iii) masterbatches, (iv) functional Chemicals, and (v) life Science Chemicals. But in India, CIL operates mainly on two specialized divisions: (i) textile, leather and paper chemicals (TLPC) and (ii) masterbatches. Masterbatches referred to a group of speciality chemicals, which include colour and additive concentrates, as well as special mixtures of various chemicals compounds, which are used in making plastic articles to achieve the desired colour and properties of the end product. The market size of masterbatches in India is relatively low compare to the market size of textile, leather and
paper chemicals in speciality chemicals business. The TLPC division of the company comprises of four independent business units: (i) textile Chemicals, (ii) textile dyes, (iii) leather, and (iv) paper. Strong business relationships, commitment to outstanding services and wide range of product application know-how has made Clariant a preferred choice for its customers.

Over the years, CIL has emerged as the market leader with dominant presence in two of its business segments: (i) textile Chemicals and (ii) leather dyes. While dyes provides customised colour shades for textiles and leather, catering to the ever-changing fashion and preferences of the people, its chemicals add value by enhancing the quality of feel and finish of fabric, leather and paper. It has created broad product base that caters to the needs of more than 2500 domestic customers across the country. Today, CIL is the market leader in speciality chemicals in India and is an important supplier to the high-end segment of textiles, leather, paper, and plastic industries.

CIL has created a broad range of product portfolio of dyes and speciality chemicals for textiles, leather, paper and masterbatches for plastics and fibers. With customer focus as a part of its core values, the company has been able to withstand all challenges and pressures and won the confidence and trust of its customers during its journey. As CIL has been holding the position of market leader in textile chemicals and leather dyes for over a decade, therefore it is responsible for maintaining and carrying the brand image of Clariant within the country.

CIL has also become the global sourcing centers of Clariant group companies across the world. It is now meeting the required demand of Clariant affiliates located in all five continents for quality dyestuff and
chemicals mainly sourced from Indian manufacturers. It is aided by two state-of-the-art technical support laboratories for finished dyes & chemicals and intermediaries, which deliver solutions to the demands of its customers. Exports continue to spearhead the CIL’s business, contributing to thirty two percent of the turnover. With focus on providing solutions and new product development for the changing fashion trends, aggressive marketing, efficient distribution and technical service network for better service, are the prime objectives of CIL and eventually will create value for shareholders, customers and employees.

3.2 Global Scenario of Chemical Industry

The global chemical industry, estimated at 2.4 trillion, is one of the fastest growing sectors of the manufacturing industry. Despite the challenges of escalating crude oil prices and stringent international environmental protection standards, the chemical industry has been growing at a rate higher than the over-all manufacturing segment. As per the Industry reports, the pharmaceuticals segment approximately contributes 26% of the total Industry output and approximately 35-40% is dominated by the petrochemical segment. Commodity Chemicals is the largest segment in the chemicals market with an approximate size of US$750 billion while the speciality and fine chemicals segment accounts for US$500 billion.

The global specialty chemicals industry accounted for sales of $500 billion in 2006. Forty business segments in North America, Western Europe and Japan, with a combined market size of about $340 billion, represented about 70% of total world specialty chemicals sales in 2006. The major markets for chemicals are North America, Western Europe, Japan, and emerging economies in Asia and Latin America. The USA consumes approximately one-fifth of the global chemical consumption and is the largest consumer of
the commodity chemicals whereas Asia-Pacific is the largest consumer of agrochemicals and fertilizers.

3.3 Scenario of Indian Chemical Industry

Chemical Industry is one of the oldest industries in India. It has contributed significantly towards industrial and economic growth of the nation. It is highly research based and provides valuable chemicals for various end products such as textiles, leather, paper, and plastics etc., which are required in almost all walks of life. The Indian Chemical Industry forms the backbone of the industrial and agricultural development of India and provides building blocks for a wide range of downstream industries.

Before liberalisation, the market of speciality chemicals in India was not very impressive. But after the liberalisation in 1990's, the industry took advantage of the lower production costs prevalent in the country and shifted to value-added products. Moderate capital requirement, availability of the technical manpower and prospects, high profit margins has facilitated to promote a large number of small manufacturing firms in this sector. According to a report published by Ernst & Young and the Federation of Indian Chambers of Commerce, the specialty chemicals industry constituted 24 per cent of the $40 billion domestic chemicals industry in 2006 and is expected to grow at twice the global industry rate, 9

Traditionally, India has a very strong base in cotton production and textile manufacture and this has always led to the increasing demand for dyestuffs and chemicals. The dyestuff Industry comprising of various dyes, the intermediates and pigments, caters to several industries such as textiles, leather, paper, paints, paints and plastics. Due to changes in fashion and
colour preference among the Indian consumers today, textile sector alone consumed about 80 percent of dyes produced in the country.\textsuperscript{10}

