

Chembond Chemicals Limited

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

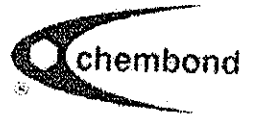
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CIN: L24100MH1975PLC018235



Date: 17/07/2014

To,
Bombay Stock Exchange Limited
Dalal Street, Fort,
Mumbai-400 001.

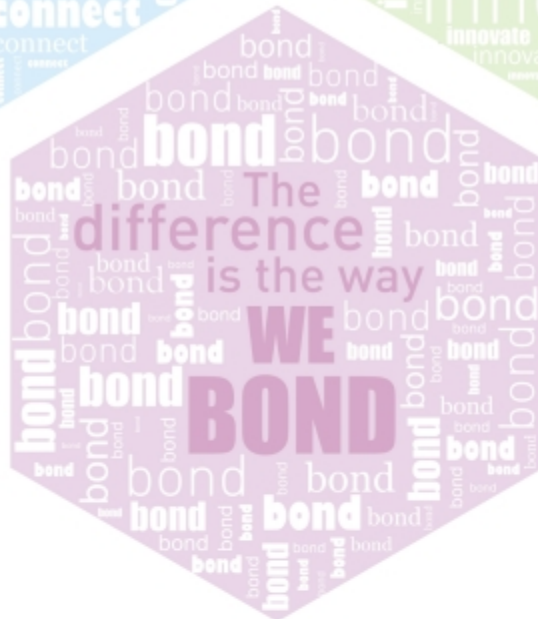
Ref: Company Scrip Code 530871

FORM A

CLAUSE 31(a) OF EQUITY LISTING AGREEMENT

1	Name of the Company	Chembond Chemicals Limited
2	Annual Financial Statements for the year ended	31 st March, 2014
3	Type of Audit observation	Matter of Emphasis
4	Frequency of observation	Second time consecutively
5	To be signed by -	
6	Mr. Sameer V. Shah, (Chairman & Managing Director)	
7	Mr. Jinesh J. Maniar, (CFO, Finance Controller)	
8	M/s. Kastury & Talati, Chartered Accountants, Firm Registration No.: 104908W Mr. Dhiren P. Talati (Partner) Membership No.: F/41867 (Auditor of the Company)	
9	Mr. Mahendra K. Ghelani (Audit Committee Chairman)	

CERT NO
959
DATE:
17/07/20



The difference is **Chembond**

C O N T E N T S

Company Secretary

Omkar Mhamunkar

Statutory Auditors

Kastury & Talati
Chartered Accountants,
Mumbai

Cost Auditor

R. S. Raghavan

Bankers

HDFC Bank Limited
Bank of India
Kotak Mahindra Bank

Whole Time Practicing Company Secretary

Virendra Bhatt

Registrar & Transfer Agent

TSR Darashaw Pvt. Ltd.

Plants

Thane, Maharashtra
Nalagarh, Himachal Pradesh
Chennai, Tamil Nadu
Vadodara, Gujarat

Registered Office Address

Chembond Centre,
EL-71, Mahape MIDC,
Navi Mumbai - 400 710.
Tel.: +91 22 3921 3000
Fax : +91 22 2768 1294

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Rationale

Chembond stands out among its many competitors, across its business segments. The way we Connect with our diverse customers due to the depth of our knowledge; the way we utilise our expertise and infrastructure to Innovate; and the way we continue to build on the foundation of trust to Bond with our customers. **The difference is Chembond.**



BOARD OF DIRECTORS



Dr. Vinod D. Shah
Chairman Emeritus



Ashwin R. Nagarwadia
Director



Jawahar L. Mehta
Independent Director



Jayantilal S. Vasani
Independent Director



Mahendra K. Ghelani
Independent Director



Nirmal V. Shah
Vice Chairman & MD



O. P. Malhotra
Independent Director



Perviz H. Dastur
Director



Sameer V. Shah
Chairman & MD



Sushil U. Lakhani
Independent Director

Management Discussion and Analysis

During the year under review, your Company has achieved a growth of over 15% in sales on a standalone basis and 3% on a consolidated basis. Although the tough economic environment continued in the year under review, your Company was able to record significant growth in the areas of water

treatment chemicals, construction chemicals, and biotechnology. Whereas metal treatment chemicals, offered via your Company's joint venture, Henkel Chembond, and protective coatings continued to face tough market demand conditions.

Financial and Operational Performance

Standalone

The highlights of the financial performance of the Company on a standalone basis are as follows:

Particulars	in ₹ Lakhs		
	2013-14	2012-13	% Δ
Net Sales	20,132	17,447	15.39
Product Margin	3,532	2,863	23.37
Gross Margin	2,370	1,899	24.80
SG&A	1,975	1,674	18.01
Employee Cost	1,550	1,278	21.28
EBITDA	907	893	1.57
PBT	411	419	-1.91

Ratio Analysis

Particulars	2013-14	2012-13
% Product Margin to Sales	17.54	16.41
% Gross Margin to Sales	11.77	10.88
% SG&A to Sales	9.81	9.59
% Employee Cost to Sales	7.70	7.33
% EBITDA to Sales	4.51	5.12
Earnings per Share (Basic)	5.89	5.46
Earnings per Share (Diluted)	5.72	5.44
Debt / Equity	0.51	0.50

Consolidated

The highlights of the consolidated financial performance are as follows:

Particulars	in ₹ Lakhs		
	2013-14	2012-13	% Δ
Net Sales	27,038	26,232	3.07
Product Margin	9,828	9,199	6.83
Gross Margin	8,447	7,978	5.88
SG&A	6,773	6,185	9.51
Employee Cost	3,575	3,085	15.88
EBITDA	2,203	2,288	-3.72
PBT	1,519	1,577	-3.68

Ratio Analysis

Particulars	2013-14	2012-13
% Product Margin to Sales	36.35	35.07
% Gross Margin to Sales	31.24	30.41
% SG&A to Sales	25.05	23.58
% Employee Cost to Sales	13.22	11.76
% EBITDA to Sales	8.15	8.72
Earnings per Share (Basic)	11.65	11.13
Earnings per Share (Diluted)	11.31	11.09
Debt / Equity	0.34	0.36

Business Areas

Construction Chemicals is a wide category of specialty chemicals, which includes products like plasticizers for concrete, sealants, grouts, concrete curing compounds, tile fixing adhesives, waterproofing chemicals, membranes, and mortars. With the deployment of modern construction techniques, expectations of higher quality, and pressure on reduction of project durations, the use of these products becomes necessary. This is therefore a market that is growing rapidly. As with most of our products, this is a competitive market though with some strong Indian and multinational companies in the field.





During the year under review, your Company has added a new array of products and systems, with an objective of becoming a total solution provider in construction chemicals sector. This has been achieved through the continuous internal R&D process and aligning with key international strategic partners. Introduction of a system for mitigating the rising dampness in old structures, development of potable water contact tested coating system for water reservoirs, various concrete admixtures based on PCE polymers have helped the sales growth during this financial year. Some new approaches in repair of marine and on shore assets have been explored in partnership with some international companies. Products like Kem Proof 86 and Kem Proof 87, which are targeted primarily towards water proofing of residential and commercial buildings, have now started generating good revenues.

New capacity has been added to the existing facilities of manufacturing and R & D. The addition of new qualified and trained manpower has seen a visible change in the speed of new product turnaround and the system being strengthened.

There has been a consistent acceptance for your Company's **High Performance Coatings** in the market. However, sluggish trends were



observed and growth of industrial output was lower than expected. Your Company has been awarded a few new projects, which bodes well for the short to medium term. Some of the new products developed have passed exceptional criteria like 6000 hours of the salt spray test.

Your Company has also started the process of catering to the OEM segments like cranes, transformers, and machinery and has made



some inroads. This will reduce to some extent the seasonal variance in top line and will give much needed stability.

The Biotech division of Chembond is emerging as a strong player in the animal health, textile processing, bioremediation, and sugar industries. The division has attracted the attention of its customers, suppliers, channel partners, and young talent. With a young and dynamic team, the Biotech division will be one of the growth drivers of the Company in the long run.

Performance of Joint Ventures & Subsidiaries

Chembond Ashland Water Technologies Limited (CAWTL)

is a Joint Venture between your Company and Ashland Inc., USA in which your Company holds 55% equity and rest by Ashland Inc. The Company has already established its name in the field of industrial water treatment chemicals used in cooling towers, boiler water treatment, RO antiscalant, polyelectrolyte and waste water treatment plants not only in India but also have presence Abroad. During the year, the Company saw the phenomenon growth of highest ever sales turnover corresponding to 16.65% rise but for want of higher input/expense cost, profit after tax grew only by 7.56 % over previous year. The Company customer base exists practically in all segments with major in fertilizers, chemicals, petrochemicals, refineries, steel & power etc. Ashland Inc. with increased commitment globally in water treatment business makes its position secured in Fortune Global 500.

Henkel Chembond Surface Technologies Limited (HCSTL)

is a joint venture between your Company and Henkel AG & Co. KGaA, Germany in which your Company holds 49% equity and rest by Henkel AG & Co. KGaA. Year 2013-14 was very challenging on all fronts with negative market growth especially in automotive (-10%), white goods (-3%). Due to this external environment 1st time in last 17 year HCSTL reported (0.3%) in Sales and (24.9%) drop in PBT. For the coming year in 2014-15, markets such as automotive and white goods will start getting momentum by end of Q2. Strong push on price correction and launch of new products/ technologies in this financial year will make positive impact on the margins.

Chembond Clean Water Technologies Limited (CCWTL)

is a subsidiary of your Company. The Company provides the single window solution for all types of industrial, domestic water

treatment related issues right from raw water source to its waste water treatment/recycling for its optimal utilization. Your company designs, develops and integrates state of the art custom build water treatment and chemical-dosing systems for multiple markets in India as well as abroad. The Company is looking forward for positive growth in water treatment business opportunities and enhanced profitability.

Chembond Inver Coatings Limited (CICL)

is a wholly owned subsidiary of your Company. With an intention of entry into new segments and after the initial investment in manpower and manufacturing resources last year, Chembond Inver Coatings Limited initiated its business activity in the field of industrial coatings. Strategically, the segment catered by Chembond Inver consists of heavy vehicle manufacturers, metal furniture, engine manufacturers, heavy commercial vehicles, and engineering equipment. Chembond Inver also entered into a new segment of powder coatings for general industrial applications. During the financial year, intense focus has been given to waterborne coatings, which has offered an edge over the competition. During the year, Chembond and Inver teams have exchanged technological information on solvent and water based products and technical support in local manufacturing of products. Chembond Inver launched its new website www.chembondinver.com during this year.

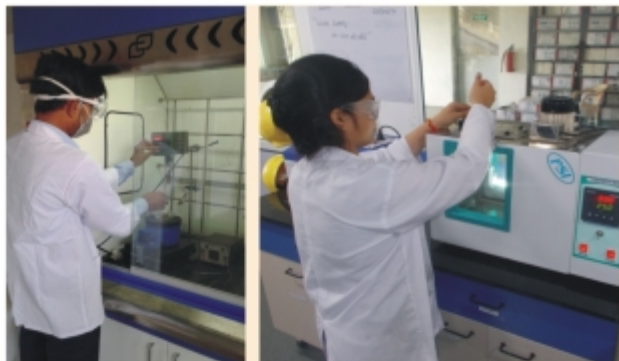
Protochem Industries Pvt. Ltd. (Protochem)

is a wholly owned subsidiary of your Company. The range of products manufactured by Protochem includes specialty chemicals and lubricants such as corrosion inhibitors, heat treatment chemicals, quenching fluids, and aerosol & non-aerosol MRO (Maintenance, Repair, and Operation) products. In the year under review Protochem has successfully commissioned a plant for the production of industrial enzymes via fermentation processes. These products have a captive consumption in your Company but much larger applications in areas like animal feed, textiles,

distilleries, food processing, juice processing, alcohol production, and wine making. Protochem has a flexible, state of the art manufacturing facility of at Mahape and a modern laboratory for quality control and product development.

Research & Development

Chembond's R&D functions span diverse areas of scientific and industrial research that a business chooses to conduct with the intention of making a discovery for future growth that can either lead to the development of new products or procedures and improvement of existing products covering investigative activities in areas of Organic Chemistry, Polymer Science, Green Chemistry, Materials Chemistry, Surface Treatment, Water Treatment and Biotechnology at well equipped and state-of-art facilities for synthesis, analysis and scale up at R&D Centers in Mahape and Dudhwada.



Our mission is to develop useful materials and substances creating value to our customers in particular and society in general with new innovative products and processes to improve and expand their applications / operations more efficiently.

- R & D in Construction Chemicals:** Design and development of new systems in the field of repair and waterproofing. After a thorough testing and verification, a new product (Kem Proof 90) for integral water proofing of mortars and concrete in residential building construction has been launched. Work was carried out on suitability of various systems for resolving rising dampness and a product Kem Inject OxyDamp C, has been successfully launched and demonstrated.
- R & D in Coatings:** Your Company has introduced the Invergreen series of products for Direct to Metal (DTM) application for use in Automotive and General Industrial segments. These products are water based with minimal amounts of solvents. Theoretical emissions of these products are less than 0.10 gram per square meter per 1 micron thickness. Therefore, it is the most environmentally sound product in the market. These products do not contain hazardous substances like solvents, lead, and chrome and are compatible with substrates like cast iron, alloys, aluminium, plastics and rubber. The product is characterized by fast drying, gloss, easy application that is similar to those of traditional solvent-based enamels.



- R & D in Polymers:** In July 2013 your Company established a Research & Development group for polymer research. Consisting of a highly qualified, talented, and experienced team and equipped with a modern laboratory for synthesis, testing, and application testing at Dudhwada, Chembond has made successfully developed polymer products from lab to pilot and then plant scale for acrylic emulsions in six month and has also developed polyamine adducts, polyamides from green precursors, styrenic co-polymers, bio-sourced polymers, plasticizers and other resins and additives. Your Company expects the innovative approach of this group to lead to the launch of many high performance, functional and unique products that are used in a broad range of applications and polymers.
- R & D in Biotechnology:** During the year under review, your Company's biotechnology group successfully commissioned the in-house fermentation production of industrial enzymes.

This is a milestone event based on the foundations that were put in place several years ago with a visit by your Company's founder and Chairman Emeritus, Dr. Vinod D. Shah, to similar plants in China. Your Company expects continued breakthroughs in processes to manufacture industrial enzymes.

Manufacturing

During the year, the Coatings operations streamlined in Dudhwada and new plant at Ranipet is now completely operational. Your Company has existing manufacturing units at Tarapur, Mahape, Dudhwada, and Baddi. With this, your Company has the capability to efficiently serve the customers' requirements in



all parts of the country. The overall manufacturing capacity is elastic, with a flexibility of wide range of product categories and capable of handling the requirements of the Company for the next several years. The plants are modern, compliant with health, safety, and environment norms, and the team is well trained to use the best manufacturing practices.

Safety, Health, Environment and Quality

Your Company has an objective of being the "supplier of choice" to its diverse customers. In order to achieve this objective, all manufacturing sites and functions have targets on customer service, among others.



Your Company aims to continually improve these targets through its Quality Management Systems.

In addition to Quality, Safety, Health, and Environment is an integral part of Chembond's business and operations. Your Company's Tarapur and Dudhwada plants have implemented safety, health & environment management systems, which is integrated with its Quality Management System.

Your Company follows an integrated SHE-Q Management System under which, the following plants are certified:

Locations	ISO 9001:2008	ISO 14001	OHSAS 18001	ISO/TS 16949
HO- Mahape	Y	NA	NA	Y
Tarapur	Y	Y	Y	Y
Dudhwada	Y	Y	Y	NA
Baddi	Y	-	-	NA

"Quality is not an act, it is a habit". 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.

Human Resources

In the year 2013-14, your Company laid emphasis on providing opportunity to in-house talent to unfold itself through restructuring of responsibility allocation, job enrichment, process improvements and learning. Providing better service to internal customers thereby reinforcing inter-personal coordination and teamwork was kept in focus. Efforts were made to make it a part of organisational culture to achieve measurable goals aligned to the objectives and targets set by the respective Division. Suitable training programmes were organized to enhance functional knowledge and capabilities of employees. Parameters linked with incentive plans were redefined wherever necessary to encourage the employees to pay more attention to important value adding activities. The work practices are revisited periodically to enhance productivity at individual level as well as team level. Efforts are made to instill a culture of optimally utilizing all resources.

Risk and Internal Control Systems

The internal control system in place throughout the Company is aimed at systematic and thorough identification and assessment of all major risks, which threaten the achievement of objectives, including risks related to business operations, finance, legal and strategic. It makes an important contribution towards ensuring compliance with the laws that apply as well as providing assurance on the propriety and reliability of internal and external financial reporting. The internal control system is therefore a significant factor in the management of process risks.

Your Company has also formed "Risk Management Committee" comprised of Non Executive Directors who are expert in the field of finance, strategic management, operations and legal. Furthermore, the Company has engaged the services of independent firms of professionals to function as internal auditor and provide reports and necessary actions where required on various activities covering observation on adequacy of internal controls and their recommendations.

Developments during the year

Some of the other developments at Chembond during the year are:

- **Start of operations of your Company's plant at Ranipet, TN.** This modern plant will manufacture Construction Chemicals and Water Treatment Chemicals for sale in the rapidly growing markets of South India. In addition to reducing transportation costs and transit time, this plant will provide your Company with a local edge in the market and allows your Company to be close to its customers.
- **Periodic Call Auction:** as a result of representations by similar companies and us about the "Periodic Call Auction," SEBI, on January 13, 2014 issued a circular redefining the criteria for classification of scrip as illiquid. As a result, normal trading is allowed in the scrip of the Company on BSE. The Company's scrip is now classified as liquid and is actively traded.

Corporate Social Responsibility

The Chembond group believes that an organization should make decisions based not only on financial factors, but also on the social and environmental consequences and do recognizes that its business activities have wide impact on the societies in which it operates, and therefore an effective practice is required giving due consideration to the interests of its stakeholders. The Company endeavors to make CSR a key business process for sustainable development and it is always committed to play active role in improving the lives of people. Some of the initiatives undertaken by your Company in this and other areas during the year include,

- **Henkel Chembond Children's Centre:** The Company along with its joint venture partner Henkel runs a non-formal educational centre near Tarapur where English, Hindi, Marathi, Science, Mathematics, Social Studies, and General Knowledge form the main subjects of curriculum. Group discussions and sessions with the community and parents help children understand issues like their rights and duties for education better.



- **Health Care Facility:** The Centre organizes periodic health check up by doctor and the children are provided with supplementary nutrition to help them cope with the problem of malnutrition in order to enjoy them a good health.
- **Life Skill Education:** Children under the project are being trained on vital aspects of personality development like behavior and etiquette, hygiene, health, values and habits, social concerns. They are also being given training on art, craft, dance and drama through workshops and cultural programmer.
- **Scholarship Programme:** The Centre also provide financial assistance to weaker sections in order to complete their formal education.
- **Commencement of new centre at Shirgaon:** a new centre has been started at Shirgaon and has completed one year in November 2013. This is a remote area and most of the families belong to site workers who are paid on daily basis and due to nature of work, the children cannot get opportunity to get proper education. The Centre took an initiative and recruited four

teachers and two helpers to offer assistance to girls from Balwadi (Junior KG) to 5th standard. The Centre also runs a karate class for girls to make them independent.

- **The Rachna Kendra at Piplaj, Gujarat** was started in 2010 to impart training in handicrafts to the financially weaker women of the village. The Kendra is where they make products using the handicraft skills. Besides providing a means of livelihood, Rachna Kendra helps identify buyers and the women then fulfill the orders.

Outlook

The Indian economy has passed through a tough time over the last couple of years. Coupled with the expected poor monsoon and volatile crude oil prices, the fixes being put in place by the new government may take some time to make an impact. Your Company has nevertheless continued to make its investments in facilities, people, technology, and brands because the Indian market has a tremendous scope for the kinds of businesses in which Chembond operates. The last quarter saw an improvement over the previous several quarters, which should continue through the current year before accelerating. That will be when your Company will be even better established in its own businesses of Construction Chemicals, Coatings, Biotech, Polymers, and Water Treatment Equipment and the market for the products catered to by your Company's joint ventures will show better than satisfactory growth on the back of the higher scale.

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 based on any subsequent developments, information, or events.

