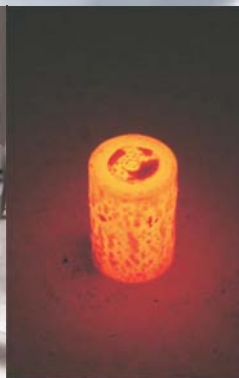
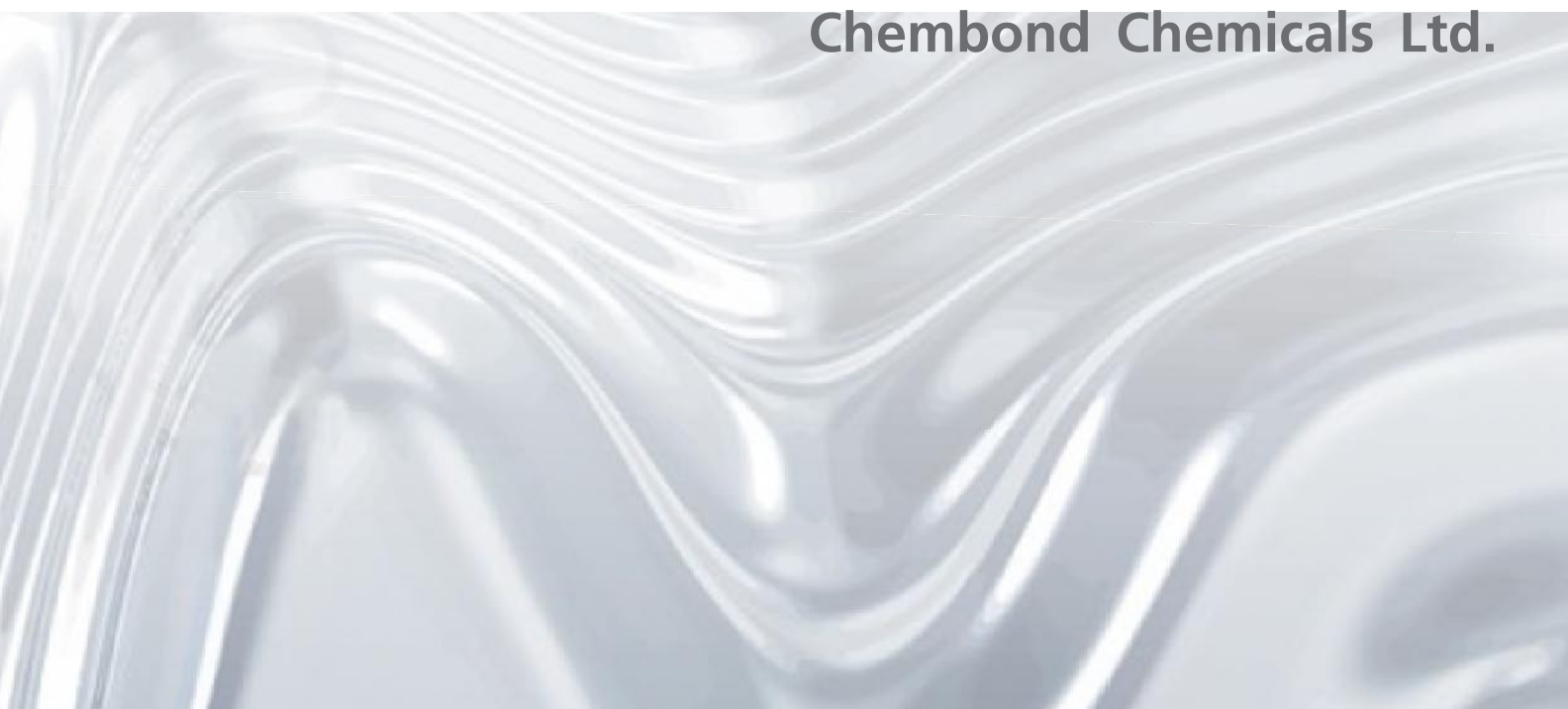


ANNUAL REPORT 2010 - 2011



Chembond Chemicals Ltd.





Dr. Vinod D. Shah
Executive Chairman



Ashwin R. Nagarwadia
Director



Perviz H. Dastur
Director



Mahendra K. Ghelani
Independent Director



Jayant S. Vasani
Independent Director



Nirmal V. Shah
Jt. Managing Director



Jawahar I. Mehta
Independent Director



O. P. Malhotra
Independent Director



Sushil U. Lakhani
Independent Director



Sameer V. Shah
Managing Director



CHAIRMAN'S MESSAGE

My Dear Shareholders,

I am pleased to write on the occasion of 36th Annual Report of your company.

The intervening period of 36 years have witnessed many ups, downs and changing global scenario. Your company has faced the dynamic situation admirably by adapting itself with the changes and used the unfavorable circumstances beyond our control as opportunities for new vistas of business development for better profitability. I am sure when you look back at the comparative performances of the last few years, these facts will reveal themselves.

We are in an era of new developments and inventions. One need to look into any scientific journal to see how fast the new products, processes, technologies and knowledges keep pouring in. The existing products that took years to be replaced earlier, now take only a few months. In my opinion, the "Mantra" for a company to progress today is to keep developing and adapting new processes and technologies to not only retain but also to enhance the visibility on a national and International radar.

Beginning this year therefore, the management of your company has decided to set up a modern research and development facility to be headed by an eminent scientist/technocrat. This will be an investment for the long term prosperous future of your company.

I believe in the maxim that companies and organizations are more important than the individuals managing it and ultimately it is the role of the company in the betterment of the values of the customers, shareholders, employees and the society at large that is the driving force steering the actions of the company.

Best Wishes

Vinod D. Shah

Dr. Vinod D. Shah

Executive Chairman

**Company Secretary**

Dipti D. Samant

Key Executives

Abhijit Giri
Bhadresh D. Shah
Deepak M. Wadekar
Devkinand Sharma
Jinesh Maniar
Mangesh Narvekar
Mangesh Patil
M. P. Nagarkar
Ravikumar Mutaka
Sanjay R. Naik

DGM – Coatings
General Manager - Commercial
Senior Manager - SHEQ
Plant Manager - Baddi
Finance Controller
DGM - Trading
Sr. Manager Construction Chemicals
General Manager - Projects
Head – Operations Tarapur
DGM – Coatings

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

Thane, Maharashtra.
Nalagarh, Himachal Pradesh,
Balasore, Orissa
Chennai, Tamilnadu
Vadodara, Gujarat

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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NOTICE

NOTICE IS HEREBY GIVEN THAT THE THIRTY SIXTH ANNUAL GENERAL MEETING OF THE MEMBERS OF CHEMBOND CHEMICALS LIMITED WILL BE HELD ON AT SATURDAY, 10TH SEPTEMBER, 2011 AT EL-37, MAHAPE, MIDC, NAVI MUMBAI 400 710. AT 3.00 PM 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 2011 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. Jawahar I. Mehta, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Perviz H. Dastur, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s Kastury & Talati auditors to hold office from conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS :

6. To consider and, if thought fit, to pass, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 81(1A), and all other applicable provisions, if any, of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and amendments made thereto (hereinafter referred to as "SEBI Guidelines"), and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions as may be prescribed or imposed while granting such approvals, permissions and sanctions, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee, including the Compensation Committee which the Board has constituted to exercise its powers, including the powers, conferred by this resolution), to create, offer, issue, transfer and allot at any time to or to the benefit of such person(s) who are in permanent employment of the Company, including any Director of the Company, whether whole time or otherwise, directly or through any Trust constituted or to be constituted for the purpose options exercisable into not more than 318,000 equity shares of the Company of face value ₹ 10/- each, under one or more employee stock option, in one or more tranches and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of the law or guidelines issued by the relevant Authority; each option being exercisable for one Equity Share of a face value of ₹ 10 each fully paid up on payment of the requisite exercise price to the Company / Trust."

"RESOLVED FURTHER THAT the Exercise Price shall be determined by the Board of Directors and/or Compensation Committee at the time of Grant of an Option and may be at such discount not exceeding 10% of the market price i.e. not less than lower of the average of weekly high and low of closing price of six months or two weeks prior to the date of the meeting of the Board of Directors and/ or Compensation Committee in which options are granted, on the Stock exchange on which there is highest trading volume."

"RESOLVED FURTHER THAT in case of any change in capital structure such as right issues, bonus issues, merger and sale of division or otherwise, if any, additional equity shares are required to be issued by the Company under any such employee stock option plan the above ceiling of 318,000 equity shares shall be deemed to be increased to the extent of such additional equity shares required to be issued by the Company."

"RESOLVED FURTHER THAT in case the equity shares of the Company are either sub-divided or consolidated, then the number of shares to be allotted and the price of acquisition payable by the option grantees under any employee stock option plan shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of ₹ 10 per equity share bears to the revised face value of the equity shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees."

"RESOLVED FURTHER THAT in case of any corporate action(s) like merger, sale of undertaking, etc or change in capital structure whether by issue of rights/bonus shares, or other changes in the share capital whatsoever, the Board be and is hereby authorised to make such adjustments as it may deem fit to the quantum of shares to be issued pursuant to the exercise of the options, the exercise price, and other rights and obligations under the options."



"RESOLVED FURTHER THAT the Equity Shares issued and allotted to the employees upon exercise of options from time to time shall rank pari passu in all respects with the then existing equity shares of the Company."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to make modifications, changes, variations, alterations or revisions in any employee stock option plan as it may deem fit and or as may be suggested by one or more concerned authorities including but not limited to the Stock Exchanges, from time to time in its sole and absolute discretion in conformity with the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, SEBI Guidelines and any other applicable laws."

"RESOLVED FURTHER THAT to determine all other terms and conditions for the purpose of giving effect to any offer, issue or allotment of equity shares or securities or instruments representing the same, as described above under any employee stock option plan, the Board be and is hereby authorized on behalf of the Company to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable for such purpose with power on behalf of the Company to settle all questions, difficulties or doubts that may arise in this regard to such issue or allotment without being required to seek further consent or approval of the members."

7. To consider and, if thought fit, to pass, the following resolution as a Special Resolution.

"RESOLVED THAT pursuant to the provisions of Section 81 (1A) and other applicable provisions, if any, of the Companies Act 1956, the Memorandum and Articles of Association of the Company and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee, including the Compensation Committee which the Board has constituted to exercise its powers, including the powers, conferred by this resolution), to create, offer, issue and allot at any time to or to the benefit of such person(s) who are in permanent employment of its current subsidiaries namely Chembond Ashland Water Technologies Limited, H2O Innvotion India Limited, and Protochem Industries Private Limited and any other future subsidiaries of the Company, including any Director of such a subsidiary, whether in whole time employment or otherwise, options exercisable into shares or securities convertible into equity shares within the overall ceiling of 318,000 Equity Shares of the Company as mentioned in Resolution No. 6 above, under one or more employee stock option plant, in one or more tranches and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of the law or guidelines issued by the relevant Authority; each option would be exercisable for one Equity share of a face value of ₹ 10 each fully paid-up on payment of the requisite exercise price."

"RESOLVED FURTHER THAT the Exercise Price shall be determined by the Board of Directors and/or Compensation Committee at the time of Grant of an Option and may be at such discount not exceeding 10% of the market price i.e. latest available closing price, prior to the date of the meeting of the Board of Directors and/ or Compensation Committee in which options are granted, on the Stock exchange on which there is highest trading volume."

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

Dr. Vinod D. Shah
Executive Chairman

Mumbai, 30th July, 2011

REGISTERED OFFICE:
Chembond Centre,
EL-71, MIDC, Mahape,
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 HIM SELF 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, 26th August, 2011 to Saturday, 10th September, 2011 (both days inclusive) in connection with the Annual General Meeting.
4. The Directors have recommended dividend of Rs. 2.15/- per Equity Share, which on approval by the members at the Annual General Meeting will be paid to the members whose names appear in the Company's Register of Members on 20th September, 2011 with Dividend Warrants posted to them on or before 9th October 2011.
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 2002-03 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 2011 are as under:

Date of Declaration	Amount (₹)	Due Date
12/07/04	32882.40	11/07/2011
12/08/05	30812.40	11/08/2012
29/07/06	54086.50	28/07/2013
18/08/07	35197.50	17/08/2014
13/09/08	46046.00	12/09/2015
22/08/09	35973.00	21/09/2016
18/09/10	61346.25	17/09/2017

8. The Ministry of Corporate Affairs vide its General Circular No. 2/2011 (51/12/2007-CL-III) dated 8th February, 2011 has granted a general exemption under Section 212(8) of the Companies Act, 1956 for publication of the Accounts of subsidiary companies , subject to fulfillment of certain conditions. In view of the same, your company is also exempted from publication of the accounts of its subsidiaries under the provisions of Section 212 of the Companies Act, 1956 .These documents will be submitted on request to any member wishing to have a copy on receipt of such request by the Company at the Registered Office 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 Offices of the respective subsidiary company during working hour upto the date of the Annual General Meeting.
9. 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

(Formerly Tata Share Registry Limited)
6-10, Haji Moosa Patrawala Indl. Estate,
20, Dr. E Moses Road,
Mahalaxmi, Mumbai – 400 011.



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

Name : Mr. Jawahar Mehta
Age : 79 years
Qualification : B.Sc, B.S., M.S.

Jawahar Mehta is not on Board of any other Companies.

II Name : Mr. Perviz Dastur
Age : 74 years
Qualification : B.Com, MBA, ACA

Perviz Dastur is also on the Board of following Companies:

Finor Piplaj Chemicals Limited

Chembond Ashland Water Technologies Limited

Oil Field Instrumentation (India) Limited

11. 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.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.

ITEM NO. 6 & 7

The Company intends to introduce stock-based compensation schemes for incentivizing the Employees and Directors (excluding the Promoters or persons belonging to the Promoter group) of the Company and its subsidiaries. The approval of the shareholders is being sought for granting stock options to the employees of the Company and its subsidiaries under (one or more employee stock option plan to be introduced by the Company”.

The main features of the proposed employee stock option plan and Information as required under clause 6.2 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are given below:

1. **Total number of options to be granted:**

Options for up to 318,000 equity shares of ₹ 10 each would be available for being granted to eligible employees (including the Directors) of the Company and its present and future subsidiaries under employee stock option plan. Each option when exercised would be converted into one Equity Share of ₹ 10 each fully paid up.

Vested options that lapse due to non-exercise or unvested options that get cancelled due to resignation of the employees or otherwise, would be available for being re-granted at a future date.

SEBI guidelines require that in case of any corporate action(s) or change in capital structure such as rights issues, bonus issues, sub-division / consolidation of the nominal value of shares, merger and sale of division and others, a fair and reasonable adjustment needs to be made to the options granted. Accordingly, if any additional equity shares are required to be issued for making such fair and reasonable adjustment, the ceiling of 368,000 equity shares shall be deemed to be increased to the extent of such additional equity shares issued/to be issued. Further the Board and/or Compensation Committee shall in such cases also have the power to make appropriate adjustments to the number of shares to be allotted pursuant to the exercise of the Options, the Exercise price and other rights and obligations under the options granted.

2. **Identification of classes of employees entitled to participate in the Employee Stock Option Scheme(s):**

All permanent employees of the Company and its subsidiary companies, including the Directors thereof whether in wholtime employment or not but excluding the promoters of the Company or persons belonging to the Promoter Group, as may be decided by the Board / Compensation Committee from time to time, would be entitled to be granted stock options under the employee stock option plan.

3. **Transferability of employee stock options**

The stock options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner. However, in the event of the death or permanent disability of an employee stock option holder while in employment, the right to exercise all the options granted to him till such date shall be transferred to his legal heirs or nominees.

4. **Requirements of vesting and period of vesting,**

The Options granted shall vest so long as the employee continues to be in the employment of the Company. The Compensation Committee may, at its discretion, lay down the period of time and/or specify certain performance metrics on the achievement of which the granted options may vest (subject to the minimum vesting period as specified below). The vesting of the Options may also happen in tranches in accordance with the above mentioned conditions.

The options would vest not earlier than one year but not later than five years from the date of grant of options. The exact proportion in which and the exact period over which the options would vest would be determined by the Board / Compensation Committee, subject to the minimum vesting period of one year from the date of grant of options and may be customised for individual employees.

5. **Exercise Price or Pricing Formula:**

The exercise price shall be decided by the Board of Directors and/or Compensation Committee on the date of grant which shall not be more than the Market price as defined under the SEBI Guidelines. In cases, where options are granted at a discount to the market price, the discount shall not exceed 10% of the market price i.e. not less than lower of the average of weekly high and low of closing price of six months or two weeks prior to the date of the meeting of the Board of Directors and/ or Compensation Committee in which options are granted, on the Stock exchange on which there is highest trading volume.

The Company shall be entitled to recover from the employee any tax as that may be levied upon or in relation to the Options"

6. **Exercise Period and the process of Exercise:**

The Exercise period would commence from the date of vesting and will expire on completion of a period of upto five years from the date of vesting of the options. The options shall become exercisable in part or in full within the overall exercise period permitted under the Plan.

The options will be exercisable by the Employees by a written application to the Company to exercise the options in such manner, and on execution of such documents, as may be prescribed by the Board / Compensation Committee from time to time. The options will lapse if not exercised within the specified exercise period and would be available for being re-granted in future.

7. **Appraisal Process for determining the eligibility of the employees to ESOP:**

The appraisal process for determining the eligibility of the employee will be specified by the Board / Compensation Committee, and will be based on criteria such as role / designation of the employee, length of service with the Company, past performance record, future potential of the employee and/or such other criteria that may be determined by the Compensation Committee at its sole discretion.

8. **Maximum number of options to be issued per employee and in aggregate:**

The aggregate number of Options / underlying Shares that may be granted under the Plan shall not exceed 318,000 (Three Lacs Eighteen Thousand only). Further, options under each Grant to an Employee shall not be less than 50 (Fifty) and shall not exceed 0.50% of the total issued capital of the Company in any year provided that the aggregate number of options granted per employee under the total tenure of the plan in any case shall not exceed 1% (One Percent) of the aggregate options granted.

9. **Maximum number of options to be granted to Non-Executive Directors (including independent directors) in any financial year and in aggregate:**

The number of options that may be granted to any Non-Executive director (including any independent director) in any financial year under employee stock option plan shall not exceed 0.25% of the issued and paid-up capital and in aggregate shall not exceed 0.50% of the issued and paid up capital of the Company at the time of grant of options.

10. **Accounting Policies:**

The Company shall comply with the disclosure and the accounting policies as specified in Schedule I referred to in clause 13.1 of SEBI Guidelines.



11. **Method of option valuation:**

To calculate the employee compensation cost, the Company shall use the Intrinsic Value Method for valuation of the options granted.

In case the Company calculates the employee compensation cost using the Intrinsic Value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the Fair Value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the Company shall also be disclosed in the Directors' Report.