The Indian dyestuff industry has a unique co-existence of large and small-scale industry. With nearly 2000 manufacturing units largely in small-scale sector having production capacity of about 150,000 MT per annum, which currently accounts for about 5\% of the total industry output worldwide.\textsuperscript{11} However, the sector is dominated mainly by multinational companies, which have strong links with parents companies. Indian companies such as Pidilite Industries, Herdillia Chemicals, Sudarshan Chemicals, Hindustan Organic Chemicals and Balmer Lawrie are significant players. The thrust on maintaining quality on product is also helping the larger players. The global players in the speciality chemicals segments are Clariant (India) Limited, Colour Chem, BASF, Ciba Specialty Chemicals and others.

The Indian specialty chemicals industry is approximately worth of Rs. 35000 crore, with the organised sector accounting for 21 per cent and the rest for the unorganised sector. The unorganised sector accounts for 1950 firms of the total of around 2000.\textsuperscript{12} In terms of profitability, innovation, global reach, customer orientation, product range, marketing power and R&D base, the organised sector reigns supreme. Though there are 50 major units in the organised sector of specialty chemicals industry, most companies in India operate in textile dyes and chemicals, leather dyes and chemicals, paper chemicals, rubber chemicals, masterbatches, pigments, additives, electronic chemicals, fine chemicals, cellulose esters and polymerasates, water treatment chemicals and adhesives.

The Indian Chemical Industry comprises both small and large-scale units. The fiscal concessions granted to small sector in mid eighties led to the establishment of large number of units in the small-scale industries (SSI)
sector. As capital investment in small firms is relatively low, investment in R & D and new product development is also low. With the shift in emphasis on product innovation and brand building, the industry is increasingly moving towards large-scale production and increasing customer satisfaction. Even though the speciality chemical industry in India enjoys an abundant supply of basic raw materials, but to become globally competitive, industry needs to concentrate on more research and development, focussing on core competencies and adopt world-class standards in manufacturing environment friendly chemicals. The demand for these types of products is becoming increasingly louder in the world for the protection of the earth and its fragile environment in the larger interest of the well being of future generations.

The liberalisation and globalisation of the Indian economy since 1991, has brought about enormous opportunities for expanding the industrial sectors, specially the textiles, leather, paper and chemicals. For example, the discontinuance of Multi-Fibre Agreement (MFA) from January 2005 is expected to bring about enormous changes in textile industry. It sets quotas on maximum amount of textile products that each country will be allowed to export to USA, EU and Canada and in turn which creates enormous opportunities for the Indian textile Industry. At present, India exports textile products worth of US$ 14 billion. With the boost that comes from post MFA, the Indian Government has set itself a target of US$ 50 billion of exports by 2010.  

Similarly, with the globalisation of world economies, Indian Leather Industry has emerged among the top ten export earners and the nature of exports has changed from raw hides and semi processed leather to value added finished leather products like footwear, garments, hand bags etc. This sector is totally de-reserved and open for 100% FDI under automatic
route and this has created exciting opportunities for collaboration with Indian leather sector for European countries. Further, the development of modern retailing outlets in all major cities for branded products has given rise to increasing trend in domestic consumption for leather goods.

The globalisation has also benefited the paper industry with the domestic paper industry being classified under Open General License (OGL) with low duty protection levels; the domestic prices of paper is in line with international prices. This has resulted into reducing import of paper and thus more opportunities for domestic paper industry to expand to cater to the growing demand in domestic markets.

3.4 Vision, Mission and Objectives of Clariant (India) Limited

Organisations are founded for a purpose. The mission reflects the essential purpose of an organisation underlining the basic rationale for its nature of business. It seeks to highlight the values it enshrines and the types of customers it seeks to serve and satisfy. The mission is an enduring statement of purpose that distinguishes one business firm to other similar firms. It identifies the scope of its operations in product and market terms. A good mission statement reveals an organisation’s customers, products or services, markets, technology, concern for survival, philosophy, self-concept, concern for public image and concern for employees. The corporate vision has the potential power to focus the collective energy of insiders and to give outsiders a better idea of that organisation.