Highlights

Standalone

Consolidated



for the year ended on March, 2013
 all numbers in Rs. Lakhs except Book Value and EPS
 Numbers adjusted for issue of Bonus Shares in March 2010 in the ratio of 1 : 1

10 Year Financial Performance Consolidated

(₹ in Lakhs except per share data and ratios)

Highlights	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Operating Result										
Sales (Net)	27,037.62	26,231.75	22,845.39	20,760.74	17,504.86	14,218.15	13,131.82	10,315.90	8,497.80	6,893.68
Other Income	529.11	495.21	421.65	409.29	337.13	231.30	149.37	144.58	121.16	105.96
Finance Cost	402.88	451.71	364.08	311.06	303.55	203.27	114.71	74.6	70.48	71.71
Depreciation	281.39	259.28	209.93	185.98	176.86	135.27	101.12	81.86	64.77	43.48
PBT	1,518.98	1,576.76	2,035.06	2,478.30	2,232.90	1,321.57	1,535.64	1,256.60	1,015.05	642.74
PAT	912.41	790.19	1,360.56	1,647.17	1,451.99	886.06	1,038.51	821.84	655.16	402.62
Dividend on Equity Shares	199.81	189.82	149.47	136.75	111.30	105.00	105.00	97.50	97.50	81.00
Financial Position										
Share Capital	666.04	666.04	636.04	636.04	636.04	300.00	300.00	300.00	300.00	300.00
Reserves (Less Revaluation Reserve & Misc exp)	7,907.32	7,422.93	6,635.28	5,481.55	4,369.37	3,652.02	2,885.21	2,138.35	1,613.87	1,204.75
Net Worth	8,573.36	8,088.97	7,271.32	6,117.59	5,005.41	3,952.02	3,185.21	2,438.35	1,913.87	1,504.75
Borrowings	3,307.28	2,948.21	3,668.79	2,442.80	2,265.22	2,248.11	1,234.32	833.50	877.06	812.90
Net Block (Asset)	5,361.42	4,719.90	4,122.79	3,335.20	3,312.54	2,672.36	1,710.38	1,382.91	912.20	750.52
Ratios										
Return on Average Networth %(RONW)	10.95	10.29	20.32	29.62	32.42	24.83	36.93	37.77	38.33	29.08
(PAT divided by Average Networth)										
Return on Average Capital Employed % (ROCE)	16.01	16.90	24.46	34.97	37.26	28.33	41.88	42.95	41.36	33.05
(PBIT divided by Average Fund Employed Excluding Deferred tax liab)										
Gross Gearing %	27.71	26.58	33.36	28.34	30.89	35.89	27.52	24.96	30.67	34.03
(Debt as a percentage of Debt plus Equity)										
Current Ratio	2.09	2.20	2.32	2.42	2.21	2.27	1.80	1.71	2.02	2.09
(Current Assets divided by Current Liabilities)**)										
Asset Turnover Ratio	1.32	1.43	1.30	1.48	1.45	1.43	1.47	1.45	1.55	1.54
(Net Sales divided by Total Assets)										
Earning Per Share (Basic)*	11.65	11.13	19.70	21.25	19.49	26.19	31.24	24.37	20.07	12.29
Dividend Per Share	3.00	2.85	2.35	2.15	1.75	3.50	3.50	3.25	3.25	2.70
Book Value Per Share	128.72	121.45	114.32	96.18	78.70	131.73	106.17	81.28	63.80	50.16

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

** Current Liabilities excludes Short Term Borrowing and Current maturities of Long term Debt

10 Year Financial Performance Standalone

(₹ in Lakhs except per share data and ratios)

Highlights	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Operating Result										
Sales (Net)	20,131.73	17,446.82	15,197.21	13,224.47	11,441.58	11,091.76	9,551.98	7,421.45	5,303.15	4,201.90
Other Income	512.61	667.51	570.43	561.09	315.07	278.97	266.97	282.88	189.19	122.41
Finance Cost	304.20	291.70	237.81	249.84	238.29	146.58	74.77	38.49	38.44	41.78
Depreciation	192.13	181.95	138.53	118.75	111.43	86.98	58.35	40.39	30.61	25.78
PBT	410.80	419.47	801.03	815.74	647.36	554.77	640.57	580.95	414.20	253.93
PAT	392.43	347.76	664.23	645.48	517.31	480.28	504.39	453.04	306.36	191.99
Dividend on Equity Shares	199.81	189.82	149.47	136.75	111.30	105.00	105.00	97.50	97.50	81.00
Financial Position										
Equity Share Capital	666.04	666.04	636.04	636.04	636.04	300.00	300.00	300.00	300.00	300.00
Reserves (Less Revaluation Reserve & Misc exp)	4,175.53	3,974.92	3,421.20	2,744.35	2,237.64	2,162.68	1,644.99	1,271.70	977.43	782.25
Net Worth	4,841.57	4,640.96	4,057.24	3,380.39	2,873.68	2,462.68	1,944.99	1,571.70	1,277.43	1,082.25
Borrowings	2481.42	2,298.03	2,138.50	1,626.14	2,062.56	1,954.48	796.81	605.64	491.07	472.12
Net Block (Asset)	3,820.63	3,403.46	2,881.72	2,114.24	2,088.41	1,973.99	1,072.80	919.18	564.10	496.03
Ratios										
Return on Average Networth % (RONW) (PAT divided by Average Networth)	7.95	8.00	17.86	20.64	19.39	21.79	28.69	31.80	25.97	18.61
Return on Average Capital Employed % (ROCE) (PBT divided by Average Fund Employed Excluding Def tax liab)	9.96	10.74	18.35	21.18	18.61	21.53	28.25	30.25	25.98	34.85
Gross Gearing % (Debt as a percentage of Debt plus Equity)	33.64	32.85	34.20	32.11	41.27	43.45	28.38	26.98	26.72	29.05
Current Ratio (Current Assets divided by Current Liabilities**)	1.31	1.46	1.53	1.72	1.69	1.70	1.59	1.56	1.92	2.08
Asset Turnover Ratio (Net Sales divided by Total Assets)	1.56	1.55	1.56	1.69	1.48	1.49	1.85	1.71	1.68	1.60
Earning Per Share (Basic)*	5.89	5.46	10.44	10.15	8.13	16.01	16.81	13.61	10.21	6.40
Dividend Per Share	3.00	2.85	2.35	2.15	1.75	3.50	3.50	3.25	3.25	2.70
Book Value Per Share	72.69	69.68	63.79	53.15	45.18	82.09	64.83	52.39	42.58	36.08

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

** Current Liabilities excludes Short Term Borrowing and Current maturities of Long term Debt

Directors' Report

To

The Members,

Your Directors hereby present the 39th Annual Report on the business and operations of your Company together with the Audited Financial Statements for the year ended 31st March, 2014.

Financial Results

The financial performance of your Company is as summarized below for the year under review:

(₹ in Lakhs)

	Standalone		Consolidated	
	2013-14	2012-13	2013-14	2012-13
Net Sales	20,131.73	17,446.82	27,031.61	26,231.01
Profit for the year	392.43	347.76	775.95	708.41
Add: Balance as per last year	2,903.03	2,783.15	5,477.55	5,320.59
Add : Transfer from Revaluation Reserve	1.89	1.89	1.89	1.89
Total	3,297.35	3,132.80	6,255.39	6,030.89
Appropriation				
General Reserves	40.00	39.95	197.37	268.27
Set off of Dividend Tax in respect of dividend from Subsidiary Company.	(33.96)	(32.26)	(33.96)	(32.26)
Proposed Dividend	199.81	189.82	199.81	189.82
Tax on Proposed Dividend	33.96	32.26	97.69	127.51
Balance carried to Balance Sheet	3,057.54	2,903.03	5,794.48	5,477.54
Total	3,297.35	3,132.80	6,255.39	6,030.89

Dividend

The Board of Directors recommend a dividend of ₹ 3.00 per equity share (Previous year ₹ 2.85) for the financial year ended 31st March, 2014. The total outflow on account of dividend amounts to ₹199.81 Lakhs. The Company has also transferred an amount of ₹ 40 Lakhs (Previous year ₹ 39.95 Lakhs) from its current year's profit to General Reserves.

Deposits

The Company accepted deposits from the public as per 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

Mr. Jayantilal S. Vasani, Independent Director, retired from the Board of Directors with effect from 10th August, 2013. The Board places on record its deep appreciation of the valuable services rendered by Mr. Vasani during his tenure as a Director of the Company.

Mr. Sameer V. Shah was appointed as Chairman & Managing Director and Mr. Nirmal V. Shah was appointed as Vice Chairman & Managing Director of your Company by the Board at its meeting held on 30th May, 2013 for the period of three years w.e.f. 1st August, 2013.

Mr. O. P. Malhotra was re-appointed as Director of your Company at the previous Annual General Meeting held on 10th August, 2013.

Subsidiary Companies

The Ministry of Corporate Affairs 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. Accordingly, your Company is exempted from publication of the accounts of its subsidiaries. The annual accounts of the subsidiary companies and related detailed information will be made available to shareholders 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 the Companies Act 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 a part of this annual report.

As stipulated under the Listing Agreement, the Company has prepared the Consolidated Financial Statements for the year ended 31st March, 2014 and the same are attached to this Annual Report.

Auditors

The statutory auditors of your Company, M/s. Kastury & Talati were appointed to hold office until the conclusion of the ensuing Annual General Meeting. The Company has received the certificate from them to the effect that their re-appointment, if made, would be in compliance of the Companies Act.

The Company had also appointed M/s. R. S. Raghavan, Practicing Cost Accountant as Cost Auditor of the Company for the financial year ended 2013-14.

Disclosure Under Section 274(1)(g)

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

Code of Conduct

Your Company has a Code of Conduct as per the listing agreement which is applicable to all the Directors and senior management of the Company. The Company has received confirmations from all Directors and senior management of the Company about their compliance with the said code of conduct during the financial year ended 31st March, 2014.

Corporate Governance

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

Employee Stock Option Plan

Pursuant to the approval accorded by the shareholders at the thirty sixth Annual General Meeting of the Company held on 10th September, 2011 for issue of 3,18,000 ESOPs, the Compensation Committee had formulated the Chembond Chemicals Employees Stock Option Plan 2012 and approved a grant of 2,32,781 options to the employees of the Company and its subsidiaries under the said scheme. As required under the Securities and Exchange Board of India (Employees Stock Option and Employees Stock Purchase Scheme) Guidelines, 1999 (SEBI Guidelines), the following details of this scheme as on 31st March, 2014 are being provided:

Sr. No.	Nature of Disclosure	Particulars
A	The Pricing Formula	At a price not less than lower of the average of weekly high and low of closing price of six months or two weeks on the Bombay Stock Exchange (BSE) prior to the date of grant of the options with a discount not more than 10% of the minimum applicable price i.e. ₹ 153/- per share.
B	Options Outstanding at the beginning of the year	2,27,981
C	Options Granted during the year	Nil
D	Options Vested	40,525
E	Options Exercised	Nil
F	The total no. of shares arising as a result of exercise of option	Not Applicable
G	Options Lapsed/Surrendered	29,252
H	Variation of Terms of Option	No
I	Money realized by exercise of options	Not Applicable
J	Total no of Options in force	1,98,729

K	(i) Details of Options granted to senior management personnel	As per Annexure 1
	(ii) Any other employee who received a grant in any one year of Option amounting to 5% or more of Options granted during the year	Nil
	(iii) Employees who were granted Options, during any one year, equal to or exceeding 1% of the issued capital of the Company at the time of grant	Nil
	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of Option calculated in accordance with Accounting standard AS-20	
	(i) Difference between the compensation cost using the intrinsic value of the stock Options (which is the method of accounting used by the Company) and the compensation cost that would have been recognized in the accounts if the fair value of Options had been used as the method of accounting.	The employee compensation cost for the year would have been higher by ₹ 40.39 Lacs had the Company used the fair value of options as the method of accounting instead of intrinsic value.
	(ii) Impact of the difference mentioned in (i) above on the profits of the Company	The stock-based compensation cost calculated as per the intrinsic value method upto 31st March, 2014 is ₹ 6.10 Lacs. If the stock-based compensation cost was calculated as per the fair value method prescribed by SEBI, the total cost to be recognized in the financial statements for the period ended 31st March, 2014 would be ₹ 46.49 Lacs.
	(iii) Impact of the difference mentioned in (i) above on the EPS of the Company	Had the Company accounted the Options as per fair value the diluted EPS would have been ₹ 5.72 per share instead of ₹5.89 per share.
L	(i) Weighted Average exercise price of Options	₹ 153/- (no options have been exercised during the year)
	(ii) Weighted average fair value of Options	₹ 68/-
M	(i) Method used to estimate the fair value of Options	Black Scholes Options Pricing Model
	(ii) Significant assumptions used (weighted average information relating)	
	(a) Risk -free interest rate	8.25 %
	(b) Expected life of the Option	3.34 years
	(c) Expected volatility	42 %
	(d) Expected dividend yields	1.38 %
(e) Price of the underlying share in the market at the time of Option grant	₹ 170/-	

The certificate from the statutory auditor as required under the SEBI Guidelines, confirming that the Company's Employees Stock Option Plan 2012 has been implemented in accordance with the SEBI Guidelines and shareholders resolution, will be placed before the shareholders at the ensuing Annual General Meeting.

Directors' Responsibility Statement

Your Directors give hereunder the 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, 2014, the applicable accounting standards have been followed;
- ii) that the Directors have selected and applied such accounting policies consistently and made judgments and estimates that were reasonable and prudent so as to give true and fair view of the state of affairs of the Company for the financial year ended 31st March, 2014 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, 2014 have been prepared on a going concern basis.

Conservation of Energy, Technology Absorption, & Foreign Exchange Earnings and Outgo

The prescribed particulars as per Section 217 (1) (e) of the Companies Act, 1956 relating to Conservation of Energy, Technology Absorption, and Foreign Exchange Earnings and outgo are furnished in Annexure 2 to this Report.

Particulars of Employees

None of the employees are 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 express its deep thanks to the customers, vendors, shareholders and bankers for the faith they have 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.

On behalf of the Board

Sameer V. Shah

Chairman & Managing Director

Nirmal V. Shah

Vice Chairman & Managing Director

Mumbai, 24th May 2014

Annexure 1 to the Directors' Report
Details of Options granted to senior management personnel

Sr. No.	Name	Designation	No. of Options
1	Jinesh Maniar	Finance Controller	2,640
2	Mahesh Kulkarni	GM – Industrial Coatings	2,400
3	Naresh Padia	Sr. GM Operations	2,760
4	Navneet Sahu	GM – East & South	2,760
5	Nitin Dambe	GM – Technical	2,760
6	Poonam Malhotra	Product Technology Manager	1,380
7	Rashmi Gavli	GM – Business Controlling	2,760
8	Ravikumar Mutaka	DGM – Operations	2,400
9	Ravindra Pandit	Head – Human Resources	2,400

Annexure 2 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 at its plants and offices by improving energy intensive manufacturing processes and installing solar power systems.

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 consumption of energy reduced by satisfactory levels.

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

Particulars	2013-14	2012-13
I Electricity Purchased		
i) Units	8,37,493	9,04,781
ii) Total Amount (₹ In Lakhs)	63.58	68.89
iii) Rate/KWH (₹)	7.59	7.61
II Kerosene Purchased		
i) Liters	1,298	59,511
ii) Total Amount (₹ In Lakhs)	0.83	24.75
iii) Rate/ Liter (₹)	64.15	41.59
III LPG Purchased		
i) Kilograms	24,822	16,422
ii) Total Amount (₹ In Lakhs)	21.77	13.68
iii) Rate/ Kgs (₹)	87.70	83.30

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. The management is actively focused on imparting of high-end technology in India from within the country and across of the world.

III. Foreign Exchange Earnings & Outgo

(₹ in Lakhs)

Particulars	2013-14	2012-13
Total Foreign Exchange Earned	456.85	455.82
Total Foreign Exchange Outgo	3,007.97	2,693.47

IV. Research & Development

a) Research & Development in your Company is targeted on construction chemicals, coatings, industrial biotechnology, bioremediation, and polymer.

b) Benefits from the R & D activities

- i) New product introduction
- ii) Improved product performance
- iii) Helps promotion of the products in industry
- iv) Reduction of material costs

c) Future Plans of Action

The Company believes that Research & Development is a core area and in order to maintain its leading position it is in continuous efforts to promote R&D activities. More information on the Company's R&D activities can also be found in the section on Management Discussion and Analysis.

d) Expenditure on R & D

(₹ in Lakhs)

Particulars	2013-14	2012-13
Revenue Expenditure	54.90	76.32
Capital Expenditure	18.00	17.12
Total	72.90	93.44
Total R & D as percentage of Turnover	0.36%	0.54%

On behalf of the Board

Sameer V. Shah

Chairman & Managing Director

Nirmal V. Shah

Vice Chairman & Managing Director

Mumbai, 24th May 2014

Report on Corporate Governance

Philosophy on Corporate Governance:

The philosophy underlying Corporate Governance seeks to create a system of “Checks and Balances” based on transparency, integrity, clarity, and consistency in the dealings of the Company with its stakeholders. Good Governance ensures that the best corporate practices are followed by a Company. Implementation of good governance indicates not only the compliance of the laws and regulations of the land but also indicates the values, practices, and culture of your organization. Your Company is committed to adopt the best Corporate Governance practices and endeavors continuing 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 the Board of Directors. The Board formulates strategy, 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 day-to-day operations of the Company.

The Chembond Board of Directors has an ideal composition with more than two thirds of the Directors being Non-executive Directors of which half of the Directors are independent.

A. The composition of the Board as on 31st March, 2014 and details of Board and Annual General Meeting held and the attendance of the Directors is as follow:

Name of the Directors	Nature of Directorship	No. of Board Meetings attended	Attendance at last AGM	No. of Directorships in other Public companies ¹	Number of Committee Memberships held ²	Number of Chairmanships held ²
Sameer V. Shah	Chairman & Managing Director	4	Yes	11	1	-
Nirmal V. Shah	Vice Chairman & Managing Director	4	Yes	11	1	-
Ashwin R. Nagarwadia	Non – Executive Director	4	Yes	5	-	-
Perviz H. Dastur	Non – Executive Director	4	Yes	2	1	-
Mahendra K. Ghelani	Independent Director	3	Yes	-	1	1
Jayantilal S. Vasani ³	Independent Director	2	Yes	-	-	-
O. P. Malhotra	Independent Director	4	Yes	3	1	-
Jawahar I. Mehta	Independent Director	4	Yes	-	-	-
Sushil U. Lakhani	Independent Director	4	Yes	1	2	1

¹ Directorships in foreign companies, private limited companies, companies under Section 25 and companies in which the Director is an alternate director are excluded for this purpose.

² Considered Membership and Chairmanship of Audit Committees and Shareholders’ Grievance Committees of public limited companies and private limited companies which are wholly owned subsidiary companies only.

³ Retired at Annual General Meeting held on 10th August, 2013.

During the year, Meetings of Board of Directors were held on 30th May, 2013, 10th August, 2013, 15th November, 2013 and 08th February, 2014.

B. Board Meeting & 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.
- * Transaction pertaining to the purchase or disposal of property, major provisions and write offs.

C. Details of Directors being re-appointed :

A brief resume of Director appointed/eligible for reappointment along with the additional information required under clause 49 (VI) (A) of the Listing Agreement are provided in this Annual Report.

D. Code of Conduct :

The Board has laid down a code of conduct for all the Members of the Board and senior management of the Company which is also posted 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, 2014 is as follows:

Name of the Member	Designation	No. of meetings attended
Mahendra K. Ghelani	Chairman	3
Perviz H. Dastur	Member	4
Jayantilal S. Vasani ¹	Member	2
Sushil U. Lakhani ²	Member	2

During the year, four meetings of the audit Committee were held - on 30th May, 2013, 10th August, 2013, 15th November, 2013 and 08th February, 2014. 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 the 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, and matters related to appointment of internal and statutory auditors of the Company, and the financial statements of subsidiary Companies. The Auditors, Internal Auditors, Managing Directors, concerned executives, Non-Executive Directors, and Finance Controller are invitees to the Audit Committee Meetings. The Company Secretary acts as the Secretary to the Committee. The previous Annual General Meeting (AGM) of the Company was held on 10th August, 2013 and was attended by Mr. Mahendra K. Ghelani, Chairman of the Audit Committee. Terms of Reference the Audit Committee are in accordance with those specified in Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

¹ Retired at Annual General Meeting held on 10th August, 2013.

² Mr. Sushil U. Lakhani appointed as a member of the Audit Committee on 10th August, 2013.

B. Remuneration Committee :

The constitution of the Remuneration Committee as of 31st March, 2014 is as follows:

Name of the Member	Designation	No. of meetings attended
Jayantilal S. Vasani ¹	Chairman	1
Ashwin R. Nagarwadia	Member	4
Mahendra K. Ghelani	Member	3
Jawahar I. Mehta ²	Member	1

During the year, meetings of the remuneration committee were held - on 30th May, 2013, 10th August, 2013, 15th November, 2013 and 08th February, 2014.

Remuneration Committee reviews and approves the annual salaries, performance incentives, service agreements, and other employment conditions of executive Directors and senior managerial personnel with the deliberation of their background, job profile, past remuneration etc. in comparison with financial position and performance of the Company, trends in the industry etc. and also referred to a report by independent consultant on the subject.

The Members have at the AGM of the Company on 10th August, 2013, approved of payment of commission to the Non-Executive Directors within the ceiling of 1% of the net profits of the Company as computed under the applicable provisions of the Act. The said commission is decided each year by the Board of Directors and distributed amongst the Non-Executive Directors based on their attendance and contribution at the Board and certain Committee meetings, as well as the time spent on operational matters other than at meetings. The Company also reimburses the out-of-pocket expenses incurred by the Directors for attending the meetings.

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

¹ Retired at Annual General Meeting held on 10th August, 2013

² Mr. Jawahar I. Mehta appointed as a member of the Remuneration Committee on 10th August, 2013.

C. Share Transfer Committee:

The constitution of Share Transfer Committee as of 31st March, 2014 is as follows:

Name of the Member	Designation	No. of meetings attended
Jayantilal S. Vasani ¹	Chairman ¹	Nil
Sameer V. Shah	Member	4
Nirmal V. Shah	Member	4
Sushil U. Lakhani ²	Chairman ²	2

During the year, four meetings of the share transfer committee were held on 03rd May, 2013, 19th July, 2013, 22nd November, 2013 and 17th January, 2014.

¹ Retired at Annual General Meeting held on 10th August, 2013

² Mr. Sushil Lakhani appointed as a Chairman of the Share Transfer Committee on 10th August, 2013.

The Committee deals with a matter relating to transfer / transmission of Shares, issue of duplicate share certificates, review of shares dematerialized. Mr. Omkar Mhamunkar, 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 has received 19 shareholders' complaints of which 19 were resolved during the year.

D. Executive Committee :

The constitution of the Executive Committee as of 31st March, 2014 is as follows :

Name of the Member	Designation
Sameer V. Shah	Chairman
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. The Executive Committee of the Board of Directors of the Company conducts a monthly review meeting (MRM) and such other meeting as may be decided by the Committee for a detail business review to which all Head of Departments (HOD), Business/Divisional Heads are the invitees.

