

chembond

Chembond Chemicals Limited

**34th Annual Report
2008-2009**



Tarapur Plant



Head Office



Dudhwada Plant

Board of Directors

Dr. Vinod D. Shah	Executive Chairman
Ashwin R. Nagarwadia	
Perviz H. Dastur	
Mahendra K. Ghelani	
Jayant S. Vasani	
O. P. Malhotra	
Sameer V. Shah	Vice Chairman & Managing Director
Nirmal V. Shah	Joint Managing Director
Jawahar I. Mehta	
Sanjay N. Nene	

Company Secretary

Dipti D. Samant

Key Executives

Bhadresh D. Shah	General Manager (Commercial)
E. Gopalkrishnan	General Manager (Construction Chemicals - Infrastructure)
M. P. Nagarkar	General Manager (Projects)
Jinesh J. Maniar	Finance Controller
P. Basavaiah	Group Accountant
Ravikumar Mutaka	Head - Operations (Tarapur)
Deepak M. Wadekar	Senior Manager - SHEQ
Mangesh Narvekar	Dy. General Manager (Trading)
Sanjay R. Naik	Sr. Sales Manager (Anti Corrosive Coatings)
Abhijit Giri	Manager Sales
Devkinandan Sharma	Plant Manager (Baddi)
Mangesh Patil	Sr. Manager (Production, Dudhwada)

Auditors

M/s Kastury & Talati
Chartered Accountants, Mumbai

**Whole Time Practicing
Company Secretary**

Mr. Virendra Bhatt

Bankers

HDFC Bank Limited
Bank of India

**Registered and Corporate
Office**

Chembond Centre,
EL – 71, Mahape MIDC,
Navi Mumbai – 400 710.
Tel.: +91 22 6614 3000
Fax: +91 22 2768 1294

Plants

- 1) Plot E-6/3 & 6/4, MIDC Tarapur, Dist. Thane, Maharashtra.
- 2) Plot T/129, MIDC Tarapur, Dist. Thane, Maharashtra.
- 3) Khasara 177/2, Post Manpura Teh. Nalagarh, Vil. Theda, Himachal Pradesh.
- 4) Near Remuna Golai, Opp. Rajesh Chemicals, Balasore Orissa.
- 5) 5/5, 5/6B, Avadi Main Road, Sennerkuppam, Poonamallee, Chennai, Tamil Nadu.
- 6) Survey No. 404/B-01, Village Dudhwada, Taluka Padra, Dist. Vadodara, Gujrat.

Registrar and Transfer Agent

TSR Darashaw Limited,
6-10, Haji Moosa Patrawala Indl. Estate, 20,
Dr. E Moses Road, Mahalaxmi, Mumbai – 400 011.



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CHAIRMAN'S MESSAGE

Dear Shareholders,

It gives me pleasure to come before you and share some of my thoughts on the working of your Company.

The year 2008-2009 was a year of mixed feelings of sweet and sour. During this year, Company's modern plant at Dudhwada was put on stream. With this plant, the Company is geared to separate the productions of Water Treatment Chemicals at one consolidated facility at Dudhwada while the entire manufacturing facility at Tarapur is now used for the manufacture of Surface Treatment Chemicals. A separate building at Dudhwada is exclusively producing the Construction Chemicals. This action has streamlined the raw materials and finished inventories while removing the bottlenecks of movement of materials within the plant.

Your Company has also acquired substantial shareholding in Protochem, a company engaged in the manufacture of surface treatment chemicals since the time that Chembond started its operations in early 70s. The acquisition of Protochem is being completed currently. This acquisition will provide a broad based market and synergy to our joint venture Henkel Chembond Surface Technologies Limited. This acquisition will also provide an additional manufacturing facility at Mahape, Navi Mumbai.

On the sour side, the profits have declined compared to the previous year. In fact, the year turned out to be a proving ground for the management because of the challenges thrown up by the slump in Indian economy and scaled down industrial production. I am happy to say that the management has been thoughtfully responsive and sensitive to the crisis and has garnered new business sectors to partially offset the reduced sales volumes.

These economic challenges continue in the current year, especially in the infrastructure sector. The Company's performance is somewhat encouraging though, at least on a sequential basis, and with the expected improvement in the economy, your Company is well poised to fare better.

Best Wishes

Vinod D. Shah

Dr. Vinod D. Shah

Chairman



NOTICE

NOTICE IS HEREBY GIVEN THAT THE THIRTY FOURTH ANNUAL GENERAL MEETING OF THE MEMBERS OF CHEMBOND CHEMICALS LIMITED WILL BE HELD ON SATURDAY, 22ND AUGUST, 2009, AT EL-37, MAHAPE, MIDC, NAVI MUMBAI 400 710, AT 3.00 P.M. TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March 2009 and the Balance Sheet as on that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. Perviz H. Dastur who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Ashwin R. Nagarwadia, who retires by rotation and being eligible, offers himself for re-appointment.
5. To reappoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

By Order of the Board of Directors
For **Chembond Chemicals Limited**

Dr. Vinod D. Shah
Chairman

Navi Mumbai, 30th June, 2009

REGISTERED OFFICE:

Chembond Centre,
EL-71, MIDC ,Mahape,
Navi Mumbai- 400 710.

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL ONLY INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**
2. A proxy form duly completed and stamped, must reach the registered office of the Company not less than 48 hours before the time for holding the aforesaid meeting.
3. The register of members and the share transfer books of the company will remain closed from Friday, 14th August, 2009 to Saturday, 22nd August, 2009 (both days inclusive) in connection with the Annual General Meeting.
4. The Directors have recommended a dividend of Rs. 3.50/- per Equity Share, which will be paid to the members whose names appear in the Company's Register of Members on 22nd August, 2009 and Dividend Warrants posted to them on or before 21st September, 2009.
5. In respect of shares held in the electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by the National Securities Depositories Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for this purpose.
6. Members are aware that as per the Finance Act, 2003 no tax will be deducted at source on the dividend payable to the shareholders.
7. Consequent upon the amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999 which came into force w.e.f. 31st October, 1998, the company would be obliged to transfer any money lying in the Unpaid Dividend Account which remain unpaid or unclaimed for a period of 7 years from the date of such transfers, to the Investor Education and Protection Fund, and hence all unclaimed dividend for the financial year 2000-2001 have been transferred to the Investor Education and Protection Fund. The details of remaining unpaid or unclaimed dividend for the subsequent years as of 31st March 2009 are as under:

Date of Declaration	Amount (Rs.)	Due Date
17-09-2002	32,506.60	16-09-2009
07-08-2003	25,265.10	06-08-2010
12-07-2004	33,122.40	11-07-2011
12-08-2005	31,082.40	11-08-2012
29-07-2006	54,411.50	28-07-2013
18-08-2007	38,772.50	17-08-2014
13-09-2008	51,769.50	12-09-2015

8. Members are requested to inform the Company about any change in their addresses, if any, immediately so as to enable the Company to dispatch dividend warrants and any further communication at their correct address.

This information may be provided to –

TSR DARASHAW LIMITED

6-10, Haji Moosa Patrawala Industrial Estate,
20, Dr. E Moses Road,
Mahalaxmi, Mumbai – 400 011.



9. As per the Listing Agreement, particulars of Directors who are proposed to be appointed and re-appointed is furnished below –

I. Name : Perviz H. Dastur

Age : 72 years

Qualification : B.Com, MBA, ACA

Mr. Perviz H. Dastur is also on the Board of following companies:

Finor Piplaj Chemicals Limited

Chembond Ashland Water Technologies Limited

Oil Field Instrumentation (India) Limited

II. Name : Ashwin R. Nagarwadia

Age : 71 years

Qualification : BE (MECH.) from USA

Mr. Ashwin Nagarwadia is also on the Board of following companies:

Finor Piplaj Chemicals Limited

Henkel Chembond Surface Technologies Limited

Hitech Plast Limited

CCL Optoelectronics Private Limited

10. Members holding shares in electronic form may please note that their bank details as furnished by the respective Depositories to the Company will be printed on their dividend warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such members for change/deletion in such bank details. Further instructions if any already given by them in respect of shares held in physical form will not be automatically applicable to the dividend paid on shares held in electronic form. Members may therefore give instructions regarding bank accounts in which they wish to receive dividend to their Depository Participants.
11. The Company has received approval from the Central Government granting exemption from attaching the copy of the Balance Sheet, Profit & Loss Account Report of Board of Directors, Report of the Auditors of its subsidiary company namely, Chembond Ashland Water Technologies Limited Hence, accounts of this subsidiary Company are not required to be attached with the Balance Sheet of the Company. These documents will also be available for inspection by any Member of the Company at the Registered Office of the Company and the Registered Office of the respective Subsidiary Company during working hour upto the date of the Annual General Meeting.

By Order of the Board of Directors
For **Chembond Chemicals Limited**

Dr. Vinod D. Shah
Chairman

Navi Mumbai, 30th June, 2009

REGISTERED OFFICE:

Chembond Centre,
EL-71, MIDC, Mahape,
Navi Mumbai- 400 710.

DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure in presenting the 34th Annual Report on the business and operations of your Company together with Audited Financial Statements for the year ended 31st March 2009.

FINANCIAL RESULTS:

	2008 – 2009 (Rs. in '000)	2007 – 2008 (Rs. in '000)
Turnover of Sales	1,257,592	1,128,954
Less: Excise Duty	148,416	173,756
Net Sales	1,109,176	955,198
Profit Before Tax	55,477	64,057
(Less)/Add: Deferred Tax	(2,369)	(868)
Less: Provision for Taxation	(4,150)	(12,000)
Fringe Benefit Tax	(930)	(750)
Profit after Tax	48,028	50,439
Prior period adjustment	334	-
Profit After Prior Period Adjustment	48,362	50,439
Add: Balance as per last year	119,974	87,319
Total	168,336	137,758
Appropriation		
General Reserves	5,000	5,500
Proposed Dividend	10,500	10,500
Tax on Proposed Dividend	1,784	1,784
Balance carried to Balance Sheet	151,052	119,974
Total	168,336	137,758

PERFORMANCE REVIEW

The year in review was a challenging one for your Company. It started off quite well. At the half year mark sales were growing by over 30 % and profits had more than doubled over 2007 - 08. Sales of construction chemicals were exceptionally strong during this period due to the ground work prepared over the past several years. Subsequent to September your Company was affected by the economic slowdown to the extent that the sales ended the year higher by only 16.1%. Particularly hit were sales to infrastructure and building projects and to the metals industry. This slowing coincided with the start-up of the new plant resulting in higher manufacturing costs, depreciation, and interest expenses. As a result of this your Company has recorded a decrease of 13.4% and 4.8% in Profits before Tax (PBT) and Profit after Tax (PAT) respectively over the previous year. The Earning per Share (EPS) decreased to Rs.16.01 as at March 31, 2009 from Rs. 16.81 at the end of the previous fiscal year.

Your Subsidiary Company, Chembond Ashland Water Technologies Limited which supplies industrial water treatment chemicals registered an increase of 25.20% and 13.13% in Sales and PBT respectively.

After several successive years of double digit sales and profit growth your Joint Venture Company, Henkel Chembond Surface Technologies Limited recorded a nominal 1.27% growth in sales for the year ended 31st March, 2009. Profits were however, lower by 23% due to Raw Material Cost increases and planned organisational expenses based on forecasted business gains which were affected by the slowdown.

DIVIDEND

Considering the results and the significant investments planned by your Company, your Directors recommend maintaining the dividend at Rs. 3.50 per Equity Share for the financial year ended 31st March, 2009. The total outflow on account of dividend and the tax thereon amounts to Rs. 12,284,000/- (Previous year Rs. 12,284,000/-). The Company has also transferred the amount of Rs. 5,000,000/- (Previous year Rs. 5,500,000/-) from its current years profit to Reserve account.

SAFETY, HEALTH, ENVIRONMENT, AND QUALITY (SHEQ)

During the year your Company has implemented a 5S program at its Tarapur plant and attained the third level by year end. This disciplined and highly effective process, which is followed by the leading manufacturing companies of the world, focuses on better plant maintenance, reduced wastage, and organized storage among other measures and results in higher morale, greater efficiency and a safer workplace.

Your Company follows an integrated SHEQ Management System under which all plants will be certified to the applicable standards. The Tarapur plant continues to be ISO 9001 and 14001 certified and is in the process of OSHAS certification. The Dudhwada plant will be similarly certified to all three standards in 2009 - 10 while Baddi is ISO 9001 certified and will also implement and be certified to the environmental and safety standards in 2009 - 10.

DEPOSITS

The Company had accepted the deposits from the public as per the Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 and there were no due and unclaimed deposits during the year under review.

DIRECTORS

Perviz H. Dastur & Ashwin R. Nagarwadia, Directors of the Company are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

SUBSIDIARY COMPANY

The Central Government has vide its letter no. 47/189/2009-CL-III dated 19th March, 2009 exempted the Company from attaching



the financial report of the Subsidiary Company to this annual report. However, the Annual Accounts of the subsidiary Company and related detailed information will be made available to shareholder seeking such information at any point of time and the Annual Accounts of the Subsidiary Company will be available for inspection at the registered office of the Company. The statement as required under Section 212(1)(e) of the Companies Act, 1956 and the statement containing the details of the Subsidiary as required to be given as per the above exemption letter are enclosed herewith and forms part of this annual report.

Further, as stipulated by Clause 32 of the Listing Agreement and as per the conditions stated in the above letter, the Company, in accordance with the requirements of Accounting Standard 21 and Accounting Standard 27 on consolidated Financial Statements read with Accounting Standard 23 on Accounting for Investments in Associates, has prepared the Consolidated Financial Statements for the year ended 31st March, 2009 and the same is attached to this Annual Report.

AUDITORS

The Statutory Auditors of your Company M/s. Kastury & Talati, Chartered Accountants, Mumbai who were appointed as Auditors to hold office until the conclusion of the ensuing Annual General Meeting are eligible for re-appointment. The Company has received the Certificate from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224 (1-B) of the Companies Act, 1956.

DISCLOSURE UNDER SECTION 274(1) (g)

None of the Directors of the company are disqualified from being appointed as Directors as specified under Section 274(1)(g) of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 2000.

CODE OF CONDUCT

The Company has introduced a Code of Conduct as per revised Clause 49 of the Listing Agreement applicable to all the Directors and Senior Management of the Company. Pursuant to said regulation, the Company has received a confirmation from all the Directors and Senior Management of the Company about the compliance to the said code of conduct during the financial year ended 31st March 2009.

CORPORATE GOVERNANCE

A separate report on Corporate Governance is attached as a part of the Annual Report along with the Auditor's Statement on its compliance.

CORPORATE SOCIAL RESPONSIBILITY

Your Company along with other group companies continues to support the Visan Trust in its objective of providing the girl child in tribal areas with educational and vocational opportunities and in enhancing their self-esteem. Around 300 girls between the ages of 3 and 18 from areas around Tarapur attend the Center and we are pleased that this year four girls completed their SSC levels and have enrolled for higher studies. As a leader in industrial water treatment, your Company has now initiated a project to apply some of its knowledge base to providing drinking water solutions to areas where access to safe, clean drinking water is lacking. A pilot project was started in a village near Tarapur, while water purification equipment, which would remove suspended solids as well as viruses and bacteria, for four more locations has been designed and procured.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors give hereunder Director's Responsibility Statement pertaining to the accounts of the Company

- that in preparation of the Annual Accounts for the year ended 31st March 2009, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- that the directors had selected such accounting policies and applied consistently and made judgements and estimates that were reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March 2009 and the profit of the Company for the year under review;
- that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the annual accounts for the year ended 31st March 2009 have been prepared on a 'going concern basis'.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUT GO

The prescribed particulars Under Section 217(1) (e) of the Companies Act, 1956 relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and outgo are furnished in Annexure to this Report.

PARTICULARS OF EMPLOYEES

The Information required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is given as under

Employee Name	Designation	Age	Qualification	Remuneration *	No. of Shares Held
Dr. Vinod D. Shah	Executive Chairman	77 Years	Doctorate in Chemical Engineering	Rs.3,000,000/-	4,42,355 (14.75%)

* Excluding the perquisite which shall not be included in the computation of the ceiling limits of remuneration.

ACKNOWLEDGEMENTS

Your Board takes this opportunity to thank the customers, vendors, shareholders and bankers for the faith reposed in the Company. Your directors also place on record their sincere appreciation of the contribution of its employees, for their competence, hard work and cooperation.

For and on behalf of the Board of Directors
of **Chembond Chemicals Limited**

Sameer V. Shah
Vice Chairman & Managing Director

Place: Navi Mumbai
Date: 30th June, 2009

ANNEXURE TO THE DIRECTORS' REPORT

Particulars required under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the report of Board of Directors) Rule, 1988:

I. CONSERVATION OF ENERGY

A) Energy conservation measures taken:

The company has taken adequate timely measures to reduce the energy consumption by modifying its furnace and other equipment.

B) Additional investments and proposals for Reduction of energy:

None under the present condition.

C) Impact of the measure as (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

In view of the measures taken by the Company as above-mentioned the quantitative consumption of Energy are to the satisfactory levels.