Sustained progress and continuous improvement in its functioning is the hallmark of the CIL. The company believes that sustained progress can be possible by providing cost effective solutions to its customers and also by understanding their needs and providing them with improved products. The company believes in good corporate governance to further the interests of all
stakeholders. At Clariant, corporate governance is an integral element of company's value system, management and business practices, which propagate and build value driven by its transparent culture. Commitment to good corporate governance is embodied in the vision, mission and objectives of the organisation. These are briefly presented as follows:

The vision of CIL proclaims to be a leading service provider company to the textile, leather and paper and other industries in speciality chemicals sector. The mission and values of CIL upholds the organisation as a service driven company, which contributes, to the success of its customer's satisfaction. It has combined leading edge technology and innovations with superior technology and that has transformed into a preferred choice of its customers in the speciality chemicals industry. It focusses on caring and nourishing the customers. The company believes that customer centric approach is an essential requisite for sustained growth and long-term survival. It believes that the growths comes from repetitive business and repeat business comes from enduring relationships with customers that are built on mutual trust and confidence. Regular contacts with customers, understanding their needs and providing solutions to their problems supplies vital inputs to product innovations and developments. These in turn result in new business opportunities and organisational growth.

To realise the mission, CIL has set the following objectives:  

(i) To stick to core competencies.  
(ii) To pursue quality initiative like six sigma in implementation and sustenance.  
(iii) To train the manpower periodically.  
(iv) To execute project within the stipulated time frame.  
(v) To maintain 100% customer retention rate.
In addition to these objectives, CIL emphasises different aspects of modern management, a brief explanation of which is presented in the following paragraphs as a part of our endeavour to provide an elaborate profile of the company, under the study of total quality management (TQM).

3.5 Total Quality Management (TQM) at CIL

In carrying out its mission, CIL gives top priority to customer care and total quality management. In recognition of its emphasis on TQM, the company received the ISO 9001 certificate in the year 1997 from KMPG quality registrar; one of the top USA based certification agencies. The receipt of ISO 9001 certification helped the company in developing total transparency in:

(i) Various work-processes in the functions within the company

(ii) Dealing with customers on one side and suppliers on the other.\(^{21}\)

In the present highly customer oriented business scenario, the demand for product quality, innovation in application, adherence to values, continuous improvement in delivery schedules and cost effectiveness have become important considerations. The process of working for this certificate has provided tremendous amount of awareness for these values as demanded by the customers. The obtaining of ISO 9001 certification has provided unprecedented stimulus for business drivers like customer satisfaction, optimum cost, and understanding of requirements at all levels of organisation, training and retraining of personnel and a continuous evolution of technology at work. It has helped the company to significantly enhance organisational capabilities to effectively meet the ever-increasing demands of all stakeholders—from shareholders, customers, employees, and suppliers to the society at large.\(^{22}\)
Environmental protection, safety of operations and health protection are permanent commitments of CIL. The company has a tradition of being proactive to safety, health and environment concerns. Continues safety awareness is maintained through training, mock exercises, competitions, awards, etc.²³

At CIL, safety of its operations as well as the protection of the concerned people, their health and ecological responsibility, is an integral part of management. “Continuous improvement of environmental, safety and health affairs (ESHA) performance by developing new and better products, processes and services with efficient use of energy and resources; minimisation of environmental impact and waste generation and safe and responsible disposal of residual wastes” is part of value statement of Clariant worldwide. The ESHA guidelines framed by the Clariant form the integral part of the Company’s overall systems. The ESHA policy of Clariant aims at “Business Charter for Sustainable Development” of the International Chamber of Commerce and the “Responsible Care” initiative of the Chemical Industry.²⁴ Safety of operations and the protection of its people are given top priority at CIL. The company follows stringent quality measures, which ensure that all products and processes are eco-friendly. Thus, all the activities of the organisation are motivated by the well being for the society which is considered as a part of the company’s prime objective.

The ESHA team at site conducts indoor and outdoor training and mock drills on emergency & fire fighting, safety, industrial health & hygiene at regular intervals for both employees and contract personnel. The company conducts extensive safety and environmental audits and risk to all significant areas of
operations. Before introduction of any new product, specific attention is paid to minimise and avoid any waste generation. It is an integral part of CIL’s management responsibility to make the customers aware of all relevant information on the use of company’s products. The company has well defined systems and controls to ensure that the risks are monitored efficiently. Award from Dyestuff Manufacturers Association (DMAI) for the fourth time since 2001 for excellent performance in the field of pollution control, appreciation letter from Maharashtra Pollution Control Board (MPCB) for organisational contribution on pollution free environment declaring the company as one of the top 10 Greenest companies in India which is the testimony of the Company’s continuous concern on safety, health and environment.  