As the employee stock option scheme provide for issue of shares to be offered to persons other than existing shareholders of the Company, consent of the members is being sought pursuant to Section 81(1A) and all other applicable provisions, if any, of the Act and as required under clause 6 of the SEBI Guidelines. The terms and conditions of the Options may be customized for individual employees within the above framework.

None of the Directors of the Company (except the Promoters who are excluded) and the Directors of its subsidiaries are in any way, concerned or interested in the resolution, except to the extent of their shareholding in the Company and/or the securities that may be offered to them under the scheme.

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

Dr. Vinod D. Shah
Executive Chairman

Mumbai, 30th July, 2011

REGISTERED OFFICE:

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

In order to improve the corporate contribution to the environment, the Ministry of Corporate Affairs has undertaken a 'Green Initiative in Corporate Governance' by allowing paperless compliances by Companies through electronic mode vide its Circular Nos. 17/2011 & 18/2011 dated April 21, 2011 and April 29, 2011, respectively. Accordingly, your Company proposes to henceforth effect electronic delivery of communication / documents including the Annual Reports and such other necessary communication / documents from time to time Members, who have provided their e-mail address to their Depository Participant (DP) / Company as the case may be. Members who wish to inform any changes of their e-mail addresses, are requested to promptly update/ change the same with their DP, from time to time. Members holding shares in physical form and who are desirous of receiving the communication / documents in electronic form , are requested to please promptly inform their e-mail address to the Company. A separate communication to this effect has already been issued earlier.

DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure in presenting the 36th Annual Report on the business and operations of your Company together with the Audited Financial Statements for the year ended 31st March 2011.

FINANCIAL RESULTS:

	2010 – 2011 (In ₹ '000)	2009 – 2010 (In ₹ '000)
Turnover of Sales	1,467,935	1,247,502
Less: Excise Duty	145,488	103,344
Net Sales	1,322,447	1,144,158
Profit Before Tax	81,788	64,736
(Less)/Add: Deferred Tax	(2,571)	(5,705)
Less: Provision for Taxation	(14,480)	(7,300)
Profit after Tax	64,737	51,731
Add: Balance as per last year	187,259	153,461
Total	251,996	205,192
Appropriation		
General Reserves	6,500	5,500
Set off of Dividend Tax in respect of dividend from Subsidiary Company.	(1,827)	(1,178)
Proposed Dividend	13,675	11,131
Tax on Proposed Dividend	2,218	1,849
Dividend on Shares issued on Amalgamation	-	631
Balance carried to Balance Sheet	231,430	187,259
Total	251,996	205,192

PERFORMANCE REVIEW

A separate section on Management Discussion and Analysis follows in this annual report where in the company performance, industry environment, economy, and the other aspects of your company's business are highlighted. Your Company has recorded an increase in Sales of 15.58% and an increase of 26.34% and 25.14% in Profits before Tax (PBT) and Profit after Tax (PAT) respectively over the previous year. The Earning per Share (EPS) increased to ₹ 10.18 as at March 31, 2011 from ₹ 8.13 at the end of the previous fiscal year.

DIVIDEND

The Board of Directors recommends a dividend of ₹ 2.15 per Equity Share for the financial year ended 31st March, 2011. The total outflow on account of dividend and the tax thereon amounts to ₹ 15,893.30 Thousand. The Company has also transferred the amount of ₹ 6,500 thousand (Previous year Rs. 5,500 thousand) from its current years profit to Reserve account.

SAFETY, HEALTH, ENVIRONMENT, AND QUALITY (SHEQ)

Your Company follows an integrated SHEQ Management System under which, the Tarapur plants are ISO 9001, ISO 14001, and ISO/TS 16949 certified. The corporate entity and the Baddi and Dudhwada plants are ISO 9001 certified.

DEPOSITS

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

DIRECTORS

In accordance with the Articles of Association of the Company, Mr. Jawahar I. Mehta and Mr. Perviz H. Dastur, 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 COMPANIES

The Ministry of Corporate Affairs vide their Letter no. 5/12/2007-CL-III dated 8th February, 2011 has granted a general exemption under Section 212(8) of the Companies Act, 1956 for publication of the Accounts of subsidiary companies, subject to fulfillment of certain conditions. In view of the same, your company is also exempted from publication of the accounts of its subsidiaries under the provisions of Section 212 of the Companies Act, 1956. The Annual Accounts of the Subsidiary Companies 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 Companies 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 Companies 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, 2011 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 for 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 the 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 of the said code of conduct during the financial year ended 31st March 2011.

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 continued its CSR initiatives please refer to the Report on Corporate Social Responsibility for more information on these activities.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) that in preparation of the Annual Accounts for the year ended 31st March 2011, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- ii) 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 2011 and the profit of the Company for the year under review;
- iii) 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;
- iv) that the annual accounts for the year ended 31st March 2011 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 and outgo are furnished in Annexure to this Report.

PARTICULARS OF EMPLOYEES

None of the employees is covered under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

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**

Dr. Vinod D. Shah
Executive Chairman

Place: Mumbai

Date: 30th July, 2011

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 undertaken:
The Company continues measures to reduce energy consumption by modifying its furnace and other improving energy at its plants and offices and improving the energy intensive manufacturing process.
- 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 the quantitative consumption energy is at satisfactory level.
- D) Total energy consumption & energy consumption per unit of production:

Particulars	2010-11	2009-10
I) Electricity Purchased		
i) Units	605,588	485,783
ii) Total Amount (In Rs.000)	3,884	2,978
iii) Rate/KWH (₹)	6.41	6.13
II Kerosene Purchased		
i) Liters	41,795	50,081
ii) Total Amount (In Rs.000)	1,286	1,391
iii) Rate/ Lt. (₹)	30.77	27.78
III LPG Purchased		
i) Kg	14,217	5,659
ii) Total Amount (In Rs.000)	814.42	175,056
iii) Rate/ Kg. (₹)	57.28	30.93

II. TECHNOLOGY ABSORPTION.

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

III. FOREIGN EXCHANGE EARNINGS AND OUTGO:

(₹ in '000)

Particulars	2010-11	2009-10
Total Foreign Exchange Earned	29,689	12,219
Total Foreign Exchange Outgo	262,035	156,024

IV. RESEARCH & DEVELOPMENT

- a) Research & Development in your company is mainly focused on newer polymer systems for coatings and construction chemicals in waste water treatment and in enzymatic products for application in animal health textile processing and production of alcohol from grains.

b) Benefits from the R & D activities :

- i) Improved product performance
ii) Helps promotion of the 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 next 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

(₹ in '000)

Particulars	2010-11	2009-10
Revenue Expenditure	1,955.38	1,500.00
Capital Expenditure	242.79	248.98
Total	2,198.17	1,748.98
Total R & D as percentage of Turnover	0.17%	0.15%

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

Dr. Vinod D. Shah
Executive Chairman

Place: Mumbai
Date: 30th July, 2011



MANAGEMENT DISCUSSION AND ANALYSIS

General Review

During the year under review, your Company achieved a growth of 20% in top line on a consolidated basis. The margins were however impacted due to rise in input costs. All sectors to which your Company caters saw a healthy growth except infrastructure.

FINANCIAL PERFORMANCE

STAND ALONE

The highlights of the financial performance of the Company on a stand-alone basis are as follows:

Financial Performance

(in ₹ 000)

Particulars	2010 – 11	2009 – 10	% Δ
Sales	1,322,447	1,144,158	15.6
Total Income	1,378,556	1,175,665	16.6
PBDIT	118,458	99,519	19.0
EBIT	106,583	88,376	20.6
PBT	81,789	64,736	26.3
PAT	64,737	51,731	25.1

Important Ratios

Particulars	2010 – 11	2009 – 10
PBDIT / Total Income%	8.54	8.44
EBIT / Total Income%	7.73	7.50
PBT / Total Income%	5.93	5.49
PAT / Total Income%	4.70	4.39
Earnings per Share ₹	10.18	8.13
Debt / Equity%	0.47	0.72
Interest Cover (in times)	4.59	7.93

In 2010-10 the business performance of Chembond was successful overall. The turnover of your Company increased from ₹ 114 crores to ₹ 132 crores, registering a growth of 15.6% over prior year. This increase was partly due to the revival of the Indian economy. However, the Company's sales grew at a faster pace than the market growth. The Company's strong focus on cost control and pricing resulted in the PBDIT to increase by 7% inspite of the increase in raw material prices. Profit Before Tax was ₹ 8.2 crores whereas Profit After Tax was at ₹ 6.5 crores, a increase of 26% and 25% respectively over the previous year.

The debt equity ratio declined from 0.72% at the beginning of the year to 0.47% as at 31.03.2011.

CONSOLIDATED

The highlights of the consolidated financial performance are as follows:

Financial Performance

(in ₹ 000)

Particulars	2010 – 11	2009 – 10	% Δ
Sales	2,067,812	1,750,486	19.9
Total Income	2,107,315	1,785,598	20.6
PBDIT	297,533	270,163	10.1
EBIT	278,935	253,457	10.5
PBT	248,046	223,291	11.1
PAT	164,906	145,199	13.6

Important Ratios

Particulars	2010 – 11	2009 – 10
PBDIT / Total Income%	14.11	15.43
EBIT / Total Income%	13.24	14.42
PBT / Total Income%	11.77	12.76
PAT / Total Income%	7.83	8.29
Earnings per Share ₹	21.28	19.49
Debt / Equity%	0.40	0.45
Interest Cover (in times)	11.07	11.56

The Chembond Group reported consolidated revenues (net of excise) for 2010-11 of ₹ 210.73 crores, posting a growth of 18.01% over ₹ 178.55 crores in the previous year. The Consolidated Profit before Tax (PBT) for the year was ₹ 24.80 crores, compared to a PBT of ₹ 22.30 crores for the previous year. The Consolidated Profit for the period (after tax and post minority interest and profit in respect of associate companies) for the year was ₹ 13.54 crores, a significant increase of 9.28% from a profit of 12.39 crores in the previous year

RESOURCES AND LIQUIDITY

Primary liquidity needs have been for the purposes of financing the growing working capital needs and the expansion of the Company's facilities. To fund these, Chembond relied on internal accruals and borrowings. Your Company has secured loans of ₹ 1,195.85 Lacs and unsecured loans of ₹ 430.28 Lacs.

COMMENTS ON BUSINESS AREAS

The Company is in the business of manufacturing Specialty Chemicals and offers a range of products for diverse industrial applications. The Company maintains its head office in Mahape, Navi Mumbai and operates plants in Tarapur, Baddi, Dudhwada, Chennai and Balasore.

Construction Chemicals

Your Company manufactures at multiple plants a range of chemicals for use in the construction industry. Products like admixtures, curing compounds, grouts, sealants, floor hardeners, concrete repair compounds and waterproofing systems are manufactured by your company and are in use across the country. Actions initiated last year to broad base the operations have borne fruit. A new line of products in smaller retail packs were launched under the brand "K-FIX". These products were sold through a distributor and retailer channel in which the company invested time and effort. The infrastructure development and industrial construction activity has regained momentum and the performance of this business has seen an improvement over the past year.

Coatings

Your Company's coatings product range, with a focus on anti-corrosive high performance industrial paints and self leveling industrial flooring products, has achieved significant growth in the said financial year. Several new products were added in the industrial flooring product line, which helped gain new businesses and breakthroughs at key customers accounting for the growth. Turnkey projects were executed in various verticals. Brand awareness, proven product performance and increased customer reach has led to improved sales. High end product offerings with value addition in services has gained confidence with customers as well as newly appointed distributors. With the continued focus on development of Chembond's product line and exploitation of the opportunities available in the growing coatings market, this division is expected to achieve substantial growth during the coming year.

Animal Health

The animal healthcare segment has been identified as a business with tremendous potential in the country. Your Company has had a presence in this market for the past couple of years through the enzymes it supplies for the poultry industry. In addition to these, your Company now manufactures a range of nutritional supplements for use in the animal health industry. With our growing yet experienced team, strong product portfolio, and pan India distribution network, the Animal Health division is emerging as one of the prominent entrants in this segment. The product portfolio has been strengthened extensively by launching some key brands like Stedigro, Xerotox, Previte, LCZ-Forte, Kem WS, & Kem Raksha+ along with the existing brands like Poszyme & Enzimix. Looking into the initial tempo set up by the company, Chembond Animal Health could be the 'choicest solution provider' & market leader in future.

Industrial Enzymes

Your Company is emerging as a fast growing Company in the fields of Textiles and Distilleries. New products for textile pretreatment and enzymatic finishing were launched. In distilleries, in addition to the existing products for grain based



alcohol production, a new product for improving the production of alcohol from molasses was launched. Owing to the assets of good R&D facilities and constant product development, we are sure to reach good heights in the years to come. Chembond's diversification into the field of biotechnology also shows our concern towards nature and to bring into practice more eco-friendly and energy efficient processes.

COMMENTS ON PERFORMANCE OF JOINT VENTURES & SUBSIDIARIES

Chembond Ashland Water Technologies Ltd.

Your Company owns 55% equity with Ashland Inc, USA owning the rest of this joint venture company. The company's specialty water treatment chemicals find application in various industries across small, medium and large industrial segments. Water conservation in industry is now a norm and this is enabled significantly through the use of our products which enhance the cycles of concentration. The company's waste water treatment chemicals improve effluent water quality enabling its re-use. Our line of RO membrane chemicals retards scale formation and fouling in membranes used for purifying water. Steel, power generation, chemical and petrochemical manufacturing and oil refining are growing industries and the future remains bright for the range of products manufactured by this joint venture.

Henkel Chembond Surface Technologies Ltd.

Henkel is the world market leader in adhesives, sealants and surface treatment industry. With its extensive range of products and system solutions, Henkel is a key partner in the development, manufacture and maintenance of vehicles and transportation systems. Chembond has been a market leader in the industry since the inception of the Company and today Henkel Chembond continues to use the same philosophy of innovative products and sustainable solutions, including environment friendly anti-corrosion coatings and energy-saving plastic cleansers.

Henkel Chembond's facilities in Delhi, Chennai, Mumbai, Pune, and Uttaranchal are providing industry with a broad range of products like Aquence, Bonderite, Kem Kote, Passerite, Deltaforge, P3, Multan, TecTalis and others. At Henkel Chembond, innovation drives every decision the management takes. To stay ahead of the game, the company is constantly developing new products and solutions and ensuring their fast rollout to customers. In its automotive business, 20 per cent of its sales are generated from products and solutions that are less than five years old.

H2O Innovation India Limited

Your Company owns 51% of this joint venture company with H2O Innovation Inc, Canada owning the balance equity. Formed in April 2010, this company has filled a gap in our solutions for water. H2O Innovation (India) offers end-to-end equipment based solutions for in-take water treatment, process water treatment and effluent water treatment. Media filters, Membrane based systems (Microfiltration, Ultrafiltration and Reverse Osmosis), Resin based systems and Waste water treatment systems form the technology offering of H2O Innovation India. This business is closely aligned with our objective of providing total water management solutions.

COMPANY'S OBJECTIVES & POLICIES

Chembond has an objectives of being the "supplier of choice." To achieve this objective all manufacturing sites have targets on productivity, ontime deliveries, right 1st time production, and reduction in customer complaints among others. Chembond aims to continually improve these targets through its Quality Management Systems.

Your Company follows an integrated SHE-Q Management System under which, the Tarapur plants are ISO 9001, ISO 14001, OHSAS 18001 and ISO/TS 16949 certified. The corporate office and the Baddi and Dudhwada plants are ISO 9001 certified.

Chembond also has a Safety, Health, and Environment objective of having zero lost time due to accidents across the organization. Everyone at Chembond is committed to protect the environment by controlling the interaction with environment by process control, systematic waste management, energy conservation, and emission control.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has an adequate system of internal controls, which ensures that its assets are protected from loss and unauthorized use as well as business affairs are carried out in accordance with established internal controls. These systems of internal controls also ensures that transactions are carried out based on authority and reported in line with generally accepted accounting principles. The company also has a system of regular internal audit carried out by competent professionals retained by the company. The internal audit programme is approved by the audit committee, and findings of the internal auditor are placed before the audit committee, and the management implements the suggestions on weaknesses, if any, observed during the course of the internal audit. The company's implementation of SAP system has also helped in establishing checks and excise of timely controls.

HUMAN RESOURCES DEVELOPMENT

Chembond is strongly committed to nurture a dependable and performance-driven workforce. HR practices & policies of the Company are framed accordingly. The focus is on finding the right fit for the right job and we encourage continual skill

upgradation, teamwork, and a professional work culture. Appropriate OD interventions are deployed and functional/technical/behavioral training programmes are organised to meet identified development needs. Meritorious employees are recognised and rewarded to facilitate talent retention. Industrial relations at our plants continued to be healthy and cordial throughout the year. The Company workforce was 257 at the end of FY 2011.

RESEARCH & DEVELOPMENT

Chembond is a diversified specialty chemicals company. The R&D function forms the core of your Company's business. Chembond has well organized R&D facilities to cater to the ever growing customer requirements. The main laboratories at Mahape focuses on biotechnology, metal treatment chemicals, water treatment products, new developments, and analyticals. The other centres at Tarapur and Baroda work on coatings and construction chemicals. All facilities are well equipped with state of the art equipment and manned by a competent and qualified research team. All product development is based on thorough knowledge of chemistry, biology, and the environment. Chembond's objective is to offer commercially viable, effective, and environmentally friendly products and solutions to market.

The following is a snapshot of the development Chembond is conducting in different areas:

- Construction Chemicals: Development of innovative solutions for new constructions and repair and retrofitting of old construction.
- Biotech focuses on converting the conventional chemical processing to eco-friendly and energy efficient biological processes in textile and distillery.
- Waste water treatment by bioremediation of industrial as well as domestic effluent.

The Mahape laboratories are certified by the Department of Scientific and Industrial Research, Ministry of Science and Technology, New Delhi. In the year ahead, the research and development facilities and programs are being substantially hiked with the setting up of a new laboratory and application center.

OPERATIONS

The Chembond group has manufacturing units at Tarapur, Mahape, Dudhwada, Baddi, Sitarganj, Chennai and Balasore. The manufacturing operations consists of production, in-bound and outbound logistics, quality control and assurance, plant engineering, HR, and factory accounts. The team is energetic, vibrant and competent to understand and fulfill customer requirements. The team is also well equipped with best manufacturing practices to deliver right quality, right quantity at right time. Your Company continuously upgrades the knowledge, skills, and facilities to face the emerging global manufacturing challenges.

OUTLOOK

All product ranges offered by your Company and its joint ventures or subsidiaries are technologically in the sunrise or growth phase catering to high growth industries. Be it infrastructure, automotive, refining, power, steel, defense, textiles, agriculture, engineering, mass transit, or process industry, the Chembond Group has innovative, value effective products for the industry. Accelerated reforms and improved governance standards would spur economic growth in India and will provide an opportunity to the Company to rapidly grow its businesses. In the short term the economy is expected to be stable but current inflationary pressures may affect the Company's profitability.