E. Compensation Committee :

The constitution of the Compensation Committee as of 31st March, 2014 is as follows :

Name of the Member	Designation	No. of meetings attended
Mahendra K. Ghelani	Chairman	2
Jayantilal S. Vasani ¹	Member	Nil
Sameer V. Shah	Member	2
O. P. Malhotra ²	Member	1

During the year, two meeting of the compensation committee was held on 12th August, 2013 and 20th March, 2014.

The Committee deals with matter relating to the administration and superintendence of the Chembond Chemicals Employees' Stock Option Plan, 2012 (ESOP) and compliance as per the Securities and Exchange Board of India (Insider Trading) Regulations 1992 and Securities Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations 1995.

¹ Retired at Annual General Meeting held on 10th August, 2013.

² Mr. O.P.Malhotra appointed as a member of the compensation Committee on 10th August, 2013.

F. Risk Management Committee :

The constitution of the risk management committee as of 31st March, 2014 is as follows:

Name of the Member	Designation	No. of meetings attended
Mahendra K. Ghelani	Chairman	3
Ashwin R. Nagarwadia	Member	3
Perviz H. Dastur	Member	2
Sushil U. Lakhani	Member	2

During the year, three meeting of the risk management committee were held on 12th August, 2013, 09th November, 2013 and 20th March, 2014.

The Board of Directors on 30th May, 2013 constituted Risk Management Committee. The Committee deals with matter relating to the identify and assessed material business risk, technological risk, strategic business risk, operational risk, financial risk, human resource risk and legal & regulatory risk.

III. Subsidiary Companies:

The Company has four subsidiaries namely Chembond Ashland Water Technologies Limited, Protochem Industries Private Limited, Chembond Inver Coatings Limited and Chembond Clean Water Technologies Limited (*formerly H₂O Innovation India Limited*) One Independent Director of Chembond is on the Board of each subsidiary except Chembond Inver Coatings Limited, which is not a material subsidiary. Mr. O. P. Malhotra on the Board of Chembond Ashland Water Technologies Limited, Mr. Mahendra Ghelani on the Board of Protochem Industries Private Limited and Mr. Sushil Lakhani on the Board of Chembond Clean Water Technologies Limited (*formerly H₂O Innovation India Limited*). The Audit Committee of Chembond reviews the financial statements of the subsidiaries. The Minutes of the Board meetings of subsidiaries are placed in the Board Meetings of Chembond Chemicals Limited.

IV. Remuneration Of Directors :

i) Remuneration to Executive Directors:

Names	Position	Salary and Perquisite ¹ (₹)
Sameer V. Shah	Chairman & Managing Director	34,00,000
Nirmal V. Shah	Vice Chairman & Managing Director	32,65,650

¹ Excluding perquisites not included in the computation of the ceiling limits of remuneration.

ii) Details of Remuneration paid to Non Executive Directors:

The details of sitting fees paid to Non-Executive Directors for the year ended 31st March, 2014 are as specified below:

Name	Amount in (₹)	No. of Shares held as of 31.03.2014	Stock Options granted to Non-Executive Directors
Perviz Dastur	2,00,000	1,57,060	Nil
Ashwin Nagarwadia	2,20,000	3,85,932	Nil
Jayantilal Vasani ¹	25,000	17,500	4,800
Mahendra Ghelani	2,80,000	4,500	4,800
Jawahar I. Mehta	1,00,000	1,200	4,800
O. P. Malhotra	1,00,000	Nil	4,800
Sushil Lakhani	2,00,000	Nil	4,800

¹ Retired at Annual General Meeting held on 10th August, 2013.

- During the year the Company has paid commissions of ₹ 380,000 to Mr. Ashwin R. Nagarwadia and ₹ 20,000 to Mr. Mahendra K. Ghelani.
- The Compensation Committee has approved a grant of 4,800 stock options to each Independent Director at their meeting held on 8th September, 2012 in accordance with Chembond Chemicals Employees' Stock Option Plan, 2012. The options shall vest over the period of 4 years until 2016 subject to accomplishment of performance criteria set by the Compensation Committee.

V. Other shareholders compliances:

- The required information about appointment / re-appointment of Directors is contained in the Notice of the Annual General Meeting.
- The quarterly results of the Company are generally published in the Free Press Journal, Business line, Apla Mahanagar and in Navshakti. The results are also sent to the stock exchange and posted on the Company's website.
- 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
2011	AGM	EL-37, Chembond Centre, Mahape, MIDC, Navi Mumbai 400 710.	10.09.2011	3.00 p.m.	Approval of Employees' Stock Option Plan (ESOP)
2012	AGM	EL-37, Chembond Centre, Mahape, MIDC, Navi Mumbai 400 710.	08.09.2012	3.00 p.m.	Approval of retirement plan for Dr. Vinod D. Shah
2013	AGM	EL-37, Chembond Centre, Mahape, MIDC, Navi Mumbai 400 710.	10.08.2013	3.00 p.m.	1) Re-appointment of Mr. Sameer V. Shah as Chairman & Managing Director 2) Re-appointment of Mr. Nirmal V. Shah as Vice-Chairman & Managing Director 3) Commission to Directors (other than Managing/Whole-time Directors)

VIII. Disclosures:

- i) There were no materially significant related party transactions during the year by the Company with the Promoters, Directors, Management personnel, their relatives or the subsidiaries that may potentially conflict with the interests of the Company. The Register of Contracts, containing the transactions in which Directors are interested, is placed before the Board regularly for its approval and forms a part of the accounts as required under Accounting Standards and forms a part of this Annual Report.
- ii) There were no non-compliances by the Company nor were any penalties or strictures imposed on the Company by Bombay Stock Exchange (BSE) or SEBI or any statutory authority, on any matter relating to the capital markets during the last three years.
- iii) The Company has a Code of Conduct for Prevention of Insider Trading in the shares of the Company for Directors and other identified persons in accordance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992.
- iv) The Company has complied with all the mandatory requirements and non-mandatory requirements in respect of remuneration committee as stipulated in the clauses of corporate governance.

IX. Means of Communication:

Annual Reports in respect of each financial year are mailed to all shareholders at their registered address and by email to those shareholders on the email id registered with depository participant. Each report contains the annual accounts of the Company in respect of the financial year with the Directors' Report and Auditor's Report. Also included in each annual report is the notice convening the annual general meeting, corporate governance report and the cash flow statement together with the corresponding reports of the auditors, the consolidated accounts and the auditor's report thereon.

The financial results are submitted to the Bombay Stock Exchange (BSE) immediately after the conclusion of the Board meeting and usually published in Free Press Journal, Navshakti, Business Line and Aapla Mahanagar on the next immediate working day. The results are also displayed on the website of the Company at www.chembondindia.com.

The Management Discussion and Analysis in respect of the Financial Year is a part of the Directors' Report.

X. General Shareholders Information:

1.	Date, Time & Venue of Annual General Meeting.	9th August, 2014 at 03.00 p.m. at EL-37, MIDC, Mahape, Navi Mumbai
2.	Financial Year	The Financial Year Covers the period from 1st April to 31st March
3.	Financial Calendar for 2014-2015 (tentative & subject to change)	Financial Reporting for the quarter ending 30.06.2014 By Mid of August, 2014 30.09.2014 By Mid of November, 2014 31.12.2014 By Mid of February, 2015 31.03.2015 By end of 30 th May, 2015
4.	Date of Book Closure	25th July, 2014 to 9th August, 2014 (Both days inclusive)
5.	Dividend Payment date	Final dividend if declared shall be paid/credited on 13th August, 2014
6.	Listing on Stock Exchange	Bombay Stock Exchange Limited (BSE)
7.	Stock Code	530871

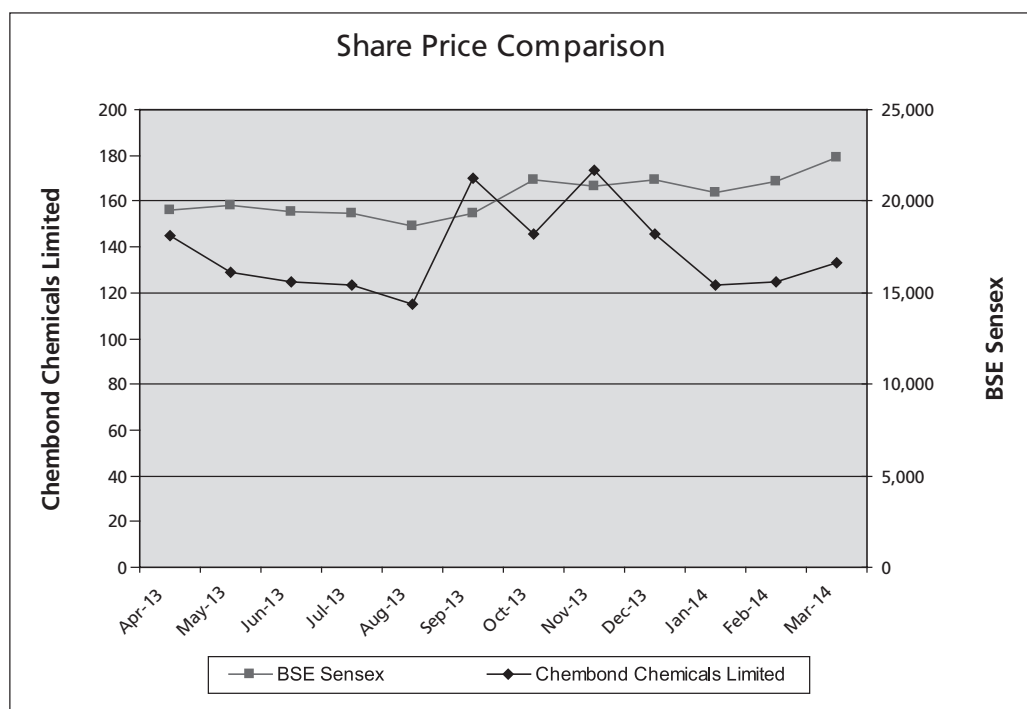
8.	Market Price data	Month	High	Low	
		April 2013	152.25	145.00	
		May 2013	152.00	129.00	
		June 2013	130.25	119.00	
		July 2013	124.00	118.00	
		August 2013	120.00	115.00	
		September 2013	170.00	120.75	
		October 2013	168.00	140.00	
		November 2013	173.25	148.05	
		December 2013	179.55	145.40	
		January 2014	154.35	116.95	
		February 2014	130.00	119.00	
March 2014	142.70	118.55			
9.	Registrar and Transfer Agent	TSR Darashaw Private 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	Registrar and transfer Agent carry out share transfer activities and shares are transferred within stipulated time.			
11.	Distribution of shareholding				
	No. of Equity Shares Held	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholding
	1 - 2000	1,125	91.09	3,55,794	5.34
	2001 - 3000	19	1.54	49,123	0.74
	3001 - 4000	13	1.05	46,896	0.70
	4001 - 5000	5	0.41	22,400	0.34
	5001 - 10000	19	1.54	1,47,958	2.22
	10001 - 20000	14	1.13	1,94,337	2.92
	20001 - 30000	9	0.73	2,21,022	3.32
	30001 - 40000	2	0.16	63,449	0.95
	40001 - 50000	3	0.24	1,33,874	2.01
	50001 - 100000	11	0.89	7,88,135	11.83
	100001 & above	15	1.22	46,37,424	69.63
	Total	1235	100.00	66,60,412	100.00
12.	Dematerialization of share and liquidity	As of 31st March, 2014, out of total shareholding 6312680 shares are held in Demat form. The shares of the Company are not 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) E-6/3 & 4, MIDC Tarapur, Maharashtra. 2) T/129, MIDC Tarapur, Maharashtra. 3) 177/2, Village Theda, Himachal Pradesh. 4) 404/B-01, Dudhwada, Dist. Vadodara, Gujarat. 5) S-50, Phase III, SIPCOT, Ranipet, Tamilnadu.			
15.	Address of Correspondence	Chembond Chemicals Limited Chembond Centre, EL-71, MIDC, Mahape, Navi Mumbai 400 710. Tel: 022 – 3921 3000 Fax: 022 – 2768 1294			

16. Category of Shareholding as of 31st March, 2014

Category	No. of Shares	% of total shares
Promoters & their relatives	45,63,625	68.52
Banks/ FIs/Insurance Co. (Central/ State Govt./ Non- Govt. Institutions)	23,800	0.36
Corporate Bodies	5,43,215	8.15
NRIs/OCBs	81,122	1.22
Indian Public	14,48,650	21.75
Total	66,60,412	100.00

17. Share Price Performance in Comparison with BSE Sensex

Month	Chembond Chemicals Limited	BSE Sensex
April 2013	145.00	19,504.18
May 2013	129.00	19,760.30
June 2013	124.50	19,395.81
July 2013	123.00	19,345.70
August 2013	115.00	18,619.72
September 2013	170.00	19,379.77
October 2013	145.45	21,164.52
November 2013	173.25	20,791.93
December 2013	145.40	21,170.68
January 2014	123.00	20,513.85
February 2014	125.00	21,120.12
March 2014	133.00	22,386.27



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, 2014 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, 24th May 2014

Independent Auditor's Report

To the Members of

Chembond Chemicals Limited

1. Report on the Financial Statements

We have audited the accompanying financial statements of **Chembond Chemicals Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

2. Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- ii. in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- iii. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

5. Emphasis of Matter

Reference is invited to Note No 35c of the Notes on Financial Statements. The Company has investments, loans and advances and debts due from subsidiaries/associates. The net worth of these entities has eroded. Provisions have not been made in this respect as the investments are long term and, in the opinion of the Management, the losses are temporary in nature.

6. Report on Other Legal and Regulatory Requirements

- i. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- ii. As required by section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. 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;

- c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 (" the Act") read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013; and
- e. on the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

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

Mumbai, 24th May 2014

Annexure to the Auditors' Report

The annexure referred to in paragraph 5(i) of our report to the members of Chembond Chemicals Limited for the year ended March 31, 2014.

We report that:

- i. (a) The Company has maintained proper records showing full particulars including 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 granted unsecured loans to two subsidiary companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹ 456.31 lakhs and the year end balance of the loan given is ₹ 64.61 lakhs
(b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of the loan are, not prima facie, prejudicial to the interest of the Company.
(c) As informed to us, there are no stipulations in respect of repayment of the loan and interest thereon. Accordingly we are unable to comment on the regularity of recovery of the loan and interest thereon. As at the year end, the amount due from one subsidiary company has been converted into equity.
(d) Since there is no stipulations with regard to the repayment of the loan, no amount is overdue.
(e) The Company has taken loans from 16 companies/ individuals covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹ 882.75 lakhs and the year-end balance of loans taken from such parties was ₹ 882.75 lakhs.
(f) 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.
(g) 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.

- viii. We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, and we are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records for determining whether they are accurate or complete.
- ix. (a) According to the information and explanation given to us, in our opinion the Company is generally regular in depositing with the appropriate authorities, the undisputed statutory dues including provident fund, investors education and protection fund, employee's state insurance, income tax, sales tax, services tax, custom duty, excise duty, cess and other material statutory dues as applicable.
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 31.03.2014 for a period of more than six months from the date they became payable.
- (b) 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 lakhs)	Period for which the amount relate	Forum where the dispute is pending
Maharashtra VAT and CST	52.57	2006-07	Joint Commissioner of Sales Tax (Appeals)
	1,843.62	2008-09	
	29.54	2009-10	

- x. The Company does not have any accumulated losses as at the balance sheet date and the Company has not incurred any cash losses during the financial year ended on that date or in the immediately preceding financial year.
- xi. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank as at the balance sheet date.
- xii. We are informed that the Company has not granted any loans and advances on the basis of security by way of Pledge of shares, debentures and other securities. Accordingly the provisions of clause 4(xii) of the Order are not applicable to the Company.
- xiii. The Company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- xiv. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments. Accordingly the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- xv. In our opinion, the terms and conditions on which the Company has given guarantees for loans taken by others from banks are not prejudicial to the interest of the Company.
- xvi. In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purpose for which they were obtained.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet and the cash flow statement of the Company, in our opinion no funds raised on short-term basis have been used for long-term investment.
- xviii. 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.
- xix. According to the information and explanations given to us, during the year, the Company has not issued any debentures. Accordingly the provisions of clause 4(xix) of the Order are not applicable to the Company.
- xx. According to the information and explanations given to us, during the year the Company has not raised any money by way of public issues. Accordingly the provisions of clause 4(xx) of the Order are not applicable to the Company.
- xxi. According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the year.

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

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

Mumbai, 24th May 2014

Balance Sheet

	Notes	As at 31/3/2014 (₹ in lakhs)	As at 31/3/2013 (₹ in lakhs)
Equity and Liabilities			
Shareholders' Funds			
Share Capital	2	666.04	666.04
Reserves and Surplus	3	4,229.57	4,030.86
		<u>4,895.61</u>	<u>4,696.90</u>
Non-Current Liabilities			
Long-term Borrowings	4	937.04	871.36
Deferred Tax Liabilities (Net)	5	277.62	307.40
Long-term Provisions	6	81.85	81.02
		<u>1,296.51</u>	<u>1,259.78</u>
Current Liabilities			
Short-term Borrowings	7	1,310.97	1,257.98
Trade Payables	8	4,353.10	3,230.41
Other Current Liabilities	9	837.23	607.23
Short-term Provisions	10	217.96	189.82
		<u>6,719.26</u>	<u>5,285.44</u>
Total		<u>12,911.38</u>	<u>11,242.12</u>
Assets			
Non-Current Assets			
Fixed Assets			
Tangible Assets	11	3,743.63	3,315.26
Intangible Assets	11	77.00	88.20
Capital Work-in-Progress	11	150.33	317.83
		<u>3,970.96</u>	<u>3,721.29</u>
Non Current Investments	12	2,009.93	1,496.87
Long-term Loans & Advances	13	157.43	375.42
		<u>2,167.36</u>	<u>1,872.29</u>
Current assets			
Current Investment	14	0.59	0.55
Inventories	15	2,582.57	2,474.90
Trade Receivables	16	3,790.71	2,833.75
Cash and Cash Equivalents	17	177.31	113.26
Short-term Loans and Advances	18	221.88	226.08
		<u>6,773.06</u>	<u>5,648.54</u>
Total		<u>12,911.38</u>	<u>11,242.12</u>
Significant Accounting Policies and Notes on Financial Statements	1-40		

As per our attached report of even date

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

On behalf of the Board of Directors

Dhiren P. Talati
Partner
Membership No. F/41867

Sameer V. Shah
Chairman & Managing Director

Nirmal V. Shah
Vice Chairman & Managing Director

Mumbai, 24th May 2014

Sushil U. Lakhani
Director
Mumbai, 24th May 2014

Omkar Mhamunkar
Company Secretary

Statement of Profit and Loss

	Notes	2013-2014 (₹ in lakhs)	2012-2013 (₹ in lakhs)
Income			
Revenue from Operations	19	20,131.73	17,446.82
Other Income	20	512.61	667.51
Total Revenue		20,644.34	18,114.33
Expenditure			
Cost of Materials Consumed	21	15,985.41	13,858.12
Purchases of Stock-in-trade		725.10	844.66
Changes in Inventories of Finished Goods, Work-in-progress and traded goods	22	(110.74)	(119.04)
Employee Benefits Expense	23	1,549.92	1,278.32
Finance Costs	24	304.20	291.70
Depreciation and Amortisation Expense	25	192.13	181.95
Other Expenses	26	1,587.52	1,359.15
Total Expenses		20,233.54	17,694.86
Profit before taxes		410.80	419.47
Tax Expenses			
Current tax		48.14	17.00
Deferred tax		(29.77)	54.71
Profit for the Year		392.43	347.76
Earning Per Equity Share of Face Value of ₹ 10 each	27		
Basic (in ₹)		5.89	5.46
Diluted (in ₹)		5.72	5.44
Significant Accounting Policies and Notes on Financial Statements	1-40		

As per our attached report of even date

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

Dhiren P. Talati
Partner
Membership No. F/41867

Mumbai, 24th May 2014

On behalf of the Board of Directors

Sameer V. Shah
Chairman & Managing Director

Sushil U. Lakhani
Director
Mumbai, 24th May 2014

Nirmal V. Shah
Vice Chairman & Managing Director

Omkar Mhamunkar
Company Secretary

Cash Flow Statement

	2013-2014 (₹ in lakhs)	2012-2013 (₹ in lakhs)
A Cash Flow from Operating Activities		
Net Profit before tax and extraordinary items	410.80	419.47
Adjustments for :		
Depreciation	192.13	181.95
Loss on Sale of Fixed Asset	2.54	6.18
Employee ESOP compensation	6.10	9.99
Finance Costs	288.44	291.70
	<u>489.21</u>	<u>489.82</u>
Less :		
Foreign Exchange Fluctuation	13.20	(19.54)
Dividend Received	192.54	371.78
	<u>283.47</u>	<u>137.58</u>
Operating Profit before working capital changes	<u>694.27</u>	<u>557.05</u>
Adjustments for :		
Trade and Other Receivables	(736.52)	(965.98)
Inventories	(107.68)	(321.89)
Trade and Other Payables	1,366.71	419.30
	<u>522.51</u>	<u>(868.57)</u>
Cash generated from operations	<u>1,216.78</u>	<u>(311.52)</u>
Direct Tax paid	(28.24)	(36.13)
Net Cash from Operating Activities (A)	<u>1,188.54</u>	<u>(347.65)</u>
B Cash Flow from Investing Activities		
Purchase of Fixed Assets	(445.35)	(525.12)
Sale of Fixed Assets	1.01	0.92
Purchase of Investments	(513.10)	(59.17)
Net Cash used in Investing Activities (B)	<u>(957.44)</u>	<u>(583.37)</u>
C Cash Flow from Financing Activities		
Proceeds from Short Term Borrowings	52.99	458.97
Proceeds from Convertible warrant	-	413.93
Dividend paid	(189.82)	(149.47)
Dividend received	192.54	371.78
Proceeds from Long Term Borrowings	65.68	(63.80)
Finance Costs	(288.44)	(291.70)
Net Cash from Financing Activities (C)	<u>(167.05)</u>	<u>739.71</u>
Net (Decrease)/Increase in Cash & Cash Activities (A+B+C)	<u>64.05</u>	<u>(191.31)</u>
Cash and Bank Balances Opening	113.26	304.57
Cash and Bank Balances Closing	177.31	113.26

As per our attached report of even date

For **M/s Kastury & Talati**

Chartered Accountants

Dhiren P. Talati

Partner

Membership No. F/41867

Mumbai, 24th May 2014

On behalf of the Board of Directors

Sameer V. Shah

Chairman & Managing Director

Sushil U. Lakhani

Director

Mumbai, 24th May 2014

Nirmal V. Shah

Vice Chairman & Managing Director

Omkar Mhamunkar

Company Secretary

Notes on Financial Statements

1 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 During Construction Period

Pre-operating Expenditure, Interest on specific borrowings for the project, interest on general (interest bearing) funds of the Company utilised for the purpose of the project upto the date of commencement of commercial production are capitalised 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 capitalised 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.