D) Total energy consumption & energy consumption per unit of production:

Particulars	2008-09	2007-08
I) Electricity Purchased		
i) Units	624,027	552,352
ii) Total Amount (Rs. In '000)	4,325	3,443
iii) Rate/KWH (Rs.)	6.93	6.23
II) Kerosene purchased		
i) Liters	62,857	98,660
ii) Total Amount (Rs. In '000)	1,739	2,494
iii) Rate/ Lt. (Rs.)	27.67	25.28

II. TECHNOLOGY ABSORPTION.

The Company has an on-going process of Research & Development and the Company continues its efforts to assimilate group technology for improving product quality.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO:

(Rs. in Thousand)

Particulars	2008-09	2007-08
Total Foreign Exchange Earned	15,435	11,237
Total Foreign Exchange Outgo	199,766	139,280

IV. RESEARCH & DEVELOPMENT

a) Research & Development in your company is mainly focused on newer polymer systems for coatings and in construction chemicals.

b) Benefits from the R & D activities :

- i) Improved product Performance.
- ii) Helps in promotion of our products in industry.
- iii) Reduction of material costs.



c) Future Plans of Action

The company intends to continue to increase R&D investments in developing better products with the objective of improving the performance of existing products and delivering value to the customer. The coming years will see an increased spending in R&D in evaluating and developing allied products on our value chain or in backward integration of key input materials.

d) Expenditure on R & D

(Rs. in Thousand)

Particulars	2008-09	2007-08
Revenue Expenditure	237.12	331.20
Capital Expenditure	2738.53	830.25
Total	2957.65	1,161.45
Total R & D as percentage of Turnover	0.27%	0.12%

For and on behalf of the Board of Directors
of **Chembond Chemicals Limited**

Sameer V. Shah
Vice Chairman & Managing Director

Place: Navi Mumbai
Date: 30th June, 2009

10 Years Financial Performance

(Rs. '000)

Except Ratios & percentages

Highlights	08-09	07-08	06-07	05-06	04-05	03-04	02-03	01-02	00-01	99-00
Operating Result										
Net Sales	1,109,176	955,198	742,145	530,315	420,190	329,130	292,945	252,150	213,698	218,322
Other Income	27,897	26,697	28,288	18,919	12,241	11,828	9,848	21,277	995	17,062
Interest Finance Charges	14,658	7,477	3,849	3,844	4,178	5,041	7,923	7,656	5,708	5,594
Depreciation	8,698	5,835	4,039	3,061	2,578	2,241	2,075	1,890	1,766	1,676
Profit Before Tax (PBT)	55,477	64,057	58,095	41,420	25,393	20,505	12,797	31,312	14,845	14,727
Profit After Tax (PAT)	48,028	50,439	45,304	30,636	19,199	15,957	8,262	24,296	10,845	11,127
Dividend on Equity Shares	10,500	10,500	9,750	9,750	8,100	7,200	6,300	5,400	4,500	5,400
Financial Position										
Equity Share Capital	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Reserves (Excluding Revaluation Reserves)	216,268	164,499	127,170	97,743	78,225	68,110	60,115	58,640	45,258	39,213
Borrowings	195,448	79,681	60,564	49,107	47,212	30,716	55,390	67,364	48,393	46,574
Net Block	197,399	107,280	91,918	56,410	49,603	46,740	46,845	46,176	39,833	40,052
Earning Per Share	16.01	16.81	13.61	10.21	6.40	5.32	2.75	8.09	3.61	3.71
Dividend Per Share	3.50	3.50	3.25	3.25	2.70	2.40	2.10	1.80	1.50	1.80
Ratios										
Return on Net Worth % (RONW)	21.79	28.69	31.80	25.97	18.61	16.96	9.24	29.65	15.01	16.69
Return on Capital Employed % (ROCE)	21.53	28.25	30.25	25.98	34.85	17.08	13.36	24.14	15.86	16.90
Gross Gearing %	43.45	28.38	26.98	26.72	29.05	22.54	36.13	41.04	36.62	37.37
Current Ratio	1.70	1.59	1.56	1.92	2.08	1.95	2.38	2.40	2.25	2.28
Asset Turnover Ratio	1.49	1.85	1.71	1.68	1.60	1.47	1.29	1.04	1.07	1.18



MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL REVIEW

The Company is in the specialty chemicals business and offers a range of products for diverse industrial applications. The Company maintains its head office in Mahape, Navi Mumbai and plants at various locations spread across the country. Further, the Company has one Subsidiary Chembond Ashland Water Technologies Limited, Joint Venture Company Henkel Chembond Surface Technologies Limited and Associate Companies Chembond Enzyme Company Limited (CECL) and CCL Building Systems Limited (CBSL). These companies deal in specialty chemicals products like water treatment chemicals, industrial enzymes, and metal surface treatment chemicals and in application solutions for infrastructure. The Company has branch offices spread across the country.

COMPANY'S OBJECTIVE & POLICY

The Company's objective is to be the "Supplier of Choice" for its existing as well as prospective customers. It considers the customer as its partner and works towards achieving the common objectives of higher quality, better value for money and a friendly environment. The Company considers product quality, technical services and customer satisfaction as the backbone of its business. The Company is certified for ISO 9001:2000 as Quality Management System and ISO 14001 : 2004 as Environmental Management System by DQS Certification India Private Limited. The Company is also committed to absorb knowledge to incorporate improvements on continued basis which are in consonance with global standards.

The Company also has a policy called SHE (Safety, Health and Environment), which is applicable to all the employees of the Company. Every one at Chembond is committed to comply with the standard prescribed under policy and work towards improving the same on continuous basis.

SIGNIFICANT FINANCIAL EVENTS OF THE YEAR

The Company's turnover grew by 16.12% in 2008-09 to Rs. 11,091.76 Lacs.

Expenditure increased from Rs. 9,214.44 Lacs to Rs. 10,940.04 Lacs an increase of 15.47%. Although this is in line with the increased sales volume, expenses were higher on account of the new plant near Vadodara coming onstream. Depreciation and interest costs were also higher for the same reason causing a reduction in the Profit After Tax by 4.78% to Rs. 480.28 Lacs over the prior period.

The paid-up equity share capital stood at Rs. 300 lacs. The Earning Per Share was Rs. 16.01. A dividend of 35% (Rs. 3.50 per share) has been proposed, subject to approval of the shareholders. The payout at this rate will be Rs. 105 Lacs on account of dividend and Rs. 17.84 Lacs on account of dividend distribution tax.

RESOURCES AND LIQUIDITY

Primary liquidity needs have been to finance working capital needs and in expansion of the Company's facilities. To fund these, the company relied on internal accruals and borrowings. The company has secured loans of Rs. 1739.11Lacs and unsecured loans of Rs. 215.36 Lacs.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company maintains effective internal controls, systems and procedures for management of its business. As a part of this process, systems and procedures are regularly reviewed and strengthened. The internal control systems cover the accounting, production and administration functions. The Company has appointed an outside internal audit agency to further assess the systems and provide valuable feedback on the systems and areas of improvement of the same. The Company has a proper and adequate system to ensure that all assets are safeguarded and protected against loss, theft, unauthorized use and damage from improper use.

HUMAN RESOURCES /DEVELOPMENT

The Company has a large pool of talented and knowledgeable personnel. The Company offers several in-house training programs to its personnel. This is aimed at continuous development and improvement of the Company's talent pool. Company regularly held in-house training programs during the year under reference. Industrial relations at the plant remained cordial throughout the year. The number of people employed by the Company as of 31st March 2009 is 250.

OUTLOOK

The industry sector under which the Company operates has been posting healthy growth rates over the years despite the current economic slowdown. The market for the product mix is expanding at about 6% per annum. These factors provide opportunities for the Company to continue to return impressive growth and returns for all shareholders.

FORWARD LOOKING STATEMENT

This report contains statements, which may constitute 'forward looking statements' within the meaning of the applicable securities laws and regulations. Forward-looking statements are based on certain assumptions and expectations of the future events. Actual results could differ materially from those expressed or implied. Important factors that could impact the Company's performance include, among others, economic conditions affecting the demand / supply and price conditions in the markets in which the Company operates, changes in the Government policies, regulations, tax laws, other statutes and incidental factors.

The Company undertakes no obligations to update or revise forward-looking statements on the basis of any subsequent developments, information, or events.



REPORT ON CORPORATE GOVERNANCE

PHILOSOPHY ON CODE OF GOVERNANCE

The philosophy underlying Corporate Governance seeks to create a system of "Checks and balances" based on transparency, ensuring integrity, clarity and consistency in the dealings of the Company with all its stakeholders. Good Governance ensures that the best corporate practices are followed by a Company. Implementation of good governance indicates not only the compliance of the laws and regulations of the land but also indicates the values, practices and culture of your organization. The Company is committed to adopt best Corporate Governance practices and endeavor continuously to implement the code of Corporate Governance in its true spirit. The Company has made Corporate Governance a practice and a process of development right across the Company.

I. BOARD OF DIRECTORS

The Company is managed by a Board of Directors. The Board formulates the strategy, regularly reviews the performance of the Company and ensures that the previously agreed objectives are met on a consistent basis. The Managing Director along with the executive directors manages the day to day operations of the company.

The Board of Directors has the ideal composition with more than half of the directors being non executive directors of which half of the directors are independent directors.

A. The composition of the Board as on 31st March, 2009 and details of Board Meeting and Annual General meeting held and attendance of the Directors:

Name of the Directors	Designation	No. of Board Meetings attended	Attendance at last AGM	Number of out-side Directorship held (excluded alternate directorship and in private companies)	Total Number of Committee Membership held**	Total Number of Chairman Ship held**
Dr. Vinod D. Shah	Promoter and Executive Chairman	4	Yes	6	1	-
Mr. Sameer V. Shah	Promoter, Vice Chairman & Managing Director	4	Yes	7	1	-
Mr. Ashwin R. Nagarwadia	Promoter & Non – Executive Director	4	Yes	3	1	-
Mr. Perviz H. Dastur	Promoter & Non – Executive Director	4	Yes	3	1	-
Mr. Nirmal V. Shah	Promoter & Joint Managing Director	4	Yes	6	1	-
Mr. Mahendra K. Ghelani	Independent & Non – Executive Director	4	Yes	1	1	1
Mr. Jayant S. Vasani	Independent & Non – Executive Director	4	Yes	-	1	1
Mr. O. P. Malhotra	Independent & Non – Executive Director	1	Yes	10	2	-
Mr. Jawahar I. Mehta	Independent & Non – Executive Director	1	Yes	1	-	-
Mr. Sanjay N. Nene	Independent & Non – Executive Director	1	Yes	-	-	-

**Considered Membership and Chairmanship of Audit Committee and Shareholders' Grievance Committee of Public Limited Companies only.

During the year, four Meetings of Board of Directors were held on 30th April, 2008, 31st July, 2008, 31st October, 2008, 29th January, 2009.

B. Board Meeting & Procedures

The Board members are well informed in advance about the schedule of the Meetings and appropriate documents and information are given in advance to each of the Board Member. To enable the Board to discharge its responsibilities effectively, the Managing Director reviews the overall Company performance

placing a detailed functional report before the Board members. The functions performed by the Board, inter alia, include review of:

- * Strategy and business plans
- * Annual operating and capital expenditure budgets
- * Quarterly results of the Company
- * Minutes of the Meeting of Audit and other Committees of the Board
- * Information on recruitment and remuneration of Senior officers including Chief Financial Officer and Company secretary
- * Investment and exposure limits
- * Business risk analysis and control
- * Compliance with statutory / regulatory requirements and review of major legal issues
- * Transaction pertaining to purchase disposal of property, major provisions and write offs.

C. Details of Directors being re-appointed

As per statute, two third of the Directors should be retiring Directors. One third of these retiring Directors are required to retire every year and if, eligible, these Directors qualify for reappointment.

Mr. Perviz H. Dastur and Mr. Ashwin R. Nagarwadia retire by rotation at the ensuing Annual General meeting and being eligible, offer themselves for reappointment.

A brief resume of Directors appointed / eligible for reappointment along with the additional information required under clause 49 (VI) (A) of the Listing Agreement is as under :

- | | | | |
|----|---------------|---|--------------------------|
| I | Name | : | Mr. Perviz H. Dastur |
| | Age | : | 72 Years |
| | Qualification | : | B.Com, MBA and ACA |
| II | Name | : | Mr. Ashwin R. Nagarwadia |
| | Age | : | 71 Years |
| | Qualification | : | B.E. (Mech.) from USA |

E. Code of Conduct

The Board has laid down the code of conduct for all the Members of the Board and senior management of the Company. The Company has also posted the same on Company's website. All the Members of the Board and senior management have complied with the code of conduct and the disclosure in that respect is also contained the Directors' Report of the Company.

II. COMMITTEES OF THE BOARD

A. AUDIT COMMITTEE

The constitution of Audit Committee as of 31st March 2009 is as follows:

Name of the Member	Designation	No. of meeting attended
Mr. Mahendra K. Ghelani	Chairman	4
Mr. Perviz H. Dastur	Member	4
Mr. Jayant S. Vasani	Member	4

During the year, four Meetings of Audit Committee were held viz. 29th April, 2008, 31st July, 2008, 30th October, 2008, 28th January 2009.

The Committee has members with sound knowledge of finance, accounting and law. The Committee deals with accounting matters, financial reporting and internal controls. The Audit Committee has powers and performs the role as per the guidelines set out in the amended listing agreement. The Committee monitors any proposed changes in accounting policy, accounting implications of major transactions etc. The Committee also closely reviews the adequacy of internal audit controls, formulates and monitors the annual audit plan. The Committee also review the Management Discussion and analysis of financial condition, related party transaction, Management Letter, Internal Audit Report, matters related to appointment of Internal and statutory auditors of the Company, financial statement of subsidiary Company.



The Managing Director, concerned Executive and Non Executive Directors and Finance Controller are invitees to the meeting.

The Chairman of the Audit Committee, Mr. Mahendra K. Ghelani, was present at the Annual General Meeting held on 13th September, 2008.

B. REMUNERATION COMMITTEE

The constitution of the Remuneration Committee as of 31st March 2009 is as follows:

Name of the Member	Designation
Mr. Jayant S. Vasani	Chairman
Mr. Ashwin R. Nagarwadia	Member
Mr. Mahendra K. Ghelani	Member

During the year one Meeting of Remuneration Committee was held viz. 28th January, 2009.

Remuneration Committee reviews and approves the annual salaries, performance commission, service agreements and other employment conditions for executive directors and senior managerial personnel.

Independent and Non Executive Directors are paid sitting fees as per the provisions of the Companies Act, 1956.

C. SHARE TRANSFER COMMITTEE

The constitution of Share Transfer Committee as of 31st March 2009 is as follows:

Name of the Member	Designation
Mr. Jayant S. Vasani	Chairman
Dr. Vinod D. Shah	Member
Mr. Sameer V. Shah	Member
Mr. Nirmal V. Shah	Member

The Committee deals with matter relating to:

- Transfer / Transmission of Shares
- Issue of duplicate share certificates
- Review of shares dematerialized

During the year, five meetings of Share Transfer Committee were held viz. 25th September, 2008, 13th November, 2008, 17th December, 2008, 19th February, 2009 and 7th March, 2009.

The Company has appointed Mr. Bhadresh Shah, General Manager (Commercial) , as Compliance Officer, who has been co-ordinating with Registrar and Transfer Agent for all matters relating to share transfer and shareholders grievances. During the year, the Company has received 49 shareholders' complaints and all of them have been resolved during the year and no complaint was pending at the end of the year.

D. EXECUTIVE COMMITTEE

The constitution of Executive Committee as of 31st March 2009 is as follows:

Name of the Member	Designation
Dr. Vinod D. Shah	Chairman
Mr. Sameer V. Shah	Member
Mr. Nirmal V. Shah	Member

The Board of Directors has delegated the authority to the Executive Committee to supervise and monitor day – to – day affairs of the Company.

E. MANAGEMENT COMMITTEE

The Constitution of the Management Committee is as follows :

Name of the Member	Designation
Mr. Sameer V. Shah	Member
Mr. Nirmal V. Shah	Member
Mr. Bhadresh D. Shah	Member
Mr. Sharad M. Mahadik	Member
Mr. Subhash Kolhe	Member
Mr. Jinesh J. Maniar	Member
Mr. Pradeep Joshi	Member
Mr. E. Gopalkrishnan	Member

The Management committee looks after the day to day operation of the Company under the supervision of the Executive Directors, formulate the strategy, growth plans of the Company and its implementation.

III. SUBSIDIARY COMPANIES:

The Company has one subsidiary named Chembond Ashland Water Technologies Limited. One of the Independent Directors is on the Board of the subsidiary companies. Mr. O. P. Malhotra is a Director on the Board of Chembond Ashland Water Technologies Limited. The Audit Committee of the Company reviews the financial statement of the subsidiary and the minutes of the Board Meeting of subsidiary are placed in the Board Meetings.

IV. REMUNERATION OF DIRECTORS

The details of remuneration paid to the Directors for the year ended 31st March 2009 are specified below

Remuneration to Non Executive Directors

Name	Rupees	No. of Shares held as of 31.03.2009
Mr. Perviz H. Dastur	100,000	67,030
Mr. Ashwin R. Nagarwadia	250,000	1,54,690
Mr. Jayant S. Vasani	30,000	8,750
Mr. Mahendra K. Ghelani	100,000	2,250
Mr. Jawahar I. Mehta	30,000	600
Mr. Sanjay N. Nene	60,000	Nil
Mr. O. P. Malhotra	-	Nil

Remuneration to Executive Directors

Names	Position	Salary and Perquisite (Rs.)
Dr. Vinod D. Shah	Chairman	3,000,000
Mr. Sameer V. Shah	Vice Chairman & Managing Director	576,000
Mr. Nirmal V. Shah	Joint Managing Director	1,197,340

- Excluding the Perquisite which shall not be included in the computation of the ceiling limits of remuneration.
- The Company pays the remuneration to non executive Directors in terms of provisions of the Companies Act, 1956.

V. OTHER SHAREHOLDERS COMPLIANCES:

1. The required information about the appointment / re-appointment of Director is given in the Notice of Annual General Meeting.
2. The quarterly results are generally published by the Company in Navashakti and Free Press Journal. The results are also sent to stock exchange for their information and posted on website for the information of general public.
3. The Company has in place a committee called Share Transfer Committee under the Chairmanship of Non-executive Director, inter alia to look after the matters related to transfer of shares and resolving Investors Compliant, etc.



VI. CEO/ CFO CERTIFICATION:

The Managing Director and Chief Financial Officer of the Company have furnished the requisite certificate to the Board of Directors under clause 49 VII of the Listing Agreement.

VII. GENERAL BODY MEETINGS:

Location and time of General Meetings held in last 3 years:

Year	AGM / EGM	LOCATION	DATE	TIME	SPECIAL RESOLUTION PASSED
2006	AGM	EL-37, Mahape, MIDC, Navi Mumbai 400 710.	29.07.2006	3.00 p.m.	YES
2007	AGM	EL-37, Mahape, MIDC, Navi Mumbai 400 710.	18.08.2007	3.00 p.m.	YES
2008	EGM	EL-37, Mahape, MIDC, Navi Mumbai 400 710.	24.05.2008	3.00 p.m.	YES
2008	AGM	EL-37, Mahape, MIDC, Navi Mumbai 400 710.	13.09.2008	3.00 p.m.	YES

VIII. DISCLOSURES:

- There were no materially significant related party transactions with the promoters, Directors etc that may have potential conflict with the interests of the Company at large. The Register of Contracts containing the transaction in which Directors are interested is placed before the Board regularly for its approval.
- There were no non compliances by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter relating to the capital markets during the last three years.
- The Company has complied with all the mandatory requirements and non-mandatory requirement in respect of remuneration committee as stipulated in the clauses of corporate governance.