FORWARD LOOKING STATEMENTS

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.



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 the Company. Implementation of the code 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. Your Company is committed to adopt the best corporate governance practices and endeavors continuously to implement the code of corporate governance in its true spirit. Your Company has made corporate governance a practice and a process of development right across the Company.

BOARD OF DIRECTORS

The Company is managed by a Board of Directors. The Board formulates strategies, regularly reviews the performance of the Company, and ensures that the previously agreed objectives are met on a consistent basis. The Managing Directors are responsible for the day to day operations of the company.

The Chembond Board of has an ideal composition with more than two thirds of the directors being non executive directors and half of the directors being independent.

A. The composition of the Board as on 31st March, 2011 and details of Board Meetings and Annual General Meeting held and attendance of the Directors in the same:

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** (Including CCL)	Total Number of Chairman Ship held** (Including CCL)
Dr. Vinod D. Shah	Promoter & Chairman	4	No	4	1	-
Mr. Sameer V. Shah	Promoter, Vice Chairman & Managing Director	4	Yes	8	1	-
Mr. Ashwin Nagarwadia	Promoter & Non – Executive Director	2	No	4	1	-
Mr. Perviz H. Dastur	Promoter & Non – Executive Director	5	Yes	3	2	-
Mr. Nirmal V. Shah	Promoter & Joint Managing Director	5	Yes	8	1	-
Mr. Mahendra K. Ghelani	Independent & Non – Executive Director	5	Yes	-	1	-
Mr. Jayant S. Vasani	Independent & Non – Executive Director	4	Yes	-	2	-
Mr. O. P. Malhotra	Independent & Non – Executive Director	3	No	7	1	-
Mr. Jawahar Mehta	Independent & Non – Executive Director	2	No	-	-	-
Mr. Sushil Lakhani	Independent & Non – Executive Director	1	No	1	-	-

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

During the year, meetings of the Board of Directors were held on 11th May 2010, 31st July 2010, 18th September 2010, 30th October 2010, 29th January 2011.

B. Board Meetings & Procedures

Board members are informed well in advance about the schedule of the meetings. Appropriate documents are sent in advance to each Director. In order to enable the Board to discharge its responsibilities effectively, the Managing Directors review the overall Company performance by placing a functional report before the Board. 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
- * Investment and exposure limits
- * Business risk analysis and control
- * Compliance with statutory / regulatory requirements
- * Review of major legal issues
- * Transactions pertaining to purchase or disposal of property, major provisions, and write offs.

C. Details of Directors being reappointed

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

Mr. Jawahar Mehta & Mr. Perviz Dastur 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. Jawahar Mehta
	Age	:	79 yrs.
	Qualification	:	B.Sc., B.S., M.S.
II	Name	:	Mr. Perviz Dastur
	Age	:	74 yrs
	Qualification	:	B.Com, ACA, MBA

D. Code of Conduct

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

II. COMMITTEES OF THE BOARD

A. AUDIT COMMITTEE

The constitution of the Audit Committee as of 31st March 2011 is as follows:

Name of the Member	Designation	No. of meetings 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 the audit committee were held - on 06th May, 2010, 31st July 2010, 30th October 2010, and 29th January 2011.

The Committee has members with sound knowledge of business, accounting, and law and deals with accounting matters, financial reporting and internal controls. The Audit Committee has powers and performs its 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 and also closely reviews the adequacy of internal audit controls and formulates and monitors the annual audit plan. The Committee also reviews relevant sections of the Management Discussion and Analysis, and areas such as the Company's financial condition, related party transactions, management letter, internal audit reports, matters related to appointment of internal and statutory auditors of the Company, and the financial statements of subsidiaries.

The Managing Directors, Group Accountant, concerned Executive and Non Executive Directors, and the Finance Controller are the invitees to the meetings.

The Chairman of the Audit Committee, Mr. Mahendra Ghelani, was present at the Annual General Meeting held on 18th September 2010.

B. REMUNERATION COMMITTEE

The constitution of the Remuneration Committee as of 31st March 2011 is as follows:

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

Remuneration Committee reviews and approves the annual salaries, performance incentives, service agreements, and other employment conditions of 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 2011 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. Ms. Dipti Samant, Company Secretary, is responsible for coordinating all such matters and those relating to share transfer and shareholders grievances with the Registrar and Transfer Agent. During the year, the Company received 13 shareholders' complaints of which 13 were resolved during the year and 1 compliant was pending at the end of the year.

D. EXECUTIVE COMMITTEE

The constitution of the Executive Committee as of 31st March 2011 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 to the Executive Committee the authority to supervise and monitor the day to day affairs of the Company. Ten meetings of the Executive Committee were held during the year.

III. SUBSIDIARY COMPANIES:

- a) The Company has three subsidiaries namely, Chembond Ashland Water Technologies Limited, Protochem Industries Private Limited, & H2O Innovation India Limited. One Independent Director of Chembond is on the board of each subsidiary - Mr. O. P. Malhotra on the board of Chembond Ashland & Mr. Mahendra Ghelani on the boards of Protochem and H2O Innovation. The Audit Committee of Chembond reviews the financial statements of the subsidiaries. Minutes of the board meetings of subsidiaries are placed in the Board Meetings of Chembond.

IV. REMUNERATION OF DIRECTORS

The details of remuneration paid to the Directors for the year ended 31st March 2011 are specified below Remuneration to Non Executive Directors:

Name	Rupees ₹	No. of Shares held as of 31.03.10
Mr. Perviz H. Dastur	1,00,000	134,060
Mr. Ashwin R. Nagarwadia	3,50,000	340,932
Mr. Jayant S. Vasani	50,000	17,500
Mr. Mahendra K. Ghelani	1,25,000	4,500
Mr. Jawahar I. Mehta	50,000	1,200
Mr. O. P. Malhotra	50,000	-
Mr. Sushil Lakhani	1,00,000	-

Remuneration to Executive Directors

Names	Position	Salary and Perquisite (₹)
Dr. Vinod D. Shah	Chairman	39,00,000
Mr. Sameer V. Shah	Vice Chairman & Managing Director	25,15,794
Mr. Nirmal Shah	Jt Managing Director	26,83,694

- Excluding perquisites not included in the computation of the ceiling limits of remuneration.
- The Company remunerates non executive Directors as per provisions of the Companies Act, 1956.

V. OTHER SHAREHOLDERS COMPLIANCES:

1. The required information about appointment / re-appointment of Directors is contained in the Notice of the Annual General Meeting.
2. The quarterly results of the Company are generally published in the Free Press Journal and in Navshakti. The results are also sent to stock exchange and posted on the Company's website.
3. The Company has in place a committee called the Share Transfer Committee, under the Chairmanship of a non-executive Director, inter alia to look after the matters related to transfer of shares and resolving investors complaints, 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:

Details of general body meetings held in last 3 years:

Year	AGM / EGM	LOCATION	DATE	TIME	SPECIAL RESOLUTION PASSED
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
2009	AGM	EL-37, Mahape, MIDC, Navi Mumbai 400 710.	22.08.2009	3.00 p.m.	NO
2010	EGM	EL-37, Mahape, MIDC, Navi Mumbai 400 710.	26.02.2010	3.00 p.m.	YES
2010	AGM	EL-37, Mahape, MIDC, Navi Mumbai 400 710.	18.09.2010	3.00 p.m.	YES

VIII. DISCLOSURES:

- There were no materially significant related party transactions with the promoters, directors, etc that may potentially conflict with the interests of the Company at large. The Register of Contracts, containing the transactions in which Directors are interested, is placed before the Board regularly for its approval.
- There were no non compliances by the Company nor were any penalties or strictures imposed on the Company by the Bombay Stock Exchange or SEBI or any statutory authority on any matter relating to capital markets during the last three years.
- The Company has complied with all mandatory and non-mandatory requirements in respect of remuneration committee as stipulated in the clauses of corporate governance.



IX. GENERAL SHAREHOLDERS INFORMATION:

- | | | |
|---|--|--|
| 1 | Date, Time & Venue of Annual General Meeting. | 10 th September , 2011 at 3.00 p.m. at EL-37, MIDC, Mahape, Navi Mumbai |
| 2 | Financial Year | The Financial Year Covers the period from 1 st April to 31 st March |
| 3 | Financial Calendar for 2011-2012 (tentative & subject to change) | Financial Reporting for the quarter ending
30.06.2011 By end of July 2011

30.09.2011
By end of April 2012 |
| 4 | Date of Book Closure | 26 th August, 2011 to 10 th September, 2011(Both days inclusive) |
| 5 | Dividend Payment Date | On or after 10 th September, 2011 |
| 6 | Listing on Stock Exchange | Bombay Stock Exchange Limited |
| 7 | Stock Code | 530871 |

Month	High	Low
April 2010	166.35	125.30
May 2010	164.95	135.50
June 2010	158.80	136.70
July 2010	210.00	141.15
August 2010	205.00	180.00
September 2010	207.00	175.00
October 2010	199.95	171.00
November 2010	220.00	173.50
December 2010	229.00	161.00
January 2011	237.00	175.55
February 2011	205.00	181.05
March 2011	214.00	180.00

- | | | |
|----|------------------------------|--|
| 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	Number of Shares	% of Shareholding
Upto 5000	1,329	94.46	553,388	8.70
5001 - 10000	16	1.14	119,486	1.88
10001 - 20000	22	1.56	300,953	4.73
20001 - 30000	8	0.57	193,268	3.04
30001 - 40000	2	0.14	63,252	0.99
40001 - 50000	5	0.35	227,324	3.57
50001 - 100000	11	0.78	772,562	12.15
100001 & above	14	1.00	4,130,179	64.94
Total	1,407	100.00	6,360,412	100.00

- | | | |
|----|--|---|
| 12 | Dematerialization of share and liquidity | As of 31.03.2011, out of total shareholding 5,307,220 (83.44%) shares are held in Demat form. The shares of the Company are actively traded on Bombay Stock Exchange Limited. |
|----|--|---|

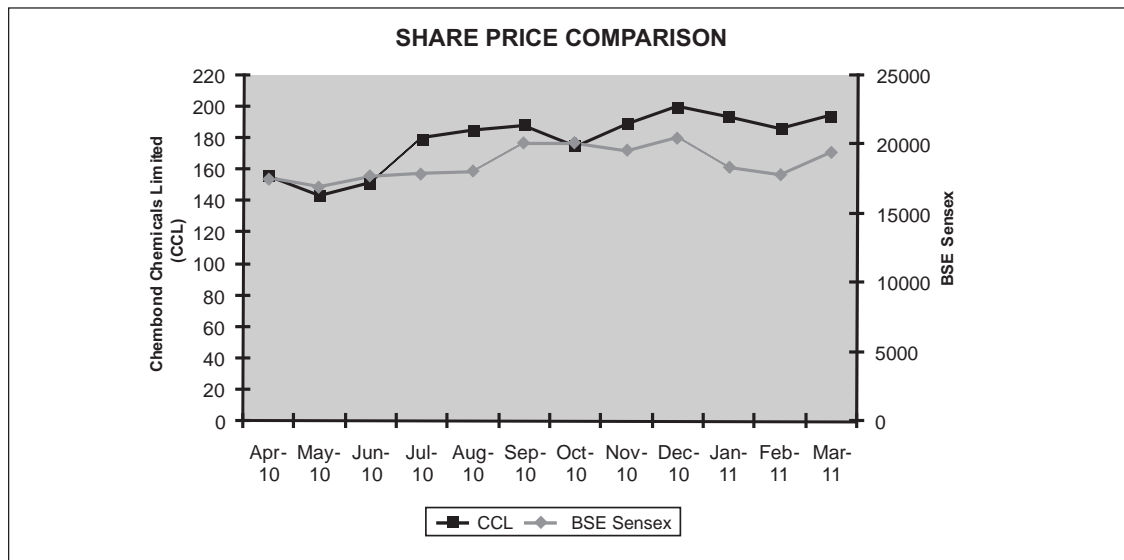
- 13 Details about the ADR/ GDR The Company has not issued any ADR/GDRs.
- 14 Plant Locations
 1) Thane, Maharashtra.
 2) Nalagarh, Himachal Pradesh.
 3) Balasore, Orissa
 4) Chennai, Tamilnadu.
 5) Vadodara, Gujarat.
- 15 Address of Correspondence Chembond Chemicals Limited
 Chembond Centre, EL-71, MIDC, Mahape, Navi Mumbai 400 710. India
 Tel: +91 22 6614 3000 Fax : +91 22 2768 1294

Category of Shareholding as of 31st March 2011

Category	No. of Shares	% of total shares
Promoters & their relatives	4,234,567	66.57
Banks/ FIs/Insurance Cos (Central/ State Govt./ Non- Govt. Institutions)	23,800	0.38
Corporate Bodies	478,607	7.52
NRIs/OCBs	77,243	1.22
Indian Public	1,546,195	24.31
Total	6,360,412	100.00

- 16 Share Price Performance in Comparison with BSE Sensex

Month (Closing Price at the end of the Month)	Chembond Chemicals Limited	BSE SENSEX
April 2010	155.80	17558.71
May 2010	143.35	16944.63
June 2010	152.10	17700.90
July 2010	180.00	17868.29
August 2010	185.00	17971.12
September 2010	188.00	20069.12
October 2010	175.05	20032.34
November 2010	189.00	19521.25
December 2010	200.40	20509.09
January 2011	194.00	18327.76
February 2011	186.50	17823.40
March 2011	194.50	19445.22





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, 2011 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

Firm Registration No 104908W

Dhiren P. Talati

Partner

Membership No.: F/41867

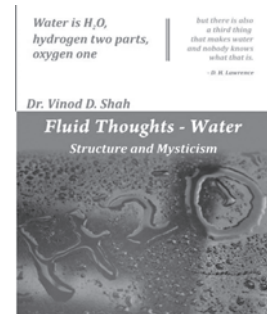
Mumbai, 30th July, 2011

REPORT ON CORPORATE SOCIAL RESPONSIBILITY

The Chembond group aims to play a role in improving the lives of people living in the communities in which we operate. In accordance with this guiding principle, our Founder, Dr. Vinod D. Shah, formed the Visan Trust several years ago to carry out the CSR activities of group companies and promoters. Some of the activities undertaken by the Visan Trust and your company, its subsidiaries, and group companies are mentioned below along with their major achievements during the year.

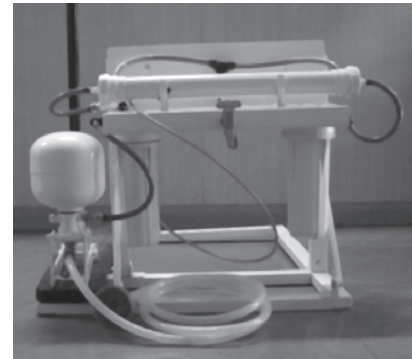
Visan Water Project

A book written and compiled by Dr. Vinod D. Shah, 'Fluid Thoughts - Water: Structure and Mysticism,' was released in February by Padma Vibhushan Prof. Man Mohan Sharma. Dr. Shah has mandated that all proceeds from the sale of the book will add to the water initiatives being undertaken by your Company and group companies Chembond Ashland Water Technologies Ltd. and H2O Innovation (India) Ltd. through the Visan Trust.



Membrane-based Filters

The trust has distributed in villages near your Company's plants in Tarapur and Dudhwada a novel hand operated membrane-based filter, which effectively removes microorganisms and suspended particles from water. Operable by any person or child, the trust plans to offer these at low or no cost to individuals in such areas who could then offer treated water at economical rates in order to recover the cost of consumables, labour, and earn a small profit.



Water Centre

A detailed survey is being carried out on water problems faced by the inhabitants in a 50 km radius of Boisar. Mrs. Smita Bhandari, principal of Visan Trust, is in-charge of this project. The goal of this project is to establish facilities in a new center to facilitate training on water related problems and offer materials, such as, films, literature, books, testing facilities, etc.

Children's Centre

Prior to establishing the Henkel Chembond Children's Centre in Tarapur, the Visan Trust carried out surveys in the tribal villages around Boisar. The findings were that the girl child rarely got a chance to complete her education, lacked self esteem, and were generally expected to look after the younger siblings while parents were working. The Henkel Chembond Children's Centre was thus formed in 2001 to improve self esteem in tribal girls from the ages of 3 and above. This is achieved by imparting training in areas like maalkhamb, karate, chess, art, use of computers, and helping them with their studies. From a small beginning in 2001 with 22 girls in a room in the village Katkarpada, to the own premises in 2003 in Pasthan village and over 350 girls now, the Centre has come a long way and been able to touch the lives of over 701 girls so far. With an annual budget of 36 lakhs funded fully by donations from group company Henkel Chembond, the Centre is able to provide daily transportation, meals, uniforms, teachers, instructors, supplies, and other help to girls from 11 villages.



Success Stories at Children's Centre in 2010-2011

- Gayatri Patil (70%) and Amit Bhoir (68%) successfully passed their Xth board exams.
- Jyoti Parhad (6 years), Raksha Gorekar (6 years), Kaushik Baraf (7 years), and Yash Gorekar (7 years) came to the Centre in 2008 and Vrushali Dalvi (6 years), Shraddha Rawte (5 years) and Bhavana Rawte (5 years) came to the Centre in 2009 and have been selected by the Kendriya Vidyalaya in the TAPS colony for further fully sponsored education.
- Ms. Priti Gowari, a 18 years old student at the Centre from 2004 to 2010, completed her education till 12th std. and then learnt tailoring at the Centre, which helped her to obtain a job in a garment factory.

- Ms. Baby Gawali from Kurgaon village joined the Centre in 2004 and attended till 2007. She completed her education up to 12th Std. At the Centre, she took an interest in using the computer, which we furthered by sponsoring a course in Tally. She now, works in Chembond Chemicals Ltd. at Tarapur as a Production Assistant.
- Ms. Ashwini Puri from Delwadi Pada came at the Centre in 2004. She is pursuing her graduation in Commerce stream from Shroff College, in Chinchani.
- Ms. Reshma Gawali from Kurgaon village joined the Centre in 2005. After completing her 12th Std. in 2010, she is pursuing Diploma in Education (D.Ed) course.
- Shernita Singh, Sarita Bhoir and Nayana Barga are in 12th std. in Arts stream.

Major Activites at the Centre

A workshop was conducted at Visan Trust on October 3, 2010. Dr. Dhaval Mody, a Psychiatrist, was the chief guest for the workshop. The objective was to promote healthy lifestyle through healthy education. Learning life skills helps them to become more competent and capable in their future endeavors as functional adults. The topics covered under this workshop were motivation & communication, hygiene & anemia and learning disability.