Notes on Financial Statements for the year ended 31st March, 2014

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 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.
- (d) Deferred Compensation Cost: In respect of Stock options granted pursuant to company's employee stock option scheme, the Company determines the compensated cost based on the intrinsic value method and the compensation cost is amortised on a straight line basis over the vesting period.

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 Shareholders 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 Shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential Equity Shares.

Notes on Financial Statements for the year ended 31st March, 2014

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

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

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

Contingent liability is disclosed in case of:

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

t Hedge Transactions

In case of forward exchange contracts, to hedge the foreign currency risk which is on account of a firm commitment, the premium or discount arising at the inception of the contract is amortised as expense or income over the life of the contract.

2 Share Capital

	As at 31/3/2014 (₹ In lakhs)	As at 31/3/2013 (₹ In lakhs)
Authorised		
1,00,00,000 (1,00,00,000) Equity Shares of ₹10 each	1,000.00	1,000.00
Issued, Subscribed and Paid up		
66,60,412 (66,60,412) Equity Shares of ₹10 each fully paid up	666.04	666.04
Total	666.04	666.04

a Shares issued for consideration other than cash and bonus shares issued:

Out of the issued, subscribed and paid up share capital, during the last five years

- 1,90,206 (1,90,206) Equity Shares of ₹10 each have been issued for consideration other than cash
- 31,80,206 (31,80,206) Equity Shares of ₹10 each have been issued as fully paid Bonus Shares by way of capitalisation of Reserves & Surplus.

b Details of Shareholders holding more than 5% Shares

Name of the Shareholder	As at 31/3/2014		As at 31/3/2013	
	No of Shares	% held	No of Shares	% held
Dr. Vinod D. Shah	9,23,771	13.87%	9,22,397	13.85%
Padma V. Shah	7,47,557	11.22%	7,47,360	11.22%
Visan Holdings & Financial Services Pvt. Ltd.	6,12,518	9.20%	6,12,121	9.19%
Ashwin R. Nagarwadia	3,85,932	5.79%	3,85,932	5.79%
Ajay Sheth	3,88,735	5.84%	3,79,847	5.70%
Quest Investment Advisors Pvt. Ltd.	3,64,433	5.47%	3,60,233	5.41%

Notes on Financial Statements for the year ended 31st March, 2014

c Terms/Rights attached to Equity Shares

The Company has only one class of Equity Shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of Equity Shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

3 Reserves And Surplus

	As at 31/3/2014	As at 31/3/2013
	(₹ in lakhs)	(₹ in lakhs)
Revaluation Reserve		
As per last year	55.93	57.82
Less : Transfer to Profit & Loss A/c.	1.89	1.89
	54.04	55.93
General Reserve		
As per last year	540.00	500.05
Add: Transfer from Profit & Loss A/c.	40.00	39.95
	580.00	540.00
Share Premium		
As per last year	521.91	-
Add: Received on Conversion of Share Warrants	-	521.91
	521.91	521.91
Employees Shares Options Outstanding		
Shares Option Outstanding	39.57	39.57
Less: Option Lapsed	5.79	-
Less: Deferred Compensation	17.70	29.58
	16.08	9.99
Profit and Loss Account		
As per last year	2,903.03	2,783.15
Add: Profit for the Year	392.43	347.76
Add: Transfer from Revaluation Reserve	1.89	1.89
	3,297.35	3,132.80
Less: Appropriations		
Transferred to General Reserve	40.00	39.95
Set off of Dividend Tax in respect of Dividend from Subsidiary Company	(33.96)	(32.26)
Proposed Dividend	199.81	189.82
Tax on Proposed Dividend	33.96	32.26
	3,057.54	2,903.03
Total	4,229.57	4,030.86

Notes on Financial Statements for the year ended 31st March, 2014

4 Long-term Borrowings

	As at 31/3/2014 (₹ in lakhs)		As at 31/3/2013 (₹ in lakhs)	
	Non Current	Current	Non Current	Current
Secured				
Term Loan from Banks	160.00	80.00	240.00	168.69
	160.00	80.00	240.00	168.69
Unsecured				
Loans from Related Parties	756.84	125.91	583.66	-
Loans from Others	20.20	27.50	47.70	-
	777.04	153.41	631.36	-
Total	937.04	233.41	871.36	168.69

- a Term Loan from Banks are secured by Equitable Mortgage on movable & immovable fixed assets & hypothecation of Plant & Machinery of the company. The maturity profile of these loans are as follows:

	1-2 years	2-3 years	3-4 years
Term Loan from Banks	80.00	80.00	NIL

- b Maturity Profile of Unsecured Loans from related parties and others is as follows:

	1-2 years	2-3 years	3-4 years
Loans from Related Parties	384.13	372.71	NIL
Loans from Others	NIL	20.20	NIL

5 Deferred Tax Liability (Net)

	As at 31/3/2014 (₹ in lakhs)	As at 31/3/2013 (₹ in lakhs)
Deferred tax Liability		
Depreciation	378.16	333.77
MAT Credit	-	16.04
	378.16	349.81
Deferred tax Asset		
Gratuity	25.29	25.03
MAT Credit	57.39	-
Provision for Doubtful Debts	17.86	17.38
	100.54	42.41
Total	277.62	307.40

6 Long-term Provision

Provision for Gratuity	81.85	81.02
Total	81.85	81.02

7 Short-term Borrowings

Secured

Overdraft Facilities	323.18	322.66
Working Capital Loan	600.00	239.47
Buyers Credit Loan	158.67	-

Notes on Financial Statements for the year ended 31st March, 2014

	As at 31/3/2014 (₹ in lakhs)	As at 31/3/2013 (₹ in lakhs)
Unsecured		
Working Capital Loan	-	200.00
Buyers Credit Loan	229.12	495.85
Total	<u>1,310.97</u>	<u>1,257.98</u>

- a Overdraft Facilities are secured against Fixed Deposit of Subsidiary Company Protochem Industries Pvt. Ltd.
- b Working Capital / Buyers Credit loan is secured by charge on Current Asset, Mortgage of Tangible Immovable Properties and charge on other Fixed Assets.

8 Trade Payables

Micro, Small and Medium Enterprises	66.06	32.83
Others	4,287.04	3,197.58
Total	<u>4,353.10</u>	<u>3,230.41</u>

- a For Related party transaction Refer Note No. 35
- b 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:

Principal amount due to suppliers under MSMED Act, 2006	66.06	32.83
Interest accrued and due to suppliers under MSMED Act, 2006 on the above amount	3.26	2.40
Payment made to suppliers (other than interest) beyond the appointed day, during the year	334.30	151.13
Interest paid/adjusted to suppliers under MSMED Act, 2006 (other than section 16)	2.40	2.78
Interest paid/adjusted to suppliers under MSMED Act, 2006 (Section 16)	NIL	NIL
Interest due and payable to suppliers under MSMED Act, 2006 for payments already made	3.26	2.40
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act, 2006	3.26	2.40

The information regarding Micro, Small and 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.

9 Other Current Liabilities

Current Maturities of Long Term Debt	233.41	168.69
Other Payables	566.96	431.75
Creditors for Capital Expenditure	33.04	3.28
Unclaimed Dividend *	3.82	3.51
Total	<u>837.23</u>	<u>607.23</u>

* Not due for Deposit to Investor Education and Protection Fund

10 Short-Term Provisions

Provision for Current Tax (Net of Advance Tax)	18.15	-
Proposed Dividend	199.81	189.82
Tax on Proposed Dividend	-	-
Total	<u>217.96</u>	<u>189.82</u>

Notes on Financial Statements for the year ended 31st March, 2014

11 Fixed Assets

(₹ in lakhs)

Description	Gross Block (At Cost)				Depreciation/Amortisation				Net Block	
	As at 1.04.2013	Additions	Deductions	As at 31.03.2014	As at 1.04.2013	Additions	Deductions	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Tangible Assets										
Leasehold Land	61.71	-	-	61.71	0.00	-	-	0.00	61.71	61.71
Freehold Land	83.84	-	-	83.84	0.00	-	-	0.00	83.84	83.84
Buildings	2,104.93	358.07	-	2,463.00	252.11	58.80	-	310.91	2,152.09	1,852.82
Equipment & Machinery	1,280.37	167.20	1.33	1,446.24	313.34	65.64	0.28	378.79	1,067.44	967.03
Computers	157.23	20.33	6.64	170.92	97.54	20.70	6.31	111.93	58.99	59.69
Furniture & Fixtures	155.16	20.25	-	175.41	53.16	10.35	-	63.51	111.90	102.00
Motor Cars	64.77	0.60	1.80	63.57	24.43	4.61	0.63	28.41	35.16	40.34
Electric Fittings & Installations	187.75	35.73	1.12	222.36	39.92	10.08	0.13	49.87	172.49	147.83
Sub-total	4,095.76	602.18	10.89	4,687.05	780.50	170.18	7.36	943.42	3,743.63	3,315.26
Intangible Assets										
Computer Software	205.15	10.75	-	215.90	116.95	21.95	-	138.90	77.00	88.20
Sub-total	205.15	10.75	-	215.90	116.95	21.95	-	138.90	77.00	88.20
Total	4,300.91	612.93	10.89	4,902.95	897.45	192.13	7.36	1,082.33	3,820.63	3,403.46
Previous Year	3,632.85	710.74	42.68	4,300.91	751.12	181.95	35.56	897.50	3,403.40	
Capital Work in Progress									150.33	317.83

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 ₹91.53 Lakhs and the value of fixed asset is stated in the balance sheet at revalued figure.

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 ₹1.89 lakhs has been transferred from revaluation reserve to the profit & loss account during the year under consideration.

12 Non-Current Investments

(Long Term Investment in Shares)UnquotedInvestment in Subsidiary

2,75,000 (2,75,000) Equity Shares of Chembond Ashland

Water Technologies Ltd. of ₹10 each fully paid up

(Constituting 55.00%(55.00%) of the said Company's paid up capital)

160.30

160.30

10,00,000 (10,00,000) Equity Shares of Protochem Industries

Pvt. Ltd. of ₹10 each fully paid up

(Constituting 100 %(100%) of the said Company's paid up capital)

1,052.25

1,052.25

58,08,495 (15,77,915) Equity Shares of Chembond Clean Water Technologies Ltd. of ₹10 each fully paid up (Constituting 70.17%(51.00%) of the said Company's paid up capital)

580.85

157.79

Notes on Financial Statements for the year ended 31st March, 2014

	As at 31/3/2014 (₹ in lakhs)	As at 31/3/2013 (₹ in lakhs)
9,50,000 (50,000) Equity Shares of Chembond Inver Coatings Ltd. of ₹10 each fully paid up (Constituting 100 %(100%) of the said Company's paid up capital)	95.00	5.00
<u>Investment in Joint Venture</u>		
4,90,000 (4,90,900) Equity Shares of Henkel Chembond Surface Technologies Ltd of ₹ 10 each fully paid up (Constituting 49.00%(49.00%) of the said Company's paid up capital)	49.00	49.00
<u>Investment in Associates</u>		
2,35,000 (2,35,000) Equity Shares of Chembond Distribution Ltd. of ₹ 1 each fully paid up (Constituting 47.00%(47.00%) of the said Company's paid up capital)	23.50	23.50
4,90,000 (4,90,000) Equity Shares of Chembond Enzyme Company Ltd of ₹ 1 each fully paid up (Constituting 49.00%(49.00%) of the said Company's paid up capital)	49.00	49.00
<u>Investment in Government Securities</u>		
Investment in National Saving Certificate	0.01	0.01
<u>Other Investments</u>		
23 (23) Equity Shares of Tarapur Environment Protection Organisation Ltd.	0.02	0.02
Total	2,009.93	1,496.87

In respect of Investments in the Company's subsidiaries – Chembond Clean Water Technologies Limited and Chembond Inver Coatings Limited and Associate – Chembond Distribution Limited, Please refer Note No. 35c.

13 Long Term Loans and Advances

(Unsecured & considered good & subject to confirmation)

Loan & Advance to Related Parties	64.61	281.51
Income Tax (Net of Provision)	55.91	54.52
Fringe Benefit Tax (Net of Provision)	-	3.14
Other Deposits	36.91	36.25
Total	157.43	375.42

In respect of loans to subsidiary Chembond Inver Coatings Ltd., Please refer Note No. 35c.

Notes on Financial Statements for the year ended 31st March, 2014

	As at 31/3/2014 (₹ in lakhs)	As at 31/3/2013 (₹ in lakhs)
14 Current Investments		
Investments in Mutual Funds - Quoted		
38.54 (36.01) Units of Reliance Mutual Fund	0.59	0.55
Liquid Fund Treasury Plan- Daily Dividend Reinvestment Plan (Additional units have been received on account of dividend)		
	<u>0.59</u>	<u>0.55</u>
15 Inventories		
Stock-in-trade: (As per inventory taken, valued and certified by the Management)		
Raw Material (at cost)	1,548.50	1,557.17
Packing Material (at cost)	120.34	104.58
Finished Goods (at cost)	584.08	565.75
Stock-in-Trade (at cost)	322.11	229.69
Stock in Transit	7.54	17.71
Total	<u>2,582.57</u>	<u>2,474.90</u>
16 Trade Receivables		
(Unsecured)		
<u>Outstanding for more than Six Months</u>		
Considered Doubtful	57.79	56.26
Considered Good	675.20	628.30
	<u>732.99</u>	<u>684.56</u>
<u>Other Debts (Considered Good)</u>	<u>3,115.51</u>	<u>2,205.45</u>
	<u>3,848.50</u>	<u>2,890.01</u>
Less : Provision for Doubtful Debts	57.79	56.26
Total	<u>3,790.71</u>	<u>2,833.75</u>
a For Related party transactions Refer Note No.35		
b In respect of dues from subsidiaries - Chembond Clean Water Technologies Limited and Chembond Inver Coatings Limited and Associate - Chembond Distribution Limited, Please refer Note No. 35c		
17 Cash and Cash Equivalents		
Cash on hand	3.10	1.89
Bank balance		
In Current Accounts	119.64	61.53
Other Bank balances*	54.57	49.84
Total	<u>177.31</u>	<u>113.26</u>
* Other Bank Balance include deposits of ₹ 0.50 lakhs (previous year ₹6.77 lakhs) with maturity of more than 12 months.		
18 Short Term Loans and Advances		
(Unsecured & considered good & subject to confirmation)		
Other Loans & Advances	22.15	55.49
Deposit - Excise	131.43	104.98
Other Deposits	29.41	32.94
Prepaid Expenses	38.89	32.67
Total	<u>221.88</u>	<u>226.08</u>

Notes on Financial Statements for the year ended 31st March, 2014

	2013-2014 (₹ in lakhs)	2012-2013 (₹ in lakhs)		
19 Revenue from Operations				
Sales	22,494.53	19,675.44		
Less Excise Duty	2,362.80	2,228.62		
Net Sales	Total <u><u>20,131.73</u></u>	<u><u>17,446.82</u></u>		
20 Other Income				
Dividend from Subsidiary Company - Chembond Ashland Water Technologies Ltd.	192.50	151.25		
Dividend from Joint Venture Company - Henkel Chembond Surface Technologies Ltd.	-	220.50		
Dividend from Mutual Funds	0.04	0.04		
	192.54	371.79		
Gross Interest {(TDS ₹ 4.86 lakhs) (₹ 2.54 lakhs)}	52.16	26.54		
Gross Rental Income {(TDS ₹ 1.72 lakhs) (₹ 1.21 lakhs)}	29.91	16.00		
Services Charges from Related Parties	174.85	189.00		
Miscellaneous Income	13.68	2.85		
Unpaid Bonus of Earlier years Written back	-	7.17		
Technical Services Income	49.47	54.16		
	Total <u><u>512.61</u></u>	<u><u>667.51</u></u>		
21 Cost of Materials Consumed				
Raw Materials				
Acids	1,952.77	1,628.98		
Oil & Solvent, Alkalies	1,523.23	1,196.89		
Others	11,134.08	9,946.38		
	14,610.08	12,772.25		
Packing Material	1,375.33	1,085.87		
	Total <u><u>15,985.41</u></u>	<u><u>13,858.12</u></u>		
Break-up of Raw Material Consumed	2013-2014 (₹ in lakhs)	% of consumption	2012-2013 (₹ in lakhs)	% of consumption
Imported	2,393.49	16.48	1,800.14	14.09
Indigenous	12,216.59	83.62	10,972.11	85.91
	<u><u>14,610.08</u></u>	<u><u>100.00</u></u>	<u><u>12,722.25</u></u>	<u><u>100.00</u></u>
22 Changes in Inventory of Finished Goods, Work in Progress and Traded Goods				
Finished products/ Stock in Trade (At Close)			906.18	795.44
Finished products/ Stock in Trade (At commencement)			795.44	676.40
			Total <u><u>(110.74)</u></u>	<u><u>(119.04)</u></u>

Notes on Financial Statements for the year ended 31st March, 2014

	2013-2014 (₹ In lakhs)	2012-2013 (₹ In lakhs)
23 Employee Benefit Expenses		
Director Remuneration	67.41	81.94
Salaries & Wages	1,327.76	1,041.29
Employee ESOP compensation	6.10	9.99
Contribution to Provident & other funds	80.41	81.29
Staff Welfare Expenses	68.24	63.81
Total	1,549.92	1,278.32

a For Related party transaction Refer Note No.35

b The Company's obligation towards the Gratuity Fund is a Defined Benefit Plan. Details of Actuarial Valuation are as follows:

Projected Benefit Obligation at the beginning of the year	161.52	138.69
Service Cost	13.10	12.03
Interest Cost	13.33	12.14
Actuarial Losses/(Gains)	(2.70)	6.27
Benefits paid	(4.38)	(7.61)
Projected Benefit Obligation at the end of the year	180.87	161.52
Change in Plan Assets		
Fair Value of plan assets at the beginning of the year	80.49	60.47
Expected Returns on Plan assets	7.09	5.34
Employer's Contribution	15.81	22.29
Benefits paid	(4.38)	(7.61)
Actuarial Gain/(Loss)	-	-
Fair Value of plan assets at the end of the year	99.01	80.49
Cost of Defined Benefit Plan for the year		
Current Service Cost	13.10	12.03
Interest on Obligation	13.33	12.14
Expected Return on Plan Assets	(7.09)	(5.34)
Net Actuarial Losses/(Gains) recognised in the year	(2.70)	6.27
Net Cost recognised in the Profit & Loss Account	16.64	25.10
Assumptions		
Discount Rate	8.75%	8.75%
Future Salary Increase	5%	5%
Withdrawal Rates	1%	1%

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

24 Finance Cost		
Interest Expenses	277.57	261.80
Bank Guarantee fees & charges	26.63	29.90
Total	304.20	291.70

Notes on Financial Statements for the year ended 31st March, 2014

	2013-2014 (₹ In lakhs)	2012-2013 (₹ In lakhs)
25 Depreciation & Amortisation Expenses		
Depreciation & Amortisation Expenses	192.13	181.95
	<u>192.13</u>	<u>181.95</u>
26 Other Expenses		
Manufacturing Expenses		
Consumable stores	30.26	29.11
Octroi	4.15	3.71
Power, Fuel & Water Charges	80.60	82.10
Research and Development	54.90	76.32
Repairs and Renewals to Plant & Machinery	8.95	11.76
Godown Rent	25.55	28.27
Labour Charges	221.63	176.49
Security Expenses	48.93	35.30
Factory Maintenance	43.30	41.10
Technical Service Charges	-	0.45
Profit Transferred to JV on PTC Business (see note 'a' below)	119.81	87.89
Profit Transferred to Subsidiary on WTC Business (see note 'b' below)	71.30	58.64
Profit Transferred to Associate on Enzymes Business (see note 'c' below)	8.32	8.55
Profit Transferred to Subsidiary on Industrial Coatings Business (see note 'd' below)	7.79	7.02
Compensation Expenses (see note 'e' below)	43.94	-
	<u>769.43</u>	<u>646.71</u>
Administrative Expenses		
Directors' Sitting Fees	11.25	16.00
Rates & Taxes	12.56	12.40
Electricity charges	37.73	42.55
Printing and stationary	19.15	20.26
Telephone & Postage Expenses	45.65	47.38
Insurance	16.26	15.07
Motor car Expenses	40.56	28.81
Auditors Remuneration	3.37	5.08
Legal, Professional & Consultancy fees	89.73	61.44
Repairs & Maintenance Buildings	1.45	2.56
Repairs & Maintenance Others	102.63	108.70
Miscellaneous Expenses	51.84	55.52
Donation	0.26	0.18
Sales Tax & Other Taxes	5.50	3.44
Loss on Sale of Fixed Asset	2.54	6.18
Provision for Doubtful Debts	1.53	30.22
Input Service Tax Disallowed	13.16	17.86
Foreign Exchange Fluctuation Loss	13.20	(19.54)
Bad Debts Written Off	50.30	10.00
	<u>518.67</u>	<u>464.11</u>
	A	
	B	