3.7 Social Responsibility of CIL

CIL plays an active role in extending its caring attitude towards the development of society by providing support to promote education and create infrastructure. The company has actively participated in the beautification scheme launched by Thane Municipal Corporation by beautifying Tatvagnyan Vidhyapeeth Chowk at Kapurbwadi, Thane, Maharashtra. Sports activities amongst youngsters have also been promoted in the form of sponsorship. The Company with the whole-heartedly support of its employees, distributors and customers donates cash and other materials towards the victims of the devastating Gujarat earthquake and Kargil war. The company’s sentiments for those affected found a voice through this small gesture.

CIL always endeavours to give back to society-what it has received from it. The company believes that it is part of the entire society and caring for the society means caring for itself. The company is also concerned with the
protection and health of people and the environment in which it exists. Ecological responsibility is an integral part of corporate management. At the company’s manufacturing site at Kolshet, special care is taken to make sure that products and processes do not pose a risk to the surrounding. A state-of-the-art incinerator was designed and developed for operations of waste management. CIL is one of the first in the industry to design and develop this kind of an incinerator. The company’s environmental, safety and health affairs (ESHA) activities strictly adhere to Clariant’s global policies.  

3.8 Core Competencies of Clariant (India) Limited

Clariant (India) Limited has emerged as a company whose potential is reflected in its performance. It has created a broad product base, which spans dyes and specially chemicals for textiles, leather, paper and masterbatches for plastics and fibers. Besides this, efforts at constant product innovation and customisation have won the company a loyal clientele. The confidence and trust of its customers have placed the company in the top position and stimulated its growth and broadened its horizons.

CIL considers its committed workforce to be the very foundations on which it stands. The company takes care to enhance employee effectiveness and satisfaction. They in turn appreciate and reciprocate the care that they receive wholeheartedly by making the company’s vision into their mission. Constant interaction with the employees is an integral part of the company’s outlook towards bringing about an organisational transformation. Imparting training and investment in a skilled workforce has helped the company to enhance the services that it provides. Each employee is deeply involved in giving shape to the company’s goals, and shares the responsibility and commitment towards realising the same. Thus the company’s well-honed
human resources play a vital role in the competitive edge that it has achieved.

The company regards its suppliers as an integral partner for the development and growth of itself. They are involved in creating a market identity for the company. With their assistance the company has succeeded in giving shape to its goal of providing quality products and services. 29

CIL places great value on promoting customer satisfaction. As an ongoing process, efforts are made to improve the quality and features of existing processes and products. The company believes that growth comes from repeat business, repeat business comes from relationships and relationships with customers are built on trust. The company’s relationship with its customers is backed by the research activities undertaken by CIL. Regular customer meets are organised where customers are updated about the latest products being offered. Seminars and exhibitions are organised to inform the customer in a better way. The company believes that the knowledge and expertise that it has in its field can only be enriched if it is shared with its customers. CIL offers a quarterly magazine, named “Colour Chronicle”, to its valued customers, which helps them to upgrade their knowledge in the field of textiles, leather, paper and plastic industries 30.

The Research and Development wing of CIL supports its marketing department by understanding the needs of customers and delivering optimum value and right solutions that meet the changing trends and demands of the ultimate customers. Continuous thrust for development of new products create cost effective solution and provide value for its customers. CIL has taken effective steps for strengthening organisational competence through involvement and development of people, as well as installing effective systems for improving productivity and quality. The
areas, which have focussed at present, are new product management, improving speed of execution of customers’ orders, and reducing in working capital. To monitor the customer’s satisfaction and requirements, the company has introduced the concept of Customer Development File, which contains all relevant up to date information of customers on existing businesses plus developing opportunities. CIL continues to dedicatedly provide customer care knowing that customer loyalty is as valuable as business success. 31

CIL has developed an e-communication system called “CILFlash Net” which connects all its distributors. It facilitates transmission of indent requests, access to product catalogue, indent status and invoice details. Besides, it also saves on order processing time. The company intends to extend the system for on-line processing of payments and status of its account with distributors. CIL believes that continuous development of knowledge, skill and competencies of its people is imperative to build a motivated workforce, which has high trust and high values, to ensure staying ahead of the rest. To be in line with its customer centric approach, the focus has been shifted from training to learning. Marketing executives and managers are being sent in market place for better understanding of customer needs and learning the business practices with a view to adopt to the customer needs. 32

3.9 Product Profile of CIL

CIL produces a variety of chemicals, which find wide application in different industries. In the process, it plays a vital role in the industrial development of the country. In the course of our investigation, we tried our level best to collect the specific data on the product mix of the CIL. But our efforts did not succeed in bringing out the production data of the company.
relating to different chemicals produced in India over the study period of ten years. This is because of the unwillingness of company officials to part with supplying their internal information and statistics, which they treat as confidential. Consequently, we present the product profile of CIL on the basis of whatever information we could gather from interviewing the officials and reading corporate reports made available to us.