A women's empowerment session was conducted by Police Inspector Mr. Shriram G. Mulyamwar, at the Centre on October 16. Approximately 35 women participated in this session. Topics included were gender discrimination and domestic violence. The girls learn to make candles, wall hangings, greeting cards, purses, fabric painting, applying mehendi, textile dye work, warli paintings, soft toys, tailoring, etc.

The Centre organised a session for adolescent girls, conducted by Mrs. Kalpana Gaikwad, to create awareness of Critical Thinking, Creative Thinking, Empathy, Self Awareness, Health and Hygiene.

Regular 'Annual Health Camps' & Reading Class Programme' are conducted for the Children at the Centre.

Visit to the Marathi Bal Vidnyan Parishad at Wani from December 31 to January 2. Mr. Prabhakar Deodhar, President of Marathi Vidnyan Bhavan and Founder Chairman of Aplab Limited, Thane, was the chief guest for the Parishad. The objective of the Parishad is to create awareness among children about new technologies and to encourage children to think creatively in a "Learning by Doing" form. Ms. Sadhana Patil and Ms. Gayatri Patil attended the seminar alongwith two teachers from the Centre.

Visan Rachna Kendra

Visan Rachna Kendra is based in Piplaj village near Gandhinagar in Gujarat. Women of Piplaj and its surrounding areas are given special training in skills such as tailoring, embroidery and handicraft making, with the aim of helping the womenfolk achieve financial independence. Sewing machines have been installed and the women are encouraged to take up job work in sewing and embroidery projects and make full use of the facilities provided by Visan Rachna Kendra to complete them. The response of the village women and men is very encouraging and we hope to spread our reach to the neighbouring villages very soon.



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, 2011, 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 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 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 2011 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, 2011,
 - (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
Firm Registration No 104908W

Dhiren P. Talati
Partner
Membership No.: F/41867
Mumbai, 30th July, 2011

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, 2011.

- i. (a) The Company has generally maintained accounting records showing certain particulars in respect of quantitative details and situation of fixed assets.
(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 12 companies/ individuals covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.400,70.36 Thousand and the year-end balance of loans taken from such parties was Rs. 39,742.45 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 Companies 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.
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.
- viii. (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 sales tax, service tax, customs duty and excise duty were in arrears as at 31.03.2011 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 except as follows :

Nature of Dues	Amount (₹ in Thousand)	Period for which the amount relate	Forum where the dispute is pending
Income tax	135	2006-07	CIT (Appeals)

- ix. 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.
- x. 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.
- xi. 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.
- xii. 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.
- xiii. 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.
- xiv. 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.
- xv. 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.
- xvi. 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.
- xvii. 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.
- xviii. 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.
- xix. 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.
- xx. 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
Firm Registration No 104908W

Dhiren P. Talati
Partner
Membership No.: F/41867
Mumbai, 30th July, 2011



Chembond Chemicals Ltd.
Balance Sheet as at 31st March 2011

PARTICULARS	Schedule	As at 31/3/2011 (₹ In ' 000)	As at 31/3/2010 (₹ In ' 000)
SOURCES OF FUNDS			
<u>SHAREHOLDERS' FUNDS</u>			
Share Capital	A	63,604.12	63,604.12
Reserves and Surplus	B	280,405.89	229,924.08
		344,010.01	293,528.20
<u>LOAN FUNDS</u>			
Secured Loans	C	119,585.27	171,194.25
Unsecured Loans	D	43,028.52	35,062.10
		162,613.79	206,256.35
Deferred Tax Liability (Net)		21,985.58	19,414.23
	Total	528,609.38	519,198.78
APPLICATION OF FUNDS			
<u>FIXED ASSETS</u>			
GROSS BLOCK	E	273,035.70	258,824.64
Less : Depreciation		61,611.40	49,983.73
NET BLOCK		211,424.30	208,840.91
CAPITAL WORK IN PROGRESS		2,659.70	771.37
		214,084.00	209,612.28
INVESTMENTS	F	138,492.96	133,452.58
<u>CURRENT ASSETS, LOANS AND ADVANCES</u>			
Inventories	G	177,996.93	159,207.70
Sundry Debtors	H	229,129.87	244,341.89
Cash and Bank Balances	I	6,189.23	9,108.53
Loans and Advances	J	15,156.21	18,616.87
	a	428,472.24	431,274.99
<u>LESS: CURRENT LIABILITIES AND PROVISIONS:</u>			
Current Liabilities	K	230,350.19	235,987.97
Provisions	L	22,089.63	19,153.09
	b	252,439.82	255,141.06
NET CURRENT ASSETS	a-b	176,032.42	176,133.93
	Total	528,609.38	519,198.78
Notes on accounts	R		

As per our attached report of even date.

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

Dhiren P. Talati
Partner
Membership No. F/41867
Mumbai, 30th July, 2011

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

Dipti D. Samant
Company Secretary
Mumbai, 30th July, 2011

Mahendra K. Ghelani
Director

Perviz H. Dastur
Director

Chembond Chemicals Ltd.

Profit And Loss Account for the year ended 31st March 2011

PARTICULARS	Schedule	Year Ended 31/3/2011 (₹ In ' 000)	Year Ended 31/3/2010 (₹ In ' 000)
INCOME			
Sales		1,467,935.03	1,247,501.73
Less Excise Duty		145,487.68	103,343.63
Net Sales		1,322,447.35	1,144,158.10
Other Income	M	56,108.67	29,959.58
Variation in stock	N	(3,118.44)	4,836.87
	Total	1,375,437.58	1,178,954.54
EXPENDITURE			
Materials Consumed	O	1,080,946.74	934,116.50
Manufacturing & Other Expenses	P	176,032.90	145,319.12
	Total	1,256,979.64	1,079,435.62
Profit before Depreciation, Financial Charges and Taxation		118,457.94	99,518.92
Depreciation	E	11,874.86	11,143.28
Financial charges	Q	24,983.58	23,829.28
		81,599.50	64,546.36
Add: Transfer from Revaluation Reserve		189.27	189.27
Profit before Tax		81,788.77	64,735.62
Less : Deferred Tax Liability		2,571.35	5,705.06
Less : Provision for Taxation		14,480.00	7,300.00
Profit After Taxation		64,737.42	51,730.57
Add : Balance as per last Balance Sheet		187,259.47	153,461.01
Profit available for Appropriation	Total	251,996.89	205,191.58
APPROPRIATION			
General Reserve		6,500.00	5,500.00
Set off of Dividend Tax in respect of Dividend from Subsidiary Company		(1,826.96)	(1,178.03)
Proposed Dividend		13,674.89	11,130.72
Tax on Proposed Dividend		2,218.41	1,848.70
Dividend on share issued on Amalgamation		-	630.72
Balance carried to Balance Sheet		231,430.55	187,259.47
	Total	251,996.89	205,191.58
Notes on accounts			
Earnings per Share (See Note 23 of Schedule 'R')			
(Face Value Rs 10/-)			
Basic and Diluted	R	10.18	8.13

As per our attached report of even date.

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

Dhiren P. Talati
Partner
Membership No. F/41867
Mumbai, 30th July, 2011

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

Dipti D. Samant
Company Secretary
Mumbai, 30th July, 2011

Mahendra K. Ghelani
Director

Perviz H. Dastur
Director



CHEMBOND CHEMICALS LTD
CASH FLOW STATEMENT

	2010-2011 ₹ in '000	₹ in '000	2009-2010 ₹ in '000	Rs in '000
A Cash Flow from Operating Activities				
Net Profit before tax and extraordinary items		81788.77		64,735.63
Adjustments for :				
Depreciation	11,685.59		10,954.01	
Loss on Sale of Fixed Asset	132.92		(36.96)	
Financial Charges	24,983.58		23,829.28	
	36,802.09		34,746.34	
Less :				
Foreign Exchange Fluctuation	1,335.60		1,510.28	
Dividend Received	29,622.06		23,243.96	
		5,844.43		9,992.09
Operating Profit before working capital changes		87,633.21		74,727.72
Adjustments for :				
Trade and Other Receivables	19,821.75		8,524.44	
Inventories	(18,789.22)		(15,608.74)	
Trade and Other Payables	(4,279.51)		26,870.52	
		(3,246.99)		19,786.21
Cash generated from operations		84,386.22		94,513.93
Less : Interest paid		(24,983.58)		(23,829.28)
Net Cash from Operating Activities (A)		59,402.64		70,684.65
B Cash Flow from Investing Activities				
Purchase of Fixed Assets		(16,763.95)		(22,676.17)
Sale of Fixed Asset		284.44		3000.00
Purchase of Investment		(5,040.38)		(65,377.23)
Net Cash used in Investing Activities (B)		(21,519.89)		(85,053.40)
C Cash Flow from Financing Activities				
Proceeds from Unsecured Loans		7,966.42		13,649.95
Dividend paid		(11,130.72)		(11,130.73)
Tax on dividend paid		(21.74)		(606.44)
Dividend received		29,622.06		23,243.96
Proceeds from Secured Loan		(51,608.98)		(2,717.30)
Direct Tax paid		(15,629.08)		(4,736.91)
		(40,802.05)		17,702.54
Net (Decrease)/Increase in Cash & Cash Activities		(2,919.30)		3,333.79
Cash and Bank Balances as on 31.3.2010		9,108.53		5,774.75
Cash and Bank Balances as on 31.3.2011		6,189.23		9,108.53

As per our attached report of even date.

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

Dhiren P. Talati
Partner
Membership No. F/41867
Mumbai, 30th July, 2011

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

Dipti D. Samant
Company Secretary
Mumbai, 30th July, 2011

Mahendra K. Ghelani
Director

Perviz H. Dastur
Director

Chembond Chemicals Ltd.
Schedules forming part of the Balance Sheet

SCHEDULE "A"

SHARE CAPITAL

AUTHORISED

10,000,000 (10,000,000) Equity Shares of ₹ 10/- each

ISSUED, SUBSCRIBED, AND PAID UP

6,360,412 (6,360,412) Equity Shares of

₹ 10/- each fully paid up

NOTES

- 1) Of the above 1,90,206 (1,90,206) Equity Shares of ₹ 10/- each have been issued for consideration other than cash
- 2) Of the above 43,00,206 (43,00,206) Equity Shares of ₹ 10/- each have been issued as fully paid up Bonus Shares by way of capitalisation of Reserves & Surplus.

SCHEDULE "B"

RESERVES AND SURPLUS

REVALUATION RESERVE

As per last year

Less : Transfer to Profit & Loss A/c.

SHARE PREMIUM

Balance as per last Balance Sheet

Less : Capitalisation on Issue of Bonus Shares

GENERAL RESERVE

As per last year

Add: Transfer from Profit & Loss A/c.

Less : Capitalisation on Issue of Bonus Shares

PROFIT AND LOSS ACCOUNT

As per account annexed

	As at 31/3/2011 (₹ In '000)	As at 31/3/2010 (₹ In '000)
	100,000.00	100,000.00
	63,604.12	63,604.12
Total	63,604.12	63,604.12
	6,159.91	6,349.17
	189.27	189.27
	5,970.64	6,159.91
	-	18,213.00
	-	18,213.00
	36,504.71	44,593.77
	6,500.00	5,500.00
	-	13,589.06
	43,004.71	36,504.71
	231,430.55	187,259.47
Total	280,405.89	229,924.08



SCHEDULE "C"

SECURED LOANS

	As at 31/3/2011 (₹ In '000)	As at 31/3/2010 (₹ In '000)
Term Loan from HDFC Bank Ltd. (Secured by Hypothecation of movable fixed assets and Mortgage of immovable property located at Theda, Himachal Pradesh) (Due within one Year NIL (Previous Year ₹ 2,775 Thousand))	-	2,775.00
Term Loan from Bank of India. (Secured by Equitable Mortgage on Fixed Block and Hypothecation of Plant and Machinery located at Dudhwada, Gujarat) (Due within one year ₹ 11,004 Thousand (Previous year ₹ 11,004 Thousand))	27,783.38	38,850.46
Term Loan from HDFC Bank Ltd. (First and Exclusive charge by way of equitable mortgage on the movable and immovable fixed asset of the company located at Mahape & E 6/4 Tarapur) (Due within one year ₹ 21,428.57 Thousand (Previous year ₹ 21,428.57 Thousand))	47,142.86	68,571.43
Cash Credit facilities from HDFC Bank Ltd. (Secured by charge on current assets, Mortgage of Tangible Immovable Properties and charge on other fixed assets.)	3,858.87	25,858.79
Overdraft Facilities from Bank of India (Secured Against Fixed Deposit of Subsidiary Company Protochem Industries Pvt. Ltd)	40,800.16	35,138.57
Total	119,585.27	171,194.25

SCHEDULE "D"

UNSECURED LOANS

Loan from Directors Maximum Amount Outstanding for Loan from Directors ₹ 24,921.94 Thousand (₹ 15,822.81 Thousand)	24,921.94	15,822.81
Loans from Shareholders & Others (See Note 9 Schedule R)	17,031.01	17,661.30
Deferred Sales Tax Liability	1,075.57	1,577.99
Total	43,028.52	35,062.10

"SCHEDULE "E": FIXED ASSETS

(₹ in '000)

Particulars	GROSS BLOCK AT COST				DEPRECIATION BLOCK				NET BLOCK	
	As at 1.4.2010	Additions	Deductions	As at 31.03.2011	As at 1.4.2010	Additions	Deductions	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
Leasehold Land	6,171.24	-	-	6,171.24	-	-	-	-	6,171.24	6,171.24
Freehold Land	8,383.66	-	-	8,383.66	-	-	-	-	8,383.66	8,383.66
Buildings	106,488.06	7,320.56	-	113,808.62	13,223.94	2,933.83	-	16,157.76	97,650.86	93,264.12
Equipment & Machinery	88,171.30	6,259.87	-	94,431.17	17,457.69	4,186.18	-	21,643.86	72,787.31	70,713.61
Computer	25,073.34	1,187.27	-	26,260.61	11,845.74	3,425.00	-	15,270.74	10,989.86	13,227.60
Furniture & Fixtures	9,247.21	73.09	-	9,320.31	3,118.38	546.41	-	3,664.79	5,655.52	6,128.84
Motor Car	4,208.53	-	664.55	3,543.99	2,286.79	255.93	247.19	2,295.53	1,248.46	1,921.75
Electric Fitting & Installations	11,081.29	34.82	-	11,116.11	2,051.20	527.51	-	2,578.71	8,537.40	9,030.10
TOTAL	258,824.64	14,875.61	664.55	273,035.71	49,983.73	11,874.86	247.19	61,611.40	211,424.30	208,840.91
Previous Year	236,239.89	25,247.79	2,963.04	258,824.64	38,840.45	11,143.28	-	49,983.73		
Capital Work In Progress									2,659.70	771.36
									214,084.00	209,612.27

SCHEDULE "F"

INVESTMENTS (AT COST)

LONG TERM INVESTMENT IN SHARES

UNQUOTED

INVESTMENT IN SUBSIDIARY

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

16,029.63

16,029.63

10,00,000 (10,00,000) Equity Shares of Protochem Industries Pvt. Ltd of ₹10/- each fully paid up
(Constituting 100 % of the said Company's paid up capital)

105,225.00

105,225.00

503812 (Nil) Equity Shares of H2O Innovation India Ltd. Of ₹ 10/- each fully paid up
(Constituting 51% of the said Company's paid up capital)

5,038.12

-

INVESTMENT IN JOINT VENTURE

4,89,930 (4,89,930) Equity Shares of Henkel Chembond Surface Technologies Ltd of ₹ 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 Chembond Distribution Limited (formerly CCL Building Systems Ltd) of ₹ 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 ₹ 1/- each fully paid up.
(Constituting 49 % of the said Company's paid up capital)

4,900.00

4,900.00

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

3147.673 (2999.837) Units of Reliance Mutual Fund (Liquid Fund Treasury Plan) Face value of ₹ 10/- each
(Additional units have been received on account of dividend)

48.11

45.85

Total

138,492.96

133,452.58

SCHEDULE "G"

INVENTORIES

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

Raw Material (at cost)

126,884.75

113,055.54

Packing Material (at cost)

6,773.89

4,963.18

Finished Goods (at cost)

38,070.55

41,188.98

Stock in Transit

6,267.74

-

Total

177,996.93

159,207.70



	As at 31/3/2011 (₹ In '000)	As at 31/3/2010 (₹ In '000)
SCHEDULE "H"		
SUNDRY DEBTORS (Refer Note No.8 of Schedule 'R')		
<u>OUTSTANDING FOR MORE THAN 6 MONTHS</u>		
Considered Doubtful	1,100.00	1,144.48
Considered Good	24,286.17	29,588.40
	<u>25,386.17</u>	30,732.89
OTHER DEBTS (CONSIDERED GOOD)	204,843.71	214,753.49
	<u>230,229.88</u>	245,486.37
Less : Provision for Doubtful Debts	1,100.00	1,144.48
Total	<u>229,129.87</u>	<u>244,341.89</u>
SCHEDULE "I"		
CASH AND BANK BALANCES		
Cash on hand	165.95	100.50
Bank balance with Scheduled Banks		
In Current Accounts	2,228.67	5,251.42
In Fixed Deposit	3,794.61	3,756.61
Total	<u>6,189.23</u>	<u>9,108.53</u>
SCHEDULE "J"		
LOANS AND ADVANCES		
(Unsecured & considered good & subject to confirmation)		
Advances recoverable in cash or in kind or for value to be received	1,176.04	3,487.61
Income Tax (Net of Provision)	2,662.45	1,513.38
Fringe Benefit Tax	313.98	313.98
Deposit - Excise	3,467.14	5,455.63
Other Deposits	6,067.64	6,484.48
Prepaid expenses	1,468.96	1,361.78
Total	<u>15,156.21</u>	<u>18,616.87</u>
SCHEDULE "K"		
CURRENT LIABILITIES		
Sundry Creditors for Goods (Refer Note No. 17 of Schedule R)	185,546.70	191,551.84
Sundry Creditors for Others Investor Education & Protection Fund	44,507.71	44,162.47
Unclaimed Dividend *	295.76	273.66
Total	<u>230,350.19</u>	<u>235,987.97</u>
* Not due for deposit		
SCHEDULE "L"		
PROVISIONS		
Proposed Dividend	13,674.89	11,130.72
Tax on Proposed Dividend	2,218.41	1,848.70
Provision for Gratuity	6,142.01	5,597.76
Provision for Leave Encashment	54.33	575.91
Total	<u>22,089.63</u>	<u>19,153.09</u>

SCHEDULE "M"

OTHER INCOME

Dividend from Subsidiary Company - Chembond Ashland Watertechnologies Ltd	10,999.80	7,562.36
Dividend from Joint Venture Company	18,620.00	15,680.00
Dividend from Mutual Funds	2.26	1.60