Notes on Financial Statements for the year ended 31st March, 2014

	2013-2014 (₹ in lakhs)	2012-2013 (₹ in lakhs)
Selling and Distribution Expenses		
Carriage outwards	190.68	140.66
Rent	23.33	27.24
Commission on sales	38.34	37.69
Travelling Expenses	154.23	125.71
Conveyance Expenses	54.25	42.54
Royalty Expense	39.02	35.94
Advertising & Publicity Expenses	31.18	24.94
Packing Expenses	4.75	4.37
Sales Promotion Expenses	65.86	63.79
	C	
	601.64	502.88
	(A+B+C)	1,613.70
Less :Reimbursement of Expenses	302.22	254.55
	Total	1,359.15

- a As per the terms of the Joint Venture agreement with Henkel KGaA Germany. The Pre Treatment Chemicals (PTC) business of Chembond Chemicals Ltd. has been merged with the joint venture Henkel Chembond Surface Technologies Ltd "Profit transferred to JV on PTC Business" aggregating ₹119.81 lakhs (Previous year 87.89 lakhs) 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. "Profit Transferred to Subsidiary on WTC Business" aggregating ₹71.30 lakhs (Previous year ₹58.64 lakhs) 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 Bioengineering Co. Ltd.,(100% Subsidiary of Chembond Ezyme Company Ltd.) "Profit Transferred to Associate on Enzymes Business" aggregating ₹8.32 lakhs (Previous year 8.55 lakhs) included in manufacturing expenses represents transfer by overriding title to Chembond Bioengineering Co. Ltd. the income arising on account of the said Enzyme Chemical business that arose in Chembond Chemicals Ltd.
- d As per the terms of agreement the Industiral Coating business of Chembond Chemicals Ltd. has been merged with the new company Chembond Inver Coatings Ltd. "Profit Transferred to Subsidiary on Industrial Coatings Buisness" aggregating ₹7.79 lakhs (Previous year ₹7.02 lakhs) included in manufacturing expenses represents transfer by overriding title to Chembond Inver Coatings Co Ltd. the income arising on account of the said Industrial Coating business that arose in Chembond Chemicals Ltd.
- e Compensation Expenses represents amount payable to related party Protochem Industries Pvt. Ltd. on account of their Proprietary products being manufactured & sold by Chembond Chemicals Limited.

f **Auditor's Remuneration consists of:**

	2013-2014 (₹ in lakhs)	2012-2013 (₹ in lakhs)
Statutory Audit Fees	1.85	1.85
Tax Audit Fees	0.90	0.70
Taxation and Other Matters	0.62	2.53
	Total	5.08

Notes on Financial Statements for the year ended 31st March, 2014

g Lease

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

	Total Minimum Lease Payment Outstanding as on 31/03/2014 (₹ in lakhs)	Total Minimum Lease Payment Outstanding as on 31/03/2013 (₹ in lakhs)
Due within one year	59.52	47.38
Due later than one year and not later than five years	47.92	3.51
Due later than five years	-	-
Lease payments recognised in the Statement of Profit & Loss	48.89	55.51

27 Earnings Per Share

	2013-2014	2012-2013
Net Profit available to Equity Shareholders (₹ In Lakhs)	392.43	347.76
Total number of Equity Shares (Face value of ₹ 10 each fully paid up)	6,660,412	6,660,412
Weighted No. of Equity Shares	6,660,412	6,366,165
Basic Earnings per Share (in ₹)	5.89	5.46
Diluted No. of Equity Shares	6,859,141	6,389,444
Diluted Earnings per Share (in ₹)	5.72	5.44

28 During the year Company has commenced the manufacturing facilities at its Ranipet Plant for Manufacture of Speciality Chemicals.

29 Value of Imports Calculated on CIF Basis

	2013-2014 (₹ in lakhs)	2012-2013 (₹ in lakhs)
Raw Materials and Finished Goods	2,999.55	2,666.32
Total	2,999.55	2,666.32

30 Expenditure in Foreign Currency

	2013-2014	2012-2013
Professional Fees	8.17	23.30
Travelling	0.25	3.85
Total	8.42	27.15

31 Earnings in Foreign Exchange

	2013-2014	2012-2013
Export of Goods on FOB Basis	456.85	455.82
Total	456.85	455.82

32 Remittance in Foreign Currency

FINAL DIVIDEND

	2013-2014	2011-2012
No. of Shareholder	1	1
No. of Shares held	72,800	72,800
Dividend Remitted - ₹ in Lakhs	2.07	1.71
Year to which it relates	2012-2013	2011-2012

Notes on Financial Statements for the year ended 31st March, 2014

33 Segment Reporting

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 Accountants of India is not applicable.

34 Employee Stock Option Plan

a) Employee Stock Option Plan

The Board at its meeting held on 30th July, 2011, approved an issue of Stock Options up to a maximum of 5% of the issued Equity Capital of the Company aggregating to 3,18,000 Equity Shares in a manner provided in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 subject to the approval of the shareholders under Section 81(1A) of the Companies Act, 1956. The Shareholders of the Company at the Annual General Meeting held on September 10, 2011 approved the aforesaid issue of 3,18,000 Equity Shares of the Company under one or more Employee Stock Option Scheme(s). The Compensation & Nomination Committee has approved the following grants to a list of senior level executives of the Company and some of its Subsidiaries in accordance with the Chembond Chemicals Employees' Stock Option Plan, 2012.

Date of Grant	Exercise Price	Options Granted	Vesting Commences On	Options					Basis of Vesting
				To be vested	Lapsed	Exercisesd	Vested	Yet to Vest	
8-Sep-2012	153	2,32,781	8-Sep-2013	40,525	5,720	NIL	34,805	NIL	Time Based
			1-Oct-2014	50,187	7,281	NA	NIL	42,906	Performance Based
			1-Oct-2015	59,850	8,845	NA	NIL	51,005	Performance Based
			1-Oct-2016	82,219	12,206	NA	NIL	70,013	Performance Based
		2,32,781		2,32,781	34,052		34,805	1,63,924	

Out of the above option granted 34,052 options has been lapsed due to resignation of the Employees.

The fair value of options used to compute Proforma net profit and earnings per Equity Share have been estimated on the date of the grant using Black-Scholes model by an independent Consultant.

The key assumptions used in Black-Scholes model for calculating fair value as on the date of the grant are:

Date of Grant	8-Sep-2012
Risk Free Interest Rate	8.25%
Expected Life	3.34 years
Expected Volatility	42%
Dividend Yield	1.38%
Price of underlying Shares in the Market at the time of the Option Grant	170
Fair Value of the Option	68

35 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 & Chembond Clean Water Technologies Ltd.(formerly H2O Innovation India Ltd), Chembond Inver Coatings Ltd.

ii. Joint Venture:

Henkel Chembond Surface Technologies Ltd.

Notes on Financial Statements for the year ended 31st March, 2014

iii Associates:

Chembond Distribution Ltd., Chembond Enzyme Company Ltd.& Chembond Bioengineering Company Ltd.
(Subsidiary of Associate)

iv. Key Management Personnel and their Relative (KMP) :

Sameer V. Shah, Nirmal V. Shah, Ashwin R. Nagarwadia, Perviz H. Dastur, Bhadrash D. Shah, O.P. Malhotra, Jayantilal S. Vasani

Relatives :

Dr. Vinod D. Shah, Padma V. Shah, Gulu P. Dastur, Dr. Shilpa S. Shah, Mamta N. Shah, Alpana S. Shah, Jyoti N. Mehta, Zarna K. Shah, Amrita S. Shah, Mallika S. 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., GTK Intermediates Pvt. Ltd., Bentec Organo Clays Pvt. Ltd. & Visan Holdings and Financial Services Pvt Ltd.

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

(₹ in lakhs)

For the year ended / as on Description of the nature of transactions	2013-14					2012-13				
	Subsidiary	Joint Venture	Associates	KMP	Total	Subsidiary	Joint Venture	Associates	KMP	Total
Sales of Goods	3,467.22	10,390.93	93.82	10.90	13,962.87	2,876.82	9,083.84	249.09	15.37	12,225.12
Chembond Ashland Water Technologies Ltd	3,333.30				3,333.30	2783.57				2,783.57
Protochem Industries Pvt Ltd	132.22				132.22	85.77				85.77
Chembond Clean Water Technologies Ltd						7.48				7.48
Chembond Inver Coatings Ltd	1.70				1.70					
Henkel Chembond Surface Technologies Ltd		10,390.93			10,390.93		9,083.84			9,083.84
Chembond Enzyme Co.Ltd										
Chembond Distribution Ltd			93.82		93.82			249.09		249.09
Finor Piplaj Chemicals Ltd.				10.57	10.57				15.12	15.12
GTK Intermediates Pvt. Ltd.				0.33	0.33				0.25	0.25
Purchase of Goods	227.73	811.16	28.39	894.59	1,961.87	130.22	711.24		615.65	1457.11
Chembond Ashland Water Technologies Ltd	17.82				17.82	4.15				4.15
Protochem Industries Pvt Ltd	209.68				209.68	126.07				126.07
Chembond Clean Water Technologies Ltd	0.23				0.23					
Henkel Chembond Surface Technologies Ltd		811.16			811.16		711.24			711.24
Chembond Distribution Ltd			28.39		28.39					
Finor Piplaj Chemicals Ltd.				796.17	796.17				554.50	554.50
GTK Intermediates Pvt. Ltd.				94.31	94.31				56.48	56.48
Bentec Organo Clays Pvt. Ltd.				4.11	4.11				4.67	4.67
Purchase of Fixed Assets				2.44	2.44	0.36	4.70			5.06
Henkel Chembond Surface Technologies Ltd							4.70			4.70
Chembond Clean Water Technologies Ltd						0.36				0.36
CCL Opto Electronics Pvt Ltd				2.44	2.44					
Reimbursement of Expenses	302.22				302.22	254.55				254.55
Chembond Ashland Water Technologies Ltd	302.22				302.22	254.55				254.55
Rent Income	17.37	11.34	0.48	0.72	29.91	5.40	5.40	0.48	0.72	12.00
Chembond Ashland Water Technologies Ltd	2.10				2.10	2.10				2.10
Chembond Clean Water Technologies Ltd	3.30				3.30	3.30				3.30
Chembond Inver Coatings Ltd	11.97				11.97					
Henkel Chembond Surface Technologies Ltd		11.34			11.34		5.40			5.40
Chembond Enzyme Co.Ltd			0.24		0.24			0.24		0.24
Chembond Distribution Ltd			0.24		0.24			0.24		0.24
Finor Piplaj Chemicals Ltd				0.72	0.72				0.72	0.72

Notes on Financial Statements for the year ended 31st March, 2014

(₹ in lakhs)

For the year ended / as on Description of the nature of transactions	2013-14					2012-13				
	Subsidiary	Joint Venture	Associates	KMP	Total	Subsidiary	Joint Venture	Associates	KMP	Total
Service Charges	18.98	155.87			174.85	59.46	129.54			189.00
Chembond Clean Water Technologies Ltd	18.98				18.98	59.46				59.46
Henkel Chembond Surface Technologies Ltd		155.87			155.87		129.54			129.54
Interest Income	44.01				44.01	20.74				20.74
Chembond Clean Water Technologies Ltd	37.50				37.50	15.64				15.64
Chembond Inver Coatings Ltd	6.51				6.51	5.10				5.10
Dividend Income	192.50				192.50	151.25	220.50			371.75
Chembond Ashland Water Technologies Ltd	192.50				192.50	151.25				151.25
Henkel Chembond Surface Technologies Ltd							220.50			220.50
Interest Expense			8.60	85.29	93.89			6.31	61.66	67.97
Chembond Enzyme Co. Ltd			8.60		8.60			6.31		6.31
Dr. Vinod D. Shah				12.10	12.10				13.97	13.97
Padma V. Shah				7.12	7.12				5.31	5.31
O. P. Malhotra				1.88	1.88				0.81	0.81
Zarna K. Shah				0.13	0.13				0.13	0.13
Nirmal V. Shah				1.64	1.64				2.17	2.17
Jyoti N. Mehta									0.01	0.01
Alpana S. Shah				0.01	0.01				0.01	0.01
Jayantilal S. Vasani				1.00	1.00				1.00	1.00
Ashwin R. Nagarwadia				18.71	18.71				15.30	15.30
Perviz H. Dastur				12.50	12.50				9.26	9.26
Gulu P. Dastur				24.20	24.20				13.59	13.59
Dr. Shilpa S. Shah									0.10	0.10
Amrita S. Shah				0.28	0.28					
Mallika S. Shah				1.03	1.03					
Bhadresh D. Shah				0.29	0.29					
CCL Optoelectronics Pvt Ltd				4.40	4.40					
Rental Expenses		8.88		1.00	9.88		8.88			8.88
Henkel Chembond Surface Technologies Ltd		8.88			8.88		8.88			8.88
Finor Piplaj Chemicals Ltd				1.00	1.00					
Director Remunration				66.66	66.66				84.58	84.58
Dr. Vinod D. Shah									24.58	24.58
Sameer V. Shah				34.00	34.00				3	3
Nirmal V. Shah				32.66	32.66				3	3
Director Sitting Fees				12.60	12.60				16.00	16.00
Ashwin R. Nagarwadia				2.20	2.20				6.00	6.00
Perviz H. Dastur				2.00	2.00				2.00	2.00
Mahendra K. Ghelani				2.80	2.80				3.00	3.00
Jayantilal S. Vasani				1.40	1.40				1.00	1.00
Jawahar I. Mehta				1.20	1.20				1.00	1.00
O. P. Malhotra				1.00	1.00				1.00	1.00
Sushil U. Lakhani				2.00	2.00				2.00	2.00
Commission to Directors				4.00	4.00					
Ashwin R. Nagarwadia				3.80	3.80					
Mahendra K. Ghelani				0.20	0.20					
Retirement Benefits				3	3				16.83	16.83
Dr. Vinod D. Shah				3	3				16.83	16.83
Salaries				18.55	18.55				16.44	16.44
Bhadresh D. Shah				18.55	18.55				16.44	16.44

Notes on Financial Statements for the year ended 31st March, 2014

(₹ in lakhs)

For the year ended / as on Description of the nature of transactions	2013-14					2012-13				
	Subsidiary	Joint Venture	Associates	KMP	Total	Subsidiary	Joint Venture	Associates	KMP	Total
WTC/PTC/Enzyme/ Industrial Coatings/ Compensation Expenses	123.03	119.81	8.32		251.16	65.66	87.89	8.55		162.10
Chembond Ashland Water Technologies Ltd	71.30				71.30	58.64				58.64
Protochem Industries Pvt Ltd	43.94				43.94					
Henkel Chembond Surface Technologies Ltd		119.81			119.81		87.89			87.89
Chembond Enzyme Co Ltd			8.32		8.32			8.55		8.55
Chembond Inver Coatings Ltd	7.79				7.79	7.02				7.02
Royalty				39.02	39.02				35.94	35.94
S and N Ventures Ltd				39.02	39.02				35.94	35.94
Balance at the end of the year										
A. Loans taken			70.50	812.26	882.76			50.50	533.17	583.67
Chembond Enzyme Co Ltd			70.50		70.50			50.50		50.50
Dr. Vinod D. Shah				175.50	175.50				35.50	35.50
Padma V. Shah				72.50	72.50				42.50	42.50
Zarna B. Shah				1.00	1.00				1.00	1.00
Nirmal V. Shah				13.13	13.13				13.13	13.13
Jyoti N. Mehta				0.03	0.03				0.03	0.03
Alpana S. Shah				0.10	0.10				0.10	0.10
Jayantilal S. Vasani				8.00	8.00				8.00	8.00
Ashwin R. Nagarwadia				15	15				137.91	137.91
Perviz H. Dastur				10	10				10	10
Gulu P. Dastur				20	20				18	18
O. P. Malhotra				15.00	15.00				15.00	15.00
Amrita S. Shah				2	2					
Mallika S. Shah				35.00	35.00					
Bhadresh D. Shah				4.00	4.00					
CCL Optoelectronics Pvt Ltd				18.00	18.00					
B. Loans Given	64.61				64.61	281.51				281.51
Chembond Clean Water Technologies Ltd						202.76				202.76
Chembond Inver Coatings Ltd	64.61				64.61	78.75				78.75
C. Sundry Debtors	648.73	193.52	266.48		1,108.73	175.37	242.56	310.52		728.44
Chembond Ashland Water Technologies	503.76				503.76	12.67				12.67
Protochem Industries Pvt Ltd						27.41				27.41
Chembond Clean Water Technologies Ltd	105.42				105.42	83.44				83.44
Chembond Inver Coatings Ltd	39.55				39.55	51.84				51.84
Henkel Chembond Surface Technologies Ltd		193.52			193.52		242.56			242.56
Chembond Distribution Ltd			266.48		266.48			310.52		310.52
D. Sundry Creditors	50.52		26.89	196.13	273.54			225.93		225.93
Protochem Industries Pvt Ltd	50.52				50.52					
Chembond Enzyme Company Ltd			7.86		7.86			7.86		7.86
Chembond Bioengineering Company Ltd			19.03		19.03			10.71		10.71
S and N Ventures Ltd				3.94	3.94			45.10		45.10
Finor Piplaj Chemicals Ltd				192.19	192.19			162.26		162.26
E. Investments	1,888.40	49.00	72.50		2,009.90	1375.34	49.00	72.50		1,496.84
Chembond Ashland Water Technologies Ltd	160.30				160.30	160.30				160.30
Protochem Industries Pvt Ltd	1,052.25				1,052.25	1,052.25				1,052.25
Chembond Clean Water Technologies Ltd	580.85				580.85	157.79				157.79
Chembond Inver Coatings Ltd	95.00				95.00	5.00				5.00
Henkel Chembond Surface Technologies Ltd		49.00			49.00		49.00			49.00
Chembond Distribution Ltd			23.50		23.50			23.50		23.50
Chembond Enzyme Company Ltd			49.00		49.00			49.00		49.00

Notes on Financial Statements for the year ended 31st March, 2014

- c) In respect of the Company's subsidiaries – Chembond Clean Water Technologies Ltd. (CCWTL) and Chembond Inver Coatings Limited (CICL) and Associate – Chembond Distribution Limited (CDL), the Company has investments in, loans & advances to and trade receivables as follows:

Particulars	(₹ in lakhs)		
	CCWTL	CDL	CICL
Investments in	580.85	23.50	95.00
Loans & Advances to	-	-	64.61
Trade Receivables from	105.42	266.48	39.55

The net worth of these subsidiaries/associate has eroded. The Company has not made provisions for the above, as the investments are long term and, in the opinion of the Management, the losses are temporary in nature.

36 Information on Joint Ventures

Henkel Chembond Surface Technologies Ltd.
(on the basis of Audited Financial Statements)

- a Jointly Controlled Entity - Henkel Chembond Surface Technologies Ltd
Country of Incorporation - India
Percentage of ownership interest - 49%
- b Interest in the assets, liabilities, income and expenses with respect to jointly controlled enterprises

	As at 31/3/2014 (₹ in lakhs) Audited	As at 31/3/2013 (₹ In lakhs) Audited
A. Assets:		
Fixed Assets		
Tangible Assets	541.80	548.73
Intangible Assets	26.81	15.30
Capital Work-in-Progress	161.27	154.69
Non Current Investments	0.25	0.25
Long Term Loans & Advances	22.92	5.50
Current Assets		
Current Investment	-	8.32
Inventories	628.15	539.35
Trade Receivables	2,287.99	2,165.45
Cash and Bank Balances	59.33	160.55
Short Term Loans and Advances	609.41	372.70
B. Liabilities:		
Deferred tax liabilities (Net)	24.75	31.82
Long-term provisions	-	8.47
Current Liabilities		
Borrowings	397.62	146.11
Trade payables	625.83	964.25
Other Current Liabilities	287.25	261.75
C. Income	8,368.98	8,397.05
D. Expenses	7,724.52	7,544.50
E. Tax	203.88	281.02

Notes on Financial Statements for the year ended 31st March, 2014

37 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 Company 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.

38 Contingent Liabilities not provided for are in respect of :

	As at 31/3/2014 (₹ in lakhs)	As at 31/3/2013 (₹ in lakhs)
a. Sales Tax matter under Appeal	1,925.73	-
b. Outstanding LC & Bank Guarantees issued by Bankers.	215.64	67.48
c. Corporate Guarantee given to Bank of India by the company on behalf of Subsidiaries Chembond Ashland Water Technologies Ltd. & Chembond Clean Water Technologies Ltd.	900.00	900.00
d. Income Tax matter under appeal	-	1.35
e. Balance Payment for Capital Commitments	-	52.40
f. Claim against the Company not acknowledged as debts	9.60	9.60

39 Derivative Instruments

a The Company has entered into forward contracts to hedge the foreign currency risks arising from amounts designated in foreign currency. The counter party to such forward contract is a bank. Forward contracts outstanding at the year end are:

Currency	Exposure to buy/sell	As at 31/3/2014 (in lakhs)		As at 31/3/2013 (in lakhs)	
		Foreign Currency	Indian Currency	Foreign Currency	Indian Currency
US Dollars	Buy	3.11	192.88	1.24	67.36

b Foreign Currency Exposures at the year end not hedged by derivative instruments:

US Dollars	Buy	8.99	540.23	1.27	186.12
Euro	Buy	1.53	126.09	0.74	51.47
US Dollars	Sell	1.92	115.59	1.69	91.27

40 The previous year figures have been regrouped, reallocated or reclassified wherever necessary to conform to current year classification and presentation.