IX. GENERAL SHAREHOLDERS INFORMATION:

- Date, Time & Venue of Annual General Meeting. Saturday 22nd August, 2009 at 3.00 p.m. at EL-37, MIDC, Mahape, Navi Mumbai 400 710
- Financial Year The Financial Year covers the period from 1st April to 31st March
- Financial Calendar for 2009-2010 (tentative & subject to change)

Financial Reporting for the quarter ending	
30.06.2009	By end of July 2009
30.09.2009	By end of October 2009
31.12.2009	By end of January 2010
31.03.2010	By end of April 2010
- Date of Book Closure Friday 14th August, 2009 to Saturday 22nd August, 2009 (Both days inclusive)
- Dividend Payment date On or after 22nd August, 2009
- Listing on Stock Exchange Bombay Stock Exchange Limited
- Stock Code 530871
- Market Price data

Month	High	Low
April 2008	200.00	152.50
May 2008	170.90	146.50
June 2008	174.95	130.00
July 2008	164.85	126.25
August 2008	186.60	144.05
September 2008	214.00	146.00
October 2008	170.00	96.05
November 2008	145.00	117.25
December 2008	145.00	119.00
January 2009	145.00	126.05
February 2009	140.00	116.60
March 2009	138.60	108.35

- 9 Registrar and Transfer Agent
TSR Darashaw Limited
6-10, Haji Moosa Patrawala Indl. Estate, 20, Dr. E Moses Road, Mahalaxmi, Mumbai – 400 011.
Tel: 022 – 6656 8484 Fax: 022 – 6656 8494
E-mail : csg-unit@tsrdarashaw.com
Web : www.tsrdarashaw.com
- 10 Share Transfer System
Share transfer activities are carried out by Registrar and transfer Agent and shares are transferred within stipulated time period.
- 11 Distribution of shareholding

No. of Equity Shares Held	No. of Shareholders	% of Shareholders	Share amount (Rs.)	% of Shareholding
Upto 5000	1268	95.63	3,870,460.00	12.90
5001 - 10000	13	0.98	914,110.00	3.05
10001 - 20000	13	0.98	1,684,120.00	5.61
20001 - 30000	10	0.75	2,295,490.00	7.65
30001 - 40000	6	0.45	2,048,680.00	6.83
40001 - 50000	2	0.15	906,200.00	3.02
50001 - 100000	7	0.53	4,346,300.00	14.49
100001 & above	7	0.53	13,934,640.00	46.45
Total	1326	100.00	30,000,000.00	100.00

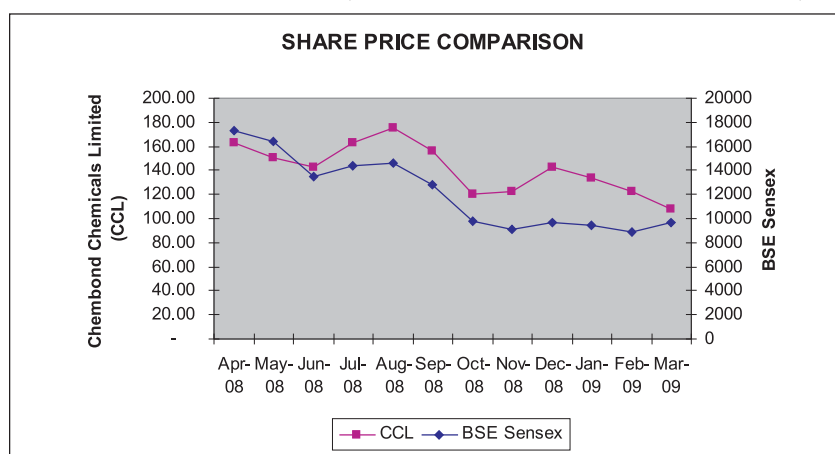
- 12 Dematerialization of share and liquidity
As of 31.03.2009, out of total shareholding 39.05 % shares are held in Demat form. The shares of the Company are actively traded on Bombay Stock Exchange Limited.
- 13 Details about the ADR/ GDR
The Company has not issued any ADR/GDRs.
- 14 Plant Locations
Plot E-6/3 & 6/4, MIDC Tarapur, Dist. Thane, Maharashtra.
Plot T/129, MIDC Tarapur, Dist. Thane, Maharashtra.
Khasara 177/2, Post Manpura Teh. Nalagarh, Vil. Theda, Himachal Pradesh.
Near Remuna Golai, Opp. Rajesh Chemicals, Balasore Orissa.
5/5, 5/6B, Avadi Main Road, Sennerkuppam, Poonamallee, Chennai, Tamil nadu.
Survey No. 404/B-01, Village Dudhwada, Taluka Padra, Dist. Vadodara, Gujrat.
- 15 Address of Correspondence
Chembond Chemicals Limited
Chembond Centre, EL-71 MIDC, Mahape, Navi Mumbai 400 710.
Tel: 022 – 6614 3000; Fax: 022 – 2768 1294
- 16 Category of Shareholding as of 31st March 2009

Category	No. of Shares	% of total shares
Promoters & their relatives	17,35,943	57.86
Persons acting in concert	1,86,870	6.23
Banks/ FIs/Insurance Co.(Central/ State Govt./ Non- Govt. Institutions)	11,900	0.40
Corporate Bodies	2,12,445	7.08
NRIs/OCBs	38,036	1.27
Indian Public	8,14,806	27.16
Total	30,00,000	100.00



17 PERFORMANCE COMPARISON

Month	Chembond Chemicals Limited	BSE SENSEX
April-08	163.05	17287.31
May-08	150.10	16415.57
June-08	143.10	13461.6
July-08	162.90	14355.75
August-08	175.10	14564.53
September-08	156.65	12860.43
October-08	120.00	9788.06
November-08	123.00	9092.72
December-08	143.00	9647.31
January-09	134.00	9424.24
February-09	122.25	8891.61
March-09	108.35	9708.50



AUDITOR'S CERTIFICATE

To

The Members of CHEMBOND CHEMICALS LIMITED

We have examined the compliance of conditions of Corporate Governance by CHEMBOND CHEMICALS LIMITED (the Company) for the year ended 31st March, 2009 as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchange.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the certificate of Corporate Governance as stipulated in the said clause. 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreement.

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

For **M/S Kastury & Talati**

Chartered Accountants

Dhiren P. Talati

Partner

Membership No.: F/41867

Navi Mumbai, 30th June, 2009

AUDITOR'S REPORT

To,

The Members of

Chembond Chemicals Ltd.,

1. We have audited the attached Balance Sheet of Chembond Chemicals Ltd., as at 31st March, 2009 and the Profit and Loss account, and the Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 (the 'Order') issued by the Central Government of India in the terms of sub-section (4A) of section 227 of the Companies Act, 1956 (the 'Act'), we give 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 that:
 - I. 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;
 - II. In our opinion, proper books of account as required by the law have been kept by the Company so far as appears from our examination of those books;
 - III. The Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report are in agreement with the books of account;
 - IV. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - V. On the basis of written representations received from the directors of the Company and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2009 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - VI. 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:
 - (a) in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 2009;
 - (b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For **M/s Kastury & Talati**
Chartered Accountants

Dhiren P.Talati
Partner
Membership No.: F/41867

Navi Mumbai, 30th June, 2009



Annexure referred to in paragraph "3" of the Auditors report to the members of Chembond Chemicals Ltd. on the accounts for the year ended March 31, 2009.

- i. (a) The Company has generally maintained accounting records showing certain particulars in respect of quantitative details of fixed assets, particulars of situation of the assets and records for certain moveable assets are being updated.
- (b) During the year the Management had carried out physical verification of these assets at regular interval and we have been informed that no material discrepancies were noticed on such verification as compared to the available records. In our opinion, the frequency of physical verification of Assets is reasonable having regard to the size of the Company and the nature of its Fixed Assets.
- (c) During the year, the Company has not disposed off any substantial part of the fixed assets.
- ii. (a) As explained to us, the inventory of the Company has been physically verified by the Management and in our opinion the frequency of verification is reasonable.
- (b) In our opinion, and according to the information & explanations given to us the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion, the Company is maintaining proper records of inventory. As per the information and explanations provided to us and having regard to the size of the operations of the Company, no material discrepancies have been noticed on physical verification of inventory as compared to book records.
- iii. (a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly the provisions of clauses 4(iii)(b), 4(iii)(c) and 4(iii)(d) of the order are not applicable to the Company.
- (b) The Company has taken loans from 9 companies/ individuals covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 18,412 Thousand and the year-end balance of loans taken from such parties was Rs. 17,162 Thousand.
- (c) In our opinion, the rate of interest and other terms and conditions of such loans are not, prima facie, prejudicial to the interest of the Company.
- (d) As informed to us, there are no stipulations in respect of repayment of the principal amount of aforesaid loans. The Company has been regular in the payment of interest.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
- v. (a) In our opinion, and according to the information and explanations given to us, the particulars of the contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, and having regard to the terms of contract with the subsidiary Company and the joint venture Companies the transactions made in pursuance of such contracts or arrangements and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- vi. In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of section 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed there under to the extent applicable with regard to the deposits accepted from the public. As informed to us no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal in this respect.
- vii. In our opinion, the Company has an internal audit system (including internal audit carried out by a firm of Chartered Accountants appointed by the Management) which is commensurate with the size of the Company and the nature of its business.

- viii. We are informed that the maintenance of cost records has not been prescribed by the Central Government u/s 209(1)(d) of the Companies Act 1956.
- ix.
 - a) According to the information and explanation given to us, in our opinion the Company is generally regular in depositing with the appropriate authorities, the undisputed statutory dues including provident fund, investors education and protection fund, employee's state insurance, income tax, sales tax, services tax, custom duty, excise duty, cess and other material statutory dues as applicable.
 - (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, sales tax, service tax, customs duty and excise duty were in arrears as at 31.03.2009 for a period of more than six months from the date they became payable.
 - (c) According to the information and explanations given to us, there are no dues of income tax, sales tax, service tax, customs duty and excise duty which have not been deposited on account of any dispute.
- x. The Company does not have any accumulated losses as at the balance sheet date and the Company has not incurred any cash losses during the financial year ended on that date or in the immediately preceding financial year.
- xi. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank as at the balance sheet date.
- xii. We are informed that the Company has not granted any loans and advances on the basis of security by way of Pledge of shares, debentures and other securities. Accordingly the provisions of clause 4(xii) of the Order are not applicable to the Company.
- xiii. The Company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- xiv. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments. Accordingly the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- xv. In our opinion, the terms and conditions on which the Company has given guarantees for loans taken by others from banks are not prejudicial to the interest of the Company.
- xvi. In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purpose for which they were obtained.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet and the cash flow statement of the Company, in our opinion no funds raised on short-term basis have been used for long-term investment.
- xviii. According to the information and explanations given to us, during the year, the Company has not made any preferential allotment of shares to parties or companies covered in the Register maintained under section 301 of the Act. Accordingly the provisions of clause 4(xviii) of the Order are not applicable to the Company.
- xix. According to the information and explanations given to us, during the year, the Company has not issued any debentures. Accordingly the provisions of clause 4(xix) of the Order are not applicable to the Company.
- xx. According to the information and explanations given to us, during the year the Company has not raised any money by way of public issues. Accordingly the provisions of clause 4(xx) of the Order are not applicable to the Company.
- xxi. According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the year.

For **M/s Kastury & Talati**
Chartered Accountants

Dhiren P.Talati
Partner
Membership No.: F/41867

Navi Mumbai, 30th June, 2009



Chembond Chemicals Ltd.

Balance Sheet as at 31st March 2009

PARTICULARS	Schedule	As at 31/3/2009 (Rs. in '000)	As at 31/3/2008 (Rs. in '000)
SOURCES OF FUNDS			
<u>SHAREHOLDERS' FUNDS</u>			
Share Capital	A	30,000.00	30,000.00
Share Capital Suspense	A1	1,802.06	-
Reserves and Surplus	B	222,616.95	171,037.07
		254,419.01	201,037.07
<u>LOAN FUNDS</u>			
Secured Loans	C	173,911.56	51,205.68
Unsecured Loans	D	21,536.20	28,475.15
		195,447.76	79,680.83
Deferred Tax Liability		13,709.18	11,340.27
	Total	463,575.95	292,058.17
APPLICATION OF FUNDS			
<u>FIXED ASSETS</u>			
GROSS BLOCK	E	236,239.89	137,129.64
Less : Depreciation		38,840.44	29,849.81
NET BLOCK		197,399.45	107,279.83
CAPITAL WORK IN PROGRESS		3,642.98	17,174.94
		201,042.43	124,454.77
INVESTMENTS	F	68,075.35	35,723.14
<u>CURRENT ASSETS, LOANS AND ADVANCES</u>			
Inventories	G	143,598.96	117,274.03
Sundry Debtors	H	232,463.16	169,328.24
Cash and Bank Balances	I	5,774.75	4,675.85
Loans and Advances	J	91,088.13	63,547.14
	a	472,925.00	354,825.26
<u>LESS: CURRENT LIABILITIES AND PROVISIONS:</u>			
Current Liabilities	K	209,181.56	159,630.10
Provisions	L	69,285.27	63,314.90
	b	278,466.83	222,945.00
NET CURRENT ASSETS	a-b	194,458.17	131,880.26
	Total	463,575.95	292,058.17
Notes on accounts	R		

As per our attached report of even date.

For **M/S KASTURY & TALATI**
Chartered Accountants

Dhiren P. Talati
Partner

Navi Mumbai, 30th June, 2009

For and on behalf of the Board of Directors

Dr. Vinod D. Shah - Executive Chairman
Sameer V. Shah - Vice Chairman & Managing Director
Nirmal V. Shah - Joint Managing Director
Perviz H. Dastur - Director
Mahendra K. Ghelani - Director

Navi Mumbai, 30th June, 2009

Chembond Chemicals Ltd.

Profit And Loss Account for the year ended 31st March 2009

	Schedule	Year Ended 31/3/2009 (Rs. in '000)	Year Ended 31/3/2008 (Rs. in '000)
INCOME			
Sales		1,257,592.05	1,128,953.72
Less Excise Duty		148,415.63	173,756.17
Net Sales		1,109,176.42	955,197.55
Other Income	M	27,896.83	26,697.45
Variation in stock	N	12,218.44	3,417.42
	Total	1,149,291.69	985,312.42
EXPENDITURE			
Materials Consumed	O	935,596.67	801,520.65
Manufacturing & Other Expenses	P	135,050.64	106,611.86
	Total	1,070,647.31	908,132.51
Profit before Depreciation, Financial Charges and Taxation		78,644.38	77,179.91
Depreciation	E	8,698.06	5,835.12
Financial charges	Q	14,658.20	7,476.75
		55,288.12	63,868.04
Add: Transfer from Revaluation Reserve		189.27	189.27
Profit before Tax		55,477.39	64,057.31
Less : Deferred Tax Adjustment		2,368.90	868.34
Less : Fringe Benefit Tax		930.00	750.00
Less : Provision for Taxation		4,150.00	12,000.00
Profit After Taxation		48,028.49	50,438.99
Add : Prior Period Profit of SMEPL (See Note No. 11 of Schedule R)		333.97	-
Add : Balance as per last Balance Sheet		119,974.20	87,319.71
Profit available for Appropriation	Total	168,336.66	137,758.70
APPROPRIATION			
General Reserve		5,000.00	5,500.00
Proposed Dividend		10,500.00	10,500.00
Tax on Proposed Dividend		1,784.48	1,784.48
Balance carried to Balance Sheet		151,052.18	119,974.20
	Total	168,336.66	137,758.68
Notes on accounts	R		
Earnings per Share (Basic and Diluted) Rs.		16.01	16.81

As per our attached report of even date.

For **M/S KASTURY & TALATI**
Chartered Accountants

Dhiren P. Talati
Partner

Navi Mumbai, 30th June, 2009

For and on behalf of the Board of Directors

Dr. Vinod D. Shah - Executive Chairman
Sameer V. Shah - Vice Chairman & Managing Director
Nirmal V. Shah - Joint Managing Director
Perviz H. Dastur - Director
Mahendra K. Ghelani - Director

Navi Mumbai, 30th June, 2009



CASH FLOW STATEMENT

	2008-2009		2007-2008	
	Rs in '000	Rs in '000	Rs in '000	Rs in '000
A Cash Flow from Operating Activities				
Net Profit before tax and extraordinary items		55,477.38		64,057.32
<u>Adjustments for :</u>				
Depreciation (Net of Revaluation Reserve)	8,508.79		5,645.84	
Loss on Sale of assets	220.48		200.93	
Foreign Exchange Fluctuation	251.70		5838.38	
Financial Charges	14,658.19		7,476.75	
	23,639.16		19,161.90	
Less :				
Profit on Sale of Investment	-		1,035.01	
Dividend received	19,678.20		12,742.43	
		3,960.96		5,384.47
Operating Profit before working capital changes		59,438.34		69,441.79
<u>Adjustments (incl. on amalgamation) for :</u>				
Trade and Other Receivables	(80,594.82)		(10,002.81)	
Inventories	(26,324.93)		(22,669.55)	
Trade and Other Payables	49,560.13		5,181.98	
		(57,359.62)		(27,490.38)
Cash generated from operations		2,078.72		41,951.41
Interest paid		(14,658.19)		(7,476.75)
Net Cash from Operating Activities (A)		(12,579.47)		34,474.66
B Cash Flow from Investing Activities				
Purchase of Fixed Assets		(85,663.70)		(29,132.86)
Sale of Fixed Asset		157.50		134.61
Purchase of Investment		(32,352.21)		(14,752.41)
Sale of Investment		-		3,160.00
Net Cash used in Investing Activities (B)		(117,858.41)		(40,590.66)
C Cash Flow from Financing Activities				
Increase in Share Premium on Amalgamation		14,463.00		-
Increase in Reserves on Amalgamation		49.50		-
Prior period surplus on Amalgamation		333.97		-
Proceeds from Unsecured Loans		(6,938.95)		18,350.62
Increase in Share Capital Suspense on amalgamation		1,802.06		-
Dividend paid		(10,500.00)		(9,750.00)
Tax on dividend paid		(605.81)		(1,657.01)
Dividend received		19,678.20		12,742.43
Proceeds from Secured Loan		122,705.88		766.25
Direct Tax paid		(9,451.08)		(12,911.32)
Net Cash from Financing Activities (C)		131,536.77		7,540.97
Net (Decrease)/Increase in Cash & Cash Activities		1,098.89		1,424.96
Cash and Bank Balances as on 31.3.2008		4,675.85		3,250.89
Cash and Bank Balances as on 31.3.2009		5,774.74		4,675.85

As per our attached report of even date.