Gross Interest {(TDS ₹ 26,490 (₹ 37394))}

29,622.06	23,243.96
747.05	273.28

Gross Rental Income {(TDS ₹ 128,958 (₹ 194,042))}

1,275.00	870.01
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Services Charges from HCSTL/H2O

16,404.62	-
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Provision for doubtful debts no longer required

709.48	-
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Miscellaneous Income

853.71	303.54
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Technical Services Income

6,496.75	5,268.79
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Total	56,108.67	29,959.58
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SCHEDULE "N"

VARIATION IN STOCK

Closing Stock of Finished Goods

38,070.55	41,188.98
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Less: Opening stock of Finished Goods

41,188.98	36,352.12
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Total	(3,118.44)	4,836.87
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SCHEDULE "O"

MATERIALS CONSUMED

Raw Materials

1,008,649.46	864,843.30
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Packing Material

72,297.28	69,273.20
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Total	1,080,946.74	934,116.50
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	As at 31/3/2011 (₹ In '000)	As at 31/3/2010 (₹ In '000)
SCHEDULE "P"		
MANUFACTURING & OTHER EXPENSES		
MANUFACTURING EXPENSES		
Employees Salaries & Allowances	5,459.26	5,417.41
Contribution to Provident and other funds	458.99	393.80
Octroi	251.76	180.53
Power, Fuel & Water Charges	5,603.13	4,000.76
Excise Duty	1,170.05	2,205.90
Research and Development	1,955.38	1,174.12
Repairs and Renewals to Plant & Machinery	409.97	842.25
Consumable stores	2,062.14	3,388.42
Godown Rent	1,829.40	1,754.18
Labour Charges	13,085.88	10,962.55
Security Expenses	2,290.00	1,857.00
Factory Maintenance	2,386.84	2,393.46
PTC Compensation Expenses (Refer Note No. 7a of Schedule ' R ')	9,034.88	3,574.47
WTC Compensation Expenses (Refer Note No. 7b of Schedule ' R ')	2,596.92	5,012.52
Enzyme Compensation Expenses (Refer Note No. 7c of Schedule ' R ')	343.46	1,177.65
Total a	48,938.06	44,335.03
ADMINISTRATIVE EXPENSES		
Remuneration to Directors	9,099.49	6,045.34
Contribution to Provident and other funds - Directors	408.30	403.70
Director's Sitting Fees	825.00	560.00
Employees Salaries & Allowances	54,472.71	44,665.11
Contribution to Provident and other funds	4,589.92	3,154.21
Staff Welfare Expenses	3,866.85	3,147.39
Rates & Taxes	747.08	728.00
Electricity charges	2,969.45	2,275.41
Printing and stationary	1,641.38	1,936.72
Telephone & Postage Expenses	3,210.45	3,340.67
Insurance	1,055.35	1,156.23
Motor car expenses	662.27	413.68
Auditors Remuneration	205.00	350.00
Legal, Professional & consultancy fees	9,107.43	10,520.21
Repairs & Maintenance Buildings	370.34	139.21
Repairs & Maintenance Others	5,860.76	6,222.04
Miscellaneous expenses	4,665.61	3,748.12
Donation	1,252.50	-
Foreign Exchange Fluctuation income	1,335.60	(1,510.28)
Sales Tax & Other Taxes	389.08	376.95
Loss on Sale of Fixed Asset	132.92	(36.96)
Provision for Doubtful Debts	665.00	1,144.48
Bad Debts Written Off	6,826.71	3,021.64
Total b	114,359.22	91,801.86

	As at 31/3/2011 (₹ In '000)	As at 31/3/2010 (₹ In '000)
SELLING AND DISTRIBUTION EXPENSES		
Carriage outwards	7,743.05	8,625.16
Rent	1,567.20	1,278.13
Commission on sales	3,348.09	-
Travelling Expenses	9,820.12	12,914.66
Conveyance expenses	2,701.47	2,423.89
Royalty Expenses	2,675.27	1,688.78
Advertising & Publicity Exps	464.90	286.66
Warehousing Charges	50.54	267.87
Packing Expenses	777.80	396.94
Sales Promotion expenses	3,963.59	1,399.01
Total c	33,112.03	29,281.09
GRAND TOTAL (a+b+c)	196,409.31	165,417.99
LESS : Tolling & Reimbursement of expenses (Refer Note No. 14 of Schedule 'R')	20,376.40	20,098.87
Total	176,032.90	145,319.12
SCHEDULE "Q"		
FINANCIAL CHARGES:		
Interest charges		
Executive Chairman	1,126.92	575.00
Others	22,102.72	21,302.51
Bank Guarantee fees & charges	1,753.94	1,951.77
Total	24,983.58	23,829.28



SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011.

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.
 - a) 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 ₹ 9153 Thousand and the value of the fixed assets is stated in the balance sheet at the revalued figure.
 - b) 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 ₹ 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 :

Sr No	Particulars	2010-11 ₹ in '000	2009-10 ₹ in '000
a	Outstanding L.C & Bank Guarantees issued by Bankers.	10,072	9,404
b	Corporate Guarantee given to Bank of India by the company on behalf of Subsidiaries Chembond Ashland Water Technologies Ltd. & H2O Innovation India Ltd.	90,000	60,000
c	Income Tax matter under appeal	135	135
d	Balance Payment for Capital Commitments	413	1,028
e	Claim against the Company not acknowledged as debts	960	960

6. During the year under consideration, the Company established a subsidiary Company - H2O Innovation India Ltd. for water treatment systems and maintenance services to industrial, commercial and residential markets with a shareholding of 51%. The balance 49% is held by collaborator H2O Innovation Inc., Canada.
7.
 - a) As per the terms of the Joint Venture agreement with Henkel KGA Germany. the Pre Treatment Chemicals (PTC) business of Chembond Chemicals Ltd. has been merged with the joint venture Henkel Chembond Surface Technologies Ltd "PTC compensation expenses" aggregating ₹ 9,034.88 Thousand (Previous year ₹ 3,574.74 Thousand) included in Manufacturing Expenses represents transfer by overriding title to Henkel Chembond Surface Technologies Ltd. the income arising on account of the said Pre Treatment Chemicals business that arose in Chembond Chemicals Ltd.
 - b) 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."WTC compensation expenses" aggregating ₹ 2,596.92 Thousand (Previous year ₹ 5,012.52 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 arose in Chembond Chemicals Ltd.
 - c) As per the terms of agreement, the Enzyme Chemicals business of Chembond Chemicals Ltd has been merged with the new company, Chembond Habio Bioengineering Co. Ltd. "Enzyme compensation expenses", aggregating ₹ 343.46 Thousand (Previous year NIL) included in manufacturing expenses represents transfer by overriding title to Chembond Habio Bioengineering Co. Ltd. the income arising on account of the said Enzyme Chemical business that arose in Chembond Chemicals Ltd.

8. 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 Companies – Chembond Ashland Water Technologies Ltd. ₹ 21,782.27 Thousand (₹ 6,885.48 Thousands),Protochem Industries Pvt Ltd. ₹ 4,808.89 Thousand (₹ 1,386.40 Thousand), H2O Innovation India Ltd. ₹ 4,619.15 Thousand (NIL)
 - b) Joint Venture Company – Henkel Chembond Surface Technologies Ltd. ₹ 84,188.38 Thousand (₹ 112,907.04 Thousand).
 - c) Associate Company – Chembond Distribution Ltd. (formerly CCL Building Systems Ltd.) ₹ 3,233.48 Thousand (₹ 2,773.31 Thousand).
9. Sundry creditors and unsecured loans includes amounts aggregating ₹ 11,132.05 Thousand (₹ 6,155.41 Thousand) and ₹ 39,742.45 Thousand (₹ 31,177.83 Thousand) respectively being due to directors, their relatives and firms and companies in which Directors are interested.
10. The Company is a recommended supplier under the Supplier Financing Services rendered by Deutsche Bank to Henkel Chembond Surface Technologies Ltd., the Joint Venture Company. The Company has assigned claims against supplies as on 31.03.2011 aggregating to ₹ 99,559.47 thousand to Deutsche Bank and the amount realised has been credited to the account of Henkel Chembond Surface Technologies Ltd.
11. The Company's obligation towards the Gratuity Fund is a Defined Benefit Plan Details of Actuarial Valuation are as follows.

Particulars	₹ in '000 2010-11	₹ in '000 2009-10
Projected Benefit Obligation at the beginning of the year	10,609.46	9,870.60
Service Cost	790.71	725.66
Interest Cost	875.28	764.97
Actuarial Losses/(Gains)	13.09	(639.66)
Benefits paid	(1,027.25)	(112.12)
Projected Benefit Obligation at the end of the year	11,261.29	10,609.45
Change in Plan Assets		
Fair value of plan assets at the beginning of the year	5,011.70	3,956.31
Expected Returns on Plan assets	432.93	387.68
Employer's contribution	701.90	779.83
Benefits paid	(1,027.25)	(112.12)
Actuarial Gain/(Loss)	NIL	NIL
Fair value of plan assets at the end of the year	5,119.27	5,011.70
Cost of Defined Benefit Plan for the year		
Current Service Cost	790.71	725.66
Interest on Obligation	875.28	764.97
Expected Return on Plan Assets	(432.93)	(387.68)
Net Actuarial Losses/(Gains) recognized in the year	13.09	(639.66)
Net Cost recognized in the Profit and Loss Account	1,246.15	463.29
Assumptions		
Discount Rate	8.25%	7.75%
Future Salary Increase	4%	4%
Withdrawal rates	1%	1%

Experience Adjustments on plan liabilities

Not available

Experience Adjustment on plan assets

Not available

The Management has relied on the overall actuarial valuation conducted by the actuary. However, experience adjustments on plan liabilities and assets are not readily available and hence not disclosed.

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



12. Auditors' Remuneration consist of :

Particulars	2010-2011 ₹ in '000	2009-2010 ₹ in '000
Statutory Audit Fees	110.00	110.00
Tax Audit Fees	70.00	70.00
Taxation & Other Matters	25.00	170.00
TOTAL	205.00	350.00

13. Traveling Expenses comprises of the following :-

Particulars	2010-2011 (₹ in '000)	2009-2010 (₹ in '000)
Directors Local Travel	255.53	283.12
Directors Foreign Travel	236.56	394.73
Others Local Travel	9,301.15	12,134.36
Others Foreign Travel	26.88	102.45
TOTAL	9,820.12	12,914.66

14. Tolling & Reimbursement of Expenses represents Recovery of cost incurred by the Company towards Manufacturing products for the following :

Particulars	2010-2011 (₹ in '000)	2009-2010 (₹ in '000)
Subsidiary Company Chembond Ashland Water Technologies Ltd	20,376.40	18,714.35
Joint Venture Company Henkel Chembond Surface Technologies Ltd	NIL	1,384.52
Total	20,376.40	20,098.87

15. Directors Remuneration comprises of the following:-

Particulars	2010-2011 ₹ in '000	2009-2010 Rs. in '000
Salaries & Perquisites	8842.73	5,832.53
Other Perquisites (LTA & Leave Encashment)	256.76	212.81
Contribution to Provident Fund and Other Fund	360.00	403.70
Total	9,459.49	6,449.04

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.

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

PARTICULARS	2010-11 ₹ in '000		2009-10 ₹ in '000	
Profit Before Taxation		81,788.77		64,735.62
Salaries & Perquisites	9,099.49		6,045.34	
Contribution to Provident Fund	360.00	9,459.49	403.70	6,449.04
Depreciation as per Accounts		11,874.86		10,953.85
		103,123.12		82,138.51
Less : Depreciation as per section 350 as per the Companies Act, 1956		11,874.86		10,953.85
Add/(Less) : (Profit) /Loss on Sale of Assets		132.92		(36.96)
Net Profit as per Section 349 of the Companies Act 1956		91,381.18		71,147.70
Maximum Remuneration allowable under the Companies Act, 1956 (Restricted to 10% of Net Profit)		9,138.12		7,114.77
Managerial Remuneration paid as per Schedule XIII of the Companies Act, 1956		9,099.49		6,045.34
Commission allowable to Directors (1% of Eligible Profit)		913.81		711.48
Commission paid to Non - Executive Director		Nil		Nil

17. The Company has amounts due to suppliers under The Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) as at the year end. The disclosure pursuant to the said Act is as under

Particulars	2010 – 11 ₹ in '000	2009 – 10 ₹ in '000
Principal amount due to suppliers under MSMED Act, 2006	4,812.43	5,224.11
Interest accrued and due to suppliers under MSMED Act, 2006, on the above amount	290.44	28.51
Payment made to suppliers (other than interest) beyond the appointed day, during the year	21,728.96	15,506.46
Interest paid to suppliers under MSMED Act, 2006 (Other than section 16)	267.48	NIL
Interest paid to suppliers under MSMED Act, 2006 (section 16)	NIL	NIL
Interest due and payable to suppliers under MSMED Act, 2006 for the payments already made.	290.44	238.97
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act, 2006	290.44	267.48

The information regarding Micro, Small & Medium Enterprises 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.

18. The Ministry of Corporate Affairs, Government of India vide its General Circular No.2/2011 (No.51/12/2007-CL-III) dated February, 08, 2011 issued under section 212(8) of the Companies Act, 1956 has exempted the Companies from attaching the Balance Sheet and Profit and Loss Account of its subsidiary Companies. As per the order, key details of each subsidiary are attached along with the Statement under Section 212 of the Companies Act, 1956.
19. 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:

(₹ in '000)

Particulars	Balance as at 31.03.2010	Addition during the year	Balance As at 31.03.2011
Deferred Tax Liability :			
Depreciation	23,302.97	1,049.90	24,352.88
Deferred Tax Assets :			
Gratuity	1,902.68	90.10	1,992.78
Leave Encashment	195.75	(178.12)	17.63
Provision for Doubtful Debt	389.01	(32.14)	356.88
MAT	1,401.31	(1,401.31)	NIL
	3,888.74	(1,521.45)	2,367.29
Net Deferred Tax Liability	19,414.23	2,571.35	21,985.58

20. LEASE

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

(₹ in '000)

Particulars	Total Minimum Lease Payment Outstanding as on 31 st March 2011	Total Minimum Lease Payment Outstanding as on 31 st March 2010
Due within one year	3,102.70	3,472.77
Due later than one year and not Later than five years	112.50	1,763.60
Due later than five years	Nil	Nil
Lease payments recognized in the Profit & Loss Account	3,396.60	3,032.32

21. 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.



22. 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 Companies.

Chembond Ashland Water Technologies Ltd., Protochem Industries Pvt Ltd, H2O Innovation India Ltd.

ii. Joint Venture.

Henkel Chembond Surface Technologies Ltd.

iii. Associates.

Chembond Distribution Ltd. (formerly CCL Building System Ltd.), Chembond Enzyme Company Ltd., Chembond Habio Bioengineering Company Ltd.

iv. Key Management Personnel, and their relatives.

Key Management Personnel

Dr. Vinod D. Shah, Sameer V. Shah, Nirmal V. Shah, Ashwin R. Nagarwadia, Perviz H. Dastur, Bhadres D Shah.

Relatives

Mrs. Padma V. Shah, Mrs. Gulu P. Dastur, Mrs. Shilpa S. Shah, Mrs. Mamta N. Shah, Mrs. Alpana S. Shah, Mrs. Jyoti N. Mehta, Ms. Zarna B Shah

Entities over Which Key management personnel are able to exercise influence

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

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

(₹ in '000)

Particulars	Subsidiary Companies [a (i)]		Joint Venture [a (ii)]		Associates [a (iii)]		Key Management Personnel and their relatives [a (iv)]	
	31 st, March		31 st, March		31 st March		31 st, March	
	2011	2010	2011	2010	2011	2010	2011	2010
Gross Sales	245,472.63	210,828.36	844,292.76	621,396.37	791.42	1,984.55	4,676.22	14,425.36
Purchases	612.77	3,853.31	33,791.35	2,4421.12	-	-	36,947.91	32,157.36
Tolling & Reimbursement of Expenses	20,376.40	18,714.35	-	1,384.52	-	-	-	-
Rent Income	615.00	210.00	540.00	540.00	48.00	48.00	72.00	72.00
Service Charges	4,149.62	-	12,255.00	-	-	-	-	-
Dividend Income	10,999.80	7,562.36	18,620.00	15,680.00	-	-	-	-
Interest Expense	-	-	-	-	599.64	719.85	3,451.29	1,095.36
Rental Expenses	-	-	888.00	888.00	-	-	-	250.00
Directors Remuneration	-	-	-	-	-	-	9,459.49	6,045.34
Salaries	-	-	-	-	-	-	1,330.62	1,258.00
WTC / PTC / Enzyme Compensation	2,596.92	5,012.52	9,034.88	3,574.47	343.46	1,177.64	-	-
Royalty	-	-	-	-	-	-	2,675.27	1,688.78
Balances at the end of the year								
a. Loans taken	-	-	-	-	5,050.00	5,303.38	34,692.45	11,467.05
b. Sundry Debtors	31,210.31	8,271.88	84,188.38	112,907.04	3,233.48	2,773.31	-	-
c. Sundry Creditors	-	-	-	-	908.56	1,271.46	10,223.49	4,883.95
d. Investments	126,292.75	121,254.63	4,899.30	4,899.30	7,250.00	7,250.00	-	-

23. Earnings Per Share	2010-2011	2009-2010
Net Profit as per Profit & Loss Account Available to Equity Share holders (Rs. In Thousand)	64,737.42	51,730.63
Total Number of Equity Shares (Face Value of Rs 10/- each fully Paid up)	6,360,412	6,360,412
Basic & Diluted Earning Per Shares (In Rupees)	10.18	8.13*

*Adjusted for issue of Bonus Shares in March 2010 in the ratio of 1 : 1

24. There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.
25. 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 (Kgs/Lts)	1,12,857	28,682,994
(Previous year)	(6,71,906.75)	(112,857)
Liquid (Kgs/Lts)	4,38,892.00	9,387,555
(Previous Year)	(90,007.45)	(438,892)
VALUE IN RUPEES	₹ in '000	₹ in '000
Current Year	41,188.98	38,070.55
(Previous Year)	(36,352.12)	(41,188.98)

B) PARTICULARS OF TURNOVER OF SALES

Item of Sales	2010-11		2009-10	
	Quantity Kgs/Lts	Amount ₹ in '000	Quantity Kgs/Lts	Amount ₹ in '000
Power/Crystals	6,325,719	390,309.39	3,005,840	210,384.74
LIQUID	14,772,957	927,103.04	18,157,316	870,444.58
Others		5,034.92		63,328.78
Total Sales(Net of Excise Duty)		1,322,447.35		1,144,158.10

C) DETAILS OF RAW MATERIALS CONSUMED:

Description	2010-11		2009-10	
	Quantity Kgs/Lts	Amount ₹ in '000	Quantity Kgs/Lts	Amount ₹ in '000
Acids	2,930,198	136,621.35	2,787,089	106,605.97
Oil & Solvent, Alkalies, etc	1,839,360	75,916.52	1,137,341	29,230.31
Others		796,111.59		729,007.02
Total		1,008,649.46		864,843.30

D) BREAK UP OF RAW MATERIAL CONSUMED

	2010-11		2009-10	
	₹ in '000	% of Consumption	₹ in '000	% of Consumption
Imported	223,375.73	22.15	145,413.32	16.81
Indigenous	785,273.73	77.85	739,429.98	83.19
TOTAL	1,008,649.46	100.00	864,843.30	100.00

E) CAPACITY AND PRODUCTION

	2010-2011 Quantity KL/ MT	2009-2010 Quantity KL/MT
Licensed and installed Capacity	Not Applicable	Not Applicable
Actual Production		
Liquid	15,052	20,063
Powder	3,416	274
	18,468	20,337

F) VALUE OF IMPORTS CALCULATED ON CIF BASIS

	2010-2011 Amount ₹ in '000	2009-2010 Amount ₹ in'000
Raw Materials and Finished goods	258,717.00	153,720.13

G) EXPENDITURE IN FOREIGN CURRENCY

	2010-2011 Amount ₹ in '000	2009-2010 Amount ₹ in'000
PROFESSIONAL FEES	2,598.32	4,485.78
TRAVELLING	719.66	200.05

H) EARNINGS IN FOREIGN CURRENCY

	2010-2011 Amount ₹ in '000	2009-2010 Amount ₹ in'000
EXPORT OF GOODS ON FOB BASIS	29,654.24	12,187.35
COMMISSION	34.31	31.36

I) REMITTANCE IN FOREIGN CURRENCY

	2010-2011 Amount ₹ in '000	2009-2010 Amount ₹ in'000
<u>FINAL DIVIDEND</u>		
No of Shareholders	1	1
No. of shares held	72,800	36,400
Dividend remitted (Rs in Thousand)	127	127
Year to which it relates	2010-11	2009-10

J) INDUSTRIAL LICENCE HELD

Nil

Nil

26. INFORMATION ON JOINT VENTURES :

Henkel Chembond Surface Technologies Ltd.
(on the basis of un-audited Financial Statements)

i) Jointly Controlled Entity – Henkel Chembond Surface Technologies Ltd.