The information emanating from the interviews and records of the company reveals that the company produces the following three groups of chemicals:

(i) General Dyes and Intermediates
(ii) Speciality Chemicals
(iii) Masterbatches.

(I) General Dyes and Intermediates

General Dyes and intermediates segment mainly caters to the requirement of fast changing fashion for textile and leather industry. It has contributed 54 percent of total sales revenue of CIL. General dyes and intermediates include disperse reactive, acid/metal complex, sulfur dyes, pigments emulsions and vats. The growth in textile dyes in domestic markets was contributed by mainly acid /metal complex and chrome dyes wherein the company has established market leadership. Its Drimarene® range of dyes for dyeing cotton fabric are popular not only for its beautiful pastel shades but also for consuming less water thereby improving cost efficiency during the dyeing process. Foron® dyes for polyester fabrics now being used in automobile industry have vibrant non-fading colour shades. With a vie to create value to its customer, CIL is focussing on process cost optimization by saving in water consumption and thereby making the end product cost effective.
Over the years CIL has been able to strengthen its market leadership in leather dyes. The company has introduced speciality low salt content dyestuffs to have total dissolved solids in effluent water, free foam, and free formaldehyde and phenol free products and processes with a view to face the continuously evolving environmental challenges. Leather dyes adds life to the hides and skins through wide spectrum of eco-friendly colourful dyes, which makes the company to be the market leader in leather dyes for the decade. The company with its global expertise in leather industry, extensive research and development facilities and highly experienced technical support team has made major impact in leather finishing and providing solutions to enhance the quality of fashionable leather at optimum cost.

In the industry segment of Paper dyes, the company has developed unique insight into the trends of consumers and understanding of many challenges faced by the paper industry. In a very small and highly competitive domestic market, the company is making its efforts to expand its market share by introducing new formulations in the sack craft papers. CIL has emerged as market leaders in Cartasol® range of direct dyes and has established range of products and processes, which provide value addition to its customers.

Exports of dyes and intermediates contribute over 98 percent of total export revenues and constitute a major segment contributing 32 percent of total sales revenue of CIL. The company is one of the global sourcing centers for Clariant group and is meeting the required demand of Clariant affiliates located in all five continents for quality dyestuff and intermediates sourced from Indian manufacturer. The company continues the status of a Trading House in respect of its export business.
(ii) Speciality Chemicals

Growth and sustainability of speciality chemicals depend upon the ability of the company to differentiating the product at regular intervals by value addition. At CIL, the products are manufactured in textile chemicals segment are pre-treatment auxiliaries, optical brightener, printing auxiliaries, finishing chemicals. Textile Chemicals created a distinction of crossing sales of Rs. 1 billion during the financial year 2003-04 and contributed 71 percent of the sales revenue of speciality chemicals segment and 31 percent of total sales revenue of the company for the year. 35

The company catered to the demand of Green products to its customers and customising its service by providing the technical process, quality and cost effective products which ultimately creating value for its valued customers. The company continues to remain a market leader and has improved its position in highly challenging market conditions registering a growth of 6 percent over the years.36

The company created speciality finishes through differentiation with the use of specialised effects like wrinkle free, stain free, light fast, flame retardant etc. Its Rayosans® protects skin from ultra violet rays and Sanitized® range of textile chemicals provide anti microbial protection to the fabric. Recently introduced Frost Finish speciality chemical makes the person feel cooler. Sustained market leadership of CIL in textile chemicals is testimony of its strength in providing innovative products in market place. These developments cater to the growing demands of major brands and retailers like Levis, Lee, Arrow, Zodiac, Colourplus, Van Hausen and Louis Phillipe.

Leather chemicals contributed 22 percent of total sales of the speciality chemical segment of the company. In spite of unfavourable market
conditions CIL has been able to achieve growth of 9 percent over the years in the domestic markets mainly from finishing chemicals through the transfer of international technology for producing the state of art products. The company supplies chemicals used in finishing and dying and has established complete range of wet end chemicals.

Paper chemicals, relatively a small sector, is contributing 7 percent of the sales revenue of speciality chemical segment and about 3 percent of total domestic sales revenue of the company. In a very small and highly competitive domestic market, the company is improving its presence and expanding its market share by introducing new formulations and working together with paper manufacturers by extending R & D facility to help maximise productivity and profitability. CIL has conducted successful trials on improving production quality by making copier grade paper with new formulations of dry strength resins and surface chemicals. In highly competitive domestic market, CIL has significantly increased its market share with major customer groups like BILT, ITC, and TNPL etc.

Despite stiff competition and price pressures in domestic market, CIL has been able to withstand intense competition and it has further consolidated its market leadership in textile, leather and paper industry segments.