As per our attached report of even date

For **M/s Kastury & Talati**

Chartered Accountants

Dhiren P. Talati

Partner

Membership No. F/41867

Mumbai, 24th May, 2014

On behalf of the Board of Directors

Sameer V. Shah

Chairman & Managing Director

Sushil U. Lakhani

Director

Mumbai, 24th May, 2014

Nirmal V. Shah

Vice Chairman & Managing Director

Omkar Mhamunkar

Company Secretary

Statement Pursuant to Section 212 of the Companies Act, 1956, relating to Company's interest in subsidiary companies for the Financial Year 2013-14

	Name of Subsidiary Company	Chembond Ashland Water Technologies Limited	Protochem Industries Private Limited	Chembond Clean Water Technologies Limited	Chembond Inver Coatings Limited	
1	The Financial Year of the Subsidiary Company ended on.	31st March, 2014	31st March, 2014	31st March, 2014	31st March, 2014	
2	Date from which it became Subsidiary Company.	6th April, 2001	30th April, 2009	17th April, 2010	1st July, 2011	
3	a	Number of shares held by Chembond Chemicals Limited with its nominees in the subsidiary at the end of the financial year of the Subsidiary Company.	2,75,000	10,00,000	58,08,495	9,50,000
	b	Extent of Interest of holding Company at the end of the financial year of the Subsidiary Company.	55%	100%	70.17%	100%
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, 2014 (₹ in Lacs)	413.83	(158.91)	(181.59)	(64.42)	
	ii) For the previous Financial years of the Subsidiary Company since it became the Holding Company's subsidiary. (₹ in Lacs)	1641.6	356.14	(459.12)	(60.51)	
	b. Dealt with in Holding Company's accounts:					
	i) For the financial year ended 31st March, 2014	NIL	NIL	NIL	NIL	
	ii) For the previous Financial years of the Subsidiary Company since it became the Holding Company's Subsidiary.	NIL	NIL	NIL	NIL	

Sameer V. Shah
Chairman & Managing Director

Nirmal V. Shah
Vice Chairman & Managing Director

Sushil U. Lakhani
Director

Omkar Mhamunkar
Company Secretary

Mumbai, 24th May 2014

Details of Chembond Ashland Water Technologies Limited (CAWTL), Protochem Industries Private Limited (PIPL), Chembond Clean Water Technologies Limited (CCWTL) & Chembond Inver Coatings Limited (CICL) 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 Lakhs)

Particulars	Chembond Ashland Water Technologies Limited	Protochem Industries Private Limited	Chembond Clean Water Technologies Limited	Chembond Inver Coatings Limited
Capital	50.00	100.00	827.81	95.00
Reserves	2423.29	535.76	(899.02)	(124.92)
Total Assets	4245.72	961.75	301.76	78.77
Total Liabilities	4245.72	961.75	301.76	78.77
Turnover/Total Income	7446.96	562.23	337.48	10.42
Profit/(Loss) Before Taxation	1117.08	(149.44)	(260.26)	(60.94)
Provision for Taxation	364.67	9.47	(1.47)	3.47
Profit/(Loss) After Taxation	752.41	(158.91)	(258.79)	(64.42)
Proposed Dividend	375	-	-	-

Independent Auditor's Report

To the Board of Directors

Chembond Chemicals Limited

1. Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Chembond Chemicals Limited ("the Company"), its subsidiaries, its joint venture and its associates (including their subsidiary) collectively referred to as "Chembond Group" which comprise the consolidated Balance Sheet as at March 31, 2014, the consolidated Statement of Profit and Loss and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

2. Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on consideration of the reports of the other auditor on the financial statements of the subsidiaries, joint venture and associates as noted below, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- i. in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2014;
- ii. in the case of the consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and
- iii. in the case of the consolidated Cash Flow Statement, of the Cash flows of the Group for the year ended on that date.

5. Emphasis of Matter

Reference is invited to Note No 17b of the Notes on Consolidated Financial Statements. The parent Company has debts due from its Associate. The net worth of this Associate has eroded. Provision has not been made in this respect as the investment is long term and, in the opinion of the Management, the losses are temporary in nature.

6. Other Matters

- i. We did not audit the financial statements of three Subsidiaries. These financial statements and other financial information have been audited by another auditor whose reports 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 these three Subsidiaries reflect total assets of ₹ 5,509.22 lakhs as at 31st March 2014, total revenues of ₹ 8,346.67 lakhs and net cash flows of ₹ (80.38) lakhs for the year ended on that date.
- ii. The Financial Statements of one subsidiary which reflect total assets of ₹ 78.77 lakhs as at 31st March 2014, total revenues of ₹ 10.42 lakhs and net cash flows of ₹ (4.54) lakhs for the year ended on that date, have been audited by us.
- iii. The Financial Statements of the Joint Venture Company which reflect total assets of ₹ 8852.93 lakhs as at 31st March 2014, total revenues of ₹ 17079.55 lakhs and net cash flows of ₹ (206.58) lakhs for the year ended on that date, have been audited by us.
- iv. The Financial Statement of the Associates (including its Subsidiary) for the year ended 31st March, 2014 has been audited by another auditor whose report has been furnished to us.

For M/s Kastury & Talati
Chartered Accountants
Firm's Registration No:104908W

Place: Mumbai.
Date: 24th May, 2014

Dhiren P. Talati: Partner
Membership No: F41867

Consolidated Balance Sheet

	Notes	As at 31/3/2014 (₹ in lakhs)	As at 31/3/2013 (₹ in lakhs)
Equity and Liabilities			
Shareholders' Funds			
Share Capital	2	666.04	666.04
Reserves and Surplus	3	7,961.36	7,478.86
Minority Interest	4	1,260.50	967.21
		9,887.90	9,112.11
Non-Current Liabilities			
Long-Term borrowings	5	969.32	894.29
Deferred Tax Liabilities (Net)	6	326.49	346.01
Long-Term Provisions	7	98.62	126.89
		1,394.43	1,367.19
Current Liabilities			
Short-Term Borrowings	8	2,104.55	1,873.80
Trade Payables	9	5,319.82	4,427.41
Other Current Liabilities	10	1,328.32	1,068.14
Short-term Provisions	11	482.41	465.33
		9,235.10	7,834.68
	Total	20,517.43	18,313.98
Assets			
Non-Current Assets			
Fixed Assets			
Tangible Assets	12	4,610.86	4,140.96
Intangible Assets	12	750.56	578.94
Capital Work-in-Progress	12	311.60	472.52
		5,673.02	5,192.42
Non Current Investments	13	56.50	50.29
Long Term Loans & Advances	14	362.66	378.62
		419.16	428.91
Current Assets			
Current Investment	15	0.59	8.87
Inventories	16	3,476.75	3,275.81
Trade Receivables	17	8,680.64	7,169.87
Cash and Bank Balances	18	1,262.96	1,304.87
Short Term Loans and Advances	19	1,004.31	933.23
		14,425.25	12,692.65
	Total	20,517.43	18,313.98
Significant Accounting Policies and Notes on Financial Statements	1-36		

As per our attached report of even date

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

Dhiren P. Talati

Partner
Membership No. F/41867
Mumbai, 24th May 2014

On behalf of the Board of Directors

Sameer V. Shah

Chairman & Managing Director

Sushil U. Lakhani

Director
Mumbai, 24th May 2014

Nirmal V. Shah

Vice Chairman & Managing Director

Omkar Mhamunkar

Company Secretary

Consolidated Statement of Profit and Loss

	Notes	2013-2014 (₹ in lakhs)	2012-2013 (₹ in lakhs)
Income			
Revenue from Operations	20	27,037.62	26,231.75
Other Income	21	529.11	495.21
Total Revenue		27,566.73	26,726.96
Expenditure			
Cost of materials consumed	22	16,778.14	16,215.60
Purchases of stock-in-trade		725.10	844.66
Changes in inventories of finished goods, work-in-progress and traded goods	23	(293.35)	(27.47)
Employee Benefits Expense	24	3,574.69	3,084.73
Finance Costs	25	402.88	451.71
Depreciation and Amortisation Expense	26	281.39	259.38
Other Expenses	27	4,578.90	4,321.59
Total Expenses		26,047.75	25,150.20
Profit Befor Taxes		1,518.98	1,576.76
Tax Expenses			
Current Tax		626.08	612.56
Deferred Tax		(19.51)	174.01
Profit After Tax		912.41	790.19
Less: Short/(Excess) provision of Tax for earlier Years		(8.17)	1.68
Add: Income/(Expense) of Earlier Year		-	(19.11)
Less: Stock Reserve		3.73	0.59
Add : Share of Profit/(Loss) from Associate		6.20	1.10
Less: Profit transfer to Minority Interest		147.10	61.50
Profit for the Year		775.95	708.41
Earning Per Equity Share of Face Value of ₹ 10 each	28		
Basic (in ₹)		11.65	11.13
Diluted (in ₹)		11.31	11.09
Significant Accounting Policies and Notes on Financial Statements	1-36		

As per our attached report of even date
For **M/s Kastury & Talati**
Chartered Accountants

Dhiren P. Talati
Partner
Membership No. F/41867
Mumbai, 24th May 2014

On behalf of the Board of Directors

Sameer V. Shah
Chairman & Managing Director

Sushil U. Lakhani
Director
Mumbai, 24th May 2014

Nirmal V. Shah
Vice Chairman & Managing Director

Omkar Mhamunkar
Company Secretary

Consolidated Cash Flow Statement

	2013 - 14 (₹ in lakhs)	2012 - 13 (₹ in lakhs)
A Cash Flow from Operating Activities		
Net Profit before tax and extraordinary items	1,518.98	1576.76
<u>Adjustments for :</u>		
Depreciation	279.50	208.04
Employee ESOP compensation	9.99	9.99
Loss on Sale of assets	18.79	3.73
Foreign Exchange Fluctuation	36.23	19.77
Finance Cost	402.88	364.08
	<u>747.39</u>	<u>605.61</u>
Operating Profit before working capital changes	2,266.37	2182.37
<u>Adjustments (incl on amalgamation) for :</u>		
Trade and Other Receivables	(1,551.71)	(1,012.30)
Inventories	(204.67)	(105.99)
Trade and Other Payables	1,048.14	231.82
	<u>(708.24)</u>	<u>(886.47)</u>
Cash generated from operations	1558.13	1295.89
Direct Taxes Paid	(591.31)	(641.19)
Net Cash from Operating Activities (A)	<u>966.82</u>	<u>654.70</u>
B Cash Flow from Investing Activities		
Purchase of Fixed Assets	(609.45)	(671.79)
Sale of Fixed Assets	1.01	13.15
Sale of Investments	8.27	-
Purchase of Investments	-	(0.64)
Net Cash used in Investing Activities (B)	<u>(600.17)</u>	<u>(659.28)</u>
C Cash Flow from Financing Activities		
Equity Contribution from minority Shareholder	95.35	51.99
Proceeds from Convertible warrant advances	-	383.93
Proceeds from Short Term Borrowings	230.74	(313.13)
Dividend paid	(406.80)	(353.60)
Proceeds from Long Term Borrowings	75.04	(176.99)
Finance Cost	(402.88)	(364.09)
Net Cash from Financing Activities (C)	<u>(408.56)</u>	<u>(771.89)</u>
Net (Decrease)/Increase in Cash & Cash Activities (A+B+C)	<u>(41.91)</u>	<u>(776.47)</u>
Cash and Bank Balances Opening	1,304.87	2,081.34
Cash and Bank Balances Closing	1,262.96	1,304.87

As per our attached report of even date

For **M/s Kastury & Talati**

Chartered Accountants

Dhiren P. Talati

Partner

Membership No. F/41867

Mumbai, 24th May 2014

On behalf of the Board of Directors

Sameer V. Shah

Chairman & Managing Director

Sushil U. Lakhani

Director

Mumbai, 24th May 2014

Nirmal V. Shah

Vice Chairman & Managing Director

Omkar Mhamunkar

Company Secretary

Notes to Consolidated Financial Statements

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	55.00%	India
B	Protochem Industries Pvt.Ltd (PIPL)	Subsidiary	100.00%	India
C	Chembond Clean Water Technologies Limited (CCWTL) (Formely H2O Innovation India Limited)	Subsidiary	70.17%	India
D	Chembond Inver Coatings Limited (CICL)	Subsidiary	100.00%	India
E	Henkel Chembond Surface Technologies Limited (HCSTL)	Joint Venture	48.99%	India
F	Chembond Distribution Limited (CDL)	Associate	47.00%	India
G	Chembond Enzyme Company Ltd.(CECL)	Associate	49.00%	India
H	Chembond Bioengineering Company Ltd. (CBCL)	Associate	100.00% Subsidiary of CECL	India

- ii) 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.
- iii) 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. Recognising 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.
- iv) 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" .
- v) 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" .
- vi) 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.
- vii) 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 on consolidation (adjusted for the effect of sale of investments) under Fixed Assets. Goodwill on consolidation is not amortised.
- viii) 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 Note No." 4" forming part of Notes on Consolidated Financial Statements.

Consolidated Notes on Financial Statements for the year ended 31st March, 2014

2 Other Significant Accounting Policies

A. System of Accounting

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

B. Fixed Assets

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

Fixed Assets in respect of the subsidiary Companies & Joint Venture 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 utilised for the purpose of the project upto the date of commencement of commercial production are capitalised 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) & Chembond Clean Water Technologies Ltd. (CCWTL) are provided on written down value method at the rates specified in Schedule XIV of the Companies Act, 1956, as amended to date.

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 the rates and in the manner specified in schedule XIV of the Companies Act, 1956 as amended to date.

F. Revenue Recognition on Sales

The Company recognises 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 capitalised 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.

Consolidated Notes on Financial Statements for the year ended 31st March, 2014

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 agreement.

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. 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.

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.
- (d) **Deferred Compensation Cost:** In respect of Stock options granted pursuant to company's employee stock option scheme, the Company determines the compensated cost based on the intrinsic value method and the compensation cost is amortised on a straight line basis over the vesting period.

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.

Consolidated Notes on Financial Statements for the year ended 31st March, 2014

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

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

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

Contingent liability is disclosed in case of

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

Contingent Assets are neither recognised, nor disclosed.

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

S. Hedge Transactions

In case of forward exchange contracts, to hedge the foreign currency risk which is on account of a firm commitment, the premium or discount arising at the inception of the contract is amortized as expense or income over the life of the contract.

2 Share Capital

	As at 31/3/2014 (₹ in lakhs)	As at 31/3/2013 (₹ in lakhs)
Authorised		
1,00,00,000 (1,00,00,000) Equity Shares of ₹10 each	1,000.00	1,000.00
Issued, Subscribed and Paid up		
66,60,412 (66,60,412) Equity Shares of ₹10 each fully paid up	666.04	666.04
Total	666.04	666.04

a Shares issued for consideration other than cash and bonus shares issued:

Out of the issued, subscribed and paid up share capital, during the last five years

- 1,90,206 (1,90,206) Equity Shares of ₹10 each have been issued for consideration other than cash.
- 31,80,206 (31,80,206) Equity Shares of ₹10 each have been issued as fully paid Bonus Shares by way of capitalisation of Reserves & Surplus.

Consolidated Notes on Financial Statements for the year ended 31st March, 2014

b Details of Shareholders holding more than 5% Shares

Name of the Shareholder	As at 31/3/2014		As at 31/3/2013	
	No of Shares	% held	No of Shares	% held
Dr. Vinod D. Shah	9,23,771	13.87%	9,22,397	13.85%
Padma V. Shah	7,47,557	11.22%	7,47,360	11.22%
Visan Holdings & Financial Services Pvt Ltd	6,12,518	9.20%	6,12,121	9.19%
Ashwin R. Nagarwadia	3,85,932	5.79%	3,85,932	5.79%
Ajay Sheth	3,88,735	5.84%	3,79,847	5.70%
Quest Investment Advisors Pvt. Ltd.	3,64,433	5.47%	3,60,233	5.41%

c Terms/Rights attached to Equity Shares

The Company has only one class of Equity Shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of Equity Shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

3 RESERVES AND SURPLUS

	As at 31/3/2014 (₹ in lakhs)	As at 31/3/2013 (₹ in lakhs)
Revaluation Reserve		
As per last year	55.93	57.82
Less : Transfer to Profit & Loss A/c.	1.89	1.89
	54.04	55.93
General Reserve		
As per last year	1,413.48	1,176.71
Add: Transfer from Profit & Loss A/c.	197.37	268.27
Less: Transfer to minority interest	36.00	31.50
	1,574.85	1,413.48
Share Premium		
As per last year	521.91	-
Add: Received on Conversion of Share Warrants	-	521.91
	521.91	521.91
Shares Options Outstanding		
Shares Option Outstanding	39.57	39.57
Less: Option Lapsed	5.79	-
Less: Deferred Compensation	17.70	29.58
	16.08	9.99
Profit and Loss Account		
As per last year	5,477.55	5,320.59
Add: Profit for the Year	775.95	708.41
Add: Transfer from Revaluation Reserve	1.89	1.89
	6,255.39	6,030.89
Less: Appropriations		
Transferred to General Reserve	197.37	268.27
Set off of Dividend Tax in respect of Dividend from Subsidiary Company	(33.96)	(32.26)
Proposed Dividend	199.81	189.82
Tax on Proposed Dividend	97.69	127.51
	5,794.48	5,477.55
Total	7,961.36	7,478.86

Consolidated Notes on Financial Statements for the year ended 31st March, 2014

4 Minority Interest

	As at 31/3/2014 (₹ in lakhs)	As at 31/3/2013 (₹ in lakhs)
Share Capital		
As per last year	174.10	122.10
Addition during the year	95.35	52.00
	269.45	174.10
General Reserve		
As per last year	218.80	187.30
Addition during the year	36.00	31.50
	254.80	218.80
<u>Profit & Loss Account</u>		
As per last year	574.31	636.56
Less : Goodwill	(172.34)	-
Less : Dividend Paid	157.50	123.75
Addition during the year	147.10	61.50
	736.25	574.31
Total	1,260.50	967.21

5 Long Term Borrowings

	As at 31/3/2014 (₹ in lakhs)		As at 31/3/2013 (₹ in lakhs)	
	Non Current	Current	Non Current	Current
Secured				
Term Loan from Banks	160.00	80.00	240.00	180.12
	160.00	80.00	240.00	180.12
Unsecured				
Loans from Related Parties	770.34	125.91	597.16	-
Loans from Others	38.98	27.50	57.13	-
	809.32	153.41	654.29	-
Total	969.32	233.41	894.29	180.12

- a Term Loan from Banks are secured by Equitable Mortgage on movable & immovable fixed assets & hypothecation of Plant & Machinery of the company .

The maturity profile of these loans are as follows:

	1-2 years	2-3 years	3-4 years
Term Loan from Banks	80.00	80.00	NIL

- b Maturity Profile of Unsecured Loans from related parties and others is as follows:

	1-2 years	2-3 years	3-4 years
Loans from Related Parties	384.13	386.21	NIL
Loans from Others	NIL	38.98	NIL

Consolidated Notes on Financial Statements for the year ended 31st March, 2014

6 Deferred Tax Liability (Net)

	As at 31/3/2014 (₹ In lakhs)	As at 31/3/2013 (₹ In lakhs)
Deferred Tax Liability		
Depreciation	454.04	402.70
MAT Credit	-	16.04
	454.04	418.74
Deferred Tax Asset		
Gratuity	25.29	32.89
MAT Credit	57.39	-
Due to disallowance of provision/ losses incurred	-	8.35
Provision for Doubtful Debts	44.87	31.49
	127.55	72.73
Net Deferred Tax Liability	Total 326.49	346.01

7 Long-term Provision

Provision for Gratuity	98.62	126.89
Total	98.62	126.89

8 Short-term Borrowings

Secured		
Over Draft Facilities	323.18	322.66
Working Capital Loan	945.96	654.18
Buyers Credit Loan	158.67	-
Unsecured		
Working Capital Loan	397.62	346.11
Buyers Credit Loan	229.12	495.85
Other loans & advances	50.00	55.00
Total	2,104.55	1,873.80

- a Overdraft Facilities are Secured against Fixed Deposit of Subsidiary Company Protochem Industries Pvt. Ltd.
- b Working Capital / Buyers Credit loan is secured by charge on current asset, Mortgage of Tangible Immovable Properties and charge on other fixed assets.