Country of Incorporation :

India

Percentage of ownership interest

49%

ii) **Interest in the assets, liabilities, income, and expenses with respect to jointly controlled entity.**

	As at 31.03.2011 ₹ '000 Unaudited	As at 31.03.2010 ₹ '000 Unaudited
A. Assets :		
i. Fixed Asset(Net Block)	59,441.45	46,533.79
ii. Capital Work in Progress	Nil	14,776.94
iii. Investments	747.42	709.65
iv. Current Assets Loans & Advances		
Inventories	57,145.92	26,251.35
Sundry Debtors	177,244.12	158,355.15
Cash & Bank Balances	33,194.40	13,080.99
Loans and Advances	27,290.03	5,520.76
B. Liabilities :		
i. Unsecured Loans	48,784.14	-
ii. Deferred Tax Liability	2,764.03	1,308.90
iii. Current Liabilities	111,870.69	104,666.19
iv. Provisions	1,101.17	3,667.11
C. Income :	734,769.93	526,024.91
D. Expenses	647,245.36	423,533.66
E. Tax	30,855.14	30,721.61

27. EXPENDITURE ON RESEARCH AND DEVELOPMENT.

	2010-2011 Amount ₹ in '000	2009-2010 Amount ₹ in'000
Revenue expenditure	1,955.38	1,500.00
Capital expenditure	242.79	248.98

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

C) EXPENDITURE DURIING 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 amounts 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) REVENUE RECOGNITION ON SALES

The Company recognizes revenue on the sale of Products when the products are delivered to the customers or to the carrier which is when the risks or rewards of ownership pass to the customer.

G) RESEARCH & DEVELOPMENT

Revenue expenditure on Research & Development are charged to the Profit & Loss Account and capital expenditure are included in Fixed Assets under relevant assets and depreciated on the same basis as other fixed assets.

H) BORROWING COSTS

Borrowing Costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the costs of such assets. A qualifying asset is one that takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to the Profit & Loss account.

I) 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.

J) 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.

K) INVESTMENTS

Investments are stated at the cost of acquisition.

L) DIVIDEND RECEIVED

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

M) VALUATION OF INVENTORY

Inventories are valued at cost determined on Weighted Average 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.

N) EMPLOYEE BENEFITS

- (a) **Provident Fund:** Contributions towards Employees Provident Fund are made to the Employees Provident 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.

O) TAXATION

Advance payments of Income Tax, including TDS, where assessments are pending are shown net of the corresponding provision for tax for the year.

P) 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.

Q) CUSTOM DUTY ON IMPORTS

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

R) EARNING PER SHARE

Basic earning per share is calculated by dividing the net profit or loss for the period attributable to equity share holders by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earning per share, the net profit or loss for the period attributable to equity share holders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

S) 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

Membership No. F/41867

Mumbai, 30th July, 2011

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

Mahendra K. Ghelani - Director

Perviz H. Dastur - Director

Dipti D. Samant - Company Secretary

Mumbai, 30th July, 2011



ADDITIONAL INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration Number	18235
State Code	11
Balance Sheet Date	31/03/2011

II. Capital Raised during the year (₹ in Lacs)

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

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

Total Liabilities	528,609.38	Total Assets	528,609.38
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Sources of funds

Paid-up Capital	63,604.12	Reserves and Surplus	280,405.89
Secured Loans	119,585.27	Unsecured Loans	43,028.52
Deferred Tax Liability	21,985.58		

Application of Funds

Net Fixed Assets	214,084.00	Investments	138,492.96
Net Current Assets	176,032.42	Miscellaneous Expenditure	Nil
Accumulated Losses	Nil		

IV. Performance of Company (₹ in Thousand)

Turnover (Total Revenue)	1,378,556.02	Total Expenditure	1,296,956.52
Profit before Tax	81,788.77	Profit after Tax	64,737.42
Dividend Rate	21.5%		

V. 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
Mahendra K. Ghelani	- Director
Perviz H. Dastur	- Director
Dipti D. Samant	- Company Secretary

Mumbai, 30th July, 2011

Statement Pursuant to Section 212 of the Companies Act, 1956, relating to Company's Interest in Subsidiary Companies for the financial year 2010-11

Name of Subsidiary Company	Chembond Ashland Water Technologies Limited	Protochem Industries Private Limited	H2O Innovation India Limited
1. The Financial Year of the Subsidiary Company ended on.	31st March, 2011	31st March, 2011	31st March, 2011
2. Date from which it became Subsidiary Company.	6th April, 2001	30th April, 2009	17th April, 2010
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.	274,995	1,000,000	503,812
b. Extent of Interest of holding Company at the end of the financial year of the Subsidiary Company.	55%	100%	51%
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, 2011 (₹ in Thousand)	35,383.91	2,905.77	910.14
ii) For the previous Financial years of the Subsidiary Company since it became the Holding Company's subsidiary. (₹ in Thousand)	52,670.93	31,066.27	NIL
b. Dealt with in Holding Company's accounts:			
i) For the financial year ended 31st March, 2011	NIL	NIL	NIL
ii) For the previous Financial years of the Subsidiary Company since it became the Holding Company's Subsidiary.	NIL	NIL	NIL

For and on the behalf of Board of Directors

Dr Vinod D. Shah
Executive Chairman

Sameer V. Shah
Vice Chairman &
Managing Director

Nirmal V. Shah
Joint Managing Director

Dipti D. Samant
Company Secretary

Mahendra K. Ghelani
Director

Parviz H. Dastur
Director

Mumbai 30th July, 2011

Details of Chembond Ashland Water Technologies Limited (CAWTL), Protochem Industries Private Limited (PIPL) and H2O innovation India Ltd. disclosed pursuant to terms of exemption letter (No. 51/12/2007-CL-III) dated 8th February, 2011 of Ministry of Company Affairs under Section 212 of the Companies Act, 1956.



(₹ In '000)

Particulars	Chembond Ashland Water Technologies Limited	Protochem Industries Private Limited	H2O Innovation India Limited
Capital	5,000.00	10,000.00	9,878.78
Reserves	1,45,497.32	678,23.66	1,784.59
Total Assets	164,618.91	83,484.66	26,284.14
Total Liabilities	164,618.91	83,484.66	26,284.14
Investments	Nil	Nil	55.00
Turnover/Total Income	498,856.25	134,742.02	80,181.40
Profit Before Taxation	96,068.20	4,251.72	2,696.94
Provision for Taxation	32,883.09	1,438.55	912.35
Profit After Taxation	63,185.12	2,905.79	1,784.59
Interim Dividend	Nil	Nil	Nil
Proposed Dividend	25,000.00	Nil	Nil

AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF CHEMBOND CHEMICALS LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF CHEMBOND CHEMICALS LIMITED, ITS SUBSIDIARIES, JOINT VENTURES & ASSOCIATES

1. We have audited the attached Consolidated Balance Sheet of Chembond Chemicals Limited (the Company), its subsidiaries, its Joint Venture and its Associates (including their Subsidiary) collectively referred as "Chembond Group" as at 31st March 2011, 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 consolidated 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 a Subsidiary. These financial statements and other financial information have been audited by another auditor whose report have been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements, is based solely on the reports of that other auditor. The financial statements of two other Subsidiaries are compiled and certified by the Management and are unaudited. Any adjustment to their balances, could have consequential effect on the attached Consolidated Financial Statements. The financial statements of these three Subsidiaries reflect total assets of ₹ 274,387.71 Thousand as at 31st March 2011, total revenues of ₹ 713,779.67 Thousand and net cash flows of ₹ 40,431.93 Thousand for the year ended on that date.
(ii) The Financial Statements of the Joint Venture Company which reflect total assets of ₹ 494,064.25 Thousand as at 31st March 2011, total revenues of ₹ 1,499,530.47 thousands and net cash flows of ₹ 41047.78 Thousand for the year ended on that date, are compiled and certified by the Management and are unaudited. Any adjustment to their balances, could have consequential effect on the attached Consolidated Financial Statements.
(iii) The Financial Statement of the Associates (including their Subsidiary) for the year ended 31st March, 2011 are compiled and certified by the Management and are unaudited. The size of these entities in the consolidated position of the group is not significant in relative terms.
4. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements, AS 23, Accounting for Investments in Associates in Consolidated Financial Statements and AS 27, Financial Reporting of interest in Joint Ventures as notified by the Companies (Accounting Standards) Rules, 2006.
5. Subject to the effect if any on account of possible adjustment stated in para 3 above, based on our audit as aforesaid and on the basis of the information and explanations given to us, 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 the Chembond Group as at 31st March 2011,
 - (b) In the case of the Consolidated Profit and Loss Account, of the consolidated profit of the Chembond Group for the year ended on that date; and
 - (c) In the case of the Consolidated Cash Flow Statement, of the consolidated Cash Flows of the Chembond Group for the year ended on that date.

For **M/S Kastury & Talati**
Chartered Accountants
Firm Registration No 104908W

Dhiren P. Talati
Partner
Membership No.: F/41867
Place : Mumbai,
Dated : 30th July, 2011



Chembond Chemicals Ltd
Consolidated Balance Sheet as on 31st March, 2011

PARTICULARS	Schedule	As at 31/3/2011 (₹ in '000)	As at 31/3/2010 (₹ in '000)
SOURCES OF FUNDS			
<u>SHAREHOLDERS' FUNDS</u>			
Share Capital	A	63,604.12	63,604.12
Reserves and Surplus	B	554,125.94	443,096.01
		617,730.06	506,700.13
Minority Interest	C	84,688.71	60,848.07
<u>LOAN FUNDS</u>			
Secured Loans	D	146,830.38	187,660.13
Unsecured Loans	E	97,449.26	38,862.10
		244,279.64	226,522.23
Deferred Tax Liability (Net)		25,463.42	21,177.95
	Total	972,161.83	815,248.38
APPLICATION OF FUNDS			
<u>FIXED ASSETS</u>			
GROSS BLOCK	F	420,600.74	392,828.05
Less : Depreciation		89,740.08	77,217.03
NET BLOCK		330,860.66	315,611.03
CAPITAL WORK IN PROGRESS		2,659.70	15,643.27
		333,520.36	331,254.29
INVESTMENTS	G	6,030.01	6,952.01
<u>CURRENT ASSETS, LOANS AND ADVANCES</u>			
Inventories	H	257,805.61	195,345.54
Sundry Debtors	I	596,626.65	515,931.81
Cash and Bank Balances	J	121,136.61	108,223.97
Loans and Advances	K	83,117.27	53,269.55
	a	1,058,686.14	872,770.87
<u>LESS: CURRENT LIABILITIES AND PROVISIONS:</u>			
Current Liabilities	L	395,086.14	360,456.12
Provisions	M	30,988.54	35,272.67
	b	426,074.68	395,728.79
NET CURRENT ASSETS	a-b	632,611.46	477,042.08
	Total	972,161.83	815,248.38
Notes on accounts	S		

As per our attached report of even date.
For **M/S KASTURY & TALATI**
Chartered Accountants

Dhiren P. Talati
Partner
Membership No. FI41867

Mumbai, 30th July, 2011

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
Mahendra K. Ghelani - Director
Perviz H. Dastur - Director
Dipti D. Samant - Company Secretary

Mumbai, 30th July, 2011

Chembond Chemicals Ltd

Consolidated Profit And Loss Account for the year ended 31st March, 2011

PARTICULARS	Schedule	Year ended 31/3/2011 (₹ in '000)	Year ended 31/3/2010 (₹ in '000)
INCOME			
Sales		2,254,075.85	1,887,279.27
Less Excise Duty		186,264.22	136,793.23
Net Sales		2,067,811.62	1,750,486.04
Other Income	N	39,502.51	33,713.14
Variation in stock	O	5,648.65	(6,620.24)
	Total	2,112,962.79	1,777,578.95
EXPENDITURE			
Materials Consumed	P	1,301,235.50	1,076,197.30
Manufacturing & Other Expenses	Q	514,194.14	430,238.08
	Total	1,815,429.64	1,506,435.38
Profit before Depreciation, Financial Charges and Taxation		297,533.15	271,143.57
Depreciation	F	18,597.92	17,686.86
Financial charges	R	31,078.56	30,355.22
		247,856.66	223,101.49
Add: Transfer from Revaluation Reserve		189.27	189.27
Profit before Tax		248,045.93	223,290.76
Less : Deferred Tax Liability		4,285.47	6,723.57
Less : Current Tax		78,855.00	71,368.00
Profit After Taxation		164,905.46	145,199.18
Prior Period Item		4,355.52	(387.92)
		160,549.94	145,587.10
Less : Excess/Short Provision		1,241.88	134.86
Add : Effect of adjustment on audit		-	3,512.27
Less : Stock Reserve		341.53	1,116.72
Less : Preacquisition Profit		-	4,955.17
Add : Share of Profit/(Loss) from Associate		(1017.04)	(1.23)
Less : Profit transfer to Minority Interest		25,075.17	18,951.71
		135,358.08	123,939.69
Add : Balance as per last Balance Sheet		368,413.84	273,892.88
Profit available for Appropriation	Total	503,771.92	397,832.57
APPROPRIATION			
General Reserve		26,377.00	11,000.00
Set off of Dividend Tax in respect of Dividend from Subsidiary Company		(1,826.97)	(1,178.03)
Proposed Dividend		13,674.89	11,130.72
Tax on Proposed Dividend		9,365.96	7,835.32
Dividend on share issued on Amalgamation		-	630.72
Balance carried to Balance Sheet		456,181.04	368,413.84
	Total	503,771.92	397,832.57
Notes on accounts	S		
Earnings per Share (See Note 17 of Schedule 'S')			
(Face Value Rs 10/-)			
Basic and Diluted		21.28	19.49

As per our attached report of even date.

For **M/S KASTURY & TALATI**

Chartered Accountants

Dhiren P. Talati

Partner

Membership No. F/41867

Mumbai, 30th July, 2011

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

Mahendra K. Ghelani

- Director

Perviz H. Dastur

- Director

Dipti D. Samant

- Company Secretary

Mumbai, 30th July, 2011



CONSOLIDATED CASH FLOW

	2010-2011		2009-2010	
	₹ in '000	₹ in '000	₹ in '000	₹ in '000
A Cash Flow from Operating Activities				
Net Profit before tax and extraordinary items		248,045.93		223,290.73
<u>Adjustments for :</u>				
Depreciation	18,408.65		17,497.41	
Misc Expenditure written off	-		2.73	
Loss on Sale of assets	726.42		2,267.20	
Foreign Exchange Fluctuation	929.08		2,378.58	
Financial Charges	310,78.56		30,355.22	
		51,142.71		52,501.14
Operating Profit before working capital changes		299,188.64		275,791.87
<u>Adjustments (incl on amalgamation) for :</u>				
Trade and Other Receivables	(111,762.21)		(45,458.99)	
Inventories	(62,801.60)		(24,139.97)	
Trade and Other Payables	26,004.76		74,571.70	
		(148,559.04)		4,972.74
Cash generated from operations		150,629.61		280,764.61
Interest paid		(31,078.56)		(30,355.22)
Net Cash from Operating Activities (A)		119,551.04		250,409.39
B Cash Flow from Investing Activities				
Purchase of Fixed Assets		(23,252.59)		(88,734.82)
Sale of Fixed Assets		1,853.09		3,155.00
Purchase of Investment		(285.93)		-
Net Cash used in Investing Activities (B)		(21,685.43)		(85,579.82)
C Cash Flow from Financing Activities				
Proceeds from H2O Innovation Canada		4,840.66		-
Proceeds from Unsecured Loans		58,587.16		3,275.90
Dividend paid		(26,567.01)		(22,926.44)
Proceeds from Secured Loan		(40,829.74)		(9,985.31)
Direct Tax paid		(80,984.03)		(60,171.49)
Net Cash from Financing Activities (C)		(84,952.98)		(89,807.34)
Net (Decrease)/Increase in Cash & Cash Equivalents		12,912.63		75,022.22
Cash and Bank Balances as on 31.3.2010		108,223.97		20,405.56
Consolidated Adjustment		-		12,796.19
Cash and Bank Balances as on 31.3.2011		121,136.61		108,223.97

As per our attached report of even date.