(iii) Masterbatches

As stated earlier in this chapter, masterbatches referred to a group of speciality chemicals, which include colour and additive concentrates, as well as special mixtures of various chemicals compounds, which are mainly used to import colours to plastics and enhance the appearance and performance of plastics. The market size of masterbatches in India is relatively very small.
and CIL is facing stiff competition from over 150 masterbatches manufacturers operating at poor capacity utilisation of over 50 percent.³⁹

CIL, with its global strength, is focussing to expand its product range and is working together with its customers to provide cost effective quality products with rapid response. The company is making inroads in this niche segment by offering premium grade masterbatches in the range of Remafin®, Renol®, Omnicllor® for quality conscious customers and also introduced 190 new colours during the year 2002-03.

3.10 Financial Profile of CIL

CIL has recorded an impressive financial performance over the years. The broad parameters of financial performance are explained as follows.

I. Sales Growth
Sales Growth is the primary indicator of the company’s financial performance. The key factors affecting sales growth are volume and price of products. However, sales growth could also be affected by variety of other factors such as product mix, introduction/deletion of product, change in market / customer segment etc. The sales growth over a period of 10 years from 1995-96 to 2004-05 reflects the potential and market acceptability of the company’s products in the market.

89
The figure 3.1 shows that the company’s sales have increased from Rs.144 crores in 1995-96 to Rs.360 crores in 2004-05 in absolute terms. This represents a compound growth rate of 10.92% over its 10-year journey through improved product mix, focused attention on new products and partnering with customers.  

II. Operating Profit

Operating profits reflects the profits earned by company from its business operations and is used to assess the cash generating potential of a company as percent to sales. Charge for depreciation, interest and taxes are considered to be non-operative charges/costs and therefore excluded from profit for calculation of operating profit.
The figure 3.2 depicts that in highly competitive and challenging business environment, CIL has been able to sustain its operating profit margins and consistently improved its operating income from Rs. 16.8 crores in 1995-96 to Rs. 34 crores in 2004-05.\textsuperscript{41}

III. Net Profit
The net profit reflects the amount of net profit per rupee of turnover a business has earned after taking into account all costs viz, the cost of sales, the administration, selling and distribution costs, depreciation, interest etc. and is expressed as percent of sales. The net profit is the profit available for distribution of dividend & ploughing back in business for future growth.

CIL has been able to sustain its return on sales over the decade and this
reflects the strong position the company enjoys in the market place and its efficiency in dealing with inflationary pressure on various costs in highly competitive market environment. As per the figure 3.3, its net profit has increased from Rs. 6.6 crores in 1995-96 to Rs. 18.5 crores in 2004-05.

IV. Return on Capital Employed (ROCE)

Capital employed in a business is yet another key variable, which shows shareholders funds and borrowed capital. Success of a business is measured by the profits it earns on the capital employed. This is indicated as the ratio of the profit before tax (PBT) and to capital employed. This ratio is popularly known as return on capital employed (ROCE). It is generally expressed as a percentage. ROCE is an overall profitability index, which demonstrates the capacity of the company to earn profit on the total capital employed. It indicates the relation between the profits earned and capital in the company and is expressed as percent to total capital employed. It is calculated by the formula:

\[ \text{ROCE} = \left( \frac{\text{PBT}}{\text{Capital Employed}} \right) \times 100 \]

Figure 3.4: ROCE of CIL from 1995-96 to 2004-05 (in %)

As per as the chemical industry is concerned, ROCE of CIL has been one of the highest in India. The figure 3.4 shows CIL earns a return of about 30
percent per annum over the decade on capital invested in its business, which is favourably compares with the average return in the most profitable industrial sectors in India.\footnote{42}

V. Return on Net Worth (RONW)

The net worth represents the funds owned by the shareholders and constitutes share capital, reserves and surplus. The ratio signifies the return on the investment put in stake for business operation by the shareholders and is reflected as net profits available for distribution to shareholders as percent to total shareholders fund. This is calculated by the formula:

\[
\text{RONW} = \left( \frac{\text{Net Profit}}{\text{Net Worth}} \right) \times 100
\]

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{ronw.png}
\caption{RONW of CIL from 1995-96 to 2004-05 (in \%)}
\end{figure}

The company through sustained overall performance has been able to ensure consistent return of net worth on an average of 22 percent per annum over the decade. It is an index of return on the equity entrusted to it by the shareholders.

VI. Working Capital Ratio
While liquidity is pre-requisite for the survival of any business organisation, efficient utilisation of liquid resources represented in the form of inventory, receivables, cash & bank balances and payables; commonly known as working capital which is necessary to improve overall performance of the company. Working capital ratio signifies as the key indicator of the company's ability to meet its short-term obligations and thus reflect short-term financial strength of the company.