For **M/S KASTURY & TALATI**

Chartered Accountants

Dhiren P. Talati

Partner

Navi Mumbai, 30th June, 2009

For and on behalf of the Board of Directors

Dr. Vinod D. Shah - Executive Chairman

Sameer V. Shah - Vice Chairman & Managing Director

Nirmal V. Shah - Joint Managing Director

Perviz H. Dastur - Director

Mahendra K. Ghelani - Director

Navi Mumbai, 30th June, 2009

Schedules forming part of the Balance Sheet

SCHEDULE "A"

SHARE CAPITAL

AUTHORISED

5000000 Equity Shares of Rs.10/- each

**As at
31/3/2009
(Rs. in '000)**

**As at
31/3/2008
(Rs. in '000)**

50,000.00

50,000.00

ISSUED, SUBSCRIBED, AND PAID UP

3000000 (3000000) Equity Shares of
Rs.10/- each fully paid up

30,000.00

30,000.00

Total

30,000.00

30,000.00

NOTES

- 1) Of the above 10,000 (10,000) Equity Shares of Rs.10/- each have been issued for consideration other than cash
- 2) Of the above 11,20,000 (11,20,000) Equity Shares of Rs.10/- each have been issued as fully paid up Bonus Shares by way of capitalisation of Reserves & Surplus.

SCHEDULE "A1"

SHARE CAPITAL SUSPENSE

1,80,206(Nil) Equity Shares of Rs 10 each fully Paid up to be allotted to the shareholders of erstwhile Shree Mahalasa Electronics Pvt Ltd pursuant to its amalgamation with the Company effective from 1st January 2008 (See Note No. 11 of Schedule 'R')

1,802.06

-

1,802.06

-

SCHEDULE "B"

RESERVES AND SURPLUS

REVALUATION RESERVE

As per last year

6,538.44

6,727.71

Less : Transfer to Profit & Loss A/c.

189.27

189.27

6,349.17

6,538.44

SHARE PREMIUM

Balance as per last Balance Sheet

3,750.00

3,750.00

Add : Addition on amalgamation

14,463.00

-

18,213.00

3,750.00

GENERAL RESERVE

As per last year

40,774.43

36,100.00

Less: Adjusted on account of liability in respect of employee benefit as on 01.04.2007 (net of deferred tax)

-

(825.57)

Less : Adjustment on amalgamation

(1,180.66)

Add: Transfer from Profit & Loss A/c.

5,000.00

5,500.00

44,593.77

40,774.43

PROFIT AND LOSS ACCOUNT

As per account annexed

151,052.18

119,974.20

Add : Addition of amalgamation of SMEPL

1,230.16

-

Add : Reversal of Excess Provision of Tax on Proposed Dividend

1,178.67

-

153,461.01

119,974.20

Total

222,616.95

171,037.07



Schedules forming part of the Balance Sheet

SCHEDULE "C"

SECURED LOANS

Cash Credit facilities from HDFC Bank Ltd.

(Secured by charge on current assets, Mortgage of Tangible Immovable Properties and charge on other fixed assets.)

Term Loan from HDFC Bank Ltd.

(Secured by Hypothecation of moveable fixed assets and

Mortgage of immovable property located at Theda, Himachal Pradesh)

(Due within one Year Rs.7175 Thousand (Previous Year Rs.7175 Thousand))

Term Loan from Bank of India.

(Secured by Equitable Mortgage on Fixed Block and

Hypothecation of Plant and Machinery located at Dudhwada, Gujrat)

(Due within one year Rs 11004 Thousand (Previous year NIL))

Term Loan from HDFC Bank Ltd.

(First and Exclusive charge by way of equitable mortgage on the moveable and immovable fixed asset of the company located at Mahape & E 6/4 Tarapur)

(Due within one year Rs 11250 Thousand (Previous year NIL))

Car Loan from HDFC Bank Ltd.

(Secured by hypothecation of Car)

SCHEDULE "D"

UNSECURED LOANS

Loan from Directors

Maximum Amount Outstanding for Loan from

Directors Rs 7800 Thousand (Rs.5300 Thousand)

Loans from Shareholders & Others

(See Note 8 Schedule R)

Deferred Sales Tax Liability

Total

As at
31/3/2009
(Rs. in '000)

As at
31/3/2008
(Rs. in '000)

69,163.84

34,228.58

9,775.00

16,950.00

49,972.72

-

45,000.00

-

-

27.10

173,911.56

51,205.68

7,800.00

2,800.00

11,591.05

23,092.31

2,145.15

2,582.84

21,536.20

28,475.15

"SCHEDULE "E": FIXED ASSETS

(Rs. in '000)

Particulars	GROSS BLOCK AT COST				DEPRECIATION BLOCK				NET BLOCK	
	As at 1.4.2008	Additions	Deductions	As at 31.03.2009	As at 1.4.2008	Additions	Deductions	As at 31.03.2009	As at 31.03.2009	As at 31.03.2008
Leasehold Land	2,881.12	-	-	2,881.12	-	-	-	-	2,881.12	2,881.12
Freehold Land	8,383.66	2,963.04	-	11,346.70	-	-	-	-	11,346.70	8,383.66
Buildings	44,340.51	51,415.75	-	95,756.26	7,966.53	2,480.05	-	10,446.58	85,309.69	36,373.98
Equipment & Machinery	52,155.64	28,796.88	-	80,952.52	10,379.64	3,158.02	-	13,537.66	67,414.86	41,776.01
Computer	15,588.12	7,783.82	-	23,371.93	6,105.43	2,515.57	-	8,620.99	14,750.94	9,482.69
Furniture & Fixtures	4,910.30	3,844.90	-	8,755.20	2,173.53	415.07	-	2,588.60	6,166.60	2,736.78
Motor Car	4,574.09	38.57	583.97	4,028.70	1,956.86	290.54	206.49	2,040.91	1,987.78	2,617.23
Electric Fitting & Installations	4,296.20	4,851.26	-	9,147.46	1,267.83	337.88	-	1,605.71	7,541.75	3,028.37
TOTAL	137,129.65	99,694.22	583.97	236,239.89	29,849.81	9,197.12	206.49	38,840.44	197,399.45	107,279.84
Capital Work In Progress									3,642.98	17,174.94
Previous Year	116,167.66	21,532.37	570.38	137,129.65	24,249.29	5,835.11	234.59	29,849.81	107,279.83	91,918.39

Note :

Addition to Gross Block & Depreciation for the year includes Rs. 5,003.81 Thousand & Rs. 457.08 Thousand respectively towards asset taken over on amalgamation with Shree Mahalasa Electronics Pvt. Ltd.

Schedules forming part of the Balance Sheet

SCHEDULE "F"

INVESTMENTS (AT COST)

Long Term Investments In Shares

UNQUOTED

INVESTMENT IN SUBSIDIARY

2,74,995(2,74,995) Equity Shares of Chembond Ashland Water Technologies Ltd of Rs.10/- each fully paid up Constituting 54.99% of the said Company's paid up capital.

16,029.63 16,029.63

INVESTMENT IN JOINT VENTURE

4,89,930 (4,89,930) Equity Shares of Henkel Chembond Surface Technologies Ltd of Rs. 10/- each fully paid up. Constituting 48.99% of the said Company's paid up capital

4,899.30 4,899.30

INVESTMENT IN ASSOCIATES

2,35,000 (2,35,000) Equity Shares of CCL Building Systems Ltd of Re 1/- each fully paid up constituting 47 % of the said Company's paid up capital

2,350.00 2,350.00

4,90,000 (4,90,000) Equity Shares of Chembond Enzyme Company Ltd of Re 1/- each fully paid up constituting 49 % of the said Company's paid up capital

4,900.00 4,900.00

4,50,000 (1,00,000) Equity Shares of Protochem Industries Pvt. Ltd of Rs.10/- each fully paid up constituting 45 % of the said Company's paid up capital

39,849.37 7,500.00

INVESTMENT IN GOVERNMENT SECURITIES

Investment in National Saving Certificate

0.50 0.50

OTHER INVESTMENTS

23 (23) Equity Shares of Tarapur Environment Protection Organisation Ltd.

2.30 2.30

INVESTMENTS IN MUTUAL FUNDS

2895.086 (2709.396) Units of Reliance Mutual Fund (Liquid Fund Treasury Plan) Face value of Rs.10/- each (Additional units have been received on account of dividend)

44.25 41.41

Total

68,075.35 35,723.14

SCHEDULE "G"

INVENTORIES

Stock-in-trade: (as per inventory taken, valued and certified by the Management)

Raw Material (at cost)

101,723.50 89,408.11

Packing Material (at cost)

5,523.34 3,732.24

Finished Goods (at cost)

36,352.12 24,133.68

Total

143,598.96 117,274.03



Schedules forming part of the Balance Sheet

SCHEDULE "H"

SUNDRY DEBTORS (Refer Note No.7 of Schedule "R")
(Unsecured & considered good)

Debts outstanding for a period exceeding Six months

Other debts

Total

As at
31/3/2009
(Rs. in '000)

36,200.64

196,262.52

232,463.16

As at
31/3/2008
(Rs. in '000)

39,761.48

129,566.76

169,328.24

SCHEDULE "I"

CASH AND BANK BALANCES

Cash on hand

Bank balance with Scheduled Banks

In Current Accounts

In Fixed Deposit

Total

50.08

2,354.89

3,369.78

5,774.75

40.43

2,456.58

2,178.84

4,675.85

SCHEDULE "J"

LOANS AND ADVANCES

(Unsecured & considered good & subject to confirmation)

Advances recoverable in cash or in kind or
for value to be received (Refer Note 9 of Schedule R)

Income Tax

Fringe Benefit Tax

Deposit - Excise

Other Deposits

Prepaid expenses

Total

23,971.13

50,274.20

3,497.12

7,694.36

5,257.11

394.21

91,088.13

9,121.94

41,143.11

2,547.12

5,328.67

4,598.44

807.86

63,547.14

SCHEDULE "K"

CURRENT LIABILITIES

Sundry Creditors for Goods

[(Dues to Small Scale Industries Rs. 33052.17 Thousand
(Rs.28864.03 Thousand)]

Sundry Creditors for Others

Investor Education & Protection Fund

Unclaimed Dividend *

Total

177,935.83

30,978.80

-

266.93

209,181.56

122,124.53

37,230.41

-

275.16

159,630.10

* Not due for deposit

SCHEDULE "L"

PROVISIONS

Income Tax

Fringe Benefit Tax

Proposed Dividend

Tax on Proposed Dividend

Provision for Gratuity

Provision for Leave Encashment

Total

46,320.00

3,185.00

10,500.00

1,784.48

5,914.29

1,581.50

69,285.27

41,540.00

2,255.00

10,500.00

1,784.47

5,280.76

1,954.67

63,314.90

Schedules forming part of the Profit and Loss Account

SCHEDULE "M"

OTHER INCOME

Dividend from Subsidiary Company

Dividend from Joint Venture Company

Dividend from Mutual Funds

Gross Interest {(TDS Rs. 37394 (Rs. 25685))}

Gross Rental Income {(TDS Rs.194042 (Rs.121176))}

Miscellaneous Income

Foreign Exchange Fluctuation income

Technical Services Income

Bad debts recovered

Profit on sale of Shares

Total

SCHEDULE "N"

VARIATION IN STOCK

Closing Stock of Finished Goods

Less: Opening stock of Finished Goods

Total

SCHEDULE "O"

MATERIALS CONSUMED

Raw Materials

Packing Material Consumed

Total

**Year Ended
31/3/2009
(Rs. in '000)**

Year Ended
31/3/2008
(Rs. in '000)

6,935.37

-

12,740.00

12,740.00

2.83

2.43

19,678.20

12,742.43

237.74

159.90

810.00

750.00

1,917.70

1,304.09

-

5,927.30

5,253.19

4,669.81

-

108.92

-

1,035.00

27,896.83

26,697.45

36,352.12

24,133.68

24,133.68

20,716.26

12,218.44

3,417.42

877,377.16

750,312.03

58,219.51

51,208.62

935,596.67

801,520.65



Schedules forming part of the Profit and Loss Account

SCHEDULE "P"

MANUFACTURING & OTHER EXPENSES

MANUFACTURING EXPENSES

	Year Ended 31/3/2009 (Rs. in '000)	Year Ended 31/3/2008 (Rs. in '000)
Employees Salaries & Allowances	5,467.38	4,719.27
Contribution to Provident and other funds	386.63	379.78
Octroi	78.37	852.83
Power, Fuel & Water Charges	3,292.01	3,090.18
Excise Duty	3,883.70	4,376.24
Research and Development	237.20	437.87
Repairs and Renewals to Plant & Machinery	459.42	833.45
Consumable stores	4,881.93	3,389.16
Godown Rent	1,724.01	1,353.62
Miscellaneous Factory Expenditure	11,654.65	9,340.41
WTC Compensation Expenses (Refer Note No. 6a of Schedule ' R ')	9,967.01	6,235.56
Enzymes Compensation Expenses (Refer Note No. 6c of Schedule ' R ')	1,394.05	3,243.98

Total (a)

ADMINISTRATIVE EXPENSES

Remuneration to Directors	4,773.34	4,253.51
Contribution to Provident and other funds - Directors	401.40	401.40
Director's Sitting Fees	570.00	1,110.00
Employees Salaries & Allowances	38,036.89	28,967.24
Contribution to Provident and other funds	3,876.18	2,658.06
Staff Welfare Expenses	2,811.74	2,600.89
Rates & Taxes	666.20	1,188.33
Electricity charges	1,835.98	1,244.02
Printing and stationary	1,329.51	1,210.45
Telephone & Postage Expenses	3,906.98	3,066.11
Insurance	1,110.21	923.90
Motor car expenses	507.42	490.92
Auditors Remuneration	205.00	258.52
Legal, Professional & consultancy fees	5,898.23	3,288.09
Repairs & Maintenance Buildings	292.36	524.67
Repairs & Maintenance Others	7,335.39	6,347.23
Miscellaneous expenses	2,677.20	2,280.64
Miscellaneous expenses written off - SMEPL	7.04	-
Donation	-	253.37
Foreign Exchange Fluctuation	251.70	88.92
Sales Tax & Other Taxes	5,129.97	103.56
Loss on sale of Fixed Assets	220.48	200.93
Bad Debts Written Off	9.49	1,182.55
Debit Balances Written off	35.64	222.75

Total (b)

Schedules forming part of the Profit and Loss Account

	Year Ended 31/3/2009 (Rs. in '000)	Year Ended 31/3/2008 (Rs. in '000)
SELLING AND DISTRIBUTION EXPENSES		
Carriage outwards	12,190.24	14,989.00
Rent	1,592.94	2,801.31
Commission on sales	4,382.77	4,368.46
Travelling Expenses	14,540.86	10,763.98
Conveyance expenses	2,290.68	1,919.81
Royalty Expenses	667.05	777.00
Advertising & Publicity Exps	563.07	698.18
Warehousing Charges	351.92	228.76
Packing Expenses	18.32	107.10
Sales Promotion Expenses	1,342.35	1,060.98
Total (c)	37,940.20	37,714.58
GRAND TOTAL (a+b+c)	163,254.91	138,832.97
LESS : Tolling & Reimbursement of expenses (Refer Note No. 16 of Schedule 'R')	28,204.27	32,221.11
Total	135,050.64	106,611.86
SCHEDULE "Q"		
FINANCIAL CHARGES:		
<u>Interest Charges</u>		
Executive Chairman	526.89	242.26
Others	11,458.56	5,868.53
Bank Guarantee fees & charges	2,672.75	1,365.96
Total	14,658.20	7,476.75



SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009.

SCHEDULE "R": NOTES ON ACCOUNTS

1. Previous years figures have been regrouped, reallocated, or reclassified wherever necessary, to conform to this year's classification.
2. Closing Stock has been taken, valued and certified by the Management.
3. (i) On the basis of a Revaluation Report obtained from an Approved Chartered Engineer, the company had revalued all the fixed assets existing as on 31st March 1994. The fixed assets had accordingly been written-up by creating a Revaluation Reserve of Rs. 9153 Thousand and the value of the fixed assets is stated in the balance sheet at the revalued figure.