9 Trade Payables

Micro, Small and Medium Enterprises	75.66	109.77
Others	5,244.16	4,317.64
Total	5,319.82	4,427.41

For Related party transaction refer Note No.33

Consolidated Notes on Financial Statements for the year ended 31st March, 2014

10 Other Current Liabilities

	As at 31/3/2014 (₹ in lakhs)	As at 31/3/2013 (₹ in lakhs)
Current Maturities of Long Term Debt	233.41	180.12
Other Payables	972.96	805.50
Creditors for Capital Expenditure	33.11	3.92
Advance received from Debtors	85.02	75.09
Unclaimed Dividend *	3.82	3.51
Total	1,328.32	1,068.14

* Not due for Deposit to Investor Education and Protection Fund

11 Short-term Provisions

Provision for Employee Benefit expenses	148.12	186.09
Provision for Income Tax	70.75	29.94
Proposed dividend	199.81	189.82
Tax on proposed dividend	63.73	59.48
Total	482.41	465.33

12 Fixed Assets

(₹ In lakhs)

Description	Gross Block (At Cost)				Depreciation / Amortisation				Net Block	
	As at 1.04.2013	Additions	Deductions	As at 31.03.2014	As at 1.04.2013	Additions	Deductions	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Tangible Assets										
Leasehold Land	135.77	-	-	135.77	-	0.16	-	0.16	135.60	135.77
Freehold Land	83.84	-	-	83.84	-	-	-	-	83.84	83.84
Buildings	2,404.48	361.90	9.61	2,756.77	308.52	68.65	3.28	373.89	2,382.88	2,095.96
Equipment & Machinery	1,866.34	247.86	15.07	2,099.13	501.81	101.08	6.00	596.99	1,502.14	1,364.53
Computers Hardware	260.71	59.70	26.32	294.09	168.54	38.38	25.99	180.93	113.16	92.17
Furniture & Fixtures	213.88	27.64	5.13	236.39	73.72	14.41	3.49	84.64	151.75	140.16
Motor Cars	108.31	0.60	4.66	104.25	49.06	9.65	3.62	55.09	49.16	59.25
Electric Fittings & Installations	213.95	35.73	1.85	247.83	44.66	11.31	0.47	55.50	192.33	169.29
Sub- total	5,287.28	733.43	62.65	5,958.07	1,146.32	243.63	42.86	1,347.10	4,610.86	4,140.96
Intangible Assets										
Goodwill	405.44	172.34	-	577.78	-	-	-	0.00	577.78	405.44
Technical Know How	70.37	-	-	70.37	-	7.04	-	7.04	63.33	70.37
Computer Software	243.61	37.82	3.38	278.05	141.25	30.72	3.38	168.60	109.45	102.36
Sub-total	719.42	210.16	3.38	926.20	141.25	37.76	3.38	175.63	750.56	578.94
Total	6,006.70	943.59	66.02	6,884.27	1,287.57	281.39	46.23	1,522.73	5,361.52	4,725.00
Previous Year	5,226.37	895.74	114.94	6,006.70	1,103.80	259.38	75.79	1,287.57	4,725.00	
Capital Work in Progress									311.60	472.52

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 ₹ 91.53 lakhs and the value of fixed assets is stated in the Balance Sheet at revalued figure.

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 ₹1.89 lakhs has been transferred from revaluation reserve to the Profit & Loss Account during the year under consideration.

Consolidated Notes on Financial Statements for the year ended 31st March, 2014

13 Non-Current Investments**Long Term Investment in Shares**UnquotedInvestment in Associates

2,35,000 (2,35,000) Equity Shares of Chembond Distribution 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 Re 1 each fully paid up.

(Constituting 49 % of the said Company's paid up capital)

Investment In Government Securities

Investment in National Saving Certificate

Other Investments

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

	As at 31/3/2014 (₹ In lakhs)	As at 31/3/2013 (₹ In lakhs)
	-	-
	55.67	49.46
	0.70	0.70
	0.13	0.13
Total	56.50	50.29

14 Long Term Loans and Advances

(Unsecured & considered good & subject to confirmation)

Income Tax (Net of Provision)

Fringe Benefit Tax (Net of Provision)

Vat Credit Receivable

Other Deposits

	128.53	111.20
	0.11	3.25
	116.50	163.32
	117.52	100.85
Total	362.66	378.62

15 Current InvestmentsInvestments in Mutual Funds - Quoted

38.54 (863.770) Units of Reliance Mutual Fund

(Liquid Fund Treasury Plan- Daily Dividend Reinvestment Plan)

(Additional units have been received on account of dividend)

	0.59	8.87
Total	0.59	8.87

16 Inventories

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

Raw Material (at cost)

Packing Material (at cost)

Work- in -Progress (At cost)

Finished Goods (at cost)

Stock-in-Trade (at cost)

Stock in Transit

Less : Stock Reserve

	1,951.56	2,002.37
	124.06	111.91
	8.06	42.88
	1,040.72	724.71
	337.99	319.37
	31.05	87.53
Total	3,493.44	3,288.77
	16.69	12.96
	3,476.75	3,275.81

Consolidated Notes on Financial Statements for the year ended 31st March, 2014

17 Trade Receivables

	As at 31/3/2014 (₹ in lakhs)	As at 31/3/2013 (₹ in lakhs)
<u>Outstanding for more than 6 Months</u>		
Considered Doubtful	137.24	99.73
Considered Good	1,233.49	1,027.54
	<u>1,370.73</u>	<u>1,127.27</u>
Other Debts (Considered Good)	7,447.15	6,142.33
	<u>8,817.88</u>	<u>7,269.60</u>
Less : Provision for Doubtful Debts	137.24	99.73
Total	<u>8,680.64</u>	<u>7,169.87</u>

- a. For Related party transaction refer Note No.33
- b. Debtors include debts due from Associate - Chembond Distribution Limited ₹ 266.48 lakhs. The net worth of this associate has been eroded. The parent Company has not made provision since its investment is long-term and in the opinion of the management the losses are temporary in nature.

18 Cash and Bank Balances

Cash on hand	5.17	4.54
Bank balance with Scheduled Banks		
In Current Accounts	513.12	610.78
Other Bank balances*	744.67	689.55
Total	<u>1,262.96</u>	<u>1,304.87</u>

* Other Bank Balance include deposits of ₹ 173.79 lakhs (previous year ₹ 90.59 lakhs) with maturity of more than 12 months.

19 Short-term Loans and Advances

(Unsecured & considered good & subject to confirmation)

Other Loans & Advances	287.37	371.31
Deposit - Excise	622.33	476.74
Other Deposits	29.41	34.10
Prepaid expenses	65.20	51.08
Total	<u>1,004.31</u>	<u>933.23</u>

20 Revenue from Operations

	2013-2014 (₹ in lakhs)	2012-2013 (₹ in lakhs)
Sales	30,862.74	30,265.43
Less: Excise Duty	3,825.12	4,033.68
Net Sales	<u>27,037.62</u>	<u>26,231.75</u>

Consolidated Notes on Financial Statements for the year ended 31st March, 2014

21 Other Income

	2013-2014 (₹ In lakhs)	2012-2013 (₹ In lakhs)
Dividend from Mutual Funds	0.13	0.64
Interest	79.32	71.44
Rental Income	6.98	7.95
Services Charges (From Related Parties)	79.57	66.07
Provision for Doubtful Debt no longer required	-	21.23
Miscellaneous Income	34.34	12.09
Unpaid Bonus of earlier years written back	-	7.17
Technical Services Income	328.77	308.62
Total	529.11	495.21

22 Cost of Materials Consumed

Raw Materials		
Acids	1,960.05	1,787.60
Oil & Solvent, Alkalies, etc.	1,523.23	1,196.89
Others	11,865.24	12,035.25
	15,348.52	15,019.74
Packing Material	1,429.62	1,195.86
Total	16,778.14	16,215.60

23 Changes in Inventory of Finished Goods, Work in Progress and Traded Goods

Finished products/ Stock in Trade (At Close)	1,380.31	1,086.96
Finished products/ Stock in Trade (At Commencement)	1,086.96	1,059.49
Total	(293.35)	(27.47)

24 Employee Benefit Expenses

Director Remuneration	112.14	137.04
Salaries & Wages	3,153.42	2,640.00
Employee ESOP compensation	6.10	9.99
Contribution to Provident & other funds	185.57	181.98
Staff Welfare Expenses	117.46	115.72
Total	3,574.69	3,084.73

a For Related party transaction Refer Note No.33

b The Company's obligation towards the Gratuity Fund is a Defined Benefit Plan. Details of Actuarial Valuation are as follows:

Projected Benefit Obligation at the beginning of the year	344.84	301.71
Service Cost	31.65	29.62
Interest Cost	28.37	26.14
Actuarial Losses/(Gains)	(14.24)	23.41
Benefits paid	(36.23)	(36.02)
Projected Benefit Obligation at the end of the year	354.39	344.86

Consolidated Notes on Financial Statements for the year ended 31st March, 2014

	2013-2014 (₹ In lakhs)	2012-2013 (₹ In lakhs)
Change in Plan Assets		
Fair Value of plan assets at the beginning of the year	217.88	195.97
Expected Returns on Plan assets	18.75	17.04
Employer's Contribution	53.63	40.87
Benefits paid	(36.23)	(36.02)
Actuarial Gain/(Loss)	0.24	0.00
Fair Value of plan assets at the end of the year	254.27	217.86
Cost of Defined Benefit Plan for the year		
Current Service Cost	31.65	29.62
Interest on Obligation	28.37	26.14
Expected Return on Plan Assets	(18.75)	(17.00)
Net Actuarial Losses/(Gains) recognised in the year	(14.47)	23.38
Net Cost recognised in the Profit & Loss Account	26.80	62.14
Assumptions		
Discount Rate	8.75%	8.75%
Future Salary Increase	5%	5%
Withdrawal Rates	1%	1%

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.

25 Finance Cost

Interest Expense	356.40	396.86
Bank Guarantee fees & charges	46.48	54.85
Total	402.88	451.71

26 Depreciation & Amortisation Expenses

Depreciation & Amortisation Expenses	281.39	259.38
Total	281.39	259.38

27 Other Expenses**Manufacturing Expenses**

Consumable stores	31.19	30.69
Octroi	6.76	4.78
Carriage Inward	65.36	64.61
Power, Fuel & Water Charges	94.85	96.04
Research and Development	77.54	95.26
Repairs and Renewals to Plant & Machinery	12.04	13.15
Godown Rent	25.55	28.27
Labour Charges	278.42	247.02
Security Expenses	59.93	45.13
Factory Maintenance	54.83	57.53
Technical Service Charges	201.63	155.01
Erection & Commissioning Charges	8.64	10.20
Excise Duty on Navy Sales	1.91	3.24
Profit Transferred to JV on PTC Business	61.10	44.41
Profit Transferred to Associate on Enzymes Business	8.32	8.55
A	988.07	903.89

Consolidated Notes on Financial Statements for the year ended 31st March, 2014

	2013-2014 (₹ in lakhs)	2012-2013 (₹ in lakhs)
Administrative Expenses		
Directors' Sitting Fees	12.65	18.50
Rates & Taxes	59.66	50.12
Electricity charges	39.39	43.70
Printing and stationary	34.12	40.97
Telephone & Postage Expenses	95.91	101.16
Insurance	51.22	46.77
Motor Car Expenses	45.46	44.24
Auditors Remuneration (see note a)	9.63	10.95
Legal, Professional & Consultancy fees	230.67	241.84
Repairs & Maintenance Buildings	1.45	7.60
Repairs & Maintenance Others	180.67	162.91
Miscellaneous Expenses	100.91	107.36
Donation	21.97	18.93
Sales Tax & Other Taxes	62.04	48.19
Loss on Sale of Fixed Asset	18.79	27.84
Provision for Doubtful Debts	37.51	30.22
Business Support service/RMC	121.34	112.47
Input Service Tax Disallowed	13.16	23.84
Foreign Exchange Fluctuation Loss	36.23	17.69
Rent	17.80	24.33
Liquidity Damages	-	69.57
Bad Debts written off	102.30	108.31
B	1,292.88	1,357.51
Selling and Distribution Expenses		
Carriage outwards	598.41	476.67
Rent	10.13	16.94
Commission on sales	513.90	505.10
Travelling Expenses	524.88	438.36
Conveyance expenses	68.97	53.99
Royalty Expenses	310.00	361.65
Advertising & Publicity Expenses	37.91	27.63
Packing Expenses	4.75	4.37
Sales Promotion Expenses	229.00	175.48
C	2,297.95	2,060.19
Total (A+B+C)	4,578.90	4,321.59
a. Auditor's Remuneration consists of:		
Statutory Audit Fees	5.49	5.31
Tax Audit Fees	2.08	1.80
Taxation and Other Matters	2.31	3.84
Total	9.88	10.95

Consolidated Notes on Financial Statements for the year ended 31st March, 2014

28 Earnings Per Share

	2013-2014	2012-2013
Net Profit as per Statement of Profit and Loss available to Equity Shareholders (₹ In Lakhs)	775.95	708.41
Total number of Equity Shares (Face value of ₹ 10 each fully paid up)	6,660,412	6,660,412
Weighted No. of Equity Shares	6,660,412	6,366,165
Basic Earnings per Share (in ₹)	11.65	11.13
Diluted No. of Equity Shares	6,859,141	6,389,444
Diluted Earnings per Share (in ₹)	11.31	11.09

29 Segment Reporting

In Compliance with Accounting Standard -17 "Segment Reporting" the company has identified Business Segments as the Primary Segment and Geographical Segment as Secondary Segments.

a Primary Segment Information (Business Segments)

(₹ In lakhs)

Particulars	Speciality Chemicals		Water Treatment Plant		Total	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
1 Segment Revenue						
Sales	30,578.95	28,684.30	283.78	1,581.14	30,862.74	30,265.43
Less: Excise duty	3,804.26	3,988.71	20.86	44.97	3825.12	4,033.68
Revenue from Operation	26,774.69	24,695.59	262.92	1,536.17	27,037.61	26,231.75
Other Income	520.08	486.20	9.03	9.01	529.11	495.21
Total Revenue	27,294.77	25,181.79	271.96	1,545.18	27,566.72	26,726.96
2 Segment Result before Interest and Taxes	2,146.07	2,178.42	(224.20)	(149.95)	1,921.87	2,028.47
Less: Interest Expenses	376.40	405.67	26.49	46.04	402.88	451.71
Profit Before Tax	1,769.67	1,772.75	(250.69)	(195.99)	1,518.99	1576.76
Current Tax	626.08	612.56	-	-	626.08	612.56
Deferred Tax	(18.05)	53.34	(1.47)	120.67	-19.51	174.01
Profit after Tax (before adjustment for Minority Interest)	1,161.64	1,106.86	(249.22)	(316.66)	912.42	790.20
Share of (Profit)/Loss transferred to Minority	(273.91)	(256.53)	126.80	195.03	(147.10)	(61.50)
Profit after Tax	896.42	829.94	(122.42)	(121.63)	774.00	708.30
3 Other Information						
Segment Assets	20,043.42	17,901.02	474.01	412.96	20,517.43	18,313.98
Segment Liabilities	10,362.00	8756.25	267.53	445.62	10,629.53	9201.87
Capital Expenditure	714.97	625.15	1.67	8.57	716.64	633.72
Depreciation and amortisation	267.68	249.56	13.71	9.82	281.39	259.38
Non Cash Expenses other than depreciation and amortisation	-	-	-	-	-	-

Consolidated Notes on Financial Statements for the year ended 31st March, 2014

b Secondary Segment Information (Geographical Segments)

	2013-2014 (₹ in lakhs)	2012-2013 (₹ in lakhs)
1 Segment Revenue		
Within India	27,088.99	26,172.74
Outside India	477.73	554.22
Total	27,566.72	26,726.96
2 Segment Assets		
Within India	20,517.43	18,313.98
Outside India	-	-
Total	20,517.43	18,313.98
3 Capital Expenditure		
Within India	716.64	633.72
Outside India	-	-
Total	716.64	633.72

30 Information on Joint Ventures

Henkel Chembond Surface Technologies Ltd.
(on the basis of Audited Financial Statements)

- a Jointly Controlled Entity - Henkel Chembond Surface Technologies Ltd.
Country of Incorporation - India
Percentage of ownership interest - 49%
- b Interest in the assets, liabilities, income and expenses with respect to jointly controlled enterprises

	As at 31/3/2014 (₹ in lakhs) Audited	As at 31/3/2013 (₹ in lakhs) Audited
A. Assets:		
Fixed Assets		
Tangible Assets	541.80	548.73
Intangible Assets	26.81	15.30
Capital Work-in-Progress	161.27	154.69
Non Current Investments	0.25	0.25
Long-term Loans & Advances	22.92	5.50
Current assets		
Current Investment	-	8.32
Inventories	628.15	539.35
Trade Receivables	2,287.99	2,165.45
Cash and Bank Balances	59.33	160.55
Short-term Loans and Advances	609.41	372.70
B. Liabilities		
Deferred Tax Liabilities (Net)	24.75	31.82
Long-term provisions	-	8.47
Current Liabilities		
Borrowings	397.62	146.11
Trade Payables	625.83	964.25
Other Current Liabilities	287.25	261.75
C. Income	8,368.98	8,397.05
D. Expenses	7,724.52	7,544.50
E. Tax	203.88	281.02

Consolidated Notes on Financial Statements for the year ended 31st March, 2014

31 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 Company 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.

32 Contingent Liabilities not provided for are in respect of :

	As at 31/3/2014 (₹ in lakhs)	As at 31/3/2013 (₹ in lakhs)
a Excise matter under appeal	218.69	-
b Sales Tax matter under appeal	1,955.64	29.92
c Outstanding LC, Bank Guarantees, bill discounting by Bankers.	855.40	637.54
d Income Tax Matter (Departmental Appeal)	65.66	67.01
e Corporate Guarantees given by CCL on behalf of CAWTL & CCWTL to Bank of India.	900.00	900.00
f Balance payment for Capital Commitment	22.84	78.51
g Claims against the company not acknowledged as debt.	9.60	156.48

33 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. Joint Venture:

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

ii. Associates:

Chembond Distribution Ltd., Chembond Enzyme Company Ltd. & Chembond Habio Bioengineering Company Ltd. (Subsidiary of Associate)

iii. Key Management Personnel and their relatives (others) (KMP)

Key Management Personnel:

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

Relatives:

Padma V. Shah, Gulu P. Dastur, Dr. Shilpa S. Shah, Mamta N. Shah, Alpana S. Shah, Jyoti N. Mehta & Zarna K. 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.,

Bentec Organoclays Pvt. Ltd., Ashland Casting Solutions Inc.

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

Consolidated Transaction with Related parties

Description of the nature of transactions	2013-14				2012-13			
	Joint Venture	Associates	KMP	Total	Joint Venture	Associates	KMP	Total
Sales of Goods		93.82	69.72	163.54	445.46	249.09	459.87	1154.42
Chembond Chemicals Ltd		93.82	10.90	104.72		249.09	15.37	264.46
Henkel Chembond Surface Technologies Ltd			12.63	12.63			1.07	1.07
Chembond Ashland Water Technologies Ltd							46.70	46.70
Protochem Industries Pvt Ltd			15.19	15.19			368.36	368.36
Chembond Clean Water Technologies Ltd			31.00	31.00	445.46		28.37	473.83
Purchase of Goods	34.32	28.00	1389.23	1451.55	11.37		1191.89	1203.26
Chembond Chemicals Ltd		28.00	894.59	922.59			615.66	615.66
Henkel Chembond Surface Technologies Ltd	34.32		494.64	528.96	11.37		565.35	576.72

(₹ in lakhs)

Consolidated Notes on Financial Statements for the year ended 31st March, 2014

Description of the nature of transactions	2013-14				2012-13			
	Joint Venture	Associates	KMP	Total	Joint Venture	Associates	KMP	Total
Chembond Clean Water Technologies Ltd							9.37	9.37
Chembond Ashland Water Technologies Ltd								
Protochem Industries Pvt Ltd							1.51	1.51
Rent Income		0.48	0.72	1.20		0.48	0.72	1.20
Chembond Chemicals Ltd		0.48	0.72	1.20		0.48	0.72	1.20
Service Charges Expenses	121.34			121.34	119.38			119.38
Henkel Chembond Surface Technologies Ltd	121.34			121.34	119.38			119.38
IT Service Charges Expenses	29.08		11.15	40.23	20.05		10.17	30.22
Henkel Chembond Surface Technologies Ltd	29.08		11.15	40.23	20.05		10.17	30.22
Other Expenses	3.63		1.20	4.83	6.35		3.31	9.66
Henkel Chembond Surface Technologies Ltd	3.63		1.20	4.83	6.35		3.31	9.66
Other Income							3.33	3.33
Henkel Chembond Surface Technologies Ltd							3.33	3.33
Interest Expenses		8.60	86.85	95.45		6.31	62.75	69.06
Chembond Chemicals Ltd		8.60	85.28	93.88		6.31	58.53	64.84
Chembond Ashland Water Technologies Ltd			1.22	1.22			1.22	1.22
Chembond Clean Water Technologies Ltd			0.35	0.35			3.00	3.00
Rental Expenses			8.63	8.63			8.24	8.24
Finor Piplaj Chemicals Ltd			1.00	1.00				
Chembond Ashland Water Technologies Ltd			0.50	0.50				
Henkel Chembond Surface Technologies Ltd			7.13	7.13			8.24	8.24
Director Remuneration			110.70	110.70			117.66	117.66
Chembond Chemicals Ltd			66.66	66.66			84.58	84.58
Chembond Ashland Water Technologies Ltd			25.68	25.68			2.00	2.00
Henkel Chembond Surface Technologies Ltd			18.36	18.36			31.08	31.08
Director Sitting Fees			14.00	14.00			18.00	18.00
Chembond Chemicals Ltd			12.60	12.60			16.00	16.00
Chembond Ashland Water Technologies Ltd			0.40	0.40				
Chembond Clean Water Technologies Ltd							1.00	1.00
Protochem Industries Pvt Ltd			1.00	1.00			1.00	1.00
Commission to Director			5.69	5.69				
Chembond Chemicals Ltd			4.00	4.00				
Chembond Ashland Water Technologies Ltd			1.69	1.69				
Retirement Benefits			3	3				
Chembond Chemicals Ltd			3	3				
Salaries			18.55	18.55			16.44	16.44
Chembond Chemicals Ltd			18.55	18.55			16.44	16.44
Compensation Expenses		8.32	0.39	8.71		8.55		8.55
Chembond Chemicals Ltd		8.32		8.32		8.55		8.55
Protochem Industries Pvt Ltd			0.39	0.39				
Royalty	270.98		39.02	31	325.70		35.94	361.64
Chembond Ashland Water Technologies Ltd	171.00			171.00	205.87			205.87
Henkel Chembond Surface Technologies Ltd	99.98			99.98	94.83			94.83
Chembond Clean Water Technologies Ltd					25.00			25.00
Chembond Chemicals Ltd			39.02	39.02			35.94	35.94
Sale of Fixed Assets							3.11	3.11
Chembond Ashland Water Technologies Ltd							3.11	3.11
Purchase of Fixed Assets			4.89	4.89				
Henkel Chembond Surface Technologies Ltd			2.45	2.45				
Chembond Chemicals Ltd			2.44	2.44				
Balances at the year end								
Loan Taken		70.50	812.25	882.75		50.50	576.66	627.16
Chembond Chemicals Ltd		70.50	812.25	882.75		50.50	533.16	583.66
Chembond Ashland Water Technologies Ltd							13.50	13.50
Chembond Clean Water Technologies Ltd							3	3
Chembond Ashland Water Technologies Ltd								
Sundry Debtors	221.09	266.48	2.87	490.43	1.71	310.52	86.35	398.58
Chembond Clean Water Technologies Ltd			0.07	0.07	1.71			1.71
Chembond Chemicals Ltd	221.09	266.48		487.57		310.52		310.52
Chembond Ashland Water Technologies Ltd							12.05	12.05
Protochem Industries Pvt. Ltd			2.79	2.79			74.30	74.30