This is calculated by the formula:

\[
\text{Working Capital Ratio} = \frac{\text{Inventory}}{\text{Sales}} \text{ or } \frac{\text{Receivables}}{\text{Sales}} \times 100
\]

**Figure 3.6: Working Capital ratio of CIL from 1995-96 to 2004-05 (in %)**

![Graph showing Working Capital ratio from 1995-96 to 2004-05](image)

**VII. Inventory Turnover Ratio**

This ratio indicates how fast the inventory is sold. A high ratio depicts fast movement of its inventory and thus higher liquidity; whereas a low ratio would signify excess inventory and poor liquidity. It is reflected as number of times the inventory is converted into sales during the year. Inventory turnover ratio is calculated by the formula:

\[
\text{Inventory Turnover Ratio} = \frac{\text{Sales}}{\text{Inventory}} \times 100
\]
From the figure 3.7, it is clearly seen that the company has consistently improved its inventory turnover ratio from 6.2 to 9.0 from 1995-96 to 2004-05. This reflects that the inventory in terms of days sales has reduced from 58 days in 1995-96 to 40 days in 2004-05.43

VIII. Earnings Per Share (EPS)
A steady growth in EPS after year indicates a good track record of the company’s profitability. The ratio is indicated in terms of the amount of rupee earned on per equity share. It is calculated by the formula, which is as follows:

\[
\text{Earning Per Share (EPS)} = \frac{\text{Net Profit after the Tax} - \text{Gross Preference Dividend}}{\text{Number of Equity Share}}
\]
Figure 3.8: Earnings per share (EPS) of CIL from 1995-96 to 2004-05

Figure 3.8 shows that there is a consistent increase in earnings per share over the decade from 1994-95 to 2004-05 during the 10 years of journey of CIL’s operations. The reflection of decline in earning in 1999-00 is on account of increase in capital arising out of bonus issue in the ratio of 1:2.

IX. Dividend Per Share (DPS)

Whereas EPS indicates what the company has earned by way of profit for a period on per equity share issued, the DPS shows how much of the earning was shared /distributed by way of dividend to the shareholders during the year. This is generally reflected in terms of rupees or percent of face value of the equity share.

Figure 3.9: Dividend per Share from 1995-96 to 2004-05
In view of consistent performance and policy of distribution of profits to shareholders pursued by the company, figure 3.9 depicts that there has been more than four fold increase in the dividend paid from 25% to 110% in the 10 years journey of CIL from 1995-96 to 2004-05.44

X. Economic Value Added (EVA)

**Economic value added (EVA)** measures the difference between the return on capital invested for business operations and the relative cost of capital used. A positive EVA indicates value creation for shareholders, whereas a negative EVA signifies value destruction.

**Figure 3.10: EVA from 1995-96 to 2004-05**

Figure 3.10 shows that EVA of CIL has increased from 7.0 in 1994-95 to 20.2 in 2004-05. The positive in each of the last ten years reinforces the corporate value of "striving for enduring value creation for the benefit of shareholders".

Table 3.1 highlights the financial statements of CIL during 1995-96 to 2004-05. It shows the financial achievement of CIL, form 1995-96 to 2004-05, regarding its sales, gross profit, net profit, total share capital value, ROCE,
RONW, EPS, dividend per share, capital employed etc. It also gives a true picture of the year wise performance of the company and its growth and development, which reconfirms the point that the company is performing remarkably well related to sales and profitability during 1995-96 to 2004-05.

Table 3.1: Financial Highlights of CIL from 1995-96 to 2004-05

(Rs. in Crore)