(ii) Depreciation on fixed assets is consistently being provided on the straight line method on the revalued figure for all the assets acquired upto 31st March 1994 and additional depreciation due to revaluation aggregating Rs 189 Thousand has been transferred from revaluation reserve to the Profit & Loss Account during the year under consideration.
4. In the opinion of the Board, Current Assets and Loans & Advances are approximately of the value stated, if realised in the ordinary course of business. Provisions for all known liabilities are made and the same are adequate and not in excess of the amount reasonably necessary.
5. Contingent Liabilities not provided for are in respect of :-

	2008-2009 Rs.in Thousand	2007-2008 Rs.in Thousand
a) Outstanding L.C & Bank Guarantees issued by Bankers.	24,477	3,594
b) Corporate Guarantee given to Bank of India by the company on behalf of Subsidiary Chembond Ashland Water Technologies Ltd.	60,000	60,000
c) Excise Duty matter under appeal	NIL	336
d) Balance Payment for Capital Commitments	1,187	3,277

6. a) As per the terms of the Joint Venture agreement with Ashland International Holding Inc U.S.A. the Water Treatment Chemicals (WTC) business of Chembond Chemicals Ltd. has been merged with the joint venture Chembond Ashland Water Technologies Ltd. (formerly ChembondDrewtreat Ltd.) "WTC compensation expenses" aggregating Rs.9,967 Thousand (Previous year Rs.6,235.56 Thousand) included in Manufacturing Expenses represents transfer by overriding title to Chembond Ashland Water Technologies Ltd. the income arising on account of the said Water Treatment Chemicals business that continued in Chembond Chemicals Ltd.

b) As per terms of the Joint Venture agreement with Chembond Enzyme Company Ltd., the Enzyme Chemicals business of Chembond Chemicals Ltd has been merged with the new joint venture company Chembond Enzyme Company Ltd. "Enzyme compensation expenses" aggregating Rs.1,394.05 Thousand (Previous year Rs.3,243.98 Thousand) included in manufacturing exp represents transfer by overriding title to Chembond Enzyme Company Ltd., the income arising on account of the said Enzyme Chemical business that continued in Chembond Chemicals Ltd.
7. Debtors include following debts due from companies under the same management as defined under section 370 (1 – B) of the Companies Act, 1956 :-
 - a) Subsidiary Company – Chembond Ashland Water Technologies Ltd. Rs.13,687.03 Thousand (Rs.15,279.35 Thousand).
 - b) Joint Venture Company – Henkel Chembond Surface Technologies Ltd. Rs.76,622.70 Thousand (Rs.3,427.98 Thousand)
 - c) Associate Companies – CCL Building Systems Ltd. Rs.3,437.19 Thousand (Rs.4,239.92 Thousand)

8. Sundry creditors and unsecured loans includes amounts aggregating Rs.1,077.81 Thousand (Rs.7,032.27 Thousand) and Rs.14,662.00 Thousand (Rs.23,687.74 Thousand) respectively being due to directors, their relatives and firms and companies in which Directors are interested.
9. Advances recoverable in cash or in kind or for value to be received include amounts aggregating to Rs. NIL (Rs.4.40 Thousand) being amounts due from companies under the same management as defined u/s 370 (1 – B) of the Companies Act, 1956 being CCL Building Systems Ltd Rs.NIL (Rs.3.90 Thousand) & Chembond Enzyme Co.Ltd Rs. NIL (Rs.0.50 Thousand).
10. During the year under reference the Company has set up production facilities at Dudhwada, Gujarat and commercial production had started from 23rd September,2008.
11. In terms of the scheme of Amalgamation and Arrangement (Scheme) approved by orders dated 6th February, 2009 of Hon'ble High Court of Judicature at Mumbai, Shree Mahalasa Electronics Pvt. Ltd. (SMEPL) has been amalgamated with the Company with effect from 1st January, 2008.

The amalgamation has been accounted for under the "Pooling of interest method" as prescribed by Accounting Standard (AS-14) Accounting for Amalgamation issued by The Institute of Chartered Accountants of India.

In accordance with the said Scheme, all the assets, debts, liabilities, duties and obligations of SMEPL have been vested in the Company with effect from 1st January, 2008 and have been recorded at their respective book values. There were no material difference in the accounting policies of Shree Mahalasa Electronics Pvt. Ltd. (SMEPL), and the Company.

Pursuant to the Scheme, in consideration of the said transfer, 180206 Equity shares of Rs. 10 each fully paid, have to be allotted to the shareholders of SMEPL in the ratio of 29 equity shares of Rs. 10 each of the Company for every 1 equity share of Rs. 100 each of SMEPL. Pending the allotment of the said Equity shares pursuant to the Scheme, the amount has been shown as "Share Capital Suspense".

In accordance with the said scheme, any excess/ shortfall of the Net Assets Value taken over by the Company over the paid up value of equity shares to be issued and allotted has been transferred to General Reserve.

The computation of the amount transferred to General Reserve is as under:

	Rs. in Thousand
<u>Book Value of Assets</u>	
Fixed Assets	6,034.78
Misc Expenditure (not written off)	7.92
Net Current Assets	10,852.98
Less : Accumulated Depreciation	457.07
Less : Unsecured Loan	124.04
Less : Share Premium Account	14,463.00
Less : Profit & Loss Account	1,230.16
Book Value of Net Assets taken over	621.40
Less: equity shares issued to SMEPL shareholders	1,802.06
Amount debited to General Reserve on Amalgamation	1,180.66



As the effective date falls after 31st March, 2008, the profit/losses amounting to Rs. 333.97 Thousand of SMEPL for the period from 1st January 2008 to 31st March, 2008 have been adjusted in the Reserves, as the accounts for the period upto 31st March, 2008 of the Company, have been closed and approved. The summarized Profit and Loss Account of SMEPL for the period from 01st January 2008 to 31st March, 2008 is given below:

	Rs. in Thousand
Income	
Interest (from Chembond Chemicals Limited)	292.74
Rent (from Chembond Chemicals Limited)	150.00
Total Income	442.74
Expenses	
Repairs & Maintenance	8.48
Audit fees	2.11
Depreciation	41.97
Pre-incorporation Expenses	0.88
Property taxes	43.78
Professional Charges	10.48
Other Expenses	1.06
Total Expenses	108.76
Credited to Profit & Loss Account	333.97

12. The Company's obligation towards the Gratuity Fund is a Defined Benefit Plan

Details of Actuarial Valuation are as follows.

Particulars	2008-09 Rs. In Thousand	2007-08 Rs. In Thousand
Projected Benefit Obligation at the beginning of the year	8,547.62	7,844.36
Service Cost	721.29	588.32
Interest Cost	683.81	582.32
Actuarial Losses/(Gains)	416.03	(246.70)
Benefits paid	(498.15)	(201.02)
Projected Benefit Obligation at the end of the year	9,870.60	8,547.62
Change in Plan Assets		
Fair value of plan assets at the beginning of the year	3,266.85	1,978.65
Expected Returns on Plan assets	294.42	221.82
Employer's contribution	893.19	1,267.39
Benefits paid	(498.15)	(201.02)
Actuarial Gain/(Loss)	NIL	NIL
Fair value of plan assets at the end of the year	3,956.31	3,266.85
Cost of Defined Benefit Plan for the year		
Current Service Cost	721.29	562.66
Interest on Obligation	683.81	588.33
Expected Return on Plan Assets	(294.42)	(221.82)
Net Actuarial Losses/(Gains) recognized in the year	416.03	(246.72)
Net Cost recognized in the Profit and Loss Account	1,526.71	682.45
Assumptions		
Discount Rate	7.75%	8%
Future Salary Increase	4%	4%
Withdrawal rates	1%	1%

The expected return on plan assets is as furnished by the Actuary appointed by the Company.

13. During the year under consideration, the Company has changed its policy in respect of Leave Encashment. In the preceding year, the liability in respect of accumulated leave as on 31st March, 2008 was calculated on the basis of an actuarial valuation. With effect from 1st April, 2008 as per the change in policy, employees have to avail of leave and can neither accumulate leave to be carried forward nor can there be any encashment thereof. The liability in respect of accumulated leave balance as on 31st March, 2008 has now been crystallized on the basis of salaries as on 31st December, 2008 and excess provision of Rs.188.01 Thousand as compared to the actuarial valuation as on 31st March, 2008 has been written back.

The effect on the profits of the Company due to this change cannot be quantified since there is no accumulated leave to be encashed as on 31st March, 2009 and accordingly no actuarial valuation can be carried out.

- 14.. Auditors' Remuneration consists of

	2008-2009 Rs. in Thousand	2007-2008 Rs.in Thousand
Statutory Audit Fees	110.00	70.00
Tax Audit Fees	70.00	40.00
Taxation Matters	25.00	148.52
TOTAL	205.00	258.52

15. Traveling Expenses comprises of the following:-

	2008-2009 Rs. In Thousand	2007-2008 Rs.in Thousand
Directors Local Travel	168.09	505.64
Directors Foreign Travel	-	397.87
Others Local Travel	13,920.60	9,789.59
Others Foreign Travel	452.17	70.88
TOTAL	14,540.86	10,763.98

16. Tolling & Reimbursement of Expenses represents recovery of costs incurred by the company towards manufacturing products for the subsidiary

	2008-09 Rs. In Thousand	2007-08 Rs. In Thousand
	28,204.27	32,229.11

17. Directors Remuneration comprises of the following:-

	2008-09 Rs. in Thousand	2007-08 Rs. in Thousand
Salaries & Perquisites	4,710.53	4,075.68
Other Perquisites (LTA & Leave Encashment)	62.81	177.82
Contribution to Provident Fund and Other Fund	401.40	401.40
Total	5,174.74	4,654.90

As the future liability for Gratuity is provided on an actuarial basis for the company as a whole the amount pertaining to directors is not ascertainable and therefore not included herein above.



18. **COMPUTATION OF NET PROFIT IN ACCORDANCE WITH SECTION 349 OF THE COMPANIES ACT, 1956**

	2008-2009 Rs.in Thousand		2007-2008 Rs.in Thousand	
Profit befor Taxation		55,477.39		64,057.32
Salary & Perquisites	4,773.34		4,253.51	
Contribution to Provident Fund	401.40		401.4	
		5,174.71		4,654.91
Depreciation as per Accounts		8,508.79		5,645.84
Net of revaluation Reserve				
		69,160.89		74,358.07
Less. Depreciation as per section 350		8,508.79		5,645.84
Less Profit on Sale of Investment		-		1,035.01
Add Loss on Sale of Assets		220.48		200.93
Net profit as per section 349 of the companies Act,1956		60,872.58		67,878.16
Maximum remuneration allowable under the companies Act,1956 (Restricted to 11% of Net Profit)		6,695.98		7,466.60
Managerial remuneration paid as per schedule XIII of the companies Act,.1956.		5,174.74		4,654.90
Commission allowable to Directors (1% of eligible profit)		608.73		678.78
Commission paid to Non-Executive Director		Nil		Nil

19. Total amount due to Small Scale Industrial Undertaking is Rs.33,052.17 Thousand(Previous Year Rs.28864.03 Thousand).The names of the Small Scale Industrial Undertakings to whom the company owes a sum which is outstanding for more than 30 days are Arc Chemicals Pvt. Ltd., Auxichem, Anupam Colours & Chemicals, Eastmen Chemicals, Fluorine Chemicals Pvt Ltd, Jay Intermediates & chemicals, JPS Resin P Ltd, Maharashtra Organo Metallic Catalysts Pvt Ltd, Maulikem Products Pvt Ltd, Mitsu Chem Pvt Ltd, Nile Chemicals, Rajesh Enterprises, Satyajit Chemicals Pvt Ltd, Shiv Industrial Products, Technostar Engineering Pvt Ltd, Vikas Pharmaceutical laboratories (Boisar), Uma Enterprises, Elder Instruments Pvt Ltd, Buneesha Chem Pvt Ltd, Dhaval Synthetics, Makwell Plasticizers Pvt Ltd, Oswal Paint Industries, Suru Chemicals & Pharmaceuticals, Tytan Orgaincs Pvt Ltd. The above information regarding Small Scale Industrial Undertaking has been determined to the extent such parties have been identified on the basis of information available with the company. This has been relied upon by the Auditors.
20. The Company has not received any intimation from suppliers regarding their Status under the Micro, Small and Medium Enterprises Development Act 2006 and hence disclosures if any relating to amounts unpaid as at 31st March, 2009 together with interest paid/payable as required under the said Act has not been given.
21. The Department of Company Affairs, Government of India vide its order No.47/189/2009-CL-III dated March 19, 2009 issued under section 212(8) of the Companies Act,1956 has exempted the Company from attaching the Balance Sheet and Profit and Loss Account of its subsidiary Chembond Ashland Water Technologies Ltd.(CAWTL) under Section 212(1) of the Companies Act,1956. As per the order,key details of each subsidiary are attached along with the Statement under Section 212 of the Companies Act,1956.

22. As per the Accounting Standard 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, the Company has recorded Deferred Taxes in respect of the following:

	2008-09		2007-08	
	Rs in Thousand	Rs in Thousand	Rs in Thousand	Rs in Thousand
Deferred Tax Liability.				
Depreciation	6,430.41			2,901.52
Gratuity	215.33	6,645.74		
Deferred Tax Asset				
Leave Encashment Provision	126.84		663.38	
Gratuity	-		1,369.79	
MAT Tax Credit	4,150.00	4,276.84	-	2,033.17
Net Deferred Tax Liability		2,368.90		868.35

23. **LEASE**

The Company normally acquires offices, warehouses and vehicles under non cancellable operational leases. Minimum lease payments outstanding at year end in respect of these assets are as under:

(Rupees Thousand)

	Total minimum lease payments outstanding as on March 31, 2009	Total minimum lease payments outstanding as on March 31, 2008
Due within one year	3,439.91	3,566.65
Due later than one year and not later than five years	369.50	1,540.93
Due later than five years	-	-
Lease payments recognized in the Profit & Loss Account	3,552.29	4,179.38

24. **Segment Reporting**

Based on expert opinion the company has determined that it operates in a single business segment, namely "Speciality Chemicals". Therefore the information pursuant to the Accounting Standard 17 "Segment Reporting" issued by the Institute of Chartered Accountant of India is not applicable.

25. **Related Party Disclosures**

Related party disclosures as required under Accounting Standard on "Related Party Disclosures" issued by the Institute of Chartered Accountants of India are given below:-

a) Relationship:

i) Subsidiary Company.

Chembond Ashland Water Technologies Ltd.(formerly ChembondDrewtreat Ltd.)

ii) Joint Venture.

Henkel Chembond Surface Technologies Ltd.

iii) Key Management Personnel, and their relatives.

Key Management Personnel

Dr. Vinod D. Shah, Mr. Sameer V. Shah, Mr. Nirmal V. Shah, Mr. Jayant S Vasani, Mr. Bhadresh D Shah.

Relatives

Mrs. Padma V.Shah,Mrs.Shilpa S.Shah,Mrs. Mamta N.Shah,Mrs. Alpana S Shah,Mrs.Jyoti N.Mehta

Entities over Which Key management personnel are able to exercise influence

CCL Optoelectronics Pvt. Ltd, Finor Piplaj Chemicals Ltd, S and N Ventures Ltd. Bentec Organoclays Pvt. Ltd, Visan Holdings and Financial Services Pvt. Ltd.



iv) Associates.

CCL Building Systems Ltd.Chembond Enzyme Compnay Ltd,Protochem Industries Pvt.Ltd.

b) The following transactions were carried out with related parties in the ordinary course of business.

Particulars	Subsidiary Company [a (i)]		Joint Venture [a (ii)]		Key Management Personnel and their relatives [a (iii)]		Associates [a (iv)]	
	31st March		31st March		31st March		31st March	
	2009	2008	2009	2008	2009	2008	2009	2008
Sales	210,042.00	172,744.25	553,310.00	519,823.00	5,338.00	4,363.67	6,123.30	4,781.40
Purchases	-	-	-	-	25,336.00	24,291.44	2,182.00	-
Tolling & Reimbursement of Expenses	28,204.27	32,22.11	-	-	-	-	-	-
Rent Income	150.00	90.00	540.00	540.00	72.00	72.00	48.00	48.00
Dividend Income	6,935.37	-	12,740.00	12,740.00	-	-	-	-
Interest Expense	-	-	-	-	897.88	1,531.24	766.71	536.62
Rental Expenses	-	-	888.00	888.00	600.00	2,100.00	-	-
Directors Remuneration	-	-	-	-	4,740.93	4,654.91	-	-
Directors sitting Fee	-	-	-	-	570.00	1,110.00	-	-
Salaries	-	-	-	-	1,117.12	1,063.66	-	-
WTC / PTC / Enzyme Compensation	9,967.00	6,235.56	-	-	-	-	1,394.05	3,243.98
Balances at the end of the year								
a. Loans taken	-	-	-	-	8,612.00	23,667.74	6,050.00	8,000.00
b. Deposit Given	-	-	-	-	-	-	-	-
c. Sundry Debtors	13,687.03	15,279.35	76,622.69	3,427.98	-	-	3,437.19	4,239.92
d. Sundry Creditors	-	-	-	-	516.51	7032.27	1077.80	-
e. Investments	16,029.62	16,029.62	4,899.30	4,899.30	-	-	7250.00	7250.00

26 Earnings Per Share

	2008-2009	2007-2008
Net Profit as per Profit & Loss Account Available to Shareholders (Rs. in Thousand)	48,028.48	50,438.97
Total Number of Shares Paid up	30,00,000	30,00,000
Basic & Diluted Earnings Per Share in Rupees	16.01	16.81

27. There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.

28. Information pursuant to paras 3,4- C and 4-D of Part II of Schedule VI to the Companies Act, 1956 (as certified by the Management)

A) PARTICULARS OF OPENING STOCK AND CLOSING STOCK OF FINISHED GOODS:

QUANTITY	OPENING STOCK	CLOSING STOCK
Powder/ Crystals	218,466Kgs/Lts	671,906.75Kgs/Lts
(Previous year)	(251,843Kgs/Lts)	(218,466 Kgs/Lts)
Liquid	456,933Lts/Kgs	90,007.45Lts/Kgs.
(Previous year)	(361,942Lts/Kgs.)	(456,933 Lts/Kgs)
VALUE IN RUPEES	Rs.in '000	Rs.in '000
Current year	24,133.68	36,352.12
(Previous Year)	(20,716.25)	(24,133.68)

B) PARTICULARS OF TURNOVER OF SALES

Item of Sales	2008-2009		2007-2008	
	Quantity	Amount Rs.in '000	Quantity	Amount Rs.in '000
Powder / Crystals	5,078,928 Kgs	221,146.51	4,397,972 Kgs	151,507.62
LIQUID	19,044,430 Lts	877,241.21	17,541,966 Lts	798,603.95
OTHERS	-	10,788.70	-	5,085.98
TOTAL Sales (net of excise duty)		1,109,176.42		955,197.55

C) DETAILS OF RAW MATERIALS CONSUMED :

Description	2008-2009		2007-2008	
	Quantity Kgs/Lts	Amount Rs.in '000	Quantity Kgs/ Lts	Amount Rs.in '000
Acids	4,348,058	153,503.53	3,120,862	143,662.05
Oils & Solvents	797,269	46,070.14	314,756	39,581.65
Alkalis, etc.	2,282,500	82,686.31	1,431,796	70,456.43
Others	-	595,117.18	-	496,611.90
Total		877,377.16		750,312.03

D) BREAK UP OF RAW MATERIAL CONSUMED

	2008-09		2007-08	
	Rs. In Thousand	% of Consumption	Rs.In Thousand	% of Consumption
Imported	148,212.68	16.89	125,059.23	16.67
Indigenous	729,164.48	83.11	625,252.80	83.33
TOTAL	877,377.16	100.00	750,312.03	100.00

E) CAPACITY AND PRODUCTION

	2008-2009 Quantity KL/ MT	2007-2008 Quantity KL/MT
Licensed and installed Capacity	Not Applicable	Not Applicable
Actual Production		
Liquid	20,065	21,799
Powder	1,726	2,569
Others	-	6
	21,791	24,374

F) VALUE OF IMPORTS CALCULATED ON CIF BASIS

	2008-2009 Amount Rs.in '000	2007-2008 Amount Rs.in'000
Raw Materials and Finished goods	196,127.23	137,601.46
Capital Goods	2,738.53	531.60



G) EXPENDITURE IN FOREIGN CURRENCY

TRAVELLING AND OTHERS **900.36** 147.02

H) EARNINGS IN FOREIGN CURRENCY

EXPORT OF GOODS ON FOB BASIS **15,435.36** 11,237.28

I) REMITTANCE IN FOREIGN CURRENCY

FINAL DIVIDEND		
No. of Shareholders	1	1
No. of shares held	36,400	36,400
Dividend remitted (Rs in Thousand)	127	118
Year to which it relates	2007-08	2006-07

J) INDUSTRIAL LICENCE HELD

Nil Nil

29. EXPENDITURE ON RESEARCH AND DEVELOPMENT.

	Amount (Rs in '000)	Amount (Rs in '000)
Revenue expenditure	237.12	331.20
Capital expenditure	2,738.53	830.25

30. SIGNIFICANT ACCOUNTING POLICIES.

A) SYSTEM OF ACCOUNTING.