Consolidated Notes on Financial Statements for the year ended 31st March, 2014

Description of the nature of transactions	2013-14				2012-13			
	Joint Venture	Associates	KMP	Total	Joint Venture	Associates	KMP	Total
Sundry Creditors	174.74	26.89	334.14	535.77	175.65	226.51	269.08	671.24
Chembond Chemicals Ltd		26.89	196.13	223.02		226.51		226.51
Chembond Ashland Water Technologies Ltd	99.53			99.53				
Chembond Clean Water Technologies Ltd	22.50			22.50			5.24	5.24
Henkel Chembond Surface Technologies Ltd	52.71		138.01	190.72	175.65		263.17	438.82
Protochem Industries Pvt Ltd							0.67	0.67
Advance Received					1.12			1.12
Chembond Clean Water Technologies Ltd.					1.12			1.12

(₹ in lakhs)

34 Derivative Instruments

- a. The Company has entered into forward contracts to hedge the foreign currency risks arising from amounts designated in foreign currency. The counter party to such forward contract is a bank. Forward contracts outstanding at the year end are:

Currency	Exposure to buy/sell	As at 31/3/2014 (in lakhs)		As at 31/3/2013 (in lakhs)	
		Foreign Currency	Indian Currency	Foreign Currency	Indian Currency
USD	Buy	3.11	192.88	1.24	67.36

- b. Foreign Currency Exposures at the year end not hedged by derivative instruments:

(in Lakhs)

Particulars	Exposure to Buy/Sell	As at 31/3/2014		As at 31/3/2013	
		Foreign Currency	Indian Currency	Foreign Currency	Indian Currency
Payable against imports of goods or services					
US Dollars	Buy	9.62	578.12	6.18	333.61
US Dollars	Sell	2.17	130.42	1.69	91.27
Euro	Buy	3.23	265.92	2.17	149.47
Euro	Sell	0.38	30.58	0.38	26.22
Hongkong Dollars	Buy	0.04	0.35	-	-
Australian Dollars	Buy	0.02	1.26	0.01	0.48
British Pounds	Buy	0.06	5.95	0.01	0.42

- 35 Previous years figures have been regrouped, reallocated, or reclassified wherever necessary, to conform to this year's classification.

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

As per our attached report of even date

For **M/s Kastury & Talati**

Chartered Accountants

Dhiren P. Talati

Partner

Membership No. F/41867

Mumbai, 24th May 2014

On behalf of the Board of Directors

Sameer V. Shah

Chairman & Managing Director

Nirmal V. Shah

Vice Chairman & Managing Director

Sushil U. Lakhani

Director

Mumbai, 24th May 2014

Omkar Mhamunkar

Company Secretary

Notice

NOTICE IS HEREBY GIVEN THAT THE THIRTY NINETH ANNUAL GENERAL MEETING OF THE MEMBERS OF CHEMBOND CHEMICALS LIMITED will be held at EL-37, MIDC Mahape, Navi Mumbai 400 710, on Saturday, the 9th of August, 2014 at 03.00 p.m. to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2014 and the Balance Sheet as of that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. Appointment of Auditors:

To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed thereunder, as amended from time to time, M/s. Kasturi & Talati, Chartered Accountants (Firm Registration No.104908W), be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting (AGM) till the conclusion of the next Annual General Meeting, at such remuneration plus service tax and expenses as may be mutually agreed between the Board of Directors of the Company and the Auditors.”

Special Business:

4. To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Companies Act, 2013, Mr. Jawahar I. Mehta (DIN 00128995), an existing Independent Director of the Company, who has submitted a declaration that he meets the criteria for independence as provided in section 149(6) of the Act and who is eligible for appointment, and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company, for a period of 5 (five) years with effect from 9th August, 2014 to 8th August, 2019.”

5. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Companies Act, 2013, Mr. Sushil U. Lakhani (DIN 01578957), an existing Independent Director of the Company, who has submitted a declaration that he meets criteria for independence as provided in section 149(6) of the Act and who is eligible for appointment, and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company, for a period of 5 (five) years with effect from 9th August, 2014 to 8th August, 2019.”

6. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Companies Act, 2013, Mr. Mahendra K. Ghelani (DIN 01108297), an existing Independent Director of the Company, who has submitted a declaration that he meets criteria for independence as provided in section 149(6) of the Act and who is eligible for appointment, and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company for a period of 5 (five) years with effect from 9th August, 2014 to 8th August, 2019.”

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

Sameer V. Shah
Chairman & Managing Director

Mumbai, 24th May, 2014

Registered Office:

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

Notes:

1. **A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on a poll only instead of himself and the proxy need not be a member.**
2. A proxy form duly completed and stamped, must reach the registered office of the Company not less than 48 hours before the time for holding the aforesaid meeting.
3. A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
4. Members are requested to bring their attendance slip along with their copy of the Annual Report to the Meeting.
5. The register of members and the share transfer books of the Company will remain closed from 25th July, 2014 to 9th August, 2014 (both days inclusive) in connection with the Annual General Meeting.
6. The Directors have recommended a dividend of ₹ 3.00 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 of the Company in case of Physical Shares, as at the close of business hours on 25th July, 2014 and in respect of Shares held in Dematerialized form in the depository system, to the beneficial owners of shares as on 25th July, 2014 as per details furnished by National Securities Depository Limited and Central Depository Services (India) Limited for the purpose.
7. Under Section 205A of the Companies Act, 1956 and introduction of Section 205C of 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 dividends for the financial year 2005-06 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, 2014 are as under:

Date of Declaration	Amount (₹)	Due Date
18/08/07	34,222.50	17/08/2014
13/09/08	44,541.00	12/09/2015
22/08/09	32,158.00	21/09/2016
18/09/10	43,496.25	17/09/2017

Date of Declaration	Amount (₹)	Due Date
10/09/11	52,264.55	09/09/2018
08/09/12	66,679.70	07/09/2019
10/08/13	108,442.50	09/08/2020

The Ministry of Corporate Affairs (MCA) on 10th May, 2012 notified the IEPF (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012 (IEPF Rules), which is applicable to the Company. The objective of the IEPF Rules is to help the shareholders ascertain status of the unclaimed amounts and overcome the problems due to misplacement of intimation thereof by post etc. In terms of the said IEPF Rules, the Company has uploaded the information in respect of the Unclaimed Dividends in respect of the financial years from 2006-07, as on the date of the 38th Annual General Meeting (AGM) held on 10th August, 2013, on the website of the IEPF viz. www.iepf.gov.in and under "Investors Section" on the Website of the Company viz. www.chembondindia.com.

Members who have not encashed their dividend warrants are advised to write to the Registrar & Transfer Agent (RTA) of the Company, M/s. TSR Darashaw Private Limited for claiming unclaimed dividends.

8. Members holding shares in dematerialized form are requested to intimate all changes pertaining to their bank details, National Electronic Clearing Service (NECS), Electronic Clearing Service (ECS), mandates, nominations, power of attorney, change of address, change of name, e-mail address, contact numbers, etc., to their Depository Participant (DP). Changes intimated to the DP will then be automatically reflected in the Company's records which will help the Company and the Company's Registrars and Transfer Agents, TSR DARASHAW Private Limited (TSRDPL) to provide efficient and better services. Members holding shares in physical form are requested to intimate such changes to TSRDPL.
9. Members holding shares in physical form are requested to consider converting their holdings to dematerialized form. Members can contact the Company or TSRDPL for assistance in this regard.
10. Members holding shares in physical form in identical order of names in more than one folio are requested to send to the Company or TSRDPL, the details of such folios together with the share certificates for consolidating their holding in one folio. A consolidated share certificate will be returned to such Members after making requisite changes thereon.
11. In case of joint holders attending the meeting, the Member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote.
12. To support the 'Green Initiative', the Members who have not registered their e-mail addresses are requested to register the same with TSRDPL/Depositories.

13. 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. 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 up to the date of the Annual General Meeting.
14. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company.
15. Electronic copy of the Notice of the 39th Annual General Meeting of the Company *inter alia* indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/Depository Participant(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the 39th Annual General Meeting of the Company *inter alia* indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent in the permitted mode.
16. Members may also note that the Notice of the 39th Annual General Meeting and the Annual Report for the financial year 2013-14 will also be available on the Company's website www.chembondindia.com for their download. The physical copies of the aforesaid documents will also be available at the Company's Registered Office in Navi Mumbai for inspection during normal business hours on working days. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, by post free of cost. For any communication, the shareholders may also send requests to the Company's investor email id: investor.grievance@chembondindia.com

17. Voting through electronic means

The Company is pleased to offer e-Voting facility for its Members to enable them to cast their votes electronically. The procedure and instructions for the same are as follows:

1) In case of members receiving e-mail:

- (i) Log on to the e-voting website www.evotingindia.com
- (ii) Click on "Shareholders" tab to cast your votes.
- (iii) Then, select the "COMPANY NAME" from the drop down menu and click on "SUBMIT"
- (iv) After that Now Enter your User ID :
 - a) For CDSL : 16 digits beneficiary ID
 - b) For NSDL: 8 Character DP ID followed by 8 Digits Client ID; and
 - c) Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login.

If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.

- (vi) If you are a first time user follow the steps given below:

	For Members holding shares in Demat Form and Physical Form
PAN	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) Members who have not updated their PAN with the Company/ Depository Participant are provided a "SEQUENCE NUMBER" which is to be entered in the PAN field.
DOB#	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format. If the correct information is not registered with the Depositories/ Company, please do not enter any value in this field.
Dividend Bank Details #	Kindly state your folio no (8 digits) / DP ID & Client ID (16 digits) in this field as mentioned in instruction (iv).

* This is mandatory field to be entered.

Please enter the DOB or Dividend Bank Details in order to login.

- (vii) After entering these details appropriately, click on "SUBMIT" tab.
- (viii) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (ix) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (x) Click on the <EVS> 140627003 of the CHEMBOND CHEMICALS LIMITED
- (xi) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xiii) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xiv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xv) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xvi) If Demat account holder has forgotten the same password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xvii) Note for Institutional Shareholders
- Institutional shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to <https://www.evotingindia.co.in> and register themselves as Corporates.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - After receiving the login details they have to create a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
 - The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- 2) In case of members receiving the physical copy:**
- (i) Please follow all steps from sl. no. (i) to sl. no. (xvii) above to cast vote.
- 3) General Instructions:**
- (i) The e-Voting period commences on Monday, 4th August, 2014 from 9.00 a.m. (IST) and ends on Tuesday, 5th August, 2014 at 9.00 a.m. (IST). During this period shareholders of the Company holding shares either in physical or dematerialized form, as on the cut-off date (record date) of 20th June, 2014, may cast their vote electronically. The e-Voting module shall be disabled by CDSL for voting thereafter.
- (ii) Once a vote on a resolution is cast, the shareholder will not be allowed to change it subsequently.
- (iii) The Results shall be declared on or after the AGM of the Company. The Results declared alongwith the Scrutinizer's Report shall be placed on the Company's website www.chembondindia.com and on the website of CDSL within two (2) days of passing of the resolutions at the AGM of the Company and communicated to the BSE Limited.
- (iv) All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the Registered Office of the Company during normal business hours on all working days up to and including the date of the Annual General Meeting of the Company.
- (v) Mr. Virendra Bhatt, Practicing Company Secretary (C. P. No. 124) has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
- (ii) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.co.in under help section or write an email to helpdesk.evoting@cdslindia.com
- 18. POLL AT MEETING :** After the agenda item has been discussed, the Chairman may order a poll in respect of the all of the business items. The poll will be conducted and supervised by Scrutinisers to be appointed for the purpose.

19. As per the Listing Agreement, particulars of Directors who are proposed to be re-appointed are provided in the explanatory statement.
20. 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 applied to the dividend paid on shares held in electronic form. Members may therefore give instructions regarding bank accounts in which they wish to receive a dividend to their Depository Participants.

Explanatory Statement pursuant to Section 102 (2) of the Companies Act, 2013.

Item no. 4

Mr. Jawahar I. Mehta is an Independent Director of the Company and also a member of remuneration committee of the Board of Directors of the Company. Mr. Mehta has B.Sc., B.S., and M.S degrees and vast experience in industry including with companies like Union Carbide (India) Ltd. He has also holds a Directorship in Ahmedabad Steelcraft Limited.

Mr. Jawahar I. Mehta is proposed to be appointed as an Independent Director of the Company with effect from 9th August, 2014 to 8th August, 2019" A notice has been received from a member proposing Mr. Mehta as a candidate for the office of Director of the Company.

In the opinion of the Board, Mr. Jawahar I. Mehta fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder for his appointment as an

Independent Director of the Company and is independent of the management.

Copy of the draft letter for appointment of Mr. Mehta as an Independent Director setting out the terms and conditions would be available for inspection by the members at the registered office of the Company during normal business hours on any working day.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail the services of Mr. Mehta. Accordingly, the Board recommends the resolution in relation to appointment of Mr. Mehta as an Independent Director, for the approval by the shareholders of the Company.

Except Mr. Mehta, none of the Directors and Key Managerial Personnel of the Company are concerned or interested, financial or otherwise, in the resolution set out at Item No. 4.

This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing agreement with

the Stock Exchange and may also be considered sufficient compliance under the provisions of Section 152 of the Companies Act, 2013.

Item no. 5

Mr. Sushil U. Lakhani, is an Independent Director of the Company and also a member of Audit Committee, Risk Management Committee, and Share Transfer Committee. Mr. Lakhani has FCA degree from the Institute of Chartered Accountants of India and has more than 29 years of post qualification experience with specialization. He also holds Directorships in Chembond Clean Water Technologies Limited and Delsoft Consultancy Private Limited.

He has been associated with eminent professionals/professional firms in carrying out various assignments. His area of specialization is in taxation with a wide exposure to domestic & international tax. He has authored a book titled "TDS on Payment to Non-Resident & Foreign Companies" published by The Chambers of Income-Tax Consultants, Mumbai and has co-authored a book titled "EPC Contracts-A Monogram" for the Bombay Chartered Accountants' Society.

He is a regular speaker and faculty at various courses, seminars & conferences on International Taxation. He is a regular contributor of articles & technical papers on subjects relating to International Taxation.

Mr. Sushil U. Lakhani is proposed to be appointed as an Independent Director of the Company with effect from 9th August, 2014 to 8th August, 2019." A notice has been received from a member proposing Mr. Sushil Lakhani as a candidate for the office of Director of the Company.

In the opinion of the Board, Mr. Sushil U. Lakhani fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder for his appointment as an Independent Director of the Company and is independent of the management.

Copy of the draft letter for appointment of Mr. Lakhani as an Independent Director setting out the terms and conditions would be available for inspection without any fee by the members at the registered office of the Company during normal business hours on any working day.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail the services of Mr. Lakhani. Accordingly, the Board recommends the resolution in relation to appointment of Mr. Lakhani as an Independent Director, for the approval by the shareholders of the Company.

Except Mr. Lakhani, none of the Directors and Key Managerial Personnel of the Company are concerned or interested, financial or otherwise, in the resolution set out at Item No. 5.

This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing agreement with the Stock Exchange and may also be considered sufficient

compliance under the provisions of Section 152 of the Companies Act, 2013.

Item no. 6

Mr. Mahendra K. Ghelani is an Independent Director of the Company and also a Chairman of Audit Committee, Compensation Committee, Risk Management Committee, and Remuneration Committee. Mr. Ghelani has BA, LLB and Solicitor degrees and has more than 45 years of experience with specialization in real estate, civil litigation, strategy planning, negotiation, pleadings, documentation, arbitration, corporate governance, alternate dispute resolution, international arbitration, and mediation. He also holds Directorships in Protochem Industries Private Limited and Variety Investments Private Limited.

After completion of his BA and law graduation in the year 1967, Mr. Ghelani enrolled as a solicitor in 1969 and associated with The Law Society, UK in the year 1982. He then joined Romer Dadachanji Sethna & Co. as Partner and in the year 1987 founded his own firm named as Law Charter. He is a Senior Partner in Law Charter, which is known as one of the prestigious law firm.

Mr. Mahendra K. Ghelani is proposed to be appointed as an Independent Director of the Company with effect from 9th August, 2014 to 8th August, 2019. A notice has been received from a member proposing Mr. Ghelani as a candidate for the office of Director of the Company.

In the opinion of the Board, Mr. Mahendra K. Ghelani fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder for his appointment as an Independent Director of the Company and is independent of the management.

Copy of the draft letter for appointment of Mr. Mahendra K. Ghelani as an Independent Director setting out the terms and conditions would be available for inspection without any fee by the members at the registered office of the Company during normal business hours on any working day.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Mr. Ghelani. Accordingly, the Board recommends the resolution in relation to appointment of Mr. Ghelani as an Independent Director, for the approval by the shareholders of the Company.

Except Mr. Ghelani, none of the Directors and Key Managerial Personnel of the Company are concerned or interested, financial or otherwise, in the resolution set out at Item No. 6.

This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing agreement with the Stock Exchange and may also be considered sufficient compliance under the provisions of Section 152 of the Companies Act, 2013.

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

Sameer V. Shah
Chairman & Managing Director

Mumbai, 24th May, 2014

Registered Office:

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

Chembond Chemicals Limited

Registered Office: Chembond Centre, EL-71, MIDC Mahape, Navi Mumbai 400 710

Corporate Identification No.: L24100MH1975PLC018235

Telephone :+91 22 3921 3000 Email :info@chembondindia.com Website :www.chembondindia.com

ATTENDANCE SLIP

(To be presented at the entrance duly signed)

Folio No./DPID & Client ID:

Name :

Address :

I hereby record my presence at the THIRTY NINETH ANNUAL GENERAL MEETING of the Company at Chembond Centre, EL-37, MIDC Mahape, Navi Mumbai 400 710, at 03.00 p.m. on Saturday, the 9th August, 2014.

SIGNATURE OF THE ATTENDING MEMBER / PROXY: _____

Chembond Chemicals Limited

Registered Office: Chembond Centre, EL-71, MIDC Mahape, Navi Mumbai 400 710

Corporate Identification No.: L24100MH1975PLC018235

Telephone :+91 22 3921 3000 Email :info@chembondindia.com Website :www.chembondindia.com

PROXY FORM

(To be presented at the entrance duly signed)

Name of the member(s) :

Registered address :

E-mail ID :

Folio No/Client ID :

DP ID :

I/We of being a member(s) of Chembond Chemicals Limited, hereby appoint:

1. Name :
Address :
E-mail Id :
Signature : or failing him
2. Name :
Address :
E-mail Id :
Signature : or failing him
3. Name :
Address :
E-mail Id :
Signature :

as my/our Proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Thirty Ninth Annual General Meeting of the Company to be held on Saturday, the 9th August, 2014, at 03.00 pm at Chembond Centre, EL-37, MIDC Mahape, Navi Mumbai 400 710, and at any adjournment thereof in respect of such resolutions as are indicated below :

Ordinary Business:

1. Adoption of financial statements for the year ended 31st March, 2014 together with Auditors' Report and Directors' Report
2. Declaration of Dividend for the financial year 2013-14
3. Appointment of Auditors and fixing their remuneration.

Special Business :

4. Appointment of Mr. Jawahar I. Mehta as an Independent Director of the Company.
5. Appointment of Mr. Sushil U. Lakhani as an Independent Director of the Company.
6. Appointment of Mr. Mahendra K. Ghelani as an Independent Director of the Company.

Affix
1/-
Revenue
Stamp

Signed this day of....., 2014

Signature across the stamp

Signature of the shareholder : _____

Signature of Proxy holder(s) : _____

- Notes :**
1. This form in order to be effective should be duly completed and deposited at the Registered Office of the Company at Chembond Centre, EL-71, MIDC Mahape, Navi Mumbai 400 710, not less than 48 hours before the commencement of the Meeting.
 2. For the Resolutions, Explanatory Statement and Notes, please refer to the Notice of 39th Annual General Meeting.

your one stop solution for strong and durable construction

We share our knowledge and grow with our customers. We are reliable partners and commit ourselves to our stakeholders. We are **Chembond**, and we are keen to serve you!



Tel. : +91 22 3921 3187 Email : enquiries.conschem@chembondindia.com

Chembond Chemicals Limited



Chembond Centre, EL-71, MIDC Mahape, Navi Mumbai - 400 710, India,
Tel. : +91 22 3921 3000 Email : info@chembondindia.com Website : www.chembondindia.com