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>95-96</th>
<th>96-97</th>
<th>97-98</th>
<th>98-99</th>
<th>99-00</th>
<th>00-01</th>
<th>01-02</th>
<th>02-03</th>
<th>03-04</th>
<th>04-05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>144</td>
<td>162</td>
<td>205</td>
<td>235</td>
<td>253</td>
<td>280</td>
<td>301</td>
<td>339</td>
<td>340</td>
<td>360</td>
</tr>
<tr>
<td>Operating Profit (PBDIT)</td>
<td>16.8</td>
<td>21.4</td>
<td>19.4</td>
<td>24.8</td>
<td>24.9</td>
<td>28.5</td>
<td>33.6</td>
<td>33.8</td>
<td>34.8</td>
<td>34</td>
</tr>
<tr>
<td>Profit Before Tax (PBT)</td>
<td>12.8</td>
<td>16.7</td>
<td>16.9</td>
<td>23.5</td>
<td>24.4</td>
<td>26.5</td>
<td>30.3</td>
<td>30.4</td>
<td>30.5</td>
<td>28.2</td>
</tr>
<tr>
<td>Profit after tax/Net Profit (PAT)</td>
<td>6.6</td>
<td>8.2</td>
<td>11.1</td>
<td>15.2</td>
<td>15.5</td>
<td>16.3</td>
<td>20.1</td>
<td>19.6</td>
<td>20.8</td>
<td>18.5</td>
</tr>
<tr>
<td>Share Capital</td>
<td>8.0</td>
<td>8.0</td>
<td>8.0</td>
<td>8.0</td>
<td>11.9</td>
<td>11.9</td>
<td>11.9</td>
<td>11.9</td>
<td>11.9</td>
<td>11.9</td>
</tr>
<tr>
<td>Net Worth</td>
<td>30.7</td>
<td>36.6</td>
<td>44.1</td>
<td>54.9</td>
<td>65.1</td>
<td>73.5</td>
<td>84.6</td>
<td>90.7</td>
<td>96.8</td>
<td>100.4</td>
</tr>
<tr>
<td>Capital Employed</td>
<td>43</td>
<td>44.5</td>
<td>51.8</td>
<td>67.3</td>
<td>71.5</td>
<td>79.1</td>
<td>91.0</td>
<td>96.5</td>
<td>105.6</td>
<td>107.9</td>
</tr>
<tr>
<td>Fixed Assets (Net)</td>
<td>7.2</td>
<td>8.4</td>
<td>9.3</td>
<td>9.9</td>
<td>12.2</td>
<td>16.0</td>
<td>16.3</td>
<td>18.6</td>
<td>24.8</td>
<td>22.7</td>
</tr>
<tr>
<td>Inventory (% of Sales)</td>
<td>16.1</td>
<td>14.9</td>
<td>13.6</td>
<td>11.7</td>
<td>12.9</td>
<td>10.1</td>
<td>9.9</td>
<td>10.8</td>
<td>10.7</td>
<td>11.1</td>
</tr>
<tr>
<td>Receivable (% Sales)</td>
<td>21.2</td>
<td>20.3</td>
<td>16.7</td>
<td>17.8</td>
<td>17.1</td>
<td>16.4</td>
<td>15.4</td>
<td>12.4</td>
<td>12.5</td>
<td>11.8</td>
</tr>
<tr>
<td>ROCE (Return on Capital Employed -%)</td>
<td>33.0</td>
<td>36.7</td>
<td>33.3</td>
<td>33.5</td>
<td>31.2</td>
<td>32.3</td>
<td>33.2</td>
<td>31.3</td>
<td>27.9</td>
<td>26.0</td>
</tr>
<tr>
<td>RONW (Return on Net Worth-%)</td>
<td>21.5</td>
<td>22.5</td>
<td>25.1</td>
<td>27.6</td>
<td>23.8</td>
<td>22.2</td>
<td>23.7</td>
<td>21.6</td>
<td>21.5</td>
<td>18.4</td>
</tr>
<tr>
<td>EPS- Earning Per Share (Rs.)</td>
<td>8.3</td>
<td>10.4</td>
<td>13.9</td>
<td>19.1</td>
<td>13.0*</td>
<td>13.7</td>
<td>16.8</td>
<td>16.4</td>
<td>17.5</td>
<td>15.5</td>
</tr>
<tr>
<td>Dividend per Share (Rs.)</td>
<td>2.5</td>
<td>3.5</td>
<td>4.0</td>
<td>5.0</td>
<td>4.0*</td>
<td>6.0</td>
<td>7.5</td>
<td>10.0</td>
<td>11.0</td>
<td>11.0</td>
</tr>
<tr>
<td>EVA (Economic Value Added)</td>
<td>7.0</td>
<td>10.6</td>
<td>11.2</td>
<td>16.6</td>
<td>15.7</td>
<td>16.5</td>
<td>19.5</td>
<td>19.4</td>
<td>19.2</td>
<td>20.2</td>
</tr>
</tbody>
</table>

* On increased capital post bonus issue

Source: Annual Reports: Clariant (India) Limited

98
References

6. Ibid.
7. Ibid.
11. Ibid.
12. Ibid.
14. Ibid.
19. Ibid.
20. Ibid.
22. Ibid.
26.
27. Ibid.
29. Ibid., p. 3.
30. Ibid.
31. Ibid., pp. 4-5.
34. Ibid.
39. Ibid.
40. Ibid.
42. Ibid.
43. Ibid., pp. 46.
44. Ibid., p 47.
45. Ibid., p. 48