For **M/S KASTURY & TALATI**

Chartered Accountants

Dhiren P. Talati

Partner

Membership No F/41867

Mumbai, 30th July, 2011

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

Dipti D. Samant - Company Secretary

Mumbai, 30th July, 2011

Schedules forming part of the Consolidated Balance Sheet

PARTICULARS	As at 31/3/2011 (₹. in '000)	As at 31/3/2010 (₹ in '000)
SCHEDULE "A"		
SHARE CAPITAL		
AUTHORISED		
10,000,000 (10,000,000) Equity Shares of ₹ 10/- each	<u>100,000.00</u>	<u>100,000.00</u>
ISSUED, SUBSCRIBED, AND PAID UP		
6,360,412 (6,360,412) Equity Shares of ₹ 10/- each fully paid up	<u>63,604.12</u>	<u>63,604.12</u>
Total	<u><u>63,604.12</u></u>	<u><u>63,604.12</u></u>
NOTES		
1) Of the above 1,90,206 (1,90,206) Equity Shares of ₹ 10/- each have been issued for consideration other than cash		
2) Of the above 43,00,206 (43,00,206) Equity Shares of ₹ 10/- each have been issued as fully paid up Bonus Shares by way of capitalisation of Reserves & Surplus.		
SCHEDULE "B"		
RESERVES AND SURPLUS		
<u>REVALUATION RESERVE</u>		
As per last year	<u>6,159.91</u>	6,349.17
Less : Transfer to Profit & Loss A/c.	<u>189.27</u>	189.27
	<u>5,970.64</u>	<u>6,159.91</u>
<u>SHARE PREMIUM</u>		
Balance as per last Balance Sheet	-	18,213.00
Less : Capitalisation on Issue of Bonus Shares	-	18,213.00
	-	-
<u>GENERAL RESERVE</u>		
As per last year	<u>68,522.26</u>	73,096.32
Add : Effect of Audit Adjustment	-	490.00
Add: Transfer from Profit & Loss A/c.	<u>26,377.00</u>	11,000.00
Less : Transfer to Minority Interest	<u>(2,925.00)</u>	(2,475.00)
Less : Capitalisation on Issue of Bonus Shares	-	13,589.06
	<u>91,974.26</u>	<u>68,522.26</u>
<u>PROFIT AND LOSS ACCOUNT</u>		
As per account annexed	<u>456,181.04</u>	368,413.84
Total	<u><u>554,125.94</u></u>	<u><u>443,096.01</u></u>



Schedules forming part of the Consolidated Balance Sheet

PARTICULARS	As at 31/3/2011 (₹ in '000)	As at 31/3/2010 (₹ in '000)
SCHEDULE "C"		
MINORITY INTEREST		
<u>Share Capital</u>		
Opening Balance	2,250.00	2,250.00
Addition during the year	4,840.66	-
Closing Balance	<u>7,090.66</u>	<u>2,250.00</u>
<u>General Reserve</u>		
Opening Balance	12,654.88	10,179.88
Addition during the year	2,925.00	2,475.00
Closing Balance	<u>15,579.88</u>	<u>12,654.88</u>
<u>Profit & Loss Account</u>		
Opening Balance	45,943.19	33,179.12
Less : Dividend Paid	9,000.20	6,187.64
Addition during the year	25,075.17	18,951.71
Closing Balance	<u>62,018.16</u>	<u>45,943.19</u>
Total	<u>84,688.71</u>	<u>60,848.07</u>
SCHEDULE "D"		
SECURED LOANS		
Term Loan from HDFC Bank Ltd. (Secured by Hypothecation of movable fixed assets and Mortgage of immovable property located at Theda, Himachal Pradesh) (Due within one Year NIL (Previous Year ₹ 2,775 Thousand))	-	2,775.00
Term Loan from Bank of India. (Secured by Equitable Mortgage on Fixed Block and Hypothecation of Plant and Machinery located at Dudhwada, Gujarat) (Due within one year ₹ 11,004 Thousand (Previous year ₹ 11,004 Thousand))	27,783.38	38,850.46
Term Loan from HDFC Bank Ltd. (First and Exclusive charge by way of equitable mortgage on the movable and immovable fixed asset of the company located at Mahape & E 6/4 Tarapur) (Due within one year ₹ 21,428.57 Thousand (Previous year ₹ 21,428.57 Tousand))	47,142.86	68,571.43
ICICI Bank - Car Loan A/c (Secured against hypothecation of Swift Car)	-	58.57
Cash Credit facilities from HDFC Bank Ltd. (Secured by charge on current assets, Mortgage of Tangible Immovable Properties and charge on other fixed assets.)	3,858.87	25,858.79
Cash Credit (Secured by hypothecation of all the book debts/receivables and stock and collateral security by way of guarantee by Holding Company - Chembond Chemicals Limited)	11,820.76	-
Cash credit (Secured by hypothecation of all the book debts/receivables, collateral security by way of hypothecation of stocks and guaranteed by Holding Company - Chembond Chemicals Ltd.)	11,284.97	7,855.93
Overdraft Facilities from Bank of India (Secured Against Fixed Deposit of Subsidiary Company Protochem Industries Pvt. Ltd)	40,800.17	35,138.58
Bank Overdraft (Secured against hypothecation of Book-debts and Stock)	4,139.37	8,551.38
Total	<u>146,830.38</u>	<u>187,660.13</u>

Schedules forming part of the Consolidated Balance Sheet

PARTICULARS	As at 31/3/2011 (₹ in '000)	As at 31/3/2010 (₹ in '000)
SCHEDULE "E"		
UNSECURED LOANS		
Loan from Directors (Maximum Amount Outstanding for Loan from Directors ₹ 24,921.94 Thousand (₹15,822.81 Thousand))	24,921.94	15,822.81
Loans from Shareholders & Others (See Note 9 Schedule S)	17,031.01	17,661.30
Fixed Deposit	5,050.00	3,800.00
Security Deposit	586.60	-
Bills Payable to Deutsche Bank	48,784.14	-
Deferred Sales Tax Liability	1,075.57	1,577.99
Total	97,449.26	38,862.10

Schedule forming part of the Consolidated Balance Sheet and Profit / Loss Account

"SCHEDULE "F": FIXED ASSETS

(₹ in '000)

Particulars	GROSS BLOCK AT COST				DEPRECIATION BLOCK				NET BLOCK	
	As at 1.4.2010	Additions	Deductions	As at 31.03.2011	As at 1.4.2010	Additions	Deductions	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
Goodwill	40,544.69	-	-	40,544.69	-	-	-	-	40,544.69	40,544.69
Leasehold Land	8,992.08	-	-	8,992.08	-	-	-	-	8,992.08	8,992.08
Freehold Land	12,118.07	-	-	12,118.07	-	-	-	-	12,118.07	12,118.07
Buildings	127,458.31	15,113.83	-	142,572.14	15,976.58	3,856.09	-	19,832.67	122,739.40	111,481.73
Equipment & Machinery	129,539.70	15,939.55	707.48	144,771.77	28,523.00	7,345.60	432.49	35,436.12	109,335.60	101,016.70
Computers	35,828.35	3,525.93	2,535.41	36,818.87	18,704.75	5,050.22	2,458.85	21,296.13	15,522.76	17,123.60
Furniture & Fixtures	12,640.62	697.04	-	13,337.66	4,283.02	804.43	-	5,087.45	8,250.21	8,357.60
Vehicles	13,072.88	109.03	5,411.51	7,770.40	7,574.33	896.09	3,183.55	5,286.87	2,483.53	5,498.55
Electric Fitting & Installations	12,633.33	1,041.82	-	13,675.15	2,155.34	645.49	-	2,800.84	10,874.32	10,477.99
TOTAL	392,828.03	36,427.21	8654.40	42,060.74	77,217.02	18,597.93	6,074.89	89,740.08	330,860.66	31,5611.01
Previous Year	313,538.29	88,356.04	9,066.31	392828.03	57,555.22	23,494.50	3,832.70	77,217.02	-	-
Capital Work In Progress	-	-	-	-	-	-	-	-	2,659.70	15,643.27
									333,520.49	331,254.28



Schedules forming part of the Consolidated Balance Sheet

PARTICULARS	As at 31/3/2011 (₹ in '000)	As at 31/3/2010 (₹ in '000)
SCHEDULE "G"		
INVESTMENTS (AT COST)		
<u>LONG TERM INVESTMENT IN SHARES</u>		
<u>UNQUOTED</u>		
<u>INVESTMENT IN ASSOCIATES</u>		
2,35,000 (2,35,000) Equity Shares of CCL Building Systems Ltd of ₹ 1/- each fully paid up. (Constituting 47 % of the said Company's paid up capital)	-	-
4,90,000 (4,90,000) Equity Shares of Chembond Enzyme Company Ltd of ₹ 1/- each fully paid up. (Constituting 49 % of the said Company's paid up capital)	5,176.68	6,193.71
<u>INVESTMENT IN GOVERNMENT SECURITIES</u>		
Investment in National Saving Certificate	70.20	15.20
<u>OTHER INVESTMENTS</u>		
23 (23) Equity Shares of Tarapur Environment Protection Organisation Ltd	12.92	12.92
<u>INVESTMENTS IN MUTUAL FUNDS</u>		
3147.673 (2999.837) Units of Reliance Mutual Fund (Liquid Fund Treasury Plan) Face value of ₹ 10/- each (Additional units have been received on account of dividend)	770.21	730.18
Total	6,030.01	6,952.01
SCHEDULE "H"		
INVENTORIES		
Stock-in-trade: (as per inventory taken, valued and certified by the Management)		
Raw Material (at cost)	186,992.40	137,819.55
Packing Material (at cost)	7,219.64	5,438.49
Work In Progress (at Cost)	3,893.52	-
Finished Goods (at cost)	54,890.55	53,204.22
Stock in Transit	6,267.74	-
Total	259,263.85	196,462.26
Less :Stock Reserve	1,458.24	1,116.72
	257,805.61	195,345.54
SCHEDULE "I"		
SUNDRY DEBTORS (Refer Note No.8 of Schedule 'S')		
<u>OUTSTANDING FOR MORE THAN 6 MONTHS</u>		
Considered Doubtful	4,198.76	1,144.48
Considered Good	64,106.93	51,470.47
	68,305.69	52,614.95
OTHER DEBTS (CONSIDERED GOOD)	529,420.96	464,461.33
	597,726.65	517,076.29
Less : Provision for Doubtful Debts	1,100.00	1,144.48
Total	596,626.65	515,931.81
SCHEDULE "J"		
CASH AND BANK BALANCES		
Cash on hand	382.45	314.72
Bank balance with Scheduled Banks		
In Current Accounts	47,174.23	22,130.03
In Fixed Deposit	73,579.93	85,779.23
Total	121,136.61	108,223.97

Schedules forming part of the Consolidated Balance Sheet

PARTICULARS	As at 31/3/2011 (₹ in '000)	As at 31/3/2010 (₹ in '000)
SCHEDULE "K"		
LOANS AND ADVANCES		
(Unsecured & considered good & subject to confirmation)		
Advances recoverable in cash or in kind or for value to be received	54,036.73	31,323.62
Fringe Benefit Tax	353.04	1,572.68
Deposit - Excise	12,278.12	6,055.59
Other Deposits	13,787.88	12,741.68
Prepaid expenses	2,661.50	1,575.97
Total	83,117.27	53,269.55
SCHEDULE "L"		
CURRENT LIABILITIES		
Sundry Creditors for Goods	273,739.34	237,534.34
Sundry Creditors for Others	121,051.05	122,648.11
Investor Education & Protection Fund		
Unclaimed Dividend *	295.75	273.66
Total	395,086.14	360,456.12
* Not due for deposit		
SCHEDULE "M"		
PROVISIONS		
Income Tax	1,172.43	5,762.99
Proposed Dividend	13,674.89	11,130.72
Tax on Proposed Dividend	6,273.41	5,170.50
Provision for Gratuity	9,680.77	11,133.89
Provision for Leave Encashment	187.04	2,074.57
Total	30,988.54	35,272.67



Schedules forming part of the Consolidated Profit and Loss Account

PARTICULARS	As at 31/3/2011 (₹ in '000)	As at 31/3/2010 (₹ in '000)
SCHEDULE "N"		
OTHER INCOME		
Dividend from Mutual Funds	40.03	26.93
Gross Interest {(TDS ₹ 26,490 (₹ 37,394))}	5,043.14	3,198.20
Gross Rental Income {(TDS ₹ 128,958 (₹ 194,042))}	395.41	395.41
Consideration for Business Transfer		6,080.00
Services Charges from HCSTL/H2O	6,250.05	-
Miscellaneous Income	2,990.51	1,966.53
Provision for Doubtful Debt (No longer required)	709.48	-
Bad Debts Recovered	1,753.70	-
Technical Services Income	22,320.18	22,046.08
Total	<u>39,502.51</u>	<u>33,713.14</u>
SCHEDULE "O"		
VARIATION IN STOCK		
Closing Stock of Finished Goods	58,784.07	53,135.42
Less: Opening stock of Finished Goods	53,135.42	59,755.66
Total	<u>5,648.65</u>	<u>(6,620.24)</u>
SCHEDULE "P"		
MATERIALS CONSUMED		
Raw Materials	1,218,871.41	992,640.13
Packing Material	82,364.09	83,557.17
Total	<u>1,301,235.50</u>	<u>1,076,197.30</u>
SCHEDULE "Q"		
MANUFACTURING & OTHER EXPENSES		
MANUFACTURING EXPENSES		
Employees Salaries & Allowances	8,659.26	8,432.95
Contribution to Provident and other funds	746.04	635.35
Octroi	475.63	290.85
Power, Fuel & Water Charges	7,582.86	6,369.14
Excise Duty	1,496.97	2,817.69
Research and Development	3,043.20	1,947.25
Repairs and Renewals to Plant & Machinery	526.84	988.35
Consumable stores	2,062.14	3,388.42
Godown Rent	1,394.28	1,319.06
Labour Charges	18,698.51	13,713.99
Security Expenses	2,290.00	2,314.78
Factory Maintenance	3,541.75	2,546.39
PTC Compensation Expenses	6,560.70	3,826.14
Enzymes Compensation Expenses	343.46	1,177.65
Total a	<u>57,421.65</u>	<u>49,768.00</u>

Schedules forming part of the Consolidated Profit and Loss Account

PARTICULARS	As at 31/3/2011 (₹ in '000)	As at 31/3/2010 (₹ in '000)
ADMINISTRATIVE EXPENSES		
Remuneration to Directors	12,468.01	12,175.77
Contribution to Provident and other funds - Directors	546.74	610.99
Director's Sitting Fees	1,187.50	564.90
Employees Salaries & Allowances	166,811.57	144,116.76
Contribution to Provident and other funds	9,316.55	6,930.75
Staff Welfare Expenses	8,438.33	6,201.53
Rates & Taxes	2,128.50	1,949.35
Electricity charges	3,150.82	2,678.32
Printing and stationary	2,885.76	3,300.22
Telephone & Postage Expenses	7,432.80	7,434.93
Insurance	2,733.62	2,261.36
Business Support Services	8,767.11	-
Motor car expenses	1,858.92	886.59
Auditors Remuneration	622.44	647.25
Legal, Professional & consultancy fees	21,792.08	20,663.32
Repairs & Maintenance Buildings	1,982.20	139.21
Repairs & Maintenance Others	11,140.77	12,564.12
Preliminary Expenses	1,474.93	-
Miscellaneous expenses	6,153.42	8,447.15
Donation	2,706.37	1,496.95
Foreign Exchange Fluctuation Loss	929.08	(2,378.58)
Sales Tax & Other Taxes	4,757.16	3,903.03
Initial fill quantity	682.58	697.71
Loss on Sale of Fixed Asset	726.42	2,267.20
Provision for Doubtful Debts	3,763.76	1,144.48
Bad Debts Written Off	7,624.75	4,710.30
Total b	292,082.20	243,413.60
SELLING AND DISTRIBUTION EXPENSES		
Carriage outwards	27,354.65	28,228.15
Rent	3,821.56	4,100.42
Commission on sales	43,454.54	35,189.04
Travelling Expenses	35,562.62	32,908.51
Conveyance expenses	3,679.54	3,010.04
Royalty Expenses	34,070.24	24,159.99
Advertising & Publicity Exps	464.90	1,256.89
Warehousing Charges	50.54	267.87
Packing Expenses	874.83	457.22
Sales Promotion expenses	15,356.88	8,184.45
Total c	164,690.29	137,762.59
Gran Total (a+b+c)	514,194.14	430,944.18
LESS : Tolling & Reimbursement of expenses	-	706.11
Total	514,194.14	430,238.08
SCHEDULE "R"		
FINANCIAL CHARGES:		
Interest charges		
Executive Chairman	1,126.91	575.00
Others	25,569.99	26,658.95
Bank Guarantee fees & charges	4,381.66	3,121.27
Total	31,078.56	30,355.22



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 2011.

SCHEDULE "S": NOTES ON ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES RELATED TO CONSOLIDATION :

- i) The Consolidated Financial Statements (CFS) presents the Consolidated Accounts of Chembond Chemicals Ltd. (CCL) with its Subsidiaries, its Joint Venture & Associates (including their Subsidiary) and the same are as under.

SR. NO.	NAME OF THE COMPANY	STATUS	% OF HOLDING	COUNTRY OF INCORPORATION
A	Chembond Ashland Water Technologies Limited (CAWTL)	Subsidiary	54.99%	INDIA
B	Protochem Industries Pvt.Ltd (PIPL)	Subsidiary	100.00%	INDIA
C	H2O Innovation India Limited (H2O)	Subsidiary	51.00%	INDIA
D	Henkel Chembond Surface Technologies Limited (HCSTL)	Joint Venture	48.99%	INDIA
E	Chembond Distribution Limited (CDL) (formerly CCL Building Systems Ltd)	Associate	47.00%	INDIA
F	Chembond Enzyme Company Ltd.(CECL)	Associate	49.00%	INDIA
G	Chembond Habio Bioengineering Company Ltd (CHBCL)	Associate	100.00% Subsidiary of CECL	INDIA

The Consolidation of Accounts is done in accordance with the requirement of Accounting Standard- 21 "Consolidated Financial Statements", Accounting Standard-23 "Accounting for Investments in Associates, in Consolidated Financial Statement" and Accounting Standard –27 "Financial Reporting of Interests in Joint Ventures" in accordance with the Companies (Accounting Standards) Rules, 2006 issued under Section 211(3C) of the Companies Act, 1956.

- 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 Companies, 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 – 21 "Consolidated Financial Statements".
- iv) In respect of Joint Venture Company, the CFS of the group have been consolidated as per Accounting Standard-27 "Financial Reporting of Interests in Joint Ventures".
- v) In respect of Associate Companies, the CFS of the group have been consolidated as per Accounting Standard-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 Companies 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.

1. OTHER SIGNIFICANT ACCCOUNTING 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 ASSTES

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 Companies & Joint Venture & Associates 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.

Depreciation in the case of subsidiary Companies Chembond Ashland Water Technologies Ltd. (CAWTL)& H2O innovation India Ltd.(H2O) are provided on written down value method at the rates specified in Schedule XIV of the Companies Act, 1956.

Depreciation on fixed assets in case of Subsidiary Company Protochem Industries Pvt Ltd (PIPL) & Joint Venture Company Henkel Chembond Surface Technologies Ltd.(HCSTL) 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.