- The company follows the mercantile system of accounting and recognises Income and Expenditure on accrual basis.
- Financial Statements are prepared on historical cost basis, adjusted for revaluation of Fixed Assets and as a going concern.

B) FIXED ASSETS.

Fixed Assets are stated at their revalued figures less accumulated Depreciation. The company capitalises all costs relating to acquisitions and installation of fixed assets.

C) EXPENDITURE DURING CONSTRUCTION

Pre-operating Expenditure, Interest on specific borrowings for the project, interest on general (interest bearing) funds of the Company utilized for the purpose of the project upto the date of commencement of commercial production are capitalized pro-rata to the cost of fixed assets.

D) IMPAIRMENT OF ASSETS

The carrying amount of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An asset is impaired when the carrying amount of the asset exceeds the recoverable amount. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. An impairment loss recognized in prior accounting periods is reversed if there has been change in the estimate of the recoverable amount.

E) DEPRECIATION.

Depreciation on fixed assets is provided on the straight line method at the rates and in the manner specified in schedule XIV of the Companies Act 1956, as amended to date. During the year ended 31st March 1991, the Company had changed its method of providing depreciation on fixed assets as on 1st July 1980 from the written down value method to the straight line method. No depreciation is provided on land

F) OPERATING LEASE.

Lease of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognized as an expense on accrual basis in accordance with the respective lease agreements.

G) DEFERRED TAXES

Deferred Income Tax is provided using the liability method on all temporary differences at the Balance Sheet date between the tax bases of Assets and Liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available in the future against which these items can be utilised.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Deferred tax Assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and the tax laws) that have been enacted subsequent to the Balance Sheet date.

H) INVESTMENTS.

Investments are stated at the cost of acquisition.

I) DIVIDEND RECEIVED:

Dividend Income from Investments is recognized in the Profit & Loss Account when the right to receive the dividend is established

J) VALUATION OF INVENTORY.

Inventories are valued at cost determined on FIFO Basis or Net Realisable Value, whichever is lower. Cost of Raw Material Stocks is determined so as to exclude from the cost ,taxes and duties which are subsequently recoverable from the taxing authorities.

K) EMPLOYEE BENEFITS

- (a) Provident Fund: Contributions towards Employees Provident Fund are made to the Employees Provident Fund Scheme in accordance with the statutory provisions.
- (b) Gratuity: The Company makes annual contribution to a Gratuity Fund administered by LIC. The Company accounts for liability for future gratuity benefits based on actuarial valuation, as at the balance sheet date, determined every year using the Projected Unit Credit Method by an Actuary appointed by the Company
- (c) Leave Encashment: The Company does not allow any accumulation of leave balance or encashment thereof.

L) TAXATION.

Advance payments of Tax including TDS and the corresponding provisions of Tax for the year where Income Tax assessments are pending are shown under the head "Loans and Advances" & "Provisions" respectively.

M) FRINGE BENEFIT TAX.

Fringe Benefit Tax is determined at current applicable rates on expenses falling within the ambit of "Fringe Benefit " as defined under the Income Tax Act, 1961.

N) FOREIGN EXCHANGE DIFFERENCES.

Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the transaction date. Monetary items such as receivables, payables and loans denominated in foreign currency are translated at the exchange rate prevailing at the balance sheet date. Exchange differences arising on foreign currency transactions are recognised as income/ expenditure in the profit and loss account.

O) CUSTOMS DUTY ON IMPORTS.

Customs duty on Imports is accounted as and when Goods are cleared from the customs authorities.



P) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

- (a) the Company has a present obligation as a result of a past event,
- (b) a probable outflow of resources is expected to settle the obligation; and
- (c) the amount of the obligation can be reliably estimated.

Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in case of

- (a) a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation,
- (b) a present obligation when no reliable estimate is possible; and
- (c) a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent Assets are neither recognized, nor disclosed.

Provision, Contingent Liabilities and Contingent Assets are reviewed at each balance Sheet date.

Signatures to Schedules 'A' to 'R'

As per our attached report of even date.

For **M/S KASTURY & TALATI**

Chartered Accountants

Dhiren P. Talati

Partner

Navi Mumbai, 30th June, 2009

For and on behalf of the Board of Directors

Dr. Vinod D. Shah - *Executive Chairman*

Sameer V. Shah - *Vice Chairman & Managing Director*

Nirmal V. Shah - *Joint Managing Director*

Perviz H. Dastur - *Director*

Mahendra K. Ghelani - *Director*

Navi Mumbai, 30th June, 2009

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

REGISTRATION DETAILS

Registration Number **18235**
State Code **11**
Balance Sheet Date **31/03/2009**

I. Capital Raised during the year (Rs. in Lacs)

Public Issue	Rights Issue
Nil	Nil
Bonus Issue	Private Placement
Nil	Nil

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

Total Liabilities	Total Assets
742,042.78	742,042.78

Sources of funds

Paid-up Capital	Reserves and Surplus
30,000.00	222,616.95
Secured Loans	Unsecured Loans
173,911.56	21,536.20
Deferred Tax Liability	
13,709.18	

Application of Funds

Net Fixed Assets	Investments
197,399.45	68,075.35
Capital Work In Progress	
3,642.98	
Net Current Assets	Miscellaneous Expenditure
194,458.17	Nil
Accumulated Losses	
Nil	

Performance of Company (Rs. in Lacs)

Turnover (Total Revenue)	Total Expenditure
1,149,291.70	1,093,814.31
Profit before Tax	Profit after Tax
55,477.39	48,028.48
Dividend Rate	
35.00%	

III. Generic Names of Three Principal Products/Services of Company.

<u>Product Description</u>	<u>Item Code No. (ITC Code)</u>
Metal Pretreatment Chemicals	3402.90/3811.00
Water Treatment Chemicals	3811.00
Construction Chemicals	3823.00
Anti Corrosive Paints/Coatings	3208.90/3814.00

For and on behalf of the Board of Directors

Dr. Vinod D. Shah - Executive Chairman
Sameer V. Shah - Vice Chairman & Managing Director
Nirmal V. Shah - Joint Managing Director
Perviz H. Dastur - Director
Mahendra K. Ghelani - Director

Navi Mumbai, 30th June, 2009



Statement Pursuant to Section 212 of the Companies Act, 1956, relating to Company's Interest in Subsidiary Companies for the financial year 2008-09

Name of Subsidiary Company	Chembond Ashland Water Technologies Limited
1. The Financial Year of the Subsidiary Company ended on.	31st March, 2009
2. Date from which it became Subsidiary Company.	6th April, 2001
3. a. Number of shares held by Chembond Chemicals Limited with its nominees in the subsidiary at the end of the financial year of the Subsidiary Company.	2,74,995
b. Extent of Interest of holding Company at the end of the financial year of the Subsidiary Company.	55%
4. The net aggregate amount of the Subsidiary Company Profit/ (Loss) so far as it concerns the members of the Holding Company.	
a. Not dealt with in the Holding Company's accounts:	
i) For the financial year ended 31st March, 2009	Rs. 1,54,88,525/-
ii) For the previous Financial years of the Subsidiary Company since it became the Holding Company's subsidiary.	Rs. 3,60,06,213/-
b. Dealt with in Holding Company's accounts:	
i) For the financial year ended 31st March, 2009	NIL
ii) For the previous Financial years of the Subsidiary Company since it became the Holding Company's Subsidiary.	NIL

For and on Behalf of the Board of

Chembond Chemicals Limited

Dr. Vinod Shah Chairman
Mr. Sameer Shah Vice-Chairman, Managing Director
Mr. Nirmal Shah Joint Managing Director
Mr. Mahendra Ghelani Director
Mr. Parviz Dastur Director

Navi Mumbai, 30th June, 2009

Details of Chembond Ashland Water Technologies Limited disclosed pursuant to terms of exemption letter of Ministry of Company Affairs under Section 212 of the Companies Act, 1956.

Particulars	Rs. in Thousands
Capital	5,000.00
Reserves	82,603.62
Total Assets	231,778.09
Total Liabilities	231,778.09
Investments	Nil
Turnover/Total Income	403,524.96
Profit Before Taxation	46,183.91
Provision for Taxation	17,288.74
Profit After Taxation	28,895.17
Interim Dividend	Nil
Proposed Dividend	13,750.00

AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF CHEMBOND CHEMICALS LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF CHEMBOND CHEMICALS LIMITED, ITS SUBSIDIARY, & JOINT VENTURES AND ASSOCIATE COMPANIES.

1. We have audited the attached Consolidated Balance Sheet of **Chembond Chemicals Limited**, its subsidiary **CHEMBOND ASHLAND WATER TECHNOLOGIES LTD.**, its Joint Venture **HENKEL CHEMBOND SURFACE TECHNOLOGIES LTD.**, and its Associate Companies **PROTOCHEM INDUSTRIES PVT. LTD.**, **CCL BUILDING SYSTEMS LTD.**, and **CHEMBOND ENZYME COMPANY LTD.** as at 31st March 2009, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the management of Chembond Chemicals Limited. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. (i) We did not audit the financial statements of **CHEMBOND ASHLAND WATER TECHNOLOGIES LTD.** subsidiary of **CHEMBOND CHEMICALS LIMITED**, whose financial statements reflect total assets of Rs.11,698 thousand as at 31st March 2009 and total revenues of Rs.403,524 thousand for the year ended on that date. These financial statements and other financial information has been audited by other auditor whose report has been furnished to us, and our opinion in respect thereof, is based solely on the report of the other auditor.
(ii) We have audited the Financial Statements of **HENKEL CHEMBOND SURFACE TECHNOLOGIES LTD.**, the Joint Venture Company, for the year ended 31st, December 2008. However since the financial statements of Henkel Chembond Surface Technologies Ltd. which are compiled by the management of this Company for the year ended 31st March, 2009 are un-audited, any adjustment to their balances, could have consequential effect on the attached Consolidated Financial Statements.
(iii) In case of Associates, the financial statements are compiled by the management for the year ended 31st March, 2009 and are unaudited. Any adjustment to their balances, could have consequential effect on the attached Consolidated Financial Statements.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements, Accounting Standards (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standards (AS) 27, Financial Reporting of interest in Joint Ventures, issued by the Institute of Chartered Accountants of India, on the basis of the separate audited financial statements of **CHEMBOND CHEMICALS LIMITED**, its subsidiary & the un-audited financial statements of its Joint Ventures and Associate Companies.
5. Subject to the effect if any on account of possible adjustment stated in para 3 (ii) and (iii) above and on the basis of the information and explanations given to us and on consideration of the separate audit report on individual audited financial statements of **CHEMBOND CHEMICALS LIMITED** and its aforesaid subsidiary, and the un-audited financial statement of its aforesaid Joint Ventures and Associate Companies, in our opinion the attached Consolidated Financial Statements together with the notes thereon give a true and fair view in conformity with the accounting principles generally accepted in India,
 - (a) In the case of the Consolidated Balance Sheet, of the consolidated state of affairs of **CHEMBOND CHEMICALS LIMITED**, its subsidiary, its Joint Ventures and Associate Companies as at 31st March 2009,
 - (b) In the case of the Consolidated Profit and Loss Account, of the consolidated results of operation of **CHEMBOND CHEMICALS LIMITED**, its subsidiary, its Joint Ventures and Associate Companies for the year ended on that date; and
 - (c) In the case of the Consolidated Cash Flow Statement, of the consolidated Cash Flows of **CHEMBOND CHEMICALS LIMITED**, its subsidiary, its Joint Ventures and Associate Companies for the year ended on that date.

For **M/S Kastury & Talati**
Chartered Accountants

Dhiren P. Talati
Partner
Membership No.: F/41867
Navi Mumbai,
30th June, 2009



Consolidated Balance Sheet as at 31st March 2009

PARTICULARS	Schedule	As at 31/3/2009 (Rs. in '000)	As at 31/3/2008 (Rs. in '000)
SOURCES OF FUNDS			
<u>SHAREHOLDERS' FUNDS</u>			
Share Capital	A	30,000.00	30,000.00
Share Capital Suspense	A1	1,802.06	-
Reserves and Surplus	B	371,551.37	295,059.73
		403,353.43	325,059.73
Minority Interest	C	45,609.00	39,662.77
LOAN FUNDS			
Secured Loans	D	195,975.60	89,657.72
Unsecured Loans	E	28,836.20	33,775.15
		224,811.80	123,432.87
Deferred Tax Liability		14,634.27	11,669.01
	Total	688,408.50	499,824.38
APPLICATION OF FUNDS			
FIXED ASSETS			
GROSS BLOCK	F	313,538.30	199,632.37
Less : Depreciation		57,555.20	45,769.04
NET BLOCK		255,983.10	153,863.33
CAPITAL WORK IN PROGRESS		11,252.94	17,174.94
		267,236.04	171,038.27
INVESTMENTS	G	36,024.30	13,054.77
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	H	167,570.25	121,861.45
Sundry Debtors	I	425,683.46	369,526.00
Cash and Bank Balances	J	20,405.56	22,266.83
Loans and Advances	K	221,472.67	197,294.74
	a	835,131.94	710,949.02
LESS: CURRENT LIABILITIES AND PROVISIONS:			
Current Liabilities	L	288,583.55	221,668.87
Provisions	M	161,400.23	173,548.81
	b	449,983.78	395,217.68
NET CURRENT ASSETS	a-b	385,148.16	315,731.34
	Total	688,408.50	499,824.38
Notes on accounts	S		

As per our attached report of even date.

For **M/S KASTURY & TALATI**
Chartered Accountants

Dhiren P. Talati
Partner

Navi Mumbai, 30th June, 2009

For and on behalf of the Board of Directors

Dr. Vinod D. Shah - Executive Chairman
Sameer V. Shah - Vice Chairman & Managing Director
Nirmal V. Shah - Joint Managing Director
Perviz H. Dastur - Director
Mahendra K. Ghelani - Director

Navi Mumbai, 30th June, 2009

Consolidated Profit And Loss Account for the year ended 31st March 2009

PARTICULARS	Schedule	As at 31/3/2009 (Rs. in '000)	As at 31/3/2008 (Rs. in '000)
INCOME			
Sales		1,610,963.79	1,449,821.67
Less Excise Duty		189,148.35	136,639.29
Net Sales		1,421,815.44	1,313,182.38
Other Income	N	23,130.37	14,937.56
Variation in stock	O	30,012.73	326.63
	Total	1,474,958.54	1,328,446.57
EXPENDITURE			
Raw Material Consumed	P	962,592.31	850,029.35
Manufacturing & Other Expenses	Q	346,543.46	303,457.23
	Total	1,309,135.77	1,153,486.58
Profit before Depreciation, Financial Charges and Taxation		165,822.77	174,959.99
Depreciation	F	13,527.00	10,112.92
Financial charges	R	20,327.34	11,471.78
		131,968.43	153,375.29
Add: Transfer from Revaluation Reserve		189.27	189.27
Profit before Tax		132,157.70	153,564.56
Less : Deferred Tax Adjustment		2,965.26	(126.05)
Less : Fringe Benefit Tax		2,594.99	2,068.89
Less : Provision for Taxation		37,990.98	47,770.00
Profit After Taxation		88,606.47	103,851.72
Prior Period Adjustments		53.13	43.94
		88,553.34	103,807.78
Less : Excess/Short Provision		663.18	(182.64)
Add : Effect of adjustment on audit		401.15	21.65
Add : Share of Profit/(Loss) from Associate		771.77	(724.33)
Less : Profit transfer to Minority Interest		10,495.86	9,573.71
Profit after Minority Interest		78,567.22	93,714.03
Add : Prior Period Profit of SMEPL		333.97	-
Add : Balance as per last Balance Sheet		220,299.31	155,342.92
Profit available for Appropriation	Total	299,200.50	249,056.95
APPROPRIATION			
General Reserve		10,930.00	12,165.00
Proposed Dividend		10,500.00	10,500.00
Tax on Proposed Dividend		6,286.45	6,092.64
Balance carried to Balance Sheet		271,484.05	220,299.31
	Total	299,200.50	249,056.95
Notes on accounts	S		
Earnings per Share (Basic and Diluted) Rs.		26.19	31.24

As per our attached report of even date.