Depreciation on fixed assets in case of Associates is provided on the written down value method at the rates and in the manner specified in schedule XIV of the Companies Act 1956, as amended to date.

No depreciation is provided on land.

F. REVENUE RECONGNITION ON SALES

The Company recognizes revenue on the sale of Products when the products are delivered to the customers or to the carrier which is when the risks or rewards of ownership pass to the customer.

G. RESEARCH & DEVELOPMENT.

Revenue expenditure on Research & Development are charged to the Profit & Loss Account and capital expenditure are included in Fixed Assets under relevant assets and depreciated on the same basis as other fixed assets.

H. BORROWING COSTS

Borrowing Costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the costs of such assets. A qualifying asset is one that takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to the Profit & Loss account.

I. 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.

J. 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.

K. INVESTMENTS

Investments are stated at the cost of acquisition.

L. VALUATION OF INVENTORY

Inventories are valued at cost determined on weighted average 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.

M. EMPLOYEE BENEFITS

(a) **Provident Fund:** Contributions towards Employees Provident Fund are made to the Employees Provident 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.

N. TAXATION

Advance payments of Tax including TDS, where assessments are pending are shown net of the corresponding provisions for tax for the year.

O. 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.

P. CUSTOMS DUTY ON IMPORTS

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

Q. EARNING PER SHARE

Basic earning per share is calculated by dividing the net profit or loss for the period attributable to equity share holders by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earning per share, the net profit or loss for the period attributable to equity share holders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

R. 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.
3. Previous years figures have been regrouped, reallocated, or reclassified wherever necessary, to conform to this year's classification.
 4. Closing Stock has been taken, valued and certified by the Management.
 5. (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 ₹ 9,153 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 ₹ 189.27 Thousand has been transferred from revaluation reserve to the Profit & Loss Account during the year under consideration.
 6. 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.
 7. Contingent Liabilities not provided for are in respect of :-

₹ in '000

S.N.	Particulars	2010-2011	2009-2010
a	Sales Tax matter under appeal	717	926
b	Outstanding LC,Bank Guarantees,bill discounting by Bankers.	55,036	34,832
c	Income Tax Matter (Departmental Appeal)	1,155	1,155
d	Corporate Guarantees given by CCL on behalf of CAWTL & H2O to Bank of India.	90,000	60,000
e	Balance payment for Capital Commitment	413	1,028
f	Claims against the company not acknowledged as debt.	960	960

8. Debtors includes debts due from companies under the same management as defined under section 370 (1 – B) of the Companies Act 1956 :-
 - A. Joint Venture Company ₹ 55,953.26 Thousand (₹ 55,324.45 Thousand)
 - B. Associates Companies ₹ 3,233.48 Thousand (₹ 2,773.31 Thousand).
9. a) Sundry Creditors includes amounts aggregating to ₹ 35,918.31 Thousand (₹ 88,213.99 Thousand) being due to Joint Venture Companies.
b) Sundry Creditors and Unsecured Loans includes amounts aggregating to ₹ 35,863.99 Thousand (₹ 6,155.41 Thousand) and ₹ 36,942.45 Thousand (₹ 31,177.83Thousand) respectively being due to directors, their relatives and firms and companies in which Directors are interested.
c) Unsecured Loans includes amounts aggregating to ₹ 5,050 Thousand (₹ 5,303.38 Thousand) due to Associates.

10. The Companies obligation towards the Gratuity Fund is a Defined Benefit Plan. Details of Actuarial Valuation as on 31.3.2011.

₹ in'000

Particulars	2010-2011	2009-2010
Projected Benefit Obligation as on 1st April, 2010	24,607.86	17,627.30
Service Cost	2,014.47	2,103.18
Interest Cost	2,030.16	2,282.71
Actuarial Losses/(Gains)	(1,165.54)	(1,138.02)
Benefits paid	(2,354.11)	(255.31)
Liability transferred	(1,340.87)	-
Projected Benefit Obligation as on 31 st March, 2011	23,791.96	28,990.42
Change in Plan Assets		
Fair value of plan assets as on 1 st April, 2010	13,613.08	5,492.98
Expected Returns on Plan assets	1,234.91	1,102.48
Employer's contribution	3,277.88	3,751.81
Benefits paid	(2,354.11)	(255.31)
Actuarial Gain/(Loss)	-	202.74
Liability transferred	(1,340.87)	-
Fair value of plan assets as on 1 st April, 2011	14,430.86	15,479.76
Cost of Defined Benefit Plan for the year		
Current Service Cost	2,014.47	2,311.19
Interest on Obligation	2,030.16	2,074.70
Expected Return on Plan Assets	(1,234.91)	(1,102.48)
Net Actuarial Losses/(Gains) recognized in the year	(1,165.54)	(1,340.76)
Net Cost recognized in the Profit and Loss Account	1,644.18	1,942.64
Assumptions		
Discount Rate	8.25%	7.75%
Future Salary Increase	4%	4%
Withdrawal rates	1%	1%
Experience Adjustments on plan liabilities		Not available
Experience Adjustment on plan assets		Not available

The Management has relied on the overall actuarial valuation conducted by the actuary. However, experience adjustments on plan liabilities and assets are not readily available and hence not disclosed.

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

11. Auditors' Remuneration consists of :-

₹ in'000

	2010-2011	2009-2010
Statutory Audit Fees	362.55	354.56
Tax Audit Fees	162.43	103.59
Taxation & Others	97.46	189.10
TOTAL	622.44	647.25

12. Tolling & Reimbursement of Expenses represents

₹ in'000

	2010-11	2009-10
Recovery of cost incurred by the company towards Manufacturing products for the Joint Venture Company Henkel Chembond Surface Technologies Ltd	Nil	706.11

13. 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:

₹ '000

Particulars	Balance as at 31.03.2010	Addition during the year	Balance as at 31.03.2011
Depreciation	28,060.48	2,435.96	30,496.44
Gratuity	(3,873.91)	7,269.80	3,395.89
Leave Encashment	(581.40)	599.03	17.63
Provision for Doubtful Debts	(389.01)	1,751.30	1,362.29
MAT (1401.34)	(1,401.34)	1,401.34	-
Service Tax on Royalty	(636.93)	894.14	257.21
Net Deferred Tax Liability	21,177.89	4,285.47	25,463.42

14. 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.

15. **INFORMATION ON JOINT VENTURES :**

Henkel Chembond Surface Technologies Ltd. (on the basis of un-audited Financial Statements)

- i) Jointly Controlled Entity – Henkel Chembond Surface Technologies Ltd.

Country of Incorporation :	India	
Percentage of ownership interest	49%	
	As at 31.03.2011 Unaudited	₹ '000 As at 31.03.2010 Unaudited

- ii) Interest in the assets, liabilities, income, and expenses with respect to jointly controlled entity.

A. Assets :

i. Fixed Asset(Net Block)	59,441.45	46,533.79
ii. Capital Work in Progress	Nil	14,776.94
iii. Investments	747.42	709.65
iv. Current Assets Loans & Advances		
Inventories	57,145.92	26,251.35
Sundry Debtors	177,244.12	158,355.15
Cash & Bank Balances	33,194.40	13,080.99
Loans and Advances	27,290.03	5,520.76

B. Liabilities :

I. Unsecured Loans	48,784.14	Nil
II. Deferred Tax Liability	2,764.03	1,308.90
III. Current Liabilities	111,870.69	104,666.19
IV. Provisions	1,101.17	3,667.11

C. Income :

734,769.93 526,024.91

D. Expenses

647,245.36 423,533.66

E. Tax

30,855.14 30,721.61

16. 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,H2O Innovation Inc.



ii) **Key Management Personnel, Associates and their relatives.**

Key Management Personnel

Dr. Vinod D. Shah, Sameer V. Shah, Nirmal V. Shah, Ashwin R. Nagarwadia, Perviz H. Dastur, Bhadresh D. Shah.

Relatives

Mrs. Padma V. Shah, Mrs. Gulu P Dastur, 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., Ashland Casting Solutions Inc.

iii) **Associates.**

Chembond Distribution Ltd. (formerly CCL Building Systems Ltd.), Chembond Enzyme Company Ltd. Chembond Habio Bioengineering Co. Ltd.

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

₹ '000

Particulars	Joint Venture [a (i)]		Key Management Personnel and their relatives [a (ii)]		Associates [a (iii)]	
	31st March		31st March		31st March	
	2011	2010	2011	2010	2011	2010
Sales	-	-	7,129.27	40,479.59	791.42	1,984.55
Purchases	11,672.96	13,034.01	150,800.78	100,886.41	-	-
Reimbursement of Expenses	-	706.11	16.35	1,673.84	-	-
Rent Income	275.40	275.40	72.00	72.00	48.00	48.00
Service Charges (Expenses)	12,820.01	-	-	-	-	-
Service Charges (Income)	6,250.05	-	-	-	-	-
Technical Service Charges	42.82	-	-	-	-	-
Interest Expenses	-	-	3,797.41	3,056.06	599.64	719.85
Rental Expenses	452.88	452.88	-	250.00	-	-
Directors Remuneration	-	-	13,714.77	13,175.99	-	-
Director Sitting Fees	-	-	225.00	5.10	-	-
Salaries	-	-	1,330.62	1,258.00	-	-
WTC / PTC / Enzyme Compensation	4,607.79	1,822.98	1,876.32	2,003.89	343.46	1,177.64
Royalty	31,798.03	20,866.17	2,675.27	1,688.78	-	-
Consideration for Transfer of Business	-	-	-	5,100.00	-	-
Balances at the end of the year						
a. Advance received	2,215.13	-	-	-	-	-
b. Loans taken	-	-	36,942.45	12,717.05	5,050.00	5,303.38
c. Sundry Debtors	55,953.26	57,582.59	447.10	10,556.60	3,233.48	2,773.31
d. Sundry Creditors	35,918.31	2,498.64	35,863.99	23,574.83	908.56	1,271.46

17. Earnings Per Share

	2009-10	2008-09
Net Profit available to Equity Share Holders (₹ In '000)	135,358.08	123,939.73
Total Number of Equity Shares Fully Paid up	6,360,412	6,360,412
Basic & Diluted Earnings Per Share (₹)	21.28	19.49*

* Adjusted for issue of bonus share in March 2010 in the ratio of 1:1
Signatures to Schedules 'A' to 'S'

As per our attached report of even date.

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

Dhiren P. Talati
Partner
Membership No. F/41867

Mumbai, 30th July, 2011

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
Mahendra K. Ghelani - Director
Perviz H. Dastur - Director
Dipti D. Samant - Company Secretary

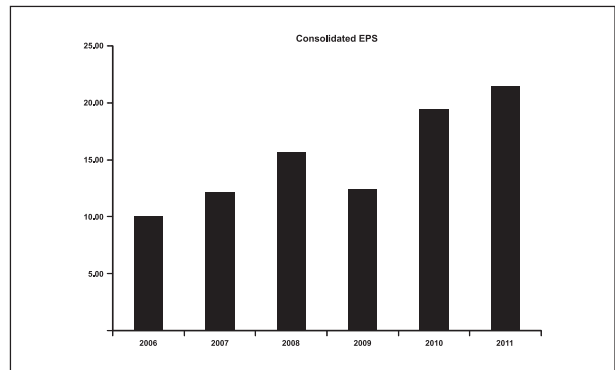
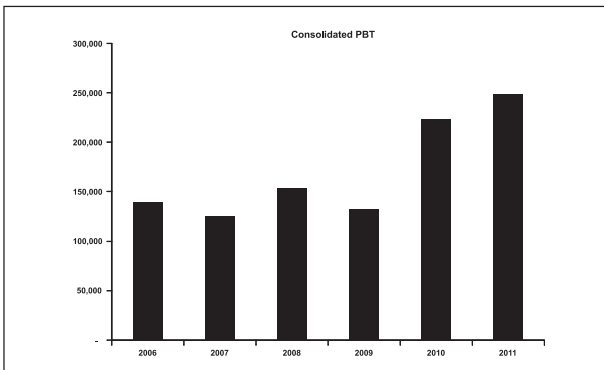
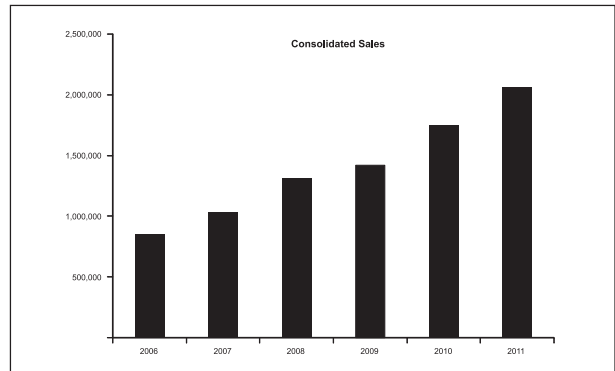
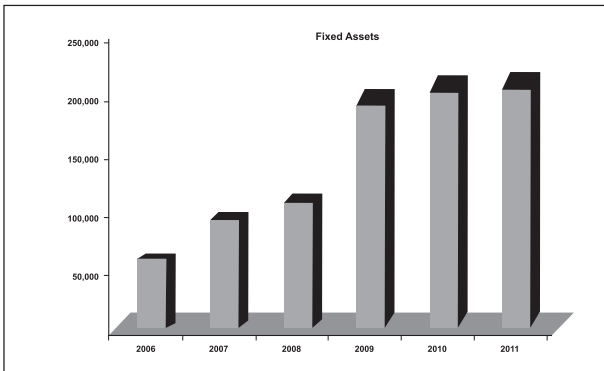
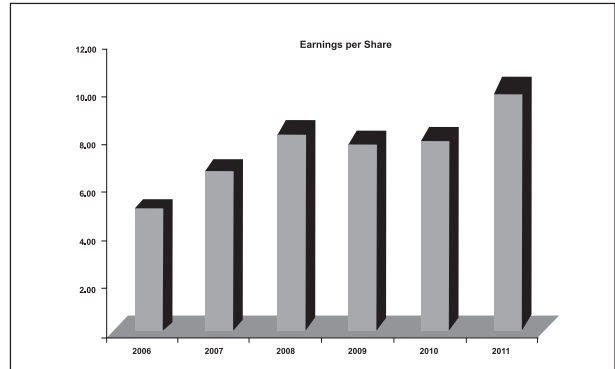
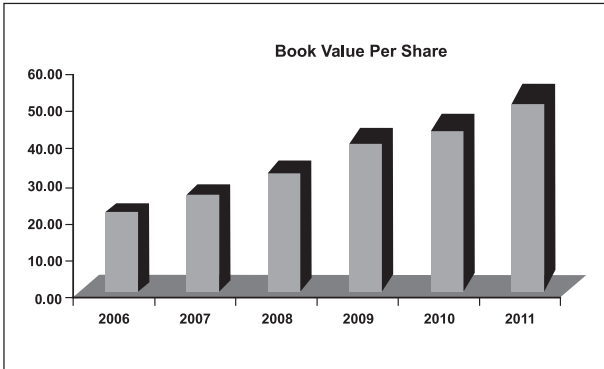
Mumbai, 30th July, 2011

10 Years Financial Performance

(₹ '000)
Except Ratios & percentages

Highlights	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Operating Result										
Sales(Net)	1,322,447	1,144,158	1,109,176	955,198	742,145	530,315	420,190	329,130	292,945	252,150
Other Income	56,109	31,507	27,897	26,697	28,288	18,919	12,241	11,828	9,848	21,277
Interest (Net) (Finance Charges)	24,984	23,829	14,658	7,477	3,849	3,844	4,178	5,041	7,923	7,656
Depreciation	11,875	11,143	8,698	5,835	4,039	3,061	2,578	2,241	2,075	1,890
PAT	64,737	51,731	48,028	50,439	45,304	30,636	19,199	15,957	8,262	24,296
PBT	81,789	64,736	55,477	64,057	58,095	41,420	25,393	20,505	12,797	31,312
Dividend on Equity Shares	13,675	11,130	10500	10,500	9,750	9,750	8,100	7,200	6,300	5,400
Financial Position										
Equity Share Capital	63,604	63,604	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Reserves (Less Revaluation Reserve & Misc exp)	274,435	2,23,764	216,268	164,499	127,170	97,743	78,225	68,110	60,115	58,640
Borrowings	162,614	206,256	195,448	79,681	60,564	49,107	47,212	30,716	55,390	67,364
Net Block (Asset)	211,424	208,841	197,399	107,280	91,918	56,410	49,603	46,740	46,845	46,176
Ratios										
Return on Average Networth %(RONW) (PAT divided by Average Networth)	20.70%	19.39%	21.79%	28.69%	31.80%	25.97%	18.61%	16.96%	9.24%	29.65%
Return on Average Capital Employed % (ROCE) (PBT divided by Average Fund Employed Excluding Def tax liab)	21.18%	18.61%	21.53%	28.25%	30.25%	25.98%	34.85%	17.08%	13.36%	24.14%
Gross Gearing % (Debt as a percentage of Debt plus Equity)	32.10%	41.27%	43.45%	28.38%	26.98%	26.72%	29.05%	22.54%	36.13%	41.04%
Current Ratio (Current Assets divided by Current Liabilities)	1.70	1.69	1.70	1.59	1.56	1.92	2.08	1.95	2.38	2.40
Asset Turnover Ratio (Net Sales divided by Total Assets)	1.69	1.48	1.49	1.85	1.71	1.68	1.60	1.47	1.29	1.04
Earning Per Share	10.18	8.13*	16.01	16.81	13.61	10.21	6.40	5.32	2.75	8.09
Dividend Per Share	2.15	1.75	3.50	3.50	3.25	3.25	2.70	2.40	2.10	1.80
Net Worth	338,039	287,368	246,268	194,499	157,170	127,743	108,225	98,110	90,115	88,640

*Adjusted for issue of bonus share in March, 2010 in the ratio of 1:1.



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 36th ANNUAL GENERAL MEETING of the Company to be held on

Saturday, 10th September, 2011 at 3.00 p.m. at EL-37, MAHAPE, MIDC, NAVI MUMBAI 400 710 and any adjournment

thereof.

Signed this _____ day of _____, 2011.

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 36th ANNUAL GENERAL MEETING of the Company at EL-37, MAHAPE, MIDC, NAVI MUMBAI 400 710 on Saturday, the 10th September, 2011 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.



About the Cover:

Continuing with our series of cover designs focusing on solutions offered by the Chembond Group ("Water" in 2010), we highlight your Company's products for metal treatment and surface protection. Front cover (starting left): a car body undergoing surface treatment prior to painting, coated steel coils, forged components using special lubricants. Back cover (l to r): Self-leveling floor coatings, motorcycle frame coated with Aquence, application of KemOxy and KemThane high performance coatings, engine block produced using specialty lubricants and cleaners.

www.chembondindia.com