For **M/S KASTURY & TALATI**
Chartered Accountants

Dhiren P. Talati
Partner

Navi Mumbai, 30th June, 2009

For and on behalf of the Board of Directors

Dr. Vinod D. Shah - Executive Chairman
Sameer V. Shah - Vice Chairman & Managing Director
Nirmal V. Shah - Joint Managing Director
Perviz H. Dastur - Director
Mahendra K. Ghelani - Director

Navi Mumbai, 30th June, 2009



CONSOLIDATED CASH FLOW

	2008-2009		2007-2008	
	Rs in '000	Rs in '000	Rs in '000	Rs in '000
A Cash Flow from Operating Activities				
Net Profit before tax and extraordinary items		132157.70		151983.82
Adjustments for :				
Depreciation	13337.73		10112.92	
Misc Expenditure written off			10.02	
Loss on Sale of assets	670.55		830.06	
Foreign Exchange Fluctuation	7443.32		(6002.85)	
Profit on sale of shares			(1035.01)	
Financial Charges	11471.78		7048.67	
		32923.38		10963.82
Operating Profit before working capital changes		165081.08		162947.64
Adjustments for :				
Trade and Other Receivables	(80677.32)		(72593.88)	
Inventories	(45708.80)		(20853.75)	
Trade and Other Payables	52646.77		21709.51	
		(73739.35)		(71738.13)
Cash generated from operations		91341.73		91209.51
Interest paid		(11471.78)		(7048.67)
Net Cash from Operating Activities (A)		79869.95		84160.84
B Cash Flow from Investing Activities				
Purchase of Fixed Assets		(110,552.82)		(44,367.38)
Sale of Fixed Assets		157.50		677.44
Sale of Investment		-		3160.00
Purchase of Investment		(22197.76)		(13737.30)
Net Cash used in Investing Activities (B)		(132593.08)		(54267.24)
C Cash Flow from Financing Activities				
Increase in Share Premium on Amalgamation		14,463.00		-
Increase in Reserves on Amalgamation		49.50		-
Prior period surplus on Amalgamation		333.97		-
Proceeds from Unsecured Loans		(4938.95)		20450.62
Share Suspense		1802.06		-
Dividend paid		(21088.60)		(13572.17)
Proceeds from Secured Loan		106317.88		19631.01
Direct Tax paid		(46478.15)		(50445.35)
Net Cash from Financing Activities (C)		50460.71		(23935.90)
Net (Decrease)/Increase in Cash & Cash Activities		(2,262.42)		5,957.70
Cash and Bank Balances as on 31.3.2008		22,266.83		16,287.48
Consolidated Adjustment		401.15		21.65
Cash and Bank Balances as on 31.3.2009		20,405.56		22266.83

As per our attached report of even date.

For **M/S KASTURY & TALATI**

Chartered Accountants

Dhiren P. Talati

Partner

Navi Mumbai, 30th June, 2009

For and on behalf of the Board of Directors

Dr. Vinod D. Shah - Executive Chairman

Sameer V. Shah - Vice Chairman & Managing Director

Nirmal V. Shah - Joint Managing Director

Perviz H. Dastur - Director

Mahendra K. Ghelani - Director

Navi Mumbai, 30th June, 2009

Schedules forming part of the Consolidated Balance Sheet

PARTICULARS	Schedule	As at 31/3/2009 (Rs. in '000)	As at 31/3/2008 (Rs. in '000)
SCHEDULE "A"			
SHARE CAPITAL			
AUTHORISED			
50,00,000 Equity Shares of Rs.10/- each		<u>50,000.00</u>	<u>50,000.00</u>
ISSUED, SUBSCRIBED, AND PAID UP			
30,00,000 (3000000) Equity Shares of Rs.10/- each fully paid up		<u>30,000.00</u>	<u>30,000.00</u>
	Total	<u>30,000.00</u>	<u>30,000.00</u>
NOTES			
1) Of the above 10,000 (10,000) Equity Shares of Rs.10/- each have been issued for consideration other than cash			
2) Of the above 11,20,000 (11,20,000) Equity Shares of Rs.10/- each have been issued as fully paid up Bonus Shares by way of capitalisation of Reserves & Surplus.			
SCHEDULE "A1"			
SHARE CAPITAL SUSPENSE			
1,80,206(Nil) Equity Shares of Rs 10 each fully Paid up to be allotted to the shareholders of erstwhile Shree Mahalasa Electronics Pvt Ltd pursuant to its amalgamation with the Company effective from 1st January 2008		<u>1,802.06</u>	-
		<u>1,802.06</u>	-
SCHEDULE "B"			
RESERVES AND SURPLUS			
<u>REVALUATION RESERVE</u>			
As per last year		<u>6,538.44</u>	6,727.71
Less : Transfer to Profit & Loss A/c.		<u>189.27</u>	<u>189.27</u>
		<u>6,349.17</u>	6,538.44
<u>SHARE PREMIUM</u>			
Balance as per last Balance Sheet		<u>3,750.00</u>	3,750.00
Add : Addition on amalgamation		<u>14,463.00</u>	-
		<u>18,213.00</u>	3,750.00
<u>GENERAL RESERVE</u>			
As per last year		<u>64,471.98</u>	54,741.92
Less : Adjusted on account of liability in respect of employee benefits as on 01.04.2007(Net of Deffered Tax)		-	1,309.94
Less : Adjustment on amalgamation		<u>(1,180.66)</u>	-
Add:Transfer from Profit & Loss A/c.		<u>10,930.00</u>	12,165.00
Less : Minority Interest		<u>1,125.00</u>	<u>1,125.00</u>
		<u>73,096.32</u>	64,471.98
<u>PROFIT AND LOSS ACCOUNT</u>			
As per account annexed		<u>271,484.05</u>	220,299.31
Add : Addition of amalgamation of SMEPL		<u>1,230.16</u>	-
Add : Reversal of Excess Provision of Tax on Proposed Dividend		<u>1,178.67</u>	-
		<u>273,892.88</u>	<u>220,299.31</u>
	Total	<u>371,551.37</u>	<u>295,059.73</u>



Schedules forming part of the Consolidated Balance Sheet

PARTICULARS	Schedule	As at 31/3/2009 (Rs. in '000)	As at 31/3/2008 (Rs. in '000)
SCHEDULE "C"			
MINORITY INTEREST			
<u>Share Capital</u>			
Opening Balance		2,250.00	2,250.00
Addition during the year		-	-
Closing Balance		2,250.00	2,250.00
<u>General Reserve</u>			
Opening Balance		9,054.89	8,402.24
Less :Adjusted on account of liability in respect of employee benefit as on 01.04.2007 (Net of Deffered Tax)		-	472.35
Addition during the year		1,125.00	1,125.00
Closing Balance		10,179.89	9,054.89
<u>Profit & Loss Account</u>			
Opening Balance		28,357.88	18,784.17
Less : Dividend Paid		5,674.63	-
Addition during the year		10,495.86	9,573.71
Closing Balance		33,179.11	28,357.88
Total		45,609.00	39,662.77
SCHEDULE "D"			
SECURED LOANS			
Cash Credit facilities from HDFC Bank Ltd. (Secured by charge on current assets, Mortgage of Tangible Immovable Properties and charge on other fixed assets.)		69,163.84	34,228.58
Cash Credit facilities from Bank of India (Secured by hypothecation of all the book debts/receivables, collateral security by way of hypothecation of stocks and guaranteed by Chembond Chemicals Ltd)		22,064.04	18,958.42
Overdraft Facilities from Deutsche Bank (Secured by hypothecation of stock and book debts)		-	19,493.62
Term Loan from HDFC Bank Ltd. (Secured by Hypothecation of moveable fixed assets and Mortgage of immovable property located at Theda, Himachal Pradesh) [Due within one Year Rs.7175 Thousand (Previous Year Rs.7175 Thousand)]		9,775.00	16,950.00
Term Loan from Bank of India. (Secured by Equitable Mortgage on Fixed Block and Hypothecation of Plant and Machinery located at Dudhwada, Gujrat) (Due within one year Rs 11004 Thousand (Previous year NIL))		49,972.72	-
Term Loan from HDFC Bank Ltd. (First and Exclusive charge by way of equitable mortgage on the moveable and immovable fixed asset of the company located at Mahape & E 6/4 Tarapur) (Due within one year Rs 11250 Thousand (Previous year NIL))		45,000.00	-
Car Loan from HDFC Bank Ltd.		-	27.10
Total		195,975.60	89,657.72

Schedules forming part of the Consolidated Balance Sheet

PARTICULARS	Schedule	As at 31/3/2009 (Rs. in '000)	As at 31/3/2008 (Rs. in '000)
SCHEDULE "E"			
UNSECURED LOANS			
Loan from Directors			
(Maximum Amount Outstanding for Loan from Directors Rs.7800 Thousands (Rs.5300.00 Thousands)		7,800.00	2,800.00
Loans from Shareholders & Others		18,891.05	28,392.31
(See Note 9 Schedule S)			
Deferred Sales Tax Liability		2,145.15	2,582.84
Total		28,836.20	33,775.15

"SCHEDULE "F": FIXED ASSETS

Rs (in '000)

	GROSS BLOCK AT COST				D E P R E C I A T I O N B L O C K				N E T B L O C K	
Particulars	As at 1.4.2008	Additions	Deductions	As at 31.03.2009	As at 1.4.2008	Additions	Deductions	As at 31.03.2009	As at 31.03.2009	As at 31.03.2008
Goodwill	6,511.25	10,197.31	-	16,708.56	-	-	-	-	16,708.56	6,511.25
Leasehold Land	4,418.79	-	-	4,418.79	-	-	-	-	4,418.79	4,418.79
Freehold Land	12,118.07	2,963.04	-	15,081.11	-	-	-	-	15,081.11	12,118.07
Buildings	53,737.20	51,415.75	-	105,152.95	8,910.39	2,793.99	-	11,704.38	93,448.57	44,826.81
Equipment & Machinery	79,518.83	34,182.50	1,608.09	112,093.24	17,664.11	5,929.89	1,245.27	22,348.73	89,744.51	61,854.72
Computers	22,229.31	8,992.38	295.93	30,925.76	10,411.31	3,516.35	290.59	13,637.07	17,288.70	11,818.00
Furniture & Fixtures	6,690.23	4,190.38	579.45	10,301.16	3,053.97	533.22	497.55	3,089.64	7,211.53	3,636.26
Vehicles	9,776.55	180.76	583.97	9,373.32	4,394.27	898.80	206.49	5,086.57	4,286.75	5,382.28
Electric Fitting & Installations	4,632.14	4,851.26	-	9,483.40	1,334.99	353.84	-	1,688.83	7,794.57	3,297.15
TOTAL	199,632.37	116,973.39	3,067.44	313,538.30	45,769.04	14,026.08	2,239.90	57,555.21	255,983.09	153,863.33
Capital Work In Progress	-	-	-	-	-	-	-	-	11,252.94	17,174.94
Previous Year	165,654.53	36,766.82	2,789.05	199,632.30	36,937.42	10,112.92	1,281.31	45,769.03	153,863.33	128,717.11

Note :

Addition to Gross Block & Depreciation for the year includes Rs. 5,003.81 Thousand & Rs. 457.08 Thousand respectively towards asset taken over on amalgamation with Shree Mahalasa Electronics Pvt. Ltd



Schedules forming part of the Consolidated Balance Sheet

PARTICULARS	Schedule	As at 31/3/2009 (Rs. in '000)	As at 31/3/2008 (Rs. in '000)
SCHEDULE "G"			
INVESTMENTS (AT COST)			
Long Term Investments In Shares			
UNQUOTED			
INVESTMENT IN ASSOCIATES			
2,35,000 (2,35,000) Equity Shares of CCL Building Systems Ltd of Re 1/- each fully paid up constituting 47 % of the said Company's paid up capital		82.08	56.56
4,90,000 (4,90,000) Equity Shares of Chembond Enzyme Company Ltd of Re 1/- each fully paid up constituting 49 % of the said Company's paid up capital		5,584.11	4,837.87
4,50,000 (1,00,000) Equity Shares of Protochem Industries Pvt. Ltd of 10/- each fully paid up constituting 45 % of the said Company's paid up capital		29,652.06	7,500.00
INVESTMENT IN GOVERNMENT SECURITIES			
Investment in National Saving Certificate		0.50	0.50
OTHER INVESTMENTS			
23 (23) Equity Shares of Tarapur Environment Protection Organisation Ltd. of Rs. 100/- each		2.30	2.30
INVESTMENTS IN MUTUAL FUNDS			
2895.086 (2709.396) Units of Reliance Mutual Fund (Liquid Fund Treasury Plan) Face value of Rs.10/- each (Additional units have been received on account of dividend)		703.25	657.54
Total		36,024.30	13,054.77
SCHEDULE "H"			
INVENTORIES			
Stock-in-trade: (as per inventory taken, valued and certified by the Management)			
Raw Material (at cost)		104,598.57	90,728.69
Packing Material (at cost)		5,584.18	3,757.99
Finished Goods (at cost)		57,387.50	27,374.77
Total		167,570.25	121,861.45
SCHEDULE "I"			
SUNDRY DEBTORS. (Refer Note 7 of Schedule S) (Unsecured & considered good)			
Debts outstanding for a period exceeding Six months		55,618.57	52,479.30
Other debts		370,064.89	317,046.70
Total		425,683.46	369,526.00
SCHEDULE "J"			
CASH AND BANK BALANCES			
Cash on hand		67.13	84.93
Bank balance with Scheduled Banks In Current Accounts		13,030.96	16,343.13
Fixed Deposit		7,307.47	5,838.77
		20,405.56	22,266.83

Schedules forming part of the Consolidated Balance Sheet

PARTICULARS	Schedule	As at 31/3/2009 (Rs. in '000)	As at 31/3/2008 (Rs. in '000)
SCHEDULE "K"			
LOANS AND ADVANCES			
(Unsecured, considered good and subject to confirmation)			
Advances recoverable in cash or in kind or for value to be received (Refer Note 8 of Schedule S)		53,244.28	33,423.59
Income Tax		141,458.60	144,820.54
Fringe Benefit Tax		5,567.12	2,547.11
Deposit - Excise		8,467.75	5,328.67
Other Deposits		12,340.71	10,366.97
Prepaid expenses		394.21	807.86
	Total	221,472.67	197,294.74
SCHEDULE "L"			
CURRENT LIABILITIES			
Sundry Creditors for Goods		178,211.02	164,303.59
[(Dues to Small Scale Industries Rs. 33052.17 Thousands (Rs.28864.03 Thousands)]			
Sundry Creditors for Others		110,105.60	57,090.12
Investor Education & Protection Fund		-	-
Unclaimed Dividend *		266.93	275.16
	Total	288,583.55	221,668.87
* Not due for deposit			
SCHEDULE "M"			
PROVISIONS			
Income Tax		134,054.68	139,257.07
Fringe Benefit Tax		5,228.46	5,597.00
Proposed Dividend		10,500.00	10,500.00
Tax on Proposed Dividend		4,121.29	3,927.48
Provision for Gratuity		5,914.29	9,422.20
Provision for Leave Encashment		1,581.51	4,845.06
	Total	161,400.23	173,548.81



Schedules forming part of the Consolidated Profit and Loss Account

PARTICULARS	Schedule	As at 31/3/2009 (Rs. in '000)	As at 31/3/2008 (Rs. in '000)
SCHEDULE "N"			
<u>OTHER INCOME</u>			
Dividend from Mutual Funds		45.71	128.55
Gross Interest {(TDS Rs. 37394 (Rs. 25685))}		659.55	538.58
Gross Rental Income {(TDS Rs.194042 (Rs.121176))}		395.40	395.40
Miscellaneous Income		3,688.75	1,485.73
Foreign Exchange Fluctuation income		-	6,002.85
Technical Services Income		18,011.06	4,915.78
Bad debts recovered		329.89	429.02
Profit on sale of Shares		-	1,035.01
Insurance Claim		-	6.64
	Total	23,130.36	14,937.56
SCHEDULE "O"			
<u>VARIATION IN STOCK</u>			
Closing Stock of Finished Goods		57,387.50	27,374.77
Less: Opening stock of Finished Goods		27,374.77	27,048.14
	Total	30,012.73	326.63
SCHEDULE "P"			
<u>MATERIALS CONSUMED</u>			
Raw Material Consumed		903,906.48	798,820.73
Packing Material Consumed		58,685.83	51,208.62
	Total	962,592.31	850,029.35
SCHEDULE "Q"			
<u>MANUFACTURING & OTHER EXPENSES</u>			
<u>MANUFACTURING EXPENSES</u>			
Employees Salaries & Allowances		5,467.38	5,842.13
Contribution to Provident and other funds		386.63	379.78
Octroi		205.66	958.78
Power, Fuel & Water Charges		5,372.72	4,452.16
Excise Duty		3,883.70	4,320.51
Research and Development		869.87	675.10
Repairs and Renewals to Plant & Machinery		654.92	1,928.40
Consumable stores		4,881.93	3,389.16
Godown Rent		1,288.89	918.50
Miscellaneous Factory Expenditure		14,657.39	10,938.06
Enzymes Compensation Expenses		1,394.05	3,243.98
	Total A	39,063.14	37,046.56

Schedules forming part of the Consolidated Profit and Loss Account

PARTICULARS	Schedule	As at 31/3/2009 (Rs. in '000)	As at 31/3/2008 (Rs. in '000)
<u>ADMINISTRATIVE EXPENSES</u>			
Remuneration to Directors		8,077.76	7,333.87
Contribution to Provident and other funds - Directors		401.40	401.40
Director's Sitting Fees		579.80	1,119.80
Employees Salaries & Allowances		100,784.56	80,966.21
Contribution to Provident and other funds		7,149.85	5,652.07
Staff Welfare Expenses		5,300.80	4,638.38
Rent Rates & Taxes		3,301.42	2,858.52
Electricity charges		2,012.14	1,855.37
Printing and stationary		2,111.11	1,946.87
Telephone & Postage Expenses		7,443.32	6,875.09
Insurance		1,793.91	1,661.19
Motor car expenses		850.99	920.41
Auditors Remuneration		393.92	381.17
Legal, Professional & consultancy fees		11,200.82	6,382.59
Repairs & Maintenance		292.36	-
Repairs & Maintenance - Others		9,489.76	7,491.45
Miscellaneous expenses		5,464.76	4,457.08
Miscellaneous expenses written off - SMEPL		7.04	-
Donation		1,495.73	1,119.62
Foreign Exchange Fluctuation		413.99	537.78
Sales Tax & Other Taxes		8,162.03	4,105.76
Loss on sale of Fixed Assets		670.55	830.03
Initial Fill Quantity(written off)		2,466.24	2,159.91
Bad Debts Written Off		2,327.16	3,766.59
Debit Balances Written off		35.64	222.75
	Total B	<u>182,227.06</u>	<u>147,683.91</u>
<u>SELLING AND DISTRIBUTION EXPENSES</u>			
Carriage outwards		25,865.29	27,600.20
Rent		1,592.94	2,801.31
Other Sales & Distribution Expenses		2,285.19	-
Technical Service Expenses		9,114.36	7,568.74
Commission on sales		26,187.03	24,742.62
Travelling Expenses		31,186.57	27,203.06
Conveyance expenses		2,290.68	1,919.81
Royalty Expenses		18,523.62	17,196.76
Advertising & Publicity Exps		864.83	987.51
Warehousing Charges		351.92	228.76
Packing Expenses		18.32	107.10
Sales Promotion expenses		6,972.51	8,371.45
	Total C	<u>125,253.26</u>	<u>118,727.32</u>
	GRAND TOTAL (A+B+C)	<u>346,543.46</u>	<u>303,457.79</u>
<u>SCHEDULE "R"</u>			
<u>FINANCIAL CHARGES:</u>			
<u>Interest charges</u>			
Executive Chairman		526.89	437.67
Others		16,009.39	8,687.84
Bank Guarantee fees & charges		3,791.06	2,346.27
	Total	<u>20,327.34</u>	<u>11,471.78</u>



SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT AND CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

SCHEDULE "S": NOTES ON ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

- i) The Consolidated Financial Statements (CFS) presents the Consolidated Accounts of Chembond Chemicals Ltd. (CCL) with its Subsidiary, Chembond Ashland Water Technologies Ltd (CAWTL) and its Joint Venture Henkel Chembond Surface Technologies Ltd.(HCSTL) & associate companies CCL Building Systems Ltd.(CBSL), Chembond Enzyme Company Ltd(CECL) & Protochem Industries Pvt Ltd.(PIPL). At the Balance Sheet date CCL is holding 54.999% of equity shares in CAWTL,48.99% equity shares in HCSTL,47% in CBSL & 49% in CECL.The Consolidation of Accounts is done in accordance with the requirement of Accounting Standard- 21 "Consolidated Financial Statement", Accounting Standard-23 "Accounting for Investments in Associates" in Consolidated Financial Statement and Accounting Standard –27 "Financial Reporting of Interests in Joint Ventures" issued by The Institute of Chartered Accountants of India.
- ii) Significant Accounting Policies and Notes to these Consolidated Financial Statements are intended to serve as a means of information, disclosure and a guide to better understanding the consolidated position of the Companies. Recognizing this purpose, the Company has disclosed only such policies and Notes from the individual financial statements, which fairly present the needed disclosures. Lack of homogeneity and other similar considerations made it desirable to exclude some of them, which, in the opinion of Management, could be better viewed, when referred from the individual financial statements.
- iii) In respect of subsidiary Company, the CFS of the group has been prepared by consolidating on a line by line basis by adding together the book values of like items of Assets, Liabilities, Income and Expenses after fully eliminating all inter Company balances and transactions as per Accounting Standard –AS 21 "Consolidated Financial Statements".
- iv) In respect of Joint Venture Company, the CFS of the group have been consolidated as per AS-27 "Financial Reporting of Interests in Joint Ventures".
- v) In respect of Associate Companies, the CFS of the group have been consolidated as per AS-23 "Accounting for Investments in Associates in Consolidated Financial Statements" by applying the "Equity Method" of accounting.
- vi) The excess value of Investment by the Holding Company in the subsidiary Company over the face value of equity of the Subsidiary Company and the share of reserves as on the date of acquisition is reflected as Goodwill (adjusted for the effect of sale of investments) under Fixed Assets. Goodwill on consolidation is not amortised.
- vii) Minority interest represents that part of the net results of operations and of the net assets of a subsidiary attributable to interests which are not owned, directly or indirectly through subsidiaries, by the parent. The amount due to the Minority interest is included in the Schedule "C" forming part of the Consolidated Balance Sheet.
- viii) The Subsidiary Company and Joint Venture Company and Associates Companies considered in the Consolidated Financial Statement are as follows:

SR.NO.	NAME OF THE COMPANY	STATUS	% OF HOLDING	COUNTRY OF INCORPORATION
i.	Chembond Ashland Water Technologies Limited	Subsidiary	54.99%	INDIA
ii.	Henkel Chembond Surface Technologies Limited	Joint Venture	48.99%	INDIA
iii.	CCL Building Systems Ltd.	Associate	47.00%	INDIA
iv.	Chembond Enzyme Company Ltd.	Associate	49.00%	INDIA
v.	Protochem Industries Pvt.Ltd	Associate	45.00%	INDIA

2. OTHER SIGNIFICANT ACCOUNTING POLICIES.

A. SYSTEM OF ACCOUNTING

- i. The Company follows the mercantile system of accounting and recognises income and Expenditure on accrual basis.
- ii. Financial Statements are prepared on historical cost basis, adjusted for revaluation of Fixed Assets and as a going concern.

B. FIXED ASSETS

Fixed Assets in respect of the parent Company are stated at their revalued figures less accumulated Depreciation. The Company capitalises all costs relating to acquisitions and installation of fixed assets.

Fixed Assets in respect of the Subsidiary Company are stated at cost.

C. EXPENDITURE DURING CONSTRUCTION

Pre-operating Expenditure, Interest on specific borrowings for the project, interest on general (interest bearing) funds of the Company utilized for the purpose of the project upto the date of commencement of commercial production are capitalized pro-rata to the cost of fixed assets.

D. IMPAIRMENT OF ASSETS

The carrying amount of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An asset is impaired when the carrying amount of the asset exceeds the recoverable amount. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. An impairment loss recognized in prior accounting periods is reversed if there has been change in the estimate of the recoverable amount.

E. DEPRECIATION

Depreciation on fixed assets in case of parent Company is provided on the straight line method at the rates and in the manner specified in schedule XIV of the Companies Act 1956, as amended to date. During the year ended 31st March 1991, the Company had changed its method of providing depreciation on fixed assets as on 1st July 1980 from the written down value method to the straight line method. No depreciation is provided on land.

Depreciation in the case of Subsidiary Company is provided on written down value method at the rates specified in Schedule XIV of the companies Act, 1956.

F. DEFERRED TAXES

Deferred Income Tax is provided using the liability method on all temporary differences at the Balance Sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available in the future against which these items can be utilised.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax Assets and Liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and the tax laws) that have been enacted subsequent to the Balance Sheet date.

G. INVESTMENTS

Investments are stated at the cost of acquisition.

H. VALUATION OF INVENTORY

Inventories are valued at cost determined on FIFO Basis or Net Realisable Value, whichever is lower. Cost of Raw Material Stocks is determined so as to exclude from the cost ,taxes and duties which are subsequently recoverable from the taxing authorities.



I. TAXATION

Advance payments of Tax including TDS and the corresponding provisions of Tax for the year where Income Tax assessments are pending are shown under the head "Loans and Advances" & "Provisions" respectively.

J. FRINGE BENEFIT TAX

Fringe Benefit Tax is determined at current applicable rates on expenses falling within the ambit of "Fringe Benefit" as defined under the Income Tax Act, 1961.

K. FOREIGN EXCHANGE DIFFERENCES

Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the transaction date. Monetary items such as receivables, payables and loans denominated in foreign currency are translated at the exchange rate prevailing at the balance sheet date. Exchange differences arising on foreign currency transactions are recognised as income/ expenditure in the profit and loss account.

L. CUSTOMS DUTY ON IMPORTS

Customs duty on Imports is accounted as and when Goods are cleared from the customs authorities.

3. Closing Stock has been taken, valued and certified by the Management.

4. (i) On the basis of a Revaluation Report obtained from an Approved Chartered Engineer, the parent Company, CCL had revalued all the fixed assets existing as on 31st March 1994. The fixed assets had accordingly been written-up by creating a Revaluation Reserve of Rs. 9153.00 Thousands and the value of the fixed assets is stated in the balance sheet at the revalued figure.

(ii) Depreciation on fixed assets is consistently being provided on the straight line method on the revalued figure for all the assets acquired upto 31st March 1994 and additional depreciation due to revaluation aggregating Rs 189.27 Thousands has been transferred from revaluation reserve to the Profit & Loss Account during the year under consideration.

5. In the opinion of the Board, Current Assets and Loans & Advances are approximately of the value stated, if realised in the ordinary course of business. Provisions for all known liabilities are made and the same are adequate and not in excess of the amount reasonably necessary.

6. Contingent Liabilities not provided for are in respect of :-

	2008-2009 Rs.in Thousand	2007-2008 Rs.in Thousand
a) Sales Tax matter under appeal	1,092	1,092
b) Outstanding LC & Bank Guarantees issued by Bankers.	46,195	21,757
c) Income Tax Matter (Departmental Appeal)	1,020	688
d) Corporate Guarantee given by CCL on behalf of CDL to Bank of India.	60,000	60,000
e) Excise Duty Matter under Appeal	NIL	336
f) Balance payment for Capital Commitment	46,187	1,188

7. Debtors includes debts due from companies under the same management as defined under section 370 (1 – B) of the Companies Act 1956 :-

i) Joint Venture Company Rs.37,545.12 Thousand (Rs.1,854.97 Thousand)

ii) Associates Companies Rs.3,437.19 Thousand (Rs.4,239.92 Thousand)

8. Advances recoverable in cash or in kind or for value to be received include amounts aggregating to Rs. NIL (Rs.4.40 Thousands) being amounts due from companies under the same management as defined u/s 370 (1-B) of the Companies Act being CCL Building Systems Ltd Rs.NIL (Rs.3.90 Thousand) & Chembond Enzyme Company Ltd. Rs.NIL (Rs.0.50 Thousand).

9. a) Sundry Creditors includes amounts aggregating to Rs.NIL (Rs.16,727.61 Thousand) being due to Joint Venture Companies.
- b) Sundry Creditors and Unsecured Loans includes amounts aggregating to Rs.516.51 Thousand (Rs.7,032.27 Thousand) and Rs.8,612 Thousand (Rs.9,875.74 Thousand) respectively being due to directors, their relatives and firms and companies in which Directors are interested.
- c) Unsecured Loans includes amounts aggregating to Rs.6,050 Thousand (Rs.8,000 Thousand) due to Associates.
10. The Companies obligation towards the Gratuity Fund is a Defined Benefit Plan Details of Actuarial Valuation as on 31.3.2009

Particulars	Rupees in Thousand
Projected Benefit Obligation as on 1 st April, 2008	17,889.80
Service Cost	1,949.02
Interest Cost	1,419.83
Actuarial Losses/(Gains)	2,856.78
Benefits paid	(723.10)
Projected Benefit Obligation as on 31 st March, 2009	23,392.40
Change in Plan Assets	
Fair value of plan assets as on 1 st April, 2008	6,873.83
Expected Returns on Plan assets	663.82
Employer's contribution	1,492.63
Benefits paid	(723.10)
Actuarial Gain/(Loss)	(6.51)
Fair value of plan assets as on 1 st April, 2009	8,300.67
Cost of Defined Benefit Plan for the year	
Current Service Cost	1,949.02
Interest on Obligation	1,419.83
Expected Return on Plan Assets	(663.82)
Net Actuarial Losses/(Gains) recognized in the year	2,863.29
Net Cost recognized in the Profit and Loss Account	5,568.32
Assumptions	
Discount Rate	7.75%
Future Salary Increase	4%
Withdrawal rates	1%

11. Auditors' Remuneration consists of :-

	2008-2009 Rs in Thousand	2007-2008 Rs. in Thousand
Statutory Audit Fees	258.35	222.63
Tax Audit Fees	99.75	17.15
Taxation	35.82	139.89
Others	NIL	1.50
	<u>393.92</u>	<u>381.17</u>



12. As per the Accounting Standard 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, the Company has recorded Deferred Taxes in respect of the following:

	2008 - 2009		2007 - 2008	
	Rs in '000	Rs in '000	Rs in '000	Rs in '000
Deferred Tax Liability				
Depreciation	6,692.67			3,961.65
Leave Travel Allowances	290.38			
Gratuity	272.50	7,255.55		
Deferred Tax Asset				
Leave Encashment	126.84		1,645.82	
Gratuity			2,441.88	
MAT Credit	4,150.00			
Depreciation	13.45	4,290.29	-	4,087.70
Net Deferred Tax Liability/(Asset)		2,965.26		(126.05)

13. Segment Reporting

Based on expert opinion the Company has determined that it operates in a single business segment, namely "Speciality Chemicals". Therefore the information pursuant to the Accounting Standard 17 "Segment Reporting" issued by the Institute of Chartered Accountant of India is not applicable.

14. Related Party Disclosures

Related party disclosures as required under Accounting Standard 18 on "Related Party Disclosures" issued by the Institute of Chartered Accountants of India are given below:-

- a) Relationship:

i) Joint Venture.

Henkel Chembond Surface Technologies Ltd., Ashland International Holdings Inc., Henkel KGaA.

ii) Key Management Personnel, Associates and their relatives.

Key Management Personnel

Dr. Vinod D. Shah, Mr. Sameer V. Shah, Mr. Nirmal V. Shah, Mr. Jayant S. Vasani, Mr. Bhadresh D. Shah

Relatives

Mrs. Padma V.Shah, Mrs. Mamta N.Shah, Mrs. Alpana Shah, Mrs.Jyoti N. Mehta.

Entities over Which Key management personnel are able to exercise influence

CCL Optoelectronics Pvt. Ltd., Finor Piplaj Chemicals Ltd., S and N Ventures Ltd., Bentec Organoclays Pvt. Ltd., Shree Mahalasa Electronics Pvt. Ltd., Ashland Casting Solutions Inc.

iii) Associates.

CCL Building Systems Ltd., Chembond Enzymes Company Ltd,Protochem Industries Pvt Ltd.

b) The following transactions were carried out with related parties in the ordinary course of business.

Rs.in Thousand

Particulars	Joint Venture [a (ii)]		Key Management Personnel and their relatives [a (iii)]		Associatesa [a (iv)]	
	31st, March		31st, March		31st March	
	2009	2008	2009	2008	2009	2008
Sales	-	-	-	4,363.67	6,123.30	4,781.40
Purchases	-	781.78	25,336.00	24,294.44	5,068.53	-
Reimbursement of Expenses	-	1,154.75	-	-	319.91	-
Rent Income	264.60	264.60	-	72.00	-	48.00
Interest Expense	-	-	1,341.59	1,531.24	766.71	536.62
Rental Expenses	435.12	435.12	600.00	2,100.00	-	-
Directors Remuneration	-	-	8,238.60	7,801.22	-	-
Directors sitting Fee	-	-	579.80	1,119.80	-	-
Salaries	-	-	1,117.12	1,063.66	-	-
WTC / PTC / Enzyme Compensation	-	-	-	-	1,394.05	3,243.98
Royalty	17,856.57	16,419.76	667.05	777.00	-	-
Balances at the end of the year						
a. Loans taken	-	-	8,612.00	9,875.74	6,050.00	8,000.00
b. Deposit Given	-	-	-	-	-	-
c. Sundry Debtors	37,545.12	1,854.97	-	-	3,437.19	4,239.92
d. Sundry Creditors	-	16,727.61	516.51	7,032.27	1,077.80	-

15. Earnings Per Share

	2008-2009	2007-2008
Net Profit as per Profit & Loss Account available to Share Holders (Rs. In Thousands)	78,567.22	99,388.53
Total Number of Shares Paid up	30,00,000	30,00,000
Basic & Diluted Earnings Per Share (Rs.)	26.19	33.13

As per our attached report of even date.

For **M/S KASTURY & TALATI**
Chartered Accountants

Dhiren P. Talati
Partner

Navi Mumbai
30th June, 2009

For and on behalf of the Board of Directors

Dr. Vinod D. Shah - Executive Chairman
Sameer V. Shah - Vice Chairman & Managing Director
Nirmal V. Shah - Joint Managing Director
Perviz H. Dastur - Director
Mahendra K. Ghelani - Director

Navi Mumbai
30th June, 2009

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CHEMBOND CHEMICALS LIMITED

REGISTERED OFFICE: CHEMBOND CENTRE EL-71, MAHAPE, MIDC, NAVI MUMBAI 400 710

FOLIO NO. : _____ No. of shares held: _____

D.P. ID _____ Client. ID _____

I / We _____ of _____
in the District of _____ being a Member/Members of CHEMBOND
CHEMICALS LIMITED hereby appoint _____ of
_____ or failing him _____ of
_____ in the District of _____ as my/our Proxy to
attend and vote for me/us on my/our behalf at the 34th ANNUAL GENERAL MEETING of the Company to be held on
Saturday, 22nd August, 2009 at 3.00 p.m. at EL-37, MAHAPE, MIDC, NAVI MUMBAI 400 710 and any adjournment
thereof.

Signed this _____ day of _____, 2009.

Please affix
Re.1/-
Revenue
Stamp

Signature

NOTES:

1. The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than FORTY EIGHT HOURS before the time for holding the aforesaid meeting.
2. The Proxy need not be a member of the Company.
3. Company reserves the right to ask for identification of the proxy.

----- Tear here -----

Attendance Slip

CHEMBOND CHEMICALS LIMITED

REGISTERED OFFICE: CHEMBOND CENTRE EL-71, MAHAPE, MIDC, NAVI MUMBAI 400 710

Please complete the Attendance Slip and hand it over at the entrance of the Meeting Hall.

I hereby record my presence at the 34th ANNUAL GENERAL MEETING of the Company at EL-37, MAHAPE, MIDC, NAVI MUMBAI 400 710 on Saturday, the 22nd August, 2009 at 3.00 p.m.

Full name of Member (In block letters) _____

FOLIO NO. : _____ No. of shares held: _____

D.P. ID _____ Client. ID _____

Full name of Proxy (In block letters) _____

Member's/Proxy Signature _____

Notes:

1. Shareholders/Proxy holders are requested to bring the attendance Slip with them when they come to the Meeting. No attendance slip will be issued at the time of meeting.
2. Shareholders who come to attend the meeting are requested to bring their copies of the Annual Report with them, as spare copies will not be available at the meeting.

Dudhwada Plant



Dudhwada Lab



Chembond Chemicals Limited

Registered and Corporate Office
Chembond Centre,
EL – 71, Mahape MIDC,
Navi Mumbai – 400 710.
Tel.: (++91 22) 6614 3000, Fax: (++91 22) 2768 1294